

Subnational government debt

Subnational government debt remains moderate, especially amongst OECD local governments that only borrow to finance investment.

The financial and economic crisis led to a substantial budget imbalances and much higher debt levels for SNGs in most OECD countries. At the end of 2016, the situation however had improved with a subnational deficit of about 0.3% of GDP on average in the OECD. Subnational outstanding gross debt accounted for 24.5% of GDP and 20.7% of total public debt in 2016 (Figure 5.22).

SNG outstanding debt is very unevenly distributed among OECD countries. It is higher in federal countries than in unitary countries: around 31% of GDP and 27% of public debt on average in the first case compared to 14.5% of GDP and around 12% of public debt in the second case.

In federal countries, the subnational debt is divided into the debt of the states and local governments. The share of states' debt tends to be higher than that of local governments (Figure 5.23), as – like central governments – they are not subject to the “golden rule”. According to this rule, long-term borrowing is limited to investing in infrastructure and large facilities only. Local governments in most OECD countries (whether federal or unitary) are subject to this restriction. In addition, central or state governments set limits on local government indebtedness in most OECD countries.

Definition

General government includes four sub-sectors: central/federal government and related public entities; federated government (“states”) and related public entities; local government i.e. regional and local governments and related public entities; and social security funds. Data are consolidated within these four sub-sectors. Subnational government is defined as the sum of state governments and local/regional governments.

Fiscal balance is the difference between government revenues and expenditure. Gross debt includes the sum of the following liabilities: currency and deposits + debt securities + loans + insurance pension and standardised guarantees + other accounts payable. The SNA definition of gross debt differs from the one applied under the Maastricht Protocol (see Annex D for a detailed definition).

The OECD averages are presented as the weighted average of the OECD countries for which data are available, unless otherwise specified (i.e. unweighted average, arithmetic mean, OECD UWA).

Amounting to approximately 67% of total debt on average in the OECD, “financial debt” (loans, debt securities and currency and deposits), as defined by the debt regulations set forth in the EU’s Maastricht Protocol, represents the largest share of subnational government debt (Figure 5.24). In the OECD, debt securities represent the largest share of subnational debt (44% of total debt and 66% of financial debt) while loans amounted to 23% of total subnational debt and 44% of financial debt. This is explained by the weight of state government debt in federal countries, which comprises a high proportion of bonds (the United States, Canada and Germany). Debt securities is also widespread at the local level in some unitary countries (New Zealand, Japan, Norway, Korea, Iceland and Sweden), but, in the majority of unitary countries, issuing local bonds remains limited, or non-existent. As a result, loans are the most widespread form of external funding in unitary countries (58% of total local debt and 69% of financial debt).

Source

OECD (2018), *National Accounts Statistics* (database), <http://dx.doi.org/10.1787/na-data-en>. Australia: estimates from the IMF Government Finance Statistics.

OECD (2018), “Subnational Government Finance”, *OECD Regional Statistics* (database), <http://dx.doi.org/10.1787/region-data-en>.

See Annex B for data sources and country-related metadata.

Reference years and territorial level

2016: National Accounts; levels of government; 2015: Budget Balance of Mexico, New Zealand and Turkey; 2015: Debt of Israel; 2016 estimates SNA 2008, non-consolidated: debt of Switzerland, the United States, Iceland, Korea, and New Zealand.

Further information

OECD (2018), *Subnational Governments in OECD Countries: Key data* (brochure)

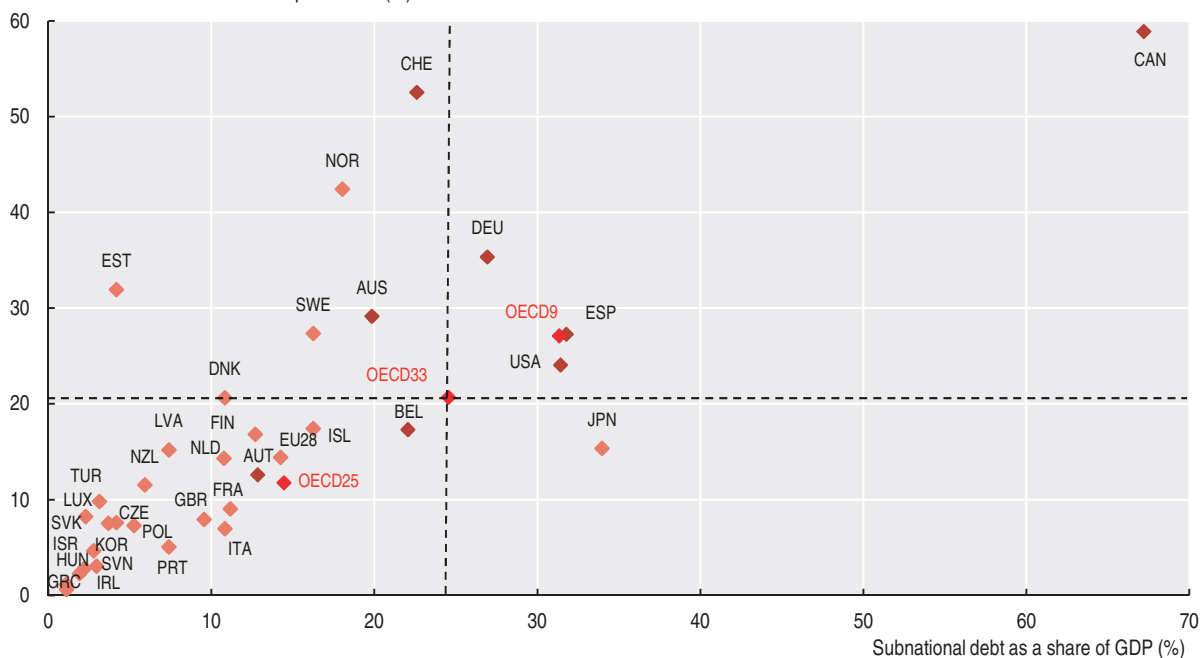
Figure notes

5.22-5.24: no breakdown available for the United States and Australia between local and state levels.

OECD8 and OECD25 refer to the average for OECD federal countries and for OECD unitary countries, respectively.

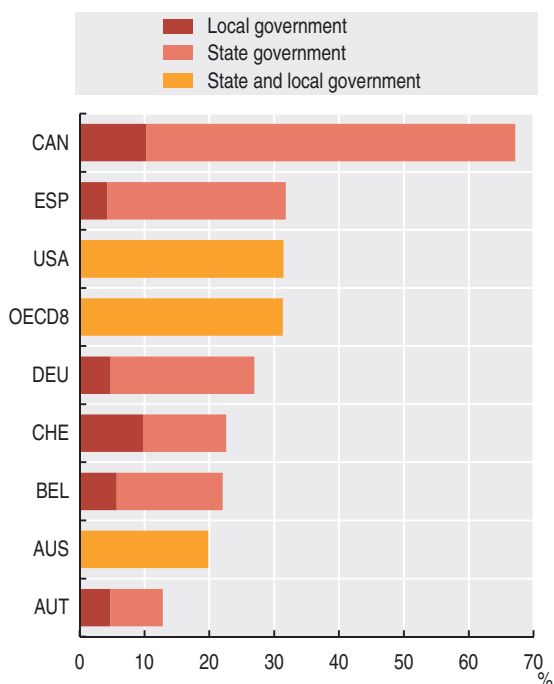
5.22. Subnational government debt as a % of GDP and of public debt, 2016

Subnational debt as a share of total public debt (%)



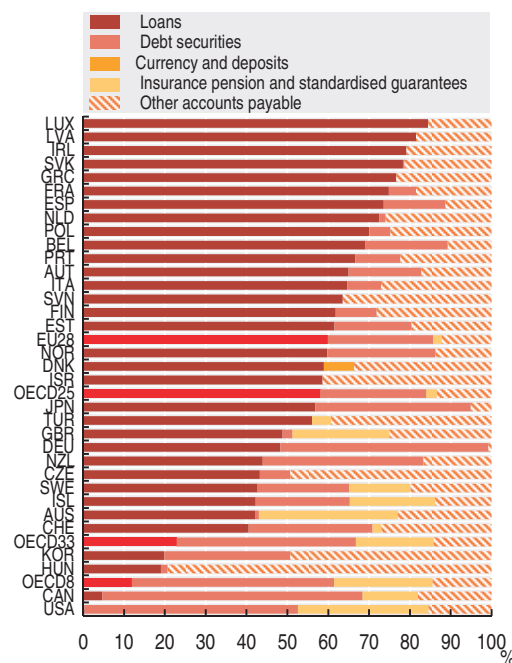
StatLink <http://dx.doi.org/10.1787/888933818701>

5.23. Local and state government debt in federal countries (% of GDP, 2016)

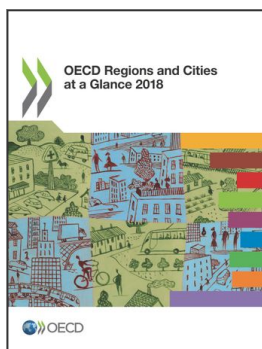


StatLink <http://dx.doi.org/10.1787/888933818720>

5.24. Composition of subnational debt by type of liabilities (% of GDP, 2016)



StatLink <http://dx.doi.org/10.1787/888933818739>



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