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COMMISSION OPINION

of 21.11.2023

on the Draft Budgetary Plan of Greece

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(Only the Greek text is authentic)

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GENERAL CONSIDERATIONS

1. Regulation (EU) No 473/2013[1] lays down provisions for enhanced monitoring of budgetary policies in the euro area, in order to ensure that national budgets are consistent with the economic policy guidance issued in the context of the Stability and Growth Pact and the European Semester for economic policy coordination.

2. Article 6 of Regulation (EU) No 473/2013 requires Member States to submit annually to the Commission and to the Eurogroup a Draft Budgetary Plan, by 15 October, setting out the budgetary targets for the forthcoming year, and outlining the main aspects underlying the budgetary outlook for general government and its subsectors.

3. On 8 March 2023, the Commission adopted a Communication[2] providing fiscal policy guidance for 2024, which confirmed that the general escape clause of the Stability and Growth Pact will be deactivated at the end of 2023.

4. On 26 April 2023, the Commission presented three legislative proposals[3] to implement a comprehensive reform of the EU fiscal framework. The central objective of the proposals is to strengthen public debt sustainability and to promote sustainable and inclusive growth through reforms and investments. In its proposals, the Commission aims at improving national ownership, simplifying the framework and moving towards a greater medium-term focus, combined with effective and more coherent enforcement. According to the Council Conclusions adopted on 14 March 2023[4] and on 27 October 2023[5], the objective is to conclude the legislative work in 2023. As a new legal framework, based on the outcome of the ongoing economic governance review, is not yet in place, the current legal framework continues to apply. The fiscal component of the Spring 2023 country-specific recommendations included elements of the legislative proposals of 26 April 2023 that were consistent with the existing legislation.

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[1] Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area, (OJ L 140, 27.5.2013, pp. 11).

[2] Communication from the Commission to the Council, 'Fiscal policy guidance for 2024', 8.3.2023, COM(2023) 141 final.

[3] Commission Proposal for a Regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97, 26.4.2023, COM(2023) 240 final; Commission Proposal for a Council Regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure, 26.4.2023, COM(2023) 241 final; Commission Proposal for a Council Directive amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States, 26.4.2023, COM(2023) 242 final.

[4] Council Conclusions on 'Orientations for a reform of the EU economic governance framework' of the ECOFIN Council meeting, 14.3.2023, 6995/1/23 – REV 1.

[5] European Council meeting (26 and 27 October 2023) – Conclusions, EUCO 14/23

5. As announced in its fiscal policy guidance for 2024[6], the Commission will propose to the Council to open deficit-based excessive deficit procedures in spring 2024 on the basis of the outturn data for 2023, in line with the existing legal provisions. Member States were invited to take this into account when executing their 2023 budgets and preparing their Draft Budgetary Plans for 2024.

6. The Recovery and Resilience Facility[7] provides financial support for the implementation of reforms and investments, notably to promote the green and digital transitions. The Facility also aims at increasing the resilience of the Union's energy system by reducing dependence on fossil fuels and diversifying energy supply at Union level ('REPowerEU objectives')[8]. The Facility will strengthen the resilience and potential growth of Member States' economies, which contributes to job creation and sustainable public finances. Part of this support takes the form of non-repayable financial support ("grants"), entailing a fiscal impulse financed by the Union. Together with cohesion policy funds and the Just Transition Mechanism, the Facility is supporting a fair and inclusive recovery in the EU, in line with the European Pillar of Social Rights.

7. Economic policy should continue to tackle the risks linked to high inflation and address long-term challenges. Despite declining, inflation in the euro area remains a concern. It is essential that inflation continues to fall and that inflation expectations remain well anchored, with consistent monetary and fiscal policies, while remaining agile in the face of high uncertainty. In particular, emergency energy support measures taken to respond to the energy price shock should be wound down, using the related savings to reduce the government deficits, as soon as possible in 2023 and 2024. Should renewed energy price increases necessitate new or continued support measures, these should be targeted at protecting vulnerable households and firms, as well as be fiscally affordable and preserve incentives for energy savings. Furthermore, Member States should continue to preserve nationally financed public investment and ensure the effective absorption of grants under the Recovery and Resilience Facility and of other EU funds, in particular to foster the green and digital transitions.

CONSIDERATIONS CONCERNING GREECE

8. On 15 October 2023, Greece submitted its Draft Budgetary Plan for 2024. On that basis and taking into account the Council Recommendation to Greece of 14 July 2023[9] the Commission has adopted the following opinion in accordance with Article 7 of Regulation (EU) No 473/2013.

9. According to the Draft Budgetary Plan, Greece's real GDP is projected to grow by 3% in 2024 (2.3% in 2023), while HICP inflation is forecast at 2.4% in 2024 (4% in 2023). In turn, according to the Commission 2023 autumn forecast, Greece's real GDP is projected to grow by 2.3% in 2024 (2.4% in 2023), while HICP inflation is forecast at 2.8% in 2024 (4.3% in 2023).

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6 COM(2023) 141 final.

7 Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, (OJ L 57, 18.2.2021, p. 17).

8 Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC (OJ L 63, 28.2.2023, p. 1).

9 Council Recommendation on the 2023 National Reform Programme of Greece and delivering a Council opinion on the 2023 Stability Programme of Greece, OJ C 312, 1.9.2023, p. 67-76.

The main differences between the two sets of growth projections for 2024 reflect a more conservative forecast for the growth of investment in the Commission 2023 autumn forecast. In particular, the Commission forecast expects a slowdown in residential construction after the very dynamic growth recorded in the period of 2020-2023.

Overall, the macroeconomic scenario underpinning the budgetary projections in the Draft Budgetary Plan appears to be more favourable than the Commission's 2023 autumn forecast for 2024, while it is broadly in line for 2023.

Greece complies with the requirement of Article 4(4) of Regulation (EU) No 473/2013, since the Draft Budgetary Plan is based on independently endorsed macroeconomic forecasts.

10. According to the Draft Budgetary Plan, Greece's general government deficit is projected to decrease to 1.0% of GDP in 2024 (from 2.1% in 2023), which is mainly driven by the phasing out of the energy measures and the one-off expenditure related to natural disasters in 2023. The general government debt-to-GDP ratio is set to decrease to 152.2% at the end of 2024 (from 159.3% at the end of 2023). In turn, according to the Commission 2023 autumn forecast, Greece's general government deficit is projected to decrease to 0.9% of GDP in 2024 (from 2.3% in 2023), while the general government debt-to-GDP ratio is set to decrease to 151.9% at the end of 2024 (from 160.9% at the end of 2023).

11. Based on the Commission's estimates, the fiscal stance[10] is projected to be contractionary at 1.0% of GDP in 2024, following an expansionary fiscal stance of 0.7% in 2023.

12. The Draft Budgetary Plan assumes that expenditure amounting to 1.5% of GDP will be financed by non-repayable support ("grants") from the Recovery and Resilience Facility in 2024, compared to 0.9% of GDP in 2023. This is in line with the assumptions underlying the Commission 2023 autumn forecast. Expenditure financed by Recovery and Resilience Facility grants will enable high-quality investment and productivity-enhancing reforms without a direct impact on the general government balance and debt of Greece. The Draft Budgetary Plan assumes negligible amount of expenditure backed by loans from the Recovery and Resilience Facility in 2023 and 2024.

13. According to the Commission 2023 autumn forecast, taking into account the information contained in the Draft Budgetary Plan, the measures adopted to mitigate the economic and social impact of the increase in energy prices are expected to be largely wound down by the end of 2023, and some measures may remain in place until the end of 2024. They consist of measures extended from 2023 (in particular: targeted electricity subsidies to vulnerable households and an increased heating benefit). While the cost of energy measures is fully offset by taxes on windfall profits of energy suppliers in 2023, these taxes are mostly phased out in 2024, and therefore the costs are only partially offset in 2024 and 2025.In addition, the Draft Budgetary Plan includes new revenue and expenditure measures for 2024 that are not directly related to energy price developments. These include on the revenue side the increase

[10] The fiscal stance is measured as the change in general government primary expenditure, net of the incremental budgetary impact of discretionary revenue measures, excluding one-off and cyclical unemployment expenditure, but including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other EU funds, relative to medium-term (10-year) average potential GDP growth rate, expressed as a ratio to nominal GDP.

of the personal income tax allowance for households with at least one child, the reduction of various taxes related to the capital market, and the increase of the overnight stay tax, and on the expenditure side the public wage bill reform, the increase of the guaranteed minimum income by 8% and the extension of the maternity allowance from four to nine months for self-employed and farmers. The aggregate cost of these measures is estimated by the Commission at 0.3% of GDP in 2024 and they are expected to have a permanent impact on public finances.

14. On 14 July 2023, the Council recommended that Greece ensure a prudent fiscal policy, in particular by limiting the nominal increase in nationally financed net primary expenditure[11] in 2024 to not more than 2.6%.

According to the Commission 2023 autumn forecast, Greece's net nationally financed primary expenditure is projected to decrease by 0.3% in 2024[12], which is below the recommended maximum growth rate. This is in line with what was recommended by the Council.

15. Moreover, the Council recommended that Greece take action to wind down the emergency energy support measures in force, using the related savings to reduce the government deficit, as soon as possible in 2023 and 2024. The Council further specified that, should renewed energy price increases necessitate new or continued support measures, Greece should ensure that these were targeted at protecting vulnerable households and firms, fiscally affordable, and preserve incentives for energy savings.

According to the Commission 2023 autumn forecast, the net budgetary cost[13] of energy support measures is projected at 0.0% of GDP in 2023 and 0.1% in 2024 and 2025[14]. Targeted electricity subsidies to vulnerable households are assumed to remain in force in 2024 and the increased heating allowance in 2025 too. The cost of these measures is partly offset by the tax levied on natural gas that is used for electricity production.

16. In addition, the Council recommended that Greece preserve nationally financed public investment and ensure the effective absorption of Recovery and Resilience Facility grants and other EU funds, in particular to foster the green and digital transitions.

According to the Commission 2023 autumn forecast, nationally financed public investment is projected to decrease to 2.3% of GDP in 2024 (from 2.5% of GDP in 2023) and, therefore, it is not expected to be preserved. This is due to the timing of the programming periods of the EU structural funds and the related nationally financed contributions. Investments under the new programming period in 2024 are

[11] Net primary expenditure is defined as nationally financed expenditure net of discretionary revenues measures and excluding interest expenditure as well as cyclical unemployment expenditure.

[12] This takes into account 0.1% of GDP one-off measures in 2024, relating to expenditures on mitigating the impact of natural disasters (as well as 0.2% of GDP in 2023, relating also to expenditures following the natural disasters. On 14 July 2023, the Council also referred to the devastating floods that hit Italy in May 2023 and agreed that the cost of direct emergency support related to those floods would be taken into account in subsequent assessments of compliance and would, in principle, be considered as one-off and temporary measures. A similar approach has been followed with regard to the floods in Greece.

[13] The figure represents the level of the annual budgetary cost of those measures, including revenue and expenditure and, where applicable, net of the revenue from taxes on windfall profits of energy suppliers.

[14] Measures that, according to the Draft Budgetary Plan, are not to be phased out in the course of 2024 are, in principle, assumed in the Commission 2023 autumn forecast as having a budgetary impact also in 2025.

expected to be lower than investments occurring in 2023 under the previous programming period. This leads to a decline in the related investment expenditure, including in the nationally co-financed part. The fiscal adjustment in 2024 is not primarily due to the decrease in investment. Taking into account these additional factors, nationally financed public investment in 2024 is assessed as in line with the Council recommendation. In turn, public expenditure financed from revenues from EU funds, including Recovery and Resilience Facility grants, is expected to increase to 2.8% of GDP in 2024 (from 2.5% of GDP in 2023).

17. Furthermore, on 14 July 2023, the Council also recommended that, for the period beyond 2024, Greece continue to pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, to achieve a prudent medium-term fiscal position The Draft Budgetary Plan does not include budgetary projections beyond 2024.

18. Finally, on 14 July 2023, the Council also recommended Greece to improve the investment friendliness of the taxation system by introducing a wider advance tax-ruling system; to enlarge the tax base, including by reviewing the current taxation structure for the self-employed; and to strengthen tax compliance by extending the use of electronic payments. It also recommended Greece to preserve and increase the operational autonomy of the tax authority, and to safeguard the efficiency of public administration while ensuring that it can attract the right skills and preserving consistency with the unified wage grid. Greece was also recommended to pursue the ongoing reduction of non-performing loans and further improve the functioning of the secondary non-performing loans market.

In the Draft Budgetary Plan, the authorities announced the introduction of the obligation to purchase and sell real estate exclusively through electronic means of payments, as well as raising the penalty for cash transactions above the authorised amounts. Furthermore, the interconnection of cash registers with point-of-sale terminals is expected to be completed in 2024, and electronic invoicing is expected to become mandatory. The requirement to possess an electronic payment system is also expected to be extended to segments of the retail market that are currently not under such an obligation. The full and timely implementation of the announced measures would be key to deliver on the recommendation. The authorities have also announced various measures to improve the attractiveness of the Greek public administration in the labour market, including a new permanent rewarding system. To further reduce non-performing loans, the Hellenic Asset Protection Scheme is expected to be relaunched.

19. According to the Commission 2023 autumn forecast, the growth of net nationally financed primary expenditure is projected to respect the recommended maximum growth rate in 2024.

Moreover, according to the Commission 2023 autumn forecast, and taking into consideration the information included in Greece’s Draft Budgetary Plan, the emergency energy support measures are expected to be wound down as soon as possible in 2023 and 2024.

Greece is also assessed as planning to preserve nationally financed public investment. Greece should also continue to ensure the effective absorption of Recovery and Resilience Facility grants and other EU funds.

Overall, the Commission is of the opinion that the updated Draft Budgetary Plan of Greece is in line with the Council Recommendation of 14 July 2023.

At the same time, the Commission projects Greece's headline budget deficit at 0.9% of GDP in 2024, below the Treaty reference value of 3% of GDP, and the government debt ratio at 151.9% in 2024, above the Treaty reference value of 60% of GDP, and 43 percentage points of GDP below the ratio at end 2021.

The Commission is also of the opinion that Greece has made some progress with regard to the structural elements of the fiscal recommendations made by the Council on 14 July 2023, and thus invites the Greek authorities to make further progress.

A comprehensive description of progress made with the implementation of the Council's country-specific recommendations will be included in the 2024 Country Report and assessed in the context of the Council's country-specific recommendations to be recommended by the Commission in spring 2024.

Table: Key macroeconomic and fiscal figures

	2022	2023		2024	
	Outturn	DBP	COM	DBP	COM
Real GDP (% change)	5.6	2.3	2.4	3.0	2.3
HICP inflation (%; annual average)	9.3	4.0	4.3	2.4	2.8
General government balance (% of GDP)	-2.4	-2.1	-2.3	-1.0	-0.9
Primary balance (% of GDP)	0.1	1.1	1.1	2.1	2.5
General government gross debt (% of GDP; at end-year)	172.6	159.3	160.9	152.2	151.9
	COM	COM		COM	
Fiscal stance (*) (% of GDP)	-1.4	-0.7		1.0	
Fiscal adjustment (**) (% of GDP)	-1.6	-0.3		1.4	
Change in total net budgetary cost of energy support measures (***) (% of GDP)	2.1	-2.6		0.1	
Growth in net nationally financed primary expenditure (% change) (A)				-0.3	
Recommended maximum growth rate of net nationally financed primary expenditure (****) (% change) (B)				2.6	
Difference from recommended growth in net nationally financed primary expenditure (pps.) (B-A)				2.9	

Notes:

(*) Change in general government primary expenditure, net of the incremental budgetary impact of discretionary revenue measures (and COVID-19 pandemic-related temporary emergency measures), excluding one-off and cyclical unemployment expenditure, but including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other EU funds, relative to the medium-term (10-year) average potential nominal GDP growth rate. A negative (positive) sign indicates an excess (a shortfall) of net primary expenditure growth over medium-term potential GDP growth, corresponding to an expansionary (a contractionary) fiscal stance.

(**) Change in general government primary expenditure, net of the incremental budgetary impact of discretionary revenue measures (and COVID-19 pandemic-related temporary emergency measures), excluding one-off and cyclical unemployment expenditure, as well as expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other EU funds, relative to the medium-term (10-year) average potential nominal GDP growth rate. A negative (positive) sign indicates an excess (a shortfall) of net nationally financed primary expenditure growth over medium-term potential GDP growth, corresponding to an expansionary (a contractionary) fiscal adjustment.

(***) Energy support measures less revenue from new taxes and levies on windfall profits by energy producers.

(****) According to the Council Recommendation on the 2023 National Reform Programme of Greece and delivering a Council opinion on the 2023 Stability Programme of Greece, (OJ C 312, 1.9.2023, p. 67).

(*****) Excess in growth of net nationally financed primary expenditure over the recommended maximum growth rate, expressed as a percentage of GDP.

'DBP' 2024 Draft Budgetary Plan, 'COM' Commission 2023 autumn forecast.

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For the Commission
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