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COMMISSION OPINION

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GENERAL CONSIDERATIONS

1. Regulation (EU) No 473/2013 sets out provisions for enhanced monitoring of budgetary policies in the euro area for ensuring that national budgets are consistent with the economic policy guidance issued in the context of the Stability and Growth Pact (SGP) and the European Semester for economic policy coordination.
2. Article 6 of Regulation (EU) No 473/2013 requires Member States to submit annually to the Commission and to the Eurogroup a Draft Budgetary Plan presenting by 15 October the main aspects of the budgetary situation of the general government and its subsectors for the forthcoming year.
3. Article 5(1) of Regulation (EC) 1466/97 provides that “in periods of severe economic downturn for the euro area or the Union as a whole, Member States may be allowed temporarily to depart from the adjustment path towards the medium-term budgetary objective [...], provided that this does not endanger fiscal sustainability in the medium term”.
4. On 20 March 2020, the Commission adopted a Communication on the activation of the general escape clause of the Stability and Growth Pact. The clause, as set out in Articles 5(1), 6(3), 9(1) and 10(3) of Regulation (EC) 1466/97 and Articles 3(5) and 5(2) of Regulation (EC) 1467/97, facilitates the coordination of budgetary policies in times of severe economic downturn. In its Communication, the Commission shared with the Council its view that, given the expected severe economic downturn resulting from the COVID-19 outbreak, the current conditions permit activation of the clause. On 23 March 2020, the Ministers of Finance of the Member States agreed with the assessment of the Commission. The activation of the general escape clause allows for a temporary departure from the adjustment path towards the medium-term budgetary objective, provided that this does not endanger fiscal sustainability in the medium term. The general escape clause does not suspend the procedures of the Stability and Growth Pact. It will allow the Commission and the Council to undertake the necessary policy coordination measures within the framework of the Pact, while departing from the budgetary requirements that would normally apply.

CONSIDERATIONS CONCERNING AUSTRIA

5. On 15 October 2019, Austria submitted a Draft Budgetary Plan on the basis of unchanged policies in compliance with Regulation (EU) No 473/2013. This was due to the fact that, after the general election on 29 September 2019, the new government only took office on 8 January 2020. The Commission issued an opinion on the no-policy-change Draft Budgetary Plan on 20 November 2019, inviting the Austrian authorities to submit an updated Draft Budgetary Plan as soon as a new government took office.
6. On 25 March 2020, Austria submitted an updated Draft Budgetary Plan for 2020. On that basis, the Commission has adopted the following opinion in accordance with

Article 7 of Regulation (EU) No 473/2013. Austria is subject to the preventive arm of the Stability and Growth Pact. As its general government debt, at 70.4% of GDP in 2019, exceeds the 60% of GDP reference value of the Treaty, Austria also needs to comply with the debt reduction benchmark.

7. The Austrian economy grew by 1.6% in 2019. The updated Draft Budgetary Plan projects that real GDP will grow by 1.2% in 2020, based on the macroeconomic forecast published by the Austrian Institute of Economic Research (WIFO) on 19 December 2019, that is, before the escalation of the COVID-19 outbreak. In line with the requirement of Regulation (EU) No 473/2013, the draft budget is based on an independently produced macroeconomic forecast.
8. The general government headline balance stood at 0.7% in 2019¹. The updated Draft Budgetary Plan projects the headline balance at -1.0% of GDP in 2020 and expects the government debt-to-GDP ratio to decline from 70.3% in 2019 to 68.2% in 2020.
9. Against the background of a rapidly evolving situation, the updated Draft Budgetary Plan presents a macroeconomic and budgetary outlook that has been overtaken by events and so is no longer realistic. While it is not possible to make an accurate macroeconomic forecast at this stage, the COVID-19 outbreak is likely to lead to a reduction in real GDP in 2020. The Commission intends to provide an updated forecast in May. The budgetary projection in the updated Draft Budgetary Plan only partly reflects the measures related to the COVID-19 pandemic. More precisely, the projection includes a first fiscal package of EUR 4 bn for emergency aid (*Krisenbewältigungsfond*) to ensure the provision of health care services (acquisition of equipment, pharmaceuticals, etc.) and secure jobs via short-time working arrangements. The projection also takes into account expected tax revenue shortfalls in the order of EUR 1.1 bn. However, the second fiscal package of EUR 34 bn is not included in the budgetary projections. The latter foresees emergency aid (*Notfallhilfe*) for distressed companies in the order of EUR 15 bn, tax deferrals for the personal and corporate income taxes in the order of EUR 10 bn and guarantees in the order of EUR 9 bn. Including all measures related to the containment of the COVID-19 adopted until 21 March 2020, which based on provisional information could amount to more than 7% of GDP, Austria is likely to exceed the 3% of GDP Treaty reference value in 2020. General government debt as a percentage of GDP is likely to increase in 2020.
10. The Commission considers that, in the particular case of the updated Draft Budgetary Plan of Austria, a robust assessment of compliance with the provisions of the Stability and Growth Pact is currently not feasible. The authorities are encouraged to submit to the Commission and the Council in the Stability Programme an update of the information given in the updated Draft Budgetary Plan, taking into account the guidelines for a streamlined format of the 2020 Stability and Convergence Programmes in light of the COVID-19 outbreak as provided by the Commission services on 6 April.

¹ This is based on non-notified outturn data provided by Statistics Austria.

Later this Spring, the Commission intends to adopt the European semester spring package, which will include its recommendations to the Council for recommendations to the Member States. In the Commission's recommendations, it will make an assessment of Member States' Stability and Convergence Programmes against the provisions of the Stability and Growth Pact, taking into account the general escape clause and the Commission's upcoming spring 2020 forecast.

Done at Brussels, 17.4.2020

For the Commission
Paolo GENTILONI
Member of the Commission