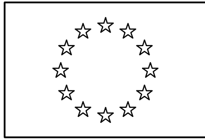

EUROPEAN COMMISSION

Brussels,
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Recommendation for a

COUNCIL OPINION

on the updated convergence programme of Estonia, 2009-2013

EXPLANATORY MEMORANDUM

1. GENERAL BACKGROUND

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

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

In accordance with the Regulation, the Council delivered an opinion on the first convergence programme of Estonia on 5 July 2004 on the basis of a recommendation from the Commission and after having consulted the Economic and Financial Committee. As regards updated stability and convergence programmes, the Regulation foresees that these are assessed by the Commission and examined by the Committee mentioned above and, following the same procedure as set out above, the updated programmes may be examined by the Council.

2. BACKGROUND FOR THE ASSESSMENT OF THE UPDATED PROGRAMME

The Commission has examined the most recent update of the convergence programme of Estonia, submitted on 29 January 2010, and has adopted a recommendation for a Council Opinion on it.

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

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

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

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

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

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

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

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

Following the halt of the sharp decline in economic activity and first signs of a recovery from the crisis, the stabilisation of financial markets and the improvement in confidence, the Council concluded on 20 October 2009 that, while in view of the fragility of the recovery it was not yet time to withdraw the support governments provided to the economy and the financial sector, preparing a coordinated strategy for exiting from the broad-based policies of stimulus was needed. Such a strategy should strike a balance between stabilisation and sustainability concerns, take into account the interaction between the different policy instruments, as well as the discussion at global level. Early design and communication of such a strategy would contribute to underpinning confidence in medium-term policies and anchor expectations. Beyond the withdrawal of the stimulus measures of the European Economic Recovery Plan, substantial fiscal consolidation was required in order to halt and eventually reverse the increase in debt and restore sound fiscal positions. Increasing the efficiency and effectiveness of public finances and the intensification of structural reform were desirable even in the short term as they would contribute to fostering potential output growth and debt reductions. The Council agreed on the following principles of the fiscal exit strategy: (i) the strategy should be coordinated across countries in the framework of a consistent implementation of the Stability and Growth Pact; (ii) taking country-specific circumstances into account, timely withdrawal of fiscal stimulus was needed; provided that the Commission forecasts continued to indicate that the recovery was strengthening and becoming self-sustaining, fiscal consolidation in all EU Member States should start in 2011 at the latest; (iii) in view of the challenges, the pace of consolidation should be ambitious, in most countries going well beyond the benchmark of 0.5% of GDP per annum in structural terms; and (iv) important flanking policies to the fiscal exit would include strengthened national budgetary frameworks for underpinning the credibility of consolidation strategies and measures to support long-term fiscal sustainability; in addition, structural reform efforts should be strengthened to enhance productivity and to support long-term investment. The Council

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

agreed that these elements should be reflected in the stability and convergence programmes, to be transmitted by Member States to the Commission by the end of January 2010.

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

In its opinion of 10 March 2009, the Council summarised its assessment of the previous update of the convergence programme, covering the period 2008-2012, as follows. The Council considers that "Estonia, while facing a severe economic downturn following years of above-potential economic growth, is planning a restrictive fiscal stance from 2009 until 2011 which is an appropriate response in light of the existing imbalances. The economic downturn is being aggravated by the global financial crisis and subdued external demand. Weakened cost competitiveness, in particular due to the prolonged period of wage growth above that of productivity, also hinders the return to a sustainable growth path. The general government balance deteriorated considerably in 2008 and turned to deficit, following six years of surpluses. According to the programme the general government is expected to be in deficit also in 2009 and 2010, with the deficit gradually declining. Taking into account macro-economic risks and the lack of information on expenditure-based consolidation in 2010, the budgetary outcomes are subject to downside risks, with the headline deficit possibly exceeding the 3 % threshold in 2009 and 2010. However, the risks to the budgetary outcome are mitigated by the adoption of the supplementary restrictive budget in February 2009." In view of this assessment, the Council invited Estonia to: "(i) implement the consolidation of public finances in the short term, ensure keeping the general government deficit below 3 % of GDP and take necessary measures to underpin the consolidation in the medium term; (ii) implement prudent public sector wage policies to support the adjustment of the economy and to strengthen competitiveness; (iii) reinforce the medium-term budgetary framework, particularly by improving expenditure planning and efficiency".

Recommendation for a

COUNCIL OPINION

on the updated convergence programme of Estonia, 2009-2013

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies[3], and in particular Article 9(3) thereof,

Having regard to the recommendation of the Commission,

After consulting the Economic and Financial Committee,

HAS DELIVERED THIS OPINION:

(1) On [22 April 2010] the Council examined the updated convergence programme of Estonia, which covers the period 2009 to 2013.

(2) The Estonian economy is currently emerging from a severe recession. Whilst the recession has led to marked pressures on public finances, the reversal of unsustainable domestic demand and bursting of a real estate boom has resulted in a rapid unwinding of previously high internal and external imbalances. Taking into account the substantial macroeconomic imbalances prior to the downturn, the wide-ranging and decisive action by the government to contain the negative impact of the economic downturn on public finances was a prudent response in line with the European Economic Recovery Plan. It helped to contain economic, budgetary and financial system risks and contributed to restoring competitiveness through price and wage adjustment in the economy. Maintaining robust monetary buffers to support exchange rate stability and prudent financial sector policies, including enhanced cross-border co-operation, helped to avoid adverse developments. High debt levels accumulated by the private sector are now being gradually reduced but will nevertheless weigh on the recovery, holding back consumption and investment. Key policy challenges ahead include raising the productivity of the economy to further improve competitiveness and progress towards long-lasting convergence and containing the risk of skill losses through long-term unemployment. More broadly, the economic challenge is to restore positive and sustainable growth while avoiding any relapse into significant internal and external imbalances. A major adjustment of public finances to the expected lower growth in the coming years has already been made, but further progress remains to be achieved in the medium term.

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

(3) Although much of the observed decline in actual GDP in the context of the crisis is cyclical, growth in potential output will resume from a lower starting point. In addition, the crisis may also affect potential growth in the medium term through lower investment, constraints in credit availability and increasing structural unemployment. Moreover, the impact of the economic crisis will coincide with the negative effects of demographic ageing on potential output and the sustainability of public finances. Against this background it will be essential to accelerate the pace of structural reforms with the aim of supporting potential growth. In particular, for Estonia it is important to step up implementation of active labour market policies, make education and training systems more responsive to labour market needs and invest in life-long learning.

(4) The programme's macroeconomic scenario envisages that real GDP, following an estimated plunge of 14.5% in 2009, will be flat (-0.1%) on a whole year basis in 2010, recovering to an average growth rate of 3.7% over the rest of the programme period. Cyclical conditions are projected to begin a gradual improvement during the course of 2010. Domestic demand is expected to continue acting as a drag on the recovery in 2010, with growth coming primarily from increased external demand and a turn in the inventory cycle. Domestic sources of growth are projected to gain traction from 2011. Assessed against currently available information[4], this scenario appears to be based on plausible growth assumptions, while uncertainties related to economic developments remain high. The programme's projections for inflation appear realistic and monetary and exchange rate assumptions are consistent with the rest of the macroeconomic scenario. Nominal declines in domestic prices and wages are well underway and these are expected to continue in 2010 according to both the programme and the Commission services' autumn 2009 forecast, albeit with some differences. Given the collapse of imports as a result of the recession, the previously high external deficit has turned into surplus, which is expected to be maintained in the medium term at a higher level than in the Commission services' autumn forecast, due to the programme's more cautious expectations regarding the evolution of domestic demand. The programme projects a further increase in unemployment in 2010 and a decline in the participation rate over the programme period.

(5) The authorities' overall economic and budgetary strategy reflects their strongly-held belief in sound public finances. The programme estimates the general government deficit in 2009 at 2.6% of GDP, very close to the 2008 level (2.7%). This reflects comprehensive and wide-ranging budgetary consolidation implemented in the course of 2009 against a significant deterioration of the economic situation. The consolidation implemented resulted in a modest increase in nominal revenue, mainly due to higher non-tax revenue and an increase in several tax rates, despite a considerable fall in nominal GDP. As a result of significant cuts in government consumption, expenditure has also been maintained at a comparable level to that of 2008. At the same time, an increased absorption of EU structural funds provided a counter-cyclical support to the economy. According to the programme, the general government headline deficit will start gradually declining in 2010, reaching a surplus position by the end of the programme period.

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

(6) The programme projects a headline deficit of 2.2% of GDP in 2010. The improvement in the headline balance compared to the previous year is mainly attributable to a full-year impact of consolidation measures implemented from the second half of 2009 both on revenue and expenditure side. In addition, further excise tax increases were implemented in 2010, resulting in a projected increase in tax revenue, despite a shrinkage in nominal GDP of around 1¼%. Nominal expenditure is projected to remain broadly at the level of 2009, with some increase in general government investment being offset by a further decline in general government consumption; the expenditure ratio thus rises slightly. Overall, additional measures to improve the fiscal position amount to 0.7% of GDP in 2010, on top of the full-year impact of consolidation decisions taken in the second half of 2009 that amount to 2.5% of GDP. Nevertheless, the planned fiscal stance measured by a change in structural balance, i.e. the cyclically-adjusted balance net of one-off and temporary measures, is broadly neutral. The discrepancy between two approaches is partly explained by an increased reliance on one-off and temporary measures in the programme, against still-weak cyclical conditions, and partly attributable to uncertainties that relate to the calculation of cyclically adjusted balances, given the extent of the downturn.

(7) The main goal of the programme's medium term budgetary strategy is to achieve the MTO, defined in the programme as a structural balance, by the end of the programme period in 2013, when the headline and primary balance are projected to reach a surplus position. In view of the new methodology[5] and given the most recent projections and debt level, the MTO more than adequately reflects the objectives of the Stability and Growth Pact. The structural balance calculated according to the commonly agreed methodology will improve according to the programme by ½-1% of GDP annually over the period 2011-2013. The improvement is projected to come mainly on account of the expenditure-to-GDP ratio declining more rapidly than the revenue-to-GDP ratio, with an expected nominal reduction in most primary expenditure categories in the outer years of the programme, particularly compensation of employees and social payments. However, the programme does not provide detailed information on the broad measures to support this consolidation. Reliance on one-off measures to meet the budgetary targets will decline in 2011 and disappear in outer years of the programme. As a reflection of this trend, as well as a running-down of financing available under the 2007-2013 financial perspective, the share of non-tax revenue is projected to decline to its 2008 level by the end of the programme period.

(8) The budgetary outcomes could turn out worse than projected in the programme in the short and medium term. As noted above, uncertainties attached to the macroeconomic environment are wide, and these carry obvious budgetary risks, although there seems no reason to assume that these latter risks are biased to the upside or downside. Additional uncertainties for 2010 stem from the reliance on volatile items. In particular, planned sales of non-financial assets totalling 0.5% of

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

GDP may not be fully realised, while subtracting dividends and profit shares from state-owned companies is subject to administrative decisions and therefore some implementation risks. Furthermore, the better than expected tax revenue in 2009 is partly attributable to a widespread stocking of goods subject to excise taxes prior to January 2010 tax rate increases, and may result in an offsetting negative revenue impact in 2010. While reliance on one-off and temporary measures declines in the outer years of the programme, insufficient information is provided regarding structural measures to replace these, implying risks to the targets. However, the solid budgetary track record of the Estonian authorities partly mitigates these.

(9) Government gross debt ratio at 7.8% of GDP in 2009 is well below the Treaty reference value. The debt ratio is projected to increase to 14.3% of GDP by the end of the programme period, driven by government deficits. The general government is expected to maintain its net asset position over the programme period.

(10) The long-term budgetary impact of ageing is significantly lower than the EU average. The current level of gross debt is very low in Estonia and maintaining sound government finances, in line with the budgetary plans over the programme period, would contribute to limiting the risks to the sustainability of public finances which were assessed in the Commission 2009 Sustainability Report[6] as low. Medium-term debt projections that assume GDP growth rates to only gradually recover to the values projected before the crisis and tax ratios to return to pre-crisis levels show that the budgetary strategy envisaged in the programme, taken at face value, would be more than sufficient to stabilise the debt-to-GDP ratio by 2020.

(11) The budgetary framework is based on a nominal balance rule for the general government budgetary position. The rule has been a long-term anchor of economic policy, contributing to a solid budgetary track record and accumulation of financial assets. In recent years implementation of the rule has evolved by better aligning it with the cycle, accepting some characteristics of a structural balance approach such that a surplus was targeted at the peak of the cycle and deficits have been accepted during the recession. However, the absence of separate expenditure and/or revenue rules and of an independent monitoring of previously set targets may have contributed to partial spending of windfall revenue during cyclical upturns and peaks. In addition, there are some shortcomings in the medium-term budgetary framework that weaken continuity between annual updates; it remains the case that updated convergence programmes are not discussed prior to their adoption by Parliament. The programme contains plans, which are already in the process of implementation, to strengthen the budgetary process by improving the strategic and annual planning, thus addressing some of the shortcomings described above.

(12) Tax changes implemented in 2009-2010 continue the strategy of shifting taxation towards consumption and the use of natural resources, while reliance on labour taxes has also increased. In addition, the programme refers to an ongoing analysis of the

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

effectiveness of existing exemptions and preferential tax rates, to securing greater flexibility in the budgetary process by reducing the number of earmarked revenue, to ongoing efforts in countering tax avoidance and further simplifying and streamlining the tax administration. These measures, and further shifts in taxation from labour towards less cyclically-sensitive sources, could contribute to improving the quality of public finances, as well as to mitigating risks to the budgetary outlook.

(13) The strategy ensuring a smooth participation in ERM II is based on securing exchange rate stability by maintaining large monetary buffers, financial and fiscal stability and preserving flexibility of labour and product markets. Estonia entered the crisis from a comparatively strong position with large fiscal reserves, a broadly healthy banking sector and a comparatively high degree of wage and price flexibility. To contain the deterioration of public finances, the authorities adopted in 2009 several sizeable consolidation packages. This consolidation will have a positive impact beyond 2009, while, in particular, the reduction of the public sector wage bill contributes positively to the unwinding of imbalances in the economy. The banking sector has remained well-capitalised and has sufficient liquidity. Progress has also been made on structural policy. The recently adopted labour law has enhanced labour market flexibility, facilitating the adjustment of the economy from the previous domestic demand-led pattern to more sustainable growth. As regards product markets, policy measures aim at strengthening competition. Competitiveness of the tradable sector is benefiting from the ongoing reduction in wage costs, as well as from targeted state programmes, including through an effective use of EU structural funds. The challenge going ahead is to avoid any relapse into significant internal and external imbalances once the recovery becomes established.

(14) Taking into account the risks to the budgetary targets mentioned above, the programme's budgetary strategy can be regarded as broadly in line with the requirements of the Pact. In particular, the planned achieving of the MTO by the end of the programme period, against a backdrop of the recent severe contraction in economic activity, is an example of an appropriately ambitious target that corresponds to the requirements of the Stability and Growth Pact and is consistent with a smooth participation in ERM II. However, some risks remain in the short term given the uncertainties related to the macroeconomic environment and reliance on volatile items. It is also possible that the MTO will not be achieved as foreseen in the programme, if the targeted consolidation is not underpinned by further measures in the medium term.

(15) As regards the data requirements specified in the code of conduct for stability and convergence programmes, the programme has some gaps in the required and optional data[7].

The overall conclusion is that Estonia implemented a decisive consolidation of public finances in 2009 against a significant deterioration of the economic situation, contributing to the ongoing adjustment in the economy and supporting smooth participation in ERM II, while striving to avoid an excessive deficit situation. The economy is currently emerging from a severe recession, while average growth is projected to remain considerably lower over the medium term than in the upswing and peak years of the recent cycle. The consolidation

[7] In particular, nominal effective exchange rate assumptions are missing.

implemented in 2009 already constitutes a major adjustment of public finances to the expected lower growth in the medium term. However, achieving stricter expenditure control and improving the medium-term budgetary framework remain work-in-progress. The programme targets a gradual decline in the general government headline deficit from 2010, reaching a surplus position in line with the MTO by the end of the programme period, although these budgetary outcomes are subject to downside risks in the short and medium term.

In view of the above assessment and also given the need to ensure sustainable convergence and a smooth participation in ERM II, Estonia is invited to:

(i) ensure that the general government deficit remains below 3 % of GDP and take the necessary measures to underpin the targeted return to the MTO in the medium term;

(ii) strengthen the medium-term budgetary framework, particularly by improving expenditure planning, and further strengthen the system of monitoring the strategic targets and reporting on them.

Comparison of key macro economic and budgetary projections

		2008	2009	2010	2011	2012	2013
Real GDP (% change)	**CP Jan 2010**	**-3.6**	**-14.5**	**-0.1**	**3.3**	**3.7**	**4.0**
	COM Nov 2009	-3.6	-13.7	-0.1	4.2	n.a.	n.a.
	CP Dec 2008	*-2.2*	*-3.5*	*2.6*	*4.8*	*5.0*	*n.a.*
HICP inflation (%)	**CP Jan 2010**	**10.6**	**0.2**	**0.4**	**1.9**	**2.3**	**2.7**
	COM Nov 2009	10.6	0.2	0.5	2.1	n.a.	n.a.
	CP Dec 2008	*10.6*	*4.2*	*2.8*	*3.0*	*3.2*	*n.a.*
Output gap[1] (% of potential GDP)	**CP Jan 2010**	**6.2**	**-8.8**	**-8.4**	**-5.7**	**-3.1**	**-0.5**
	COM Nov 2009[2]	4.7	-9.4	-9.1	-5.4	n.a.	n.a.
	CP Dec 2008	*0.9*	*-5.7*	*-5.9*	*-3.9*	*-1.7*	*n.a.*
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	**CP Jan 2010**	**-8.4**	**6.9**	**8.5**	**6.3**	**2.9**	**-1.0**
	COM Nov 2009	-8.2	6.3	3.7	2.4	n.a.	n.a.
	CP Dec 2008	*-10.5*	*-5.1*	*-5.0*	*-4.7*	*-4.7*	*n.a.*
General government revenue (% of GDP)	**CP Jan 2010**	**37.1**	**45.0**	**45.7**	**44.0**	**41.5**	**39.2**
	COM Nov 2009	37.1	41.9	43.5	42.4	n.a.	n.a.
	CP Dec 2008	*36.2*	*38.9*	*37.8*	*36.5*	*35.2*	*n.a.*
General government expenditure (% of GDP)	**CP Jan 2010**	**39.9**	**47.6**	**47.9**	**46.0**	**42.5**	**39.0**
	COM Nov 2009	39.9	44.8	46.7	45.4	n.a.	n.a.
	CP Dec 2008	*38.2*	*40.6*	*38.8*	*36.4*	*35.0*	*n.a.*
General government balance[3] (% of GDP)	**CP Jan 2010**	**-2.8**	**-2.6**	**-2.2**	**-2.0**	**-1.0**	**0.2**
	COM Nov 2009	-2.7	-3.0	-3.2	-3.0	n.a.	n.a.
	CP Dec 2008	*-1.9*	*-1.7*	*-1.0*	*0.1*	*0.2*	*n.a.*
Primary balance (% of GDP)	**CP Jan 2010**	**-2.5**	**-2.3**	**-2.0**	**-1.7**	**-0.6**	**0.7**
	COM Nov 2009	-2.5	-2.6	-2.6	-2.3	n.a.	n.a.
	CP Dec 2008	*-1.8*	*-1.5*	*-0.8*	*0.3*	*0.4*	*n.a.*
Cyclically-adjusted balance[1] (% of GDP)	**CP Jan 2010**	**-4.7**	**0.1**	**0.4**	**-0.3**	**-0.1**	**0.4**
	COM Nov 2009	-4.2	-0.1	-0.4	-1.3	n.a.	n.a.
	CP Dec 2008	*-2.2*	*0.0*	*0.8*	*1.3*	*0.7*	*n.a.*
Structural balance[4] (% of GDP)	**CP Jan 2010**	**-4.7**	**-1.1**	**-1.5**	**-0.9**	**-0.1**	**0.4**
	COM Nov 2009	-4.4	-2.5	-2.4	-1.9	n.a.	n.a.
	CP Dec 2008	*-2.4*	*-0.1*	*0.4*	*1.2*	*0.7*	*n.a.*
Government gross debt (% of GDP)	**CP Jan 2010**	**4.6**	**7.8**	**10.1**	**13.0**	**14.2**	**14.3**
	COM Nov 2009	4.6	7.4	10.9	13.2	n.a.	n.a.
	CP Dec 2008	*3.7*	*3.7*	*3.5*	*3.0*	*2.8*	*n.a.*

Notes:

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

[2] Based on estimated potential growth of 2.3%, -0.2%, -0.4% and 0.2% respectively in the period 2008-2011.

[3] Convergence Programme: ESA95 definition; Commission services: EDP definition.

[4] Cyclically-adjusted balance excluding one-off and other temporary measures. One-off and other temporary measures amount to 1.2% of GDP in 2009, 1.9% of GDP in 2010 and 0.6% of GDP in 2011, overall deficit-reducing, according to the most recent programme and 0.2% of GDP in 2008, 2.4% of GDP in 2009, 2.0% of GDP in 2010 and 0.6% of GDP in 2011, overall deficit-reducing, according to the Commission services' autumn 2009 forecast.

Source:
Convergence programme (CP); Commission services' autumn 2009 forecasts (COM); Commission services' calculations.