IN-DEPTH ANALYSIS

Implementation of the Stability and Growth Pact - June 2019

This document gives an overview of key developments under the preventive and corrective arms of the Stability and Growth Pact (SGP) on the basis of (1) the latest Council decisions and recommendations in the framework of the SGP; (2) the latest comprehensive European Commission (COM) economic forecasts; and (3) the latest COM opinions on the Draft Budgetary Plans (DBPs) of euro area Member States. This document is regularly updated.

This document is structured as follows: first a summary of the latest key developments relating to the implementation of the SGP, then tables on key public finance indicators in relation to the current Council recommendations and finally a chronology of recent SGP related analytical and procedural steps.

1. Summary of latest developments

- **Latest European Semester package**

On 5 June 2019, the COM presented the **European Semester Spring 2019 Package**, including:

(1) The COM proposals for the 2019 **Country-Specific Recommendations** (CSRs, see separate EGOV overview on the Council recommendations which are still in place until the new ones have been adopted in July 2019 and the table in section two of this document still refers to the 2018 CSRs) which inter alia contain explicit fiscal targets in terms of annual structural adjustment and growth of net primary government expenditure (these targets are only issued for those countries which are not yet close to or at their medium term budgetary objective, MTO). Notably the CSRs on fiscal policies reflect the recommendations for Council Opinions on the 2019 Stability or Convergence Programmes (SCPs).

(2) A recommendation to the Council to abrogate **the Excessive Deficit Procedure (EDP) for Spain**, since the general government deficit dropped under the 3% threshold in 2018 and is forecast to remain below this threshold in 2019/2020. Once the Council formally approves this recommendation, all the EDP dating from the crisis will be closed. In 2011, 24 Member States were in the corrective arm of the SGP.

(3) **Reports for Belgium, France, Italy and Cyprus** under Article 126(3) of the Treaty on the Functioning of the EU (TFEU) reviewing their compliance with the deficit and debt criteria as defined in the Treaty and in Regulation (EC) No 1467/1997. The **report on Italy** (following an exchange of letters between the COM and Italy on so-called relevant factors) concludes that a **debt-based EDP is warranted**, given that Italy did not comply with the debt reduction benchmark in 2018 and is not projected to comply with it in either 2019 or 2020 and given that

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the COM considers that its analysis of relevant factors does overall not justify the non-compliance:

"*The analysis presented in this report includes the assessment of all relevant factors and notably: (i) the non-compliance with the recommended adjustment path towards the MTO in 2018 based on ex post data, together with a risk of significant deviation from the preventive arm requirement in 2019 and a headline deficit above 3% of GDP in 2020 based on the Commission forecast; (ii) the macroeconomic slowdown recorded in Italy from the second half of 2018, which can be argued to only partly explain Italy's large gaps to compliance with the debt reduction benchmark; and (iii) the limited progress made by Italy in addressing the 2018 CSRs. Overall, the analysis suggests that the debt criterion as defined in the Treaty and in Regulation (EC) No 1467/1997 should be considered as not complied with, and that a debt-based EDP is thus warranted".*

As regard the limited progress in addressing the 2018 CSRs, the report concludes: *"However, Italy has made limited progress in addressing the 2018 CSRs, and the structural reform agenda outlined by the 2019 National Reform Programme contains only piecemeal measures building upon past reforms in different areas and backtracks on elements of major reforms adopted in the past. Among others, while the Council recommended that Italy should reduce the share of old-age pensions in its public spending to create space for other social spending, the newly introduced possibility for early retirement backtracks on earlier pension reforms that underpin the long-term sustainability of Italy's sizeable public debt and may negatively affect Italy's growth potential"*. The follow-up on the COM report is outlined in Box 1.

Box 1: Follow-up on Art. 126.3 report on Italy

On 11 June 2019, in accordance with Art. 126(4) of the TFEU, the Economic and Financial Committee (EFC; Committee of the ECOFIN Council) issued an **Opinion** on the COM report of 5 June 2019 on Italy. In its opinion, the EFC agreed with the COM conclusion to open a debt based EDP: "*On the basis of the elements mentioned above and taking into account the COM's overall analysis of the relevant factors as set out in its report of 5 June 2019, **the Committee is of the Opinion** that the debt criterion in the second paragraph of Article 126 should be considered as not complied with, and **that a debt-based EDP is thus warranted**. **Further elements that Italy may put forward could be taken into account by the Commission and the Committee**."* On this basis, taking into account potential arguments submitted by Italy to the COM, the next steps are provided by Art. 126(5)-126(8) of the TFEU:

"5. *If the **COM** considers that an excessive deficit in a Member State exists or may occur, it shall address **an opinion to the Member State concerned and shall inform the Council accordingly**.*

*6. The **Council** shall, on a proposal from the COM, and having considered any observations which the Member State concerned may wish to make, **decide after an overall assessment whether an excessive deficit exists**."*

*7. Where the **Council** decides, in accordance with paragraph 6, that an excessive deficit exists, it **shall adopt, without undue delay, on a recommendation from the COM, recommendations addressed to the Member State concerned with a view to bringing that situation to an end within a given period. Subject to the provisions of paragraph 8, these recommendations shall not be made public**."*

8. Where it establishes that there has been no effective action in response to its recommendations within the period laid down, the Council may make its recommendations public."

(4) Warnings and recommendations to Hungary and Romania under the Significant Deviation Procedure[1] (opened for Romania since 2017 and for Hungary since 2018): (a) recommendations for Council Decisions establishing that **no effective action has been taken** in response to Council decisions of 2018 which were requesting the correction of significant deviations from the adjustment path towards the MTO; (b) new Commission warnings on the existence of an **observed significant deviation** from the adjustment path towards the MTO and (c) new proposals for Council recommendations with a view to correcting the significant deviations; for each of both countries an annual structural adjustment of 1.0 % of GDP in 2019 and 0.75 % of GDP in 2020 is recommended (please note that the current Council recommendations request an annual structural adjustment of 1.0 % of GDP in 2019 and do not request an effort for 2020).
(5) **The third report for Greece under the Enhanced Surveillance framework** that was put in place following the conclusion of the last financial macro-financial assistance programme by EU Member States. The report notes inter alia that reform implementation in Greece has slowed in recent months and that the consistency of some measures with commitments given to European partners is not assured and poses risks to the achievement of agreed fiscal targets.

- **Economic situation**

On 7 May 2019, the COM published its Spring 2019 economic forecast. GDP growth in **the euro area** has been **revised down compared to the autumn 2018 forecast**: according to the new figures, growth reached **1.9% in 2018** and it is forecast to amount to **1.2% in 2019 and 1.5% in 2020**, while the autumn 2018 forecast included growth figures of 2.1% in 2018, 1.9% in 2019 and 1.7% in 2020.

The **significant downward revision for 2019 reflect inter alia** slowing growth outside the EU, fading global trade momentum and some domestic factors that have lasted longer than expected (including car-related distortions in the manufacturing sector).

- **Developments on public finances**

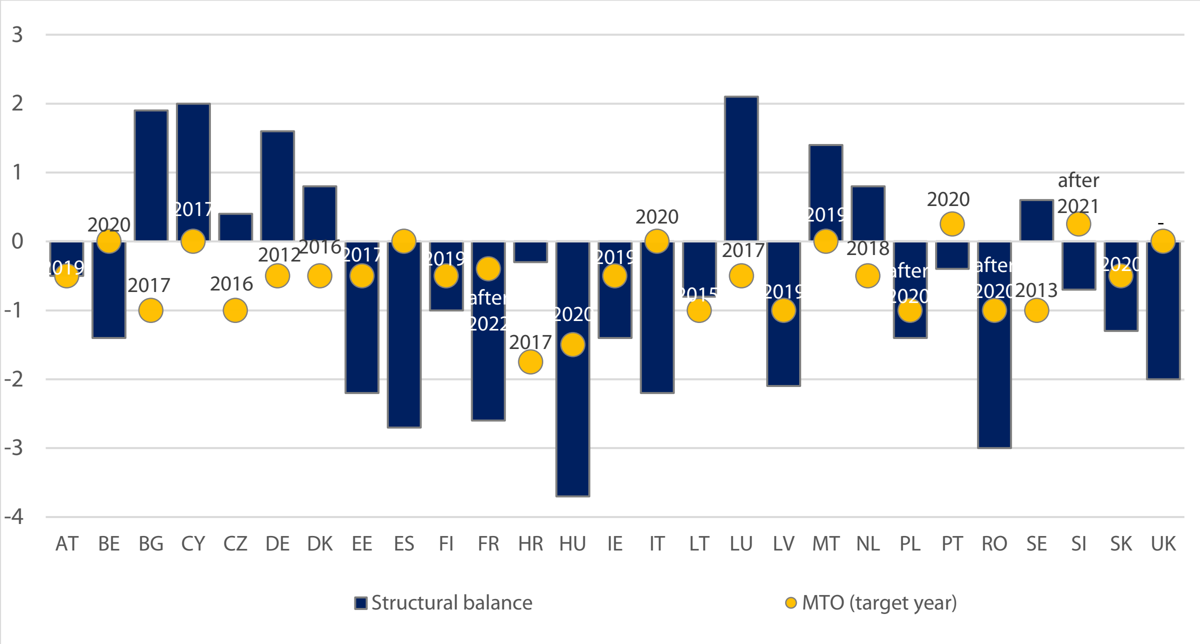
According to the COM spring 2019 forecast, the **aggregate government deficit** in the euro area is expected to rise in the euro area, from 0.5% of GDP in 2018 to 0.9% in 2019 and to remain unchanged in 2020, assuming no policy change. The increase in 2019 is mainly due to slower GDP growth and expansionary fiscal policies in some Member States. In the EU, the government deficit is projected to rise from 0.6% of GDP in 2018 to 1% in both 2019 and 2020.

Assuming no policy change, the **aggregate debt-to-GDP** ratio of the euro area is forecast to fall from 87.1% in 2018 to 85.8% in 2019 and 84.3% in 2020. In the EU, it is projected to fall from 81.5% in 2018 to 80.2% in 2019 and 78.8% in 2020.

While, in 2017, the **structural budget balance** improved in 18 Member States, it has improved in only 9 Member States in 2018. Further improvement is needed, since in 2018 only 12 out of 28 Member States were close or at the MTO *(see below Figure and corresponding indicators in overleaf tables)*, out of which seven were euro area countries (Austria, Cyprus, Germany, Malta, Netherlands, Lithuania and Luxembourg) and five non euro area countries (Bulgaria, Czech Republic Denmark, Croatia, Sweden).

[1] In accordance with Art. 6(3) and 10(3) of Reg. (EC) 1466/97, a deviation is significant if it has a total impact on the government balance of at least 0.5% of GDP in a single year or cumulatively in two consecutive years.

Figure: Comparison of structural balances in 2018 with the MTOs and their target years



Note: Sources: Table 41 of the statistical annex to the COM spring 2019 forecast (structural balances) and Country Specific Recommendations 2012, 2013, 2014, 2015, 2016, 2017, 2018 and Stability and Convergence Programmes 2012-2018 (levels and target years of the MTOs).

In 2019 the number of Member States close or at MTO is not expected to increase according to the latest COM forecasts; improvements of the structural balance are only expected for Estonia, Ireland, Austria, Denmark and Hungary.

The **fiscal policy stance for the euro area**, as measured by the change in the structural balance, is expected to turn from slightly contractionary last year to mildly expansionary in 2019, given that the structural balance in the euro area amounted to -0.9% of GDP in 2017, to -0.7% of GDP in 2018 and is expected to amount to -0.9% of GDP in 2019.

For more details on previous steps on the implementation of the SGP, please see Section 3.

2. Current Council recommendations and key public finance indicators

The below tables provide an overview of key public finance indicators (budget balances, fiscal effort and gross debt) in relation to the current 2018 Council recommendations under the SGP. The colour code used in the left column of tables refers to the COM assessments (in its opinions on the 2019 DBPs) of the degree of risk of non-compliance by Euro Area Member States with their current commitments under the SGP.

In contrast to 2017, the 2018 CSRs related to the application of the SGP (adopted in July 2018 by the Council) contain not only in their recitals but in the recommendations themselves concrete targets on both the required structural effort and the expenditure benchmark per Member State. The data on net primary government expenditure (which is the indicator used to assess compliance with the expenditure benchmark) is only published in the COM staff working documents analysing the 2019 DBPs of the Euro Area Member States and in spring 2018 in the COM assessments of the 2018 SCPs. In both cases, the COM publishes the data only for those countries which do not fully comply with their MTO or with the adjustment path towards it.

While Greece belongs since September 2018 to the preventive arm of the SGP and has therefore also received by the COM in June 2019 proposals for CSRs, it is not yet subject to CSRs adopted by the Council, since the country was until 20 August 2018 subject to an macro-economic adjustment programme; therefore, the overleaf tables do not yet include Greece. Once the Council has adopted the 2019 CSRs, which is expected to occur in July 2019, Greece will also be covered.

Spain is currently the only remaining Member State subject to an EDP, compared to 24 Member States in 2011. The COM proposed in June 2019 the abrogation of the EDP for Spain. In 2017/2018, the following five Member States exited their EDP: France (June 2018), the United Kingdom (December 2017), Greece (September 2017), as well as Croatia and Portugal (both June 2017).

Excessive Deficit Procedure - Corrective arm of SGP

	COUNCIL RECOMMENDATIONS			DATA RELATING TO COMPLIANCE						
MEMBER STATE	Reference year which triggered the EDP[1]	Current deadline for correction of nominal deficit (latest EDP-re-commen-dations)	Fiscal effort in structural terms (% of GDP) as re-quested by the Council [2] and CSR 2018 for the expenditure benchmark REQUIREMENT (A)	COM forecast - spring 2019[3] (under no policy change scenario)[4]						COM assessments of 2019 DBPs
				Year	Nominal budget balance	Structural budget Balance[5] (% of potential GDP) *In brackets and italics: y-o-y change: to be compared to REQUIREMENT (A)*		Debt (% of GDP)	GDP growth (% change)	Net primary government expenditure (% change) [6]
ES	**2008**	**2018** (Aug. 2016) Under Art. 126(9)	**-0.4** in 2016 **0.5** in 2017 **0.5** in 2018 **0.65** in 2019 (if under preventive arm, CSR 2018). Expenditure benchmark of **0.6**	**2014**	-6.0	-1.0	*(0.2)*	100.4	1.4	-
				2015	-5.3	-2.2	*(-1.2)*	99.3	3.6	-
				2016	-4.5	-3.1	*(-0.9)*	99.0	3.2	-
				2017	-3.1	-2.7	*(0.4)*	98.1	3.0	-
				2018	-2.5	-2.7	*(0.0)*	97.1	2.6	-
				2019	-2.3	-2.9	*(-0.2)*	96.3	2.1	1.7

Progress towards the Medium-Term Objectives (MTOs) - Preventive arm of the SGP

MEMBER STATE	COUNCIL RECOMMENDATIONS: Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018	Fiscal-structural adjustment (% of GDP) REQUIREMENT (A)	Expen-diture Benchmark (% growth) REQUIREMENT (B)	Level of MTO (structural budget bal-ance) and *Target year for MTO*[7] REQUIREMENT (C)	LATEST DATA RELATING TO COMPLIANCE: COM forecast - spring 2019[3] (under no policy change scenario)[4] (% of GDP) — Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	COM assessments of DBPs (of CSRs for non-euro area): Net primary government expenditure (% change)[6] *To be compared to* REQUIREMENT (B)
BE	*"Ensure that the **nominal growth rate of net primary government expenditure does not exceed 1,8 % in 2019, corresponding to an annual structural adjustment of 0,6** % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. Pursue the envisaged pension reforms and contain the projected increase in long-term care expenditure. (...)" [CSR 2018].*			**Postponed from 0.0 in 2019** (recital 6 of CSR 2017 and p. 18 of SP 2017) Towards **0.0 in 2020** (recital 6 of CSR 2018) and p. 2 of SP 2018)	**2014**	-2.9	*(0.2)*	107.5	1.3	-
					2015	-2.3	*(0.6)*	106.4	1.7	-
	2016 *[CSR 2016]*	0.6	-		**2016**	-2.3	*(0.0)*	106.1	1.5	-
	2017 *[CSR 2016]*	0.6	-		**2017**	-1.4	*(0.9)*	103.4	1.7	0.5
	2018 *[recital 10 of CSR 2017]*	0.6	1.6		**2018**	-1.4	*(0.0)*	102.0	1.4	2.2
	2019 *[CSR 2018].*	0.6	1.8		**2019**	-1.4	*(0.0)*	101.3	1.2	2.4
DE	***"While respecting the MTO**, use fiscal and structural policies to achieve a sustained upward trend in public and private investment, and in particular on education, research and innovation at all levels of government (...)." [CSR 2018].*			**-0.5 2012 onwards** (CSR 2012, pp. 5/ 8 of SP 2012)	**2012**	-0.1	*(1.1)*	80.7	0.5	-
					2013	0.2	*(0.3)*	78.2	0.5	-
					2014	1.0	*(0.8)*	75.3	2.2	-
					2015	0.9	*(-0.1)*	71.6	1.7	-
	2016 *[CSR 2016, recital 5]*	No fiscal target [MTO achieved]			**2016**	0.7	*(-0.2)*	68.5	2.2	-
	2017 *[CSR 2017, incl. recitals 6/7]*	No fiscal target [MTO achieved]			**2017**	0.8	*(0.1)*	64.5	2.2	-
	2018 *[CSR 2017, incl. recitals 6/7]*	No fiscal target [MTO achieved]			**2018**	1.6	*(0.8)*	60.9	1.4	-
	2019 *[CSR 2018, incl. recital 6)*	No fiscal target [MTO achieved]			**2019**	1.1	*(-0.5)*	58.4	0.5	-

MEMBER STATE	COUNCIL RECOMMENDATIONS: Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018	Fiscal-structural adjustment (% of GDP) REQUIRE-MENT (A)	Expen-diture Benchmark (% growth) REQUIRE-MENT (B)	Level of MTO (structural budget bal-ance) and *Target year for MTO*[7] REQUIRE-MENT (C)	LATEST DATA RELATING TO COMPLIANCE: COM forecast - spring 2019[3] (under no policy change scenario)[4] (% of GDP) — Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	COM assessments of DBPs (of CSRs for non-euro area): Net primary government expenditure (% change)[6] *To be compared to* REQUIRE-MENT (B)
EE	"*Ensure that the **nominal growth rate of net primary government expenditure does not exceed 4,1 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP** (...)." [CSR 2018].*			**-0.5** **2017** (recital 7 of CSR 2017 and CSR 2018)	**2014**	0.2	*(0.7)*	10.5	2.9	-
					2015	0.2	*(0.0)*	9.9	1.9	-
	2016 [*CSR 2016, including recital 5***]**	No fiscal target [MTO achieved]			**2016**	-0.8	*(-1.0)*	9.2	3.5	-
	2017 *[CSR 2017, including recital 7]*	"Remain at MTO"			**2017**	-1.7	*(-0.9)*	9.2	4.9	4.4
	2018 *[recital 7 of CSR 2018].*	-0.2	6.1		**2018**	-2.2	*(-0.5)*	8.4	3.9	5.7
	2019 *[CSR 2018].*	0.6	4.1		**2019**	-1.7	*(0.5)*	8.5	2.8	5.0
IE	"***Achieve the MTO in 2019**. Use windfall gains to accelerate the reduction of the general government debt ratio (...)" [CSR 2018].*			**-0.5, postponed from 2018** (recital 5 of *CSR 2016*) **to 2019** [*CSR 2018*].	**2014**	-4.5	*(0.7)*	104.1	8.8	-
					2015	-2.9	*(1.6)*	76.8	25.1	-
	2016 *[CSR 2016]*	0.6	-		**2016**	-2.1	*(0.8)*	73.5	5.0	-
	2017 *[CSR 2016]*	0.6	-		**2017**	-0.9	*(1.2)*	68.5	7.2	2.6
	2018 *[CSR 2017, incl. recital 9]*	0.6	2.4		**2018**	-1.4	*(-0.5)*	64.8	6.7	2.7
	2019 *[recital 8 of CSR 2018]*	0.1	5.3		**2019**	-1.2	*(0.2)*	61.3	3.8	7.7
FR	"*Ensure that the **nominal growth rate of net primary government expenditure does not exceed 1,4 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP.** Use windfall gains to accelerate the reduction of the general government debt ratio (...)" [CSR 2018].*			**-0.4** **After 2022** (recital 6 of *CSR 2018* and pp 38/39 of *2018 SP*)	**2014**	-3.0	*(0.4)*	94.9	1.0	-
					2015	-2.8	*(0.2)*	95.6	1.1	-
	2016 *[EDP rec.2015]*	0.8	-		**2016**	-2.8	*(0.0)*	98.0	1.2	-
	2017 [*EDP rec.2015*]	0.9	-		**2017**	-2.7	*(0.1)*	98.4	2.2	-
	2018 *[recital 8 of CSR 2017]*	0.6	1.2		**2018**	-2.6	*(0.1)*	98.4	1.6	1.8
	2019 *[CSR 2018]*	0.6	1.4		**2019**	-2.6	*(0.0)*	99.0	1.3	1.5

MEMBER STATE	COUNCIL RECOMMENDATIONS: Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018	Fiscal-structural adjustment (% of GDP) REQUIREMENT (A)	Expen-diture Benchmark (% growth) REQUIRE-MENT (B)	Level of MTO (structural budget bal-ance) and *Target year for MTO*[7] REQUIRE-MENT (C)	LATEST DATA RELATING TO COMPLIANCE – COM forecast - spring 2019[3] (under no policy change scenario)[4] (% of GDP): Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	COM assessments of DBPs (of CSRs for non-euro area): Net primary government expenditure (% change)[6] *To be compared to* REQUIRE-MENT (B)
IT	*"Ensure that the* ***nominal growth rate of net primary government expenditure does not exceed 0,1 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP****. Use windfall gains to accelerate the reduction of the general government debt ratio. (...)" [CSR 2018]*			**0.0** **2019** **(earliest)** according to recital 6 of *CSR 2017*) and **2020** according to recital 6 of *CSR 2018*	**2014**	-0.9	*(-0.2)*	131.8	0.1	-
					2015	-0.7	*(0.2)*	131.6	0.9	-
	2016 *[CSR 2016]*	0.6	-		**2016**	-1.7	*(-1.0)*	131.4	1.1	-
	2017 *[CSR 2016]*	0.6	-		**2017**	-2.1	*(-0.4)*	131.4	1.7	-0.3
	2018 *[CSR 2017, incl. recital 10]*	0.6	-0.2		**2018**	-2.2	*(-0.1)*	132.2	0.9	0.4
	2019 *[CSR 2018]*	0.6	0.1		**2019**	-2.4	*(-0.2)*	133.7	0.1	1.2
CY	**No SGP related *CSR 2018***			**0.0** **2017** (recitals 6 of *CSR 2017* and CSR 2018*)*	**2014**	3.5	*(4.0)*	108.0	-1.3	-
					2015	2.1	*(-1.4)*	108.0	2.0	-
	2016 *[CSR2016]*	Respect MTO			**2016**	1.1	*(-1.0)*	105.5	4.8	-
	2017 *[CSR2016]*	Respect MTO			**2017**	1.3	*(0.2)*	95.8	4.5	3.8
	2018 [recital 7 of *CSR 2018*]	-0.4	1.9		**2018**	2.0	*(0.7)*	102.5	3.9	3.0
	2019 *[CSR 2018]*	No fiscal target [MTO achieved]			**2019**	1.1	*(-0.9)*	96.4	3.1	7.7
LV	*"****Achieve the MTO in 2019****, taking into account the allowances linked to the implementation of the structural reforms for which a temporary deviation is granted (...)" [CSR 2018]*			**-1.0** Postponed from **2018** (recital 6 of *CSR 2017*) to **2019** (*CSR 2018*, including recitals 6 and 7)	**2014**	-1.0	*(-0.1)*	40.9	1.9	-
					2015	-1.5	*(-0.5)*	36.8	3.0	-
	2016 *[CSR 2016, incl. recital 5]*	"Limit the deviation from the MTO"			**2016**	-0.2	*(1.3)*	40.3	2.1	-
	2017 *[CSR 2017, incl. recital 7]*	No fiscal target [MTO achieved]			**2017**	-1.2	*(-1.0)*	40.0	4.6	6.2
	2018 *[CSR 2017, incl. recital 7]*	-0.3	6.0		**2018**	-2.1	*(-0.9)*	35.9	4.8	6.5
	2019 *[CSR 2018, incl. recital 8]*	0.4	4.3		**2019**	-1.6	*(0.5)*	34.5	3.1	4.8

MEMBER STATE	COUNCIL RECOMMENDATIONS: Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018	Fiscal-structural adjustment (% of GDP) REQUIREMENT (A)	Expenditure Benchmark (% growth) REQUIREMENT (B)	Level of MTO (structural budget balance) and *Target year for MTO*[7] REQUIREMENT (C)	LATEST DATA RELATING TO COMPLIANCE: COM forecast - spring 2019[3] (under no policy change scenario)[4] (% of GDP) — Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	COM assessments of DBPs (of CSRs for non-euro area): Net primary government expenditure (% change)[6] *To be compared to* REQUIREMENT (B)
LT	No numerical fiscal effort in CSR 2018, , but *"Improve tax compliance and broaden the tax base to sources less detrimental to growth. Ensure the long-term sustainability of the pension system while addressing the adequacy of pensions."*			**-1.0 2015 (onwards)** (recital 8 of CSR 2014 and p.3 of CP 2014)	**2014**	-1.2	*(0.6)*	40.5	3.5	-
					2015	-0.6	*(0.6)*	42.6	2.0	-
	2016 *[CSR 2016, incl. recital 6]*	No fiscal target [MTO achieved]			**2016**	-0.4	*(0.2)*	40.0	2.4	-
	2017 *[CSR 2017, incl. recital 8]*	No fiscal target [MTO achieved]			**2017**	-0.8	*(-0.4)*	39.4	4.1	6.6
	2018 *[CSR 2018, incl. recital 7]*	-0.6	6.4		**2018**	-0.8	*(0.0)*	34.2	3.4	7.3
	2019 *[CSR 2018, incl. recital 7]*	No fiscal target [MTO achieved]			**2019**	-1.0	*(-0.2)*	37.0	2.7	7.9
LU	No *numerical fiscal effort in* CSR 2018, but: *"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."*			**-0.5 2017** (recital 5 of CSR 2016 and pp. 4/6/10 of SP 2016 and recital 6 of CSR 2018)	**2014**	2.3	*(-0.4)*	22.7	4.3	-
					2015	1.3	*(-1.0)*	22.2	3.9	-
	2016 *[CSR 2016, incl. recital 5]*	No fiscal target [MTO achieved]			**2016**	1.7	*(0.4)*	20.7	2.4	-
	2017 *[CSR 2017, incl. recital 6]*	No fiscal target [MTO achieved]			**2017**	1.5	*(-0.2)*	23.0	1.5	10.4
	2018 *[CSR 2017, incl. recital 6]*	No fiscal target [MTO achieved]			**2018**	2.1	*(0.6)*	21.4	2.6	10.9
	2019 *[CSR 2018, incl. recital 6]*	No fiscal target [MTO achieved]			**2019**	0.9	*(-1.2)*	20.7	2.5	10.1
MT	*No SGP related CSR 2018*			**0.0 2019** (recital 5 of CSR 2016 and p. 34 of SP 2016)	**2014**	-2.2	*(-0.8)*	63.4	8.7	-
					2015	-2.6	*(-0.4)*	57.9	10.7	-
	2016 *[CSR 2016]*	0.6	-		**2016**	0.3	*(2.9)*	55.5	5.7	-
	2017 *[CSR 2016]*	0.6	-		**2017**	3.1	*(2.8)*	50.2	6.7	6.5
	2018 *[CSR 2017, incl. recital 7)*	No fiscal target [MTO achieved]			**2018**	1.4	*(-1.7)*	46.0	6.6	10.7
	2019 *[CSR 2018, incl. recital 7]*	No fiscal target [MTO achieved]			**2019**	0.6	*(-0.8)*	42.8	5.5	9.6

MEMBER STATE	COUNCIL RECOMMENDATIONS: Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018	Fiscal-structural adjustment (% of GDP) REQUIRE-MENT (A)	Expen-diture Benchmark (% growth) REQUIRE-MENT (B)	Level of MTO (structural budget bal-ance) and *Target year for MTO*[7] REQUIRE-MENT (C)	LATEST DATA RELATING TO COMPLIANCE: COM forecast - spring 2019[3] (under no policy change scenario)[4] (% of GDP): Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	COM assessments of DBPs (of CSRs for non-euro area): Net primary government expenditure (% change)[6] *To be compared to* REQUIRE-MENT (B)
NL	*No numerical fiscal effort, but "**While respecting the MTO**, use fiscal and structural policies to raise public and private investment in research, development and innovation (...)" [CSR 2018]*			**-0.5** **2018** (recital 5 of *CSR 2016)* and *SP 2015* pp. 3/15)	**2014**	-0.6	*(1.0)*	67.9	1.4	-
					2015	-0.9	*(-0.3)*	64.6	2.0	-
	2016 *[CSR 2016]*	"Limit the deviation from the MTO"			**2016**	0.4	*(1.3)*	61.9	2.2	-
	2017 *[CSR 2016]*	0.6	-		**2017**	0.6	*(0.2)*	57.0	2.9	-
	2018 *[CSR 2017, incl. recital 6]*	No fiscal target [MTO achieved]			**2018**	0.8	*(0.2)*	52.4	2.7	-
	2019 *[CSR 2018, incl. recital 6)*	No fiscal target [MTO achieved]			**2019**	0.7	*(-0.1)*	49.1	1.6	-
AT	"***Achieve the MTO in 2019**, taking into account the allowance linked to unusual events for which a temporary deviation is granted. Ensure the sustainability of the health and long-term care and the pension systems, including by increasing the statutory retirement age and by restricting early retirement (...)." [CSR 2018]*			**-0.5** ***2019*** (recital 6 of *CSR 2017* and CSR 2018 including recitals 6, 8 and 9)	**2014**	-0.6	*(0.5)*	84.0	0.7	-
					2015	0.0	*(0.6)*	84.7	1.1	-
	2016 *[CSR 2016, incl. recital 6]*	No fiscal target [but "further measures needed"]			**2016**	-1.1	*(-1.1)*	83.0	2.0	-
	2017 *[CSR 2016]*	0.3			**2017**	-0.8	*(0.3)*	78.2	2.6	0.9
	2018 *[recital 8 of CSR 2018]*	-0.2	3.3		**2018**	-0.5	*(0.3)*	73.8	2.7	3.9
	2019 *[CSR 2018, incl. recital 9]*	0.3	2.9		**2019**	-0.1	*(0.4)*	69.7	1.5	3.1
PT	***"Ensure that the nominal growth rate of net primary government expenditure does not exceed 0,7 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP.** Use windfall gains to accelerate the reduction of the general government debt ratio (...)" [CSR 2018]*			**0.25** **Advanced from 2021** (Recital 6 of *CSR 2017*) **to 2020** (recital 6 of *CSR 2018]*	**2014**	-1.6	*(1.3)*	130.6	0.9	-
					2015	-2.2	*(-0.6)*	128.8	1.8	-
	2016 *[CSR 2016, incl. recital 6]*	0.6	-		**2016**	-2.0	*(0.2)*	129.2	1.9	-
	2017 *[CSR 2016]*	0.6	-		**2017**	-1.3	*(0.7)*	124.8	2.8	-0.9

MEMBER STATE	COUNCIL RECOMMENDATIONS: Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018	Fiscal-structural adjustment (% of GDP) REQUIREMENT (A)	Expen-diture Benchmark (% growth) REQUIRE-MENT (B)	Level of MTO (structural budget bal-ance) and *Target year for MTO*[7] REQUIRE-MENT (C)	LATEST DATA RELATING TO COMPLIANCE – COM forecast - spring 2019[3] (under no policy change scenario)[4] (% of GDP): Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	COM assessments of DBPs (of CSRs for non-euro area): Net primary government expenditure (% change)[6] *To be compared to* REQUIRE-MENT (B)
	2018 *[CSR 2017, incl. recital 8]*	0.6	0.1		**2018**	-0.4	*(0.9)*	121.5	2.1	1.5
	2019 *[CSR 2018]*	0.6	0.7		**2019**	-0.5	*(-0.1)*	119.5	1.7	1.8
SI	*"**Ensure that the nominal growth rate of net primary government expenditure does not exceed 3,1 % in 2019, corresponding to an annual structural adjustment of 0,65 % of GDP.** (...)" [CSR 2018]*			***0.25 "not planned to be achieved by 2021, under a no-policy-change scenario"*** (recital 6 of *CSR 2018*)	**2014**	-2.0	*(-0.9)*	80.4	3.0	-
					2015	-1.3	*(0.7)*	82.6	2.3	-
	2016 *[CSR 2016]*	0.6	-		**2016**	-1.1	*(0.2)*	78.7	3.1	-
	2017 *[CSR 2016]*	0.6	-		**2017**	-0.5	*(0.6)*	74.1	4.9	0.0
	2018 *[recital 7 of CSR 2018]*	1.0	0.6		**2018**	-0.7	*(-0.2)*	70.1	4.5	1.5
	2019 *[CSR 2018]*	0.65	3.1		**2019**	-0.8	*(-0.1)*	65.9	3.1	3.4
SK	***"Ensure that the nominal growth rate of net primary government expenditure does not exceed 4,1% in 2019, corresponding to an annual structural adjustment of 0,5 % of GDP**(...)." [CSR 2018]*			**-0.5 Postponed from 2018** (recital 6 of *CSR 2017*) **to 2020** (recital 6 of *CSR 2018*])	**2014**	-2.0	*(-0.5)*	53.5	2.8	-
					2015	-2.1	*(-0.1)*	52.2	4.2	-
	2016 *[CSR 2016]*	0.25	-		**2016**	-2.0	*(0.1)*	51.8	3.1	-
	2017 *[CSR 2016]*	0.5	-		**2017**	-0.9	*(1.1)*	50.9	3.2	1.4
	2018 *[CSR 2017, incl. recital 8]*	0.5	2.9		**2018**	-1.3	*(-0.4)*	48.9	4.1	4.0
	2019 *[CSR 2018]*	0.5	4.1		**2019**	-1.3	*(0.0)*	47.3	3.8	4.5
FI	*"**Achieve the MTO in 2019**, taking into account the allowances linked to the implementation of the structural reforms for which a temporary deviation is granted (...) " [CSR 2018]*			**-0.5 2019** *[CSR 2018]*	**2014**	-1.3	*(-0.3)*	60.2	-0.6	-
					2015	-0.7	*(0.6)*	63.4	0.5	-
	2016 *[CSR 2016]*	0.5	-		**2016**	-0.7	*(0.0)*	63.0	2.8	-
	2017 *[CSR 2016]*	0.6	-		**2017**	-0.7	*(0.0)*	61.3	2.7	0.6
	2018 *[recital 8 of CSR 2018]*	-0.1	1.9		**2018**	-1.0	*(-0.3)*	58.9	2.3	2.4
	2019 *[recital 9 of CSR 2018]*	-0.2	2.9		**2019**	-1.0	*(0.0)*	58.3	1.6	3.1

MEMBER STATE	COUNCIL RECOMMENDATIONS				LATEST DATA RELATING TO COMPLIANCE					
	Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018			Level of MTO (structural budget balance) and *Target year for MTO*[7] REQUIRE-MENT (C)	COM forecast - spring 2019[3] (under no policy change scenario)[4] (% of GDP)					COM assessments of DBPs (of CSRs for non-euro area)
		Fiscal-structural adjustment (% of GDP) REQUIRE-MENT (A)	Expen-diture Benchmark (% growth) REQUIRE-MENT (B)		Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	Net primary government expenditure (% change)[6] *To be compared to* REQUIRE-MENT (B)
BG	No numerical fiscal effort in CSR 2018, but: *"Improve tax collection and the efficiency of public spending, including by stepping up enforcement of measures to reduce the extent of the informal economy."*			**-1.0** ***2017*** (Recital 5 of CSR 2016 and CP 2016 pp. 5/33)	**2014**	-1.7	*(-1.7)*	27.1	1.8	-
					2015	-1.1	*(0.6)*	26.2	3.5	-
	2016 *[CSR 2016]*	0.5	-		**2016**	0.3	*(1.4)*	29.6	3.9	-
	2017 *[CSR 2016]*	0.5	-		**2017**	1.1	*(0.8)*	25.6	3.8	-
	2018 *[Recitals 5/6 of CSR 2017]*	No fiscal target [MTO achieved]			**2018**	1.9	*(0.8)*	22.6	3.1	-
	2019 *[CSR 2018]*	No fiscal target [MTO achieved]			**2019**	0.7	*(-1.2)*	20.5	3.3	-
CZ	No numerical fiscal effort in CSR 2018, but: "*Improve the long-term fiscal sustainability, in particular of the pension system (...)*			**-1.0** **2016 onwards** (recital 5 of CSR 2015 and CP 2015 p.2)	**2014**	-0.8	*(-0.9)*	42.2	2.7	-
					2015	-0.6	*(0.2)*	40.0	5.3	-
	2016 *[CSR 2016, incl. recital 5]*	No fiscal target [MTO achieved]			**2016**	0.8	*(1.4)*	36.8	2.5	-
	2017 *[CSR 2016, incl. recital 5]*	No fiscal target [MTO achieved]			**2017**	1.0	*(0.2)*	34.7	4.4	-
	2018 *[CSR 2017, incl. recital 5]*	No fiscal target [MTO achieved]			**2018**	0.4	*(-0.6)*	32.7	2.9	-
	2019 *[CSR 2018]*	No fiscal target [MTO achieved]			**2019**	-0.1	*(-0.5)*	31.7	2.6	-
DK	No SGP related CSR 2018			**-0.5** **2016 onwards** (recital 5 of *CSR 2016*)	**2014**	-0.6	*(0.4)*	44.3	1.6	-
					2015	-1.8	*(-1.2)*	39.8	2.3	-
	2016 *[CSR 2016]*	Respect MTO			**2016**	0.3	*(2.1)*	37.2	2.4	-
	2017 *[CSR 2016]*	0.25	-		**2017**	1.5	*(1.2)*	35.5	2.3	-
	2018 *[CSR 2017]*	No fiscal target [MTO achieved]			**2018**	0.8	*(-0.7)*	34.1	1.4	-
	2019 *[CSR 2018]*	No fiscal target [MTO achieved]			**2019**	0.9	*(0.1)*	33.0	1.7	-

MEMBER STATE	COUNCIL RECOMMENDATIONS: Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018	Fiscal-structural adjustment (% of GDP) REQUIRE-MENT (A)	Expen-diture Benchmark (% growth) REQUIRE-MENT (B)	Level of MTO (structural budget bal-ance) and *Target year for MTO*[7] REQUIRE-MENT (C)	LATEST DATA RELATING TO COMPLIANCE — COM forecast - spring 2019[3] (under no policy change scenario)[4] (% of GDP): Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	COM assessments of DBPs (of CSRs for non-euro area): Net primary government expenditure (% change)[6] *To be compared to* REQUIRE-MENT (B)
HR	No numerical fiscal effort, but: "*Strengthen the fiscal framework (...). Introduce a recurrent property tax.*" *[CSR 2018]*			**-1.75** **2017** (recitals 5/6 of *CSR 2017* and recital 5 of *CSR 2018*)	**2014**	-3.1	*(-0.1)*	84.0	-0.1	-
					2015	-1.7	*(1.4)*	83.7	2.4	-
	2016 *[CSR 2016]*	Correct excessive deficit			**2016**	-0.6	*(1.1)*	80.5	3.5	-
	2017 *[CSR 2016]*	0.6	-		**2017**	0.6	*(1.2)*	77.8	2.9	
	2018 *[CSR 2017, incl. recital 6]*	"Remain at MTO"			**2018**	-0.3	*(-0.9)*	74.6	2.6	
	2019 *[CSR 2018]*	No fiscal target [MTO			**2019**	-0.8	*(-0.5)*	70.9	2.6	
HU	**"***In 2018, ensure compliance with the Council recommendation of … June 2018 with a view to correcting the significant deviation from the adjustment path toward the MTO***."** *[CSR 2018]* and "*ensure that the nominal growth rate of net primary government expenditure does not exceed 3,3 % in 2019, corresponding to an annual structural adjustment of 1,0 % of GDP,"[SDP 2018]*			**-1.5** **2020** (recital 5 of *CSR 2017*)	**2014**	-2.1	*(-0.8)*	76.7	4.2	-
					2015	-2.0	*(0.1)*	76.7	3.5	-
	2016 *[CSR 2016]*	0.5	-		**2016**	-1.8	*(0.2)*	76.0	2.3	-
	2017 *[CSR 2016]*	0.6	-		**2017**	-3.4	*(-1.6)*	73.4	4.1	-
	2018 *[CSR 2018, SDP of June 2018]*	1.0	2.8		**2018**	-3.7	*(-0.3)*	70.8	4.9	4.6
	2019 *[SDP of Dec. 2018]*	1.0	3.3		**2019**	-3.3	*(0.4)*	69.2	3.7	4.6
PL	*"Ensure that the* ***nominal growth rate of net primary government expenditure does not exceed 4,2 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP.*** *Take steps to improve the efficiency of public spending, including by improving the budgetary process.." [CSR 2018]*			**-1.0** **After 2020** (Recital 5 of *CSR 2017* and p. 24 of *CP 2017*)	**2014**	-2.8	*(0.6)*	50.4	3.3	-
					2015	-2.3	*(0.5)*	51.3	3.8	-
	2016 *[CSR 2016]*	0.5	-		**2016**	-1.9	*(0.4)*	54.2	3.1	-
	2017 *[CSR 2016]*	0.5	-		**2017**	-1.9	*(0.0)*	50.6	4.8	
	2018 *[CSR 2017, incl. recital 7]*	0.5	3.7		**2018**	-1.4	*(0.5)*	48.9	5.1	4.2
	2019 *[CSR 2018]*	0.6	4.2		**2019**	-2.8	*(-1.4)*	48.2	4.2	5.3

MEMBER STATE	COUNCIL RECOMMENDATIONS: Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018	Fiscal-structural adjustment (% of GDP) REQUIREMENT (A)	Expen-diture Benchmark (% growth) REQUIRE-MENT (B)	Level of MTO (structural budget bal-ance) and *Target year for MTO*[7] REQUIRE-MENT (C)	LATEST DATA RELATING TO COMPLIANCE: COM forecast - spring 2019[3] (under no policy change scenario)[4] (% of GDP) — Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	COM assessments of DBPs (of CSRs for non-euro area): Net primary government expenditure (% change)[6] *To be compared to* REQUIRE-MENT (B)
RO	***"****Ensure compliance with the Council recommendation of (…) June 2018 with a view to* ***correcting the significant deviation from the adjustment path toward the MTO*** *(...)" [CSR 2018] and " ensure that the nominal growth rate of net primary government expenditure does not exceed 4,5% in 2019, corresponding to an annual structural adjustment of 1,0% of GDP "[SDP 2018]*			**-1.0 After 2020** (recital 6 of CSR 2017) and "The MTO (...) is not expected to be reached by 2021, which is the end of the programme horizon" (recital 5 of CSR 2018).	**2014**	-0.3	*(0.6)*	39.2	3.4	-
					2015	-0.1	*(0.2)*	37.8	3.9	-
	2016 *[CSR 2016]*	Limit deviation from MTO			**2016**	-1.7	*(-1.6)*	37.3	4.8	-
	2017 *[CSR 2017, incl. recital 7)*	0.5	-		**2017**	-2.9	*(-1.2)*	35.2	7.0	-
	2018 *[CSR 2018, SDP of June 2018]*	0.8	3.3		**2018**	-3.0	*(-0.1)*	35.0	4.1	5.3
	2019 *[SDP 2018]*	1.0	4.5		**2019**	-3.6	*(-0.6)*	36.0	3.3	6.2
SE	No SGP related CSR 2018			**-1.0 2012/2013 onwards** (recital 10 of CSR 2012 and pp. 22/39 of *CP 2012*)	**2013**	0.0	*(-0.2)*	40.7	0.8	-
					2014	-0.5	*(-0.5)*	45.5	2.6	-
					2015	-0.1	*(0.4)*	44.2	4.5	-
	2016 *[recital 5 of CSR 2016]*	No fiscal target [MTO achieved]			**2016**	0.7	*(0.8)*	42.4	2.7	-
	2017 *[recital 5 of CSR 2016]*	No fiscal target [MTO achieved]			**2017**	1.2	*(0.5)*	40.8	2.1	-
	2018 *[recital 5 of CSR 2017]*	No fiscal target [MTO achieved]			**2018**	0.6	*(-0.6)*	38.8	2.3	-
	2019 *[recital 5 of CSR 2018]*	No fiscal target [MTO achieved]			**2019**	0.5	*(-0.1)*	34.4	1.4	-
UK	*"Ensure that the* ***nominal growth rate of net primary government expenditure does not exceed 1,6 % in 2019-2020, corresponding to an annual structural adjustment of 0,6 % of GDP****." [CSR 2018]*			**No MTO** (recital 5 of *CSR 2017* and recital 6 of *CSR 2018*)	**2014**	-5.0	*(-0.7)*	87.0	2.9	-
					2015	-4.4	*(0.6)*	87.9	2.3	-
	2016 *[CSR 2016]*	Correct excessive deficit			**2016**	-3.2	*(1.2)*	87.9	1.8	-
	2017 *[CSR 2016]*	0.6	-		**2017**	-2.4	*(0.8)*	87.1	1.8	-

MEMBER STATE	COUNCIL RECOMMENDATIONS				LATEST DATA RELATING TO COMPLIANCE					
	Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018			Level of MTO (structural budget balance) and *Target year for MTO*[7] REQUIREMENT (C)	COM forecast - spring 2019[3] (under no policy change scenario)[4] (% of GDP)					COM assessments of DBPs (of CSRs for non-euro area)
		Fiscal-structural adjustment (% of GDP) REQUIREMENT (A)	Expenditure Benchmark (% growth) REQUIREMENT (B)		Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	Net primary government expenditure (% change)[6] *To be compared to* REQUIREMENT (B)
	2018 *[recital 7 of CSR 2017]*	0.6	1.8		**2018**	-2.0	*(0.4)*	86.8	1.4	2.0
	2019 *[CSR 2018]*	0.6	1.6		**2019**	-1.8	*(0.2)*	85.1	1.3	1.4

Table notes: [1] The year for which a deficit in excess of 3% of GDP was notified by the national authorities, or the year for which these authorities notified a planned budget deficit in excess of 3%.
[2] The source of the structural effort required by the Council is the current EDP recommendation adopted by the Council. [3] See statistical annex to the COM spring 2019 forecast: tables 1 (GDP growth), 36 (nominal budget balance), 41 (structural balance) and 42 (gross debt). For the years before 2015, the data sources are Eurostat and the COM online database AMECO.
[4] See COM spring 2019 forecast Box I.5 (page 82) "*Some technical elements behind the forecast*".
[5] The structural budget indicator is measured as % of potential GDP. See table 41 (structural budget balance) of the statistical annex to the COM autumn 2018 forecast. In brackets the year on year change of the structural balance in percentage points of potential GDP, which can be regarded only as a proxy for the "*effective action*"/"*fiscal effort*", as the assessment of effective action by COM takes also account many other elements (see pp. 36-56 and pp. 192-208 of the SGP Vademecum of March 2018). [6] Net primary government expenditure is defined as total government expenditure excluding interest expenditure, expenditure on Union programmes fully matched by Union funds revenue and non-discretionary changes in unemployment benefit expenditure. Nationally financed gross fixed capital formation is smoothed over a 4-year period. Discretionary revenue measures or revenue increases mandated by law are factored in. One-off measures on both the revenue and expenditure sides are netted out. The sources used in this table are for Euro Area Member States the COM staff working documents analysing the 2019 DBPs and for non-Euro Area Member States the COM assessments of the 2018 Stability and Convergence Programmes (SCPs); while the COM documents include the expenditure benchmark and the deviation of net expenditure growth from the benchmark, the above table presents the net expenditure growth by subtracting the COM figures on benchmark and deviation.
[7] The sources for the level and the target year of the MTOs are the CSRs 2012; 2013, 2014, 2015, 2016, 2017, 2018 and the SCPs 2012-2018. The COM and Member States update every few years the MTOs on the basis of the agreed methodology of the Code of Conduct of the SGP (please see the COM Institutional paper 034, September 2016, p. 12). For this table, CSRs as adopted by the Council in 2012-2018 have been used as the main source to identify target dates to achieve the MTOs.

3. SGP implementation: recent developments

This section summarises most recent and relevant developments which have occurred before May 2019 and which have not be presented section 1.

- **Recommendations on the economic policy in the euro area:**

Out of five current euro area recommendations adopted by the Council on 22 January 2019, the following one targets specifically fiscal policies under the SGP: "*While pursuing policies in a manner that fully respects the SGP, support public and private investment and improve the quality and composition of public finances. Rebuild fiscal buffers, especially in euro-area Member States with high levels of public debt. Support and implement EU actions to combat aggressive tax planning.*"

Please Note that the COM proposal of 21 November 2018 was slightly different: "*Rebuild fiscal buffers in euro area countries with high levels of public debt, support public and private investment and improve the quality and composition of public finances in all countries.*"

➢ 2019 Draft Budgetary Plans (DBPs)

Slovenia, Luxembourg and Latvia Slovenia updated their 2019 DBPs respectively in January, February and March 2019, since the previous versions were done under a no-policy change scenario. On 27 February 2019, the COM assessed the updated DBP of Slovenia: "*Overall, the COM is of the opinion that the updated DBP of Slovenia is at **risk of non-compliance with the provisions of the SGP**. In particular, the COM projects a risk of significant deviation from the required adjustment towards the MTO in 2019 and in 2018 and 2019 taken together. Therefore, the COM invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2019 budget will be compliant with the SGP.*" On 6 March 2019, the COM assessed that the updated DBP of Latvia is **broadly compliant** with the current requirements under the SGP. On 22 March 2019, it assessed that the updated DBP of Luxembourg is **compliant** with the current requirements under the SGP.

On **4 December 2018**, the Eurogroup issued a statement on the 2019 DBPs, in which it:

- o supported the COM assessment of 21 November 2018 that the (revised) 2019 **DBP of Italy** of 13 November is a particularly **serious case of non-compliance** with its obligations (i.e. Council recommendations of July 2018) and recommended Italy to take the necessary measures to be compliant with the SGP;
- o noted that **Belgium, France, Portugal and Spain** are not expected to comply prima facie with the debt reduction benchmark in 2019;
- o invited all countries assessed by the COM - on 21 November 2018 - to be **at "risk of non-compliance" with their obligations under the SGP** (i.e. Belgium, France, Portugal, Spain and Slovenia) to address in a timely manner the identified risks and to ensure that their 2019 budget will be compliant with SGP provisions. The assessed risks of non-compliance with the SGP in 2019 mean that they might lead to a significant deviation from the adjustment paths towards the respective MTO. Please see separate EGOV briefing on the COM Opinions on these countries and Italy;
- o noted that **Luxembourg, Latvia and Slovenia** submitted their DBPs on a **no-policy-change basis** and invited them to submit the **updates of their DBPs** as soon as possible;

On **21 November 2018**, the COM published its **autumn 2018 Semester package**, which included the **Opinions on the 2019 Draft Budgetary Plans (DBPs) of euro area Member States**

- o The revised DBP of Italy was assessed to be a particularly **serious case of non-compliance** with the CSRs of July 2018 (see section 1 for more recent information and overleaf page for details on the assessment process of the Italian DBP).
- o For ten Member States (Germany, Ireland, Greece, Cyprus, Lithuania, Luxembourg, Malta, Netherlands, Austria, and Finland), the DBPs were assessed to be **compliant** with the SGP in 2019.
- o For three Member States (Estonia, Latvia and Slovakia), the DBPs were found to be **broadly compliant** with the SGP in 2019, which means that they were assessed to lead to some deviation from the country's MTO or the adjustment path towards it (see separate briefing for more information on the concept of MTOs).
- o For five Member States (Belgium, Spain, France, Portugal and Slovenia), the DBPs were judged to pose **a risk of non-compliance with the SGP in 2019**, which means that they might lead to a significant deviation from the adjustment paths towards the respective MTO.

In **October 2018**, euro area Member States submitted their DBPs, in accordance with Reg. 473/2013.

➢ Previous steps relating to the assessments on Italy

The COM published **on 21 November 2018** a report under Art. 126 (3) TFEU, which concluded: *"Overall, the analysis suggests that the debt criterion as defined in the Treaty and in Regulation (EC) No 1467/1997 should be considered as not complied with, and that a debt-based EDP is thus warranted."* The conclusion is notably based on the argument that "*the identified risk of significant deviation from the recommended adjustment path towards the MTO in 2018 and the particularly serious non-compliance for 2019 with the recommendation addressed to Italy by the Council on 13 July 2018, based on both the government plans and the COM 2018 autumn forecast.*" Afterwards, the EFC (Committee of the ECOFIN Council) formulated its opinion on the Art. 126(3) report, agreeing with the COM.

On **19 December 2018**, the COM concluded (in a letter to the Italian government) that the budget amendments proposed by the Italian government, and as specified in a letter to the COM on 18 December 2018, would be sufficient, if fully implemented, for the COM not to recommend the opening of an EDP at this stage. The COM will continue to monitor the budgetary developments in Italy, and in particular the execution of the 2019 budget, in the context of the European Semester of economic policy coordination. The Italian government, in an annex to the above mentioned letter to the COM, is estimating a nominal budget deficit of 2.0% of GDP, a structural deficit of 1.3 %, a structural budget effort of 0,0 % of potential GDP (including the use of flexibility provision of the SGP) and the government debt to be 130,7% of GDP in 2019. These figures would imply that the adopted budget for 2019 is *prima facie* at "*risk of non-compliance*" with the preventive arm of the SGP (i.e. there is a risk of significant deviation, since the announced structural budget effort amounts to 0.0% of potential GDP while the required structural budget effort is 0.6% of potential GDP).

Box: Entry into force of the debt reduction benchmark

EU Regulation 1467/97 stipulates that the debt reduction benchmark (which is relevant for countries with public debt above 60% of GDP) is applicable after **a transition period of three years from the correction of the excessive deficit**, if the country was in an EDP at the entry in force of the regulation (i.e. on 8 November 2011). Member States **within the transition period have to comply with a so-called Minimum Linear Structural Adjustment** (defined on p. 12 of current Code of Conduct on the SGP implementation and in Annex 5 of the 2018 Vade Mecum on the SGP). The state of play is as follows:

- Finland (not in EDP on 8/11/2011): the debt rule is applicable without transition period since the entry in force of the regulation.

For the following countries, transition periods exist(ed), since they were in EDP on 8 November 2011:

- Germany and Malta: expiration of the transition period in the end of 2014.

- Italy: expiration of the transition period in the end of 2015.

- Belgium, Austria and the Netherlands: expiration of the transition period in the end of 2016.

- Ireland, Cyprus and Slovenia: the transition periods will expire in the end of 2018.

- Portugal and Greece: expiration of the transition period end of 2019.

- Croatia, which entered the EU after the entry in to force of the regulation and whose deficit is not any more excessive since 2016, the debt rule is applicable without a transition period.

- France (deficit not excessive since the 2017): the transition period will expire end of 2020.

- Spain (the only country still under EDP): the transition period will expire three years from the correction of the excessive deficit. If the Council agrees with the COM proposal of 5 June 2019 to abrogate the EDP, the transition period will expire end of 2021.