

Fiscal balance and debt by level of government

Different administrative systems allow sub-central governments greater or lesser autonomy in raising and spending resources. Correspondingly, fiscal results in those different levels of government may vary substantially. Nevertheless, in order to avoid generating the wrong set of incentives, sub-central governments are often subject to tight fiscal rules, especially about incurring debt in order to finance deficits.

In 2019 the average budget balance among OECD countries was -2.9% of GDP for central government, -0.5% of GDP for state governments and -0.01% of GDP for local governments. Social security funds were in surplus on average, at +0.3% of GDP. As noted above, budget balances deteriorated significantly in 2020 as governments spent large amounts on COVID-19 response measures. National governments were responsible for the bulk of the general government deficit in 2020. In 18 of the 26 OECD countries for which data are available, central government was responsible for more than 90% of the deficit in 2020. Those countries where this was not the case include three federal countries where states were responsible for a substantive portion of the deficit (Belgium, Canada and Germany). They also include three countries where a portion of the deficit in 2020 was accrued via social security funds (Estonia, France and Spain) (Figure 2.13).

General government debt in OECD countries is held mainly by national governments (Figures 2.14 and 2.15). In 2019, on average across OECD countries, national governments held 82% of general government debt. The COVID-19 crisis has had no appreciable effect on the distribution of government gross debt across levels of government. Although national governments have been responsible for most of the deficits incurred in 2020, the proportion of government debt held by national government has not been significantly affected, as they already held the majority of government debt. For example, among the 22 countries which are EU and OECD members (OECD-EU), debt held by national governments increased from an average of 84% of GDP in 2019 to 99% in 2020 (Figure 2.14). However, the national governments' share of national debt remained the same, at around 82% of the total (Figure 2.15).

Methodology and definitions

Data are derived from the OECD National Accounts Statistics (database), based on the System of National Accounts (SNA), a set of internationally agreed concepts, definitions, classifications and rules for

national accounting. The 2008 SNA framework has been implemented by all OECD countries (see Annex A for details). Using SNA terminology, general government consists of central government, state government, local government and social security funds. State government is only applicable to the nine OECD countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a quasi-federal country), Switzerland and the United States. Fiscal balance, also referred to as the net lending (+) or net borrowing (-) of general government, is calculated as total government revenues minus total government expenditures. For additional information on debt, see General government gross debt.

Further reading

OECD (2021), "Sovereign borrowing outlook for OECD countries", in *OECD Sovereign Borrowing Outlook 2021*, OECD Publishing, Paris, <https://doi.org/10.1787/4f246e82-en>.

Figure notes

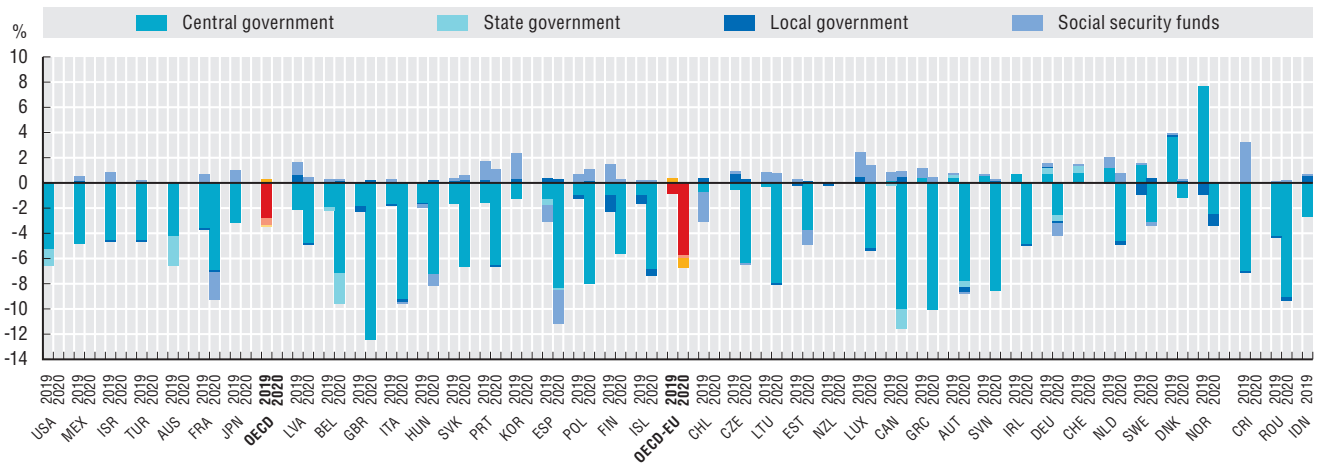
Local government is included in state government for Australia and the United States. Australia does not operate government social insurance schemes. Social security funds are included in central government in Ireland, Norway, the United Kingdom and the United States.

2.13. Data for Colombia are not available. Data for Chile and Turkey are not included in the OECD average because of missing time series or main non-financial government aggregates. For Japan, data for sub-sectors of general government refer to fiscal years and are for 2018 rather than 2019.

2.14 and 2.15. Data for Chile, Iceland, Korea and Mexico are not available. Data for Colombia and Turkey are not included in the OECD average. Data for Australia, Canada, Colombia, Sweden and the United States are reported on an adjusted basis (i.e. excluding unfunded pension liabilities). Data for Switzerland and the United States are reported on a non-consolidated basis. For Japan, data for sub-sectors of general government refer to the fiscal year. Data for Israel are for 2018 rather than 2019.

2.15. Data are consolidated within the subsectors of general government. However, at the level of general government, flows between levels of government are included.

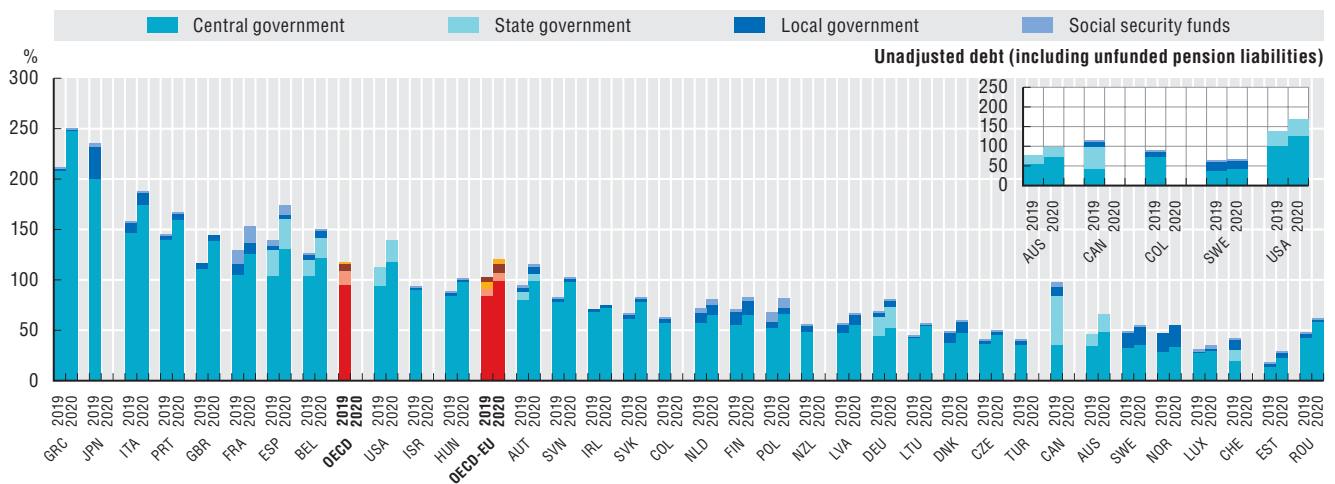
2.13. Government fiscal balances across levels of government as a percentage of GDP, 2019 and 2020



Source: OECD National Accounts Statistics (database).

StatLink <https://doi.org/10.1787/888934256862>

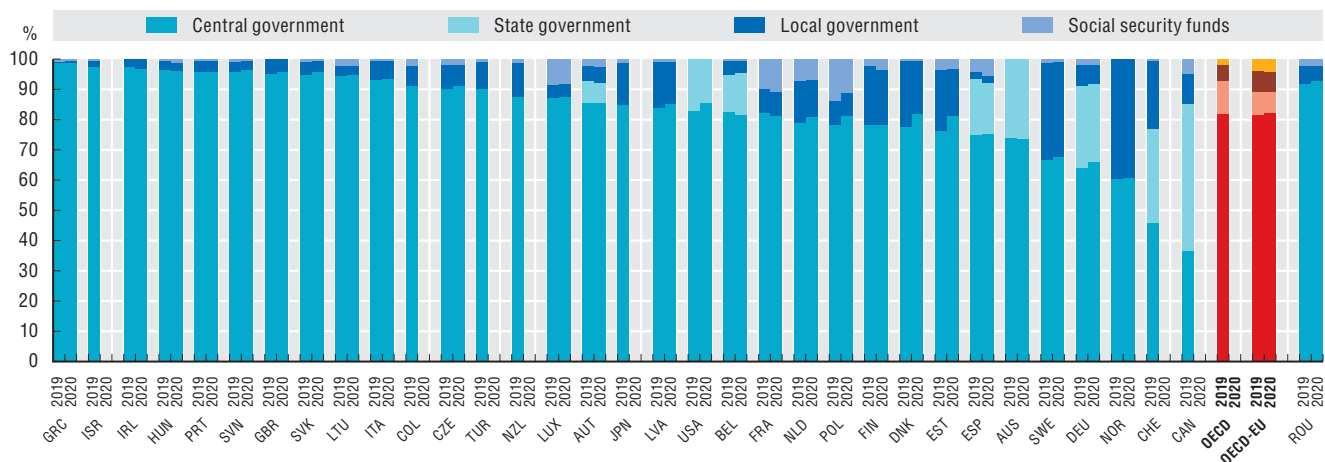
2.14. Government gross debt across levels of government as a percentage of GDP, 2019 and 2020



Source: OECD National Accounts Statistics (database); Eurostat Government Finance Statistics (database).

StatLink <https://doi.org/10.1787/888934256881>

2.15. Distribution of government gross debt across levels of government, 2019 and 2020



Source: OECD National Accounts Statistics (database); Eurostat Government Finance Statistics (database).

StatLink <https://doi.org/10.1787/888934256900>



<https://doi.org/10.1787/1c258f55-en>

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