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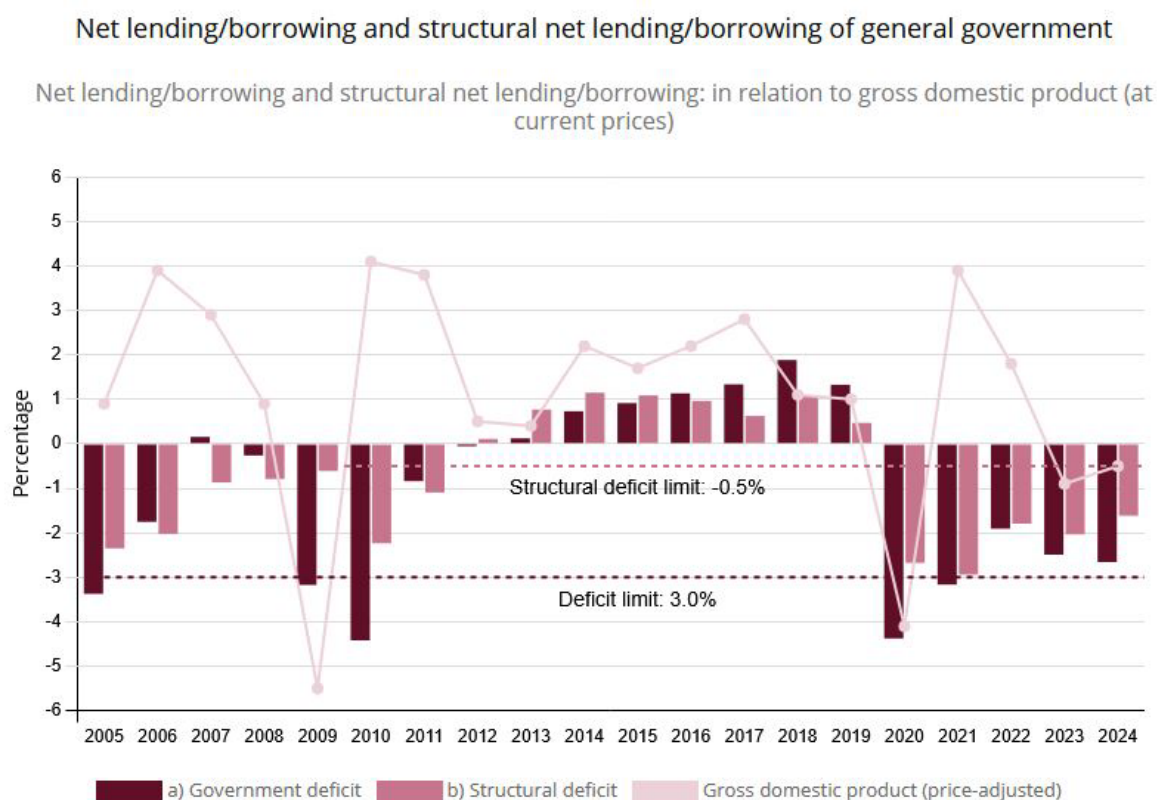
Government debt – *Consolidating public finances – Creating intergenerational equity*

8.2.a, b Government deficit and structural deficit

Net lending/borrowing and structural net lending/borrowing of general government

Net lending/borrowing and structural net lending/borrowing: in relation to gross domestic product (at current prices)

Note(s):
• 8.2.a: 2021 to 2024 provisional data.
• 8.2.b: The data is based on a special evaluation and is not publicly available. – 2021 to 2024 provisional data.
• Gross domestic product (price-adjusted): Year-on-year change.

Data source(s):
Federal Statistical Office, Federal Ministry of Finance

Definition
The indicators show the government net lending/borrowing (8.2.a) and the structural net lending/borrowing (8.2.b) in relation to gross domestic product (GDP) at current prices (in %). The government's net lending/net borrowing is calculated from government revenue less government expenditure as defined in the national accounts. The annual structural net lending/borrowing is the part of the net lending/borrowing that is not attributable to cyclical fluctuations and temporary effects. A negative net lending/borrowing balance is referred to as a deficit, a positive net lending/borrowing balance as a surplus.

Intention
Sound public finances are an important contribution to a sustainable financial policy. A policy that would finance current government spending excessively through new debt and leave the repayment of this debt to future generations alone would not be sustainable.

Targets

8.2.a: Annual government deficit less than 3% of gross domestic product (GDP); To be maintained until 2030

8.2.b: Structurally balanced government budget, general structural deficit must not exceed 0.5% of gross domestic product (GDP); To be maintained until 2030

Content and progress

The government net lending/borrowing refers to the difference between government revenues and expenditures over a specific period – typically one year. If the balance is negative, expenditures exceed revenues, which is referred to as a government deficit. The (nominal) net lending/borrowing regularly reflects cyclical fluctuations – such as relatively higher expenditures during economic downturns or higher revenues compared to expenditures during phases of economic growth.

The so-called structural net lending/borrowing attempts to eliminate temporary cyclical effects. It indicates the level of deficit or surplus that would prevail if the economy were operating under cyclically neutral conditions – that is, at its potential output. The structural net lending/borrowing thus provides insights into the long-term sustainability of public finances – independent of short-term economic fluctuations.

These indicators serve as instruments of fiscal and budgetary policy, particularly for assessing fiscal stability and ensuring compliance with debt rules – for instance, within the framework of the European Union's Stability and Growth Pact. The nominal net lending/borrowing is calculated by the Federal Statistical Office in accordance with the European System of National and Regional Accounts (ESA). It incorporates the finances of all levels of government – namely the federal government, Länder, and municipalities – as well as the social security system. The structural net lending/borrowing, by contrast, is determined by the Federal Ministry of Finance (BMF).

Both indicators are expressed as a percentage of Gross Domestic Product (GDP), enabling an assessment of a country's fiscal position in relation to the size of its economic output. This representation facilitates better comparability over time and across countries.

Germany's net lending/borrowing has been subject to considerable fluctuations. The lowest values since 1991 were recorded at −4.4% of GDP in both 2010 and 2020 – immediately following the global financial and economic crisis of 2008/2009 and during the COVID-19 pandemic. Both events led to additional public expenditures, for example through economic stimulus packages and support programmes, as well as reduced revenues due to economic downturns. These developments are accordingly reflected in the indicator.

Between 2013 and 2019, government revenues exceeded expenditures, resulting in positive net lendings/borrowings. The highest surplus to date was achieved in 2018, when the government recorded a surplus of 64.7 billion euros, equivalent to 1.9% of GDP. Since the low point in 2020, the net lending/borrowing has only partially recovered and remains in negative territory. In 2024, the balance stood at −116 billion euros, or −2.7% of GDP. The politically determined target of limiting the government deficit to a maximum of 3% of GDP was thus met in 2024. However, the long-term trend of the indicator suggests a deterioration in the fiscal position.

In a European comparison, Germany's government deficit in 2024 was below the EU average of 3.2%. Twelve member states reported a higher deficit than Germany; eight reported a lower deficit. Six countries – Denmark (+4.5%), Cyprus (+4.3%), Ireland (+4.3%), Greece (+1.3%), Luxembourg (+1.0%), and Portugal (+0.7%) – recorded a positive net lending/borrowing.

The trajectory of the structural net lending/borrowing naturally resembles that of the nominal net lending/borrowing, which is why a detailed description is omitted. However, by eliminating temporary cyclical effects, the indicator is less prone to short-term extreme fluctuations. The politically defined target stipulates that the annual structural deficit should not exceed 0.5% of GDP. In 2024, however – as in previous years – the structural deficit, at 1.9% of GDP, significantly exceeded this target value.

Type of targets
8.2.a: Constant target for each year
8.2.b: Constant target for each year

Assessment
8.2.a: Each year, the net lending/borrowing ratio should be at least –3% of gross domestic product.

According to the target formulation, both politically defined target values should be met each year. While indicator 8.2.a fell below the target in 2024, the six-year average trend indicates an increase. Indicator 8.2.a is therefore assessed as slightly cloudy for 2024.

8.2.b: Each year, the structural net lending/borrowing ratio should be at least –0.5% of gross domestic product.

Indicator 8.2.b was significantly above the target in 2024, and the six-year average trend indicates further deterioration. Accordingly, indicator 8.2.b is assessed as thunderstorm for 2024.

8.2.a:

8.2.b: