Development of Public Debt in Europe

The most recent OECD estimates and projections of "general government gross public debt" extend to 2004. In the table the development of this important variable is shown as a percentage of GDP (public debt ratio).

The majority of EU countries reached the highest level of public debt ratio in the first half of the 1990s (1995 included). For Spain and for the United Kingdom the year with the highest debt ratio was 1996, for France it was 1998, and for Germany 1999.

Starting from the highest value of the debt ratio which had been reached, the majority of countries managed to reduce their debt ratio continuously – or nearly continuously – up to the projected figure for 2004. In some countries this steady reduction has been dramatic. Ireland, e.g., reduced its debt ratio from 96.2 percent (1993) to 32.3 percent (2004, est.). By contrast, Italy's continuous reduction had been less vigorous: the debt ratio went from 123.8 percent (1994) to 106.6 (2004, est.). Similarly moderate was the development in Greece where the debt ratio fell – albeit not quite continuously – from 110.1 percent (1993) to 99.7 percent (2004, est.).

There are only three countries in the EU that did not continuously reduce their debt ratio from the highest value reached, but witnessed, instead, a rise of the ratio in the first years of the 2000s (up to 2004, est.). These countries are France, Germany and Portugal.

For the European Union as a whole the highest debt ratio reached was 77.8 percent, on average (1996), and this has been continuously reduced to 69.1 percent (2004, est.). The development of all OECD countries was different: In 1996 the average debt ratio (75.2 percent compared to 77.8 percent) was lower than that of the EU countries, while in 2004 (est.) it is projected to be higher (77.7 percent compared to 69.1 percent).

General Government Gross Public Debt
As a percentage of nominal GDP

	1993	1994	1995	1996	1997	1998	1999	2000	2001	Estimates and projections		
										2002	2003	2004
Austria	61.8	64.7	69.2	69.1	64.7	63.9	64.9	63.6	63.2	63.3	62.2	60.2
Belgium	138.1	135.8	133.9	130.5	124.8	119.5	114.8	109.6	108.6	105.4	101.9	97.3
Denmark	78.0	73.5	69.3	65.1	61.2	56.2	52.7	46.8	44.7	41.9	38.7	35.1
Finland	56.0	58.0	57.2	57.1	54.1	48.8	46.8	44.0	43.4	39.8	39.6	39.1
France	45.3	48.4	54.6	57.0	59.3	59.5	58.5	57.3	57.3	59.3	61.2	62.2
Germany	46.9	49.3	57.0	59.8	61.0	60.9	61.2	60.2	59.5	61.7	63.0	63.4
Greece	110.1	107.9	108.7	111.3	108.2	105.8	105.1	106.2	107.0	106.4	103.6	99.7
Ireland	96.2	90.4	82.6	74.2	65.1	55.1	49.6	39.0	36.4	34.1	32.9	32.3
Italy	118.1	123.8	123.2	122.1	120.2	116.3	114.5	110.5	109.8	109.6	108.1	106.6
Luxembourg	5.7	5.4	5.6	6.2	6.1	6.3	6.0	5.6	5.6	6.0	6.0	6.0
Netherlands	78.8	75.7	77.2	75.2	69.9	66.8	63.1	55.8	52.8	51.7	50.6	49.0
Portugal	59.1	62.1	64.3	62.9	59.1	55.0	54.3	53.1	55.4	59.8	59.7	58.9
Spain	..	..	63.9	68.1	66.6	64.6	63.1	60.5	57.1	55.6	54.3	52.8
Sweden	..	76.2	76.2	76.0	73.1	70.5	65.0	55.3	56.6	52.8	52.2	51.5
United Kingdom	45.4	48.5	51.8	52.3	50.8	47.7	45.1	42.1	39.1	39.7	40.4	40.7
European Union	70.4	71.6	76.3	77.8	77.3	76.8	73.3	70.5	69.6	69.9	69.8	69.1
Total OECD	70.4	71.5	74.1	75.2	74.9	75.2	74.6	72.1	73.0	75.0	76.6	77.1

Note: The individual country debt figures are based on ESA95 definitions. The figures for the total of the European Union countries and of the OECD countries are not always fully comparable with the individual country data.

Source: OECD, Economic Outlook, No. 72, Dec. 2002.

The special importance of a satisfying development of the public debt ratio stems from the future burden which is to be expected from the ongoing ageing process in most industrial countries. The OECD estimates that total age-related spending (pensions, early retirement, health, family benefits) must be increased by about 6 to 7 percentage points of GDP during the coming 50 years. While these expenditures currently amount to around 20 percent of GDP, an increase of 6 to 7 percentage points would mean an increase of about 30 percent. This would – and will – put heavy pressures on public finances. Seen in this light, the reduction of the public debt burden must not only be of a continuous but also of a more vigorous nature.

R.O.