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Assessment of the 2020 Stability Programme for

The Netherlands

(Note prepared by DG ECFIN staff)

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Executive Summary

- On 6 April 2020, the Commission provided guidelines to the 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 data presented in the tables of the Programme are based on a pre-crisis forecast and are therefore clearly no longer realistic. Besides these numbers, the Programme also describes four scenarios on the economic impact of the COVID-19 pandemic, with real GDP growth between -1.2% and -7.3% in 2020 and between -2.7% and 3.5% in 2021. The Commission's spring 2020 forecast reports real GDP growth at -6.8% in 2020, and 5.0% in 2021.
- The budgetary outlook in the Spring Budget Memorandum and Commission forecast include the same elements, and foresee the 2019 budget surplus of 1.7% to decrease to -11.8% and -6.3% of GDP in 2020, respectively. The difference between these projections is explained by the accounting of tax deferral measures.
- According to the 2020 Stability Programme and the Spring Budget Memorandum, the Netherlands has adopted budgetary measures in response to the COVID-19 pandemic, which amount to 2.7% of GDP. The measures include strengthening health care services, emergency aid for distressed sectors, income support to self-employed and employees. In addition, the Netherlands has announced measures that, while not having a direct budgetary impact, will contribute to support liquidity to businesses. Those measures include tax deferrals for corporates (4.6% to 5.9% of GDP) and loan guarantees (1.8% of GDP). Government debt was 48.6% of GDP at the end of 2019, well below the 60% of GDP Treaty reference value. The Spring Budget Memorandum projects an increase of the debt-to-GDP ratio to 65.2% of GDP in 2020, while the Commission forecasts 62.1% of GDP in 2020. The debt-to-GDP ratio is expected to remain sustainable over the medium-term.
- 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 Stability Programme[1] of the Netherlands covering the period 2019-2023 (hereafter called the Programme), which was submitted on 28 April 2020. The note also assesses the Netherlands' compliance with the preventive arm of the Stability and Growth Pact in 2019. The government approved the programme on 9 April 2020. The fiscal council (Advisory Division, Council of State) provided an opinion on it, which was published on its website on 24 April 2020.[2]

The Netherlands is currently subject to the preventive arm of the Stability and Growth Pact (SGP).

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.

2. MACROECONOMIC DEVELOPMENTS

The projections used in the Programme are based on data from the Netherlands Bureau of Economic Policy Analysis (Centraal Planbureau, CPB, Independent Forecast Producer). The CPB published their latest forecast on 17 March (predating the COVID-19 outbreak in the Netherlands) and on 26 March subsequently published four scenario's outlining the possible economic consequences of the corona crisis. The data included in the tables and submitted alongside the Programme (covering the period 2019-2023[3]) are based on the 17 March forecast and are therefore no longer realistic. The CPB scenario analysis is used in the Programme as illustration of possible outcomes. The Programme has been reviewed by the Council of State (Raad van State, Independent Fiscal Institute) on 15 April. On 24 April the Ministry of Finance submitted its Spring Budget Memorandum[4] to Parliament. The Memorandum

[1] The Stability Programme submitted by The Netherlands states that it also constitutes the national medium-term fiscal plan required under Article 4(1) of Regulation (EU) 473/2013.

[2] https://www.raadvanstate.nl/actueel/nieuws/@120944/dit-jaar-geen-voorjaarsrapportage/#highlight= stabiliteits

[3] Some projected figures for 2019, including GDP growth and public finances, have been updated with outturn data, as notified by Statistics Netherlands.

[4] Budget Memorandum 2020 (Voorjaarsnota 2020), handed in for review to the 2nd Chamber by W. Hoekstra, Minister of Finance, on April 25th 2020.

takes the IMF April forecast[5] as macro-economic baseline for 2020. Whenever possible, the current assessment is based on both the Programme and the Memorandum.

The Programme describes four CPB scenarios, although it refrains from identifying a baseline scenario. Instead, it is stated that the main aim of the scenario analysis is ‘to give an impression of the order of magnitude of possible outcomes and provide an insight into the impact of the main uncertainties’.

The scenarios in the Programme report real GDP growth between -1.2% and -7.3% in 2020 and between -2.7% and +3.5% in 2021. No further decomposition of real GDP growth is given for the scenarios in the Programme. The Commission’s spring 2020 forecast (hereafter Commission forecast) is situated in between these two extremes and expects GDP growth of -6.8%. All demand components, except public consumption, are forecast to contract sharply in 2020. For 2021, GDP growth is expected to rebound by about 5%, reflecting a gradual normalisation of economic activity and a recovery of domestic demand and global trade from a depressed level.

The unemployment rate is expected to increase in all scenarios in the Programme, up to 6.3% (9.4%) in 2020 (2021) in the worst case scenario. Hours worked are expected to drop sharply. Labour hoarding as well as government support are expected to limit unemployment rates from increasing further. The Commission forecast expects unemployment to rise to 5.9% in 2020. In 2021, unemployment is projected to gradually decline to 5.3% as economic activity recovers.

[5] IMF World Economic Outlook Reports (WEO) April 2020 : The Great Lockdown.

Table 1: Comparison of macroeconomic developments and forecasts

	2019		2020		2021		2022	2023
	COM	SP	COM	SP	COM	SP	SP	SP
Real GDP (% change)	1.8	1.8	-6.8	1.4	5.0	1.6	1.5	1.5
Private consumption (% change)	1.4	1.4	-9.5	1.9	7.2	1.9	1.4	1.4
Gross fixed capital formation (% change)	5.3	5.3	-11.2	1.3	5.9	2.0	1.5	1.5
Exports of goods and services (% change)	2.4	2.6	-10.6	2.7	7.0	2.8	2.7	2.8
Imports of goods and services (% change)	3.1	3.2	-11.2	3.3	8.0	3.4	3.1	3.2
Contributions to real GDP growth:								
- Final domestic demand	2.1	1.9	-6.0	1.7	4.9	1.8	1.4	1.4
- Change in inventories	0.0	-0.1	-0.1	-0.2	0.0	-0.1	0.1	0.0
- Net exports	-0.3	-0.2	-0.7	-0.1	0.0	-0.1	0.0	0.0
Output gap[1]	1.5	0.0	-6.4	-1.2	-3.1	-1.6	-1.2	-0.6
Employment (% change)	1.8	1.8	-2.4	1.2	1.4	0.7	0.5	0.5
Unemployment rate (%)	3.4	3.4	5.9	3.2	5.3	3.4	3.5	3.8
Labour productivity (% change)	0.0	-0.1	-4.5	0.2	3.6	0.9	1.0	0.9
HICP inflation (%)	2.7	2.7	0.8	1.6	1.3	1.6	1.5	1.5
GDP deflator (% change)	3.0	3.0	1.1	1.8	1.5	1.8	1.7	1.6
Comp. of employees (per head, % change)	2.9	3.2	2.2	3.2	1.5	3.4	2.7	2.4
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	10.2	9.6	9.0	9.7	8.4	9.1	9.0	8.8

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); Stability Programme (SP).

3. Recent and planned budgetary developments

3.1. Deficit developments and Medium-term strategy and targets[6]

The general government balance reached a surplus of 1.7% of GDP in 2019, which is higher than projected in the DBP 2020 (1.3% of GDP) and in the 2019 Stability Programme (1.2% of GDP).

The higher surplus compared with the DBP can be attributed mainly to lower than expected expenditure (0.6 percentage points lower than planned in the DBP). The government experienced difficulties executing the infrastructure and defence investments, which led to continued delays in investment spending.

The 2020 Stability Programme presents the national medium-term budgetary plan covering the period up to 2023. However, the budgetary forecast is based on a macro-economic scenario which predates the COVID-19 crisis and is therefore outdated. The Commission forecast estimates a deficit of 6.3% of GDP in 2020. With a macroeconomic scenario for 2020 broadly similar to that of the Commission, the Spring Budget Memorandum suggests a deficit of 11.8% of GDP in 2020. However, around 4.8 percentage points of the deficit in the Spring Budget Memorandum is linked to the booking of tax deferrals. In line with Eurostat guidance[7] for accrual accounting, these tax deferrals have no impact on the 2020 deficit in the Commission 2020 spring forecast, but they are included in the deficit of the Spring Budget Memorandum.

Both in the Commission forecast and the Spring Budget Memorandum, the automatic stabilisers are projected to deteriorate the budget balance compared to the pre-corona baseline by about 5 percentage points.

A package of emergency measures is expected to have an impact of more than EUR 20 billion (2.7% of GDP) in 2020. The 2020 Stability Programme describes part of the measures taken, and the Spring Budget Memorandum gives more detail on the estimated size of each measure.

[6] 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.

[7] https://ec.europa.eu/eurostat/documents/10186/10693286/GFS_draft_note.pdf

Table 2: General government budgetary position

(% of GDP)	2019	2020		2021		2022	2023	Change: 2019-2023
	COM	COM	SP	COM	SP	SP	SP	SP
Revenue	**43.6**	**41.4**	**43.5**	**42.2**	**43.0**	**42.9**	**42.9**	**-0.7**
of which:								
- Taxes on production and imports	12.0	11.2	12.0	11.4	12.1	12.0	12.0	**0.0**
- Current taxes on income, wealth, etc.	13.2	11.9	13.1	12.3	12.7	12.9	12.8	**-0.4**
- Social contributions	13.9	14.5	13.6	14.0	13.6	13.5	13.7	**-0.2**
- Other (residual)	4.6	3.8	4.8	4.5	4.6	4.5	4.4	**-0.2**
Expenditure	**41.9**	**47.7**	**42.4**	**45.6**	**42.9**	**42.8**	**42.8**	**0.9**
of which:								
- Primary expenditure	41.1	46.9	41.8	44.8	42.4	42.3	42.4	**1.3**
of which:								
Compensation of employees+Intermediate consumption	14.1	15.4	14.4	15.1	14.4	14.2	14.2	**0.1**
Compensation of employees	8.2	8.9	8.4	8.6	8.5	8.5	8.4	**0.2**
Intermediate consumption	5.8	6.4	6.0	6.5	5.9	5.8	5.8	**0.0**
Social payments	20.6	22.9	20.6	22.6	21.0	21.1	21.3	**0.7**
Subsidies	1.1	3.0	1.2	1.3	1.2	1.2	1.1	**0.0**
Gross fixed capital formation	3.4	3.6	3.3	3.7	3.4	3.4	3.4	**0.0**
Other (residual)	2.0	2.0	2.3	2.1	2.4	2.4	2.4	**0.4**
- Interest expenditure	0.8	0.8	0.6	0.8	0.5	0.5	0.4	**-0.4**
General government balance (GGB)	**1.7**	**-6.3**	**1.1**	**-3.5**	**0.1**	**0.1**	**0.0**	**-1.7**
Primary balance	**2.5**	**-5.5**	**1.7**	**-2.7**	**0.6**	**0.6**	**0.4**	**-2.1**
One-off and other temporary measures	0.2	0.0	0.0	0.0	0.0	0.0	0.0	**-0.2**
GGB excl. one-offs	**1.6**	**-6.3**	**1.1**	**-3.5**	**0.1**	**0.1**	**0.0**	**-1.6**
Output gap[1]	1.5	-6.4	-1.2	-3.1	-1.6	-1.2	-0.6	**-0.6**
Cyclically-adjusted balance[1]	0.8	-2.4	1.9	-1.6	1.2	0.9	0.4	**-1.3**
Structural balance[2]	**0.6**	**-2.4**	**1.8**	**-1.6**	**1.1**	**0.8**	**0.4**	**-1.2**
Structural primary balance[2]	1.4	-1.7	2.4	-0.8	1.6	1.3	0.8	**-1.5**
Gross debt ratio	**48.6**	**62.1**	**46.3**	**57.6**	**45.2**	**44.0**	**43.1**	**-5.5**

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 :

Stability Programme (SP); Commission 2020 spring forecasts (COM); Commission calculations.

3.2. MEASURES UNDERPINNING THE PROGRAMME

The Netherlands is implementing an emergency package to address the socio-economic consequences of the crisis at national level (see Table 3[8]). The expected budgetary impact this year amounts to around EUR 20 bn (2.7% of GDP). The main areas are (i) spending and investment on healthcare, (ii) income support for self-employed and - via corporations through a work-time reduction benefit scheme – for employees, (iii) tax measures, (iv) financing and credit measures and (v) sector specific measures.

Financial support was introduced to protect employment and to provide income support for employees and self-employed. For employees, support is given via companies. Companies facing at least 20% revenue losses over 3 months can get support for the wage costs of up to 90% through the new temporary unemployment scheme (*Tijdelijke Noodmaatregel Overbrugging voor Werkbehoud - NOW*). The estimated cost is EUR 10 billion (1.3% of GDP) . For self-employed or independent contractors, temporary income support is provided as of mid-March (*Tijdelijke Overbruggingsregeling Zelfstandig Ondernemers – 'TOZO'*). For a maximum of 3 months, the measure provides for income support up to the social minimum. Moreover, self-employed with liquidity problems are eligible for a loan to supplement their working capital. The estimated cost is EUR 3.8 billion (0.5% of GDP). These two measures focus on preventing a drop in disposable income, on limiting the increase in unemployment and limiting the number of bankruptcies among firms. These measures could support up to one fifth of the Dutch employees and self-employed.

On the revenue side, measures were introduced to limit the administrative and financial burden for companies. Tax deferrals are allowed for 3 months, until at least June 19th 2020. Several rules with respect to the payment of taxes and reduced fines are also relaxed. The tax deferral applies to a whole set of taxes such as: income tax, corporate tax, revenue tax, taxes on wages, vat tax on alcoholic beverages, rental fee tax and energy tax. The estimated amount of taxes affected is EUR 46 billion (6.1% of GDP). The main aim is to prevent short-term liquidity issues to morph into insolvency.

Several financing and credit measures have been introduced or extended to facilitate taking up loans and getting credit for SMEs, large companies and self-employed (see Table 4). The ceiling of guarantees increases by more than EUR 13 billion (1.8% of GDP), with estimated budgetary impact of EUR 1 ¼ bn (0.2% of GDP). These measures focus primarily on ensuring the supply of credit and limiting counterparty risk.

Finally, the government is also providing support to specific sectors, most affected by the crisis (in the short term): SMEs suffering a drop in their turnover due to mandated temporary closures, the gathering prohibition and/or the negative travel advice (*TOGS*); specific parts of the horticultural sector (*sierteelt, voedingstuinbouw en*

[8] The Netherlands submitted the standard Programme (and not the streamlined SCP). The Programme included a description of the measures taken, but not in table format. Table 3 and 4 in this document are based on the information available in the Spring Budget Memorandum.

fritestelers); local and regional media; and the cultural sector. These measures give a one-time financial support to the affected sectors and therefore aim at cushioning the impact of the shock. The (current) estimated budgetary cost is EUR 1.4bn (0.2% of GDP).

The estimates are all based on a short-term intervention and are typically limited to a three to six months time period. The government has already announced that it stands ready to prolong certain measures or to add new ones, depending on the duration of the crisis. This significantly adds to the uncertainty surrounding the budgetary estimates. Moreover, the open-ended nature of some programs adds to this uncertainty.

Overall, the measures taken by the Netherlands are in line with the guidelines set out in the Commission Communication on a coordinated economic response to the COVID-19 outbreak.[9] 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.

All measures were sufficiently detailed to be included in the Commission forecast. The estimated impact does not differ between the Spring Budget Memorandum and the Commission forecast.

Table 3: Discretionary measures adopted/announced 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
Guarantee costs	Costs related to the extra guarantees	D.9 - Capital transfers (paid)	Active		0.3	-0.3
Noodloket	Compensation scheme for Covid-19 impacted sectors	D.9 - Capital transfers (paid)	Active		0.3	-0.3
NOW	Temporary unemployment scheme	D.39 - Other subsidies on production (paid to corporations)	Active		1.3	-1.2
BBZ	Temporary income support for independent contractors	D.39 - Other subsidies on production (paid to corporations)	Active		0.5	-0.5
Healthcare	Extra transfers to hospitals	D.9 - Capital transfers (paid)	Active		0.1	-0.1
				Total	2.6	-2.4

Source: Spring Budget Memorandum

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

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

List of measures	Description	Adoption Status	Additional amount of contingent liability* (% of GDP)	
GO	Guarantee Corporate Financing Scheme	Active		**0.15%**
GO-C	Guarantee Corporate Financing Scheme - Corona			
BMKB	Guarantee SMEs	active		0.03%
Herfinanciering leverancierskredieten	Refinancing suppliers credit	under review		1.58%
BMKB-L	Temporary guarantees for companies active in agriculture and horticulture			0.00%
			Total	**1.76%**

***** Any possible budgetary impact related to the call of those guarantees should be provided in Table 1

Source: Spring Budget Memorandum

3.3. Debt developments

Government debt was 48.6% of GDP at the end of 2019, well below the 60% of GDP Treaty reference value. The Spring Budget Memorandum projects an increase to 65.2% of GDP in 2020, driven by both the primary budget deficit and denominator effects. The debt development is broadly consistent with the Commission forecast, which expects debt-to-GDP ratio to increase to 62.1% of GDP in 2020. A large positive stock flow adjustment contributes significantly to the Commission forecast of the debt. This adjustment reflects an estimated tax deferral of EUR 35.2 billion for 2020 (4.6% of GDP). The Commission forecasts a decrease in the government debt to below the 60% of GDP Treaty reference value in 2021 (56.7% of GDP).

Table 5: Debt developments

(% of GDP)	Average	2019	2020		2021		2022	2023
	2014-2018		COM	SP	COM	SP	SP	SP
Gross debt ratio[1]	**60.7**	**48.6**	**62.1**	**46.3**	**57.6**	**45.2**	**44.0**	**43.1**
Change in the ratio	-3.1	-3.8	13.5	-2.3	-4.5	-1.1	-1.2	-0.9
Contributions [2] :								
1. Primary balance	**-0.9**	**-2.5**	**5.5**	**-1.7**	**2.7**	**-0.6**	**-0.6**	**-0.4**
2. "Snow-ball" effect	**-0.8**	**-1.7**	**3.7**	**-0.9**	**-2.9**	**-1.1**	**-0.9**	**-0.9**
Of which:								
Interest expenditure	1.2	0.8	0.8	0.6	0.8	0.5	0.5	0.4
Growth effect	-1.4	-0.9	3.5	-0.7	-2.9	-0.7	-0.7	-0.6
Inflation effect	-0.6	-1.5	-0.6	-0.8	-0.9	-0.8	-0.8	-0.7
3. Stock-flow adjustment	**-1.4**	**0.4**	**4.2**	**0.3**	**-4.2**	**0.6**	**0.3**	**0.4**
Of which:								
Cash/accruals diff.				0.0		0.0	0.0	0.0
Acc. financial assets				0.1		0.5	0.3	0.5
Privatisation				0.0		0.0	0.0	0.0
Val. effect & residual				0.1		0.5	0.3	0.5

Notes:

[1] End of period.

[2] The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting, accumulation of financial assets and valuation and other residual effects.

Source :

Commission 2020 spring forecast (COM); Stability Programme (SP), Commission calculations.

3.4. 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.

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

4.1. Compliance with the deficit criterion

According to the Spring Budget Memorandum, the Netherlands' general government deficit is expected to reach 11.8% 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 the Netherlands 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 the Netherlands' compliance with the deficit criterion of the Treaty. Overall, 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 debt criterion

According to the Commission forecast, the Netherlands are not projected to meet the debt reduction benchmark in 2020, while debt is projected to fall below the 60% of GDP reference value in 2021.

4.3. Compliance with the MTO in 2019[10]

The Netherlands is subject to the preventive arm of the Stability and Growth Pact and should ensure compliance with its MTO, set at -0.5% of GDP. With a structural balance of 0.6% of GDP, the Netherlands was above its MTO in 2019 and thus compliant with the provisions of the preventive arm.

[10] 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)	-0.5	-0.5		-0.5	
(2)	Structural balance[2] (COM)	0.6	-2.4		-1.6	
	Setting the required adjustment to the MTO					
(3)	Structural balance based on freezing (COM)	0.7				
(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]	-0.9				
(8)	Corresponding expenditure benchmark[6]	5.9				
	Compliance with the required adjustment to the MTO					
		COM	**COM**	**SP**	**COM**	**SP**
	Structural balance pillar					
(8) = Δ (2)	Change in structural balance[7]	0.2				
(9) = (8) - (6)	*One-year deviation from the required adjustment*[8]	1.1				
	Two-year average deviation from the required adjustment[8]	1.2				
	Expenditure benchmark pillar					
(10)	Net public expenditure annual growth corrected for one-offs[9]	3.5				
(11) = (10) - (8)	One-year deviation adjusted for one-offs[10]	0.9				
	Two-year deviation adjusted for one-offs[10]	0.5				
	Finding of the overall assessment	**Compliance**				
	Compliance with the debt criterion					
	Transition period					
	Required structural adjustment (MLSA)[11]					
	Structural adjustment[12]					
	After transition period					
	Gap to the debt benchmark [13,14]		1.8			

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.

[11] Defines the remaining annual structural adjustment over the transition period which ensures that - if followed – Member State will comply with the debt reduction benchmark at the end of the transition period, assuming that COM (S/CP) budgetary projections for the previous years are achieved.

[12] Applicable only during the transition period of three years from the correction of the excessive deficit for EDP that were ongoing in November 2011.

[13] Not relevant for Member Sates that were subject to an EDP procedure in November 2011 and for a period of three years following the correction of the excessive deficit.

[14] Shows the difference between the debt-to-GDP ratio and the debt benchmark. If positive, projected gross debt-to-GDP ratio does not comply with the debt reduction benchmark.

Source :

Stability Programme (SP); Commission 2020 spring forecast (COM); Commission calculations.