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## PRESS RELEASE

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# Belgium's government finances deteriorated sharply in 2020 as a result of the COVID-19 pandemic

- **Support measures for businesses and households weighed heavily on the government deficit, which stands at 9.4% of GDP.**
- **Under the combined effect of the high deficit and shrinking GDP, government debt jumped to 114.1% of GDP.**

The National Accounts Institute has today, April 20<sup>th</sup> 2021, 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 being published simultaneously via the [NBB.Stat](#) data base. Established in accordance with the European System of Accounts (ESA 2010), these statistics give a provisional estimate of revenue, expenditure, the financing balance, the consolidated gross debt and the financial accounts of the general government sector and its sub-sectors for 2020.

### General government sector

The general government financing balance amounts to -9.4% of GDP in 2020, compared to -1.9% the previous year.

The deterioration in the financing balance is attributable both to the budgetary measures introduced by the government to deal with the COVID-19 crisis and to the contraction in economic activity. Revenue fell by almost EUR 10 billion, while spending rose considerably, by over EUR 22 billion. The part of this unprecedented increase attributable to government spending linked directly to discretionary measures taken to fight the pandemic, is currently estimated at a minimum of EUR 16 billion in 2020, or 3.5% of GDP.

Expressed as a percentage of GDP, the primary expenditure ratio increased by 7.9 percentage points compared to 2019, reaching 58.0% of GDP, while interest charges remained stable at 2.0% of GDP. As the fall in revenue is significantly less than that of GDP, the ratio of revenue-to-GDP rises, albeit marginally, by 0.4 percentage point, to stand at 50.6% of GDP.

The rise of primary expenditure results essentially from the measures concerning social benefits in the context of temporary unemployment for employees and the bridging right (*droit de passerelle/overbruggingsrecht*) for self-employed persons, from subsidies to companies which are linked to the free supply of protective equipment to hospitals, nursing homes and other health actors, as well as from INAMI (national sickness and disability institute) subsidies to hospitals and medical professions and, finally, from compensatory allowances and nuisance premiums paid to corporations and self-employed persons and recorded in the form of current transfers.

While, expressed as percentages of GDP, interest charges remain stable, the decline in absolute amounts continued in 2020. This is once again attributable to the fall in the implicit interest rate. The drop in interest rates, followed by their stabilisation at a low level, has made it possible to refinance the debt with issuances at lower rates than those of maturing securities. In 2020, the government authorities once again benefited from extremely favourable financing conditions, with the ten-year linear bond rate (OLO) falling from 0% in January to -0.4% in December.

The increase in revenue is mainly explained by the growth in fiscal and parafiscal revenue (0.4% of GDP), while other revenue remains stable. The good performance of tax and parafiscal revenue is attributable to direct household taxes (0.6% of GDP) and social contributions (0.4% of GDP), which were proportionally less affected by the collapse of economic activity, given that employment proved more resilient. The reduction in direct corporate tax (-0.4% of GDP) results mainly from the fall in advance payments. Indirect taxes fall by 0.2% of GDP, reflecting reduced household consumption expenditure in the wake of the pandemic.

The government debt (Maastricht definition) reached 114.1% of GDP at the end of 2020, an increase of 16 percentage points compared to 2019. This level of indebtedness had not been observed for more than twenty years, even if it remains below the peak of more than 130% of GDP recorded in 1993. The impact on the debt of the contraction in GDP is particularly significant given the scale of the debt in Belgium before the crisis. If the GDP had remained at the same level as in 2019, the debt would have stood at 108.1%.

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

	2016	2017	2018	2019	2020
Total expenditure	228 451,2	231 567,2	240 319,4	248 101,3	270 569,3
(In % of GDP)	(53,1)	(52,0)	(52,2)	(52,1)	(60,0)
Primary expenditure	216 932,3	221 068,1	230 547,3	238 749,9	261 736,3
(In % of GDP)	(50,4)	(49,7)	(50,1)	(50,1)	(58,0)
of which:					
Employee compensation	53 619,4	55 310,0	56 705,1	58 630,0	60 332,2
Social benefits	106 101,9	109 348,7	113 154,4	117 057,8	128 317,1
Gross fixed capital formation	10 366,0	10 730,5	12 196,9	12 685,9	12 495,7
Interest charges	11 518,9	10 499,1	9 772,1	9 351,4	8 833,0
(In % of GDP)	(2,7)	(2,4)	(2,1)	(2,0)	(2,0)
Total revenue	218 287,7	228 525,9	236 535,5	239 022,0	228 251,2
(In % of GDP)	(50,8)	(51,3)	(51,4)	(50,2)	(50,6)
of which:					
Fiscal and parafiscal revenue	187 625,3	196 578,1	203 543,3	205 132,2	196 289,0
(In % of GDP)	(43,6)	(44,2)	(44,2)	(43,1)	(43,5)
Financing balance	-10 163,5	-3 041,3	-3 783,9	-9 079,3	-42 318,1
(In % of GDP)	(-2,4)	(-0,7)	(-0,8)	(-1,9)	(-9,4)
Primary balance	1 355,4	7 457,8	5 988,2	272,1	-33 485,1
(In % of GDP)	(0,3)	(1,7)	(1,3)	(0,1)	(-7,4)
Government debt (Maastricht definition)	451 613,7	453 980,1	459 306,6	467 171,8	514 964,7
(In % of GDP)	(105,0)	(102,0)	(99,8)	(98,1)	(114,1)
<i>p.m. GDP</i>	430 085,3	445 050,1	460 370,1	476 343,6	451 176,9

Source: NAI

## General government sub-sectors

The overall government deficit is attributable, for the most part, to the Federal Government, but also to the Communities and Regions, with certain support measures having been financed by the regional authorities. The accounts presented by the local authorities and the social security funds show small surpluses.

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

	2016	2017	2018	2019	2020
	(in € million)				
Federal government (S.1311)	-10 980,7	-5 615,1	-1 036,9	-9 284,2	-32 510,8
Communities and Regions (S.1312)	171,0	823,9	-2 006,4	-1 110,7	-10 890,0
Local government (S.1313)	925,2	944,7	-516,4	2,5	640,9
Social security funds (S.1314)	-279,0	805,2	-224,2	1 313,1	441,8
General government (S.13)	-10 163,5	-3 041,3	-3 783,9	-9 079,3	-42 318,1
	(In % of GDP)				
Federal government (S.1311)	-2,6	-1,3	-0,2	-1,9	-7,2
Communities and Regions (S.1312)	0,0	0,2	-0,4	-0,2	-2,4
Local government (S.1313)	0,2	0,2	-0,1	0,0	0,1
Social security funds (S.1314)	-0,1	0,2	0,0	0,3	0,1
General government (S.13)	-2,4	-0,7	-0,8	-1,9	-9,4

Source: NAI

The contribution to the Government debt of the Federal government and that of the Communities and Regions increased sharply in 2020. This reflects both the significant financing needs - which cover the financing of their deficits and the financing of additional support measures in the form of loan and equity investments by these entities -, and, on the other hand, the anticipation of the financing of measures that would continue in 2021. The contribution to the debt by local governments continues to decrease slightly. That of social security remains largely negative.

**TABLE 3 CONTRIBUTION TO CONSOLIDATED GROSS DEBT**

	2016	2017	2018	2019	2020
	(in € million)				
Federal government (S.1311)	380 082,5	384 270,6	388 316,9	395 518,7	429 177,4
Communities and Regions (S.1312)	57 839,4	57 141,1	58 334,1	60 947,6	75 786,2
Local government (S.1313)	24 291,1	23 673,1	23 527,6	23 281,7	23 168,2
Social security funds (S.1314)	-10 599,2	-11 104,7	-10 872,0	-12 576,2	-13 167,1
General government (S.13)	451 613,7	453 980,1	459 306,6	467 171,8	514 964,7

Source: NAI

As regards the income tax regime of households at regional level that has been in force since the 2015 tax year, there is a significant difference between the way it is recorded using the ESA 2010 accrual concept and the advance cash flows. Accordingly, in this press release the NAI publishes two balances for the Federal Government and for the regions, one using the ESA 2010 concept and the other incorporating the advance payments by the Federal Government in respect of the regional additional percentages on income tax. A more detailed explanation of the Sixth State Reform is available in a note entitled "[Methodological changes](#)".

Except for the Joint Community Commission, which shows a surplus, all the other entities of the communities and regions saw their financing balance deteriorate in 2020.

If the regional personal income tax recorded according to the ESA 2010 concept is replaced by the federal advances, the overall balance of the Communities and Regions has further deteriorated in 2020; nevertheless the financing balance of the Brussels-Capital Region suffers the least impact.

**TABLE 4** **BREAKDOWN OF COMMUNITIES AND REGIONS' FINANCING BALANCE**  
(in € million)

	2016	2017	2018	2019	2020
<b>ESA 2010 balances</b>					
Flemish Community	-42,8	1 417,7	-691,3	361,1	-5 681,0
French Community	-65,8	-207,7	-202,7	-323,1	-1 676,8
German Community	-26,9	-33,3	-3,4	-19,0	-48,7
Walloon Region	102,4	-254,6	-701,2	-508,9	-2 232,8
Brussels-Capital Region	152,1	-186,6	-389,0	-682,8	-1 270,1
Joint Community Commission	10,9	23,3	-90,4	5,5	77,6
Commission of the French-speaking Community	24,8	15,4	5,8	-6,9	-16,0
Commission of the Flemish-speaking Community	2,1	-2,3	-49,5	-16,5	-29,2
Interregional units and statistical adjustment	13,9	52,1	115,5	79,4	-12,8
<b>Total for Communities and Regions</b>	<b>170,6</b>	<b>824,1</b>	<b>-2 006,3</b>	<b>-1 111,3</b>	<b>-10 890,0</b>
<b>Balances incorporating advance payments of additional regional percentages</b>					
Flemish Community	88,2	807,4	-698,8	98,0	-6 276,5
Walloon Region	-209,6	-195,3	-763,4	-539,7	-2 565,9
Brussels-Capital Region	33,3	-129,8	-435,8	-678,7	-1 366,7
<b>Total for Communities and Regions</b>	<b>-129,2</b>	<b>329,7</b>	<b>-2 122,8</b>	<b>-1 400,9</b>	<b>-11 914,9</b>
p.m. Federal government	-10 680,9	-5 120,8	-920,4	-8 994,6	-31 485,9

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.