National Accounts Institute

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PRESS RELEASE

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Belgian public finances improved in 2017

- **The government deficit diminished to 1.0% of GDP, thanks to the moderation of expenditure, the effects of the economic upturn and the strong increase in employment on revenue, the low interest rates environment and one-off factors.**
- **Primary expenditure and interest expenditure decreased and revenue increased relative to GDP.**
- **The reduction of the deficit and the higher nominal GDP growth entailed a sharp decline in the government debt declined to 103˙1 % of GDP.**

The National Accounts Institute has today, 20 April 2018, 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 figures are reported twice a year, in April and October.

The EDP tables are consistent with the usual statistics on public finances, which are also being published today, via 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 2017.

General government sector

The general government financing balance came to -1.0 % of GDP in 2017, compared with -2.5 % of GDP in 2016.

Primary expenditure was down by 0.6 % of GDP 2016, to 49.8 % of GDP, and interest charges declined by 0.4 % of GDP, to 2.5 % of GDP. Revenue increased by 0.4 % of GDP, to 51.2 % of GDP.

Primary expenditure expressed as a percentage of GDP thus maintained the downward trend that began in 2014. This decline in expenditure was fostered by a number of non-structural factors in 2017. First, unexpected items which had depressed the balance in 2016 (exceptional tax refunds following court rulings, expenditure relating to the influx of asylum seekers, etc.) disappeared or diminished. Next, 2017 brought a temporary reduction in Belgium's contribution to the European Union budget. The economic situation also had the effect of reducing primary expenditure via the decline in unemployment benefits. Investment remained steady at 2.2% of GDP, which is a relatively low level; the strong rise in local government investment in the run-up to the local elections was moderated by a decline in investment on the part of the Communities and Regions.

The reduction in interest charges is due mainly to the further decline in the implicit interest rate, given the extremely low level of rates on new government debt and bond issues.

The rise in revenues is due to the growth of fiscal and parafiscal revenues (+0.5 % of GDP) while non-fiscal and non-parafiscal revenues declined (-0.1 % of GDP). The favourable trend in fiscal and parafiscal revenues is attributable mainly to corporation tax: in that regard, the increased penalty charged in the event of a shortfall in advance payments partly accounts for the strong rise in advance payments.

The government debt (Maastricht definition) came to 103.1 % of GDP at the end of 2017. This is contraction of almost 3 percentage points of GDP compared to 2016, confirming the decline in the debt ratio which had begun in 2015. The decrease in the debt ratio in 2017 is mainly due to the influence of endogenous factors, by the decrease in the net borrowing and the higher nominal GDP growth. Exogenous factors, which influence the debt but not the budget balance, exerted some downward pressure on the debt ratio; that applied particularly to the sale of part of the federal government's stake in BNP Paribas.

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

	2013	2014	2015	2016	2017
Total expenditure	219 062.4	221 072.5	220 922.6	225 248.0	228 976.1
(in % of GDP)	(55.8)	(55.2)	(53.8)	(53.2)	(52.2)
Primary expenditure	206 090.6	208 016.8	208 505.2	213 131.8	218 200.0
(in % of GDP)	(52.5)	(52.0)	(50.8)	(50.4)	(49.8)
of which:					
Employee compensation	50 193.6	50 880.3	51 093.0	52 288.2	53 776.3
Social benefits	99 369.6	101 301.1	103 538.2	106 576.1	110 092.6
Gross fixed capital formation	9 250.3	9 367.6	9 431.9	9 350.3	9 704.6
Interest charges	12 971.8	13 055.7	12 417.4	12 116.2	10 776.1
(in % of GDP)	(3.3)	(3.3)	(3.0)	(2.9)	(2.5)
Total revenue	206 752.2	208 747.7	210 743.2	214 755.7	224 453.5
(in % of GDP)	(52.7)	(52.1)	(51.3)	(50.8)	(51.2)
of which:					
Fiscal and parafiscal revenue	177 343.5	180 271.9	183 234.8	185 423.5	194 195.3
(in % of GDP)	(45.2)	(45.0)	(44.6)	(43.8)	(44.3)
Financing balance	-12 310.2	-12 324.8	-10 179.4	-10 492.3	-4 522.6
(in % of GDP)	(-3.1)	(-3.1)	(-2.5)	(-2.5)	(-1.0)
Primary balance	661.6	730.9	2 238.0	1 623.9	6 253.5
(in % of GDP)	(0.2)	(0.2)	(0.5)	(0.4)	(1.4)
Government debt (Maastricht definition)	413 733	428 122	435 312	448 161	452 170
(in % of GDP)	(105.5)	(107.0)	(106.1)	(105.9)	(103.1)
p.m. GDP	*392 339.8*	*400 288.2*	*410 435.2*	*423 048.4*	*438 484.6*

Source: NAI.

In regard to the sectoral classification of hospitals Eurostat has announced that it would revoke its reservations concerning the quality on the data notified by Belgium. The question will however be re-examined at the time the results of the on-going consultation at the European level will be available.

General government sub-sectors

The general government deficit is attributable entirely to the federal government, although the latter has cut its deficit from 2.6% of GDP in 2016 to 1.3% of GDP in 2017.

The Communities and Regions, local government and social security funds all ended the year 2017 with a surplus of 0.1% of GDP; representing a respective change of +0.1 p.p., -0,1 p.p. and +0.2 p.p. of GDP compared to 2016.

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

	2013	2014	2015	2016	2017
	(in € million)				
Federal government (S.1311)	-10 106.3	-10 140.5	-5 356.3	-11 050.3	-5 695.3
Communities and Regions (S.1312)	-927.8	-1 430.7	-5 724.6	108.4	316.7
Local government (S.1313)	-990.1	-663.1	287.1	687.9	399.8
Social security funds (S.1314)	-286.0	-90.5	614.4	-238.3	456.2
General government (S.13)	-12 310.2	-12 324.8	-10 179.4	-10 492.3	-4 522.6
	(in % of GDP)				
Federal government (S.1311)	-2.6	-2.5	-1.3	-2.6	-1.3
Communities and Regions (S.1312)	-0.2	-0.4	-1.4	0.0	0.1
Local government (S.1313)	-0.3	-0.2	0.1	0.2	0.1
Social security funds (S.1314)	-0.1	0.0	0.1	-0.1	0.1
General government (S.13)	-3.1	-3.1	-2.5	-2.5	-1.0

Source: NAI.

The sixth State reform, the budgetary element of which mainly took effect in 2015 and to a lesser degree in 2016, introduced regional surcharges on the personal income tax.

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 flows. In this press release, the NAI is publishing two balances for the Federal Government and for the Regions, one according to the ESA 2010 concept and the other including advance payments corresponding to the regional additional percentages on income tax. A detailed explanation of the sixth State reform is available in the note entitled Methodological changes.

The improvement in the financing balance of the Communities and Regions in 2017 is the result of an improvement in the financing balance of the Flemish Community, while the other main Communities and Regions saw a deterioration in their balance. The improvement in the Flemish Community's balance is largely due to speedier assessment of the regional personal income tax. When these tax revenues are replaced by federal advances for the regional personal income tax, there are still variations. One explanatory factor concerns the divergent trends in investment, with an increase in the Walloon Region (+1.6%) while the Flemish Community recorded a steep decline (-8.9%).

TABLE 3 BREAKDOWN OF COMMUNITIES AND REGIONS' FINANCING BALANCE

(in € million)

	2013	2014	2015	2016	2017
ESA 2010 balances					
Flemish Community	-533.9	-611.4	-3 192.6	-170.6	973.9
French Community	-199.4	-214.3	-263.0	-59.8	-231.7
German-speaking Community	-82.4	-40.3	-131.8	-29.2	-35.6
Walloon Region	-309.9	-711.2	-1 763.9	172.0	-336.3
Brussels-Capital Region	186.1	207.3	-323.4	146.2	-112.3
Common Community Commission	-3.7	-13.4	-15.8	10.9	19.0
French Community Commission	4.7	12.3	7.3	29.3	11.5
Flemish Community Commission	-1.2	-23.8	10.0	2.1	-2.3
Interregional units and statistical adjustment	11.9	-35.8	-51.5	7.4	30.5
Total for Communities and Regions	-927.8	-1 430.6	-5 724.6	108.4	316.7
p.m. Federal government	*-10 106.3*	*-10 140.5*	*-5 356.3*	*-11 050.3*	*-5 695.3*
Balances incorporating advance payments of additional regional percentages					
Flemish Community	-533.9	-611.4	-364.0	-39.5	363.6
Walloon Region	-309.9	-711.2	-450.6	-140.0	-277.0
Brussels-Capital Region	186.1	207.3	127.0	27.4	-55.5
Total for Communities and Regions	-927.8	-1 430.4	-1 132.5	-191.7	-177.5
p.m. Federal government	*-10 106.3*	*-10 140.5*	*-9 948.8*	*-10 750.5*	*-5 201.2*

Source: NAI.

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 available basic data. The more complete information available when the detailed general government accounts are compiled is likely to lead to revisions of this first provisional estimate.

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