

Box 4

General government fiscal position in the euro area: a new presentation

The general government fiscal position as presented in Table 7 of the section entitled “Euro area statistics” (page 26*) includes for the first time data on total government receipts and total government expenditure in the euro area as a percentage of euro area GDP. Government receipts and expenditure in the euro area comprise – in addition to government receipts and expenditure of the euro area countries – taxes levied by the European Union and subsidies and capital transfers supplied by the European Union to euro area countries. This reflects the reality of the European Union, in which government activity is carried out by national and European authorities.

The difference between total government receipts and total government expenditure in a given country is equal to government deficit as defined in the Treaty and used in the framework of the Stability and Growth Pact. As government deficit is defined by reference to the European System of Accounts (ESA), total government receipts and expenditure are also based on ESA transactions. The ESA consists of a coherent and detailed set of accounts and tables agreed for the European Union in order to facilitate comparative analyses across the Member States.

Government receipts and expenditure in a given country comprise the receipts and expenditure of all levels of government, that is central, state and local government as well as social security funds. The transactions between the different levels of government are consolidated, except for indirect taxes and production subsidies. Furthermore, no ESA transactions in government expenditure are netted against ESA transactions in government receipts.

Total government receipts and total government expenditure are broken down by current and capital receipts and expenditure; the difference between current receipts and current expenditure is equal to gross saving. Current government receipts include, in addition to direct and indirect taxes and social contributions, government sales such as fees recovered to pay for legal administration, catering in schools, certain licences or sales of wood from government estates and rents of government-owned houses. The important items of current government expenditure comprise transfers to households, as well as compensation of employees, intermediate consumption and interest (in the case of the three latter items as defined in the ESA).

Total receipts minus total expenditure of the general government, that is the government deficit, is not equal to the change in debt as defined in the Treaty. The difference is shown as deficit-debt adjustment and is mainly due to transactions by the general government in its financial assets.