



Brussels, 20.11.2019  
C(2019) 9100 final

**COMMISSION OPINION**

**of 20.11.2019**

**on the Draft Budgetary Plan of Austria**

{SWD(2019) 910 final}

## COMMISSION OPINION

of 20.11.2019

### on the Draft Budgetary Plan of Austria

#### GENERAL CONSIDERATIONS

1. Regulation (EU) No 473/2013 sets out provisions for enhanced monitoring of budgetary policies in the euro area for ensuring 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 presenting by 15 October the main aspects of the budgetary situation of the general government and its subsectors for the forthcoming year.

#### CONSIDERATIONS CONCERNING AUSTRIA

3. On 15 October 2019, Austria submitted the Draft Budgetary Plan for 2020. On that basis, the Commission has adopted the following opinion in accordance with Article 7 of Regulation (EU) No 473/2013.
4. The Draft Budgetary Plan was submitted by the caretaker government on the basis of unchanged policies.
5. Austria is subject to the preventive arm of the Stability and Growth Pact and should preserve a sound fiscal position which ensures compliance with its medium-term budgetary objective of -0.5% of GDP. As its general government debt, at 74.0% of GDP in 2018, exceeds the 60% of GDP reference value of the Treaty, Austria also needs to comply with the debt reduction benchmark.
6. According to the Commission 2019 autumn forecast, the Austrian economy is expected to grow by 1.5% in 2019 and 1.4% in 2020. The Draft Budgetary Plan states that real GDP is expected to grow at 1.7% in 2019 and 1.4% in 2020. Compared to the Draft Budgetary Plan, the Commission expects a somewhat higher growth of services imports and a weaker growth in public consumption in 2019. In 2020, both the Commission 2019 autumn forecast and the Draft Budgetary Plan expect private consumption to be the main driver of GDP growth. However, the Commission expects slightly lower growth in private consumption and gross fixed capital formation, which in turn leads to lower expectations for import growth. Overall, the macroeconomic assumptions underlying the Draft Budgetary Plan are plausible. Austria complies with the requirement of Regulation (EU) No 473/2013 since the draft budget is based on independently produced macroeconomic forecasts. In order to ensure compliance with the requirement of Regulation (EU) No 473/2013, the draft Budget Act to be transmitted to the national parliament would also need to be based on an independently produced macroeconomic forecast.
7. The Draft Budgetary Plan projects the general government headline balance at 0.3% of GDP in 2019 and -0.1% of GDP in 2020. Accordingly, the structural balance<sup>1</sup> is

---

<sup>1</sup> Cyclically adjusted balance net of one-off and temporary measures, recalculated by the Commission using the commonly agreed methodology.

expected to deteriorate from -0.2% of GDP in 2019 to -0.4% of GDP in 2020. The Commission 2019 autumn forecast projects the headline balance at 0.4% of GDP in 2019 and at 0.2% in 2020, which is mainly due to higher projections of taxes on production and imports, current taxes on income and wealth as well as social contributions in the Commission forecast. Over the forecast horizon, the revenue projections underlying the Draft Budgetary Plan seem overly cautious given the underlying macroeconomic forecast. The structural balance is projected to be balanced both in 2019 and 2020, based on the Commission autumn forecast. The difference with respect to the recalculated structural balance is largely the result of different projections for the headline balance.

8. Austria's fiscal policy stance is slightly expansionary for 2020, based on the structural balance estimates underlying the Draft Budgetary Plan. According to the Commission 2019 autumn forecast, the stance would be neutral. While Austria submitted a Draft Budgetary Plan on the assumption of unchanged policies, the budgetary projections presented therein differ with respect to the Stability Programme in that several measures included in the Stability Programme have finally not been adopted by the parliament, while a series of new measures was adopted shortly before the elections of September 2019. In contrast to the Stability Programme, the fiscal expansion foreseen by the Draft Budgetary Plan in 2020 weighs mainly on the expenditure side (approximately 0.2% of GDP) and is mainly the result of increased cash social benefits in the form of pensions adjustments. On the revenue side, tax reliefs for low-income earners and tax reductions to support more climate-friendly consumer choices and small enterprises will reduce tax revenues, while new taxes on the digital economy, measures against tax fraud, new provisions regarding corporate restructuring and an increase of the tobacco tax will provide some counter-financing. Like the Draft Budgetary Plan, the Commission 2019 autumn forecast includes all of the discretionary fiscal measures adopted before the national election and adopts a no policy change assumption as of 2020.

The Recommendation of 9 July 2019 addressed by the Council to Austria<sup>2</sup> included the recommendations to ensure the sustainability of the health, long-term care, and pension systems, to simplify and rationalise fiscal relations and responsibilities across layers of government, and to reduce the tax burden on labour. With regard to fiscal sustainability, several recently adopted measures will further increase rather than mitigate public pension expenditure while there are currently no plans to adjust the statutory retirement age. With regard to Austria's intergovernmental fiscal relations, the Draft Budgetary Plan highlights the amendment of the Transparency Data Bank Act. The objective of this data base is to improve the efficiency and transparency of public funding by monitoring the appropriate use of public funds. The amendment provides, among others, for improved query rights and a standardisation of the purpose of the funding. In addition, several initiatives included in the 2017 Financial Equalisation Law are still ongoing. The law on the reorganisation of social insurance funds is currently subject to examination by the Austrian Constitutional Court. Finally, Austria has recently adopted several relief measures in the context of the Personal Income Tax Act 2020, that will contribute to lower the tax burden on labour income.

9. In 2019, Austria is requested to achieve its medium-term budgetary objective of a structural deficit of -0.5% of GDP, taking into account the allowance linked to

---

<sup>2</sup> Council Recommendation of 9 July 2019 on the national Reform Programme of Austria and delivering a Council opinion on the 2019 Stability Programme of Austria, OJ C 301, 5.9.2019, p. 117.

unusual events for which a temporary deviation is granted.<sup>3</sup> According to the information provided in the Draft Budgetary Plan, Austria is projected to respect its medium-term budgetary objective with a recalculated structural balance of -0.2% of GDP. The Commission 2019 autumn forecast points to the same conclusion. Thus, the current assessment for 2019 points to compliance.

In 2020, according to the information provided in the Draft Budgetary Plan, Austria is projected to continue respecting its medium-term budgetary objective with a recalculated structural balance of -0.4% of GDP, which is confirmed by the Commission 2019 autumn forecast. Thus, the current assessment for 2020 points to compliance.

10. The Draft Budgetary Plan indicates that the government debt-to-GDP ratio will decline from 74.0% in 2018 to 70.0% in 2019 and to 67.5% in 2020, slightly above the Commission's projection of 69.9% in 2019 and 67.2% in 2020. The Draft Budgetary Plan does not include sufficient information to assess compliance with the debt reduction benchmark in 2019 and 2020. According to the Commission 2019 autumn forecast, Austria is expected to meet the debt reduction benchmark both in 2019 and 2020.
11. Overall, while acknowledging the no-policy-change nature of its projections, the Commission is of the opinion that the Draft Budgetary Plan of Austria is compliant with the provisions of the Stability and Growth Pact.

The Commission is also of the opinion that Austria has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 9 July 2019 in the context of the European Semester and thus invites the authorities to accelerate progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Report and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

As soon as a new government takes office and as a rule at least one month before the draft budget law is planned to be adopted by the national parliament, the authorities are invited to submit to the Commission and the Eurogroup an updated Draft Budgetary Plan.

Done at Brussels, 20.11.2019

*For the Commission*  
*Pierre MOSCOVICI*  
*Member of the Commission*

---

<sup>3</sup> Since 2015, Austria was granted a temporary deviation from the adjustment path towards the medium-term budgetary objective corresponding to the additional expenses incurred due to the exceptional inflow of refugees and security measures against the terrorist threat on a year-to-year basis. The granted deviation is carried forward for two years, and amounts to 0.03% of GDP in 2019, as an allowed distance to the medium-term budgetary objective.