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Assessment of the 2020 Convergence Programme for

Czechia

(Note prepared by DG ECFIN staff)

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EXECUTIVE SUMMARY

- On 6 April 2020, the Commission provided guidelines to Economic and Financial Committee on how the format and content of the 2020 Stability and Convergence Programmes can be streamlined in light of the exceptional circumstances related to the COVID-19 pandemic. This assessment takes into account the severe constraints that Member States faced in providing the information usually required in their Programmes. The assessment focuses on the near term in light of the high uncertainty attached to the projections.
- According to the Commission 2020 spring forecast, in 2020, the COVID-19 pandemic is expected to lead to a sharp decline in GDP growth of -6.2%. The 2020 Convergence Programme is expecting a drop of -5.6%. Still, the magnitude of the fall will largely depend on the effectiveness of government measures and the rebound of global demand. In 2021, on the back of high degree of uncertainty, the Commission forecast expects a higher economic rebound (+5%) than the Programme (+3.1%).
- The Commission expects a deficit of 6.7% of GDP in 2020, 1.6 percentage points more than in the Convergence Programme (5.1%). For 2021 the Commission expects a deficit of 4% of GDP, on a no-policy-change assumption, in line with the Convergence Programme (4.1%).
- The Convergence Programme suggests that the cumulative impact of the measures taken in response to the COVID-19 outbreak amounts to 4% of GDP (2.2% of GDP as additional expenditure and 1.8% of GDP as tax bonuses and tax remissions). Most measures were also included in the Commission forecast. In certain cases, however, the budgetary impact differs, as the duration of some measures was extended after cut-off date and could not be reflected in the Commission forecast.
- The macroeconomic and fiscal outlook are affected by high uncertainty due to the outbreak of the COVID-19 pandemic.

1. INTRODUCTION

This document assesses the economic and budgetary projections contained in the 2020 Convergence Programme of Czechia covering the period 2020-2021 (hereafter called the Programme), which was submitted on 30 April 2020[1]. The note also assesses Czechia's compliance with the preventive arm of the Stability and Growth Pact in 2019. The government approved the programme on 30 April 2020.

Czechia is currently subject to the preventive arm of the Stability and Growth Pact.

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 the 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. For the corrective arm, the Council may also decide, on a recommendation from the Commission, to adopt a revised fiscal trajectory. The general escape clause does not suspend the procedures of the Stability and Growth Pact. It allows Member States to depart from the budgetary requirements that would normally apply while enabling the Commission and the Council to undertake the necessary policy coordination measures within the framework of the Pact.

Czechia is among those Member States who have triggered national escape clauses to suspend budgetary constraints set by their national fiscal rules for 2020.

2. MACROECONOMIC DEVELOPMENTS

After decelerating to 2.6% in 2019, real GDP growth is expected to plummet in 2020 due to the COVID-19 outbreak. Czechia introduced early confinement measures on 12 March and severely restricted cross-border travel. Coupled with an unprecedented sudden halt in global economic activity, such lockdown measures are set to impact every sector from services and construction to manufacturing.

The baseline macroeconomic scenario in the Programme projects real GDP growth to drop to -5.6% in 2020, and to rebound by 3.1% in 2021 (Table 1). The main assumption underlying the macroeconomic scenario is that the shock should only be temporary. Thus, the fall in GDP is expected to be present only in the first half of 2020, and GDP to recover from the third quarter onwards. The decline is assumed to be mainly driven by a drop in foreign trade and fixed capital investment, which were

[1] The Convergence Programme contains only short-term budgetary projections, in line with the guidelines for a streamlined format of the 2020 Stability and Convergence Programmes in light of the COVID-19 outbreak, provided by the Commission services on 6 April 2020

already losing momentum prior to the outbreak. Household consumption is estimated to also decline as a result of a loss in disposable income and quarantine measures. Its decrease, however, is expected to be cushioned by a drop in the savings rate and a relatively soft increase in unemployment, dropping by 1.5% in 2020, before recovering by 0.8% in 2021 on the back of a renewed growth in disposable income.

The Commission 2020 spring forecast (hereafter called the Commission forecast) foresees an economic contraction, with a fall of the real GDP by -6.2%. The factors underlying the drop in 2020 are in line with the Programme's macroeconomic scenario, namely that the drop in economic activity will partly be driven by a strong decline in gross fixed capital formation and the trade balance. However, the Commission expects a more marked decrease in household consumption resulting from a bigger drop in wages and the expectation that households will build higher precautionary savings. In terms of prices, the Commission expects anti-inflationary pressures stemming from declining oil prices and falling demand to dominate in 2020, bringing down inflation and the GDP deflator significantly. As a result, nominal GDP growth is estimated to plunge by -4.9% in 2020 in the Commission forecast, in contrast to -2.2% in the Programme.

Table 1: Comparison of macroeconomic developments and forecasts

	2019		2020		2021		2022	2023
	COM	CP	COM	CP	COM	CP	CP	CP
Real GDP (% change)	2.6	2.6	-6.2	-5.6	5.0	3.1	n.a.	n.a.
Private consumption (% change)	3.0	3.0	-4.6	-1.5	4.0	0.8	n.a.	n.a.
Gross fixed capital formation (% change)	2.8	2.8	-14.5	-13.6	9.6	3.2	n.a.	n.a.
Exports of goods and services (% change)	1.2	1.2	-13.3	-17.0	9.6	6.8	n.a.	n.a.
Imports of goods and services (% change)	1.7	1.7	-13.0	-16.8	9.6	6.3	n.a.	n.a.
Contributions to real GDP growth:								
- Final domestic demand	2.7	2.7	-5.1	-3.6	4.5	1.6	n.a.	n.a.
- Change in inventories	0.2	0.2	-0.1	-0.8	0.0	0.8	n.a.	n.a.
- Net exports	-0.3	-0.3	-1.0	-1.2	0.5	0.7	n.a.	n.a.
Output gap[1]	2.0	2.4	-5.2	-4.5	-2.6	-3.5	n.a.	n.a.
Employment (% change)	0.7	0.7	-3.1	-1.7	0.8	-0.2	n.a.	n.a.
Unemployment rate (%)	2.0	2.0	5.0	3.3	4.2	3.5	n.a.	n.a.
Labour productivity (% change)	1.9	1.9	-3.2	-4.0	4.2	3.2	n.a.	n.a.
HICP inflation (%)	2.6	2.6	2.3	3.2	1.9	1.5	n.a.	n.a.
GDP deflator (% change)	3.5	3.5	1.4	3.7	1.6	1.4	n.a.	n.a.
Comp. of employees (per head, % change)	6.2	6.2	2.5	4.0	4.2	0.9	n.a.	n.a.
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	1.1	1.1	-0.8	1.7	0.0	1.8	n.a.	n.a.

Note:

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

Source :

Commission 2020 spring forecast (COM); Convergence Programme (CP).

In 2021, the Commission's forecast expects a recovery, with an estimated growth in real GDP of 5%. This is largely due to an expected bounce back in wages and employment, which should boost household consumption. Moreover, the Commission assumes a stronger recovery for the EU in 2021, which will in effect lead to a speedier rebound of investment and trade activity. However, due to the fast-changing nature of the crisis, both forecasts are subject to substantial risks.

On 17 April 2020, the Czech Committee on Budgetary Forecast, established through the Fiscal Responsibility Law, assessed the government's macroeconomic forecast that underpins the current Programme as being optimistic.

3. RECENT AND PLANNED BUDGETARY DEVELOPMENTS

3.1. DEFICIT, DEBT DEVELOPMENTS AND MEDIUM-TERM STRATEGY AND TARGETS[2]

The general government balance in 2019 reached a surplus of 0.3% of GDP, fully in line with the target in the 2019 Convergence Programme. The deficit of the central government was compensated by a surplus by local governments and social security funds. Similarly to previous years, the surplus was driven by a significant increase in tax revenue, on the back of a strong labour market and a solid domestic consumption growth. Expenditure growth was propelled by a large increase in public wages and pensions.

The Programme expects a deficit of 5.1% of GDP in 2020, based on a slight reduction in the revenue-to-GDP ratio to 41.8% (0.3 percentage point less than in 2019) and a significant increase in the expenditure-to-GDP ratio to 46.9% (5.1 percentage points more than in 2019). Most of the increase in expenditure is estimated to be due to higher cash social transfers and other current transfers. The figures are underpinned by previously approved discretionary measures and newly adopted measures against the pandemic. The Programme suggests that the cumulative impact of the measures taken in response to the COVID-19 outbreak until 22 April 2020 amounts to 4% of GDP, out of which 2.2% of GDP are classified as expenditure (see section 3.2).

The Commission forecast expects a deficit of 6.7% of GDP in 2020, which is due to the effect of automatic stabilizers and the budgetary impact of measures adopted in response to the COVID-19 outbreak. This is above the Programme projections due to slightly different expectation regarding the evolution of nominal GDP in 2020, a sharper drop in tax revenue and a slightly higher increase in current expenditure (Table 2).

In 2021, the Programme expects the deficit to improve slightly to 4.1% of GDP on a no-policy-change assumption. The revenue-to-GDP ratio is expected to improve by

[2] In light of the activation of the general escape clause, the measures taken in response to the coronavirus outbreak in 2020 are not treated as one-off and are thus not excluded from the estimation of the structural budget balance.

0.7 percentage point, while the expenditure-to-GDP ratio is expected to drop by 0.3 percentage point. Nonetheless, in nominal terms expenditure is expected to grow by 3.8%, due to a large increase in cash social benefits from previously approved discretionary measures. No one-offs are foreseen in the Programme for 2021. On a no-policy-change assumption, the Commission forecast expects a deficit of 4% of GDP, in line with the Programme.

Gross general government debt reached 30.8% of GDP in 2019. The Programme expects a gross debt ratio of 37% of GDP in 2020 and 40% of GDP in 2021. The Commission forecast expects a higher gross debt ratio in 2020 (38.7% of GDP) and a similar figure as in the Programme for 2021 (39.9%).

Table 2: General government budgetary position

(% of GDP)	2019	2020		2021		2022	2023	Change: 2019-2023
	COM	COM	CP	COM	CP	CP	CP	CP
Revenue	**42.1**	**41.9**	**41.8**	**41.7**	**42.5**	**n.a.**	**n.a.**	**n.a.**
of which:								
- Taxes on production and imports	12.2	12.2	12.2	12.2	12.4	n.a.	n.a.	n.a.
- Current taxes on income, wealth, etc.	8.5	7.5	7.2	7.7	7.6	n.a.	n.a.	n.a.
- Social contributions	15.8	16.2	16.6	16.1	16.9	n.a.	n.a.	n.a.
- Other (residual)	5.6	6.0	5.8	5.7	5.6	n.a.	n.a.	n.a.
Expenditure	**41.9**	**48.5**	**46.9**	**45.7**	**46.6**	**n.a.**	**n.a.**	**n.a.**
of which:								
- Primary expenditure	41.1	47.7	46.0	44.8	45.6	n.a.	n.a.	n.a.
of which:								
Compensation of employees+Intermediate consumption	16.1	18.2	17.5	17.7	17.7	n.a.	n.a.	n.a.
Compensation of employees	10.2	11.3	11.0	11.1	11.1	n.a.	n.a.	n.a.
Intermediate consumption	6.0	6.8	6.5	6.5	6.6	n.a.	n.a.	n.a.
Social payments	15.6	18.0	17.7	17.5	18.3	n.a.	n.a.	n.a.
Subsidies	2.3	2.9	2.6	2.7	2.5	n.a.	n.a.	n.a.
Gross fixed capital formation	4.4	4.6	4.4	4.6	4.6	n.a.	n.a.	n.a.
Other (residual)	2.7	4.0	3.7	2.3	2.6	n.a.	n.a.	n.a.
- Interest expenditure	0.7	0.9	0.9	0.9	1.0	n.a.	n.a.	n.a.
General government balance (GGB)	**0.3**	**-6.7**	**-5.1**	**-4.0**	**-4.1**	**n.a.**	**n.a.**	**n.a.**
Primary balance	**1.0**	**-5.8**	**-4.2**	**-3.1**	**-3.1**	**n.a.**	**n.a.**	**n.a.**
One-off and other temporary measures	0.0	0.0	-2.2	0.0	0.0	n.a.	n.a.	n.a.
GGB excl. one-offs	**0.3**	**-6.7**	**-2.9**	**-4.0**	**-4.1**	**n.a.**	**n.a.**	**n.a.**
Output gap[1]	2.0	-5.2	-4.5	-2.6	-3.5	n.a.	n.a.	n.a.
Cyclically-adjusted balance[1]	-0.5	-4.6	-3.1	-2.9	-2.6	n.a.	n.a.	n.a.
Structural balance[2]	**-0.5**	**-4.6**	**-1.0**	**-2.9**	**-2.6**	**n.a.**	**n.a.**	**n.a.**
Structural primary balance[2]	0.2	-3.7	-0.1	-2.0	-1.6	n.a.	n.a.	n.a.
Gross debt ratio	**30.8**	**38.7**	**37.0**	**39.9**	**40.0**	**n.a.**	**n.a.**	**n.a.**

Notes:

[1]Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

[2]Structural (primary) balance = cyclically-adjusted (primary) balance excluding one-off and other temporary measures.

Source :

Convergence Programme (CP); Commission 2020 spring forecasts (COM); Commission calculations.

3.2. MEASURES UNDERPINNING THE PROGRAMME

The Programme includes measures adopted both before and after the start of the COVID-19 outbreak. The impact of the measures not related to the pandemic is expected to decrease the headline balance by 0.4% of GDP in 2020 and by 0.1% in 2021. In 2020, expenditure measures foreseeing higher pensions, care allowances, and public wages are partly compensated by various discretionary revenue measures, particularly higher excises for tobacco and alcohol. In 2021, revenues should be positively impacted by further increases in excises, whereas expenditure should be influenced by a further increase in public wages for teachers. Most of these measures were included and their impact reflected in the Commission forecast.

According to the Programme, the COVID-19-related policy measures are expected to decrease the headline balance by 4% of GDP in 2020 (Table 3). On the revenue side, the measures amount to 1.8% of GDP and foresee remissions of tax obligations and social contributions, but also tax bonuses. The majority of measures (1% of GDP) are targeting the self-employed, providing them with compensatory tax bonuses of 500 CZK per day for almost three months and allowing them to remit their social and health insurance obligations for six months. This aid is supposed to mitigate the negative impact of the emergency measures imposed by the authorities on these persons and their business activities. Around 700,000 self-employed persons may benefit from these measures by June 2020. The Programme also foresees a remission of personal and corporate income tax advance payments due in June 2020 (0.8% of GDP).

On the expenditure side, the Programme includes health care measures, social transfers, direct support to companies and various smaller measures, amounting to 2.2% of GDP. The health-related measures (0.7% of GDP) foresee purchases of protective equipment and medical supplies, and higher financing for the health care sector through an increase in health insurance contributions paid on behalf of the citizens insured by the state. The direct support to companies (1% of GDP) foresees a wage compensation scheme, under which the state contributes for around 10 weeks to the wage costs of employers facing liquidity problems due to the pandemic. The Programme also includes social transfers related to a temporary three-month increase in child care allowances (0.2% of GDP) and various smaller sectoral measures (0.3% of GDP) aimed to minimise the impact of the pandemic on various economic sectors (transport, infrastructure, culture, rural development and agriculture, etc.).

The Programme presents in general terms the guarantees issued by the general government to other entities (Table 4). At the end of 2019, the contingent liabilities associated with these guarantees totalled 0.1% of GDP. However, after the start of the COVID-19 outbreak the authorities announced various new guarantee schemes to ensure liquidity for affected firms. The maximum amount of contingent liability of all these newly adopted schemes is not specified in the Programme.

Overall, the measures taken by Czechia are in line with the guidelines set out in the Commission Communication on a coordinated economic response to the COVID-19 outbreak[3]. The measures appear timely, temporary and targeted at cushioning the shock induced by COVID-19. The full implementation of those measures, followed by a refocusing of fiscal policies towards achieving prudent medium term fiscal positions when economic conditions allow, will contribute to preserving fiscal sustainability in the medium term. They represent a sizable intervention, mainly aimed at supporting employment and households' income but also ensuring liquidity for firms and for the self-employed. A couple of specific measures reflected in the Commission forecast, particularly the increase in public health insurance premiums, are expected to have an impact also in 2021.

Most of the measures underpinning the Programme were included in the Commission forecast. On the revenue side, the Commission could not include the remission of income tax advance payments due in June as the budgetary impact could not be quantified at the cut-off date of the forecast. In addition, the extension of the compensatory bonus for the self-employed beyond 30 April 2020 was not included, as it was approved after the cut-off date. On the expenditure side, the wage compensation scheme and the care allowance have a higher budgetary impact in the Programme, as the measures were extended after the cut-off date of the Commission forecast. The Programme qualifies all the expenditures adopted in 2020 in response to the COVID-19 outbreak (2.2% of GDP) as one-offs.

Table 3: Discretionary measures adopted in response to COVID-19 outbreak

Description	ESA Code (Expenditure / Revenue component)	Adoption Status	Budgetary impact (% of GDP - change from previous year)		
	Revenue			**2020**	**2021**
Compensatory bonus for the self-employed (500 CZK/day)	Revenue	Adopted		-0.6%	n.a.
Remission of income tax advance payment due in June	Revenue	Adopted		-0.8%	n.a.
Remission of health and social insurance advances for self-employed for 6 months	Revenue	Adopted		-0.4%	n.a.
			Total	**-1.8%**	**n.a.**
	Expenditure				
Health-related measures	Expenditure	Adopted		0.7%	n.a.
Extended and increased care coverage	Expenditure	Adopted		0.2%	n.a.
Wage cost compensation for firms	Expenditure	Adopted		1.0%	n.a.
Other sectoral measures	Expenditure	Adopted		0.3%	n.a.
			Total	**2.2%**	**n.a.**

Source: Convergence Programme

Table 4: Guarantees adopted/ announced in response to COVID-19 outbreak

Description	Adoption Status	Maximum amount of contingent liability (% of GDP)	
COVID II Guarantee Scheme	Adopted		**n.a.**
COVID III Guarantee Scheme	Announced		**n.a.**
COVID Prague Guarantee Scheme	Announced		**n.a.**

3 https://ec.europa.eu/info/sites/info/files/communication-coordinated-economic-response-covid19-march-2020_en.pdf

Guarantee Scheme for large enterprises	Announced		**n.a.**
		Total	**n.a.**

Source: Convergence Programme

3.3. Risk assessment

The macroeconomic and fiscal outlook are affected by high uncertainty due to the outbreak of the COVID-19 pandemic. The pandemic could become more severe and last longer than assumed, requiring more stringent and longer lasting containment measures. This would result in worse economic and fiscal outcomes. It could also require further fiscal policy measures. That would result in worse fiscal outcomes but help to mitigate the economic impact.

An additional risk stems from the considerable size of public guarantees issued in response to the crisis.

Czechia is among those Member States who have triggered national escape clauses to suspend budgetary constraints set by their national fiscal rules for 2020. For 2021, the Parliament recently fast-tracked a legislative amendment to the Law on Fiscal Responsibility, without a prior consultation the Czech Fiscal Council, in order to lift the maximum structural deficit limit, thus changing the previously adopted national fiscal rule to make room for the measures related to COVID-19 recovery needs. In particular, the amendment increased the maximum structural deficit for 2021 from 1% to 4% of GDP, beyond the medium-term objective of a structural deficit of 0.75%, and allowed for a gradual adjustment path between 2022 and 2027, with an annual consolidation of at least 0.5 percentage point of GDP.

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

4.1. Compliance with the deficit criterion

According to the Convergence Programme, Czechia's general government deficit is expected to reach 5.1% of GDP in 2020, thereby exceeding the Treaty reference value of 3% of GDP. This provides *prima facie* evidence of the existence of an excessive deficit in Czechia for the purposes of the Treaty and the Stability and Growth Pact. The Commission has therefore prepared a report under Article 126(3) TFEU, which analyses Country's compliance with the deficit criterion of the Treaty. Overall, since the planned deficit is well above 3% of GDP and the excess not temporary, and taking into account all relevant factors, the analysis suggests that the deficit criterion as defined in the Treaty and in Regulation (EC) No 1467/1997 is not fulfilled.

4.2. COMPLIANCE WITH THE MEDIUM-TERM OBJECTIVE IN 2019[4]

Czechia is subject to the preventive arm of the Stability and Growth Pact. The Council did not address a SGP-related recommendation to the country in 2019 since the Council was of the opinion that Czechia complies with the Stability and Growth Pact. Based on the outturn data and the Commission forecast, the ex-post assessment suggests that in 2019 the medium-term objective – a structural deficit of 1% in 2019 – was achieved. Overall, Czechia was compliant with the requirements of the preventive arm of the Pact in 2019.

[4] The possible retroactive impact on output gap estimates as a result of the recession induced by the COVID-19 outbreak and the possibility of abnormal responses of government revenues to major swings in economic activity underline that compared to the structural balance the expenditure benchmark is likely to provide a more reliable and predictable indicator in times of severe economic downturn.

Table 5: Compliance with the requirements under the preventive arm

	(% of GDP)	2019	2020		2021	
	Background budgetary indicators[1]					
(1)	Medium-term objective (MTO)	-1.0	-0.75		-0.75	
(2)	Structural balance[2] (COM)	-0.5	-4.6		-2.9	
	Setting the required adjustment to the MTO					
(3)	Structural balance based on freezing (COM)	-0.1				
(4) = (1) - (3)	Position vis-a -vis the MTO[3]	At or above the MTO				
(5)	Required adjustment[4]	0.0				
(6)	Required adjustment corrected[5]	-1.9				
(8)	Corresponding expenditure benchmark[6]	9.2				
	Compliance with the required adjustment to the MTO					
		COM	COM	CP	COM	CP
	Structural balance pillar	Compliance				
(8) = Δ (2)	Change in structural balance[7]					
(9) = (8) - (6)	*One-year deviation from the required adjustment*[8]					
	Two-year average deviation from the required adjustment[8]					
	Expenditure benchmark pillar					
(10)	Net public expenditure annual growth corrected for one-offs[9]					
(11) = (10) - (8)	One-year deviation adjusted for one-offs[10]					
	Two-year deviation adjusted for one-offs[10]					
	Finding of the overall assessment					

Legend

'*Compliance*' - the recommended structural adjustment or a higher adjustment is being observed.

'*Some deviation*' - a deviation from the recommended structural adjustment is being observed, but it is below the threshold for a significant deviation.

'*Significant deviation*' - a deviation which has reached or breached the threshold for a significant deviation (i.e. 0.5% of GDP over one year, 0.25% of GDP over two years on average).

Notes

[1] The most favourable level of the structural balance, measured as a percentage of GDP reached at the end of year t-1, between spring forecast (t-1) and the latest forecast, determines whether there is a need to adjust towards the MTO or not in year t. A margin of 0.25 percentage points (p.p.) is allowed in order to be evaluated as having reached the MTO.

[2] Structural balance = cyclically-adjusted government balance excluding one-off measures.

[3] Based on the relevant structural balance at year t-1.

[4] Based on the position vis-à-vis the MTO, the cyclical position and the debt level (See European Commission: Vade mecum on the Stability and Growth Pact, page 38.).

[5] Required adjustment corrected for the clauses, the possible margin to the MTO and the allowed deviation in case of overachievers.

[6] Reference medium-term rate of potential GDP growth. The (standard) reference rate applies from year t+1, if the country has reached its MTO in year t. A corrected rate applies as long as the country is adjusting towards its MTO, including in year t.

[7] Change in the structural balance compared to year t-1. Ex post assessment (for 2019) is carried out on the basis of Commission 2020 spring forecast.

[8] The difference of the change in the structural balance and the corrected required adjustment.

[9] Net public expenditure annual growth (in %) corrected for discretionary revenue measures, revenue measures mandated by law and one-offs (nominal)

[10] Deviation of the growth rate of public expenditure net of discretionary revenue measures, revenue increases mandated by law and one-offs from the applicable reference rate in terms of the effect on the structural balance. The expenditure aggregate used for the expenditure benchmark is obtained following the commonly agreed methodology. A negative sign implies that expenditure growth exceeds the applicable reference rate.

Source:

Convergence Programme (CP); Commission 2020 spring forecast (COM); Commission calculations.