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PRESS RELEASE

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General government posts deficit of 2.6 % of GDP in 2016

The National Accounts Institute (NAI) has today, Friday 21 April 2017, released the notification tables compiled for the purpose of reporting the government deficit and debt to the European Commission under the excessive deficit procedure (EDP).

The EDP tables are consistent with the statistics on public finances, which are also being published today, through the [NBB.Stat](#) data base. Established in accordance with the European System of Accounts (ESA 2010), these statistics give an early provisional estimate of revenue, expenditure and the financing balance of the general government sector and its sub-sectors for the year 2016.

The sixth State reform, which the budgetary implication mostly came into force in 2015, when some social benefits and subsidies started to be recorded at the level of the Communities and Regions instead of under social security, still led to few transfers of competences and funds in 2016: the financing of the hospital infrastructures, for instance, have been transferred from social security to the Communities and Regions.

As regards the personal income tax regime at regional level that has been in force since 2015 tax year, there is a significant difference between the way it is recorded under the ESA and the resultant cash flow. In this press release, the NAI is publishing two balances for the Federal Government and for the Regions, one using the ESA 2010 concept and the other including advance payments corresponding to the local additional percentages on income tax, i.e. according to the High Council for Finance concept. A detailed explanation of the sixth State reform is available in the note entitled '[Methodological changes](#)'.

General government sector

The general government financing balance established under the excessive deficit procedure came to -2.6 % of GDP in 2016, compared with -2.5 % of GDP in 2015.

Primary expenditure was down by 0.3 % of GDP on 2015, to 50.5 % of GDP, and interest charges by 0.1 % of GDP to 2.9 % of GDP. Revenue dropped back more sharply, by 0.7 % of GDP, to settle at 50.7 % of GDP.

The trend in primary expenditure expressed as a percentage of GDP thus continued the downward movement that began in 2014. This decline is reflected in wages and salaries expenses (-0.1 % of GDP), in intermediate consumption (-0.1 % of GDP) and especially in capital expenditure items, where investment and investment aid fell further. Various non-recurring items weighed down spending in other capital transfers: tax repayments to Ethias and Elia following court rulings, as well as Dexia's recapitalisation of its subsidiary Dexia Crédit Local.

The reduction in interest charges is mainly a consequence of the renewed contraction of the implicit rate and is largely due to the extremely low rates of interest on new public debt and bond issues.

The fall in revenue can be attributed to the drop in fiscal and parafiscal receipts (-0.7 % of GDP). As far as this latter source of revenue is concerned, the reduction in direct taxes and social security contributions (-0.9 % of GDP) results from measures taken as part of the tax shift. Indirect taxes were up by 0.2 % of GDP, mainly because of various policy measures like the increase in VAT on household electricity consumption from 1 September 2015, which was fully felt in 2016, successive increases in various excise duties, the reform of the contribution to the Energy Fund in the Flemish Region and revenue from bank taxes. Non-fiscal and non-parafiscal receipts increased

by 0.2 % of GDP, principally as the result of mileage tax for heavy goods vehicles introduced by the Regions as well as the recovery of part of the tax benefits granted to companies through the system of excess profit rulings.

The public debt (Maastricht definition) reached 105.9 % of GDP at the end of 2016, i.e. 0.1 % of GDP less than in 2015, confirming the decline in the debt ratio that started in 2015.

TABLE 1 GENERAL GOVERNMENT EXPENDITURE, REVENUE, BALANCE AND DEBT UNDER THE EXCESSIVE DEFICIT PROCEDURE (in €million)

	2012	2013	2014	2015	2016
Total expenditure	216 478,7	218 773,4	220 820,3	221 042,2	225 116,1
(in % of GDP)	(55,9)	(55,9)	(55,1)	(53,9)	(53,3)
Primary expenditure	202 509,5	205 846,0	207 692,5	208 599,1	213 042,3
(in % of GDP)	(52,3)	(52,6)	(51,8)	(50,8)	(50,5)
of which:					
Employee compensation	48 655,2	50 034,0	50 806,8	51 136,2	52 203,0
Social benefits	96 120,7	99 369,6	101 301,1	103 558,4	106 639,5
Interest charges	13 969,2	12 927,4	13 127,8	12 443,1	12 073,8
(in % of GDP)	(3,6)	(3,3)	(3,3)	(3,0)	(2,9)
Total revenue	200 101,4	206 556,0	208 571,2	210 733,6	214 063,4
(in % of GDP)	(51,6)	(52,7)	(52,0)	(51,4)	(50,7)
of which					
Fiscal and parafiscal revenue	171 729,3	177 298,2	180 283,4	183 126,7	185 155,6
(in % of GDP)	(44,3)	(45,3)	(45,0)	(44,6)	(43,9)
Financing balance	-16 377,3	-12 217,4	-12 249,1	-10 308,6	-11 052,7
(in % of GDP)	(-4,2)	(-3,1)	(-3,1)	(-2,5)	(-2,6)
Primary balance	-2 408,1	710,0	878,7	2 134,5	1 021,1
(in % of GDP)	(-0,6)	(0,2)	(0,2)	(0,5)	(0,2)
Public debt (Maastricht definition)	404 258,7	413 673,1	427 515,3	434 799,9	446 823,6
(in % of GDP)	(104,3)	(105,6)	(106,7)	(106,0)	(105,9)
p.m. GDP	387 500,1	391 711,9	400 805,3	410 350,8	421 974,0

Source: NAI.

Eurostat issued reservations in EDP notifications of April and October 2016 on the quality of the information supplied by Belgium as regards the classification of hospitals. In recent months, the NAI has carried out an in-depth analysis of this issue, leading to exchanges of information with Eurostat. The NAI has not yet received a reasoned position on some of Eurostat's viewpoints. The NAI has therefore not altered its sectoral classification of hospitals. The potential impact of this reclassification should nevertheless be fairly limited (an increase in government debt of about 0.3 % of GDP in 2016). Eurostat has notified the NAI its decision to issue the same reservations about the quality of the data notified by Belgium. The NAI will continue to work on this issue over the next months with a view to a definite clarification of the situation.

General government sub-sectors

Changes in the financing balance for the general government sector as a whole reflect different developments from one sub-sector to another.

The federal government posted a deficit of 2.7 % of GDP in 2016, which is a deterioration of 1.4 % of GDP. Taking account of advance payments of the local additional percentages on income tax, the financing balance is estimated to be 0.1 % of GDP worse than in 2015, at 2.6 % of GDP.

The Communities and Regions ended the year 2016 in balance, an improvement of 1.4 % of GDP on the previous year. Taking the advance payments into account, the deficit is estimated to have narrowed by 0.2 % of GDP on the previous year, bringing it down to -0.1 % of GDP.

The local government accounts closed the year 2016 with a surplus of 0.2 % of GDP, which worked out at 0.1 % of GDP better than in 2015.

The social security funds also ended the year 2016 in balance, seeing their finances deteriorate slightly by 0.2 % of GDP compared with 2015.

TABLE 2 NET LENDING (+) / NET BORROWING (-) OF GENERAL GOVERNMENT SUB-SECTORS UNDER THE EXCESSIVE DEFICIT PROCEDURE

	2012	2013	2014	2015 ¹	2016
	(in € million)				
Federal government (S.1311)	-13 711,4	-10 168,7	-10 133,6	-5 469,3	-11 515,8
Communities and Regions (S.1312)	-337,5	-875,2	-1 416,5	-5 787,6	-134,8
Local government (S.1313)	-1 945,1	-950,1	-665,9	267,1	683,0
Social security funds (S.1314)	-383,3	-223,4	-33,1	681,2	-85,1
General government (S.13)	-16 377,3	-12 217,4	-12 249,1	-10 308,6	-11 052,7
	(in % of GDP)				
Federal government (S.1311)	-3,5	-2,6	-2,5	-1,3	-2,7
Communities and Regions (S.1312)	-0,1	-0,2	-0,4	-1,4	0,0
Local government (S.1313)	-0,5	-0,2	-0,2	0,1	0,2
Social security funds (S.1314)	-0,1	-0,1	0,0	0,2	0,0
General government (S.13)	-4,2	-3,1	-3,1	-2,5	-2,6

Source: NAI.

¹ The balances of the federal government and the communities and regions are strongly affected in 2015 by the introduction of the regional additional percentages on the personal income tax. Under the ESA, revenues from the regional additional percentages on the personal income tax at the community and regional levels do not represent a full-year revenue. If instead the advances made by the federal government to the communities and regions are taken into account (concept HCF), the financing balance amounts to -2.5% of GDP for the federal government and -0.3% of GDP for the communities and regions.

The improvement of the financing balance of the Communities and Regions in 2016 is the result of the improvement of the financing balance of almost each individual Communities and Regions. In the ESA framework, the significant improvement in the Regions in 2016 is due to the fact that, in 2015, the introduction of the regional additional percentages on the income tax was not covering a full assessment year. The HCF financing balance takes into account the system of advances from the Federal state to the Regions which smooth the revenue for the Regions. The HCF balance has improved for the Flemish Community and the Walloon Region and has remained stable in the Brussels-Capital Region in 2016. The comparison of both balances shows that the ESA balance in the Walloon Region and the Brussels-Capital Region is more positive than the HCF balance, while the reverse is observed for the Flemish Community. This reflects amongst other things the fact that the ESA balance is impacted by the rhythm of assessment of taxation for the regional additional percentages on the income tax, which is not necessarily identical in all Communities and Regions.

TABLE 3 BREAKDOWN OF COMMUNITIES AND REGIONS' FINANCING BALANCE

(in € million)	2013	2014	2015	2015	2016	2016
	ESA 2010	ESA 2010	ESA 2010	HCF	ESA 2010	HCF
Flemish Community	-471	-589	-3 116	-288	-168	-37
French-speaking Community	-200	-214	-249	-249	-117	-117
German-speaking Community	-82	-40	-132	-132	-32	-32
Walloon Region	-310	-711	-1 789	-476	42	-271
Brussels-Capital Region	185	206	-425	26	131	13
Common Community Commission	-4	-14	-16	-16	5	5
French Community Commission	5	12	7	7	22	22
Flemish Community Commission	-1	-24	10	10	2	2
Interregional units and statistical adjustment	4	-41	-77	-77	-20	-20
Total	-874	-1 415	-5 786	-1 194	-134	-434
p.m. Federal government	-10 169	-10 134	-5 469	-10 062	-11 516	-11 216

Technical Notes

A. Publication of the EDP tables, in April and in October, is consistent with the provisions of Council Regulation (EC) No. 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community.

B. Three months after the end of each year, the NAI transmits an estimate of the main data for public finances to the European Commission. In so doing, the NAI complies fully with Regulation (EU) No. 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union, which requires the Member States to provide Eurostat with revenue and expenditure figures for general government. This estimate is obtained using the same concepts as for the detailed general government accounts. The only difference from these accounts lies in the provisional nature of some of the data bases that are available. The more complete information available when the detailed general government accounts are compiled is likely to lead to revisions of this first provisional estimate.