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**Assessment of the 2020 Stability Programme for
Ireland**

(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.
- According to the 2020 Stability Programme, real GDP is projected to fall by 10.5% in 2020 and to increase by 6% in 2021. In the Commission 2020 spring forecast, Ireland's real GDP is forecast to decrease by 7.9% in 2020 and increase by 6.1% in 2021.
- The Programme projects a general government deficit of 7.4% of GDP in 2020 and 4.1% in 2021. The Commission forecast projects a deficit of 5.6% and 2.9% of GDP in 2020 and 2021, respectively.
- In response to the COVID-19 pandemic, Ireland has adopted a range of temporary measures to provide support and relief to the households and sectors particularly impacted. They include employment and unemployment supports, additional expenditure to increase the capacity and accessibility of the healthcare system and various measures aimed at supporting businesses. According to the Programme, the direct budgetary impact of these measures amounts to around 2.0% of GDP.
- The general government debt-to-GDP ratio is projected to reach 69.1% in 2020 and 68.4% in 2021, according to the Programme. The Commission forecast projects a public debt-to-GDP ratio of 66.4% and 66.7% of GDP in 2020 and 2021, respectively.
- 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 Programme¹ of Ireland covering the period 2020-2021 (hereafter called the Programme), which was submitted on 30 April 2020.² It was presented to the Parliament on 21 April 2020. The note also assesses Ireland's compliance with the preventive arm of the Stability and Growth Pact in 2019.

Ireland 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

Provisional estimates show that real GDP grew by 5.5% over 2019 (see Table 1). Modified domestic demand, a measure of domestic activity that strips out some of the effects of multinationals, also grew strongly, by 3%.

The macroeconomic scenario underpinning the Programme is based on the assumption that COVID-19 containment measures are to remain in place for three months, resulting in a very sharp contraction in the latter weeks of the first quarter and most of the second quarter 2020, followed by a very gradual recovery commencing in the third quarter.

According to the Programme, the real GDP is projected to fall by 10.5% in 2020 and modified domestic demand by 15.1%. Private consumption is expected to decrease by 14.2%, and modified investment (i.e. excluding intellectual property assets and purchases of aircraft for leasing purposes) by almost 40%. The unemployment rate is forecast to rise to 13.9% in 2020.

¹ The Stability Programme submitted by Ireland does not indicate that it also constitutes the national medium-term fiscal plan required under Article 4(1) of Regulation 473/2013.

² The Stability Programme contains only short-term budgetary projections, in line with the guidelines for a streamlined format of the 2020 Stability and Convergence Programmes in light of the COVID-19 outbreak, provided by the Commission services on 6 April 2020.

In the Commission forecast, Ireland's real GDP is set to decrease by 7.9% in 2020, with private consumption falling by around 9%, less than envisaged by the Programme, and the total investment falling by more than 40%. The Commission forecast projects the unemployment rate to rise to 7.4% on average in 2020.³

According to the Programme, the real GDP is projected to increase by 6% in 2021, compared with 6.1% growth forecasted by the Commission. Both the Programme and the Commission forecast expect the COVID-19 pandemic to have the largest negative impact on the distribution, transport, hotels and restaurants sectors and in professional, administrative and support services as well as in industry and construction. Agriculture, information and telecommunication, and the public sector (administration, education and health) are expected to perform better.

Risks to the outlook are elevated and significantly tilted to the downside due in part to geopolitical factors, de-globalisation and financial market disruption. A significant risk specific to Ireland is the uncertainty about the future relationship between the EU and the UK.

Containment measures were introduced on 12 March: the government cancelled mass gatherings and closed schools, childcare facilities, universities and other public buildings, and later instructed pubs and bars to close. On 27 March, it urged all non-essential businesses to close, including construction sites, and individuals were asked to stay home. In early May, these restrictions were still in place with some relaxation planned as of 18 May.

The task of assessing the macroeconomic forecast underpinning the annual budget plans and the Stability Programme is assigned to the Irish Fiscal Advisory Council, according to the Fiscal Responsibility Act. The Fiscal Council endorsed the set of macroeconomic forecasts underpinning the 2020 Stability Programme. The letter of endorsement was signed on 10 April 2020.⁴

³ The large difference in the unemployment rate projections is primary due to the classification of claimants of the Pandemic Unemployment Payment. Specifically, in the Programme, these claimants are categorised as unemployed whereas in the Commission forecast they are classified as employed. The Irish Central Statistics Office has decided that those in receipt of the Temporary COVID-19 Wage Subsidy Scheme having an attachment to their employer will not be included in the calculation of the COVID-19 adjusted monthly unemployment rate. Those in receipt of the Pandemic Unemployment Payments are incorporated into the calculation of the COVID-19-adjusted measure but not the standard unemployment rate measure. <https://www.cso.ie/en/methods/labourmarket/monthlyunemployment/monthlyunemploymentandcovid-19adjustedestimatesmarch2020technicalnote/>

⁴ <https://www.fiscalcouncil.ie/wp-content/uploads/2020/04/Endorsement-Letter-April-2020.pdf>

Table 1: Comparison of macroeconomic developments and forecasts

	2019		2020		2021		2022	2023
	COM	SP	COM	SP	COM	SP	SP	SP
Real GDP (% change)	5.5	5.5	-7.9	-10.5	6.1	6.0	n.a.	n.a.
Private consumption (% change)	2.8	2.8	-8.8	-14.2	4.6	8.7	n.a.	n.a.
Gross fixed capital formation (% change)	94.2	94.1	-41.6	-55.8	16.9	8.3	n.a.	n.a.
Exports of goods and services (% change)	11.1	11.1	-15.2	-7.7	6.7	7.5	n.a.	n.a.
Imports of goods and services (% change)	35.6	35.6	-27.7	-24.1	8.4	8.2	n.a.	n.a.
<i>Contributions to real GDP growth:</i>								
- Final domestic demand	23.5	23.5	-19.8	-27.9	5.5	4.1	n.a.	n.a.
- Change in inventories	0.1	0.1	0.0	0.0	0.0	0.0	n.a.	n.a.
- Net exports	-18.2	-18.2	11.9	17.4	0.6	2.0	n.a.	n.a.
Output gap ¹	2.1	n.a.	-7.9	n.a.	-4.7	n.a.	n.a.	n.a.
Employment (% change)	2.9	2.9	-2.5	-9.3	1.3	5.5	n.a.	n.a.
Unemployment rate (%)	5.0	5.0	7.4	13.9	7.0	9.7	n.a.	n.a.
Labour productivity (% change)	2.6	2.6	-5.5	-1.3	4.8	0.6	n.a.	n.a.
HICP inflation (%)	0.9	0.9	-0.3	-0.6	0.9	0.4	n.a.	n.a.
GDP deflator (% change)	1.5	1.5	1.3	1.2	1.2	1.5	n.a.	n.a.
Comp. of employees (per head, % change)	4.0	3.8	-2.3	-7.6	1.7	3.8	n.a.	n.a.
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	-19.3	-9.5	-6.1	10.6	-5.6	11.1	n.a.	n.a.

Note:

¹In % 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

A general government surplus of 0.4% of GDP was recorded in 2019, on the back of a booming economy, an improvement of 0.3 percentage points from the previous year's position. Revenue was up 6.2% in 2019, driven by a strong performance in corporate taxes and social security contributions. Government expenditure increased by 5.1% compared to the previous year. A fall in the interest burden facilitated the improvement in the fiscal balance.

The government balance outturn in 2019 was above the target of 0.2% of GDP laid out in the 2019 Stability Programme and projected in the 2020 Draft Budgetary Plan. The difference largely reflects stronger-than-expected revenue in 2019 – partly the result of stronger corporate tax receipts with a potentially temporary nature. However, the revenue-to-GDP ratio, at 25.2%, was 0.4 percentage points lower than expected in the 2019 Stability Programme. This is due to stronger-than-expected GDP growth in part influenced by the activities of multinational companies operating in Ireland. Total government spending was higher than expected in the 2019 Programme, partly due to higher compensation of employees and healthcare expenditure. However, the

expenditure-to-GDP ratio, at 24.8%, was 0.6 percentage points lower than expected in the 2019 Programme, also due to the denominator effect.

The Programme projects a general government deficit of 7.4% of GDP in 2020. This is the result of both revenue and expenditure pressures due to the operation of automatic stabilisers and the discretionary fiscal measures taken by the government in response to the pandemic – with an estimated overall direct budgetary cost of around 2.0% of GDP⁵ (see Section 3.2). The expenditure-to-GDP ratio is projected to increase to 30.4% in 2020, while the revenue-to-GDP ratio is expected to decline to 23.1% (see Table 2). A general government deficit of 4.1% is projected in 2021.

Overall, for 2020, the budgetary projections in the Commission forecast are more benign than in the Programme mainly due to the stronger economic decline and, subsequently, weaker government revenue expected in the Programme. This is also the case for 2021 due to different assumptions underlying both macroeconomic scenarios.⁶

⁵ According to the Programme, the discretionary fiscal measures taken by the government in response to the pandemic with a direct impact on the general government deficit, amount at EUR 6.5 billion. This represents 2.0% of the GDP projected by the Commission forecast, and 2.1% of the GDP projected in the Programme.

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.

Table 2: Composition of the budgetary adjustment

(% of GDP)	2019	2020		2021		2022	2023	Change: 2019-2023
	COM	COM	SP	COM	SP	SP	SP	SP
Revenue	25.2	24.0	23.1	23.7	23.5	n.a.	n.a.	n.a.
<i>of which:</i>								
- Taxes on production and imports	7.8	7.3	7.0	7.3	7.4	n.a.	n.a.	n.a.
- Current taxes on income, wealth, etc.	10.6	10.2	10.0	10.1	10.0	n.a.	n.a.	n.a.
- Social contributions	4.2	4.1	4.1	3.9	4.0	n.a.	n.a.	n.a.
- Other (residual)	2.6	2.4	2.0	2.3	2.1	n.a.	n.a.	n.a.
Expenditure	24.8	29.6	30.4	26.6	27.5	n.a.	n.a.	n.a.
<i>of which:</i>								
- Primary expenditure	23.5	28.4	29.1	25.5	26.4	n.a.	n.a.	n.a.
<i>of which:</i>								
Compensation of employees+Intermediate consumption	10.4	11.9	12.2	11.1	11.4	n.a.	n.a.	n.a.
Compensation of employees	6.9	7.5	7.7	7.2	7.4	n.a.	n.a.	n.a.
Intermediate consumption	3.5	4.4	4.5	3.9	4.0	n.a.	n.a.	n.a.
Social payments	8.8	10.8	11.1	9.6	10.0	n.a.	n.a.	n.a.
Subsidies	0.5	1.2	1.2	0.5	0.5	n.a.	n.a.	n.a.
Gross fixed capital formation	2.3	2.7	2.8	2.6	2.7	n.a.	n.a.	n.a.
Other (residual)	1.5	1.7	1.8	1.7	2.0	n.a.	n.a.	n.a.
- Interest expenditure	1.3	1.2	1.3	1.1	1.1	n.a.	n.a.	n.a.
General government balance (GGB)	0.4	-5.6	-7.4	-2.9	-4.1	n.a.	n.a.	n.a.
Primary balance	1.7	-4.4	-6.1	-1.8	-3.0	n.a.	n.a.	n.a.
One-off and other temporary measures	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.	n.a.
GGB excl. one-offs	0.4	-5.6	-7.4	-2.9	-4.1	n.a.	n.a.	n.a.
Output gap ¹	2.1	-7.9	n.a.	-4.7	n.a.	n.a.	n.a.	n.a.
Cyclically-adjusted balance ¹	-0.7	-1.5	n.a.	-0.5	n.a.	n.a.	n.a.	n.a.
Structural balance²	-0.7	-1.5	n.a.	-0.5	n.a.	n.a.	n.a.	n.a.
Structural primary balance ²	0.6	-0.3	n.a.	0.7	n.a.	n.a.	n.a.	n.a.
Gross debt ratio	58.8	66.4	69.1	66.7	68.4	n.a.	n.a.	n.a.

Notes:

¹Output 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.

²Structural (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

In response to the COVID-19 pandemic, Ireland has adopted, in a timely manner, a broad range of temporary measures to provide support and relief to households and sectors particularly impacted. According to the Programme, the main measures include employment and unemployment supports for a twelve-week period (around 1.4% of GDP), additional expenditure to increase the capacity and accessibility of the healthcare system (around 0.6% of GDP) and liquidity support measures for businesses (around 0.3% of GDP).

The welfare support measures include the Pandemic Unemployment Payment for those whose employment has been affected due to the pandemic, the Illness Benefit

Payment for employees in self-isolation, and a Temporary Wage Subsidy Scheme aimed at maintaining the link between employers and their employees. As of 11 May, there were 589,000 Pandemic Unemployment Payment recipients, over 53,000 employers registered for the wage subsidy scheme and 456,000 employees benefitting from it, with around 80% of employers making some level of top-up payment in addition to the scheme's entitlements.⁷ Some unintended consequences could result from the swift, though very necessary, response and the design of these schemes. For instance, the schemes could create incentives for some lower-income employees affected by the pandemic, such as part-time workers, to seek unemployment in order to benefit from a relatively higher PUP benefit. In this respect, the Minister for Finance mentioned that if the supports have to be extended, after the initial 12-week period, their design may change.

Ireland has also implemented liquidity support measures for businesses, particularly aimed at maximising the firm survival rate for micro-enterprises and SMEs. The measures amount to around 0.3% of GDP, with no immediate impact on the general government balance. They include credit guarantees and various loan schemes.⁸ On 2 May, the government announced a new package of debt and equity support measures for businesses, amounting to around 2% of GDP. These measures are not incorporated in the Programme or in the Commission forecast. They include: a Pandemic Stabilisation and Recovery Fund which will make capital available to medium and large enterprises; a new SME Credit Guarantee Scheme; the 'warehousing' of tax liabilities for a period of 12 months after recommencement of trading; a three month commercial rates waiver for impacted businesses; and a Restart Fund for micro and small business.

Overall, the measures taken by Ireland 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.

The measures that have already been set out in the Programme are accounted for in the Commission forecast, including those related to the COVID-19 outbreak. Ireland's tax system does not index the income tax bands for inflation and the Programme treats this measure, and the related additional revenue, as discretionary. However, the Commission forecast considers the non-indexation to be of a permanent nature and therefore it does not include it as a discretionary measure.

⁷ Additional household supports, without a direct impact on the general government balance include: payment breaks of up to three months on mortgage and personal loans, stamp duty deferrals on credit cards for three months, and two months local property tax deferral.

⁸ Additional support for the business sector includes the suspension of interest and penalties for certain late payments by employers, suspension of debt enforcement activity, and suspension of the March Relevant Contract Tax rate review for subcontractors; payment breaks available of up to 3 months on business loans.

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

3.3. DEBT DEVELOPMENTS

Ireland's general government debt-to-GDP ratio has been steadily falling since its peak of just below 120% in 2012. This has been the result of improving fiscal balances and strong nominal GDP growth, including the mechanical effect of the exceptionally large surge in 2015 GDP. In 2019, the debt ratio fell to 58.8% of GDP on the back of high nominal GDP growth and an increase in the headline government surplus. However, GDP is inflated by the activities of multinationals, overstating the actual strength of the domestic economy. Alternative metrics that control for the effects of multinationals' activities, such as the debt-to-modified GNI (GNI*)¹⁰ ratio, which reached 99% in 2019, show that public debt remains high in Ireland. According to the Programme, the public debt-to-GDP ratio is projected to reach 69.1% in 2020 and 68.4% in 2021. On a GNI* basis, the Programme projects public debt to rise at 125.1% in 2021, an increase of 26 percentage points compared to last year. The Commission forecast projects a public debt-to-GDP ratio of 66.4% and 66.7% of GDP in 2020 and 2021, respectively.

Table 3: Debt developments

(% of GDP)	Average 2014-2018	2019	2020		2021		2022	2023
			COM	SP	COM	SP	SP	SP
Gross debt ratio¹	77.2	58.8	66.4	69.1	66.7	68.4	n.a.	n.a.
Change in the ratio	-11.3	-4.8	7.7	10.3	0.3	-0.7	n.a.	n.a.
<i>Contributions²:</i>								
1. Primary balance	-1.2	-1.7	4.4	6.1	1.8	3.0	n.a.	n.a.
2. "Snow-ball" effect	-7.3	-2.9	5.4	7.3	-3.4	-3.7	n.a.	n.a.
<i>Of which:</i>								
Interest expenditure	2.5	1.3	1.2	1.3	1.1	1.1	n.a.	n.a.
Growth effect	-8.4	-3.3	5.0	6.8	-3.8	-3.9	n.a.	n.a.
Inflation effect	-1.4	-0.9	-0.8	-0.8	-0.7	-1.0	n.a.	n.a.
3. Stock-flow adjustment	-2.4	-0.1	-2.2	-3.1	1.9	0.1	n.a.	n.a.
<i>Of which:</i>								
Cash/accruals diff.				0.5		0.2	n.a.	n.a.
Acc. financial assets				-1.5		-0.7	n.a.	n.a.
Privatisation				0.0		0.0	n.a.	n.a.
Val. effect & residual				0.0		0.0	n.a.	n.a.

Notes:

¹End of period.

²The 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.

¹⁰ Modified Gross National Income (GNI*) reflects the income standards of Irish residents more accurately than GDP. It differs from actual GNI in that it excludes, inter alia, the depreciation of foreign-owned, but Irish resident, capital assets (notably intellectual property and assets associated with aircraft for leasing) and the undistributed profits of firms that have re-domiciled to Ireland.

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. Further risks underlying the budgetary projections for Ireland relate to the growing share of corporate income tax in total exchequer revenue (now at 18.4%), its concentration among a few large tax payers and potentially temporary nature, in particular as the respective revenue has been used to finance current expenditure. As also mentioned in the Programme, additional risks arise from the potential under-achievement of legally binding climate and renewable energy targets in 2020, which would imply a financial cost that cannot be quantified at present.

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

4.1. Compliance with the deficit criterion

According to the Programme, Ireland's general government deficit is expected to reach 7.4% 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 Ireland for the purposes of the Treaty and the Stability and Growth Pact. The Commission has therefore prepared a report under Article 126(3) of the Treaty on the Functioning of the European Union, which analyses Ireland's 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

Having corrected its excessive deficit in 2015, Ireland was in the transition period as regards the debt criterion for the three years following the correction. Ireland has met the debt reduction benchmark in 2019, as the debt-to-GDP ratio stood at 58.8% of GDP.

The debt benchmark is expected not to be met in both 2020 and 2021, based on the Programme and the Commission forecast.

4.3. Compliance with the MTO

Based on the outturn data and the Commission 2020 spring forecast, Ireland was compliant with the medium-term objective in 2019. The structural balance stood at -0.7% of GDP in 2019, 0.2 percentage points away from Ireland's medium-term objective of -0.5%. This deviation is within the allowed margin of 0.25% of GDP and points to compliance.¹¹

¹¹ 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

Table 4: Compliance with the requirements under the preventive arm

		(% of GDP)	2019	2020	2021		
Background budgetary indicators¹							
(1)	Medium-term objective (MTO)		-0.5	-0.5	-0.5		
(2)	Structural balance ² (COM)		-0.7	-1.5	-0.5		
Setting the required adjustment to the MTO							
(3)	Structural balance based on freezing (COM)		-0.8				
(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		-0.3				
(8)	Corresponding expenditure benchmark ⁶		7.0				
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		0.5				
	Two-year average deviation from the required adjustment ⁸		-0.2				
Expenditure benchmark pillar							
(10)	Net public expenditure annual growth corrected for one-offs ⁹		5.7				
(11) = (10) - (8)	One-year deviation adjusted for one-offs ¹⁰		0.3				
	Two-year deviation adjusted for one-offs ¹⁰		-0.1				
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}			-	-4.8	n.a.	-5.3	n.a.

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 States 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.

benchmark is likely to provide a more reliable and predictable indicator in times of severe economic downturn.