

THE DAY EUROPEAN UNION GOVERNMENTS SPENT THE LAST OF THEIR ANNUAL REVENUES

December 2018 — 4th edition

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*"The cicada (cricket) having sung
All summer long,
Found herself most destitute
When the north wind blew :
Not even one little morsel
Of fly or worm.
She went to plea her famish
To her neighbor the ant,
Begging her to lend her
A little grain so she'd survive
Until the new season.
"I shall pay you, she told her,
Before the harvest*, animal's oath,
Interest and principal."
The ant is not a lender :
This is the least of her faults.
"What were you doing during the warm season ?
She asked this borrower.
— Night and day, to anyone
I sang, please you if it may.
— You sang ? I'm delighted :
Well, dance now."*

Jean de La Fontaine

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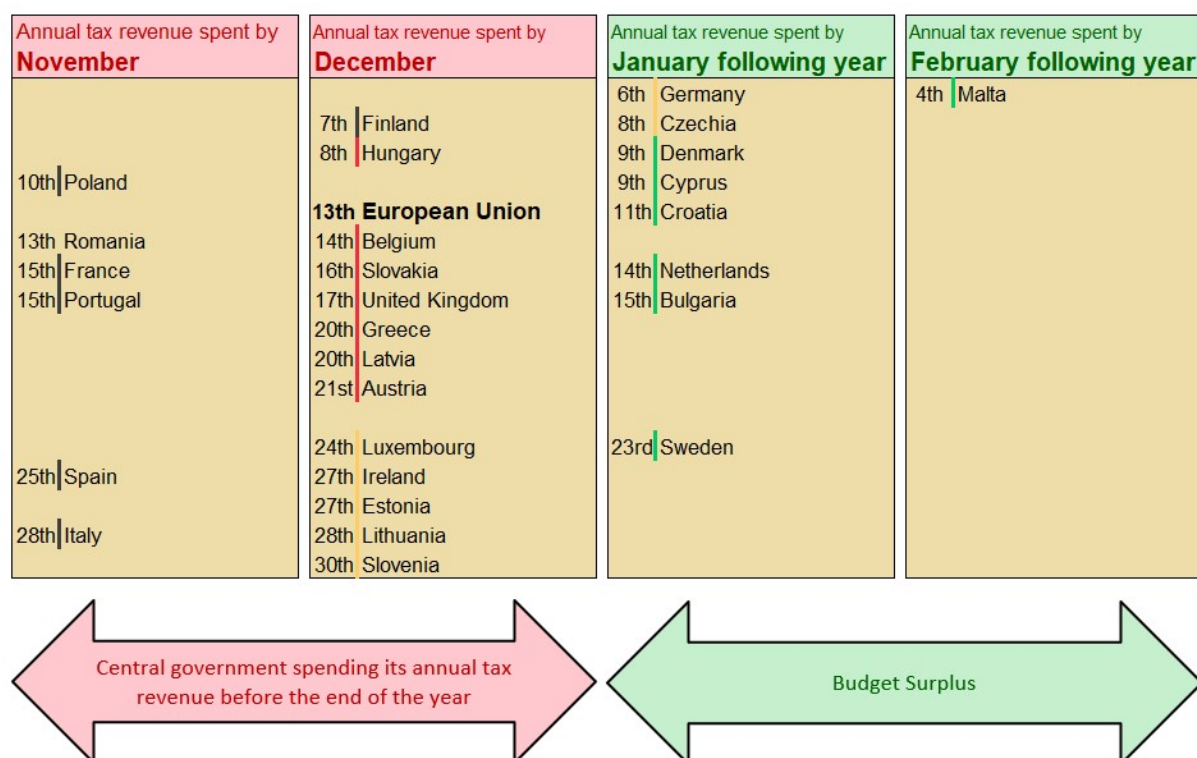
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1. SYNTHESIS OF THE STUDY

December 13, the average date when EU central governments exhaust their revenues for the year

The governments of EU member countries exhaust their resources December 13 on average, 18 days before year's end. That's seven days later than the year before, marking a significant improvement.

Of the 28 EU central governments, nine were in surplus last year. The champions were Malta (with a surplus equal to 35 days' spending), Sweden (with a 23-day surplus) and Bulgaria (15-day surplus). Their 2017 revenues enabled them to finance all their spending for the year and to pay down debt.



The 19 other central governments spent all their revenues before the year ended. Thirteen of them had consumed their resources by December and six of them by November.

Central governments, the main source of public deficits in the EU

Despite this improvement, central governments remain the dark spot of European public finance. Across the EU, they account for most of the slippage in public accounts, with 18 days that are not paid for. State-level governments have been in balance since 2017, with a two-day surplus. Local governments have been balanced since 2014, with a three-day surplus last year. This has also been true of social security funds since 2016, with a four-day surplus last year. As a result, taking all administrations together, the various EU countries had spent their total public revenues eight days before the end of the year. That's five days better than the year before.

2. PURPOSE OF THE STUDY

The purpose of this study is to compare revenues and expenditures of the central governments of the 28 European Union (EU) member countries to determine the day as of which they have exhausted all their annual revenues and have begun living on credit.

This work covers all 28 EU countries, based on the latest annual Eurostat data, updated on October 22, 2018. This makes it possible to measure changes in imbalances over time and to compare the positions of the various countries.

This approach aims to provide some insight for citizens in an area that can be especially hard for non-specialists to follow.

Deficits are often expressed as a percentage of GDP, a concept that can be complex to grasp. Debate over government budget procedures involves billions of euros, whereas the general public is more accustomed to thinking in terms of hundreds or thousands of euros. The figures on savings presented by public authorities often rely on trend-based growth assumptions rather than on the spending that is actually recorded. This creates a blur in how things are understood. Indeed, “savings” do not lead automatically to reduced spending.

We may add that debate on these complex topics often boils down to standpoints that are disconnected from the real issues. This has been especially true of France over the last few years, with a proliferation of rhetoric lashing out at “budget austerity” that lacks any factual basis in a country where public spending does not fall during times of crisis and drops less quickly than elsewhere during times of recovery.

Hence the interest in an approach enabling the general public to visualise the scope of the issues, clearly and simply, and to see how they evolve over time.

3. SPECIFICITY OF THE APPROACH

This study provides for a better understanding of the slippage by central governments, described in current government language through a solid and accessible method. Revenues are divided by spending and multiplied by 365, enabling financial slippage to be expressed in days over the course of a year. This method resembles the practice in the field of finance, with analysts customarily presenting working capital requirements in days of turnover. It also has the advantage of being meaningful to any individual who has wondered how to make ends meet at the end of the month.

This work focuses on central governments, referring here to government administrative bodies and other central bodies with jurisdiction normally covering the entire territory. Across the EU, these are the administrations with the greatest imbalance in their accounts. However, the numbers also cover the other administrations (federated states, local communities and social security). This provides further insight since, fortunately, not all countries are running deficits at the level of each of these administrations.

4. LAST KNOWN DAY WHEN EU CENTRAL GOVERNMENTS HAD SPENT ALL THEIR RESOURCES

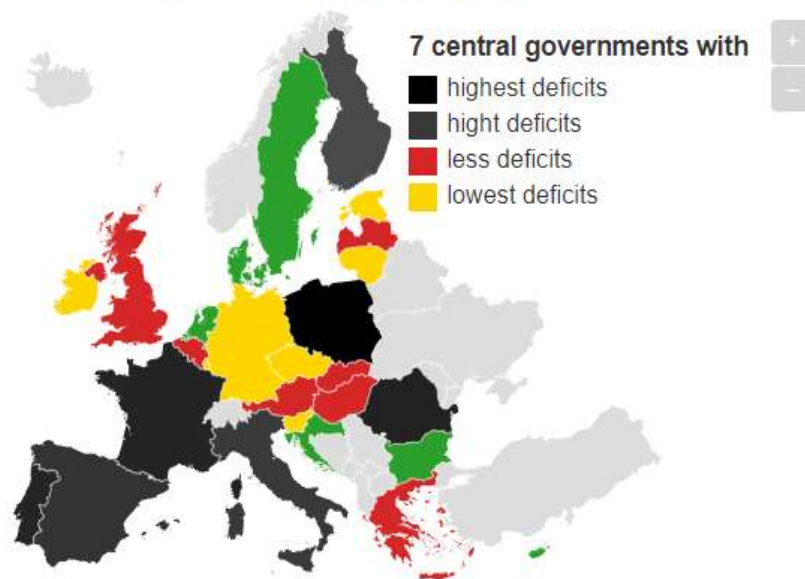
Table 1: Ranking of the EU's 28 central governments

EU country	Position	Number of days when revenues are exhausted (-) or enable debt to be paid down (+)	Quartile ranking in the EU	Ranking out of 28 countries in the EU	Day as of which the central gov't has spent all its annual revenues
Austria	Deficit	-10	●	15 th of 28	Dec. 21
Belgium	Deficit	-18	●	20 th of 28	Dec. 14
Bulgaria	Surplus	15	●	3 rd of 28	Jan. 15
Croatia	Surplus	10	●	5 th of 28	Jan. 11
Cyprus	Surplus	9	●	6 th of 28	Jan. 10
Czech Republic	Surplus	7	●	8 th of 28	Jan. 8
Denmark	Surplus	9	●	7 th of 28	Jan. 9
Estonia	Deficit	-4	●	12 th of 28	Dec. 27
Finland	Deficit	-24	●	22 nd of 28	Dec. 7
France	Deficit	-47	●	26 th of 28	Nov. 15
Germany	Surplus	5	●	9 th of 28	Jan. 6
Greece	Deficit	-12	●	17 th of 28	Dec. 20
Hungary	Deficit	-24	●	21 st of 28	Dec. 8
Ireland	Deficit	-5	●	13 th of 28	Dec. 27
Italy	Deficit	-34	●	23 rd of 28	Nov. 28
Latvia	Deficit	-12	●	16 th of 28	Dec. 20
Lithuania	Deficit	-3	●	11 th of 28	Dec. 28
Luxembourg	Deficit	-7	●	14 th of 28	Dec. 24
Malta	Surplus	35	●	1 st of 28	Feb. 4
Netherlands	Surplus	13	●	4 th of 28	Jan. 14
Poland	Deficit	-52	●	28 th of 28	Nov. 10
Portugal	Deficit	-46	●	25 th of 28	Nov. 15
Romania	Deficit	-48	●	27 th of 28	Nov. 13
Slovakia	Deficit	-16	●	19 th of 28	Dec. 16
Slovenia	Deficit	-1	●	10 th of 28	Dec. 30
Spain	Deficit	-37	●	24 th of 28	Nov. 25
Sweden	Surplus	23	●	2 nd of 28	Jan. 23
United Kingdom	Deficit	-14	●	18 th of 28	Dec. 17
European Union	Deficit	-18		28 countries	Dec. 13

Reading: Surpluses shown against a green background, deficits against a red background. ● 1st quartile (25% of best performances), ● 2nd quartile, ● 3rd quartile, ● last quartile (25% of worst performances). The French central government had exhausted its revenues 47 days before the end of the year, on November 15. It ranked 26th among the 28 central governments, putting it in the fourth quartile that consists of the worst-performing quarter of EU countries.

Number of days when EU central governments have spent all their annual revenues

The worst performing EU central government when it comes to budget deficits : Poland (revenues spent 52 days before the end of the year), Romania (48 days) and France (47 days).



Reading: The lower the number, the worst the budget deficit is.

Source: [Institut Economique Molinari 2018 \(IEM\)](#) • [Get the data](#) • Created with [Datawrapper](#)

Nine central governments in the EU are in balance

Of the 28 central governments in the EU, nine were in a surplus position last year. The champions are Malta (with a surplus equal to 35 days' spending), Sweden (with a 23-day surplus) and Bulgaria (with a surplus of 15 days' spending).

While Sweden has been in the leading trio of countries in surplus for the last three years and Malta for two years, this was not the case with Bulgaria.

Nineteen other central governments are living beyond their means

The 19 other central governments were spending all their revenues before the end of the year. Thirteen of them had no resources left starting in December, and six of them in November.

Poland, Romania and France bring up the rear. Poland has the most imbalanced position, with its revenues gone by November 10, followed by Romania (November 13) and France (November 15).

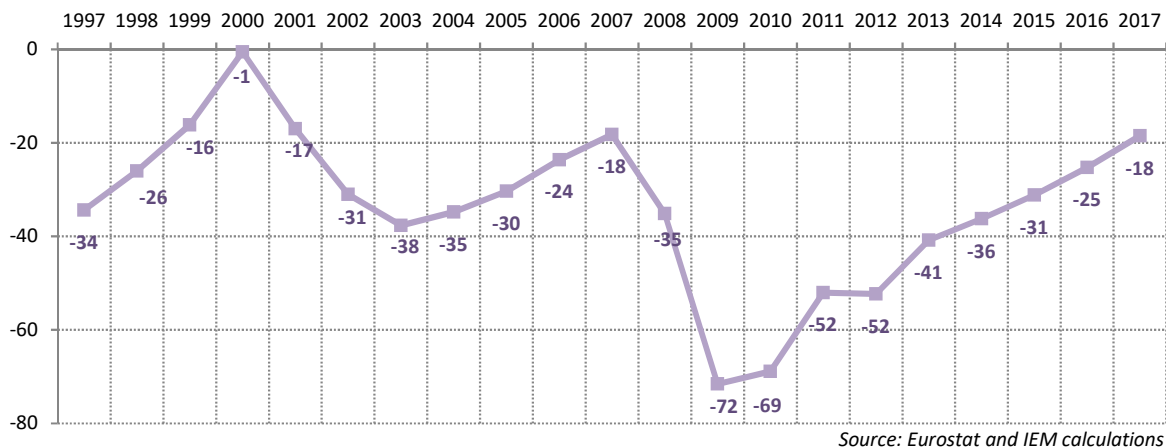
France and Romania are habitual under-performers, with France in the trio of the most imbalanced governments for the last three years and Romania for the last two.

The EU's overall position is improved for the eighth year in a row

The latest Eurostat figures show that EU central governments taken together spent all their revenues 18 days before year's end. Their overall position continues to improve, with a seven-day gain compared to the previous edition. In eight years, their deficits have been divided by four.

Though not returning to a balanced position, the governments of EU member countries have nevertheless come back to their 2007 situation, with 18 days' imbalance (Figure 1).

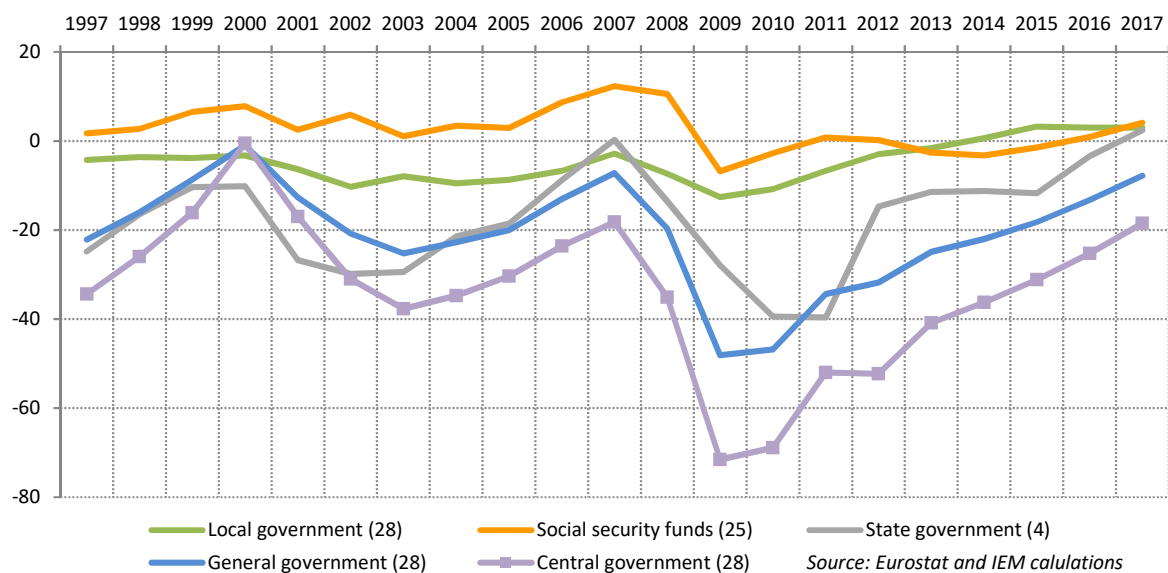
Figure 1: Number of days in the year when the average EU28 government is spending borrowed money rather than current tax revenue



Central governments remain the main source of public deficits

Across the EU, slippage by **central governments** accounts for the entirety of slippage in the public accounts. All other administrations – federated states, local bodies and social security – are now generating surpluses (Figure 2).

Figure 2: Number of days of unfinanced spending in the EU



In the four countries with federated states, the **state governments** were, over all, in the green last year, with two-day surpluses on average (Table 2, page 10). A five-day improvement can be seen compared to last year. They were in surplus in Germany, Austria and Belgium and in deficit in Spain. The most significant surplus was in Germany, equal to seven days' spending. The most significant

deficit was in Spain, with revenues fully spent nine days before the end of the year, nevertheless a very clear improvement compared to the previous year.

Local governments showed a three-day balance last year, as in 2016. They were in surplus in 19 EU countries and in deficit in nine countries. The highest surplus was in Malta, equal to 75 days' spending. The most substantial deficit was observed in the United Kingdom, with revenues fully spent 14 days before the end of the year.

Social security funds were also in the green last year, with a four-day surplus. This marks a three-day improvement between 2016 and 2017. Of the 25 EU countries for which Eurostat data are available, 21 had social security accounts in surplus, while four recorded deficits. The most significant surplus is in Poland, equal to 46 days' spending. The most substantial deficit was observed in Spain, with revenues fully spent 37 days before year's end.

Aggregated over all, with all administrations taken together, EU **general governments** had consumed all their revenues eight days before the end of the year, marking a five-day improvement between 2016 and 2017. They were in surplus in 13 EU countries and in deficit in 15 countries. The most substantial surplus was in Malta, equal to 36 days' spending. The highest deficit was observed in Romania, with revenues fully spent 31 days before the end of the year.

Table 2: Position of the various EU governments

Number of days when revenues are exhausted (-) or provide for debt to be paid down (+)	Central government	State government	Local government	Social security funds	General government
Germany	5	7	13	6	9
Austria	-10	2	-3	2	-6
Belgium	-18	2	7	3	-6
Bulgaria	15		12	-2	12
Cyprus	9		39	39	17
Croatia	10		-1	2	7
Denmark	9		2	0	8
Spain	-37	-9	38	-37	-27
Estonia	-4		-9	15	-4
Finland	-24		-2	22	-5
France	-47		1	4	-17
Greece	-12		40	27	6
Hungary	-24		4	-2	-17
Ireland	-5		12		-3
Italy	-34		2	3	-18
Latvia	-12		-7	14	-6
Lithuania	-3		10	14	5
Luxembourg	-7		11	38	12
Malta	35		75		36
Netherlands	13		-2	8	10
Poland	-52		2	46	-12
Portugal	-46		16	35	-24
Czech Rep.	7		28	11	15
Romania	-48		5	5	-31
United Kingdom	-14		-14		-16
Slovakia	-16		0	7	-7
Slovenia	-1		1	3	1
Sweden	23		-3	0	11
EU average	-18	2	3	4	-8

Reading: Surpluses shown against a green background, deficits against a red background. ● 1st quartile (25% of best performances), ● 2nd quartile, ● 3rd quartile, ● last quartile (25% of worst performances)

5. MORE ABOUT FRANCE

The position of the French central government remains very frail despite the economic upturn.

The central government had spent all its resources by November 15, 2017, or 47 days before year's end.

It is among the trio of governments with the greatest imbalances in the EU, behind only Poland and Romania, which exhausted their resources on November 10 and 13 respectively. It did better than the Portuguese central government by only a few hours.

These weak performances are due to France's inability to rebalance its accounts sustainably in the wake of the most recent crisis.

While other central governments in the EU have used the last eight years to trim their deficits, this is not what has been observed in France. The post-crisis (2009-2013) rebalancing of accounts ran out of steam sooner than elsewhere, going back five years. France's central government deficit headed back up between 2014 and 2016 at a pace of one additional unfinanced day per year, while EU countries trimmed their deficits by an average of five days per year.

Though France was less of a spendthrift in 2017, it was unable to narrow the gap with the rest of the European Union, recording 29 days of unfinanced spending, in 2016 as in 2017.

This inability to bolster the public accounts sustainably has not gone away, despite a favourable economic situation. Worse yet, each upturn looks more precarious than the one before. Between 1999 and 2001, French deficits remained above 30 days per year, on average. Between 2004 and 2007, they were about 40 days. Between 2013 and 2017, they averaged 50 days.

This spiral explains why the most recent balanced accounts from the central government and its dependencies date back to 1980. Since then, each fiscal year has been imbalanced, and "the day when all resources are spent" has advanced by one-and-a-quarter days per year, on average.

Projections produced by the IEM based on the revised Finance Act for 2018 and on the file presenting the draft Finance Act for 2019 show that the situation is nowhere close to becoming normalised. The number of days of unfinanced spending by the French central government is likely to increase again. It could amount to 56 days in late 2018 and 67 days in late 2019.

6. MORE ABOUT BELGIUM

While the Belgian central government has traditionally been in surplus more than the average among European Union countries, showing greater virtue than the EU average in 83% of its fiscal years since 1995, this was not the case in 2016: Belgium exhausted its resources 10 days before the EU average.

It was able to move closer to balance in 2017. The Belgian central government exhausted its resources on December 14, one day later than the average among EU countries.

7. GLOSSARY

Central government encompasses all government administrative bodies and other central organisations with jurisdiction normally extending across the entire economic territory of a given country but with social security funds classified separately.

A **state government** is an autonomous institutional unit performing certain administrative functions at a level below that of the central government but above that of the local administrative units, again excluding social security funds. This concept applies in four EU countries.

Local governments encompass all types of general government with jurisdictions covering only part of an economic territory, other than local operations of social security funds. In France, these are *administrations publiques locales* (APUL), a concept grouping all territorial communities (regions, departments, municipalities and their public institutions for inter-municipal cooperation) as well as various bodies under local administration (such as schools and colleges or consular chambers).

A **social security fund** is a central, federated state or local institutional unit with its main activity consisting of providing social benefits and meeting the two following criteria:

- Certain population groups are required to join the plan or to pay contributions under legal or regulatory provisions (other than those applying to public sector employees);
- Regardless of the role they play as supervisory bodies or employers, general governments are responsible for managing these units in setting or approving contributions and benefits.

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9. SOURCES

Eurostat (2018), annual series, “Government revenue, expenditure and main aggregates” [gov_10a_main] in millions of euros (for calculations in days) and in % of GDP (for comparisons), data updated 2018-10-22.

Eurostat (2018), annual series, “Financial balance sheets” [nasa_10_f_bs], data updated 2018-10-26.

Eurostat (2018), annual series, “Main GDP aggregates per capita” [nama_10_pc], data updated 2018-11-05.

INSEE (2018), annual series “8.214 Balance sheet and changes in balance sheet of institutional sectors (S13)”.

OECD (2017), Better Life Index, 2017, data taken from the site <http://www.oecdbetterlifeindex.org> on 2018-07-10.

10. DETAILS REGARDING CALCULATIONS

The calendar of days when central governments in the European Union have spent all their annual revenues is devised by dividing the total revenues of central general governments by their total spending. The result is multiplied by 365, and 365 is then subtracted to express financial slippage in days over a year and to calculate the date when the government has used up all its funds.

This method resembles the practice in the finance field, with analysts customarily presenting working capital requirements in days of turnover. It also has the advantage of being meaningful to any individual who has wondered how to make ends meet at the end of the month.

Calculations are based on the gov_10a_main series published by Eurostat for 2017 and the preceding years, with the “Total general government revenue” and “Total general government expenditure” lines.

This methodological choice generates a minimal calculation for France. The use of data published within the framework of the French Finance Act would have led to exteriorisation of a greater number of days when the government spent all its revenues. As compared to the French Finance Act approach, Eurostat records €149 billion more in central government revenues and expenditures. This increases both expenditures and revenues by an equivalent amount, automatically reducing the number of days of unfinanced spending.

11. DETAILS REGARDING 2018 AND 2019 PROJECTIONS FOR FRANCE

Projections for the French central government for 2018 and 2019 are produced based on French budget documents and on the discrepancies observed between the French Finance Act and the Eurostat central government category.

The discrepancy observed in 2017, based on the implementation act and the Eurostat data, is €149 billion in revenues and expenditures. The 2018 and 2019 projections are produced on the assumption that this discrepancy would remain constant.

This discrepancy was added to the revenues and expenditures set out at this stage for 2018 (see the revised act) and for 2019 (see the file presenting the draft Finance Act). This results in projections of 56 unfinanced days for 2018 and 67 days for 2019.

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