EUROPEAN COMMISSION

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Recommendation for a

COUNCIL OPINION

on the updated convergence programme of Poland, 2009-2012

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 Poland 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 Poland, submitted on 8 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 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 country’s position under the corrective arm of the Stability and Growth Pact (excessive deficit procedure);

(4) 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).

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[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 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

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

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 excessive deficit procedure for Poland

On 7 July 2009 the Council adopted a decision stating that Poland had an excessive deficit in accordance with Article 104(6) of the Treaty establishing the European Community (TEC). At the same time, the Council addressed a recommendation under Article 104(7) TEC specifying that the excessive deficit had to be corrected by 2012. Specifically, the Council recommended the Polish authorities to (a) implement the fiscal stimulus measures in 2009 as planned, in particular the public investment plan, while structuring a supplementary budget in such a way to avoid any further deterioration in public finances; (b) ensure an average annual fiscal effort of at least 1¼ percentage points of GDP starting in 2010; (c) spell out the detailed measures that are necessary to bring the deficit below the reference value by 2012, and reforms to contain primary current expenditure over the coming years. The Council established the deadline of 7 January 2010 for the Polish government to take effective action to implement the fiscal measures in 2009 as planned, while avoiding any further deterioration of public finances, and to specify the measures that will be necessary to progress towards the correction of the excessive deficit. The Polish authorities were also recommended to report on progress made in the implementation of these recommendations in a separate chapter in the updates of the convergence programmes prepared between 2010 and 2013.

On 3 February 2010 the Commission issued a Communication to the Council stating that it considered that no further steps in the excessive deficit procedure were needed. The Commission Communication stressed, however, the considerable risks attached to the fiscal strategy of the Polish authorities. It noted that even taking into account the better than anticipated growth prospects, further sizeable consolidation measures will be needed to bring the deficit below 3% in 2012. Against this background, new stimulus measures should be avoided, the 2010 budget be strictly implemented, windfall revenue be allocated to deficit reduction, and additional consolidation measures be prepared for the following years. On 16 February 2010 the Council considered that effective action had been taken in accordance with the recommendations.

2.4. 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 2008-2011, as follows: “Poland is planning an adequate fiscal stimulus, some measures of which are not temporary. The planned measures will stimulate both aggregate demand in the short term and strengthen the supply side of the Polish economy in a longer term. Given the optimistic GDP growth forecasts, the budgetary outcomes projected in the programme are subject to downside risks, according to the Commission forecasts, throughout the whole period covered by the current update. In addition, for the outer years, the planned spending restraint will have to be backed up with specified measures, as appropriate”. In view of this assessment, the Council invited Poland to: “(i) implement the 2009 fiscal plans, including the stimulus measures in line with the EERP and the framework of the SGP, while avoiding to breach the reference value, as targeted by the Government; (ii) back up the consolidation strategy for 2010 and 2011 with specific deficit-reducing measures; (iii) reinforce the budgetary framework through better control over expenditure, including the swift implementation of the amended public finance act and performance budgeting”.

Recommendation for a

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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 Poland, which covers the period 2009 to 2012.

(2) With real GDP estimated to have increased by 1.7%, Poland was the only EU country that recorded positive growth in 2009. This performance reflects a constellation of favourable factors including sound fundamentals at the outset of the crisis, a well capitalised and sound financial sector, the relatively low degree of openness of the economy, a sizeable depreciation of the Polish currency at an early stage of the crisis, as well as timely accommodative monetary and fiscal policies. While some of the factors that supported growth are of temporary nature – the margin for supportive fiscal policy disappeared and the exchange rate is now appreciating – Poland's economic outlook has improved significantly in recent months. Key challenges for the years ahead will be to bring government finances back to a sustainable position and secure a sustained catching-up process without compromising fiscal and macroeconomic stability. Poland did not use the good economic times (2006-2008) to consolidate its public finances, and the structural government deficit (i.e. the cyclically-adjusted balance net of one-off and other temporary measures calculated in accordance with the commonly agreed method on the basis of the data in updated programme) is estimated to have reached 7% of GDP in 2009. Based on the April 2009 EDP notification by the Polish authorities of a 2008 government deficit of 3.9% of GDP, on 7 July 2009 the Council decided on the existence of an excessive deficit and recommended its correction by 2012.

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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, though the effects should be less severe in Poland because of the lower scale of capital destruction and Poland's flexible labour market. 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, in view of Poland's low employment rate and the need for reforms in support of the ongoing catching up process, it will be important to take further measures that foster labour market participation, improve the business environment, and stimulate private R&D spending.

(4) The baseline macroeconomic scenario underlying the budgetary projections in the programme envisages that real GDP growth will accelerate from 1.7% in 2009 to 3% in 2010, 4.5% in 2011 and 4.2% in 2012. Assessed against currently available information[4] the assumption for real GDP growth in 2010 appears slightly favourable and the assumptions for 2011 and 2012 seem favourable. The programme presents an alternative, "risk scenario" with lower real GDP growth, at 2.7% in 2010, 3.7% in 2011 and 3.5% in 2012, which appears more plausible. Taking into account recent information, the projection in the programme of a gradual recovery in employment over the period 2010-2012 is plausible, especially as the swift adjustment of real wages seems to be cushioning the effects of the downturn on employment. The programme's projections for inflation, showing a decline to around 2% in 2010 on the back of appreciating currency and contained wage pressure followed by a moderate rebound thereafter in line with improving economic situation, are realistic.

(5) The programme estimates the general government deficit in 2009 at 7.2% of GDP. The significant deterioration from a deficit of 3.6% of GDP in 2008 reflects to a large extent the impact of the crisis on government finances, but was also brought about by stimulus measures amounting to about 2 % of GDP which the government implemented in 2009 in line with the European Economic Recovery Plan (EERP). A personal income tax cut (decided in 2007), an increase of public investment, and an indexation of social transfers were the main elements of the stimulus. On the other hand, the deficit outturn in 2009 would have been even worse if deficit-reducing measures estimated at about 1½ percentage point had not been implemented (reduction of administrative expenditure and increase of dividends from state-owned enterprises). Despite these measures, the structural balance deteriorated by more than 2 percentage points of GDP in 2009, also reflecting over spending in some general government subsectors[5]and unfavourable growth composition. Despite the high level reached by the structural deficit and projected sharp rebound in economic activity, the programme foresees a gradual exit strategy, with moderate fiscal consolidation planned in 2010-2011.

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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, in particular Commission services February 2010 interim forecast.

5 This excludes the central government subsector where spending was under executed.

(6) The programme projects a slight decline in the government deficit to 6.9% of GDP in 2010. This is to be achieved through a large increase in the revenue ratio (by 2.2 percentage point) which would more than offset a pronounced increase in the expenditure ratio (by 1.9 percentage point), mainly due to an increase in capital spending (partly financed by EU funds). The main consolidation measures are an increase of some excise and quasi-excise duties (about 0.2% of GDP) and a reduction of wage and salary growth in the central budget (0.3% of GDP) totalling 0.5% of GDP. The improvement in the structural balance is estimated at 0.8 percentage point of GDP, and would also reflect favourable growth composition leading to higher than usual tax elasticity. The fiscal effort implied by current plans is smaller than the annual average recommended by the Council in July 2009 for the period 2010-2012 (at least 1¼ percentage point of GDP).

(7) The main goal of the programme's medium-term budgetary strategy is to reduce the deficit below the 3% of GDP deficit reference value by 2012, in line with the Council recommendation under Article 104(7) TEC. However, the planned adjustment is considerably back-loaded: the headline balance is projected to improve by 0.3 percentage point of GDP in 2010, 1 percentage point of GDP in 2011 and 3 percentage points of GDP in 2012. The structural balance would improve by 0.8-0.9 percentage point of GDP per year in 2010-2011, and by 3 percentage points of GDP in 2012. To compensate for the worse starting position for the headline deficit in 2009 than assumed at the time of the Council recommendation, the average annual structural effort for the period 2010-2012 would be around 1½ percentage of GDP, slightly higher than recommended in the Council recommendation under the excessive deficit procedure. Consolidation in the years 2011-2012 is predominantly expenditure-based but is not supported by sufficiently concrete measures. The total net impact of announced measures, i.e. those included in "The Plan for the Development and Consolidation of Finances" of 29 January 2010 to which the convergence programme refers extensively, does not exceed ¼% of GDP over the 2011-2012 period. The programme confirms the commitment to the medium term objective (MTO) of a government balance of -1% of GDP in structural terms. In view of the new methodology[6] and given the most recent projections and debt level, the MTO more than adequately reflects the objectives of the Pact. However, the programme does not envisage achieving it within the programme period.

(8) The budgetary outcomes could turn out worse than projected in the programme over the whole programme period. Firstly, real GDP growth could turn out to be less favourable than projected, which would translate into lower than expected tax revenue. According to the programme, if the alternative, more cautious and plausible scenario materialises, the deficit in 2012 would be close to 5% of GDP, and the excessive deficit would not be corrected within the deadline set by the Council. Secondly, the fiscal targets for 2011 and 2012 are not supported by concrete measures. The heavy electoral calendar for the coming two years (presidential and local elections in autumn 2010, parliamentary elections in autumn 2011) raises questions on when such

[6] 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.

measures will be specified and implemented. Thirdly, Poland has a mixed track record in achieving its general government expenditure targets specified in the subsequent Convergence Programmes updates, and new initiatives to strengthen the fiscal framework may not be sufficient to change this pattern in the time span covered by the programme. The proposed new "temporary" expenditure rule covers a very small part of government expenditure (less than 15%) and will result in a small annual adjustment even if fully implemented (less than 0.2% of GDP per year in 2011-2012)[7]. Overall, the budgetary outcomes could turn out significantly worse than projected in the programme.

(9) Government gross debt is estimated to have reached 50.7% of GDP in 2009, up from 47.2% in 2008. This ratio is projected to increase by 5 percentage points over the programme period reaching the level of around 56% of GDP in 2012 but remaining below the Treaty reference value, mainly driven by high government deficits. Important privatisation receipts planned for 2010 are projected to contain the increase in the debt ratio. However, in light of still weak market conditions and underperformance of past privatisation plans, receipts may be lower than expected. Under a different macroeconomic scenario and unchanged policies, the Commission services foresaw in their autumn 2009 forecast the debt ratio breaching the 60% of GDP threshold in 2011. While in view of recent data this forecast appears to be on the high side, the debt ratio in the coming years may be higher than foreseen in the programme.

(10) The long-term budgetary impact of ageing is significantly below the EU average, reflecting the projected decrease in public pension spending. However, the budgetary position in 2009 causes a marked sustainability gap over the long term. Ensuring higher primary surpluses over the medium term, as already foreseen in the programme, would contribute to reducing risks to the sustainability of public finances which were assessed in the Commission 2009 Sustainability Report[8] as medium. Medium-term debt projections until 2020 assuming that 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, taken at face value, is more than sufficient to stabilise the debt ratio by 2020. The programme refers to reforms supporting the long-term sustainability of public finances (inclusion of uniformed professions in the reformed general pensions, retirement age, farmers' social security fund, and reduction in disability benefits). While very important for government balance and labour market developments in the long-term, these measures are intended to be implemented gradually and, thus, will not have significant effects for the government balance in the programme period.

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7 The programme plans the introduction of two expenditure rules: first a "temporary" rule covering only a small part of general government expenditure. This rule will be in force until the structural general government deficit reaches the MTO (deficit of 1% of GDP). Then, the authorities plan to introduce a "target" expenditure rule (the objective would be to keep the structural deficit at 1% of GDP), which would cover a larger share of government expenditure

8 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.

(11) There is scope to improve Poland's fiscal framework. Poland has one type of fiscal rule, based on three debt thresholds (50%, 55% and 60% of GDP, the last one enshrined in the Constitution), the breach of which would trigger increasingly large fiscal consolidation measures. On the expenditure side, the institutional framework does not ensure sufficient expenditure control and results in recurring expenditure slippages. The authorities took action to improve the fiscal framework in 2009. They made the existing debt rule more restrictive, by introducing additional specific provisions on the type of measures to be implemented once public debt exceeds 55% of GDP (national definition, non-ESA95). The fiscal planning horizon for the central state budget was extended from 3 to 4 years. Some reorganisation of the general government took place, aimed at increasing the transparency of public accounts. Finally, the authorities are planning the strengthening of the fiscal framework, including by introducing "temporary" and "target" expenditure rules. However the "temporary" rule would cover only the non-mandatory part of the central state budget, which is currently less than 15% of general government expenditure, and could affect public investment (public investment represents a significant fraction of the part of government expenditure covered by the rule). While these actions are not substitutes for measures needed to support the consolidation path included in the programme, they will facilitate future consolidation efforts.

(12) Looking at the composition of public expenditure, Poland has a relatively large share of public expenditure allocated to social protection at the cost of relatively low spending in some growth-enhancing categories (innovation, R&D) and healthcare. Moreover, there seems to be scope to improve the efficiency of public expenditure in areas such as healthcare and education. As far as the revenue side is concerned, the tax burden is close to the EU average, but the complex system of taxation and tax collection would benefit from further simplification. Since 2005, the Polish authorities have gradually designed and implemented performance budgeting, which is expected to improve both efficiency and effectiveness of government expenditure in the coming years. The 2010 budget has extended the scope of performance budgeting, since additional parts of the general government sector are covered and additional expenditure categories included. The first central budget to be fully covered by performance budgeting is supposed to be implemented in 2013.

(13) Overall, in 2010 the budgetary strategy set out in the programme is broadly consistent with the Council recommendations under Article 104(7) TEC of 7 July 2009. However, taking into account the risks, the budgetary strategy, from 2011, may not be consistent with the Council’s recommendations. The average annual structural effort planned for the period 2010-2012 is 1½ percentage of GDP, slightly higher than recommended in the Council recommendation under the excessive deficit procedure. However, fiscal consolidation is considerably back-loaded, deficit targets are based on favourable growth assumptions, and the planned expenditure savings are not supported by sufficiently concrete measures. In view of Poland’s good economic performance during the crisis, the recovery projected by the authorities from 2010, the large structural government deficit, and the authorities' objective to correct the excessive deficit by 2012, a more frontloaded fiscal consolidation strategy would be appropriate. In 2010, the budget should be rigorously implemented, primary current expenditure plans under-executed wherever possible and windfall revenue allocated to deficit reduction. The government deficit targets for 2011-2012 would have to be backed up

by sizeable additional measures, which should also ensure an adequate margin in case the baseline macroeconomic scenario included in the programme does not materialise.

(14) As regards the data requirements specified in the code of conduct for stability and convergence programmes, the programme provides all required and most of the optional data[9]. In its recommendations under Article 104(7) TEC of 7 July 2009, the Council also invited Poland to report on progress made in the implementation of the Council's recommendations in a separate chapter in the updates of the convergence programmes. Poland partly complied with this recommendation. In particular, the detailed measures that are necessary to bring the deficit below the reference value by 2012 and reforms to contain primary current expenditure over the coming years have not been sufficiently spelled out.

The overall conclusion is that while Poland is planning to correct its excessive deficit by 2012 in line with the Council recommendation under the excessive deficit procedure, the fiscal adjustment is considerably backloaded, most of the deficit reduction being projected to take place in 2012, and deficit targets in the programme are subject to significant downside risks, both on the revenue and expenditure side. In view of the recovery projected by the authorities from 2010 and the large structural government deficit a more frontloaded fiscal consolidation strategy would be appropriate. Risks to fiscal targets reflect favourable real GDP growth assumptions, the lack of sizeable concrete measures in support of fiscal targets from 2011 on, a history of current expenditure slippages compared to plans and impact of the electoral cycle. Intentions to strengthen the fiscal framework, in particular through the introduction of new expenditure rules, are welcome. With respect to the "temporary" expenditure rule a higher degree of ambition would be appropriate, notably in terms of the share of government finances covered by the rule.

In view of the above assessment and also in the light of the recommendation under Article 104(7) TEC of 7 July 2009 and also given the need to ensure sustainable convergence, Poland is invited to:

(i) implement the 2010 budget rigorously, under-executing primary current expenditure plans wherever possible and allocating windfall revenue to deficit reduction;

(ii) target a larger budgetary adjustment in 2011 relative to the one planned in the programme, supported by concrete measures, and stand ready to adopt further consolidation measures in 2011 and 2012 in case risks related to the fact that the programme scenario is more favourable than the scenario underpinning the recommendation under Article 104(7) TEC materialise;

(iii) proceed with strengthening the fiscal framework, including through introduction of an expenditure rule covering a larger share of the general government primary expenditure than the "temporary" rule currently in preparation, with appropriate monitoring and enforcement mechanisms.

Poland is also invited to add, in its next update of the convergence programme, more precise information in the separate chapter on progress made to bring the excessive deficit situation to

[9] In particular, the estimates of the contributions from individual production factors to potential growth and long-term projections for some data series are not provided.

an end, as requested by the Council in its recommendations under Article 104(7) of 7 July 2009.

Comparison of key macroeconomic and budgetary projections

		2008	2009	2010	2011	2012
Real GDP (% change)	**CP Feb 2010**	**5.0**	**1.7**	**3.0**	**4.5**	**4.2**
	COM Nov 2009	5.0	1.2	1.8	3.2	n.a.
	CP Dec 2008	*5.1*	*3.7*	*4.0*	*4.5*	*n.a.*
HICP inflation (%)	**CP Feb 2010**	**4.2**	**4.0**	**2.1**	**2.7**	**3.2**
	COM Nov 2009	4.2	3.9	1.9	2.0	n.a.
	CP Dec 2008	*4.2*	*2.9*	*2.5*	*2.5*	*n.a.*
Output gap[1] (% of potential GDP)	**CP Feb 2010**	**2.4**	**−0.4**	**−1.7**	**−1.5**	**−1.5**
	COM Nov 2009[2]	2.6	−0.4	−2.2	−2.3	n.a.
	CP Dec 2008	*1.0*	*−0.1*	*−0.6*	*−0.5*	*n.a.*
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	**CP Feb 2010**	**−4.0**	**−0.1**	**−1.1**	**−0.0**	**−0.8**
	COM Nov 2009	−4.0	−0.2	−0.3	−0.7	n.a.
	CP Dec 2008	*−4.0*	*−1.8*	*−1.3*	*−1.5*	*n.a.*
General government revenue (% of GDP)	**CP Feb 2010**	**39.6**	**37.4**	**39.6**	**40.3**	**40.3**
	COM Nov 2009	39.6	37.6	38.6	38.3	n.a.
	CP Dec 2008	*39.8*	*40.7*	*40.0*	*39.7*	*n.a.*
General government expenditure (% of GDP)	**CP Feb 2010**	**43.3**	**44.6**	**46.5**	**46.2**	**43.3**
	COM Nov 2009	43.3	44.0	46.1	45.9	n.a.
	CP Dec 2008	*42.6*	*43.2*	*42.4*	*41.7*	*n.a.*
General government balance (% of GDP)	**CP Feb 2010**	**−3.6**	**−7.2**	**−6.9**	**−5.9**	**−2.9**
	COM Nov 2009	−3.6	−6.4	−7.5	−7.6	n.a.
	CP Dec 2008	*−2.7*	*−2.5*	*−2.3*	*−1.9*	*n.a.*
Primary balance (% of GDP)	**CP Feb 2010**	**−1.4**	**−4.8**	**−4.2**	**−3.1**	**−0.2**
	COM Nov 2009	−1.4	−3.8	−4.6	−4.6	n.a.
	CP Dec 2008	*−0.3*	*0.1*	*0.2*	*0.5*	*n.a.*
Cyclically-adjusted balance[1] (% of GDP)	**CP Feb 2010**	**−4.6**	**−7.0**	**−6.2**	**−5.3**	**−2.3**
	COM Nov 2009	−4.7	−6.3	−6.6	−6.7	n.a.
	CP Dec 2008	*−3.1*	*−2.5*	*−2.1*	*−1.7*	*n.a.*
Structural balance[3] (% of GDP)	**CP Feb 2010**	**−4.6**	**−7.0**	**−6.2**	**−5.3**	**−2.3**
	COM Nov 2009	−4.7	−6.4	−6.6	−6.7	n.a.
	CP Dec 2008	*−3.1*	*−2.5*	*−2.3*	*−1.7*	*n.a.*
Government gross debt (% of GDP)	**CP Feb 2010**	**47.2**	**50.7**	**53.1**	**56.3**	**55.8**
	COM Nov 2009	47.2	51.7	57.0	61.3	n.a.
	CP Dec 2008	*45.9*	*45.8*	*45.5*	*44.8*	*n.a.*

Notes:

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

[2] Based on estimated potential growth of 5.0%, 4.2%, 3.7% and 3.3% respectively in the period 2008-2011

[3] Cyclically-adjusted balance excluding one-off and other temporary measures. There are no one-off measures according to the most recent programme and 0.1% of GDP in 2009, deficit-reducing, in the Commission services' Autumn 2009 forecast.

Source:

Convergence programme (CP); Commission services' autumn forecast (COM); Commission services' calculations