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The 2014 Stability and Convergence Programmes: An Overview

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EXECUTIVE SUMMARY

This note provides an overview of the 2014 Stability and Convergence Programmes (SCPs). It offers the opportunity for Member States to take an overall view of the fiscal plans over 2014-2017, both at the EU or euro area level and at the Member State level.

Fiscal consolidation continued in 2013 for the third year in a row. The overall structural effort in the euro area amounted to 0.7% of GDP, coming in broadly as planned one year ago in the 2013 update of the Stability and Convergence Programmes (SCPs). A similar structural effort was implemented by the wider EU in 2013, slightly outperforming the aggregate adjustment planned in the 2013 SCPs. This implies that in the period 2010-2017 – from the moment when most Member States were recommended to start the consolidation under the agreed fiscal exit strategy until the end of the current programme period – about three quarters of the cumulative improvement in the structural balance will have taken place by the end of 2013. The outturn for growth in 2013 was also in line with what was expected last year by both Member States and the Commission. As a result of these factors, most of the Member States achieved their planned headline deficit targets in 2013, despite continuing low levels of growth in many economies. In particular, seventeen Member States recorded headline deficits below the 3% threshold in 2013, compared to ten only a year earlier. Consolidation in the EU was mainly achieved through revenue-raising measures despite the planned expenditure-based consolidation, while in the euro area the degree of the consolidation accomplished through expenditure-decreasing measures was in line with what had been anticipated. Government debt developments in the euro area turned out in line with last year's expectations, while in the case of the wider EU debt came in slightly below 2013 SCPs' projections. In both cases however, debt-to-GDP continued to increase, although at a slower pace than in the recent past.

In their 2014 programmes Member States expect a return to economic growth in 2014. In fact, based on plans, all Member States except Croatia will register positive real growth in 2014, and the aggregate output gap in both the euro area and the EU will start shrinking from 2014 onwards, closing completely by 2017. These forecasts are in line with both the Commission 2014 spring forecast and with those set out in the 2013 SCPs, pointing to stability and consensus in the underlying macroeconomic forecast. Moreover, the overall shift in the composition of growth towards a more prominent role of private consumption and investment than in the last years should increase the tax-richness of output. Overall, the plans presented in the 2014 SCPs show that consolidation is set to continue for the fourth consecutive year. Both at the euro area level and the EU, the aggregate general government deficit is expected to fall below 3% of GDP in 2014 and all Member States plan to register a headline deficit below the 3% threshold in 2017. Moreover, 2014 is expected to be the peak year for the debt-to-GDP ratio, which will start decreasing in 2015 and will continue to do so until the end of the programme period. The achievement of primary surpluses is expected to be the main driver of the overall debt reduction, while the reverse 'snow-ball' effect is not expected to contribute to it at an aggregate level.

The adjustment planned for the period 2014-2017 also shows that the consolidation pace is expected to considerably decelerate to an average structural effort of around 0.3% of GDP per year both at the euro area and the EU level. Taking into account the currently high debt levels and that in 2014 at least thirteen Member States are expected to be either under Excessive Deficit Procedure or still not to have achieved their MTO, this average annual structural improvement may point to an overall insufficient response to the existing fiscal challenges. However, this aggregate structural adjustment figure masks considerable differences across Member States, which have in general planned a differentiated fiscal consolidation strategy according to their respective fiscal positions. Furthermore, the structural balance may underestimate the underlying fiscal effort on grounds of a lower than normal response of revenue to economic growth. Another source of difficulties in interpreting the change in the structural balance as a proxy of the fiscal effort relates to its tendency to undergo revisions, in turn reflecting the difficulty of real time measurement of the output gap.

In aggregate, the 2014 SCPs plan to reduce revenues by about 0.5 percentage points of GDP over the programme period and to reduce expenditure by five times as much, reflecting the overall limited space *for additional tax measures–. The composition of the planned consolidation on the expenditure side in the EU and the euro area appears also to be less biased against public investment than in the past. In contrast to the urgency and the size of the past consolidation programmes, the overall smaller size of the planned consolidation for 2014 and beyond opens the opportunity to improve the quality of fiscal measures and public finances in general. These plans, which should in principle be regarded as growth-friendly, should be interpreted with caution in view of past experience when consolidation initially planned to be expenditure-based turned out to be revenue-based.*

The comparison of the 2014 SCPs with the Commission 2014 spring forecast shows that the plans are plausible for 2014. Risks to the achievement of the planned fiscal targets increase in 2015, although are considerably smaller than in last year's update of the SCPs. Furthermore, while the underlying assumptions on which the deficit targets for 2016 and 2017 are based seem realistic overall, the achievement of these objectives implies substantial additional consolidation measures for several Member States, which constitute an additional source of risk.

The improvements in the fiscal position observed in 2013 and planned for the programme horizon in most Member States also improve debt sustainability across the EU. Risks for short-term fiscal stress have been reduced in nearly all Member States. However, medium-term debt projections show that even if the fiscal plans in the SCPs are fully implemented, additional fiscal consolidation measures in the order of 1.7 percentage points of GDP on average would be needed over the period 2016-2020 to bring the debt-to-GDP ratio down to 60% by 2030.

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1. INTRODUCTION

This note provides an overview of the 2014 updates of Stability and Convergence Programmes (SCPs) submitted by the Member States. ([1]) The note aims at offering a global, aggregated view of fiscal policy plans in the Union and the euro area as a whole. ([2])

In its conclusions of 18 February 2014, the Council indicated that fiscal consolidation has to be pursued and should be differentiated, growth-friendly, in line with the priorities set out in the Annual Growth Survey and based on an appropriate mix of expenditure and revenue measures at the level of the Member States. Together with the SGP requirements, these principles represent the basis for the assessments of the SCPs. In the context of the European Semester, the Council recommendations are expected to feed into the national budgets for 2015. For these reasons, plans for 2015 are given primary attention in the present note.

The note consists of five sections. Section 2 examines the implementation of SCPs in 2013. Section 3 presents the macroeconomic scenarios and budgetary plans set out by Member States in their SCPs, in particular the fiscal consolidation strategies (pace, time profile and composition of the fiscal adjustment) in nominal and structural terms over 2014 to 2017. Section 4 contains an analysis of the risks present in the SCPs plans, focusing on risks to projections of macroeconomic variables and related revenue targets and, in particular, examining the differences between the Commission's projections and those contained in Member States' SCPs. Section 5 looks at the longer term implications of the plans for fiscal sustainability, notably taking into account the projected changes in age-related expenditure. Finally, Annex I provides tables with data from both the SCPs and the Commission 2014 spring forecast.

([1]) The analysis is built around data reported by Member States in their 2014 Stability and Convergence Programmes, unless otherwise specified. As Cyprus and Greece did not submit programmes, they are not part of this analysis. The data for the UK correspond to fiscal years and, when relevant, other (Commission) data for the UK are adjusted to be comparable.

([2]) The overview of the 2013 vintage of the SCPs is available at: http://ec.europa.eu/economy_finance/publications/occasional_paper/2013/pdf/ocp152_en.pdf

2. 2013 AT A GLANCE AND BUDGETARY DEVELOPMENTS

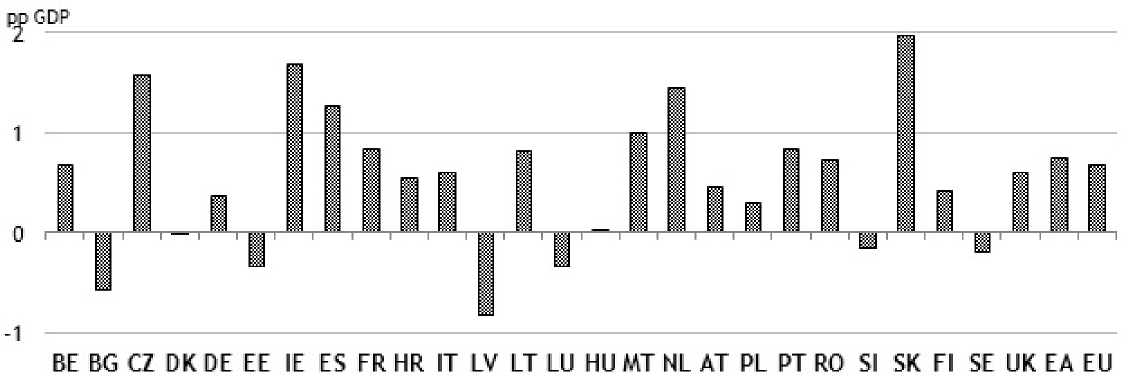
2.1. FISCAL PERFORMANCE IN 2013

After a sizeable reduction in government **structural deficits** was achieved in 2011 and 2012, 2013 saw a continued consolidation effort ([3]). Most Member States further adjusted their fiscal positions through significant improvements in their structural balances (see Graph 2.1), amid continuing low levels of growth in many economies. The structural improvement in the EU amounted to 0.7 percentage points (pp) of GDP, outperforming the 2013 SCPs' target by 0.2 pp. The structural improvement in the euro area came in broadly as planned, at 0.7 pp of GDP. The outturn structural adjustment on both aggregates is also in line with the one envisaged by the 2013 Commission spring forecast.

The largest improvements in the structural balance (above 1% of GDP) were registered in the Czech Republic, Spain, Malta, the Netherlands and Slovakia together with Ireland. Almost all other Member States in EDP in 2013 (Austria, Belgium, Poland, Portugal, France and the UK) showed a smaller improvement of less than 1 percentage point, with the exception of Denmark, whose structural surplus remained unchanged, and Slovenia, whose structural deficit widened by 0.1% of potential output.

On the other hand, the structural balance deteriorated in some Member States in the preventive arm of the SGP, namely Bulgaria, Estonia, Latvia, Luxembourg and Sweden, though it should be noted that all of these countries were assessed to be at their MTO at the start of 2013.

Graph 2.1: **Change in structural balance (pp of GDP) in EU Member States in 2013**



Source: Commission services.
The graph plots the change in the structural balance according to the Commission 2014 spring forecast. UK figures have been computed according to the financial year.

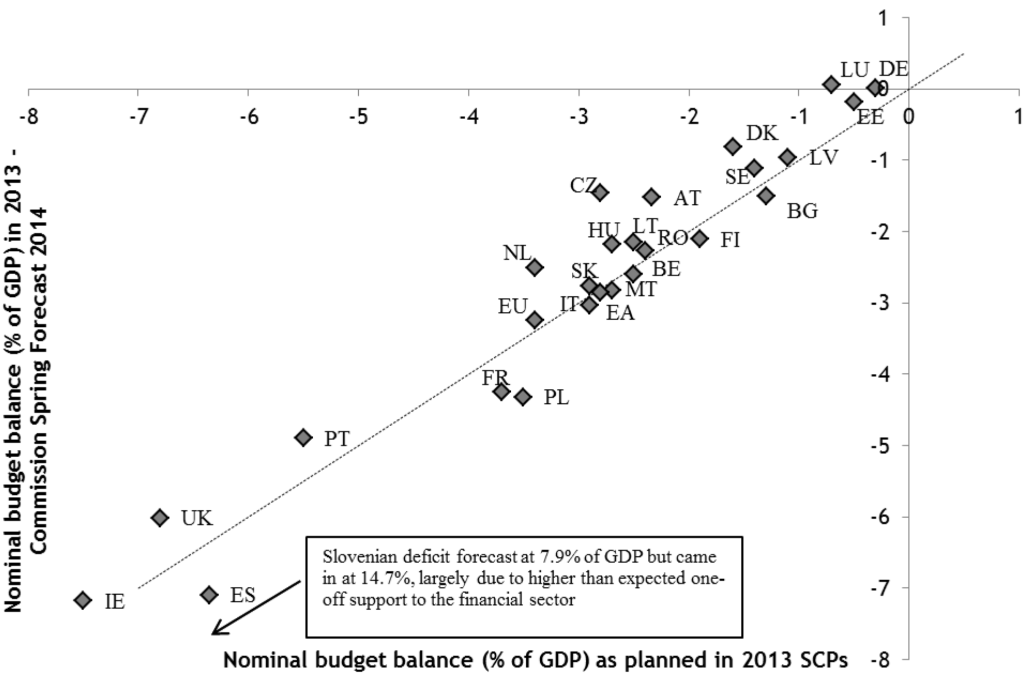
Along with the overall sizeable improvements in the government structural balances, most of the Member States – 16 out of the 25 that submitted an SCP in 2013 – achieved their planned **nominal** fiscal targets in 2013. This is in contrast to 2012 when a majority of Member States missed their nominal targets despite large structural adjustments, due mainly to weaker than expected growth and over-estimation of tax elasticities.

([3]) The aggregates for the euro area used in all the section do not include Latvia, Greece or Cyprus, as this section mainly compares outturn data for 2013 against the plans Member States set out in their 2013 SCPs. As Latvia only adopted the euro on 1 January 2014 and Greece and Cyprus did not submit SCPs under the European Semester in 2013 due to being in adjustment programmes, they cannot be included in the aggregates for the euro area drawn from the 2013 SCPs and so, in order to ensure comparability, must also be excluded from the 2013 outturn aggregates used in this section. For the same reason, the aggregates for the wider EU used in this section exclude Cyprus, Greece and Croatia.

Across Member States, the headline deficit came in noticeably worse than expected in Spain (partly due to bank recapitalization costs), France and Poland, all missing their 2013 SCPs' targets by over half per cent of GDP. On the other hand, significant over-achievement was delivered in a number of Member States, in particular the Czech Republic who bettered their 2013 SCPs' targets by over one per cent of GDP. The Netherlands, Austria, Luxembourg, Denmark, Portugal, Hungary and the UK all delivered deficits that were at least 0.5% of GDP better than targeted, while a number of other Member States managed smaller over-achievements. In the case of Slovenia, it recorded a deficit of 14.7% of GDP, almost twice its previous SCP projection, largely due to higher than expected one-off support to the financial sector (10.3% versus 3.7% envisaged in the SCP 2013).

Seven Member States brought their headline deficits below 3% of GDP in 2013, bringing to seventeen the number of Member States with nominal deficits already below the 3% threshold, compared with only ten a year earlier. In the euro area, the headline deficit came in at 2.9%, falling below 3% for the first time since 2008, while for the EU, it stood at 3.2% of GDP. Compared to the 2013 SCPs, the aggregate euro area and EU nominal deficit turned out 0.1 pp worse than and 0.2 pp better than their respective targets.

Graph 2.2: **Nominal balance (% of GDP) in EU Member States in 2013**



Source: Commission services.
The graph plots the nominal budget balance planned in the 2013 SCPs (horizontal axis) against the notified 2013 budget balances (vertical axis). Member States above (below) the bi-sector line are those where the 2013 nominal balances came in better (worse) than planned.

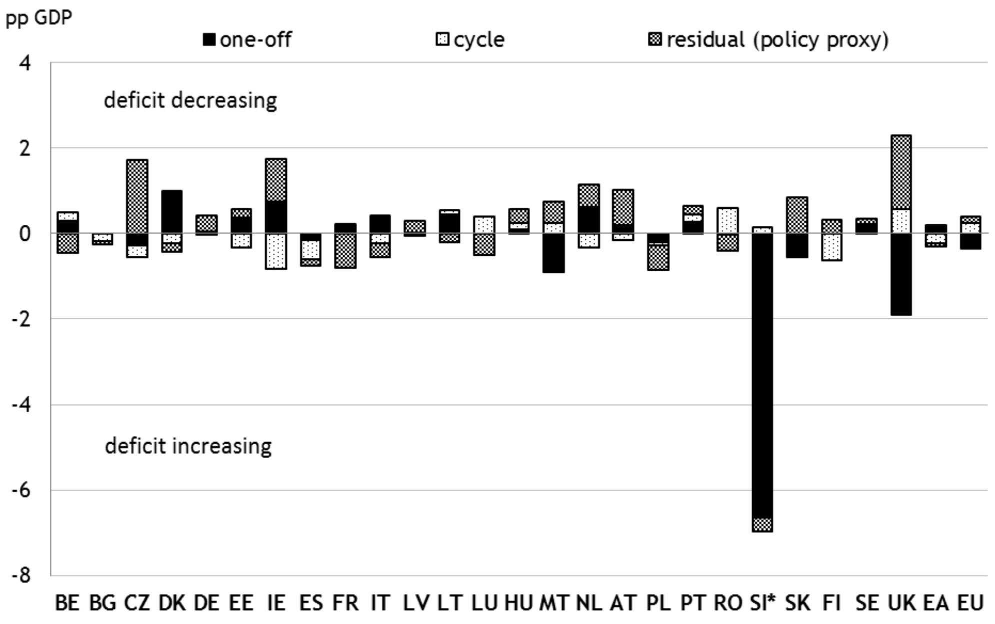
Graph 2.3 looks at the **breakdown of the difference between planned and observed nominal balance changes**, specifically between one-offs, cyclical and the residual structural component changes. Of the sixteen Member States that registered nominal deficits in line with their 2013 SCP, deficit decreasing one-off measures played a larger role in meeting this target than had been expected in ten of them (Denmark, Estonia, Ireland, Latvia, Lithuania, Hungary, the Netherlands, Austria, Sweden and Portugal), which is not conducive to a durable correction ([4]) . One-off measures also reduced the deficit by more

([4]) One-off and temporary measures are measures having a transitory budgetary effect that does not lead to a sustained change in the general government's intertemporal budgetary position. Therefore, deficit reductions achieved mainly through the implementation of such measures are likely to be non-durable.

than had been expected in the 2013 SCPs in Belgium, France and Italy, though their impact was deficit increasing in the Czech Republic, Spain, Malta, Poland, Slovakia, Slovenia, Romania and the UK. One-off measures reduced the euro area deficit by more than had been anticipated in the 2013 SCPs, whereas in the EU as a whole, one-offs increased the deficit by more than had been expected, with the divergence reflecting the large negative contribution to the UK headline balance compared to forecast.

In terms of the impact of the cycle on the performance of Member States' headline deficits against the projections in the 2013 SCPs, there is a relatively even split between countries where it was deficit-widening and those where it was deficit reducing. The UK and Luxembourg's improvements in their headline balances compared to the 2013 SCP projections by 0.8 pp of GDP each, were aided by the cyclical component, which contributed 0.5 pp and 0.4 pp more than had been anticipated in each case. Conversely, the cycle worsened Ireland and Finland's headline deficits compared to the 2013 SCP projections by 0.8 and 0.6 pp of GDP respectively.

Graph 2.3: **Observed changes in EU Member Stated budget balance *vs* changes planned in 2013 SCPs: breakdown (pp of GDP)**



Source: Commission services.
Negative (positive) values in any of the three components above are to be interpreted as it contributing less (more) to the improvement in the headline deficit than planned one year ago.
* The large impact of one-offs for Slovenia is due to higher than expected one-off support to the financial sector (10.3 pp of GDP vs 3.7 pp envisaged in the SCP 2013.

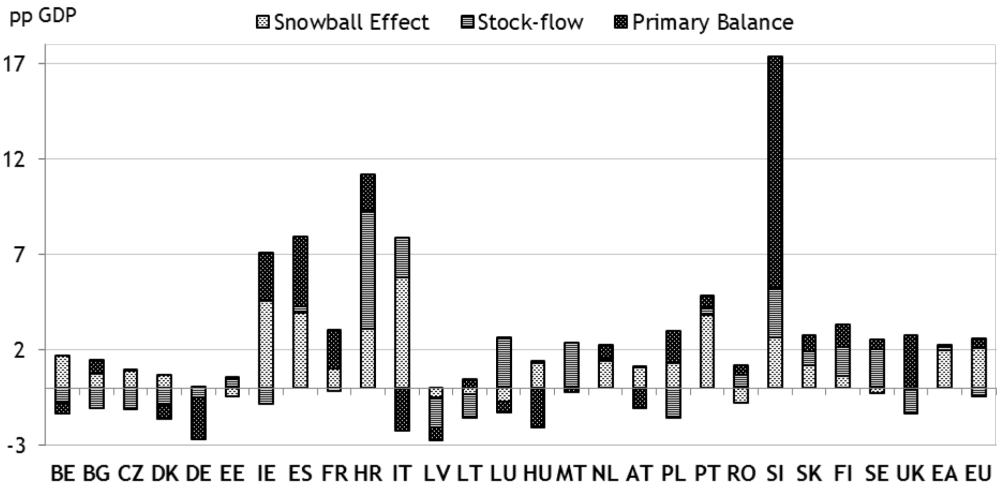
The residual gap in the movement in the headline balance can be considered a proxy for policy efforts, and a broad divergence of this effect is again evidenced, though, it should be recalled that the difference between planned and observed change in the structural balance is not only due to discretionary fiscal policy, but also to forecast errors linked to revisions in potential growth or shortfall/windfall on revenues ([5]). A structural improvement above the one planned in 2013 SCPs, is particularly evident in the Czech Republic, Ireland, Austria, Slovakia and the UK. However, the policy component delivered less

([5]) See Annex 5 of the Vade Mecum on the Stability and Growth Pact available at http://ec.europa.eu/economy_finance/publications/occasional_paper/2013/op151_en.htm or Section II.2.2 of Public Finance Report (2012) and the note for the Alternates of the Economic and Financial Committee: "*The assessment of effective action in the context of the Excessive Deficit Procedure*", Ares (2012)1546431 of 21/12/2012 towards the change in the headline balance than planned in a number of Member States, including Belgium, France, Italy, Luxembourg, Poland, Slovenia and Romania.

Overall, the minor 0.1 pp of GDP slippage in the euro area headline balance with respect to last year's plans is attributable to cyclical conditions turning out overall less benign than forecast last year. In the case of the wider EU, the headline balance came in slightly better than planned due mainly to the higher average policy effort and more favorable cyclical conditions.

Finally, aggregate **debt developments** turned out in line with expectations in the euro area reaching 93.5% of GDP, exactly as envisaged in the 2013 SCPs. In turn, EU debt reached 87.4% of GDP, slightly below the 2013 SCPs projections of 88.1%. Across Member States, Slovenia and Portugal stand out with the largest deviation with respect to last year's debt targets, (respectively 10 and 7 pp higher than expected), while Belgium ([6]), Spain and Italy registered debt ratios around 2 pp higher than planned in the 2013 SCPs. Conversely Latvia, the UK, the Czech Republic and Germany registered debt levels somehow below their respective targets.

Graph 2.4: **Contributions to the change in debt-to-GDP ratio in 2013**



Source: Commission services.
The graph disaggregates the contributions to the changes to Member States debt-to-GDP ratios recorded in 2013 between the contributions of the primary balance, stock-flow adjustments and the snowball-effect, the latter of which refers to the interest rate-growth rate differential.

While consolidation is a prerequisite for the debt ratio to decrease in the long run, debt dynamics also depend significantly on the interest rate-growth differential (i.e. the "snow-ball" effect) and on stock-flow adjustments.([7]) Graph 2.4 shows the contribution of fiscal consolidation (understood here as the change in the primary balance), the difference between GDP growth and interest rates, and the stock-flow adjustment on the change in government debt-to-GDP ratios in 2013.

([6]) In the case of Belgium this largely reflects the reclassification of some state-owned enterprises into the general government perimeter, as requested by Eurostat.

([7]) The change in the gross debt ratio can be decomposed as follows: $\frac{D_t}{Y_t} - \frac{D_{t-1}}{Y_{t-1}} = \frac{PD_t}{Y_t} + \left(\frac{D_{t-1}}{Y_{t-1}} * (r_t - g_t)\right) + \frac{SF_t}{Y_t}$ where t is a time subscript; *D, PD, Y* and *SF* are the stock of government debt, the primary deficit, nominal GDP and the stock-flow adjustment respectively, and r and g represent the average real interest rate and real rate of GDP growth. The term in parentheses represents the "snow-ball" effect, measuring the combined effect of interest expenditure and economic growth on the debt ratio.

Overall, the 2% of GDP increase in the debt of both the euro area and the EU was mainly driven by the snow-ball effect. Across Member States, this effect accounts for a significant share of the debt increase in Ireland, Spain, Portugal and Italy. In the latter case, the snow-ball effect together with the stock-flow adjustment more than offset the debt-decreasing impact of the primary surplus achieved in 2013. Besides Italy, the primary surplus helped containing the increase in the debt-to-GDP ratio in Belgium, Malta, Latvia, Luxembourg and Austria, and brought it down in Germany, Hungary and Denmark.

2.2. MACROECONOMIC PERFORMANCE IN 2013

Table 2.1 shows that the macroeconomic environment in 2013 was **broadly as anticipated in the 2013 SCPs**. Real GDP growth, though still marginal, was on target in the EU and came in only slightly below forecast in the euro area. In both cases, real GDP growth in 2013, at -0.3% and 0.1%, represented an improvement on the -0.5% growth recorded in the euro zone in 2012 and the -0.3% growth recorded in the EU that year.

However, nominal GDP growth, which is particularly relevant for the debt dynamics, was around a quarter of one per cent below projections in the euro area, reflecting the low levels of inflation during 2013, but 0.5% above forecast in the EU. The GDP deflator recorded for the euro area in 2013 was 1.5% and 1.6% for the wider EU.

Table 2.1: **Economic conditions in the EU and the euro area in 2013**

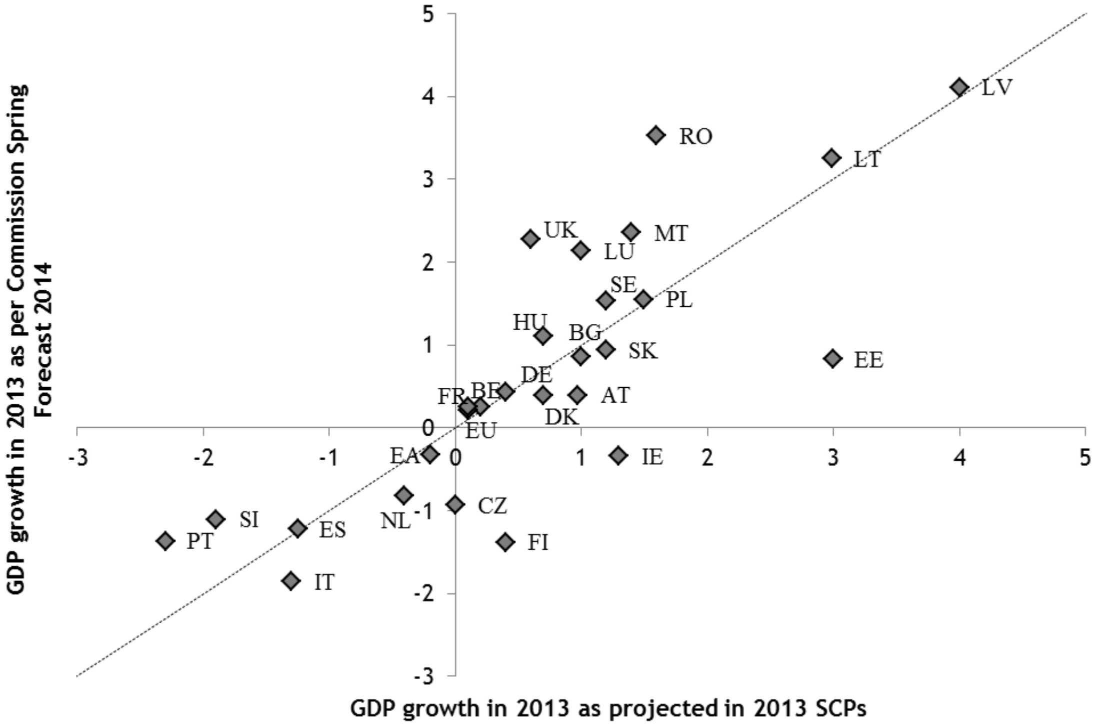
	variable	2013 SCPs planned	2013 Outturn
EU	Real GDP growth	0.1	0.1
EA		-0.2	-0.3
EU	Nominal GDP growth	1.2	1.7
EA		1.5	1.2
EU	Output gap*	-2.7	-2.9
EA		-2.7	-3.1
EU	Change in output gap*	-0.6	-0.5
EA		-0.6	-0.9

Source: Commission services.
* Differences in these figures are partly driven by the introduction of a new methodology for calculating the output gap.

While the performance of real GDP growth in line with forecast is to be welcomed, as it supports Member States' efforts to deliver on their fiscal targets, it must be noted that the negative output gap remained substantial across both the euro zone and the EU as whole. Indeed, in both regions, the output gap grew more negative during the year than had been anticipated in the 2013 SCPs.([8])

([8]) The inter-year comparison is affected by the introduction of a new methodology for calculating the output gap, which was not in use when the 2013 SCPs were compiled and which has resulted in a larger negative output gap for some countries. For further details on this methodological change, see *"New estimates of Phillips curves and structural unemployment in the euro area"*, Quarterly Report on the Euro Area, Vol.13, Issue 1, April 2014, European Commission.

Graph 2.5: **Annual real GDP growth(%) in EU Member States in 2013**



Source: Commission services.
The graph plots the 2013 GDP growth as projected in the 2013 update of the SCPs planned (horizontal axis) against 2013 outturn GDP growth (vertical axis). Member States above (below) the bi-sector line are those where the 2013 real GDP growth came in better (worse) than forecast. Greece and Cyprus are not included as they did not submit SCPs in 2013.

Graph 2.5 shows that there is a certain degree of heterogeneity across Member States in terms of the performance of economic growth against forecast. In almost half of the Member States, economic activity was weaker than forecast in the 2013 SCPs, most particularly in Estonia, Finland and Ireland, but also to a significant extent in the Czech Republic, Austria, Italy and the Netherlands. On the other hand, growth came in noticeably above forecast in Luxembourg, Malta, the UK, Romania, Portugal and Slovenia, though it was still negative in the case of the latter two.

2.3. COMPOSITION OF FISCAL CONSOLIDATION IN 2013

Table 2.2 provides further illustration on the nature and composition of the consolidation that was achieved in 2013, compared to what had been planned.

Revenue's share of GDP came in a half percentage point higher than had been anticipated across the EU, showing an increase of 0.3 pp on the 2012 ratio, following a fiscal effort of 0.5 pp of GDP on the revenue side as measured by the discretionary fiscal effort or DFE ([9]). (cf. table 2.2). Expenditure was also slightly above planned as a share of GDP, though still down 0.4 pp on 2012, which was broadly in line

([9]) The discretionary fiscal effort or DFE is an alternative indicator of the fiscal stance developed for analytical purposes. It consists of a "bottom-up" approach on the revenue side and an essentially top-down approach on the expenditure side. For further information, see part III of 2013 Report on Public Finances in the EMU: http://ec.europa.eu/economy_finance/publications/european_economy/2013/pdf/ee-2013-4.pdf. See also Annex 2 in The overview of the 2013 vintage of the SCPs, available at: http://ec.europa.eu/economy_finance/publications/occasional_paper/2013/pdf/ocp152_en.pdf with the fiscal effort implemented on the expenditure side. As the overall deficit declined during 2013, this suggests that a larger degree of the consolidation was accomplished through revenue-raising measures than had been anticipated. This is in line with previous years, when Member States have relied more heavily on revenue measures than they had planned, though the annual decrease in expenditure is still notable in 2013.

The outturn for the euro area was similar. Revenues as a percentage of GDP were in line with forecast, which was up 0.5 pp on 2012, following discretionary measures of 0.7 pp of GDP. Expenditure's share of GDP was marginally higher than planned and was down 0.2 pp on the previous year, again in line with the measures taken.

As the expenditure ratios remained largely static in 2013 compared to 2012, a disaggregation of the expenditure adjustment does not reveal large movements, with small reductions achieved on interest expenditure, while compensation of employees was held broadly flat and social payments rose slightly. However, there was a welcome arrest in the previous evident trend towards cutting investment, with expenditure on gross fixed capital formation maintaining its share of GDP in 2013.

Table 2.2: **Composition of consolidation in EU and EA (GDP ratios 2013)**

		2012 outturn	Discretionary Fiscal Effort	2013 SCPs planned	2013 outturn
EU	Revenues	45.4	0.5	45.2	45.7
	Expenditures	49.3	0.3	48.6	48.9
EA	Revenues	46.3	0.7	46.8	46.8
	Expenditures	49.9	0.3	49.6	49.7

Source: Commission services.
The table includes the discretionary fiscal effort assessed as having been taken in 2013.

3. MACROECONOMIC SCENARIOS AND BUDGETARY PLANS IN THE 2014 SCPS

3.1. GROWTH PROJECTIONS

The fiscal plans presented in the SCPs are based on macroeconomic scenarios which show a steady return to growth from 2014 on, for both the euro area and the EU overall ([10]). In the euro area, growth is expected to turn positive in 2014, at an aggregate 1.5%, followed by 1.9% in 2015 and 2%, in both 2016 and 2017. The figures for the EU overall are somewhat stronger; following on from almost zero growth in 2013, the EU is forecast to grow at 1.7% in 2014, 2% in 2015, 2.1% in 2016 and 2.2% in 2017. These forecasts are in line with both the Commission 2014 spring forecast and with those set out in the 2013 SCPs, pointing to stability in the underlying macroeconomic forecasts.

2014 is not just the year growth is forecast to turn positive on aggregate, but also the year when all countries except Croatia are forecasting positive growth in their SCPs. Graph 2.5 shows the growth outturns and SCP forecasts since the onset of the crisis, for all Member States that have submitted an SCP in 2014. It shows that while the first two years of the crisis (2008 and 2009) saw economic activity shrink both overall and in all countries except Poland, Slovakia, Romania, Malta and Bulgaria, the return to growth in 2010-11 was only temporary in many cases. Over 2012 and 2013, economic activity shrunk overall and in Finland, Slovenia, Portugal, the Netherlands, Hungary, Italy, Spain, Ireland and the Czech Republic. However, all countries except Croatia are expecting to grow in 2014 and nearly all are forecasting an acceleration of growth in 2015-17.

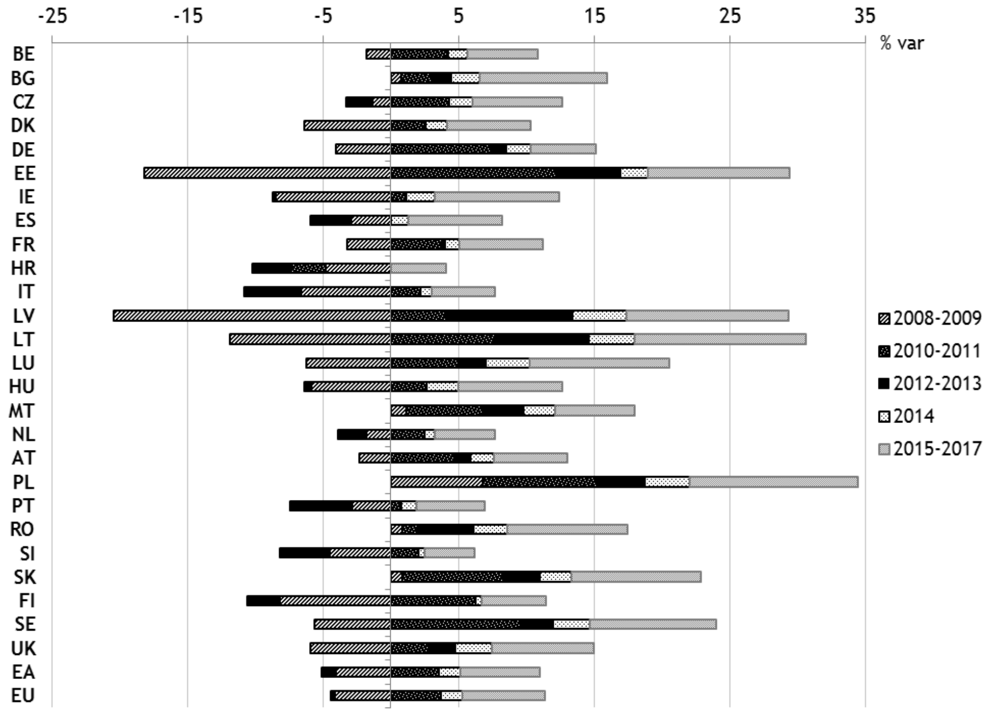
The underlying growth forecast for 2014 is sufficiently strong for the negative aggregate output gap in both the euro area and the EU to start shrinking from this year, closing completely by the end of the programming period. This reduction in the (absolute value of) output gap from 2014 is the reason why the overall budget balances are now improving by more than the cyclically adjusted balances, as the economy is delivering better budgetary outcomes. Nevertheless, a negative output gap is set to remain in the large majority of cases with only Estonia, Malta and Latvia forecasting a positive output gap in 2014. By 2017, the majority of countries are expecting a positive output gap.

According to the 2014 SCPs, nominal growth in the euro area is forecast to increase from 1.2% in 2013, to 2.5% in 2014, 3.2% in 2015, before reaching 3.5% by the end of the programming period. For the EU as whole, growth will increase from 1.7% last year, to 3.1% in 2014 and 3.5% in 2015, before reaching 3.9% by the end of the programming period. According to the SCPs, the GDP deflator is forecast to fall to 1.2% in 2014 before picking up to 1.4% in 2015 and inching its way up to 1.6% by the end of the programming period.

For both the euro area and the EU, however, the growth in deflators is noticeably lower than that set out in the 2013 SCPs. This is especially the case for 2014 when all countries except the Czech Republic, Luxembourg, Malta, Sweden and the United Kingdom are forecasting lower deflator growth compared with a year ago; overall this leads to the aggregate euro area deflator being some 0.5% lower in the current SCPs than in previous plans, with the corresponding figure for the EU being 0.4%. While the deflators for the next two years also remain lower than forecast in the 2013 SCPs, the differences narrow over time, closing by 2017.

([10]) The aggregates for the euro area and the wider EU used in all Section III do not include Greece or Cyprus, as they did not submit SCPs under the European Semester in 2014 due to being in adjustment programmes.

Graph 3.1: **GDP Growth in EU Member States over 2008-13 and projections, as presented in 2014 SCPs**



Source: Commission services
The graph plots real GDP growth over the period 2008-2017, grouping by two year intervals, with the exception of 2014. Outturn data are used for the years 2008-2013 while SCP projections are used from 2014 on.

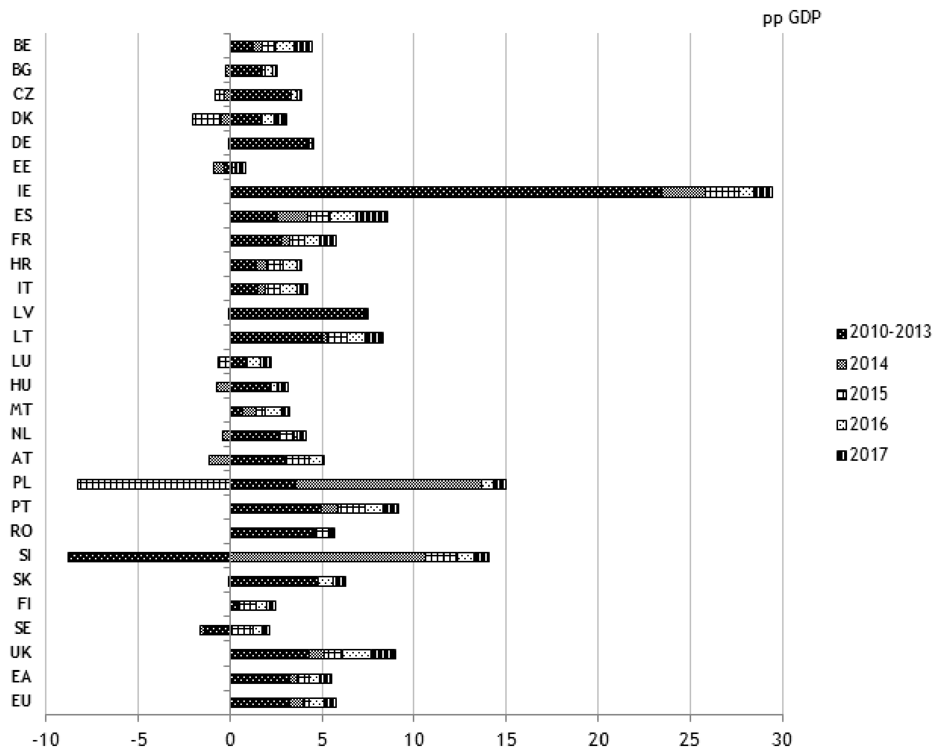
In 2014, the SCPs see private consumption expenditure picking up substantially in both the euro area and the EU, providing most of the impetus for growth. A further increase is forecast for 2015. In parallel, investment is forecast to reverse recent trends and increase in 2014 relative to 2013, also contributing to growth. An additional increase is also forecast for 2015. With improving conditions in the rest of the world, exports are projected to accelerate, but the increased domestic consumption is expected to be linked to a large increase in imports – especially in 2014. Overall, the external position (as measured by net lending towards the rest of the world) is forecast to show a small and steady improvement every year from its 2013 level of 2.8 pp of GDP in the euro area and 1.9 pp in the EU, when exports acted as the primary driver of growth. By the end of the programming period, the external position of the euro area is forecast to improve to 3.5% of GDP, with that of the EU at 2.7%, from a position of 2.8% and 1.9% of GDP respectively in 2013.

Within these totals, Belgium, the Netherlands, Austria, Portugal, Slovakia and Sweden are forecasting improvements of their external positions of close to or above 2 pp of GDP between 2013 and 2017. In the case of the Netherlands, this would lead to a trade surplus of well over 10% of GDP. Conversely, Bulgaria and Lithuania are forecasting strong deteriorations in their external positions, with Germany, Estonia, Ireland, Denmark and Latvia forecasting more modest ones based on an increase in imports. In the case of Germany, Ireland and Denmark though, the resulting external position would still be amongst the strongest in the EU. The overall trend in the composition of growth of a broadening from export-driven growth to growth that is also based on domestic consumption and investment, is in line with the plans set out in the 2013 SCPs and should increase the tax-richness of output, yielding stronger government revenues for a given level of output.

3.2. BUDGETARY PLANS: SIZE AND TIME PROFILE.

According to their SCPs, Member States plan to continue to consolidate over the programme horizon with aggregate headline deficits falling every year. Eighteen ([11]) Member States expect to register a general government deficit below 3% of GDP by 2014 which would imply that the large majority of Member States would be in the preventive arm of the SGP as of 2014. As a result, the EU average headline deficit should fall below 3% of GDP in 2014 for the first time since 2008 and declining thereafter to about 0.6% of GDP in 2017. At the euro area level, having reached 2.9% of GDP in 2013, the nominal deficit is expected to decline somewhat more pronouncedly to 2.4% of GDP in 2014 and thereafter until it reaches 0.5% of GDP in 2017. By that year all Member States plan to bring their deficits well below 3% of GDP.

Graph 3.2: **Time profile of fiscal effort: changes in nominal budget balance over 2010-2013 and planned for 2014-2017 as presented in 2014 SCPs**



Source: Commission services
The graph presents the 2010-2013 change in the nominal budget deficit as a percentage of GDP achieved by Member States and the planned changes over the period 2014-2017 as presented by Member States in the 2014 SCPs.
(*) Data for Ireland and Slovenia include bank recapitalization costs.

Graph 3.2 displays the evolution in nominal balances from 2010 to 2017, showing that more than half of the planned EU and euro area deficit reduction occurred over the period 2010-2013, with the remainder of the consolidation being spread over the next four years, though a degree of divergence between Member States' strategies exists. It can be observed that the pattern of consolidation has been broadly differentiated according to Member States fiscal space so far; countries with the largest deficit in 2010 are generally those that by 2013 had already undertaken the greatest reduction of their deficit. On the other

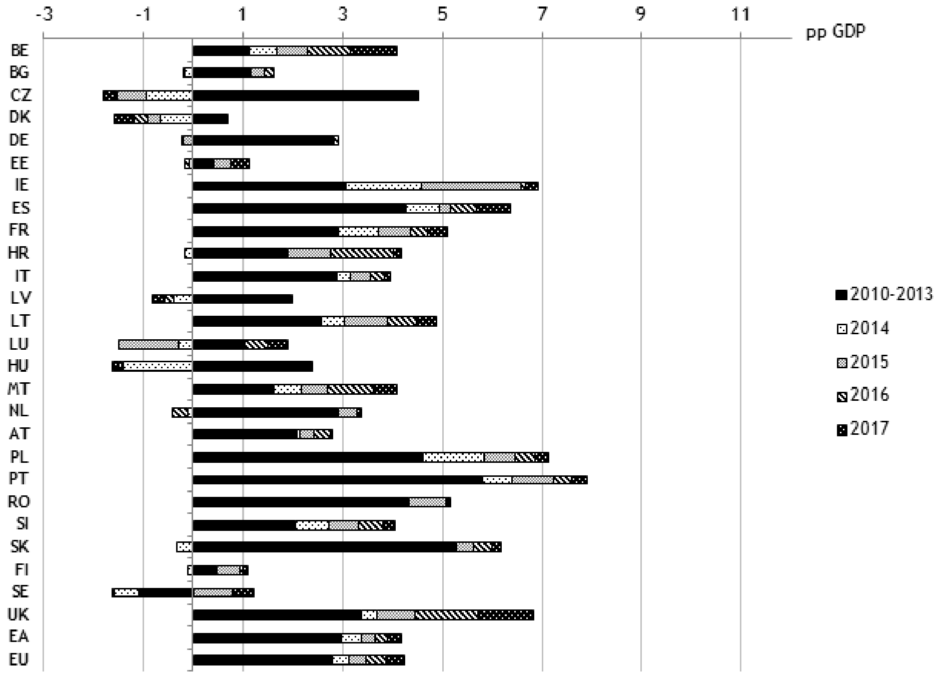
([11]) Belgium, Bulgaria, Czech Republic, Denmark, Germany, Estonia, Italy, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Slovakia, Finland, Sweden. The planned headline budget balance for Poland is largely driven by the effect of a pension reform, when removing this effect the budget balance is likely to exceed the -3% of GDP threshold in 2014.

hand, countries with more fiscal space typically had both smaller reductions to make and less pressure to deliver them quickly. Going forward, several Member States plan a deterioration of their headline deficit figures in 2014 and Czech Republic, Denmark and Luxembourg also in 2015, while keeping the headline deficit figures below 3% of GDP ([12]). In most cases the planned deterioration is transitory and further improvements are expected in the later years.

Turning to the evolution of the structural balance, and considering the overall adjustment period from 2010, when most Member States were recommended to start the consolidation under the agreed fiscal exit strategy, until the end of the programme period (2017) about three quarters of the cumulative improvement will have taken place by the end of 2013 ([13]). This represents around 2.9 pp and 2.9 pp of GDP in the euro area and in the EU respectively, out of a total adjustment of 4.1 pp and 4.2 pp in each case. Therefore, the adjustment has been frontloaded (cf. graph 3.3).

As shown in graph 3.3, Member States intend to progress with their fiscal adjustment over the programme's horizon though at a significantly slower pace than in past years.

Graph 3.3: **Change in structural budget balance over 2010-2013 and planned for 2014-2017**



Source: Commission services
The graph presents the 2010-2013 change in the nominal budget deficit as a percentage of GDP achieved by Member States and the planned changes over the period 2014-2017 on the basis of the information presented by Member States in the 2014 SCPs and recomputed by the Commission service using the commonly-agreed methodology.

In particular, based on the 2014 SCPs the euro area structural balance will improve by 0.4 pp of GDP in 2014, above the aggregate fiscal effort projected by euro area Member States in their 2014 Draft

([12]) Poland also plans a sharp deterioration of the headline budget balance in 2015 but this is largely due to the effect of a pension reform.
([13]) This refers to the total fiscal adjustment foreseen by Member States in their current plans, not to the aggregate fiscal effort at the euro area or EU level that would result from each Member State planning to reach its MTO by the end of the programming period.

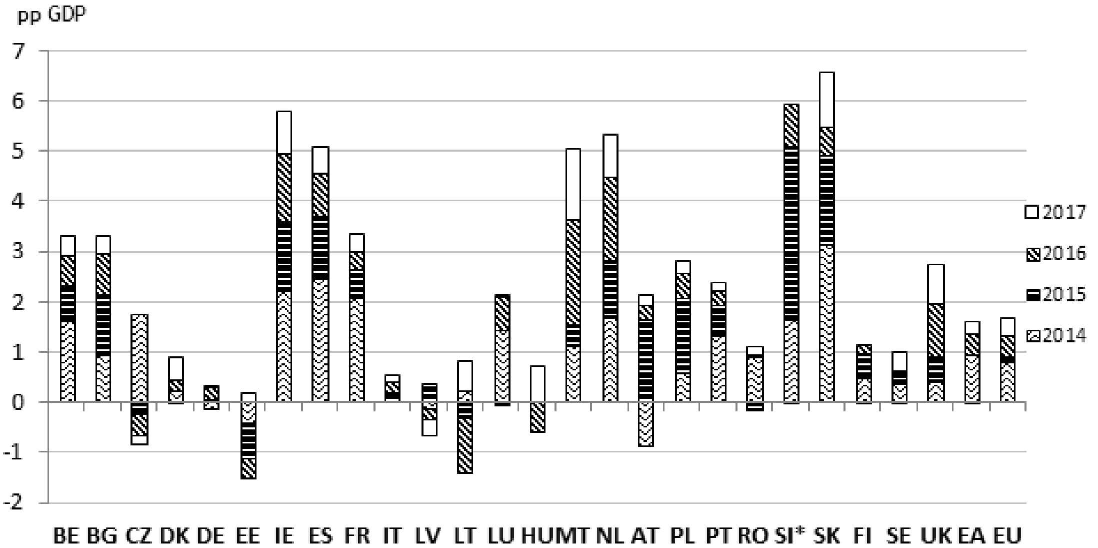
Budgetary Plans. The deceleration of the fiscal adjustment pace in 2014 is expected to be more pronounced in the EU, with its aggregate structural balance improving by an overall 0.3 pp of GDP. For 2014, the projected smaller improvement in the structural balance is coupled with an improvement in the output gap with respect to the previous year – albeit the output gap remains negative.

After 2014 the adjustment pace is expected to remain slightly more dynamic in the EU which, based on the 2014 SCPs, will implement an annual average fiscal effort of 0.4 pp of GDP between 2015 and 2017, compared to one of 0.3 pp of GDP in the euro area. By 2017, according to the SCPs, the structural deficit should reach 0.2 pp and 0.4 pp of GDP in the euro area the EU.

Across Member States, most of them intend to strengthen their fiscal position over the programme horizon, reflecting the broad need to reduce debt levels, with a large annual average improvement in the structural balance of around 1 pp projected in the case of Ireland and the UK and a more moderate adjustment above 0.5 pp of GDP in the case of Belgium, Spain, France, Malta, Portugal, Poland, Croatia, Lithuania and Slovenia. An annual improvement below 0.5% of GDP is projected for a number of other Member States, namely Bulgaria, Estonia, Italy, Austria, Romania, Slovakia, Finland and Slovenia. Conversely, the structural balance points to an annual average deterioration of around 0.5pp of GDP in the Czech Republic, Denmark and Hungary throughout the programme years . A more moderate average loosening is also forecast for Luxembourg and Latvia. Germany and the Netherlands are projected to maintain their structural balances with no change between 2014 and 2017.

The analysis of the evolution of expenditure net of discretionary revenue measures ([14]) (hereinafter, net expenditure) provides another proxy of the fiscal effort Member States plan to implement throughout the programme horizon. As implicit in Graph 3.4 below, the average net expenditure growth rate planned by the large majority of Member States is below their medium-term potential growth rate, therefore contributing to a reduction in their structural balances. Actually, according to current plans, the net

Graph 3.4: **Impact on the structural balance of the evolution of net expenditure relative to the medium-term potential growth rate**



Source: Commission services
The graph presents the impact on the structural balance of the evolution of net expenditure relative to medium-term potential growth over the period 2014-2013, as presented by Member States in the 2014 SCPs. Positive values point to net expenditure developments contributing to the improvement in the structural budgetary position.

([14]) In line with the computations for the expenditure benchmark, the aggregate considered here is net of investment matched by EU funds, interest payments, and cyclical unemployment expenditure. Moreover, public investment is smoothed in the computation expenditure of all Member States but Estonia, Lithuania and Latvia will be contained or reduced until 2017 – depending on the size of the positive difference between the planned net expenditure growth rate and the medium-term potential growth rate. Moreover, the averages for the euro area and the EU point to a cumulative effort of more than 1.5 pp of GDP over the period 2014-2017, larger than the estimate yielded by the change in the structural balance (of 0.8 and 1.1 pp of GDP respectively).

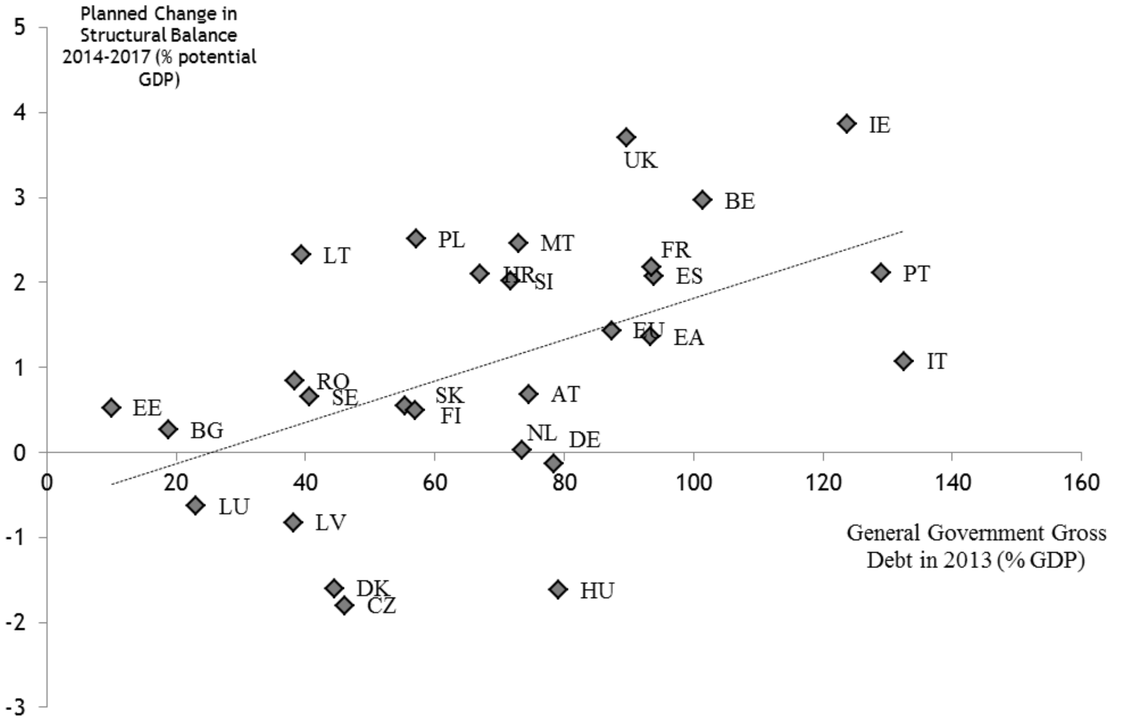
Although for some Member States the magnitude of the fiscal effort estimated via net expenditure developments can differ from the equivalent estimation stemming from the change in the structural balance as both indicators differ in their construction, in most cases both perspectives provide a similar viewpoint. In fact, it confirms the large cumulative effort planned by Belgium, Ireland, Spain, France, Malta, Poland, Portugal and the United Kingdom – with net expenditure restraint contributing to the improvement of the structural balance by between 2 pp of GDP in the case of Portugal and 5 pp of GDP in the case of Ireland, Spain or Malta. It points, along with the change in the structural balance, to a moderate cumulative effort around 1 pp of GDP in Italy, Austria, Romania Finland and Sweden and to no overall cumulative effort in the cases of Germany, Latvia and Hungary. Both indicators point to the implementation of some cumulative structural effort by Slovenia and Slovakia throughout the programme period; its magnitude, however, is significantly larger when estimated through net expenditure developments.

Conversely, the outlook provided by net expenditure developments is opposed to that of the change in the structural balance in the case of seven Member States. In particular, whereas the structural balances of Bulgaria, the Czech Republic, Denmark, Luxembourg and the Netherlands appear to cumulatively either deteriorate or to remain stable throughout the programme period, net expenditure restraint is estimated to improve their underlying fiscal positions by around 1 pp of GDP. Analogously, while Estonia and Lithuania have submitted a structural balance path implying a non-negligible cumulative fiscal effort (of 0.6 and 1.8 pp of GDP respectively), net expenditure developments point to a significant deterioration in their respective underlying fiscal positions of around 1 pp of GDP.

Differences between the two proxies of the fiscal effort can stem from implicitly planned revenue windfalls or shortfalls, if the SCPs' assumed budgetary elasticities differ from the OECD standard ones used in the cyclical adjustment of the government budget balance. Moreover, the specific construction of the expenditure aggregate – which relies on a medium-term potential GDP growth average and where several expenditure items are specifically treated, so as to proxy discretionary expenditure – can also generate differences between the two measures of the planned fiscal effort.

In any case, the cumulative structural adjustment as well as the pace of the envisaged consolidation appears to be modulated overall according to the Member States' structural balance and debt levels in 2013. This is in line with the guidance provided by the European Council and the Commission, which have called for a differentiated fiscal strategy. In particular Member States with larger structural deficit or higher debt levels in 2013 are typically those planning to undertake higher consolidation efforts in the current SCPs update. At the other end of the spectrum however, the picture is less clear-cut: whereas some of the Member States planning a neutral or expansionary fiscal stance start from a close-to-balance or surplus position, others have a less sound structural balance and relatively high levels of debt. Overall, further fiscal efforts may be necessary in order to comply with the requirements of the SGP.

Graph 3.5: **Starting level of debt in 2013 and cumulated change in structural budgte balance over the programme**



Source: Commission services
The graph presents each Member State's debt-to-GDP ratio versus the cumulated change in the structural balance in the period 2013-2017, on the basis of the information presented by Member States in the 2014 SCPs and recomputed by the Commission service using the commonly-agreed methodology.

It is interesting to note that the currently expected slowdown in the consolidation pace for 2014 is more acute than planned in last year's update of the SCPs ([15]) – despite similar macro projections with respect to last year's SCPs (cf. section III.1)–, while the consolidation pace for 2015 and 2016 is more in line with last year's plans. In fact, last year's SCPs projected a structural adjustment of about 0.5 pp of GDP overall for both the euro area and the EU in 2014, compared to 0.4 and 0.3 pp according to current plans. Furthermore, the Commission 2014 Spring Forecast only points to about half of the overall improvement in the euro area and EU aggregate structural balance envisaged in the SCPs for 2014. ([16]) Taking into account the currently high debt levels and that in 2014, at least thirteen countries are expected to be either under Excessive Deficit Procedure or still not to have achieved their MTO, the aggregate structural improvement planned for 2014 points to an overall insufficient response to the existing fiscal challenges and to risk of non-compliance with the requirements of the SGP.

This conclusion however should be qualified, as the structural balance may underestimate the underlying fiscal effort on grounds of a lower than normal response of revenue to economic growth. Another source of difficulties in interpreting the change in the structural balance as a proxy of the fiscal effort relates to its tendency to undergo revisions, in turn reflecting the difficulty of real time measurement of the output gap. It is illustrative in this respect that the cumulative fiscal effort resulting from the analysis of net expenditure developments is considerably larger than the one estimated through the change in the structural balance in the case of eighteen Member States.

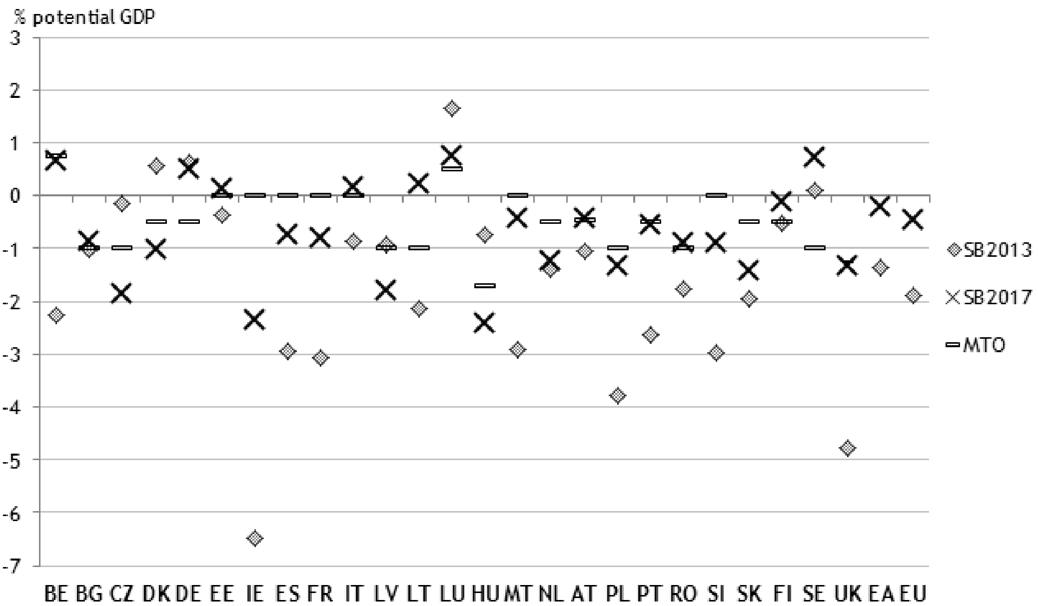
([15]) 2013 SCPs cover the period 2013-2016. For the sake of comparison the average structural effort is computed for the period 2014-2016 when referring to last year SCPs.
([16]) The comparison with the Commission forecast for 2015 is less straightforward as the policy assumptions may be different from the SCPs.

Focusing more specifically on the progress towards the MTOs, it should be pointed out that most Member States have kept their medium-term objectives unchanged compared to the 2013 SCPs, with the exceptions of Bulgaria and Latvia which have lowered their MTOs by 0.5 pp to -1% of GDP, still in line with the requirements of the SGP. The MTOs range from a deficit of 1.7% of GDP in the case of Hungary to a surplus of 0.75% of GDP in Belgium, with euro area Member States setting out slightly more ambitious objectives on average than non-euro area Member States. A very mixed picture in terms of the adjustment path towards the MTO emerges from graph 11, which depicts each Member State's relative position with respect to their MTO in the first (2013) and last (2017) year of the programme horizon, on the basis of the structural balance computed using the commonly agreed methodology ([17]):

- Out of the nine Member States that had already reached their MTO in 2013, only Germany and Sweden plan to maintain it throughout the programme horizon. A deterioration of the structural balance away from the MTO is projected for Denmark, while Bulgaria, Luxembourg and Finland deviate during the period and then return to their respective MTOs within the programme horizon. The Czech Republic Latvia and Hungary deviate from their MTO as of 2014 and do not return to it during the programme period.

- In turn, among the countries not yet at their MTO in 2013, Belgium, Estonia, Italy, Lithuania, Austria and Romania are projected to have reached it by 2017. The remaining eleven countries do not envisage reaching their MTO during the programming period, although they aim at improving their structural balances throughout it. Seven countries among them –Ireland, Spain, France, Poland, Portugal, Slovenia and the UK– have a 2015 (or later) deadline to put an end to their excessive deficit situations. Therefore, their structural adjustment path until then is set by the EDP recommendation.

Graph 3.6: **Progress towards MTO**



Source: Commission services
The graph sets out Member States' reported structural balances for 2013, projected structural balances for 2017 and MTOS as per 2014 SCPs.

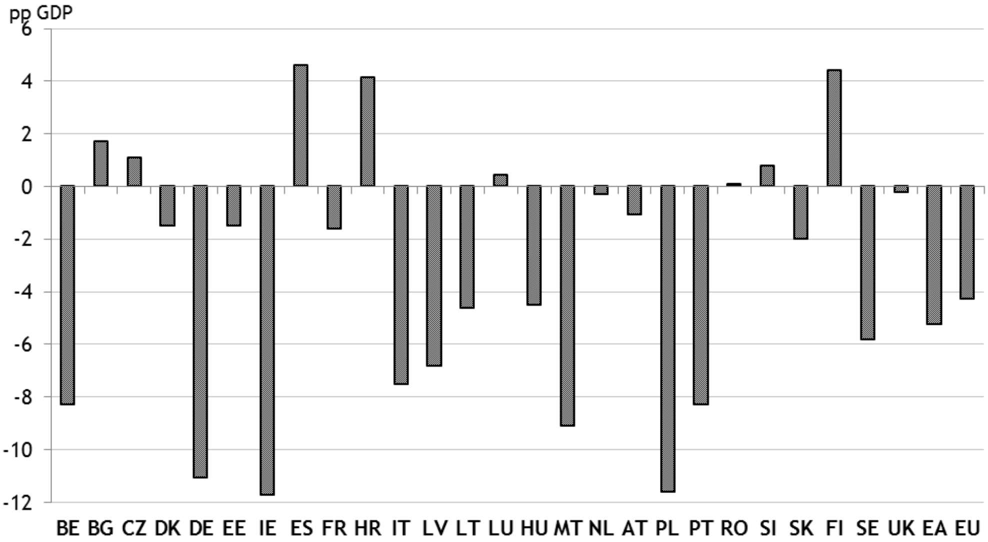
Turning finally to the evolution of **debt** throughout the programme horizon, euro area and EU debt-to-GDP ratios are expected to remain at very high levels. Whereas euro area debt projections for 2014

([17]) The recalculation of the structural balances according to the commonly agreed methodology might have an effect on the exact year of the MTO achievement as assessed in this note, when compared to the planned date presented in the programme.

remain broadly unchanged with respect to 2013 SCPs at around 94% of GDP, in the case of the EU the 2014 peak is now expected to be lower than in the 2013 SCPs at around 88% of GDP. In any case 2014 is expected to be the turning point year for the debt-to-GDP ratio which after slightly increasing in 2014 will start decreasing thereafter, falling back to 88% and 83% of GDP in the euro area and the EU respectively by the end of the programme horizon. Therefore, according to the 2014 SCPs, the debt-to-GDP ratio will fall by over 5 per cent in the euro area and 4.5 pp in the wider EU throughout the programme period.

As shown in graph 3.7, nearly all Member States with a debt close to or above 60% of GDP are expected to reduce their debt levels by the end of the programme period, with the exception of Spain, Croatia, Slovenia, Poland and Finland which plan an increase, and the United Kingdom, where the debt is expected to remain broadly unchanged. Drilling down into the average movements, Belgium, Germany, Ireland, Malta, Poland and Portugal all expect debt to decrease by more than 8 pp of GDP, while Italy, Latvia and Sweden foresee declines of over 5 pp.

Graph 3.7: **Changes in General Government Debt (%of GDP) projected in SCPs 2013-2017**



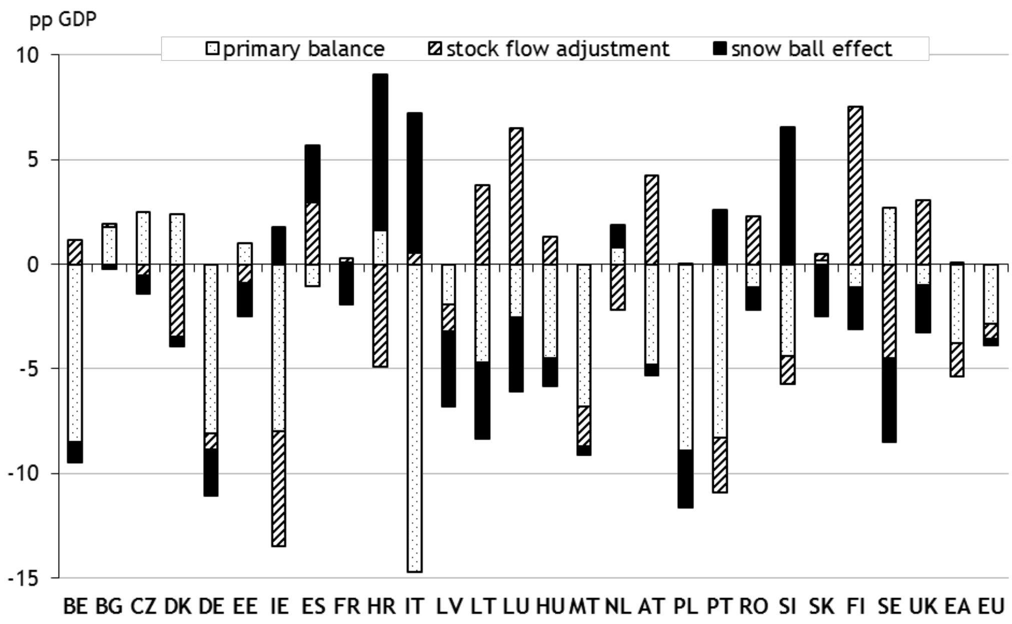
Source: Commission services
The graph presents the changes in Member States levels of General Government Debt as a percentage of GDP between 2013 and 2017 as projected in the 2014 SCPs.

Graph 3.8 shows the contribution of fiscal policy (understood here as the change in the primary balance), the difference between GDP growth and interest rates, and the stock-flow adjustment on the evolution of government debt. Specifically, it shows the cumulative contribution of those three elements to the change in the debt-to-GDP ratio planned for the period 2013-2017.

The debt ratio is expected to fall on average between 2013 and 2017, mostly as a result of improvements in the primary balance. In fact, the contribution of the primary balance is expected to be, on average, larger than envisaged in last year's SCPs, more than offsetting, where relevant, the debt-increasing effect from the snow-ball effect and the stock-flows adjustments.

The evolution of stock-flow adjustments is very different across Member States, although it generally contributes to increasing debt, particularly in 2014, with very few Member States projecting debt-reducing operations ([18]). In contrast to the last three years, when the snowball effect contributed to the increase of the debt-to-GDP ratio in the euro area and the EU by around 1.5 pp of GDP per year, this effect is expected to have a negligible impact on the euro area's debt dynamic and to actually reduce the debt ratio in the EU over the programme horizon.

Graph 3.8: **Contributions to projected changes in debt-to-GDP ratio between 2013-2017**



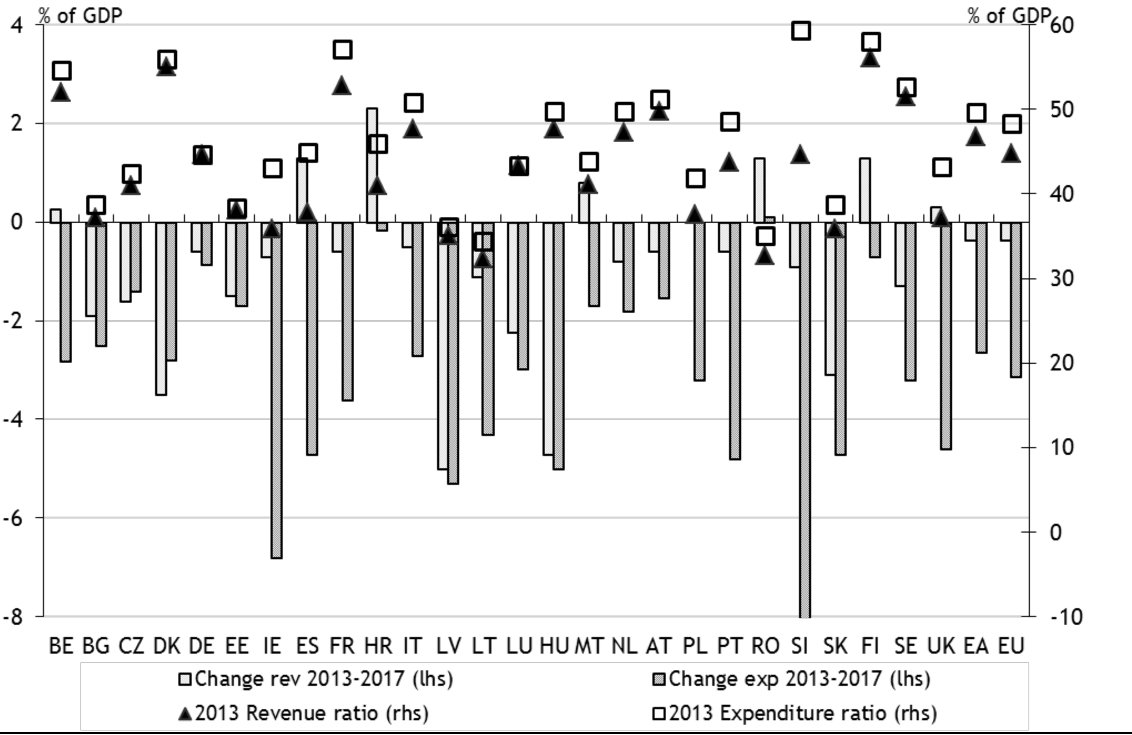
Source: Commission services
The graph decomposes the drivers of changes in debt-to-GDP ratios projected in the 2014 SCPs, setting out the contributions of the projected primary balances, stock-flow adjustments and 'snow-ball' effect. The snow-ball represents the difference between projected growth rates and interest rates.

3.3. COMPOSITION OF THE ADJUSTMENT

The EU has repeatedly advocated for a growth-friendly and differentiated fiscal consolidation strategy among Member States (see Annual Growth Survey 2014) ([19]). This includes an appropriate composition of consolidation in terms of both the overall expenditure-revenue mix and the selection of types of spending and taxes that are more supportive to growth. The current overall improved fiscal situation should enable Member States to better design consolidation programmes and pay increased attention to their quality and composition. While expenditure-led consolidation should be in principle favoured, particularly when tax levels are high, the focus should be on an overall efficient and growth-friendly mix of expenditure and revenue measures.

([18]) It should be noted, however, that the stock-flow adjustment has been computed for the purposes of this analysis as a residual, whereas in the Member States' SCPs the actual measures specified as having a stock-flow adjustment effect are much smaller.
([19]) http://ec.europa.eu/europe2020/pdf/2014/ags2014_en.pdf

Graph 3.9: **Porjected change in expenditure and revenue ratio (2013-2017, % GDP)**



Source: Commission services
The graph represents the planned changes in revenue and expenditure ratios (lhs) between 2013 and 2017 against the starting GDP ratios of expenditure and revenue ratios (rhs) as notified.

Looking broadly into the planned expenditure and revenue changes, the consolidation strategy set out in the SCPs for the period 2013-2017 seems fully expenditure based both in the euro area and the EU, with the planned decrease in expenditure ratios more than offsetting an overall slightly expansionary stance on the revenue side, though it is important to note that the change in the expenditure ratio is at least partly due to economic recovery. In particular, Graph 3.9 shows that between 2013 and 2017, general government expenditure is expected to decrease by more than 2 ½ pp of GDP in the euro area (from 49.7% of GDP to 47% of GDP) and by 3 pp in the EU (from 48.4% of GDP to 45.3% of GDP). Primary government expenditure is expected to decrease by an equivalent amount in the euro area and by 4 pp in the EU. The somewhat stronger decrease in the EU expenditure ratio reflects primarily the large effort of the UK targeted on expenditure. In comparison, the revenue ratio is envisaged to decrease by almost ½ pp of GDP in both the euro area (from 46.8% of GDP to 46.4% of GDP) and the EU (from 45.1% of GDP to 44.6% of GDP).

On a country-specific basis, current consolidation strategies are increasing the prominence of expenditure reduction over revenue increases with respect to past year's SCPs. The 2014 SCPs show nearly all Member States planning to consolidate on the expenditure side over the period to 2017.([20]) Ireland, Latvia and Hungary are planning a decrease of over 5 pp of GDP, while adjustments of over 4 pp of GDP are projected in Spain, Lithuania, Portugal, Slovenia (when excluding the impact of the one-off stemming from bank recapitalization), Slovakia and the UK. In turn, while fifteen countries were expected to increase their revenue ratio over the programme period (2012-2016) in their 2013 SCPs, only seven of them (Belgium, Spain, Croatia, Malta, Romania, Finland and the United Kingdom) envisage now such

([20]) It should be noted that, in general, a given expenditure path will result in different developments in the expenditure ratio, depending on GDP growth. Thus disentangling the effect of policy action from the effect of GDP developments is not straightforward.

increase in the coming years. All of them, with the exceptions of Belgium and Finland, have revenue ratios below the EU and euro area averages and, in some cases, still face large consolidation needs. In Denmark, Hungary, Latvia and Slovakia the planned decrease in their revenue ratio is larger than 3pp of GDP.

For the euro area, the current composition and magnitude of the consolidation strategy in 2014 is in line with the one set out in the draft budgetary plans last autumn, as illustrated by Table 3.1.

Table 3.1: **Overview table of budgetary aggregates for 2014 in the draft budgetary plans and in the stability programmes for EA countries** (21)

	Draft budgetary plans		2014 Stability programmes	
	pp change with respect to previous year	level	pp change with respect to previous year	level
Expenditure ratio (%of GDP)	-0.5	49.5	-0.4	49.3
Revenue ratio (%of GDP)	0	47.2	0	46.9
Budget balance ratio (% of GDP)	0.4	-2.3	0.4	-2.4

Source: Commission services

Turning to the detailed **composition of consolidation on the expenditure side**, current plans tend to avoid expenditure cuts in areas that are expected to provide a greater contribution to economic growth, in line with the recommendations of the 2013 Annual Growth Survey. (22) In particular, capital expenditure is expected to be broadly preserved in comparison with that planned in the 2013 SCPs. While last year, nineteen Member States were planning a decrease in capital expenditure (with six countries envisaging cuts above 1% of GDP) only three countries (Hungary, Lithuania and Latvia) are planning cuts of such magnitude over the current programme period. Twelve Member States plan instead to stabilize or increase their public investment. Overall, capital expenditure is expected to decline by 0.2% of GDP in the EU and the euro area between 2013 and 2017. This moderation in the previous trend should be welcomed and further encouraged, as capital spending cuts can be detrimental for economic recovery if impacting upon efficient investment.

Overall, more than one third of the cumulative effort on the expenditure side will stem from a decrease in the compensation of employees, which is the expenditure category that decreases most both in the euro area and the EU (around 1% of GDP). Albeit all Member States are planning to decrease compensation of employees, the magnitude of the cuts differs significantly. A group of thirteen countries plans a decrease of more than 1% of GDP, which represents a more than 12% cut of their total wage bill. Portugal and Slovakia stand out with their total wage bill declining by almost 20% (respectively 2% and 1.4% of

(21) The comparison between EA averages resulting from 2014 DBPs and 2014 Stability Programmes are subject to three qualifications. First, the DBPs reflect the plans of thirteen member states (EA-13) while the SCPs reflect the plan of sixteen member states (EA-16). Greece, Ireland, Portugal and Cyprus were not covered by the requirement to submit their DBPs, due to their macroeconomic assistance programmes. Only Greece and Cyprus continue to be exempted from submitting an SCP in spring 2014. Second, Germany, Austria and Luxembourg (accounting for 34% of the GDP of the EA-13), submitted their DBPs according to a no-policy change scenario, linked to national elections. For these three countries, the DBPs were not a clear guide to the governments' policy intentions. Finally, Latvia did not submit a draft budgetary plan last autumn as it had not yet entered the euro area.

(22) This analysis is subject to a number of caveats as the selection of growth-friendly types of spending is not definitive and spending levels are not informative of its efficiency, (for a discussion see Commission report "The quality of public expenditure in the EU" European Economy. Occasional Paper 125 – December 2012, (http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/pdf/ocp125_en.pdf). Moreover it does not consider any distributional consequences of the composition of consolidation.

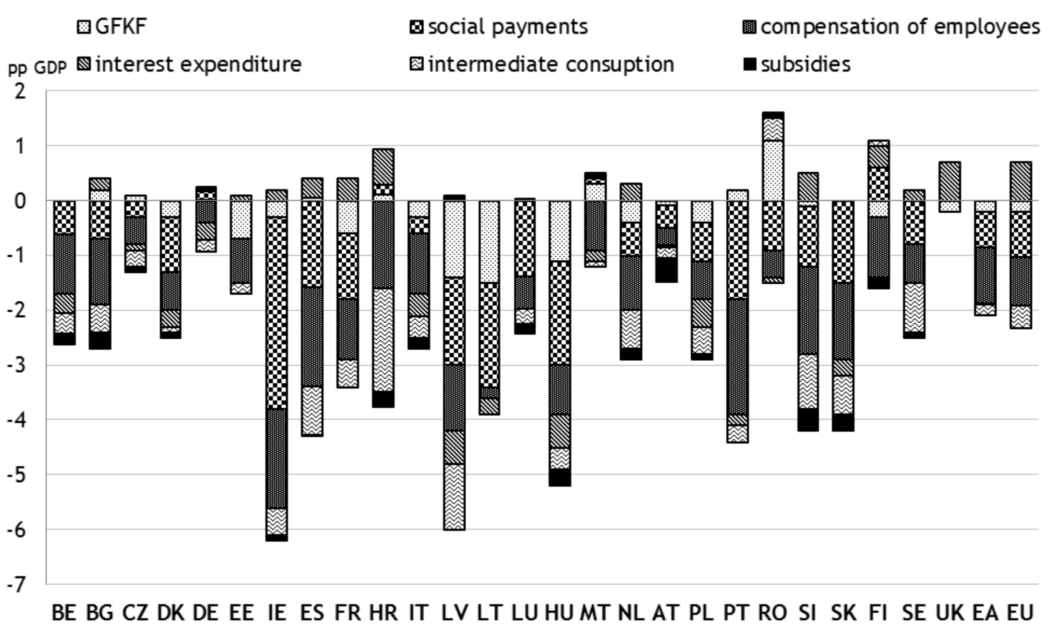
GDP), followed by Ireland and Spain with their total wage bill falling by around 16% (around 2% of GDP).

Cuts in social payments account for one-fifth of the cumulative overall expenditure effort in the EU and the euro area, amounting to 0.6% of the aggregate GDP. All Member States are planning reduced social payments with the exception of Finland – which is planning a 0.6 pp of GDP increase over the programme horizon – Germany, Estonia and Malta which plan to stabilize it at current levels. This represents an amplification of last year's SCPs trend where a reduction was envisaged in only half of the Member States. Given the automatic stabilisers impact on this spending item, along with a strengthening of the economic recovery in comparison with 2013 SCPs, this should at least partly reflect cyclical effects. Finally, cuts in intermediate consumption are planned to amount to 0.4% and 0.2% of GDP over the programme horizon for EU and euro area countries respectively, while subsidies' share in GDP will stabilize at current levels. Interest expenditure is also expected to stabilize at current levels in the euro area as a whole, while it will increase by 0.5 pp in the wider EU.

Graph 3.10 shows that Member States plan to achieve expenditure reductions by cutting government consumption by around 1.5 pp of GDP over the period covered by the SCPs both in the euro area and the EU, with 1 pp of GDP from the reduction in the government wage bill. Adjustments to the public wage bill are examined in more detail in Box III.1 below.

Overall, the composition of consolidation on the expenditure side in the EU and the euro area appears to be less biased against public investment than in the past, while the biggest adjustments are envisaged for spending categories (compensation of employees, social payments) that are considered by the literature less harmful to growth over the medium-run. However, there are important cross-country differences. In particular, Hungary, Lithuania and Latvia are expecting relatively large decreases in capital expenditure.

Graph 3.10: **Planned changes in main types of expenditure (2013-2017, % GDP)**



Source: Commission services
The graph decomposes the planned changes in the expenditure ratios showing the contributions of the main components represented by the different shading.

Box III.1: Public Expenditure Adjustment and the Public Wage Bill

Member States are planning to achieve expenditure reductions via cuts in the wage bill. This is partly related to the fact that cutting government spending without reducing the public wage bill is difficult, as in both the euro area and the EU, this item accounts for 22-23% of general government expenditures. This might also partly be related to the fact that there is a general perception that wages in the government sector are "too high". Also, the literature generally considers that cuts in the wage bill are less harmful to growth in the medium-term than cuts in other expenditures. While reductions in the public wage bill can be delivered via cuts in wages or downsizing the work force, the appropriate choice depends on many considerations involving the relative wage prevailing in the public sector, the productivity of public workers, the number of areas in which the public sector is active and its particularities as an employer, labour organization and adaptability to public demands, and the need to ensure the quality of public services which requires retaining high-quality workers in the public sector. Cutting public wages should also be motivated by the existence of a gap between wages in the public and in the private sector.

Public wage premium: regression results by country and year

	2006	2010
BG	0.026	-0.093*
CY	0.183***	0.209***
CZ	-0.07***	-0.048*
DE	-0.016	0.013
DK	-0.132***	-0.14***
EE	-0.229***	-0.151***
ES	0.18***	0.162***
FI	-0.065***	-0.069***
FR	-0.075**	-0.023
GR	0.067***	0.089***
HU	-0.044*	-0.163***
IE	0.205***	0.212***
LT	0.022	0.046
LV	-0.106***	-0.075***
NL	-0.126***	-0.005
PL	0.09***	0.065**
RO	0.174***	-0.046
SI	0.046***	0.054***
SK	-0.09***	-0.101***
UK	0.036**	-0.013
AT	0.046**	0.061***
BE	0.124***	0.117***
IT	0.133***	0.105***
LU	0.23***	0.204***
MT	0.049***	-0.011
PT	0.197***	0.119***

Note: Estimation method: OLS. *, ** and *** indicate significance at the 10%, 5% and 1% level, respectively.

(Continued on the next page)

Box (continued)

Sample: all EU countries but Sweden. For AT, BE, IT, LU, MT, PT there is no information on the 2010 aggregate "public administration, defense and compulsory social security". Note that the data cover also state-owned enterprises, but not the sectors of agriculture. The dataset does not cover small firms.

DG ECFIN ([1]) assessed the size of the wage gap between the public and private sectors in the European Union countries, relying on the European Structure of Earnings Survey, compiled by Eurostat. The main caveat to this analysis is that data refer to 2010. Thus the analysis does not take into account the evolution of private wages nor the reduction in public personnel expenditure undertaken in the last four years, when the bulk of fiscal consolidation took place. However, results are in line with findings in the most recent literature. ([2])

The main finding of the paper is that in 2010 there was a positive wage gap, i.e. that public sector employees in the EU enjoyed on average higher wages than their counterparts in the private sector even after having controlled for the characteristics mentioned above. This result was observed in the majority of the countries analysed, with exceptions seen in many eastern European and Nordic countries as well as France. A higher wage premium was found for women in “old” Member States only. The public wage premium was, in general, higher for workers with lower levels of education. Negative public wage premia were, in general, found for workers at higher positions. Thus, the positive and sometimes large overall public wage gaps were mainly explained by the sizeable gaps observed at lower job positions.

Comparing the wage premium in 2006 and 2010, it can be observed that the premium had been narrowing over time in Belgium, Italy, Luxembourg, Malta, Poland, Portugal and Spain. Conversely, it had increased in Austria, Cyprus, Greece, Ireland, and Slovenia.

([1]) See De Castro, F., M. Salto and H. Steiner, (2013), “The gap between public and private wages: new evidence for the EU”, European Economy, Economic Papers, 508 and Arpaia, Cardoso, de Castro, Marzinotto, Salto, Steiner, and Turrini (2014), “Government wages and labour market outcomes”, European Economy, Occasional Papers 190. Note that the data cover also state-owned enterprises, but not the sectors of agriculture. The data do not cover small firms.

([2]) Among many, see the recent Depalo, Giordano, and Papapetrou, (2013), “Public-private wage differentials in euro area countries: evidence from quantile decomposition analysis”, Banca d'Italia, Temi di Discussione, 907.

Turning to the composition of consolidation on the revenue side, in general, direct taxes are considered more detrimental to growth than indirect taxes. The actual impact on growth however depends on the underlying measure; the reduction of tax expenditures in direct taxation and the use of recurrent property taxation can enhance the efficiency and the fairness of the tax system while higher taxes on labour and capital income may negatively affect incentives to work and invest. However, it is important to remember that changes to revenue-to-GDP ratios do not just reflect the impact of policy measures, but also underlying macroeconomic developments.

The 2014 SCPs show that revenues from social security contributions are forecast to continue to decrease as a share of GDP by 0.3 pp both in the EU and the euro area. Latvia, the Netherlands, Portugal and Slovakia expect revenues from social security contributions to fall by 0.8 pp or more over the programme period, while Finland, Germany, Lithuania, Poland and the United Kingdom foresee relatively modest rises.

Indirect taxes ([23]) are overall planned to increase very moderately as a share of GDP both in the euro area and the EU. Across Member States, Bulgaria and Spain plan increases over 1 pp. of GDP while the Czech Republic, Hungary, Luxembourg, Poland and Slovakia plan decreases by 0.9 pp. of GDP or more.

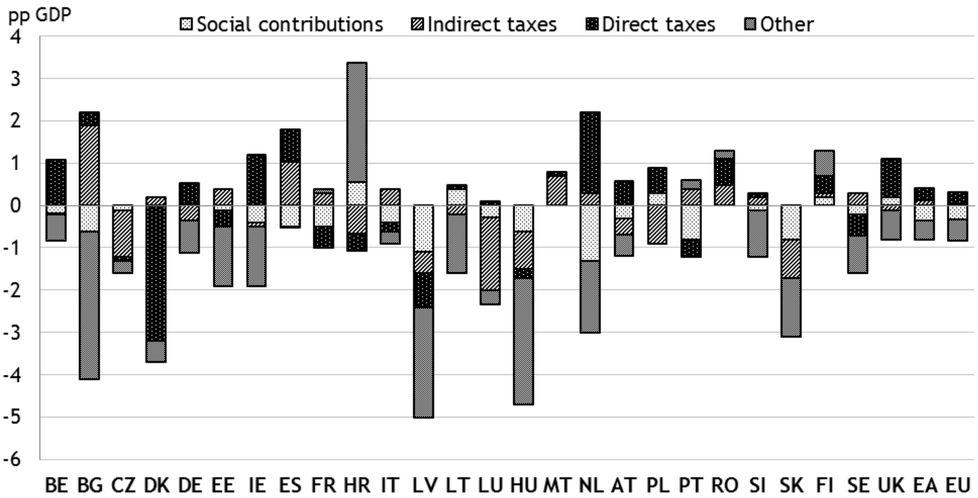
Revenues from direct taxes – taxes on income, wealth and capital – are expected to increase more than revenues from indirect taxes as a share of GDP, by 0.3% in the EU and the euro area. The 2014 SPCs

([23]) Mainly VAT, excise duties, import levies and energy and other environmental taxes.

project revenues from direct taxes to increase by more than 1 pp. in Belgium, Ireland and the Netherlands. Denmark on the contrary expects a significant decrease of 3.2 pp. Finally, other revenues are projected to fall over the programme period as a share of GDP, by 0.5 pp on aggregate. This category includes, inter alia, transfers to the government (amongst which EU grants), property income and sales of non-financial assets. The sharpest falls are projected in Bulgaria, Hungary and Latvia.

In aggregate, the SCPs plan to reduce revenues by about 0.5 pp of GDP both in the euro area and the EU and to reduce expenditures by six times as much. These plans showing fiscal adjustments based mainly on primary expenditure cuts are less likely to be reversed and should be growth friendly (i.e. cause smaller losses of output than tax-based consolidations). ([24]) According to the findings of the literature, the control of government consumption is, in this respect, key, as it allows the preservation of more growth-friendly expenditure items or expenditure items that protect the disadvantaged parts of the population. Similarly, governments should attempt to structure their tax-systems in as growth-friendly a manner as possible, focusing upon tax measures which do not disincentivise work or investment. While there is evidence of Member States incorporating these principles in the design of their 2014 SCPs, their application is uneven.

Graph 3.11: **Planned changes in main types of revenue (2013-2017, % GDP)**



Source: Commission services
The graph decomposes the planned changes in the revenue ratios showing the contributions of the main components represented by the different shading.

([24]) Alesina and Ardagna (2012), “The design of fiscal adjustment”, NBER Working Paper 18423 and Alesina, Favero, Giavazzi (2012), “The Output Effect of Fiscal Consolidations”, NBER Working Paper 18336. See also Lamo, Moral-Benito and Pérez (2013), “Austerity through public employment in bad times: exploiting the crowding-out and the competitiveness channels? and de Cos and Moral-Benito (2013) “The Role of Public Wages in Fiscal Consolidation Processes” presented at workshop organised by DG ECFIN on “Government wage bill: determinants, interactions and effects” (December 2013).

4. ASSESSMENT OF RISKS TO SCPS TARGETS

4.1. RISKS TO 2014 AND 2015 PROJECTIONS: A COMPARISON WITH COMMISSION 2014 SPRING FORECAST.

This section evaluates the risks underlying the plans presented in the 2014 SCPs focusing on the risks to deficit targets, assessed against the Commission 2014 spring economic forecasts. The risk analysis is based on the decomposition of the difference to Commission forecast into three components:

1. The effect that a different starting government balance in 2013 has on the plans for 2014 and 2015.

2. The growth gap, which measures the difference resulting from the different nominal growth assumptions for the year in question. The gap is computed on the basis of OECD budget-to output-gap semi-elasticicities ([25]). Plans that rely on higher estimates of economic growth contain within them an element of risk.

3. The residual, which represents the part of the differences in the deficit levels which is not explained by the other two components. It includes the additional policy measures that are necessary to achieve the overall deficit figure targeted in the SCPs as well as possible differences in the assumed budgetary elasticities. In this sense, a large and positive residual represents a risk to the plans.

The deficit targets for 2014 presented in the SCPs are very close to the Commission forecasts, as it can be observed in table 4.

Table 4.1: **Government Balance targets in 2014 SCP and Commission forecast**

		2013		2014		2015	
		2014 SCPs	**Commission forecast**	**2014 SCPs**	**Commission forecast**	**2014 SCPs**	**Commission forecast**
Euro Area	*Nominal growth*	1.2	1.2	2.5	2.5	3.2	3.0
	Balance (% GDP)	-2.9	-2.9	-2.4	-2.5	-1.8	-2.3
EU	*Nominal growth*	1.7	1.7	3.0	3.0	3.4	3.5
	Balance (% GDP)	-3.2	-3.2	-2.5	-2.6	-2.1	-2.5

Source: Commission services

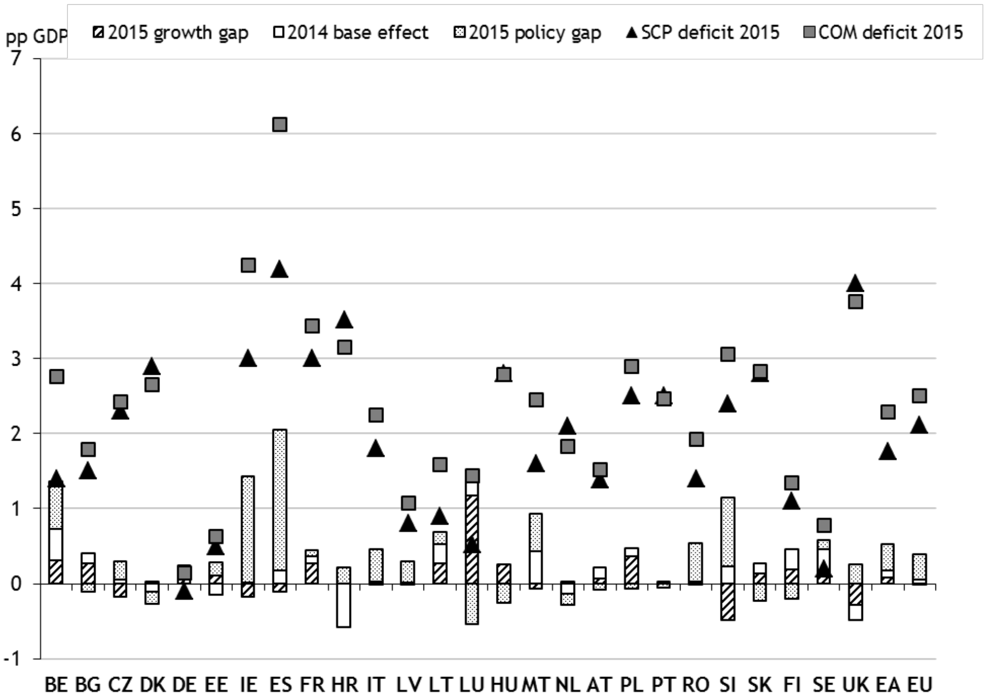
At the aggregate EU and euro area level, the plans imply deficits 0.1 pp. below the Commission forecast. Therefore, risks to the achievement of 2014 fiscal targets seem overall low.

The plans for 2015 reveal larger differences in deficit targets than for 2014 (Graph 4.2). This is to some extent unsurprising, as the budgetary measures planned for 2015 have not always been communicated in time to be integrated into the last Commission forecast ([26]).Still, it is worth noting that the differences with regard to the 2015 deficit in this year's update of SCPs are visibly smaller than the differences with regard to the 2014 deficit in last year's update of SCPs.

([25]) Different nominal growth forecast for a given year can result in different headline deficit forecast. The OECD standard semi-elasticities are used – in the absence of a better parameter¬ – to approximate the effect that such different nominal growth forecast can have in the headline deficit prospects.

([26]) Commission forecast are based on the 'no-policy change' assumption, which implies the extrapolation of revenue and expenditure trends and the inclusion of measures that are known in sufficient detail.

Graph 4.2: **General Government deficit for 2015: decomposition of the gap between SCPs plans and the Commission 2014 spring forecast for EU Member States**



Source: Commission services
The graph shows the level and component changes in Member States' deficit in 2015, as a percentage of GDP. The squares represent the deficit ratio from the Commission 2014 spring forecast; the triangle the deficit planned in the SCPs. The point estimates show the actual values of the deficit, with the stacked lines representing the component. For the components, values above zero represent that the component has a deficit reducing effect in the SCP relative to the Commission 2014 spring forecast, while values below zero indicate that the component increases the SCP deficit relative to the Commission's.

Nevertheless, the 2015 fiscal plans imply lower headline deficits than the Commission forecast, both in the EU and the euro area by 0.5 pp, but several Member States stand out. In particular, Spain's deficit forecast for 2015 is almost 2 pp better than the Commission's forecast, followed by Belgium and Ireland with differences of 1.4 pp and 1.2 pp respectively. Lithuania, Luxembourg, Malta, Slovenia and Sweden plan deficits between 0.5 and 1 pp smaller than the Commission forecast, while Denmark and the Netherlands plan slightly higher deficits than the Commission forecast.

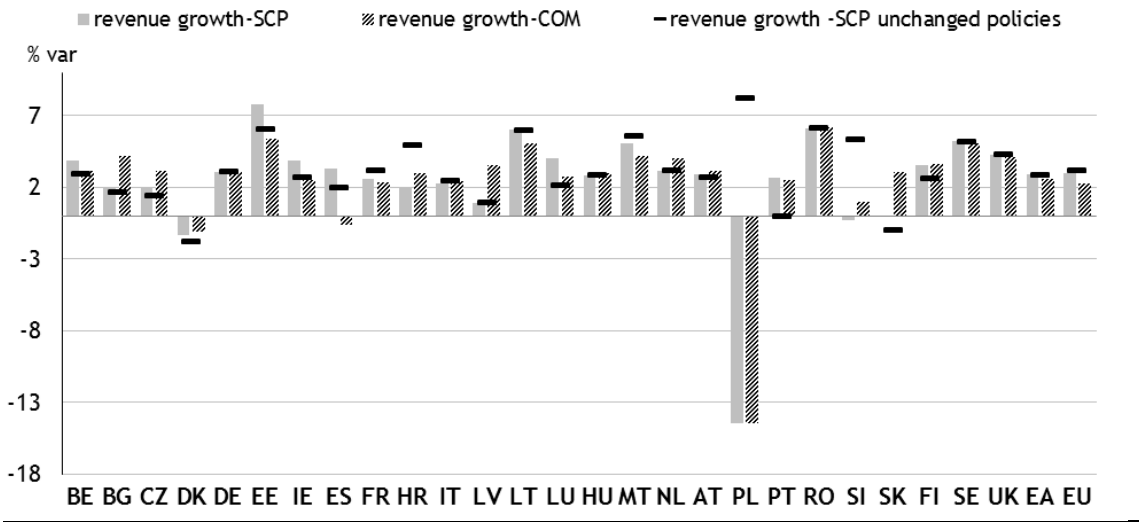
These differences can be decomposed into the three components mentioned above: the 2014 base effect, the growth gap and the residual. The 2014 base effect does not play a significant role in explaining the differences for 2015 deficit forecasts, as both the SCPs and Commission expect similar deficit outcomes for 2014. The only Member State where this plays a role is Sweden, where the 2014 base effect (0.4 pp) explains the majority of the 2015 deficit difference (0.6 pp) against the Commission forecast.

Similarly, the limited growth gap indicates that in most of the cases the differences in deficit plans cannot be attributed to differences in growth projections. On an aggregate level, the growth gap seems insignificant both in the EU and the euro area, while at the level of Member States the gap is below 0.4 pp in most of the cases. Luxembourg is the only significant outlier in this regard, due to a large difference in the nominal GDP growth forecast, stemming from different deflator forecasts, which are much higher in the programme (3.4%) than in the 2014 spring forecast by the Commission (0.8%). A number of other Member States also show differences in forecast deflators exceeding 1 pp. This is the case in Bulgaria, Estonia, Lithuania, Poland, Finland and Slovakia, but these do not feed into differences in deficit forecasts, due to more prudent real growth projections in these Member States. This is particularly the case in Estonia, where the programme expects real GDP to increase by 1.9% in 2015, against Commission's forecast of 3%. Ireland's real GDP forecast for 2015 is even more prudent with the gap to the Commission forecast reaching 1.3 pp, which is largely offset by a higher deflator forecast. On the other hand, the plans of Slovenia and the UK display a "positive" growth gap of around 0.5 pp, which can be read as the Commission's forecast implying a more favourable growth effect on the fiscal balance in 2015. While in Slovenia this is linked to both the nominal and real growth forecast being more prudent in its Stability Programme, in the case of the UK, the gap is entirely due to a higher forecast for the GDP deflator in the Commission forecast than in the programme.

On the aggregate level, most of the differences in deficit forecasts between the programmes and the Commission forecast are explained by the residual, which is a recurrent feature of the risks analysis of the SCPs' targets. It is worth noting, however, that the gap has narrowed from last years' programmes and now amounts to 0.3 pp (0.4 pp for EA, 0.3 pp for EU). In the majority of the analysed Member States the gap is below 0.2 pp and in ten Member States the gap even has a negative sign, which can be read as indication that those Member States would over-achieve their 2015 deficit targets if the Commission forecast of 2014 deficit and 2015 growth conditions materialised. On the other side, Spain and Ireland stand out as negative outliers, where the residual is close to 2 pp and 1.4 pp respectively. Belgium and Slovenia also display residuals above 0.5 pp.

The residual can in turn be attributed to a number of factors. First, it can be due to Member States' intentions to introduce new policy measures, in particular on the revenue side, or to restrain expenditure, which have not yet been adopted or sufficiently specified by the cut-off date of the Commission 2014 spring forecast and therefore are not included in the 2015 deficit forecast by the Commission. Second, it can stem from different revenue elasticities underlying the revenue forecast, which means that Member States expect higher (or lower) cyclical revenues, with less additional policy measures needed. Similarly, different assumptions about factors outside the government's control, in particular interest rates, can also have an effect.

Graph 4.3: **Revenue growth projected in SCPs for 2015 compared to revenue estimates at unchanged policies as presented in SCPs and Commission 2014 Spring Forecast**



Source: Commission services
The graph compares the change in revenue ratios in 2015 in the SCPs and Commission 2014 Spring forecast to the changes in revenue ratios at unchanged policies in the case of the SCPs. A positive value indicates that revenues are planned / forecast to be higher than in 2014 as a percentage of GDP. The large negative growth in revenue in Poland in 2015 is related to the unwinding of the one-off increase in revenue in 2014, which stems from asset transfer between private and public pension system, amounting to around 9% of GDP.

The analysis of revenue projections underlying the programmes and the Commission forecast shows that Luxembourg, Lithuania, Ireland, Estonia and Malta project much higher (above 1 pp) revenue growth than the Commission (Graph 4.3). Among those Member States, in the case of Lithuania and Malta, this difference is (almost) matched by a large difference in revenue growth projections at unchanged policies. This implies that the authorities are assuming a revenue-richer growth than the Commission, which would allow meeting their targets without implementing additional measures.

The programmes of Estonia, Luxembourg and Ireland show on the contrary pronounced differences between revenue targets and unchanged-policy developments, which imply plans to introduce revenue increasing measures. This is indeed confirmed by the submitted data on discretionary revenue measures, in particular for Luxembourg and Ireland.

4.2. RISKS TO THE LATER YEARS' PROJECTIONS

Contrary to the assessment of risks to the fiscal targets for 2014 and 2015 – where Commission forecasts provide a natural benchmark against which to assess SCPs' projections – the evaluation of risks in the later years of the programme mainly focuses on the comparison between the fiscal targets and no-policy change projections in the programmes. While all Member States submitted no-policy change revenue projections, twenty-three of them submitted no-policy change expenditure ones.([27])Therefore, this section focuses specifically on the revenue-side.

Risks to the realization of the later years' deficit targets can stem from two different sources: (i) the targets, even if based on realistic macroeconomic assumptions, can be unachievable if their realization implies a (too) large amount of additional discretionary measures, or (ii) the underlying assumptions on which the revenue targets are based can be unrealistic.

Member States submit data on total revenue- (and expenditure-) to-GDP targets and total revenue- (and expenditure-) to-GDP projections under a no-policy change scenario for the programme years. The comparison of these two sets of variables provides a direct element of analysis to gauge the magnitude of the first source of risks: the cumulative amount of additional measures Member States implicitly plan to implement in order to reach their deficit objectives.

As it can be observed in Graph 4.4, some Member States implicitly plan **revenue decreasing discretionary measures** for on average throughout the programme horizon. This is the case for France, Italy, Slovenia and the UK. At the same time, these Member States plan to concentrate the deficit reducing measures on the expenditure side.

([27]) According to the Code of Conduct, the submission of expenditure projections at unchanged policies is voluntary. All Member States but Ireland, Hungary, Poland, Portugal and the UK submitted no-policy change expenditure projections.

Box IV.1: The unchanged policy revenue projections submitted by Member States

According to the 'Guidelines on the format and content of Stability and Convergence Programmes' (i.e. the SGP Code of Conduct), Member States submit total revenue projections at unchanged policies. These projections start at the time when the Stability and Convergence Programmes (SCPs) are drafted and include together with the extrapolation of revenue trends, the measures that have been already specified and committed to by governments. This box uses the information contained in these unchanged policies revenue projections to provide additional details on possible risks to 2015 headline deficit targets.

As mentioned, the difference between the 2015 headline deficit figures between the Commission forecast and the 2014 SCPs can be decomposed into a base effect, a growth gap and a residual. In turn, the residual can be attributed to two main factors: first, it can be due to Member States' intentions to introduce new policy measures which have not been included in the 2015 deficit forecast by the Commission; second, it can stem from different revenue elasticities underlying the unchanged policies revenue forecast.

Looking into the first of these two factors requires calculating the implicit amount of measures necessary to reach the planned revenue targets, taking into account the SCPs no-policy change projections. As it can be observed in Table I, the achievement of the revenue targets will imply rather significant revenue measures for some Member States. This is most visible in Spain, but also in Finland, Belgium, Luxembourg and Estonia and constitutes a risk to the realization of their revenue and hence their deficit targets. On the other side, revenue targets in Slovenia, France and Italy would be consistent with revenue decreasing discretionary measures, assuming the SCPs no-policy change projections materialized.

Table I: Additional discretionary revenue measures in 2015 implicit to 2014 SCPs

	SCP 2014 Total revenue projections (a)	SCP 2014 Unchanged policy revenues (b)	Implied measures c=(a)-(b)
% GDP	2015	2015	2015
BE	51.3	50.6	0.7
BG	37.1	37.0	0.1
CZ	39.9	39.7	0.2
DK	51.7	51.3	0.4
DE	44.2	44.2	0.0
EE	37.8	37.2	0.6
IE	36.3	35.9	0.4
ES	38.8	35.8	3.0
FR	52.6	52.9	-0.3
HR	n.a.	n.a.	n.a.
IT	47.8	47.9	-0.1
LV	32.0	32.0	0.0
LT	32.0	32.0	0.0
LU	41.4	40.7	0.7
HU	46.1	46.1	0.0
MT	42.4	42.3	0.1
NL	47.7	47.7	0.0
AT	49.3	49.0	0.3
PL	37.9	37.6	0.3
PT	43.3	n.a.	n.a.
RO	33.6	33.6	0.0
SI	45.5	46.3	-0.8
SK	33.7	33.4	0.3
FI	56.8	54.9	1.9
SE	50.3	50.3	0.0
UK	37.3	37.3	0.0
EA	46.8	46.4	0.3
EU	44.9	44.6	0.3

(Continued on the next page)

Box (continued)

These conclusions, however, hinge on the applied assumptions underlying the no-policy-change scenario in the programmes, and most importantly the elasticity ([1]) of revenues to nominal GDP. The comparison between the revenue elasticities implicit in the SCPs no-policy change projections and the Commission Spring Forecast (Table II) shows that the large majority of Member States have built their no-policy change revenue projections for 2015 on very prudent, if not less favorable, elasticities than those underlying the Commission forecast. Only Estonia, Spain, Sweden and the UK have assumed moderately optimistic revenue elasticities.

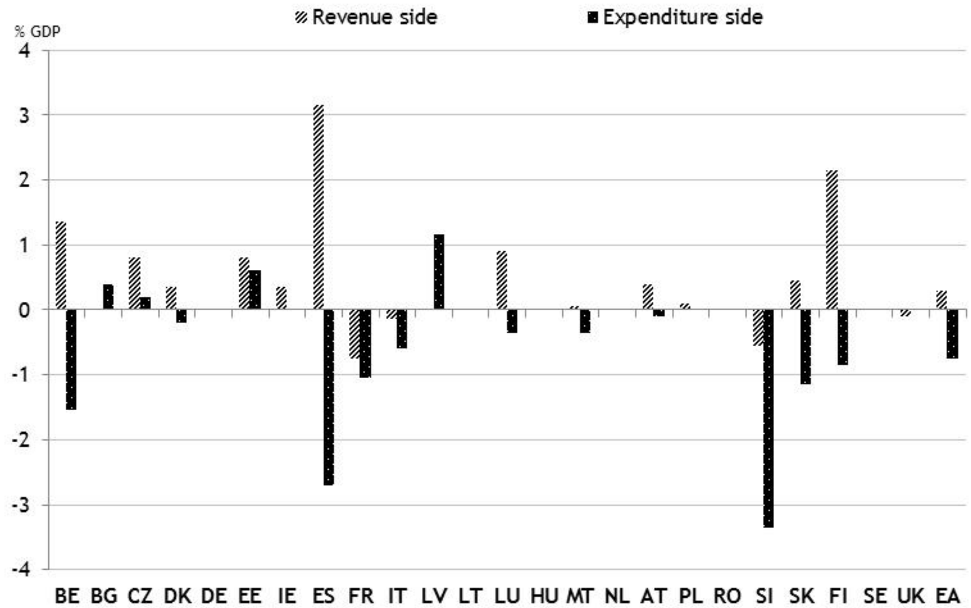
Table II: Short-term semi-elasticities underlying revenue projections in 2015. A comparison between SCPs, Commission 2014 Spring Forecast and OECD elasticities.

	SCP	COM	OECD
BE	0.9	1.3	0.9
BG	0.0	1.2	0.8
CZ	0.6	1.0	0.9
DK	-0.5	-0.4	0.9
DE	0.8	0.9	0.9
EE	1.1	0.9	0.7
IE	0.8	0.8	1.0
ES	1.1	0.9	1.0
FR	1.0	1.1	0.9
HR	0.1	1.4	*n.a.*
IT	1.0	1.2	1.1
CY	*n.a.*	0.7	*n.a.*
LV	0.2	0.8	0.7
LT	0.8	0.8	0.8
LU	0.4	1.4	1.1
HU	0.5	0.7	0.9
MT	1.0	0.9	0.9
NL	0.7	2.1	0.9
AT	0.8	0.9	0.9
PL	-2.6	0.8	0.8
PT	*n.a.*	1.0	0.9
RO	1.1	1.1	0.8
SI	-0.8	0.3	0.9
SK	0.1	1.0	0.8
FI	0.9	0.9	0.8
SE	1.0	1.0	0.8
UK	1.1	0.7	1.0

Differences in implicit elasticities between the SCPs and Commission forecast, coupled with different nominal growth assumptions for 2015 (as discussed in section IV.1) explain the differences in revenue projections at unchanged policies in the SCPs and revenue projections in Commission forecast for 2015 (see graph 18).

([1]) For the purpose of this analysis the estimated revenue elasticities are net of discretionary revenue measures.

Graph 4.4: **Implicit average annual discretionary measures as planned in the 2014 SCPs for 2016 and 2017**



Source: Commission services
The graph depicts the cumulative amount of measures on the revenue and expenditure side that Member States will need to implement in order to reach their fiscal targets by 2017, according to the no-policy change projections submitted in the 2014 SCPs. As the UK has not submitted no-policy change expenditure projections, the EU aggregate is not represented.

Conversely, the majority of Member States are implicitly planning **either no additional discretionary revenue measures or moderate** ([28]) **revenue increasing measures** to meet their revenue targets by 2017. This is respectively the case of Bulgaria, Germany, Lithuania, the Netherlands, Romania and Sweden; Denmark, Ireland, Austria, Slovakia and Poland. In this sense, according to the information in the SCPs, the attainment of the overall euro area and EU revenue targets by 2017 would imply additional cumulative revenue measures of respectively 0.3% and 0.2% of GDP.

Finally, for five Member States the realisation of their planned revenue targets in the later years of the programme implicitly requires – according to their own no-policy change projections – the implementation of substantial revenue increasing measures. This is the case of Belgium, the Czech Republic, Estonia, Spain, Luxembourg and Finland, with annual revenue increasing measures ranging from 0.8% of GDP in the case of the Czech Republic to 3.2% of GDP in the case of Spain. Moreover, in the case of Belgium, Finland and especially Spain this substantial amount of measures on the revenue side needs to be coupled with also demanding expenditure decreasing measures if the deficit targets are to be reached.

However, the above figures depend, among other factors, on how the no-policy change revenue projections were calculated by Member States. In particular, they are dependent on Member States' nominal GDP growth assumptions and estimates of revenue semi-elasticities. Re-computing for each Member State the no-policy change evolution of revenues at the OECD semi-elasticities provides a – in some cases very – different estimation of the cumulative measures Member States need to implement to achieve their revenue –and ultimately deficit– targets by 2017. This assessment allows gauging the magnitude of the second source of risks, that is, how realistic are the underlying revenue elasticity assumptions on which the fiscal targets are based.

([28]) Less than 0.5% of GDP cumulative revenue increasing measures.

Table 4.2: **Implicit amount of cumulative revenue measures at SCPs and OECD elasticities - Comparison with Member States reported discretionary revenue measures**

	SCPs 2014 Total revenue targets (I)	At SCPs revenue semi-elasticities		At OECD revenue semi-elasticities		SCPs 2014 Cumulative reported DRMs (VI)
		Unchanged policy revenues (II)	Implied cumulative measures (III)	Unchanged policy revenues (IV)	Implied cumulative measures (V)	
% GDP	2017	2017	2014-2017	2017	2014-2017	2014-2017
BE	52.3	50.7	1.6	51.0	1.3	2.0
BG	35.3	35.3	0	36.5	-1.2	1.7
CZ	39.3	38.5	0.8	39.9	-0.6	0.0
DK	51.5	51.1	0.4	52.7	-1.2	-0.2
DE	44.1	44.1	0	44.0	0.1	0.4
EE	36.6	35.8	0.8	36.2	0.4	0.3
IE	35.2	34.8	0.4	35.5	-0.3	0.9
ES	39.0	35.8	3.2	36.8	2.2	1.0
FR	52.2	53.1	-0.9	52.0	0.2	-0.5
HR	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	4.0
IT	47.2	47.4	-0.2	47.8	-0.6	0.4
LV	30.1	30.1	0	32.1	-2.0	-0.4
LT	31.2	31.2	0	30.3	0.9	0.0
LU	41.1	40.2	0.9	41.4	-0.3	0.7
HU	42.9	42.9	0	45.6	-2.7	0.0
MT	41.9	41.9	0	40.8	1.1	3.6
NL	46.5	46.5	0	47.7	-1.2	3.1
AT	49.1	48.7	0.4	48.9	0.2	0.4
PL	37.5	37.4	0.1	36.9	0.6	1.3
PT	43.1	*n.a.*	*n.a.*	42.9	0.2	*n.a.*
RO	34.0	34.0	0	32.2	1.8	0.6
SI	43.8	44.3	-0.5	44.9	-1.1	2.4
SK	32.8	32.3	0.5	33.6	-0.8	1.3
FI	57.3	55.1	2.2	55.7	1.6	1.3
SE	50.2	50.2	0	49.7	0.5	0.0
UK	37.5	37.6	-0.1	40.3	-2.8	0.0
EA	46.5	46.2	0.3	46.2	0.2	0.5
EU	44.6	44.4	0.2	44.9	-0.3	0.3

Source: Commission services

In fact, as shown in the comparison between columns II and IV in table 4.2, Member States have overall prudently set their revenue targets for 2016 and 2017, building their no-policy change projections on more unfavourable revenue elasticities than the OECD ones. The latter is illustrated by the fact that the aggregate euro area revenue targets for 2017 are attainable, at OECD elasticities, through a moderate cumulative 0.2% of GDP discretionary increase in revenues, while the aggregate revenue target of the EU is even compatible with an overall 0.3% of GDP decrease on revenues. These prudent assumptions may build on past year trends, where observed revenue elasticities were typically below their standard OECD values. However, as growth starts picking up and the output gap shrinking, revenue elasticities should go back to their medium-term values.

Conversely, the comparison of the no-policy change evolution of revenues at SCPs' semi-elasticities with the equivalent at OECD ones, shows that France, Lithuania, Malta, Romania, Poland and Sweden's revenue targets rely on slightly optimistic baseline estimates. This implies that, if OECD semi-elasticities were to prevail, these five Member States would need to implement considerably larger revenue measures than they are currently envisaging and, therefore, there are risks to the attainment of their revenue – and ultimately deficit – targets.

It is also important to note that the analysis at OECD elasticities confirms the high risks to the realization of the revenue targets for Belgium, Spain and Finland: even at OECD elasticities –which in all three cases are more favourable than the ones upon which the SCPs no-policy change projections were built – these Member States would need to implement revenue measures of at least 1.5% of GDP throughout the programme horizon to achieve their fiscal targets, which entails a considerable implementation risk.

Finally, when comparing the amount of implicit necessary revenue measures – as calculated with either the SCP or the OECD semi-elasticity – with the cumulative discretionary revenue measures (DRM) Member States reported in their SCPs two different group of Member States can be identified. The first one comprises those Member States that planned their DRM in a consistent manner, meaning these DRM will overall allow them to achieve their final revenue targets. Member States in this first group (Bulgaria, Germany, Italy, Hungary, the Netherlands, Slovenia or the UK) are generally those identified as needing little or no further effort on the revenue side to achieve their targets.

Contrary to that, the second group includes eight Member States whose reported DRM fall considerably short of the implicit revenue measures needed to achieve their targets: The Czech Republic, Denmark, Estonia, Spain, Latvia, Luxembourg, Austria and Finland ([29]).

Furthermore, as a corollary of their slightly optimistic baseline scenario, the measure envisaged by France, Lithuania, Romania and Sweden will not be sufficient to achieve their revenue targets if cyclical revenues were to evolve according to the OECD semi-elasticities.

To sum up, little risks to the achievement of the final targets by the later years of the programme seem to stem from the underlying assumptions on which revenue targets are based, which are overall prudent with few exceptions. However, implementation risks stemming from the amount of additional discretionary measures necessary to achieve those targets appear higher for some Member States.

([29]) However, it should be noted that the no-policy change evolution of revenues was not correctly specified by Denmark, Spain and Finland in their SCPs: these Member States' revenue target in 2013 did not coincide with their no-policy change revenue ratio in that same year, as it should have. Therefore, considering also the DRMs these Member States specified for 2013, the amount of cumulative DRM comes closer to the implicit amount of necessary additional revenue measures.

5. SUSTAINABILITY ANALYSIS

This section assesses the sustainability of public finances in the Member States, against the background of the impact of the financial, economic and fiscal crisis and the demographic ageing projected in the 2012 Ageing Report ([30])

The enhancement of the fiscal sustainability assessment framework in the Fiscal Sustainability Report 2012 ([31]) supplements the traditional focus on long-term fiscal risks with medium- and short-term risk indicators. This multidimensional approach makes it possible to assess: ([32])

– short-term challenges, based on the S0 indicator (‘early detection of fiscal stress’);

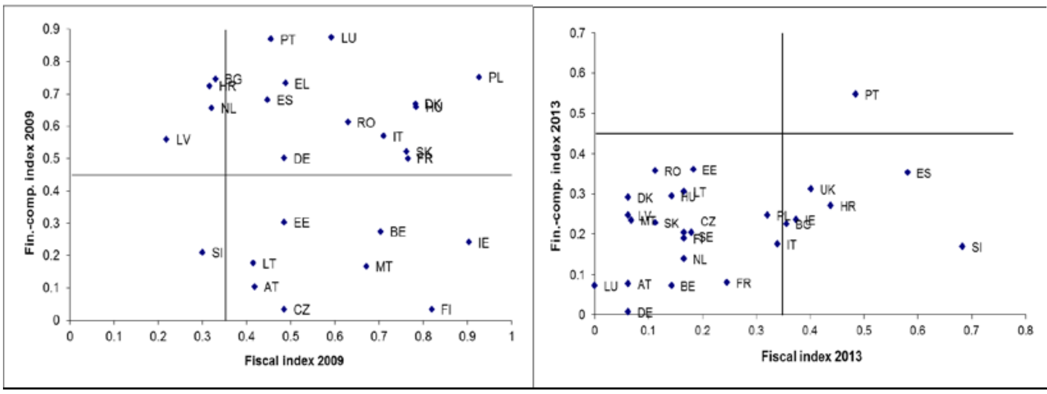
– medium-term challenges, based on the modified S1 indicator (‘debt compliance risk’);

– long-term challenges, based on the S2 indicator (‘ageing-induced fiscal risks’).

5.1. SHORT-TERM CHALLENGES: THE S0 INDICATOR - EARLY DETECTION OF FISCAL STRESS

In terms of short-term challenges, risks for fiscal stress have been reduced in nearly all Member States in the last years. While in 2009 almost two thirds of the EU Member States were above the critical threshold for the S0 indicator, indicating at that time elevated risks of fiscal stress for 2010, in following years short-term risks have been progressively reduced (see Graph 5.1).

Graph 5.1: **The S0 indicator, 2009 and 2013**



Source: Commission services.

In 2013, according to the S0 indicator highlighting fiscal risks for 2014, only Portugal appears to be still at risk (see also Table 5.1), due to challenges on both the fiscal/ macro-financial and competitiveness sides of the economy.

([30]) European Commission (DG ECFIN) and Economic Policy Committee (AWG) (2012), "*The 2012 Ageing Report: Economic and budgetary projections for the 27 EU Member States (2010-2060)*", European Economy, No 2.
([31]) European Commission (2012), "*Fiscal Sustainability Report 2012*", European Economy, No 8.
([32]) The S1 and S2 indicators are traditional sustainability indicators based on forecasts for growth and fiscal balances, extrapolated by incorporating the long-term projections of the 2012 Ageing Report, in particular the projected trend in age-related expenditure. The higher the values of the S1 and S2 sustainability indicators, the greater the required fiscal adjustment and thus the sustainability risk. The S0 indicator is a new indicator based on current data, aggregating fiscal and macro-financial variables which have proven to be good predictors of fiscal stress episodes. The methodology for the S0 indicator is fundamentally different from the S1 and S2 indicators mentioned above. It is not a quantification of the required fiscal adjustment as in the case of the S1 and S2 indicators, but a composite indicator which estimates the extent to which there might be a risk of fiscal stress in the short term.

5.2. MEDIUM- TO LONG-TERM CHALLENGES

In terms of medium and longer term implications for fiscal sustainability taking account of the projected changes in age-related expenditure, the macroeconomic scenario and the fiscal outlook and plans, two main scenarios are considered:

the 'COM no-policy-change' scenario, with structural primary balance/GDP ratio kept constant at 2015 estimated level as in the Commission 2014 Spring forecast (reflecting a "no-policy-change" assumption);

the 'SCP' scenario (structural primary balance/GDP ratio kept constant at end of programme period covered by the SCPs), reflecting planned changes in fiscal policies as reported in the SCPs.

Graph 5.1 depicts the projected evolution for the government gross debt ratio (including the projected change in age-related expenditure), for the EU as a whole. The solid thick line shows the outcome for this scenario under the assumption of no fiscal consolidation measures beyond those contained in the Commission 2014 Spring forecast (structural primary balance/GDP ratio kept constant at 2015 estimated level) and incorporates expected future age-related spending, as projected in the 2012 Ageing Report. ([33])The impact of pension reforms undertaken since the completion of the 2012 Ageing Report in Belgium, Denmark, Hungary and the Netherlands were incorporated in the Commission's Fiscal Sustainability Report 2012 released on 18 December 2012. In addition, the impact of pension reforms in Spain, Poland, Latvia, Slovakia, and Slovenia are included in the analysis in this section.

According to the Commission 2014 spring forecast, debt rises to 90.0% of GDP in 2015 in the EU as a whole. Given the significant fiscal consolidation until 2015 and the expected economic recovery, debt is projected to decrease in the following years. Moreover, the cost of ageing as a share of GDP is almost stabilized in the years to the mid-2020s. However, from 2027 onwards, the ageing costs take hold more firmly, and debt starts rising. As a result, debt in the EU as a whole reaches 83.5% of GDP in 2030, though with large differences across Member States.

In contrast to the 'COM no-policy-change' scenario, the 'SCP' scenario would lead to a more marked reduction in the debt-to-GDP ratio with debt falling below the Treaty reference value of 60% of GDP by 2030 (at 58.5% of GDP).

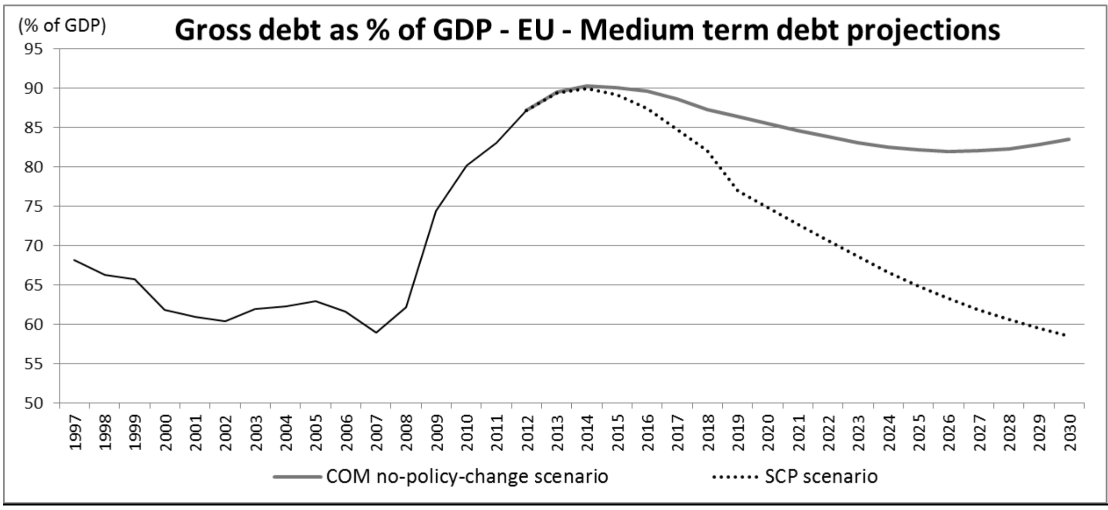
The S1 indicator – debt compliance risk

Another way of looking at the adjustment needed in the medium-to-long term with respect to unchanged policies is to calculate the additional fiscal adjustment required up to 2020 in order to stabilize the debt-to-GDP ratio at 60% by 2030 (see Graph 5.2). The improvement required in the structural primary balance to achieve a debt-to-GDP ratio target of 60% by 2030 amounts to 1.7 percentage points of GDP over the period 2016–2020 in the EU as a whole, i.e., an average annual fiscal consolidation effort of 1/3 percentage points per year. In other words, the structural primary balance in the EU has to improve from a forecasted surplus of 1.0% of GDP in 2015 (structural balance of -1.7% in 2015) to a surplus of 2.7% in 2020.

However, the required consolidation effort varies significantly across Member States depending on the initial structural primary balances, starting debt ratios, future ageing costs and the growth prospects over the next 20 years. It should be noted that for some Member States, the structural primary balance in 2015 - the starting point for the medium-term projections - is very high compared with what has been achieved in the past.

([33]) This consists of projections of pension, health care, long-term care, education and unemployment benefit spending. In addition the projected changes in property income and in taxes on pensions are incorporated.

Graph 5.2: **Medium term debt projections for the EU**



Source: Commission services, 2014 Stability and Convergence Programmes.
Note: The medium-term projections are based on the Commission services' Spring 2014 forecast (up to 2015), and the macro-economic scenario of the 2012 Ageing Report. As a general rule, the output gap is assumed to close in t+5, after which the potential growth rates converge linearly to the AWG baseline scenario by t+10. The inflation rate (GDP deflator) converges linearly to 2% in 2018, when the output gap is closed and remains constant thereafter, for all countries. The overall (real) implicit interest rate on maturing debt (new and rolled-over) converges to 3% by 2024. The structural primary balance is kept unchanged after 2015 apart from the projected change in age-related expenditure according to the AWG reference scenario from the 2012 Ageing Report. The primary balance is adjusted by using the budget sensitivities in the period until the output gap is assumed to be closed (by 2018 as a rule). No stock-flow adjustment assumed after 2015 (end of forecast horizon).

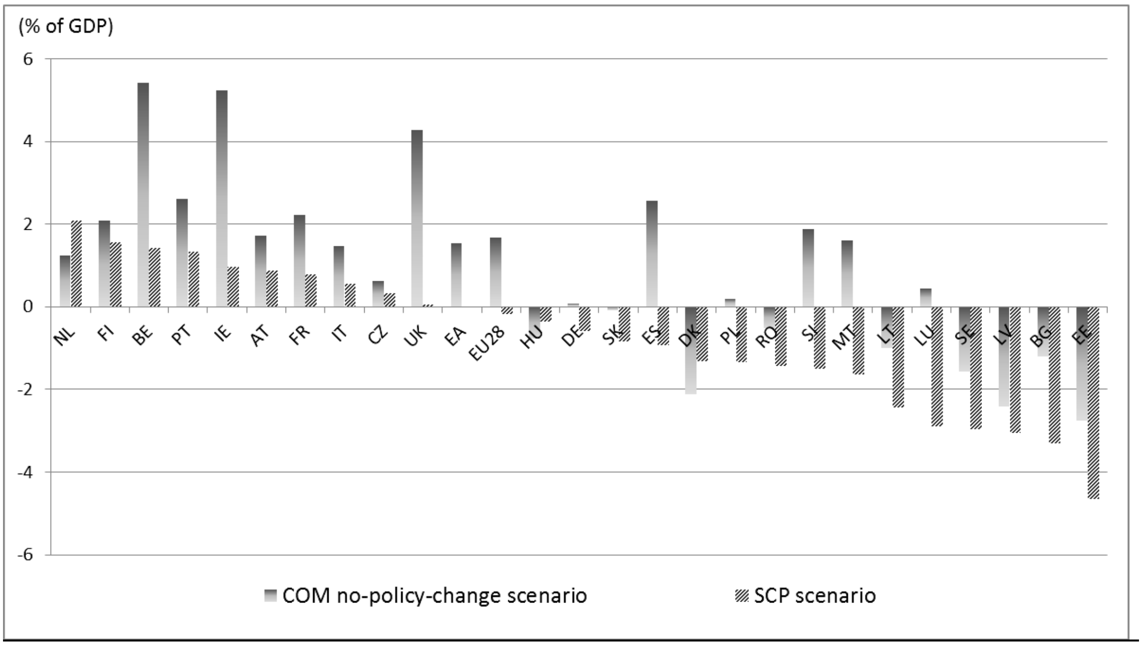
The adjustment of the primary balance required to reach a 60% of GDP debt ratio under the assumption of the 'COM no-policy-change' scenario would be particularly demanding, indicating high risk (a fiscal consolidation effort over the period 2016-2020 higher than 2.5 pp of GDP) in Belgium, Ireland, Spain, Portugal and the United Kingdom. Fiscal sustainability risks would be medium for the Czech Republic, Germany, France, Italy, Luxemburg, Austria, Poland and Finland. The others are at low risk (Bulgaria, Denmark, Estonia, Latvia, Lithuania, Hungary, Romania, Slovakia and Sweden).

If the fiscal plans in the SCPs are fully implemented and additionally not weakened after the end of the programme horizon, additional fiscal consolidation, beyond the end of the period covered by the programmes (generally 2017) would be needed in Belgium, the Czech Republic, Ireland, France, Italy, the Netherlands, Austria, Portugal, Finland and the United Kingdom, to reach 60% of GDP in 2030.

The S2 indicator –ageing-induced fiscal risks

In the long term, the sustainability of the fiscal position is assessed by the gap relative to the primary balance required to stabilize debt at the current level and pre-finance all the future increases in age-related expenditures. Graph 5.3 shows the S2 sustainability indicator according to the 'COM no-policy-change' scenario. It shows the initial fiscal position (IBP) on the horizontal axis and the long-term change in the fiscal position (LTC) on the vertical axis. A dot positioned to the left has a favourable IBP; if it is below zero, it means that the budgetary position contributes positively to fiscal sustainability. A dot positioned towards the bottom of the axis has a low long-term 'cost of ageing'. The horizontal lines indicate the size of the sustainability gap. For example, the EU a whole has a sustainability gap of 2.4 pp of GDP. The structural primary balance in 2015 – the starting point for the medium-term projections – is very high compared with what has been achieved in the past in some Member States and maintaining such primary balances over the medium term and beyond, as assumed in the no-policy-change scenario, may prove challenging in view of competing fiscal pressures.

Graph 5.3: **S1 indicator (fiscal adjustment required until 2020 to reach a 60% public debt/GDP ratio by 2030, in per cent of GDP)**



Source: Commission services. 2014 Stability and Convergence Programmes.

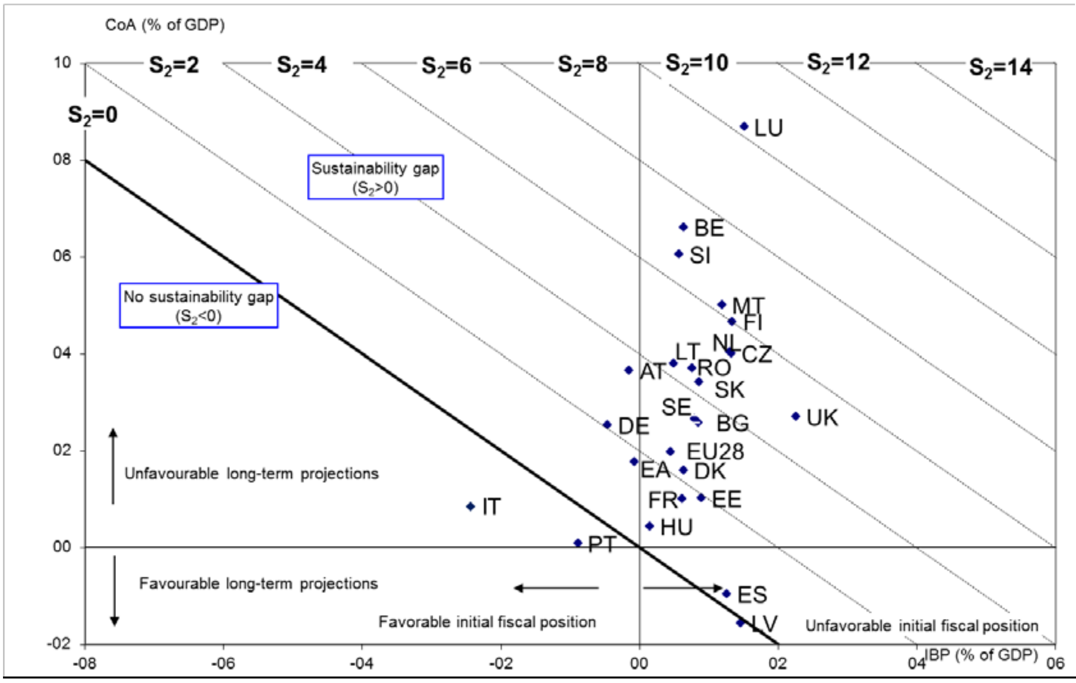
Graph 5.4 shows the S2 indicator calculated on the basis of the projected changes in age-related expenditure up to 2060 (from the 2012 Ageing Report and incorporating pension reforms after its release) with two different starting points: (i) the 'COM no-policy-change' scenario and (ii) the "SCP" scenario. According to the 'COM no-policy-change' scenario, eighteen Member States have a sustainability gap of 2% of GDP or more indicating medium risk ([34]) and five of these have a gap higher than 6% of GDP (Belgium, Luxemburg, Malta, Slovenia and Finland), indicating high risk.

The 'SCP' scenario shows the extent to which the implementation of the fiscal consolidation plans would contribute to ensuring fiscal sustainability. Under the assumption that the fiscal plans in the programmes are fully implemented, nearly all Member States are expected to have a lower sustainability gap (as shown by a position below the 45° degrees line in the figure). In the EU as a whole, the S2 fiscal gap would be 0.7% of GDP. Even assuming the full implementation of the fiscal plans in the SCPs, thirteen Member States would still have sustainability gaps in excess of 2 % of GDP (Belgium, Bulgaria, the Czech Republic, Denmark, Lithuania, Luxemburg, Malta, the Netherlands, Austria, Romania, Slovenia, Slovakia, and Finland) and one Member State over 6 % of GDP (Luxemburg). In terms of risk classification, in the 'SCP' scenario, seven Member States would go to a lower risk category (Belgium, Malta, and Finland from 'high' to 'medium' risk, and Germany, Ireland, Poland and the United Kingdom from 'medium' to 'low' risk).

On the basis of the multidimensional approach and the indicators described in this section, a summary of the fiscal sustainability analysis is provided in Table 5.1.

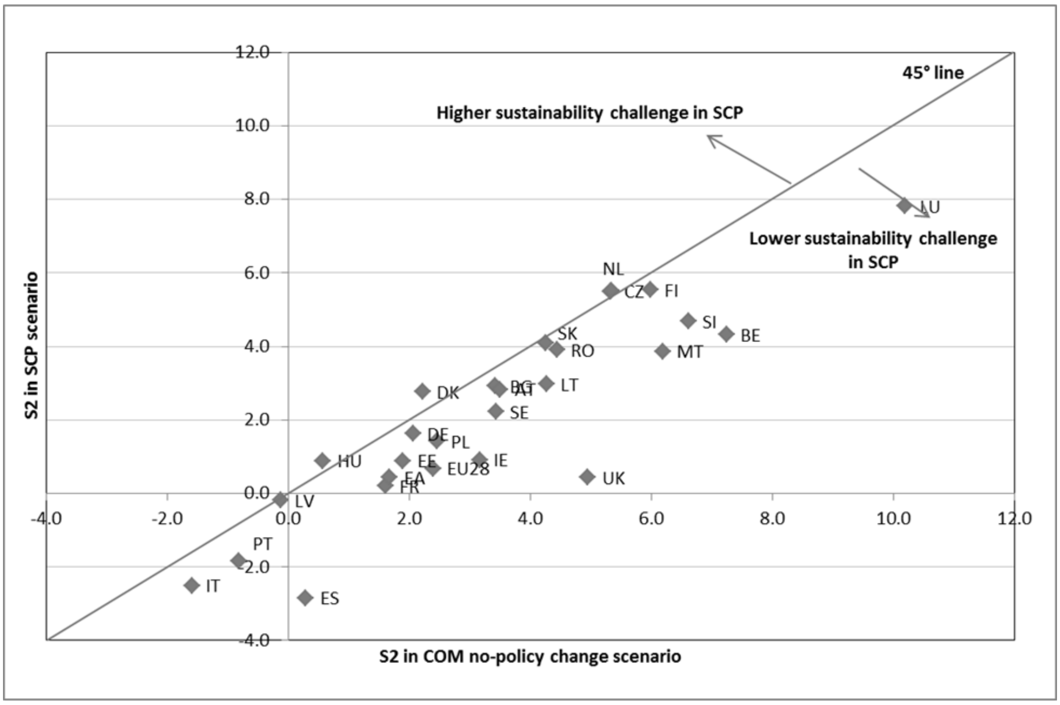
([34]) Belgium, Bulgaria, the Czech Republic, Denmark, Germany, Ireland, Lithuania, Luxemburg, Malta, the Netherlands, Austria, Poland, Romania, Slovenia, Slovakia, Finland, Sweden and the United Kingdom.

Graph 5.4: **The S2 sustainability gap decomposed**



Source: Commission services

Graph 5.5: **The S2 sustainability gap: ' COM no –policy-change' and 'SCP' scenarios**



Source: *Commission services. 2014 Stability and Convergence Programmes*

Table 5.1: **Risk classification in the 2013 assessment round, COM 'no-policy-change' scenario**

	S0 Short-term fiscal sustainability challenge	S1 Medium-term fiscal sustainability challenge	S2 Long-term fiscal sustainability challenge
BE	Low (0.09)	High (5.4)	High (7.2)
BG	Low (0.26)	Low (-1.2)	Medium (3.4)
CZ	Low (0.2)	Medium (0.6)	Medium (5.3)
DK	Low (0.22)	Low (-2.1)	Medium (2.2)
DE	Low (0.02)	Medium (0.1)	Medium (2.1)
EE	Low (0.31)	Low (-2.8)	Low (1.9)
IE	Low (0.28)	High (5.2)	Medium (3.2)
ES	Low (0.42)	High (2.6)	Low (0.3)
FR	Low (0.13)	Medium (2.2)	Low (1.6)
IT	Low (0.22)	Medium (1.5)	Low (-1.6)
LV	Low (0.19)	Low (-2.4)	Low (-0.1)
LT	Low (0.26)	Low (-1)	Medium (4.3)
LU	Low (0.05)	Medium (0.4)	High (10.2)
HU	Low (0.25)	Low (-0.8)	Low (0.6)
MT	Low (0.18)	Medium (1.6)	High (6.2)
NL	Low (0.15)	Medium (1.2)	Medium (5.3)
AT	Low (0.07)	Medium (1.7)	Medium (3.5)
PL	Low (0.27)	Medium (0.2)	Medium (2.5)
PT	High (0.53)	High (2.6)	Low (-0.8)
RO	Low (0.29)	Low (-0.5)	Medium (4.4)
SI	Low (0.31)	Medium (1.9)	High (6.6)
SK	Low (0.2)	Low (-0.1)	Medium (4.3)
FI	Low (0.18)	Medium (2.1)	High (6.0)
SE	Low (0.19)	Low (-1.6)	Medium (3.4)
UK	Low (0.34)	High (4.3)	Medium (4.9)
EU28	:	Medium (1.7)	Medium (2.4)
EA	:	Medium (1.5)	Low (1.7)

Source: Commission services.
Note: S0 indicator: Member States with a value for the overall composite indicator above the threshold (0.43) in 2013 are at risk for fiscal stress in the year ahead.
The S1 indicator: The following thresholds were used to assess the scale of risk for 'debt compliance':
- if the S1 value is less than zero, the Member State is assigned low risk;
- if it is between 0 and 2.5 (thus requiring a structural adjustment in the primary balance of up to 0.5 pp of GDP per year – the benchmark adjustment in the SGP - until 2020), it is assigned medium risk; and,
- if it is greater than 2.5 (meaning a structural adjustment of more than 0.5 pp of GDP per year is necessary), it is assigned high risk.

The S2 indicator: As was the case in the 2009 Sustainability Report, the following thresholds for the S2 indicator were retained:
- if the value of S2 is lower than 2, the Member State is assigned low risk;
- if it is between 2 and 6, it is assigned medium risk; and,
- if it is greater than 6, it is assigned high risk.

ANNEX I: TABLES COMPARING PROJECTIONS FROM STABILITY AND CONVERGENCE PROGRAMMES AND THE COMMISSION'S 2014 SPRING FORECAST

Table A1.1: **General government balance (%GDP)**

	2014: updates of the stability and convergence programmes							Commission services'spring 2013 forecast				Difference compared to forecast (red is higher in programme)		
	2013	2014	2015	2016	2017	2018	2019	2012	2013	2014	2015	2013	2014	2015
BE	-2.6	-2.1	-1.4	-0.4	0.6	n.a.	n.a.	-4.1	-2.6	-2.6	-2.8	0.0	0.4	1.4
DE	0.0	0.1	0.1	0.2	0.3	0.3	n.a.	0.1	0.0	0.0	-0.1	0.0	0.1	0.2
EE	-0.2	-0.7	-0.5	-0.4	0.1	0.5	n.a.	-0.2	-0.2	-0.5	-0.6	0.0	-0.2	0.1
IE	-7.2	-4.8	-3.0	-2.2	-1.2	0.0	n.a.	-8.2	-7.2	-4.8	-4.2	0.0	0.0	1.2
EL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-8.9	-12.7	-1.6	-1.0	n.a.	n.a.	n.a.
ES	-7.1	-5.5	-4.2	-2.8	-1.1	n.a.	n.a.	-10.6	-7.1	-5.6	-6.1	0.0	0.2	1.9
FR	-4.3	-3.8	-3.0	-2.2	-1.3	n.a.	n.a.	-4.9	-4.3	-3.9	-3.4	0.0	0.1	0.4
IT	-3.0	-2.6	-1.8	-0.9	-0.3	0.3	n.a.	-3.0	-3.0	-2.6	-2.2	0.0	0.0	0.4
CY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-6.4	-5.4	-5.8	-6.0	n.a.	n.a.	n.a.
LV	-1.0	-1.0	-0.8	-0.7	-0.7	n.a.	n.a.	-1.3	-1.0	-1.0	-1.1	0.0	0.0	0.3
LU	0.1	0.1	-0.5	0.2	0.8	1.5	n.a.	0.0	0.1	-0.2	-1.4	0.0	0.3	0.9
MT	-2.8	-2.1	-1.6	-0.7	-0.3	n.a.	n.a.	-3.3	-2.8	-2.5	-2.5	0.0	0.4	0.9
NL	-2.5	-2.9	-2.1	-1.9	-1.4	n.a.	n.a.	-4.1	-2.5	-2.8	-1.8	0.0	-0.1	-0.3
AT	-1.5	-2.7	-1.4	-0.7	-0.6	-0.5	n.a.	-2.6	-1.5	-2.8	-1.5	0.0	0.1	0.1
PT	-4.9	-4.0	-2.5	-1.5	-0.7	0.0	n.a.	-6.4	-4.9	-4.0	-2.5	0.0	0.0	0.0
SI	-14.7	-4.1	-2.4	-1.5	-0.7	0.3	n.a.	-4.0	-14.7	-4.3	-3.1	0.0	0.2	0.7
SK	-2.8	-2.8	-2.8	-2.0	-1.3	n.a.	n.a.	-4.5	-2.8	-2.9	-2.8	0.0	0.1	0.0
FI	-2.0	-2.0	-1.1	-0.5	0.0	0.3	n.a.	-1.8	-2.1	-2.3	-1.3	0.1	0.3	0.2
EA	-2.9	-2.4	-1.8	-1.1	-0.5	n.a.	n.a.	-2.8	-2.8	-2.5	-2.3	-0.1	0.1	0.5
BG	-1.5	-1.8	-1.5	-1.1	-0.9	n.a.	n.a.	-0.8	-1.5	-1.9	-1.8	0.0	0.1	0.3
CZ	-1.5	-1.8	-2.3	-2.0	-1.7	n.a.	n.a.	-4.2	-1.5	-1.9	-2.4	0.0	0.1	0.1
DK	-0.8	-1.3	-2.9	-2.2	-1.6	n.a.	n.a.	-3.8	-0.8	-1.2	-2.7	0.0	-0.1	-0.2
LT	-2.1	-1.9	-0.9	0.1	1.1	n.a.	n.a.	-3.2	-2.2	-2.1	-1.6	0.1	0.2	0.7
HU	-2.2	-2.9	-2.8	-2.5	-1.9	n.a.	n.a.	-2.1	-2.2	-2.9	-2.8	0.0	0.0	0.0
PL	-4.3	5.8	-2.5	-1.8	-1.2	n.a.	n.a.	-3.9	-4.3	5.7	-2.9	0.0	0.1	0.4
RO	-2.3	-2.2	-1.4	-1.3	-1.1	n.a.	n.a.	-3.0	-2.3	-2.2	-1.9	0.0	0.0	0.5
SE	-1.1	-1.4	-0.2	0.3	0.7	n.a.	n.a.	-0.6	-1.1	-1.8	-0.8	0.0	0.4	0.6
UK	-6.0	-5.0	-4.0	-2.4	-1.1	-0.1	n.a.	-6.1	-5.8	-5.1	-4.1	-0.2	0.1	0.1
EU	-3.3	-2.5	-2.1	-1.3	-0.6	0.0	n.a.	-3.6	-3.1	-2.6	-2.6	-0.2	0.1	0.4

Source: Commission services

Table A1.2: **General government total revenue (%GDP)**

	2014: updates of the stability and convergence programmes							Commission services'spring 2013 forecast				Difference compared to forecast (red is higher in programme)		
	2013	2014	2015	2016	2017	2018	2019	2012	2013	2014	2015	2013	2014	2015
BE	52.0	51.1	51.3	51.7	52.3	n.a.	n.a.	51.0	52.0	51.4	51.4	0.0	-0.2	-0.1
DE	44.7	44.4	44.2	44.1	44.1	44.0	n.a.	44.8	44.7	44.6	44.3	0.0	-0.1	-0.2
EE	38.1	37.5	37.8	36.5	36.6	36.3	n.a.	39.2	38.1	38.0	37.5	0.0	-0.5	0.3
IE	35.9	36.2	36.3	35.7	35.2	35.0	n.a.	34.5	35.9	35.7	35.2	0.0	0.5	1.1
EL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	44.4	45.8	45.8	44.5	n.a.	n.a.	n.a.
ES	37.8	38.5	38.8	38.9	39.0	n.a.	n.a.	37.2	37.8	38.1	36.9	0.0	0.4	1.9
FR	52.8	52.9	52.6	52.4	52.2	n.a.	n.a.	51.8	52.8	52.9	52.7	0.0	0.0	-0.1
IT	47.7	47.9	47.8	47.5	47.2	46.9	n.a.	47.7	47.7	47.7	47.6	0.0	0.2	0.2
CY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	39.4	40.3	41.3	40.0	n.a.	n.a.	n.a.
LV	35.1	33.9	32.0	30.9	30.1	n.a.	n.a.	35.1	35.1	34.3	33.2	0.0	-0.4	-1.2
LU	43.4	42.2	41.4	41.2	41.1	41.0	n.a.	44.0	43.6	42.9	42.6	-0.2	-0.7	-1.2
MT	41.1	42.2	42.4	41.5	41.9	n.a.	n.a.	39.9	41.1	41.6	41.3	0.0	0.6	1.1
NL	47.3	47.4	47.7	46.7	46.5	n.a.	n.a.	46.4	47.3	47.0	47.7	0.0	0.4	0.0
AT	49.7	49.7	49.3	49.3	49.1	49.0	n.a.	49.1	49.7	49.6	49.4	0.0	0.1	-0.1
PT	43.7	43.2	43.3	43.3	43.1	43.0	n.a.	40.9	43.7	43.1	43.2	0.0	0.1	0.1
SI	44.7	46.4	45.5	44.6	43.8	43.4	n.a.	44.4	44.7	45.2	44.4	0.0	1.2	1.1
SK	35.9	35.2	33.7	32.9	32.8	n.a.	n.a.	33.7	35.9	35.0	34.7	0.0	0.2	-1.0
FI	56.0	56.4	56.8	57.0	57.3	57.4	n.a.	54.5	56.0	56.3	57.0	0.0	0.1	-0.2
EA	46.8	46.8	46.7	46.5	46.4	45.4	n.a.	46.3	46.8	46.8	46.5	0.0	0.1	0.2
BG	37.2	38.0	37.1	35.7	35.3	n.a.	n.a.	35.0	37.2	37.5	37.7	0.0	0.5	-0.6
CZ	40.9	40.6	39.9	39.5	39.3	n.a.	n.a.	40.3	40.9	40.6	40.2	0.0	0.0	-0.3
DK	55.0	54.2	51.7	51.7	51.5	n.a.	n.a.	55.5	56.2	55.6	53.2	-1.2	-1.4	-1.5
LT	32.3	32.3	32.0	31.2	31.2	n.a.	n.a.	32.7	32.3	32.0	31.7	0.0	0.3	0.3
HU	47.6	47.2	46.1	43.6	42.9	n.a.	n.a.	46.6	47.6	47.3	46.5	0.0	-0.1	-0.4
PL	37.5	46.9	37.9	37.5	37.5	n.a.	n.a.	38.3	37.5	47.0	38.3	0.0	-0.1	-0.4
RO	32.7	33.4	33.6	33.9	34.0	n.a.	n.a.	33.7	32.7	32.6	32.8	0.0	0.8	0.8
SE	51.5	50.2	50.3	50.1	50.2	n.a.	n.a.	51.2	51.5	50.5	50.5	0.0	-0.3	-0.2
UK	37.2	37.2	37.3	37.5	37.5	37.6	n.a.	42.0	41.3	40.5	40.2	-4.1	-3.3	-2.9
EU	45.1	45.3	44.9	44.7	44.6	42.8	n.a.	45.5	45.7	45.8	45.2	-0.6	-0.5	-0.4

Source: Commission services

Table A1.3: **General government total expenditure (%GDP)**

	2014: updates of the stability and convergence programmes							Commission services'spring 2013 forecast				Difference compared to forecast (red is higher in programme)		
	2013	2014	2015	2016	2017	2018	2019	2012	2013	2014	2015	2013	2014	2015
BE	54.6	53.3	52.8	52.2	51.8	n.a.	n.a.	55.0	54.6	53.9	54.2	0.0	-0.6	-1.4
DE	44.7	44.3	44.1	43.8	43.8	43.7	n.a.	44.7	44.7	44.6	44.5	0.0	-0.2	-0.4
EE	38.3	38.2	38.4	36.8	36.6	35.8	n.a.	39.5	38.3	38.5	38.2	0.0	-0.3	0.2
IE	43.1	41.0	39.3	37.9	36.3	35.0	n.a.	42.7	43.1	40.5	39.4	0.0	0.5	-0.1
EL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	53.3	58.5	47.4	45.5	n.a.	n.a.	n.a.
ES	44.9	44.0	43.0	41.7	40.1	n.a.	n.a.	47.8	44.9	43.8	43.0	0.0	0.2	0.0
FR	57.1	56.6	55.6	54.5	53.5	n.a.	n.a.	56.7	57.0	56.8	56.1	0.1	-0.2	-0.5
IT	50.8	50.6	49.9	49.0	48.1	47.3	n.a.	50.7	50.8	50.3	49.8	0.0	0.3	0.1
CY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	45.8	45.8	47.1	46.1	n.a.	n.a.	n.a.
LV	36.1	34.9	32.8	31.6	30.8	n.a.	n.a.	36.4	36.1	35.3	34.3	0.0	-0.4	-1.5
LU	43.3	42.1	41.9	41.0	40.3	39.5	n.a.	43.9	43.5	43.1	44.0	-0.2	-1.0	-2.1
MT	43.9	44.2	44.0	42.3	42.2	n.a.	n.a.	43.1	43.9	44.1	43.8	0.0	0.1	0.2
NL	49.8	50.3	50.0	48.7	48.0	n.a.	n.a.	50.5	49.9	49.8	49.5	-0.1	0.5	0.5
AT	51.2	52.4	50.7	50.0	49.7	49.4	n.a.	51.6	51.2	52.4	50.9	0.0	0.0	-0.2
PT	48.6	47.1	45.8	44.8	43.8	43.1	n.a.	47.4	48.6	47.1	45.6	0.0	0.0	0.2
SI	59.4	50.5	47.9	46.1	44.5	43.1	n.a.	48.4	59.4	49.5	47.4	0.0	1.0	0.5
SK	38.7	38.0	36.5	34.9	34.0	n.a.	n.a.	38.2	38.7	38.0	37.5	0.0	0.0	-1.0
FI	58.0	58.4	57.9	57.6	57.3	57.2	n.a.	56.3	58.1	58.6	58.3	-0.1	-0.2	-0.4
EA	49.7	49.2	48.5	47.7	47.0	45.2	n.a.	49.9	49.7	49.3	48.8	0.0	0.0	-0.3
BG	38.7	39.9	38.6	36.9	36.2	n.a.	n.a.	35.8	38.7	39.4	39.5	0.0	0.5	-0.9
CZ	42.4	42.4	42.2	41.5	41.0	n.a.	n.a.	44.5	42.4	42.5	42.6	0.0	-0.1	-0.4
DK	55.9	55.6	54.6	53.9	53.1	n.a.	n.a.	59.2	57.0	56.8	55.8	-1.1	-1.2	-1.2
LT	34.4	34.2	32.9	31.1	30.1	n.a.	n.a.	36.0	34.4	34.2	33.3	0.0	0.0	-0.4
HU	49.8	50.1	48.9	46.1	44.8	n.a.	n.a.	48.6	49.8	50.2	49.3	0.0	-0.1	-0.4
PL	41.9	41.1	40.4	39.3	38.7	n.a.	n.a.	42.2	41.9	41.3	41.2	0.0	-0.2	-0.8
RO	35.0	35.6	35.0	35.2	35.1	n.a.	n.a.	36.7	35.0	34.8	34.7	0.0	0.8	0.3
SE	52.6	51.6	50.4	49.8	49.4	n.a.	n.a.	51.8	52.6	52.2	51.3	0.0	-0.6	-0.9
UK	43.2	42.2	41.3	39.9	38.6	37.7	n.a.	48.1	47.1	45.6	44.3	-3.9	-3.4	-3.0
EU	48.4	47.8	47.0	46.1	45.3	42.8	n.a.	49.3	49.0	48.4	47.8	-0.6	-0.6	-0.8

Source: Commission services

Table A1.4: **Structural balance (%GDP)**
Cyclically-adjusted balance excluding one-off and other temporary measures. For SCPs: recalculated by Commission services on the basis of the information in the programme

	2014: updates of the stability and convergence programmes							Commission services'spring 2013 forecast				Difference compared to forecast (red is higher in programme)		
	2013	2014	2015	2016	2017	2018	2019	2012	2013	2014	2015	2013	2014	2015
BE	-2.3	-1.7	-1.1	-0.3	0.7	0.0	n.a.	-3.0	-2.3	-2.3	-2.5	0.0	0.6	1.3
DE	0.6	0.6	0.4	0.5	0.5	0.5	n.a.	0.3	0.6	0.5	0.0	0.0	0.2	0.4
EE	-0.4	-0.5	-0.1	-0.2	0.1	0.3	n.a.	0.0	-0.4	-0.5	-0.7	0.0	0.0	0.5
IE	-6.5	-4.7	-2.7	-2.6	-2.4	-1.9	n.a.	-7.9	-6.2	-4.5	-4.2	-0.3	-0.2	1.5
EL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-1.0	2.0	1.0	-0.4	n.a.	n.a.	n.a.
ES	-2.9	-2.2	-1.9	-1.4	-0.7	0.0	n.a.	-4.1	-2.8	-2.4	-3.4	-0.1	0.2	1.5
FR	-3.1	-2.2	-1.6	-1.2	-0.8	0.0	n.a.	-3.8	-3.0	-2.3	-2.0	-0.1	0.2	0.4
IT	-0.9	-0.6	-0.2	0.0	0.2	0.3	n.a.	-1.5	-0.9	-0.8	-0.7	0.0	0.2	0.5
CY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-6.5	-3.5	-4.0	-4.3	n.a.	n.a.	n.a.
LV	-0.9	-1.4	-1.4	-1.5	-1.8	0.0	n.a.	-0.1	-1.0	-1.4	-1.9	0.0	0.1	0.5
LU	1.6	1.1	-0.1	0.4	0.8	1.3	n.a.	1.7	1.4	0.6	-1.3	0.3	0.5	1.2
MT	-2.9	-2.3	-1.8	-0.9	-0.4	0.0	n.a.	-3.9	-2.9	-2.8	-2.9	0.0	0.4	1.1
NL	-1.4	-1.4	-1.0	-1.3	-1.2	0.0	n.a.	-2.7	-1.3	-1.3	-0.8	-0.1	-0.1	-0.2
AT	-1.0	-1.0	-0.8	-0.5	-0.4	-0.2	n.a.	-1.6	-1.1	-1.2	-1.1	0.1	0.2	0.3
PT	-2.6	-2.0	-1.2	-0.8	-0.5	-0.3	n.a.	-3.5	-2.6			0.0	-2.0	-1.2
SI	-3.0	-2.2	-1.6	-1.1	-0.9	-0.4	n.a.	-2.7	-2.9	-2.5	-2.4	-0.1	0.3	0.7
SK	-1.9	-2.3	-2.0	-1.6	-1.4	0.0	n.a.	-3.9	-2.0	-2.2	-1.8	0.0	-0.1	-0.2
FI	-0.5	-0.7	-0.3	-0.2	-0.1	-0.1	n.a.	-1.0	-0.6	-0.9	-0.3	0.1	0.2	0.1
EA	-1.4	-1.0	-0.7	-0.5	-0.2	n.a.	n.a.	-2.1	-1.3	-1.1	-1.2	-0.1	0.1	0.5
BG	-1.0	-1.3	-1.0	-0.9	-0.9	0.0	n.a.	-0.6	-1.1	-1.5	-1.2	0.1	0.2	0.2
CZ	-0.1	-1.0	-1.6	-1.6	-1.9	0.0	n.a.	-1.6	-0.1	-1.1	-1.9	-0.1	0.1	0.3
DK	0.6	-0.1	-0.3	-0.6	-1.0	0.0	n.a.	0.6	0.6	-0.2	-0.5	0.0	0.1	0.1
LT	-2.1	-1.6	-0.8	-0.2	0.2	0.0	n.a.	-2.9	-2.1	-1.9	-1.3	0.0	0.3	0.5
HU	-0.7	-2.2	-2.2	-2.3	-2.4	0.0	n.a.	-0.8	-0.8	-2.2	-2.3	0.0	0.0	0.0
PL	-3.8	-2.6	-2.0	-1.6	-1.3	0.0	n.a.	-4.1	-3.8	-2.8	-2.4	0.0	0.2	0.4
RO	-1.8	-1.8	-1.0	-1.0	-0.9	0.0	n.a.	-2.5	-1.7	-1.8	-1.7	0.0	0.1	0.7
SE	0.1	-0.4	0.3	0.3	0.7	0.0	n.a.	0.3	0.1	-0.9	-0.4	0.0	0.5	0.7
UK	-4.8	-4.4	-3.7	-2.4	-1.3	-0.3	n.a.	-6.2	-4.8	-4.6	-4.1	0.0	0.2	0.5
EU	-1.9	-1.6	-1.2	-0.8	-0.4	n.a.	n.a.	-2.6	-1.8	-1.7	-1.7	-0.1	0.2	0.5

Source: Commission services

Table A1.5: **General government total debt (% GDP)**

	2014: updates of the stability and convergence programmes							Commission services'spring 2013 forecast				Difference compared to forecast (red is higher in programme)		
	2013	2014	2015	2016	2017	2018	2019	2012	2013	2014	2015	2013	2014	2015
BE	101.5	101.2	99.4	96.7	93.2	n.a.	n.a.	101.1	101.5	101.7	101.5	0.0	-0.5	-2.1
DE	78.4	75.8	72.6	69.9	67.4	65.1	n.a.	81.0	78.4	76.0	73.6	0.0	-0.2	-0.9
EE	10.0	9.8	9.3	8.8	8.5	7.9	n.a.	9.8	10.0	9.8	9.6	0.0	0.0	-0.3
IE	123.7	121.4	120.0	115.9	112.0	107.2	n.a.	117.4	123.7	121.0	120.4	0.0	0.4	-0.4
EL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	157.2	175.1	177.2	172.4	n.a.	n.a.	n.a.
ES	93.9	99.5	101.7	101.5	98.5	n.a.	n.a.	86.0	93.9	100.2	103.8	0.0	-0.7	-2.1
FR	93.5	95.6	95.6	94.2	91.9	n.a.	n.a.	90.6	93.5	95.6	96.6	0.0	0.0	-1.0
IT	132.6	134.9	133.3	129.8	125.1	120.5	n.a.	127.0	132.6	135.2	133.9	0.0	-0.3	-0.6
CY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	86.6	111.7	122.2	126.4	n.a.	n.a.	n.a.
LV	38.1	38.8	32.9	34.2	31.3	n.a.	n.a.	40.8	38.1	39.5	33.4	0.0	-0.7	-0.5
LU	23.1	23.3	24.0	23.9	23.5	22.2	n.a.	21.7	23.1	23.4	25.5	0.0	-0.1	-1.5
MT	73.0	69.4	68.5	66.0	63.9	n.a.	n.a.	70.8	73.0	72.5	71.1	0.0	-3.1	-2.6
NL	73.5	74.6	74.7	74.1	73.2	n.a.	n.a.	71.3	73.5	73.8	73.4	0.0	0.8	1.3
AT	74.5	79.2	77.6	75.6	73.4	71.5	n.a.	74.4	74.5	80.3	79.2	0.0	-1.1	-1.6
PT	129.0	130.2	128.7	125.6	120.7	116.7	n.a.	124.1	129.0	126.7	124.8	0.0	3.5	3.9
SI	71.7	80.9	81.1	76.0	72.5	70.4	n.a.	54.4	71.7	80.4	81.3	0.0	0.5	-0.2
SK	55.4	55.2	56.2	54.9	53.4	n.a.	n.a.	52.7	55.4	56.3	57.8	0.0	-1.1	-1.6
FI	56.9	59.8	61.0	61.4	61.3	61.2	n.a.	53.6	57.0	59.9	61.2	-0.1	-0.1	-0.2
EA	93.4	94.3	93.1	91.0	88.2	83.9	n.a.	91.4	93.4	94.4	93.9	0.0	-0.1	-0.8
BG	18.9	22.8	22.2	23.3	20.6	n.a.	n.a.	18.4	18.9	23.1	22.7	0.0	-0.3	-0.5
CZ	46.0	44.9	46.0	47.1	47.1	n.a.	n.a.	46.2	46.0	44.4	45.8	0.0	0.5	0.2
DK	44.5	43.2	44.3	43.8	43.0	n.a.	n.a.	45.4	44.5	43.5	44.9	0.0	-0.3	-0.6
LT	39.4	41.6	40.7	35.3	34.8	n.a.	n.a.	40.5	39.4	41.8	41.4	0.0	-0.2	-0.7
HU	79.2	79.1	78.9	77.5	74.7	n.a.	n.a.	79.8	79.2	80.3	79.5	0.0	-1.2	-0.6
PL	57.1	49.5	49.5	47.5	45.5	n.a.	n.a.	55.6	57.0	49.2	50.0	0.1	0.3	-0.5
RO	38.4	39.9	39.6	39.1	38.5	n.a.	n.a.	38.0	38.4	39.9	40.1	0.0	0.0	-0.5
SE	40.6	41.3	39.7	37.3	34.8	n.a.	n.a.	38.3	40.6	41.6	40.4	0.0	-0.3	-0.7
UK	89.6	91.8	93.1	91.9	89.4	86.6	n.a.	89.1	90.6	91.8	92.7	-1.0	0.0	0.4
EU	87.3	88.1	87.4	85.4	82.8	84.8	n.a.	85.8	87.6	88.3	88.0	-0.2	-0.2	-0.7

Source: Commission services

Table A1.6: **Output gap (%GDP)**
For SCPs: recalculated by commission services on the basis of the information in the programme according to the commonly-agreed methodology

	2014: updates of the stability and convergence programmes							Commission services'spring 2013 forecast				Difference compared to forecast (red is higher in programme)		
	2013	2014	2015	2016	2017	2018	2019	2012	2013	2014	2015	2013	2014	2015
BE	-1.7	-1.2	-0.5	-0.2	-0.1	0.0	n.a.	-1.3	-1.7	-1.1	-0.5	0.0	-0.1	0.0
DE	-1.0	-0.9	-0.6	-0.5	-0.4	-0.4	n.a.	-0.1	-1.1	-0.7	-0.3	0.0	-0.2	-0.3
EE	1.2	0.3	0.4	0.7	0.9	0.6	n.a.	2.6	1.3	0.7	0.8	0.0	-0.4	-0.4
IE	-1.2	-0.6	-0.4	0.8	2.3	3.7	n.a.	-0.6	-1.4	-1.0	0.0	0.2	0.3	-0.4
EL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-12.2	-12.6	-9.3	-4.0	n.a.	n.a.	n.a.
ES	-7.8	-6.6	-4.8	-2.9	-0.7	0.0	n.a.	-7.3	-8.1	-6.7	-4.7	0.2	0.2	-0.1
FR	-2.6	-2.9	-2.5	-1.7	-0.9	0.0	n.a.	-2.0	-2.7	-2.8	-2.4	0.1	-0.2	0.0
IT	-4.4	-3.6	-2.7	-1.7	-0.9	0.0	n.a.	-3.0	-4.3	-3.6	-2.5	-0.1	0.0	-0.2
CY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.6	-4.1	-6.6	-4.1	n.a.	n.a.	n.a.
LV	-0.1	1.2	1.8	2.7	3.5	0.0	n.a.	-2.1	0.0	1.4	2.6	-0.1	-0.2	-0.8
LU	-3.4	-2.0	-0.9	-0.3	0.1	0.4	n.a.	-3.6	-2.8	-1.6	-0.3	-0.5	-0.4	-0.6
MT	-0.3	0.1	0.3	0.2	0.0	0.0	n.a.	-0.9	-0.3	0.2	0.7	0.0	0.0	-0.4
NL	-3.1	-2.7	-1.9	-1.0	-0.3	0.0	n.a.	-2.4	-3.3	-2.6	-1.8	0.2	-0.1	-0.1
AT	-1.2	-0.8	-0.6	-0.3	-0.1	-0.3	n.a.	-0.4	-1.1	-0.8	-0.4	-0.1	0.0	-0.2
PT	-5.7	-4.2	-2.8	-1.4	-0.3	0.6	n.a.	-5.0	-5.6	-4.0	-2.3	-0.1	-0.2	-0.5
SI	-2.9	-2.2	-1.7	-0.8	0.4	1.5	n.a.	-2.7	-3.1	-2.4	-1.5	0.2	0.2	-0.2
SK	-3.5	-3.3	-2.5	-1.2	0.4	0.0	n.a.	-2.1	-3.4	-3.6	-3.1	-0.1	0.3	0.6
FI	-2.9	-2.6	-1.7	-0.6	0.2	0.8	n.a.	-1.4	-2.7	-2.6	-1.9	-0.2	0.0	0.2
EA	-3.0	-2.6	-1.9	-1.2	-0.5	0.0	n.a.	-2.2	-3.1	-2.6	-1.8	0.1	-0.1	-0.2
BG	-1.5	-1.4	-0.7	-0.1	0.0	0.0	n.a.	-0.6	-1.2	-1.4	-1.7	-0.3	0.0	0.9
CZ	-3.0	-2.3	-1.5	-0.7	0.4	0.0	n.a.	-1.9	-3.3	-2.4	-1.3	0.2	0.1	-0.2
DK	-4.8	-3.8	-2.6	-1.3	0.0	0.0	n.a.	-4.6	-4.8	-4.3	-3.6	0.0	0.5	1.0
LT	-0.6	-0.5	0.0	1.3	2.9	0.0	n.a.	-1.3	-0.7	-0.5	-0.4	0.1	0.0	0.4
HU	-3.5	-2.3	-1.2	-0.4	1.1	0.0	n.a.	-4.2	-3.4	-2.1	-1.0	-0.1	-0.3	-0.2
PL	-1.3	-1.4	-1.2	-0.5	0.3	0.0	n.a.	0.4	-1.2	-1.2	-1.2	-0.1	-0.2	-0.1
RO	-1.4	-1.2	-0.9	-0.6	0.0	0.0	n.a.	-3.2	-1.6	-1.2	-0.8	0.2	0.0	-0.2
SE	-2.1	-1.7	-0.9	0.0	0.0	0.0	n.a.	-1.4	-2.0	-1.4	-0.7	-0.1	-0.2	-0.2
UK	-2.5	-1.2	-0.7	0.1	0.4	0.5	n.a.	-3.5	-2.6	-1.0	0.0	0.0	-0.1	-0.7
EU	-2.9	-2.3	-1.7	-0.9	-0.3	0.1	n.a.	-2.3	-2.9	-2.2	-1.4	0.0	-0.1	-0.2

Source: Commission services

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