EUROPEAN COMMISSION

Brussels,
SEC(2010) 341/2

Recommendation for a

COUNCIL OPINION

on the updated stability programme of Luxembourg, 2009-2014

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 stability programme of Luxembourg on 15 March 1999 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 stability programme of Luxembourg, submitted on 5 February 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 the stability 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 stability 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 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 Programme, 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

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

fiscal sustainability; in addition, structural reform efforts should be strengthened to enhance productivity and to support long-term investment. The Council 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 stability programme, covering the period 2007-2010, as follows:

"The overall conclusion is that, in view of the sound budgetary starting position, the measures decided in response to the downturn and presented in the addendum to the stability programme are appropriate and should be welcomed. They are generally in line with the principles (timely, targeted and temporary) of the European Economic Recovery Plan, even though the cuts in income tax, which were decided before the aggravation in the crisis, are not planned to be temporary. Due to the projected sharp economic downturn and to the measures decided in response to the downturn, the government balance will turn into a deficit in 2009, after several years in surplus, but it will remain far from the 3% reference value and the medium-term objective is planned to be respected throughout the programme period. Risks to the programme's budgetary targets seem broadly balanced. However, concerns remain about the long-term sustainability of public finance, which will have to bear a particularly heavy burden in the coming decades as the increase in age-related public expenditure is projected to be among the strongest in the whole EU. In view of the above assessment and of the very strong increase in age-related expenditure forecast for the coming decades, Luxembourg is invited to implement the fiscal plans, including the stimulus measures in line with the EERP and within the framework of the SGP and improve the long-term sustainability of its public finances by implementing structural reform measures, in particular in the area of pensions."

Recommendation for a

COUNCIL OPINION

on the updated stability programme of Luxembourg, 2009-2014

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 5(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 stability programme of Luxembourg, which covers the period 2009 to 2014.

(2) The Luxembourgish economy was severely hit by the crisis: real GDP, after zero growth in 2008, dropped by 3.9% in real terms in 2009, according to most recent estimates, as all demand components went down, with the exception of public expenditure. The contribution of net exports remained positive as imports dropped even more than exports, probably due to a collapse in equipment investment. The financial sector seems to have been less affected by the crisis than could have been expected, even if at the end of 2008 the Luxembourgish authorities had to organise a support operation for two of the country's largest banks which belong to international groups. Employment still rose by 1.2% on average in 2009 but exclusively thanks to the carry-over resulting from the very strong growth recorded in 2008 (+4.7%). It only slightly decreased in the financial sector but much more strongly in the industry. Unemployment increased from 4.9% in 2008 to 5.7% on average in 2009, despite the massive recourse to short-time working encouraged by the authorities. The main challenge for Luxembourg at the current juncture is to maintain and develop the favourable conditions that have made possible the remarkable growth experience of the latest 25 years based on the country's increasing specialisation in services activities, especially financial services. Moreover, as far as budgetary policy is concerned, the long-term perspective deserves full attention. First, the rise in expenditure has been rather strong in recent years and the recurrent surpluses have only been made possible by buoyant revenues, the continuation of which is not certain.

[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.

Moreover, due for a large part to the generosity of the country's pension system, the rise in age-related expenditure is projected to be one of the strongest in the EU.

(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, increasing structural unemployment and a durable reduction in the growth of financial activities all over the world. 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 Luxembourg it is important to increase the employment rate of the resident population, enhance the attractiveness of the business environment, foster wage behaviour that takes into account the sizeable rise in labour costs observed in recent years, and continue efforts to increase R&D activities in the country.

(4) The macroeconomic scenario underlying the programme projects real GDP to grow by 2.5% in 2010, after a contraction by 3.9% in 2009, and by 2.9% a year on average over the rest of the programme period. Assessed against currently available information[4], this scenario appears to be based on slightly favourable growth assumptions for 2010 and plausible ones thereafter. While the programme's growth projection for 2010 is substantially more optimistic than those presented both in the 2010 budget and in the Commission services' autumn forecasts, more recent information appears to partially justify this optimism: in particular, the first estimate of GDP growth in the 3rd quarter of 2009 was better than expected at +4.2% quarter-on-quarter. For the period 2011-2014, the programme's growth projections are plausible against the background of the Commission services' estimates of potential growth and the assumption of a gradual closing of the output gap. The programme’s projections for employment, unemployment and inflation also appear realistic.

(5) The programme estimates the general government deficit in 2009 at 1.1% of GDP. This significant deterioration from a surplus of 2.5% of GDP in 2008 essentially resulted from a surge by almost 5 percentage points of GDP in public expenditure, only partially compensated by an increase in the revenue ratio (which only resulted from the fact that nominal GDP dropped even more than revenues). The increase in the expenditure ratio reflects to a large extent the impact of the crisis on government finances, but was also brought about by stimulus measures amounting to 1¾% of GDP which the government adopted in line with the European Economic Recovery Plan (EERP). These measures chiefly included a significant acceleration in government investment programmes as well as important tax cuts, especially in personal income tax, which are of a permanent nature. According to the programme, fiscal policy is planned to remain supportive in 2010, which, in view of Luxembourg's relatively favourable budgetary and economic situation is in keeping with the EERP. However, from 2011 the programme’s projections under a no-policy change assumption do not reflect a restrictive stance in line with the exit strategy advocated by the Council even if the programme acknowledges that the authorities plan to take corrective steps.

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 general government deficit is projected to increase to 3.9% of GDP in 2010, a deterioration which should stem from a rise in expenditure by 0.9 percentage point of GDP and a decline in revenues by 2 percentage points of GDP. The increase in expenditure will result chiefly from higher spending in the fields of education (0.3 percentage point of GDP), family policy (0.25 percentage point of GDP) and public infrastructures (0.5 percentage point of GDP). The decrease in revenues would be the consequence of a fall in direct tax receipts (by 1.4 percentage point of GDP) due essentially to the effects of the crisis, especially on corporate tax. Moreover, the rate of this tax was reduced from 22% to 21%, with an estimated ex ante impact of about 0.1 percentage point of GDP. The decrease in revenues would also result to a lesser extent from a decline in indirect taxes and social security contributions relative to GDP (by 0.4 and 0.2 percentage point of GDP, respectively). Since the deficit for 2009 has been revised downwards by 1.2 percentage points of GDP with respect to the estimate provided by the budget, while the deficit target for 2010 has only been revised down by 0.5 percentage point, the deterioration in the general government balance in 2010 is now projected by the programme to reach 2.8 percentage points of GDP (compared to 2.1 percentage points in the budget). The structural balance (i.e. the cyclically-adjusted balance calculated according to the commonly agreed methodology, based on information given in the programme, and net of one-off and other temporary measures) would deteriorate by about 3 percentage points of GDP from a surplus of about 1% of GDP in 2009.

(7) For the period after 2010, the programme presents a full-fledged budgetary scenario based on an "unchanged policy" hypothesis, where the general government deficit would first increase to 5.0% of GDP in 2011 and then slowly decrease to 4.6% of GDP in 2012 and 4.3% of GDP in 2013 before it would reach 3.1% of GDP in 2014 as the effects of the crisis progressively fade away. This scenario thus implies that the general government deficit would remain above 3% of GDP until the end of the period covered. The automatic decrease in the deficit would result both from a gradual recovery in revenue and from a slight decrease in the expenditure ratio. The revenue ratio is forecast to slightly rise from a trough recorded in 2011 (38.1% of GDP) to 39.5% of GDP, chiefly due to a resurgence in direct taxes from 2011, when the delayed impact of the crisis on receipts is supposed to reach its maximum. Simultaneously, the expenditure ratio is projected to slightly decline from a maximum of 43.6% of GDP reached in 2010 to 42.7% in 2014, due to the progressive acceleration in growth. The structural deficit (as recalculated by the Commission services) would first increase from 2¼% of GDP in 2010 to about 3½% in 2011, when the headline deficit would peak at 5.0% of GDP and then slightly decrease to 2¼% of GDP in 2014, following the decline in the headline deficit. The programme acknowledges that the main goal of the medium-term budgetary strategy should be to bring public finances back to balance by 2014 by reducing the headline deficit by about 1 percentage point of GDP every year. However, any information in terms of revenue and expenditure levels associated with this adjustment path or supporting measures is postponed until after a consultation with the social partners expected to be concluded by late April of this year. The programme indicates that due to the importance of implicit liabilities related to population ageing the medium-term budgetary objective (MTO) has been modified from a structural deficit of 0.8% of

GDP to a structural surplus of 0.5% of GDP. In view of the new methodology[5] and the most recent projections and debt levels, this MTO does not appear to take sufficiently into account the implicit liabilities related to ageing, despite the debt being below the Treaty reference value. The programme does not envisage that this MTO will be achieved within the period covered by the programme.

(8) The budgetary outcome for 2010 could be better than projected in the programme. However this does not in any way alter the rationale for proceeding with the planned fiscal consolidation in the years 2011-2014. The possible improvement of the 2010 outcome is related to a downward revision by 1.2 percentage points of GDP in the 2009 deficit (with respect to the original deficit projection in the 2010 budget) has only resulted in a 0.5 percentage point of GDP change in the deficit target for 2010 despite a substantial upward revision in the GDP growth projection. Consequently, the deterioration in the general government balance in 2010 is now projected to reach 2.8% of GDP, while it was forecast to amount to 2.1% in the budget. Moreover, in the past budgetary outcomes in Luxembourg have often been better than initially planned. For the period 2011-2014, the "unchanged policy scenario" presents a plausible picture of developments in public finance, with the possible positive base effect being roughly balanced by negative risks attached to the macroeconomic outlook. As far as the alternative adjustment path targeting a reduction of the government balance to below 3% by 2014 is concerned, in the absence of any information about the revenue and expenditure levels associated with the planned deficits and the measures necessary to achieve the envisaged consolidation an assessment is not possible.

(9) The debt ratio doubled from 6.6% of GDP in 2007 to 13.5% in 2008 as a result of the financial support to the financial sector. The programme projects a further rise from 14.9% of GDP in 2009, to 37.4% in 2014. This increase will exceed the sum of the projected deficits, due to sizable transfers from central government to social security.. While the debt ratio is increasing, it remains well below the Treaty reference value throughout the programme period. The social security system and, to a lesser extent, the central government hold sizeable assets generated by the recurrent surpluses of the past, which implies that, despite the recent doubling of the gross public debt, the net financial position of the general government is positive. However those assets are not sufficient to cover future social security obligations.

(10) The long-term budgetary impact of ageing is significantly above the EU average, influenced notably by a very considerable projected increase in pension expenditure. The significant assets accumulated in social security system will help partially finance the projected increase in pension expenditure, while the budgetary plans until 2014 imply that the structural primary surplus would no longer be sufficient to compensate for the increasing costs of ageing. Achieving high primary surpluses over the medium term and, as recognized by the authorities, implementing measures aimed at curbing the substantial increase in pension expenditure would contribute to reducing the risks to the sustainability of public finances, which were assessed in the Commission 2009

---

5 The country-specific MTOs 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.

Sustainability Report [6]as medium. Medium-term debt projections until 2020 that assume GDP growth rates will only gradually recover to the values projected before the crisis and tax ratios will return to pre-crisis levels show that the budgetary development envisaged in the programme is not enough to stabilise the debt by 2020.

(11) Numerical fiscal rules and medium-term budgetary frameworks (with the exception of the State's multi-annual capital spending programme) do not appear to play a significant role in Luxembourg. However, this does not seem to have led to significant budgetary slippages in the past, even if it may have played a role in the recurrent and substantial revisions in public finance data observed in recent years (in general towards a more positive outcome). The programme does not announce any plans in this respect.

(12) The structure of public finances seems comparatively favourable in Luxembourg: government expenditure and the tax burden are relatively low compared with other Member States. In particular, taxation of labour income and government consumption are comparatively low. Moreover, public investment is one of the highest in the whole EU. There is, however, room for improving the effectiveness of public spending in the field of education. Furthermore, the interplay of generous social benefits and the, though comparatively low, taxation of labour income do not seem to provide sufficient incentives to work for average and low earners. Finally, reforms of the relatively generous pension system reform will be required to cope with the burden of population ageing.

(13) Overall, taking into account the favourable starting budgetary position of Luxembourg at the beginning of the crisis and the low level of the government debt, the planned supportive fiscal stance in 2010 is appropriate and in line with the EERP. From 2011 onwards, the no-policy change projection in the programme is not in line with the requirements of Pact as it does not contain the necessary consolidation efforts that would be needed to reduce the deficit below 3% of GDP and to approach at an adequate pace the MTO of a surplus of 0.5% of GDP. It is also not in line with the Council conclusions of 20 October on the fiscal exit strategy. On the other hand, the government's announced intention to begin with the consolidation from 2011 onwards and reduce the structural deficit by about ¾ percentage point of GDP every year from 2011 onwards cannot be assessed given that no information is provided on the measures backing such a consolidation strategy.

(14) 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 that in view of the downturn and the sound budgetary starting position of Luxembourg the temporary deterioration in the general government balance in

---

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.

7 In particular, there are no data on sectoral balances with the exception of the general government.

2009 and 2010 partly reflecting the adoption of stimulus measures is appropriate. However, from 2011 the fiscal stance as shown in the programme's "unchanged policy scenario" cannot be considered in line with the requirements of the Pact, as the government deficit would remain above 3% of GDP until 2014; there would thus be no consolidation effort to ensure that the deficit is brought below 3% of GDP and progress towards the MTO would not be adequate either. While the authorities indicate their intention to follow a more ambitious consolidation path with a view to bringing public finances back to balance in 2014 and to achieve the medium-term objective in the following years, this adjustment path cannot be properly assessed in the absence of any information including the underlying measures. More information on these measures would thus be welcome. Concerns remain about the long-term sustainability of public finance, which will have to bear a very heavy burden in the coming decades as the increase in age-related public expenditure is projected to be among the strongest in the whole EU.

In view of the above assessment, Luxembourg is invited to:

(i) start fiscal consolidation as from 2011 with a view to start reducing the deficit towards the 3% of GDP threshold and thereafter progressing towards the MTO and specify to this effect the measures that will be needed to achieve this consolidation; and

(ii) in view of the significant projected increase in age-related expenditure, improve the long-term sustainability of public finances by reforming the pension system and setting a MTO that takes sufficiently into account the implicit liabilities related to ageing.

.

Comparison of key macroeconomic and budgetary projections

		2008	2009	2010	2011	2012	2013	2014
Real GDP (% change)	**SP Jan 2010**	**0.0**	**-3.9**	**2.5**	**3.0**	**2.7**	**2.9**	**3.1**
	COM Nov 2009	0.0	-3.6	1.1	1.8	n.a.	n.a.	n.a.
	SP Oct 2008	*1.0*	*-0.9*	*1.4*	*4.5*	*n.a.*	*n.a.*	*n.a.*
HICP inflation (%)	**SP Jan 2010**	**4.1**	**4.1**	**0.0**	**2.1**	**1.8**	**n.a.**	**n.a.**
	COM Nov 2009	4.1	0.0	1.8	1.7	n.a.	n.a.	n.a.
	SP Oct 2008	*4.1*	*0.6*	*2.5*	*2.9*	*n.a.*	*n.a.*	*n.a.*
Output gap[1] (% of potential GDP)	**SP Jan 2010**	**1.9**	**-4.0**	**-3.4**	**-2.8**	**-2.4**	**-2.0**	**-1.7**
	COM Nov 2009[2]	1.7	-3.9	-4.6	-5.0	n.a.	n.a.	n.a.
	SP Oct 2008	*1.1*	*-2.3*	*-3.5*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	**SP Jan 2010**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
	COM Nov 2009	4.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	SP Oct 2008	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
General government revenue (% of GDP)	**SP Jan 2010**	**40.2**	**41.6**	**39.6**	**38.3**	**38.5**	**39.0**	**39.5**
	COM Nov 2009	40.2	41.1	39.7	39.4	n.a.	n.a.	n.a.
	SP Oct 2008	*43.2*	*42.8*	*42.8*	*40.3*	*n.a.*	*n.a.*	*n.a.*
General government expenditure (% of GDP)	**SP Jan 2010**	**37.7**	**42.6**	**43.5**	**43.2**	**43.2**	**43.3**	**42.6**
	COM Nov 2009	37.7	43.3	43.9	43.6	n.a.	n.a.	n.a.
	SP Oct 2008	*41.2*	*43.4*	*44.3*	*39.4*	*n.a.*	*n.a.*	*n.a.*
General government balance (% of GDP)	**SP Jan 2010**	**2.5**	**-1.1**	**-3.9**	**-5.0**	**-4.6**	**-4.3**	**-3.1**
	COM Nov 2009	2.5	-2.2	-4.2	-4.2	n.a.	n.a.	n.a.
	SP Oct 2008	*43.2*	*42.8*	*42.8*	*40.3*	*n.a.*	*n.a.*	*n.a.*
Primary balance (% of GDP)	**SP Jan 2010**	**2.8**	**-0.5**	**-3.3**	**-4.3**	**-3.7**	**-3.3**	**-2.1**
	COM Nov 2009	2.7	-1.6	-3.6	-3.6	n.a.	n.a.	n.a.
	SP Oct 2008	*2.3*	*-0.3*	*-1.2*	*1.5*	*n.a.*	*n.a.*	*n.a.*
Cyclically-adjusted balance[1] (% of GDP)	**SP Jan 2010**	**1.6**	**0.9**	**-2.2**	**-3.6**	**-3.4**	**-3.3**	**-2.3**
	COM Nov 2009	1.6	-0.3	-2.0	-1.8	n.a.	n.a.	n.a.
	SP Oct 2008	*2.4*	*1.6*	*0.3*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Structural balance[3] (% of GDP)	**SP Jan 2010**	**1.6**	**0.9**	**-2.2**	**-3.6**	**-3.4**	**-3.3**	**-2.3**
	COM Nov 2009	1.6	-0.3	-2.0	-1.8	n.a.	n.a.	n.a.
	SP Oct 2008	*2.4*	*1.6*	*0.3*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Government gross debt (% of GDP)	**SP Jan 2010**	**13.5**	**14.9**	**18.3**	**23.9**	**29.3**	**34.1**	**37.4**
	COM Nov 2009	13.5	15.0	16.4	17.7	n.a.	n.a.	n.a.
	SP Oct 2008	*14.4*	*14.9*	*17.0*	*14.3*	*n.a.*	*n.a.*	*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 3.6%, 2.0%, 1.9% and 2.2% respectively in the period 2008-2011.

[3] Cyclically-adjusted balance excluding one-off and other temporary measures. There are no one-off or other temporary measures from year 2010 to year 2014 according to the most recent programme and to the Commission services' autumn 2009 forecast.

Source:

Stability programme (SP); Commission services' autumn 2009 forecasts (COM); Commission services' calculations.