COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 22.2.2006
SEC(2006) 234 final

Recommendation for a

COUNCIL OPINION

in accordance with the third paragraph of Art. 5 of Council Regulation (EC) No 1466/97 of 7 July 1997

On the updated stability programme of France, 2005-2009

(presented by the Commission)

EXPLANATORY MEMORANDUM

Background

The Stability and Growth Pact, which entered into force on 1 July 1998, 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. In 2005, the Pact was amended for the first time. The reform acknowledged the Pact's usefulness in anchoring fiscal discipline but 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 Pact, stipulates that Member States have to submit, to the Council and the Commission, stability or convergence programmes 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). The first stability programme of France was submitted on 18 January 1999. In accordance with the Regulation, the Council delivered an opinion on it on 15 March 1999 on the basis of a recommendation from the Commission and after having consulted the Economic and Financial Committee. In accordance with the same procedure, updated stability and convergence programmes are assessed by the Commission and examined by the Committee mentioned above, while the Council may examine them.

In these programmes, Member States need to specify their medium-term objective for the budgetary position and set out the policy measures to achieve and maintain it, including the accompanying economic assumptions. Following the reform of the Pact, the medium-term objective should be differentiated for individual Member States in the light of the economic and budgetary heterogeneity in the Union, including as regards the fiscal risk to sustainability. Other elements of the reform are that a more symmetrical approach to fiscal policy over the cycle through enhanced budgetary discipline in economic good times should be achieved, while "major structural reforms" with a verifiable impact on long-term sustainability should be taken into account for a temporary deviation from the medium-term objective or the adjustment path towards it.

Taking into account the Commission services' autumn 2005 forecast, the code of conduct[2], the commonly agreed methodology for the estimation of potential output and cyclically-adjusted balances and the broad economic policy guidelines included in the integrated guidelines for the period 2005-2008, the Commission has examined the recently submitted update of the stability programme of France and, based on its assessment below, has adopted a recommendation for a Council opinion on it.

---

[1] OJ L 209, 2.8.1997, p. 1. Regulation as amended by Regulation (EC) No 1055/2005 (OJ L 174, 7.7.2005, p. 1). All the documents referred to in this text can be found at the following website: http://europa.eu.int/comm/economy_finance/about/activities/sgp/main_en.htm

[2] "Specifications on the implementation of the Stability and Growth Pact and guidelines on the format and content of stability and convergence programmes", endorsed by the ECOFIN Council of 11 October 2005.

Assessment

(1) The most recent update of the French stability programme was submitted to the Council and the Commission on 13 January 2006, i.e. six weeks after the deadline of 1 December as specified in the code of conduct. According to the French authorities, the late submission was due to their wish to incorporate some of the proposals for debt-reduction of the "Pébereau report"[3] in their intensified debt-reduction strategy. The update covers the period from 2005 to 2009 but also refers to 2010. The programme broadly follows the model structure and data provision requirements for stability and convergence programmes specified in the new code of conduct[4].

(2) On 3 June 2003, the Council decided that France was in excessive deficit and recommended, based on Article 104(7), that the excessive deficit be corrected by 2004. In its Communication to the Council of December 2004 on "the situation of Germany and France in relation to their obligations under the excessive deficit procedure following the judgement of the Court of Justice", the Commission concluded that 2005 should be considered as the relevant deadline for the correction. In January 2005, the Council concurred with this view. In its opinion of 17 February 2005 on the December 2004 update of the stability programme, covering the period 2004-2008, the Council invited France to do the necessary to ensure the correction of the excessive deficit in 2005 and the continued budgetary consolidation thereafter and to implement structural reforms and control expenditure in order to secure the respect of the multi-annual expenditure targets.

(3) French GDP growth was over the last 10 years close to the euro-area average at 2.3%; since 1998 it was about half a percentage point higher, sustained by relatively buoyant domestic demand. Despite this relatively good performance, the employment rate increased only slightly and the unemployment rate remained persistently high. Following a record deficit level of 6% of GDP in 1993 the budgetary situation improved and the 3% of GDP Treaty reference value was respected from 1997 onwards. However, the reference value was breached again from 2002 onwards as the budgetary situation deteriorated, which was only partly due to the slowdown in growth. Since 2004, the deficit ratio is declining.

(4) Real GDP growth is estimated in the update to have reached 1.5%-2.0% in 2005 and is forecast to pick up to 2.0-2.5% in 2006. Beyond 2006, the update presents two macroeconomic scenarios: a "low scenario" in which real GDP growth reaches 2¼% per year over the period 2007-2009, and a "favourable scenario" where GDP growth is forecast at 3%. The "low scenario" is taken as the reference scenario in this assessment as it is the closest to the Commission services' estimates of potential growth. Assessed against currently available information, the reference scenario seems to be based on plausible growth assumptions, although it may be somewhat favourable in 2006. The inflation forecasts embedded in the two scenarios, which are

---

[3] Report from an independent high level committee appointed by the French government to analyse the public debt and to determine debt-reduction possibilities, published in mid-December 2005.

[4] The programme has gaps in the compulsory data and optional data prescribed by the new code of conduct are missing. Missing compulsory data mainly concern short and long-term interest rates assumptions. Missing optional data mainly concern the general government expenditure by function, data on long-term sustainability of public finances and labour market developments.

characterised by a lack of inflationary pressure, also appear realistic (though possibly on the low side).

(5) As regards budgetary implementation in 2005, the general government deficit was estimated at 3.2% of GDP in the Commission services' autumn 2005 forecast, against a target of 2.9% of GDP set in the previous update and 3% of GDP in this update. Despite somewhat less favourable macroeconomic conditions compared to the previous programme, recent partial information suggests that the deficit in 2005 is likely to have been reduced to around 3% of GDP, notably thanks to a strong performance of non-fiscal receipts and taxes based on asset prices as well as additional one-off revenues in end-December linked to a change in the corporate tax legislation.

(6) The update aims at bringing the public accounts back to balance and reducing the public debt-to-GDP ratio below the 60% reference value by 2010. It also confirms that the deficit should be brought back to the 3% reference value in 2005 and below it from 2006 onwards. A reduction by 2 percentage points of GDP in the general government deficit is foreseen over the period covered, bringing the deficit down from 3.0% of GDP in 2005 to 1.0% of GDP in 2009. A primary surplus would be restored from 2007 onwards. As in previous updates, the planned consolidation is expenditure-driven. The medium-term strategy is based on multi-annual targets for the increase in government expenditures in real terms that imply a reduction of the expenditure-to-GDP ratio. The revenue-to-GDP ratio is expected to slightly decline over the same period. While tax reductions are front-loaded to take place in 2006 and 2007, the reduction in the expenditure ratio is assumed to accelerate over time. Compared with the previous programme, the planned deficit reduction has been postponed in the new update against a slightly less favourable macroeconomic scenario. It should also be noted that the deficit reduction relies on substantial one-offs in 2005 and 2006 which amount to 0.6% of GDP in 2005 and about 0.2% of GDP in 2006 according to the Commission services' most recent estimate.

(7) Based on Commission calculations according to the agreed methodology, the planned improvement in the structural balance, i.e. in cyclically-adjusted terms and net of one-off and other temporary measures, would reach 0.6% of GDP per year on average over the period 2005-2009, bringing the deficit down from 3¼% in 2005 to about 0.5% of GDP in 2009. The fiscal effort is back-loaded while cyclical conditions, as measured by the output gap, are slightly worsening. The French programme does not clearly identify a medium-term objective (MTO) for the budgetary position in structural terms. However, since one of the two announced medium-term targets in the programme is the return to balance of the public accounts by 2010, a balanced structural position has been considered as the French MTO in this assessment. As it is more demanding than the minimum benchmark (estimated at a deficit of around 1½% of GDP), its achievement should fulfil the aim of providing a safety margin against the occurrence of an excessive deficit. The programme's MTO lies within the range indicated for euro area and ERM II Member States in the Stability and Growth Pact and the code of conduct and is more demanding than implied by the debt ratio and average potential output growth in the long term.

(8) On balance, the risks to the budgetary projections in the programme appear to be negative. First, concerning 2006, there are risks stemming from the macroeconomic scenario and from the budget implementation so that revenues are likely to be lower[5] and expenditures in the areas of local administration and health higher. For the rest of the period, the ambitious targets set in the update are welcome. The enhancement of expenditure-growth rules at the different levels of the general government will improve the oversight of public finance and raise the accountability of all public stakeholders for spending control. However, the track record related to the achievement of overall budget balance objectives and the lack of enforcement mechanisms for expenditure rules raise some concerns. The new targets imply a drastic expenditure restraint compared to previous targets, which will require large structural reforms that are not always detailed in the update, especially concerning local authorities for which the planned reduction in expenditure is the largest compared to the previous update.

(9) In view of this risk assessment and taking into account most recent information, a reduction of the deficit below 3% of GDP beyond 2005 would require additional measures in 2006 of over 0.25 percentage point of GDP. In these circumstances, the 2006 Budget would still rely on significant one-off revenues (about 0.25% of GDP) and therefore not ensure a permanent reduction below the threshold. The planned structural adjustment in 2006 is below 0.5% of GDP in structural terms. The adjustment towards the ambitious MTO planned thereafter is in line with the 0.5% of GDP benchmark specified in the Pact for euro area and ERM II Member States, but does not ensure that an appropriate budgetary position in structural terms as defined by the Pact is achieved by the end of the programme period. Given the risks, a safety margin against breaching the 3% of GDP deficit threshold with normal cyclical fluctuations may not be provided until the very end of the programme period.

(10) The debt-to-GDP ratio has exceeded the 60% of GDP Treaty reference since 2003. The update projects a quasi-stabilisation of the debt-to-GDP ratio at 66% of GDP in 2006 and a progressive decrease thereafter, to below 60% in 2010. The reduction in the debt would be mainly triggered by nominal GDP growth and the shift to primary surpluses from 2007 onwards. Stock-flow adjustments would mainly reflect the sales of non-strategic assets. Given the uncertainties associated to the budgetary targets and the realisation of the planned sales of non-strategic assets, the debt ratio may not be sufficiently diminishing towards the 60% of GDP reference value.

(11) With regard to the sustainability of public finances, France appears to be at medium risk on grounds of the projected budgetary costs of ageing populations. Recent reforms, notably the 2003 pension reform, have helped to contain the future rise in public expenditure and their full implementation will be crucial to ensure the expected results. The current level of government gross debt is above the Treaty value of 60% of GDP and the currently high structural deficit, if unchanged, will

---

[5] The proceeds to be received by the State in connection with the liquidation of a precautionary fund associated with subsidized mortgages as well as exceptional dividends related to the privatisation of government-owned motorways companies appear in the 2006 Budget as deficit reducing. Although full information is not yet available, preliminary indications from Eurostat suggest that these transactions have a financial nature and should be recorded below the line without a direct impact on the deficit. If this is confirmed, both the French authorities' and the Commission services' (autumn 2005) forecast for the 2006 deficit will have to be revised upwards by about 0.1% of GDP.

prevent the necessary reduction of debt in view of the future cost of ageing. Therefore, in the absence of additional reforms, strong budgetary consolidation is needed in order to reduce the risks to long-term sustainability.

(12) The envisaged measures in the area of public finances are broadly consistent with the broad economic policy guidelines included in the integrated guidelines for the period 2005-2008. In particular, France plans to implement a number of structural reforms in order to secure the deceleration in government expenditures and improve the sustainability of government finances in the medium to long run. Furthermore, while the correction of the excessive deficit may require additional measures, thereafter sufficient progress is planned towards the MTO.

(13) France's national reform programme (NRP), submitted on 7 November 2005 within the context of the renewed Lisbon strategy for growth and jobs, identifies three main priorities: (a) to create the necessary conditions for strong economic growth including sustainable public finances, (b) to reduce unemployment and increase employment and (c) to build a knowledge-based economy. Similarly, the improvement of potential output – notably thanks to the so-called emergency plan for employment and other labour market reforms – is one of the three pillars of the French budgetary strategy mentioned in the update. Overall, the measures in the area of public finances envisaged in the stability programme are broadly in line with the actions foreseen in the National Reform Programme. The stability programme complements these measures with changes in the institutional features of the public finances, namely a definition and enhancement of expenditure-growth rules to all levels of the sub-sectors of the general government and the set-up of a basis of a better coordination among stakeholders. However, not all budgetary implications of the actions outlined in the NRP are sufficiently reflected in the budgetary projections of the stability programme.

In view of the above assessment, the priority given to debt reduction in the French stability programme is welcome but there are risks linked to the achievement of the budgetary targets and to long-term sustainability of public finances. Also in the light of the Commission's communication of December 2004 endorsed by the Council in January 2005, it would be appropriate for France to:

– ensure without delay the necessary structural adjustment to bring the general government deficit below 3% of GDP in 2006 in a credible and sustainable manner;

– identify and implement the necessary measures to ensure the planned fiscal consolidation towards the medium-term objective and improve long-term sustainability; and

– strengthen the monitoring and enforcement of expenditure rules defined for the sub-sectors of the general government so as to ensure the respect of the ambitious multi-annual expenditure ceilings.

Recommendation for a

COUNCIL OPINION

in accordance with the third paragraph of Art. 5 of Council Regulation (EC) No 1466/97 of 7 July 1997

On the updated stability programme of France, 2005-2009

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

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[6], 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 [14 March 2006] the Council examined the updated stability programme of France, which covers the period 2005 to 2009.

(2) French GDP growth was over the last 10 years close to the euro-area average at 2.3%; since 1998 it was about half a percentage point higher, sustained by relatively buoyant domestic demand. Despite this relatively good performance, the employment rate increased only slightly and the unemployment rate remained persistently high. Following a record deficit level of 6% of GDP in 1993 the budgetary situation improved and the 3% of GDP Treaty reference value was respected from 1997 onwards. However, the reference value was breached again from 2002 onwards as the budgetary situation deteriorated, which was only partly due to the slowdown in growth. Since 2004, the deficit ratio is declining.

(3) On 3 June 2003, the Council decided that France was in excessive deficit and recommended based on Article 104(7) that the excessive deficit be corrected by 2004. In its Communication to the Council of December 2004 on "the situation of Germany and France in relation to their obligations under the excessive deficit procedure following the judgement of the Court of Justice", the Commission concluded that 2005

---

6 OJ L 209, 2.8.1997, p. 1. Regulation as amended by Regulation (EC) No 1055/2005 (OJ L 174, 7.7.2005, p. 1). The documents referred to in this text can be found at the following website: http://europa.eu.int/comm/economy_finance/about/activities/sgp/main_en.htm

should be considered as the relevant deadline for the correction. In January 2005, the Council concurred with this view. In its opinion of 17 February 2005 on the December 2004 update of the stability programme, covering the period 2004-2008, the Council invited France to do the necessary to ensure the correction of the excessive deficit in 2005 and the continued budgetary consolidation thereafter and to implement structural reforms and control expenditure in order to secure the respect of the multi-annual expenditure targets.

(4) As regards budgetary implementation in 2005, the general government deficit was estimated at 3.2% of GDP in the Commission services' autumn 2005 forecast, against a target of 2.9% of GDP set in the previous update and 3% of GDP in this update. Despite somewhat less favourable macroeconomic conditions compared to the previous programme, recent partial information suggests that the deficit in 2005 is likely to have been reduced to around 3% of GDP notably thanks to a strong performance of non-fiscal receipts and taxes based on asset prices as well as additional one-off revenues in end-December linked to a change in the corporate tax legislation.

(5) The programme broadly follows the model structure and data provision requirements for stability and convergence programmes specified in the new code of conduct[7]. The update was submitted six weeks beyond the 1 December deadline set in the code of conduct, reflecting the authorities' wish to incorporate some of the "Pébereau report"[8] proposals for debt-reduction in their intensified debt-reduction strategy.

(6) The programme contains two different scenarios for the macroeconomic and budgetary projections: a "low" scenario and a "favourable" scenario. The "low" scenario is considered as the reference scenario for assessing budgetary projections because, considered against currently available information, it appears to be based on plausible growth assumptions. It envisages that real GDP growth will pick up from 1.5% –2.0% in 2005 to 2¼% on average over the rest of the programme period. The programme's projections for inflation also appear realistic.

(7) The update aims at bringing the public accounts back to balance and reduce the public debt-to-GDP ratio below the 60% reference value by 2010. It also confirms that the deficit should be brought back to the 3% reference value in 2005 and below it from 2006 onwards. Over the programme period, a reduction by 2 percentage points of GDP in the general government deficit to 1.0% of GDP in 2009 is foreseen. A primary surplus would be restored from 2007 onwards. As in previous updates, the planned consolidation is expenditure-driven. The medium-term strategy is based on multi-annual targets for the increase in government expenditures in real terms that imply a reduction of the expenditure-to-GDP ratio. Compared with the previous programme, the planned deficit reduction has been postponed in the new update against a slightly less favourable macroeconomic scenario. It should also be noted that the deficit reduction relies on substantial one-offs in 2005 and 2006 which amount to 0.6% of

[7] The programme has gaps in the compulsory data and optional data prescribed by the new code of conduct are missing. Missing compulsory data mainly concern short and long-term interest rates assumptions. Missing optional data mainly concern the general government expenditure by function and data on long-term sustainability of public finance as well as labour market developments.

[8] Report from an independent committee appointed by the French government to analyse the public debt and to determine debt-reduction possibilities, published in mid-December 2005.

GDP in 2005 and about 0.2% of GDP in 2006 according to the Commission services' most recent estimate.

(8) Over the programme period, the structural balance (i.e. the cyclically-adjusted balance net of one-off and other temporary measures) calculated according to the commonly agreed methodology is planned to improve on average by 0.6% of GDP per year. The authorities set the medium-term objective (MTO) for the budgetary position at a structural balance, which they do not aim to achieve within the programme period but by 2010. As it is more demanding than the minimum benchmark (estimated at a deficit of around 1½% of GDP), its achievement should fulfil the aim of providing a safety margin against the occurrence of an excessive deficit. The programme's MTO lies within the range indicated for euro area and ERM II Member States in the Stability and Growth Pact and the code of conduct and is more demanding than implied by the debt ratio and average potential output growth in the long term.

(9) The budgetary outcome could be worse than projected in the programme. Concerning 2006, there are risks stemming from the macroeconomic scenario and from the budget implementation so that revenues are likely to be lower[9] and expenditures in the areas of local administration and healthcare higher. For the rest of the period, the ambitious targets set in the update are welcome. The enhancement of expenditure-growth rules at the different levels of the general government will improve the oversight of public finance and raise the accountability of all public stakeholders for spending control. However, the track record related to the achievement of overall budget balance objectives and the lack of enforcement mechanisms for expenditure rules raise some concerns. The new targets imply a drastic expenditure restraint compared to previous targets, which will require large structural reforms that are not always detailed in the update, especially concerning local authorities for which the planned reduction in expenditure is the largest compared to the previous update.

(10) In view of this risk assessment, a permanent and sustainable reduction of the deficit below 3% of GDP would require additional measures in 2006. The planned structural adjustment in 2006 is below 0.5% of GDP in structural terms. Thereafter, the pace of the adjustment towards the programme's ambitious MTO implied by the programme is in line with the Stability and Growth Pact, which specifies that, for euro area and ERM II Member States, the annual improvement in the structural balance should be 0.5% of GDP as a benchmark. Nevertheless, the budgetary stance in the programme does not ensure that an appropriate budgetary position in structural terms as defined by the Pact is reached by the end of the programme period. The budgetary stance in the programme also does not seem to provide a sufficient safety margin against breaching the 3% of GDP deficit threshold with normal macroeconomic fluctuations before the very end of the programme period.

[9] The proceeds to be received by the State in connection with the liquidation of a precautionary fund associated with subsidized mortgages as well as exceptional dividends related to the privatisation of government-owned motorways companies appear in the 2006 Budget as deficit reducing. Although full information is not yet available, preliminary indications from Eurostat suggest that these transactions have a financial nature and should be recorded below the line without a direct impact on the deficit. If this is confirmed, both the French authorities' and the Commission services' (autumn 2005) forecast for the 2006 deficit will have to be revised upwards by about 0.1% of GDP.

(11) The debt ratio is estimated to have reached 66% of GDP in 2005, above the 60% of GDP Treaty reference value. The programme projects the debt ratio to decline by 3 percentage points over the programme period. The evolution of the debt ratio might be less favourable than projected in the programme given (a) the risks to the budgetary targets mentioned above, and (b) uncertainty about the full realization of the planned sales of non-strategic assets. In view of this risk assessment, the debt ratio may not be sufficiently diminishing towards the reference value.

(12) With regard to the sustainability of public finances, France appears to be at medium risk on grounds of the projected budgetary costs of ageing populations. Recent reforms, notably the 2003 pension reform, have helped to contain future rise in public expenditure and their full implementation will be crucial to ensure the expected results. The current level of government gross debt is above the Treaty value of 60% of GDP and the currently high structural deficit, if unchanged, will prevent the necessary reduction of debt in view of the future cost of ageing. Therefore, in the absence of additional reforms, strong budgetary consolidation is needed in order to reduce the risks to long-term sustainability.

(13) The envisaged measures in the area of public finances are broadly consistent with the broad economic policy guidelines included in the integrated guidelines for the period 2005-2008. In particular, France plans to implement a number of structural reforms in order to secure the deceleration in government expenditures and improve the sustainability of government finances in the medium to long run, while the correction of the excessive deficit may require additional measures.

(14) France's national reform programme (NRP), submitted on 7 November 2005 within the context of the renewed Lisbon strategy for growth and jobs, identifies three main priorities: (a) to create the necessary conditions for strong economic growth including sustainable public finances, (b) to reduce unemployment and increase employment and (c) to build a knowledge-based economy. Similarly, the improvement of potential output – notably thanks to the so-called emergency plan for employment and other labour market reforms – is one of the three pillars of the French budgetary strategy mentioned in the update. Overall, the measures in the area of public finances envisaged in the stability programme are broadly in line with the actions foreseen in the National Reform Programme. The stability programme complements these measures with changes in the institutional features of the public finances, namely a definition and enhancement of expenditure-growth rules to all levels of the sub-sectors of the general government and the set-up of a basis of a better coordination among stakeholders. However, not all budgetary implications of the actions outlined in the NRP are sufficiently reflected in the budgetary projections of the stability programme.

In view of the above assessment, the Council welcomes the priority given to debt reduction in the French stability programme but notes that there are risks linked to the achievement of the budgetary targets and to long-term sustainability of public finances. Also in the light of the Commission's communication of December 2004 endorsed by the Council in January 2005, the Council invites France to:

– ensure without delay the necessary structural adjustment to bring the general government deficit below 3% of GDP in 2006 in a credible and sustainable manner;

– identify and implement the necessary measures to ensure the planned fiscal consolidation towards the medium-term objective and improve long-term sustainability; and

– strengthen the monitoring and enforcement of expenditure rules defined for the sub-sectors of the general government so as to ensure the respect of the ambitious multi-annual expenditure ceilings.

Comparison of key macroeconomic and budgetary projections

		2004	2005	2006	2007	2008	2009
Real GDP (% change)	**SP Jan 2006[1]**	**2.3**	**1.5-2.0**	**2.0-2.5**	**2¼**	**2¼**	**2¼**
	COM Nov 2005[8]	2.3	1.5	1.8	2.3	n.a.	n.a.
	SP Dec 2004	*2.5*	*2.5*	*2.5*	*2.5*	*2.5*	*n.a.*
HICP inflation (%)	**SP Jan 2006[1]**	**2.3**	**1.9**	**1.8**	**1¾**	**1¾**	**1¾**
	COM Nov 2005	2.3	2.0	2.1	1.9	n.a.	n.a.
	SP Dec 2004[7]	*2.2*	*1.8*	*1.5*	*1.5*	*1.5*	*n.a.*
Output gap (% of potential GDP)	**SP Jan 2006[2]**	**-0.3**	**-0.5**	**-0.4**	**-0.6**	**-0.8**	**-0.9**
	COM Nov 2005[6]	-0.2	-0.5	-0.9	-1.0	n.a.	n.a.
	SP Dec 2004	*-0.5*	*-0.4*	*-0.4*	*-0.4*	*-0.4*	*n.a.*
General government balance (% of GDP)	**SP Jan 2006**	**-3.7**	**-3.0**	**-2.9**	**-2.6**	**-1.9**	**-1.0**
	COM Nov 2005	-3.7	-3.2	-3.5	-3.5	n.a.	n.a.
	SP Dec 2004	*-3.6*	*-2.9*	*-2.2*	*-1.6*	*-0.9*	*n.a.*
Primary balance (% of GDP)	**SP Jan 2006**	**-0.8**	**-0.3**	**-0.3**	**0.0**	**0.6**	**1.6**
	COM Nov 2005	-0.8	-0.5	-0.7	-0.7	n.a.	n.a.
	SP Dec 2004	*-0.7*	*0.1*	*0.8*	*1.5*	*2.2*	*n.a.*
Cyclically-adjusted balance (% of GDP)	**SP Jan 2006[2]**	**-3.5**	**-2.8**	**-2.7**	**-2.3**	**-1.5**	**-0.6**
	COM Nov 2005	-3.6	-3.0	-3.0	-3.1	n.a.	n.a.
	SP Dec 2004[3]	*-3.4*	*-2.7*	*-2.0*	*-1.4*	*-0.7*	*n.a.*
Structural balance[2] (% of GDP)	**SP Jan 2006[4]**	**-3.5**	**-3.3**	**-2.9**	**-2.3**	**-1.5**	**-0.6**
	COM Nov 2005[5]	-3.6	-3.5	-3.3	-3.1	n.a.	n.a.
	SP Dec 2004	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Government gross debt (% of GDP)	**SP Jan 2006**	**65.1**	**65.8**	**66.0**	**65.6**	**64.6**	**62.8**
	COM Nov 2005	65.1	66.5	67.1	68.0	n.a.	n.a.
	SP Dec 2004	*64.8*	*65.0*	*64.6*	*63.6*	*62.0*	*n.a.*

Notes:

[1] For further calculations, the corresponding point estimate has been used

[2] Commission services calculations on the basis of the information in the programme

[3] Cyclically-adjusted balance (as in the previous rows) excluding one-off and other temporary measures

[4] One-off and other temporary measures as calculated by the Commission services (0.6% of GDP in 2005 (the apparent smaller difference between the structural and the cyclically-adjusted is due to rounding effect), 0.2% of GDP in 2006; all deficit-reducing)

[5] One-off and other temporary measures taken from the Commission services' autumn 2005 forecast (0.5% of GDP in 2005 and 0.2% in 2006; all deficit-reducing)

[6] Based on estimated potential growth of 2.3% in 2004, 1.9% in 2005, 2.2% in 2006 and 2.4% for the period 2007-2009.

[7] CPI change instead of HICP.

[8] According to first estimates, growth was 1.4% in 2005. The Commission services' interim forecast of 21 February 2006 projects growth of 1.9% in 2006.

Source:
Stability programme (SP); Commission services' autumn 2005 economic forecasts (COM); Commission services' calculations