IN-DEPTH ANALYSIS

European Parliament

Implementation of the Stability and Growth Pact - January 2019

This document gives an overview of key developments under the preventive and corrective arms of the Stability and Growth Pact (SGP) on the basis of (1) the latest Council decisions and recommendations in the framework of the SGP: (2) the latest European Commission (COM) economic forecasts; and (3) the latest COM opinions on the Draft Budgetary Plans (DBPs) of euro area Member States. The document is regularly updated.

This document is structured as follows: first a summary of the latest key developments relating to the implementation of the SGP, then tables on key public finance indicators in relation to the current Council recommendations and finally a chronology of recent SGP related analytical and procedural steps.

1. Summary of latest developments

➢ **Significant Deviation Procedures (SDPs) for Hungary and Romania**

On **4 December 2018**, the ECOFIN Council - on the basis of COM proposals of 21 November 2018 - issued on Hungary and Romania: (a) decisions confirming that effective actions have not been taken; (b) recommendations on measures to take to correct the deviations from the adjustment path towards the respective medium-term budgetary objective (MTO): the revised annual structural adjustments amount to at least 1% of GDP in 2019 both for Hungary and Romania.

➢ **2019 Draft Budgetary Plans (DBPs)**

On **4 December 2018**, the Eurogroup issued a statement on the 2019 DBPs, in which it:

- supported the COM assessment of 21 November 2018 that the (revised) 2019 **DBP of Italy** of 13 November is a particularly **serious case of non-compliance** with its obligations (i.e. Council recommendations of July 2018) and recommended Italy to take the necessary measures to be compliant with the SGP;
- noted that **Belgium, France, Portugal and Spain** are not expected to comply prima facie with the debt reduction benchmark in 2019;
- invited all countries assessed by the COM - on 21 November 2018 - to be **at "risk of non-compliance" with their obligations under the SGP** (i.e. Belgium, France, Portugal, Spain and Slovenia) to address in a timely manner the identified risks and to ensure that their 2019 budget will be compliant with SGP provisions. The assessed risks of non-compliance with the SGP in 2019 mean that they might lead to a significant deviation from the adjustment

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paths towards the respective MTO. Please see separate EGOV briefing on the COM Opinions on these countries and Italy;

- noted that **Luxembourg, Latvia and Slovenia** submitted their DBPs on a **no-policy-change basis** and invited them to submit the **updates of their DBPs** as soon as possible;
- stated that "*current economic conditions call for the urgent need to* ***rebuild fiscal buffers****, notably in Member States that have not reached their MTO*".

Follow-up to the opinion on Italy

The COM published **on 21 November 2018** a report under Art. 126 (3) TFEU, which concludes: "*Overall, the analysis suggests that the debt criterion as defined in the Treaty and in Regulation (EC) No 1467/1997 should be considered as not complied with, and that a debt-based EDP is thus warranted.*" The conclusion is notably based on the argument that "*the identified risk of significant deviation from the recommended adjustment path towards the MTO in 2018 and the particularly serious non-compliance for 2019 with the recommendation addressed to Italy by the Council on 13 July 2018, based on both the government plans and the COM 2018 autumn forecast.*" Afterwards, the Economic and Financial Committee of the ECOFIN Council formulated its opinion on the Art. 126(3) report, agreeing with the COM (this information is based on sources in the public domain, as opinions by the Economic and Financial Committee are not published).

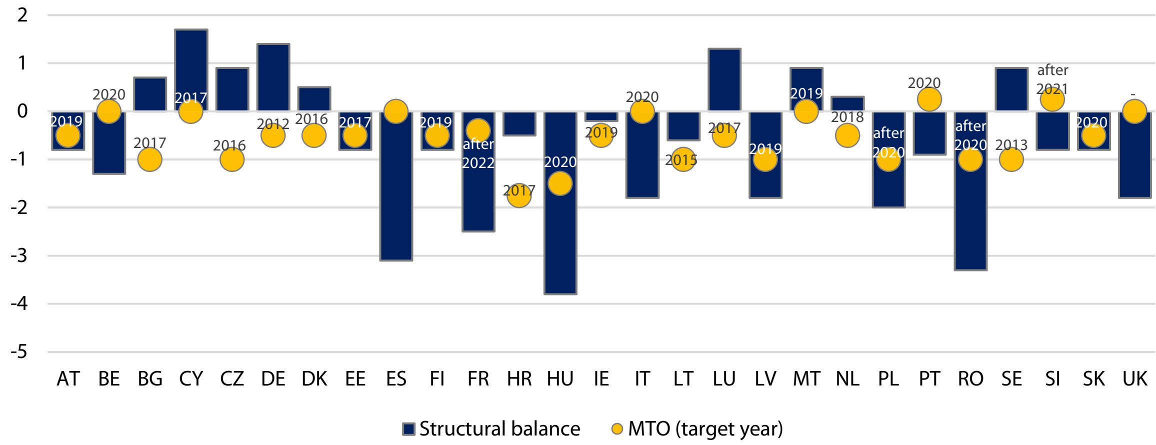
On **19 December 2018**, the COM concluded (in a letter to the Italian government) that the budget amendments proposed by the Italian government, and as specified in a letter to the COM on 18 December 2018, would be sufficient, if fully implemented, for the COM not to recommend the opening of an Excessive Deficit Procedure (EDP) at this stage. The COM will continue to monitor the budgetary developments in Italy, and in particular the execution of the 2019 budget, in the context of the European Semester of economic policy coordination. The Italian government, in an annex to the above mentioned letter to the COM, is estimating a nominal budget deficit of 2.0% of GDP, a structural deficit of 1.3 %, a structural budget effort of 0,0 % of potential GDP (including the use of flexibility provision of the SGP) and the government debt to be 130,7% of GDP in 2019. These figures would imply that the adopted budget for 2019 is *prima facie* at "*risk of non-compliance*" with its obligations under the preventive arm of the SGP (i.e. there is a risk of significant deviation, since the announced structural budget effort amounts to 0.0% of potential GDP while the required structural budget effort is 0.6% of potential GDP).

COM autumn 2018 economic forecasts

On 8 November 2018, the COM published its **autumn 2018 forecasts** for all Member States: The general government deficit in the EU28 is expected to decrease from 1.0% of GDP in 2017 to 0.7% in 2018 and to increase to 0.8% in 2019. Like in the earlier COM spring 2018 forecasts, 2018 is still expected to be the first year in the Economic and Monetary Union in which all Member States achieve **nominal budget deficits lower than 3% of GDP**.

When **comparing the figures included in the 2019 DBPs and the COM autumn 2018** forecast, one may draw the conclusion that Member States are in general more optimistic than the COM (please see separate EGOV note for more information).
While, in 2017, the **structural budget position** improved in 20 Member States, it is expected to improve in only 9 Member States in 2018; therefore, less Member States might be close or at the MTO in 2018 (see below Figure and corresponding indicators in overleaf tables. The **fiscal policy stance for the euro area**, as measured by the change in the structural balance, is expected to turn slightly expansionary in 2019, after strong consolidation achieved between 2011 and 2014 and being broadly neutral between 2015 and 2018.

Figure: Comparison of structural balances in 2018 with the MTOs and their target years



Note: Sources: Table 41 of the statistical annex to the COM autumn 2018 forecast (structural balances) and Country Specific Recommendations 2012, 2013, 2014, 2015, 2016, 2017, 2018 and Stability and Convergence Programmes 2012-2018 (levels and target years of the MTOs),

For more details on the latest steps on the implementation of the SGP, please see Section 3.

2. Current Council recommendations and key public finance indicators

The below tables provide an overview of key public finance indicators (budget balances, fiscal effort and gross debt) in relation to the current Council recommendations under the SGP. The colour code used in the left column of tables refers to the Commission assessments (in its opinions of 21 November 2018 on the 2019 DBPs) of the degree of risk of non-compliance by Euro Area Member States with their current commitments under the SGP.

In contrast to 2017, the 2018 fiscal Country Specific Recommendations (CSRs; adopted in July 2018 by the Council) contain not only in their recitals but in the recommendations themselves concrete targets on both the required structural effort and the expenditure benchmark per Member State. The data on net primary government expenditure (which is the indicator used to assess compliance with the expenditure benchmark) is only published in background documents by the COM: in autumn 2018) in the COM staff working documents analysing the 2019 DBPs of the Euro Area Member States and in spring 2018 in the COM assessments of the 2018 SCPs. In both cases, the COM publishes the data only for those countries which do not fully comply with their MTO or with the adjustment path towards it.

While Greece belongs since September 2018 to the preventive arm of the SGP, it is not yet subject to CSRs, since the country was (until 20 August 2018) subject to an macro-economic adjustment programme; therefore, the overleaf tables do not yet include Greece.

Spain is currently the only remaining Member State subject to an EDP, compared to 24 Member States in 2011. In 2017/2018, the following five Member States exited their EDP: France (June 2018), the United Kingdom (December 2017), Greece (September 2017), as well as Croatia and Portugal (both June 2017).

Excessive Deficit Procedure - Corrective arm of SGP

MEMBER STATE	COUNCIL RECOMMENDATIONS			DATA RELATING TO COMPLIANCE					
	Reference year which triggered the EDP[1]	Current deadline for correction of nominal deficit (latest EDP-re-commen-dations)	Fiscal effort in structural terms (% of GDP) as re-quested by the Council [2] and CSR 2018 for the expenditure benchmark REQUIREMENT (A)	COM forecast - autumn 2018[3] (under no policy change scenario)[4]					COM assessments of 2019 DBPs
				Year	Structural budget Balance[5] (% of potential GDP) *In brackets and italics: y-o-y change: to be compared to REQUIREMENT (A)*		Debt (% of GDP)	GDP growth (% change)	Net primary government expenditure (% change)[6]
ES	**2008**	**2018** (Aug. 2016) Under Art. 126(9)	**-0.4** in 2016 **0.5** in 2017 **0.5** in 2018 **0.65** in 2019 (if under preventive arm, CSR 2018). Expenditure benchmark of **0.6** in 2019, if under preventive arm (CSR 2018)	**2014**	-1.5	*(0.3)*	100.4	1.4	-
				2015	-2.5	*(1.0)*	99.3	3.6	-
				2016	-3.3	*(-0.8)*	99.0	3.2	-
				2017	-2.9	*(0.4)*	98.1	3.0	-
				2018	-3.1	*(-0.2)*	96.9	2.6	-
				2019	-3.1	*(0.0)*	96.2	2.2	1.7

Progress towards the Medium-Term Objectives (MTOs) - Preventive arm of the SGP

MEMBER STATE	COUNCIL RECOMMENDATIONS: Requirements included in the final Country Specific Recommendations (CSRs) [2016](), [2017]() and [2018]() (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) [2018]()	Fiscal-structural adjustment (% of GDP) REQUIRE-MENT (A)	Expen-diture Benchmark (% growth) REQUIRE-MENT (B)	Level of MTO (structural budget bal-ance) and *Target year for MTO*[7] REQUIRE-MENT (C)	LATEST DATA RELATING TO COMPLIANCE: COM forecast - autumn 2018[3] (under no policy change scenario)[4] (% of GDP) — Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	COM assessments of DBPs (of CSRs for non-euro area): Net primary government expenditure (% change)[6] *To be compared to* REQUIRE-MENT (B)
BE	*"Ensure that the **nominal growth rate of net primary government expenditure does not exceed 1,8 % in 2019, corresponding to an annual structural adjustment of 0,6** % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. Pursue the envisaged pension reforms and contain the projected increase in long-term care expenditure. (...)" [[CSR 2018]()].*			**Postponed from 0.0 in 2019** (recital 6 of [CSR 2017]() and p. 18 of [SP 2017]()) Towards **0.0 in 2020** (recital 6 of [CSR 2018]()) and p. 2 of [SP 2018]())	**2014**	-2.9	*(0.1)*	107.6	1.3	-
					2015	-2.3	*(0.6)*	106.5	1.7	-
	2016 *[[CSR 2016]()]*	0.6	-		**2016**	-2.3	*(0.0)*	106.1	1.5	-
	2017 *[[CSR 2016]()]*	0.6	-		**2017**	-1.4	*(0.9)*	103.4	1.7	0.5
	2018 *[recital 10 of [CSR 2017]()]*	0.6	1.6		**2018**	-1.3	*(0.1)*	101.4	1.5	2.2
	2019 *[[CSR 2018]()].*	0.6	1.8		**2019**	-1.3	*(0.0)*	99.8	1.5	2.4
DE	***"While respecting the MTO**, use fiscal and structural policies to achieve a sustained upward trend in public and private investment, and in particular on education, research and innovation at all levels of government (...)." [[CSR 2018]()].*			**-0.5 2012 onwards** ([CSR 2012](), pp. 5/ 8 of [SP 2012]())	**2012**	-0.1	*(1.1)*	79.9	0.5	-
					2013	0.3	*(0.4)*	77.4	0.5	-
					2014	1.0	*(0.7)*	74.5	2.2	-
					2015	1.0	*(0.0)*	70.8	1.7	-
	2016 *[[CSR 2016](), recital 5]*	No fiscal target [MTO achieved]			**2016**	0.7	*(-0.3)*	67.9	2.2	-
	2017 *[[CSR 2017](), incl. recitals 6/7]*	No fiscal target [MTO achieved]			**2017**	0.8	*(0.1)*	63.9	2.2	-
	2018 *[[CSR 2017](), incl. recitals 6/7]*	No fiscal target [MTO achieved]			**2018**	1.4	*(0.6)*	60.1	1.7	-
	2019 *[[CSR 2018](), incl. recital 6)*	No fiscal target [MTO achieved]			**2019**	1.0	*(-0.4)*	56.7	1.8	-

MEMBER STATE	COUNCIL RECOMMENDATIONS: Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018	Fiscal-structural adjustment (% of GDP) REQUIRE-MENT (A)	Expen-diture Benchmark (% growth) REQUIRE-MENT (B)	Level of MTO (structural budget bal-ance) and *Target year for MTO*[7] REQUIRE-MENT (C)	LATEST DATA RELATING TO COMPLIANCE: COM forecast - autumn 2018[3] (under no policy change scenario)[4] (% of GDP) — Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	COM assessments of DBPs (of CSRs for non-euro area): Net primary government expenditure (% change)[6] *To be compared to* REQUIRE-MENT (B)
EE	*"Ensure that the **nominal growth rate of net primary government expenditure does not exceed 4,1 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP** (...)." [CSR 2018].*			**-0.5** **2017** (recital 7 of CSR 2017 and CSR 2018)	**2014**	0.2	*(0.7)*	10.5	2.9	-
					2015	0.2	*(0.0)*	9.9	1.9	-
	2016 *[CSR 2016, including recital 5]*	No fiscal target [MTO achieved]			**2016**	-0.7	*(-0.9)*	9.2	3.5	-
	2017 *[CSR 2017, including recital 7]*	"Remain at MTO"			**2017**	-1.6	*(-0.9)*	8.7	4.9	4.4
	2018 *[recital 7 of CSR 2018].*	-0.2	6.1		**2018**	-0.8	*(0.8)*	8.0	3.5	5.7
	2019 *[CSR 2018].*	0.6	4.1		**2019**	-0.7	*(0.1)*	7.6	2.8	5.0
IE	*"**Achieve the MTO in 2019**. Use windfall gains to accelerate the reduction of the general government debt ratio (...)" [CSR 2018].*			**-0.5, postponed from 2018** (recital 5 of *CSR 2016*) **to 2019** [*CSR 2018*].	**2014**	-4.0	*(0.9)*	104.1	8.8	-
					2015	-2.1	*(1.9)*	76.8	25.1	-
	2016 *[CSR 2016]*	0.6	-		**2016**	-1.0	*(1.1)*	73.4	5.0	-
	2017 *[CSR 2016]*	0.6	-		**2017**	-0.2	*(0.8)*	68.4	7.2	2.6
	2018 *[CSR 2017, incl. recital 9]*	0.6	2.4		**2018**	-0.2	*(0.0)*	63.9	7.8	2.7
	2019 *[recital 8 of CSR 2018]*	0.1	5.3		**2019**	-0.5	*(0.3)*	61.1	4.5	7.7
FR	*"Ensure that the **nominal growth rate of net primary government expenditure does not exceed 1,4 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP.** Use windfall gains to accelerate the reduction of the general government debt ratio (...)" [CSR 2018].*			**-0.4** **After 2022** (recital 6 of *CSR 2018* and pp 38/39 of *2018 SP*)	**2014**	-3.0	*(0.4)*	94.9	1.0	-
					2015	-2.7	*(0.3)*	95.6	1.1	-
	2016 *[EDP rec.2015]*	0.8	-		**2016**	-2.7	*(0.0)*	98.2	1.2	-
	2017 [EDP rec.2015]	0.9	-		**2017**	-2.4	*(0.3)*	98.5	2.2	-
	2018 *[recital 8 of CSR 2017]*	0.6	1.2		**2018**	-2.5	*(-0.1)*	98.7	1.7	1.8
	2019 *[CSR 2018]*	0.6	1.4		**2019**	-2.3	*(0.2)*	98.5	1.6	1.5

MEMBER STATE	COUNCIL RECOMMENDATIONS				LATEST DATA RELATING TO COMPLIANCE					
	Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018			Level of MTO (structural budget balance) and *Target year for MTO*[7] REQUIREMENT (C)	COM forecast - autumn 2018[3] (under no policy change scenario)[4] (% of GDP)					COM assessments of DBPs (of CSRs for non-euro area)
		Fiscal-structural adjustment (% of GDP) REQUIREMENT (A)	Expen-diture Benchmark (% growth) REQUIREMENT (B)		Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	Net primary government expenditure (% change)[6] *To be compared to* REQUIREMENT (B)
IT	*"Ensure that the* ***nominal growth rate of net primary government expenditure does not exceed 0,1 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP****. Use windfall gains to accelerate the reduction of the general government debt ratio. (...)" [CSR 2018]*			**0.0** **2019** **(earliest)** according to recital 6 of *CSR 2017)* and **2020** according to recital 6 of *CSR 2018*	**2014**	-0.8	*(-0.2)*	131.8	0.1	-
					2015	-0.5	*(0.3)*	131.6	0.9	-
	2016 *[CSR 2016]*	0.6	-		**2016**	-1.5	*(-1.0)*	131.4	1.1	-
	2017 *[CSR 2016]*	0.6	-		**2017**	-1.8	*(-0.3)*	131.2	1.6	-0.3
	2018 *[CSR 2017, incl. recital 10]*	0.6	-0.2		**2018**	-1.8	*(0.0)*	131.1	1.1	0.4
	2019 *[CSR 2018]*	0.6	0.1		**2019**	-3.0	*(-1.2)*	131.0	1.2	1.2
CY	**No SGP related** ***CSR 2018***			**0.0** **2017** (recitals 6 of *CSR 2017* and CSR 2018*)*	**2014**	3.8	*(4.0)*	108.0	-1.3	-
					2015	2.4	*(-1.4)*	108.0	2.0	-
	2016 *[CSR2016]*	Respect MTO			**2016**	1.3	*(-1.1)*	105.5	4.8	-
	2017 *[CSR2016]*	Respect MTO			**2017**	1.5	*(0.2)*	96.1	4.2	3.8
	2018 [recital 7 of *CSR 2018*]	-0.4	1.9		**2018**	1.7	*(0.2)*	105.0	3.9	3.0
	2019 *[CSR 2018]*	No fiscal target [MTO achieved]			**2019**	1.2	*(-0.5)*	98.4	3.5	7.7
LV	*"****Achieve the MTO in 2019****, taking into account the allowances linked to the implementation of the structural reforms for which a temporary deviation is granted (...)" [CSR 2018]*			**-1.0** Postponed from **2018** (recital 6 of *CSR 2017)* to **2019** (*CSR 2018,* including recitals 6 and 7)	**2014**	-1.4	*(-0.5)*	40.9	1.9	-
					2015	-1.5	*(-0.1)*	36.8	3.0	-
	2016 *[CSR 2016, incl. recital 5]*	"Limit the deviation from the MTO"			**2016**	0.0	*(1.5)*	40.3	2.1	-
	2017 *[CSR 2017, incl. recital 7]*	No fiscal target [MTO achieved]			**2017**	-1.2	*(-1.2)*	40.0	4.6	6.2
	2018 *[CSR 2017, incl. recital 7]*	-0.3	6.0		**2018**	-1.8	*(-0.6)*	37.1	4.1	6.5
	2019 *[CSR 2018, incl. recital 8]*	0.4	4.3		**2019**	-1.7	*(0.1)*	35.5	3.2	4.8

MEMBER STATE	COUNCIL RECOMMENDATIONS: Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018	Fiscal-structural adjustment (% of GDP) REQUIREMENT (A)	Expen-diture Benchmark (% growth) REQUIREMENT (B)	Level of MTO (structural budget bal-ance) and *Target year for MTO*[7] REQUIREMENT (C)	LATEST DATA RELATING TO COMPLIANCE: COM forecast - autumn 2018[3] (under no policy change scenario)[4] (% of GDP): Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	COM assessments of DBPs (of CSRs for non-euro area): Net primary government expenditure (% change)[6] *To be compared to* REQUIREMENT (B)
LT	No numerical fiscal effort in CSR 2018, , but *"Improve tax compliance and broaden the tax base to sources less detrimental to growth. Ensure the long-term sustainability of the pension system while addressing the adequacy of pensions."*			**-1.0** **2015 (onwards)** (recital 8 of CSR 2014 and p.3 of *CP 2014*)	**2014**	-1.3	*(0.6)*	40.5	3.5	-
					2015	-0.7	*(0.6)*	42.6	2.0	-
	2016 *[CSR 2016, incl. recital 6]*	No fiscal target [MTO achieved]			**2016**	-0.4	*(0.3)*	39.9	2.4	-
	2017 *[CSR 2017, incl. recital 8]*	No fiscal target [MTO achieved]			**2017**	-0.7	*(-0.3)*	39.4	4.1	6.6
	2018 *[CSR 2018, incl. recital 7]*	-0.6	6.4		**2018**	-0.6	*(0.1)*	34.8	3.4	7.3
	2019 *[CSR 2018, incl. recital 7]*	No fiscal target [MTO achieved]			**2019**	-0.5	*(0.1)*	37.9	2.8	7.9
LU	No *numerical fiscal effort in* CSR 2018, but: *"Increase the employment rate of older people by enhancing their employment opportunities and employability while further limiting early retirement, with a view to also improving the long-term sustainability of the pension system."*			**-0.5** **2017** (recital 5 of CSR 2016 and pp. 4/6/10 of SP 2016 and recital 6 of CSR 2018)	**2014**	2.1	*(-0.4)*	22.7	4.3	-
					2015	1.1	*(-1.0)*	22.2	3.9	-
	2016 *[CSR 2016, incl. recital 5]*	No fiscal target [MTO achieved]			**2016**	1.4	*(0.3)*	20.7	2.4	-
	2017 *[CSR 2017, incl. recital 6]*	No fiscal target [MTO achieved]			**2017**	1.6	*(0.2)*	23.0	1.5	10.4
	2018 *[CSR 2017, incl. recital 6]*	No fiscal target [MTO achieved]			**2018**	1.3	*(-0.3)*	21.4	3.1	10.9
	2019 *[CSR 2018, incl. recital 6]*	No fiscal target [MTO achieved]			**2019**	1.1	*(-0.2)*	20.8	3.0	10.1
MT	*No SGP related* CSR 2018			**0.0** **2019** (recital 5 of CSR 2016 and p. 34 of SP 2016)	**2014**	-2.6	*(-1.1)*	63.7	8.2	-
					2015	-2.6	*(0.0)*	58.6	9.5	-
	2016 *[CSR 2016]*	0.6	-		**2016**	0.3	*(2.9)*	56.3	5.2	-
	2017 *[CSR 2016]*	0.6	-		**2017**	3.1	*(2.8)*	50.9	6.7	6.5
	2018 *[CSR 2017, incl. recital 7)*	No fiscal target [MTO achieved]			**2018**	0.9	*(-2.2)*	47.9	5.4	10.7
	2019 *[CSR 2018, incl. recital 7]*	No fiscal target [MTO achieved]			**2019**	0.9	*(0.0)*	44.8	4.9	9.6

MEMBER STATE	COUNCIL RECOMMENDATIONS				LATEST DATA RELATING TO COMPLIANCE					
	Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018			Level of MTO (structural budget balance) and *Target year for MTO*[7] REQUIRE-MENT (C)	COM forecast - autumn 2018[3] (under no policy change scenario)[4] (% of GDP)					COM assessments of DBPs (of CSRs for non-euro area)
		Fiscal-structural adjustment (% of GDP) REQUIRE-MENT (A)	Expen-diture Benchmark (% growth) REQUIRE-MENT (B)		Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	Net primary government expenditure (% change)[6] *To be compared to* REQUIRE-MENT (B)
NL	*No numerical fiscal effort, but "**While respecting the MTO**, use fiscal and structural policies to raise public and private investment in research, development and innovation (...)" [CSR 2018]*			**-0.5** **2018** (recital 5 of *CSR 2016)* and *SP 2015* pp. 3/15)	**2014**	-0.5	*(0.9)*	67.9	1.4	-
					2015	-0.8	*(-0.3)*	64.6	2.0	-
	2016 *[CSR 2016]*	"Limit the deviation from the MTO"			**2016**	0.5	*(1.3)*	61.9	2.2	-
	2017 *[CSR 2016]*	0.6	-		**2017**	0.7	*(0.2)*	57.0	2.9	-
	2018 *[CSR 2017, incl. recital 6]*	No fiscal target [MTO achieved]			**2018**	0.3	*(-0.4)*	53.2	2.8	-
	2019 *[CSR 2018, incl. recital 6)*	No fiscal target [MTO achieved]			**2019**	-0.3	*(-0.6)*	49.6	2.4	-
AT	*"**Achieve the MTO in 2019**, taking into account the allowance linked to unusual events for which a temporary deviation is granted. Ensure the sustainability of the health and long-term care and the pension systems, including by increasing the statutory retirement age and by restricting early retirement (...)." [CSR 2018]*			**-0.5** ***2019*** (recital 6 of *CSR 2017* and *CSR 2018* including recitals 6, 8 and 9)	**2014**	-0.6	*(1.1)*	84.0	0.7	-
					2015	0.0	*(0.6)*	84.8	1.1	-
	2016 *[CSR 2016, incl. recital 6]*	No fiscal target [but "further measures needed"]			**2016**	-1.1	*(-1.1)*	83.0	2.0	-
	2017 *[CSR 2016]*	0.3			**2017**	-0.8	*(0.3)*	78.3	2.6	0.9
	2018 *[recital 8 of CSR 2018]*	-0.2	3.3		**2018**	-0.8	*(0.0)*	74.5	2.7	3.9
	2019 *[CSR 2018, incl. recital 9]*	0.3	2.9		**2019**	-0.4	*(0.4)*	71.0	2.0	3.1
PT	***"Ensure that the nominal growth rate of net primary government expenditure does not exceed 0,7 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP.** Use windfall gains to accelerate the reduction of the general government debt ratio (...)" [CSR 2018]*			**0.25** **Advanced from 2021** (Recital 6 of *CSR 2017*) **to 2020** (recital 6 of *CSR 2018]*	**2014**	-1.8	*(1.2)*	130.6	0.9	-
					2015	-2.3	*(-0.5)*	128.8	1.8	-
	2016 *[CSR 2016, incl. recital 6]*	0.6	-		**2016**	-2.1	*(0.2)*	129.2	1.9	-
	2017 *[CSR 2016]*	0.6	-		**2017**	-1.3	*(0.8)*	124.8	2.8	-0.9
	2018 *[CSR 2017, incl. recital 8]*	0.6	0.1		**2018**	-0.9	*(0.4)*	121.5	2.2	1.5
	2019 *[CSR 2018]*	0.6	0.7		**2019**	-0.9	*(0.0)*	119.2	1.8	1.8

MEMBER STATE	COUNCIL RECOMMENDATIONS				LATEST DATA RELATING TO COMPLIANCE					
	Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018			Level of MTO (structural budget balance) and *Target year for MTO*[7] REQUIREMENT (C)	COM forecast - autumn 2018[3] (under no policy change scenario)[4] (% of GDP)					COM assessments of DBPs (of CSRs for non-euro area)
		Fiscal-structural adjustment (% of GDP) REQUIREMENT (A)	Expenditure Benchmark (% growth) REQUIREMENT (B)		Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	Net primary government expenditure (% change)[6] *To be compared to* REQUIREMENT (B)
SI	***"Ensure that the nominal growth rate of net primary government expenditure does not exceed 3,1 % in 2019, corresponding to an annual structural adjustment of 0,65 % of GDP.** (…)" [CSR 2018]*			***0.25 "not planned to be achieved by 2021, under a no-policy-change scenario"*** (recital 6 of CSR 2018)	**2014**	-2.0	*(-0.9)*	80.4	3.0	-
					2015	-1.3	*(0.7)*	82.6	2.3	-
	2016 *[CSR 2016]*	0.6	-		**2016**	-1.0	*(0.3)*	78.7	3.1	-
	2017 *[CSR 2016]*	0.6	-		**2017**	-0.4	*(0.6)*	74.1	4.9	0.0
	2018 *[recital 7 of CSR 2018]*	1.0	0.6		**2018**	-0.8	*(-0.4)*	70.2	4.3	1.5
	2019 *[CSR 2018]*	0.65	3.1		**2019**	-1.0	*(-0.2)*	66.3	3.3	3.4
SK	***"Ensure that the nominal growth rate of net primary government expenditure does not exceed 4,1% in 2019, corresponding to an annual structural adjustment of 0,5 % of GDP**(…)." [CSR 2018]*			**-0.5 Postponed from 2018** (recital 6 of *CSR 2017*) **to 2020** (recital 6 of *CSR 2018]*)	**2014**	-2.1	*(-0.6)*	53.5	2.8	-
					2015	-2.2	*(-0.1)*	52.2	4.2	-
	2016 *[CSR 2016]*	0.25	-		**2016**	-2.1	*(0.1)*	51.8	3.1	-
	2017 *[CSR 2016]*	0.5	-		**2017**	-0.9	*(1.2)*	50.9	3.2	1.4
	2018 *[CSR 2017, incl. recital 8]*	0.5	2.9		**2018**	-0.8	*(0.1)*	48.8	4.0	4.0
	2019 *[CSR 2018]*	0.5	4.1		**2019**	-0.8	*(0.0)*	46.6	4.1	4.5
FI	*"**Achieve the MTO in 2019**, taking into account the allowances linked to the implementation of the structural reforms for which a temporary deviation is granted (…) " [CSR 2018]*			**-0.5 2019** *[CSR 2018]*	**2014**	-1.5	*(-0.4)*	60.2	-0.6	-
					2015	-0.8	*(0.7)*	63.6	0.1	-
	2016 *[CSR 2016]*	0.5	-		**2016**	-0.5	*(0.3)*	63.0	2.5	-
	2017 *[CSR 2016]*	0.6	-		**2017**	-0.2	*(0.3)*	61.3	2.8	0.6
	2018 *[recital 8 of CSR 2018]*	-0.1	1.9		**2018**	-0.8	*(-0.6)*	59.8	2.9	2.4
	2019 *[recital 9 of CSR 2018]*	-0.2	2.9		**2019**	-0.6	*(0.2)*	58.5	2.2	3.1

MEMBER STATE	COUNCIL RECOMMENDATIONS				LATEST DATA RELATING TO COMPLIANCE					
	Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018			Level of MTO (structural budget balance) and *Target year for MTO*[7] REQUIREMENT (C)	COM forecast - autumn 2018[3] (under no policy change scenario)[4] (% of GDP)					COM assessments of DBPs (of CSRs for non-euro area)
		Fiscal-structural adjustment (% of GDP) REQUIREMENT (A)	Expenditure Benchmark (% growth) REQUIREMENT (B)		Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	Net primary government expenditure (% change)[6] *To be compared to* REQUIREMENT (B)
BG	No numerical fiscal effort in CSR 2018, but: *"Improve tax collection and the efficiency of public spending, including by stepping up enforcement of measures to reduce the extent of the informal economy."*			**-1.0** ***2017*** (Recital 5 of CSR 2016 and CP 2016 pp. 5/33)	**2014**	-1.7	*(-1.7)*	27.1	1.8	-
					2015	-1.2	*(0.5)*	26.2	3.5	-
	2016 *[CSR 2016]*	0.5	-		**2016**	0.3	*(1.5)*	29.6	3.9	-
	2017 *[CSR 2016]*	0.5	-		**2017**	1.1	*(0.8)*	25.6	3.8	-
	2018 *[Recitals 5/6 of CSR 2017]*	No fiscal target [MTO achieved]			**2018**	0.7	*(-0.4)*	23.3	3.5	-
	2019 *[CSR 2018]*	No fiscal target [MTO achieved]			**2019**	0.4	*(-0.3)*	21.3	3.7	-
CZ	No numerical fiscal effort in CSR 2018, but: "*Improve the long-term fiscal sustainability, in particular of the pension system (...)*			**-1.0** **2016 onwards** (recital 5 of CSR 2015 and CP 2015 p.2)	**2014**	-0.7	*(-0.9)*	42.2	2.7	-
					2015	-0.6	*(0.1)*	40.0	5.3	-
	2016 *[CSR 2016, incl. recital 5]*	No fiscal target [MTO achieved]			**2016**	0.9	*(1.5)*	36.8	2.5	-
	2017 *[CSR 2016, incl. recital 5]*	No fiscal target [MTO achieved]			**2017**	1.1	*(0.2)*	34.7	4.3	-
	2018 *[CSR 2017, incl. recital 5]*	No fiscal target [MTO achieved]			**2018**	0.9	*(-0.2)*	33.2	3.0	-
	2019 *[CSR 2018]*	No fiscal target [MTO achieved]			**2019**	0.2	*(-0.7)*	32.1	2.9	-
DK	No SGP related CSR 2018			**-0.5** **2016 onwards** (recital 5 of CSR 2016)	**2014**	-0.8	*(0.3)*	44.3	1.6	-
					2015	-1.9	*(-1.1)*	39.9	1.6	-
	2016 *[CSR 2016]*	Respect MTO			**2016**	0.1	*(2.1)*	37.9	2.0	-
	2017 *[CSR 2016]*	0.25	-		**2017**	1.2	*(1.1)*	36.1	2.3	-
	2018 *[CSR 2017]*	No fiscal target [MTO achieved]			**2018**	0.5	*(-0.7)*	33.3	1.2	-
	2019 *[CSR 2018]*	No fiscal target [MTO achieved]			**2019**	0.9	*(0.4)*	32.2	1.8	-

MEMBER STATE	COUNCIL RECOMMENDATIONS: Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018	Fiscal-structural adjustment (% of GDP) REQUIREMENT (A)	Expen-diture Benchmark (% growth) REQUIREMENT (B)	Level of MTO (structural budget bal-ance) and *Target year for MTO*[7] REQUIREMENT (C)	LATEST DATA RELATING TO COMPLIANCE — COM forecast - autumn 2018[3] (under no policy change scenario)[4] (% of GDP): Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	COM assessments of DBPs (of CSRs for non-euro area): Net primary government expenditure (% change)[6] *To be compared to* REQUIREMENT (B)
HR	No numerical fiscal effort, but: *"Strengthen the fiscal framework (...). Introduce a recurrent property tax."* *[CSR 2018]*			**-1.75** **2017** (recitals 5/6 of *CSR 2017* and recital 5 of *CSR 2018*)	**2014**	-3.4	*(-0.1)*	84.0	-0.1	-
					2015	-2.3	*(1.1)*	83.7	2.4	-
	2016 *[CSR 2016]*	Correct excessive deficit			**2016**	-0.7	*(1.6)*	80.2	3.5	-
	2017 *[CSR 2016]*	0.6	-		**2017**	0.7	*(1.4)*	77.5	2.9	
	2018 *[CSR 2017, incl. recital 6]*	"Remain at MTO"			**2018**	-0.5	*(-1.2)*	73.5	2.8	
	2019 *[CSR 2018]*	No fiscal target [MTO achieved]			**2019**	-0.7	*(-0.2)*	70.1	2.8	
HU	**"***In 2018, ensure compliance with the Council recommendation of … June 2018 with a view to correcting the significant deviation from the adjustment path toward the MTO.***"** *[CSR 2018]* and *"ensure that the nominal growth rate of net primary government expenditure does not exceed 3,3 % in 2019, corresponding to an annual structural adjustment of 1,0 % of GDP,"[SDP 2018]*			**-1.5** **2020** (recital 5 of *CSR 2017*)	**2014**	-2.0	*(-0.7)*	76.6	4.2	-
					2015	-2.0	*(0.0)*	76.6	3.5	-
	2016 *[CSR 2016]*	0.5	-		**2016**	-1.8	*(0.2)*	75.9	2.3	-
	2017 *[CSR 2016]*	0.6	-		**2017**	-3.4	*(-1.6)*	73.3	4.1	-
	2018 *[CSR 2018, SDP of June 2018]*	1.0	2.8		**2018**	-3.8	*(-0.4)*	72.9	4.3	4.6
	2019 *[SDP of Dec. 2018]*	1.0	3.3		**2019**	-3.3	*(0.5)*	70.3	3.4	4.6
PL	*"Ensure that the* ***nominal growth rate of net primary government expenditure does not exceed 4,2 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP.*** *Take steps to improve the efficiency of public spending, including by improving the budgetary process.." [CSR 2018]*			**-1.0** **After 2020** (Recital 5 of *CSR 2017* and p. 24 of *CP 2017*)	**2014**	-2.8	*(0.5)*	50.4	3.3	-
					2015	-2.2	*(0.6)*	51.3	3.8	-
	2016 *[CSR 2016]*	0.5	-		**2016**	-1.9	*(0.3)*	54.2	3.1	-
	2017 *[CSR 2016]*	0.5	-		**2017**	-1.9	*(0.0)*	50.6	4.8	
	2018 *[CSR 2017, incl. recital 7]*	0.5	3.7		**2018**	-2.0	*(-0.1)*	49.2	4.8	4.2
	2019 *[CSR 2018]*	0.6	4.2		**2019**	-2.0	*(0.0)*	48.3	3.7	5.3

MEMBER STATE	COUNCIL RECOMMENDATIONS: Requirements included in the final Country Specific Recommendations (CSRs) 2016, 2017 and 2018 (if available, either in the enacting part or in their recitals) or in Significant Deviation Procedures (SDP) 2018	Fiscal-structural adjustment (% of GDP) REQUIRE-MENT (A)	Expen-diture Benchmark (% growth) REQUIRE-MENT (B)	Level of MTO (structural budget bal-ance) and *Target year for MTO*[7] REQUIRE-MENT (C)	LATEST DATA RELATING TO COMPLIANCE: COM forecast - autumn 2018[3] (under no policy change scenario)[4] (% of GDP): Year	Structural budget balance[5]: *To be compared to* REQUIREMENT (C)	*In brackets and italics: y-o-y change: To be compared to* REQUIREMENT (A)	Debt	GDP growth	COM assessments of DBPs (of CSRs for non-euro area): Net primary government expenditure (% change)[6] *To be compared to* REQUIRE-MENT (B)
RO	***"****Ensure compliance with the Council recommendation of (…) June 2018 with a view to* ***correcting the significant deviation from the adjustment path toward the MTO*** *(...)" [CSR 2018] and " ensure that the nominal growth rate of net primary government expenditure does not exceed 4,5% in 2019, corresponding to an annual structural adjustment of 1,0% of GDP "[SDP 2018]*			**-1.0** **After 2020** (recital 6 of *CSR 2017*) and "The MTO (...) is not expec-ted to be reached by 2021, which is the end of the pro-gramme horizon" (recital 5 of	**2014**	-0.4	*(0.6)*	39.2	3.4	-
					2015	-0.2	*(0.2)*	37.8	3.9	-
	2016 *[CSR 2016]*	Limit deviation from MTO			**2016**	-2.2	*(-2.0)*	37.3	4.8	-
	2017 *[CSR 2017, incl. recital 7)*	0.5	-		**2017**	-3.4	*(-1.2)*	35.1	7.3	-
	2018 *[CSR 2018, SDP of June 2018]*	0.8	3.3		**2018**	-3.3	*(0.1)*	35.1	3.6	5.3
	2019 *[SDP 2018]*	1.0	4.5		**2019**	-3.4	*(-0.1)*	35.9	3.8	6.2
SE	No SGP related *CSR 2018*			**-1.0** **2012/2013 onwards** (recital 10 of CSR 2012 and pp. 22/39 of *CP 2012)*	**2013**	0.2	*(-0.1)*	39.4	0.8	-
					2014	-0.4	*(-0.6)*	45.5	2.6	-
					2015	0.1	*(0.5)*	44.2	4.5	-
	2016 *[recital 5 of CSR 2016]*	No fiscal target [MTO achieved]			**2016**	0.8	*(0.7)*	42.4	2.7	-
	2017 *[recital 5 of CSR 2016]*	No fiscal target [MTO achieved]			**2017**	1.4	*(0.6)*	40.8	2.1	-
	2018 *[recital 5 of CSR 2017]*	No fiscal target [MTO achieved]			**2018**	0.9	*(-0.5)*	37.8	2.4	-
	2019 *[recital 5 of CSR 2018]*	No fiscal target [MTO achieved]			**2019**	0.9	*(0.0)*	35.5	1.8	-
UK	*"Ensure that the* ***nominal growth rate of net primary government expenditure does not exceed 1,6 % in 2019-2020, corresponding to an annual structural adjustment of 0,6 % of GDP****." [CSR 2018]*			**No MTO** (recital 5 of *CSR 2017* and recital 6 of *CSR 2018*)	**2014**	-5.1	*(-0.8)*	87.0	2.9	-
					2015	-4.5	*(0.6)*	87.9	2.3	-
	2016 *[CSR 2016]*	Correct excessive deficit			**2016**	-3.4	*(1.1)*	87.9	1.8	-
	2017 *[CSR 2016]*	0.6	-		**2017**	-2.3	*(1.1)*	87.4	1.7	-
	2018 *[recital 7 of CSR 2017]*	0.6	1.8		**2018**	-1.8	*(0.5)*	86.0	1.3	2.0
	2019 *[CSR 2018]*	0.6	1.6		**2019**	-1.3	*(0.5)*	84.5	1.2	1.4

Table notes: [1] The year for which a deficit in excess of 3% of GDP was notified by the national authorities, or the year for which these authorities notified a planned budget deficit in excess of 3%. [2] The source of the structural effort required by the Council is the current EDP recommendation adopted by the Council. [3] See following tables of the statistical annex to the COM autumn 2018 forecast: tables 1 (GDP growth), 36 (nominal budget balance), 41 (structural budget balance) and 42 (gross debt). For years before 2014, the data sources are Eurostat and the COM online database AMECO.

[4] See COM autumn 2018 forecast Box I.4 (page 68) "*Some technical elements behind the forecast*".

[5] The structural budget indicator is measured as % of potential GDP. See table 41 (structural budget balance) of the statistical annex to the COM autumn 2018 forecast. In brackets the year on year change of the structural balance in percentage points of potential GDP, which can be regarded only as a proxy for the "*effective action*"/"*fiscal effort*", as the assessment of effective action by COM takes also account many other elements (see pp. 36-56 and pp. 192-208 of the SGP Vademecum of March 2018). [6] Net primary government expenditure is defined as total government expenditure excluding interest expenditure, expenditure on Union programmes fully matched by Union funds revenue and non-discretionary changes in unemployment benefit expenditure. Nationally financed gross fixed capital formation is smoothed over a 4-year period. Discretionary revenue measures or revenue increases mandated by law are factored in. One-off measures on both the revenue and expenditure sides are netted out. The sources used in this table are for Euro Area Member States the COM staff working documents analysing the 2019 DBPs and for non-Euro Area Member States the COM assessments of the 2018 Stability and Convergence Programmes (SCPs); while the COM documents include the expenditure benchmark and the deviation of net expenditure growth from the benchmark, the above table presents the net expenditure growth by subtracting the COM figures on benchmark and deviation.

[7] The sources for the level and the target year of the MTOs are the CSRs 2012; 2013, 2014, 2015, 2016, 2017, 2018 and the SCPs 2012-2018. The COM and Member States update every few years the MTOs on the basis of the agreed methodology of the Code of Conduct of the SGP (please see the COM Institutional paper 034, September 2016, p. 12). For this table, CSRs as adopted by the Council in 2012-2018 have been used as the main source to identify target dates to achieve the MTOs.

3. SGP implementation: recent developments

Regarding the decisions taken by the ECOFIN Council and the Eurogroup on 4 December 2018, please see Section 1 of this briefing.

On 21 November 2018, the COM published its **autumn 2018 Semester package**, which included the following elements in areas linked to the SGP:

- **Opinions on the Draft Budgetary Plans (DBPs) of euro area Member States**
  - The revised DBP of Italy was assessed to be a particularly **serious case of non-compliance** with the Country-Specific Recommendations (CSRs) of July 2018 (see section 1 for more recent information and overleaf page for details on the assessment process of the Italian DBP).
  - For ten Member States (Germany, Ireland, Greece, Cyprus, Lithuania, Luxembourg, Malta, Netherlands, Austria, and Finland), the DBPs were assessed to be **compliant** with the SGP in 2019.
  - For three Member States (Estonia, Latvia and Slovakia), the DBPs were found to be **broadly compliant** with the SGP in 2019, which means that they were assessed to lead to some deviation from the country's MTO or the adjustment path towards it (see separate briefing for more information on the concept of MTOs).
  - For five Member States (Belgium, Spain, France, Portugal and Slovenia), the DBPs were judged to pose **a risk of non-compliance with the SGP in 2019**, which means that they might lead to a significant deviation from the adjustment paths towards the respective MTO.

- **Draft recommendations on the economic policy in the euro area:**

  Out of five recommendations on the economic policy of the euro area, the following one targets specifically fiscal policies under the SGP: "*Rebuild fiscal buffers in euro area countries with high levels of public debt, support public and private investment and improve the quality and composition of public finances in all countries.*"

All euro area Member States have submitted in October 2018 **their 2019 DBPs**, in accordance with Regulation (EU) No. 473/2013:

- On 19 October 2018, the COM sent **letters** to **Belgium**, **France**, **Portugal** and **Spain** asking the respective governments for clarifications on the compliance of the respective fiscal effort in 2019 with the requirements of the preventive arm of the SGP; furthermore, the COM sent on 19 October 2018 a letter to **Slovenia** asking the government to submit an updated 2019 DBP, since the current one does not include new planned policy measures ("no policy change DBP"). All countries replied to the COM on 22 October (see here replies by **Belgium**, **France**, **Portugal**, **Slovenia** and **Spain**).

- **Italy:** On 4 October 2018, the Government sent a letter to the COM, informing it that "*the government has decided to modify its fiscal targets for 2019-2021 in order to pursue a program of socio-economic reforms and public investment at a time when growth in the European and Italian economies is decelerating and unemployment in our country remains unacceptably high – both in absolute terms and relative to the EU average.*" Among the modified targets, the Government informed it would be seeking parliamentary approval to increase the deficit to 2.4% of GDP in 2019 (with the structural deficit widening by 0.8% in 2019 and stabilising thereafter). On 5 October 2018, the COM reacted by letter, whereby it recalled that the recommendation under the SGP addressed to Italy, like to any other Member State, had been unanimously approved and that its assessment of the Italian budgetary stance would start with the submission of the DBP Plan for 2019. Notwithstanding, the COM took note of Italy's intention to deviate from the previously announced convergence path towards the MTO. On 15 October, the Italian Government submitted its 2019 DBP to the COM and on 18 October, the COM sent a letter to the Italian Government; the letter seeks clarification on the planned deviation from the recommendations addressed to Italy, considered a "*source of serious concern to the Commission.*" In its reply of 22 October, the Italian government acknowledges that the Italian DBP contains a structural balance path and a debt path which are not in line with the SGP; but it is also convinced that the chosen budget policy strategy is necessary to support a recovery in investment and GDP growth and that it will not pose a risk for the financial stability neither of Italy nor of other EU Member States government. On 23 October 2018, in accordance with Regulation 473/2013, the COM issued an Opinion on the DBP of Italy (see also accompanying letter) requesting the country to submit within three weeks **a revised DBP**, given that that the COM assesses "*a particularly serious non-compliance with the recommendation addressed to Italy by the Council on 13 July 2018*" and against the background that "*the 2019 DBP is not in line with the commitments presented by Italy in its Stability Programme of April 2018*". On 13 November 2018, the Italian Minister of Finance sent a revised DBP and an accompanying letter to the COM, confirming the fiscal objectives included in the original DBP and presenting a privatisation objective of 1% of GDP in 2019 with the aim to have a dampening effect on the debt ratio. The Italian Minister also argued that natural events call for urgent public works, which should be considered as exceptional and allow for the application of flexibility clauses. On the same day, the Ministry stated that the Treasury Administration sent a report to the COM, presenting the "*relevant factors affecting the debt trajectory*", as requested by the COM in October. As described in section 1 of this briefing, budgetary amendments put forward by Italy in December 2018 have eventually led the COM to declare that it will not recommend the opening of an EDP at this stage. Italy would still be *prima facie* at "*risk of non-compliance*" with its obligations under the preventive arm of the SGP.

On **13 July 2018**, the Council concluded the 2018 European Semester by adopting the 2018 CSRs see also separate EGOV overview). The CSRs inter alia contain explicit fiscal targets in terms of annual structural adjustment and growth of net primary government expenditure. Notably, the fiscal CSRs reflect the recommendations for Council Opinions on the 2018 Stability and Convergence Programmes (SCPs). Greece exited its financial assistance programme on 20 August 2018, after the adoption of the 2018 CSRs, so that the country is currently part of the European Semester and the preventive arm of the SGP, without being subject yet to CSRs.

Box: Entry into force of the debt reduction benchmark

EU Regulation 1467/97 stipulates that the debt reduction benchmark (which is relevant for countries with public debt above 60% of GDP) is applicable after **a transition period of three years from the correction of the excessive deficit**, if the country was in an EDP at the entry in force of the regulation (i.e. on 8 November 2011). Member States **within the transition period have to comply with a so-called Minimum Linear Structural Adjustment** (defined on p. 12 of current Code of Conduct on the SGP implementation and in Annex 5 of the 2018 Vade Mecum on the SGP). The state of play regarding is as follows:

- Finland (not in EDP on 8/11/2011): the debt rule is applicable without transition period since the entry in force of the regulation.

For the following countries, transition periods existed or exist, since they were in EDP on 8 November 2011:

- Germany and Malta: expiration of the transition period in the end of 2014.
- Italy: expiration of the transition period in the end of 2015.
- Belgium; Austria and the Netherlands: expiration of the transition period in the end of 2016.
- Ireland, Cyprus and Slovenia: the transition periods will expire in the end of 2018.
- Portugal and Greece: expiration of the transition period end of 2019.
- Croatia, which entered the EU after the entry in to force of the regulation and whose deficit is not any more excessive since 2016, the debt rule is applicable without a transition period.
- France, whose deficit is not anymore excessive since the reference year 2017, the transition period will expire end of 2020.
- Spain (the only country still under EDP): the transition period will expire three years from the correction of the excessive deficit.