

Brussels, 5 October 2018

Dear Minister,

Thank you for your letter dated 4 October, notifying to the Commission the submission to the Italian Parliament of modified budgetary targets in the 2018 Update to the Economic and Financial Document (EFD) as foreseen by Italy's national legislation.

As you know, the recommendation addressed to Italy regarding the requirements under the Stability and Growth Pact, as for all Member States, was endorsed unanimously by the European Council of 28 June 2018 and adopted by the Council of Ministers of the EU of 13 July 2018, including Italy.

The Commission's assessment of Italy's compliance with the Council recommendation of 13 July 2018 will begin once the Draft Budgetary Plan (DBP) is submitted to the Commission, which must take place by 15 October. Any formal exchanges in the context of this procedure will take place after that date and within the deadlines set out in EU law.

While waiting for the Draft Budgetary Plan, we take note of the government's intention in the updated EFD to revise its fiscal targets for 2019-2021 (targeting headline deficits of, respectively, 2.4%, 2.1% and 1.8% of GDP) and to deviate from the previously announced convergence path towards Italy's Medium-Term Objective (MTO) of a balanced budget in structural terms.

*Mr Giovanni Tria  
Minister of Economy and Finance  
Via XX Settembre 97  
IT-00187 Rome  
ITALY*

*./..*

We further note that according to the government's own projections, the new targets would correspond to a structural deterioration of 0.8% of GDP in 2019 and a stable structural balance in 2020-2021. The above-mentioned Council recommendation calls on Italy to ensure that its nominal growth rate of net primary government expenditure should not exceed 0.1% in 2019, corresponding to an annual structural adjustment of 0.6% of GDP for 2019. Against this background, Italy's revised budgetary targets appear prima facie to point to a significant deviation from the fiscal path recommended by the Council. This is therefore a source of serious concern.

We call on the Italian authorities to ensure that the Draft Budgetary Plan will be in compliance with the common fiscal rules and look forward to seeing the details of the measures it may contain. In the meantime, as in past years and months, we remain available for constructive dialogue.

Yours sincerely,



Valdis Dombrovskis



Pierre Moscovici