COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 1.3.2006
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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 Germany, 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 Germany was submitted in 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 Germany and, based on its assessment below, has adopted a recommendation for a Council opinion on it.

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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 German stability programme was adopted by the German government and submitted to the Council and the Commission on 22 February 2006, i.e. 12 weeks after the deadline of 1 December as specified in the code of conduct. On 22 February 2006, the German government, which had taken office in late 2005, adopted the draft federal budget for 2006 and, notably, also adopted the draft law to raise the central VAT rate from 16% to 19% as from 1 January 2007. The programme covers the period from 2005 to 2009. The programme broadly follows the model structure for stability and convergence programmes specified in the new code of conduct[3].

(2) On 21 January 2003, the Council decided that an excessive deficit existed in Germany, 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. On 1 March 2006, the Commission has recommended to the Council to give notice to Germany in accordance with Article 104(9) to take measures to correct the excessive deficit by 2007. In its opinion of 17 February 2005 on the December 2004 update of the stability programme, covering the period 2004-2008, the Council invited Germany to do the necessary to ensure the correction of the excessive deficit in 2005; to implement budgetary adjustments in the years beyond 2005 and make the necessary effort in structural terms to achieve a budgetary position of close to balance by the end of the period covered by the programme; and to continue with structural reforms in order to further improve the long-term sustainability of public finances in particular as regards the health care system.

(3) GDP growth in Germany over the last ten years was 1.4% p.a., trailing the euro-area average by more than half a percentage point. The growth potential has been steadily declining throughout this period. Activity, while being driven by buoyant exports, was held back by sluggish domestic demand. From an extended stagnation in the early part of the decade, demand and output picked up in 2004, but weakened again thereafter. With employment creation also subdued, the unemployment rate rose to 9½% of the labour force. The general government deficit breached the 3%-of-GDP Treaty reference value for the fourth consecutive year in 2005. Public debt, having been close to 40% of GDP in 1991, has been exceeding the 60%-of-GDP Treaty reference value since 2002.

(4) The macroeconomic scenario underlying the programme envisages that real GDP growth will pick up from 0.9% in 2005 to 1.4% in 2006, with domestic demand gaining momentum. After a slowdown to 1% in 2007, growth is set to resume thereafter, yielding an average growth rate of 1½% for the period from 2005 to 2009.

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3 As in previous years, the update contains only rounded data and sometimes period averages for the outer years of the programme period. It has gaps in the compulsory and optional data prescribed by the new code of conduct (especially data on unemployment, sectoral balances and a breakdown of tax revenues are missing).

Potential growth is projected to accelerate slightly towards the outer years of the programme, while the output gap would be gradually narrowing but still remain negative in the final year of the programme. This growth profile is influenced by the policy settings agreed by the new coalition government. Judging from currently available information, the reference scenario appears plausible for 2006. Going forward, however, the central scenario appears to be on the high side. The programme's projections for inflation appear realistic for 2006, but may also be on the high side for the remainder of the period.

(5) According to data provided by Eurostat, the general government deficit in Germany amounted to 3.3% of GDP in 2005. These data, pending a further assessment of their quality, are based upon a provisional notification from Germany pursuant to Council Regulation (EC) No 3605/93, which Germany submitted to the Commission on 24 February 2006. The previous update of the stability programme had set a target of 2.9% of GDP for 2005.

(6) The main goal of the medium-term budgetary strategy indicated in the programme is to ensure the long-term sustainability of public finances. To achieve this, the programme proposes to continue budgetary consolidation, while improving the conditions for growth and employment. The programme envisages correcting the excessive deficit by 2007. Specifically, for 2006 and 2007 the projections in the update are for nominal deficits of 3.3% and 2½% of GDP, respectively. Thereafter, the deficit is projected to decline by 0.5 percentage point of GDP per year to reach a level of 1½% of GDP in 2009. The budgetary adjustment is both revenue- and expenditure-based. From 2006 on, several additional expenditure measures, among them funds for R&D, softer depreciation rules for companies and investment in transport infrastructure, are intended to foster growth. Against this, cutbacks in tax allowances, for example the abolition of the tax subsidy on owner-occupied housing, contribute to consolidation. Most importantly, the programme identifies the restraint in social expenditure as the crucial element of the consolidation strategy. The resulting savings are to be partially used for funding a reduction in the social contribution rate by 2007. The decrease in the share of social contributions, which also results from the subdued growth in the contribution base, is projected to be broadly offset by an increase in the VAT rate in 2007. The share of public investment in GDP is projected to remain constant. Compared with the previous update, the adjustment path has remained broadly the same; however, the deficit ratio is planned to be higher for each year by a rounded 0.5 percentage point, and for 2006 by even more.

(7) The correction of the excessive deficit by 2007 entails, according to the programme, an improvement in the structural balance (i.e. the cyclically-adjusted balance net of one-off and other temporary measures) by more than one percentage point of GDP cumulatively in the years 2006 and 2007. Over the programme period, the structural balance calculated according to the commonly agreed methodology is planned to improve on average by about 0.5% of GDP per year, although slightly less in 2008 and 2009. The programme sets the medium-term objective (MTO) for the budgetary position as balance in structural terms, which, however, it does not aim to achieve within the programme period. As the MTO is more demanding than the minimum benchmark (estimated at a deficit of around 1¾% 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

slightly more demanding than implied by the debt ratio and average potential output growth in the long term.

(8) Concerning 2006, the risks to the budgetary outcome are considered to be balanced. However, as from 2007, the budgetary outcome could be worse than projected in the programme. The restraint in social spending, which is not laid out in full detail in the programme but is supposed to provide a key contribution to the budgetary adjustment, hinges on the rigorous implementation of the plans, as past experience shows. Social expenditure has been one of the main drivers behind the overshooting of the budgetary targets compared with previous programmes. The budgetary targets would be jeopardised if the planned exoneration on social contributions was fully carried out without achieving the corresponding expenditure targets. Moreover, shortfalls in growth might imply shortfalls in revenues, which might prove difficult to compensate by further reduction in expenditure in order to maintain the planned path of the deficit ratio. The programme further announces reforms of the corporate tax system by 2008 and to the health and long-term care insurance, which, while potentially having positive effects on the economy and the budget, may entail a negative impact on the deficit in the short-term.

(9) In view of this risk assessment, the budgetary stance in the programme seems consistent with a correction of the excessive deficit by 2007. However, it does not seem to provide a sufficient safety margin against breaching the 3% of GDP deficit threshold with normal macroeconomic fluctuations until the penultimate year of the programme period. In the years following the correction of the excessive deficit, the pace of the adjustment towards the programme's MTO implied by the programme is broadly 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 and that the adjustment should be higher in good economic times and could be lower in bad economic times.

(10) The debt ratio is estimated to have reached 67½% of GDP in 2005, above the 60% of GDP reference value of the Treaty. The programme projects the debt ratio to increase to a rounded 69% of GDP in 2006 and to decline thereafter to reach 67% at the end of the programme period. The evolution of the debt ratio might be less favourable than projected in the programme, given the risks to the budgetary targets mentioned above. In view of this risk assessment, the debt ratio may not be sufficiently diminishing towards the reference value.

(11) With regard to the sustainability of public finances, Germany appears to be at medium risk on grounds of the projected budgetary costs of ageing populations[4]. The structural reforms carried out in previous years, and in particular the pension reform, have helped to contain future rises in public expenditure. In addition, the programme mentions the plan to increase the statutory retirement age by two years to 67 years of age, in a stepwise manner between 2012 and 2029. It is also intended to adjust the pension algorithm in force to lower expenditure over time; however no implementation plan is specified. Structural reforms to the health and long-term care systems are announced but not detailed. In view of the current level of government

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4 Details on long-term sustainability are provided in the technical assessment of the programme by the Commission services (http://europa.eu.int/comm/economy_finance/about/activities/sgp/main_en.htm).

gross debt exceeding the Treaty reference value of 60% of GDP and the currently high structural deficit, implementing rigorously a strong budgetary consolidation over the programme period is necessary so as 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, Germany plans to implement a number of structural reforms in order to improve the sustainability of government finances in the medium to long run. If the expenditure restraint in the social security systems was implemented as planned, the composition of public expenditure would be more favourable towards growth-enhancing categories in line with the Lisbon strategy.

(13) Germany's national reform programme (NRP), submitted on 7 December 2005 within the context of the renewed Lisbon strategy for growth and jobs, identifies six key challenges: the knowledge society; market functioning and competitiveness; business environment; the sustainability of public finances (including sustainable growth and social security); ecological innovation; and the re-orientation of the labour market. Overall, the measures in the area of public finances envisaged in the stability programme are in line with the actions foreseen in the National Reform Programme. The budgetary implications of the actions outlined in the NRP are broadly reflected in the budgetary projections of the stability programme. In addition to the content of the NRP, the stability programme envisages, as part of the reform of the federal system, that potential sanctions, which might arise from the Stability and Growth Pact, would be allocated according to a rule across levels of government. This would be inserted into the German Constitution.

In view of the above assessment, the priority attributed by the government to budgetary consolidation as laid out in the 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 recommendation of 1 March 2006 for a Council decision in accordance with Article 104(9), it would be appropriate for Germany to:

– ensure the planned structural adjustment of cumulatively at least one percentage point in the years 2006 and 2007 to bring the general government deficit below 3% of GDP as rapidly as possible and at the latest by 2007 in a credible and sustainable manner;

– rapidly achieve the medium-term objective through a reduction in the structural balance of at least 0.5 percentage point per year after the excessive deficit has been corrected, notably by implementing the planned expenditure restraint rigorously so as to be able to provide the planned relief on social contributions, and by ensuring that the announced reform on corporate taxation does not jeopardise the fiscal consolidation;

– implement the plans to strengthen national budgetary institutions to secure that budgetary targets are achieved at all levels of government.

Recommendation for a

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**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 Germany, 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[5], 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 Germany.

(2) GDP growth in the last ten years was 1.4% p.a., trailing the euro-area average by more than half a percentage point. The growth potential has been steadily declining throughout this period. Activity, while being driven by buoyant exports, was held back by sluggish domestic demand. From an extended stagnation in the early part of the decade, demand and real GDP peaked shortly in 2000 and also in 2004, but weakened again thereafter. With employment creation also subdued, the unemployment rate rose to 9½% of the labour force. The general government deficit breached the 3% of GDP Treaty reference value the fourth consecutive year in 2005. Public debt, having been close to 40% of GDP in 1991, has been exceeding the 60% of GDP Treaty reference value since 2002.

(3) On 21 January 2003, the Council decided that an excessive deficit existed in Germany, 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

[5] 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

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. On [14 March 2006], the Council decided to give notice to Germany in accordance with Article 104(9) to take measures to remedy the situation of excessive deficit by 2007. In its opinion of 17 February 2005 on the December 2004 update of the stability programme, covering the period 2004-2008, the Council invited Germany do the necessary to ensure the correction of the excessive deficit in 2005; to implement budgetary adjustments in the years beyond 2005 and make the necessary effort in structural terms to achieve a budgetary position of close to balance by the end of the period covered by the programme; and to continue with structural reforms in order to further improve the long-term sustainability of public finances in particular as regards the health care system.

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(5) The German stability programme update was submitted on 22 February 2006. The programme covers the period from 2005 to 2009. The programme broadly follows the model structure for stability and convergence programmes specified in the new code of conduct[6].

(6) The macroeconomic scenario underlying the programme envisages that real GDP growth will pick up from 0.9% in 2005 to 1.4% in 2006, with domestic demand gaining momentum. After a slowdown to 1% in 2007, growth is set to resume thereafter, yielding an average growth rate of 1½% for the period from 2005 to 2009. This growth profile is influenced by the policy settings agreed by the new coalition government. The reference scenario for 2006, considered against currently available information, appears plausible. Going forward, however, the central scenario appears to be on the high side. The programme's projections for inflation appear realistic for 2006, but may be on the high side for the remainder of the period.

(7) The main goal of the medium-term budgetary strategy indicated in the programme is to ensure the long-term sustainability of public finances. To achieve this, the programme proposes to continue budgetary consolidation, while improving the conditions for growth and employment. The programme envisages correcting the excessive deficit by 2007. Specifically, for 2006 and 2007 the projections in the update are for nominal deficits of 3.3% and 2½% of GDP, respectively. Thereafter, the deficit is projected to decline by 0.5 percentage point of GDP per year to reach a level of 1½ % of GDP in 2009. The budgetary adjustment is both revenue- and expenditure-based. The programme identifies the restraint in social expenditure as the crucial

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element of the consolidation strategy. On the revenue side, an increase in the tax share is broadly offset by a decrease in the share of social contributions. The share of public investment in GDP is projected to remain constant. Compared with the previous update, the adjustment path has remained broadly the same. However, the deficit ratio is planned to be higher for each year by a rounded 0.5 percentage point, and for 2006 by even more, than foreseen in the previous update.

(8) The correction of the excessive deficit by 2007 entails, according to the programme, an improvement in the structural balance (i.e. the cyclically-adjusted balance net of one-off and other temporary measures) by more than one percentage point cumulatively between 2005 and 2007. Over the programme period, the structural balance calculated according to the commonly agreed methodology is planned to improve on average by about 0.5 % of GDP per year, although slightly less in 2008 and 2009. The programme sets the medium-term objective (MTO) for the budgetary position as balance in structural terms, which, however, it does not aim to achieve within the programme period. As it is more demanding than the minimum benchmark (estimated at a deficit of around 1¾% 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 slightly more demanding than implied by the debt ratio and average potential output growth in the long term.

(9) Concerning 2006, the risks to the budgetary outcome are considered to be balanced. However, as from 2007, the budgetary outcome could be worse than projected in the programme. The restraint in social spending, which is not laid out in full detail in the programme but is supposed to provide a key contribution to the budgetary adjustment, hinges on the rigorous implementation of the plans, as past experience shows. Social expenditure has been one of the main drivers behind the overshooting of the budgetary targets compared with previous programmes. The budgetary targets would be jeopardised if the planned exoneration on social contributions was fully carried out without achieving the corresponding expenditure targets. Moreover, shortfalls in growth might imply shortfalls in revenues, which might prove difficult to compensate by further reduction in expenditure in order to maintain the planned path of the deficit ratio. The programme further announces reforms of the corporate tax system by 2008 and to the health and long-term care insurance, which, while potentially having positive effects on the economy and the budget, may entail a negative impact on the deficit in the short-term.

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(12) With regard to the sustainability of public finances, Germany appears to be at medium risk on grounds of the projected budgetary costs of ageing populations[7]. The structural reforms carried out in previous years, and in particular the pension reform, have helped to contain future rises in public expenditure. In view of the current level of government gross debt exceeding the Treaty reference value of 60% of GDP and the currently high structural deficit, implementing rigorously a strong budgetary consolidation over the programme period is necessary so as 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, Germany plans to implement a number of structural reforms in order to improve the sustainability of government finances in the medium to long run. If the expenditure restraint in the social security systems was implemented as planned, the composition of public expenditure would be more favourable towards growth-enhancing categories in line with the Lisbon strategy.

(14) Germany’s national reform programme (NRP), submitted on 7 December 2005 within the context of the renewed Lisbon strategy for growth and jobs, identifies six key challenges: the knowledge society; market functioning and competitiveness; business environment; the sustainability of public finances (including sustainable growth and social security); ecological innovation; and the re-orientation of the labour market. Overall, the measures in the area of public finances envisaged in the stability programme are in line with the actions foreseen in the National Reform Programme. The budgetary implications of the actions outlined in the NRP are broadly reflected in the budgetary projections of the stability programme. In addition to the content of the NRP, the stability programme envisages, as part of the reform of the federal system, that potential sanctions, which might arise from the Stability and Growth Pact, would be allocated according to a rule across levels of government. This would be inserted into the German Constitution.

7 Details on long-term sustainability are provided in the technical assessment of the programme by the Commission services (http://europa.eu.int/comm/economy_finance/about/activities/sgp/main_en.htm).

In view of the above assessment, the Council welcomes the priority attributed by the government to budgetary consolidation as laid out in the 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 Council decision of [14 March 2006] in accordance with Article 104(9) of the Treaty, the Council invites Germany to:

– ensure the planned structural adjustment of cumulatively at least one percentage point in the years 2006 and 2007 to bring the general government deficit below 3% of GDP as rapidly as possible and at the latest by 2007 in a credible and sustainable manner;

– rapidly achieve the medium-term budgetary objective through a reduction in the structural balance of at least 0.5 percentage point after the excessive deficit has been corrected, notably by implementing the planned expenditure restraint rigorously so as to be able to provide the planned relief on social contributions, and by ensuring that the announced reform on corporate taxation does not jeopardise the fiscal consolidation;

– implement the plans to strengthen national budgetary institutions to secure that budgetary targets are achieved at all levels of government.

## Comparison of key macroeconomic and budgetary projections

| | | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|
| Real GDP (% change) | **SP Feb 2006** | **1.6** | **0.9** | **1½** | **1** | **1¾** | **1¾** |
| | COM Nov 2005[6] | 1.6 | 0.8 | 1.2 | 1.6 | -- | -- |
| | *SP Dec 2004* | *1.8* | *1.7* | *1¾* | *2* | *2* | -- |
| HICP inflation (%) | **SP Feb 2006** | **--** | **--** | **--** | **--** | **--** | **--** |
| | COM Nov 2005 | 1.8 | 2.0 | 1.6 | 1.1 | -- | -- |
| | *SP Dec 2004* | -- | -- | -- | -- | -- | -- |
| Output gap (% of potential GDP) | **SP Feb 2006[1]** | **-0.6** | **-0.9** | **-0.7** | **-1.1** | **-0.7** | **-0.4** |
| | COM Nov 2005[5] | -0.6 | -0.9 | -0.8 | -0.4 | -- | -- |
| | *SP Dec 2004[1]* | *-1.2* | *-0.9* | *-0.7* | *-0.3* | *-0.0* | -- |
| General government balance (% of GDP) | **SP Feb 2006** | **-3.7** | **-3.3** | **-3.3** | **-2½** | **-2** | **-1½** |
| | COM Nov 2005 | -3.7 | -3.9 | -3.7 | -3.3 | -- | -- |
| | *SP Dec 2004* | *-3 ¾* | *-2.9* | *-2 ½* | *-2* | *-1½* | -- |
| Primary balance (% of GDP) | **SP Feb 2006** | **-0.8** | **-0.5** | **- 0.5** | **0.5** | **1¼** | **1½** |
| | COM Nov 2005 | -0.8 | -0.9 | -0.9 | -0.4 | -- | -- |
| | *SP Dec 2004* | *-0.5* | *0* | *0.5* | *1½* | *2* | -- |
| Cyclically-adjusted balance (% of GDP) | **SP Feb 2006[1]** | **-3.4** | **-2.9** | **-2.9** | **-1.8** | **-1.5** | **-1.1** |
| | COM Nov 2005 | -3.3 | -3.2 | -3.2 | -3.0 | -- | -- |
| | *SP Dec 2004[1]* | *-3.0* | *-2.4* | *-1.9* | *-1.6* | *-1.3* | -- |
| Structural balance[2] (% of GDP) | **SP Feb 2006[3]** | **-3.4** | **-3.0** | **-2.9** | **-1.8** | **-1.5** | **-1.1** |
| | COM Nov 2005[4] | -3.3 | -3.2 | -3.2 | -3.0 | -- | -- |
| | *SP Dec 2004* | --. | -- | -- | -- | -- | -- |
| Government gross debt (% of GDP) | **SP Feb 2006** | **65.5** | **67½** | **69** | **68½** | **68** | **67** |
| | COM Nov 2005[7] | 66.4 | 68.6 | 70.0 | 71.4 | -- | -- |
| | *SP Dec 2004[7]* | *65½* | *66* | *66* | *65½* | *65* | -- |

Notes:
[1] Commission services calculations on the basis of the information in the programme.
[2] Cyclically-adjusted balance (as in the previous rows) excluding one-off and other temporary measures.
[3] One-off and other temporary measures taken from the programme (0.1% of GDP in 2005).
[4] One-off and other temporary measures taken from the Commission services' autumn 2005 forecast
[5] Based on estimated potential growth of 1.1%, 1.1%, 1.1% and 1.2% respectively in the period 2004-2007.
[6] According to first estimates, growth was 0.9% in 2005. The Commission services' interim forecast of 21 February 2006 projects growth at 1.5% in 2006.
[7] The ratio was calculated using the GDP series with the old method of allocating FISIM (financial intermediation services indirectly measured) to users, so data are not directly comparable.
Source:
*Stability programme (SP); Commission services' autumn 2005 economic forecasts (COM) on the basis of unchanged policies before the new government took office in November 2005; Commission services' calculations.*