Council of the EU

PRESS NL

PERSMEDEDELING
734/18
04/12/2018

Eurogroup Statement on the Draft Budgetary Plans for 2019

The Eurogroup welcomes that all 19 Member States have submitted Draft Budgetary Plans (DBPs) for 2019. Greece is part of this exercise for the first time, following the end of the macro-economic adjustment programme. On 21 November, the Commission provided in-depth individual assessments and Opinions, together with an analysis of the budgetary situation in the euro area as a whole.

We note that Luxembourg, Latvia and Slovenia submitted DBPs on a no-policy-change basis. We invite them to submit the updates of their DBPs as soon as possible and look forward to the Commission assessment of those updates.

The euro area is entering its sixth year of growth, although growth has peaked and downside risks have increased. The strength of the domestic drivers is supportive of the continued activity growth and unemployment reduction. According to the Commission autumn forecast, the aggregate deficit in the euro area is expected to further decline from 1% in 2017 to 0.6% of GDP in 2018, although an increase to 0.8% of GDP is forecast in 2019. For the first time since the introduction of the euro, in 2019 no euro area Member State is expected to have a deficit above 3% of GDP. Aggregate debt in the euro area is set to be on a downward path, from 89% of GDP in 2017 to 87% of GDP in 2018 and 85% of GDP in 2019.

Current economic conditions call for the urgent need to rebuild fiscal buffers, notably in Member States that have not reached their Medium-Term Budgetary Objectives (MTO). The Eurogroup reiterates that a slow pace of debt reduction from high levels in a number of Member States remains a matter for concern and should be decisively addressed. In this context, the fiscal expansion or limited structural fiscal adjustment expected in some Member States in 2019 is worrying, in particular when coupled with high medium term sustainability risks. The Eurogroup recalls in this context that the focus on sufficient debt reduction and the adjustment towards the MTO are an integral part of the Stability and Growth Pact (SGP). The Eurogroup also recalls that country-specific recommendations adopted by the Council on 13 July 2018 include detailed and quantified fiscal policy guidance, taking into account the need to strengthen the growth potential and sustainability concerns.

The Eurogroup underlines that Member States are in very different budgetary situations.

The Eurogroup recalls that in its opinion issued on 23 October 2018 the Commission identified a particularly serious non-compliance with the recommendation addressed to Italy by the Council on 13 July 2018 and requested a revised DBP. Italy submitted a revised DBP on 13 November, on which the Commission issued another opinion on 21 November, confirming the existence of a particularly serious non-compliance with the Council recommendation. We support the Commission assessment and recommend Italy to take the necessary measures to be compliant with the SGP. We also support the ongoing dialogue between the Commission and the Italian authorities.

The Eurogroup takes note that, according to the Commission assessment, five Member States' plans are deemed to be at risk of non- compliance with the SGP in 2019: Belgium, France, Portugal, Slovenia, under the preventive arm of the SGP and Spain, assessed under the assumption of a timely and durable correction of the excessive deficit. According to the Commission assessment, the DBPs of these Member States might result in a significant deviation from the adjustment path towards their respective MTOs. In addition, Belgium, France, Portugal and Spain are not expected to comply prima facie with the debt reduction benchmark in 2019. The Eurogroup invites all these Member States to consider in a timely manner the necessary additional measures to address the risks identified by the Commission and to ensure that their 2019 budget will be compliant with SGP provisions.

Based on the Commission assessment, three Member States' plans are deemed to be broadly compliant with the SGP in 2019: Estonia, Latvia and Slovakia, all under the preventive arm of the SGP. The Eurogroup invites these Member States to ensure compliance with SGP provisions within the national budgetary processes and welcomes their commitment to take any necessary measures.

The Eurogroup welcomes that ten Member States' plans are deemed to be compliant with the SGP in 2019: Austria, Cyprus, Finland, Germany, Greece, Ireland, Lithuania, Luxembourg, Malta and Netherlands, all under the preventive arm of the SGP. The

Eurogroup also welcomes that some of the Member States that have outperformed their medium term objectives have plans to partly use their favourable budgetary situation in 2019 to boost investment and growth, while preserving the long-term sustainability of public finances.

We will continue to monitor euro area Member States' fiscal and economic policies, as well as the budgetary situation of the euro area as a whole.

Press office - General Secretariat of the Council
Rue de la Loi 175 - B-1048 BRUSSELS - Tel.: +32 (0)2 281 6319
press.office@consilium.europa.eu - www.consilium.europa.eu/press