National Accounts Institute

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PRESS RELEASE

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The economic recovery and scaling down of the support measures adopted during the pandemic have helped to shrink the public deficit

- **The government deficit has fallen but remains at the unusually high level of 5.5% of GDP.**
- **Despite the high deficit, the debt ratio has dropped to 108.2% of GDP, thanks to the rise in nominal GDP.**

Today, 20 April 2022, the National Accounts Institute (NAI) published – as it does twice yearly in April and October - 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 published simultaneously via the NBB.Stat database. Established in accordance with the European System of Accounts (ESA 2010), these statistics give a first 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 2021.

General government sector

The general government financing balance amounts to -5.5% of GDP in 2021, compared to -9.0% in the previous year.

The improvement in the financing balance is attributable to the upturn in economic activity and the reduction in the budgetary measures introduced by the government to deal with the COVID-19 crisis. Revenue jumped by almost EUR 21 billion owing to strong GDP growth. Meanwhile, spending rose by just over EUR 7 billion. However, the spending linked directly to discretionary measures taken to combat the pandemic, which amounted toaround EUR 17 billion in 2020, fell to around EUR 11 billion in 2021.

The strong nominal GDP growth had a negative impact on ratios expressed as a percentage of GDP. The primary expenditure ratio was down by 4.2 percentage points compared to 2020, dropping to 53.1% of GDP. Interest charges declined by 0.2 percentage point to 1.7% of GDP. Revenue was 0.9 percentage point lower at 49.3% of GDP.

The decline in primary expenditure results essentially from the reduction in the temporary support measures aimed at cushioning the impact of the health crisis, even though they remain substantial. Social benefits in cash (temporary unemployment benefits for employees and the bridging allowance (*droit de passerelle/overbruggingsrecht*) for self-employed persons, subsidies to companies (particularly to hospitals and medical professions) and current transfers to self-employed persons and corporations (compensatory allowances and nuisance premiums) are thus declining. Social benefits in kind remain unchanged at 8.1% of GDP, driven by health care expenditure relating to the health crisis (vaccination, testing), the revival of activity in the health sector, and contributions towards the energy expenditure of certain households implemented by the end of the year. Transfers to the rest of the world increased again in 2021 as a result of the plastics levy, a new European Union own resource introduced in 2021, and the inclusion of the amounts due by way of the EU's own resources following under-valuation of the customs duties applicable to imports of Chinese textiles. Capital transfers increased following the recording of the aid granted by the Walloon Region to compensate the victims of the July 2021 flooding (in the order of EUR 1.3 billion).

The fall in revenue is due to the decline in fiscal and parafiscal revenue (-0.5% of GDP) and other revenue (-0.4% of GDP). Direct taxes decrease to 15.6% of GDP, but there has been a change in their breakdown: direct household taxes are down by 0.6% of GDP owing to the weaker rise in the wage bill and replacement incomes compared to GDP, while direct corporate taxes are up by 0.6%, reflecting the growth of corporate profits. Indirect taxes have risen by 0.3% of GDP as a result of the revival of household consumption expenditure.

At EU level, the Recovery and Resilience Facility came into force in February 2021. This is a temporary instrument enabling the Commission to raise funds aimed at attenuating the economic and social repercussions of the COVID-19 pandemic. It will finance reforms and investments in the Member States up to 31 December 2026. In 2021, the first current and capital transfers (EUR 335 million) were effected from the EU institutions for the purpose of funding the Belgian recovery plan. Those transfers correspond to expenditure eligible for facility funding recorded in 2021, so that the impact of that expenditure is neutral for the financing balance.

The government debt (Maastricht definition) reached 108.2% of GDP at the end of 2021, down by 4.6 percentage points compared to 2020, a year marked by an exceptional increase as a result of the health crisis. The improvement in the debt ratio in 2021 is entirely due to the high nominal GDP growth.

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

	2017	2018	2019	2020	2021
Total expenditure	231 560,7	240 446,0	248 149,5	270 466,1	277 969,3
(In % of GDP)	(52,0)	(52,3)	(51,9)	(59,2)	(55,0)
Primary expenditure	221 061,6	230 671,2	238 741,8	261 560,5	269 556,2
(In % of GDP)	(49,7)	(50,1)	(49,9)	(57,2)	(53,3)
of which:					
Employee compensation	55 310,0	56 871,5	58 739,8	60 468,8	62 327,3
Social benefits	109 350,2	113 006,1	116 990,1	128 272,5	132 107,4
Gross fixed capital formation	10 730,5	12 084,6	12 514,4	12 519,4	13 540,0
Interest charges	10 499,1	9 774,8	9 407,7	8 905,6	8 413,1
(In % of GDP)	(2,4)	(2,1)	(2,0)	(1,9)	(1,7)
Total revenue	228 517,2	236 444,1	238 812,8	229 145,5	250 003,6
(In % of GDP)	(51,3)	(51,4)	(49,9)	(50,2)	(49,3)
of which:					
Fiscal and parafiscal revenue	196 578,1	203 557,5	205 169,6	196 866,6	216 020,1
(In % of GDP)	(44,2)	(44,2)	(42,9)	(43,1)	(42,7)
Financing balance	-3 043,5	-4 001,9	-9 336,7	-41 320,6	-27 965,7
(In % of GDP)	(-0,7)	(-0,9)	(-2,0)	(-9,0)	(-5,5)
Primary balance	7 455,6	5 772,9	71,0	-32 415,0	-19 552,6
(In % of GDP)	(1,7)	(1,3)	(0,0)	(-7,1)	(-3,9)
Government debt (Maastricht definition)	454 041,5	459 381,2	467 252,4	515 283,0	548 702,7
(In % of GDP)	(102,0)	(99,8)	(97,7)	(112,8)	(108,2)
p.m. GDP	*445 050,1*	*460 091,7*	*478 238,9*	*456 731,5*	*507 194,2*

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, as a result of certain support measures granted by the regional authorities and the aid provided by the Walloon Region for victims of the flooding. 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

	2017	2018	2019	2020	2021
	(in € million)				
Federal government (S.1311)	-5 615,1	-1 040,6	-9 282,3	-32 655,5	-20 316,2
Communities and Regions (S.1312)	823,2	-2 017,9	-1 127,2	-10 153,6	-9 330,4
Local government (S.1313)	943,2	-689,7	-90,4	549,6	426,6
Social security funds (S.1314)	805,2	-253,7	1 163,2	938,9	1 254,3
General government (S.13)	-3 043,5	-4 001,9	-9 336,7	-41 320,6	-27 965,7
	(In % of GDP)				
Federal government (S.1311)	-1,3	-0,2	-1,9	-7,1	-4,0
Communities and Regions (S.1312)	0,2	-0,4	-0,2	-2,2	-1,8
Local government (S.1313)	0,2	-0,1	0,0	0,1	0,1
Social security funds (S.1314)	0,2	-0,1	0,2	0,2	0,2
General government (S.13)	-0,7	-0,9	-2,0	-9,1	-5,5

Source: NAI

The contribution to the public debt made by the Federal Government and by the Communities and Regions increased sharply in absolute terms in 2021 and benefited from low interest rates. This reflects those entities' significant financing needs - which cover the financing of their deficits and the financing of additional support measures in the form of loans and equity investments. The contribution to the debt by local governments is down slightly, while that of social security remains decidedly negative.

TABLE 3 CONTRIBUTION TO CONSOLIDATED GROSS DEBT *(in € million)*

	2017	2018	2019	2020	2021
Federal government (S.1311)	384 270,6	388 316,9	395 518,7	429 183,9	456 241,8
Communities and Regions (S.1312)	57 172,6	58 345,7	61 035,0	75 999,8	84 650,5
Local government (S.1313)	23 703,0	23 590,6	23 275,0	23 266,5	23 258,9
Social security funds (S.1314)	-11 104,7	-10 872,0	-12 576,2	-13 167,1	-15 448,8
General government (S.13)	454 041,5	459 381,2	467 252,4	515 283,0	548 702,7

Source: NAI

As regards the personal income tax regime at regional level that has been in force since the 2015 tax year, there is a significant difference between the way the tax is recorded according to the ESA 2010 and the resulting cash flows. Consequently, the NAI publishes the balance for the Federal Government and for the Regions in two ways, one according to the ESA 2010 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 the note entitled " Methodological changes ".

Except for the Community Commissions which show a surplus, all the other entities of the Communities and Regions still posted a financing balance in deficit in 2021.

If the regional personal income tax is replaced by the federal advances, all the entities concerned show a less negative balance.

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

	2017	2018	2019	2020	2021
ESA 2010 balances					
Flemish Community	1 417,0	-697,2	376,8	-5 426,9	-3 206,3
French Community	-207,7	-207,5	-350,7	-1 536,9	-882,1
German Community	-33,3	-3,4	-19,2	-51,4	-47,9
Walloon Region	-254,6	-695,1	-485,7	-1 837,2	-3 733,0
Brussels-Capital Region	-186,6	-394,1	-701,5	-1 184,9	-1 547,9
Joint Community Commission	23,3	-90,4	-1,2	-29,9	115,0
Commission of the French-speaking Community	15,4	5,8	-7,4	-16,0	1,4
Commission of the Flemish-speaking Community	-2,3	-51,6	-18,4	-38,9	5,5
Interregional units and statistical adjustment	52,2	115,5	79,9	-31,2	-34,9
Total for Communities and Regions	**823,4**	**-2 018,1**	**-1 127,5**	**-10 153,4**	**-9 330,3**
Balances incorporating advance payments of additional regional percentages					
Flemish Community	806,7	-704,7	113,6	-6 022,7	-2 880,8
Walloon Region	-195,3	-757,3	-516,5	-2 170,3	-3 296,9
Brussels-Capital Region	-129,8	-441,0	-697,3	-1 281,4	-1 449,6
Total for Communities and Regions	**329,0**	**-2 134,7**	**-1 417,1**	**-11 178,8**	**-8 470,1**
p.m. Federal government	-5 120,8	-924,0	-8 992,7	-31 630,1	-21 176,4

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.