

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 Spain's Draft Budgetary Plan (DBP) for 2020, which we received on 15 October.

We acknowledge that the DBP submitted by Spain has been prepared on a no-policy-change basis, in view of the caretaker nature of the government.

The no-policy-change DBP projects no change in the structural balance in 2020 at face value. Once recalculated by the Commission services according to the commonly agreed methodology the change in the structural balance amounts to an improvement by 0.1% of GDP, which falls short of the recommended structural adjustment of 0.65% of GDP. The DBP projects a nominal growth rate of net primary government expenditure of 3.8%, which exceeds the recommended maximum increase of 0.9%. 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. The projections in Spain's DBP do not ensure compliance with the transitional debt rule in 2020.

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 Spanish authorities to submit, as soon as the draft budget for 2020 is sent to the Spanish parliament, an updated DBP to the European Commission and the Eurogroup, which ensures compliance with the Council recommendation for Spain.

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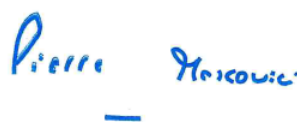
Mrs Nadia CALVIÑO
Minister of Economy and Business
Paseo de la Castellana 162
28071 Madrid

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 Spain in order to come to a final assessment.

Yours sincerely,

Handwritten signature of Valdis Dombrovskis in blue ink, consisting of the initials 'V. D.' followed by a long horizontal stroke.

Valdis Dombrovskis

Handwritten signature of Pierre Moscovici in blue ink, with the name 'Pierre Moscovici' written in a cursive style.

Pierre Moscovici