

VALDIS DOMBROVSKIS
Vice-President of the European Commission

PIERRE MOSCOVICI
Member of the European Commission

Brussels, 22 October 2019

Dear Minister,

We would like to thank you for the submission of Portugal's Draft Budgetary Plan (DBP) for 2020, which we received on 15 October.

We acknowledge that the DBP only includes the policy measures that the government has adopted to date, with no new planned measures for 2020.

The no-policy-change DBP projects a deterioration of the structural balance by 0.2% of GDP in 2020, both at face value and as recalculated by the Commission services according to the commonly agreed methodology. This budgetary expansion falls short of the recommended structural adjustment of 0.5% of GDP. The DBP projects a nominal growth rate of net primary government expenditure of 3.9%, which exceeds the recommended maximum increase of 1.5%. Overall, these elements appear not to be in line with the budgetary policy requirements set out in the Council recommendation of 9 July 2019, since they point to a risk of significant deviation in 2020, and over 2019 and 2020 taken together from the recommended fiscal effort.

While we understand that the presentation of the draft budget is lagging behind its usual schedule, we wish to highlight the importance of the submission of an updated DBP, as set out in the Code of Conduct on the implementation of the Two Pack.

We therefore invite the Portuguese authorities to submit, as soon as possible, an updated DBP to the European Commission and the Eurogroup, which will ensure compliance with the Council recommendation for Portugal.

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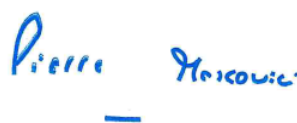
Mr Mário CENTENO
Minister of Finance
Ministry of Finance
Av. Infante D. Henrique, 1
1149-009 Lisboa - PORTUGAL

Mindful of the discussion at the 9 October Eurogroup meeting on the economic situation and euro area fiscal stance, the European Commission seeks to continue a constructive dialogue with Portugal in order to come to a final assessment.

Yours sincerely,

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Valdis Dombrovskis

A handwritten signature in blue ink, appearing to read 'Pierre Moscovici', with a short horizontal line underneath.

Pierre Moscovici