National Accounts Institute

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PRESS RELEASE

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Belgium's budget deficit widened significantly in 2023

- **The government deficit increased to 4.4% of GDP in 2023 due to rising public spending, driven by the impact of policy measures, costs related to population ageing and mounting interest expenses.**
- **Due to the deficit, the debt ratio began to climb again reaching 105.2% of GDP.**
- **Debt at the level of the communities and regions continues to rise sharply.**

On 19 April 2024, the National Accounts Institute (NAI) published the notification tables used to provide the European Commission with data on Belgium's government deficit and public debt in the context of the excessive deficit procedure (EDP). Data are provided twice a year, in April and October.

The EDP notification tables are consistent with the public finance statistics published concurrently on NBB.Stat. These statistics are compiled in accordance with the European System of Accounts (ESA 2010) and provide a provisional estimate of the revenue, expenditure, budget balance, consolidated gross debt and financial accounts of general government and its subsectors for 2023.

Compilation of this current set of statistics did not involve major methodological changes. However, the data to be published in October 2024 will integrate changes resulting from an update to the European manual on government deficit and debt. These methodological changes relate to the imputation of deposits made by companies in the context of the transfer of their pension liabilities to the federal government, the imputation of receipts from European Emissions Trading System auctions, and the imputation of capital increases by multilateral development banks. The impact is expected to be limited to an annual upward or downward revision of the government's budget balance of up to 0.1% of GDP. In principle, the changes should not lead to a revision of the public debt statistics.

General government

The general government budget balance stood at -4.4% of GDP in 2023, compared with -3.6% in the previous year. This was despite the dampened impact of temporary factors linked to the pandemic and the energy and Ukraine crises.

The increase in the budget deficit, after two years of an improving budget balance, stemmed from a marked rise in public spending. This was mainly related to current expenditure and due to the impact of policy measures such as a further raising of minimum benefit levels. The structural increase in costs associated with population ageing, and a rise in the public debt interest burden, also exerted upward pressure. At the same time, the automatic indexation of social benefits and public sector salaries in 2023 caused the expenditure ratio to rise.

Primary expenditure rose by €20.8 billion, causing the primary expenditure ratio to reach 52.6% of GDP, an increase of 0.9% of GDP compared with 2022. After several years of decline, interest expenses climbed in 2023, by 0.4% of GDP. This increase resulted from a continued rise in short- and long-term interest rates, although the statistical impact of the cost of financial intermediation by the banking sector (FISIM) provided an additional uplift of 0.15% of GDP, leading to a stronger shift from primary expenditure to interest expenses in 2023.

Revenue increased by €17.8 billion, raising the revenue ratio by 0.4% of GDP, to 50.1% of GDP. This increase resulted from an increase in social contributions of 0.3% of GDP, due to the indexation of wages, and an increase of 0.2% of GDP in interest received.

Public debt stood at 105.2% of GDP at the end of 2023 – an increase of 0.9% compared with 2022. Given the robust increase in GDP in nominal terms, the change in the debt ratio in 2023 was entirely due to the budget deficit.

TABLE 1 GOVERNMENT EXPENDITURE, REVENUE, BUDGET BALANCE AND DEBT PURSUANT TO THE EXCESSIVE DEFICIT PROCEDURE
(in € million, unless otherwise stated)

	2019	2020	2021	2022	2023
Total expenditure	248 478	271 253	278 729	295 125	319 141
(% of GDP)	-51.9	-58.9	-54.9	-53.3	-54.6
Primary expenditure	239 004	262 261	270 229	286 520	307 322
(% of GDP)	-49.9	-56.9	-53.2	-51.7	-52.6
including:					
Wages	58 768	60 570	62 812	68 106	73 645
Social benefits	117 109	128 395	131 737	140 188	150 851
Gross fixed capital formation	12 490	12 755	13 974	15 136	16 673
Interest expenses	9 473	8 992	8 500	8 604	11 818
(% of GDP)	-2.0	-2.0	-1.7	-1.6	-2.0
Total revenue	238 945	229 934	251 273	275 343	293 175
(% of GDP)	49.9	49.9	49.5	49.7	50.1
including:					
Tax and social security revenue	205 271	197 319	216 477	236 648	251 318
(% of GDP)	42.9	42.8	42.6	42.7	43.0
Budget balance	-9 532	-41 319	-27 456	-19 782	-25 965
(% of GDP)	-2.0	-9.0	-5.4	-3.6	-4.4
Primary balance	-59	-32 326	-18 956	-11 178	-14 147
(% of GDP)	0.0	-7.0	-3.7	-2.0	-2.4
Public debt	467 273	515 219	548 378	577 943	614 933
(% of GDP)	97.6	111.9	107.9	104.3	105.2
p.m. GDP	478 676	460.535	508.061	554.214	584 699

Source: NAI.

Government subsectors

The rise in the budget deficit reflected a widening of the deficit at both the federal level, by €6.8 billion to €20.6 billion, and the level of the communities and regions, by €2.0 billion to €7.1 billion. The local government budget balance improved slightly, by €312 million in 2023, while the social security balance improved substantially, recording a surplus of €1.8 billion. The improvement in the balances of these two subsectors was largely due to strong growth in transfers received from other subsectors.

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TABLE 2 GOVERNMENT BUDGET SURPLUS (+) / DEFICIT (-) UNDER THE EXCESSIVE DEFICIT PROCEDURE

	2019	2020	2021	2022	2023
	(in € million)				
Federal government (S.1311)	-9 282	-32 684	-20 248	-13 810	-20 619
Communities and regions (S.1312)	-1 139	-10 126	-8 558	-5 149	-7 135
Local government (S.1313)	-159	355	-51	-305	7
Social security institutions (S.1314)	1 048	1 137	1 401	-517	1 782
General government (S.13)	-9 532	-41 319	-27 456	-19 782	-25 965
	(in % GDP)				
Federal government (S.1311)	-1.9	-7.1	-4.0	-2.5	-3.5
Communities and regions (S.1312)	-0.2	-2.2	-1.7	-0.9	-1.2
Local government (S.1313)	0.0	0.1	0.0	-0.1	0.0
Social security institutions (S.1314)	0.2	0.2	0.3	-0.1	0.3
General government (S.13)	-2.0	-9.0	-5.4	-3.6	-4.4

Source: NAI.

There was a sharp increase, in absolute terms, in the contribution of the federal government and the communities and regions to public debt in 2023, reflecting the large financing needs required to cover their deficits. The contribution of local government to the debt also increased. Finally, the contribution of social security to the debt became more negative due to an increase in consolidated assets which reduced the contribution of this item.

Over the past five years, the share of federal government and social security in overall general government debt decreased from 82.0% in 2019 to 79.4% in 2023, while the share of the communities and regions increased by 3.4 percentage points to 16.5%. The share of local governments fell from 5.0% in 2019 to 4.0% in 2023.

TABLE 3 CONTRIBUTION TO CONSOLIDATED GROSS DEBT
(in € million unless otherwise stated)

	Share in 2019	2019	2020	2021	2022	2023	Share in 2023
Federal government (S.1311)	85%	395 519	429 183	456 241	474 291	504 283	82%
Communities and regions (S.1312)	13%	61 030	75 976	84 659	93 610	101 277	16%
Local government (S.1313)	5%	23 300	23 227	22 926	24 358	24 794	4%
Social security institutions (S.1314)	-3%	-12 576	-13 167	-15 449	-14 316	-15 420	-3%
General government (S.13)	100%	467 273	515 219	548 378	577 943	614 933	100%

Source: NAI.

With regard to the regional personal income tax in effect since assessment year 2015, there is a difference between the ESA 2010 accounting treatment and associated cash flows. In its press release, the NAI therefore publishes two draft balances for the federal government and the regions. These correspond, respectively, to the balances based on ESA 2010 and those including advance payments from the federal government of additional percentages of regional tax. For more information on the impact of the sixth state reform, see the note on Methodological changes.

All individual communities and regions recorded a deficit in 2023, with the exception of the Joint Community Commission. The deficits of the main communities and regions widened further in 2023. The “interregional units and statistical adjustment” balance increased sharply as a result of the imputation of Belgian ETS revenue to this category. These receipts were imputed to this category pending validation by all subsectors of government of the cooperation agreement on the allocation of these funds

TABLE 4 BREAKDOWN OF THE BUDGET BALANCE FOR THE COMMUNITIES AND REGIONS
(in € million)

	2019	2020	2021	2022	2023
ESA 2010 balances					
Flemish Community	368	-5 447	-3 043	-2 108	-2 769
French Community	-351	-1 519	-834	-791	-800
German-speaking Community	-19	-52	-46	-81	-139
Walloon Region	-486	-1 821	-3 234	-979	-2 151
Brussels-Capital Region	-707	-1 200	-1 488	-1 138	-1 513
Joint Community Commission	2	-9	114	-22	19
French Community Commission	-7	-6	-8	-3	-10
Flemish Community Commission	-18	-40	5	-23	-21
Interregional units and statistical adjustment	80	-31	-25	-4	249
Total for the communities and regions	**-1 139**	**-10 126**	**-8 558**	**-5 149**	**-7 135**
Balances including advance payments of additional percentages of regional tax					
Flemish Community	105	-6 043	-2 718	-2 357	-2 592
Walloon Region	-516	-2 154	-2 797	-1 296	-1 932
Brussels-Capital Region	-703	-1 297	-1 390	-1 221	-1 447
Total for the communities and regions	**-1 429**	**-11 151**	**-7 696**	**-5 799**	**-6 672**
p.m. Federal government	-8 993	-31 659	-21 110	-13 161	-21 082

Source: NAI.

TABLE 5 CONTRIBUTION OF THE GOVERNMENT SUBSECTIONS TO GROSS CONSOLIDATED PUBLIC DEBT
(in € million, unless otherwise stated)

	Debt-to-revenue ratio 2019	2019	2020	2021	2022	2023	Debt-to-revenue ratio 2023
Flemish Community	34%	18 577	25 235	28 874	32 318	35 309	52%
French Community	40%	7 974	9 875	10 733	11 499	12 426	50%
German-speaking Community	111%	475	558	632	775	936	167%
Walloon Region	156%	23 135	27 755	31 429	34 212	36 238	204%
Brussels-Capital Region	112%	5 533	7 480	8 387	10 274	12 142	205%
Joint Community Commission	0%	-1	10	-23	-38	9	0%
French Community Commission	36%	191	190	188	187	186	26%
Flemish Community Commission	-20%	-34	-2	42	60	44	21%
Interregional units		5 181	4 874	4 397	4 324	3 987	
Total for the communities and regions	**66%**	**61 030**	**75 976**	**84 659**	**93 640**	**101 277**	**90%**

Source: NAI.

Over the past five years, budget deficits have led to a 66% increase in the total debt of the communities and regions, which reached €101.3 billion in 2023. With the exception of the community commissions, all entities saw sharp increases in their debt levels. The Brussels-Capital Region, the German-speaking Community and the Flemish Community were outliers, with increases of 119%, 97%, and 90%, respectively.

Looking at the ratio of debt to revenue of the past year, one can observe that the debt of the Walloon Region and the Brussels-Capital Region amounted to more than double their revenue in 2023. In the German-speaking Community, debt has increased to 167% of revenue.

Technical note

A. Publication of the EDP tables, in April and 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 public finance statistics to the European Commission. In so doing, it complies in full 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 general government revenue and expenditure figures. This estimate is compiled using the same concepts as those used to prepare the detailed general government accounts. The only difference is that some basic data are provisional. As the detailed general government accounts are based on more complete information, the provisional estimate may be subject to revision.

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