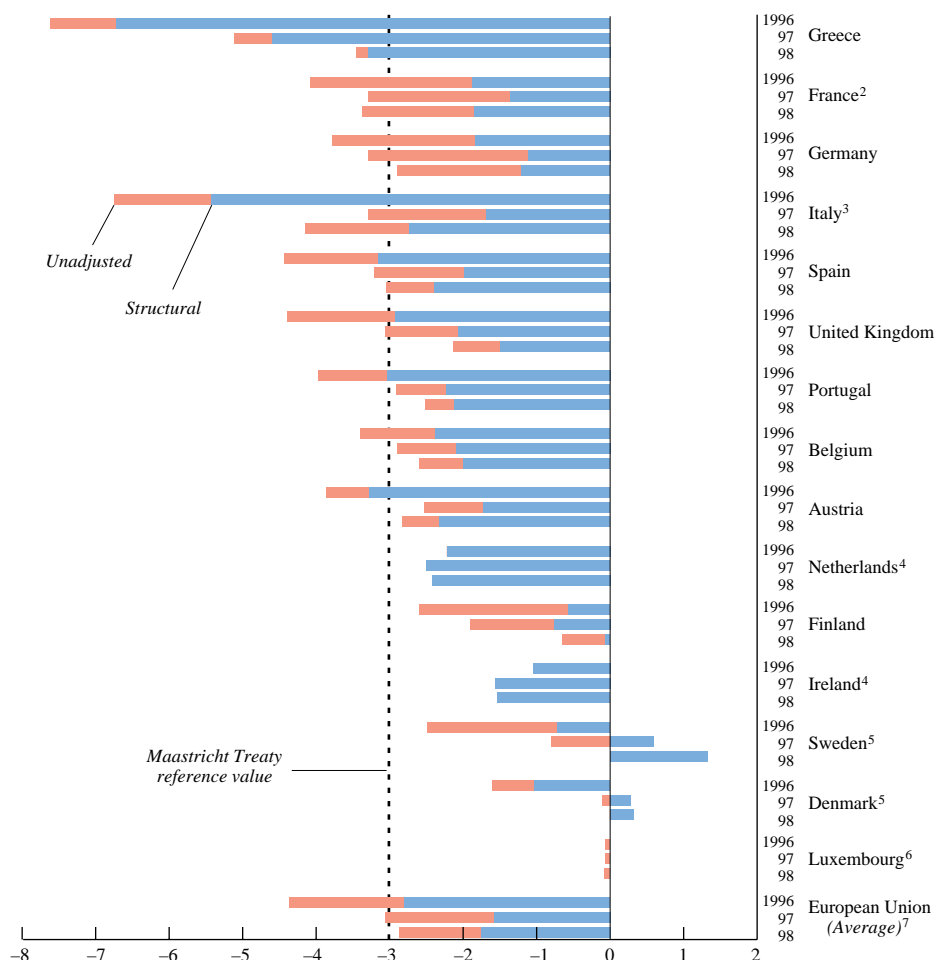


Chart 3. European Union: General Government Budget Positions¹
(In percent of GDP)

Expected progress toward reducing underlying budgetary imbalances is masked to some extent by large cyclical components in fiscal deficits.



¹The detailed assumptions underlying the fiscal projections are set out in Box 2. The ordering of countries is based on the projected unadjusted budget positions in 1997, except that where the differences between projections are not significant the ordering is alphabetical.

²The projection for 1998 is based on the assumption that, in the absence of official measures, most categories of primary expenditures will increase in line with potential output. Therefore, it does not take into account the planned decrease in general government financing needs of 0.65 percent of GDP for 1998 (i.e., the same target as for 1997) that the French authorities have officially announced. Full implementation of the government's policy intentions would yield a deficit below 2.9 percent of GDP.

³The projection for 1998 is made on a "current services" (*tendenziale*) basis. It therefore does not take into account any possible effects of the announced review of pension and welfare spending.

⁴The unadjusted budget positions for Ireland and the Netherlands are not shown separately because they are about equal to the structural balance, given that output is estimated to be close to potential in both countries.

⁵The unadjusted budget position for Sweden is projected to show a surplus of 0.3 percent of GDP in 1998. Denmark's unadjusted budget position is projected to be in balance in 1998.

⁶Structural budget positions are unavailable and unadjusted budget positions are expected to be in approximate balance in 1996-98.

⁷Excludes Luxembourg.