

PIIGS (Portugal, Ireland, Italy, Greece, Spain) – Gross external debt per capita

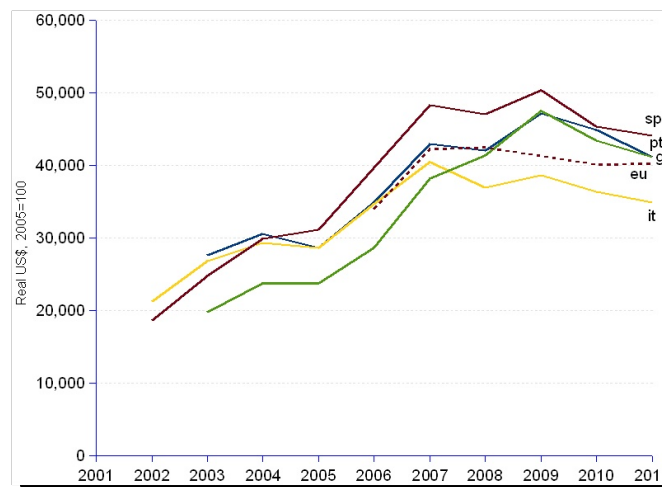
In the PIIGS (Portugal, Ireland, Italy, Greece, Spain) area, as in the rest of the world, babies are not asked whether they wish to be born — for good or for bad, they just happen by their parents' decree. Unfortunately, there is another parental legacy that they would gladly dispense with. This is the costly welcome gift endowed by PIIGS societies to all newly born children — and all other citizens for that matter —, that is an external debt worth, in constant US dollars (2005=100), \$35 thousand in Italy and up to \$436 thousand in Ireland.

The chart shows how the Gross external debt per capita evolved from 2002 to 2011 for each country, except Ireland which simply is out of scale, and for the Euro zone as a comparison baseline. The record is not flattering. Euro zone debt per capita amounts to \$40 thousand. Among the PIIGS, only Italy is below that ratio and, as already noted, Ireland's ratio is ten fold as high.

Trends are a cause for concern. External debt per capita increased at annual average rates of over 5% in Portugal and Italy (doubling time 13 years), around 10% in Greece and Spain (doubling time 7 years), and above 13% in Ireland (doubling time 5.5 years). Meanwhile, economic wealth as measured by GDP, also in real US dollars, lagged behind with average rates of between 4.3% (Italy) and 7%

(Greece). In other words, indebtedness ran much faster than wealth.

The 2008 financial crisis and the resulting credit crunch substantially altered the situation, not for better, but for worse. Surely, one remarks an obvious dip of the debt per capita in all countries as from 2009. This might be good news if other factors, such as economic growth, employment, income per capita, social benefits or tax deductions remained



the same. Alas, this is by no means the case. The financial crisis became an economic crisis too, entailing economic stagnation or outright recession, spreading unemployment, loss or freezing of income, and a paraphernalia of crisis-reinforcing austerity programs severely reducing state-redistributed social benefits on one hand, and dramatically increasing taxes and other mandatory contributions on the other hand.

What compounds the problem is that most of the debt is accounted for by the banking system and the government, on which common citizens have limited, if any controlling power. Prospects are gloomy : PIIGS newly born citizens will find it hard to bring down the problem to manageable proportions soon enough to be able to enjoy the good things of life.

Gross External Debt per capita PIIGS (Portugal, Ireland, Italy, Greece, Spain)																		
Year ¹	Portugal			Ireland			Italy			Greece			Spain			Euro zone		
	Goss external	Popu lation	Dette per capita	Goss external debt	Pop ulation	Dette per capita	Goss external debt	Popu lation	Dette per capita	Goss external debt	Popu lation	Dette per capita	Goss external debt	Popu lation	Dette per capita	Goss external debt	Popul ation	Dette per capita
	(bill real US\$) ²	(milli on)	(real US\$) ²	(bill real US\$) ²	(milli on)	(real US\$) ²	(bill real US\$) ²	(milli on)	(real US\$) ²	(bill real US\$) ²	(milli on)	(real US\$) ²	(bill real US\$) ²	(milli on)	(real US\$) ²	(bill real US\$) ²	(millio n)	(real US\$) ²
2002		10.4		552	3.9	140,272	1,213	57.2	21,214		11.0		769	41.3	18,605		318.2	
2003	287	10.4	27,527	780	4.0	195,264	1,543	57.6	26,789	217	11.0	19,722	1,041	42.0	24,788		320.2	
2004	321	10.5	30,565	1,087	4.1	267,125	1,703	58.2	29,272	262	11.1	23,662	1,277	42.7	29,902		322.3	
2005	302	10.5	28,648	1,336	4.2	321,206	1,676	58.6	28,593	263	11.1	23,681	1,350	43.4	31,110		324.2	
2006	369	10.6	34,903	1,708	4.3	400,793	2,042	58.9	34,637	319	11.1	28,648	1,748	44.1	39,616	11,081	326.0	33,995
2007	455	10.6	42,915	2,133	4.4	489,586	2,398	59.4	40,392	427	11.2	38,176	2,166	44.9	48,255	13,837	327.8	42,209
2008	446	10.6	42,010	2,169	4.4	490,030	2,205	59.8	36,857	465	11.2	41,343	2,142	45.6	47,026	13,984	329.5	42,438
2009	501	10.6	47,118	2,176	4.5	487,907	2,327	60.2	38,665	536	11.3	47,508	2,309	45.9	50,297	13,657	330.8	41,290
2010	478	10.6	44,885	2,082	4.5	464,504	2,201	60.5	36,386	491	11.3	43,410	2,087	46.1	45,288	13,303	331.7	40,108
2011	461	11.2	41,132	2,031	4.7	436,232	2,244	64.5	34,823	492	12.0	41,110	2,153	48.8	44,089	14,003	348.5	40,176
Avge annual change rate	6.1%		5.1%	15.6%		13.4%	7.1%		5.7%	10.7%		9.6%	12.1%		10.1%	4.8%		3.4%

¹ All years show 4th Quarter values, except 2011 that is 3rd Quarter.

² Constant US dollars, 2005=100.

Sources: JEDH for external debt, and United Nations Population Division for population estimates.