EUROPEAN COMMISSION

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Recommendation for a

COUNCIL OPINION

on the updated stability programme of Malta, 2009-2012

EXPLANATORY MEMORANDUM

1. GENERAL BACKGROUND

The Stability and Growth Pact is based on the objective of sound government finances as a means of strengthening the conditions for price stability and for strong sustainable growth conducive to employment creation. The 2005 reform of the Pact sought to strengthen its effectiveness and economic underpinnings as well as to safeguard the sustainability of the public finances in the long run.

Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies[1], which is part of the Stability and Growth Pact, stipulates that each Member State has to submit, to the Council and the Commission, a stability or convergence programme and annual updates thereof. Member States that have already adopted the single currency submit (updated) stability programmes and Member States that have not yet adopted it submit (updated) convergence programmes.

In accordance with the Regulation, the Council delivered an opinion on the first stability programme of Malta on 4 March 2008 on the basis of a recommendation from the Commission and after having consulted the Economic and Financial Committee. As regards updated stability and convergence programmes, the Regulation foresees that these are assessed by the Commission and examined by the Committee mentioned above and, following the same procedure as set out above, the updated programmes may be examined by the Council.

2. BACKGROUND FOR THE ASSESSMENT OF THE UPDATED PROGRAMME

The Commission has examined the most recent update of the stability programme of Malta, submitted on 19 February 2010, and has adopted a recommendation for a Council Opinion on it.

In order to set the scene against which the budgetary strategy in the updated stability programme is assessed, the following paragraphs summarise:

(1) the Commission Communication of 26 November 2008 ("A European Economic Recovery Plan");

(2) the conclusions of the Economic and Financial Affairs Council of 20 October 2009 on the "Exit strategy";

(3) the country's position under the corrective arm of the Stability and Growth Pact (excessive deficit procedure);

(4) the most recent assessment of the country's position under the preventive arm of the Stability and Growth Pact (summary of the Council Opinion on the previous update of the stability programme).

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[1] OJ L 209, 2.8.1997, p. 1. The documents referred to in this text are available at: http://ec.europa.eu/economy_finance/sgp/index_en.htm.

2.1. The Commission Communication of 26 November 2008 ("A European Economic Recovery Plan")

In view of the unprecedented scale of the global crisis that hit financial markets and the world economy in 2008-2009, the European Commission called for a European Economic Recovery Plan (EERP)[2]. The plan proposed a co-ordinated counter-cyclical macro-economic response to the crisis in the form of an ambitious set of actions to support the economy consisting of (i) an immediate budgetary impulse amounting to € 200 bn. (1.5% of EU GDP), made up of a budgetary expansion by Member States of € 170 bn. (around 1.2% of EU GDP) and EU funding in support of immediate actions of the order of € 30 bn. (around 0.3 % of EU GDP); and (ii) a number of priority actions grounded in the Lisbon Strategy and designed to adapt our economies to long-term challenges, continuing to implement structural reforms aimed at raising potential growth. The plan called for the fiscal stimulus to be differentiated across Member States in accordance with their positions in terms of sustainability (or room for manoeuvre) of government finances and competitive positions. In particular, for Member States with significant external and internal imbalances, budgetary policy should essentially aim at correcting such imbalances. The plan was agreed by the European Council on 11 December 2008.

2.2. The conclusions of the Economic and Financial Affairs Council of 20 October 2009 on the "Exit strategy"

Following the halt of the sharp decline in economic activity and first signs of a recovery from the crisis, the stabilisation of financial markets and the improvement in confidence, the Council concluded on 20 October 2009 that, while in view of the fragility of the recovery it was not yet time to withdraw the support governments provided to the economy and the financial sector, preparing a coordinated strategy for exiting from the broad-based policies of stimulus was needed. Such a strategy should strike a balance between stabilisation and sustainability concerns, take into account the interaction between the different policy instruments, as well as the discussion at global level. Early design and communication of such a strategy would contribute to underpinning confidence in medium-term policies and anchor expectations. Beyond the withdrawal of the stimulus measures of the European Economic Recovery Plan, substantial fiscal consolidation was required in order to halt and eventually reverse the increase in debt and restore sound fiscal positions. Increasing the efficiency and effectiveness of public finances and the intensification of structural reform were desirable even in the short term as they would contribute to fostering potential output growth and debt reductions.

The Council agreed on the following principles of the fiscal exit strategy: (i) the strategy should be coordinated across countries in the framework of a consistent implementation of the Stability and Growth Pact; (ii) taking country-specific circumstances into account, timely withdrawal of fiscal stimulus was needed; provided that the Commission forecasts continued to indicate that the recovery was strengthening and becoming self-sustaining, fiscal consolidation in all EU Member States should start in 2011 at the latest; (iii) in view of the challenges, the pace of consolidation should be ambitious, in most countries going well beyond the benchmark of 0.5% of GDP per annum in structural terms; and (iv) important flanking policies to the fiscal exit would include strengthened national budgetary frameworks for underpinning the credibility of consolidation strategies and measures to support long-term

2 Communication from the Commission to the European Council of 26 November 2008.

fiscal sustainability; in addition, structural reform efforts should be strengthened to enhance productivity and to support long-term investment. The Council agreed that these elements should be reflected in the stability and convergence programmes, to be transmitted by Member States to the Commission by the end of January 2010.

2.3. The excessive deficit procedure for Malta

On 7 July 2009 the Council adopted a decision stating that Malta had an excessive deficit in accordance with Article 104(6) of the Treaty establishing the European Community. At the same time, the Council addressed a recommendation under Article 104(7) TEC specifying that the excessive deficit had to be corrected by 2010. On 16 February 2010 the Council, following a recommendation by the Commission, considered that action had been taken in accordance with the recommendations, but unexpected adverse economic events with major unfavourable consequences for government finances had occurred after the adoption of the recommendation, and issued a new recommendation under Article 126(7) of the Treaty on the Functioning of the European Union (TFEU) to correct the deficit by 2011.

In particular, the Maltese authorities should bring the general government deficit below 3% of GDP in a credible and sustainable manner. Specifically, to this end, the Maltese authorities should achieve the 2010 deficit target set in the budget, if necessary by adopting additional consolidation measures, and ensure in 2011 a fiscal effort of ¾ pp. of GDP. This should also contribute to bringing the general government gross debt ratio back on a declining path that approaches the 60% of GDP reference value at a satisfactory pace by restoring an adequate level of the primary surplus. The Maltese authorities should also specify the measures that are necessary to achieve the correction of the excessive deficit by 2011, cyclical conditions permitting, and accelerate the reduction of the deficit if economic or budgetary conditions turn out better than currently expected. In addition, the Maltese authorities should seize any opportunity beyond the fiscal effort, including from better economic conditions, to accelerate the reduction of the gross debt ratio back towards the 60% of GDP reference value. To limit risks to the adjustment, the Maltese authorities should strengthen the binding nature of its medium-term budgetary framework and improve the monitoring of budget execution throughout the year.

The Council set the deadline of 16 August 2010 for the Maltese government to take effective action to achieve the 2010 deficit target and to outline the measures that will be necessary to progress towards the correction of the excessive deficit.

The Maltese authorities should report on progress made in the implementation of these recommendations in a separate chapter in the updates of the stability programmes which will be prepared in 2010 and 2011.

2.4. The assessment in the Council Opinion on the previous update

In its opinion of 10 March 2009, the Council summarised its assessment of the previous update of the stability programme, covering the period 2008-2011, as follows. The Council considers "that, against a backdrop of weakening economic growth and a breach of the 3% of GDP deficit reference value in 2008, the programme envisages a return to budgetary consolidation from 2009 onwards, brought about by expenditure restraint and, to a lesser extent, higher revenue. This is in line with the European Economic Recovery Plan and can be regarded as adequate given the high deficit and debt ratios and the competitiveness challenge. However, there are risks to the achievement of the deficit and debt targets over the programme period stemming from the favourable macro-economic scenario, the reliance on volatile revenue, the possibility of expenditure slippages and the lack of information on the consolidation measures in the outer years. The debt ratio, which is targeted to fall gradually over the programme period to below the 60% of GDP reference value but is subject to the risks mentioned above, seems to be sufficiently diminishing towards the reference value in a medium-term perspective, although increasing slightly in the short term according to the Commission forecast, bearing in mind the significant decline in the ratio during the period 2004-2007. Although improving in recent years, the lack of diversification in the economic base increases Malta's exposure to external shocks, especially in the face of the current economic downturn. Moreover, competitiveness remains vulnerable, especially if overall wages move out of line with productivity." In view of this assessment, the Council invited Malta to: "(i) resume fiscal consolidation as envisaged in the programme so as to return to a deficit-to-GDP ratio below 3% in 2009 as planned and ensure that the general government debt ratio is reduced accordingly, by spelling out the measures underlying the planned consolidation in the outer years towards the MTO; (ii) strengthen the medium-term budgetary framework and enhance the efficiency and effectiveness of public spending, including by accelerating the design and implementation of a comprehensive healthcare reform".

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies[3], and in particular Article 5(3) thereof,

Having regard to the recommendation of the Commission,

After consulting the Economic and Financial Committee,

HAS DELIVERED THIS OPINION:

(1) On [22 April 2010] the Council examined the updated stability programme of Malta, which covers the period 2009 to 2012.

(2) The global crisis has affected Malta chiefly through the trade channel, with the impact on the financial sector remaining contained. In 2009, economic activity contracted as exports, but also investment, contracted sharply, while private consumption is estimated to have been relatively stable on the back of resilient employment and some recovery measures in line with the European Economic Recovery Plan (EERP). The concomitant severe drop in imports is estimated to have led to a significant narrowing of the external deficit in 2009. The impact of the downturn and some non-recurrent expenditure-increasing items in 2008 led to a significant widening of the general government deficit in 2008-2009 compared to 2007. Against this background, and taking into account the high debt ratio, the Council decided on 7 July 2009 on the existence of an excessive deficit in Malta and, on 16 February 2010, adopted a recommendation to correct this situation by 2011. In addition to restoring a sound fiscal position and improving long-term fiscal sustainability, given the expected increase in age-related expenditure, Malta faces the challenge of strengthening competitiveness to improve the economy's resilience to future external shocks. This will require, on the one hand, raising human capital, unlocking business potential and continuing efforts to move towards higher value-added activities and, on the other, promoting an efficient wage setting process that allows a close link between wage and productivity developments.

[3] OJ L 209, 2.8.1997, p. 1. The documents referred to in this text can be found at the following website: http://ec.europa.eu/economy_finance/sgp/index_en.htm.

(3) Although much of the observed decline in actual GDP in the context of the crisis is cyclical, growth in potential output will resume from a lower starting point. In addition, the crisis may also affect potential growth in the medium term through lower investment, constraints in credit availability and increasing structural unemployment. Moreover, the impact of the economic crisis will coincide with the negative effects of demographic ageing on potential output and the sustainability of public finances. Against this background it will be essential to accelerate the pace of structural reforms with the aim of supporting potential growth. In particular, for Malta it is important to undertake further reforms in the areas of education and competition.

(4) The macroeconomic scenario underlying the programme envisages that real GDP will return to positive growth in 2010, at 1.1%, after a 2% contraction estimated for 2009, followed by a further recovery, to an average rate of 2.6% over the rest of the programme period. Assessed against currently available information[4], this scenario appears to be based on plausible real GDP growth assumptions for 2010 and favourable ones thereafter. In addition, as to the composition of growth, the projected increase in domestic demand seems to be on the high side throughout the programme period. The programme's projections for inflation appear to be on the low side.

(5) The programme estimates the general government deficit in 2009 at 3.8% of GDP. The improvement compared to 2008, when the deficit peaked at 4.7% of GDP, must be seen against the background of some non-recurrent expenditure-increasing items incurred in that year. The headline deficit excluding these items widened in 2009 because of the impact of the crisis in particular on indirect tax revenue. Recovery measures adopted in line with the European Economic Recovery Plan (EERP) amounting to around 0.7% of GDP were, according to the authorities, more than offset by compensating measures. According to the programme, fiscal policy is planned to be broadly neutral in 2010 before turning restrictive in 2011, in line with the exit strategy advocated by the Council, and with a view to correcting the excessive deficit by 2011. For 2012, against the background of an assumed high growth rate, the deficit ratio is planned to broadly stabilise, pointing to an expansionary fiscal stance.

(6) At 3.9% of GDP, the deficit ratio in 2010 is targeted to broadly stabilise compared to 2009. The same evolution is planned for the primary deficit, which is targeted at 0.6% of GDP. Taken at face value, the 2010 deficit target is in line with the Council recommendation under Article 126(7) of 16 February 2010. The measures in the budget for 2010 have an overall neutral impact on the budgetary position and consist of, on the one hand, further recovery measures to help support the economy and, on the other, consolidation measures. Revenue is budgeted to increase by 2.4 pps. of GDP in 2010, driven by, in increasing order of importance, (i) discretionary tax-increasing measures and enhanced tax enforcement, (ii) assumed tax buoyancy and (iii) a rise in "other" revenue underpinned by a rise in EU structural funds. Expenditure is projected to rise by 2.5 pps. of GDP essentially because of higher investment and the rise in "other" expenditure. The cost of the additional recovery measures is partly counteracted by a decline in the public sector wage bill as a share of GDP, primarily thanks to a favourable base effect (some non-recurrent outlays in 2009) but also reflecting a policy of hiring restrictions. The structural balance, i.e. the cyclically-

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[4] The assessment notably takes into account the Commission services' autumn 2009 forecast, but also other information that has become available since then.

adjusted balance net of one-off and other temporary measures, calculated according to the commonly agreed methodology, is according to the programme projected to worsen by ¼ pp. of GDP in 2010, pointing to a broadly neutral fiscal stance.

(7) The main aim of the programme's medium-term budgetary strategy is to bring the deficit below 3% of GDP by 2011, the deadline for the correction of the excessive deficit set by the Council, and to broadly stabilise the deficit ratio in 2012. In structural terms, the budgetary position would improve by ¾ pp. of GDP in 2011 but worsen again by ½ pp. in 2012, thus moving further away from Malta's medium-term objective (MTO) for the budgetary position. Malta's MTO is a balanced position in structural terms, which, in view of the new methodology[5] and the most recent projections and debt levels, reflects the objectives of the Pact. The programme does not envisage achieving the MTO within the programme period. The narrowing of the headline deficit in 2011 is planned to be achieved through a cut in the expenditure ratio which would more than offset a projected fall in the revenue ratio, while the near-stabilisation in 2012 is the result of a further drop in both ratios. These developments are not sufficiently underpinned by concrete measures, although the withdrawal of the temporary recovery measures after 2010 and the continued policy to restrict hiring in the public sector are expected to contribute to expenditure restraint. Annual expenditure growth would moderate to 1.8% in 2011 and 2.7% in 2012, from 9.3% in 2010. As a share of GDP, compensation of employees, intermediate consumption, public investment and "other" expenditure all contribute to the overall cut in spending between 2010 and 2012, while social transfers remain stable reflecting relatively strong underlying dynamics of especially pensions. On the revenue side, after the tax buoyancy assumed in the programme in 2010, indirect taxes are projected to fall as a share of GDP in both 2011 and 2012, while direct taxes increase further in 2011 and stabilise in 2012.

(8) The budgetary outcomes could turn out worse than projected in the programme throughout the programme period. In particular, the macroeconomic scenario underlying the budgetary projections appears favourable, especially after 2010. The expected contribution from tax buoyancy and enhanced tax compliance to the budgeted increase in the tax ratio in 2010 seems optimistic and represents a risk for the tax projections throughout the programme period. In addition, expenditure overruns cannot be excluded given recent slippages, the scale of the envisaged retrenchment and the lack of information on concrete measures underpinning the targeted cut in the spending ratio over the programme period. It is noted that, for 2010, the programme states that "close monitoring of emerging developments in revenue and expenditure components will be made and additional measures will be adopted as necessary".

(9) The debt ratio is projected to remain above the Treaty reference value throughout the programme period. The programme estimates government gross debt at 66.8% of GDP in 2009, up from 63.8% in 2008. The contraction in real GDP together with a modest primary deficit contributed to the rise in the debt ratio. The debt ratio is projected to

5 The country-specific MTOs should take into account three components: i) the debt-stabilising balance for a debt ratio equal to the (60% of GDP) reference value (dependent on long-term potential growth), implying room for budgetary manoeuvre for Member States with relatively low debt; ii) a supplementary debt-reduction effort for Member States with a debt ratio in excess of the (60% of GDP) reference value, implying rapid progress towards it; and iii) a fraction of the adjustment needed to cover the present value of the future increase in age-related government expenditure.

increase further in 2010, by almost 2 pps., before declining to around 67% of GDP in 2012, driven by the assumed favourable economic growth rates and planned return to a small primary surplus in the outer years of the programme. In view of the negative risks to the budgetary targets, the evolution of the debt ratio is likely to be less favourable than projected in the programme.

(10) The long-term budgetary impact of ageing in Malta is significantly higher than the EU average. The budgetary position in 2009 as estimated in the programme, compounds the budgetary impact of population ageing on the sustainability gap. Ensuring high primary surpluses over the medium term and implementing reform measures that curb the projected increase in age-related expenditure would contribute to reducing the risks to the sustainability of public finances which were assessed in the Commission 2009 Sustainability Report[6] as high. Medium-term debt projections until 2020 that assume GDP growth rates will only gradually recover to the values projected before the crisis and tax ratios will return to pre-crisis levels show that the budgetary strategy laid down in the programme for the period until 2012, taken at face value, would not be enough to stabilise the debt ratio by 2020.

(11) The expenditure overruns recorded since 2008, particularly in the areas of compensation of employees and health care, are related to some weaknesses in Malta's fiscal framework. These include the absence of binding expenditure ceilings; shortcomings in budgetary execution discipline; the absence of an independent institution involved in the budgetary process; and limited integration of the medium-term strategy in budgetary formulation. The programme acknowledges the importance of strong fiscal governance for ensuring the achievement of sound and sustainable public finances and reports that the government is actively looking into ways to improve the fiscal institutional framework. Improvements introduced so far are relatively limited in scope. They concern the administration of the provision of public services and the management methods in public administration. It is also planned to introduce a new accounting system for Government.

(12) There appears to be scope for improving public spending efficiency in Malta, particularly in the area of education, health, R&D, public infrastructure and general services. Increasing spending efficiency becomes particularly important when trying to contain expenditure growth without compromising the level of services provided. Success in the effort of containing growth of expenditure while increasing its efficiency would allow reallocating resources towards growth-enhancing expenditure categories and increase the effectiveness of the fiscal policy instrument to respond to changing macroeconomic circumstances. The expenditure cuts envisaged in the programme, particularly in the area of compensation of employees and intermediate consumption, are generally intended to rationalise expenditure without affecting the level and quality of services provided, but this will be challenging to achieve. In view of the recent experience whereby companies facing liquidity problems could delay payment of tax dues, tax compliance and enforcement should be enhanced. The

[6] In the Council conclusions from 10 November 2009 on sustainability of public finances "the Council calls on Member States to focus attention to sustainability-oriented strategies in their upcoming stability and convergence programmes" and further "invites the Commission, together with the Economic Policy Committee and the Economic and Financial Committee, to further develop methodologies for assessing the long-term sustainability of public finances in time for the next Sustainability report", which is foreseen in 2012.

programme confirms the government's commitment to intensify efforts to fight tax evasion and abuse in social transfer claims.

(13) Overall, in 2010 the budgetary strategy set out in the programme is broadly consistent with the Council recommendations under Article 126(7). However, in 2011, taking into account the risks to the deficit targets, the budgetary strategy may not be consistent with the Council recommendations. In particular, while the planned structural improvement amounts to the recommended ¾ pp. of GDP, the consolidation plans for 2011 should be backed up by concrete measures while the authorities should stand ready to adopt further consolidation measures in case risks from less favourable GDP growth and revenue developments and from possible slippages on the expenditure side materialise. Provided these risks are adequately addressed and the consolidation plans fully implemented, the budgetary strategy seems to be sufficient to bring the government debt ratio back on a declining path in 2011-2012, broadly in line with the Council recommendations. For the outer year 2012, the programme envisages a move further away from the MTO rather than gradual progress towards its achievement, which is not in line with the requirements of the Stability and Growth Pact. A more ambitious pace of consolidation than foreseen in the programme would also be warranted in view of the high risks to the long-term sustainability of the public finances, while measures to strengthen the intra-year monitoring of public finances as well as the medium-term budgetary framework could help contain the risks to the deficit targets mentioned above.

(14) As regards the data requirements specified in the code of conduct for stability and convergence programmes, the programme provides all required and most of the optional data[7]. In its revised recommendations under Article 126(7) of 16 February 2010 with a view to bringing the excessive deficit situation to an end, the Council also invited Malta to report on progress made in the implementation of the Council’s recommendations in a separate chapter in the updates of the stability programmes. Malta partly complied with this recommendation. In particular, the broad measures behind the 1 pp. of GDP budgetary consolidation needed to correct the excessive deficit by 2011 are not fully spelled out.

The overall conclusion is that, according to the programme, the general government deficit ratio is targeted to broadly stabilise in 2010 (at 3.9% of GDP), followed by a return to just below the 3% of GDP reference value in 2011, the deadline for the correction of the excessive deficit set by the Council. In 2012, the final year covered by the programme, the deficit ratio is again planned to broadly stabilise instead of making progress towards Malta’s medium-term objective of a balanced position in structural terms. Gross government debt would peak at almost 69% of GDP in 2010 and thereafter decline marginally. The deficit and debt ratios could be higher than planned throughout the programme period, mainly due to (i) assumed tax buoyancy and, especially after 2010, a favourable macroeconomic scenario and (ii) possible expenditure overruns given recent slippages, the scale of the envisaged retrenchment and the lack of information on concrete measures underpinning the targeted cut in the spending ratio over the programme period. While the deficit target for 2010 set in the budget has been confirmed, as recommended by the Council, it will be important to address these risks, by spelling out the concrete measures underlying the strategy and adopting additional consolidation measures if economic growth or revenue increases turn out lower than projected

[7] In particular, the data on the details of the stock-flow adjustment are not provided.

in the programme or if the risk of expenditure slippages materialises. Furthermore, the envisaged strategy for 2012 should be strengthened considerably to be in line with the requirements of the Stability and Growth Pact. In addition to achieving a sound budgetary position and improving long-term sustainability through further reforms to curb the projected rise in age-related expenditure, Malta faces the challenge of strengthening competitiveness to improve the economy's resilience to future external shocks. This will require implementing productivity-enhancing measures and promoting an efficient wage setting process that allows a close link between wage and productivity developments.

In view of the above assessment and also in the light of the recommendation under Article 126(7) TFEU of 16 February 2010, Malta is invited to:

(i) achieve the 2010 deficit target of 3.9% of GDP, if necessary by adopting additional consolidation measures; back up the strategy to bring the deficit below 3% of GDP in 2011 with concrete measures while standing ready to adopt further consolidation measures in case risks related to the fact that the macroeconomic scenario of the programme is more favourable than the scenario underpinning the Article 126(7) Recommendation materialise; and considerably strengthen the strategy for 2012 to ensure an adjustment towards the MTO in line with the requirements of the Stability and Growth Pact; seize any further opportunities to accelerate the reduction of the gross debt ratio towards the 60% of GDP reference value;

(ii) in view of the significant projected increase in age-related expenditure, improve the long-term sustainability of public finances by implementing further reforms of the social security system;

(iii) strengthen the binding nature of the medium-term budgetary framework and improve the monitoring of budget execution throughout the year, and enhance the efficiency of public spending, especially in the area of health.

Malta is also invited to provide more information on the broad measures underpinning the envisaged consolidation measures in the EDP chapter of the stability programme.

Comparison of key macroeconomic and budgetary projections[1]

		2008	2009	2010	2011	2012
Real GDP (% change)	**SP Feb 2010**	**2.1**	**-2.0**	**1.1**	**2.3**	**2.9**
	COM Nov 2009	2.1	-2.2	0.7	1.6	n.a.
	SP Dec 2008	*2.8*	*2.2*	*2.5*	*2.8*	*n.a.*
HICP inflation (%)	**SP Feb 2010**	**4.7**	**1.8**	**1.7**	**2.0**	**2.0**
	COM Nov 2009	4.7	2.0	2.0	2.2	n.a.
	SP Dec 2008	*4.5*	*2.7*	*2.3*	*2.0*	*n.a.*
Output gap[2] (% of potential GDP)	**SP Feb 2010**	**1.3**	**-1.8**	**-1.7**	**-0.6**	**1.3**
	COM Nov 2009[3]	2.0	-1.0	-0.9	0.1	n.a.
	SP Dec 2008	*0.1*	*-0.3*	*-0.5*	*0.5*	*n.a.*
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	**SP Feb 2010**	**-4.9**	**-1.1**	**-3.6**	**-2.2**	**-1.4**
	COM Nov 2009	-5.1	-2.4	-1.8	-1.4	n.a.
	SP Dec 2008	*-5.1*	*-3.1*	*-2.7*	*0.7*	*n.a.*
General government revenue (% of GDP)	**SP Feb 2010**	**40.2**	**41.4**	**43.8**	**43.3**	**42.5**
	COM Nov 2009	40.3	41.2	41.9	42.1	n.a.
	SP Dec 2008	*40.6*	*41.7*	*41.8*	*41.9*	*n.a.*
General government expenditure (% of GDP)	**SP Feb 2010**	**44.8**	**45.2**	**47.7**	**46.3**	**45.3**
	COM Nov 2009	45.0	45.7	46.3	46.4	n.a.
	SP Dec 2008	*43.9*	*43.2*	*42.1*	*40.7*	*n.a.*
General government balance (% of GDP)	**SP Feb 2010**	**-4.7**	**-3.8**	**-3.9**	**-2.9**	**-2.8**
	COM Nov 2009	-4.7	-4.5	-4.4	-4.3	n.a.
	SP Dec 2008	*-3.3*	*-1.5*	*-0.3*	*1.2*	*n.a.*
Primary balance (% of GDP)	**SP Feb 2010**	**-1.4**	**-0.5**	**-0.6**	**0.3**	**0.4**
	COM Nov 2009	-1.4	-1.2	-1.2	-1.0	n.a.
	SP Dec 2008	*0.0*	*1.9*	*3.0*	*4.3*	*n.a.*
Cyclically-adjusted balance[2] (% of GDP)	**SP Feb 2010**	**-5.1**	**-3.1**	**-3.3**	**-2.7**	**-3.3**
	COM Nov 2009	-5.4	-4.2	-4.1	-4.4	n.a.
	SP Dec 2008	*-3.4*	*-1.4*	*-0.1*	*1.0*	*n.a.*
Structural balance[4] (% of GDP)	**SP Feb 2010**	**-5.4**	**-3.2**	**-3.5**	**-2.8**	**-3.3**
	COM Nov 2009	-5.0	-4.3	-4.1	-4.4	n.a.
	SP Dec 2008	*-3.7*	*-1.7*	*-0.2*	*0.9*	*n.a.*
Government gross debt (% of GDP)	**SP Feb 2010**	**63.6**	**66.8**	**68.6**	**68.0**	**67.3**
	COM Nov 2009	63.8	68.5	70.9	72.5	n.a.
	SP Dec 2008	*62.8*	*61.9*	*59.8*	*56.3*	*n.a.*

Notes:

[1] The Commission services' autumn 2009 forecast was prepared on a pre-budget basis.

[2] Output gaps and cyclically-adjusted balances according to the programmes as recalculated by Commission. services on the basis of the information in the programmes.

[3] Based on estimated potential growth of 1.3%, 0.8%, 0.6% and 0.6% respectively in the period 2008-2011.

[4] Cyclically-adjusted balance excluding one-off and other temporary measures. One-off and other temporary measures are 0.3% of GDP in 2008, 0.1% in 2009, 0.2% in 2010, 0.1% in both 2011 and 2012, all deficit-reducing according to the most recent programme, and 0.4% of GDP in 2008 deficit-increasing and 0.2% in 2009 deficit-reducing in the Commission services' autumn 2009 forecast.

Source:

Stability programme (SP); Commission services' autumn 2009 forecasts (COM); Commission services' calculations