EUROPEAN
COMMISSION

Brussels, 2.3.2022
COM(2022) 85 final

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

Fiscal policy guidance for 2023

EN EN

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

Fiscal policy guidance for 2023

1. Introduction

The invasion of Ukraine by Russia undermined European and global security and stability. The latest events are a watershed moment for Europe, fundamentally putting into question our peace order. The EU stands together with Ukraine in solidarity politically and economically. In response to the unprovoked and unjustified military actions by Russia, the EU has approved a package of massive and targeted sanctions that will have maximum impact on the Russian economy and the political elite. At the same time, the EU is faced with some immediate challenges, notably on refugee flows, security and possible countermeasures by Russia. This crisis risks to impact growth negatively, including through the repercussions on financial markets, further energy price pressures, persistent supply chain bottlenecks and confidence effects.

Exceptional uncertainty and risks call for strong coordination of economic and fiscal policies to transition out of the COVID-19 crisis. A bold, coordinated fiscal policy response to the pandemic, unprecedented support from new EU instruments and the accommodative monetary policy have helped the EU economy weather the crisis and are underpinning the recovery. In the third quarter of 2021, the EU was back to its pre-crisis level of GDP; output was expected by the Commission 2022 winter forecast to surpass pre-pandemic levels in all Member States by end-2022. Moving forward, fiscal policy should continue to be closely coordinated to ensure fiscal sustainability and, together with broader economic policies, help to sustain the recovery and shift the European economy to a path of stronger and sustainable growth notwithstanding the deteriorated global environment.

Fiscal policies need to stand ready to react to the rapidly changing circumstances. The policy environment is evolving. Pandemic-related temporary emergency measures are set to be mostly phased out in 2022, consistent with the progressive normalisation of the public health situations. ([1]) The near-term inflation outlook points to a gradual normalisation of monetary policy. However, the invasion of Ukraine is expected to have a negative impact on the outlook, which has become more uncertain with risks tilted to the downside. The so-called "general escape clause" of the Stability and Growth Pact (SGP) ([2]) will continue to apply in 2022. This will allow fiscal policy to adjust to the evolving situation to address the immediate challenges posed by this crisis. On the basis of the Commission 2022 winter forecast, the general escape clause is expected to be deactivated as of 2023. ([3]) This will be

(1) European Commission (2021) '2022 Draft Budgetary Plans: Overall Assessment,' COM(2021) 900 final of 24 November 2021.

(2) Specific provisions in the EU fiscal rules allow for a coordinated and orderly temporary deviation from the normal requirements for all Member States in a situation of generalised crisis caused by a severe economic downturn of the euro area or the EU as a whole (see art. 5(1), 6(3), 9(1) and 10(3) of Regulation (EC) 1466/97 and art. 3(5) and 5(2) of Regulation (EC) 1467/97).

(3) The general escape clause was activated by the endorsement of the European Commission's Communication to the Council on the activation of the general escape clause of the Stability and Growth Pact, COM(2020) 123 final of 23

reassessed on the basis of the Commission 2022 spring forecast in view of the high uncertainty. Finally, the debate on the economic governance framework was relaunched in October 2021 with a view to building a broad-based consensus on the way forward well in time for 2023. ([4])

This Communication provides Member States with guidance on the conduct and coordination of fiscal policy, contingent on the evolving economic outlook. The guidance takes into account the positive experience with the similar guidance provided in March 2021, which contributed to the continuous discussion in the Council, the Eurogroup and with other EU and international stakeholders on the appropriate fiscal policy response and its adaptation. The principles reflect the Commission 2022 winter forecast and should guide Member States' forthcoming Stability and Convergence programmes. The guidance will be adjusted to economic developments as needed and at the latest in the Commission's European Semester spring package in late May 2022.

The remainder of the Communication consists of four sections. Section 2 sketches the economic outlook for 2022 and 2023. Section 3 sets out five principles, and draws implications, based on the Commission 2022 winter forecast, for the fiscal recommendations to be proposed to Member States in May 2022 for their budgetary plans in 2023. Section 4 summarises the state of play on the economic governance review. Section 5 outlines the next steps.

2. Economic situation and outlook

The EU economy has entered the third year of the COVID-19 pandemic having closed the gap with its pre-pandemic output levels. The EU economy rebounded strongly in 2021 and unemployment reached a record low, but the pace of expansion weakened towards the end of the year. The emergence of the Omicron variant led to reintroduction of mobility restrictions, renewed stress on healthcare systems, and labour shortages due to sickness, quarantine and care duties. Prolonged supply disruptions coupled with strong demand pushed up commodity and energy prices. These adverse developments dented the growth momentum in the EU, with real GDP growth slowing in the last quarter of 2021.

The Commission 2022 winter forecast projected the robust economic expansion of the European economy to continue, albeit on a weaker footing going into 2022 and 2023. After a soft patch, the economic expansion was set to regain pace in the second quarter of 2022 and remain robust over the forecast horizon. Fundamentals underpinning the expansion continued to be strong. An improving labour market, high household savings, still favourable financing conditions, and the deployment of the Recovery and Resilience Facility (RRF) funds were all set to sustain a prolonged and robust expansionary phase. According to the winter forecast, EU real GDP growth was expected to reach 4.0% in 2022, 1.3 pp. lower than

---

March 2020. The decision on its deactivation is based on an overall assessment of the state of the economy, with the level of economic activity in the EU or euro area compared to pre-crisis levels (end-2019) as the key quantitative criterion. European Commission (2021) 'One year since the outbreak of COVID-19: fiscal policy response', COM(2021)105 final of 3 March 2021, pp. 7-8 and p. 14.

(4) European Commission (2021) 'The EU economy after COVID-19: implications for economic governance,' COM(2021) 662 final of 19 October 2021.

in 2021 but still well above the long-term average. The winter forecast ([5]) projected the 'return to normalcy' to continue in 2023, when growth was expected to moderate to 2.8%.

The winter forecast did not factor in the invasion of Ukraine and the ensuing geopolitical tensions. This impacts negatively the growth outlook and tilts the risks further to the downside. For example, inflation may turn out higher than expected as a result of cost pressures stemming from supply-side bottlenecks. Higher energy prices being passed on from producer to consumer prices to a larger extent, may weigh on aggregate demand. Global supply bottlenecks are likely to persist well into 2022. In addition, higher than expected second-round effects from potentially above-productivity wage increases may keep inflation high over a longer period. On the upside, investments fostered by the RRF and the Multiannual Financial Framework (MFF) funds, including EU Cohesion policy funds, could generate a stronger impulse to activity.

3. Main principles and implications for fiscal guidance

This section sets out the key principles that will guide the Commission's assessment of Member States' Stability and Convergence programmes. Implications for fiscal recommendations to be proposed to Member States in May 2022 for their budgetary plans for 2023 are based on the winter forecast. The Commission will closely monitor the situation and adjust its policy guidance as needed.

Fiscal recommendations for 2023 will be formulated in qualitative terms with a quantitative underpinning. Given the specific economic conditions and the ensuing difficulties in estimating output gaps as well as structural balances, the Commission will propose, in spring, as last year, country-specific fiscal policy guidance building on the approach taken for the fiscal recommendation for 2022, on limiting the growth of current expenditure and looking at the quality and composition of public finances. This will be the basis for the Commission's monitoring of the fiscal outcomes against the recommendations. The euro area Member States' budgets for 2023 will be assessed in the autumn in the Commission Opinions on the Draft Budgetary Plans.

Principle #1: Ensure policy coordination and a consistent policy mix

Fiscal policy coordination remains key. The coordinated fiscal response of Member States to the COVID-19 severe economic downturn, facilitated by the activation of the general escape clause and flanked by EU-level actions, has been highly successful in mitigating its economic impact. A continued strong coordination of fiscal policies is needed to ensure smooth transition towards a new and sustainable growth path and fiscal sustainability.

The appropriate fiscal stance for the euro area should result from a proper balance between sustainability and stabilisation considerations. It is essential to achieve such articulation at the country level and taking into consideration the euro area/EU dimension. While the economy still benefits from solid fundamentals and support by the EU funds, notably the RRF, the gradual phasing out of the measures taken to support the economy

(5) The Commission 2022 winter forecast was released on 10 February with a cut-off date of 1 February 2022.

during the pandemic will remove an important tailwind in 2023 on aggregate. The timing and pace of fiscal policy normalisation should also give consideration to interactions with monetary and financial sector policies and the fiscal impulse coming from the RRF ([6]).

Based on the winter forecast, the Commission is of the view that transitioning from an aggregate supportive fiscal stance in 2020-2022 to a broadly neutral aggregate fiscal stance appears appropriate in 2023, while standing ready to react to the evolving economic situation.

Principle #2: Ensure debt sustainability through a gradual and high-quality fiscal adjustment and economic growth

Public debt ratios are high and have increased as a result of the pandemic. The necessary fiscal response to the COVID-19 pandemic and the contraction in output have resulted in a significant increase in government debt ratios, in particular in some high-debt Member States, though without rising debt servicing costs. The EU aggregate public debt ratio peaked at about 92% of GDP in 2021 and is expected to fall only slightly to 89% of GDP in 2023. At the same time, divergence between Member States remains high. Public debt ratios are expected to remain above 100% of GDP in six Member States in 2023 while staying below 60% of GDP in about half of Member States.

Under unchanged policies, the EU public debt ratio would broadly stabilise over the next ten years but remain on an increasing path in several high-debt Member States. Several factors will shape debt dynamics. On the one hand, risks associated with higher public debt are compounded by other challenges, including the projected costs of ageing and the contingent liabilities (in the form of guarantees) granted during the COVID-19 crisis. On the other hand, debt dynamics in 2021 have generally been better than expected. Low financing costs and favourable growth prospects, thanks partly to the expected positive impact of investments and reforms on potential growth in the medium term, are mitigating factors. The magnitude of this impact depends on the evolution of growth-interest rate differentials, which remain uncertain.

Multi-year fiscal adjustment combined with investment and reforms to sustain growth potential is needed to curb debt dynamics. Ensuring sustainable public finances through a gradual reduction of high public debt is important. Some Member States risk emerging from the crisis with higher spending ratios and lower revenue ratios (as a share of GDP). Failing to reduce debt in the medium term in high-debt countries would weigh on growth prospects and deepen cross-country divergences. By exposing the public accounts to unfavourable development in financial markets, it could be detrimental to the overall resilience of the economies. The sensitivity of debt dynamics to the evolution in financing conditions is relevant to determine the necessary degree and pace of adjustment. Successful debt reduction strategies should focus on fiscal consolidation, the quality and composition of public finances and promoting growth. A too abrupt consolidation would undermine the ongoing recovery,

(6) While RRF grants will continue to support the economy each year, the annual fiscal impulse provided by the RRF is measuring the difference in RRF grants absorbed from one year to the next.

with negative effects on potential growth, market sentiment and financing costs, ultimately being self-defeating for debt sustainability.

Based on the winter forecast, the Commission is of the view that starting a gradual fiscal adjustment to reduce high public debt as of 2023 is advisable, while a too abrupt consolidation could negatively impact growth and, thereby, debt sustainability.

Principle #3: Foster investment and promote sustainable growth

Shifting the European economies onto a higher sustainable growth path and tackling the challenges of the twin transitions should be top of the agenda in all Member States. ([7]) Estimates by the European Commission and other organisations point to large investment needs to meet the EU climate and digital objectives. Delivering on the Green Deal objectives requires additional public and private investment of €520 billion a year in 2021-2030. The investment gap to deliver on a digital transformation in the EU is estimated to be about €125 billion per year during the next decade. Most of those investment will need to be mobilised by the private sector. However, the public sector also needs to play its part to provide complementary funding to support policies, de-risk innovative projects, guide and crowd in private investment and overcome market failure. The Communication on a future-proof European growth model underlines the importance of a coordinated action by all relevant actors, including the EU, Member States and the private sector in activating all available policy levers. ([8]) Ensuring the coherence between investment and reform policies in Member States and between national and EU objectives is key.

The RRF and the MFF funds will support public investment and reforms in the coming years. The RRF—the centrepiece of the NextGenerationEU—is providing EUR 338 billion in non-repayable support ("grants") and up to EUR 386 billion in loans (both amounts in current prices) up to 2026. RRF financing will help build resilience; make progress towards our environmental and digital goals; and strengthen cohesion, productivity and competitiveness. So far, 22 EU countries have received the green light for their Recovery and Resilience Plans and pre-financing payments were made for the 21 among them who so requested. The disbursement of RRF grants is planned to be frontloaded, with about two-thirds of grants paid out by the end of 2023. ([9]) The expenditure financed by RRF grants will make it possible to fund high-quality investment projects and cover costs of productivity-enhancing reforms without giving rise to higher deficits and debt. Swift implementation of the RRPs will thus promote a sustained and sustainable recovery, foster higher potential growth and support a gradual improvement of fiscal positions, including in Member States

(7) The EU's current economic and employment policy priorities are structured around four dimensions: environmental sustainability, productivity, fairness, macroeconomic stability. See European Commission (2021) 'Annual Sustainable Growth Survey 2022,' COM(2021) 740 final of 21 November 2021.

(8) European Commission (2022) 'The future-proof European growth model: towards the green, digital and resilient economy.'

(9) To date, the 22 RRPs approved by the Council amount to EUR 291 billion in non-repayable financing and EUR 154 billion in loans. Six Member States have an adopted plan including a loan (Cyprus, Greece, Italy, Portugal, Romania and Slovenia). As foreseen in Article 18 of the RRF Regulation ((EU) 2021/241), the calculation of the maximum financial contribution of RRF non-repayable support will be updated by 30 June 2022. See European Commission (2022), 'Annual report on the Recovery and Resilience Facility.'

with the highest public debt ratios. The approval of the new generation of EU Cohesion policy funds will further enhance investment, fostering the twin transition and the resilience across the territory of the Union.

All Member States should protect overall investment and, where justified, expand nationally financed investment, in particular for the green, digital and resilient transition. Emphasis should be put on a high quality of investment, in line with investment financed from the RRF. Fiscal policies should be reoriented to support the twin transition in order to achieve sustained and sustainable growth. Where necessary, for example in response to declining RRF contributions, Member States should expand nationally-financed investment, in particular for the twin transitions. The fiscal adjustment by high-debt Member States should not weigh on investment and rather be delivered through limiting the growth of nationally-financed current expenditure.

In the view of the Commission, nationally financed high quality public investment should be promoted and protected in medium-term fiscal plans since promoting a resilient economy and tackling the challenges of the twin transition are common key policy objectives for 2023 and beyond.

Principle #4: Promote fiscal strategies consistent with a medium-term approach to fiscal adjustment, taking account of the RRF

Fiscal adjustment in high-debt Member States should be gradual, not lead to an overly restrictive fiscal stance, and be underpinned by investment and reforms that relaunch growth potential, facilitating the attainment of credible downward debt trajectories. Gradual and persistent fiscal adjustment efforts should go hand-in-hand with an improved composition of public finances to achieve medium-term debt reduction. The medium-term plans need to be consistent with Member States' debt sustainability analysis. ([10]) The plans should be underpinned with concrete references to their planned investments and reforms, and should account for the expected timeline of disbursement of EU funds (including RRF grants). For the period beyond 2023, these medium-term plans should focus on pursuing fiscal consolidation to achieve medium-term prudent fiscal positions in a gradual, sustained and growth-friendly manner. The plans should specify in detail the underlying measures and the accompanying reforms and investments.

The path of fiscal policy adjustment should account for the effects of the RRF support on economic activity. The RRF grants will continue to provide significant fiscal support to growth in aggregate demand until the peak of the payment profile of each Member State's plans, which will be subsequently reduced. Medium term fiscal plans should account for this.

Consolidation should not be unduly delayed. When a fiscal adjustment is needed, delaying it to later years increases implementation risks and often leads to difficulties in achieving medium-term budgetary targets set out in Member States' Stability and Convergence programmes. In addition, implementing a back-loaded fiscal strategy is also associated with

([10]) Code of Conduct of the Stability and Growth Pact (2017) http://data.consilium.europa.eu/doc/document/ST-9344-2017-INIT/en/pdf governments using positive growth surprises and budgetary windfalls for higher current expenditure or tax cuts, rather than accelerated debt reduction. It often entails that buffers are not rebuilt when economic conditions allow to do so.

In the view of the Commission, Stability and Convergence programmes should demonstrate how Member States' medium-term fiscal plans ensure a gradual downward path of public debt to prudent levels and sustainable growth through gradual consolidation, investment and reforms.

Principle #5: Differentiate fiscal strategies and take into account the euro area dimension

As of 2023, starting a gradual fiscal adjustment in high-debt Member States is necessary to stabilise and then reduce debt ratios. When economic conditions allow, it remains important to rebuild fiscal buffers and resume a path of reduction in public debt-to-GDP ratios with a view to enhancing resilience against future shocks, retaining favourable financing conditions and ensuring the smooth functioning of the euro area in view of potential spillovers. Based on the Commission 2022 winter forecast, for high-debt Member States, a gradual improvement of their underlying fiscal positions appears appropriate as of 2023. To achieve this, nationally-financed current expenditure (net of discretionary revenue measures) should grow more slowly than medium-term potential output (as measured by the expenditure benchmark). High-debt Member States should continue to promote investment needed for the twin transition and implement the fiscal adjustment on nationally-financed current expenditure. This strategy should be supported by a timely implementation of the RRPs. Any windfall revenues, including from upside growth surprises, should be used for debt reduction.

Low/medium debt Member States should prioritise investment for the twin transition. Member States with low/medium debt are generally characterised by sound budgetary positions. ([11]) Expanding public investment for the twin transitions should be prioritised, where necessary (for example, in response to declining RRF contributions) by nationally-financed investment growing faster than medium-term potential output. The development in current expenditure should be in line with preserving an overall neutral policy stance, hence not delivering a fiscal adjustment in 2023, unless signs of excess demand would call for agile fiscal policies to control its growth, or conversely, a deteriorated economic outlook would necessitate additional spending. This will contribute to preserving an appropriate policy stance for the euro area as whole, as spillovers from a premature fiscal retrenchment in low/medium debt Member States could unduly reduce aggregate demand in the euro area and make it more difficult for high-debt Member States to implement fiscal adjustment.

In the view of the Commission, fiscal recommendations should continue to be differentiated across Member States and take into account possible cross-country spillovers. National fiscal adjustment – where needed – should be delivered in a way that improves the composition of expenditure, protecting overall investment.

([11]) Even a very modest path of adjustment would rapidly lead to budget surpluses in some of these Member States according to Commission's simulations.

Implications for excessive deficit procedure (EDP)

The Commission will not propose to open new EDPs in spring 2022. The COVID-19 pandemic continues to have an extraordinary macroeconomic and fiscal impact that, together with the current geopolitical situation, create exceptional uncertainty, including for designing a detailed path for fiscal policy. On these grounds, the Commission considers that a decision on whether to place Member States under the EDP should not be taken in spring 2022.

The Commission will re-assess the relevance of proposing to open EDPs in autumn 2022. Member States with a planned breach of the deficit threshold in 2023 and beyond should outline their planned policy measures to bring the deficit below the reference value, so that this will be taken into account as part of the assessment of relevant factors as appropriate. ([12]) As regards Member States with a debt ratio above the 60% of GDP reference value, the Commission will consider, within its assessment of all relevant factors, that compliance with the debt reduction benchmark would imply a too demanding frontloaded fiscal effort that risks to jeopardise growth. Therefore, in the view of the Commission, compliance with the debt reduction benchmark is not warranted under the current exceptional economic conditions. At the same time, the monitoring of debt and deficit developments will continue and the Commission will re-assess the relevance of proposing to open EDPs in autumn 2022.

4. The state of play on the economic governance review

In October 2021, the Commission relaunched the public debate on the review of the EU's economic governance framework, inviting the other institutions and all key stakeholders to engage. The debate is ongoing, drawing on both the Commission's view of the effectiveness of the economic surveillance framework presented in February 2020 and the lessons learnt from the COVID-19 crisis. The public debate about the EU fiscal framework focuses on the challenge of a gradual, sustained and growth-friendly reduction to prudent debt levels; the need to sustain public investment at high levels for years to come, including those for the twin transition and to enhance resilience; the importance of a good composition and quality of public finances, the need for counter-cyclical fiscal policy and for creating fiscal room for stabilisation; the importance of strong policy coordination between different policy tools and between the EU and national levels; and the need to simplify the EU framework and to ensure effective enforcement of the EU fiscal framework. The debate is taking place through various fora, including dedicated meetings, workshops and an online survey. This inclusive discussion involves citizens and a wide range of stakeholders, in particular social partners, academia, other EU institutions and bodies, and national governments and parliaments, amongst others. The online survey closed on 31 December 2021. The Commission is currently analysing the submissions it has received and will come forward with a summary report in March 2022. The engagement with stakeholders on how to

([12]) The appropriate relevant factors are specified in Article 2 of Regulation 1467/97. In principle, a deficit-based EDP can only be avoided if the excessive deficit is temporary, exceptional and close to the reference value.

enhance the effectiveness of the economic governance framework continues in order to build consensus on its future.

The ongoing debate is also providing Member States with an opportunity to reflect on the key objectives of the governance framework, its functioning and new challenges to factor in. Discussions are taking place mainly in the Economic and Financial Committee and the Economic Policy Committee, but also at ministerial level in the Council (ECOFIN) and among euro area members in the Eurogroup for specific euro area aspects. The discussions are being organised around a limited number of key themes, in line with the challenges identified in the Communication of October 2021 and the key topics of the public debate. These include sustainability of public debt and growth-friendly debt reduction; protection of public investment and the role of the fiscal framework in fostering public investment and reforms in light of the transition to a green, digital and resilient EU economy; reflections on the lessons learned from the COVID-19 crisis response (including the RRF); counter-cyclical fiscal policies and creating room for short-term stabilisation; and how to simplify fiscal frameworks, achieve stronger national ownership and better enforcement. The potential long-term implications from the invasion of Ukraine for resilience and security have also been raised. In addition, there are discussions among euro area members on specific euro area aspects. In the coming months further discussions are planned with key stakeholders (e.g. the European Fiscal Board) and with academics/experts. Wrap-up discussions are currently planned to be held in July, both at ministerial level in the Council (ECOFIN) and among euro area members in the Eurogroup.

Based on the ongoing public debate and the discussions with Member States, the Commission will provide orientations on possible changes to the economic governance framework with the objective of achieving a broad-based consensus on the way forward well in time for 2023. In the view of the Commission, the current state of play of the discussions points to a number of key issues, where further and more concrete work could pave the way for an emerging consensus for the future EU fiscal framework.

- **Ensuring debt sustainability and promoting sustainable growth through investment and reforms are key to the success of the EU fiscal framework.** Ensuring fiscal sustainability by reducing high public debt ratios in a realistic, gradual and sustained manner is central. The EU fiscal framework should incentivise successful medium-term debt reduction strategies, focusing on fiscal consolidation, the quality and composition of public finances and promoting growth. The framework should be consistent with today and tomorrow's challenges, including an appropriate role in helping to sustain adequate levels of investment. Public investment will need to be sustained at high levels for years to come, highlighting the importance of promoting a good composition and quality of public finances to ensure sustainable and inclusive growth. The EU fiscal framework should play an appropriate role in incentivising national investment and reforms, paying particular attention to ensuring the coherence between investment and reform policies in Member States and between national and EU objectives.

- **More attention to the medium-term in the EU fiscal surveillance appears as a promising avenue.** Member States' fiscal performance should continue to be monitored every year, retaining the positive elements of multilateral fiscal coordination. At the same time, subject to clear EU level guidance, more scope for Member States to set and implement their fiscal adjustment plan in a medium term perspective, incorporating their investment and reform agendas into their fiscal trajectory, could strengthen ownership and thus compliance.
- **It should be further discussed what insights can be drawn from the design, governance and operation of the RRF.** The focus should be on lessons with regard to improving ownership, mutual trust, enforcement and the interplay between the economic and fiscal dimensions, and the EU and national dimensions. The RRF's commitment-based approach to policy coordination, with strong national ownership of policy design and outcomes, and based on ex-ante guidance to Member States on investment and reform priorities, merits consideration. The European Semester should remain the reference framework for conducting integrated surveillance and the coordination of economic and employment policies in the EU.
- **Simplification, stronger national ownership and better enforcement are key objectives.** The current framework relies on non-observable variables that are sensitive to change and affected by cyclical conditions. It also includes a complex set of interpretative provisions, including various flexibility clauses, that render the application of the framework complex and hampers transparency. This calls for simpler fiscal rules using one operational rule at the EU level with observable indicators, such as a net expenditure aggregate, for assessing compliance. It also includes considering whether a clear focus on 'gross policy errors', as set out in the Treaty, could contribute to a more effective implementation of the framework. These goals are interconnected. In particular, a simpler framework would improve the readability of EU budgetary surveillance and thereby contribute to clearer communication, increased ownership, better compliance and stronger enforcement. Moreover, were more scope to be given to Member States for the design of fiscal trajectories, a balance should be found with a more stringent enforcement of the framework by the Commission and the Council in case of non-compliance.

5. Next steps

This Communication sets out preliminary fiscal policy guidance for 2023 which will be updated as necessary at the latest as part of the European Semester Spring package in May 2022. Future guidance will continue to reflect the global economic situation, the specific situation of each Member State and the discussion on the economic governance framework. The development of the economic outlook will be monitored closely and duly taken into consideration. Member States are invited to reflect this guidance in their Stability and Convergence programmes.

Appendix

List of additional tables to be provided in Member States' Stability and Convergence programmes. Compulsory data are marked in bold.

Table of the RRF impact on programme's projections - LOANS

Cash flow from RRF loans projected in the programme (% of GDP)							
	2020	2021	2022	2023	2024	2025	2026
Disbursements of RRF loans from EU							
Repayments of RRF loans to EU							

Expenditure financed by RRF loans (% of GDP)							
	2020	2021	2022	2023	2024	2025	2026
Compensation of employees D.1							
Intermediate consumption P.2							
Social payments D.62+D.632							
Interest expenditure D.41							
Subsidies, payable D.3							
Current transfers D.7							
TOTAL CURRENT EXPENDITURE							
Gross fixed capital formation P.51g							
Capital transfers D.9							
TOTAL CAPITAL EXPENDITURE							

Other costs financed by RRF loans (% of GDP)[1]							
	2020	2021	2022	2023	2024	2025	2026
Reduction in tax revenue							
Other costs with impact on revenue							
Financial transactions							

Table of the RRF impact on programme's projections - GRANTS

Revenue from RRF grants (% of GDP)							
	2020	2021	2022	2023	2024	2025	2026
RRF grants as included in the revenue projections							
Cash disbursements of RRF grants from EU							

Expenditure financed by RRF grants (% of GDP)							
	2020	2021	2022	2023	2024	2025	2026
Compensation of employees D.1							
Intermediate consumption P.2							
Social payments D.62+D.632							
Interest expenditure D.41							
Subsidies, payable D.3							
Current transfers D.7							
TOTAL CURRENT EXPENDITURE							
Gross fixed capital formation P.51g							
Capital transfers D.9							
TOTAL CAPITAL EXPENDITURE							

Other costs financed by RRF grants (% of GDP)[1]							
	2020	2021	2022	2023	2024	2025	2026
Reduction in tax revenue							
Other costs with impact on revenue							
Financial transactions							

Table on the stock of guarantees adopted/announced according to the Programme

	Measures	Date of adoption	Maximum amount of contingent liabilities (% of GDP)	Estimated take-up (% of GDP)
In response to COVID-19				
	Subtotal			
Others				
	Subtotal			
Total				

Note: This table replaces Table 7 in the Code of Conduct on the SGP.