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ANNEXES 1 to 4

ANNEXES

to the

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, AND THE EUROPEAN CENTRAL BANK

2019 Draft Budgetary Plans: Overall Assessment

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ANNEX I: Country-specific assessment of DBPs

Member States under the preventive arm of the SGP

Plans compliant with the Member State's obligations

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Germany** is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2019 budget. Germany's favourable budgetary situation provides scope to undertake additional expenditure for achieving a sustained upward trend in public and private investment, and in particular on education, research and innovation at all levels of government, in particular at regional and municipal levels, as recommended by the Council in the context of the European Semester. The Commission is also of the opinion that Germany has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 13 July 2018 in the context of the European Semester and invites the authorities to make further progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2019 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Ireland** is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2019 budget. The Commission is also of the opinion that Ireland has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 13 July 2018 in the context of the European Semester and invites the authorities to make further progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2019 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Greece** is compliant with the provisions of the Stability and Growth Pact. Greece is considered to comply with the 3.5% of GDP primary surplus target monitored under the enhanced surveillance framework. The Commission therefore invites the authorities to implement the 2019 budget.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Cyprus** is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2019 budget. The Commission is also of the opinion that Cyprus has made no progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 13 July 2018 in the context of the European Semester and thus invites the authorities to accelerate implementation. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2019 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Lithuania** is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2019 budget. The Commission is also of the opinion that

Lithuania has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 13 July 2018 in the context of the European Semester and invites the authorities to make further progress. A comprehensive description of progress made with the implementation of the CSRs will be made in the 2019 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019.

Overall, while acknowledging the no-policy-change nature of those projections, the Commission is of the opinion that the Draft Budgetary Plan of **Luxembourg** is compliant with the provisions of the Stability and Growth Pact. The Commission is also of the opinion that Luxembourg has made limited progress with regard to the structural part of the fiscal recommendation contained in the Council Recommendation of 13 July 2018 in the context of the European Semester and thus invites the authorities to accelerate its implementation. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2019 Country Reports and assessed in the context of the country-specific recommendations to be adopted by the Commission in May 2019.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Malta** is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2019 budget. The Commission is also of the opinion that Malta has made no progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 13 July 2018 in the context of the European Semester and thus invites the authorities to accelerate implementation. A comprehensive description of progress made with the implementation of the CSRs will be made in the 2019 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of the **Netherlands** is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2019 budget. The Commission is also of the opinion that the Netherlands has made substantial progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 13 July 2018 in the context of the European Semester and invites the authorities to complete implementation. A comprehensive description of progress made with the implementation of the CSRs will be made in the 2019 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Austria** is compliant with the provisions of the Stability and Growth Pact. However, this assessment is dependent on the current projection that Austria will respect the MTO taking into account the allowance linked to unusual events. If such a projection is not confirmed in future assessments, the overall assessment of compliance will need to take into account the extent of the deviation from the requirement set by the Council. The Commission invites the authorities to implement the 2019 budget. 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 13 July 2018 in the context of the European Semester and thus invites the authorities to make further progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2019 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Finland** is compliant with the provisions of the Stability and Growth Pact. However, this assessment is dependent on the current projection that Finland will respect the MTO taking into account the allowances linked to unusual events and the implementation of structural reforms. If such projection is not confirmed in future assessments, the overall assessment of compliance will need to take into account the extent of the deviation from the requirement set by the Council. The Commission invites the authorities to implement the 2019 budget. The Commission is also of the opinion that Finland has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 13 July 2018 in the context of the 2018 European Semester and invites the authorities to make further progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2019 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019.

Plans broadly compliant with the Member State's obligations

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Estonia** is broadly compliant with the provisions of the Stability and Growth Pact. However, this assessment is dependent on the current projection that Estonia will be close to its MTO. If such a projection is not confirmed in future assessments, the overall assessment of compliance will need to take into account the extent of the deviation from the requirement set by the Council. The Commission therefore invites the authorities to stand ready to take the necessary measures within the national budgetary process to ensure that the 2019 budget will be compliant with the SGP rules. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2019 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019.

Overall, while acknowledging the no-policy-change nature of the current projections, the Commission is of the opinion that the Draft Budgetary Plan of **Latvia** is broadly compliant with the provisions of the Stability and Growth Pact. However, this assessment is dependent on the current projection that Latvia will be close to its medium-term budgetary objective, taking into account the allowance linked to the implementation of structural reforms. If such a projection is not confirmed in future assessments, the overall assessment of compliance will need to take into account the extent of the deviation from the requirement set by the Council. The Commission invites the authorities to stand ready to take the necessary measures within the national budgetary process to ensure that the 2019 budget will be compliant with the SGP. The Commission is also of the opinion that Latvia has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 13 July 2018 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 2019 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019. 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.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Slovakia** is broadly compliant with the provisions of the Stability and Growth Pact. However, this assessment is dependent on the current projection that Slovakia will be close to its medium-term budgetary objective in 2019. If such a projection is not confirmed in future assessments, the overall assessment of compliance will need to take into account the extent of the deviation from the requirement set by the Council. The Commission invites the authorities to stand ready to take the necessary measures within the national budgetary process to ensure that the 2019 budget will be compliant with the SGP rules. The Commission is also of the opinion that Slovakia has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 13 July 2018 in the context of the European Semester and invites the authorities to make further progress. A comprehensive description of progress made with the implementation of the CSRs will be made in the 2019 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019.***Plans at risk of non-compliance with the Member State's obligations***

Overall, the Commission is of the opinion that the DBP of **Belgium** is at risk of non-compliance with the provisions of the SGP. In particular, the Commission projects a risk of significant deviation from the required adjustment towards the MTO for 2018 and 2019. Additionally, Belgium is not projected to comply with the debt reduction benchmark in 2018 and 2019. Therefore, the Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2019 budget will be compliant with the SGP and to use windfall gains to accelerate the reduction of the government debt-to-GDP ratio. The Commission is also of the opinion that Belgium has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 13 July 2018 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 2019 Country Report and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **France** is at risk of non-compliance with the provisions of the Stability and Growth Pact. In particular, the Commission projects a risk of significant deviation from the required adjustment towards the medium-term budgetary objective for 2018 and 2019 taken together. Moreover, France is not expected to make sufficient progress towards compliance with the debt reduction benchmark in 2018 and 2019. The Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2019 budget will be compliant with the SGP and to use windfall gains to accelerate the reduction of the government debt-to-GDP ratio. The Commission is also of the opinion that France has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 13 July 2018 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 CSRs will be made in the 2019 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Portugal** is at risk of non-compliance with the provisions of the Stability and Growth Pact. In particular, the Commission projects a risk of significant deviation from the required adjustment towards the medium-term budgetary objective for both 2018 and 2019. Moreover, Portugal is not expected to make sufficient progress towards compliance with the debt reduction benchmark in 2019. Therefore, the Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2019 budget will be compliant with the SGP and to use windfall gains to accelerate the reduction of the government debt-to-GDP ratio. The Commission is also of the opinion that Portugal has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 13 July 2018 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 CSRs will be made in the 2019 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019.

Overall, while acknowledging the no-policy-change nature of its projections, the Commission is of the opinion that the Draft Budgetary Plan of **Slovenia** is at risk of non-compliance with the provisions of the Stability and Growth Pact. In particular, the Commission projects a risk of significant deviation from the required adjustment towards the medium-term budgetary objective for both 2018 and 2019. Therefore, the Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2019 budget will be compliant with the SGP. The Commission is also of the opinion that Slovenia has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 13 July 2018 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 CSRs will be made in the 2019 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019. As soon as possible 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.

Plans in particularly serious non-compliance with the Member State's obligations

The Commission Opinion of 23 October 2018 identified in **Italy**'s 2019 Draft Budgetary Plan a particularly serious non-compliance with the recommendation addressed to Italy by the Council on 13 July 2018. Overall, based on an assessment of the government plans in the revised 2019 Draft Budgetary Plan and on the Commission 2018 autumn forecast, the Commission confirms the existence of a particularly serious non-compliance with the recommendation addressed to Italy by the Council on 13 July 2018. The Commission is also of the opinion that the measures included in the revised 2019 Draft Budgetary Plan indicate a risk of backtracking on reforms that Italy had adopted in line with past Country-Specific Recommendations, as well as with regard to the structural fiscal aspects of the recommendations addressed to Italy by the Council on 13 July 2018.

Member States under the corrective arm of the SGP

Plans at risk of non-compliance with the Member State's obligations

Overall, the Commission is of the opinion that the Draft Budgetary Plan of **Spain** is at risk of non-compliance with the provisions of the Stability and Growth Pact. In particular, the Commission projects a risk of significant deviation from the recommended adjustment path to Spain's medium-term budgetary objective. Moreover, Spain is not expected to make sufficient progress towards compliance with the debt reduction benchmark. Therefore, the Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2019 budget will be compliant with the SGP and to use windfall gains to accelerate the reduction of the government debt-to-GDP ratio. The Commission is also of the opinion that Spain has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 13 July 2018 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 those recommendations will be made in the 2019 Country Report and assessed in the context of the country-specific recommendations to be proposed by the Commission in May 2019. In light of the fact that the Draft Budgetary Plan was submitted without a draft Budget Law being submitted to the national parliament in parallel, the national authorities are invited to submit to the Commission and the Eurogroup an updated Draft Budgetary Plan in the event that the draft Budget Law that eventually is submitted to the parliament differs significantly from the Draft Budgetary Plan submitted on 15 October 2018.

ANNEX II: The methodology and assumptions underpinning the Commission autumn 2018 forecast

According to Article 7(4) of Regulation (EU) No 473/2013, "the methodology and assumptions of the most recent economic forecasts of the Commission services for each Member State, including estimates of the impact of aggregated budgetary measures on economic growth, shall be annexed to the overall assessment". The assumptions underlying the Commission 2018 autumn forecast, which is produced independently by Commission staff, are explained in the forecast document itself.[1]

Budgetary data up to 2017 are based on data notified by Member States to the Commission before 1 October 2018 and validated by Eurostat on 22 October 2018. Eurostat has made no amendments to the data reported by Member States during the autumn 2018 notification round. Eurostat is withdrawing the reservation on the quality of the data reported by France in relation to the sector classification of the Agence Française de Développement. Eurostat is also withdrawing the reservation on the treatment of the capital injection into AREVA with an impact on the deficit, for an amount of EUR 2.5 billion (0.1% of GDP) in 2017. In the October 2018 EDP Notification the recording has been changed and is now treated as a capital transfer.

For the forecast, measures in support of financial stability have been recorded in line with the Eurostat Decision of 15 July 2009.[2] Unless reported otherwise by the Member State concerned, capital injections known in sufficient detail have been included in the forecast as financial transactions, i.e. increasing the debt, but not the deficit. State guarantees on bank liabilities and deposits are not included as government expenditure, unless there is evidence that they have been called on at the time the forecast was finalised. Note, however, that loans granted to banks by the government, or by other entities classified in the government sector, usually add to government debt.

For 2019, budgets adopted or presented to national parliaments and all other measures known in sufficient detail are taken into consideration. In particular, all the information included in the Draft Budgetary Plans submitted by mid-October is reflected in the autumn forecast. For 2020, the '*no-policy-change*' assumption used in the forecasts implies the extrapolation of revenue and expenditure trends and the inclusion of measures that are known in sufficient detail.

European aggregates for general government debt in the forecast years 2018-2020 are published on a non-consolidated basis (i.e. not corrected for intergovernmental loans). To ensure consistency in the time series, historical data are also published on the same basis. General government debt projections for individual Member States in 2018-20 include the impact of guarantees to the EFSF, bilateral loans to other Member States, and the participation in the capital of the ESM as planned on the cut-off date of the forecast.[3]

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[1] Methodological assumptions underlying the Commission autumn 2018 economic forecast, available at: http://ec.europa.eu/economy_finance/publications/eeip/forecasts_en.htm).

[2] Available at: http://ec.europa.eu/eurostat/documents/1015035/2041337/FT-Eurostat-Decision-9-July-2009-3--final-.pdf.

[3] In line with the Eurostat decision of 27 January 2011 on the statistical recording of operations undertaken by the EFSF, available at: http://ec.europa.eu/eurostat/documents/2995521/5034386/2-27012011-AP-EN.PDF.

According to the Commission 2018 autumn forecast, the budgetary measures reported in the Draft Budgetary Plans for 2018 are marginally deficit-increasing on aggregate (impact of less than 0.1% of GDP). Expenditure-increasing measures are expected to have a slightly more negative impact than the positive impact of revenue-increasing measures. Overall, the mechanical impact on GDP growth in the short-term is projected to be negligible.

It is important to be prudent in interpreting that estimate:

- Not acting on fiscal imbalances could heighten financial-asset fragility and lead to higher spreads and lending rates, with a negative impact on growth.
- Regulation (EU) No 473/2013 aims at evaluating the effect of the measures taken in the Draft Budgetary Plans. Therefore measures taken and having entered into force before the Draft Budgetary Plans are not included in the assessment (even if they can have an additional impact on the public finance projections for 2019).
- The impact of reported measures is expressed against a baseline at unchanged policy. The fiscal policy orientation of that baseline is not necessarily neutral. For example, the trend increase of some expenditure items could be above or below potential growth, there might be an additional impact of earlier measures in the baseline or measures taken earlier might cease in 2019. The expansionary nature of the basline scenario is illustrated by the fact that the aggregate fiscal stance in 2019 is more expansionary than the deficit-increasing impact of reported measures.

ANNEX III: Sensitivity analysis

According to Article 7 of Regulation (EU) No 473/2013, "the overall assessment shall include sensitivity analyses that provide an indication of the risks to public finance sustainability in the event of adverse economic, financial or budgetary developments". This Annex therefore presents a sensitivity analysis of public debt developments to possible macroeconomic shocks (to growth, interest rates and the government primary balance), relying on results from stochastic debt projections[4]. The analysis allows gauging the possible impact on public debt dynamics of downside and upside risks to nominal GDP growth, the effects of positive/negative developments on financial markets, translating into lower/higher borrowing costs for governments, and fiscal shocks affecting the government budgetary position.

With stochastic projections the uncertainty in future macroeconomic conditions is featured in the analysis of public debt dynamics around a 'central' debt projection scenario, which corresponds respectively to the Commission's 2018 autumn forecast scenario and the DBPs' forecast scenario in the two panels of the graph below, reporting results for the euro area (in both cases the usual ‘no-fiscal policy change’ assumption is made beyond the forecast horizon)[5]. Shocks are applied to the macroeconomic conditions (short-term and long-term interest rates on government bonds; growth rate; government primary balance) assumed in the central scenario to obtain the 'cone' (distribution) of possible debt paths presented in the graph below. The cone corresponds to a wide set of possible underlying macroeconomic conditions, with as many as 2000 shocks simulated on growth, interest rates and the primary balance. The size and correlation of the shocks reflect the variables' historical behaviour[6]. This implies that the methodology does not capture real-time uncertainty. The resulting fan charts in the graph below therefore provide probabilistic information on debt dynamics for the euro area, taking into account the possible occurrence of shocks to growth, interest rates and the primary balance of a magnitude and correlation mirroring those observed in the past.

The fan charts report the projected debt path under the central scenario (around which macroeconomic shocks are applied) as a dashed line, and the debt projection trajectory that divides into two halves the whole set of possible trajectories obtained by applying the shocks (the median) as a solid black line at the centre of the cone. The cone itself covers 80% of all possible debt paths obtained by simulating the 2000 shocks to growth, interest rates and the primary balance (as the lower and upper lines delimiting the cone represent respectively the 10th and the 90th percentiles of the distribution), thus excluding from the shaded area simulated debt paths (20% of the whole) that result from more extreme (less likely) shocks,

4 The methodology for stochastic public debt projections used here is presented in the European Commission's Fiscal Sustainability Report 2015, Section 1.3.2, and in Berti K. (2013), "*Stochastic public debt projections using the historical variance-covariance matrix approach for EU countries*", European Economy Economic Paper No. 480.

5 This entails that the EA structural primary balance is assumed to remain constant at the last forecast value – a 0.8% surplus in 2019 in the DBP scenario, against a 0.7% surplus in 2020 in the Commission scenario – over the rest of the projection horizon.

6 The assumption is made that shocks follow a joint normal distribution.

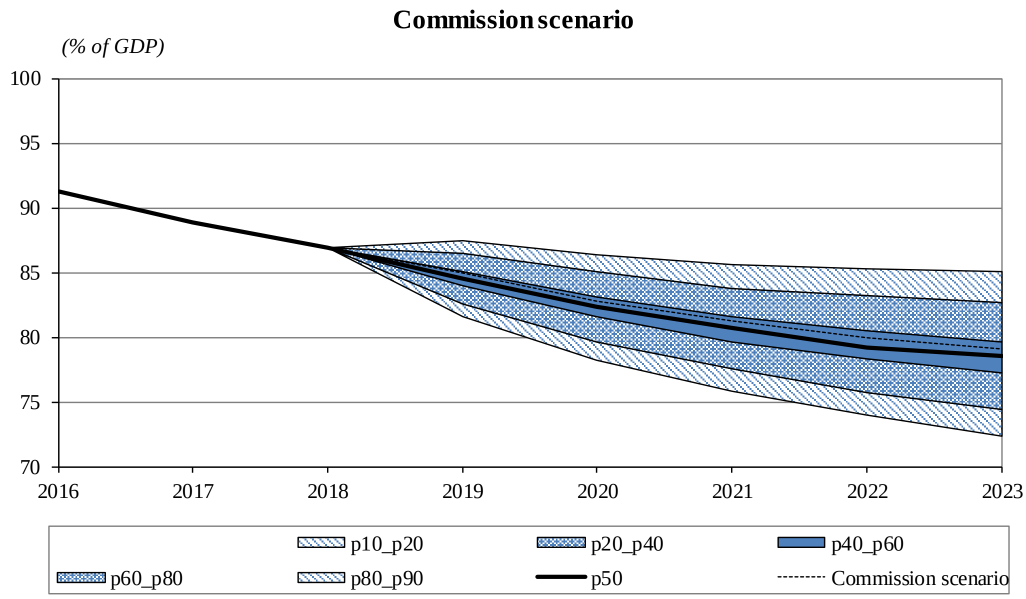
or 'tail events'. The differently shaded areas within the cone represent different portions of the overall distribution of possible debt paths. The dark blue area (delimited by the 40th and 60th percentiles) includes the 20% of all possible debt paths that are closer to the central scenario.

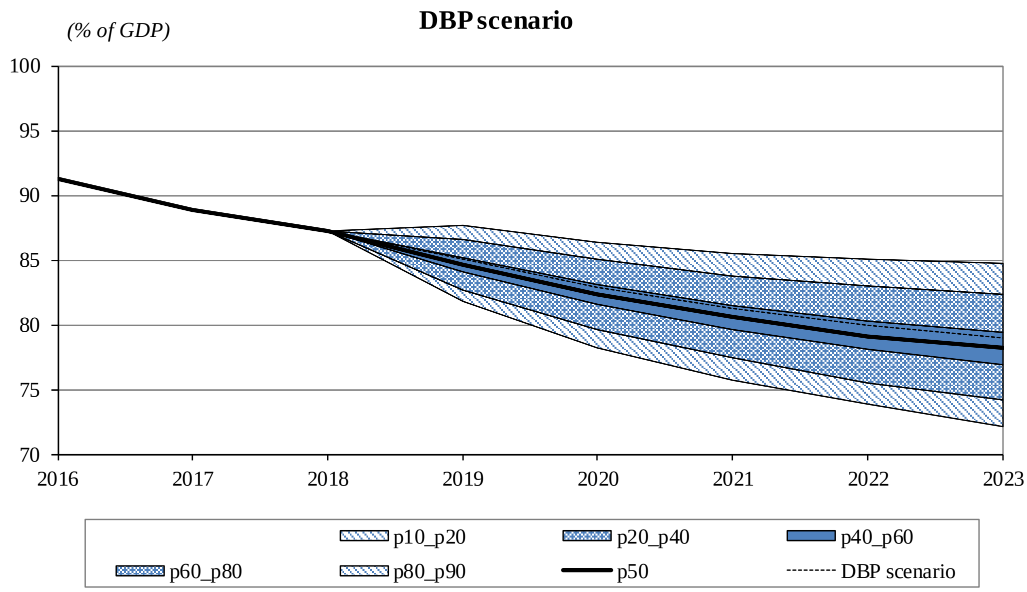
For both the Commission and the Draft Budgetary Plan forecast scenarios, accounting for both downside and upside risks to the government primary balance, growth and financial market conditions leads to a euro area debt in 2019 lying between around 82% and 88% of GDP with an 80% probability (as the cone represents 80% of all possible simulated debt paths). Lower and upper bounds of the debt ratio interval in 2019 would thus be fairly similar for the Commission scenario compared to the Draft Budgetary Plan scenario, due to a very small difference between the respective central forecasts to which shocks apply (a debt ratio at around 85% in the Commission scenario and the Draft Budgetary Plan scenario).

Beyond 2019, the horizon of the current Draft Budgetary Plans, simulation results show that the difference in projected debt ratios under shocks between the Commission and the Draft Budgetary Plan scenarios remains fairly limited. At the end of the projection horizon considered in the fan charts (2023), there would be a 50% probability of a debt ratio higher than around 78% and 79% of GDP in the Draft Budgetary Plan and Commission scenarios respectively. That small difference is mainly due to the structural primary balance kept constant at a slightly higher last forecasted surplus in the Draft Budgetary Plan scenario compared to the Commission scenario.

Note that since the size and correlation of the shocks reflect the variables' historical behaviour, the methodology does not capture real-time uncertainty, such as may exist in particular for assessing the output gap. Bearing in mind the past experience of significant revisions of output gap estimates, often in the direction of lower potential output than thought in real time, this uncertainty suggests an additional source of risks on future debt paths that is not reflected in the previous analysis.

Graph III.1: Fan charts from stochastic public debt projections around the Commission's forecast scenario and the Draft Budgetary Plans' (DBP) forecast scenario





ANNEX IV. Graphs and Tables [7]

Table IV.1: Real GDP growth (%) according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2018 autumn forecast (COM)

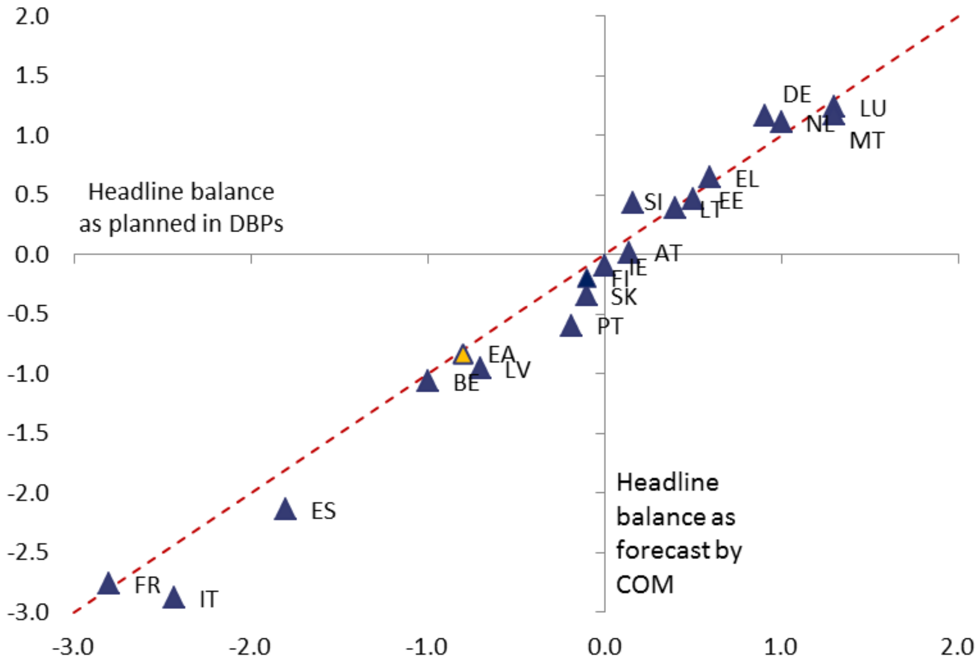
	2018			2019		
Country	SP	DBP	COM	SP	DBP	COM
BE	1.8	1.5	1.5	1.7	1.5	1.5
DE	2.4	1.8	1.7	1.9	1.8	1.8
EE	4.0	3.6	3.5	3.2	3.0	2.8
IE	5.6	7.5	7.8	4.0	4.2	4.5
EL	-	2.1	2.0	-	2.5	2.0
ES	2.7	2.6	2.6	2.4	2.3	2.2
FR	2.0	1.7	1.7	1.9	1.7	1.6
IT	1.5	1.2	1.1	1.4	1.5	1.2
CY	3.8	4.0	3.9	3.6	3.8	3.5
LV	4.0	4.2	4.1	3.4	3.0	3.2
LT	3.2	3.4	3.4	2.8	2.8	2.8
LU	4.6	3.9	3.1	4.6	4.0	3.0
MT	6.1	5.8	5.4	5.3	5.3	4.9
NL	3.2	2.8	2.8	2.7	2.6	2.4
AT	3.2	3.0	2.7	2.2	2.0	2.0
PT	2.3	2.3	2.2	2.3	2.2	1.8
SI	5.1	4.4	4.3	3.8	3.7	3.3
SK	4.2	4.1	4.0	4.5	4.5	4.1
FI	2.6	3.0	2.9	2.2	1.7	2.2
EA	**2.4**	**2.1**	**2.1**	**2.0**	**2.0**	**1.9**

[7] In the following graphs and tables, all euro-area aggregates based on the 2018 Stability Programmes exclude Greece, which did not submit a Stability Programme in 2018 as it was subject to an economic adjustment programme. Figures for Greece are included, however, in euro area aggregates based on the Draft Budgetary Plans. Given the relatively small size of the Greek economy, that factor has a limited impact on the comparability of euro-area aggregates.

Table IV.2: Headline balance targets (% of GDP) according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2018 autumn forecast (COM)

	2018			2019		
Country	**SP**	**DBP**	**COM**	**SP**	**DBP**	**COM**
BE	-1.0	-1.1	-1.0	-0.7	-1.0	-1.1
DE	1	1 1/2	1.6	1	1	1.2
EE	0.2	0.6	0.5	0.5	0.5	0.5
IE	-0.2	-0.1	-0.1	-0.1	0.0	-0.1
EL	-	0.4	0.6	-	0.6	0.6
ES	-2.2	-2.7	-2.7	-1.3	-1.8	-2.1
FR	-2.3	-2.6	-2.6	-2.4	-2.8	-2.8
IT	-1.6	-1.8	-1.9	-0.8	-2.4	-2.9
CY	1.7	2.9	2.8	1.7	3.1	3.0
LV	-0.9	-0.8	-0.8	-0.9	-0.7	-1.0
LT	0.6	0.6	0.6	0.6	0.4	0.4
LU	1.1	1.5	1.3	1.4	1.3	1.2
MT	1.1	1.1	1.3	0.9	1.3	1.2
NL	0.7	0.8	1.1	0.9	1.0	1.1
AT	-0.4	-0.3	-0.3	0.0	0.1	0.0
PT	-0.7	-0.7	-0.7	-0.2	-0.2	-0.6
SI	0.4	0.5	0.5	0.2	0.2	0.4
SK	-0.8	-0.6	-0.6	-0.3	-0.1	-0.3
FI	-0.6	-0.7	-0.8	-0.2	-0.1	-0.2
EA	**-0.7**	**-0.6**	**-0.6**	**-0.3**	**-0.8**	**-0.8**

Graph IV.1: Comparison of 2019 headline government balance (% of GDP): Commission 2018 autumn forecast (COM) versus the Draft Budgetary Plans (DBP)



Note: Cyprus, which is forecast to have a surplus of over 3% of GDP in 2019, is not shown in this graph in order to improve its readability.

Graph IV.2: Drivers of the difference in the headline government balance (% of GDP) in 2019 between the Commission 2018 autumn forecast and the Draft Budgetary Plans

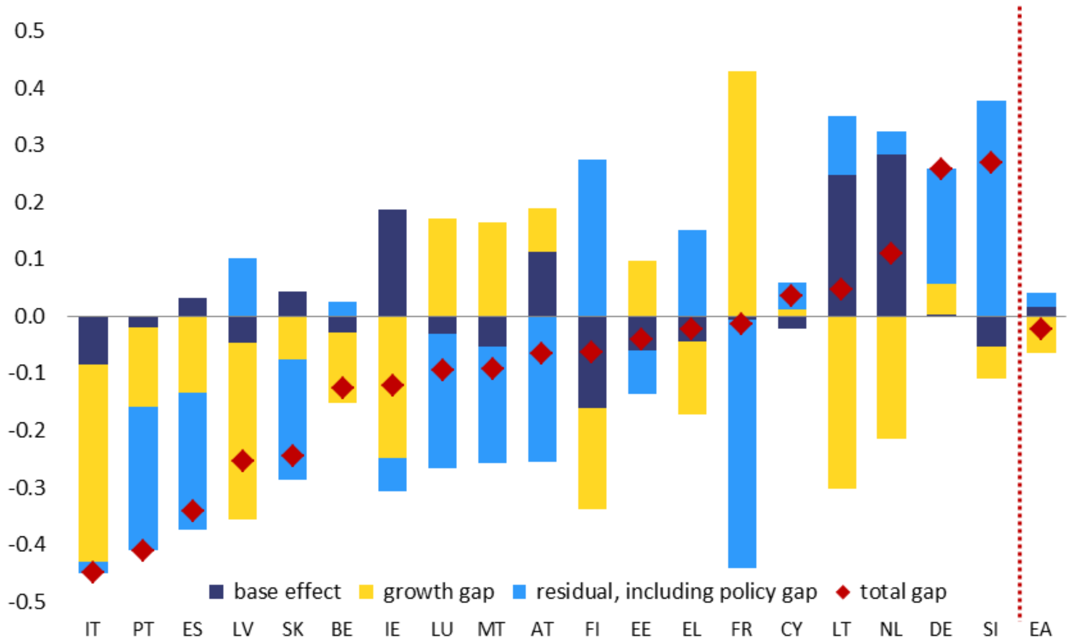


Table IV.3: Headline primary balance targets (% of GDP) according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2018 autumn forecast (COM)

	2018			2019		
Country	**SP**	**DBP**	**COM**	**SP**	**DBP**	**COM**
BE	0.3	1.1	1.4	0.8	1.1	1.2
DE	3	2 1/2	2.5	3 1/2	2	2.0
EE	0.5	0.6	0.6	1.0	0.5	0.5
IE	1.3	1.5	1.5	1.4	1.5	1.3
EL	-	3.9	3.9	-	4.0	4.1
ES	-2.1	-0.3	-0.3	-0.3	0.5	0.1
FR	-2.9	-0.8	-0.8	-3.0	-1.0	-0.9
IT	0.3	1.8	1.7	1.9	1.2	1.0
CY	6.2	5.4	5.5	6.4	5.6	5.5
LV	-1.0	0.0	-0.1	-0.9	0.1	-0.2
LT	2.1	1.5	1.5	2.1	1.3	1.2
LU	2.5	1.8	1.7	3.0	1.6	1.6
MT	3.8	2.7	2.9	3.3	2.8	2.6
NL	2.2	1.6	1.9	2.5	1.7	1.8
AT	0.8	1.3	1.3	1.5	1.6	1.5
PT	2.0	2.7	2.7	3.1	3.1	2.7
SI	2.7	2.5	2.4	2.0	1.8	2.1
SK	-0.3	0.7	0.7	0.6	1.1	0.8
FI	-0.2	0.2	0.1	0.5	0.7	0.6
EA	**0.4**	**1.2**	**1.2**	**1.1**	**1.0**	**1.0**

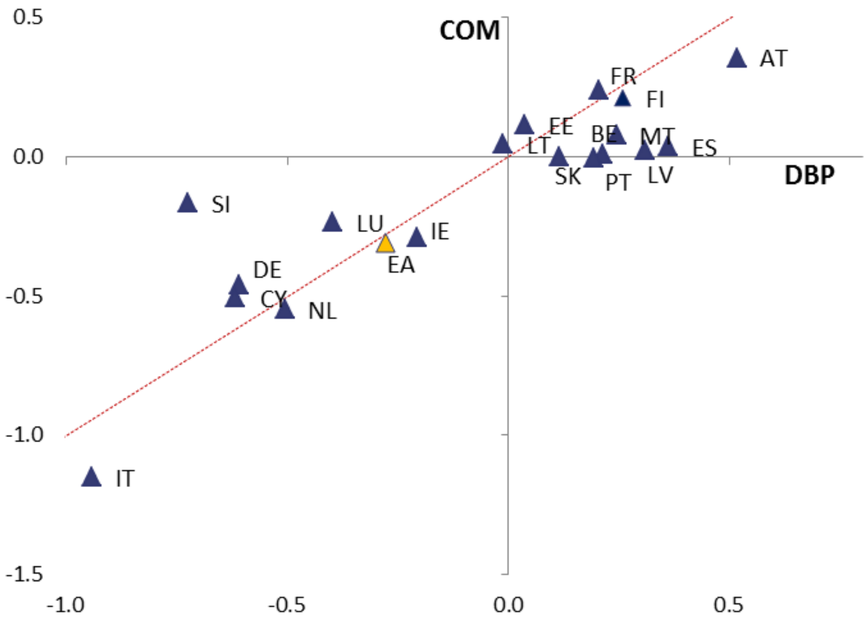
Table IV.4: Changes in structural balance (% of potential GDP) according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2018 autumn forecast (COM)

	2018			2019		
Country	**SP**	**DBP**	**COM**	**SP**	**DBP**	**COM**
BE	0.2	0.2	0.0	0.2	0.2	0.0
DE	-0.7	0.6	0.6	0.2	-0.6	-0.5
EE	0.3	0.9	0.8	0.4	0.0	0.1
IE	-0.5	0.0	0.0	0.2	-0.2	-0.3
EL	-	-0.9	-0.6	-	-1.8	-1.7
ES	0.4	-0.1	-0.2	0.4	0.4	0.0
FR	0.0	0.0	0.0	0.3	0.2	0.2
IT	0.1	0.2	0.0	0.7	-0.9	-1.2
CY	-1.0	0.1	0.2	-0.3	-0.6	-0.5
LV	-0.6	-0.6	-0.5	0.2	0.3	0.0
LT	0.4	0.1	0.1	0.2	0.0	0.0
LU	-1.0	-0.2	-0.3	-0.1	-0.4	-0.2
MT	-2.9	-2.6	-2.2	0.3	0.2	0.1
NL	-0.7	-0.7	-0.4	-0.2	-0.5	-0.5
AT	-0.3	0.0	0.0	0.3	0.5	0.4
PT	0.4	0.4	0.4	0.3	0.2	0.0
SI	-0.6	-0.3	-0.4	-0.4	-0.7	-0.2
SK	0.0	-0.1	0.0	0.3	0.1	0.0
FI	-0.4	-0.7	-0.6	0.0	0.3	0.2
EA	**-0.2**	**0.1**	**0.1**	**0.3**	**-0.3**	**-0.3**

Table IV.5: Changes in structural primary balance (% of potential GDP) according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2018 autumn forecast (COM)

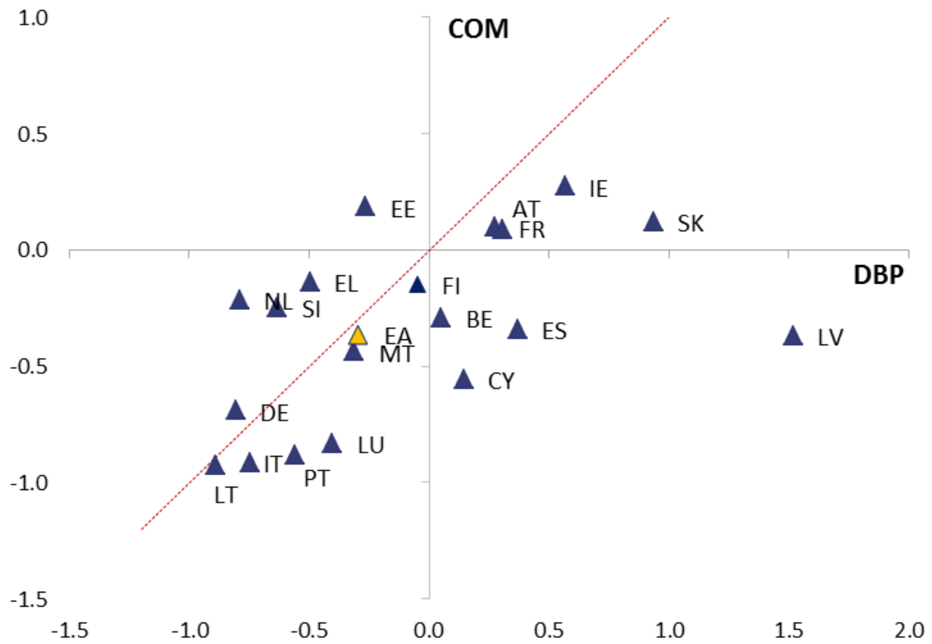
	2018			2019		
Country	**SP**	**DBP**	**COM**	**SP**	**DBP**	**COM**
BE	0.0	-0.1	-0.1	0.0	0.1	-0.1
DE	-0.6	0.5	0.5	0.1	-0.7	-0.5
EE	0.3	0.9	0.8	0.4	0.0	0.1
IE	-0.8	-0.3	-0.4	0.1	-0.3	-0.5
EL	-	-0.5	-0.5	-	-1.9	-1.5
ES	0.2	-0.2	-0.4	0.3	0.3	-0.1
FR	0.0	-0.1	-0.1	0.3	0.2	0.2
IT	-0.2	0.0	-0.1	0.7	-0.9	-1.0
CY	-1.3	0.1	0.3	-0.2	-0.6	-0.7
LV	-0.7	-0.7	-0.7	0.3	0.3	0.0
LT	0.1	-0.1	-0.1	0.2	0.0	0.0
LU	-1.1	-0.3	-0.3	-0.1	-0.4	-0.2
MT	-3.2	-2.8	-2.5	0.2	0.1	-0.1
NL	-0.9	-0.9	-0.6	-0.3	-0.6	-0.6
AT	-0.6	-0.2	-0.2	0.2	0.4	0.2
PT	0.0	0.0	0.0	0.1	0.0	-0.2
SI	-1.0	-0.8	-0.9	-0.7	-1.0	-0.5
SK	-0.1	-0.2	-0.1	0.2	0.0	-0.1
FI	-0.5	-0.8	-0.8	0.0	0.2	0.2
EA	**-0.3**	**0.0**	**0.0**	**0.2**	**-0.3**	**-0.3**

Graph IV.3: Change in the 2019 structural balance (% of potential GDP): Draft Budgetary Plans (DBP) versus Commission 2018 autumn forecast (COM)

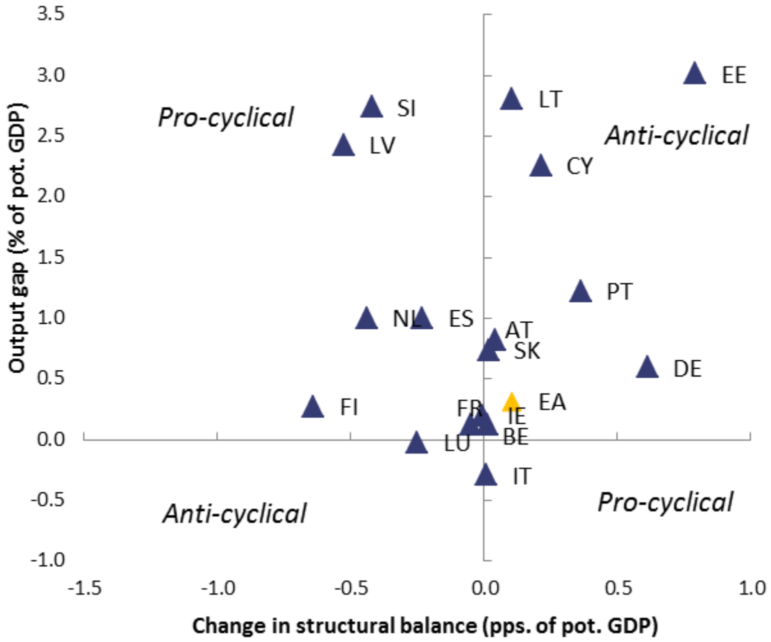


Note: Greece, which is forecast to have a change in its structural balance of around -1.7% of potential GDP in 2019, is not shown in this graph in order to improve its readability.

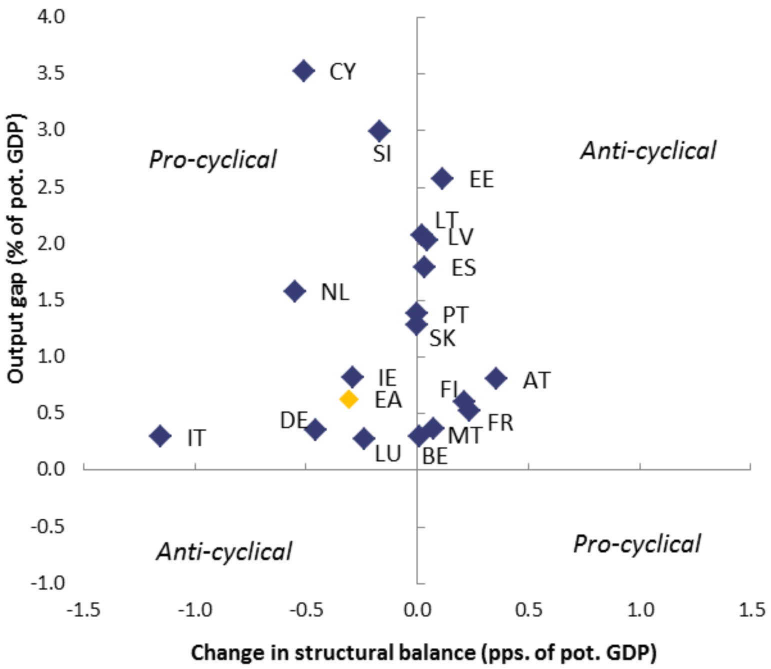
Graph IV.4: Discretionary Fiscal Effort in 2019 (% of potential GDP): Draft Budgetary Plans (DBP) versus Commission 2018 autumn forecast (COM)



Graph IV.5a: Change in the 2018 structural balance (% of potential GDP) versus output gap from Commission 2018 autumn forecast (COM)

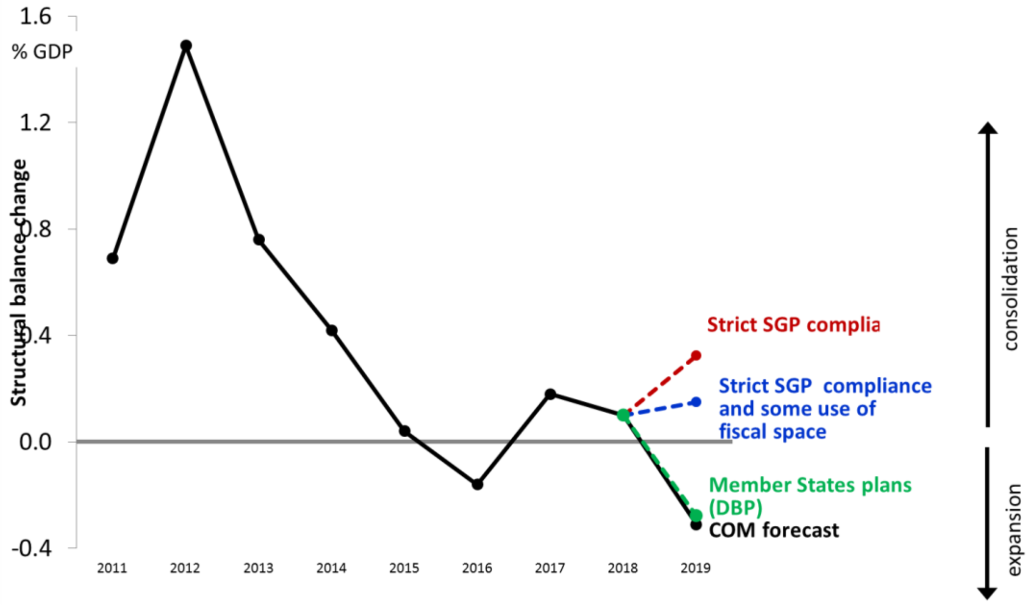


Graph IV.5b: Change in the 2019 structural balance (% of potential GDP) versus output gap from Commission 2018 autumn forecast (COM)

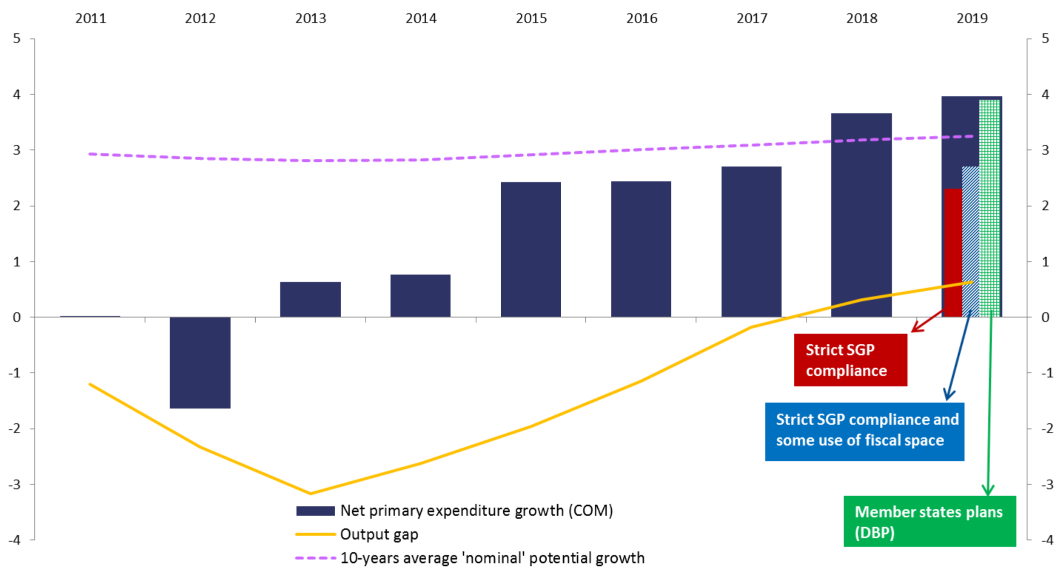


Note: In a context of positive output gaps, "pro-cyclical" and "anti-cyclical" refer in these graphs to whether the change in fiscal policy (compared to the previous year) represents a support to or a drag on the economy. Malta is not shown in Graph IV.5a and Greece is not shown in either graph in order to improve readability.

Graph IV.6a: Fiscal stance scenarios - Structural balance (Commission 2018 autumn forecast)



Graph IV.6b: Fiscal stance scenarios – Net Primary Expenditure growth (%) (Commission 2018 autumn forecast - COM)

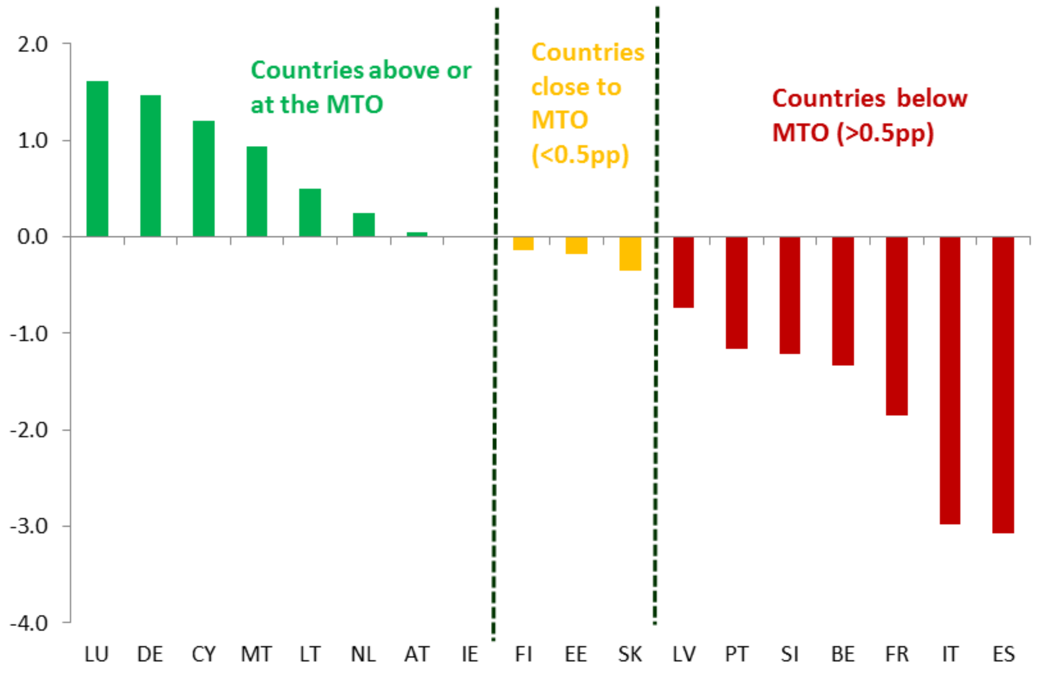


Note: The scenarios presented in these graphs relate to the aggregate euro-area fiscal stance, as measured by the change in the aggregate structural balance and the growth rate of net primary expenditure. The latter is calculated as total expenditure less interest, cyclical expenditure, discretionary revenue measures and oneoffs. The scenario "Strict SGP compliance" assumes that Member States that are still not at their medium-term objectives follow the full fiscal adjustment recommended in the 2018 Country-Specific Recommendations. The scenario "Strict SGP compliance and some use of fiscal space" assumes that Germany and the Netherlands use part of their fiscal scope in 2019 (an expansion of the structural balance by, respectively, 0.5% and 0.4% of GDP).

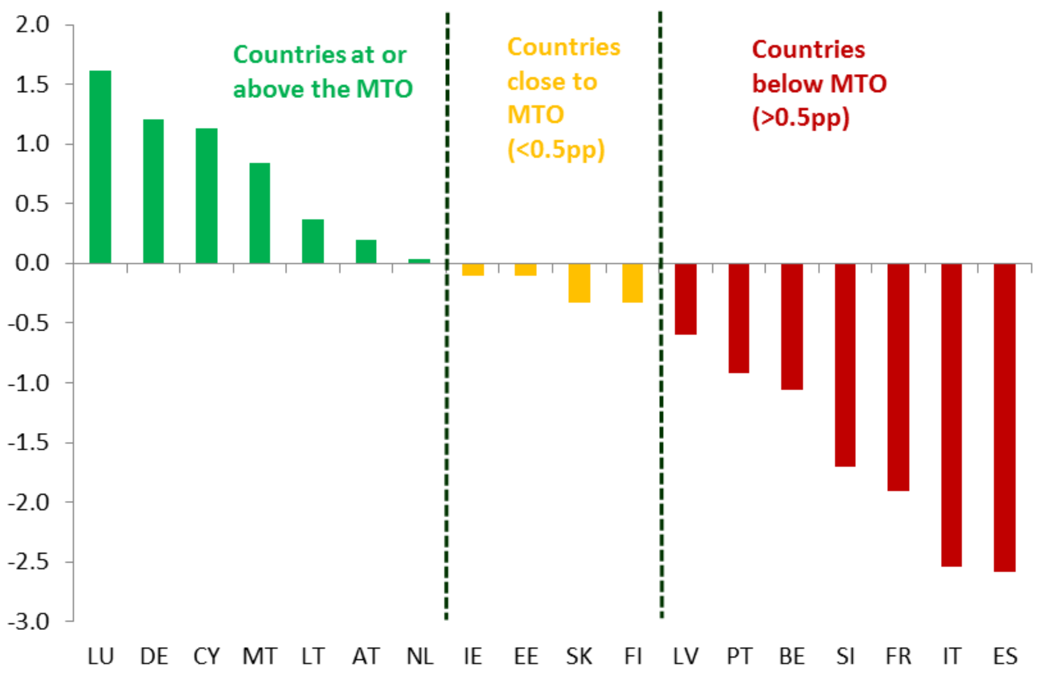
Table IV.6: Medium-Term Budgetary Objectives (MTOs), as set out in the 2018 Stability Programmes, and Minimum Benchmarks (MB) from 2018

	MTO	Minimum Benchmark	2019 Structural balance	
			DBP	COM
BE	0.0	-1.4	-1.1	-1.3
DE	-0.5	-1.3	0.7	1.0
EE	-0.5	-0.8	-0.6	-0.7
IE	-0.5	-1.0	-0.6	-0.5
EL	n.a.	-2.0	2.0	2.3
ES	0.0	-1.0	-2.6	-3.1
FR	-0.4	-1.0	-2.3	-2.3
IT	0.0	-0.8	-2.6	-3.0
CY	0.0	-0.8	1.1	1.2
LV	-1.0	-1.6	-1.6	-1.7
LT	-1.0	-1.3	-0.6	-0.5
LU	-0.5	-1.2	1.1	1.1
MT	0.0	-1.5	0.8	0.9
NL	-0.5	-0.8	-0.5	-0.3
AT	-0.5	-1.5	-0.3	-0.4
PT	0.3	-1.0	-0.7	-0.9
SI	0.3	-0.9	-1.5	-1.0
SK	-0.5	-1.5	-0.8	-0.8
FI	-0.5	-0.5	-0.8	-0.6

Graph IV.7a: Member States' positions vis-à-vis their MTOs in 2019, according to the Commission 2018 autumn forecast (% of potential GDP)[8]



Graph IV.7b: Member States' positions vis-à-vis their MTOs in 2019, according to the 2019 Draft Budgetary Plans (% of potential GDP)

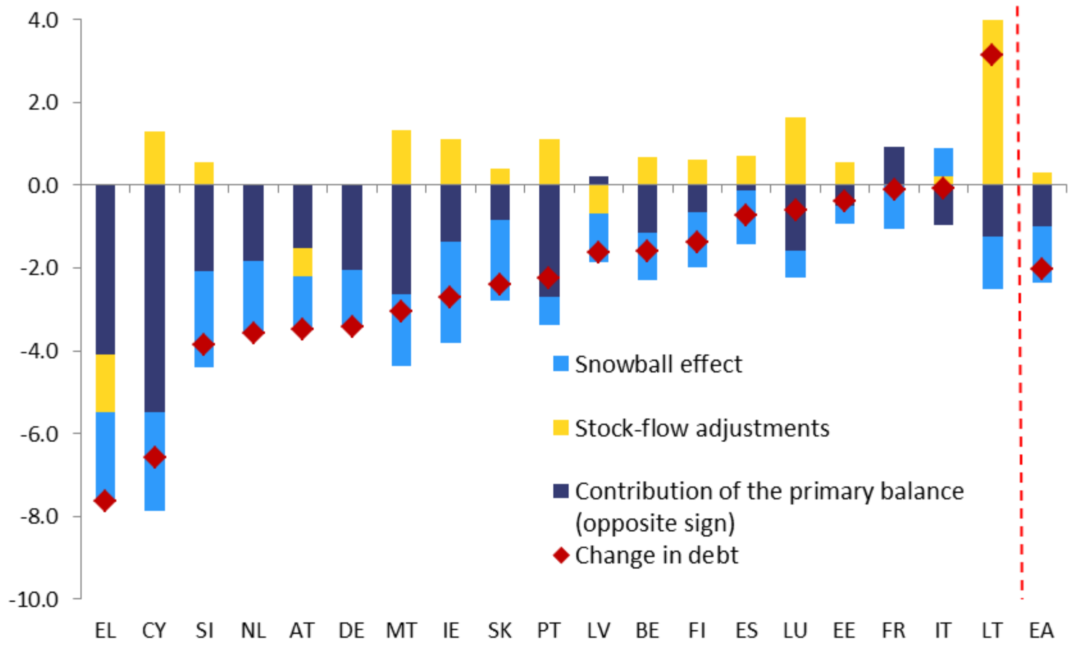


[8] These graphs present the differences between projected structural balances and MTOs for each Member State. They do not take account of applicable flexibility allowances.

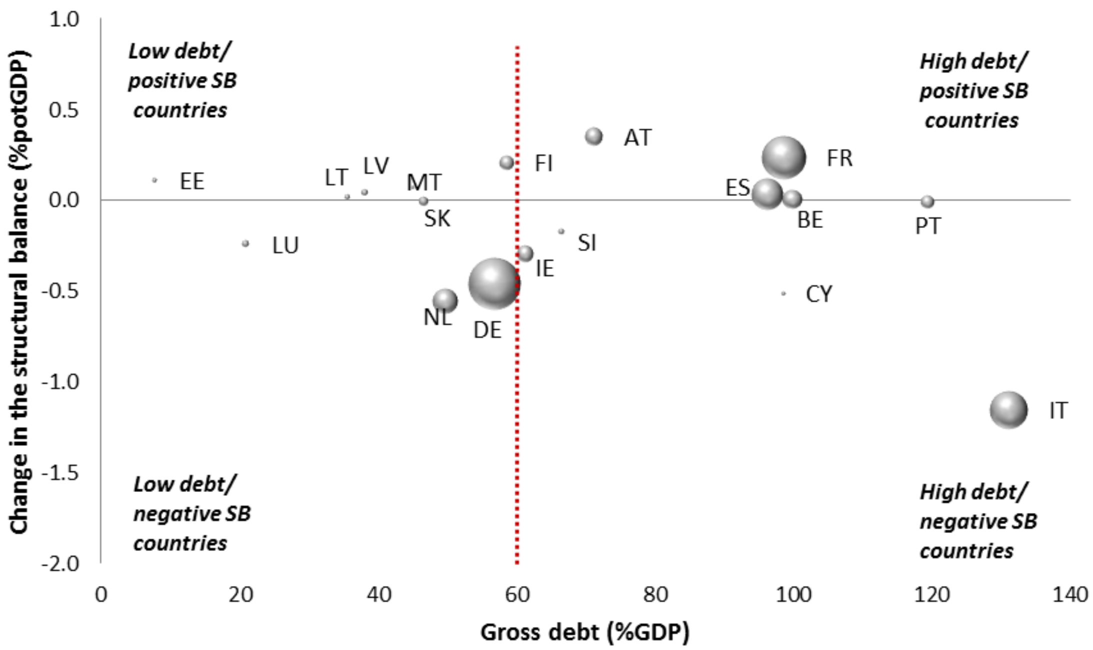
Table IV.7: Debt-to-GDP ratio (% of GDP) according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2018 autumn forecast (COM)

	2018			2019		
Country	**SP**	**DBP**	**COM**	**SP**	**DBP**	**COM**
BE	101.2	101.9	101.4	99.4	100.2	99.8
DE	61	61	60.1	58 1/4	58	56.7
EE	8.5	8.1	8.0	7.7	7.4	7.6
IE	66.0	64.0	63.9	63.5	61.4	61.1
EL	-	183.0	182.5	-	170.2	174.9
ES	97.0	97.0	96.9	95.2	95.5	96.2
FR	96.4	98.7	98.7	96.2	98.6	98.5
IT	130.8	130.9	131.1	128.0	129.2	131.0
CY	105.6	104.2	105.0	100.0	97.2	98.4
LV	38.4	37.5	37.1	37.4	38.5	35.5
LT	35.8	34.8	34.8	38.1	37.8	37.9
LU	22.7	21.8	21.4	22.1	22.8	20.8
MT	45.8	46.9	47.9	42.5	43.8	44.8
NL	52.1	53.1	53.2	48.4	49.6	49.6
AT	74.5	74.2	74.5	70.9	70.5	71.0
PT	122.2	121.2	121.5	118.4	118.5	119.2
SI	69.3	70.3	70.2	65.2	66.6	66.3
SK	49.3	48.7	48.8	46.5	47.3	46.4
FI	60.4	59.9	59.8	58.9	59.1	58.5
EA19	**85.3**	**87.3**	**86.9**	**83.0**	**85.1**	**84.9**

Graph IV.8: Drivers of the change gross debt between 2018 and 2019 (% of GDP), based on the Draft Budgetary Plans (DBPs)

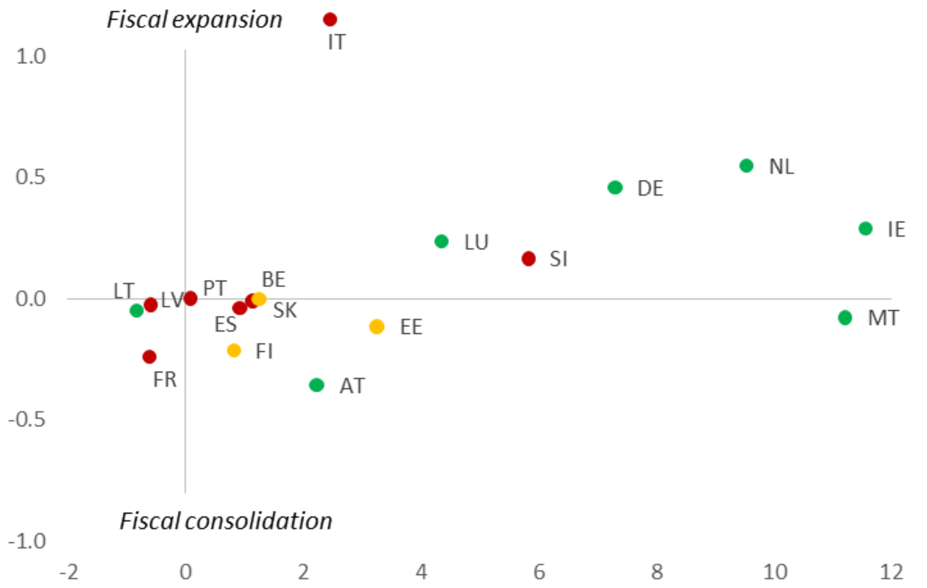


Graph IV.9: Gross debt (% GDP) versus the change in the structural balance (% of potential GDP) in 2019, according to the Commission 2018 autumn forecast



Note: the size of the bubbles reflects the nominal GDP of Member States.

Graph IV.10: Current account balance (% GDP) versus the change in the structural balance (% of potential GDP) in 2019

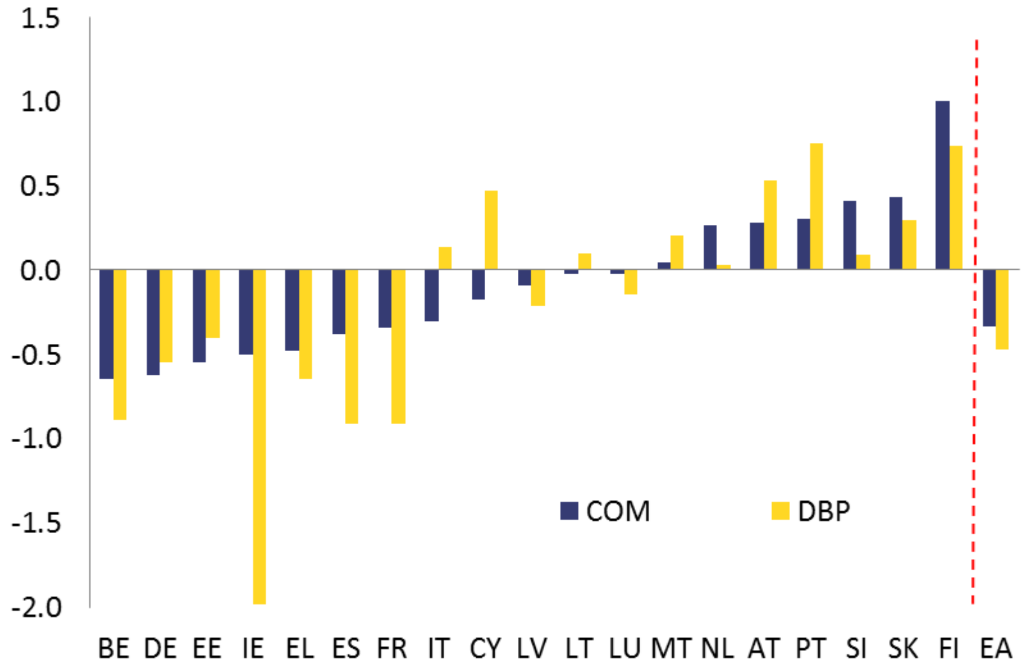


Note: Fiscal expansions (consolidations) are shown with a positive (negative) sign. The colours of the observations reflect the distance from the medium-term objective in 2019: red corresponds to countries that are more than 50bps below their medium-term objectives; yellow corresponds to those less than 50bps below their medium-term objectives; green coresponds to those above their medium-term objectives.

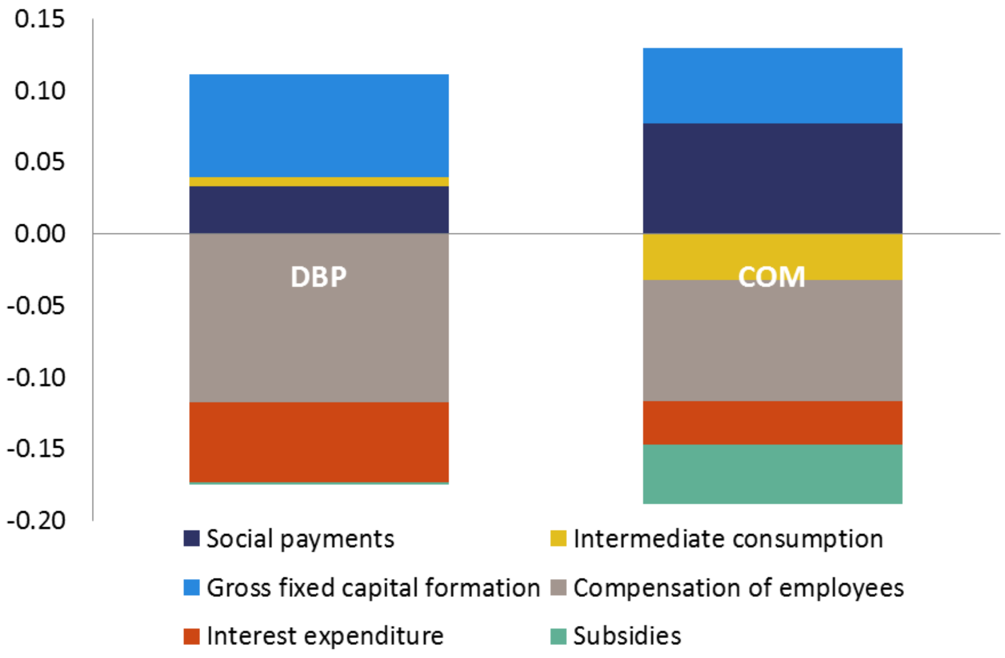
Table IV.8: Composition of fiscal consolidation in 2018 and 2019 according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2018 autumn forecast (COM)

% potential GDP unless otherwise specified	2018			2019		
	SP	DBP	COM	SP	DBP	COM
Cyclically-adjusted revenue ratio	46.0	46.2	46.0	45.7	45.8	45.7
p.p. change with respect to previous year	0.5	0.1	0.0	-0.3	-0.3	-0.4
Cyclically adjusted-primary expenditure ratio	45.1	45.1	45.0	44.6	45.2	45.0
p.p. change with respect to previous year	0.9	0.1	0.0	-0.5	0.1	0.1
Interest expenditure ratio (% of GDP)	1.8	1.8	1.9	1.8	1.8	1.8
p.p. change with respect to previous year	-0.1	-0.1	-0.1	-0.1	-0.1	0.0
Change in structural balance	-0.2	-0.1	0.1	0.3	-0.3	-0.3

Graph IV.11: Projected changes in cyclically-adjusted expenditure ratios in the 2019 Draft Budgetary Plans (DBPs) and the Commission 2018 autumn forecast (COM)

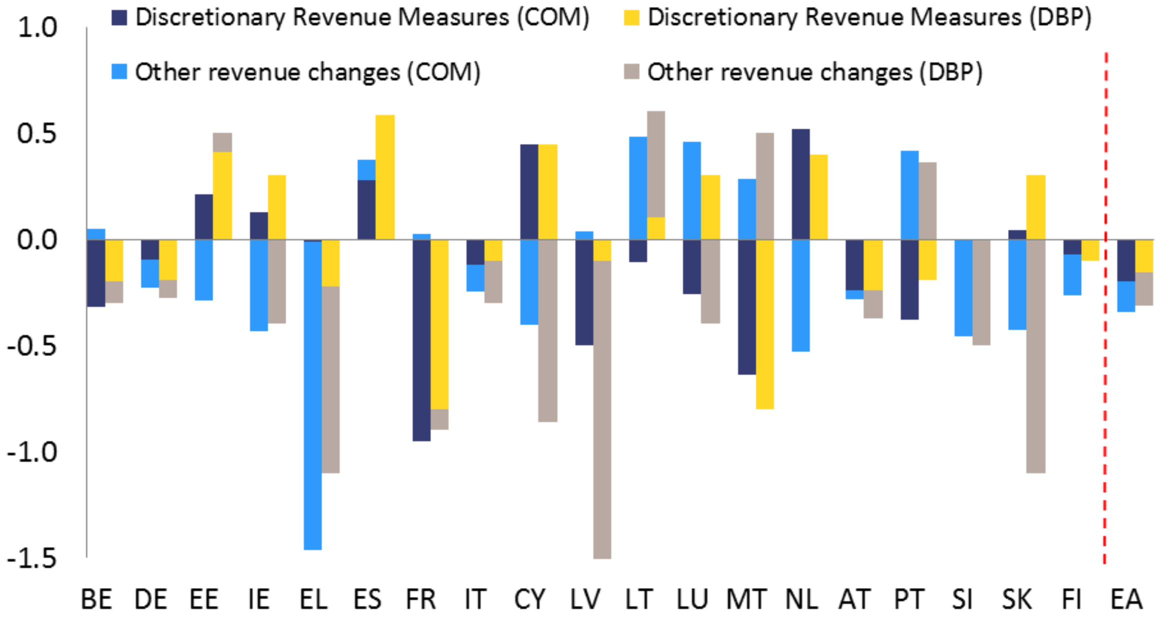


Graph IV.12: Projected changes in main types of expenditure (% of GDP) for 2019: Draft Budgetary Plans (DBP) versus Commission 2018 autumn forecast (COM)

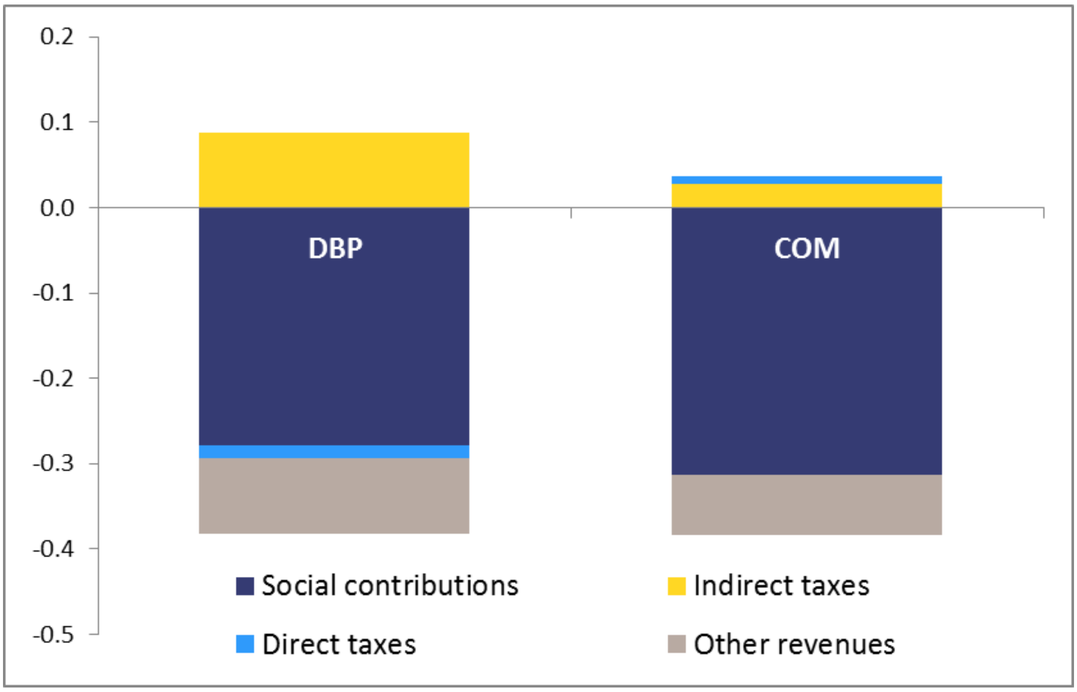


Note: The graph shows the contributions from the main components of expenditure to the projected changes in expenditure-to-GDP ratios.

Graph IV.13: Discretionary revenue measures and other changes in the revenue ratio in 2019: Draft Budgetary Plans (DBP) versus Commission 2018 autumn forecast (COM)



Graph IV.14: Projected changes in main types of tax revenue (% of GDP) for 2019: Draft Budgetary Plans (DBP) versus Commission 2018 autumn forecast (COM)



Note: The graph shows the contributions from the main components of revenue to the projected changes in revenue-to-GDP ratios.

Table IV.9: Short-term elasticities underlying revenue projections for 2019: Draft Budgetary Plans (DBP) versus Commission 2018 autumn forecast (COM) and OECD

	DBP	COM	OECD
BE	0.9	1.0	1.0
DE	0.9	0.9	1.0
EE	1.0	0.9	1.1
IE	0.7	0.7	1.1
EL	0.6	0.2	0.9
ES	1.0	1.1	1.0
FR	0.9	1.0	1.0
IT	0.8	0.9	1.1
CY	0.6	0.8	1.2
LV	0.3	1.0	0.9
LT	1.3	1.2	1.1
LU	0.8	1.2	1.0
MT	1.2	1.1	1.0
NL	1.1	0.7	1.1
AT	0.9	1.0	1.0
PT	1.1	1.3	1.0
SI	0.8	0.8	1.0
SK	0.6	0.8	1.0
FI	1.0	0.9	0.9
EA	**0.9**	**0.9**	**1.0**

Note: the comparison between the elasticities derived from the Draft Budgetary Plans and the Commission's forecast, on the one hand, and the OECD's elasticities, on the other, should be made with care. While the first two are net elasticities to GDP growth, the latter are, strictly speaking, computed with respect to the output gap. Differences are in general minor.

Table IV.10: Sustainability indicators based on the Commission 2018 autum forecast

	Overall SHORT-TERM risk category	Debt sustainability analysis - overall risk assessment	S1 indicator - overall risk assessment	Overall MEDIUM-TERM risk category
BE	LOW	HIGH	HIGH	HIGH
DE	LOW	LOW	LOW	LOW
EE	LOW	LOW	LOW	LOW
IE	LOW	LOW	LOW	LOW
EL	LOW	HIGH	HIGH	HIGH
ES	LOW	HIGH	HIGH	HIGH
FR	LOW	HIGH	HIGH	HIGH
IT	LOW	HIGH	HIGH	HIGH
CY	HIGH	MEDIUM	LOW	MEDIUM
LV	LOW	LOW	LOW	LOW
LT	LOW	LOW	LOW	LOW
LU	LOW	LOW	LOW	LOW
MT	LOW	LOW	LOW	LOW
NL	LOW	LOW	LOW	LOW
AT	LOW	LOW	LOW	LOW
PT	LOW	HIGH	HIGH	HIGH
SI	LOW	LOW	MEDIUM	MEDIUM
SK	LOW	LOW	LOW	LOW
FI	LOW	LOW	LOW	LOW

Note: based on the methodology used in the European Commission Fiscal Sustainability Report 2015 and the Debt Sustainability Monitor 2017. Those updated results, based on the European Commission 2018 autumn forecast, will be presented in the forthcoming Fiscal Sustainability Report 2018.