



EUROPEAN COMMISSION
DIRECTORATE GENERAL
ECONOMIC AND FINANCIAL AFFAIRS

Brussels, 20 May 2020

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

(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.
- After very strong economic growth in 2016-2018, growth decelerated to 1.6% in 2019. Both the macroeconomic scenario underlying the 2020 Stability Programme and the Commission 2020 spring forecast expect GDP to contract significantly in 2020, by -5.2% and -5.5%, respectively. Assuming a step-wise relaxation of the containment measures, both forecasts project a gradual economic rebound in the second half of 2020, followed by a solid recovery in 2021. The Stability Programme assumes GDP to grow by 3.5% in 2021, while the Commission forecast projects a somewhat stronger growth of 5%.
- The general government headline balance reached a surplus of 0.7% of GDP in 2019. The fiscal impact of the measures taken to mitigate the socio-economic effects of the pandemic shape the budgetary projections both of the Stability Programme and the Commission forecast. The Stability Programme expects the headline deficit to deteriorate to 8.0% of GDP, while the Commission forecast projects a deficit of 6.1% of GDP. Both forecasts project the headline deficit to narrow to 1.9% of GDP in 2021 on the back of a solid economic recovery and given a largely temporary effect of the measures.
- The Austrian government has set up measures to mitigate the socio-economic effects of the pandemic. According to the Stability Programme, deficit-relevant measures amount to 5.0% of GDP. Those measures include strengthening health care services, emergency aid for distressed companies and short-time work arrangements. Measures to support liquidity to businesses (tax deferrals and loan guarantees) without a direct effect on the deficit amount to 5.0% of GDP. The guiding principle is the preservation of the production potential of the Austrian economy.
- Having reached 70.4% of GDP in 2019, public debt is expected to deviate from its recent downward path. In 2020, the Stability Programme projects a temporary increase of public debt to 81.4% and a drop to 79.3% of GDP in 2021. Based on the Commission forecast, government debt is expected to follow similar dynamics, increasing to 78.8% of GDP in 2020 and decreasing to 75.8% of GDP in 2021.
- 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 technical update to the 2020 Stability Programme^{1,2,3} of Austria covering the period 2020-2021 (hereafter called the Programme), which was submitted on 30 April 2020.⁴ The note also assesses Austria's compliance with the preventive arm of the Stability and Growth Pact in 2019.

Austria is currently subject to the preventive arm of the Stability and Growth Pact (SGP). As the debt ratio was 70.4% of GDP in 2019, exceeding the 60% of GDP reference value, Austria is also subject to the debt reduction benchmark.

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.

Austria is among those Member States that have triggered national escape clauses to suspend budgetary constraints set by their national fiscal rules, as part of the effort to accommodate the budgetary implications of the outbreak.

2. MACROECONOMIC DEVELOPMENTS

After very strong economic growth in 2016-2018, growth decelerated to 1.6% in 2019. This was mostly due to a decrease in the export of goods and services in the

¹ On 30 April, the Austrian authorities submitted to the Commission a technical update to the Stability Programme for the years 2019 to 2021. With this update, the Austrian authorities respond to the Commission's request as formulated in the Commission Opinion on the updated Draft Budgetary Plan for 2020.

² The English translation of the technical update to the 2020 Stability Programme was submitted on 11 May 2020.

³ The Programme submitted by Austria states that it also constitutes the national medium-term fiscal plan required under Article 4(1) of Regulation (EU) 473/2013.

⁴ The Programme contains only short-term budgetary projections, in line with the guidelines for the format of the 2020 Stability and Convergence Programmes in light of the COVID-19 outbreak, provided by the Commission services on 6 April 2020.

first half of the year and a fall in equipment investment in the third quarter, both of which have been affected amongst other by weaknesses in the automotive sector. In 2020-2021, economic projections strongly depend on the assumptions surrounding the length and economic impact of the Covid-19 pandemic and implemented containment measures. Being a small, open economy, developments in Austria are strongly linked to those in its main trading partners. As a result, containment measures against the virus, travel restrictions and related supply chain disruptions adversely affected both the demand and supply side of the economy, leading to a broad-based downturn. Small shops, personal services and tourism-related sectors have been impacted particularly hard by the crisis.

The macroeconomic scenario underlying the Programme projects real GDP to contract by 5.2% in 2020. About half of the expected drop is attributed to a fall in domestic demand. Private consumption is projected to fall markedly, despite the expected decrease in the inflation rate and the government measures, which support household income. In turn, the households saving rate is expected to increase. Investments are expected to be affected by high uncertainty, temporary limitations in production and the drop in foreign demand. The unemployment rate is expected to increase to 5.5%. Assuming a gradual normalisation of economic activity in the second half of 2020, the Programme assumes a solid economic recovery in 2021, with 3.5% growth and a decrease in the unemployment rate to 5%. Next to the main scenario, the Programme also briefly discusses a more pessimistic macroeconomic scenario, assuming a stronger global economic downturn and Austria's GDP contracting by 7.5% in 2020.

Overall, the macroeconomic forecast of the Programme is in line with the Commission 2020 spring forecast (hereafter Commission forecast) for 2020 and slightly more pessimistic for 2021. For 2020, the Commission forecast projects a sharp contraction of GDP of 5.5%. Private consumption is expected to decrease somewhat more strongly, due to a more pessimistic view on the unemployment rate, which is expected to increase to 5.8%. For 2021, the Commission forecast expects a more solid recovery with 5% GDP growth and a decrease of the unemployment rate to 4.9%. The difference to the 2021 projection of the Programme can be mainly explained by the Commission's more favourable expectations concerning the recovery of the international economy and in particular the growth prospects of Austria's main trading partners. This translates into slightly more optimistic assumptions across all components. Overall, both forecasts are based on the assumptions of a gradual normalisation of economic activity in the second half of 2020.

The macroeconomic forecast underlying the Programme was prepared by the Austrian Institute of Economic Research (WIFO), the independent forecast producer, on 23 April 2020.

Table 1: Comparison of macroeconomic developments and forecasts

	2019		2020		2021		2022	2023
	COM	SP	COM	SP	COM	SP	SP	SP
Real GDP (% change)	1.6	1.6	-5.5	-5.2	5.0	3.5	n.a.	n.a.
Private consumption (% change)	1.4	1.4	-4.8	-2.9	4.9	3.1	n.a.	n.a.
Gross fixed capital formation (% change)	2.9	2.9	-9.5	-8.7	6.9	4.5	n.a.	n.a.
Exports of goods and services (% change)	2.7	2.7	-12.5	-12.0	10.3	8.8	n.a.	n.a.
Imports of goods and services (% change)	2.8	2.8	-10.8	-9.7	9.0	6.9	n.a.	n.a.
<i>Contributions to real GDP growth:</i>								
- Final domestic demand	1.6	1.6	-4.2	-2.6	4.2	2.5	n.a.	n.a.
- Change in inventories	-0.1	-0.1	0.0	-1.0	0.0	0.0	n.a.	n.a.
- Net exports	0.1	0.1	-1.3	-1.6	0.9	1.1	n.a.	n.a.
Output gap ¹	1.7	1.8	-4.8	-4.4	-1.3	-2.0	n.a.	n.a.
Employment (% change)	1.2	1.2	-1.4	-1.7	1.4	1.2	n.a.	n.a.
Unemployment rate (%)	4.5	4.5	5.8	5.5	4.9	5.0	n.a.	n.a.
Labour productivity (% change)	0.4	0.4	-4.2	-3.6	3.6	2.4	n.a.	n.a.
HICP inflation (%)	1.5	1.5	1.1	0.9	1.5	1.3	n.a.	n.a.
GDP deflator (% change)	1.7	1.7	1.2	1.2	1.1	0.6	n.a.	n.a.
Comp. of employees (per head, % change)	2.9	3.1	0.7	0.9	1.2	2.4	n.a.	n.a.
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	2.2	n.a.	0.8	n.a.	1.6	n.a.	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 TARGETS⁵

The general government headline balance reached a surplus of 0.7% of GDP in 2019. This is a considerable improvement compared to the surplus of 0.3% of GDP as projected by the 2019 Programme and the no-policy-change Draft Budgetary Plan presented in 2019.⁶ Despite the general economic slowdown observed during the course of 2019, this favourable development is largely due to the dynamic development of income taxes (+4.3%) and social contributions (+4.1%) resulting from a robust labour market situation and strong payroll developments (+4.3). Overall,

⁵ 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.

⁶ On 25 March, the authorities submitted an updated Draft Budgetary Plan for 2020, which was based on non-validated outturn data as notified by Statistics Austria.

general government revenue grew by 3.6% compared to 2018. General government expenditure grew at a slower pace (4.2%) than revenues and nominal GDP, which is also the result of decreasing interest expenditures (-9.7%).

On the basis of the currently foreseeable effects of the COVID-19 pandemic, the Programme projects a deterioration of the general government headline balance to -8.0% of GDP in 2020. Government revenues are projected to decrease by 3.5% and across all tax categories due to the effect of automatic stabilizers. Government expenditure is characterised by a strong temporary increase of 13.8%, which is due to both the effect of automatic stabilizers and fiscal measures to mitigate the socio-economic effects of the pandemic.

Overall, the projections of the Programme include expenditure-side measures taken in response to the COVID-19 pandemic in the order of EUR 19 billion (5.0% of GDP).

The Commission forecast expects the headline balance to deteriorate to -6.1% of GDP in 2020, which is due to the effect of automatic stabilizers and the budgetary impact of measures related to the COVID-19 pandemic. Overall, the Commission forecast includes measures with a total budgetary impact of EUR 15 billion (3.9% of GDP). The difference of EUR 4 billion with respect to the Programme is due to different expectations concerning the use of the Corona aid fund and financing needs for short-time work. In 2021, based on the assumption of unchanged policies, the general government balance is expected to improve to -1.9% of GDP, on the back of a solid economic recovery.

Table 2: General government budgetary position

(% of GDP)	2019	2020		2021		2022	2023	Change: 2019-2023
	COM	COM	SP	COM	SP	SP	SP	SP
Revenue	49.0	50.2	49.2	49.1	49.4	n.a.	n.a.	n.a.
<i>of which:</i>								
- Taxes on production and imports	13.9	14.0	13.9	13.8	13.8	n.a.	n.a.	n.a.
- Current taxes on income, wealth, etc.	13.7	13.9	13.1	13.6	13.4	n.a.	n.a.	n.a.
- Social contributions	15.3	15.9	16.0	15.4	15.9	n.a.	n.a.	n.a.
- Other (residual)	6.1	6.5	6.2	6.3	6.3	n.a.	n.a.	n.a.
Expenditure	48.2	56.4	57.2	50.9	51.4	n.a.	n.a.	n.a.
<i>of which:</i>								
- Primary expenditure	46.8	54.9	55.8	49.6	50.1	n.a.	n.a.	n.a.
<i>of which:</i>								
Compensation of employees+Intermediate consumption	16.6	18.3	18.2	17.4	17.6	n.a.	n.a.	n.a.
Compensation of employees	10.4	11.3	11.2	10.8	11.0	n.a.	n.a.	n.a.
Intermediate consumption	6.2	7.0	7.0	6.6	6.6	n.a.	n.a.	n.a.
Social payments	21.8	23.8	24.0	23.0	23.6	n.a.	n.a.	n.a.
Subsidies	1.5	5.1	5.9	1.8	1.6	n.a.	n.a.	n.a.
Gross fixed capital formation	3.0	3.2	3.1	3.2	3.2	n.a.	n.a.	n.a.
Other (residual)	4.0	4.4	4.6	4.2	4.3	n.a.	n.a.	n.a.
- Interest expenditure	1.4	1.5	1.4	1.3	1.3	n.a.	n.a.	n.a.
General government balance (GGB)	0.7	-6.1	-8.0	-1.9	-1.9	n.a.	n.a.	n.a.
Primary balance	2.2	-4.7	-6.5	-0.5	-0.7	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	0.7	-6.1	-8.0	-1.9	-1.9	n.a.	n.a.	n.a.
Output gap ¹	1.7	-4.8	-4.4	-1.3	-2.0	n.a.	n.a.	n.a.
Cyclically-adjusted balance ¹	-0.3	-3.4	-5.5	-1.1	-0.7	n.a.	n.a.	n.a.
Structural balance²	-0.3	-3.4	-5.5	-1.1	-0.7	n.a.	n.a.	n.a.
Structural primary balance ²	1.2	-1.9	-4.1	0.2	0.6	n.a.	n.a.	n.a.
Gross debt ratio	70.4	78.8	81.4	75.8	79.3	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

Since 15 March, the Austrian National Council has adopted a series of COVID-19-related laws providing for measures to mitigate the socio-economic effects of the pandemic in the order of EUR 38 billion (9.9% of GDP). This includes measures (items 1-3 in the list below) with a direct deficit-relevant impact of EUR 19 billion (5% of GDP) and measures to support the liquidity of businesses (items 4 and 5 in the list below) amounting to EUR 19 billion (5% of GDP). The guiding principle to manage the economic impact of COVID-19 pandemic is the preservation of the production potential of the Austrian economy. Securing jobs and preserving the liquidity of self-employed and businesses are the main objectives. Overall, the measures taken by Austria are in line with the guidelines set out in the Commission Communication on a coordinated economic response to the COVID-19 outbreak.⁷ 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 fiscal policy response comprises five main blocks with the following available budgets:

1. Immediate help (*Soforthilfe*): EUR 4 billion
2. Corona aid fund (*Corona Hilfsfonds*): EUR 15 billion
3. Short-time work (*Kurzarbeit*): variable budget
4. Credits and loans (*Haftungen und Garantien*): EUR 9 billion
5. Foregone tax revenue and tax deferrals (*Einnahmenentgänge und Stundungen*): EUR 10 billion

As regards the first three blocks, Table 3 provides more detailed information on the budgetary impact of groups of measures by ESA category. These have a direct deficit-increasing impact. The budgetary projections in the Programme rest on the assumption that roughly half of the budget of the Corona aid fund (EUR 8 billion) will be actually used. Credits and loans up to EUR 9 billion may be provided for export businesses, businesses in the tourism sector, SPCs and SMEs. For SMEs, guarantees of EUR 1.25 billion may be provided and credits of at most EUR 2.5 million per SME. Credits and loans as well as tax deferrals have no deficit-increasing effect.

⁷ https://ec.europa.eu/info/sites/info/files/communication-coordinated-economic-response-covid19-march-2020_en.pdf

Table 3: Discretionary measures adopted in response to COVID-19 outbreak

List of measures	Description	ESA Code	Adoption Status	Budgetary impact (% of GDP - change from previous year)	
				2020	2021
Immediate help					
Hardship fund	Non-repayable transfers to self-employed (SPCs, very small firms, freelancer, artists), etc.	D.39	adopted	0.4%	
Hardship fund	Non-repayable transfers to associations, NGOs	D.7	adopted	0.1%	
Social benefits	Long-term care, unemployment benefits, child poverty, etc.	D.62	adopted	0.1%	
Intermediate consumption	Acquisition of medial equipment and material, etc.	P.2	adopted	0.4%	
Corona aid funds				2.1%	
Subsidies	Grants to distressed companies	D.39	adopted	1.9%	
Capital transfers	Transfers to large public transport companies	D.9	adopted	0.2%	
Short-time work		D.39	adopted	1.8%	
Total				5.0%	

Source: Stability Programme

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

List of measures	Description	Adoption Status	Maximum amount of contingent liability* (% of GDP)
Credits and loans		adopted	2.4%
		Total	2.4%

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

Source: Stability Programme

Besides measures related to the COVID-19 pandemic, the projections of the Programme include other discretionary measures with a budgetary impact of about EUR 1 billion (0.3% of GDP) in 2020. These measures include increased expenditure for public employees (e.g., for education and internal security), intermediate consumption (e.g., public transport, judiciary), gross fixed capital formation, among others. These measures will also have an incremental budgetary impact in the following years.

The Commission forecast includes the above listed (items 1-3), deficit-relevant measures with a budgetary impact of EUR 15 billion (3.9% of GDP). The difference of EUR 4 billion with respect to the Programme is due to somewhat lower expectations concerning the use of the Corona aid fund and financing needs for short-time work at the cut-off date of the Commission forecast (23 April 2020). In line with the budgetary projections of the Programme, the Commission forecast includes all discretionary measures that are not related to the COVID-19 pandemic.

3.3. DEBT DEVELOPMENTS

According to the Programme, government debt is projected to increase from 70.4% of GDP in 2019 to 81.4% of GDP in 2020 before decreasing to 79.3% of GDP in 2021. The increase in 2020 is mainly driven by the deterioration of the primary balance and the snow-ball effect stemming from GDP growth. In 2021, government debt is expected to decline again, which is mainly due to the projected rebound GDP and supported by stock-flow adjustments. Based on the Commission forecast, government debt is expected to follow similar dynamics, increasing to 78.8% of GDP in 2020 and decreasing to 75.8% of GDP in 2021.

Table 4: Debt developments

(% of GDP)	Average 2014-2018	2019	2020		2021		2022	2023
			COM	SP	COM	SP	SP	SP
Gross debt ratio¹	80.8	70.4	78.8	81.4	75.8	79.3	n.a.	n.a.
Change in the ratio	-1.5	-3.6	8.5	11.0	-3.0	-2.1	n.a.	n.a.
<i>Contributions²:</i>								
1. Primary balance	-0.9	-2.2	4.7	6.5	0.5	0.7	n.a.	n.a.
2. "Snow-ball" effect	-0.7	-0.9	4.6	4.5	-3.2	-2.1	n.a.	n.a.
<i>Of which:</i>								
Interest expenditure	2.1	1.4	1.5	1.4	1.3	1.3	n.a.	n.a.
Growth effect	-1.4	-1.1	4.1	3.8	-3.7	-2.7	n.a.	n.a.
Inflation effect	-1.4	-1.2	-0.9	-0.9	-0.8	-0.5	n.a.	n.a.
3. Stock-flow adjustment	0.2	-0.5	-0.9	0.0	-0.3	-0.7	n.a.	n.a.
<i>Of which:</i>								
Cash/accruals diff.								
Acc. financial assets								
Privatisation								
Val. effect & residual								

Notes:

¹ End of period.

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

Source:

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

3.4. RISK ASSESSMENT

The macroeconomic and fiscal outlook are affected by high uncertainty due to the outbreak of the COVID-19 pandemic. The pandemic could become more severe and last longer than assumed, requiring more stringent and longer lasting containment measures. This would result in worse economic and fiscal outcomes. It could also require further fiscal policy measures. That would result in worse fiscal outcomes but help to mitigate the economic impact. An additional risk stems from the considerable size of public guarantees issued in response to the crisis.

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

4.1. Compliance with the deficit criterion

According to the Programme, Austria's general government deficit is expected to reach 8.0% 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 Austria for the purposes of the Treaty and the Stability and Growth Pact. The Commission has therefore prepared a report under Article 126(3) TFEU analysing whether or not Austria is compliant 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

Austria complied with the debt reduction benchmark in 2019, based on outturn data. The debt benchmark is expected not to be met in 2020, and to be respected in 2021, based on the Commission 2020 spring forecast.

4.3. Compliance with the MTO in 2019⁸

The MTO for Austria for the period 2018-2020 corresponds to a structural balance of -0.5% of GDP.

In 2019, Austria achieved its MTO with a structural balance of -0.3% of GDP.

⁸ The possible retroactive impact on output gap estimates as a result of the recession induced by the COVID-19 outbreak and the possibility of abnormal responses of government revenues to major swings in economic activity underline that compared to the structural balance the expenditure benchmark is likely to provide a more reliable and predictable indicator in times of severe economic downturn.

Table 6: Compliance with the requirements under the preventive arm

	(% of GDP)	2019	2020	2021
Background budgetary indicators¹				
(1)	Medium-term objective (MTO)	-0.5	-0.5	-0.5
(2)	Structural balance ² (COM)	-0.3	-3.4	-1.1
Setting the required adjustment to the MTO				
(3)	Structural balance based on freezing (COM)	0.0	-3.4	-
(4) = (1) - (3)	Position vis-a-vis the MTO ³	At or above the MTO		
(5)	Required adjustment ⁴	0.0	under GEC	under GEC
(6)	Required adjustment corrected ⁵	0.0		
(8)	Corresponding expenditure benchmark ⁶	3.4		
Compliance with the required adjustment to the MTO				
		COM	COM	SP
Structural balance pillar				
(8) = Δ (2)	Change in structural balance ⁷	0.4		
(9) = (8) - (6)	One-year deviation from the required adjustment ⁸	0.3		
	Two-year average deviation from the required adjustment ⁸	0.3		
Expenditure benchmark pillar				
(10)	Net public expenditure annual growth corrected for one-offs ⁹	3.7		
(11) = (10) - (8)	One-year deviation adjusted for one-offs ¹⁰	-0.2		
	Two-year deviation adjusted for one-offs ¹⁰	-0.4		
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}	-6.1	1.2	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.