

Glossary

Automatic stabilisers: An institutional feature of an economy that dampens its macroeconomic fluctuations, e.g., an income tax, which acts like a tax increase in a boom and a tax cut in a recession.

Balance sheet recession: A situation where a large portion of the private sector is reducing spending in order to repair balance sheets following the bursting of a nationwide asset price bubble.

Budget balance: The balance between total public expenditure and revenue in a specific year, with a positive balance indicating a surplus and a negative balance indicating a deficit.

Cyclical adjustment: The adjustment of figures such as GDP, government spending, tax revenues, or the budget deficit to show what they would be if total activity was at its trend or potential level.

Cyclically adjusted budget balance (CABB): This is the actual budget balance net of the cyclical component. The CABB gives a measure of the underlying trend in the budget balance.

Debt sustainability: The ability of a debtor country to service its debt on a continuing basis.

Deficit bias: The tendency of governments to allow deficit and public debt levels to increase.

Exchequer balance: The traditional domestic budgetary aggregate which measures the central government's net surplus or borrowing position.

Fiscal rule: A fixed constraint on fiscal policy which is usually defined in terms of an indicator of overall fiscal performance and is often expressed as a numerical ceiling or floor.

Fiscal stance: A measure of the intended impact of discretionary fiscal policy. It can be defined as the change in the primary structural budget balance relative to the preceding period. When the change is positive (negative) the fiscal stance is said to be expansionary (restrictive).

General Government balance (GGB): The GGB measures the fiscal performance of all arms of government. It provides an accurate assessment of the fiscal performance of a more complete government sector. The GGB does not reflect the position of commercial State sponsored bodies as these agencies are classified as being outside the General Government sector.

MTO: The EU Medium-Term Objective which sets a country-specific numerical benchmark for the structural budget balance of the General Government.

Output Gap: The output gap is the difference between actual output and estimated potential output at a particular point in time.

Potential output/GDP: The level of real output/GDP in a given year that is consistent with a stable rate of inflation. If actual output rises above its potential level, constraints on capacity begin to bind and inflationary pressures build; if output falls below potential, resources are lying idle and inflationary pressures abate.

Primary balance: Government net lending excluding interest payments on consolidated government liabilities.

Stock-flow adjustment: Stock-flow adjustments are defined as the difference between the annual change in the gross debt and the budget deficit. This ensures consistency between the net borrowing (flow) and the variation in the stock of gross debt. It includes the accumulation of financial assets, changes in the value of debt denominated in foreign currency, and remaining statistical adjustments.

Structural balance: The structural balance is the CABB excluding one-off items.