EuCham Charts

July 2015

Government debt as a percentage of GDP

	Country	Government debt to GDP 2009 (%)	Government debt to GDP 2014 (%)
1	Greece	133	174
2	Italy	117	132
3	Cyprus	97	108
4	Belgium	87	106
...			
43	Estonia	4	11

EuCham data based on The World Bank report
43 European countries were considered

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- Greece has currently the highest government debt to GDP ratio of 174%.
- Italy, Cyprus and Belgium have substantially increased their level of public debt that may lead to negative consequences in the long run.
- Estonia has the lowest national debt of 11%, showing successful management of the government's finances.

Source: eucham.eu/charts

Detailed Information

Government debt or 'public debt' is defined as the total amount of money owed by the government to creditors. After the financial crisis, which began in the late 2007, European countries highly increased their percentage of government debt. Decreased tax revenues, recapitalization of banks and simultaneous massive economic programs influenced the increase in public debt and resulted in different outcomes, described below.

European countries which took high advantage of these positive conditions for raising government debt found themselves in a particularly dangerous trajectory of ineptness in recent years. As a result, instead of improving their economic positions, this led to negative consequences, such as reduction in long-run economic growth.

Currently, Greece has the highest government debt to GDP ratio of 174%, which led the country to debt crisis and a possibility of default. In a five year period, the country has been lent an astonishing amount of money in not just one but two bailouts, resulting in $275 billion, worth more than the country's entire economic output. Following Greece are Italy (2^{nd}), Cyprus(3^{rd}) and Belgium(4^{th}) whose high public debt may reduce their long-run growth and may partly negate the positive effects of the fiscal stimulus.

Contrary to the countries with high government debt to GDP ratio, Estonia and Switzerland have successfully managed their finances, meaning that their governments maintain their funds sufficiently, ensuing the ability to repay their debt without issuing high amount of further national debt. However, Russia possesses an uncommon case in which the government debt to GDP ratio of 12% is relatively low. Russia defaulted in 1988 because the markets were not willing to offer them attractive loans and thus, they were forced to use alternative funding sources such as gaining large trade surplus from rise in oil prices .

In conclusion, it can be seen that between 2009 and 2014, the government debt to GDP ratio has increased in all countries, with the only exceptions being Norway and Turkey. Unfortunately, many countries need to be reminded on the line limit- a line which may result in economic destabilization and reduction of the growth in the long-run.

Methodology

The data for the countries are collected from the World Bank report from years 2009 and 2014 respectively. Government debt to GDP ratio represents the gross amount of government liabilities reduced by the amount of equity and financial derivatives held by the government. For measuring the government debt to GDP ratio, the central government debt, total % of GDP indicator was used.

Map 1: Government debt to GDP ratio

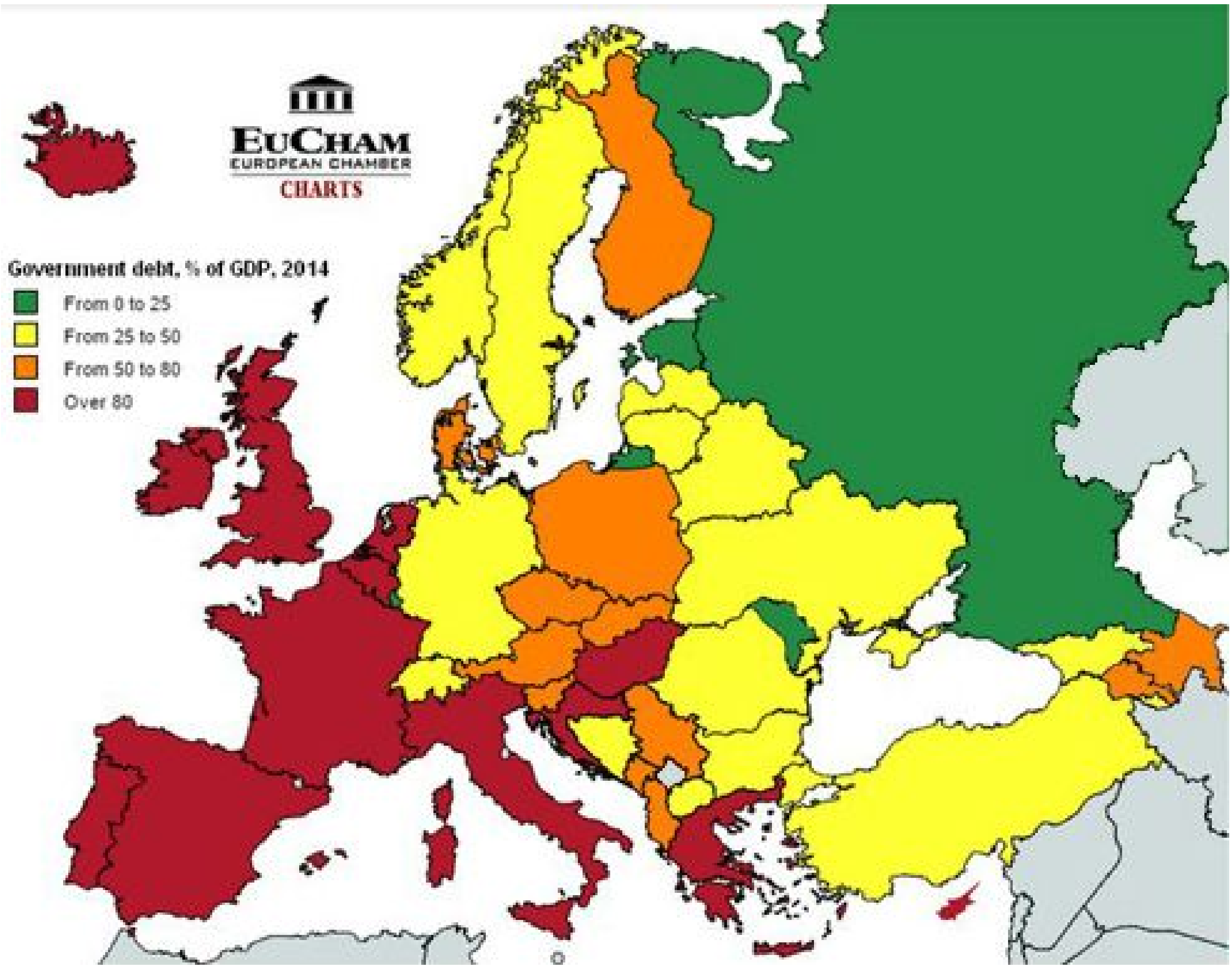

Figure 1: Increase in government debt to GDP ratio

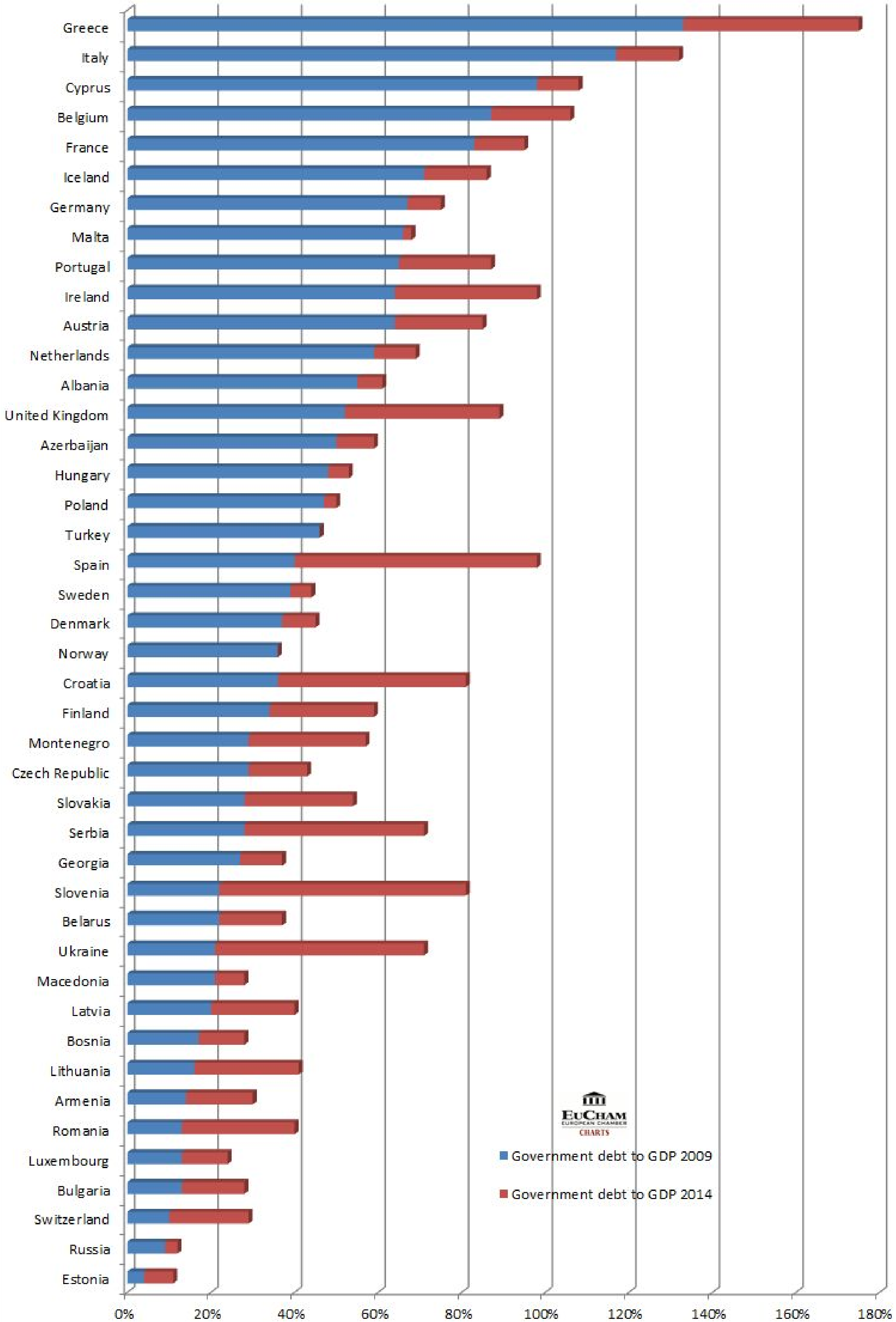

Table 1: Government debt to GDP ratio

Rank	Country	Government debt to GDP 2009 (%)	Government debt to GDP 2014 (%)
1	Greece	133	174
2	Italy	117	132
3	Cyprus	89	108
4	Belgium	87	106
5	Spain	46	98
6	Ireland	67	98
7	France	83	95
8	United Kingdom	69	89
9	Portugal	65	87
10	Iceland	71	86
11	Austria	69	85
12	Slovenia	22	81
13	Croatia	36	81
14	Germany	47	75
15	Ukraine	25	71
16	Serbia	28	71
17	Netherlands	54	69
18	Malta	82	68
19	Albania	55	61
20	Finland	41	59
21	Azerbaijan	50	59
22	Montenegro	29	57
23	Slovakia	28	54
24	Hungary	48	53
25	Poland	47	50
26	Denmark	37	45
27	Sweden	39	44
28	Czech Republic	29	43
29	Lithuania	29	41
30	Romania	13	40
31	Latvia	30	40
32	Belarus	19	37
33	Georgia	27	37
34	Turkey	54	33
35	Armenia	14	30
36	Switzerland	24	29
37	Bulgaria	13	28
38	Bosnia	17	28
39	Macedonia	21	28
40	Norway	36	26
41	Luxembourg	13	24
42	Russia	9	12
43	Estonia	4	11

No data: Andorra, Kazakhstan, Kosovo, Liechtenstein, Monaco, San Marino
*The data has been ranked according to Government debt to GDP 2014

Source: The World Bank
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