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DIRECTORATE GENERAL
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Assessment of the 2016 Stability Programme for

Belgium

(Note prepared by DG ECFIN staff)

CONTENTS

1. INTRODUCTION

On 29 April, Belgium submitted its 2016 April Stability Programme (hereafter called Stability Programme), covering the period 2016-2019. The federal government approved the programme and the inter-governmental Consultative Committee[1], in which also community and regional governments are represented, took note of it.

Belgium is subject to the preventive arm of the the Stability and Growth Pact (SGP) and should ensure sufficient progress towards its medium-term budgetary objective (MTO). As the debt ratio was 105.2% of GDP in 2013 (the year in which Belgium corrected its excessive deficit), exceeding the 60% of GDP reference value, Belgium is also subject to the transitional arrangements as regards compliance with the debt reduction benchmark during the three years following the correction of the excessive deficit. In this period it should ensure sufficient progress towards compliance with the debt reduction benchmark. After the transition period, as of 2017, Belgium is expected to comply with the debt reduction benchmark.

On 18 May 2016, the Commission issued a report[2] under Article 126(3) TFEU investigating the reasons for the *prima facie* lack of compliance with the debt reduction benchmark over the transition period. The report concluded that, after the assessment of all the relevant factors, the debt criterion as defined in the Treaty and in Regulation (EC) No 1467/1997 should be considered as currently complied with.

The current document complements the Country Report published on 26 February 2016 and updates it with the information included in the Stability Programme.

Section 2 presents the macroeconomic outlook underlying the Stability Programme and provides an assessment based on the Commission 2016 spring forecast. The following section presents the recent and planned budgetary developments, according to the Stability Programme. In particular, it includes an overview on the medium term budgetary plans, an assessment of the measures underpinning the programme and a risk analysis of the budgetary plans based on the Commission forecast. Section 4 assesses compliance with the rules of the SGP, including on the basis of the Commission forecast. Section 5 provides an overview on long term sustainability risks and Section 6 on recent developments and plans regarding the fiscal framework and the quality of public finances. Section 7 provides a summary.

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[1] This body (*the Comité de concertation/Overlegcomité*), in which all Belgian governments are represented, was set up in 1980 in order to prevent conflicts of competences and solve conflicts of interests between different governments.

[2] COM (2016) 291 final: http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/30_edps/126-03_commission/2016-05-18_be_126-3_en.pdf

2. MACROECONOMIC DEVELOPMENTS

The Belgian economy grew by 1.4% in 2015 accompanied with the highest job creation in four years. Domestic demand, household consumption in particular, was the main growth driver. Consumption benefited from the strong decline in energy prices, which provided impetus to purchasing power.

The macroeconomic scenario underlying the Stability Programme expects economic growth to slow down to 1.2% this year. In 2017, the economy is expected to grow by 1.5% and continue to do so in subsequent years. This is broadly in line with the Commission 2016 spring forecast but implies a weaker scenario than the one underpinning the 2015 Stability Programme. It should, however, be noted that the programme's scenario predates the March terrorist attacks, whereas the Commission forecast could already incorporate the economic repercussions of these events.

According to the Stability Programme, the lagged recovery in 2016 reflects weakened consumption growth, both by the public and the private sector. The latter should still grow by 1% in 2016 (COM 0.9%) with purchasing power supported by rising employment and certain tax measures enacted within the framework of the tax shift away from labour. These help offset the effects of wage moderation in recent years. Compensation of employees per head is expected to grow by 0.2% (COM 0.7%) in 2016 and by 1.4% (COM 1.5%) next year. As of 2017 growth would become more broad-based, with, aside from private consumption, also investment and net exports contributing to overall growth. This largely concurs with the latest Commission projections, the main difference being more dynamic investment growth in the Commission forecast.

The output gap as recalculated by the Commission using the commonly agreed methodology, would narrow steadily over the programme period, from -0.6 in 2016 to +0.1 in 2019. For 2016 and 2017 the recalculated output gaps are broadly in line with the ones emerging from the Commission projections[3].

The macroeconomic scenario assumes employment growth of 0.7-0.8% in 2016-2018, which is somewhat lower than the Commission forecast (0.8% and 1.1% in 2016 and 2017 respectively) in spite of comparable growth projections. This difference mirrors the assumption of more pronounced productivity growth under the programme. The inflation outlook applied in the scenario is mostly comparable with that in the Commission spring forecast, though for 2016 the latter assumes higher price growth; 1.7% compared with 1.3%. This difference can be attributed to the time both projections were finalised considering that the Federal Planning Bureau's latest inflation projection for 2016 is closer to the Commission projection. Inflation being higher so far in 2016 than implied under the programme scenario, expenditures such as public wages and social benefits will rise faster than assumed.

Overall, the macroeconomic assumptions underlying the Belgian Stability Programme are assessed as plausible, both with regard to overall GDP growth and to its composition. On the one hand, the macroeconomic scenario does not include yet the budgetary effort implied by the multiannual consolidation trajectory outlined in the programme. On the other hand, the reform agenda being pursued by the Belgian authorities should lift growth performance in the outer years of the period under review — the programme does not include an estimate of the macroeconomic impact of these reforms.

[3] There are, however, larger discrepancies with the output gaps presented in the Stability Programme, which assumes a negative output gap of 1.2 in 2016, narrowing to a negative gap of 0.4 in 2019.

Table 1: Comparison of macroeconomic developments and forecasts

	2015		2016		2017		2018	2019
	COM	SP	COM	SP	COM	SP	SP	SP
Real GDP (% change)	1.4	1.4	1.2	1.2	1.6	1.5	1.6	1.5
Private consumption (% change)	1.3	1.3	1.0	0.9	1.3	1.3	1.4	1.4
Gross fixed capital formation (% change)	2.0	2.1	0.0	-0.4	3.1	2.5	2.3	1.5
Exports of goods and services (% change)	3.4	3.4	4.1	4.1	5.1	4.0	3.9	3.8
Imports of goods and services (% change)	3.8	3.8	3.6	3.3	5.0	3.8	3.7	3.6
Contributions to real GDP growth:								
- Final domestic demand	1.2	1.2	0.7	0.4	1.4	1.2	1.4	1.2
- Change in inventories	0.5	0.5	0.1	0.0	0.0	0.0	0.0	0.0
- Net exports	-0.3	-0.3	0.4	0.7	0.2	0.3	0.2	0.3
Output gap[1]	-0.7	-0.7	-0.7	-0.6	-0.5	-0.4	-0.1	0.1
Employment (% change)	0.8	0.8	0.8	0.7	1.1	0.8	0.7	0.6
Unemployment rate (%)	8.5	8.3	8.2	7.9	7.7	7.9	7.9	7.8
Labour productivity (% change)	0.5	0.6	0.4	0.5	0.4	0.8	0.9	0.9
HICP inflation (%)	0.6	0.6	1.7	1.3	1.6	1.5	1.6	1.6
GDP deflator (% change)	0.9	0.9	1.5	1.6	1.4	1.5	1.4	1.5
Comp. of employees (per head, % change)	0.1	0.4	0.7	0.2	1.5	1.4	2.3	2.5
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	1.1	0.5	1.5	2.0	1.7	3.1	3.6	3.8

Note:

[1]In % of potential GDP, with potential GDP growth recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source :

Commission 2016 spring forecast (COM); Stability Programme (SP).

3. RECENT AND PLANNED BUDGETARY DEVELOPMENTS

3.1. Deficit developments in 2015

The general government deficit reached 2.6% of GDP in 2015. This is fully in line with the expected outcome in the 2016 Draft Budgetary Plan (DBP), while being slightly above the headline target of the 2015 Stability Programme (2.5% of GDP). Both revenue and expenditure turned out to be lower than previously expected. On the revenue side, especially non-tax receipts were below the level expected in the 2016 DBP. At the expenditure side, gross fixed capital formation and paid capital transfers were substantially lower than expected.

Compared to the 2015 Stability Programme, the central government missed its 2015 target by 0.3% of GDP (partly offset by a 0.1% of GDP better result at the level of the social security). The result of the regions and communities as well as that of local authorities is 0.1% of GDP better than their respective targets. The introduction of a new financial framework hampered the predictability of the amount of revenues transferred from the central state to the regions and communities in 2015.

3.2. Medium-term strategy and targets

The purpose of the programme is to reach the new medium-term budgetary objective (MTO), a balanced budget in structural terms, by 2018. This being said, the recalculated structural balance[4], which takes the headline balances of the programme as a starting point, points to a small structural deficit of 0.4% of GDP in 2018. The new MTO is more stringent than what the SGP requires.

The intermediary targets are formulated in terms of annual structural improvements. In 2016, the (recalculated) structural balance is planned to improve by 0.6% of GDP, compared to 0.8% of GDP in the 2016 DBP. Contrary to the DBP, the budgetary impact of the exceptional inflow of asylum-seekers as well as of exceptional security measures (estimated at 0.3% of GDP) are included in the structural balance and no longer qualified as one-offs. Despite the planned structural improvement, the headline balance is planned to hardly improve in 2016, with one-offs and temporary factors contributing negatively after having a highly positive contribution (+0.4% of GDP) in 2015. According to the Commission 2016 spring forecast, the structural balance is expected to improve by 0.3% of GDP in 2016. The difference with the programme is mainly explained by the fact that the Commission forecast only takes into account measures that are sufficiently specified (see section 3.5).

In 2017 and 2018, the (recalculated) structural balance is planned to improve by 0.8% of GDP, while remaining broadly stable in 2019. So far, these targets are not supported by additional measures and the distribution of the planned adjustment between revenue and expenditure items is purely indicative. According to the Commission forecast, the structural improvement is currently projected at 0.2% of GDP in 2017.

The headline balance is planned to improve somewhat faster than the structural balance as a result of gradually improving cyclical conditions as well as slightly positive one-offs. This is expected to result in a small remaining headline deficit of 0.4% of GDP in 2018 and 0.3% in 2019.

4 The structural balance as recalculated by the Commission based on the information in the Stability Programme, according to the commonly agreed methodology.

Table 2: Composition of the budgetary adjustment

(% of GDP)	2015	2016		2017		2018	2019	Change: 2015-2019
	COM	COM	SP	COM	SP	SP	SP	SP
Revenue	**51.3**	**50.9**	**50.8**	**50.7**	**50.8**	**50.8**	**50.7**	**-0.6**
of which:								
- Taxes on production and imports	12.9	13.2	13.1	13.2	13.1	13.3	13.2	0.3
- Current taxes on income, wealth, etc.	16.6	16.2	16.1	16.2	16.2	16.1	16.0	-0.6
- Social contributions	16.6	16.1	16.1	16.0	15.9	15.9	15.9	-0.7
- Other (residual)	5.3	5.4	5.5	5.3	5.6	5.5	5.6	0.3
Expenditure	**53.9**	**53.7**	**53.4**	**53.0**	**52.2**	**51.2**	**50.9**	**-3.0**
of which:								
- Primary expenditure	51.0	51.0	50.7	50.5	49.8	48.9	48.8	-2.2
of which:								
Compensation of employees	12.5	12.3	12.3	12.2	12.1	11.9	11.7	-0.8
Intermediate consumption	4.2	4.4	4.2	4.3	4.1	4.0	4.0	-0.2
Social payments	25.4	25.3	25.1	25.3	24.7	24.4	24.5	-0.9
Subsidies	3.4	3.3	3.3	3.2	3.3	3.2	3.2	-0.2
Gross fixed capital formation	2.3	2.3	2.4	2.4	2.5	2.6	2.5	0.2
Other (residual)	3.3	3.4	3.3	3.1	3.0	2.9	2.8	-0.5
- Interest expenditure	2.9	2.7	2.7	2.6	2.4	2.3	2.1	-0.8
General government balance (GGB)	**-2.6**	**-2.8**	**-2.5**	**-2.3**	**-1.4**	**-0.4**	**-0.2**	**2.4**
Primary balance	**0.3**	**-0.1**	**0.1**	**0.3**	**1.1**	**1.9**	**2.0**	**1.7**
One-off and other temporary	0.4	-0.1	-0.1	0.0	0.1	0.1	0.1	-0.3
GGB excl. one-offs	**-3.0**	**-2.7**	**-2.4**	**-2.4**	**-1.5**	**-0.5**	**-0.3**	**2.7**
Output gap[1]	-0.7	-0.7	-0.6	-0.5	-0.4	-0.1	0.1	0.8
Cyclically-adjusted balance[1]	-2.2	-2.4	-2.1	-2.0	-1.1	-0.3	-0.2	1.9
Structural balance[2]	**-2.6**	**-2.3**	**-2.0**	**-2.1**	**-1.2**	**-0.4**	**-0.3**	**2.2**
Structural primary balance[2]	0.3	0.4	0.7	0.5	1.2	1.9	1.8	1.4

Notes:

[1]Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

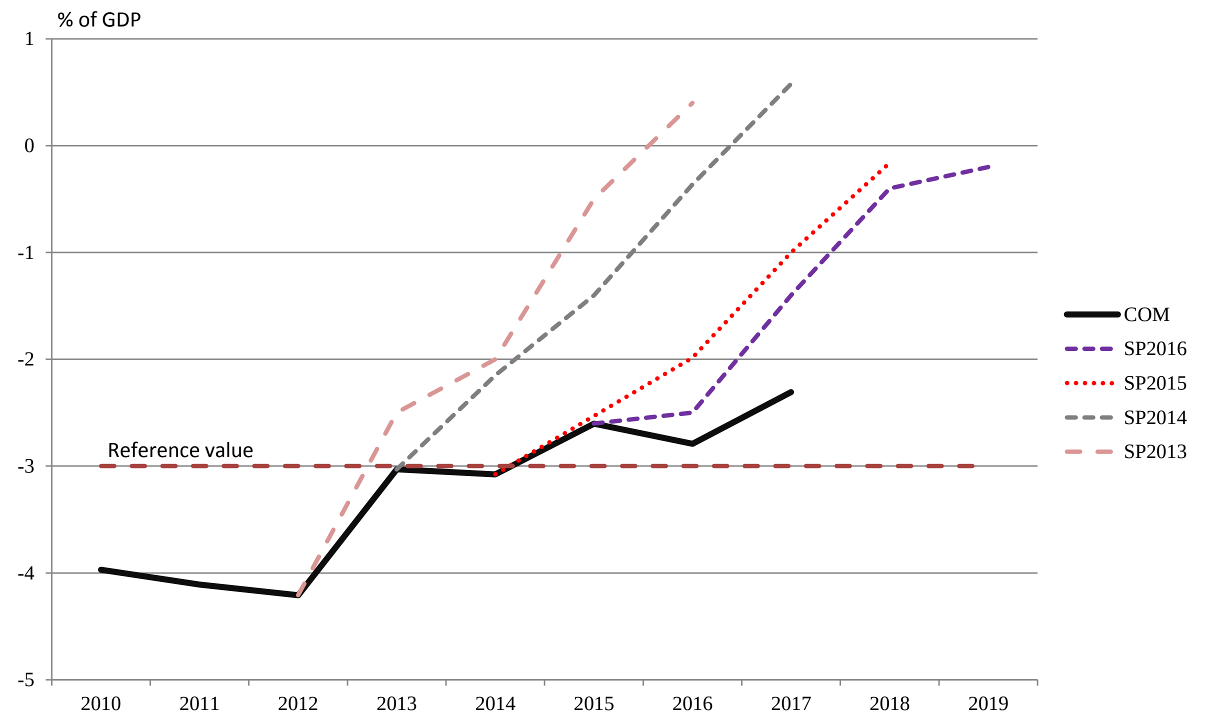
[2]Structural (primary) balance = cyclically-adjusted (primary) balance excluding one-off and other temporary measures.

Source :

Stability Programme (SP); Commission 2016 spring forecasts (COM); Commission calculations.

Compared to the 2015 Stability Programme, the 2018 structural target remained unchanged, but due to the shortfalls in 2015, the required adjustment in 2017 and 2018 became higher. Also the macro-economic growth projections have been revised downwards since last year's programme. This explains, together with the worse starting position of the structural balance, the upward revision of the intermediary headline deficits derived from the structural targets.

Figure 1: Government balance projections in successive programmes (% of GDP)



Source: Commission 2016 spring forecast. Stability programmes (SP)

3.3. Measures underpinning the programme

The programme only lists the budgetary measures that were taken in April 2016 by the federal government to keep the 2016 budget on track. These include 0.1% of GDP of savings in the social security, 0.05% of savings by the central state and 0.15% of GDP of additional revenues. These targets also include a number of previously agreed measures of which the implementation was uncertain but which have been reconfirmed by the government. The budgetary targets beyond 2016 are not underpinned by measures.

As in the 2016 DBP, Belgium invokes the flexibility clause for additional expenditure linked to an exceptional refugee inflow (estimated at 0.2% of GDP in 2016, compared to 0.1% of GDP in the DBP). The budgetary impact of this exceptional expenditure has been detailed in the programme. In addition, it also requests flexibility for additional expenditure on security decided after the 2015 terrorist attacks in Paris (0.1% of GDP).

The impact of one-offs between 2015 and 2017 seems to be broadly in line with the Commission's assessment.

The programme also contains an outline of agreed structural reforms aiming at a reduction of the tax burden on labour, an increase in the employment rate of older workers, an increase in competitiveness and more efficient public spending.

3.4. Debt developments

In 2015, Belgium's debt ratio decreased for the first time since 2007. This is thanks to the reimbursement of a loan of 0.7% of GDP from KBC to the Flemish Region, which had been granted in 2009 in the context of bank rescue operations. Also the primary balance contributed to the debt reduction, but that was more than offset by an upward snowball effect.

Table 3: Debt developments

(% of GDP)	Average 2010-2014	2015	2016		2017		2018	2019
			COM	SP	COM	SP	SP	SP
Gross debt ratio[1]	**103.6**	**106.0**	**106.4**	**106.2**	**105.6**	**104.7**	**102.2**	**99.6**
Change in the ratio	1.4	-0.5	0.4	0.2	-0.8	-1.5	-2.5	-2.6
Contributions[2] :								
1. Primary balance	**0.2**	**-0.3**	**0.1**	**-0.1**	**-0.3**	**-1.1**	**-1.9**	**-2.0**
2. "Snow-ball" effect	**0.7**	**0.5**	**-0.1**	**-0.3**	**-0.5**	**-0.6**	**-0.7**	**-0.8**
Of which:								
Interest expenditure	3.5	2.9	2.7	2.6	2.6	2.5	2.3	2.2
Growth effect	-1.2	-1.4	-1.2	-1.2	-1.6	-1.5	-1.6	-1.5
Inflation effect	-1.6	-0.9	-1.6	-1.6	-1.5	-1.5	-1.4	-1.5
3. Stock-flow adjustment	**0.5**	**-0.8**	**0.4**	**0.6**	**0.0**	**0.2**	**0.1**	**0.2**

Notes:

[1] End of period.

[2] The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting, accumulation of financial assets and valuation and other residual effects.

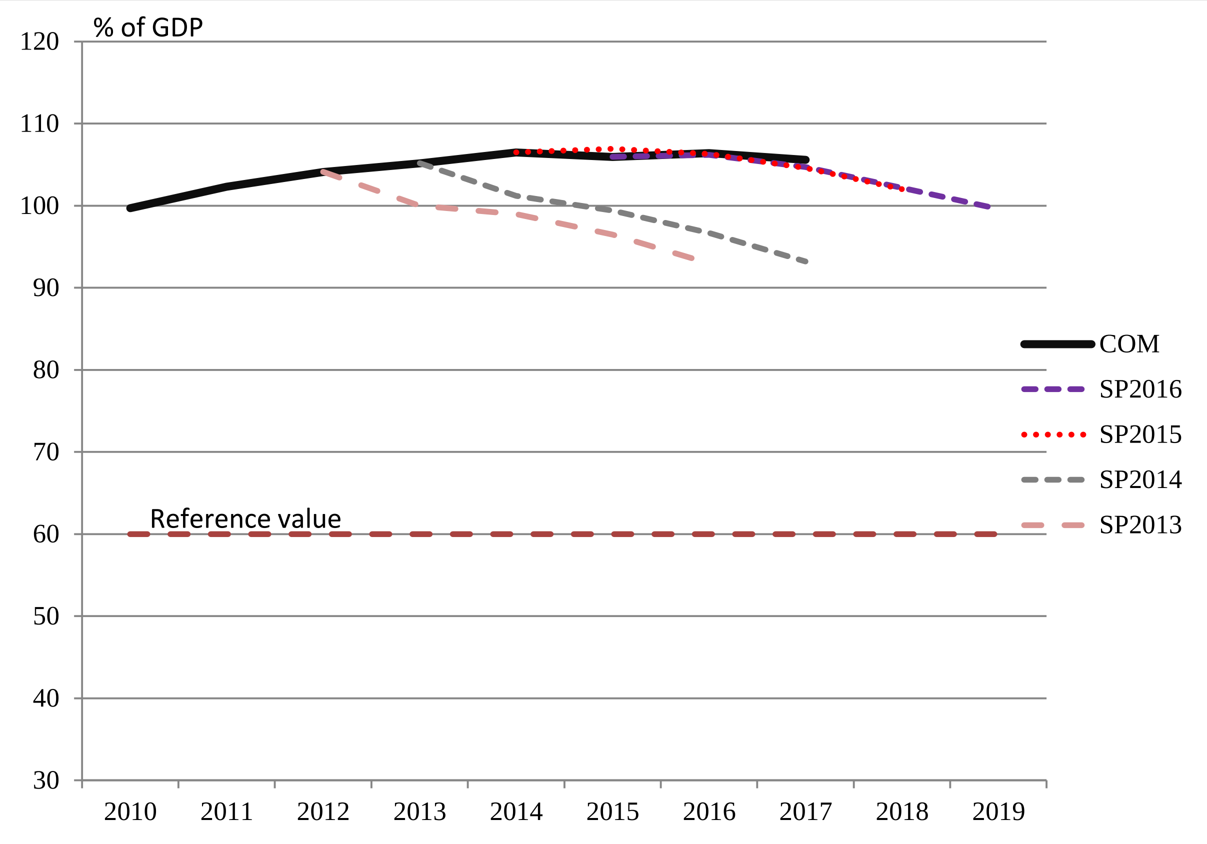
Source :

Commission 2016 spring forecast (COM); Stability Programme (SP), Comission calculations.

According to the plans, upward stock-flow adjustments will result in a small debt increase in 2016. As of 2017, the debt ratio is planned to decline steadily. The contribution of the primary balance is gradually rising over the programme horizon. The reversal of the snow-ball effect as of 2016 is also planned to contribute to the debt reduction. Lastly, stock-flow adjustments are planned to have a slightly upward impact on the debt level over the programme horizon.

According to the Commission forecast, the primary balance is expected to slip into a small deficit in 2016, for the first time since 2012. Contrary to the programme it is therefore expected to have a debt-increasing impact in 2016. In line with the programme, stock-flow adjustments are expected to have an upward impact on the debt ratio in 2016, while the projected decrease in interest expenditure and the slight acceleration of nominal GDP growth have a downward impact. All in all, the debt ratio is forecast to rise to 106.4% of GDP by the end of 2016, compared to 106.2% in the programme. At unchanged policy, the debt is expected to fall by around 0.8 pps in 2017 in the Commission forecast. The stronger decline in the programme is mostly due to a higher planned primary surplus, which is however not yet fully supported by measures. Assumptions for nominal GDP growth are broadly similar while stock-flow adjustments are expected to have a slightly bigger debt-increasing impact in the Stability Programme.

Figure 1: Government debt projections in successive programmes (% of GDP)



Source: Commission 2016 spring forecast, Stability Programmes (SP)

In past programmes (see Figure 1), the debt trajectory was systematically revised upwards, mostly because the starting point was increased due to the inclusion of more units in the general government sector, as well as due to higher-than-planned deficits and disappointing growth. In contrast, the 2015 debt target has been overachieved compared to last year's programme, mostly thanks to the reimbursement of rescue aid by KBC (see above). The planned debt trajectory in the 2016 Stability Programme is very close to the one of the 2015 programme.

3.5. Risk assessment

For 2016, not all consolidation measures have been sufficiently specified to be taken into account in the Commission forecast, which was already mentioned in the Commission's Opinion on Belgium's Draft Budgetary Plan for 2016. This is for example the case for some of the announced savings in the social security (0.07% of GDP) and central government expenditure (0.03% of GDP). Also the savings expected from a redesign of the government administration are not yet fully specified. In addition, the government counts on substantial revenues from a number of new taxes, such as the transparency tax on offshore financial constructions, a permanent system of tax regularization and the reform of the taxation of real estate funds. The impact of these measures is currently uncertain due to their nature or because they need further specification, and are therefore not fully taken into account in the Commission forecast. Public wages and social benefits are automatically linked to inflation. Therefore, the recent acceleration of inflation in Belgium is an additional risk for the 2016 budgetary target, while the positive impact of higher tax revenues is more limited in the short run.

While multi-annual consolidation measures were agreed in October 2014 and August 2015, further measures are needed to achieve the targets beyond 2016. The programme expects a reduction in interest expenditure by 0.8 pps of GDP between 2015 and 2019, assuming only a very gradual increase in interest rates over the programme horizon. Therefore the amount of measures that will be needed to achieve the structural targets might turn out substantially higher than currently expected.

At sub-federal level, the targets of the different regions and communities – which are partly indicative and conditional - do not add up to the aggregate target for regions and communities over the programme horizon. In 2016, there is a gap of 0.15% of GDP between the individual commitments and the expected contribution of regions and communities to the general government trajectory. While the different regions and communities subscribe to a balanced budget by 2017 or 2018, they exclude certain expenditure from their target. This is for example the case for the extension of the Antwerp ring road in the Flemish Region, spending co-financed by the EU in the Walloon Region, and exceptional investment in road tunnels in the Brussels Capital Region. In addition, there is a pending issue on the accountability of hospital investment between the federal and sub-federal level which might further widen the gap between individual targets and the general government target. The absence of a clear distribution of the general government target between the different governments affects the credibility of the overall trajectory.

4. COMPLIANCE WITH THE PROVISIONS OF THE STABILITY AND GROWTH PACT

4.1. Compliance with the debt criterion

In 2015, Belgium's general government debt exceeded the 60% of GDP reference value of the Treaty. Following the abrogation of the excessive deficit procedure, Belgium benefits from a three-year transition period to comply with the debt reduction benchmark, starting in 2014. According to the Commission's assessment based on notified data, Belgium did not make sufficient progress towards compliance with the debt criterion in 2015, as measured by the Minimum Linear Structural Adjustment (MLSA). The required MLSA amounted to 1.1% of GDP while the actual adjustment was only 0.2% of GDP. This provides evidence that there appears to be prima facie a risk of the existence of an excessive deficit in Belgium in the sense of the Treaty and the Stability and Growth Pact. The Commission has therefore prepared a report under Article 126(3) TFEU analysing whether Belgium is compliant with the debt criterion of the Treaty. This report, adopted on 18 May 2016, concluded that after the assessment of all the relevant factors, notably (i) the unfavourable economic conditions which make the respect of the debt rule particularly demanding, (ii) the expectation that compliance with the required adjustment towards the MTO is broadly ensured, and (iii) the expected implementation of ambitious growth-enhancing structural reforms in line with the authorities' commitment, which is expected to contribute to debt reduction in the medium/long term, the debt criterion as defined in the Treaty and in Regulation (EC) No 1467/1997 should be considered as currently complied with.

Box 1. Council recommendations addressed to Belgium

On 14 July 2015, the Council addressed recommendations to Belgium in the context of the European Semester. In particular, in the area of public finances the Council recommended to Belgium to achieve a fiscal adjustment of at least 0.6 % of GDP towards the medium-term objective in 2015 and in 2016; and to use windfall gains to put the general government debt ratio on an appropriate downward path.

Due to the shortfalls in 2014 and 2015, the required MLSA rises to 2.1% of GDP in 2016 on the basis of the macro-economic assumptions of the plans, while the planned adjustment is only 0.6% of GDP. On the basis of the Commission forecast, the MLSA amounts to 2.0% of GDP, compared to a projected structural improvement of 0.3% of GDP. Therefore Belgium is not projected to make sufficient progress towards compliance with the debt criterion by the end of the transition period.

As of 2017, Belgium is no longer in a transition period. Implementation of the programme would ensure that the debt benchmark is met as of 2017. However, according to the Commission forecast, the debt benchmark is expected not to be met in 2017 at unchanged policy. There is a gap of 2.3% of GDP with the required debt reduction. The debt reduction benchmark beyond 2017 cannot be calculated on the basis of the plans, as it requires data beyond the programme horizon.

Table 4: Compliance with the debt criterion

	2015	**2016**		**2017**		**2018**	**2019**
		SP	**COM**	**SP**	**COM**	**SP**	**SP**
Gross debt ratio	**106**	**106.2**	**106.4**	**104.7**	**105.6**	**102.2**	**99.6**
Gap to the debt benchmark [1,2]	n.r.	n.r.	n.r.	-0.4	2.3	n.a.	n.a.
Structural adjustment [3]	0.2	0.6	0.3	0.8	0.2	0.8	0.1
To be compared to:							
Required adjustment [4]	1.1	2.1	2.0	n.r.	n.r.	n.r.	n.r.

Notes:

[1] Not relevant for Member Sates that were subject to an EDP procedure in November 2011 and for a period of three years following the correction of the excessive deficit.

[2] Shows the difference between the debt-to-GDP ratio and the debt benchmark. If positive, projected gross debt-to-GDP ratio does not comply with the debt reduction benchmark.

[3] Applicable only during the transition period of three years from the correction of the excessive deficit for EDP that were ongoing in November 2011.

[4] Defines the remaining annual structural adjustment over the transition period which ensures that - if followed – Member State will comply with the debt reduction benchmark at the end of the transition period, assuming that COM (S/CP) budgetary projections for the previous years are achieved.

Source :
Commission 2016 spring forecast (COM); Stability Programme (SP), Comission calculations.

4.2. Compliance with the MTO or the required adjustment path towards the MTO

Assessment of eligibility to the "unusual events" provision

Belgium's 2016 DBP indicated that the budgetary impact of the exceptional inflow of refugees is significant in 2015 and 2016 and that it should be considered as an unusual event outside the control of the government, as defined in Articles 5(1) and 6(3) of Regulation (EC) No 1466/97. In relation to this, Belgium requested a temporary deviation from the adjustment path towards the MTO. In a letter sent to the Commission on 17 March 2016, the Belgian authorities also invoked these clauses with respect to exceptional expenditure in 2016 linked to security measures and the fight against terrorism.

In its 2016 Stability Programme, Belgium reported in detail on the budgetary impact of exceptional events in 2015 and 2016. The reported impact of exceptional refugee-related expenditure amounts to 0.03% of GDP in 2015 and an additional 0.17% of GDP in 2016 (including a provision which serves as a buffer), compared to 0.10% of GDP in the 2016 Draft Budgetary Plan. The reported impact of exceptional security measures and anti-radicalisation actions is estimated at 0.12% of GDP in 2016.

The provisions defined in Article 5(1) and Article 6(3) of Regulation (EC) No 1466/97 allow catering for this additional expenditure, in that the inflow of refugees as well as the severity of the terrorist threat are exceptional events, their impact on Belgium`s public finances is significant and sustainability would not be compromised by allowing for a deviation from the adjustment path towards the MTO. The amounts mentioned above appear plausible. Therefore, the required adjustment towards the MTO for 2015 has been reduced to take into account additional refugee-related costs in that year. Regarding 2016, a final assessment, including on the eligible amounts, will be made in spring 2017 on the basis of observed data as provided by the Belgian authorities.

Adjustment towards the MTO

Based on the outturn data and the Commission 2016 spring forecast, the structural balance is estimated to have improved by 0.2% of GDP in 2015, 0.4% of GDP below the required adjustment of 0.6% of GDP (0.57% taken into account the flexibility clause) under the preventive arm of the Pact. On the other hand, Belgium is compliant with the expenditure benchmark. Based on the outturn data, the (real) growth rate of government expenditure, net of discretionary revenue measures, in 2015 did not exceed the applicable expenditure benchmark rate of 0.03%.

Over 2014 and 2015 together, based on the outturn data and the Commission 2016 spring forecast, the structural balance is not projected to have improved, pointing to a risk of significant deviation based on the structural balance pillar (average gap of -0.5% of GDP). The expenditure benchmark is compliant over 2014 and 2015 taken together. This calls for an overall assessment. In 2014, the structural balance was negatively impacted by a sizable revenue shortfall (0.3% of GDP), among others due to a loss in revenue from the financial sector (e.g. dividends and guarantee fees). Also in 2015, the structural balance was impacted by revenue shortfalls (0.6% of GDP) compared to standard elasticities, due to particularly low wage growth and low inflation (relative to the change in GDP deflator). After correcting the change in the structural balance for the above mentioned factor, the structural balance indicator would point to some deviation. Therefore, the overall assessment points to some deviation from the adjustment path towards the MTO over 2014 and 2015 taken together. All in all, the ex-post assessment suggests some deviation from the adjustment path towards the MTO in 2015.

According to the programme, the (recalculated) structural balance is planned to improve by 0.6% of GDP in 2016, in line with the required adjustment under the preventive arm. According to the information provided in the programme, the (real) growth rate of government expenditure, net of discretionary revenue measures, in 2016 will exceed the applicable expenditure benchmark rate of -0.03%. Therefore, the expenditure benchmark points to some deviation. This calls for an overall assessment. While one-offs had contributed 0.4% of GDP to the headline balance in 2015, their contribution is expected at -0.1% of GDP in 2016. This evolution does not impact the structural balance but has a negative impact of 0.5% of GDP on the expenditure benchmark. Over two years, both the structural balance and the expenditure benchmark point to some deviation, with a gap of 0.2% of GDP for both indicators. The change in the structural balance is notably affected by the above mentioned revenue shortfalls (0.6% of GDP on average), while the expenditure benchmark is impacted by the evolution of one-offs (-0.2% of GDP on average). After correcting for these impacts, both the expenditure benchmark and the structural balance would point to compliance of the plans.

Table 5: Compliance with the requirements under the preventive arm

(% of GDP)	2015	2016				2017	
Initial position[1]							
Medium-term objective (MTO)	0.75	0.75				0.0	
Structural balance[2] (COM)	-2.6	-2.3				-2.1	
Structural balance based on freezing (COM)	-2.3	-2.3				-	
Position vis-a -vis the MTO[3]	Not at MTO	Not at MTO				Not at MTO	
	2015	**2016**				**2017**	
(% of GDP)	**COM**	**SP**		**COM**		**SP**	**COM**
		Vis-à-vis the CSR	**Including additional clauses**	**Vis-à-vis the CSR**	**Including additional clauses**	**Vis-à-vis the CSR**	
Structural balance pillar							
Required adjustment[4]	0.6	0.6				0.6	
Required adjustment corrected[5]	0.6	0.6	0.3	0.6	0.3	0.6	
Change in structural balance[6]	0.2	0.6		0.3		0.8	0.2
One-year deviation from the required adjustment [7]	-0.4	0.0	0.3	-0.3	0.0	0.2	-0.4
Two-year average deviation from the required adjustment [7]	-0.5	-0.2	-0.1	-0.3	-0.2	0.1	-0.3
Expenditure benchmark pillar							
Applicable reference rate[8]	0.0	0.0	0.5	0.0	0.5	0.0	
One-year deviation [9]	0.1	-0.4	-0.2	-1.2	-0.9	0.4	-0.3
Two-year average deviation [9]	0.0	-0.2	0.0	-0.6	-0.4	0.0	-0.8
Conclusion							
Conclusion over one year	Overall assessment	Overall assessment	Overall assessment	Overall assessment	Overall assessment	Compliance	Overall assessment
Conclusion over two years	Overall assessment	Overall assessment	Overall assessment	Significant deviation	Overall assessment	Compliance	Significant deviation

Notes

[1] The most favourable level of the structural balance, measured as a percentage of GDP reached at the end of year t-1, between spring forecast (t-1) and the latest forecast, determines whether there is a need to adjust towards the MTO or not in year t. A margin of 0.25 percentage points (p.p.) is allowed in order to be evaluated as having reached the MTO.

[2] Structural balance = cyclically-adjusted government balance excluding one-off measures.

[3] Based on the relevant structural balance at year t-1.

[4] Based on the position vis-à-vis the MTO, the cyclical position and the debt level (See European Commission: Vade mecum on the Stability and Growth Pact, page 38.).

[5] Required adjustment corrected for the clauses, the possible margin to the MTO and the allowed deviation in case of overachievers.

[6] Change in the structural balance compared to year t-1. Ex post assessment (for 2014) is carried out on the basis of Commission 2015 spring forecast.

[7] The difference of the change in the structural balance and the corrected required adjustment.

[8] Reference medium-term rate of potential GDP growth. The (standard) reference rate applies from year t+1, if the country has reached its MTO in year t. A corrected rate applies as long as the country is adjusting towards its MTO, including in year t.

[9] Deviation of the growth rate of public expenditure net of discretionary revenue measures and revenue increases mandated by law from the applicable reference rate in terms of the effect on the structural balance. The expenditure aggregate used for the expenditure benchmark is obtained following the commonly agreed methodology. A negative sign implies that expenditure growth exceeds the applicable reference rate.

Source :
Stability Programme (SP); Commission 2016 spring forecast (COM); Commission calculations.

According to the Commission forecast, the structural balance is projected to improve by 0.3% of GDP in 2016, just half of the required adjustment of 0.6% of GDP, pointing to a risk of some deviation. Based on the Commission 2016 spring forecast, the (real) growth rate of government expenditure, net of discretionary revenue measures is projected to exceed the applicable expenditure benchmark rate of -0.03%, resulting in a gap of -1.2% of GDP compared to the required adjustment in 2016. Therefore, also the expenditure benchmark points to a risk of significant deviation. As mentioned above, the expenditure benchmark is negatively impacted by the development of one-off factors (impact of 0.5% of GDP), without which the gap would be 0.7% of GDP, still pointing to a risk of significant deviation.

Therefore even after correcting for the above mentioned factors, the overall assessment points to a risk of significant deviation in 2016. However, the additional budgetary impact of the exceptional inflow of refugees and security measures linked to the recent terrorist threats in Belgium amounted to 0.17% and 0.12% of GDP respectively. In case the budgetary impact of the exceptional inflow of refugees as well as of exceptional security measures was excluded from the assessment, both indicators would point to some deviation. Thus the overall assessment would point to a risk of some deviation from the recommended adjustment path towards the MTO.

Over 2015 and 2016 together, both indicators point to a risk of signification deviation (average gap of -0.3% of GDP and -0.6% of GDP on the structural balance and on the expenditure benchmark pillar respectively). The improvement of the structural balance is hampered by the above-mentioned revenue shortfalls in 2015 (0.3% of GDP on average). The expenditure benchmark on the other hand is negatively impacted by the development of one-off factors (annual average impact of -0.2% of GDP over 2015 and 2016) but the gap would remain significant after correcting for that element. Therefore, there is a risk of significant deviation from the adjustment path towards the MTO in 2016.

In case the budgetary impact of the exceptional inflow of refugees as well as of exceptional security measures were excluded from the assessment, the average deviation on the structural balance pillar would fall below the threshold of significance. The expenditure benchmark would also point to some deviation when netted out for the evolution of one-offs and excluding the additional impact of refugee-related expenditure and anti-terrorism measures, Therefore, Belgium can be considered at risk of some deviation from the required adjustment path towards the MTO, taking into account the exceptional nature of the costs related to the sizeable inflow of refugees and the recent terrorist threats against Belgium.

Based on the programme, the (recalculated) structural balance is planned to improve by 0.8% of GDP in 2017, 0.2% above the required adjustment. According to the information of the programme, the (real) growth rate of expenditure, net of discretionary revenue measures, will also remain below the applicable benchmark rate of -0.01% in 2017. Over 2016-2017 together, both indicators also point to compliance of the plans. Hence, the planned adjustment path towards the MTO seems appropriate.

However, based on the Commission forecast, the structural balance is projected to improve by only 0.2% of GDP at unchanged policy, pointing to a risk of some deviation (gap of -0.4% of GDP) in 2017. The expenditure benchmark pillar shows a gap of -0.3% of GDP. Over 2016-2017, both the structural balance and the expenditure benchmark pillar point to a risk of a significant deviation (with an average gap of -0.3 and -0.8% of GDP, respectively). Hence, at unchanged policy there is a risk of significant deviation in 2017.

Overall, following an overall assessment based on the Commission 2016 spring forecast and taken into account the flexibility foreseen in the Stability and Growth Pact for unusual events outside the control of the government for 2016, some deviation from the adjustment path towards the MTO is to be expected in 2016 while a significant deviation is expected in 2017, putting the compliance with the requirements of the preventive arm of the Pact at risk.

5. FISCAL SUSTAINABILITY

Belgium does not appear to face fiscal sustainability risks in the short run. Nevertheless, some variables point to possible short-term challenges, such as the level of gross financing needs and the relatively high share of public debt held by non-residents (around 60 % in October 2015)[5].

Based on Commission 2016 spring forecast and a no-fiscal policy change scenario beyond the forecast horizon, government debt, at 106% of GDP in 2015, is expected to decrease to 97% in 2026, thus remaining well above the 60% of GDP Treaty threshold. Over this horizon, government debt is projected to peak in 2016 at more than 106% of GDP. According to the classification of the Debt Sustainability Analysis, this highlights high sustainability risks for Belgium in the medium term. The full implementation of the Stability Programme would put debt on a clearly decreasing path by 2026, although remaining above the 60% of GDP reference value in 2026.

The medium-term fiscal sustainability risk indicator S1 is at 3.6 pps. of GDP, primarily related to the high level of government debt (contributing exactly by 3.6 pp. of GDP). This indicates high risks in the medium term. The full implementation of the Stability Programme would put the sustainability risk indicator S1 at 2.2 pps. of GDP, lowering the medium-term risk.

The long-term fiscal sustainability risk indicator S2 (which shows the adjustment effort needed to ensure that the debt-to-GDP ratio is not on an ever-increasing path) is at 2.6 pps. of GDP. In the long-term, Belgium therefore appears to face medium fiscal sustainability risks, primarily related to the projected ageing costs (contributing with 2.1 pp. of GDP, largely driven by projected long-term care and pension expenditures). Full implementation of the programme would lower the long-term risk, with an S2 indicator at 1.4 pps. of GDP.

In recent years, Belgium has made important progress in reforming its pension system. The law of 10 August 2015 on the rise in pensionable age, the conditions for early pensions and the minimum age for survivors' pensions establishes a new minimum age and career length criteria for ordinary pensions. However, even after the recent reforms, the projected increase in the pension expenditure ratio remains substantial. An automatic link to changes in life expectancy, as recommended in the past, would reduce medium and long term sustainability risks. In this respect, the government has announced its intention to introduce a credit-based pension system, which could allow for automatic adjustment mechanisms in response to demographic developments.

[5] This conclusion is based on the short-term fiscal sustainability risk indicator S0, which incorporates 14 fiscal and 14 financial-competitiveness variables. The fiscal and financial-competitiveness sub-indexes (reported in table 5) are based on the two sub-groups of variables respectively. For sustainability risks arising from the individual variables, by country, see the Commission's Fiscal Sustainability Report 2015 (page 67).

Table 6: Sustainability indicators

Time horizon				No-policy Change Scenario		Stability / Convergence Programme Scenario	
Short Term				**LOW risk**			
S0 indicator [1]				0.1			
	Fiscal subindex (2015)			0.2	LOW risk		
	Financial & competitiveness subindex (2015)			0.1	LOW risk		
Medium Term				**HIGH risk**			
DSA [2]				HIGH risk			
S1 indicator [3]				3.6	HIGH risk	2.2	MEDIUM risk
of which							
	IBP			-0.3		-2.0	
	Debt Requirement			3.6		3.7	
	CoA			0.3		0.5	
Long Term				**MEDIUM risk**		**LOW risk**	
S2 indicator [4]				2.6		1.4	
of which							
	IBP			0.5		-0.8	
	CoA			2.1		2.2	
	of which						
		Pensions		1.0		1.0	
		HC		0.1		0.2	
		LTC		1.1		1.1	
		Other		-0.1		-0.1	

Source: Commission services; 2016 stability/convergence programme.

Note: the 'no-policy-change' scenario depicts the sustainability gap under the assumption that the structural primary balance position evolves according to the Commissions' spring 2016 forecast until 2017. The 'stability/convergence programme' scenario depicts the sustainability gap under the assumption that the budgetary plans in the programme are fully implemented over the period covered by the programme. Age-related expenditure as given in the 2015 Ageing Report.

[1] The S0 indicator reflects up to date evidence on the role played by fiscal and financial-competitiveness variables in creating potential fiscal risks. It should be stressed that the methodology for the S0 indicator is fundamentally different from the S1 and S2 indicators. S0 is not a quantification of the required fiscal adjustment effort like the S1 and S2 indicators, but a composite indicator which estimates the extent to which there might be a risk for fiscal stress in the short-term. The critical threshold for the overall S0 indicator is 0.43. For the fiscal and the financial-competitiveness sub-indexes, thresholds are respectively at 0.35 and 0.45.

[2] Debt Sustainability Analysis (DSA) is performed around the no fiscal policy change scenario in a manner that tests the response of this scenario to different shocks presented as sensitivity tests and stochastic projections. See Fiscal Sustainability Report 2015.

[3] The medium-term sustainability gap (S1) indicator shows the upfront adjustment effort required, in terms of a steady adjustment in the structural primary balance to be introduced over the five years after the forecast horizon, and then sustained, to bring debt ratios to 60% of GDP in 2030, including financing for any additional expenditure until the target date, arising from an ageing population. The following thresholds were used to assess the scale of the sustainability challenge: (i) if the S1 value is less than zero, the country is assigned low risk; (ii) if a structural adjustment in the primary balance of up to 0.5 p.p. of GDP per year for five years after the last year covered by the spring 2015 forecast (year 2017) is required (indicating an cumulated adjustment of 2.5 pp.), it is assigned medium risk; and, (iii) if it is greater than 2.5 (meaning a structural adjustment of more than 0.5 p.p. of GDP per year is necessary), it is assigned high risk.

[4] The long-term sustainability gap (S2) indicator shows the immediate and permanent adjustment required to satisfy an inter-temporal budgetary constraint, including the costs of ageing. The S2 indicator has two components: i) the initial budgetary position (IBP) which gives the gap to the debt stabilising primary balance; and ii) the additional adjustment required due to the costs of ageing. The main assumption used in the derivation of S2 is that in an infinite horizon, the growth in the debt ratio is bounded by the interest rate differential (i.e. the difference between the nominal interest and the real growth rates); thereby not necessarily implying that the debt ratio will fall below the EU Treaty 60% debt threshold. The following thresholds for the S2 indicator were used: (i) if the value of S2 is lower than 2, the country is assigned low risk; (ii) if it is between 2 and 6, it is assigned medium risk; and, (iii) if it is greater than 6, it is assigned high risk.

6. FISCAL FRAMEWORK

The Cooperation Agreement of 13 December 2013 between the federal and regional/community governments includes a structural budget balance rule for the general government. Pursuant to the Agreement, this rule is considered fulfilled if the structural balance is at its MTO or if the adjustment path towards the MTO as defined in the Stability Programme is respected. At face value, the 2015 Stability Programme planned a structural improvement of 0.7% of GDP in 2015, while the realized improvement reached 0.3% of GDP according to the authorities. Therefore, based on the information provided in the programme, the past fiscal performance in Belgium appears to comply only partially with the requirements of national numerical fiscal rules.

The above-mentioned Cooperation Agreement also foresees a consultation of the federal and different regional/community governments on the individual budgetary targets in the so-called Consultative Committee[6]. However, this consultation did not result in an agreement between the governments on the distribution of the general government target so far. As in 2015, the 2016 Stability Programme only mentions that the Consultative Committee took note of the Stability Programme. Consequently, the High Council of Finance, which is tasked with monitoring, inter alia, compliance with the agreed distribution of targets, cannot play its monitoring role to the full. This means that it cannot activate the correction mechanism in the event of significant deviation as laid down in the Cooperation Agreement.

As highlighted in the risk assessment, the absence of a clear distribution of the efforts among the different sub-entities underpinning the overall targets, affects the credibility of the programme and puts its implementation at risk.

Belgium considers its Stability Programme, together with its National Reform Programme, as its national medium-term fiscal plan in the sense of the Two-Pack Regulation 473/2013. The national medium-term fiscal plan or national reform programme does not include indications on the expected economic returns on non-defence public investment projects as required by art. 4.1 of the above-mentioned regulation.

The macro-economic forecast underlying the Stability Programme has been prepared by the Federal Planning Bureau. The FPB is a well-established institution formally attached to the government which positions itself as an independent institution. As stipulated in the Law of 21/12/1994 that constituted the FPB in its current form, supervision of the institution lies with the Prime Minister and the Minister of Economic Affairs, while guidance on its proceedings originates from the federal government with also the Belgian Parliament and the Central Economic Council or the National Labour Council able to seek an evaluation by the FPB of the federal government's economic, social and environmental policies.

[6] This body (the *Comité de concertation/Overlegcomité*), in which all Belgian governments are represented, was set up in 1980 in order to prevent conflicts of competences and solve conflicts of interests between different governments.

7. CONCLUSIONS

According to the Commission's assessment based on notified data, Belgium did not make sufficient progress towards compliance with the debt criterion in 2015. There appears thus to be *prima facie* a risk of the existence of an excessive deficit in Belgium in the sense of the Treaty and the Stability and Growth Pact. The Commission has therefore prepared a report under Article 126(3) TFEU analysing whether Belgium is compliant with the debt criterion of the Treaty. This report, adopted on 18 May 2016, concluded that, after the assessment of all the relevant factors, the debt criterion as defined in the Treaty and in Regulation (EC) No 1467/1997 should be considered as currently complied with.

Also in 2016, both the planned and the projected adjustment fall below what is required to comply with the debt criterion by the end of the transition period. Therefore Belgium is forecast not to make sufficient progress towards compliance with the debt criterion by the end of the transition period. At unchanged policy, the debt benchmark is expected not to be met in 2017 either.

In 2015, Belgium achieved an improvement of the structural balance of 0.2% of GDP, below the required adjustment of 0.6% of GDP towards the MTO. On the other hand, the growth rate of government expenditure, net of discretionary revenue measures, did not exceed the applicable expenditure benchmark rate. Following an overall assessment, this points to some deviation from the recommended adjustment path towards the MTO in 2015.

Belgium plans an improvement of the (recalculated) structural balance of 0.6% of GDP in 2016 and 0.8% in 2017 and 2018, when it plans to reach the MTO. The planned progress towards the MTO appears appropriate when taken at face value. However, according to the Commission 2016 spring forecast, there is a risk of significant deviation in 2016 and 2017. In case the budgetary impact of the exceptional inflow of refugees as well as of exceptional security measures was excluded from the 2016 assessment, the overall assessment would point to a risk of some deviation from the recommended adjustment path towards the MTO in 2016.

8. ANNEX

Table I. Macroeconomic indicators

	1998-2002	2003-2007	2008-2012	2013	2014	2015	2016	2017
Core indicators								
GDP growth rate	2.4	2.5	0.6	0.0	1.3	1.4	1.2	1.6
Output gap [1]	0.6	0.9	-0.1	-1.4	-1.0	-0.7	-0.7	-0.5
HICP (annual % change)	1.7	2.0	2.6	1.2	0.5	0.6	1.7	1.6
Domestic demand (annual % change) [2]	1.7	2.5	0.8	-0.7	1.7	1.7	0.8	1.4
Unemployment rate (% of labour force) [3]	7.8	8.2	7.6	8.4	8.5	8.5	8.2	7.7
Gross fixed capital formation (% of GDP)	22.0	21.9	22.7	22.1	23.3	23.2	22.8	23.1
Gross national saving (% of GDP)	27.1	27.3	24.9	23.1	23.8	24.1	24.3	24.7
General Government (% of GDP)								
Net lending (+) or net borrowing (-)	**-0.3**	**-0.8**	**-3.8**	**-3.0**	**-3.1**	**-2.6**	**-2.8**	**-2.3**
Gross debt	**110.7**	**94.1**	**99.7**	**105.2**	**106.5**	**106.0**	**106.4**	**105.6**
Net financial assets	**-104.9**	**-86.1**	**-83.4**	**-90.0**	**-100.3**	**-98.0**	**n.a**	**n.a**
Total revenue	49.4	48.7	49.8	52.6	52.0	51.3	50.9	50.7
Total expenditure	49.7	49.6	53.6	55.6	55.1	53.9	53.7	53.0
of which: Interest	6.7	4.5	3.7	3.4	3.2	2.9	2.7	2.6
Corporations (% of GDP)								
Net lending (+) or net borrowing (-)	**0.2**	**2.1**	**2.3**	**2.7**	**2.8**	**3.0**	**3.3**	**3.4**
Net financial assets; non-financial corporations	**-64.7**	**-93.8**	**-66.0**	**-84.7**	**-82.7**	**-97.9**	**n.a**	**n.a**
Net financial assets; financial corporations	**1.3**	**-12.3**	**-6.8**	**-0.3**	**2.2**	**2.2**	**n.a**	**n.a**
Gross capital formation	14.4	15.0	14.8	14.0	14.8	14.8	14.6	14.8
Gross operating surplus	21.6	24.3	24.7	24.4	24.8	25.6	25.9	26.1
Households and NPISH (% of GDP)								
Net lending (+) or net borrowing (-)	**4.6**	**2.9**	**2.9**	**1.2**	**0.9**	**0.8**	**1.0**	**0.6**
Net financial assets	**239.5**	**227.9**	**213.5**	**226.4**	**230.7**	**234.5**	**n.a**	**n.a**
Gross wages and salaries	38.2	37.6	38.0	38.3	38.0	37.4	37.3	37.1
Net property income	11.1	8.9	8.8	7.5	7.2	6.9	6.6	6.4
Current transfers received	20.6	20.5	21.7	22.8	22.5	22.5	22.4	22.3
Gross saving	10.4	9.3	9.3	7.3	7.4	7.2	7.4	7.0
Rest of the world (% of GDP)								
Net lending (+) or net borrowing (-)	**4.6**	**4.2**	**1.5**	**0.9**	**0.6**	**1.1**	**1.5**	**1.7**
Net financial assets	**-70.2**	**-34.6**	**-55.3**	**-49.7**	**-48.1**	**-39.0**	**n.a**	**n.a**
Net exports of goods and services	3.7	4.2	1.1	1.3	0.9	1.6	2.3	2.4
Net primary income from the rest of the world	2.1	1.4	1.7	1.4	1.5	1.5	1.4	1.3
Net capital transactions	-0.1	-0.1	0.0	-0.1	-0.2	-0.2	-0.3	-0.3
Tradable sector	42.1	41.4	38.5	37.1	36.8	36.7	n.a	n.a
Non tradable sector	47.5	48.0	51.0	52.3	52.7	52.8	n.a	n.a
of which: Building and construction sector	4.5	4.5	5.1	5.0	5.1	5.1	n.a	n.a
Real effective exchange rate (index, 2000=100)	94.5	98.1	101.8	104.9	104.1	99.5	99.4	99.0
Terms of trade goods and services (index, 2000=100)	104.1	102.0	99.5	98.6	98.5	99.8	100.2	100.2
Market performance of exports (index, 2000=100)	105.0	100.5	100.8	102.8	104.4	102.1	101.6	101.8

Notes:

[1] The output gap constitutes the gap between the actual and potential gross domestic product at 2005 market prices.

[2] The indicator on domestic demand includes stocks.

[3] Unemployed persons are all persons who were not employed, had actively sought work and were ready to begin working immediately or within two weeks. The labour force is the total number of people employed and unemployed. The unemployment rate covers the age group 15-74.

Source :
AMECO data, Commission 2016 spring forecast