

## Fiscal consolidation in Belgium: you can't have it both ways

The Court of Audit has issued a sharply critical opinion on the measures adopted by the federal government's 2026 budget. What is being questioned is not the intent behind these measures, but their capacity to genuinely restore public finances. This merely confirms what was already clear: additional efforts will be unavoidable



Belgian Prime Minister Bart De Wever has acknowledged that spending cuts need to be made for the 2026 budget

As it does every year, the Court of Audit has published its assessment of the 2026 budget. Unsurprisingly, it casts doubt on the amounts that the government expects to raise from the measures adopted—many of them the result of particularly arduous negotiations.

Following the installation of the new federal government in February 2025, a first series of measures was introduced to initiate the long overdue consolidation of public finances. Some were undeniably ambitious: the limitation in time of unemployment benefits, the temporary suspension of automatic indexation for high salaries and pensions, and the introduction of a capital gains tax. Together with several other initiatives, these measures were intended to stem the haemorrhaging of the budget—after a deficit well above 5% of GDP in 2025—and ultimately bring it down. However, it was evident that this would only be a first step, and that further efforts would be required.

## One measure, two objectives

In its opinion, the Court of Audit expresses serious reservations about whether these measures—taken as a whole—will deliver the expected results as quickly as assumed by the government. The underlying difficulty is that the government is attempting to pursue two distinct objectives simultaneously.

On the one hand, it aims to implement structural reforms designed to raise the economy's potential growth, durably curb public spending and rebalance the tax system. On the other, it seeks an immediate and tangible reduction in the public deficit. Yet these two goals do not always align in the short term.

The reform of unemployment benefits provides a telling example. While such a reform may eventually increase the employment rate, its effects are unlikely to materialise overnight. The government assumes that roughly one-third of individuals reaching the end of their entitlement will intensify their job search and ultimately find employment. This assumption may already be optimistic; even if it proves correct, the labour market will need time to absorb these additional jobseekers. In the meantime, more people than anticipated are turning to alternative social assistance schemes, placing additional strain on public services and generating new expenditure and so offsetting the reduction in unemployment benefits. In short, a structural reform should not be expected to pay for itself immediately—on the contrary, it may initially cost more than it saves.

In other cases, such as the capital gains tax, the temporary limitation of indexation, or adjustments to VAT rates, the ambition was to combine rapid budgetary returns with a delicate political balancing act within a coalition spanning the right, centre and left. The result has often been complex or ambiguous legislation, open to divergent interpretations and difficult to implement in practice (the prime minister himself called it an attempt to design a horse which turned out to be a camel)—factors that inevitably reduce the revenue actually generated compared with initial forecasts. What's more, the Council of State has already rejected a part of the VAT reform.

## An additional effort, as expected

We had already pointed out that the measures adopted so far would not be sufficient. The Court of Audit's assessment of the 2026 budget only reinforces this view. In recent interviews, Prime Minister Bart De Wever has himself acknowledged that an additional €3 to €4 billion in structural savings—equivalent to 0.5 to 0.6 percentage points of GDP—will need to be identified in future budgetary reviews.

According to our own estimates, the required effort is likely to be closer to €6 billion, or around 1% of GDP, if the public deficit is to be brought down to 3.5% of GDP by the end of the legislature.

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