2. MEDIUM-TERM FISCAL SUSTAINABILITY ANALYSIS

Main takeaways

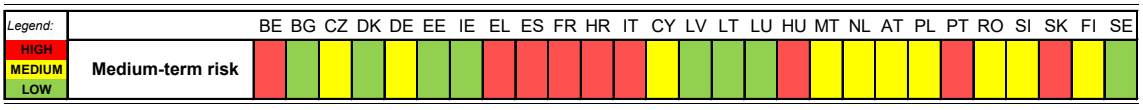
The analysis of medium-term fiscal sustainability risks relies on the Commission's comprehensive debt sustainability analysis (DSA) toolkit*. In line with the orientations for a reformed EU economic governance framework put forward by the European Commission on 9 November 2022, the risk assessment entirely relies on the DSA, while the S1 indicator becomes a long-term indicator, as discussed in Chapter 3. The DSA combines deterministic debt projections up to 2033 with stochastic projections covering a wide range of possible shocks. The projections include the impact of ageing-related expenditure. They consider alternative scenarios to the 'no-fiscal-policy-change' baseline, such as reverting to past fiscal behaviour, implementing only part of the forecast structural adjustment, benefiting from a less favourable interest-growth rate ('r-g') differential, and facing temporary turmoil on financial markets. This is complemented by an assessment of liquidity challenges based on government's gross financing needs.*

In the EU as a whole, at unchanged fiscal policy, the debt-to-GDP ratio is projected to decline slightly until the late 2020s, when the rising cost of ageing and a gradually less favourable snowball effect (combining the impact of interest payments and nominal growth on debt dynamics) would reverse the trend*. In the baseline, the 'r-g' differential is assumed to remain only slightly negative by 2033, after increasing throughout the projection period. By the end of the projection horizon, it will therefore only marginally dampen the increasing pressure from ageing costs on public finances. An alternative scenario shows that debt could nearly fall back to its pre-crisis level by 2031 (before increasing again) if the structural primary deficit converged back to the balanced position observed on average in the past 15 years. Conversely, a more limited fiscal adjustment, a less favourable 'r-g' differential or temporary financial stress would worsen the debt dynamics.*

The stochastic projections point to significant uncertainty around the baseline. *With an 80% probability, debt will lie between 80% and 102% in the euro area as a whole by 2027, coming below the 2022 level with a 67% probability. In 2027, the debt ratio could stand above or below 90% with equal probability. High uncertainty in some countries reflects historically volatile macro-financial and fiscal conditions.*

Overall, nine Member States are found to be at high medium-term fiscal sustainability risk, 10 at medium risk and eight at low risk. *The high-risk classification is mainly driven by high and/or increasing debt ratios under the no policy change baseline scenario (Belgium, Greece, France, Italy and Portugal), along with elevated uncertainty surrounding the baseline projections, as highlighted by the stochastic analysis (Slovakia) and by vulnerability to more adverse assumptions (Spain, Croatia and Hungary), in particular in case of less favourable macro-financial conditions (Croatia) or a weaker fiscal position (Hungary). Projected financing needs suggest that countries with the highest debt ratios could also be potentially exposed to liquidity challenges.*

Table 2.1: **Overview of the medium-term risk classification**



Source: European Commission.

This chapter assesses fiscal sustainability risks over the medium term, based on the Commission's comprehensive analytical framework. This report entirely relies on the debt sustainability analysis (DSA) to assess medium-term fiscal sustainability challenges. Unlike in the 2021 Fiscal Sustainability Report (FSR), the assessment no longer combines the DSA and the S1 indicator, which now underpins the assessment of long-term sustainability risks (see Chapter 3). The DSA alone captures medium-term challenges in a comprehensive way. First, the DSA includes the impact of ageing-related costs. Second, it considers both favourable and adverse scenarios in addition to the baseline. Third, it accounts for uncertainty by simulating a wide range of possible shocks. Last but not least, it takes into account the plausibility of projected debt paths and the feasibility of additional fiscal consolidation measures, if needed.

This chapter is organised as follows. Going through the various elements of the DSA toolkit, the chapter starts with a baseline for debt trajectories over the next 10 years, along with a set of additional deterministic debt projections underpinned by alternative assumptions (Section 2.1). To assess how a broad range of possible shocks could affect debt in the coming years, the DSA also crucially relies on stochastic debt projections, highlighting the uncertainty around the baseline (Section 2.2). Finally, the DSA is complemented by projections of governments' gross financing needs over the next decade, which provide information on potential liquidity risks (Section 2.3). The chapter concludes with an overall assessment of medium-term fiscal risks and a comparison with the 2021 FSR (Section 2.4).

2.1. DETERMINISTIC GOVERNMENT DEBT PROJECTIONS

The first component of the DSA consists in a set of deterministic projections based on various scenarios. Each deterministic projection provides a single path for debt until 2033 under certain assumptions for budgetary, macroeconomic and financial variables. In addition to the baseline, four other scenarios are taken into account for the medium-term risk classification. These are the 'historical structural primary balance (SPB)', 'lower SPB', 'adverse interest-growth rate differential (r-g)' and 'financial stress' scenarios. They highlight the impact on debt of alternative assumptions for fiscal policy, real GDP growth and interest rates (Table 2.2). Finally, an additional policy scenario – the 'stability and convergence programmes' (SCP) scenario – also informs the overall assessment, although only in a qualitative manner.

Table 2.2: **Debt projections in the deterministic scenarios**

	Baseline 2022	Baseline 2033	Difference to the baseline in 2033 (pps. of GDP): 'Historical SPB' scenario	'Lower SPB' scenario	'Adverse r-g' scenario	'Financial stress' scenario
BE	106.2	121.6	-15.1	5.9	8.9	1.5
BG	22.5	40.3	-13.6	5.3	2.5	0.2
CZ	42.9	52.2	0.5	8.6	4.0	0.4
DK	33.7	16.3	-3.3	1.7	2.0	0.2
DE	67.4	70.3	-17.1	0.0	5.5	0.5
EE	18.7	33.6	-8.2	0.5	2.1	0.2
IE	44.7	25.3	16.7	11.0	2.2	0.1
EL	171.1	125.4	-10.0	19.1	9.1	1.1
ES	114.0	112.4	0.0	2.2	9.3	2.0
FR	111.7	121.1	-1.3	6.0	9.6	1.8
HR	70.0	84.9	-8.7	0.7	6.6	0.4
IT	144.6	155.9	-13.6	8.6	13.3	4.8
CY	89.6	45.4	5.2	6.9	4.8	0.3
LV	42.4	36.9	9.7	29.1	3.0	0.3
LT	38.0	39.6	7.0	3.6	3.0	0.2
LU	24.3	23.5	-7.6	-0.2	1.8	0.1
HU	76.4	81.5	-7.4	14.8	6.8	0.7
MT	57.4	63.4	-14.4	9.7	4.6	0.4
NL	50.3	70.4	-15.6	2.9	4.8	0.3
AT	78.5	74.4	-4.8	10.4	6.0	0.6
PL	51.3	69.0	4.4	11.6	5.5	0.5
PT	115.9	94.3	7.0	9.7	8.1	1.7
RO	47.9	62.8	4.2	12.5	4.6	0.4
SI	69.9	79.3	-6.0	9.4	5.8	0.5
SK	59.6	82.6	-7.4	-0.6	4.8	0.2
FI	70.7	71.5	-6.8	0.6	5.4	0.4
SE	32.1	10.9	1.9	4.6	1.4	0.1
EU	86.0	87.6	-6.7	5.3	7.0	1.4
EA	93.6	95.9	-8.4	4.5	7.7	1.6

Source: Commission services.

The deterministic projections feed into the medium-term risk classification using the debt level in 2033, the debt trajectory and the available 'fiscal consolidation space'. While a high level of debt is an obvious source of vulnerability, it is only a crude indicator of sustainability. That is why the risk classification relies on two more criteria in addition to the debt level. One is the path followed by debt over the coming decade. The other one is the 'fiscal consolidation space'. This space is measured by how often more stringent fiscal positions than assumed in a given scenario were observed in the past in the country under consideration – technically, this consists in looking at the percentile rank of the projected structural primary balance (SPB) within the distribution of SPBs observed in the past in the country. This gives an indication of whether the country has plausible

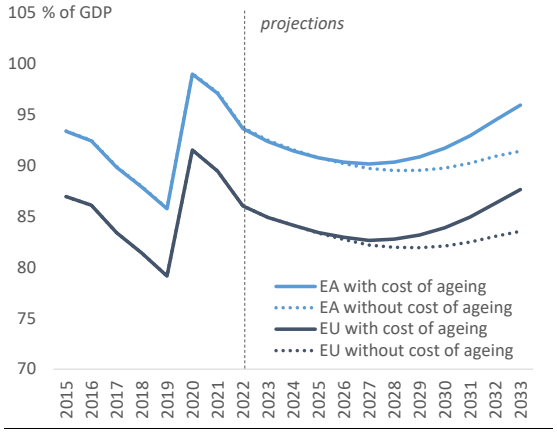
fiscal room for manoeuvre to take corrective measures if necessary. Therefore a high level of debt or an increasing debt path in the baseline do not necessarily imply high sustainability risks, as long as the government has available 'consolidation space' to rein in debt ([27]). The decision tree applied along these three criteria is described more closely in Annex A4.

This section focuses on the economic reading and main results of each scenario. It explains why the selected scenarios are relevant in the current context, and it discusses the results both for the aggregate level and across countries. Box 1 in the introduction of this report includes further technical information on the underlying assumptions, and detailed projection tables can be found in the statistical annex.

2.1.1. Baseline: no fiscal policy change

The baseline for the medium-term debt projections assumes that structural primary budgetary positions remain at their 2024 level until 2033, except for the impact of ageing-related costs. The 2024 level is the one expected in the Commission 2022 autumn forecast (for the EU as a whole, an SPB of -1.1% of GDP), which includes the impact until 2024 of policy measures adopted by end October 2022 ([28]). As from 2025, the projections do not incorporate any new measures, and the SPB is only affected by changes in the cost of ageing as projected in the 2021 Ageing Report ([29]) (for the EU as a whole, the overall SPB including the impact of ageing costs is projected to gradually decline to -2.0% by 2033, see Annex A1). Therefore, the baseline highlights what would happen in the absence of new measures, as a benchmark.

Graph 2.1: **Gross government debt baseline projections, EU and euro area**



Source: Commission services.

The baseline points to a slight decline of the EU debt ratio until the late 2020s, when the rising cost of ageing and a less favourable snowball effect would reverse the trend. The projected debt for the euro area as a whole follows a parallel path (Graph 2.1). The impact of the cost of ageing in the EU is visible in the worsening primary deficit (Graph 2.2). Moreover, interest expenditure is set to increase over the medium term, while the debt-reducing impact of nominal GDP growth would weaken. This is expected to result in a gradually less favourable snowball effect ([30]) over the projection horizon, especially compared with the record low levels of 2021-2022. The snowball effect would therefore only slightly dampen the increase in debt by the end of the projection horizon ([31]).

([27]) This is in line with the definition of debt sustainability risks used by the IMF, the ECB and the Commission. Debt is deemed unsustainable only in cases when there is *no politically and economically feasible fiscal path that can at least stabilise debt over the medium term* (under the baseline and realistic shock scenarios), keeping rollover risk at an acceptably low level while preserving potential growth.

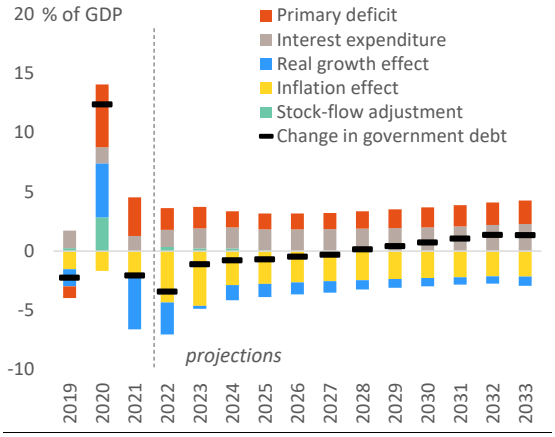
([28]) GDP growth over 10 years is projected in line with the EU commonly agreed methodology. It incorporates to a large extent the expected favourable impact of NextGenerationEU, both in the short-term forecast up to 2024 and in its T+10 extension through persistence effects. The expected impact of structural reforms is reflected insofar as these reforms have already been legislated or are certain and known in sufficient detail.

([29]) See https://ec.europa.eu/info/sites/default/files/economy-finance/ip148_en.pdf.

([30]) The snowball effect, which is closely related to the interest-growth rate differential, represents the combined impact of interest expenditure, inflation and real GDP growth on debt dynamics.

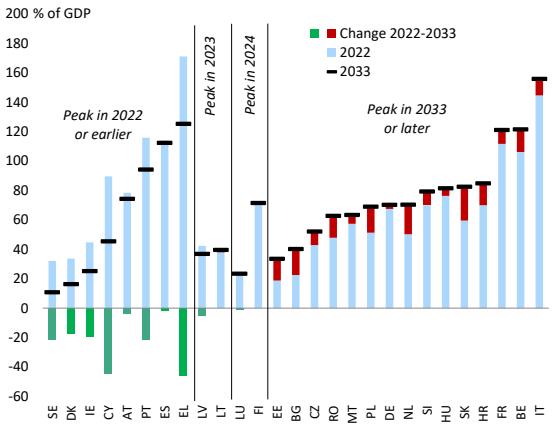
([31]) For further details on the breakdown of the change in debt, see the statistical annex.

Graph 2.2: **Drivers of the change in debt under the baseline, EU**



Source: Commission services.

Graph 2.3: **Gross government debt projections for EU Member States under the baseline (2022-2033)**

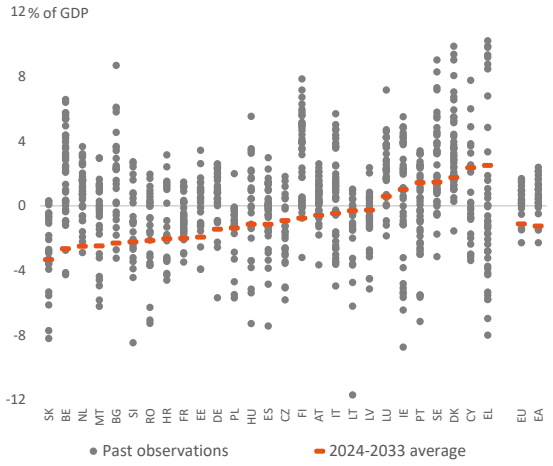


Source: Commission services.

The projected debt paths of individual Member States show contrasted situations. In 12 countries, the debt ratio projected for 2033 is at or below the level of 2022 (Graph 2.3). In most of these countries, debt started declining after the peak of 2020-2021, or is expected to do so by 2024 at the latest, before either broadly stabilising or declining further over the medium term. In Austria, Greece, Spain, Lithuania and Luxembourg, however, debt would increase again in the last years of the projection period ([32]). In the remaining 15 Member States, at unchanged policies, debt is projected to increase overall between 2022 and 2033, in some cases starting from a high level (e.g. Italy, Belgium and France).

The debt paths envisaged in the baseline rely on low SPB levels by historical standards, suggesting sizeable fiscal consolidation space in most countries. This can be seen by plotting the projected SPB level (before cost of ageing) against country-specific SPB values observed in the last decades (Graph 2.4). As most countries have often recorded higher SPBs than the level assumed in the baseline, they can realistically aim to move again towards such higher levels in the coming decade, improving the debt dynamic compared to the baseline.

Graph 2.4: **Structural primary balance projected under the baseline and past observations**



Notes: (1) The 2024-2033 average is the value in the baseline before cost of ageing. (2) In this graph, past observations start at the earliest in 1980, depending on the country, and end in 2021.
Source: Commission services.

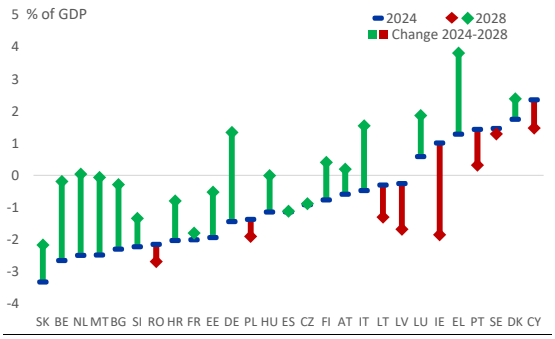
2.1.2. Policy scenario: historical structural primary balance

The first alternative scenario assumes a change in fiscal policy over the medium term – namely that the SPB will gradually converge to its average past value. This scenario illustrates the prospect of countries reverting to past fiscal behaviour instead of keeping the SPB at its 2024 level. More specifically, by 2028, each country's SPB would reach the average value observed in the country over the past 15 years, i.e. in 2007-2021 (Graph 2.5). For most Member States, this implies a tightening compared to the level forecast for 2024, although by 2028 there would still be a

([32]) In the case of Greece, the debt ratio is expected to fall until 2032 but to increase by 7 pps. of GDP in 2033, due to the capitalisation of the deferred interest payments on the European Financial Stability Facility loans.

structural primary deficit, in some cases large, in half of the Member States.

Graph 2.5: **'Historical SPB' scenario: structural primary balance in 2024 and 2028**

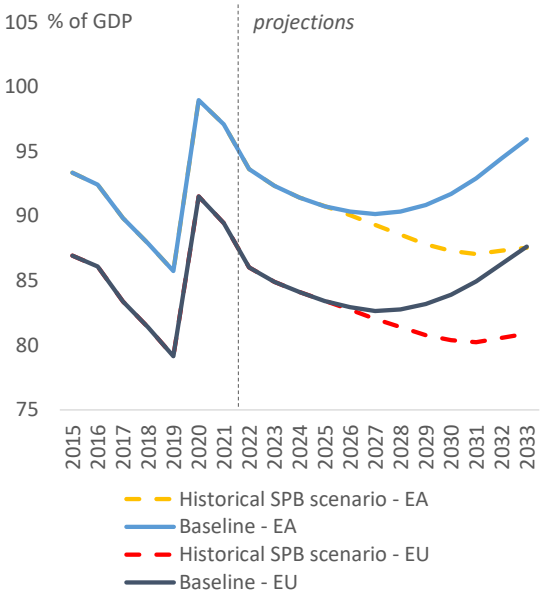


Note: The 'historical SPB' scenario assumes that the SPB gradually converges, from 2025 to 2028, to the SPB observed on average in 2007-2021.
Source: Commission services.

Reverting to past structural positions would maintain EU debt on a downward path throughout the 2020s, but not beyond. For the EU as a whole, this would mean that the SPB would improve from a deficit of 1.1% in 2024 to a balanced SPB by 2028. This would bring debt nearly back to its pre-pandemic level by 2031; however, the gradually less favourable snowball effect and the increasing cost of ageing would lead to a new increase in debt as from 2032 (Graph 2.6). The same would happen in the euro area if the structural primary deficit of 1.3% in 2024 gradually improved by 2028 to the historical standard, a marginal surplus of 0.1% of GDP.

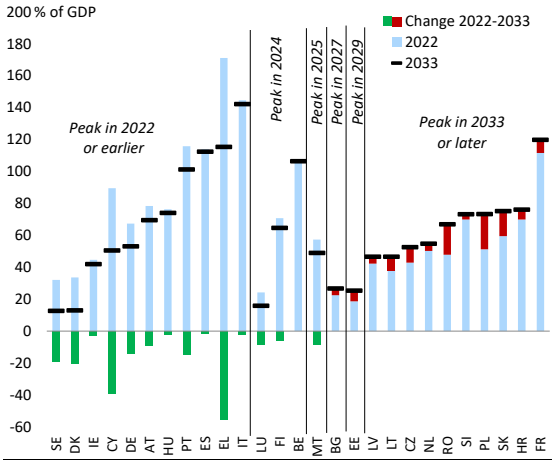
At the country level, the 'historical SPB' scenario generally leads to lower debt levels by 2033 compared with the baseline. In most of the 8 countries where this scenario implies a loosening compared with the baseline (Ireland, Cyprus, Latvia, Lithuania, Poland, Portugal, Romania and Sweden), debt would remain relatively low in 2033; the main exception is Portugal, where debt would stand at a high level (Graph 2.7). In the other countries, debt would decline more and/or peak earlier, or at least not increase as much as in the baseline. The improvement in the debt path compared with the baseline is particularly noticeable for Belgium, Bulgaria, Germany, Italy, Malta and the Netherlands.

Graph 2.6: **Debt projections: 'historical SPB' scenario vs. baseline, EU and euro area**



Note: The 'historical SPB' scenario assumes that the SPB gradually converges, from 2025 to 2028, to the SPB observed on average in 2007-2021. The SPB then remains constant, except for the impact of the cost of ageing.
Source: Commission services.

Graph 2.7: **Gross government debt projections under the 'historical SPB' scenario**



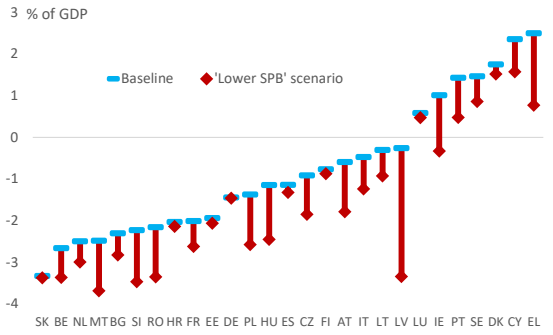
Source: Commission services.

2.1.3. Policy scenario: lower structural primary balance

The 'lower SPB' scenario assumes, for 2023 and 2024, less fiscal consolidation (or more fiscal expansion) than in the baseline, implying a negative level shift. As in the baseline, this scenario keeps the SPB unchanged as from 2024, but at a lower level than in the baseline (Graph 2.8). For the countries in which the Commission 2022 autumn forecast expects the SPB to tighten overall in 2023 and 2024, this scenario assumes that only half of the adjustment is delivered – and for the countries where the SPB is expected to deteriorate overall over these two years, the scenario assumes a 50% larger fall. This would be the case, for instance, if some governments decided to keep support measures in place for longer than expected.

A smaller consolidation by 2024 than expected in the Commission 2022 autumn forecast, followed by no consolidation, would imply a more rapid increase in EU debt over the medium term. The same holds for the euro area (Graph 2.9). In both cases, debt would be about 5 pps. of GDP higher than in the baseline by 2033, reaching around 93% of GDP in the EU as a whole.

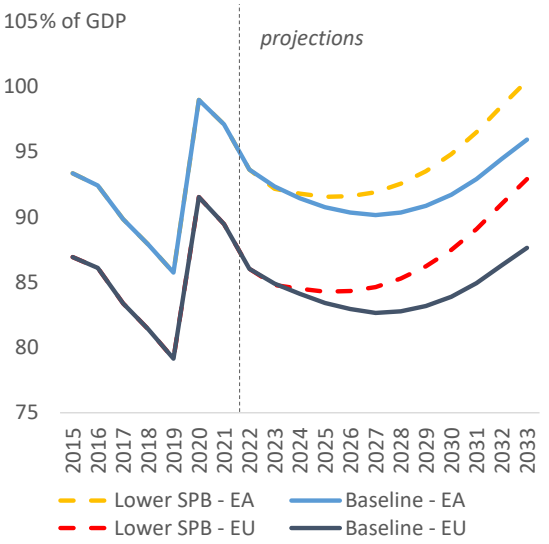
Graph 2.8: **Structural primary balance in 2024-2023 in the baseline and the 'lower SPB' scenario**



Note: The 'lower SPB' scenario assumes a 50% smaller consolidation (or 50% larger deterioration) in the SPB in 2023 and 2024 than in the Commission 2022 autumn forecast. The SPB then remains constant as from 2024, except for the impact of the cost of ageing.
Source: Commission services.

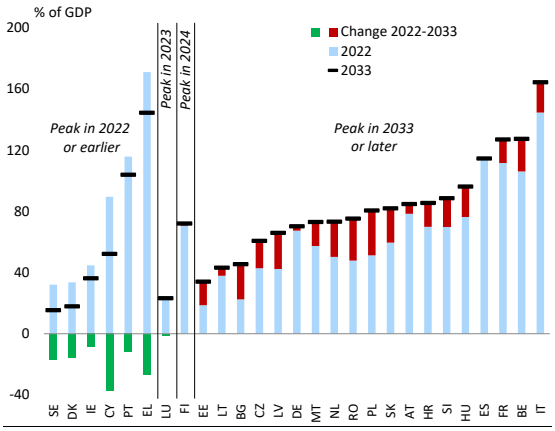
Under this scenario, debt in 2033 would exceed its 2022 level in a majority of Member States. The largest debt increases from 2022 to 2033 would be recorded in Bulgaria, Latvia, the Netherlands, Poland and Romania (Graph 2.10). Among the countries with highest debt levels, the debt increase would be sizeably larger than in the baseline for Italy, and debt would decline markedly less in Greece and Portugal.

Graph 2.9: **Debt projections: 'lower SPB' scenario vs. baseline, EU and euro area**



Note: The 'lower SPB' scenario assumes a 50% smaller consolidation (or 50% larger deterioration) in the SPB in 2023 and 2024 than in the Commission 2022 autumn forecast. The SPB then remains constant as from 2024, except for the impact of the cost of ageing.
Source: Commission services.

Graph 2.10: **Gross government debt projections under the 'lower SPB' scenario**



Source: Commission services.

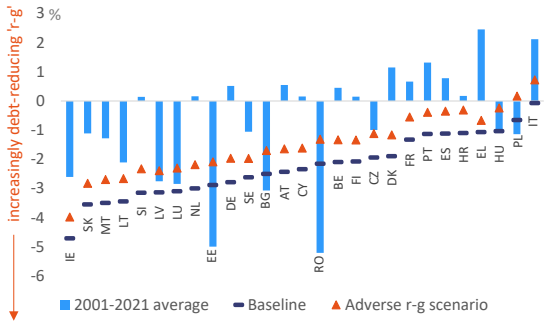
2.1.4. Stress test: adverse 'r-g' differential

This scenario captures risks related to a reversal or a reduction of the currently still favourable interest-growth rate differential. It is motivated by the fact that the 'r-g' differential assumed in the baseline, although increasing over the projection period, remains in most cases below historical averages (Graph 2.11). Stress-testing this differential is therefore important to assess the consequences for debt sustainability risks of a possible larger correction of 'r-g'. To do so, the difference between *market* interest rates and nominal GDP growth is permanently increased by 1 pp. compared to the baseline ([33]). Depending on the debt structure and gross financing needs, this shock gradually translates into a higher 'r-g' differential where r is the *implicit* interest rate. This diminishes the debt-reducing impact of the snowball effect, or reinforces its debt-increasing impact in those countries where 'r-g' is already projected to turn positive during the next decade (Czechia, Italy, Hungary, Poland and Romania).

Both on aggregate and in individual countries, this scenario has adverse implications for debt developments. Debt would decline only marginally in the first years of the projection period, and it would grow faster than in the baseline in the outer years (Graph 2.12). At the country level, debt would exceed its 2022 level by 2033 in more countries than in the baseline, with particularly large effects in Italy, Greece, France and Spain (Graph 2.13).

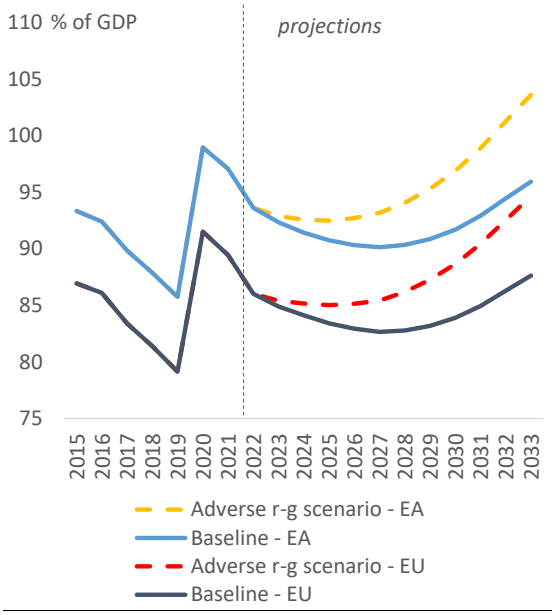
([33]) The same shock is applied to both short-term and long-term market rates.

Graph 2.11: **Interest-growth rate differential in the baseline and the 'adverse r-g' scenario, 2023-2033 averages**



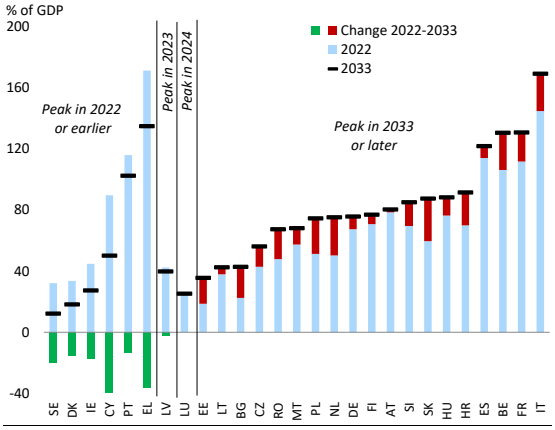
Note: The 'adverse r-g' scenario assumes that the differential between the market interest rate and nominal GDP growth is permanently 1 pp. higher than in the baseline from 2023 to 2033. This graph shows the impact on the differential between the implicit interest rate and nominal GDP growth, taking into account the debt maturity structure.
Source: Commission services.

Graph 2.12: **Debt projections: 'adverse r-g' scenario vs. baseline, EU and euro area**



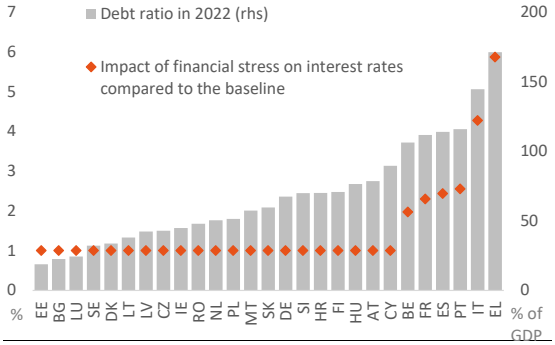
Note: The 'adverse r-g' scenario assumes that the interest-growth rate differential is permanently 1 pp. higher than in the baseline from 2023 to 2033.
Source: Commission services.

Graph 2.13: **Gross government debt projections under the 'adverse r-g' scenario**



Source: Commission services.

Graph 2.14: **Impact of the 'financial stress' scenario on interest rates in 2023**



Notes: The 'financial stress' scenario assumes that the interest rate is temporarily raised by 1 pp., plus a risk premium in countries where debt exceeded 90% of GDP in 2022 (90% being the upper debt threshold used to identify high risk in the DSA classification). The risk premium is equal to 0.06 times the excess of debt over 90% of GDP.
Source: Commission services.

2.1.5. Stress test: financial stress

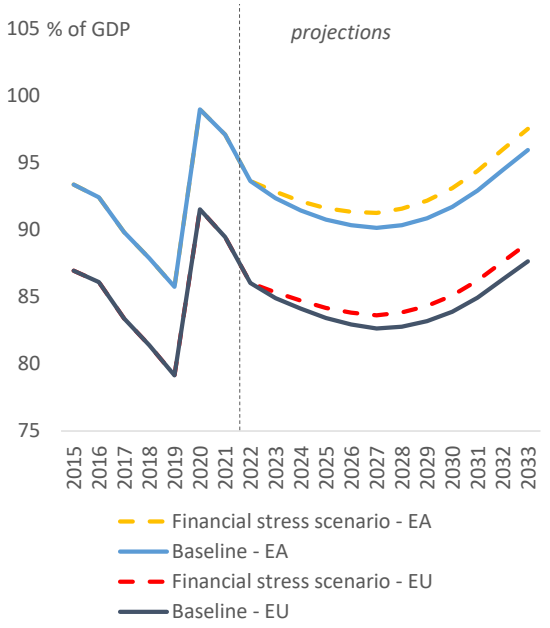
This scenario aims to capture risks linked to stylised temporary turmoil on financial markets. Under this scenario, a one-year shock affects market interest rates in 2023 ([34]). Furthermore, the scenario assumes that financial turmoil hits high-debt countries harder: while a flat 1 pp. interest rate hike applies to all countries, it is augmented by a 'risk premium' for highly indebted countries ([35]) (Graph 2.14).

Despite its temporary nature, the shock on interest rates has a persistent, albeit limited, adverse impact on debt dynamics. As can be seen for the EU and euro area as a whole, the debt path would be only slightly above the baseline, by less than 2 pps. of GDP by 2033 (Graph 2.15). The initial impact on debt would be limited, as the higher interest rates would only affect newly issued debt. The gap would, however, be persistent and increase over time, as the shock would keep affecting the service of debt newly issued in 2023 and make higher interest payments generate in turn new debt each year, compared with the baseline. This scenario would also have a non-negligible impact on gross financing needs, in particular in the year after the shock, when the higher rates on newly issued debt would start affecting interest payments (see Annex A2).

([34]) The same shock is applied to both short-term and long-term market rates.

([35]) The risk premium is equal to 0.06 times the excess of debt over 90% of GDP based on Pamies, S., Carnot, N., and Patarau, A (2021), Do fundamentals explain differences between euro area sovereign interest rates?, *European Economy Discussion Paper*, No. 141; see also Box 1 in the introduction for more details.

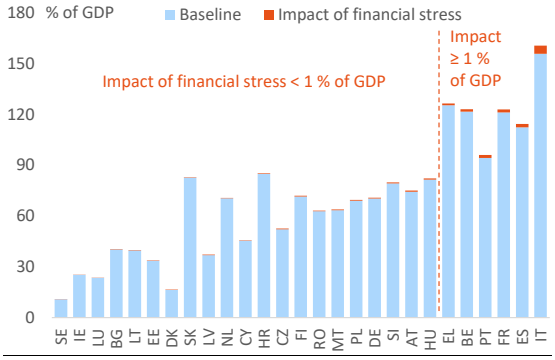
Graph 2.15: **Debt projections: 'financial stress' scenario vs. baseline, EU and euro area**



Note: The 'financial stress' scenario assumes that, in 2023, market interest rates are temporarily raised by 1 pp., plus a risk premium in countries where debt exceeded 90% of GDP in 2022 (90% being the upper debt threshold used to identify high risk in the DSA classification).
Source: Commission services.

The impact of the simulated financial stress is concentrated in high-debt Member States. The 'financial stress' scenario increases debt by more than 1 pp. of GDP by 2033 in only 6 countries, namely those with the highest projected debt ratios for 2033 in the baseline – Belgium, Greece, Spain, France, Italy and Portugal (Graph 2.16). This is because higher interest rates affect interest payments more strongly if they apply to a high debt, and this effect is exacerbated by the assumption that high-debt countries get larger shocks on interest rates. To a lesser extent, the sensitivity of individual countries to the interest shock also depends on the maturity of their debt, because a shorter maturity implies that the shock on the market rate is more rapidly transmitted to the implicit interest rate. Finally, the impact is also affected by gross financing needs.

Graph 2.16: **Gross government debt projections for 2033, 'financial stress' scenario vs. baseline**



Note: Countries are ranked by increasing impact of financial stress.
Source: Commission services.

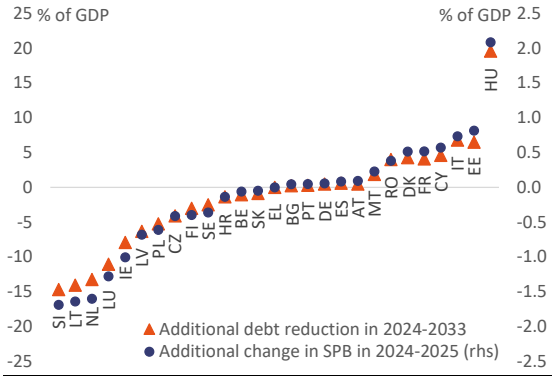
2.1.6. Additional scenarios

Two more scenarios provide additional information that qualifies debt sustainability risks, although without affecting the risk classification. The first one is a policy scenario: the 'SCP' scenario, as described below. The other one is a stress test, namely the 'exchange rate' scenario, which is mostly relevant for non-euro area countries and is therefore not discussed in detail in this chapter. Its assumptions are described in Box 1 in the introduction of this report, and its outcome can be found in the country fiches in the statistical annex (see Annex A2).

The 'SCP' scenario assumes that governments fully implement their medium-term budgetary plans. The Commission 2022 autumn forecast – which underpins the first years of the baseline – incorporates government plans, but only to the extent that they have already translated into adopted measures. This usually implies more limited developments than those presented by governments in their SCPs. To assess the full impact of government plans, this scenario uses only the year 2023 of the Commission forecast as a basis and modifies the fiscal policy assumptions as from 2024. For 2024 and 2025, it assumes that governments implement their fiscal plans fully in line with their 2022 SCPs. The SPB is then assumed to remain unchanged at its 2025 level, except for the impact of the cost of ageing ([36]).

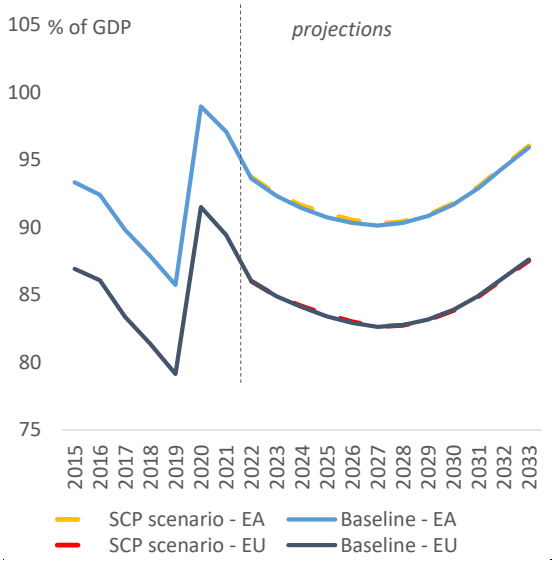
([36]) This scenario was run based on the Commission 2022 spring forecast.

Graph 2.17: **Structural adjustment and debt projections, 'SCP' scenario vs. baseline**



Note: The blue dots show by how much SPBs would improve compared to the baseline if governments fully implemented their medium-term budgetary plans in 2024 and 2025. The red triangles show the impact in terms of additional debt reduction compared to the baseline up to 2033.
Source: Commission services.

Graph 2.18: **Debt projections: 'SCP scenario' vs. baseline, EU and euro area**



Note: The 'SCP' scenario assumes that Member States implement in 2024 and 2025 the budgetary measures described in their 2022 stability and convergence programmes, and that as from 2026 the SPB is only affected by the cost of ageing.
Source: Commission services.

Fully implementing governments' own medium-term budgetary plans would not have a visible impact on aggregate debt paths compared with the baseline. For half of the countries, the SCPs imply higher SPBs than in the baseline and therefore lower debt levels by 2033. This would be the case for some high-risk countries such as Hungary, Italy and France. For the other half, it is the opposite (Graph 2.17). As a result, although adhering to the SCPs would affect national debt paths, these changes would offset each other on aggregate, and debt in the EU as a whole would follow broadly the same path as under the baseline (Graph 2.18).

2.2. STOCHASTIC GOVERNMENT DEBT PROJECTIONS

Stochastic debt projections account for wide-ranging uncertainty around the baseline. Unlike deterministic projections, the outcome of stochastic projections is not a single debt path under a specific scenario, but a distribution of debt paths resulting from a wide set of shocks. These projections aim to show the impact on debt dynamics of numerous possible shocks affecting governments' budgetary positions, economic growth, interest rates and exchange rates compared to the baseline ([37]). The shocks, applied in up to 2000 different simulations, are calibrated to capture country-specific conditions, namely the volatility observed over the past and the correlation between the different variables.

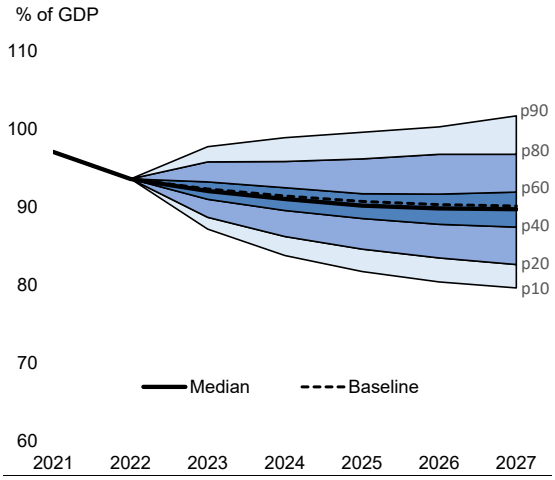
The results of stochastic projections are shown in a fan chart around the baseline. The cone covers 80% of all simulated debt paths over a 5-year horizon, with the lower and upper limits representing respectively the 10th and 90th percentiles of the distribution. This means that, if future shocks follow the same pattern as in the past, there is an 80% probability that debt will actually lie within that cone in the next 5 years. The chart excludes the debt paths derived from the 20% most extreme shocks, or 'tail events'. The different shades within the cone represent different portions of the overall distribution of debt paths.

The stochastic projections point to significant uncertainty over the debt trajectory in the euro area. For 2027, they suggest that, with an 80% probability, the euro area debt ratio will lie between 80% and 102% of GDP, a range of 22 pps. (Graph 2.19). The median debt ratio for

([37]) The methodology for stochastic debt projections is presented in Annex A7 of this report, and in Berti, K. (2013), Stochastic public debt projections using the historical variancecovariance matrix approach for EU countries, *European Economy — Economic Paper,* No. 480.

2027 is estimated at 90% of GDP, i.e. there is an equal probability that debt will be higher or lower than that level. Moreover, while the baseline points to a decline in the debt ratio over the next 5 years, the stochastic projections suggest with a 33% probability that debt might actually be higher in 2027 than it was in 2022.

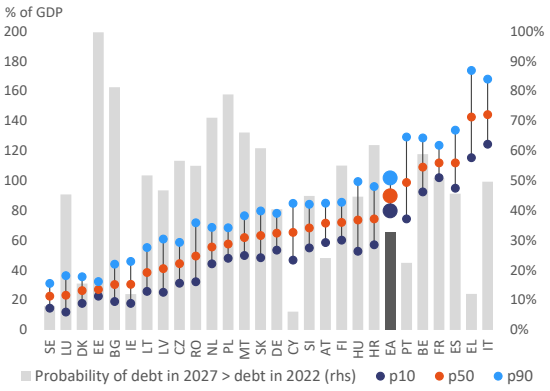
Graph 2.19: **Stochastic debt projections, euro area, 2022-2027**



Source: Commission services.

The degree of uncertainty varies greatly across countries. The results for individual countries are summarised in Graph 2.20. On the one hand, they indicate very low uncertainty for Estonia, where the debt ratio is likely to lie within a narrow range of 22% to 32% of GDP in 2027; moreover, debt in Estonia is clearly projected to increase, as indicated by the very high probability of debt in 2027 exceeding the 2022 level. At the other end of the spectrum, uncertainty appears to be particularly elevated for Greece, Hungary and Portugal: in Hungary, for instance, debt could lie anywhere between 50% and 100% of GDP by 2027, and there is a nearly equal chance that debt will increase or decrease from its current level. Such uncertainty around the baseline reflects a high historical volatility of macro-financial and fiscal conditions.

Graph 2.20: **Stochastic debt projections for EU Member States**



Notes: How to read this graph: for each country, there is an 80% probability that debt in 2027 will lie between the dark blue dot (the 10th percentile of the debt distribution) and the pale blue dot (the 90th percentile). The more these two points are distant, the higher the uncertainty. The median debt level in 2027 is indicated by the red dot. The grey bars indicate the probability with which debt will be higher in 2027 than it was in 2022.
Source: Commission services.

2.3. MEDIUM-TERM GOVERNMENT GROSS FINANCING NEEDS

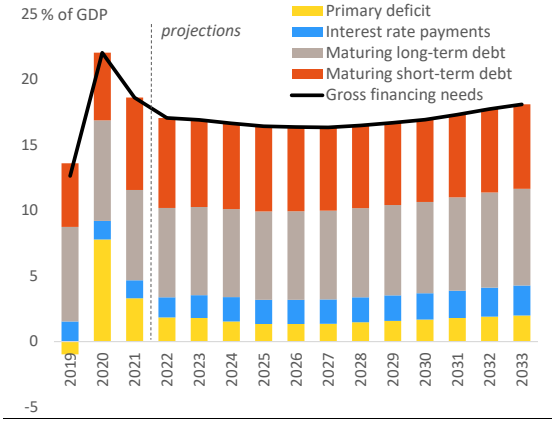
Projected gross financing needs (GFN) over the medium term serve as a measure of governments' upcoming liquidity challenges. While debt is a stock, GFN are a flow metric that provides complementary information. The projected trajectory of GFN indicates to what extent governments may need to use financial markets over the coming years to finance deficits or stock-flow adjustments, repay or roll over maturing debt and service their debt ([38]). Elevated GFN projections therefore suggest a higher vulnerability with regard to liquidity risks.

GFN in the EU are projected to remain above pre-pandemic level and rise mildly in the coming decade. Over the period 2024-2033, GFN should average 17% of GDP, 4 pps. above their 2019 level (Graph 2.21). The slowly upward trajectory projected for the next 10 years is driven by three trends. First, the need to amortise a slightly larger amount of long-term debt. Second, a rebound in primary deficits as from the late 2020s, reflecting mainly higher ageing-related

([38]) For a more elaborate description of GFN and their use for the assessment of short-term sustainability risks, see Chapter 1.

expenditure. And third, a gradual increase in interest payments, getting back by 2033 to their 2010s average of 2.3% of GDP. On the other hand, maturing short-term debt should broadly stabilise at around 6% of GDP, reflecting the recent lengthening of debt maturities.

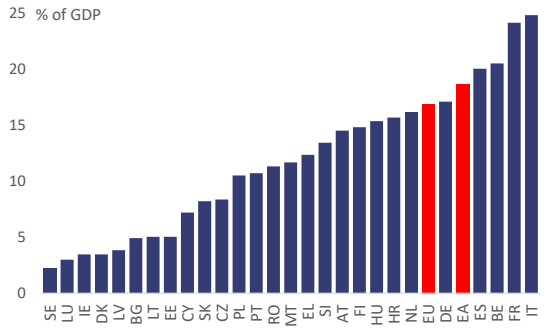
Graph 2.21: **General government gross financing needs and their drivers, baseline, EU**



Source: Commission services.

The GFN projections indicate larger liquidity challenges in high-debt Member States than the euro area average. In 4 euro area countries (Belgium, Spain, France and Italy), GFN are projected to exceed 20% of GDP on average between 2024 and 2033 under the baseline, above the euro area average of about 19% of GDP (Graph 2.22). As these countries are also projected to have high and increasing debt ratios, their potential vulnerability to liquidity risks adds to sustainability challenges. By contrast, for the 8 Member States with the lowest projected debt levels for 2033 under the baseline (Bulgaria, Denmark, Estonia, Ireland, Lithuania, Luxembourg, Latvia and Sweden), GFN would be limited to 5% of GDP at most.

Graph 2.22: **General government gross financing needs under the baseline, 2024-2033 average**



Source: Commission services.

2.4. OVERALL MEDIUM-TERM RISKS

2.4.1. Overall medium-term risk classification

This report entirely relies on the DSA to assess medium-term sustainability challenges. Unlike in the 2021 FSR, the assessment no longer combines the DSA and the S1 indicator – the latter now underpins the assessment of long-term sustainability risks (see Chapter 3 and Box 3.1). As discussed above, the DSA captures medium-term challenges in a comprehensive way, as it includes the impact of ageing-related costs, alternative scenarios and a wide range of possible shocks. Moreover, it takes into account not only projected debt paths but also their feasibility in light of past practice. These are the reasons why the Commission proposed, on 9 November 2022, to use the DSA risk classification as a basis for defining medium-term fiscal requirements under a reformed EU governance framework ([39]).

To establish the medium-term risk classification, decision trees extract risk signals from the deterministic and stochastic DSA projections. For the deterministic projections, the projected debt level in 10 years' time provides the starting point; however, the risk category derived from the debt level can be notched up or down, depending on the debt path and the available 'fiscal consolidation space'. Furthermore, when the stochastic projections point to medium or high risk, this can notch up the preliminary low or medium risk signal provided by the baseline (along

([39]) European Commission (2022), Communication on orientations for a reform of the EU economic governance framework, COM(2022) 583 final.

with additional scenarios and stress tests). However, neither stochastic projections nor additional scenarios and stress tests can notch *down* the risk signal resulting from the baseline (see Annex A4 for further details on the decision trees).

Based on this approach, 9 EU countries are deemed at high fiscal sustainability risk over the medium term. These are Belgium, Greece, Spain, France, Croatia, Italy, Hungary, Portugal and Slovakia (Table 2.6). In the case of France and Italy, every component of the DSA (i.e. the baseline and other deterministic scenarios, and the stochastic projections) points to high risk, mainly because their debts are well above 90% of GDP and increasing under most scenarios – a trend also largely confirmed by the stochastic projections. Belgium is in a similar situation, except that the country's very high debt would decline if the SPB increased back to historical standards. For Greece and Portugal, all scenarios indicate high risk because of the very high (although declining) debt level and the rather ambitious fiscal assumptions ([40]). For the four last countries, the baseline points to medium risk, but other vulnerabilities put them at high risk: Spain because of its very high debt and the sensitivity of the debt path, which would exceed the 2022 debt level by 2033 under adverse assumptions; Croatia because its debt is likely to increase in the next 5 years and would exceed 90% of GDP by the end of the projection period under a less favourable 'r-g' differential; Hungary because a weaker fiscal position than assumed in the baseline could raise its debt beyond 90% of GDP; and Slovakia because its large structural primary deficit is likely to maintain debt on an increasing path in the next 5 years.

In 10 other countries, medium-term risks are deemed medium. These are Czechia, Germany, Cyprus, Malta, the Netherlands, Austria, Poland, Romania, Slovenia and Finland. Among these countries, in Czechia**,** debt is projected to be on an increasing trend remaining below 60% of GDP under most scenarios, but with only moderate policy room for corrective measures if needed. In Germany, Malta, the Netherlands, Poland, Romania and Slovenia, debt is also on an increasing trend, but projected to exceed 60% of GDP both at unchanged policies and under some alternative scenarios; moreover, the stochastic projections point to significant uncertainty in the case of Romania and a risk that debt does not stabilise in the first five years of the projections in Slovenia. For Austria and Finland, debt would decline under the baseline but be vulnerable to adverse conditions, under which debt could increase well above 60% of GDP; for Finland, the classification also reflects the risk that debt will not decline by 2027. Finally, despite its downward debt trend, Cyprus is deemed at medium risk because the stochastic projections point to large uncertainty.

Finally, the remaining 8 Member States are found to be at low risk over the medium term. These are Bulgaria, Denmark, Estonia, Ireland, Latvia, Lithuania, Luxembourg and Sweden. In these countries, both the baseline and the stochastic projections point to low risk. This classification is not modified by the few sources of vulnerability. In particular, Latvia's debt would remain above 60% of GDP by 2033 if the consolidation forecast for 2023-2024 did not materialise, and Estonia's debt is on an upward path – but starting from an extremely low level.

([40]) However, the fiscal assumptions for Greece appear plausible considering that the country recorded an average structural primary surplus of 3.8% of GDP over the last 15 years.

2.4.2. Comparison with the 2021 FSR results

Debt projections

While most debt levels are initially lower than in the 2021 FSR, over the medium term nearly half of the Member States are projected to reach higher debt levels than projected in the FSR. In all but three countries (namely, Poland, Finland and Luxembourg), the debt levels expected for 2023 in the Commission 2022 autumn forecast are lower than in the 2021 FSR. This is mainly due to the stronger-than-expected recovery in 2021, the higher-than-expected inflation in 2022 and the higher inflation expectations for 2023 (Table 2.3). For the EU as a whole, the 2023 debt was revised downwards by more than 4 pps. of GDP. A large part of this revision is projected to carry over until 2032, when the difference in debt level between the two reports still amounts to 3 pps. of GDP for the EU. However, this masks two groups of countries: in a small majority of countries, the initial revision is projected to be preserved and even amplified over the medium term, while 12 countries are projected to see their debt increase compared with the FSR.

Table 2.3: **Baseline debt projections in the 2021 FSR and the 2022 DSM**

	Debt (Commission T+2 forecast) 2023			Debt (baseline projections) 2032		
	2021 FSR	2022 DSM		2021 FSR	2022 DSM	
BE	114.6	107.9	-6.7	133.6	118.7	-14.9
BG	26.8	23.6	-3.2	36.4	38.4	2.0
CZ	46.3	44.2	-2.1	67.1	50.3	-16.8
DK	38.0	32.8	-5.2	15.6	17.8	2.2
DE	68.1	66.3	-1.9	61.6	68.8	7.2
EE	21.4	19.3	-2.1	25.7	32.5	6.9
IE	51.1	41.2	-9.9	45.7	25.3	-20.4
EL	192.1	161.9	-30.1	154.7	118.0	-36.7
ES	116.9	112.5	-4.4	126.1	112.1	-14.0
FR	112.9	110.8	-2.0	122.3	119.4	-2.9
HR	77.9	67.2	-10.7	76.7	82.8	6.1
IT	151.0	143.6	-7.4	161.6	153.0	-8.6
CY	93.4	84.0	-9.4	77.8	48.2	-29.6
LV	49.8	44.0	-5.7	48.8	37.3	-11.4
LT	46.0	41.0	-4.9	39.4	38.9	-0.5
LU	25.4	26.0	0.6	18.2	23.0	4.8
HU	76.4	75.2	-1.2	68.1	79.4	11.3
MT	63.6	59.9	-3.7	73.2	62.9	-10.3
NL	56.1	52.4	-3.7	62.8	67.1	4.3
AT	77.6	76.6	-1.0	76.3	73.3	-3.0
PL	49.5	52.9	3.4	48.3	66.8	18.5
PT	122.7	109.1	-13.6	126.2	94.3	-32.0
RO	53.2	47.3	-5.8	76.9	59.4	-17.5
SI	76.0	69.6	-6.5	95.2	76.3	-18.9
SK	59.1	57.4	-1.7	72.2	78.5	6.3
FI	71.0	72.0	1.0	63.9	71.6	7.7
SE	31.2	29.4	-1.8	11.2	12.7	1.5
EU	89.1	84.9	-4.2	89.2	86.3	-2.9
EA	97.0	92.3	-4.7	99.0	94.5	-4.5

Source: Commission services.

Several factors explain the revisions in debt paths, including weaker potential growth and less favourable financing conditions expected over the medium term, leading to a less favourable snowball effect. For most countries and on aggregate, the potential growth outlook has been revised downwards, while financing conditions have substantially tightened, entailing an upward revision of the 'r-g' differential (Table 2.4). These more adverse assumptions highlight uncertainty, as well as the protracted impact of the pandemic and of Russia's war of aggression against Ukraine on economic activity and the tightening of monetary policy in a context of higher inflation. These factors play a particularly strong role in Poland, Estonia and Hungary. On the other hand, the largest downward revisions to debt paths (e.g. for Greece, Portugal, Cyprus and Ireland, all by more than 20 pps. of GDP) are accompanied by stronger assumed SPB positions over the medium term, in most cases along with unchanged or slightly more favourable assumptions for potential growth and the 'r-g' differential.

Table 2.4: **Main baseline assumptions in the 2021 FSR and the 2022 DSM (2024-2032 averages)**

	Structural primary balance			Potential growth			Nominal implicit interest rate			'r-g' differential		
	2021 FSR	2022 DSM		2021 FSR	2022 DSM		2021 FSR	2022 DSM		2021 FSR	2022 DSM	
BE	-3.6	-2.7	0.9	1.0	1.1	0.1	1.0	1.9	0.9	-1.9	-2.1	-0.2
BG	-1.9	-2.3	-0.4	1.6	1.7	0.1	1.9	2.2	0.3	-2.2	-2.6	-0.4
CZ	-3.1	-0.9	2.2	1.7	1.5	-0.3	2.0	3.5	1.5	-1.9	-1.8	0.1
DK	2.5	1.7	-0.7	1.4	0.8	-0.6	1.3	1.7	0.4	-2.1	-1.8	0.3
DE	-0.4	-1.4	-1.1	1.0	0.7	-0.3	0.4	1.3	0.9	-2.5	-2.7	-0.1
EE	-1.8	-1.9	-0.2	2.9	1.9	-1.0	0.5	2.3	1.8	-4.7	-2.6	2.0
IE	-0.5	1.0	1.5	3.6	3.6	0.0	1.3	2.0	0.7	-3.9	-4.8	-0.8
EL	0.5	2.5	2.0	1.3	0.8	-0.4	1.2	2.5	1.3	-1.3	-0.9	0.4
ES	-2.5	-1.1	1.4	0.9	0.6	-0.2	1.5	2.2	0.7	-0.9	-1.0	-0.1
FR	-2.9	-2.0	0.9	0.9	0.5	-0.4	0.8	2.5	1.7	-1.8	-1.2	0.6
HR	-1.4	-2.0	-0.7	1.4	0.8	-0.6	1.4	2.3	0.9	-1.8	-0.7	1.1
IT	-2.1	-0.5	1.6	1.0	0.7	-0.4	1.8	3.1	1.3	-0.9	-0.1	0.9
CY	-0.2	2.4	2.6	2.0	2.0	0.0	1.2	2.1	0.8	-2.2	-2.3	0.0
LV	-1.6	-0.3	1.3	1.8	1.4	-0.5	0.9	1.6	0.7	-2.9	-3.2	-0.2
LT	-0.4	-0.3	0.1	2.2	2.1	-0.1	0.7	1.6	0.9	-3.6	-3.1	0.5
LU	0.8	0.6	-0.3	2.1	1.6	-0.5	0.5	1.4	0.9	-3.8	-3.1	0.7
HU	-1.3	-1.1	0.2	2.9	2.2	-0.7	3.5	5.7	2.2	-2.8	-0.8	2.0
MT	-3.3	-2.5	0.8	2.6	3.1	0.5	1.5	2.4	0.9	-3.0	-3.5	-0.5
NL	-1.2	-2.5	-1.3	0.7	1.0	0.3	0.4	1.3	0.9	-2.0	-3.0	-1.0
AT	-0.8	-0.6	0.2	1.2	1.0	-0.2	0.9	1.8	0.8	-2.2	-2.3	-0.1
PL	-1.4	-1.4	0.0	2.9	2.0	-0.9	2.2	6.0	3.8	-3.3	-0.4	2.9
PT	-0.8	1.4	2.2	0.8	1.0	0.2	1.6	2.5	0.9	-0.9	-0.9	0.0
RO	-4.2	-2.2	2.1	2.8	2.0	-0.8	4.5	6.6	2.1	-2.0	-2.0	0.0
SI	-4.3	-2.2	2.1	2.8	2.2	-0.6	1.1	2.0	0.8	-3.3	-3.1	0.2
SK	-2.5	-3.3	-0.8	2.6	1.4	-1.2	1.5	2.2	0.7	-3.0	-3.0	0.1
FI	-0.7	-0.8	0.0	1.2	1.0	-0.2	0.5	1.4	0.9	-2.8	-2.0	0.8
SE	1.5	1.5	0.0	1.7	1.5	-0.2	0.6	1.3	0.7	-3.0	-2.5	0.5
EU	-1.4	-1.1	0.3	1.2	1.0	-0.1	1.1	2.3	1.2	-2.1	-1.8	0.3
EA	-1.6	-1.3	0.3	1.0	0.9	-0.1	0.9	2.0	1.1	-2.0	-1.9	0.1

Source: Commission services.

Overall risk classification

While the number of countries at low risk over the medium term is unchanged compared with the 2021 FSR, two more countries are at medium risk and two less are at high risk. The new medium-term classification shows two movements that exactly offset each other between the low- and medium-risk categories: a less favourable risk assessment for Poland, and an opposite move for Bulgaria (Table 2.5). Moreover, three countries exit the high-risk category (Malta, Romania and Slovenia), while Hungary joins it.

The worsened risk classifications reflect less favourable macro-financial outlooks or fiscal assumptions than in the 2021 FSR, while the improved classifications mainly result from more favourable fiscal assumptions. Poland and Hungary move to a worse risk category because the weaker potential growth outlook and the tightened financing conditions weigh on their debt dynamics (see Table 2.4). On the other hand, the classification for Bulgaria improves to low risk because the stochastic projections no longer flag high uncertainty. Malta and Slovenia exit the high-risk category as, with improved SPB assumptions (and growth assumptions for Malta) over the medium term, their debts are no longer projected to exceed 90% of GDP under any of the scenarios. Finally, Romania was classified at high risk in the 2021 FSR because of the S1 indicator, but that indicator is now used for the long-term risk assessment – and it would in any case have dropped below the high-risk threshold, based on the forecast of an improved SPB in 2024, after the withdrawal of support measures.

Table 2.5: **Overall medium-term risk classifications in the 2021 FSR and the 2022 DSM**

2021 FSR \ 2022 DSM	low	medium	high
low	DK, EE, IE, LV, LT, LU, SE	**PL**	
medium	**BG**	CZ, DE, CY, NL, AT, FI	**HU**
high		**MT, RO, SI**	BE, EL, ES, FR, HR, IT, PT, SK

Note: The countries in bold have changed classifications between the two reports.
Source: Commission services.

Table 2.6: **Heat map of medium-term fiscal sustainability risks in EU countries**

	Heat map for medium-term risks in the EU countries - Debt sustainability analysis (DSA)																											
	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE
Baseline (no-fiscal-policy-change scenario)	HIGH	LOW	MEDIUM	LOW	MEDIUM	LOW	LOW	HIGH	MEDIUM	HIGH	MEDIUM	HIGH	LOW	LOW	LOW	LOW	MEDIUM	MEDIUM	MEDIUM	LOW	MEDIUM	HIGH	MEDIUM	MEDIUM	MEDIUM	LOW	LOW
Debt level (2033)	121.6	40.3	52.2	16.3	70.3	33.6	25.3	125.4	112.4	121.1	84.9	155.9	45.4	36.9	39.6	23.5	81.5	63.4	70.4	74.4	69.0	94.3	62.8	79.3	82.6	71.5	10.9
Debt peak year	2033	2033	2033	2022	2033	2033	2022	2022	2022	2033	2033	2033	2022	2023	2023	2024	2033	2033	2033	2022	2033	2022	2033	2033	2033	2024	2022
Fiscal consolidation space (percentile rank of avg SPB 2024-2033)	97%	96%	36%	74%	88%	94%	60%	24%	77%	92%	58%	66%	28%	42%	41%	85%	67%	70%	100%	94%	78%	34%	75%	84%	61%	97%	61%
Stochastic projections	HIGH	LOW	LOW	LOW	LOW	LOW	LOW	MEDIUM	HIGH	HIGH	HIGH	HIGH	MEDIUM	LOW	LOW	LOW	MEDIUM	LOW	LOW	LOW	LOW	MEDIUM	MEDIUM	MEDIUM	HIGH	MEDIUM	LOW
Probability of debt in 2027 > debt in 2022	59%	81%	57%	16%	40%	100%	12.0%	12%	46%	51%	62%	50%	6%	47%	52%	45%	45%	66%	71%	24%	79%	22%	55%	45%	61%	55.1%	8%
Difference between the 10th and 90th percentile in 2027 (p.p. of GDP)	36.2	25.0	27.3	17.9	24.7	9.7	28.1	58.4	38.9	21.7	39.0	43.651	38.1	35.8	29.3	24.3	46.7	26.7	24.4	26.4	20.4	55.0	39.6	29.2	31.3	25.4	16.6
'Historical SPB' scenario	MEDIUM	LOW	MEDIUM	LOW	LOW	LOW	LOW	HIGH	MEDIUM	HIGH	MEDIUM	HIGH	LOW	LOW	LOW	LOW	LOW	LOW	LOW	LOW	MEDIUM	HIGH	MEDIUM	MEDIUM	MEDIUM	LOW	LOW
Debt level (2033)	106.5	26.7	52.7	13.0	53.1	25.4	42.0	115.4	112.5	119.8	76.2	142.2	50.6	46.6	46.7	15.9	74.1	49.0	54.8	69.5	73.4	101.3	67.0	73.3	75.2	64.7	12.7
Debt peak year	2024	2027	2033	2022	2022	2029	2022	2022	2022	2033	2033	2022	2022	2033	2033	2024	2022	2025	2033	2022	2033	2022	2033	2033	2033	2024	2022
Fiscal consolidation space (percentile rank of avg SPB 2024-2033)	88%	90%	35%	69%	53%	77%	80%	21%	77%	91%	53%	46%	30%	73%	61%	79%	59%	52%	90%	85%	86%	41%	82%	66%	55%	86%	61%
'Adverse r-g' scenario	HIGH	LOW	MEDIUM	LOW	MEDIUM	LOW	LOW	HIGH	HIGH	HIGH	HIGH	HIGH	LOW	LOW	MEDIUM	LOW	MEDIUM	MEDIUM	MEDIUM	MEDIUM	MEDIUM	HIGH	MEDIUM	MEDIUM	MEDIUM	MEDIUM	LOW
Debt level (2033)	130.5	42.8	56.2	18.3	75.8	35.7	27.5	134.5	121.7	130.7	91.5	169.1	50.2	39.9	42.6	25.3	88.3	68.1	75.2	80.3	74.5	102.4	67.4	85.1	87.4	76.9	12.3
Debt peak year	2033	2033	2033	2022	2033	2033	2022	2022	2033	2033	2033	2033	2022	2023	2033	2024	2033	2033	2033	2033	2033	2022	2033	2033	2033	2033	2022
Fiscal consolidation space (percentile rank of avg SPB 2024-2033)	97%	96%	36%	74%	88%	94%	60%	24%	77%	92%	58%	66%	28%	42%	41%	85%	67%	70%	100%	94%	78%	34%	75%	84%	61%	97%	61%
'Financial stress' scenario	HIGH	LOW	MEDIUM	LOW	MEDIUM	LOW	LOW	HIGH	HIGH	HIGH	MEDIUM	HIGH	LOW	LOW	LOW	LOW	MEDIUM	MEDIUM	MEDIUM	LOW	MEDIUM	HIGH	MEDIUM	MEDIUM	MEDIUM	LOW	LOW
Debt level (2033)	123.1	40.5	52.6	16.6	70.8	33.8	25.4	126.5	114.4	123.0	85.3	160.6	45.7	37.2	39.9	23.6	82.2	63.9	70.7	75.0	69.5	96.0	63.2	79.8	82.9	71.9	11.0
Debt peak year	2033	2033	2033	2022	2033	2033	2022	2022	2033	2033	2033	2033	2022	2023	2023	2024	2033	2033	2033	2022	2033	2022	2033	2033	2033	2024	2022
Fiscal consolidation space (percentile rank of avg SPB 2024-2033)	97%	96%	36%	74%	88%	94%	60%	24%	77%	92%	58%	66%	28%	42%	41%	85%	67%	70%	100%	94%	78%	34%	75%	84%	61%	97%	61%
'Lower SPB' scenario	HIGH	LOW	MEDIUM	LOW	MEDIUM	LOW	LOW	HIGH	HIGH	HIGH	MEDIUM	HIGH	LOW	MEDIUM	LOW	LOW	HIGH	MEDIUM	MEDIUM	MEDIUM	MEDIUM	HIGH	MEDIUM	MEDIUM	MEDIUM	LOW	LOW
Debt level (2033)	127.5	45.6	60.8	18.0	70.3	34.1	36.3	144.5	114.6	127.1	85.6	164.4	52.3	66.0	43.2	23.3	96.3	73.2	73.4	84.8	80.6	104.0	75.3	88.7	82.1	72.1	15.5
Debt peak year	2033	2033	2033	2022	2033	2033	2022	2022	2033	2033	2033	2033	2022	2033	2033	2023	2033	2033	2033	2033	2033	2022	2033	2033	2033	2024	2022
Fiscal consolidation space (percentile rank of avg SPB 2024-2033)	100%	100%	53%	76%	89%	94%	70%	39%	78%	97%	59%	71%	30%	93%	55%	85%	74%	86%	100%	100%	90%	44%	86%	93%	61%	97%	72%
Overall MEDIUM-TERM risk category	HIGH	LOW	MEDIUM	LOW	MEDIUM	LOW	LOW	HIGH	HIGH	HIGH	HIGH	HIGH	MEDIUM	LOW	LOW	LOW	HIGH	MEDIUM	MEDIUM	MEDIUM	MEDIUM	HIGH	MEDIUM	MEDIUM	HIGH	MEDIUM	LOW

Source: European Commission.