

Outlook for Belgian Public Finance

MICHEL SAINTRAIN (FEDERAL PLANNING BUREAU)

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Outline

- Macroeconomic framework

Uncertainties greater than ever, but still deterministic projections

- Medium-term outlook

Why a 5% GDP deficit?

- Entity I, Entity II, federated entities

Diverging prospects

- Sustainability gap

Trade-off 'adjustment pace/market risks'

- Risks

Economic, political and debt risks

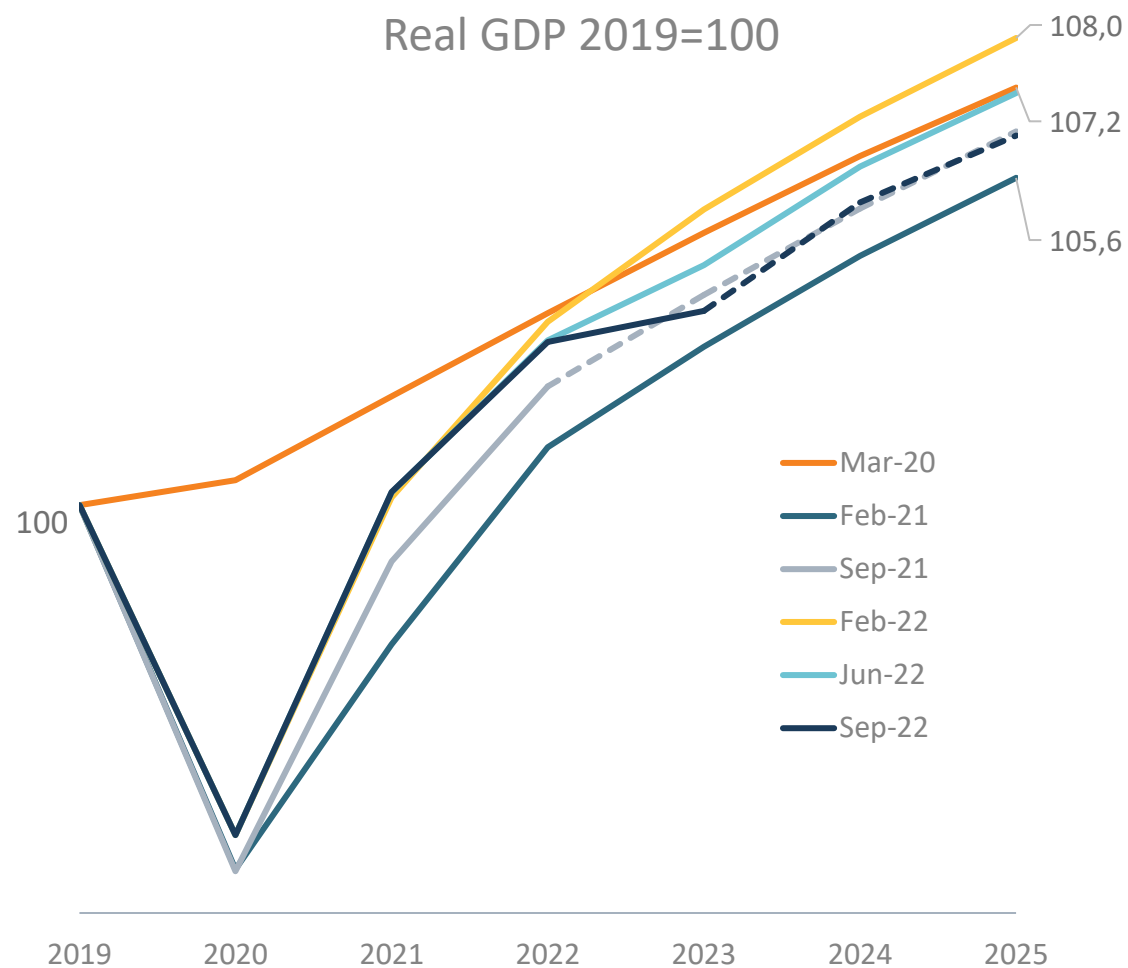


Macroeconomic framework

Uncertainties greater than ever, but still deterministic projections



GDP projection vintages



Change in the level of GDP compared to the previous update (%)

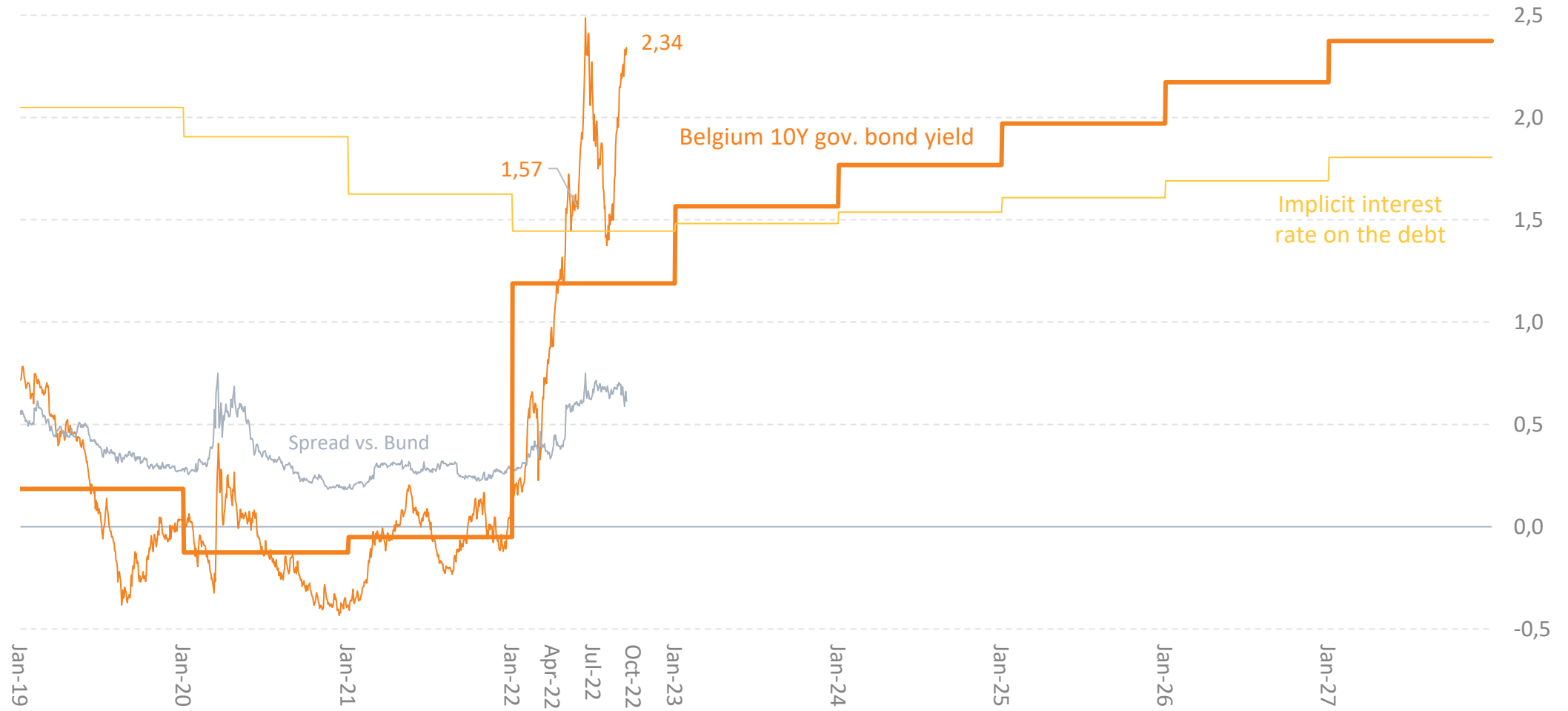
	2022	2025
Mar-20		
Feb-21	-2.2	-1.4
Sep-21	+1.0	(+0.8)
Feb-22	+1.1	1.5
Jun-22	-0.3	-0.9
Sep-22	+0.0	(-0.7)
Total	-0.4	-0.7

Source: FPB (Economic Outlook, various vintages)



10Y Government bond yield

%



Source: Refinitiv, FPB (Economic Outlook 2022-2027, June 2022)



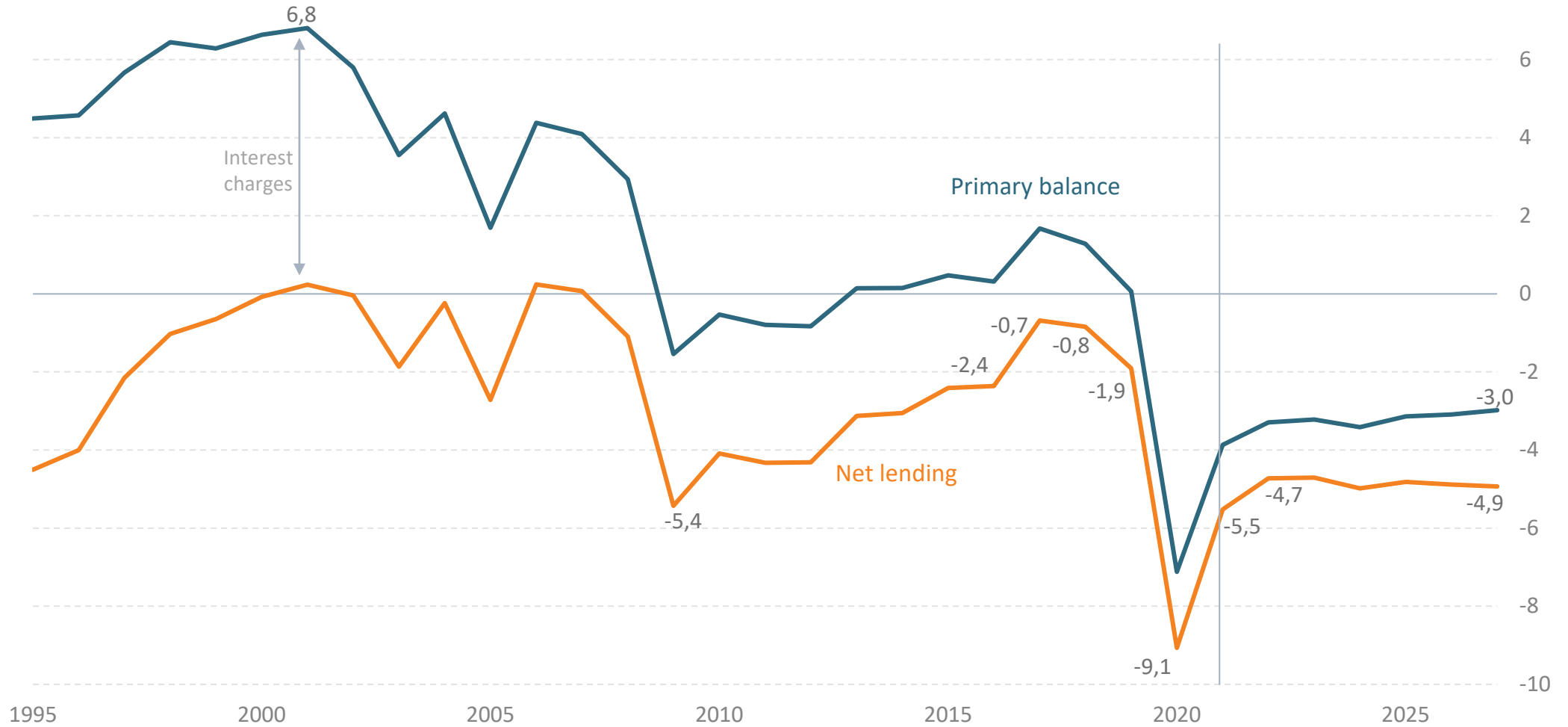
Medium-term outlook

Why a 5% GDP deficit?



Net lending & primary balance

% GDP

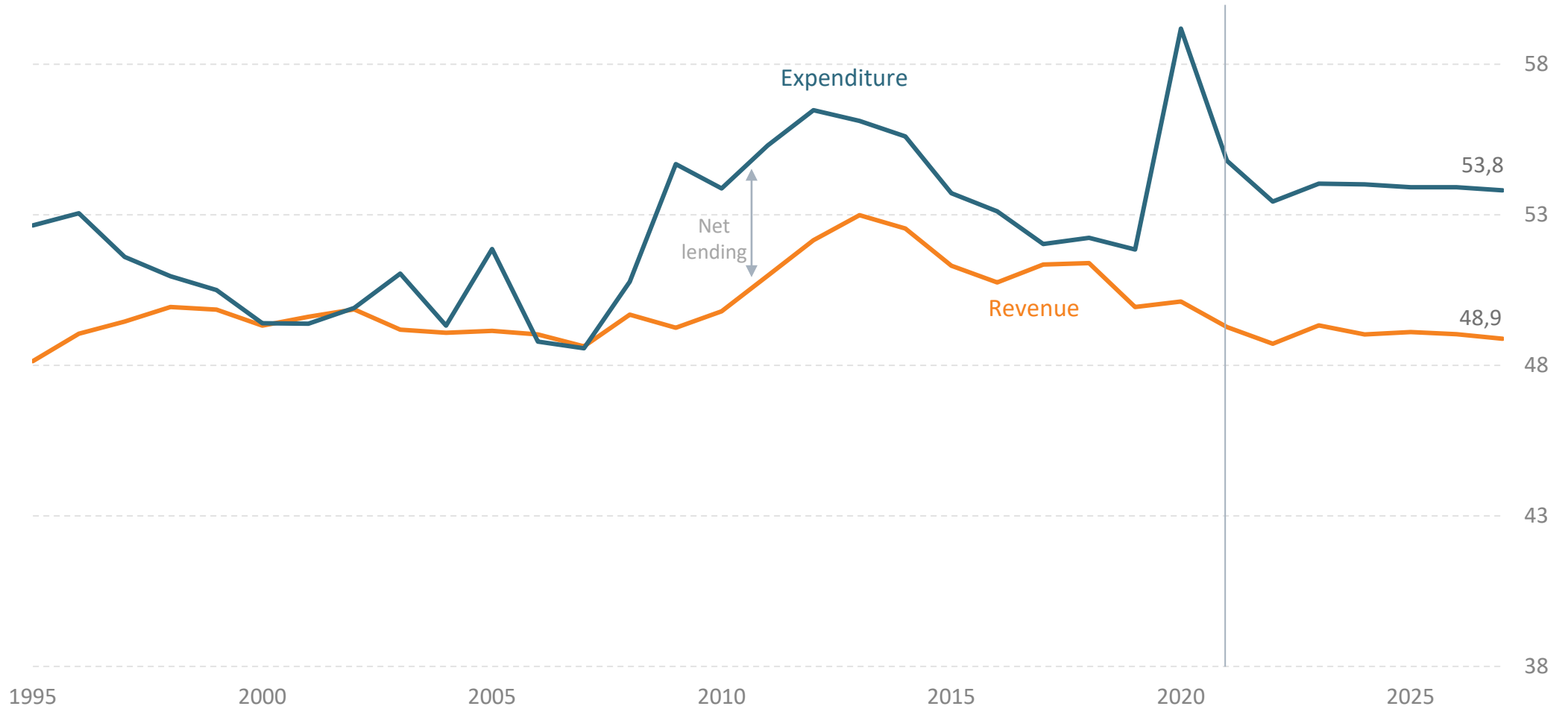


Source: NAI, FPB (Economic Outlook 2022-2027, June 2022)



Revenue & expenditure

% GDP

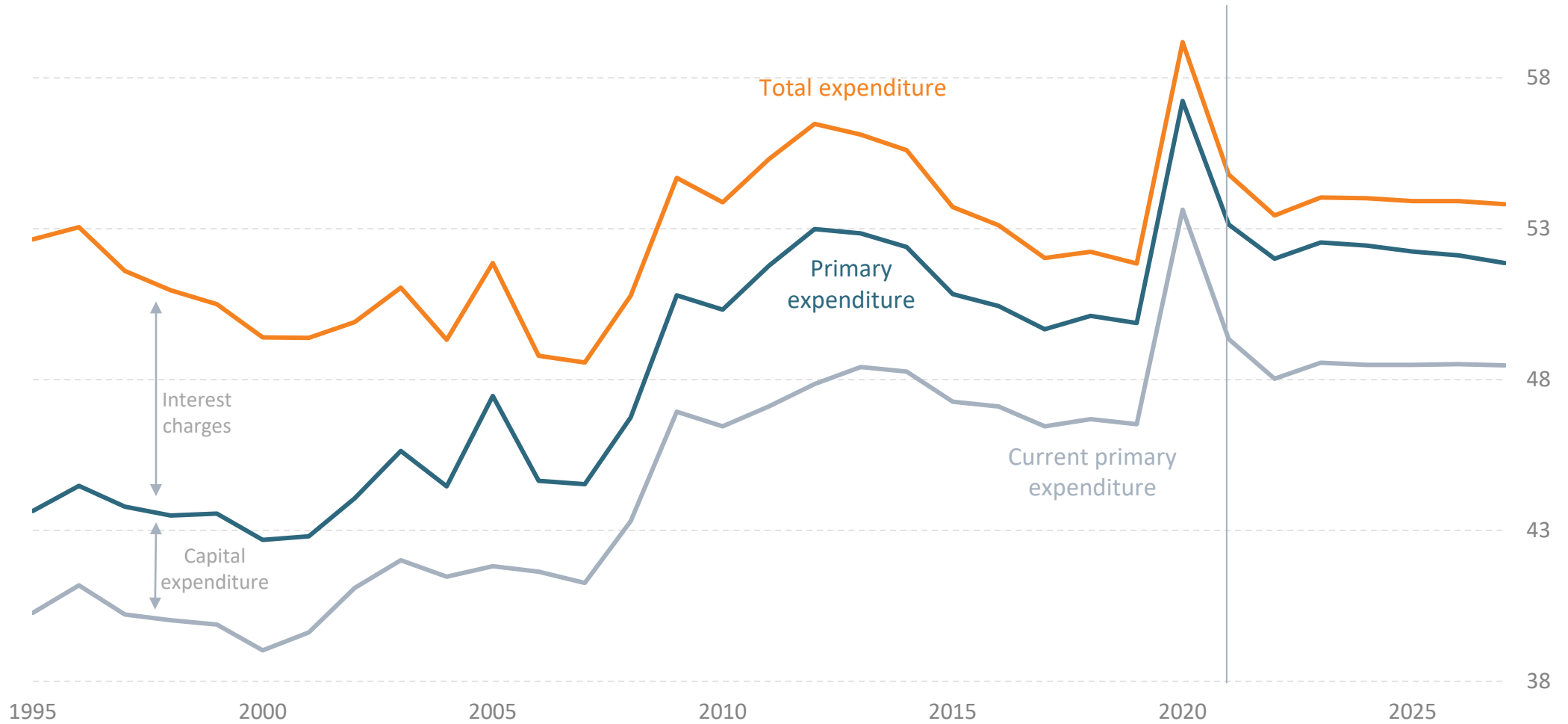


Source: NAI, FPB (Economic Outlook 2022-2027, June 2022)



Expenditure: total, primary & current primary

% GDP

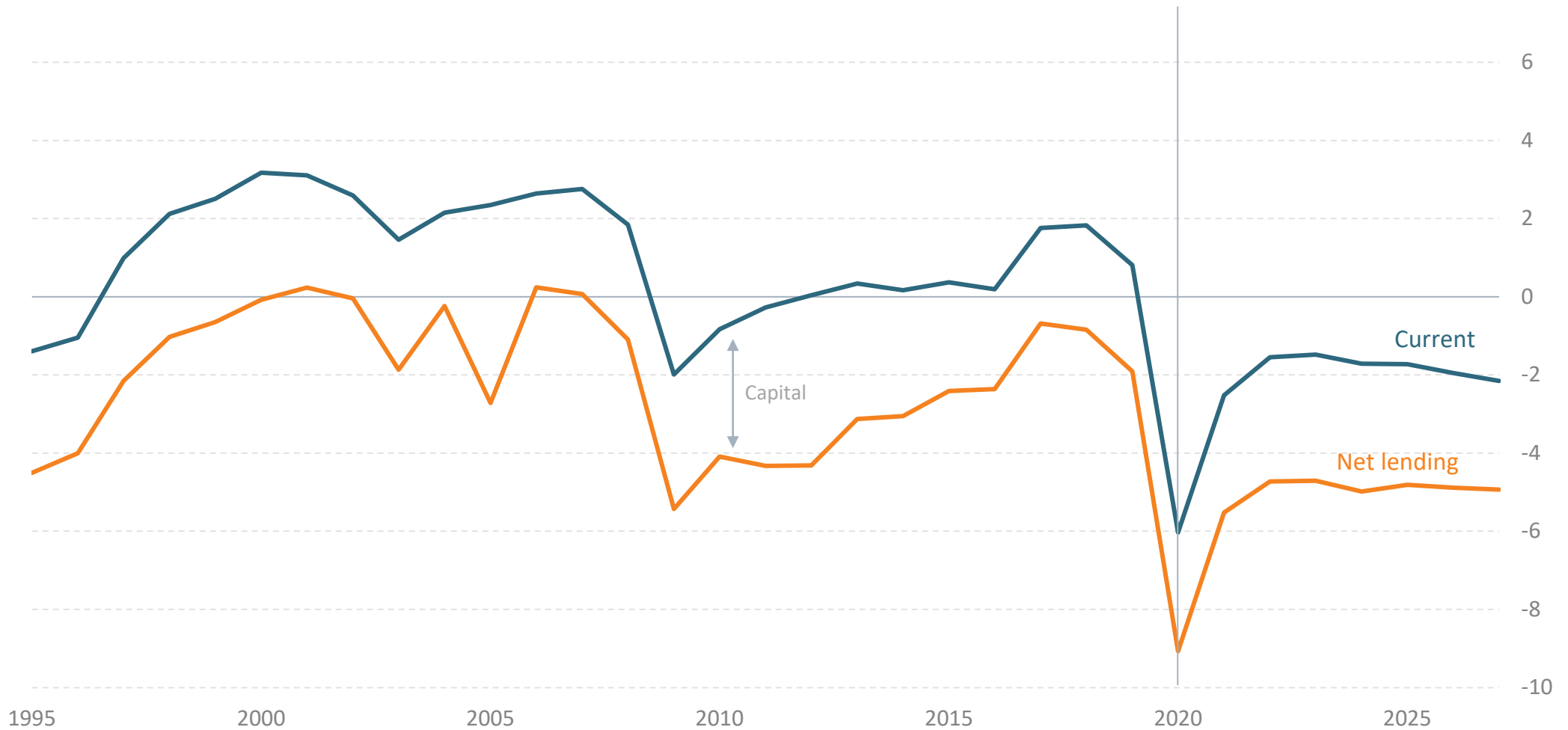


Source: NAI, FPB (Economic Outlook 2022-2027, June 2022)



Balance of current(*) and capital operations

% GDP



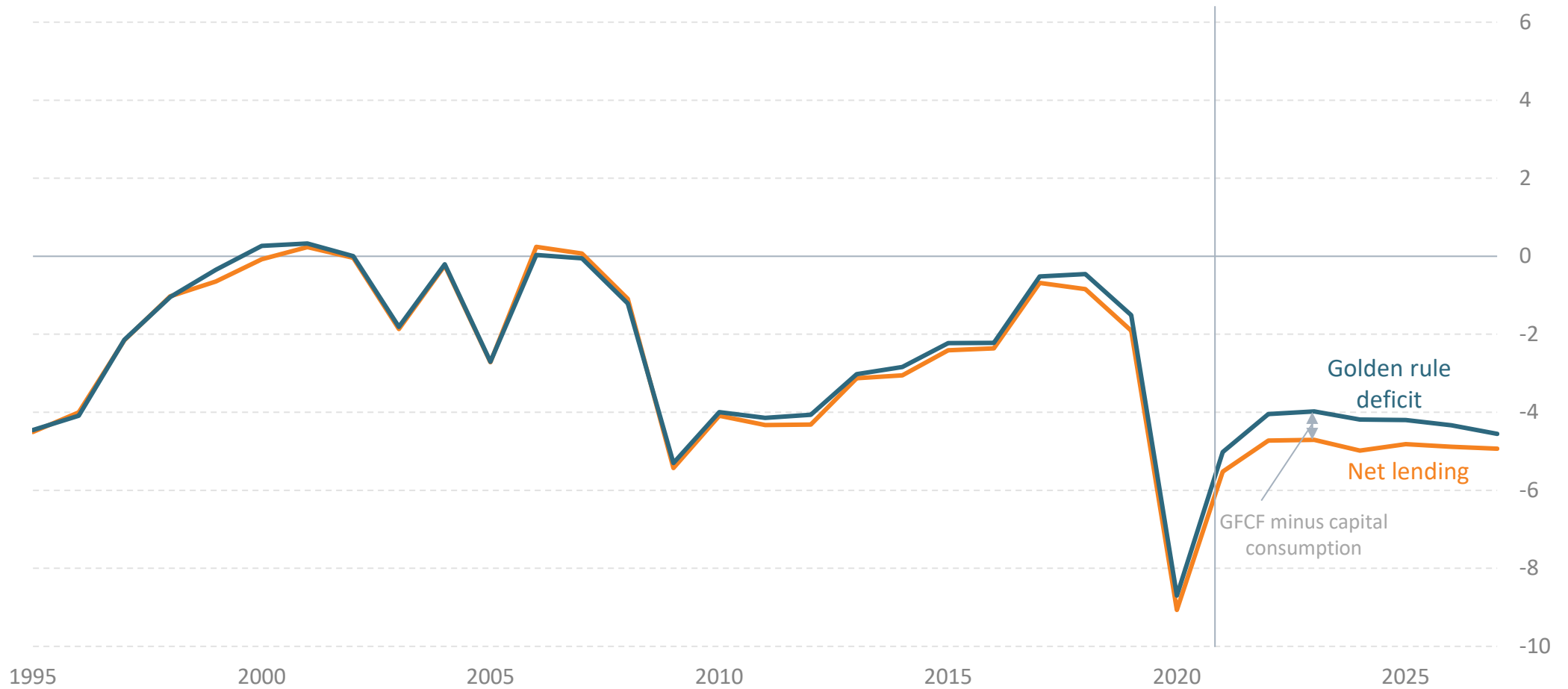
(*) Gross saving

Source: NAI, FPB (Economic Outlook 2022-2027, June 2022)



Net lending & “golden rule deficit”

% GDP

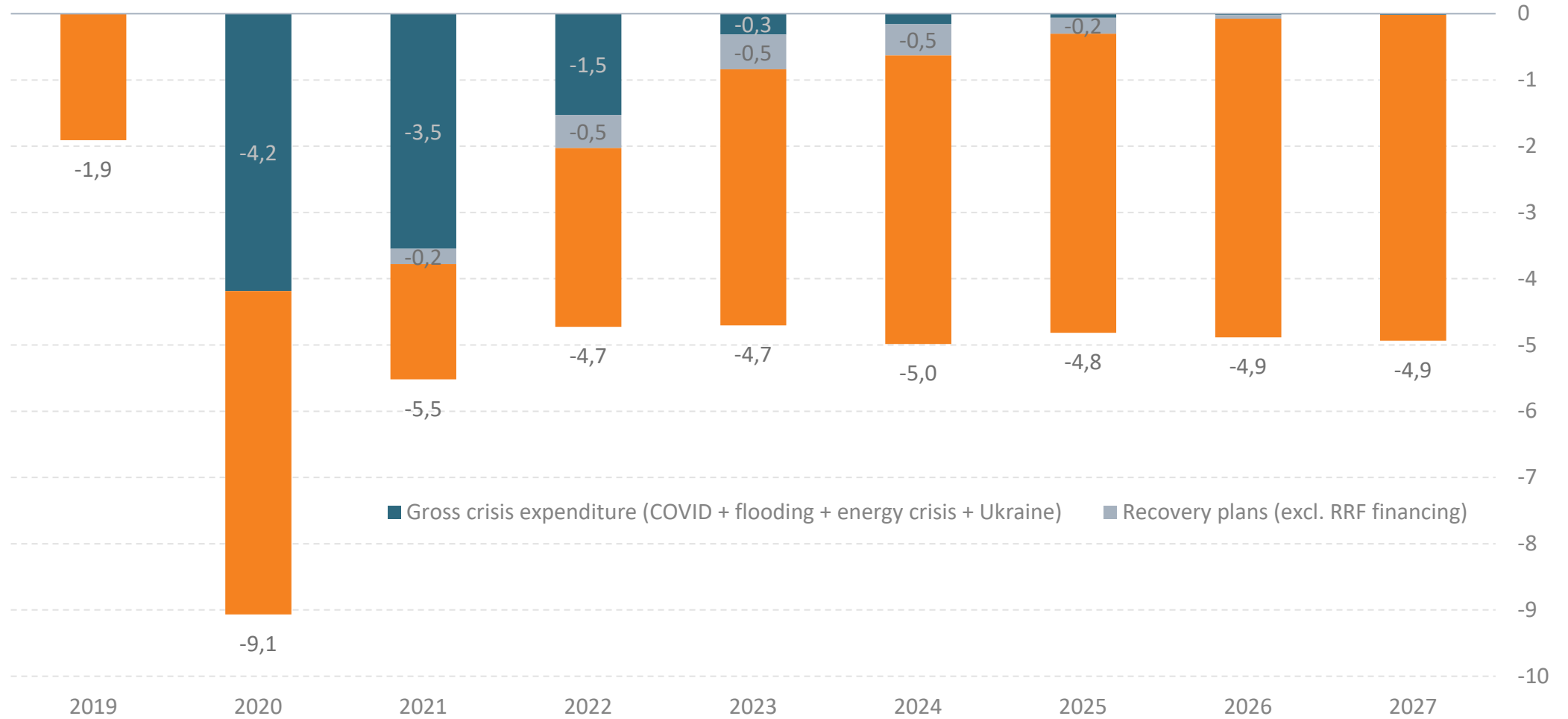


Source: NAI, FPB (Economic Outlook 2022-2027, June 2022)



Net lending: crisis expenditure, recovery plans

% GDP

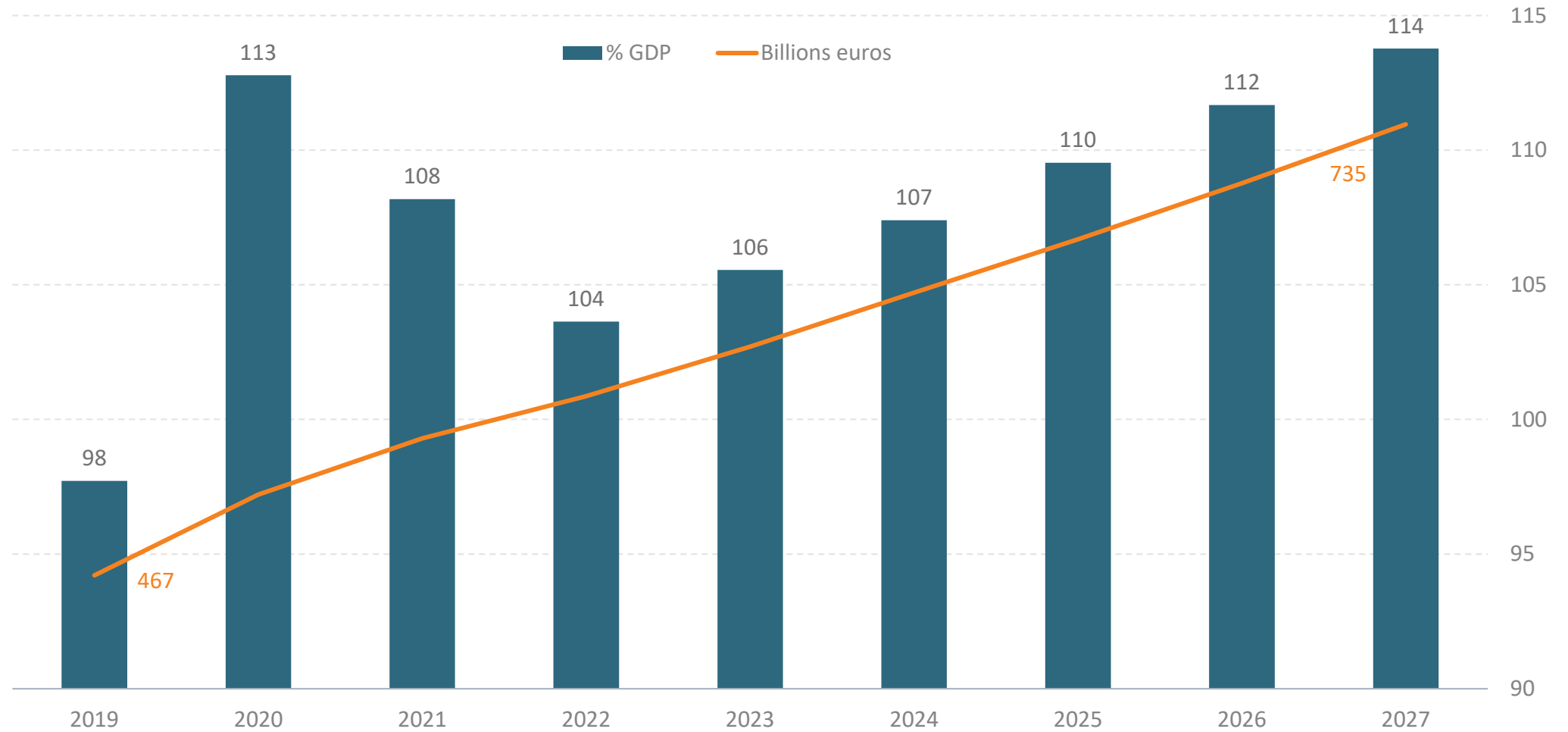


Source: own calculations (June 2022).

Note : crisis and recovery expenditure here are gross costs, i.e. excluding feedback effects. The net costs are lower.



Gross debt



Source: NAI, FPB (Economic Outlook 2022-2027, June 2022)



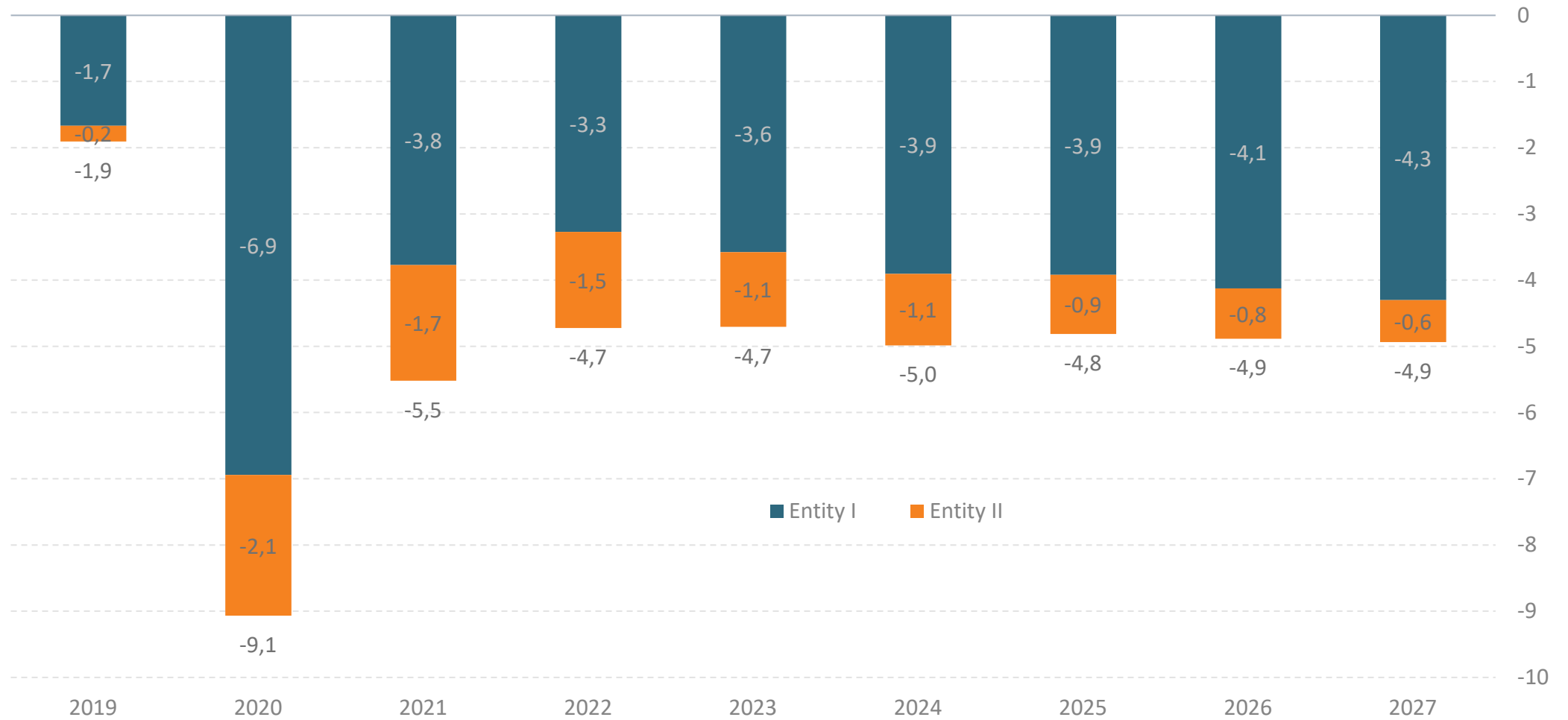
Entity I, Entity II, federated entities

Diverging prospects



Net lending: entity I & entity II

% GDP

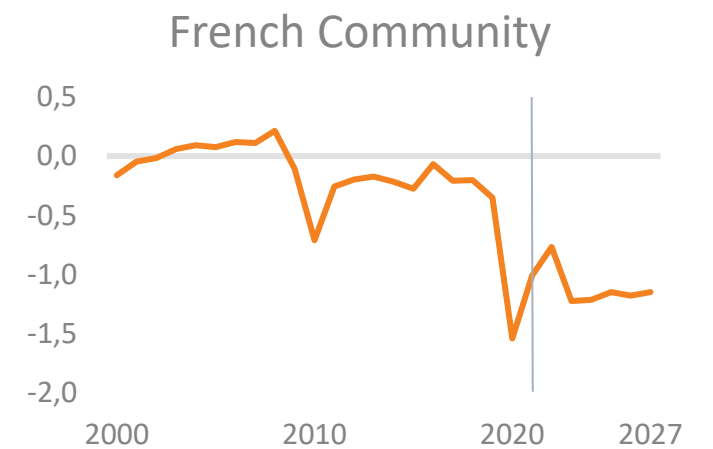
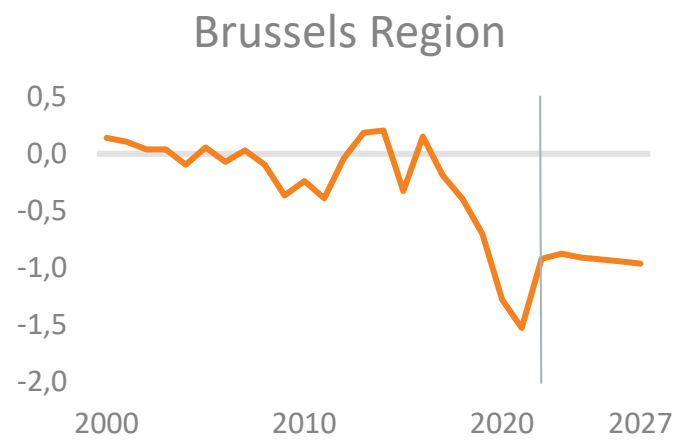
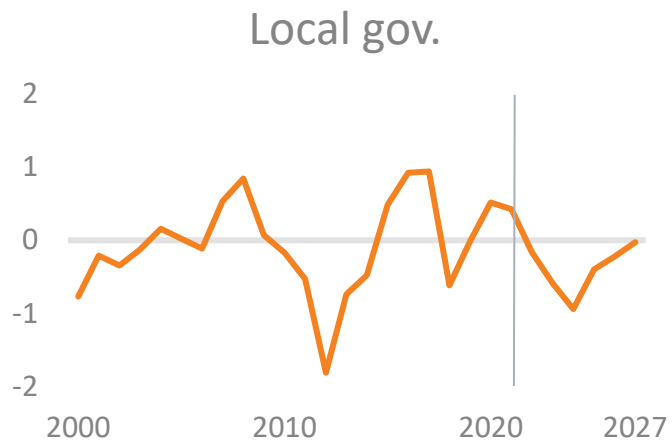
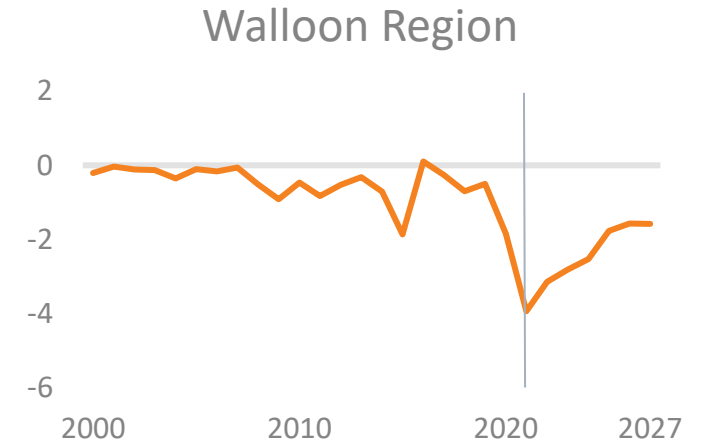
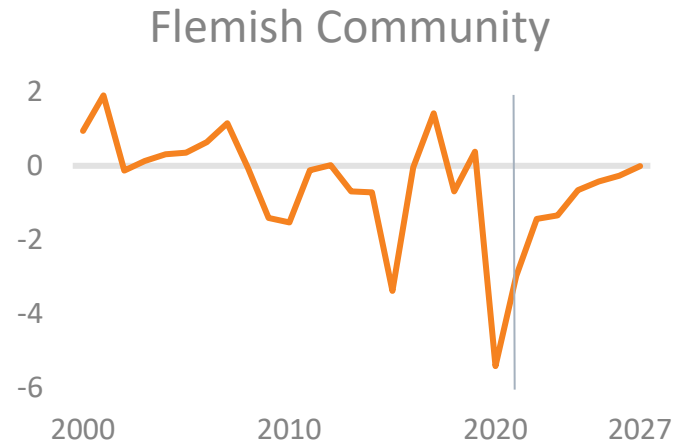
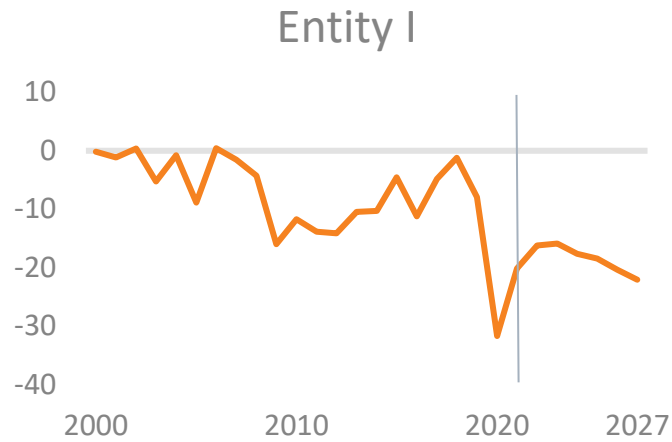


Source: NAI, FPB (Economic Outlook 2022-2027, June 2022)



Net lending

in billion euros

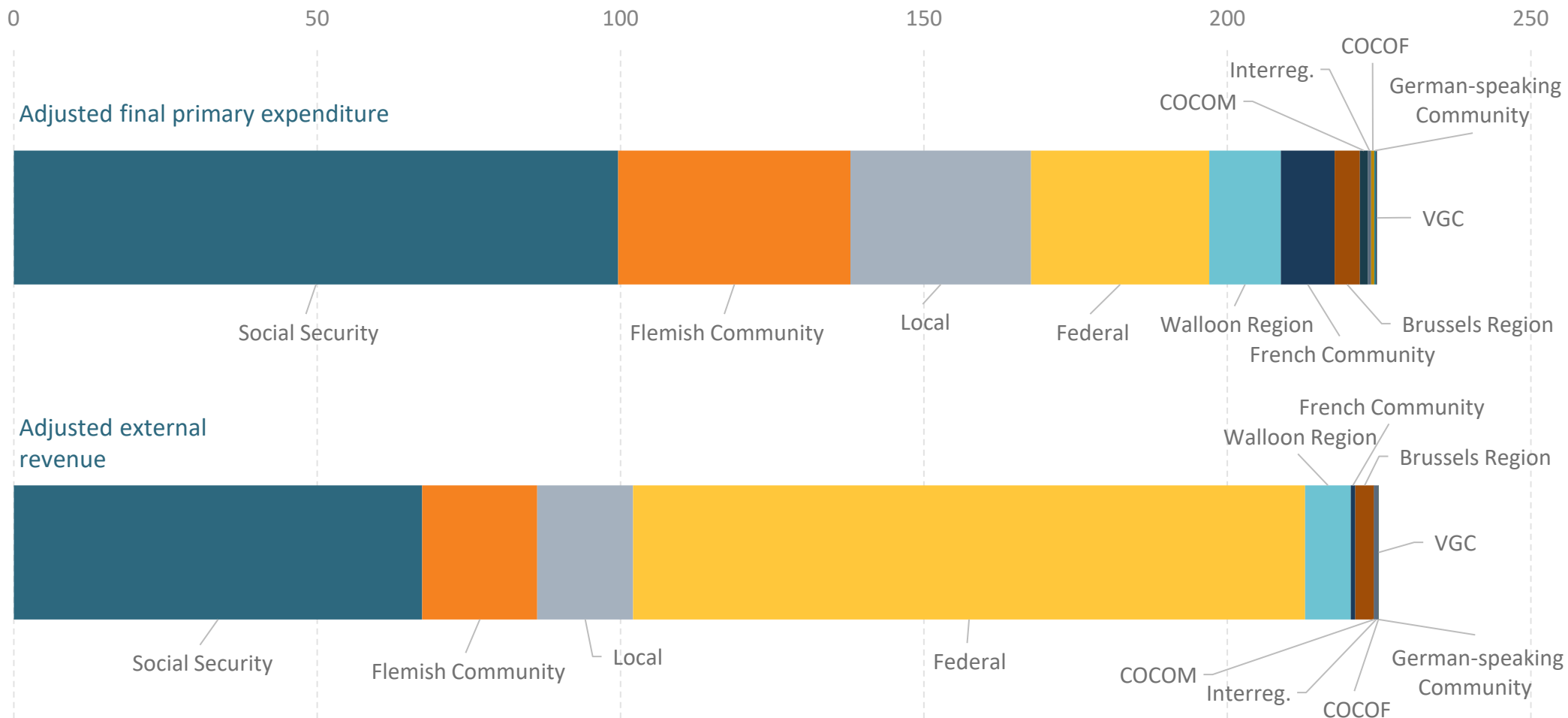


Source: NAI, FPB (Economic Outlook 2022-2027, June 2022)



Final primary expenditure(*) & external revenue(**) in 2019

in billion euros



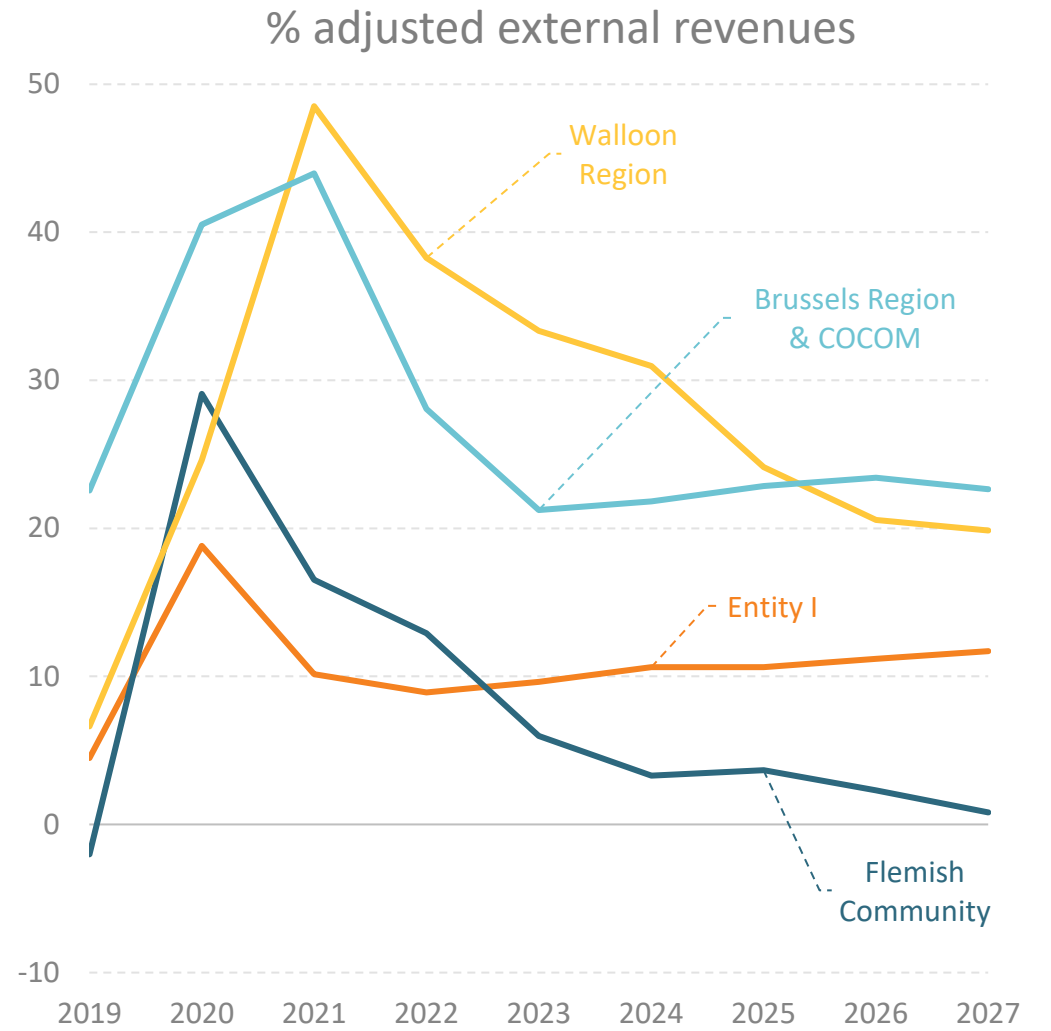
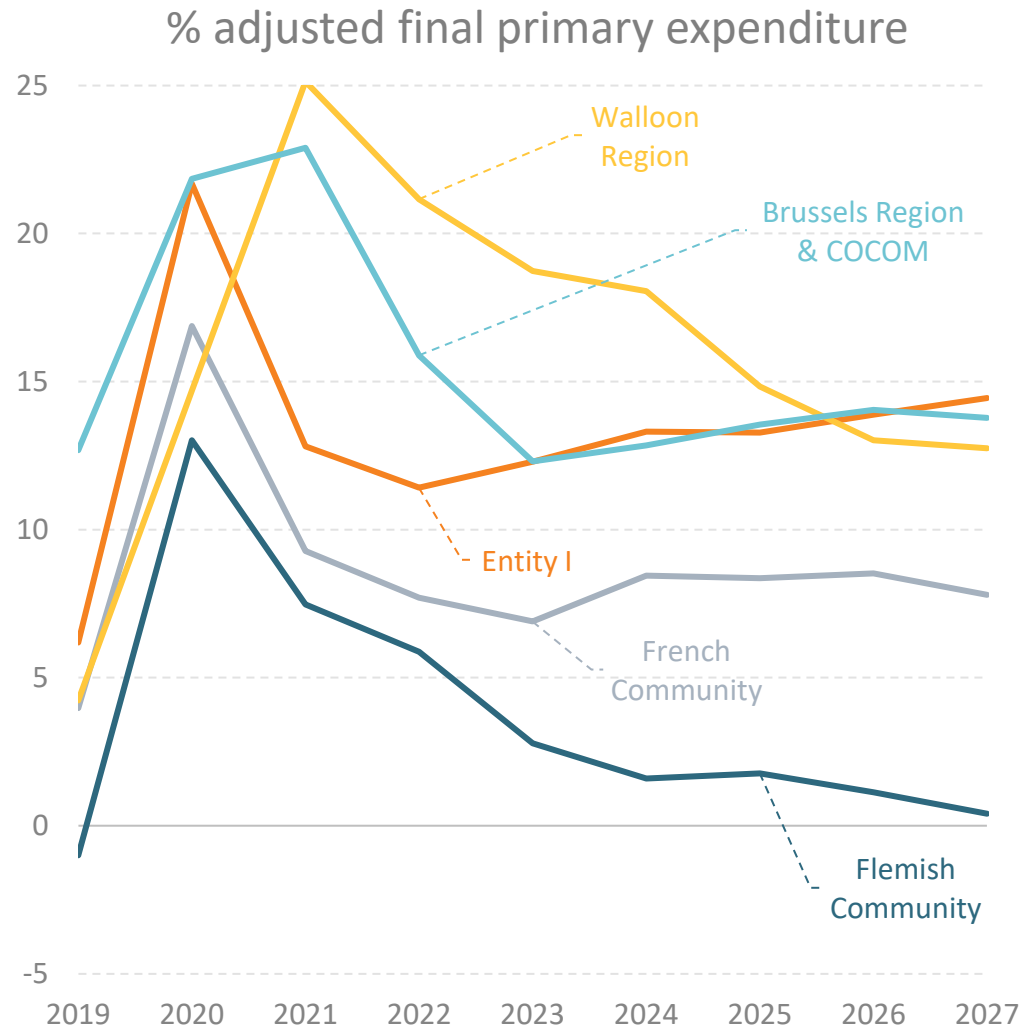
(*) Excluding imputed social contributions and output for own final use; public pensions are recorded in the final expenditure of social security

(**) Excluding imputed social contribution and output for own final use; property income is not consolidated

Source: NAI, own calculations



Net lending as a percentage of budget size

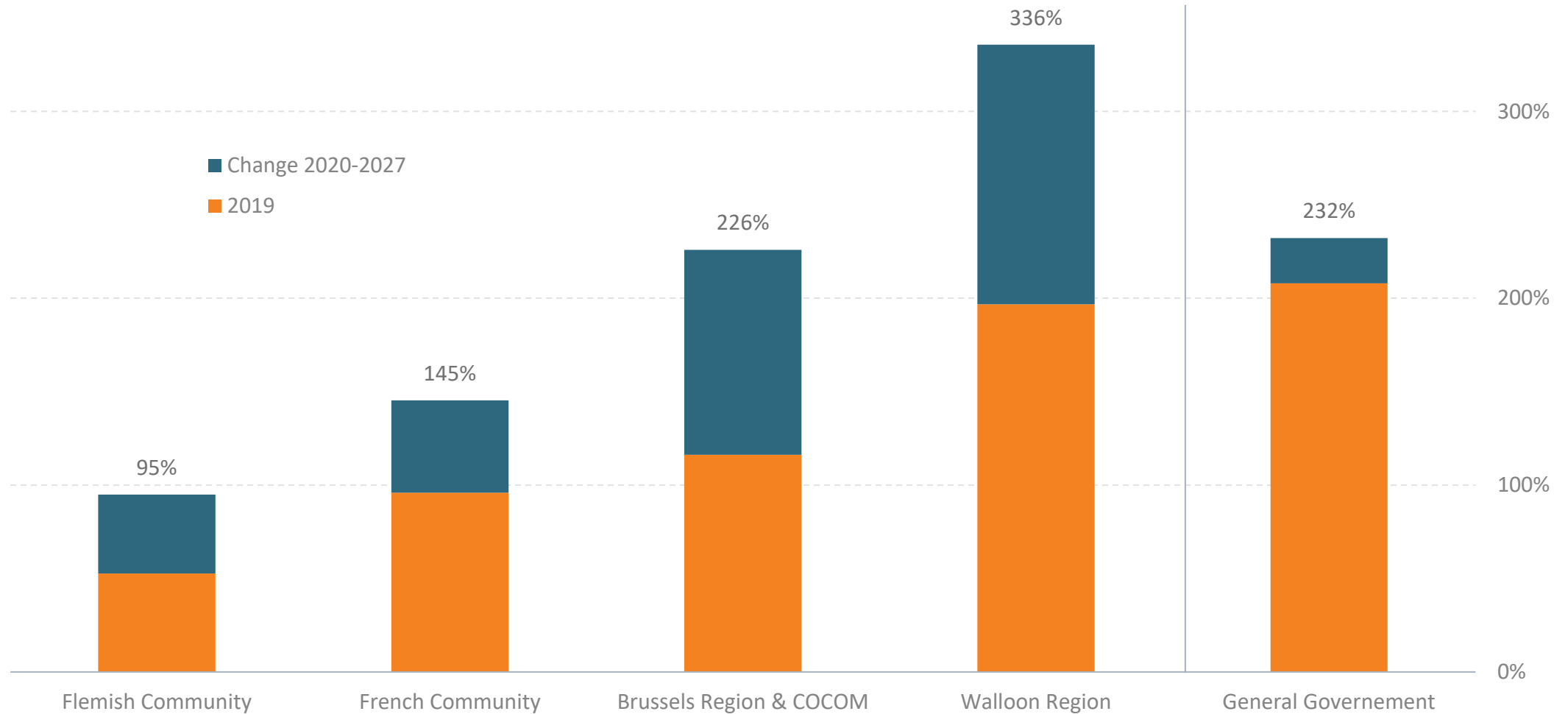


Source: NAI, FPB (Economic Outlook 2022-2027, June 2022)



Debt as a percentage of budget size in 2027

% adjusted final primary expenditure



Source: own calculations based on NAI and FPB Economic Outlook 2022-2027, June 2022



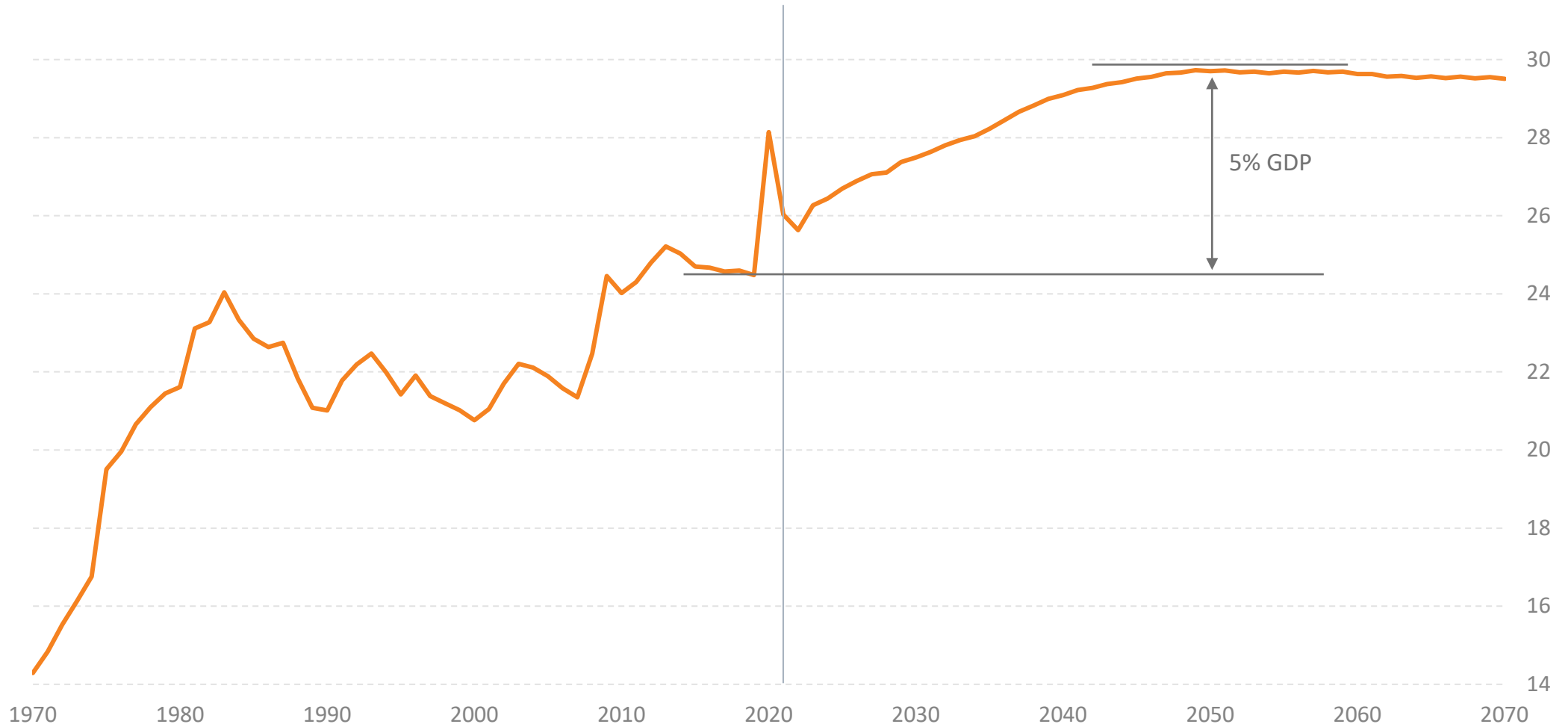
Sustainability gap

Trade-off 'adjustment pace/market risks'



Social expenditure (cost of ageing)

% GDP



Source: NAI, Ageing Committee (July 2022)



Interest-growth differential: working hypothesis

percentage points

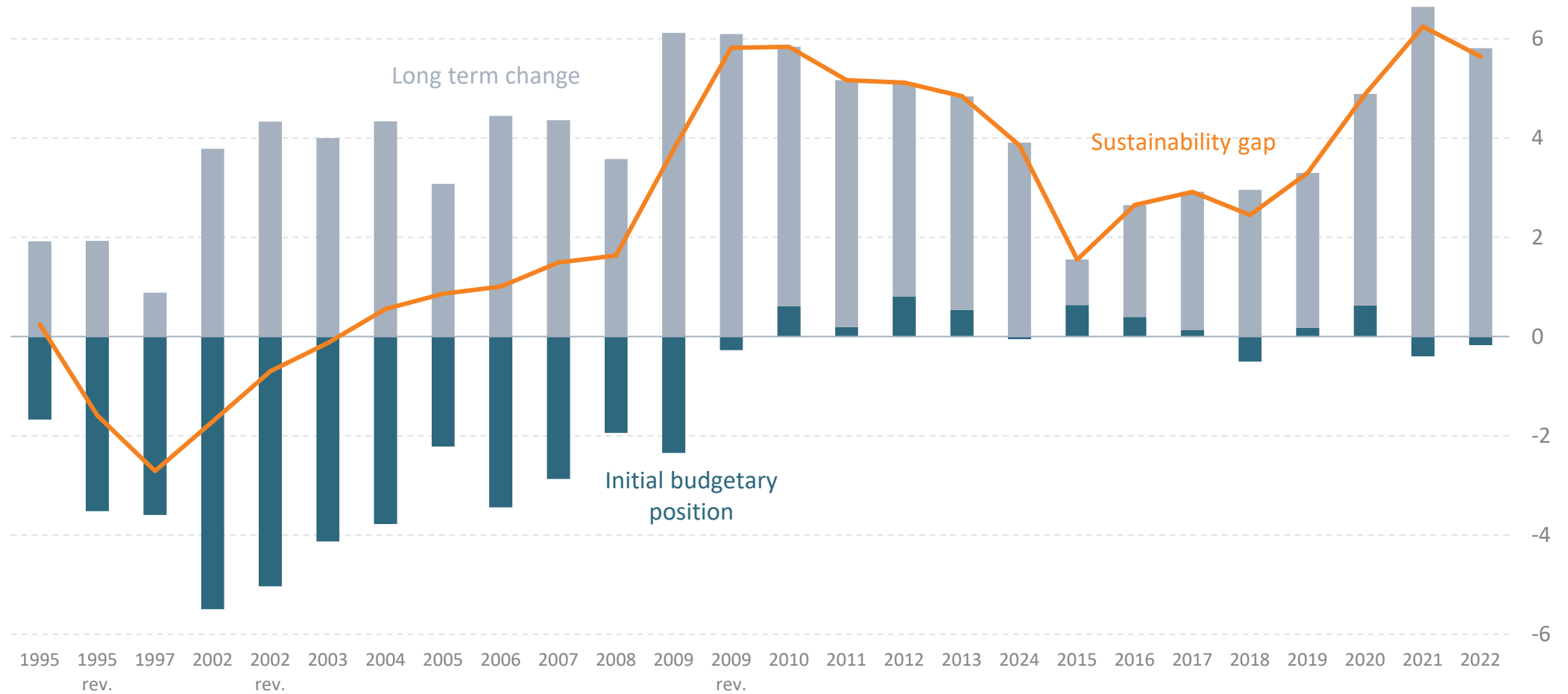


Source: own calculations



Sustainability gap estimate in successive vintages of FBP projections

% GDP, estimate in projections made in year *t*



Source: own calculations



Risks

Economic, political and debt risks

