IN-DEPTH ANALYSIS

Economic Dialogue with the European Commission on EU Fiscal Surveillance

ECON on 7 February 2022

Executive Vice-President Dombrovskis and Commissioner Gentiloni have been invited to an Economic Dialogue on the fiscal part of the 2022 European Semester autumn package adopted by the Commission in November 2021. The fiscal elements of the package include the Commission Opinions on euro area 2022 Draft Budgetary Plans, the fiscal policy recommendation for the euro area and some elements of the 2022 Alert Mechanism Report. In March 2020, the general escape clause of the Stability and Growth Pact was activated and the Commission and the Council are expected to de-activate it as of 2023.

This briefing addresses the following subjects: (1) Economic situation; (2) Surveillance of national fiscal policies; (3) Surveillance of macroeconomic imbalances (fiscal aspects); (4) Implementation of the Recovery and Resilience Facility; and (5) Review of the EU economic governance framework.

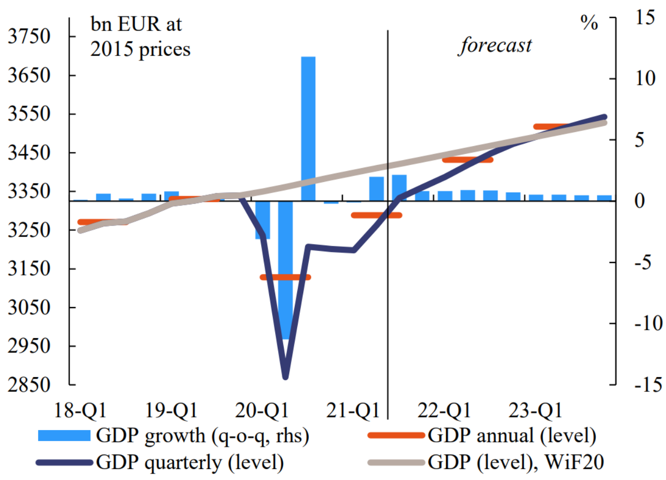
1 Economic background

Recent economic developments and estimations

According to the latest European Commission Autumn 2021 Economic Forecast *"the EU economy is projected to keep expanding over the forecast horizon, achieving a growth rate of 5%, 4.3% and 2.5% in 2021, 2022 and 2023 respectively. Growth rates for the euro area are projected to be identical to those for the EU in 2021 and 2022, and 2.4% in 2023. This outlook depends heavily on two factors: the evolution of the COVID-19 pandemic and the pace at which supply adjusts to the rapid turnaround in demand following the re-opening of the economy"*. The Commission is expected to publish its Winter 2022 Interim Economic Forecast in mid-February.

A the time of the Autumn forecast, the Commission was projecting that "**real GDP in the EU is expected to converge to the steady growth path the economy was set to follow before the pandemic by early 2023**" (see ***Figure 1***).

Figure 1: Real GDP growth path in the EU



Note: WiF20 for 2022 and 2023 extrapolated from quarterly growth over 2021.

European Commission.

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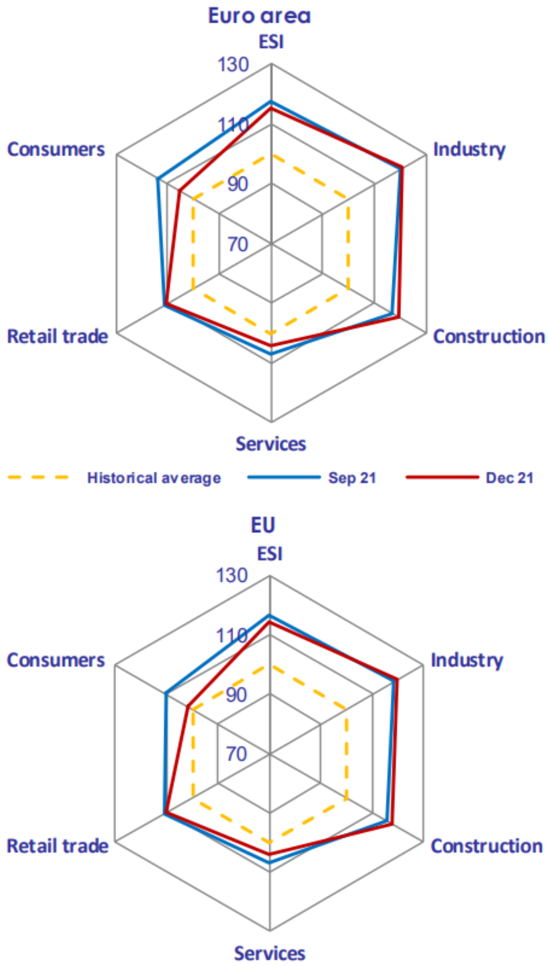
Nevertheless, the second half of 2021 brought to economic reality a number of surprises. On the negative side, the continued supply disruptions, hindering manufacturing and a resurgence in COVID cases and mobility restrictions, are highlighted. On the positive side, signs of a global recovery in November 2021 - international trade picked up as well as services activity and industrial production data were better than anticipated, even though these developments only partially offset earlier declines, were noted. These developments affected the GDP growth path.

Figure 2: Economic Sentiment Indicators radar charts



Source: *European Commission*.

More recent projections (the ECB and the IMF published their projections in December and in January, respectively) estimate that the euro area GDP should grow by around 5.1%-5.2% in 2021 and by 3.9%-4.2% in 2022 and 2.5%-2.9% in 2023. IMF estimate that the EU GDP growth should reach 5.1% in 2021, 4.4% in 2022 and 2.3% in 2023 (see EGOV briefing for more details).

The first estimates of the annual growth rate for 2021 published by Eurostat on 31 January 2022 indicate that GDP increased by 5.2% in both the euro area and the EU - **the fastest GDP expansion recorded in the EU since 1971** [1]. However, it should be noted that the estimated **growth levels for Member States differ**. One could also note that Eurostat flash estimate for January shows still increasing level of inflation in the euro area (annual inflation reached 5.1% in January 2022, up from 5.0% in December).

As regards projections for 2022 and 2023, given notably the still high uncertainty of the future development of pandemic evolution, the risks are tilted to the downside. Prolonged health crisis could further result in economic scarring and increased insolvencies. Additionally, supply chain disruptions and localised wage pressures pose another downside risk to the economic growth, which in turn may affect consumer prices and further fuel increasing inflation.

Based on the Commission European Business Cycle Indicators, capacity utilisation in manufacturing (81.6% in the EU and 82.1% in the EA) and services (89.2% in the EU and 88.9% in the EA) are above its long term averages (80.5% for both regions in manufacturing and 88.9% in the EU and 88.6% in the EA in services, see ***Figure 2***). Also, *"The share of industry managers pointing to the shortage of labour force and material and/or equipment as factors limiting production reached the highest values on record in the October survey"*.

Furthermore, as advanced economies are facing price pressures and could start tightening monetary policy, leading to an increase in nominal interest rates, *"risks to financial stability and ... capital flows, currencies, and fiscal positions—especially with debt levels having increased significantly in the past two years—may emerge.*

[1] While these estimates are based on incomplete data which will still be subject to revision, GDP growth in the last quarter allowed the EU to return to its pre-pandemic level of output.

Other global risks may crystallize as geopolitical tensions remain high, and the ongoing climate emergency means that the probability of major natural disasters remains elevated".

Recent public finances developments and estimations

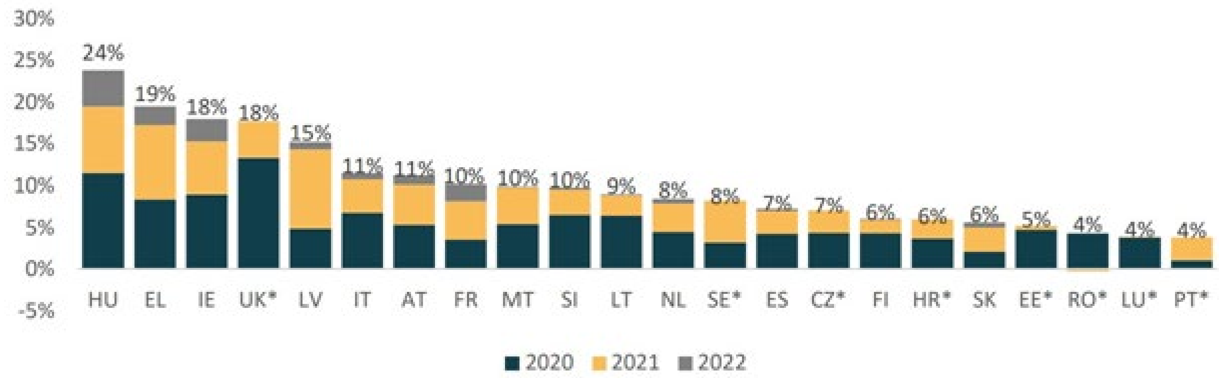
According to latest Eurostat data, in the third quarter of 2021, the seasonally adjusted general government deficit to GDP ratio stood at 4.0% in the euro area and 3.7% in the EU. Significant decreases in the deficits compared to the second quarter of 2021 were observed, but the deficits remained at a high level compared to the pre-pandemic period. The deficit to GDP ratio decreased due to increases in total revenue, decreases in the total expenditure as well as due to a higher GDP in comparison with the second quarter of 2021. Total revenue and total expenditure continued to be influenced by policy responses to the COVID-19 pandemic. **The highest deficits** were recorded in Malta (8,1 %), Spain (7,3 %) and Romania (7,1 %).

According to the Commission's assessment of the 2022 Draft Budgetary Plans (DBPs), Member States are unwinding the temporary emergency measures and increasingly focusing support measures on sustaining the recovery. Together with the operation of the automatic stabilisers, this helps the aggregate euro-area fiscal position, which is set to improve significantly in 2022. The DBPs point to an aggregate headline deficit of 4.1% of GDP and a debt-to-GDP ratio of around 96% in 2022, broadly in line with the Commission 2021 autumn forecast.

According to the Commission's assessment, **Member States have taken sizeable fiscal measures in response to the pandemic and in support of the recovery** (5.2% of GDP in 2021 and 2.8% of GDP in 2022). Temporary emergency measures are projected to be mostly phased out in 2022 (3.7% of GDP in 2021, 0.4% of GDP in 2022). By contrast, recovery support measures are set to rise (1.5% of GDP in 2021, 2.3% of GDP in 2022), which is increasingly related to measures financed by the EU. In 2022, RRF non-repayable financial support or "grants" will fund 24% of total recovery support measures. Member States also provided ample liquidity support to households and businesses in the form of guarantees or suspension of tax and social security contributions.

According to the network of EU Independent Fiscal Institutions, the fiscal stance in most countries remained very supportive throughout 2021, as governments continued with large-scale measures to support the economy (see **Figure 3** below). In the 25 countries covered by its latest European Fiscal Monitor of 31 January 2022), the network estimates that policy measures cost on average about 5% of GDP in 2020 and 4% of GDP in 2021. In general, **national IFIs deem the fiscal response to COVID-19 appropriate**. Nevertheless, they have several concerns over the impact of the adopted fiscal stimulus on GDP and the distribution of benefits, potential mis-targeting of the fiscal stimulus and implementation difficulties.

Figure 3: Size of COVID-19-related fiscal measures by country and year (% of GDP)



*Note: the figure above shows the total size of fiscal stimulus adopted in 2020, 2021 and 2022. Fiscal stimulus is measured as a first round effect in general government (ESA2010) terms. The figures for Ireland relate to GNI rather than GDP. * For Croatia, Czechia, Estonia, Luxembourg, Portugal, Romania, Sweden and the UK, no data is available on fiscal stimulus in 2022.*

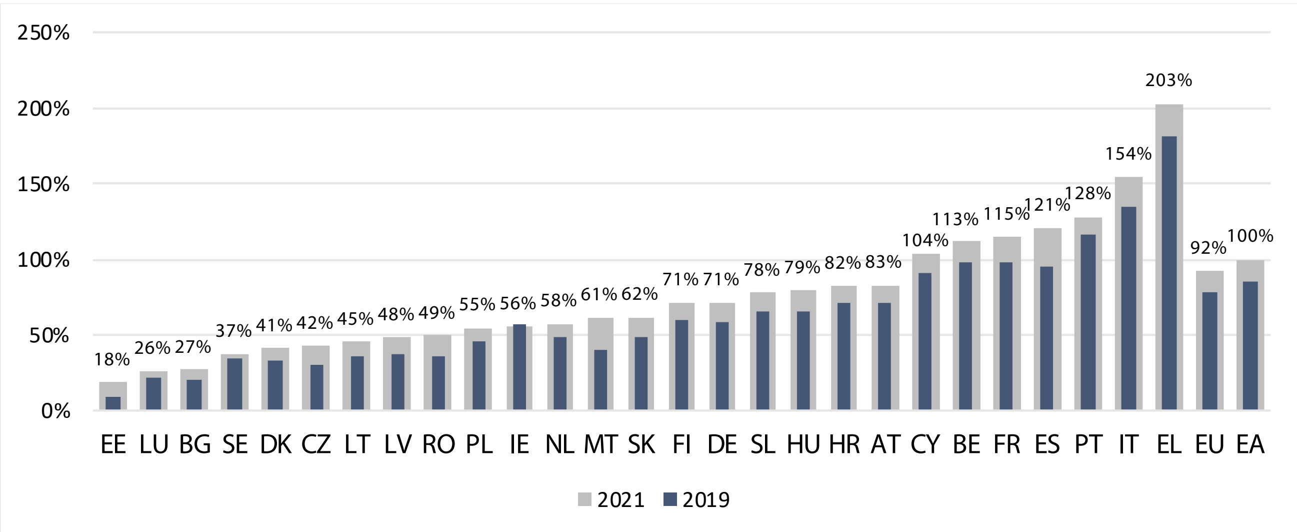
Source: The Network of EU Independent Fiscal Institutions

On the back of the still high fiscal support in the beginning of 2021, the EU aggregate general government deficit is forecast to narrow only marginally (from 6.9% in 2020) to 6.6% of GDP in 2021.

As the economy is expected to move from recovery to expansion, the **unwinding of the crisis support** measures and the rebound in revenues are **forecast to reduce the aggregate budget deficit to around 3.6 %** of GDP in 2022. However, the European Commission has calculated that nationally-financed current expenditure will increase in 2022, signalling that governments have increased expenditure over and above the temporary emergency support deployed to tackle the COVID-19 crisis.

The ratio of EU aggregate public debt to GDP is forecast to peak at 92.1% in 2021 (the aggregate euro area ratio at 100.0%). See below **Figure 4**, which illustrates the magnitudes of the debt level increases between 2019 and 2021 (Ireland is the only Member State in which the debt ratio has decreased).

Figure 4: Public debt (as % GDP) in EU Member States in 2019 and 2021



Source: Commission Autumn 2021 Economic Forecast
Note: The displayed numbers related to the forecast debt level for 2021.

According to the Commission Autumn 2021 Economic Forecast, in 2022, the EU public debt to GDP ratio is projected to decrease to 90.0% and the corresponding ratio of the euro area to 97.0%, notably due to higher GDP growth.

For a comparison of data on some key indicators included in the 2022 Draft Budgetary Plans (DBPs) and the Autumn 2021 Economic Forecast, please see separate EGOV document. For further data, see separate EGOV briefing "Public finances in Euro Area Member States: Selected indicators".

Fiscal stance in 2022

According to the Commission assessments of the 2022 DBPs:

"*While the aggregate euro area fiscal stance is supportive in 2022, its composition could be improved. In the 2021 CSRs, Member States were recommended to implement different types of fiscal strategies based on the level of their public debt. Member States with low debt should pursue a supportive fiscal stance, including the impulse provided by the RRF. Member States with high debt should use the RRF to finance additional investment in support of the recovery while pursuing a prudent fiscal policy. Member States should preserve nationally financed investment. At the same time, the growth of nationally financed current expenditure should be kept under control, and be limited for Member States with high debt. As shown in Section III below, all Member States are complying with the recommendations to use the RRF to finance additional investment in support of the recovery and all Member States, preserve or broadly preserve their nationally financed investment. However, a further increase in nationally financed current expenditure above potential growth is expected in 2022 in several Member States, including some with high debt-sustainability risks. This projected increase in current expenditure above potential growth follows similar trends in 2020 and 2021, suggesting an increasing weight of permanent current expenditure or unfunded tax cuts. The composition of the 2022 fiscal stance could therefore be improved by shifting the fiscal support towards investment to the possible extent. These elements would promote investment and lead to an improvement in medium-term fiscal sustainability. Moreover, for high-debt Member States, limiting the growth of current expenditure will help to pursue a prudent fiscal policy, as recommended by the Council.*"

Box 1: The Fiscal-Monetary Mix

As part of its strategy review, the ECB published in September 2021 a specific paper on monetary-fiscal policy interactions in the euro area, a topic also covered in several other papers that were prepared for the Monetary Dialogue in November 2020.

The starting point of the ECB's analysis is the observation that there is renewed attention on the question of how monetary and fiscal policy should best interact, in particular in an environment of structurally low interest rates and persistent downside risks to price stability. The financial crisis and subsequent sovereign debt crisis exposed weaknesses in the EMU **framework that led to a "*rather unbalanced interaction between fiscal and monetary policies*",** as, according to the ECB, macroeconomic stabilisation was largely left to monetary policy. Taking a forward-looking view of policy challenges, the ECB concludes for the pandemic period that fiscal policy actions should remain at centre stage and monetary policy actions just be supportive, and it concludes for a post-pandemic period that the goals of monetary and fiscal policy continue to be naturally aligned – as long as inflation remains below the aim. At the time, an extrapolation based on survey-based market expectations that is referred to in the ECB paper suggests that inflation rates would only very gradually converge to 2%, implying an undershooting of the ECB's price stability objective for an extended period. There is, however, a caveat: long-term scenarios based on market and survey-based expectations should be regarded with caution, as "[…] *the underlying macroeconomic assumptions may change much more rapidly than currently expected*". The ECB paper, in any case, has a dedicated section that analyses the implications of a potential increase in the interest rate-growth differential for government debt dynamics. Given the very different initial fiscal positions, and differentiating between effects on countries with higher or lower levels of public debt, the ECB's simulations suggest "*that the central bank can tighten monetary policy in a high inflation scenario without endangering debt sustainability in the high-debt group under the premise of a return to prudent fiscal policy in the medium to long run. Otherwise, the unfavourable impact of the large post-pandemic primary deficit on debt dynamics would outweigh the favourable impact of the negative interest-growth differential*".

In a similar vein, researchers at the Banque de France recently stated in a blog that both monetary and fiscal expansions were needed in the euro area to sustain demand and inflation, mitigate the costs of the pandemic crisis and ensure a robust recovery, while cautioning that "*possible conflicts of interest between fiscal and monetary policies could arise if inflation rises over the medium-term beyond the current "inflation hump*".

2 EU fiscal surveillance - latest developments

Fiscal surveillance in the context of the general escape clause

On 18 June 2021, the Council adopted the final texts of its opinions on the 2021 Stability and Convergence Programmes (SCPs) of all EU Member States. These opinions reflect in the preventive arm the continuation of the general escape clause and are based on Commission recommendations for Council opinions of 2 June 2021. These Council opinions were the 2021 fiscal recommendations (i.e. Country Specific Recommendations, CSRs) to Member States under the European Semester and the SGP. In 2021, exceptionally, there were no further CSRs under the European Semester beyond these fiscal recommendations, due to the focus on combatting the economic/social consequences of COVID.

Content wise, the **2021 Council fiscal recommendations**[2] included, for each country under the preventive arm of the SGP (i.e. all EU Member States except Romania), the following elements:

[2] Please see separate EGOV document for a tabular comparison of 2019, 2020 and 2021 CSRs.

- a recommendation on either prudent or supportive fiscal policy in 2022; Member States with low/medium debt should pursue or maintain a supportive fiscal stance, while Member States with high debt should use the Recovery and Resilience Facility (RRF) to finance additional investment in support of the recovery, while pursuing a prudent fiscal policy; all Member States should preserve nationally financed investments; with a view to maximising support to the recovery without pre-empting future fiscal trajectories and creating a permanent burden on public finances, the growth of nationally financed current expenditure should be kept under control, and be limited by Member States with high debt; like last year, this years' fiscal recommendations do not provide country specific fiscal targets;
- a recommendation to pursue, when economic conditions allow, a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term; and
- a recommendation to pay particular attention to the composition of public finances, both on the revenue and expenditure sides of the budget.

Romania has been under the excessive deficit procedure (EDP) since April 2020 due to the breach of the deficit threshold in 2019. In June 2021, the Council adopted a new recommendation to Romania to bring an end to its excessive government deficit by 2024 at the latest. In light of the achieved intermediate target for 2021, the Commission assessed in November 2021 that no decision on further steps in Romania's EDP should be taken at this juncture. It will reassess Romania's budgetary situation once a new government has presented a budget for 2022 and a medium-term fiscal strategy.

The Commission Opinions on the 2022 Draft Budgetary Plans (DBPs)

The following is a summary of the Commission Opinions of 24 November 2021, which are based on the Commission 2021 autumn forecast. The Opinions assess compliance with the Council recommendations of June 2021:

High-debt Member States (Belgium, France, Greece, Italy and Spain)

- As recommended by the Council, **all Member States** use the RRF to finance additional investment in support of the recovery.
- As recommended by the Council, **all Member States** preserve nationally financed investment.
- **Italy** has been recommended by the Council to limit the growth of nationally financed current expenditure. This is not projected to be sufficiently ensured, as the growth of nationally financed primary current expenditure (net of new revenue measures) in 2022 is projected to provide a sizeable contribution to Italy's overall supportive fiscal stance. In order to contribute to the pursuit of a prudent fiscal policy, the Commission invites Italy to take the necessary measures within the national budgetary process to limit the growth of nationally financed current expenditure.
- For **Belgium, France, Greece, Italy and Spain**, given the level of their government debt and high sustainability challenges in the medium term before the outbreak of the COVID-19 pandemic, when taking supporting budgetary measures, it is important to preserve prudent fiscal policy in order to ensure sustainable public finances in the medium term.

Low/medium debt Member States (Austria, Cyprus, Estonia, Finland, Germany, Ireland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Slovenia and Slovakia)

- As recommended by the Council, **all Member States**, with the exception of Slovakia and Malta, pursue a supportive fiscal stance, including the impulse provided by the RRF. Slovakia's restrictive fiscal stance occurs against the background of high output growth and emerging capacity constraints. Malta's neutral stance reflects mainly very high estimated potential growth, while public investment reaches a historically high level. This is broadly as recommended by the Council.

- **All Member States** plan to use the RRF to support their recovery, while the Netherlands has not yet submitted its Recovery and Resilience Plan.
- As recommended by the Council, **all Member States** preserve or broadly preserve nationally financed investment.
- **Latvia and Lithuania** have been recommended by the Council to control the growth of nationally financed current expenditure. This is not projected to be sufficiently ensured, as the growth of nationally financed primary current expenditure (net of new revenue measures) in 2022 is projected to provide a sizeable contribution to their overall supportive fiscal stance.

***Overall,** the Draft Budgetary Plans include measures that go in the direction of strengthening the composition of public finances and contributing to a sustainable and inclusive recovery, including through growth-enhancing investment, notably supporting the green and digital transition. A complete assessment of the fiscal-structural reforms implemented by Member States will be done in the context of the assessment of the implementation of the RRPs and the 2022 Country Report.*

Taking into account the strength of their recovery, Member States are invited to regularly review the use, effectiveness and adequacy of the support measures and stand ready to adapt them as necessary to changing circumstances.

On 6 December, the Eurogroup welcomed the Commission's analysis of the budgetary situation in the euro area as a whole and its Opinions on the DBPs of the euro area Member States and stated that "*This exercise is key to the coordination of fiscal policy in the euro area*".

Deactivation of the general escape clause

On 3 March 2021, the Commission adopted a Communication ("*One year since the outbreak of COVID-19: fiscal policy response*") providing policy orientations to facilitate the coordination of fiscal policies and the preparation of Member States' Stability and Convergence Programmes. As regards the **question when and under which conditions to deactivate the general escape clause,** the Commission stated in the Communication: "*the decision on whether to deactivate the general escape clause or continue it for 2022 should be taken as an overall assessment of the state of the economy based on quantitative criteria. The level of output in the EU or euro area compared to pre-crisis levels would be the key quantitative criterion. Current preliminary indications would suggest to continue applying the general escape clause in 2022 and to de-activate it as of 2023.*" [3]

On 3 June 2021, the Commission confirmed in its Communication "Economic policy coordination in 2021: overcoming COVID-19, supporting the recovery and modernising our economy", that **"***Based on the Commission 2021 spring forecast, pre-crisis economic activity (end-2019) is projected to be reached around the fourth quarter of 2021 in the EU as a whole and the first quarter of 2022 in the euro area. On the basis of this forecast, the conditions for the continued application of the general escape clause in 2022 and its deactivation as of 2023 are met.*"

The autumn 2021 forecast expects that output and unemployment in the EU as a whole will be back to their pre-crisis levels at the end of 2021.

[3] Based on a request of the ECON Committee, four papers by external experts on "*How and When to deactivate the general escape clause of the SGP*" were published in 2020/2021. A separate EGOV briefing provides summaries of these papers.

Nevertheless the Commission states in its Communication on the 2022 DBPs (and in the Annual Growth Survey 2022) that "*Member States should continue to provide targeted and temporary fiscal support in 2022 while safeguarding fiscal sustainability in the medium term. The general escape clause of the Stability and Growth Pact allowed the Member States to support their economies in the midst of the COVID-19 crisis. It is expected to be deactivated as of 2023.*"

Box 2: Two recent studies on moving from broad to targeted fiscal support

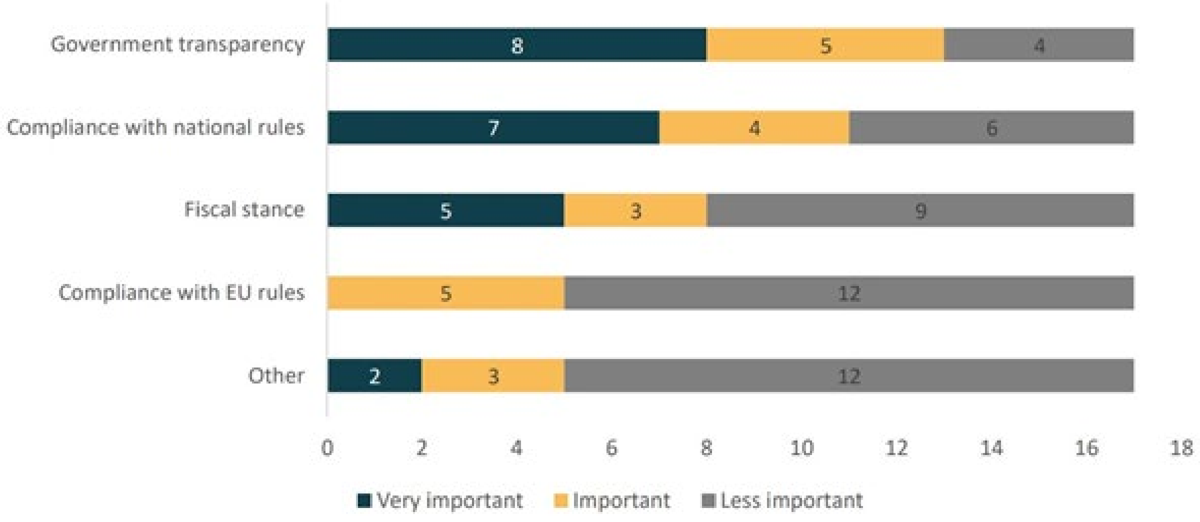
In his paper, **F. Heinemann** (ZEW – Leibniz Centre for European Economic Research, Mannheim) shows that the initial fiscal reactions of EU Member States have differed considerably, and that such variability is largely consistent with the magnitude of the economic shock or country-specific structural features. Only for a few countries (Greece, Italy, Germany), the magnitude of the reaction is striking and thus suggests a particular urgency to scale back the fiscal support with the progressing economic normalisation. He also notes that effective take-up of the guarantee components was very low in Germany and Italy, but reached almost 100% for Greece. Overall, the analysis of fiscal projections and of programs data suggests that the projected phase-out of crisis measures is well on its way. However, for Italy and France, fiscal projections might hint at a lack of ambition in the readjustment of high crisis deficits. Greece, whose programme has been massive, is a country with a very strong projected long-run increase in structural spending over the crisis, but this might be partially due to the high NGEU allocations that the country expects over the coming years. Most of the crisis fiscal support programmes are expected to conclude by the end of 2021. Additional insights emerge from the more in-depth analysis of programme parameters in COVID-19 guarantee and short-term working (STW) schemes, which differ across countries in terms of precautions taken to avoid zombification risks. On guarantees, the Spanish approach, with relatively low coverage rates, seems particularly appropriate to avoid these risks. On STW schemes, the German rules are very generous, and appear problematic, as wage replacement rates that increase over time are exactly the reverse of what is recommendable.

The paper by E. **Pappa and E.Vella** presents a new database on the exceptional fiscal spending adopted during the COVID-19 crisis for 14 EU countries. The estimates of the study suggest that all fiscal measures, except "universal help", had significant and positive output effects and stimulated consumer confidence. "Pandemic spending" (mainly on healthcare), unemployment benefits and transfers to households generated the highest output and confidence multipliers. Most countries shifted fiscal measures towards assistance to small and medium enterprises, which contributed significantly, but moderately, to the recovery. However, assistance to SMEs has not been sufficiently targeted and efforts should be made to improve the targeting of such fiscal measures. As the pandemic will hopefully become weaker and exceptional measures will be cut back, fiscal policies targeted to transform the economy should continue to be operative, as they enhance output growth in a significant manner.

The role of independent fiscal institutions

According to the Network of EU Independent Fiscal Institutions, the COVID-19 crisis continues to have a large impact on the activities of national IFIs. The main challenges that national IFIs face in executing their tasks include: i) a high level of uncertainty about the pandemic and political decisions; ii) lack of government transparency; iii) lack of clarity on fiscal measures and escape clauses; and iv) insufficient resources (see ***Figure 5*** below)

Figure 5: IFI's concern about fiscal policy in their country in 2021 (number of respondents indicationg one or more concerns)



Note: The IFIs were asked "Did your IFI raise any concerns about the fiscal policy in your country in 2021?", to which 17 out of 29 respondents replied positively.

Source: The Network of EU Independent Fiscal Institutions (2022)

Box 3: The latest Annual Report by the European Fiscal Board (EFB)

The fifth annual report by the EFB, published on 10 November 2021, assesses the implementation of the EU fiscal framework during the first year of the Covid-19 pandemic and clarifies the EFB's reform proposals to account for post-pandemic realities.

The Covid-19 pandemic pushed the EU into an economic recession with an average annual decline in real GDP of more than 6% by 2020. Against such a backdrop, a number of important measures provided the necessary room for policy manoeuvre, notably the activation of the severe economic downturn clause of the Stability and Growth Pact, the ECB's pandemic emergency purchase programme (PEPP) and the EU's Next Generation EU (NGEU) initiative. At the same time, the policy response also revealed issues in the EU fiscal framework:

- the difficulty for some Member States to create fiscal buffers in good economic times;

- the tendency to improvise new forms of flexibility in the application of the EU fiscal rules or new risk-sharing elements when times turn bad; and

- the lack of clarity on timing and conditions for the deactivation of the severe economic downturn clause.

3 Surveillance of macro-economic imbalances - some fiscal aspects

The Commission's Alert Mechanism Report, published in November 2021 in the context of the 2022 European Semester, devotes a chapter to the analysis of public debt in view of possible macro-economic imbalances. While noting that government debt increased in all Member States in 2020, the outlook for 2022 foresees a general stabilisation of government debt, although in some cases it is forecast to rise further.

The Commission focuses its attention on Gross Financing Needs (GFN), which increased significantly in 2020 in all Member States, in many cases by more than 10 percent of GDP (Austria, Cyprus, Finland, France, Italy, Malta, Poland, Slovakia, Slovenia and Spain). In 2022, gross financing needs are forecast to be above 20% of GDP in France, Italy and Spain.

The following factors might compound risks:

- increases in interest rates, which could lead to increases in interest payments, particularly for countries with high financing needs. Government bond yields increased slightly in 2021, especially in Romania and (to a minor extent) in Poland, Czechia and Hungary.
- a materialisation of the COVID-19 related guarantees. The stock of guarantees could yield additional fiscal costs: it increased in the euro area by 14 percentage points of GDP between 2019 and 2020. Governments with less fiscal space (including Belgium, France, Italy, Portugal and Spain) implemented more generous guarantee schemes. While these enabled support to be granted without directly affecting fiscal balances, they will add to government debt if they are called.
- the structure of government debt, where countries characterised by low average maturity stand out;
- the share of debt denominated in foreign currencies, which is high in Bulgaria, Croatia, Hungary and Romania[4].

Belgium, Cyprus, France, Portugal and Spain have high levels of both public and private debt: according to the Commission, the risks stemming from premature withdrawal of COVID-19 fiscal measures for the growth developments may be even more pronounced in these countries.

4 Implementation of the Recovery and Resilience Facility

Following the adoption of the Recovery and Resilience Regulation setting out the Recovery and Resilience Facility[5], all Member States but Netherlands submitted Recovery and Resilience Plans (RRPs) to the Commission. Out of the 26 submitted plans, the Commission assessed 22[6] plans and the Council adopted the 22 Commission's assessments. Further information on the RRF and the RRPs can be found in a specific EGOV briefing.

As of 2 February, the Commission disbursed pre-financing to 21 Member States (all Member States whose plans were assessed except Ireland, that did not asked for pre-financing). So far, an amount of EUR 56.5 billion has been disbursed as pre-financing.

[4] In July 2021, the share of government debt denominated in foreign currency was: Bulgaria 82%, Croatia 72.1%, Romania 51.1%, Poland 22.9%, Hungary 21.7%, Sweden 20%, Denmark 10.1%, Czechia 8%.

[5] For an overview of the Recovery and Resilience Facility see here.

[6] Assessments for Hungary, Poland, Sweden and Bulgaria are pending. Netherlands has yet to present its RRP.

By 2 February, the Commission RRF scoreboard reported on 5 payment requests: from Spain[7], Italy[8], Greece[9], France[10] and Portugal[11]. So far, only Spain received a disbursement, on 27 December 2021 (EUR 10 bn, net of pre-financing).

To finance the RRF, the **Commission is issuing debt** (bonds and short term securities, the EU Bills) on capital markets under the so called "diversified funding strategy"[12]. **Repayment** of such debt is to be ensured through implementation of a roadmap for introducing **new EU Own Resources**, as agreed in an Interinstitutional agreement (IIA) between the Parliament, the Council and the Commission[13].

On 15 June 2021, the Commission launched the first NGEU bond issuance, which was largely oversubscribed. So far, the Commission issued around EUR 73.5 billion in long-term bonds for financing NGEU. The first issuance of short-term debt (EU Bill), with maturities of three and six months, took place on 15 September 2021. So far, the Commission issued an amount of around EUR 30bn in EU Bills, some of which matured in the meantime.

On 22 December 2021, the Commission proposed three new sources of revenue to the EU budget - based on the ETS, the proposed CBAM, and on the share of residual profits from multinationals following the recent OECD/G20 agreement on a re-allocation of taxing rights (the so-called "Pillar One"). The Commission expects the new sources of revenue to generate on average a total of up to €17 billion annually for the EU budget in the period 2026-2030[14].

The Commission December package referred to above comprises two measures: a proposal to amend the own resources decision (requiring unanimity in Council and consultation with the European Parliament, and national ratification) and targeted amendments to the Multiannual financial framework (requiring unanimous adoption by Council after obtaining the consent of the European Parliament). There is yet limited information on the timeline for discussing these proposals. The Commission will also present a

[7] Spain submitted its request on 11 November 2021 for an amount of EUR 10 billion (net of pre-financing). This first payment request relates to 52 milestones covering several reforms in the areas of sustainable mobility, energy efficiency, decarbonisation, connectivity, public administration, skills, education and social, labour and fiscal policy.

[8] Italy submitted its request on 30 December 2021 for an amount of EUR 21 billion (net of pre-financing). This first payment request relates to 51 milestones covering several reforms in the areas of areas of justice, public administration, audit and control, education, active labour market policies, digital and tourist sectors as well as simplification of legislation in sectors like waste, water and rail transport.

[9] Greece submitted its request on 29 December for an amount of EUR 3.6 billion (net of pre-financing). This first payment request relates to 15 milestones covering reforms and investments in the areas of energy efficiency, sustainable mobility, waste management and civil protection, active labour market policies, healthcare, tax administration, justice, business extroversion, and the audit and control system linked to the RRF. Two of the milestones and targets concern the first steps of the implementation of the loan part of the Facility.

[10] The Commission announced the French request on 29 November. France requested an amount of EUR 7.4 billion (net of pre-financing). This first payment request relates to 38 milestones. The Commission issued a preliminary positive assessment of the French request on 26 January.

[11] Portugal submitted its request on 25 January 2022 for an amount of EUR 553.44 million in grants and EUR 609 million in loans (net of pre-financing). This first payment request relates to 38 milestones covering several reforms in the areas of education, social policies, research and development, forest management, the Portuguese development bank and digitalisation of schools and businesses. [formatting to be adjusted]

[12] See here and EGOV briefing for the PEG hearing for further details.

[13] An Interinstitutional agreement (IIA) between the Parliament, the Council and the Commission provides for a roadmap for introducing new EU Own Resources to finance repayment of NGEU debt issuances. According to this roadmap, the Commission would have proposed by June 2021 new own resources based on a carbon border adjustment mechanism (CBAM), the Emissions Trading System (ETS) and a digital levy. Such proposals were postponed. [formatting to be adjusted]

[14] According to information in the public domain, some expressed their reservation at the ECOFIN meeting of 18 January with proposal to introduce a minimum global corporate tax rate of 15 percent by January 2023.

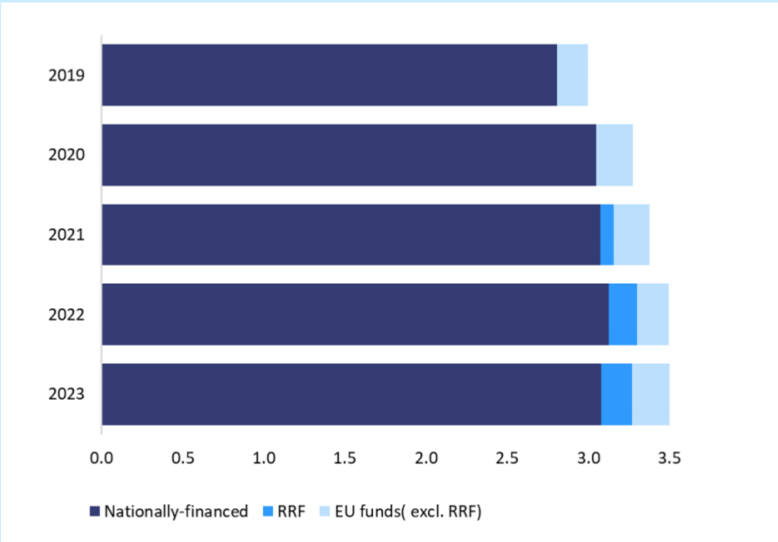
proposal for a second basket of new own resources by the end of 2023[15], building on the 'Business in Europe: Framework for Income Taxation (BEFIT)' proposal foreseen for 2023[16].

Box 4 : Use of RRF grants by euro area Member States

According to the Commission's assessments of the 2022 DBPs (conditional to the disbursement decisions following the fulfilment of the milestones and targets):

- All Member States plan to use the RRF to support their recovery, while the Netherlands has not yet submitted its Recovery and Resilience Plan.
- High-debt Member States are planning to use most RRF grants to fund additional investment as recommended by the Council.
- Eight Member States (Austria, Germany, France, Cyprus, Spain, Luxembourg, Malta and Italy) plan to use RRF grants to retroactively finance expenditure in 2020;
- Around 17% of the total RRF grants (which is equivalent to around 0.4% of euro area GDP) is estimated to have been spent in 2021;
- In terms of GDP, RRF-funded expenditure in 2022 is estimated at over 0.5% of GDP and 0.5% in 2023. Around 44% of the total amount of allocated RRF grants is expected to be spent by the end of 2022, and around 65% by the end of 2023;
- Around 74% of the RRF grants over the 2020-2022 period will be channelled towards investment expenditure, with a near-equal allocation between public investment (around 38%) and private investment (around 36%). The remainder of the grants are expected to be allocated largely towards current expenditure (around 25%) and tax cuts (around 1%) used to fund other measures to support the recovery, improve resilience and foster the green and digital transitions; and
- The Commission 2021 autumn forecast projects an increase in the euro area aggregate public investment-to-GDP ratio from 2.8% in 2019 to around 3.2% in 2022 as a result of higher funding from EU and national sources.

Figure 6: Public investments in euro area Member States - 2019-2023 (% of GDP)



[15] Anticipating the deadline agreed in the IIA by one year, from 2024 to 2023 (as reiterated by Commissioner Hahn in a hearing in January 2021 before the BUDG Committee and in the Commission Communication accompanying the December 2021 proposals).

[16] The Commission Communication notes that this second proposal "*could include a Financial Transaction Tax and an own resource linked to the corporate sector*".

5 Review of the EU economic governance framework

The Commission published in February 2020 a report on the application of the regulations providing for the current economic and fiscal surveillance in the EU and launched a public debate to give stakeholders the opportunity to provide their views on the functioning of surveillance and on possible ways to enhance the effectiveness of the economic governance framework.

In October 2021, the Commission relaunched the economic governance review, based on a Commission's Communication on the implications of COVID-19 for economic governance, aimed at building consensus on how to improve the effectiveness of economic surveillance and policy coordination. In doing so, the Commission intends to take into account the changed circumstances for economic governance and the challenges arising from the COVID-19 outbreak (e.g. the high levels of public debts or the investment needs for the green and digital transitions) and the lessons learnt from the EU policy response to the outbreak, in particular from the governance of the RRF. The Commission also intends to take into account the around 250 replies provided to an open consultation concluded on 31 December 2021.

In July 2021, the European Parliament adopted an own-initiative report on the reform of the macroeconomic legislative framework.

Box 5: Some reactions to the Commission consultation on the review

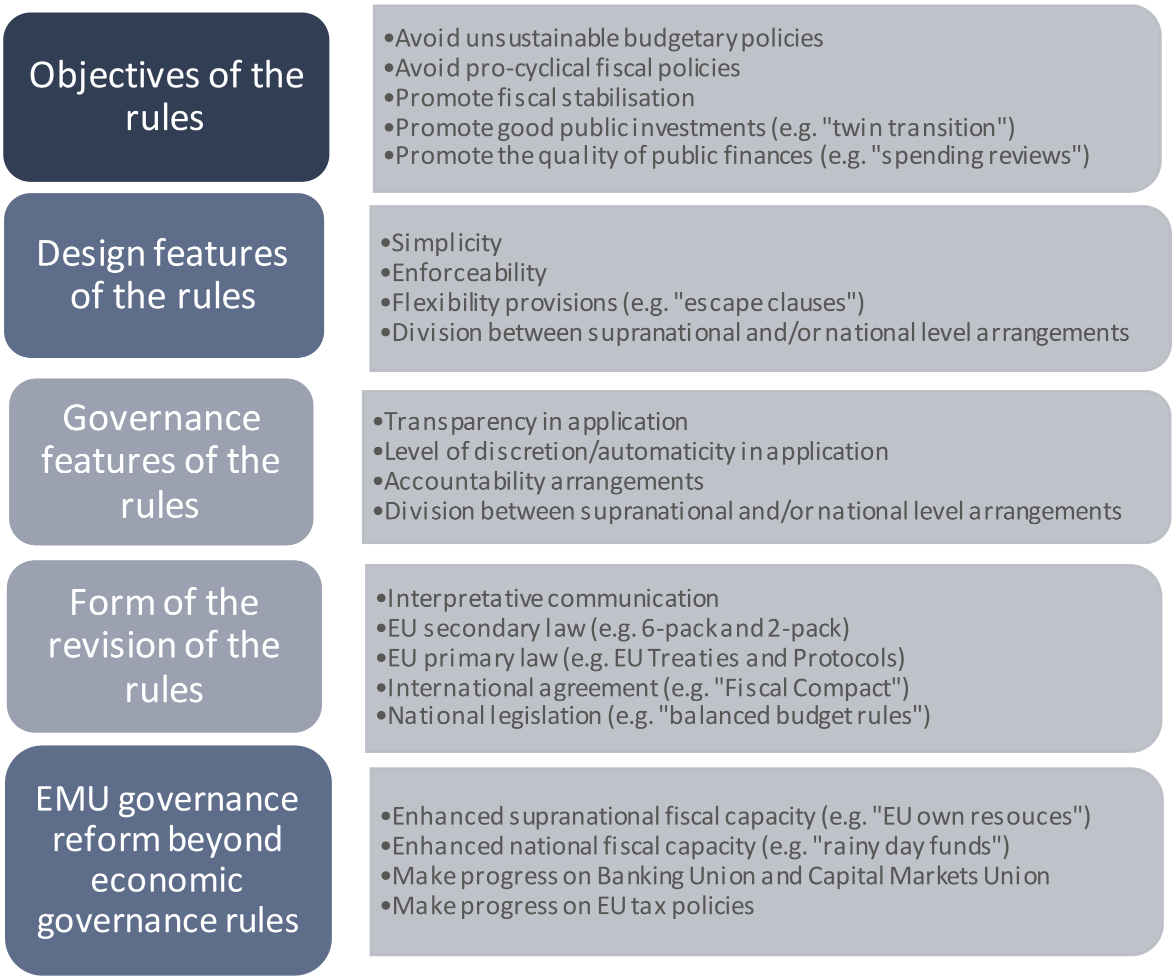
On 1 December 2021, the ECB published its reply to the Commission Communication of October 2021.
On 10 November 2021, the European Fiscal Board (EFB) published its fifth annual report, which clarifies the EFB's reform proposals for the EU fiscal framework taking into account the post-pandemic reality (see also below **Box 6**).
In September 2021, the Network of Independent EU Fiscal Institutions put forward a contribution to the debate with proposals.
On 25 October 2021, the European Stability Mechanism published its ESM Discussion Paper 17: "EU fiscal rules: reform considerations".

On 17 January, the Eurogroup[17] debated the euro-area aspects of the economic governance review, on the basis of a Secretariat's note including four questions for discussion. In his post-meeting remarks, the Eurogroup's President stated "*We had our first substantive discussion on the euro area dimension of the economic governance framework. And in this part of our meeting, we heard many views from governments in relation to the draft budgetary plan process, the surveillance procedures that are in place, the fiscal rules, the value of national economic policy coordination, and also in relation to how we can ensure that we have commitments in place regarding our national finances, that they are fulfilled and overseen in a transparent way. This was the first discussion on this particular topic. It's fair to say and indeed evident that we will have many other discussions on this topic in the period ahead. But we did have a good tone in this discussion, colleagues intervened aware of the importance of this discussion and while outlining their national views, they were aware of the need to find agreement in this area as we will move through 2022*".

[17] On 18 January 2022, the ECOFIN Council concluded it will continue thorough discussions on the EU economic governance review, including the SGP and the MIP. It noted the intention of the Commission to provide orientations on possible changes to the economic governance framework and acknowledged the need to build a broad-based consensus, insofar the effective functioning of the surveillance framework is the collective responsibility of all Member States, EU institutions and key stakeholders.

The theme of economic governance review is also highlighted by the programme of the French Presidency of the Council: [the framework document](#) states that the French Presidency "*will take forward discussions on the review of the EU's economic governance framework, including analysis of the repercussions of the COVID-19 crisis on the European economy and on challenges it faces, fiscal rules and the macroeconomic imbalances procedure, with the aim of preventing any stifling of growth and enabling the necessary investments to be made in the green and digital transitions to build the European economic model for 2030*". To that end, "*it will support joint thinking on a new European model for growth, investment and employment at an informal meeting of Heads of State and Government on 10 and 11 March.*" [18].

Figure 7: Review of the EU fiscal governance framework: Some pieces of the puzzle



Source: EGOV own elaboration.

[18] According to information in the [public domain](#) (Agence Europe [Bulletin Quotidien Europe,](#) requires registration) : EU Finance Ministers will discuss the revision of the SGP "at their informal meeting on 25-26 February in Paris. ... In spring, presumably as part of the 2022 CSRs to Member States, the Commission will present its conclusions on the discussions on the reform of the fiscal rules. According to Mr Gentiloni, the EU institution has already received 250 contributions to the consultation ... The ECOFIN Council, or even the June Euro Summit, could take political decisions on the reform of the fiscal rules, which the Commission would then transcribe into a legislative proposal to be presented in July. However, Mr Dombrovskis acknowledged, it seems "unlikely" that legislative proposals tabled in the middle of the year will be agreed in time to apply starting 2023, when the general escape clause that 'froze' the Pact to allow Member States to deal with the Covid-19 pandemic will be deactivated unless there is a major downturn in the economy" . That is why guidance for economic and fiscal policies in 2023 would provide "a bridging solution", until reform is implemented (similar to the interpretative communication on the flexibility of the Pact, which the Commission presented in January 2015 to stimulate structural reforms and facilitate public investment).

Box 6: The latest Annual Report by the European Fiscal Board (EFB): review of the framework

The EFB welcomes the relaunch of the economic governance review, and its declared aim to build consensus well in time for 2023. Professor Niels Thygesen, Chair of the Board, underscored that the EFB's reform proposals outlined before the pandemic had become more relevant: "*the future focus should be on one primary objective, a long-run anchor for public debt, with one main operational rule - an expenditure benchmark - to target a gradual reduction of the debt ratio towards the anchor at a pace tailored to country circumstances. A single escape clause to be applied under well-specified conditions and backed by independent economic analysis would complete the system.*"

The EFB also advocates maintaining clear and recognizable reference values for a sound fiscal framework. The 3% of GDP deficit threshold remains a useful backstop against unsustainable debt dynamics. Beyond the update of EU fiscal rules, the EFB reiterates the need to create a permanent central fiscal capacity for stabilisation and arrangements to protect government investment.

Box 7: Recommendations by the Network of Independent EU Fiscal Institutions

There is a need to clarify the fiscal governance framework that will be applicable as of 2023, while addressing shortcomings in the existing framework.

The current EU governance framework suffers from three main interrelated problems: weak compliance, procyclicality and excessive complexity.

A simple and transparent multi-year approach to enforceable numerical fiscal rules should be prioritised.

The focus should be narrowed to fewer numerical rules, while detailed implementation should be streamlined.

The role of national IFIs in supporting sound fiscal policy should be enhanced. National IFIs are well-placed to carry out assessments of fiscal developments and sustainability at national level, taking into account domestic economic conditions.

There should be an obligation on the EU institutions to take these assessments into account, as an input, when taking decisions on the application of the EU fiscal framework. National IFIs should retain their independence, receive timely access to information and receive an adequate level of resources in order to continue providing the objective and well-founded assessments required.

The effective functioning of IFIs should therefore be supported by minimum national framework standards in EU Member States. This may require a broadening of national IFI mandates in some cases.

Fiscal rules should be supported by better data and other information.

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This document is available on the internet at: www.europarl.europa.eu/supporting-analyses

Annex 1: GDP growth in EU Member States

	Eurostat* (01/2022)					**EC (11/2021)**			**IMF (10/2021)**			**ECB (12/2021)**			**OECD (12/2021)**		
	2019	2020	2021 Q1	2021 Q2	2021 Q3	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
BE	2.1	-5.7	1.2	1.7	2.0	6.0	2.6	1.9	5.6	3.1	1.8	6.1	2.6	2.4	6.1	3.2	1.4
DE	1.1	-4.6	-1.9	2.0	1.7	2.7	4.6	1.7	3.1	4.6	1.6	2.5	4.2	3.2	2.9	4.1	2.4
EE	4.1	-3.0	3.4	2.3	0.7	9.0	3.7	3.5	8.5	4.2	3.7	8.0	2.8	3.9	9.6	4.5	3.8
IE	4.9	5.9	10.0	5.2	0.9	14.6	5.1	4.1	13.0	3.5	3.9	15.8	7.0	5.6	15.2	5.7	3.9
EL	1.8	-9.0	4.2	2.1	2.7	7.1	5.2	3.6	6.5	4.6	2.6	7.2	5.0	3.9	6.7	4.8	2.9
ES	2.1	-10.8	-0.7	1.2	2.6	4.6	5.5	4.4	5.7	6.4	2.6	4.5	5.4	3.9	4.5	5.5	3.9
FR	1.8	-7.9	0.1	1.3	3.0	6.5	3.8	2.3	6.3	3.9	1.8	6.7	3.6	2.2	6.8	4.2	2.1
IT	0.4	-8.9	0.3	2.7	2.6	6.2	4.3	2.3	5.8	4.2	1.6	6.2	4.0	2.5	6.3	4.6	2.6
CY	5.3	-5.2	1.4	1.5	1.5	5.4	4.2	3.5	4.8	3.6	3.2	5.6	3.6	3.7	:	:	:
LV	2.5	-3.6	0.4	2.5	0.6	4.7	5.0	4.0	4.5	5.2	4.0	4.6	4.2	4.0	4.3	3.6	4.8
LT	4.6	-0.1	2.1	2.0	0.0	5.0	3.6	3.4	4.7	4.1	3.1	5.1	3.6	3.8	5.1	3.8	3.6
LU	3.3	-1.8	3.7	0.0	0.9	5.8	3.7	2.7	5.5	3.8	3.0	6.0	3.7	3.2	6.5	3.7	3.1
MT	5.9	-8.2	3.3	0.6	1.5	5.0	6.2	4.8	5.7	6.0	4.9	6.0	6.5	5.3	:	:	:
NL	2.0	-3.8	-0.8	3.8	2.1	4.0	3.3	1.6	3.8	3.2	2.1	4.5	3.6	1.7	4.3	3.2	1.8
AT	1.5	-6.7	-0.4	4.2	3.8	4.4	4.9	1.9	3.9	4.5	2.1	4.9	4.3	2.6	4.1	4.6	2.5
PT	2.7	-8.4	-3.3	4.4	2.9	4.5	5.3	2.4	4.4	5.1	2.5	4.8	5.8	3.1	4.8	5.8	2.8
SI	3.3	-4.2	1.5	2.0	1.3	6.4	4.2	3.5	6.3	4.6	3.7	6.7	4.0	3.3	5.9	5.4	3.2
SK	2.6	-4.4	-1.4	1.9	0.4	3.8	5.3	4.3	4.4	5.2	4.3	3.1	5.8	5.6	3.2	5.0	4.9
FI	1.2	-2.8	0.3	2.0	0.8	3.4	2.8	2.0	3.0	3.0	1.5	3.5	2.6	1.5	3.5	2.9	1.5
EA	**1.6**	**-6.4**	**-0.2**	**2.2**	**2.3**	**5.0**	**4.3**	**2.4**	**5.0**	**4.3**	**2.0**	**5.1**	**4.2**	**2.9**	**5.2**	**4.3**	**2.5**
BG	4.0	-4.4	1.4	0.8	0.6	3.8	4.1	3.5	4.5	4.4	4.0	:	:	:	3.2	4.2	4.5
CZ	3.0	-5.8	-0.4	1.3	1.6	3.0	4.4	3.2	3.8	4.5	4.1	:	:	:	2.5	3.0	3.9
DK	2.1	-2.1	-0.4	2.1	1.1	4.3	2.7	2.4	3.8	3.0	1.9	:	:	:	4.7	2.4	1.7
HR	3.5	-8.1	7.3	0.8	2.7	8.1	5.6	3.4	6.3	5.8	4.0	:	:	:	:	:	:
HU	4.6	-4.7	1.5	2.0	0.7	7.4	5.4	3.2	7.6	5.1	3.8	:	:	:	6.9	5.0	3.0
PL	4.7	-2.5	1.6	1.8	2.3	4.9	5.2	4.4	5.1	5.1	3.5	:	:	:	5.3	5.3	3.3
RO	4.2	-3.7	2.2	1.5	0.4	7.0	5.1	5.2	7.0	4.8	3.8	:	:	:	6.3	4.5	4.5
SE	2.0	-2.9	1.2	1.0	2.0	3.9	3.5	1.7	4.0	3.4	2.8	:	:	:	4.3	3.5	1.6
EU	**1.8**	**-5.9**	**0.0**	**2.1**	**2.2**	**5.0**	**4.3**	**2.5**	**5.1**	**4.4**	**2.3**	:	:	:	:	:	:

** Note: Year-on-year GDP growth is provided for 2019 and 2020, while quarter-on-quarter changes are provided for 2021 Q1, Q2 and Q3.*

Annex 2: Inflation in EU Member States (HICP rate of change)

	Eurostat (01/2022)						**EC (11/2021)**			**IMF (10/2021)**			**ECB (12/2021)**			**OECD (12/2021)**		
	2019	2020	2021	2021 Q2	2021 Q3	2021 Q4	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
BE	1.2	0.4	3.2	2.6	3.8	6.6	2.7	2.3	1.6	2.4	2.2	1.9	3.2	4.9	1.2	2.9	3.3	2.1
DE	1.4	0.4	3.2	2.1	4.1	5.7	3.1	2.2	1.7	2.9	1.5	1.3	3.2	3.6	2.2	3.1	2.8	2.2
EE	2.3	-0.6	4.5	3.7	6.4	12.0	4.0	3.9	2.1	3.8	4.9	2.2	4.2	6.9	3.2	4.1	6.0	3.2
IE	0.9	-0.5	2.4	1.6	3.8	5.7	2.3	3.1	1.5	1.9	1.9	2.0	2.4	3.9	2.2	2.1	2.7	1.7
EL	0.5	-1.3	0.6	0.6	1.9	4.4	0.1	1.0	0.4	-0.1	0.4	1.1	0.6	3.0	0.9	0.4	3.1	1.5
ES	0.8	-0.3	3.0	2.5	4.0	6.6	2.8	2.1	0.7	2.2	1.6	1.4	3.0	3.7	1.2	2.9	3.2	1.5
FR	1.3	0.5	2.1	1.9	2.7	3.4	1.9	2.1	1.4	2.0	1.6	1.2	2.1	2.5	1.5	2.1	2.3	1.4
IT	0.6	-0.1	1.9	1.3	2.9	4.2	1.8	2.1	1.4	1.7	1.8	1.2	1.9	2.8	1.5	1.8	2.2	1.6
CY	0.5	-1.1	2.3	2.2	3.6	4.8	1.9	1.7	1.2	1.7	1.0	1.2	2.2	2.5	1.2	:	:	:
LV	2.7	0.1	3.2	2.7	4.7	7.9	3.1	3.6	0.8	2.6	3.0	2.2	3.2	6.1	2.9	2.9	4.9	2.7
LT	2.2	1.1	4.6	3.5	6.4	10.7	3.8	3.1	2.0	3.0	2.8	2.7	4.5	5.0	2.3	3.8	3.3	2.5
LU	1.6	0.0	3.5	3.4	4.0	5.4	3.2	2.2	1.8	2.7	1.4	1.9	3.5	3.2	1.6	3.2	2.9	2.0
MT	1.5	0.8	0.7	0.2	0.7	2.6	1.1	1.6	1.5	0.7	1.8	2.0	0.7	2.1	1.9	:	:	:
NL	2.7	1.1	2.8	1.7	3.0	6.4	2.1	2.2	1.5	1.9	1.7	1.8	2.7	3.0	2.9	2.4	3.1	1.7
AT	1.5	1.4	2.8	2.8	3.3	3.8	2.7	2.5	2.0	2.5	2.4	2.0	2.7	3.2	2.3	2.9	3.0	2.3
PT	0.3	-0.1	0.9	-0.6	1.3	2.8	0.8	1.7	1.2	1.2	1.3	1.4	0.9	1.8	1.1	0.8	1.7	1.2
SI	1.7	-0.3	2.0	1.7	2.7	5.1	1.7	2.1	1.7	1.4	1.8	1.8	2.0	3.8	1.8	1.7	2.8	3.0
SK	2.8	2.0	2.8	2.5	4.0	5.1	2.8	4.3	2.2	2.4	3.0	2.1	2.8	5.7	2.4	2.6	4.1	2.5
FI	1.1	0.4	2.1	1.9	2.1	3.2	1.8	1.9	1.9	1.9	1.6	1.6	2.1	2.0	1.6	1.9	1.9	1.8
EA	**1.2**	**0.3**	**2.6**	**1.9**	**3.3**	**5.0**	**2.4**	**2.2**	**1.4**	**2.2**	**1.7**	**1.4**	**2.6**	**3.2**	**1.8**	**2.4**	**2.7**	**1.8**
BG	2.5	1.2	2.8	2.4	4.0	6.6	2.4	2.9	1.8	2.1	1.9	1.9	:	:	:	3.0	4.8	2.3
CZ	2.6	3.3	3.3	2.5	4.0	5.4	3.3	3.4	2.3	2.7	2.3	2.0	:	:	:	3.8	6.2	2.3
DK	0.7	0.3	1.9	1.9	2.4	3.4	1.7	1.9	1.6	1.4	1.6	1.8	:	:	:	1.8	2.6	2.3
HR	0.8	0.0	2.7	2.2	3.5	5.2	2.2	2.0	1.5	2.0	2.0	2.1	:	:	:	:	:	:
HU	3.4	3.4	5.2	5.3	5.5	7.4	5.1	4.8	3.4	4.5	3.6	3.3	:	:	:	5.0	6.0	4.0
PL	2.1	3.7	5.2	4.1	5.6	8.0	5.0	5.2	2.6	4.4	3.3	2.8	:	:	:	4.8	6.2	3.5
RO	3.9	2.3	4.1	3.5	5.2	6.7	4.0	4.0	2.8	4.3	3.4	3.0	:	:	:	4.9	5.6	3.6
SE	1.7	0.7	2.7	1.8	3.0	4.5	2.4	1.9	1.1	2.0	1.6	1.7	:	:	:	2.0	2.6	2.1
EU	**1.4**	**0.7**	**2.9**	**2.2**	**3.6**	**5.3**	**2.6**	**2.5**	**1.6**	**2.4**	**1.6**	**1.6**	:	:	:	:	:	:

** Note: Average annual rate of HICP change is provided for 2019 and 2020, while information of annual rate of HICP change for the last month of the quarter is provided for all quarters of 2021.*