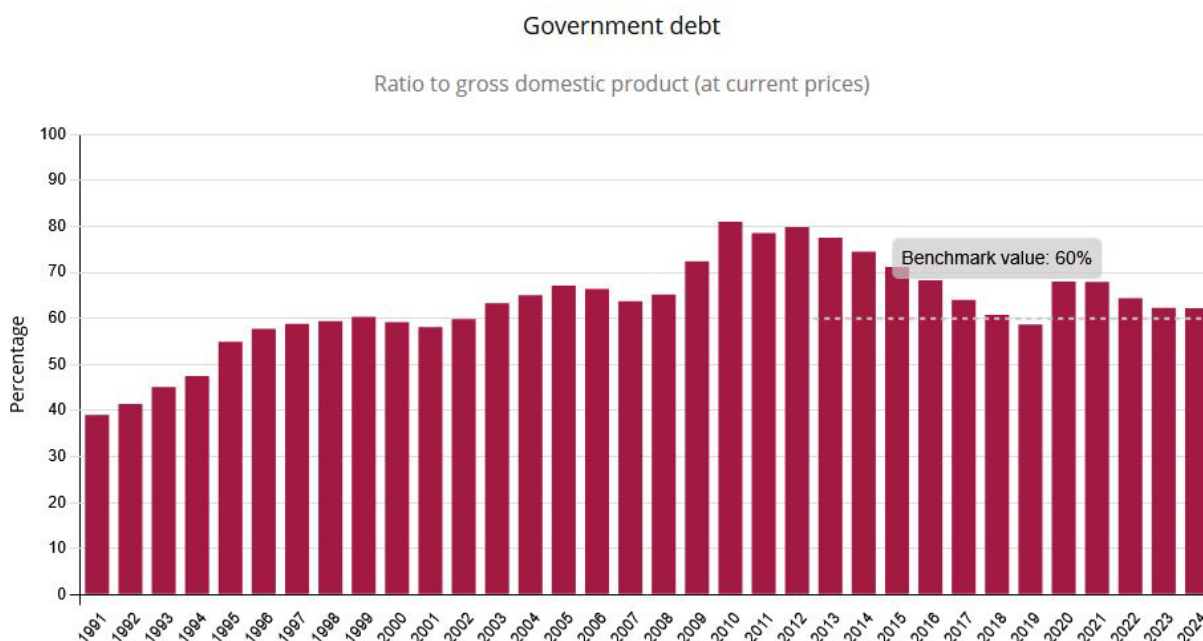




Government debt – Consolidating public finances – Creating intergenerational equity

8.2.c Government debt



Note(s):

2021 to 2024 provisional data.

Data source(s):

German Federal Bank, Federal Statistical Office

Definition

The indicator shows the consolidated gross debt of the government (in accordance with the Maastricht Treaty) in relation to gross domestic product (GDP) in current prices (in %). The indicator serves as a measure of government debt.

Intention

The Stability and Growth Pact of the European Union (EU) sets the reference value for the maximum debt ratio at 60% of gross domestic product (GDP).

Target

Ratio of government debt to gross domestic product (GDP) must not exceed 60%; To be maintained until 2030

Content and progress

In Germany, government debt is determined twice annually by the Deutsche Bundesbank in accordance with the provisions of the Maastricht Treaty, based on calculations by the Federal Statistical Office. The Gross Domestic Product (GDP) at current prices is calculated by the Federal Statistical Office within the framework of the national accounts. The debt-to-GDP ratio is influenced both by the fiscal position of the government and by economic development. With constant levels of government debt, the debt ratio decreases more



rapidly as GDP growth accelerates. Conversely, the debt ratio may increase even if absolute debt levels decline, provided GDP falls more sharply in the same period. Implicit government debt – that is, future but not yet realised state obligations – is not taken into account.

Germany's debt-to-GDP ratio remained above the reference value defined by the European Union (EU) from 2003 until 2018. Following fiscal consolidation, the ratio decreased from 67.1% in 2005 to 63.7% in 2007, but then rose to a peak of 81.0% by 2010, primarily due to the financial and economic crisis. From 2012 onwards, the ratio steadily declined, falling below the Maastricht reference value of 60% in 2019 for the first time since 2002, reaching 58.7%. However, due to the COVID-19 pandemic, the ratio rose again sharply, reaching 68.1% in 2021. According to preliminary calculations, it stood at 62.5% in the current reporting year, 2024.

In a European comparison, fifteen EU Member States remained below the 60% reference value in 2024. The EU average for the debt ratio stood at 81.0%. The highest ratios were recorded in Greece (153.6%) and Italy (135.3%), while Estonia reported the lowest debt-to-GDP ratio at 23.6%.

While the consolidated debt of general government in Germany had been rising continuously since 1991, it declined for the first time in 2013 and continued to fall from 2015 onwards. In 2019, consolidated debt of the general public budget amounted to 2,076 billion euros. As a result of the COVID-19 pandemic and the war of aggression against Ukraine, this figure increased to 2,689 billion euros by 2024, reaching its highest level since 1991. In per capita terms, this corresponded to approximately 31,740 euros in 2024, compared to 7,765 euros in 1991. Non-consolidated debt amounted to 2,728 billion euros in 2024. Of this, 69.4% was attributable to the federal government, 23.4% to the Länder, 7.1% to municipalities, and 0.1% to the social security funds.

On the asset side of the government balance sheet, government debt is offset by tangible and financial assets. According to the balance sheets compiled by the Federal Statistical Office, tangible fixed assets had a (net) value of 2,022 euros billion in 2023. The largest asset category comprised buildings such as roads, schools, and public infrastructure, with a value of 1,709 billion euros. Financial assets totalled 1,546 billion euros in 2023, with securities representing the largest share (53.6%) within this category.

Type of target

Constant target for each year

Assessment

The ratio of government debt to gross domestic product should not exceed 60% each year.

According to the target formulation, indicator 8.2.c exceeded the politically defined target in 2024. Furthermore, the average trend from 2019 to 2024 points to a further increase. Indicator 8.2.c is therefore assessed as thunderstorm for 2024.

