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ECONOMIC AND FINANCIAL AFFAIRS

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Assessment of the 2020 Convergence Programme for

Sweden

(Note prepared by DG ECFIN staff)

CONTENTS

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.
- The 2020 Convergence Programme expects real GDP to fall by 4% in 2020, before growing 3.5% in 2021. The Commission spring 2020 forecast projects real GDP to fall by around 6% in 2020 followed by an increase of over 4% in 2021.
- The Convergence Programme foresees a general government headline balance of -3.8% of GDP in 2020, following a surplus of 0.5% of GDP in 2019. In 2021, the Programme foresees a markedly lower deficit of 1.4% of GDP. Allowing for differences in the underlying macroeconomic scenarios and assumptions, the economic and budgetary projections in the Convergence Programme are broadly in line with the Commission's spring 2020 forecast.
- COVID-19-related measures detailed in the Programme amount to 2.4% of GDP. Overall, the measures taken by Sweden are in line with the guidelines set out in the Commission Communication on a coordinated economic r-esponse to the COVID-19 outbreak. They include outlays on health care, education and social protection, as well as support for the regions and local authorities. The Programme also gives information on measures that, while not having a direct budgetary impact, will contribute to support liquidity to businesses. These measures include tax deferrals, loan guarantees and expanded credit facilities which together amount to up to 11.6% of GDP.
- The differences between the projections in the Programme and in the Commission spring 2020 forecast as regards the impact of the COVID-related measures appear to be within a limited range, given divergences in the macroeconomic projections.
- 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 Sweden covering the period 2020-2023 (hereafter called the Programme), which was submitted on 27 April 2020.[1] The note also assesses Sweden's compliance with the preventive arm of the Stability and Growth Pact in 2019. The government approved the programme on 23 April 2020 and it was submitted to the responsible committee of the Parliament on 21 April 2020.

Sweden 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.

As part of the effort to accommodate the budgetary implications of the outbreak, Sweden has invoked the flexibility in its national fiscal framework to temporarily deviate from domestic numerical rules.

2. MACROECONOMIC DEVELOPMENTS

Economic growth reached 1.2% in 2019, mainly due to the robust performance of net exports. The COVID-19 pandemic started to spread in Sweden in February 2020. In response, the Swedish authorities started taking measures and they have successively scaled them up. In comparison to other Member States, however, the formal restrictions on society and the economy have been less severe. The policy measures predominantly focus on addressing the economic fall-out, but also involve extra outlays on health care.

Overall, the Programme expects real GDP to fall by 4% in 2020 and rebound by 3.5% in 2021.

[1] The English version of the Convergence Programme was submitted on 13 May 2020.

The Commission spring 2020 forecast (hereafter Commission forecast) projects real GDP to fall by around 6% in 2020 and increase by over 4% in 2021. The projected increase in government consumption in 2020 reflects a wide range of support measures, which are for a large part to be reversed in 2021. Uncertainty is set to exacerbate the impact of demand and supply disruptions on investment, inducing a sharp fall, chiefly driven by equipment investment. The dampened medium-term outlook is set to hold back the strength of any rebound in investment. The occurrence and likely subsequent unwinding of trade disruptions shape the forecast for exports and imports, which are set to abruptly fall and then recover.

The Programme presents two alternative scenarios, in addition to the baseline scenario. The baseline and first alternative scenario both involve a swifter recovery, a more limited fall in economic activity and a less pronounced deterioration in the general government balance than the Commission forecast. The second alternative scenario involves a deeper and longer lasting crisis with a stronger fall in economic activity and a more pronounced worsening in government finances compared to the Commission forecast.

The most significant risk to the Programme's forecasts stems from the COVID-19 outbreak. Given fundamental uncertainty on the shape of a recovery path, the medium-term economic and fiscal outlook are surrounded by an exceptionally high degree of uncertainty.

The Fiscal Policy Council has not been involved in the endorsement or assessment of the macroeconomic scenario underpinning the Convergence 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)	1.2	1.2	-6.1	-4.0	4.3	3.5	3.4	3.1
Private consumption (% change)	1.2	1.2	-5.2	0.1	3.4	2.8	3.6	3.6
Gross fixed capital formation (% change)	-1.2	-1.2	-14.3	-10.7	6.7	5.5	5.2	5.0
Exports of goods and services (% change)	4.2	4.2	-12.0	-6.0	6.5	6.2	5.0	4.1
Imports of goods and services (% change)	1.8	1.8	-11.5	-5.4	5.1	6.7	4.0	3.4
Contributions to real GDP growth:								
- Final domestic demand	0.4	0.4	-4.9	-2.5	3.0	2.5	2.8	2.6
- Change in inventories	-0.3	-0.3	-0.5	-1.0	0.4	1.0	0.0	0.0
- Net exports	1.1	1.1	-0.7	-0.5	0.8	0.0	0.6	0.5
Output gap[1]	0.8	0.4	-6.3	-5.0	-3.7	-3.3	-1.9	-0.7
Employment (% change)	0.6	0.6	-2.5	-1.7	1.1	0.7	1.2	2.2
Unemployment rate (%)	6.8	6.8	9.7	9.0	9.3	9.0	8.4	7.0
Labour productivity (% change)	0.7	0.8	-3.6	-2.4	3.2	2.8	2.2	0.9
HICP inflation (%)	1.7	1.7	0.4	0.6	1.1	1.3	1.4	1.6
GDP deflator (% change)	2.7	2.7	1.0	1.1	1.3	1.6	1.8	2.0
Comp. of employees (per head, % change)	3.0	3.1	-1.3	2.5	5.6	3.1	2.5	2.5
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	4.4	4.5	3.7	4.3	4.0	4.0	4.3	4.5

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).

3. RECENT AND PLANNED BUDGETARY DEVELOPMENTS

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

In 2019, the headline general government balance reached a surplus of 0.5% of GDP, which is very close to the surplus of 0.6% of GDP targeted in the 2019 Convergence Programme. Both the overall revenue and expenditure ratio were also very close to the one targeted in the 2019 programme.

The Programme projects a general government deficit of 3.8% of GDP in 2020. This sharp deterioration reflects the impact of the COVID-19 outbreak, operating through the working of automatic stabilisers, coupled with the effect of dedicated policy

[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.

measures to cushion the impact. This translates notably in a marked rise in the projected expenditure ratio of more than four percentage points of GDP. The cumulative impact of the measures taken in response to the COVID-19 outbreak, including both direct expenditure (including higher health spending) and the broader measures aiming at limiting the economic effects is estimated at 2.4% of GDP in 2020.

The purpose of the Programme is to limit the impact of the COVID-19 crisis with a view to re-establish control over medium term budgetary developments that are supportive of inclusive growth and welfare.[3] Consistent with these longer term objectives, the government has set a target for general government net lending (a surplus of 0.33% of GDP over the cycle), expenditure ceilings, a local government balanced budget requirement, and a debt anchor.[4]

Sweden's government gross debt ratio has been well below the 60% of GDP Treaty reference value and has been on a downward trend for a number of years. It reached 35.1% of GDP in 2019, which is lower than the average over the period 2014-2018. The debt-to-GDP ratio is set to increase to 42.6% in 2020 and to stabilise in 2021.

Over time, the Programme forecasts revenue to remain broadly stable as a share of GDP. The expenditure ratio is set to rise markedly in 2020, reflecting COVID-19 related measures, and to fall thereafter due to the reversal of the support measures undertaken to address the COVID-19 crisis. Consequently, and on the assumption of a rebound in economic activity, for 2021 the Programme foresees an improvement in the headline budget balance from -3.8% of GDP in 2020 to -1.4% of GDP. The general government balance should improve further over the remainder of the projection horizon and revert back to a surplus in 2022.

Allowing for differences in the underlying macroeconomic scenarios and assumptions, the budgetary projections in the programme are broadly in line with the Commission forecast, also as regards the composition and expected impact of budgetary measures.

The programme does not classify crisis-related measures as one-off and does not mention explicitly any other measures which do qualify as one-off.

[3] The Programme specifies COVID-19 measures to a great degree of detail (see section 3.2).

[4] The medium-term budgetary objective specified by Sweden in the Convergence Programme is a structural balance of -1% of GDP, which is consistent with the updated minimum medium-term budgetary objectives for 2020-2022.

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	**49.8**	**49.5**	**49.8**	**49.8**	**49.7**	**49.6**	**49.4**	**-0.4**
of which:								
- Taxes on production and imports	22.0	22.2	22.1	21.9	22.3	22.1	22.0	**0.0**
- Current taxes on income, wealth, etc.	18.1	17.8	17.6	17.7	17.6	17.8	18.0	**-0.1**
- Social contributions	3.4	2.8	3.5	3.5	3.5	3.4	3.4	**0.0**
- Other (residual)	6.3	6.8	6.6	6.7	6.3	6.3	6.0	**-0.3**
Expenditure	**49.3**	**55.1**	**53.6**	**52.0**	**51.1**	**49.6**	**48.0**	**-1.3**
of which:								
- Primary expenditure	48.9	54.8	53.3	51.7	50.8	49.3	47.7	**-1.2**
of which:								
Compensation of employees+Intermediate consumption	20.6	23.0	21.8	22.0	21.0	20.4	19.7	**-0.9**
Compensation of employees	12.6	13.7	13.4	13.2	12.9	12.6	12.2	**-0.4**
Intermediate consumption	8.0	9.3	8.4	8.9	8.1	7.9	7.6	**-0.4**
Social payments	15.9	17.4	17.0	16.7	16.2	15.7	15.1	**-0.8**
Subsidies	1.6	1.7	1.9	1.7	1.7	1.7	1.8	**0.2**
Gross fixed capital formation	4.9	5.2	5.3	5.1	5.4	5.2	5.1	**0.2**
Other (residual)	6.0	7.5	7.4	6.1	6.5	6.2	5.9	**-0.1**
- Interest expenditure	0.4	0.3	0.3	0.3	0.3	0.3	0.3	**-0.1**
General government balance (GGB)	**0.5**	**-5.6**	**-3.8**	**-2.2**	**-1.4**	**0.1**	**1.5**	**1.0**
Primary balance	**0.9**	**-5.3**	**-3.4**	**-1.8**	**-1.1**	**0.3**	**1.8**	**0.9**
One-off and other temporary measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
GGB excl. one-offs	**0.5**	**-5.6**	**-3.8**	**-2.2**	**-1.4**	**0.1**	**1.5**	**1.0**
Output gap[1]	0.8	-6.3	-5.0	-3.7	-3.3	-1.9	-0.7	**-1.1**
Cyclically-adjusted balance[1]	0.1	-2.1	-0.8	-0.2	0.6	1.2	1.9	**1.7**
Structural balance[2]	**0.1**	**-2.1**	**-0.8**	**-0.2**	**0.6**	**1.2**	**1.9**	**1.7**
Structural primary balance[2]	0.5	-1.8	-0.5	0.2	0.9	1.5	2.2	**1.6**
Gross debt ratio	**35.1**	**42.6**	**39.9**	**42.5**	**38.3**	**36.2**	**32.4**	**-2.7**

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

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

List of measures	Description	ESA Code (Expenditure / Revenue component)	Adoption Status	Budgetary impact (% of GDP - change from previous year)		
					2020	2021
1	Additional general government grants to local government sector	P.2, P.51g, D.7	Adopted		0.3	0.0
2	Short-term layoffs	D.7	Adopted		0.4	-0.4
3	Reduced employers' social security contributions	D.611+D.613	Adopted		0.6	-0.6
4	Suspended sick pay responsibility for employers	D.7	Adopted		0.1	-0.1
5	Discount for fixed rental costs in vulnerable sectors	D.39	Adopted		0.1	-0.1
6	Other measures in the field of GG consumption	P.2	Adopted		0.2	-0.2
7	Other measures implying other current transfers	D.7	Adopted		0.1	-0.1
8	Other measures implying social benefit payments	D.62	Adopted		0.1	-0.1
				Total	2.0	-1.6

Source: Convergence Programme

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

List of measures	Description	Adoption Status	Maximum amount of contingent liability* (% of GDP)	
1	State credit guarantees for loans to companies	Adopted		2.0
2	Increased and expanded credit facility, Swedish Export Credit Corporation	Adopted		1.5
3	Increased guarantee facility, Swedish Export Credit Agency	Adopted		1.0
4	Credit guarantees for airlines	Adopted		0.1
			Total	4.7

* The components may not sum up to the total figure due to rounding effects.

Source: Convergence Programme

Table 5: Other main budgetary measures included in the Programme

2019
Revenue: Lowered central government tax with an incremental budgetary impact of -0.16% of GDP
2020
Revenue: Cutting 5% of the so-called austerity tax on high incomes (“värnskatt”) with an incremental budgetary impact of -0.13% of GDP Lowered income tax for pensioners with a total incremental budgetary impact of around -0.2% of GDP **Expenditure:** Increased general government grants to the local government sector with a total incremental budgetary impact of approximately 0.3% of GDP in 2020 and -0.1% of GDP 2021
Note: The table refers to the main measures included in the 2020 Convergence Programme that have an incremental budgetary impact over the programme period The budgetary impact in the table is the impact reported in the programme, i.e. by the national authorities. A positive sign implies that revenue/expenditure increases as a consequence of this measure.

The original 2020 budget bill as submitted to Parliament at the end of 2019 foresaw a slightly expansionary stance, mainly due to several tax cuts. These include the abolition of the 5% ‘austerity tax’ levied on the top individual incomes and a reduction in income tax rates for the over-65s. An initial amendment concerned extra expenditure for local governments and regions.

As the COVID-19-crisis started to unfold, the Swedish authorities responded with a series of coordinated fiscal, monetary and financial support measures, which were successively scaled up as the pandemic spread. Fiscal measures detailed in the Programme amount to 2.4% of GDP. These include extra outlays on health care, education and social protection, as well as support for the regions and local authorities responsible for the health care system. The government has further taken steps to limit crisis-related costs to the corporate sector, employees, self-employed and small businesses. These include covering sick pay costs, funding of part-time work schemes, reductions in social security contributions, direct support for firms with large COVID-19-related drops in turnover, lowering requirements to receive unemployment benefits, and contributing to rent reductions. The Programme gives detailed estimates of the budgetary cost of the various measures as well as information on measures that, while not having a direct budgetary impact, will contribute to support liquidity to businesses. According to the Programme, these latter measures include in particular tax deferrals of up to 6.9% of GDP, as well as different kinds of loan guarantees and expanded credit facilities amounting to roughly 4.7% of GDP.

Tables 3 and 4 give a summary of the key measures, grouping detailed measures of similar nature. Most of the measures listed are foreseen to provide temporary support over the course of 2020, and are expected to be lifted once the crisis subsides.

However, some measures, notably higher funding for local government, have a permanent character.

Recent estimates suggest that up to 460,000 persons (around 9% of all employed) could be covered by temporary work schemes for which a large part of the costs is covered by the state. This makes the temporary work scheme a strong instrument to help avoid a sharp rise in unemployment and to help ensure that firms can expand production and sales again if conditions improve. Similarly, there is a large number of requests for direct support to businesses who suffer significant losses of production of turnover directly due to and in the wake of COVID-19 (with the level of support scaled by the size of expected losses and capped). Many firms also applied for reductions in social security contributions.

Information on the measures set out in the Programme was available in time and was sufficiently detailed to be included in the Commission forecast. However, the estimated impact partly differs between the Programme and the Commission forecast due to differences in the macroeconomic scenarios and assumptions underlying the projections.

Overall, the measures taken by Sweden are in line with the guidelines set out in the Commission Communication on a coordinated economic response to the COVID-19 outbreak. [5] The measures taken so far are timely, mostly temporary and well targeted in terms of cushioning the COVID-19-induced shock. 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. The ultimate budgetary impact of support measures is difficult to assess, as their cost depends on how long they will be held in place, as well as on the duration of restrictions imposed and on the depth of the downturn.

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.

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

4. COMPLIANCE WITH THE PROVISIONS OF THE STABILITY AND GROWTH PACT

4.1. COMPLIANCE WITH THE DEFICIT CRITERION

According to the Convergence Programme, Sweden's general government deficit is expected to reach 3.8% 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 Sweden 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 Sweden's compliance with the deficit criterion of the Treaty. Since the planned deficit is well above 3% of GDP and taking into account all relevant factors, the report under Articles 126)3 finds that the deficit criterion as defined in the Treaty and in Regulation (EC) No 1467/1997 is not fulfilled.

4.2. COMPLIANCE WITH THE MTO OR THE REQUIRED ADJUSTMENT PATH TOWARDS THE MTO IN 2019[6]

Sweden is subject to the preventive arm of the Stability and Growth Pact. In 2019, the Council did not address a Stability and Growth Pact-related country-specific recommendation to Sweden in the context of fiscal compliance under the European Semester since the Council was of the opinion that Sweden complies with the Stability and Growth Pact.

The Programme projects the structural balance to have reached a surplus of 0.4% of GDP in 2019. According to the information provided in the Programme, Sweden is remained above its medium-term budgetary objective - a structural balance of -1% of GDP. The Commission forecast projects the structural balance to have reached 0.1% of GDP (also above the medium-term budgetary objective) in 2019. Expenditure growth remained well below the expenditure benchmark in 2019.

Based on the outturn data and the Commission forecast, the ex-post assessment suggests that the adjustment towards the medium-term budgetary objective was appropriate and compliant with the requirements of the preventive arm of the Stability and Growth Pact in 2019. Overall, Sweden was compliant with the requirements of the preventive arm of the Pact in 2019.

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[6] 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 6: Compliance with the requirements under the preventive arm

	(% of GDP)	2019	2020		2021	
	Background budgetary indicators[1]					
(1)	Medium-term objective (MTO)	-1.0	-1.0		-1.0	
(2)	Structural balance[2] (COM)	0.1	-2.1		-0.2	
	Setting the required adjustment to the MTO					
(3)	Structural balance based on freezing (COM)	0.5				
(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]	8.6				
	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.