Euro zone debt level drops for first time in six years

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By Martin Santa

BRUSSELS (Reuters) - Euro zone government debt fell for the first time in nearly six years in the third quarter of 2013, adding to signs the bloc is emerging from its crisis even if the debt level remains well above the EU's limit.

Sovereign debt fell as a proportion of national output in all three of the euro zone's biggest economies, Germany, France and Italy, as well as in Portugal, one of the five countries that needed a bailout to help its government or its banks through the crisis years.

But debt rose relative to gross domestic product (GDP) in Greece, where the debt crisis began, and Spain, which took a bailout for its banks.

Debt in the 17 countries that shared the euro in 2013 stood at 8.842 trillion euros ($12 trillion) in the three months to September, statistics agency Eurostat said on Wednesday, slightly down from 8.875 trillion euros in the second quarter.

As a proportion of gross domestic product, it slipped to 92.7 percent, from 93.4 percent in the April-June period, still well above the 60 percent limit stipulated in EU rules.

It was the first decline in absolute terms since the fourth quarter of 2007, Eurostat said, after more than four years of crisis. The Commission expects overall euro zone debt to peak this year at 95.9 percent, up from 95.5 percent in 2013.

Latvia joined the euro zone from January 1 this year, boosting the currency bloc's membership to 18 countries, but its debt levels were not included in the calculations.

The European Commission said the figures were in line with their expectations, although the debt was higher when compared with the same period of 2012 when it stood at 90.0 percent.

"This stabilization is the result of the fiscal consolidation efforts undertaken in the past two years, the pace of which has now slowed substantially, as well as the improvement in economic conditions," European Commission spokesman Simon O'Connor said.

A senior European Commission official stressed that debt issuance was usually weakest in the third quarter of a year and that should be factored in when looking at the overall picture.

More than 85 percent of overall debt comes from securities other than shares, such as bonds and treasury bills, followed by loans, currency and deposits as well as intergovernmental lending related to the financial crisis.

Germany's debt, the biggest in value at 2.12 trillion euros ($2.9 trillion), fell to 78.4 percent of its GDP and France's to 92.7 percent.

Italy's debt dropped to 132.9 percent Of GDP, but in Greece, where the crisis began, the debt level rose to 171.8 percent of GDP after two bailouts to avert bankruptcy.

Spain's debt rose to 93.4 percent while Portugal's dropped to 128.7 percent from 131.3 percent.

"It is a good sign, which is in line with wider trends in the euro zone showing signs of stabilization," said Carsten Brzeski, economist at ING, adding the level of debt in euro zone and individual countries is still too high.

Debt levels in most euro zone countries remain well above the European Union's official limit of 60 percent of GDP, with only Estonia, Latvia, Luxembourg and Slovakia below.

(Reporting by Martin Santa; Editing by Ruth Pitchford)