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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
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Enclosed:	COM(2019) 900 final

Delegations will find attached document COM(2019) 900 final.

EUROPEAN
COMMISSION

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ANNEXES 1 to 4

ANNEXES

to the

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, AND THE EUROPEAN CENTRAL BANK

on the 2020 Draft Budgetary Plans: Overall Assessment

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ANNEX I: Country-specific assessment of Draft Budgetary Plans

Member States under the preventive arm of the Stability and Growth Pact

Plans compliant with the Member State's obligations

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Germany** is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2020 budget. Given Germany's favourable budgetary situation, the Commission invites the authorities to undertake additional expenditure for achieving a sustained upward trend in private and public investment, in particular at regional and municipal level and to focus investment-related economic policy on education; research and innovation; digitalisation and very-high capacity broadband; sustainable transport as well as energy networks and affordable housing, taking into account regional disparities, as recommended by the Council in the context of the European Semester. The Commission is also of the opinion that Germany has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and invites the authorities to make further progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Report and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Ireland** is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2020 budget and to use any windfall gains to further reduce the general government debt ratio. The Commission is also of the opinion that Ireland has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and thus invites the authorities to accelerate progress. A comprehensive description of progress made with the implementation of the country specific recommendations will be made in the 2020 Country Report and assessed in the context of the country specific recommendations to be proposed by the Commission in spring 2020.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Greece** is compliant with the provisions of the Stability and Growth Pact. In 2020, Greece is expected to meet its medium-term budgetary objective. Greece is also considered to comply with the 3.5% of GDP primary surplus target monitored under the enhanced surveillance. The Commission therefore invites the authorities to implement the 2020 budget. In July 2019 Greece received a Council Recommendation to "achieve a sustainable economic recovery and tackle the excessive macroeconomic imbalances by continuing and completing reforms in line with the post-programme commitments given at the Eurogroup of 22 June 2018." The implementation of this recommendation is monitored under the enhanced surveillance framework.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Cyprus** is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2020 budget. The Commission is also of the opinion that Cyprus has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European

Semester and thus invites the authorities to accelerate progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Lithuania** is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2020 budget. The Commission is also of the opinion that Lithuania has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and invites the authorities to make further progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Luxembourg** is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2020 budget. The Commission is also of the opinion that Luxembourg has made limited progress with regard to the structural part of the fiscal recommendation cointained in the Council Recommendation of 9 July 2019 in the context of the European Semester and thus invites the authorities to accelerate progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Malta** is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2020 budget. The Commission is also of the opinion that Malta has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and thus invites the authorities to accelerate progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Report and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **the Netherlands** is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2020 budget. Given the Netherlands' favourable budgetary situation, the Commission invites the authorities to undertake additional expenditures for supporting an upward trend in investment and to focus investment-related economic policy on research and development in particular in the private sector, on renewable energy, energy efficiency and greenhouse gas emissions reduction strategies and on addressing transport bottlenecks, as recommended by the Council in the context of the European Semester. The Commission is of the opinion that the Netherlands has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and invites the authorities to make further progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

Overall, while acknowledging the no-policy-change nature of its projections, the Commission is of the opinion that the Draft Budgetary Plan of **Austria** is compliant with the provisions of the Stability and Growth Pact. The Commission is also of the opinion that Austria has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and thus invites the authorities to accelerate progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Report and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

Plans broadly compliant with the Member State's obligations

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Estonia** is broadly compliant with the provisions of the Stability and Growth Pact. The Commission therefore invites the authorities to stand ready to take the necessary measures within the national budgetary process to ensure that the 2020 budget will be compliant with the Stability and Growth Pact rules. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Latvia** is broadly compliant with the provisions of the Stability and Growth Pact. However, this assessment is dependent on the current projection that Latvia will be close to its medium-term budgetary objective. If that projection is not confirmed in future assessments of compliance with the requirements of the preventive arm, the overall assessment of compliance will consider the extent of the deviation from the requirement set by the Council. The Commission invites the authorities to stand ready to take the necessary measures within the national budgetary process to ensure that the 2020 budget will be compliant with the Stability and Growth Pact rules. The Commission is also of the opinion that Latvia has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and invites the authorities to make further progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Report and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

Plans at risk of non-compliance with the Member State's obligation

Overall, while acknowledging the no-policy-change nature of its projections, the Commission is of the opinion that the Draft Budgetary Plan of **Belgium** is at risk of non-compliance with the provisions of the Stability and Growth Pact. In particular, the Commission projects a risk of significant deviation from the required adjustment towards the medium-term budgetary objective in 2019 and 2020. Additionally, Belgium is not projected to comply with the debt reduction benchmark in 2019 and 2020. The Commission is also of the opinion that Belgium has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and thus invites the authorities to accelerate progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Report and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020. The Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2020 budget will be compliant with the Stability and Growth Pact and to use any windfall gains to accelerate the reduction of the government debt-to-GDP ratio.

Overall, while acknowledging the no-policy-change nature of its projections, the Commission is of the opinion that the Draft Budgetary Plan of **Spain** is at risk of non-compliance with the provisions of the Stability and Growth Pact. In particular, the Commission projects a risk of significant deviation from the required adjustment path to the medium-term budgetary objective. Moreover, Spain is not expected to make sufficient progress towards compliance with the debt reduction benchmark in 2019 and 2020. The Commission is also of the opinion that Spain has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester. It thus invites the authorities to accelerate progress. A comprehensive description of progress made with the implementation of those recommendations will be provided in the 2020 Country Report and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020. The Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2020 budget will be compliant with the Stability and Growth Pact and to use any windfall gains to accelerate the reduction of the government debt-to-GDP ratio.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **France** is at risk of non-compliance with the provisions of the Stability and Growth Pact. In particular, the Commission projects a risk of significant deviation from the required adjustment towards the medium-term budgetary objective for 2019 and 2020. Moreover, France is not projected to make sufficient progress towards compliance with the debt reduction benchmark either in 2019 or in 2020. Therefore, the Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2020 budget will be compliant with the Stability and Growth Pact and to use any windfall gains to accelerate the reduction of the government debt-to-GDP ratio. The Commission is also of the opinion that France has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and thus invites the authorities to accelerate progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Italy** is at risk of non-compliance with the provisions of the Stability and Growth Pact. In particular, the Commission projects a risk of significant deviation from the required adjustment towards the medium-term budgetary objective for 2019 and 2020. Moreover, Italy is not projected to comply with the debt reduction benchmark in 2019 and 2020. The Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2020 budget will be compliant with the Stability and Growth Pact and to use any windfall gains to accelerate the reduction of the government debt-to-GDP ratio. The

Commission is also of the opinion that Italy has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and invites the authorities to make further progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Report and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

Overall, while acknowledging the no-policy-change nature of the projections, the Commission is of the opinion that the Draft Budgetary Plan of **Portugal** is at risk of non-compliance with the provisions of the Stability and Growth Pact. In particular, the Commission projects a risk of significant deviation from the required adjustment towards the medium-term budgetary objective in both 2019 and 2020. The Commission is also of the opinion that Portugal has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and thus invites the authorities to accelerate progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Report and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020. The Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2020 budget will be compliant with the Stability and Growth Pact and to use any windfall gains to accelerate the reduction of the government debt-to-GDP ratio.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Slovenia** is at risk of non-compliance with the provisions of the Stability and Growth Pact. A headline budget surplus of 0.5% of GDP is projected for 2020 and the public debt ratio is projected to decline in line with the requirements of the debt reduction benchmark. While the Commission projects a risk of some deviation from the adjustment path towards the medium-term budgetary objective recommended by the Council in 2020, there is a risk of significant deviation taking 2019 and 2020 together. However, the high degree of uncertainty surrounding the output gap estimates could imply that Slovenia may be closer to its medium-term budgetary objective in 2020, pointing to broad compliance. This will be taken into account if confirmed ex post. The Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2020 budget will be compliant with the Stability and Growth Pact. The Commission is also of the opinion that Slovenia has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and thus invites the authorities to accelerate progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Report and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Slovakia** is at risk of non-compliance with the provisions of the Stability and Growth Pact. The public debt ratio is well below 60% of GDP and further declining, while the headline budget balance provides a sizeable margin from the 3% of GDP Treaty reference value. Moreover, the additional measures announced on 6 November 2019 reduced the deviation from the recommended adjustment path towards the medium term budgetary objective as a result of which it is no longer significant in 2020. However, mainly in view of the slippage in 2019, there is still a risk of significant deviation for 2019 and 2020 together from the adjustment path towards the medium-term budgetary objective recommended by the Council. The Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2020 budget will be compliant with the Stability and Growth Pact. The Commission is also of the opinion that Slovakia has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and thus invites the authorities to accelerate progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Report and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Finland** is at risk of non-compliance with the provisions of the Stability and Growth Pact. The public debt ratio is projected to remain below the 60% of GDP Treaty reference value and the headline budget balance provides a sizeable margin from the 3% of GDP Treaty reference value. The Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2020 budget will be compliant with the Stability and Growth Pact. The Commission is also of the opinion that Finland has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and thus invites the authorities to accelerate progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

ANNEX II: The methodology and assumptions underpinning the Commission autumn 2019 forecast

According to Article 7(4) of Regulation (EU) No 473/2013, "the methodology and assumptions of the most recent economic forecasts of the Commission services for each Member State, including estimates of the impact of aggregated budgetary measures on economic growth, shall be annexed to the overall assessment". The assumptions underlying the Commission 2019 autumn forecast, which is produced independently by Commission staff, are explained in the forecast document itself.[1]

Budgetary data up to 2018 are based on data notified by Member States to the Commission before 1 October 2019 and validated by Eurostat on 21 October 2019. Eurostat has made no amendments to the data reported by Member States during the autumn 2019 notification round. Eurostat is withdrawing the reservation on the quality of the data reported by Hungary in relation to the sector classification of the Hungarian Association for the Stockpiling of Hydrocarbons and of the foundations created by the Hungarian National Bank. The foundations and all their subsidiaries as well as the association, were reclassified into general government. Due mainly to the combined effect of these reclassifications the debt has increased by 0.4 pp of GDP in 2017 and by 0.3 pp in 2015, 2016 and 2018, while the deficit has increased by 0.2 pp of GDP in 2017 and by 0.1 pp in 2015 and 2016. Eurostat is aslo withdrawing the reservation on the quality of the data reported by Slovakia in relation to the recording of certain expenditures incurred by government, following the revision implemented by the Slovak statistical authorities that led to an increase in the deficit by 0.2% of GDP in 2018.

For the forecast, measures in support of financial stability have been recorded in line with the Eurostat Decision of 15 July 2009.[2] Unless reported otherwise by the Member State concerned, capital injections known in sufficient detail have been included in the forecast as financial transactions, i.e. increasing the debt, but not the deficit. State guarantees on bank liabilities and deposits are not included as government expenditure, unless there is evidence that they have been called on at the time the forecast was finalised. Note, however, that loans granted to banks by the government, or by other entities classified in the government sector, usually add to government debt.

For 2020, budgets adopted or presented to national parliaments and all other measures known in sufficient detail are taken into consideration. In particular, all the information included in the Draft Budgetary Plans submitted by mid-October is reflected in the autumn forecast. For 2021, the '*no-policy-change*' assumption used in the forecasts implies the extrapolation of revenue and expenditure trends and the inclusion of measures that are known in sufficient detail.

European aggregates for general government debt in the forecast years 2019-2021 are published on a non-consolidated basis (i.e. not corrected for intergovernmental loans). To ensure consistency in the time series, historical data are also published on the same basis. General government debt projections for individual Member States in 2019-21 include the impact of guarantees to the European Financial Stability Facility, bilateral loans to other

[1] Methodological assumptions underlying the Commission autumn 2019 economic forecast, available at: http://ec.europa.eu/economy_finance/publications/eeip/forecasts_en.htm).

[2] Available at: http://ec.europa.eu/eurostat/documents/1015035/2041337/FT-Eurostat-Decision-9-July-2009-3--final-.pdf.

Member States, and the participation in the capital of the European Stability Mechanism as planned on the cut-off date of the forecast.[3]

According to the Commission 2019 autumn forecast, the budgetary measures reported in the Draft Budgetary Plans for 2020 are marginally deficit-increasing on aggregate (impact of around 0.05% of GDP). That is largely driven by the expected negative impact of expenditure-increasing measures, with revenue measures projected to be neutral on aggregate. Overall, the mechanical impact on GDP growth in the short-term is projected to be negligible.

It is important to be prudent in interpreting that estimate:

- Not acting on fiscal imbalances could heighten financial-asset fragility and lead to higher spreads and lending rates, with a negative impact on growth.
- Regulation (EU) No 473/2013 aims at evaluating the effect of the measures taken in the Draft Budgetary Plans. Therefore measures taken and having entered into force before the Draft Budgetary Plans are not included in the assessment (even if they can have an additional impact on the public finance projections for 2020).
- The impact of reported measures is expressed against a baseline at unchanged policy. The fiscal policy orientation of that baseline is not necessarily neutral. For example, the trend increase of some expenditure items could be above or below potential growth, there might be an additional impact of earlier measures in the baseline or measures taken earlier might cease in 2020. The expansionary nature of the baseline scenario is illustrated by the fact that the aggregate fiscal stance in 2020 is more expansionary than the deficit-increasing impact of reported measures.

[3] In line with the Eurostat decision of 27 January 2011 on the statistical recording of operations undertaken by the EFSF, available at: http://ec.europa.eu/eurostat/documents/2995521/5034386/2-27012011-AP-EN.PDF.

ANNEX III: Sensitivity analysis

According to Article 7 of Regulation (EU) No 473/2013, "the overall assessment shall include sensitivity analyses that provide an indication of the risks to public finance sustainability in the event of adverse economic, financial or budgetary developments". This Annex therefore presents a sensitivity analysis of public debt developments to possible macroeconomic shocks (to growth, interest rates and the government primary balance), relying on results from stochastic debt projections . The analysis allows gauging the possible impact on public debt dynamics of downside and upside risks to nominal GDP growth, the effects of positive/negative developments on financial markets, translating into lower/higher borrowing costs for governments, and fiscal shocks affecting the government budgetary position.

With stochastic projections the uncertainty in future macroeconomic conditions is featured in the analysis of public debt dynamics around a 'central' debt projection scenario, which corresponds respectively to the Commission's 2019 autumn forecast scenario and the Draft Budgetary Plans' forecast scenario in the two panels of the graph below, reporting results for the euro area (in both cases the usual ‘no-fiscal policy change’ assumption is made beyond the forecast horizon) . Shocks are applied to the macroeconomic conditions (short-term and long-term interest rates on government bonds; growth rate; government primary balance) assumed in the central scenario to obtain the 'cone' (distribution) of possible debt paths presented in the graph below. The cone corresponds to a wide set of possible underlying macroeconomic conditions, with as many as 2000 shocks simulated on growth, interest rates and the primary balance. The size and correlation of the shocks reflect the variables' historical behaviour . This implies that the methodology does not capture real-time uncertainty. The resulting fan charts in the graph below therefore provide probabilistic information on debt dynamics for the euro area, taking into account the possible occurrence of shocks to growth, interest rates and the primary balance of a magnitude and correlation mirroring those observed in the past.

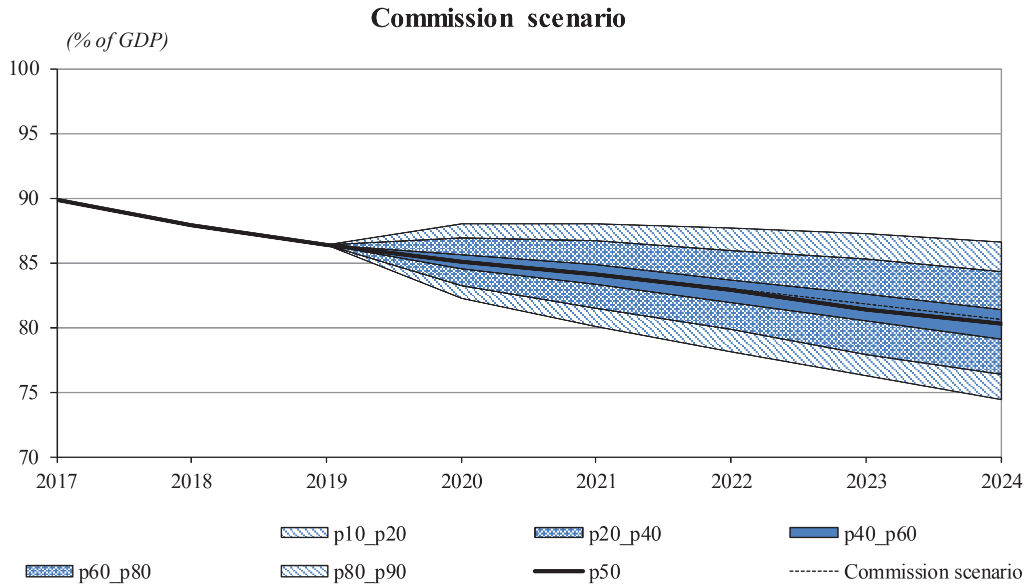
The fan charts report the projected debt path under the central scenario (around which macroeconomic shocks are applied) as a dashed line, and the debt projection trajectory that divides into two halves the whole set of possible trajectories obtained by applying the shocks (the median) as a solid black line at the centre of the cone. The cone itself covers 80% of all possible debt paths obtained by simulating the 2000 shocks to growth, interest rates and the primary balance (as the lower and upper lines delimiting the cone represent respectively the 10th and the 90th percentiles of the distribution), thus excluding from the shaded area simulated debt paths (20% of the whole) that result from more extreme (less likely) shocks, or 'tail events'. The differently shaded areas within the cone represent different portions of the overall distribution of possible debt paths. The dark blue area (delimited by the 40th and 60th percentiles) includes the 20% of all possible debt paths that are closer to the central scenario.

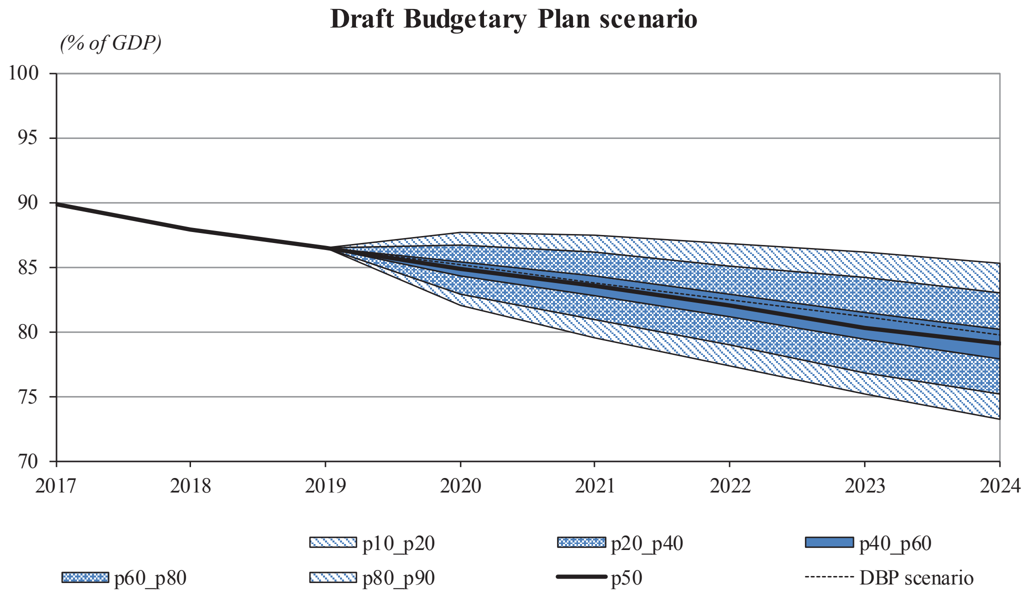
For both the Commission and the Draft Budgetary Plan forecast scenarios, accounting for both downside and upside risks to the government primary balance, growth and financial market conditions leads to a euro area debt in 2020 lying between around 82% and 88% of GDP with an 80% probability (as the cone represents 80% of all possible simulated debt paths). Lower and upper bounds of the debt ratio interval in 2020 would thus be fairly similar for the Commission scenario compared to the Draft Budgetary Plan scenario, due to a very small difference between the respective central forecasts to which shocks apply (a debt ratio at around 85% in the Commission scenario and the Draft Budgetary Plan scenario).

Beyond 2020, the horizon of the current Draft Budgetary Plans, simulation results show that the difference in projected debt ratios under shocks between the Commission and the Draft Budgetary Plan scenarios remains fairly limited. At the end of the projection horizon considered in the fan charts (2024), there would be a 50% probability of a debt ratio higher than around 79% and 80% of GDP in the Draft Budgetary Plan and Commission scenarios respectively. That small difference is mainly due to the structural primary balance kept constant at a slightly higher last forecasted surplus in the Draft Budgetary Plan scenario compared to the Commission scenario.

Note that since the size and correlation of the shocks reflect the variables' historical behaviour, the methodology does not capture real-time uncertainty, such as may exist in particular for assessing the output gap. Bearing in mind the past experience of significant revisions of output gap estimates, often in the direction of lower potential output than thought in real time, this uncertainty suggests an additional source of risks on future debt paths that is not reflected in the previous analysis.

Graph III.1: Fan charts from stochastic public debt projections around the Commission's forecast scenario and the Draft Budgetary Plans' (DBP) forecast scenario





ANNEX IV. Graphs and Tables

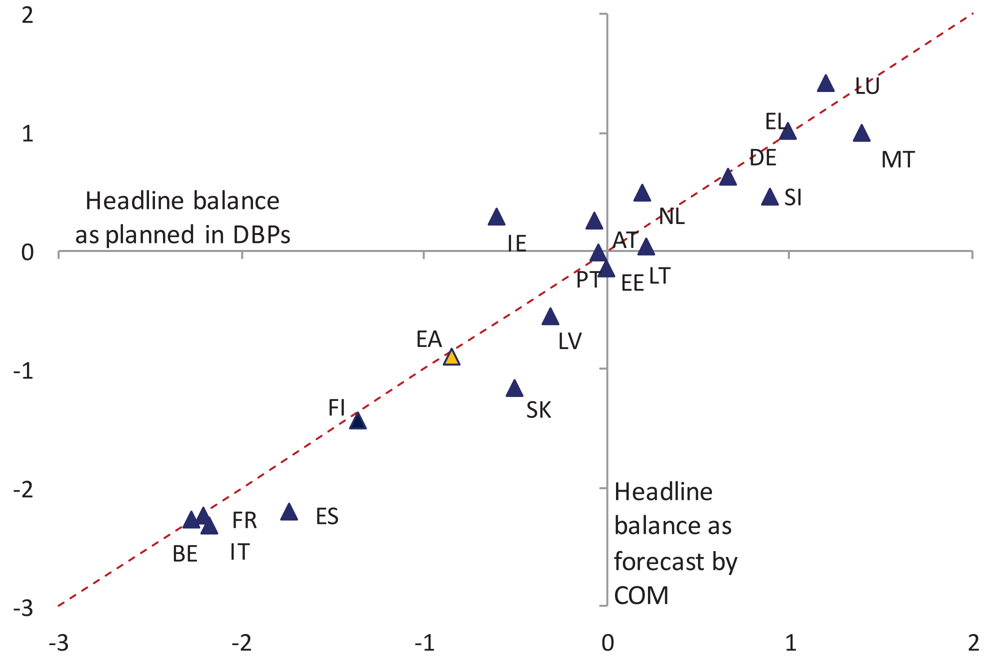
Table IV.1: Real GDP growth (%) according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2019 autumn forecast (COM)

	2019			2020		
Country	**SP**	**DBP**	**COM**	**SP**	**DBP**	**COM**
BE	1.3	1.1	1.1	1.4	1.1	1.0
DE	1.0	0.5	0.4	1.6	1.5	1.0
EE	3.1	3.3	3.2	2.7	2.2	2.1
IE	3.9	5.5	5.6	3.3	0.7	3.5
EL	2.3	2.0	1.8	2.3	2.8	2.3
ES	2.2	2.1	1.9	1.9	1.8	1.5
FR	1.4	1.4	1.3	1.5	1.4	1.3
IT	0.2	0.1	0.1	0.8	0.6	0.4
CY	3.7	3.2	2.9	3.2	2.9	2.6
LV	3.2	3.2	2.5	3.0	2.8	2.6
LT	2.6	3.7	3.8	2.4	2.4	2.4
LU	3.0	2.4	2.6	3.8	2.4	2.6
MT	6.2	5.0	5.0	5.7	4.3	4.2
NL	1.5	1.8	1.7	1.5	1.5	1.3
AT	1.7	1.7	1.5	1.8	1.4	1.4
PT	1.9	1.9	2.0	1.9	2.0	1.7
SI	3.4	2.8	2.6	3.1	3.0	2.7
SK	4.0	2.4	2.7	3.7	2.3	2.6
FI	1.7	1.5	1.4	1.4	1.0	1.1
EA	**1.4**	**1.2**	**1.2**	**1.6**	**1.4**	**1.2**

Table IV.2: Headline balance targets (% of GDP) according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2019 autumn forecast (COM)

	2019			2020		
Country	**SP**	**DBP**	**COM**	**SP**	**DBP**	**COM**
BE	-0.8	-1.7	-1.7	-0.2	-2.3	-2.3
DE	0.9	1 1/4	1 1/4	0.8	3/4	3/4
EE	-0.2	-0.1	-0.2	-0.3	0.0	-0.2
IE	0.2	0.2	0.2	0.4	-0.6	0.3
EL	1.6	1.4	1.3	1.6	1.0	1.0
ES	-2.0	-2.0	-2.3	-1.1	-1.7	-2.2
FR	-3.1	-3.1	-3.1	-2.0	-2.2	-2.2
IT	-2.4	-2.2	-2.2	-2.1	-2.2	-2.3
CY	3.0	3.9	3.7	2.6	2.7	2.6
LV	-0.5	-0.5	-0.6	-0.4	-0.3	-0.6
LT	0.4	0.1	0.0	0.2	0.2	0.0
LU	1.0	2.0	2.3	1.4	1.2	1.4
MT	0.9	1.4	1.2	1.0	1.4	1.0
NL	1.2	1.3	1.5	0.8	0.2	0.5
AT	0.3	0.3	0.4	0.2	-0.1	0.2
PT	-0.2	-0.1	-0.1	0.3	0.0	0.0
SI	0.9	0.8	0.5	1.0	0.9	0.5
SK	0.0	-0.7	-0.9	0.0	-0.5	-1.2
FI	-0.3	-1.0	-1.1	0.0	-1.4	-1.4
EA	**-0.9**	**-0.7**	**-0.8**	**-0.5**	**-0.8**	**-0.9**

Graph IV.1: Comparison of 2020 headline government balance (% of GDP): Commission 2019 autumn forecast (COM) versus the Draft Budgetary Plans (DBP)



Note: Cyprus, which is forecast to have a surplus of over 2% of GDP in 2020, is not shown in this graph in order to improve its readability.

Graph IV.2: Drivers of the difference in the headline government balance (% of GDP) in 2020 between the Commission 2019 autumn forecast and the Draft Budgetary Plans

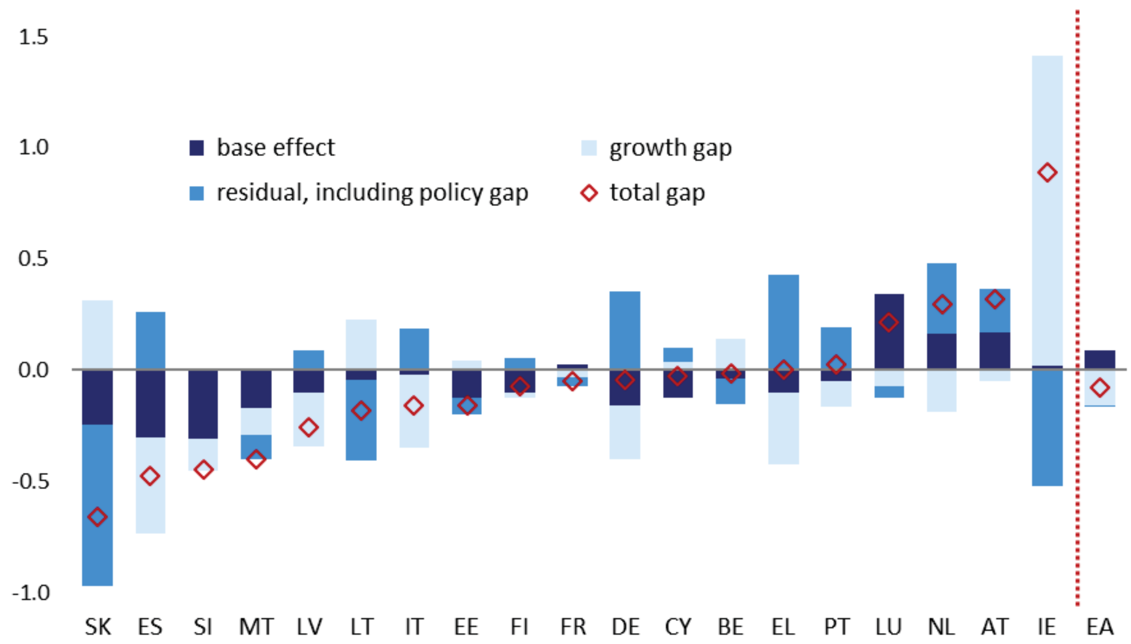


Table IV.3: Headline primary balance targets (% of GDP) according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2019 autumn forecast (COM)

	2019			2020		
Country	SP	DBP	COM	SP	DBP	COM
BE	1.3	0.3	0.2	1.7	-0.4	-0.4
DE	1.7	2 1/4	2	1.5	1 2/4	1 2/4
EE	-0.2	-0.1	-0.2	-0.3	0.0	-0.1
IE	1.6	1.6	1.6	1.6	0.5	1.4
EL	4.7	4.4	4.3	4.5	3.7	3.7
ES	0.3	0.2	-0.1	1.2	0.4	-0.1
FR	-1.6	-1.6	-1.6	-0.5	-0.8	-0.9
IT	1.2	1.3	1.3	1.5	1.1	0.9
CY	5.3	6.2	6.0	4.8	5.1	4.6
LV	0.2	0.3	0.1	0.4	0.4	0.1
LT	1.3	0.9	0.8	0.9	0.7	0.5
LU	1.3	2.3	2.6	1.6	1.4	1.7
MT	2.3	2.7	2.5	2.2	2.6	2.3
NL	1.9	2.0	2.2	1.4	0.8	1.2
AT	1.8	1.7	1.9	1.6	1.3	1.6
PT	3.1	3.1	3.0	3.3	2.9	2.9
SI	2.6	2.4	2.1	2.4	2.4	2.0
SK	1.2	0.5	0.3	1.1	0.6	0.0
FI	0.6	-0.2	-0.3	0.8	-0.6	-0.7
EA	**0.9**	**0.9**	**0.9**	**1.1**	**0.7**	**0.6**

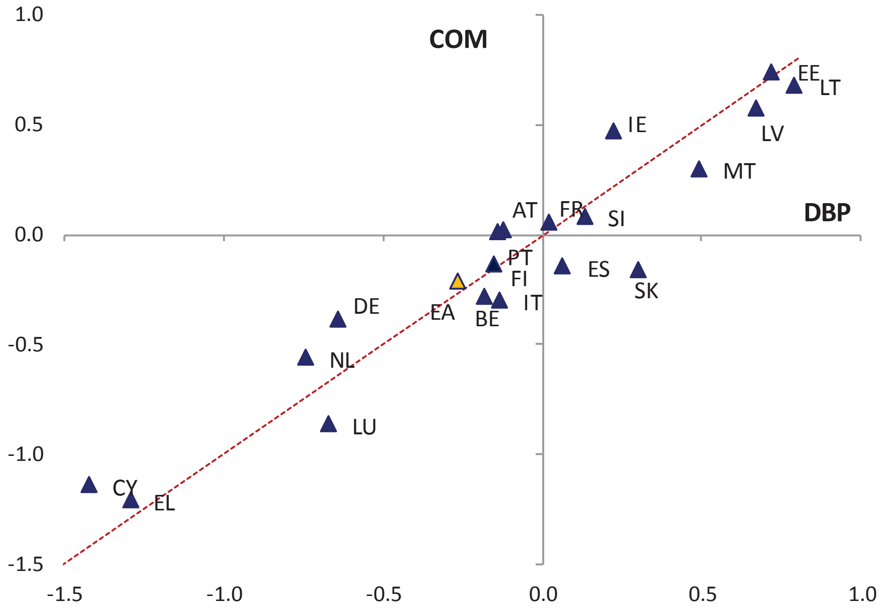
Table IV.4: Changes in structural balance (pps. of potential GDP) according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2019 autumn forecast (COM)

	2019			2020		
Country	**SP**	**DBP**	**COM**	**SP**	**DBP**	**COM**
BE	0.1	-0.3	-0.3	0.6	-0.2	-0.3
DE	-0.7	-0.1	-0.3	-0.2	-0.6	-0.4
EE	0.4	0.9	0.6	-0.1	0.7	0.7
IE	0.5	-0.3	-0.2	0.5	0.2	0.5
EL	-1.7	-1.9	-2.1	-1.0	-1.3	-1.2
ES	-0.1	0.1	-0.2	0.7	0.1	-0.1
FR	0.2	0.0	0.0	0.1	0.0	0.1
IT	-0.2	0.3	0.2	0.2	-0.1	-0.3
CY	-0.8	-0.2	-0.2	-0.5	-1.4	-1.1
LV	0.7	0.1	0.3	0.6	0.7	0.6
LT	0.0	-0.6	-0.7	0.4	0.8	0.7
LU	-1.7	-0.6	-0.4	0.0	-0.7	-0.9
MT	-0.9	-0.2	-0.3	0.4	0.5	0.3
NL	-0.4	-0.4	-0.1	0.1	-0.7	-0.6
AT	0.3	0.1	0.3	0.0	-0.1	0.0
PT	0.1	0.3	0.2	0.3	-0.1	0.0
SI	0.2	-0.1	-0.3	0.2	0.1	0.1
SK	0.5	0.4	0.1	0.0	0.3	-0.2
FI	0.1	-0.4	-0.5	0.5	-0.1	-0.1
EA	**-0.2**	**0.0**	**-0.1**	**0.1**	**-0.3**	**-0.2**

Table IV.5: Changes in structural primary balance (pps. of potential GDP) according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2019 autumn forecast (COM)

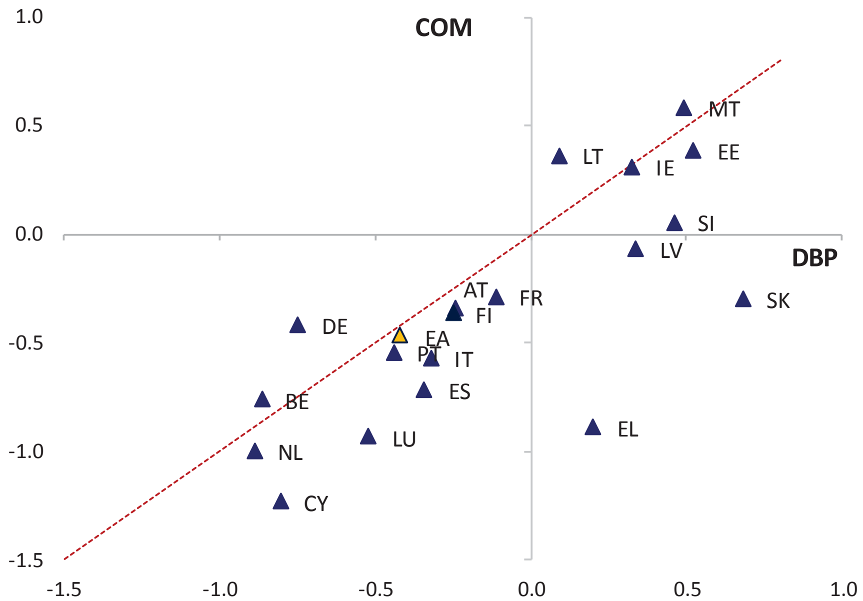
	2019			2020		
Country	**SP**	**DBP**	**COM**	**SP**	**DBP**	**COM**
BE	-0.1	-0.6	-0.4	0.4	-0.3	-0.4
DE	-0.8	-0.3	-0.4	-0.3	-0.7	-0.5
EE	0.4	0.9	0.6	-0.1	0.7	0.7
IE	0.3	-0.9	-0.5	0.3	-0.1	0.2
EL	-1.9	-2.0	-2.4	-1.2	-1.6	-1.5
ES	-0.2	-0.2	-0.4	0.6	0.0	-0.3
FR	0.0	-0.3	-0.2	0.1	-0.1	-0.1
IT	-0.3	0.0	0.0	0.2	-0.3	-0.5
CY	-1.0	-0.4	-0.3	-0.6	-1.3	-1.4
LV	0.7	0.0	0.3	0.7	0.6	0.5
LT	0.0	-1.0	-0.8	0.2	0.5	0.4
LU	-1.8	-0.6	-0.4	0.0	-0.8	-0.9
MT	-1.1	-0.8	-0.5	0.2	0.4	0.2
NL	-0.6	-0.7	-0.3	0.0	-0.8	-0.7
AT	0.1	-0.3	0.2	-0.1	-0.3	-0.1
PT	0.0	-0.4	-0.1	0.1	-0.3	-0.1
SI	-0.2	-0.9	-0.6	0.1	0.0	0.0
SK	0.3	0.1	0.0	-0.1	0.2	-0.3
FI	0.1	-0.6	-0.6	0.4	-0.3	-0.2
EA	**-0.4**	**-0.3**	**-0.3**	**0.1**	**-0.4**	**-0.4**

Graph IV.3: Change in the 2020 structural balance (pps. of potential GDP): Draft Budgetary Plans (DBP) versus Commission 2019 autumn forecast (COM)



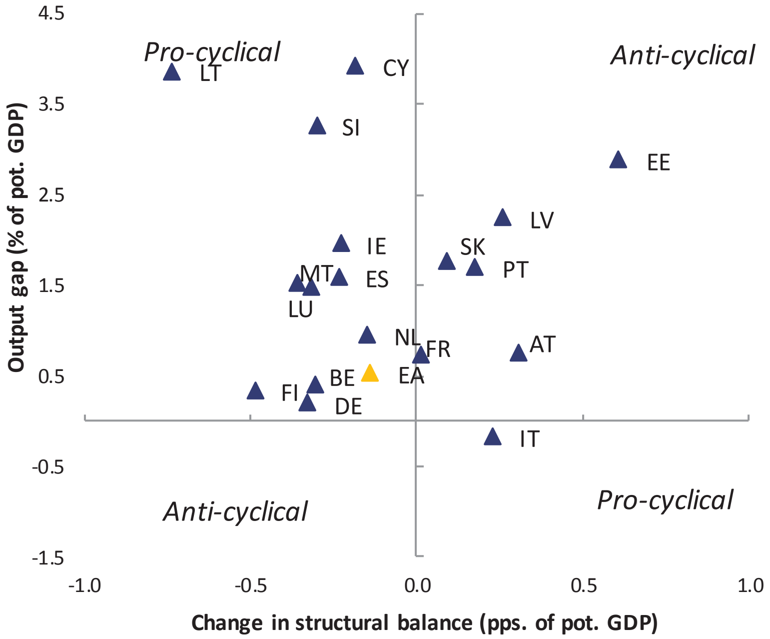
Note: Greece and Cyprus, which are forecast to have a change in their structural balance of more than -1% of potential GDP in 2020, are not shown in this graph in order to improve its readability.

Graph IV.4: Fiscal effort based on expenditure benchmark methodology in 2020 (pps. of potential GDP): Draft Budgetary Plans (DBP) versus Commission 2019 autumn forecast (COM)

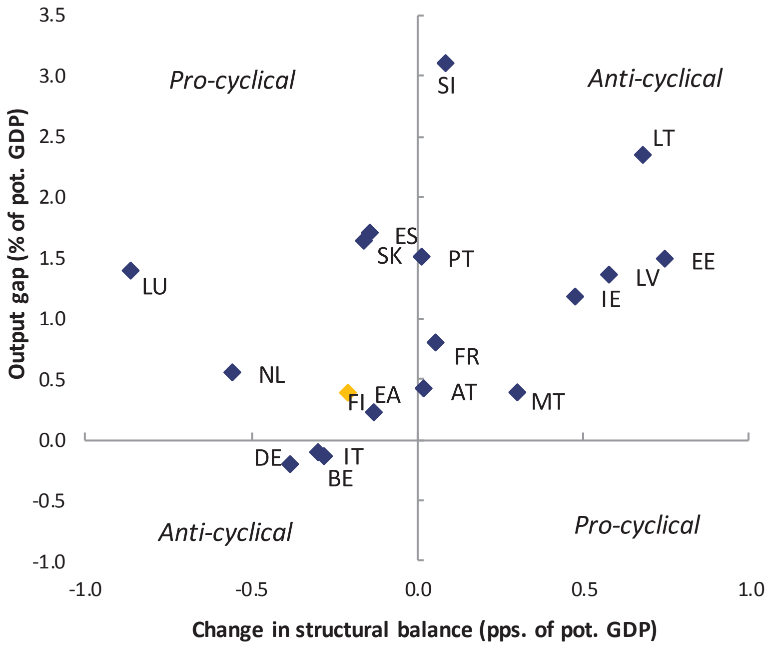


Note: Fiscal effort is measured against the a 10-year average growth of potential GDP and does not account for fiscal space of Member States that have overachieved their medium-term budgetary objectives.

Graph IV.5a: Change in the 2019 structural balance (pps. of potential GDP) versus output gap from Commission 2019 autumn forecast (COM)

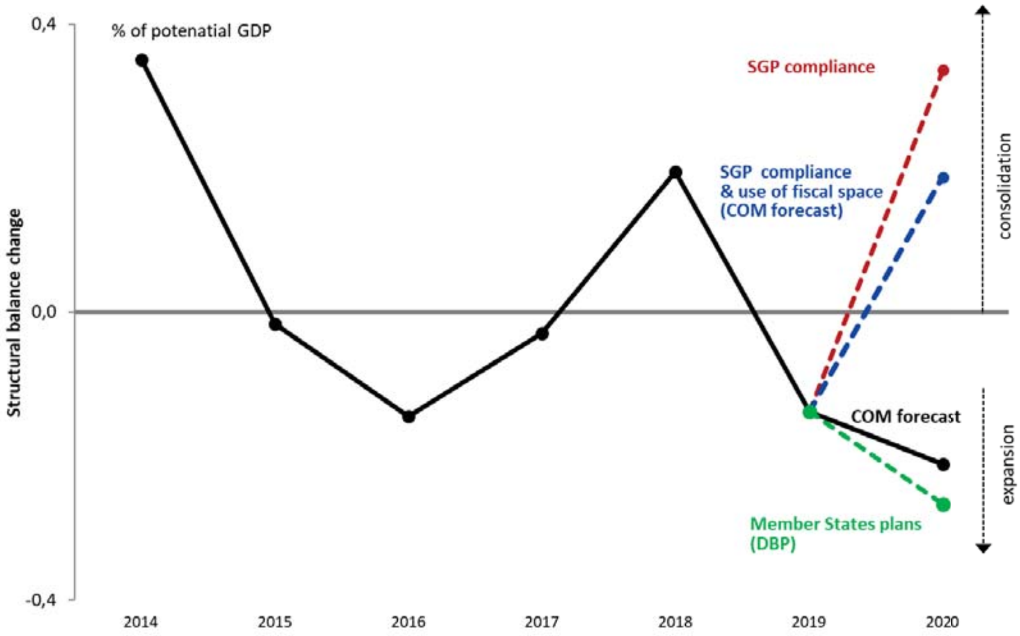


Graph IV.5b: Change in the 2020 structural balance (pps. of potential GDP) versus output gap from Commission 2019 autumn forecast (COM)

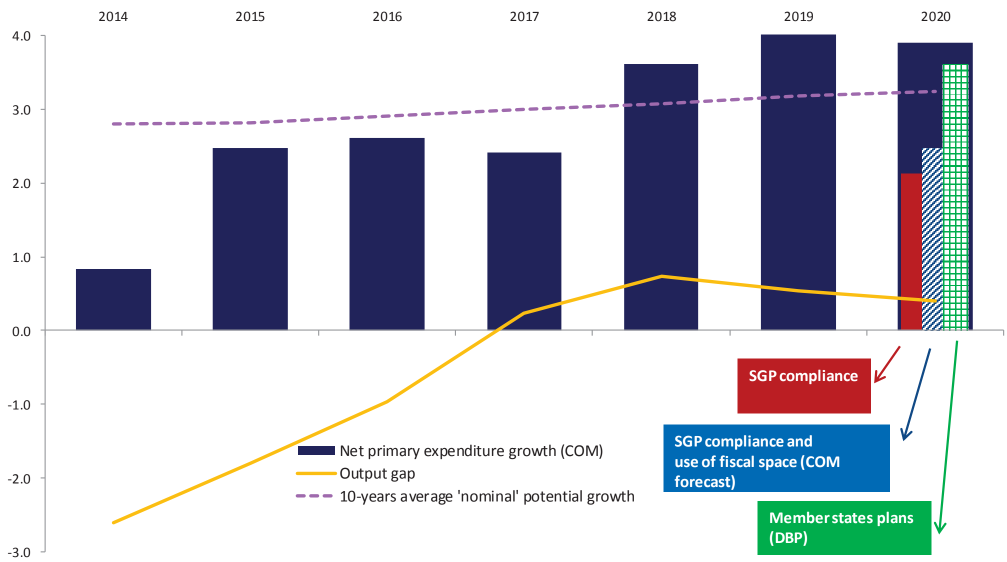


Note: In a context of positive output gaps, "pro-cyclical" and "anti-cyclical" refer in these graphs to whether the change in fiscal policy (compared to the previous year) represents a support to or a drag on the economy. Greece is not shown in either graph in order to improve readability.

Graph IV.6a: Fiscal stance scenarios - Structural balance (Commission 2019 autumn forecast)



Graph IV.6b: Fiscal stance scenarios – Net Primary Expenditure growth (%) (Commission 2019 autumn forecast - COM)



Note: The scenarios presented in these graphs relate to the aggregate euro-area fiscal stance, as measured by the change in the aggregate structural balance and the growth rate of net primary expenditure. The latter is calculated as total expenditure less interest, cyclical expenditure, discretionary revenue measures and oneoffs. The scenario "Stability and Growth Pact compliance" assumes that Member States that are still not at their medium-term objectives follow the full fiscal adjustment recommended in the 2019 Country-Specific Recommendations. The scenario "Stability and Growth Pact compliance and use of fiscal space (COM forecast)" assumes that the Netherlands and Germany use part of their fiscal scope in 2020 (an expansion of the structural balance by, respectively, 0.6% and 0.4% of GDP), in line with the Commission 2019 autumn forecast.

Graph IV.6c: Fiscal stance – Structural balance, Primary structural balance and Fiscal effort based on expenditure benchmark methodology (Commission 2019 autumn forecast)

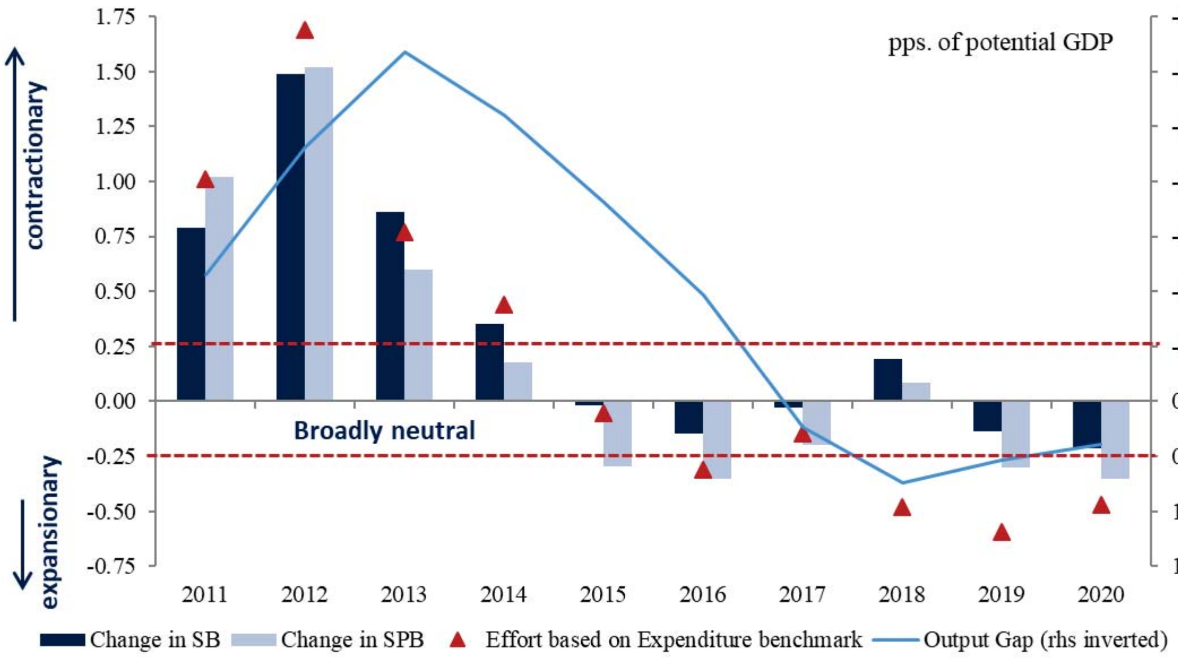
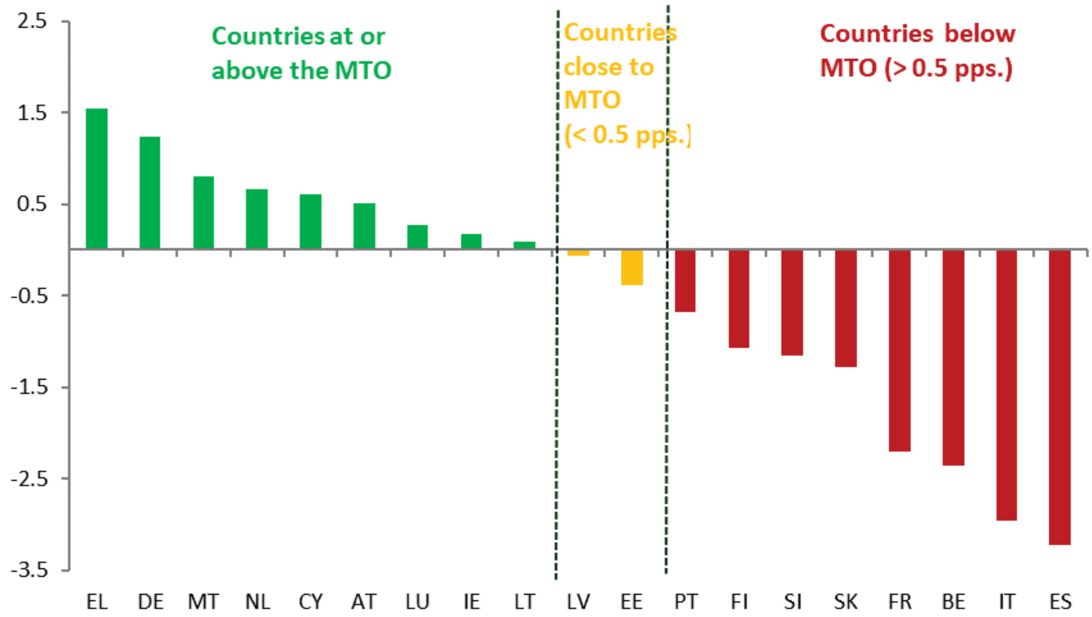


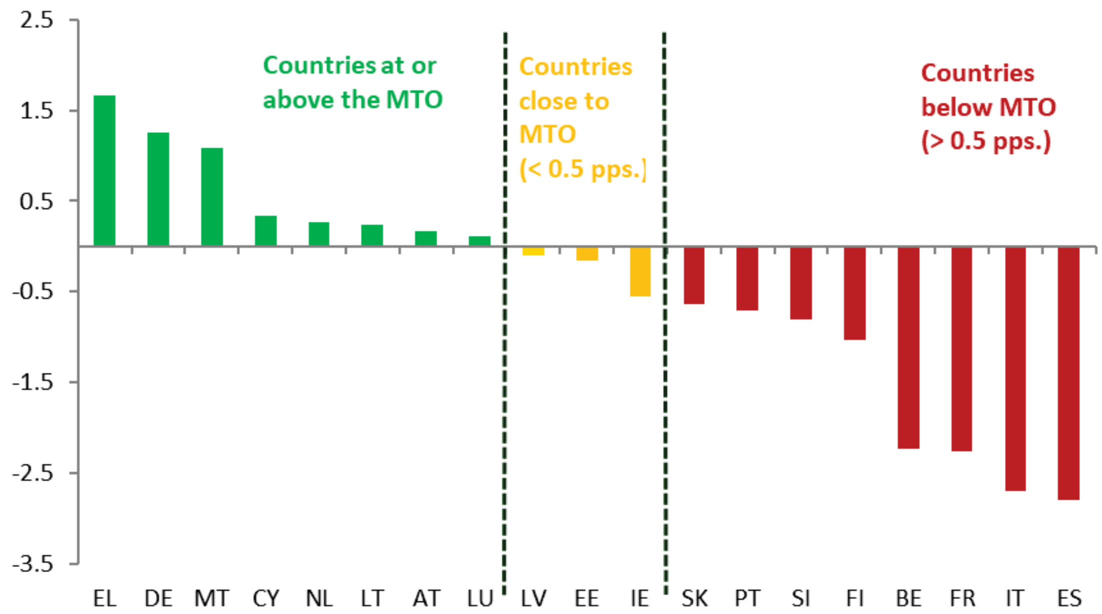
Table IV.6: Medium-Term Budgetary Objectives (MTOs), as set out in the 2019 Stability Programmes, and Minimum Benchmarks for 2020

	MTO	Minimum Benchmark	2020 Structural balance	
			DBP	COM
BE	0.0	-1.5	-2.2	-2.4
DE	-0.5	-1.5	0.8	0.7
EE	-0.5	-0.7	-0.7	-0.9
IE	-0.5	-1.2	-1.0	-0.3
EL	0.3	-0.7	1.9	1.8
ES	0.0	-0.8	-2.8	-3.2
FR	-0.4	-1.4	-2.7	-2.6
IT	0.5	-1.4	-2.2	-2.5
CY	0.0	-0.8	0.3	0.6
LV	-1.0	-0.9	-1.1	-1.1
LT	-1.0	-0.9	-0.8	-0.9
LU	0.5	-1.3	0.6	0.8
MT	0.0	-1.5	1.1	0.8
NL	-0.5	-1.5	-0.2	0.2
AT	-0.5	-1.5	-0.3	0.0
PT	0.3	-1.3	-0.5	-0.4
SI	0.3	-1.1	-0.6	-0.9
SK	-0.5	-1.4	-1.1	-1.8
FI	-0.5	-1.0	-1.5	-1.6

Graph IV.7a: Member States' positions vis-à-vis their MTOs in 2020, according to the Commission 2019 autumn forecast (pps. of potential GDP)[4]



Graph IV.7b: Member States' positions vis-à-vis their MTOs in 2020, according to the 2020 Draft Budgetary Plans (pps. of potential GDP)

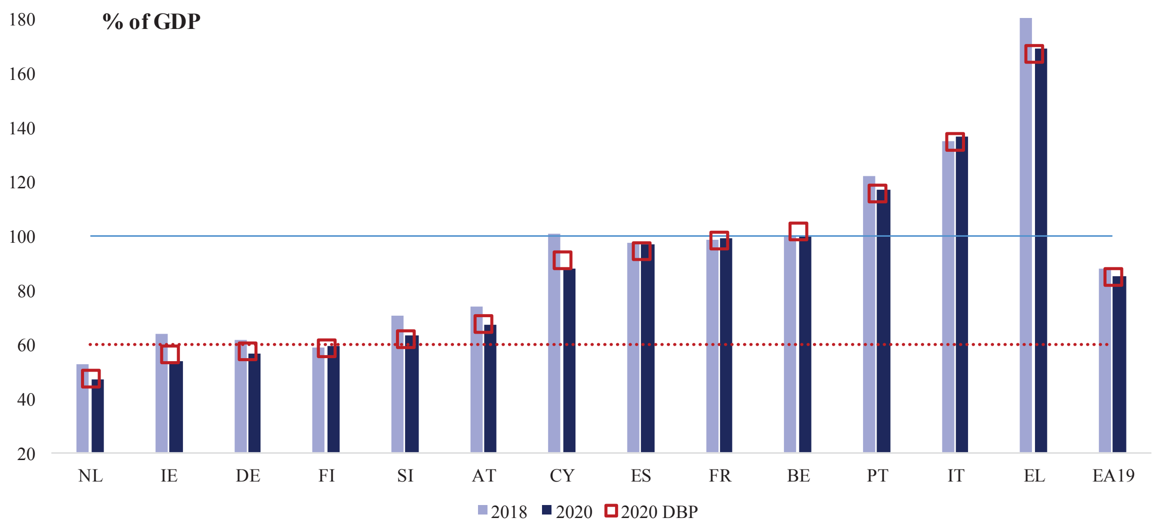


[4] These graphs present the differences between projected structural balances and medium-term budgetary objectives for each Member State. They do not take account of applicable flexibility allowances.

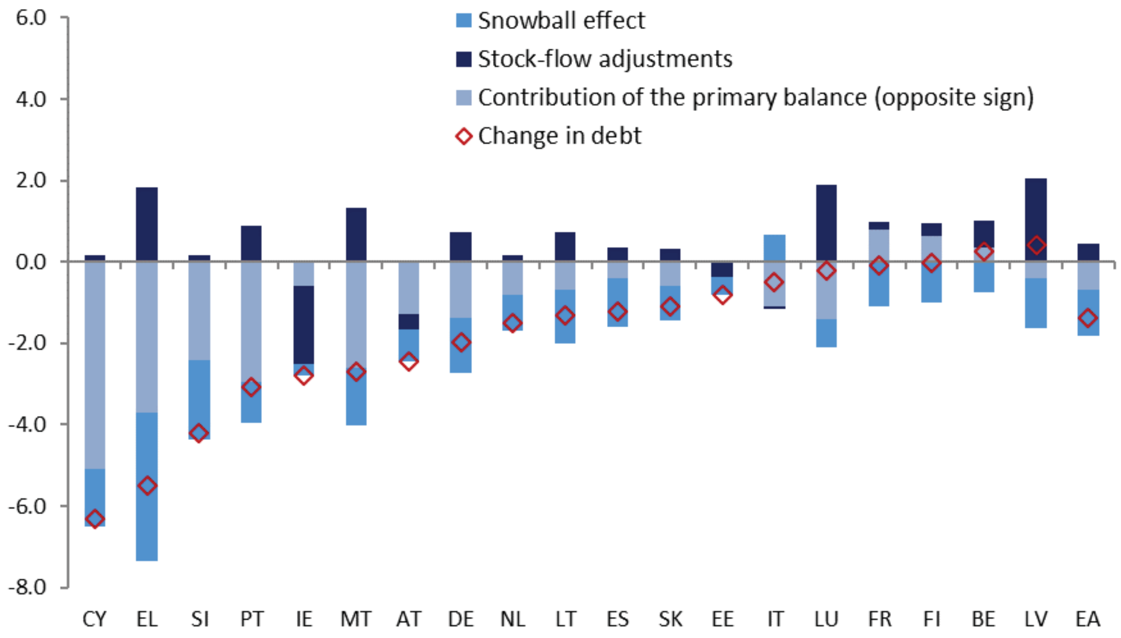
Table IV.7: Debt-to-GDP ratio (% of GDP) according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2019 autumn forecast (COM)

	2019			2020		
Country	SP	DBP	COM	SP	DBP	COM
BE	100.6	101.5	99.5	98.5	101.8	99.6
DE	61	61	59 1/4	56 2/4	57¾	56 3/4
EE	8.2	8.8	8.7	8.1	8.0	8.4
IE	61.1	59.3	59.0	55.8	56.5	53.9
EL	170.6	173.3	175.2	163.9	167.8	169.3
ES	95.8	95.9	96.7	94.0	94.6	96.6
FR	98.9	98.8	98.9	98.7	98.7	98.9
IT	132.6	135.7	136.2	131.3	135.2	136.8
CY	95.7	97.4	93.8	89.1	91.1	87.8
LV	37.4	36.6	36.0	36.1	37.0	35.2
LT	37.0	36.4	36.3	36.2	35.1	35.1
LU	20.2	20.0	19.6	19.9	19.8	19.2
MT	42.7	43.0	43.3	39.4	40.3	41.0
NL	49.1	49.2	48.9	47.1	47.7	47.1
AT	69.6	70.0	69.9	66.5	67.5	67.2
PT	118.6	119.3	119.5	115.2	116.2	117.1
SI	65.4	66.3	66.7	61.3	62.1	63.1
SK	47.5	47.9	48.1	45.9	46.8	47.3
FI	58.1	58.8	59.2	57.4	58.8	59.3
EA19	**85.6**	**86.4**	**86.4**	**82.4**	**85.1**	**85.1**

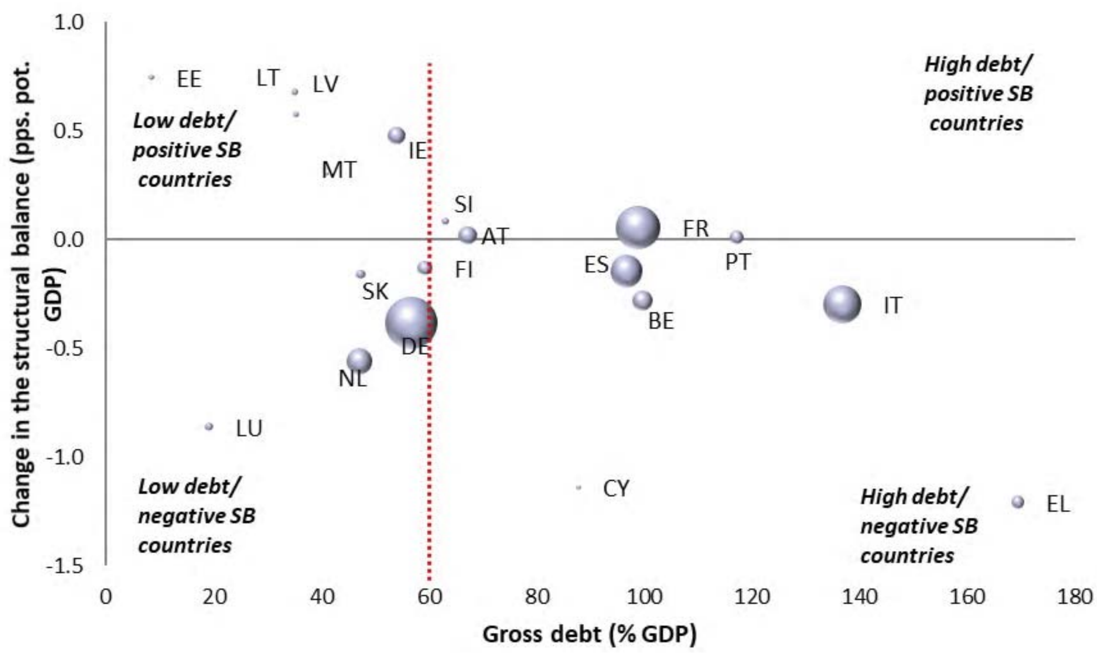
Graph IV.8: Public debt development in selected Member States between 2018 and 2020 according to the Draft Budgetary Plans (DBP) and the Commission 2019 autumn forecast



Graph IV.9: Drivers of the change gross debt between 2019 and 2020 (pps. of GDP), based on the Draft Budgetary Plans (DBPs)

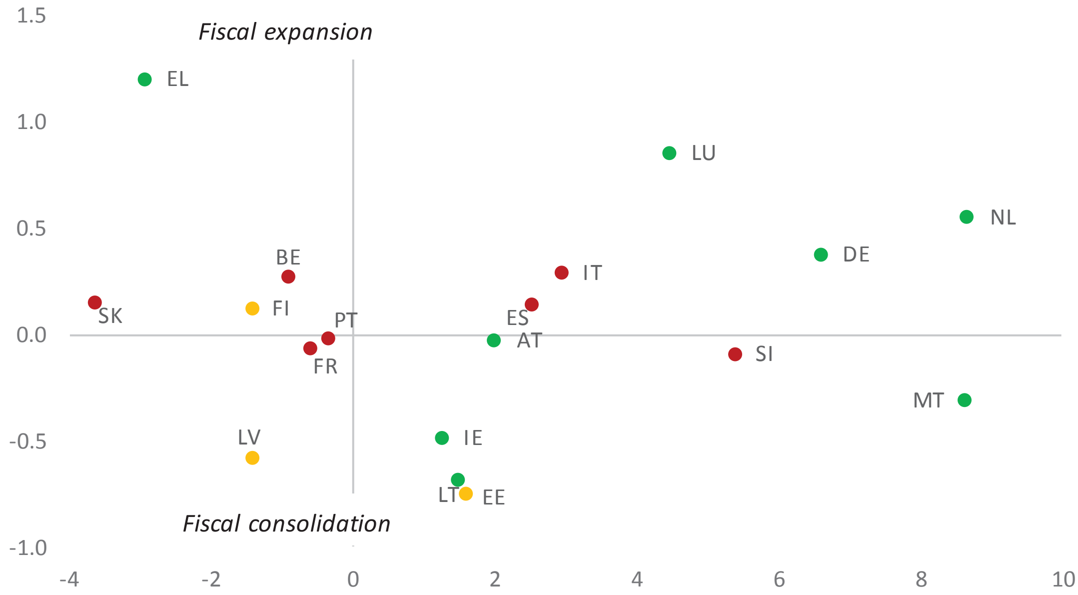


Graph IV.10: Gross debt (% GDP) versus the change in the structural balance (pps. of potential GDP) in 2020, according to the Commission 2019 autumn forecast



Note: the size of the bubbles reflects the nominal GDP of Member States.

Graph IV.11: Current account balance (% GDP) versus the change in the structural balance (pps. of potential GDP) in 2020

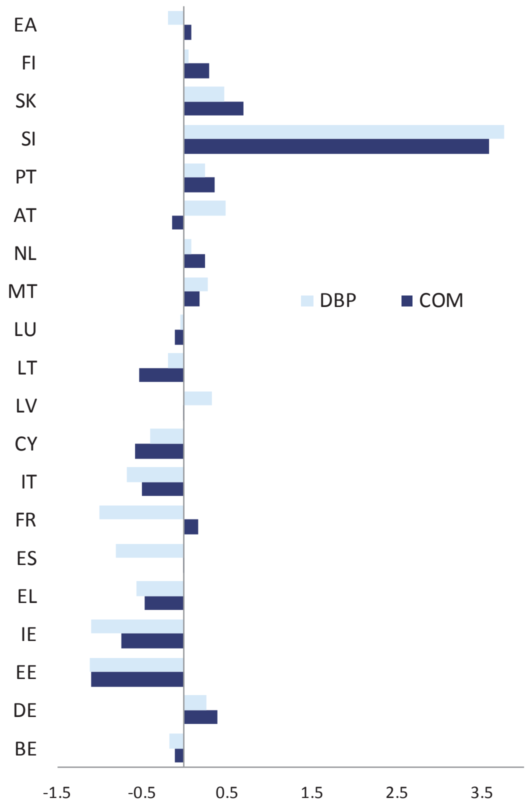


Note: Fiscal expansions (consolidations) are shown with a positive (negative) sign. The colours of the observations reflect the distance from the medium-term objective in 2020: red corresponds to countries that are more than 50bps below their medium-term objectives; yellow corresponds to those less than 50bps below their medium-term objectives; green coresponds to those above their medium-term objectives. Cyprus is not shown in either graph in order to improve readability.

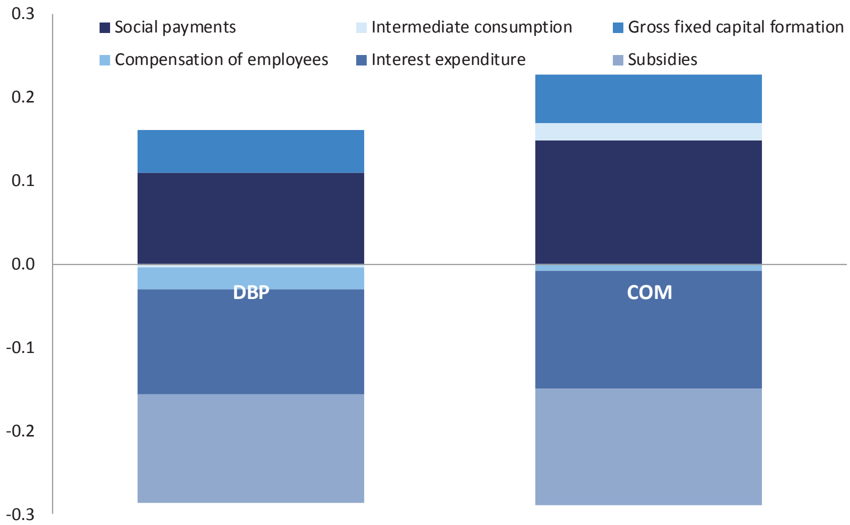
Table IV.8: Composition of fiscal consolidation in 2019 and 2020 according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2019 autumn forecast (COM)

% potential GDP unless otherwise specified	2019			2020		
	SP	DBP	COM	SP	DBP	COM
Cyclically-adjusted revenue ratio	46.0	46.3	46.3	46.0	46.1	46.2
pps. change with respect to previous year	-0.3	-0.1	-0.2	0.0	-0.2	-0.1
Cyclically adjusted-primary expenditure ratio	45.4	45.7	45.7	45.2	45.7	45.8
pps. change with respect to previous year	0.2	0.1	0.2	-0.2	0.0	0.0
Interest expenditure ratio (% of GDP)	1.7	1.7	1.7	1.6	1.5	1.5
pps. change with respect to previous year	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1
Change in structural balance	-0.2	-0.2	-0.1	0.1	-0.3	-0.2

Graph IV.12: Projected changes in cyclically-adjusted expenditure ratios (pps. of potential GDP) in the 2020 Draft Budgetary Plans (DBPs) and the Commission 2019 autumn forecast (COM)

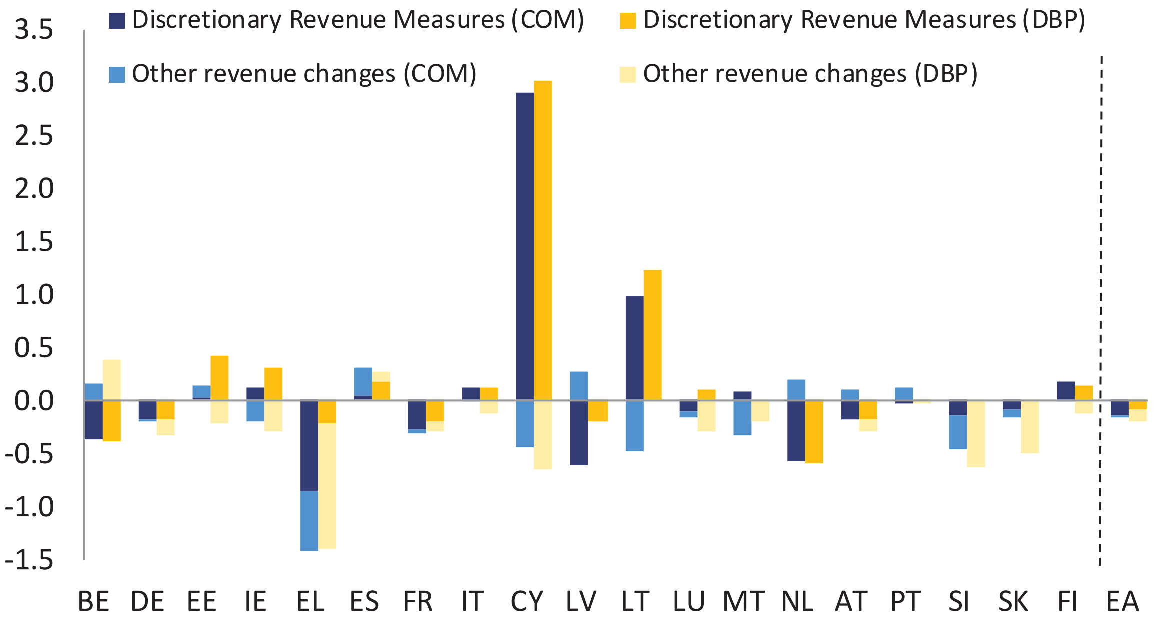


Graph IV.13: Projected changes in main types of expenditure (pps. of GDP) for 2020: Draft Budgetary Plans (DBP) versus Commission 2019 autumn forecast (COM)

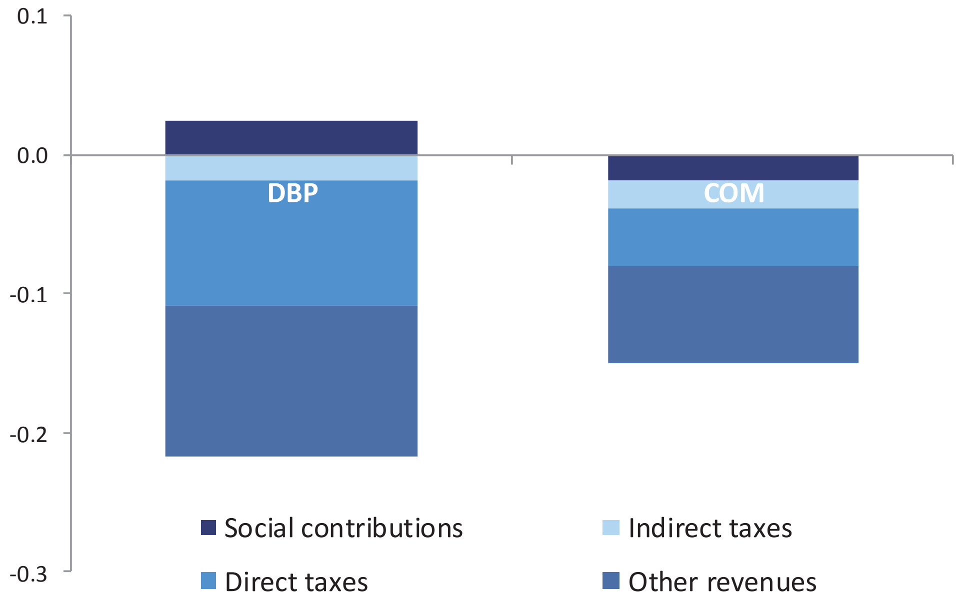


Note: The graph shows the contributions from the main components of expenditure to the projected changes in expenditure-to-GDP ratios.

Graph IV.14: Discretionary revenue measures and other changes in the revenue ratio (pps. of GDP) in 2020: Draft Budgetary Plans (DBP) versus Commission 2019 autumn forecast (COM)



Graph IV.15: Projected changes in main types of tax revenue (pps. of GDP) for 2020: Draft Budgetary Plans (DBP) versus Commission 2019 autumn forecast (COM)



Note: The graph shows the contributions from the main components of revenue to the projected changes in revenue-to-GDP ratios.

Table IV.9: Short-term elasticities underlying revenue projections for 2020: Draft Budgetary Plans (DBP) versus Commission 2019 autumn forecast (COM) and OECD

	DBP	COM	OECD
BE	1.3	1.1	1.0
DE	0.9	1.0	1.0
EE	0.9	1.1	1.1
IE	0.5	0.8	1.1
EL	0.3	0.0	0.9
ES	1.1	1.2	1.0
FR	0.9	1.0	1.0
IT	0.9	1.0	1.1
CY	0.7	0.7	1.2
LV	1.0	1.2	0.9
LT	1.0	0.7	1.1
LU	0.9	1.0	1.0
MT	0.9	0.9	1.0
NL	0.8	1.2	1.1
AT	0.9	1.1	1.0
PT	1.0	1.1	1.0
SI	0.7	0.9	1.0
SK	0.7	1.0	1.0
FI	0.9	1.0	0.9
EA19	0.8	0.9	1.0

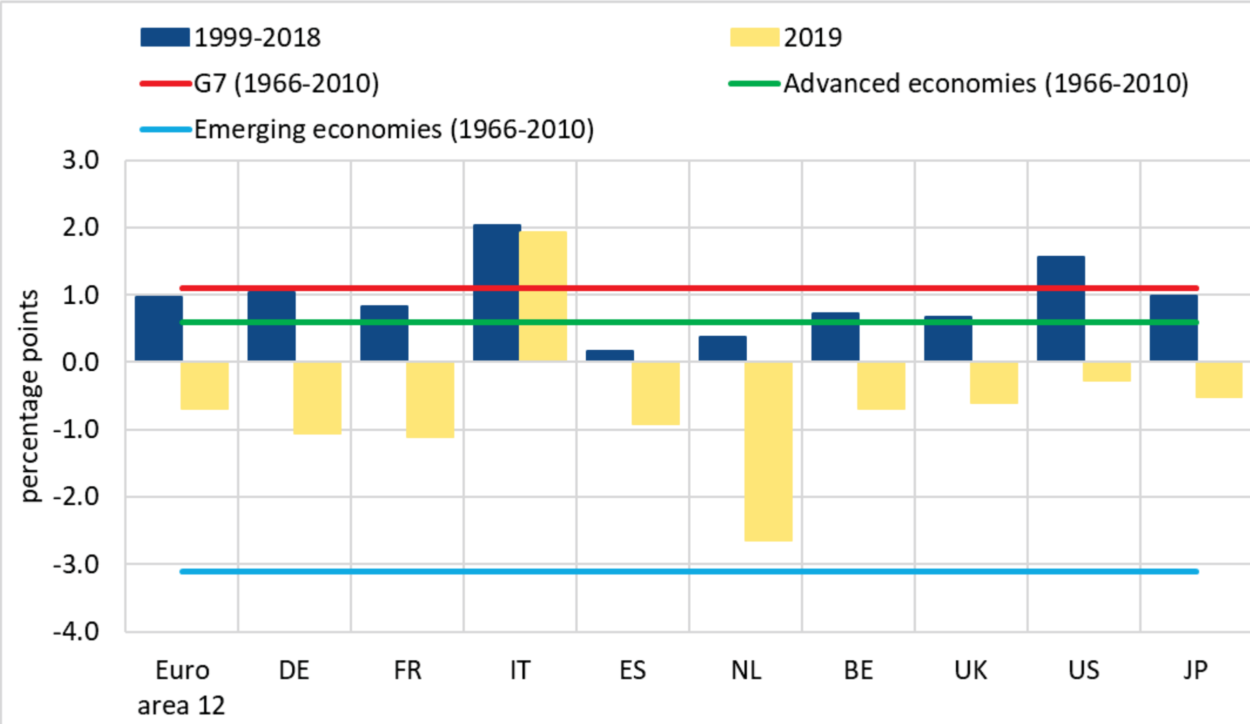
Note: The comparison between the elasticities derived from the Draft Budgetary Plans and the Commission's forecast, on the one hand, and the OECD's elasticities, on the other, should be made with care. While the first two are net elasticities to GDP growth, the latter are, strictly speaking, computed with respect to the output gap. Differences are in general minor.

Table IV.10: Sustainability indicators based on the Commission 2019 autum forecast

	Overall SHORT-TERM risk category	Overall MEDIUM-TERM risk category	S1 indicator - overall risk assessment	Debt sustainability analysis - overall risk assessment
BE	LOW	HIGH	HIGH	HIGH
DE	LOW	LOW	LOW	LOW
EE	LOW	LOW	LOW	LOW
IE	LOW	LOW	LOW	LOW
ES	LOW	HIGH	HIGH	HIGH
FR	LOW	HIGH	HIGH	HIGH
IT	LOW	HIGH	HIGH	HIGH
CY	LOW	LOW	LOW	LOW
LV	LOW	LOW	LOW	LOW
LT	LOW	LOW	LOW	LOW
LU	LOW	LOW	LOW	LOW
MT	LOW	LOW	LOW	LOW
NL	LOW	LOW	LOW	LOW
AT	LOW	LOW	LOW	LOW
PT	LOW	HIGH	MEDIUM	HIGH
SI	LOW	LOW	LOW	LOW
SK	LOW	LOW	LOW	LOW
FI	LOW	MEDIUM	MEDIUM	MEDIUM

Note: generally based on the methodology used in the European Commission Fiscal Sustainability Report 2018 and the Debt Sustainability Monitor 2017. Compared to previous reports, only the interest rate assumption has been revised, with the use of market expectations to set the T+10 targets. Those updated results, based on the European Commission 2019 autumn forecast, will be presented in the forthcoming Debt Sustainability Monitor 2019. Given the unique composition of the Greek public debt and the debt relief measures adopted by the Eurogroup in June 2018, the analysis of Greek public debt and fiscal sustainability is based on country-specific assumptions (see Fiscal Sustainability Report 2018, Box 3.3 for more details). For this reason, results are not shown in this horizontal assessment table based on common assumptions and methodologies.

Graph IV.16: Interest rate-growth differential developments



Source: Autumn 2019 AMECO for 1999-2019 data (bars) and Escolano et al. (2017) for 1966-2010 data (lines).
Note: The chart depicts the difference between the average nominal interest rate charged on government debt and the nominal GDP growth rate. A similar chart appeared in the ECB Economic Bulletin, Issue 2/2019.