

Brussels, 15 February 2000

Commission assesses the updated Stability Programme of Belgium

The European Commission today adopted a Recommendation to the Council on the updated stability programme of Belgium (1999-2003). The Commission concludes that the updated stability programme is in line with the requirements of the Stability and Growth Pact and the Broad Economic Policy Guidelines. The 1999 update is projecting a balanced budget for the general government in 2002, while a surplus of 0.2% of GDP would be realised in 2003. For 2000, the government commits itself to obtain better budgetary results than the 1.0% of GDP deficit targeted in the updated programme. The budgetary projections of the update are based on a prudent macroeconomic scenario, assuming real GDP growth of 2.5% per year for 2000 and 2001 and a trend growth rate of 2.3% for the following years. The debt ratio is projected to fall by 13.6 percentage points between 1999 and 2003 to 101.3% of GDP. As in the initial stability programme, a central element of the fiscal consolidation strategy of the updated programme, are high primary surpluses, somewhat above 6% of GDP per year. On the basis of the Commission Recommendation the Council is expected to adopt a formal opinion on the updated Stability Programme [on 28 February 2000].

The Commission Recommendation was adopted on the initiative of Pedro Solbes, EU Commissioner for economic and monetary affairs, as part of the procedures set in the Stability and Growth Pact for surveillance and co-ordination of national economic and budgetary policies at the level of the European Union.

The Stability and Growth Pact, adopted by the European Council at its meeting in Amsterdam in June 1997, requires Member States participating in the euro-zone to present stability programmes and their updates to the Council and the Commission. The programmes provide information on how Member States intend to meet the objectives of the Pact, in particular, the medium-term budgetary target of a general government budget close to balance or in surplus which will enable their finances to withstand normal cyclical fluctuations without exceeding the reference value of a deficit of 3 % of GDP. The Belgian updated programme was submitted on 24 December 1999.

The Commission's Recommendation highlights the following:

- The updated programme is in line with the requirements of the Stability and Growth Pact.
- Budgetary adjustment continued at a faster pace than projected in the initial programme in 1998 despite a slowdown in economic activity and the dioxin crisis, in 1999. The debt ratio was reduced by 6.3 percentage points during the last two years to an estimated 114.9% of GDP at the end of 1999.

- The updated programme is projecting a balanced budgetary position for the general government in 2002 and a small surplus in 2003 while the debt ratio is expected to be reduced to close to 100% of GDP in the same year; this implies an acceleration of the projected budgetary adjustment compared to the initial programme.
- The government commits itself to seek better budgetary results in 2000 than the 1.0% of GDP deficit projected in the update; the Commission considers the commitment for better budgetary outcome as appropriate in view of improved economic prospects and the better than expected outturn for 1999.
- A key objective of the 1999 updated programme is the substantial increase in the employment rate through the continued reduction in the tax burden on labour.
- High primary surpluses will continue to be central elements of the strategy for budgetary adjustment and debt reduction in the period to 2003. This strategy proved successful so far and its continuation is appropriate in view of the need to reduce the high debt ratio at a satisfactory pace
- The projected budgetary position at the end of the period covered by the updated programme provides adequate safety margin for not exceeding the 3% of GDP threshold in normal circumstances.

I. Key figures of the Belgian stability programme

	1999	2000	2001	2002	2003
Real GDP growth (annual % change)	1.7	2.5	2.5	2.3	2.3
Gen. Gov. budget balance (% of GDP)	-1.1	-1.0	-0.5	0.0	0.2
Primary surplus (% of GDP)	6.2	6.0	6.2	6.4	6.2
Government debt (% of GDP)	114.9	112.4	108.8	105.0	101.3