EUROPEAN
COMMISSION

Brussels, 14.11.2012
SWD(2012) 390 final

COMMISSION STAFF WORKING DOCUMENT

Analysis by the Commission services of the action taken

by Spain

in response to the Council Recommendation of 10 July 2012 with a view to bringing an end to the situation of excessive government deficit

Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

Assessment of action taken by Spain in response to the Council Recommendation of 10 July 2012 with a view to bringing an end to the situation of excessive government deficit

{COM(2012) 683 final}

1. INTRODUCTION

On 27 April 2009, the Council decided, in accordance with Article 104(6) of the Treaty establishing the European Community (TEC), that an excessive deficit existed in Spain and issued a recommendation to correct the excessive deficit by 2012 at the latest, in accordance with Article 104(7) TEC and Article 3 of Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure.

On 2 December 2009, the Council decided, in accordance with Article 3(5) of Council Regulation (EC) No 1467/97, that effective action had been taken and that unexpected adverse economic events with major unfavourable consequences for government finances had occurred after the adoption of that recommendation. As a result, the Council adopted a revised recommendation under Article 126(7) TFEU to correct the excessive deficit by 2013 at the latest in a credible and sustainable manner by taking action in a medium-term framework.

On 15 June 2010, the Commission concluded that Spain had taken effective action in compliance with the Council recommendation of 2 December 2009 to bring its government deficit below the 3% of GDP reference value and considered that no additional step in the excessive deficit procedure was therefore necessary.

On 10 July 2012, the Council decided, in accordance with Article 3(5) of Council Regulation (EC) No 1467/97, that effective action had been taken but that unexpected adverse economic events with major unfavourable consequences for government finances had occurred after the adoption of the revised recommendation in 2009. The Council therefore adopted a revised recommendation under Article 126(7) TFEU ("the revised EDP recommendation") and recommended Spain to correct the excessive deficit by 2014 at the latest. In order to bring the headline government deficit below the 3% of GDP reference value by 2014, Spain was recommended to deliver an improvement of the structural balance of 2.7% of GDP in 2012, 2.5% of GDP in 2013 and 1.9% of GDP in 2014, based on the Commission services' update of the 2012 Spring Forecast. The headline deficit targets should be 6.3% of GDP for 2012, 4.5% of GDP for 2013 and 2.8% of GDP in 2014.

The Spanish authorities were also recommended to implement the measures adopted in the 2012 budget and in the Autonomous Communities' rebalancing plans and to adopt the announced multi-annual budget plan for 2013-14 by the end of July 2012, including a medium-term budgetary strategy, which fully specifies the structural measures that are necessary to achieve the correction of the excessive deficit by 2014. They were also recommended to adopt without delay additional measures in 2012 should risks to the budgetary plans materialise. In addition, Spain was asked to strictly apply the new provisions of the Budgetary Stability Law regarding transparency and control of budget execution and to establish an independent fiscal institution to provide analysis, advice and monitor fiscal policy, stick to the enforceable nature of its medium-term budgetary framework as well as closely monitor adherence to the budgetary targets throughout the year for all the levels of the general government sector.

2. ECONOMIC DEVELOPMENTS

After briefly returning to positive economic growth in 2011 thanks to strong net exports, the Spanish economy has fallen back into recession, recording negative real GDP growth since the third quarter of 2011. According to the Commission services' 2012 Autumn Forecast, the recession is expected to deepen in the second half of 2012, with the economy only returning to positive growth towards the end of 2013. This is expected to result in real GDP contracting by 1.4% in both 2012 and 2013, before growing by 0.8% in 2014. The simultaneous deleveraging of the private and public sector, the very high unemployment rate and financial uncertainties are weighing down on domestic demand. The continuing positive contribution to GDP growth from net exports is not expected to offset the deep contraction of domestic demand until 2014.

At the time of the revised EDP recommendation, real GDP was expected to contract sharply in 2012 before bouncing back in the first half of 2013, yielding annual growth rates of -1.9% and -0.3% in 2012 and 2013, respectively. As the recovery was expected to come earlier and to be stronger, annual real GDP in 2014 was forecast to reach 1.1%. Real GDP growth in 2012 is expected to turn out slightly less negative than in July. This is mainly due to somewhat more resilient domestic demand as fiscal consolidation has had a more gradual impact than expected at the time of the revised EDP recommendation. Regarding 2013 and 2014, the revised EDP recommendation was based on a no-policy change assumption, while the Commission services’ 2012 Autumn Forecast also took additional consolidation measures included in the 2013-14 budget plan and the 2013 budget into account. The more protracted recession assumed in the Commission services' 2012 Autumn Forecast for 2013 and 2014 implies a more pronounced deterioration in the productive capacity of the Spanish economy, as evidenced by the downward revision of potential output growth by 0.2, 0.4 and 0.4 percentage points in the three respective years in the 2012-14 period.

Table 1: Comparison of macroeconomic developments and forecasts

	2011	2012		2013		2014	
	outturn	COM SF12	COM AF12	COM SF12	COM AF12	COM SF12	COM AF12
Real GDP (% change)	0,4	-1,9	-1,4	-0,3	-1,4	1,1	0,8
Contributions to real GDP growth:							
Final domestic demand	-1,9	-4,4	-4,0	-2,0	-3,8	-0,1	-0,3
Changes in inventories	-0,1	0,0	0,0	0,0	0,0	0,0	0,0
Net exports	2,3	2,5	2,6	1,6	2,3	1,2	1,2
Employment (% change)	-1,5	-4,0	-4,4	-1,5	-2,6	0,3	0,2
GDP deflator (% change)	1,0	0,9	0,2	0,6	1,9	1,4	1,4
Output gap (% of potential GDP)	-4,2	-5,3	-4,6	-4,7	-4,8	-2,8	-2,7
Potential output growth (% change)	-0,2	-0,8	-1,0	-0,9	-1,3	-0,9	-1,3

Source *: COM SF12 - Commission services' updated 2012 spring forecast; COM AF12 - Commission services' 2012 autumn forecast.*

3. BUDGETARY IMPLEMENTATION AND OUTLOOK IN 2012

The general government deficit reached 9.4% of GDP in 2011, only slightly lower than the 9.7% recorded in 2010. However, the 2011 deficit includes the effect of capital injections into banks carried out during the year of around EUR 4.5bn (slightly above 0.4% of GDP). Regarding the evolution of public finances in 2012, the general government deficit in the first half of the year reached 4.3% of annual GDP, compared with 4.1% for the same period in the previous year. Adjusting the figure for capital injections into banks carried out in 2012, the deficit in the first half of 2012 was 3.8% of GDP. The deficit reduction in the first half of 2012 was therefore limited, as shortfalls especially in indirect tax revenues and higher interest and social expenditures offset reductions in government consumption and public investment.

However, as a number of consolidation measures are expected to take effect in the last four months of the year, the Commission services' 2012 Autumn Forecast foresees the general government deficit to decrease to 8.0% of GDP by the end of the year, or 7.0% of GDP excluding the effect of additional capital injections into banks in 2012[1]. The headline deficit (net of capital injections into banks) would therefore decrease by close to 2 percentage points. The primary balance is expected to narrow from -7% of GDP in 2011 to -5% in 2012; net of capital injections into banks, the improvement in the primary balance would be around 2.5 percentage points against the background of an economy shrinking by close to 1½%.

The government and EDP target for the headline deficit in 2012 is 6.3% of GDP. Apart from the recapitalisation measures, the projected deviation is mainly linked to weaker-than-expected revenues, higher social benefits and some expenditure overruns. The less tax-rich growth composition and a stronger deterioration in the labour market implied major revenue shortfalls, notably of indirect taxes, and higher social expenditure. These shortfalls were not fully compensated by discretionary measures. As a result, despite an increase in VAT and personal and corporate income tax, revenue from these taxes remained weaker than expected at the time of the revised EDP recommendation. Social contributions, on the contrary, are expected to increase its share of GDP due to discretionary measures (specifically, reduction of bonuses, which have been accounted as an increase in revenues) and a base effect due to revisions for 2011. On the expenditure side, slippages of around 0.5 pp. are expected for social payments and intermediate consumption. However, if base effects, due to the revisions for year 2011, are discounted, these slippages would be limited to 0.3 for social payments and zero for intermediate consumption.

[1] The financial sector assistance programme for bank recapitalization put in place on 23 July 2012 has not yet had any impact on the general government debt and deficit forecast for 2012-14.

Table 2: Composition of the budgetary adjustment

	2011		2012			2013		2014	
	outturn	SP April 2012	SP April 2012	COM SF 2012	COM AF 2012	COM SF 2012	COM AF 2012	COM SF 2012	COM AF 2012
	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP
Revenue	35,7	35,1	36,3	35,9	36,3	35,7	36,7	34,7	35,8
of which:									
- Taxes on production and imports	9,9	9,8	9,8	9,9	9,6	9,8	10,2	9,8	10,1
- Current taxes on imcome, wealth, etc.	9,6	9,5	10,3	10,2	10,2	10,1	10,2	9,6	9,7
- Social contributions	13,2	13,0	13,2	12,8	13,2	12,6	13,1	12,3	12,9
- Other (residual)	3,1	2,9	3,0	3,0	3,3	3,2	3,2	3,0	3,2
Expenditure	45,2	43,6	41,6	42,2	44,3	41,8	42,7	41,1	42,3
of which:									
- Primary expenditure	42,7	41,2	38,4	39,0	41,3	38,5	38,9	37,8	38,3
of which:									
- Compensation of employees	11,6	11,5	10,9	10,9	11,0	10,7	11,0	10,2	10,6
- Intermediate consumption	5,9	5,4	4,5	4,9	5,4	4,6	4,8	4,6	4,8
- Social payments	18,2	18,0	18,6	18,5	19,0	18,6	18,7	18,4	18,6
- Subsidies	1,1	1,1	0,9	0,9	1,0	0,9	1,0	0,9	1,0
- Gross fixed capital formation	2,9	2,8	1,7	1,9	1,8	1,8	1,5	1,8	1,5
- Other (resedual)	3,0	2,5	1,9	1,9	2,9	1,9	1,9	1,9	1,9
- Interest expenditure	2,5	2,4	3,2	3,2	3,0	3,3	3,9	3,3	4,0
General government balance (GGB)	-9,4	-8,5	-5,3	-6,3	-8,0	-6,1	-6,0	-6,4	-6,4
Primary balance	-7,0	-6,1	-2,2	-3,1	-5,0	-2,8	-2,2	-3,1	-2,5
One-off and other temporary measures	-0,2	0,4	1,0	0,2	0,3	0,0	0,1	0,0	0,0
Structural balance	-7,5	-7,3	-4,4	-4,3	-6,3	-4,1	-4,0	-5,1	-5,3
Change in structural balance	-	-	3,1	3,2	1,2	0,2	2,3	-1,0	-1,2
Corrected change in structural balance due to revision of potential output growth					1,2		2,4		-1,1
Real GDP growth	0,4	0,7	-1,8	-1,9	-1,4	-0,3	-1,4	1,1	0,8
GDP deflator	1,0	1,4	1,0	0,9	0,2	0,6	1,9	1,4	1,4
Nominal GDP	1,4	2,1	-0,8	-1,0	-1,2	0,3	0,4	2,5	2,3

Source: *SP April 2012 - Stability Programme April 2012; COM SF 2012 - Commission services' updated 2012 spring forecast; COM AF 2012 - Commission services' 2012 autumn forecast.*

The revised EDP recommendation of 10 July 2012 requires Spain to achieve an improvement in the structural balance of 2.7% in 2012. The Commission services' 2012 Autumn Forecast points to an expected improvement in the structural deficit of only 1.2 percentage points, with an expected structural deficit of 6.3% of GDP in 2012. However, large negative potential output growth estimates for 2012-14 complicate the interpretation of these structural balances. Due to the negative potential output growth, the economic contraction in 2012 does not fully translate into an increase in the cyclical deficit component. Put differently, the budgetary deterioration caused in 2012 by the economic contraction is to a large extent captured in the structural balance and therefore offsets to some extent the improvements linked with consolidation measures. Moreover, accounting for the downward revision of potential output since the time of the revised EDP recommendation would imply that the estimated fiscal effort in 2012 would be about 0.1 percentage point higher. Moreover, the change in the structural balance was also severely affected by revenue shortfalls (i.e. relative to GDP developments using standard revenue elasticities) which amount to around 1½ percentage points of GDP. Overall, taking these revenue shortfalls into account, the estimated structural effort would further increase to around 2¾ percentage points – in line with the effort required under the revised EDP recommendation.

The budgetary improvement of around 2.5% of GDP of the primary balance in 2012 (net of capital injections into banks) was achieved despite a sharp contraction in the economy and a very tax-weak growth composition. To compensate for likely deviations from the deficit target, Spain adopted several discretionary consolidation packages during 2012. In December 2011, a first package of measures was presented, including a temporary hike in tax rates on personal income and permanent cuts in ministerial spending levels. This was followed by further measures contained in the 2012 budget law presented in April and the Autonomous Communities' rebalancing plans in May, imposing mainly further expenditure cuts, notably within the areas of health and education. In view of the budgetary development in the first half of the year and in line with the revised EDP recommendation, on 13 July, the Spanish authorities adopted additional consolidation measures of around 1¼% of GDP to ensure the fulfilment of the budgetary plan for 2012. These measures affect the second half of 2012 and 2013 and include a permanent hike in VAT rates and the temporary elimination of the Christmas bonus for public employees limited to 2012. On the whole, total measures of around 5¼% of GDP were adopted for 2012, including 1¾% of GDP on the revenue side and 3½% of GDP on the expenditure side[2]. However, a considerable part of these measures (more than 1½% of GDP) has not been of a permanent nature. A number of measures, including some introduced before 2012, are set to expire during 2012 or are of a one-off nature. This concerns in particular the elimination of the Christmas bonus in the public sector (0.4% of GDP) and the change in the tax instalment system for corporate taxes (0.2% of GDP). These do not contribute durably to fiscal consolidation. Nevertheless, a bottom-up analysis of the amount of durable discretionary fiscal consolidation measures implemented by Spain in 2012 with a view to correct the excessive deficit and to achieve the intermediary target this year, yields a total effort of around 3½-4% of GDP. Since an important part of these measures is due to materialise only in the last four months of the year, there are still some implementation risks attached to these numbers. Some of the measures announced in the regional adjustment plans for 2012 were not taken into account in the Commission services' Autumn Forecast for either being unspecified or highly uncertain, notably planned sales of real estate, which has a track record of being significantly overestimated. Moreover, as in previous years, there are indications that a number of regions will again miss their budgetary targets of limiting the deficit to 1.5% of GDP. Although the aggregate deficit of all autonomous regions amounted to 0.77% of GDP in the first half of 2012, seven regions had deficits of more than 1% of GDP. Moreover, after adjusting for the frontloading of central government transfers to the regions, the aggregate deficit was above 0.9% of annual GDP in the first half of 2012.

[2] This is a Commission estimate, which does not take into account the expected impact of the fiscal amnesty, announced measures to fight tax fraud, and certain revenue raising measures linked to planned privatisations.

Table 3: Main discretionary measures in 2012

(% of GDP)	*Revenues*	*Expenditure*
Cuts in public investment		0.7
Cuts in health and education		0.4
Elimination of Christmas bonus for public employees		0.4
Local administration reform		0.3
Changes to corporate taxation	0.6	
Personal income tax hike	0.35	
VAT hike	0.2	

N.B. Negative sign denotes deficit-increasing measure

4. BUDGETARY IMPLEMENTATION AND OUTLOOK IN 2013

According to the Commission services' 2012 Autumn Forecast and with real GDP expected to shrink again by 1.4% on the previous year, the government deficit is projected to decline to 6.0% of GDP in 2013, compared to the EDP and government target of 4.5% of GDP. The primary balance is expected to improve by 2.8 percentage points (1.8 percentage points net of capital injections into banks) to reach -2.2% of GDP in 2013. Despite 2013 being another year of contracting domestic demand, hikes in indirect taxes such as VAT and excise duties are expected to result in total revenues rising by slightly above 2%. On the expenditure side, sizeable cuts in intermediate consumption and social transfers other than in kind, are set to be more or less offset by an expected rise in interest expenditure due to a higher debt stock and higher interest rates. There are, however, risks to this scenario, notably on the revenue side if similar shortfalls as in 2012 were to materialise.

The revised EDP recommendation of 10 July 2012 requires Spain to achieve a structural fiscal consolidation of 2.5% of GDP in 2013. The Commission services' 2012 Autumn Forecast projects the structural deficit to further narrow by 2.3% percentage points and to reach 4.0% of GDP in 2013, broadly in line with the revised EDP recommendation. Correcting for the change in the estimated potential growth between the projections underlying the revised EDP recommendations and the Autumn forecast, the estimated fiscal effort in 2013 would be around 0.1-0.2 percentage points higher.

Following the revised EDP recommendation, in August 2012, the Spanish government presented a multi-annual budget plan for 2013-14, outlining the main features of the consolidation strategy for the medium-term. However, for 2013, the plan did not specify many new revenue measures compared to what had already been announced in the July 2012 package. The latter foresees the VAT hike to have its main impact in 2013. On the expenditure side, a large share of the consolidation effort stems from measures at the regional level (0.6% of GDP) and from changes to unemployment benefits (0.3% of GDP). Finally, the draft 2013 Budget bill presented in September contained few new measures not previously announced, such as an extension of the wealth tax by one year. Partly offsetting these consolidation measures, there are a number of one-off measures introduced in 2012 that expire in 2013, notably in the corporate income taxation area and with regard to the reintroduction of Christmas bonus for public employees. In addition, pension expenditure is expected to rise in 2013, as the number of pensioners rise and the average pension increases due to both composition effects and a 1% hike in pension levels. In total, the impact of discretionary measures on 2013 is expected to be about 1¼% of GDP on the expenditure side and about 1% of GDP on the revenue side.

The expected budget deviation of 1½% of GDP in 2013 from the target is partly explained by the worse starting position (base effect, ¾% of GDP). However, the 2013 budget bill is also based on optimistic macroeconomic assumptions. The draft 2013 budget law forecasts real GDP to contract by only 0.5 percentage points and employment to stabilise. This implies a clear risk of revenues once again underperforming and social transfers overshooting. This could explain about ½ percentage point of the deviation from the target. In addition, the draft budget law also seems to underestimate the increase in social benefits, including pensions and unemployment benefits, which could explain a further ¼ percentage point. For the regions, the main consolidation measures in 2013 are the cuts in health and education included in the 2013-14 Budget Plan. There is, however, no information currently available on the actual implementation in regional budgets of these planned measures.

Table 4: Main discretionary measures in 2013

(% of GDP)	*Revenues*	*Expenditure*
Cuts in health and education		0.6
Cuts in unemployment benefits		0.35
Freezing of public sector hiring		0.15
Elimination of Christmas bonus for public employees		-0.4
VAT hike	0.7	
Personal income tax hike	0.15	
Changes to corporate taxation	-0.25	

N.B. Negative sign denotes deficit-increasing measure

5. BUDGETARY IMPLEMENTATION AND OUTLOOK IN 2014

For 2014, the Commission services' 2012 Autumn Forecast foresees real GDP growth of 0.8%. The expected return to positive economic growth and some positive, albeit limited, net job creation is, however, not sufficient to achieve a further narrowing of the headline deficit, which is expected to widen to 6.4% of GDP compared to a target of 2.8% of GDP. The few additional consolidation measures specified are not enough to offset the expiry of temporary measures taken in previous years. The primary deficit is expected to widen by 0.3% of GDP to 2.5% in 2014. Apart from the base effect (1½% of GDP), the expected deviation mainly reflects the expiry of temporary measures and the fact that the planned consolidation measures for 2014 were not sufficiently specified in the multi-annual budget plan announced in August. Moreover, the composition of economic growth continues to be tax-poor, with social contributions and indirect taxes not rising in full proportion to nominal GDP. Interest payments also keep rising due to a higher debt stock.

The revised EDP recommendation of 10 July 2012 requires Spain to achieve a structural fiscal consolidation of 1.9% of GDP in 2014. In contrast, according to the Commission services' 2012 Autumn Forecast the structural deficit is projected to deteriorate by 1.3 percentage points to 5.3% in 2014. Correcting for the change in the estimated potential growth between the projections underlying the revised EDP recommendations and the 2012 Autumn forecast, the estimated fiscal effort in 2014 would be about 0.1-0.2 percentage points higher. This leaves the structural effort about 3 percentage points short of the level required by the revised EDP recommendation. Adjusting for unexpected revenue shortfalls would probably decrease this gap further, as some revenues are not following the growth path implied by nominal GDP growth. However, this would not be enough to achieve the required structural effort.

The main discretionary consolidation measures with an incremental impact in 2014 are the freeze in public sector hiring (0.15% of GDP), various measures restricting early or partial retirement (0.1% of GDP) and a review of some exemptions and reductions in the personal income tax (0.1% of GDP). The main discretionary measures that are expiring in 2014 are the 2012 hikes to personal income tax rates (0.5% of GDP), the temporary wealth tax (0.1% of GDP) and the hike from 15% to 21% of withholdings in the personal income tax system (0.1% of GDP). The 2013-14 Budget Plan included further consolidation measures at regional and local level of about ¾% of GDP in the field of health and education and regarding regional and local administration consolidation. However, these were not sufficiently specified in order to be included in the Commission services' Autumn Forecast.

Table 5: Main discretionary measures in 2014

(% of GDP)	*Revenues*	*Expenditure*
Freezing of public sector hiring		0.15
Expiry of personal income tax hike	-0.5	

N.B. Negative sign denotes deficit-increasing measure

6. BUDGETARY FRAMEWORK

In the revised EDP recommendation of July 2012, Spain was also required to strictly apply the new provisions of the Budgetary Stability Law regarding transparency and control of budget execution. Progress has been made recently regarding the reporting of fiscal data for regional governments. Spain has started to publish quarterly fiscal accounts for subsectors in national accounts terms, including detailed information on the regions' revenues, expenditures and fiscal balances. Consolidated quarterly accounts for the general government in national accounts terms are now published with a lag of only two months. Moreover, since October, monthly reports on regional public finances are published on a budget execution basis with a month and a half delay. As from 2013, monthly regional fiscal data are to be published in national accounts terms. Some improvements in the municipalities' fiscal reporting have also been made with a delay in reporting of maximum three months. Despite these improvements which are a step forward in achieving higher fiscal transparency, a sound track record regarding the quality and consistency of reporting remains to be achieved, given the challenge of introducing new reporting procedures across regional administrations. Also, the data may not be very informative given that no long time series are planned to be reported. This may impede the correct interpretation of the budgetary developments. Critically, implementation of the preventive and corrective arm of the Budget Stability Law appears to be insufficient. No official early warning mechanism or corrective action has been triggered so far, even though several Autonomous Communities are clearly at risk of not meeting their fiscal targets in 2012.

By the end October 2012, eight of the 17 Autonomous Communities have applied for financial aid from the Regional Liquidity Fund (RLF) set up to provide affordable financing to regions that experience funding difficulties. The amount requested has reached around EUR 17bn out of total of EUR 18bn. The provision of liquidity is subject to strengthened fiscal conditionality and supervision through continuous monitoring of the adjustment plans of each beneficiary region in order to ensure meeting the general government budget deficit target. The government has recently announced that the RLF will be extended through 2013. However, the funding mechanism will be changed. Contrary to 2012 when part of the funding is provided by banks, in 2013 the funding needs of the regions will be covered entirely by the central government. This would make the process more transparent, efficient, and cheaper, given the lower spreads on the sovereign debt.

In line with the country-specific recommendations under the European Semester, the Council also asked Spain to establish an independent fiscal institution to provide analysis, advice and monitor fiscal policy, stick to the enforceable nature of its medium-term budgetary framework as well as closely monitor adherence to the budgetary targets throughout the year for all the levels of the general government sector. On 27 September, the Spanish government decided to establish such an independent institution.[3] Its remit and governing structure is currently being defined. The Spanish authorities have committed to follow common principles regarding these aspects. The institution is to be created in 2013, once the relevant organic law has been adopted.

[3] This will also be required under the Treaty on stability, coordination and governance in the Economic and Monetary Union.

Table 6: Comparison of key macroeconomic and budgetary projections

		2009	2010	2011	2012	2013	2014
Real GDP (% change)	COM AF 12	-3.7	-0.3	0.4	-1.4	-1.4	0.8
	COM SF 12	-3.7	-0.1	0.7	-1.9	-0.3	1.1
	SP	-3.7	-0.1	0.7	-1.7	0.2	1.8
Output gap[1] (% of potential GDP)	COM AF 12	-4.2	-4.8	-4.2	-4.6	-4.8	-2.7
	COM SF 12	-4.3	-4.8	-4.2	-5.3	-4.7	-2.8
	SP	-	-	-3.8	-4.3	-3.8	-2.1
General government balance[3] (% of GDP)	COM AF 12	-11.2	-9.7	-9.4	-8.0	-6.0	-6.4
	COM SF 12	-11.2	-9.3	-8.9	-6.3	-6.1	-6.4
	SP	-	-	-8.5	-5.3	-3.0	-1.1
Primary balance (% of GDP)	COM AF 12	-7.7	-7.0	-5.0	-2.2	-2.5	-2.1
	COM SF 12	-9.4	-7.4	-6.5	-3.1	-2.8	-3.1
	SP	-	-	-6.1	-2.2	0.2	2.0
Cyclically-adjusted balance[1] (% of GDP)	COM AF 12	-9.4	-7.6	-7.6	-6.0	-4.0	-5.3
	COM SF 12	-9.3	-7.3	-6.9	-4.1	-4.1	-5.1
	SP	-	-	-6.9	-3.4	-1.4	-0.2
Structural balance[2] (% of GDP)	COM AF 12	-8.7	-7.6	-7.5	-6.3	-4.0	-5.3
	COM SF 12	-8.7	-7.3	-7.0	-4.3	-4.1	-5.1
	SP	-	-	-7.3	-4.4	-2.2	-0.2
Government gross debt[3] (% of GDP)	COM AF 12	53.9	-61.5	69.3	86.1	92.7	97.1
	COM SF 12	53.9	-61.2	68.5	80.9	86.8	91.8
	SP	-	-	68.5	79.8	82.3	81.5

Notes:

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

[2] Cyclically-adjusted balance excluding one-off and other temporary measures.

[3] The financial sector assistance programme for bank recapitalization put in place on 23 July 2012 has not yet had any impact on the general government debt and deficit forecast for 2012-14.

Source: COM AF12- Commission services' 2012 autumn forecast; COM SF12 - Commission services' updated 2012 spring forecast; SP – Stability Programme April 2012