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Recommendation for a

COUNCIL OPINION

on the updated stability programme of Spain, 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 stability programme of Spain 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 Spain, submitted on 1 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 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 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 stability 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

[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 excessive deficit procedure for Spain

On 27 April 2009, the Council adopted a decision in accordance with Article 104(6) of the Treaty establishing the European Community (TEC) stating that Spain had an excessive deficit. 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. On 2 December 2009, the Council, following a recommendation by the Commission, considered that action had been taken in accordance with the recommendations, but unexpected adverse economic events with major unfavourable consequences for government finances had occurred after the adoption of the recommendation, and issued new recommendations under Article 126(7) of the Treaty on the Functioning of the European Union (TFEU) to correct the deficit by 2013.

In particular, Spain was recommended to "implement the significant deficit-reducing measures in 2010 planned in the draft 2010 Budget Law; ensure an average annual fiscal effort of above 1.5 % of GDP over the period 2010-2013, which should also contribute to halting the rapid rise of the government gross debt ratio (…); and, specify the measures that are necessary to achieve the correction of the excessive deficit by 2013, cyclical conditions permitting, and accelerate the reduction of the deficit if economic or budgetary conditions turn out better than currently expected." The Council established the deadline of 2 June 2010 "for the Spanish government to take effective action to implement the deficit reducing measures in 2010 planned in the draft 2010 Budget Law and to outline in some detail the consolidation strategy that will be necessary to progress towards the correction of the excessive deficit." In addition, the Council called on the Spanish authorities to "report on progress made in the implementation of these recommendations in a separate chapter in the updates of the stability programmes which will be prepared between 2010 and 2013".

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 stability programme, covering the period 2008-2011, as follows. The Council considered that "the sharp slowdown of economic activity and some discretionary measures led to a deficit above 3% of GDP in 2008, after a prolonged period in which the Spanish public finances were close to balance or in surplus. The updated stability programme aims at a significant fiscal impulse in 2009 in line with the EERP to counteract the continued slowdown in economic activity. This will lead to a widening of the government deficit, while the debt ratio remains comfortably below 60% of GDP. Improving long-term fiscal sustainability should be a priority. The favourable macroeconomic assumptions may imply a lower contribution of economic growth to fiscal consolidation than envisaged in the programme, while the adjustment path is not fully backed up with concrete measures. In addition, fostering the quality of public finances is important also with a view to underpinning a smooth adjustment of the economy in the light of the imbalances it is faced with. " In view of this assessment, the Council invited Spain to: " (i) implement the 2009 fiscal policy as planned in line with the EERP and within the framework of the SGP, while avoiding a further deterioration of public finances in 2009, and carry out with determination significant structural consolidation in 2010 and beyond, backing it up with measures; (ii) improve the long-term sustainability of public finances by implementing further measures aimed at curbing the increase in age-related expenditure; (iii) ensure that fiscal consolidation measures are also geared towards enhancing the quality of the public finances as planned in the light of the needed adjustment of existing imbalances."

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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 5(3) (for SP) 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 Spain, which covers the period 2009 to 2013.

(2) After more than a decade of strong GDP growth, Spain went through a severe recession in 2009. The downturn was caused by a sharp fall in domestic demand mirroring the narrowing of macroeconomic imbalances accumulated during the boom phase and was aggravated by the slump in world trade. Notably, the credit boom has ended and the private sector has quickly increased its saving rate; the oversized housing sector has been shrinking with both lower prices and activity; the external deficit has declined from high levels; and, inflationary pressures have softened. The downturn has led to dramatic employment losses and sky-rocketing unemployment rates. The current crisis is taking a heavy toll also on Spanish public finances. Besides falling activity, fiscal developments reflect an accommodative policy response with the implementation of sizeable stimulus measures. Already in 2008, the government deficit exceeded 3% of GDP and on that basis an excessive deficit procedure was opened in March 2009. The most recent step in this procedure was the issuance by the Council of a revised recommendation under Article 126(7) of the Treaty on the functioning of the European Union (TFEU) in December 2009, whereby Spain is called to end its excessive deficit situation by 2013. The main challenges ahead are the continuation of the adjustments, including the narrowing of the external deficit and rebalancing of the sources of GDP growth away from domestic demand and towards the external sector. That will require reforms to boost productivity and potential GDP growth, as well as to create jobs in a sustained way.

[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.

At the same time, competitiveness has to be enhanced, also by means of appropriate cost-reducing policies, i.e., contained price and wage growth vis-à-vis trading partners. These structural competitiveness problems, together with cyclical factors, reflecting strong economic growth above its main trading partners, have fuelled a sizeable current account deficit, which widened rapidly over the last decade, peaking in 2007, when it reached double-digit figures, and dipping to about half in 2009. Finally, if up to now the government sector has cushioned the sharp private sector retrenchment, there is no room to continuing doing so without further compromising fiscal sustainability. Thus, proceeding with a credible and sustained fiscal consolidation strategy is a main challenge for the years ahead.

(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 Spain it is important to undertake reforms in the areas of education, competition in services and electricity, R&D efficiency and the labour market.

(4) The macroeconomic scenario underlying the programme assumes that GDP will contract by 0.3% in real terms in 2010 and recover thereafter to real GDP growth of 1.8% in 2011 and an average of 3% in 2012 and 2013. The acceleration would be driven mainly by domestic demand, with some additional help coming from the external sector. Assessed against currently available information[4], this scenario appears to be based on slightly favourable GDP growth assumptions for 2010 and markedly favourable ones thereafter. In particular, the envisaged path for domestic demand is likely to be more subdued in the coming years given the strength of the ongoing structural adjustments, notably, but not only, the falling share of housing investment in economic activity. The programme's projections for moderating inflation appear realistic. Net foreign borrowing needs are foreseen to decline further over the programme period, reflecting the containment of Spain's large external imbalance.

(5) The programme estimates the general government deficit in 2009 at 11.4% of GDP. The significant deterioration from a deficit of 4.1% of GDP in 2008 reflects to a large extent the impact of the crisis on government finances, including the working of automatic stabilisers, but was also brought about by stimulus measures, in line with the European Economic Recovery Plan (EERP), amounting to 2¼% of GDP. According to the programme, fiscal policy is planned to turn restrictive in 2010 and the outer years of the programme, in line with the exit strategy advocated by the Council, and with a view to correcting the excessive deficit by 2013 and returning to a sustainable public finances position.

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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, such as the Commission services' Interim 2010 forecast.

(6) According to the programme, the target for the general government deficit in 2010 stands at 9.8 % of GDP, which is markedly higher than the deficit of 8.1% of GDP projected in the 2010 budget. This deterioration by 1.7 pp. of GDP reflects a base effect from 2009. The 2010 Budget Law includes a number of discretionary measures on both the revenue and expenditure side, and will mark the start of fiscal consolidation in Spain. Concerning revenue, the budget includes inter alia hikes in VAT rates as of July 2010, an increased progressivity of the saving tax system and a temporary reduction of taxes on SMEs that favours employment. It also reflects the additional impact of tax hikes on alcohol and tobacco introduced in mid-2009. On the expenditure side, the budget incorporates a new investment package addressed to local governments, amounting to ½% of GDP. This investment expenditure is expected to be more than compensated by savings in current expenditure. Furthermore, the budget reflects the withdrawal of a large number of temporary stimulus measures implemented in 2008, such as the reduction in the tax burden on earned income through a personal income tax credit. The combined impact of the withdrawal of the temporary stimulus measures and the new discretionary measures designed for 2010 is expected to yield an improvement of the fiscal balance of up to 1¾% point of GDP in 2010, which would be in line with the Council Recommendation under Article 126(7) of 2 December 2009. In addition to the measures included in the 2010 Budget, consolidation is expected to be reinforced by the so-called 'Immediate Action Plan' for 2010, which is projected to result in a reduction of 0.5% of GDP with respect to the planned expenditure in the 2010 Budget Law..The fiscal stance in 2010 as measured by the change in the structural balance, i.e. the cyclically-adjusted balance net of one-off and other temporary measures, will be restrictive, with an improvement of 2 pps. of GDP.

(7) The main goal of the medium-term budgetary strategy is to bring the deficit below the 3% of GDP reference value by 2013, in line with the Council Recommendation under Article 126(7) of 2 December 2009. The update targets a deficits of 7.5%, 5.3% and 3% of GDP for 2011, 2012 and 2013, respectively. Consolidation in the outer years is expected to be strongly supported by the so-called Austerity Plan 2011-2013 approved on 29 January 2010 and to be fully detailed in the next months, and the Framework Agreements, which still need to be approved, which contain a range of new measures to reduce expenditure. The main proposals included in this package intend to (i) practically freeze the public sector hiring process, (ii) reduce permanently intermediate consumption, transfers and other expenditure by 1 percentage point of GDP, (iii) decrease gross fixed capital formation by 0.9 % of GDP, and (iv) cut subsidies by 0.5 % of GDP. According to the programme, the medium-term budgetary objective (MTO)[5] remains a balanced position over the cycle. In view of the new methodology and given the most recent projections and debt level, the MTO reflects more than adequately the objectives of the Pact. However, the programme does not envisage achieving it within the programme period.

[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.

(8) The budgetary outcomes could turn out worse than projected in the programme over the programme period. These risks appear relatively minor in 2010, but they are substantially more relevant for the year 2011 and beyond. While the macro-economic projections included in the update are only slightly favourable in 2010, they are markedly favourable thereafter. Uncertainty also surrounds the anticipated consolidation measures, particularly after 2010, which are still at the proposal stage and need to be specified further, adopted and implemented. Another source of downside risk is the slow restructuring taking place in the financial sector. There is an additional risk stemming from the budgetary performance of the regional and local governments.

(9) Government gross debt is estimated at 55.2% of GDP in 2009, significantly up from 39.7% in the year before. Apart from the sizeable increase in the deficit and the decline in GDP growth, a significant stock-flow adjustment reflecting primarily credit support contributed to the rise in the debt ratio. The debt ratio is projected to increase by a further 19 pps. over the programme period, to breach the Treaty reference value in 2010 and to reach 74% of GDP by 2013, mainly driven by continued high government deficits. The evolution of the debt ratio may be nonetheless less favourable than projected in the update, in view of the risks to the macroeconomic scenario and the budgetary targets, and, to a lesser extent, the uncertainty about the impact of the guarantees granted in the context of the financial support package. However, the increase in debt linked to the measures taken in support of the financial sector could be reversed if the support scheme and the financial operations linked to it are successful.

(10) The long-term budgetary impact of ageing is clearly higher than the EU average, mainly as a result of a very high increase in pension expenditure as a share of GDP over the coming decades. The budgetary position in 2009, as estimated in the programme, which is significantly worse than the starting position of the previous programme, compounds the budgetary impact of population ageing on the sustainability gap. Achieving primary surpluses in the medium term together with structural reforms would contribute to reducing the risks to the sustainability of public finances which were assessed in the Commission 2009 Sustainability Report[6] as high. 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 stabilise the debt-to-GDP ratio by 2020.

(11) Although the medium-term budgetary framework has been instrumental in promoting multiannual fiscal planning and shows an overall good track record, the latter has worsened since 2008. The existing domestic budgetary framework had been strengthened with the reform of the Budgetary Stability Act in 2007, which introduced the principle of budgetary stability over the cycle. This allowed budgetary objectives to be established on the basis of the cyclical situation. However, in 2009

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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.

the margin of flexibility of this legislation was pushed to the limits, as exceptionally regional and local administrations have been allowed to present higher deficits than initially foreseen within the budgetary framework. No further reforms to this framework are planned.

(12) The programme highlights the importance of the quality of public finances as a key element of the exit strategy in Spain. In this regard, the programme outlines some reforms aiming at improving the cost efficiency and the effectiveness of government expenditure as well as changing structural features of tax system. On the revenue side, these includes changes to the structural features of the Spanish tax system such as the withdrawal of reductions in the tax burden on earned income, an increased progressivity of saving tax system and an increase on VAT rates. On the expenditure side, priority is being given to productive expenditure, along with the need to rein in intermediate public consumption reflected by a fall by 4.3 pps. of GDP in the period 2011-2013.

(13) Overall, in 2010, the budgetary strategy set out in the programme is broadly consistent with the Council Recommendation under Article 126(7) of 2 December 2009. However, from 2011 on, taking into account risks, the budgetary strategy may not be fully consistent with the Council Recommendation under Art. 126(7). Although the budgetary strategy to bring the deficit below 3% of GDP is, taken at face value, in line with the recommendations, taking into account the above-mentioned risks, the achievement of the correction of the excessive deficit by the deadline is not yet ensured and the average fiscal effort could fall short of the recommended minimum of 1½ % of GDP per year. In particular, the budgetary strategy is subject to downside risks due to the favourable macro-economic scenario after 2010, which may imply a lower contribution of economic growth to fiscal consolidation than envisaged in the programme. Moreover, the post-2010 adjustment path needs to be spelled out in greater detail in terms of the concrete measures to be adopted. The budgetary strategy may also not be sufficient to bring the debt ratio back on a downward path. To address these risks, the strategy needs to be backed up by fully specified measures after 2010 and the plans for the outer years of the programme sufficiently strengthened This would also be appropriate in view of the projected rapid rise in debt ratio and in age-related spending as well as Spain's entrenched adjustment challenges.

(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]. In its recommendations under Article 126(7) of 2 December 2009 with a view to bring the excessive deficit situation to an end, the Council also invited Spain to report on progress made in the implementation of the Council’s recommendations in a separate chapter in the updates of the stability programmes. Spain partly complied with this recommendation. In particular, although the programme contained the requested information, the reporting was not in a separate chapter but integrated in the chapter on the medium-term budgetary strategy.

7 In particular, the data on labour productivity, hours worked and one-off and other temporary measures are not provided.

The overall conclusion is that the current crisis is severely impacting on the Spanish public finances, with a very high deficit estimated for 2009 and a rapidly-rising government debt ratio. The stability programme update aims at sizeable continued fiscal consolidation from 2010 on with a view to reducing the government deficit to 3% of GDP by 2013. Fiscal consolidation is essential, as mounting fiscal deficits and debt might damage sustained economic growth in the medium term. In addition, improving long-term fiscal sustainability should be a priority also in the light of the projected high rise in age-related public expenditure. Yet achieving the ambitious consolidation path may require additional efforts, notably in the light of the markedly favourable macroeconomic assumptions and the subsequent risk of a lower-than-assumed contribution of economic growth to fiscal consolidation, and the revenue performance in the outer years of the programme that might be difficult to attain. At the same time, the adjustment path is not fully backed up with concrete measures for the years beyond 2010. A functioning budgetary framework, including the regulation of the relations between the different levels of the general government sector, is an essential instrument to support the achievement of the ambitious consolidation plans against a setting of high fiscal decentralisation. In addition, further fostering the quality of public finances is important also with a view to underpinning a smooth adjustment of the economy in the light of the macroeconomic imbalances, notably by lifting potential GDP, fostering employment creation, boosting competitiveness and further narrowing the external imbalance.

In view of the above assessment and also in the light of the Recommendation under Article 126(7) TFEU of 2 December 2009, Spain is invited to:

(i) implement with rigour the ambitious fiscal plans envisaged in the programme so as to correct the excessive deficit by 2013, backing it up with concrete measures in the years beyond 2010, and stand ready to adopt further consolidation measures in case risks related to the fact that the macroeconomic scenario of the programme is more favourable than the scenario underpinning the Article 126(7) Recommendation materialise; seize any further opportunities to accelerate the reduction of the gross debt ratio towards the 60% of GDP reference value;

(ii) in view of the projected increase in age-related expenditure and the rapid rise of the government debt ratio, improve the long-term sustainability of public finances also by implementing reforms to the old-age pension scheme;

(iii) ensure that the budgetary framework effectively supports the achievement of the outlined medium-term fiscal plans at all levels of the general government sector, and closely monitor adherence to the budgetary targets throughout the year;

(iv) ensure that fiscal consolidation measures are also geared towards enhancing the quality of the public finances in the light of the need for further adjustment of existing macroeconomic imbalances.

Spain is also invited to improve compliance with the data requirements of the code of conduct.

Comparison of key macro economic and budgetary projections

		2008	2009	2010	2011	2012	2013
Real GDP (% change)	**SP Feb 2010**	**0.9**	**-3.6**	**-0.3**	**1.8**	**2.9**	**3.1**
	COM Nov 2009	0.9	-3.7	-0.8	1.0	n.a.	n.a.
	SP Jan 2009	*1.2*	*-1.6*	*1.2*	*2.6*	*n.a.*	*n.a.*
HICP inflation (%)	**SP Feb 2010**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
	COM Nov 2009	4.1	-0.4	0.8	2.0	n.a.	n.a.
	SP Jan 2009	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Output gap[1] (% of potential GDP)	**SP Feb 2010**	**0.6**	**-3.5**	**-4.4**	**-3.2**	**-1.6**	**-0.2**
	COM Nov 2009	0.8	-2.8	-3.6	-2.6	n.a.	n.a.
	SP Jan 2009	*0.8*	*-2.3*	*-3.4*	*n.a.*	*n.a.*	*n.a.*
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	**SP Feb 2010**	**-9.1**	**-4.9**	**-4.2**	**-3.8**	**-3.6**	**-3.5**
	COM Nov 2009	-9.1	-4.5	-3.7	-3.3	n.a.	n.a.
	SP Jan 2009	*-9.2*	*-6.6*	*-5.8*	*-5.4*	*n.a.*	*n.a.*
General government revenue (% of GDP)	**SP Feb 2010**	**37.0**	**34.6**	**35.7**	**36.7**	**37.5**	**38.3**
	COM Nov 2009	37.0	34.0	35.6	36.0	n.a.	n.a.
	SP Jan 2009	*37.0*	*37.5*	*38.3*	*38.7*	*n.a.*	*n.a.*
General government expenditure (% of GDP)	**SP Feb 2010**	**41.1**	**46.1**	**45.5**	**44.2**	**42.8**	**41.3**
	COM Nov 2009	41.1	45.2	45.6	45.3	n.a.	n.a.
	SP Jan 2009	*40.4*	*43.3*	*43.1*	*42.6*	*n.a.*	*n.a.*
General government balance (% of GDP)	**SP Feb 2010**	**-4.1**	**-11.4**	**-9.8**	**-7.5**	**-5.3**	**-3.0**
	COM Nov 2009	-4.1	-11.2	-10.1	-9.3	n.a.	n.a.
	SP Jan 2009	*-3.4*	*-6.2*	*-5.7*	*n.a.*	*n.a.*	*n.a.*
Primary balance (% of GDP)	**SP Feb 2010**	**-2.5**	**-9.6**	**-7.7**	**-4.9**	**-2.3**	**0.1**
	COM Nov 2009	-2.5	-9.4	-7.6	-6.3	n.a.	n.a.
	SP Jan 2009	*-1.9*	*-4.1*	*-2.9*	*-1.9*	*n.a.*	*n.a*
Cyclically-adjusted balance[1] (% of GDP)	**SP Feb 2010**	**-4.3**	**-9.9**	**-7.9**	**-6.1**	**-4.6**	**-2.9**
	COM Nov 2009	-4.4	-10.0	-8.5	-8.1	n.a.	n.a.
	SP Jan 2009	*-3.7*	*-5.2*	*-4.2*	*n.a.*	*n.a.*	*n.a.*
Structural balance[2] (% of GDP)	**SP Feb 2010**	**-4.3**	**-9.9**	**-7.9**	**-6.1**	**-4.6**	**-2.9**
	COM Nov 2009	-4.1	-9.3	-8.5	-8.1	n.a.	n.a.
	SP Jan 2009	*-3.3*	*-4.6*	*-4.2*	*n.a.*	*n.a.*	*n.a.*
Government gross debt (% of GDP)	**SP Feb 2010**	**39.7**	**55.2**	**65.9**	**71.9**	**74.3**	**74.1**
	COM Nov 2009	39.7	54.3	66.3	74.0	n.a.	n.a.
	SP Jan 2009	*39.5*	*47.3*	*51.6*	*53.7*	*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] Cyclically-adjusted balance excluding one-off and other temporary measures. One-off and other temporary measures are n.a. according to the most recent programme and -0.3% of GDP in 2008 and -0.7% of GDP in 2009 in the Commission services' autumn 2009 forecast.

Source:

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