

## **ASPECTS REGARDING PUBLIC DEBT SHARE IN GDP AT THE LEVEL OF EUROPEAN UNION COUNTRIES**

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**ABSTRACT:** The way in which the state manages the public debt has always represented and it will continue to represent a subject of real importance, and the discussions regarding the level of budget deficit, the degree of indebtedness and its implications on the social wellness are very present at national level as also at the European Union level. In this paper it is presented the share of public debt in the Gross Domestic Product in the member countries of European Union, and, respectively, the degree of indebtedness of each member country of the European Union, at the level year of 2013.

**KEY WORDS:** *budget deficit, public debt, GDP, degree of indebtedness*

**JEL CLASSIFICATION:** *H62, H63*

The European Union as a free exchange zone represented in the World Trade Organization (WTO) as a stand-alone organism, has the largest economy in the world, providing a GDP expressed in tens of thousands of trillion euros. GDP level is reached with the contribution of all the 28 member states, also counting Romania, from 2007, with performances that vary from a member state to another.

There is an Economical Growth and Stability Pact which regulates the fiscal policy of the European Union, both at the level of economical free exchange (EU-28), and especially on the euro monetary zone (EU-17) which forecasts explicitly the fact that the level of public debt in GDP, afferent to each Union state, EU-28, to not exceed 60% from the backed up GDP with a maximum budget deficit of 3% from GDP.

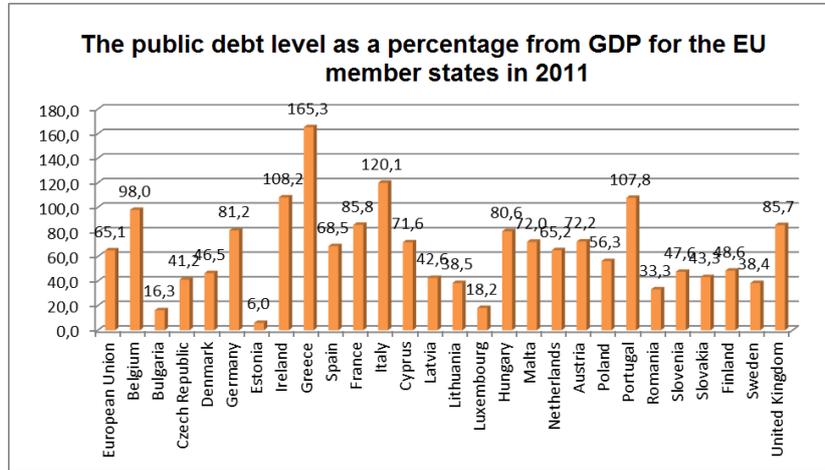
Even if they are specified, black on white, the maximum approved limit of the public debt and of the budget deficit, the foresights have been infringed by many member states which have constantly announced budget deficits bigger than 3%, and

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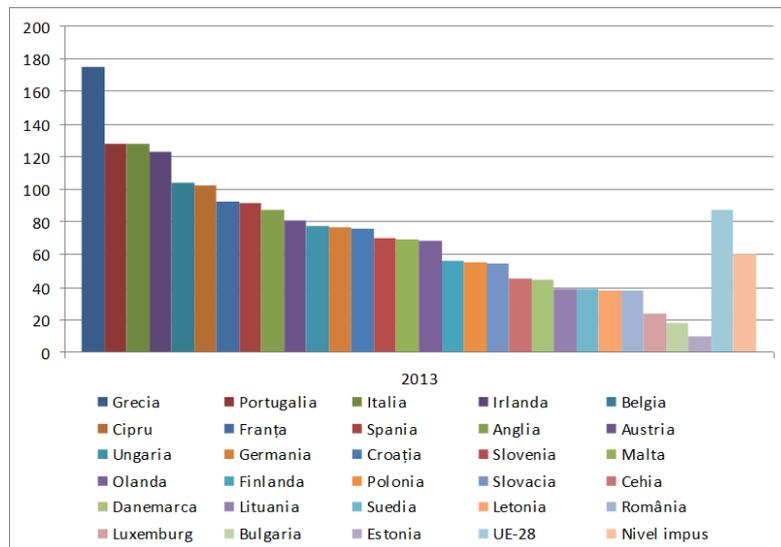
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attained a level of 60% of the GDP in public debt, those have been only utopian stories for some member states, figure 1 and figure 2 pointing out this case.



**Figure 1. Graphic representation of public debt level as a percentage from GDP, for the E.U. member states, E.U.-28, in 2011. Source: Eurostat**



**Figure 2. Graphic representation of the public debt level as percentage from GDP, of E.U member states, E.U.-28, in 2013. Source: Eurostat**

At a glance, the graphic above portrays easily the fact that the European Union average share, in what regards the public debt is, in 2013, over 80% from GDP, more exactly 87,4 % approximately equal with England's level, which had registered in 2013 a public debt level of 87,2%, this level being registered as an average share of the public debt afferent to members states.

Because of the fact that the public debt average level at a Union level is so high, it has been dealt with by positioning the majority of member states under the average level per Union.

In what regards the eminent states for the public debt chapter, these are presented in Chart 1:

**Chart 1. Public debt level % from GDP, of E.U. member states, E.U.-28, in 2013**

No	Country	Public debt % from GDP
1.	Greece	174,9
2.	Portugal	128,0
3.	Italia	127,9
4.	Ireland	123,3
5.	Belgium	104,5
6.	Cyprus	102,2
7.	France	92,2
8.	Spain	92,1
EU-28		87,4
1.	England	87,2

Source: Eurostat

From the above chart it can be observed that the first 6 positions are occupied by countries that have a public debt percentage, reported to the GDP, of over 100%, the most aggravated situation being the case of Greece, which had arrived at a debt level of 174,9% from GDP. On the same page of public debt is Portugal, second place, with 128,0% debt and Italy, third place, with a level of 127,9%, being followed at close distance by Ireland with a level debt of 123,3%.

If we can report to the imposed level through Common Community Politics in what regards the public debt level at Union level, that of 60%, it can be noted the fact that it is respected only by 12 Union states (Chart 2).

Between all these, 3 states are close to exceeding the 60% limit, from GDP afferent to public debt, respectively Finland with a 56,0% public debt, Poland with a 55,7% debt level and Slovakia with a percentage of 54,6%.

Relating to the “classification laggards”, in what regards the public debt level reported to GDP, the best performant of all is Estonia with a debt level of only 10,1% from GDP, followed at a distance of 8 percentage points by Bulgaria which had registered in 2013 a public debt of 18,3percentage points from GDP and at a distance of over 10 percentage from Luxemburg which has reported in for 2013 a public debt of 23,6% from GDP.

**Chart 2. Degree of indebtedness % from GDP, of E.U. member states, Legislative regulation EU-28, in 2013**

No	Country	Degree of indebtedness % from GDP
1.	Netherlands	68,6
Legislative regulation EU-28		60,0
1.	Finland	56,0
2.	Poland	55,7
3.	Slovakia	54,6
4.	Czech Republic	45,7
5.	Denmark	45,0
6.	Lithuania	39,0
7.	Sweden	38,6
8.	Latvia	38,2
9.	Romania	37,9
10.	Luxemburg	23,6
11.	Bulgaria	18,3
12.	Estonia	10,1

Source: Eurostat

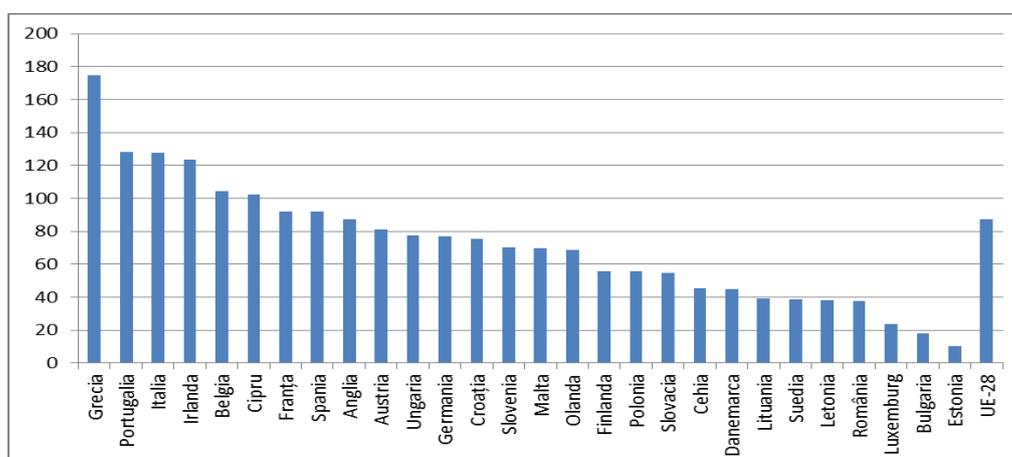
In what concerns Romania, as regards the public debt reported to the entire Union it occupies an honorable fourth place in the laggards classification for public debt, with 37,9% debt, followed at small distance by Latvia 38,2% and Sweden 38,6%.

In what concerns the public debt level at the European Union member states level the conclusion is clear: even if there is a legislation which limits the level of public debt at 60% of the GDP, it is respected only by 12 member states, from a total of 28, which allows us to declare the fact that this limit, of 60%, is more for guidance, recommended more than mandatory.

If we report this to the average level of public debt at the European Union level, it can be observed that from the total of 28 member states, 8 had exceeded the average level registered at the Union level, 19 states are under Union average level and one state, England, had registered almost the same public debt level, 87,2% as the average level of the European Union of 87,4% (figure 3).

If we make an overlay of the public debt level regulated at 60% and of the average level of public debt reached in the Union, EU-28, of 87,4%, it results that in the E.U. we have 3 zones, depending on the public debt level, namely:

- The red zone, where there are the states that have exceeded the regulated level of 60% as well as the one registered as average of 87,4% at the E.U. level, in this situation being 8 states.
- The grey zone, where are the states that have exceeded the regulated level of 60% of the public debt but are under the registered average level of public debt as 87,4% at the E.U. level, in this situation being also 8 states;
- The green zone, it is represented by the states of whose national public debt is under the 60% limit, limit regulated by the legislation.



Source: Eurostat

**Figure 3. Graphic representation of the public debt average level, of E.U. members states, E.U.-28, in 2013**

In Chart 3 are presented these zones, the red one, grey and green.

**Chart 3. The degree of indebtedness and the budget deficit of the E.U. members states between 2012-2013 for the three zones**

No	Country	Degree of indebtedness % from GDP
1.	Greece	174,9
2.	Portugal	128,0
3.	Italy	127,9
4.	Ireland	123,3
5.	Belgium	104,5
6.	Cyprus	102,2
7.	France	92,2
8.	Spain	92,1
<b>Average public debt EU-28</b>		<b>87,4</b>
9.	England	87,2
10.	Austria	81,2
11.	Hungary	77,3
12.	Germany	76,9
13.	Croatia	75,7
14.	Slovenia	70,4
15.	Malta	69,8
16.	Netherlands	68,6
<b>Legislative regulation</b>		<b>60,00</b>
17.	Finland	56,0
18.	Poland	55,7
19.	Slovakia	54,6
20.	Czech Republic	45,7

No	Country	Degree of indebtedness % from GDP
21.	Denmark	45,0
22.	Lithuania	39,0
23.	Sweden	38,6
24.	Latvia	38,2
25.	Romania	37,9
26.	Luxemburg	23,6
27.	Bulgaria	18,3
28.	Estonia	10,1

Source: Eurostat

## CONCLUSIONS

Based on the facts presented above we can conclude that, at the level of 2013, 8 E.U. members states have registered a public debt level, as a percentage of the GDP, both over the E.U. average public debt level (87,4%), and over the agreed level in the Maastricht Treaty (60%). In the top of this classification are situated Greece, Portugal, Italy, followed by Ireland, Belgium, Cyprus, France and Spain.

A number of 8 member countries have registered a public debt level, in percentage of the GDP, under the E.U. public debt average level (87,4%), but over the agreed level at Maastricht Treaty (60%). In the top of this classification are situated England, Austria, Hungary, followed by Germany, Croatia, Slovenia, Malta and The Netherlands.

A number of 12 members countries have registered a level of public debt, in percentage of the GDP, both under the E.U. public debt average level (87,4%), and under the agreed level at Maastricht Treaty (60%). In the top of this classification are situated Finland, Poland and Slovakia.

As for Romania, regarding the public debt reported at the entire Union, it occupies an honorable fourth place in the laggards classification for public debt, with a debt of 37,9%, followed at a small distance by Latvia 38,2% and Sweden 38,6%.

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