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COMMISSION STAFF WORKING DOCUMENT

Analysis of the Draft Budgetary Plan of Luxembourg

Accompanying the document

COMMISSION OPINION

on the Draft Budgetary Plan of Luxembourg

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COMMISSION STAFF WORKING DOCUMENT

Analysis of the Draft Budgetary Plan of Luxembourg

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COMMISSION OPINION

on the Draft Budgetary Plan of Luxembourg

1. INTRODUCTION

Luxembourg submitted its Draft Budgetary Plan (DBP) for 2019 on 15 October 2018 in compliance with Regulation (EU) No 473/2013. Given the caretaker nature of the government in place on 15 October 2018, the budgetary projections for 2018 and 2019 in the DBP are based on unchanged policies and include only measures that have been adopted before the national elections of 14 October 2018. Luxembourg is subject to the preventive arm of the Pact and should preserve a sound fiscal position which ensures compliance with the medium term budgetary objective (MTO).

Section 2 of this document presents the macroeconomic outlook underlying the Draft Budgetary Plan and provides an assessment based on the Commission 2018 autumn forecast. The following section presents the recent and planned fiscal developments, according to the Draft Budgetary Plan, including an analysis of risks to their achievement based on the Commission 2018 autumn forecast. In particular, it also includes an assessment of the measures underpinning the Draft Budgetary Plan. Section 4 assesses the recent and planned fiscal developments in 2018-2019 (also taking into account the risks to their achievement) against the obligations stemming from the Stability and Growth Pact. Section 5 provides an analysis of implementation of fiscal-structural reforms in response to the latest country-specific recommendations in the context of the European Semester adopted by the Council in July 2018[1], including those to reduce the tax wedge. Section 6 summarises the main conclusions of the present document.

2. MACROECONOMIC DEVELOPMENTS UNDERLYING THE DRAFT BUDGETARY PLAN

The macroeconomic scenario underpinning the Draft Budgetary Plan projects real GDP to grow by 3.9% in 2018 and by 4.0% in 2019. Compared to the 2018 Stability Programme, where GDP growth was projected at 4.6% for both 2018 and 2019, respectively, economic perspectives have thus been revised downwards.

However, the macroeconomic scenario in the Draft Budgetary Plan represents a substantial acceleration of growth in 2018 and 2019 since real GDP is now estimated to have only grown by 1.5% in 2017, after being recently revised downwards from 2.3%[2]. In this context, the

[1] Available here: https://ec.europa.eu/info/publications/2018-european-semester-country-specific-recommendations-council-recommendations_en.

[2] Substantial and recurrent revisions of growth figures in Luxembourg introduce an additional factor of uncertainty on economic forecasts.

macroeconomic scenario underlying the DBP has been kept unchanged from the one produced by STATEC in May and, therefore, it does not factor in recent economic developments, which also point to a weaker outcome in 2018 and 2019. Specifically, lower growth in the Euro area and global trade and the overall increasing uncertainty at the current juncture point to lower economic trend growth than envisaged in the Draft Budgetary Plan.

Box 1: The macro economic forecast underpinning the budget in Luxembourg

The macroeconomic forecasts underlying the DBP have been prepared by the Direction "Etudes, prévisions et recherche" of the national statistical office STATEC[3], which also provided the methodology for the calculation of the output gap. STATEC is an autonomous entity placed under the authority of the Ministry of Economy.

In order to ensure compliance with the requirement of Regulation (EU) No 473/2013, the draft Budget Act to be transmitted to the national parliament should be based on an independently produced macroeconomic forecast.

Overall, compared to the Commission 2018 autumn forecast where real GDP growth is projected at 3.1% in 2018 and 3.0% in 2019, the macroeconomic scenario on which the Draft Budgetary Plan is based seems markedly favourable with real GDP growth stronger by around 1 percentage point in both 2018 and 2019 than in the Commission services forecast. A substantially stronger forecast for domestic demand in the Draft Budgetary Plan - mostly for gross fixed capital formation - explains this difference for the economic outlook in 2018 and 2019.

3 Institut national de la statistique et des études économiques du Grand-Duché du Luxembourg.

Table 1. Comparison of macroeconomic developments and forecasts

	2017	2018			2019		
	COM	SP	DBP	COM	SP	DBP	COM
Real GDP (% change)	1.5	4.6	3.9	3.1	4.6	4.0	3.0
Private consumption (% change)	3.0	3.5	3.6	3.7	3.8	3.6	3.5
Gross fixed capital formation (% change)	4.0	10.9	12.3	3.4	9.7	10.8	3.2
Exports of goods and services (% change)	-1.9	8.6	7.3	3.2	8.3	7.5	2.7
Imports of goods and services (% change)	-2.2	9.5	8.5	3.3	9.1	8.5	2.6
Contributions to real GDP growth:							
- Final domestic demand	2.2	3.4	3.6	2.4	3.5	3.4	2.1
- Change in inventories	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
- Net exports	-0.1	1.2	0.3	0.8	1.2	0.6	0.9
Output gap[1]	-0.5	0.3	0.0	0.0	1.3	0.4	0.3
Employment (% change)	3.4	3.5	3.5	3.6	3.4	3.4	3.3
Unemployment rate (%)	5.6	5.5	5.6	5.3	5.3	5.4	5.2
Labour productivity (% change)	-1.8	0.9	-0.1	-0.5	0.9	0.2	-0.2
HICP inflation (%)	2.1	1.5	2.2	2.0	1.7	2.1	2.0
GDP deflator (% change)	2.2	1.0	0.7	2.0	1.5	1.3	1.8
Comp. of employees (per head, % change)	3.3	1.6	1.9	2.2	2.6	2.7	2.6
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	3.2			3.1			2.9

Note:

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

Source:

Stability Programme 2018 (SP); Draft Budgetary Plan for 2019 (DBP); Commission 2018 autumn forecast (COM); Commission calculations

3. RECENT AND PLANNED FISCAL DEVELOPMENTS

3.1. Deficit developments

The no-policy change DBP projects a headline general government budget surplus of 1.5% of GDP for 2018 and 1.3% of GDP in 2019. Compared to the projection from the Stability Programme, this is above the surplus of 1.1% of GDP targeted for 2018 and slightly below the surplus of 1.4% of GDP projected for 2019. In 2018 the difference is mainly due to higher-than expected revenues. Total revenues are now projected to remain broadly stable in the DBP compared to 2017. By contrast, the Stability Programme projected a drop in revenues by 0.3 percentage points of GDP. In 2019 both revenues and expenditure contribute to explain the difference. In the Stability Programme both revenues and expenditure were expected to drop, with the decline in expenditure being more significant. In contrast in the DBP the small drop projected in the 2019 headline surplus is evenly explained by a slight decline in revenues and an uptick in expenditure.

The DBP's projections for 2018 are broadly in line with the Commission 2018 autumn forecast, which expects both the headline and the structural balance to post a surplus of 1.3% of GDP. Similarly, the DBP projections for 2019 are also close to the Commission forecast with a headline surplus of 1.2% of GDP and a structural surplus of 1.1% of GDP based on a no-policy change assumption.

The no-policy change DBP projects the surplus of the structural balance[4] to decline from 1.5% of GDP in 2018 to 1.1% of GDP in 2019. These developments are similar to those projected in the Stability Programme, where the surplus of the (recalculated) structural balance was expected to decline from 1.0% of GDP in 2018 to 0.8% of GDP in 2019.

Euro area sovereign bond yields remain at historically low levels. As a consequence, total interest payments by the general government have continued to decrease as a share of GDP. Based on the information included in the Draft Budgetary Plan, in line with the low level of government debt Luxembourg interest expenditure has remained modest at 0.3% of GDP. This compares to 1.9% of GDP on average for the euro area as a whole and it is below the 0.5% recorded back in 2013 at the peak of the euro area sovereign debt crisis. In addition, over the past years Luxembourg has benefitted from stable and favourable financing conditions. The implicit interest rate of government debt is estimated at 1.7% in 2019 compared to 2.2% for the euro area as a whole. This picture is broadly confirmed by the Commission services forecast.

Risks to the above fiscal outlook are related to the macroeconomic outlook and, in particular, to the financial sector remaining the main engine of the domestic economy. Regulatory and external risks remain and could adversely impact the sector and overall growth perspectives. Additional risks are mostly related to the impact that the ongoing international initiatives to fight tax avoidance and evasion could have on the decisions of multinational corporations to establish in Luxembourg. Finally, the recurrent and sizeable revisions of national accounts risk undermining the reliability of the overall budgetary exercise

[4] Cyclically adjusted balance net of one-off and temporary measures, recalculated by the Commission using the commonly agreed methodology.

Table 2. Composition of the budgetary adjustment

(% of GDP)	2017	2018			2019			Change: 2017-2019
	COM	**SP**	**DBP**	**COM**	**SP**	**DBP**	**COM**	**DBP**
Revenue	**44.5**	**43.9**	***44.9***	**44.8**	**43.6**	***44.8***	**45.0**	**0.3**
of which:								
- Taxes on production and imports	11.9	11.9	*12.1*	11.8	11.7	*11.8*	11.8	-0.1
- Current taxes on income, wealth, etc.	15.4	15.3	*15.9*	15.9	15.3	*15.9*	16.1	0.5
- Capital taxes	0.2	0.1	*0.2*	0.2	0.1	*0.3*	0.2	0.1
- Social contributions	12.5	12.4	*12.5*	12.6	12.4	*12.6*	12.5	0.1
- Other (residual)	4.4	4.2	*4.2*	4.4	4.1	*4.2*	4.4	-0.2
Expenditure	**43.1**	**42.8**	**43.4**	**43.5**	**42.3**	**43.5**	**43.8**	**0.4**
of which:								
- Primary expenditure	42.7	42.5	43.1	43.2	42.0	43.2	43.5	0.5
of which:								
Compensation of employees	9.0	9.0	9.1	9.0	8.9	9.1	9.0	0.1
Intermediate consumption	3.7	3.6	3.7	3.8	3.5	3.6	3.8	-0.1
Social payments	20.2	20.1	20.2	20.4	19.7	20.2	20.6	0.0
Subsidies	1.3	1.4	1.4	1.3	1.3	1.4	1.3	0.1
Gross fixed capital formation	4.1	4.1	4.1	4.1	4.0	4.1	4.0	0.0
Other (residual)	4.5	4.3	4.6	4.6	4.6	4.8	4.7	0.3
- Interest expenditure	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.0
General government balance (GGB)	**1.4**	**1.1**	**1.5**	**1.3**	**1.4**	**1.3**	**1.2**	**-0.1**
Primary balance	**1.7**	**1.4**	**1.8**	**1.7**	**1.6**	**1.6**	**1.6**	**-0.1**
One-off and other temporary measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GGB excl. one-offs	**1.4**	**1.1**	**1.5**	**1.3**	**1.4**	**1.3**	**1.2**	**-0.1**
Output gap[1]	-0.5	0.3	0.0	0.0	1.3	0.4	0.3	1.2
Cyclically-adjusted balance[1]	1.6	1.0	1.5	1.3	0.8	1.1	1.1	-0.6
Structural balance (SB)[2]	**1.6**	**1.0**	**1.5**	**1.3**	**0.8**	**1.1**	**1.1**	**-0.6**
Structural primary balance[2]	1.9	1.3	1.8	1.7	1.1	1.4	1.4	-0.7

Notes:

[1]Output gap (in % of potential GDP) and cyclically-adjusted balance according to the DBP/programme as recalculated by Commission on the basis of the DBP/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 2018 (SP); Draft Budgetary Plan for 2019 (DBP); Commission 2018 autumn forecast (COM); Commission calculations

3.2. Debt developments

In the Draft Budgetary Plan, the public debt-to-GDP ratio is projected to decrease from 23.0% in 2017 to 21.8% in 2018 and to increase to 22.8% of GDP in 2019, still well below the Treaty threshold of 60% and under the 30% threshold set by government. The increase in 2019 is expected to occur despite the general government balance remaining positive throughout the period covered by the Draft Budgetary Plan. According to the national law, the surpluses of the social security sector are allocated to a reserve fund (the so-called "Fonds de compensation commun au régime général de pension") with the aim to cover future pension expenditure. They cannot be used to finance the needs of the central government [5], which is expected to remain in deficit. These results are broadly in line with the Commission 2018 autumn forecast. In 2019, the DBP expects the public debt-to GDP ratio to increase to 22.8% of GDP, while a further decline is factored in the Commission forecast. The difference is mostly due to different assumptions about the stock-flow adjustment.

Table 3. Debt developments

(% of GDP)	2017	2018			2019		
		SP	DBP	COM	SP	DBP	COM
Gross debt ratio[1]	**23.0**	**22.7**	**21.8**	**21.4**	**22.1**	**22.8**	**20.8**
Change in the ratio	2.3	-0.3	-1.2	-1.6	-0.6	1.0	-0.6
Contributions [2] :							
1. Primary balance	**-1.7**	**-1.4**	**-1.8**	**-1.7**	**-1.6**	**-1.6**	**-1.6**
2. "Snow-ball" effect	**-0.4**	**-0.9**	**-0.7**	**-0.8**	**-1.1**	**-0.8**	**-0.6**
Of which:							
Interest expenditure	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Growth effect	-0.3	-1.0	-0.9	-0.7	-1.0	-0.8	-0.6
Inflation effect	-0.4	-0.2	-0.1	-0.4	-0.3	-0.3	-0.4
3. Stock-flow adjustment	**4.4**	**2.1**	**1.3**	**0.9**	**2.1**	**3.4**	**1.6**

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

Source:

Stability Programme 2018 (SP); Draft Budgetary Plan for 2019 (DBP); Commission 2018 autumn forecast (COM); Commission calculations

4. Compliance with the provisions of the Stability and Growth Pact

4.1. Compliance with the MTO

Luxembourg is subject to the preventive arm of the Pact. Box 2 reports the latest country-specific recommendations in the area of public finances.

[5] The breakdown of the general government balance shows that, while the social security sector traditionally posts a surplus of more than 1% of GDP, the central government records a deficit, and the balance of the local government sector is broadly neutral. As a consequence, the central government needs to issue debt even in case of a balanced or in surplus budget.

Box 2. Council recommendations addressed to Luxembourg

On 13 July 2018, the Council addressed recommendations to Luxembourg in the context of the European Semester. In particular, in the area of public finances the Council recommended to Luxembourg to increase the employment rate of older people by enhancing their employment opportunities and employability while further limiting early retirement, with a view to also improving the long-term sustainability of the pension system.

According to the information provided in the Draft Budgetary Plan, Luxembourg is expected to achieve a (recalculated) structural surplus of 1.5% of GDP in 2018. This is well above its MTO of a deficit of 0.5% of GDP[6]. For 2019, based on the information in the Draft Budgetary Plan, the (recalculated) structural balance is expected to decline to a surplus of 1.3% of GDP, still above the MTO. In this regard, it is worth to note that revenues from direct taxation surprised on the upside; i.e., corporate income taxes have in recent years positively surprised. While these developments could be related to less aggressive tax elusion behaviour by multinationals linked to the international fight against tax elusion, the existence of important windfalls cannot be excluded.

These conclusions are confirmed by the Commission 2018 autumn forecast.

[6] MTOs are to be revised every 3 years. Based on a agreed methodology, the Commission computes a minimum MTO for each country. The minimum MTOs a provide a lower bound for the national structural balance targets, which ensure the sustainability of the public finances, including the projected impact of ageing, or rapid progress towards sustainability, while providing a safety margin with respect to the 3% of GDP treaty reference value. Due to the more favourable estimation in the 2015 Ageing report of its sustainability components (age-relate expenditure, debt) the new minimum MTOs for Luxembourg declined significantly, from a structural balance surplus of 0.5% of GDP to a deficit of 1% of GDP. However, given that Luxembourg is bound by the provisions of the Fiscal Compact a deficit of 0.5% of GDP is considered as a general minimum MTO requirement. With the 2016 Stability Programme Luxembourg decided to revise its MTO to a deficit of 0.5% of GDP for the period 2017-2019 from a surplus of 0.5% of GDP.

Table 4. Compliance with the requirements of the preventive arm

(% of GDP)	2017	2018		2019	
Initial position[1]					
Medium-term objective (MTO)	-0.5	-0.5		-0.5	
Structural balance[2] (COM)	1.6	1.3		1.1	
Structural balance based on freezing (COM)	0.6	1.3		-	
Position vis-a -vis the MTO[3]	At or above the MTO	At or above the MTO		At or above the MTO	
(% of GDP)	**2017**	**2018**		**2019**	
	COM	**DBP**	**COM**	**DBP**	**COM**
Structural balance pillar					
Required adjustment[4]	0.0	0.0		0.0	
Required adjustment corrected[5]	-2.7	-1.1		-1.8	
Change in structural balance[6]	0.0	-0.2	-0.3	-0.4	-0.2
One-year deviation from the required adjustment [7]	2.7	0.9	0.9	1.4	1.6
Two-year average deviation from the required adjustment [7]	2.2	1.8	1.8	1.2	1.2
Expenditure benchmark pillar					
Applicable reference rate[8]	9.6	8.6		8.6	
One-year deviation adjusted for one-offs [9]	0.8	2.3	0.6	1.5	0.9
Two-year average deviation adjusted for one-offs [9]	1.4	1.6	0.7	1.9	0.7

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 2017) was carried out on the basis of Commission 2018 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, revenue increases mandated by law and one-offs 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 :

Draft Budgetary Plan for 2019 (DBP); Commission 2018 autumn forecast (COM); Commission calculations.

5. COMPOSITION OF PUBLIC FINANCES AND IMPLEMENTATION OF FISCAL STRUCTURAL REFORMS

The DBP projects an increase in total revenues in 2018 and 2019 compared to 2017, when total revenues stood at 44.5% of GDP. Total revenues are expected to remain broadly constant over 2018 and 2019 at 44.9% of GDP and 44.8% of GDP, respectively. In 2017 revenues growth suffered the impact of the tax reform that took effect at the start of 2017. The reform introduced changes mostly in the area of direct taxation, both for individuals and corporations, aiming at a gradual reduction in the corporate income tax rate (with the aim of increasing competitiveness) and increased progressivity of the personal income tax (with the aim to increase fairness). It is estimated to have cut off revenues for an equivalent of 0.7% of GDP in 2017. Its impact is projected to become larger in the following years reducing revenues annually for about 0.8% of GDP on average over the period 2018-2022.

In 2017 total revenues were also impacted by the change in VAT legislation[7] with regard to the place of taxation for activities related to e-commerce. A transition rule covering the period from 2015-2019 was put in place. Accordingly, Luxembourg has been able to retain 30% of VAT revenues generated by those activities between 2015 and 2016. The loss of e-VAT revenues between 2015 and 2016 has been estimated at around EUR 600 million (equivalent to 1.2% of GDP). This loss was partially compensated by the increase, which took effect at the start of 2015, by 2 percentage points of all VAT rates, excluding the super-reduced rate of 3%. The retained share of e-VAT is then reduced to 15% for the period 2017-2018. In 2017 a loss of around EUR 300 million (0.5% of GDP) was recorded. The rate is finally reduced to 0% from 2019 onward. The potential loss in 2019 is estimated at around at around 0.1% of GDP.

Total expenditure in 2018 and 2019 is expected to increase to 43.4 and 43.5% of GDP compared to 43.1% of GDP in 2017. In real terms, after a period of relative containment between 2013 and 2016 when it increased on average by 2.3% annually, total expenditure has returned to grow at around 4% per year, around the same rate it experienced between 2000 and 2012.

Public investment is projected to remain stable at 4.1% of GDP both in 2018 and 2019. While it stands at a level well above the euro-area average (2.6% of GDP in 2017), it remains; in spite of recent government efforts to improve investment in the country infrastructure, below its level before the financial crisis.

The no-policy- change Draft Budgetary Plan does not provide for a list of measures in order to ensure an adequate follow-up of the 2018 Country-Specific Recommendations.

The fiscal recommendation (see Box 2) called to increase the employment rate of older people with a view to improve the long-term sustainability of the pension system. In order to increase the employment rate of older people the recommendation suggest to enhance their employment opportunities and employability and to further limiting early retirement. In this regard, the Draft Budgetary Plan reports on the adopted reform of the long-term care insurance scheme, which will be effective from the start of 2018; the new measures to help people in long-term unemployment, which entered into effect in August and on the reform of early retirement schemes[8]. It also recalls previously reported measures such as the adopted reform of the professional classification scheme for persons with partial incapacity.

[7] From 1 January 2015, telecommunications, broadcasting and electronic services will always be taxed in the country where the customer belongs – regardless of whether the customer is a business or consumer – regardless of whether the supplier is based in the EU or outside.

[8] Law dated 30 November 2017.

A comprehensive assessment of progress made with the implementation of the Country-Specific Recommendations will be made in the 2019 Country Reports and in the context of the Country-Specific Recommendations to be proposed by the Commission in May 2019.

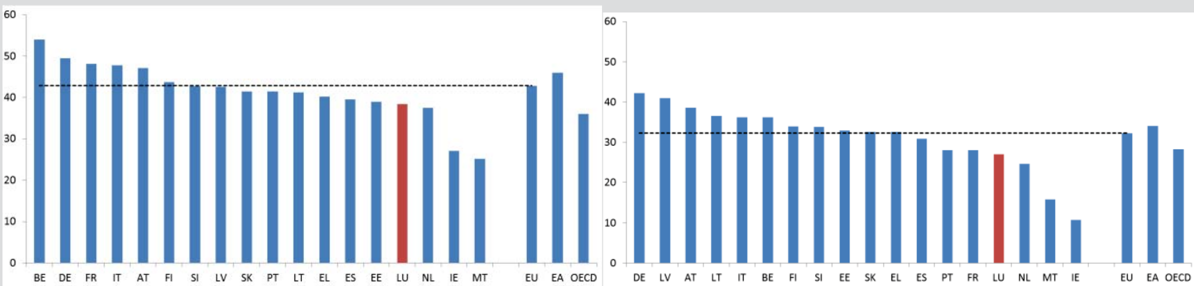
Box 3 – Addressing the tax burden on labour in the euro area

Addressing the tax burden on labour in the euro area

The tax burden on labour in the euro area is relatively high, which weighs on economic activity and employment. Against this background, the Eurogroup has expressed a commitment to reduce the tax burden on labour. On 12 September 2015, the Eurogroup agreed to benchmark euro area Member States' tax burden on labour against the GDP-weighted EU average, relying in the first instance on indicators measuring the tax wedge on labour for a single worker at average wage and a single worker at low wage. It also agreed to relate these numbers to the OECD average for purposes of broader comparability.

The tax wedge on labour measures the difference between the total labour costs to employ a worker and the worker's net earnings. It is made up of personal income taxes and employer and employee social security contributions. The higher the tax wedge, the higher the disincentives to take up work or hire new staff. The graphs below show the tax wedge in Luxembourg for a single worker earning respectively the average wage and a low wage (50% of the average) compared to the EU average.

The tax burden on labour in Luxembourg at the average wage and at low wage (2016)



Notes: No recent data is available for Cyprus. EU and EA averages are GDP-weighted. The OECD average is not weighted.
Source: European Commission Tax and Benefit Indicator database based on OECD data.

Benchmarking is only the first step in the process towards firm, country-specific policy conclusions. The tax burden on labour interacts with a wide variety of other policy elements such as the benefit system and the wage-setting system. A good employment performance indicates that the need to reduce labour taxation may be less urgent while fiscal constraints can dictate that labour tax cuts should be fully offset by other revenue-enhancing or expenditure-reducing measures. In-depth, country-specific analysis is necessary before drawing policy conclusions.

The reform of the tax code, which took effect as of 1st January 2017 has introduced measures lowering the tax wedge on labour. The reform has made the system more progressive for lower incomes while two new marginal tax rates for the highest incomes. Tax credits for employees and pensioners have been increased. The tax measures are expected to preserve the competitiveness of its economy and increase households' disposable income and have a positive effect on employment and on growth through higher private consumption. No new measures were included in the 2019 no-policy-change Draft Budgetary Plan affecting the tax wedge on labour.

6. OVERALL CONCLUSION

According to both the information provided in the no-policy-change Draft Budgetary Plan and the Commission 2018 autumn forecast, the structural balance is expected to remain above the MTO in 2018 and 2019.