

BRIEFING

Economic Dialogue and Exchange of Views with Commissioner Pierre Moscovici

ECON on 2 December 2014

Commissioner Pierre Moscovici has been invited to an [Economic Dialogue](#) (ED) on the European Commission opinions on the 2015 Draft Budgetary Plans of the Euro Area Member States based on Articles 7 and 15 of EU Regulation 473/2013. A separate Economic Dialogue on the 2015 AGS and AMR will take place the same day in a joint ECON and EMPL Committee meeting.

Euro Area Member States which are not subject to a macro-economic adjustment programme shall submit annually their **Draft Budgetary Plan** (DBP) for the forthcoming year to the European Commission (EC) and the Eurogroup by 15 October. All concerned Euro Area Member States have [submitted their 2015 DBPs](#) within the established deadline.

This year, the EC issued its **opinions on the 2015 DPBs** on Friday 28 November. The **Eurogroup** is expected to discuss them and the broader policy-mix in a dedicated meeting on 8 December 2014. According to the [President of the Eurogroup](#), the conclusions of these deliberations will be reflected in a Eurogroup statement on the different countries.

Before adopting its opinions on the DBPs, the EC undertook according to information in the public domain **informal consultations** with some of the Member States considered to be at a **risk of serious non-compliance** with their current commitments under the SGP (namely: [IT, FR, AT, SI and MT](#)). Based on these consultations two Member States ([IT and SI](#)) provided an update to their 2015 DBP and – according to [public press reports](#) – one Member State (FR) pledged to take some additional measures in its 2015 budget to meet EU requirements. Consequently, the EC did not request revised DBPs from these Member States. This does not, however, exclude further recommendations in the DBP-opinions and under the provisions of the SGP.

The Autumn Budgetary Surveillance

The objective of submitting DBPs to the EC and the Eurogroup is to enable an **enhanced monitoring of national budgetary policies** in the euro area and ensure that the national budgets are consistent with the economic policy guidance issued in the context of the Stability and Growth Pact (SGP) and the European Semester for economic policy coordination.

This autumn surveillance of the DBPs is **complementary and linked** to other EU economic governance procedures i.e. (1) the EC should consider in its DBP-opinions the extent to which Member States have implemented the [Country-Specific Recommendations](#) (CSRs) and in particular their compliance with [Medium-Term Objectives \(MTO\)](#) or the adjustment path towards the MTO; (2) for Member States subject to the [Excessive Deficit Procedure \(EDP\)](#), compliance with the EDP recommendation should be a central aspect of the EC opinions on the DBPs. Therefore, the autumn surveillance can lead to EC proposals for the opening of an EDP or a revised EDP recommendation under the SGP.

See **separate EGOV note** on "[The autumn surveillance of Euro Area draft budgets](#)".

Assessment of the euro area as a whole

The EC has also made **[an overall assessment of the budgetary situation and the prospects in the euro area as a whole](#)**, relying on the EC [autumn 2014 forecast](#). According to this assessment, the public deficit is expected to decline to 2.6% of GDP in 2014 and 2.2% of GDP in 2015 in the euro area as a whole. The public debt-to-GDP-ratio is planned to remain little changed over this period at around 92.5%. However, the projected deficit reduction falls short of the targets specified in the spring 2014 Stability Programmes, reflecting both lower growth outlook and reduced fiscal effort. As to the overall fiscal policy stance, it appears to be broadly neutral for 2015 following a halt in consolidation during 2014. This broadly neutral fiscal policy stance is considered to strike an appropriate balance between fiscal sustainability requirements and output stabilisation concerns at the euro area level.

At the same time, **several Member States are presently not expected to meet their obligations under the SGP**. The EC also stressed the need to closely monitor the overall euro area fiscal stance and its distribution across countries, in particular as regards the fiscal space available under the SGP. Finally, the EC pointed out that the recent efforts to reduce the tax burden on labour are a step in the right direction. Though, little if any progress has been achieved in terms of the composition of public expenditures and, in particular, the need of rebalancing towards more growth-friendly consolidation process.

Assessment of individual 2015 DBPs

As regards the EC's **[assessment of individual Member States](#)**, **no DBP was considered to be at risk of particularly severe non-compliance with the SGP provisions**. Nevertheless, some fiscal consolidation plans were found falling short (or at a risk of doing so) of the requirements specified under the SGP:

- 5 DBPs were found to be compliant with the SGP provisions (DE, IE, LU, NL and SK);
- 4 DBPs were found to be broadly compliant with SGP provisions (EE, LV, SI and FI)
- 7 DBPs presented a risk of non-compliance with SGP provisions (BE, ES, FR, IT, MT, AT and PT).

As such, the risk of non-compliance can have implications for possible steps under the EDP. In particular, the **EC will examine the cases of FR, IT and BE in March 2015** based on the finalised budget laws and the expected specification of the **structural reform programmes**. These 3 Member States have in this regard sent **letters** to the EC specifying planned reforms in line with the Country Specific Recommendations adopted by the Council in July 2014 ([IT](#) letter, [FR](#) letter and [BE](#) letter).

According to the provisions of the SGP **major structural reforms** (e.g. pension reforms) which have a verifiable long term (positive) impact on the public finances may be taken into account in the preventive arm of the Pact, but no explicit mentioning of structural reforms are included in the corrective arm of the Pact (see separate EGOV note "[Overview of the SGP](#)"). Commissioner, Moscovici **[declared on 28 November 2014](#)** that EC will "*in early 2015, to strengthen the link between structural reforms, investment and fiscal responsibility (...) provide further guidance on the best possible use of the flexibility*" under the current SGP".

Annex: Overview of the 2015 EC opinions on the DBPs.

Annex: Overview of the EC’s opinions on 2015 DBPs

The below table summarises the [European Commission’s \(EC\) opinions on the 2015 Draft Budgetary Plans](#) (DBPs), in particular, as regard compliance with current Council recommendations under the Stability and Growth Pact (SGP). Please note that the current Council recommendations under the SGP are available in a separate EGOV briefing “[Implementation of the Stability and Growth Pact](#)”.

Below in the table the colour codes refer to the overall assessment by the EC of compliance with the provisions of the SGP: **"green"** (“compliant”), **"yellow"** (“broadly compliant”), **"orange"** (“risk of non-compliance”), and **"red"** (“serious non-compliant”). According to the categories used by [EC](#) of “*Risk of non-compliance*” means

- Under the Excessive Deficit Procedure (EDP): The EC forecast, if confirmed *ex post*, could lead to the stepping up of the EDP as the fiscal effort is not projected to be delivered and the nominal target of below 3 % is expected to be missed.
- Under the preventive arm of SGP: The EC forecast projects a significant deviation from the required adjustment path towards the MTO in 2015 and/or non-compliance with the debt reduction benchmark, if applicable.

In addition to the opinions on the DBPs EC has published related [Staff Working Documents](#), which include more details as regards the methodology used.

In June 2014, the Council endorsed "[terms of reference](#)" following a review of the methodology used for assessing "**effective action**" taken by Member States in response to Council recommendations. To this end, all relevant data used by EC, including data on the yields of discretionary fiscal measures, will be shared with the Member States in a timely manner, enabling them to replicate the calculation underlying the EC's assessments and recommendations. Furthermore, the "terms of reference" specify in detail the “**top down**” and “**bottom up**” approaches used in the assessment of effective action by EC.

The impact of the change-over to ESA2010 standards of national accounts have been taken into account by EC in its assessments (impact most significant for France, Ireland, Italy, Portugal and Finland).

TABLE: Overview of the 2015 EC opinions on DBPs

	Overall compliance with current Council recommendations under SGP (colour code defined above)	<i>Detailed assessment as regards compliance with current Council SGP-recommendations:</i>	
	Overall compliance with current fiscal related Council Country Specific Recommendations (CSRs)	2014	2015
		<i>- Member States subject to EDP: compliance with nominal target and/or fiscal effort as requested by Council EDP- recommendations</i> <i>- Member States subject to the preventive arm: compliance with MTO or adjustment path towards MTO as requested by the relevant Council CSR-recommendation</i>	
Euro area Member States subject to an Excessive Deficit Procedure (EDP)			

Ireland	<p>Overall, the EC is of the opinion that the DBP of Ireland, which is currently under the corrective arm, is compliant with the provisions of the SGP. However, the EC invites Ireland to use the better-than-expected economic recovery to accelerate the reduction of the debt-to-GDP ratio." (p. 4)</p>	<p><u>Top down assessment:</u> "the structural budget balance is estimated to improve by 1.0% of GDP in 2014 [...]. The adjusted average annual improvement of the structural budget balance is estimated at 1.1% of GDP over the period 2011-2014 and also 1.1% of GDP when taking into account 2015 projections, below the recommended average annual fiscal effort of 1.9% of GDP." (p. 4)</p> <p><u>Bottom up assessment:</u> "An assessment of the individual, permanent consolidation measures taken under the programme and thereafter shows adherence to the amount of measures that were originally projected to be necessary to reach the annual fiscal targets over the period 2011-2014." (p. 4)</p>	<p><u>Top down assessment:</u> the structural budget balance is estimated to improve by [...] 0.4% of GDP in 2015. (p. 4)</p> <p><u>Bottom up assessment:</u> "...the tax cuts and expenditure increases included in the 2015 budget conflict with the part of the EDP recommendation that asks Ireland to seize opportunities, including from better economic conditions, to accelerate the reduction of the gross debt ratio back towards 60% of GDP." (p. 4)</p>
	<p>"The EC is also of the opinion that Ireland has made some progress with regard to the structural part of the fiscal CSRs issued by the Council in the context of the 2014 European Semester and thus invites the authorities to make further progress." (p. 4)</p>		
Spain	<p>"Overall, the EC is of the opinion that the DBP of Spain, which is currently under the corrective arm, is at risk of non-compliance with the provisions of the SGP. In particular, the DBP is not expected to ensure compliance with the budgetary targets set in the EDP recommendation" (p. 5).</p>	<p><u>Top down assessment:</u> "the DBP foresees an improvement of 0.3% of GDP in the (recalculated) structural balance, whereas the COM 2014 autumn forecast points to 0.2% of GDP. The improvement in the structural balance therefore falls short of the fiscal effort recommended by the Council (...)" (p. 3-4)</p> <p><u>Bottom up assessment:</u> "additional net consolidation measures fall short by 0.9% of GDP of what was deemed necessary to reach the structural targets spelled out in the EDP recommendation for 2014." (p. 4)</p>	<p><u>Top down assessment:</u> "The reported change in the structural balance for 2015 (0% of GDP) is below the 0.8% of GDP effort recommended by the Council. In turn, the EC 2014 autumn forecast projects the structural deficit to deteriorate by 0.2% of GDP." (p. 4)</p> <p><u>Bottom up assessment:</u> "the fiscal effort in 2015 is close to 0% of GDP. This falls short of the target of about 1% of GDP of additional measures deemed necessary in 2015 to reach the structural targets spelled out in the EDP recommendation, leading to a shortfall of 1.6% of GDP in cumulative terms over 2013-2015." (p. 4).</p>
	<p>"The EC is also of the opinion that Spain has made some progress towards compliance with regard to the structural part of the fiscal CSRs issued by the Council in the context of the 2014 European Semester and invites the authorities to make further progress." (p. 5)</p>		

<p>France</p> <p>"Overall, the EC is of the opinion that the DBP of France, which is currently under the corrective arm, is at risk of non-compliance with the provisions of the SGP. Taking into account the additional package presented on 27 October, the adjustment in the structural balance is expected to be 0.3 pp of GDP. Thus the adjustment in the structural balance falls also short of the 2013 Recommendation." (p. 4)</p> <p>"The EC is also of the opinion that France has made limited progress with regard to the structural part of the fiscal CSRs issued by the Council in the context of the 2014 European Semester and thus invites the authorities to accelerate implementation." (p. 5)</p>	<p><u>Top down assessment:</u> "the EC 2014 autumn forecast projects an improvement in the structural balance of 0.3 pp. of GDP. Adjusting for the negative impact of the changeover to ESA 2010 as well as for changes in potential growth and revenue windfall/shortfalls, the corrected improvement in the structural effort for 2014 comes out at 0.5 pp. of GDP which is below the target (0.8pp of GDP) set in the EDP recommendation." (p. 3-4)</p> <p><u>Bottom up assessment:</u> "the fiscal effort for 2014 stands at 0.9 pp of GDP compared to a recommended effort of above 1%. Over the period 2013-14, the corrected cumulative improvement adjusted for the ESA impact reaches 1.6% which is below the 2.1% of GDP recommended and the bottom-up comes out at 0.9% of GDP as compared to a recommended effort of above 1% of GDP." (p. 4)</p>	<p><u>Top down assessment:</u> "[For 2015.] the government plans a (recalculated) improvement in the structural balance of 0.3 pp. of GDP. Based on the EC 2014 autumn forecast, [...] the corrected adjustment in the structural balance also comes out at 0.3 pp. of GDP in 2015." (p. 4)</p> <p><u>Bottom up assessment:</u> "the government announced a package complementing the DBP, including updated estimates, tax measures as well as new measures against tax fraud and to promote fiscal justice. The government expects that the package, which is planned to be adopted in an upcoming supplementary budget for 2014 or as part of the budget for 2015, will contribute EUR 3.6 billion (0.2 pp. of GDP) to the improvement in the structural balance in 2015. According to the EC's assessment, the package is actually expected to improve the fiscal effort by only 0.1 pp. of GDP." (p. 4)</p>
<p>Malta</p> <p>"Overall, the EC is of the opinion that the DBP of Malta is at risk of non-compliance with the provisions of the SGP. Malta is currently under the corrective arm, but could become subject to the preventive arm from 2015 in case a timely and sustainable correction is achieved" (p. 4)</p> <p>"The EC acknowledges that Malta has made some progress with regard to the structural part of the fiscal CSRs issued by the Council in the context of the 2014 European Semester." (p. 5)</p>	<p><u>Top down assessment:</u> "The structural balance, after having decreased by more than 1% of GDP in 2013, is projected to remain stable in 2014. The change in the adjusted structural balance (-0.5% of GDP) is below the recommended annual structural effort (0.7% of GDP). (...) In cumulative terms, the change in the structural balance in 2013-14 (1.1% of GDP) as well as the adjusted change in the structural balance (-0.8% of GDP) remain below the 1.4% of GDP recommended adjustment" (p. 4)</p> <p><u>Bottom up assessment:</u> "the size of the consolidation measures for 2014 (-0.7% of GDP) are inferior to the target spelled out in the EDP recommendation (0.8% of GDP). (...)The (...) size of consolidation measures for 2013-14 (-0.7% of GDP) (...) does not reach the structural targets (1.2% of GDP)." (p. 4)</p>	<p><u>Top down assessment:</u> "Once a sustainable correction of the excessive deficit is achieved, MT would have to comply with the (...) preventive arm of the SGP (...) [Based on] the EC 2014 autumn forecast, which is based on the no-policy-change assumption and does not incorporate the consolidation measures in the 2015 budget, the annual change in the structural balance (-0.2% of GDP) falls short of the required adjustment of 0.6% of GDP (...) [Based on the EC 2014 autumn forecast] expenditure growth would exceed the benchmark by 0.8% of GDP in 2015, thereby breaching the threshold for significant deviation. Therefore, based on both the structural balance and the expenditure benchmark, there is a risk of a significant deviation from the adjustment path towards the MTO in 2015." (p. 4)</p> <p><u>Bottom up assessment:</u> n.a.</p>

Portugal	<p>"Overall, the EC is of the opinion that the DBP of Portugal, which is currently under the corrective arm, is at risk of non-compliance with the provisions of the SGP. In particular, there is a risk that the DBP for 2015 will not fulfil the Council recommendation of correcting the excessive deficit by 2015. This risk mainly arises from favourable assumptions of the impact on the budget of macroeconomic developments and from the lack of structural measures underpinning the Plan." (p. 5)</p>	<p><u>Top down assessment:</u> "The structural improvement in 2014 is estimated at 0.6% of GDP, below the recommended improvement of 1.4% of GDP, and the cumulative change in the structural balance over 2013-2014 of 1% of GDP falls short of the required cumulative change of 2% of GDP. The adjusted structural effort is estimated to be 0.4% of GDP in 2014 (and -0.5% of GDP over 2013-2014), well below the required effort." (p. 4)</p> <p><u>Bottom up assessment:</u> "The amount of permanent consolidation measures taken under the programme and thereafter is estimated at 1.5% of GDP in 2014, showing a shortfall with respect to the 2% of permanent measures recommended under the EDP." (p. 4)</p>	<p><u>Top down assessment:</u> "[For 2015,] the EC forecast points to a deterioration of the structural balance by 0.3% of GDP, an outcome significantly worse than the recommended improvement of 0.5% of GDP. In addition, the cumulative change in the structural balance over 2013-2015 of 0.6% of GDP falls markedly short of the recommended 2.5% of GDP. The adjusted structural effort of 2015 is -0.1% of GDP (and -0.6% of GDP over 2013-2015)." (p. 4)</p> <p><u>Bottom up assessment:</u> "The DBP projects the 2015 deficit to reach 2.7% of GDP on the back of discretionary measures with an expected yield of 0.7% of GDP. The measures outlined in the DBP include one-off measures (0.1% of GDP) and permanent measures roughly equally split between revenue increases and expenditure savings. (...)." (p. 3)</p>
	<p>"The EC is also of the opinion that Portugal has made limited progress with regard to the structural part of the CSRs issued by the Council in the context of the 2014 European Semester and thus invites the authorities to accelerate implementation." (p. 5)</p>		
Slovenia	<p>"Overall, the EC is of the opinion that the DBP of Slovenia, which is currently under the corrective arm, is broadly compliant with the provisions of the SGP. While the Draft Budgetary Plan envisages a timely correction of the excessive deficit as the headline balance is projected to be brought below 3% of GDP in 2015, the recommended fiscal effort in structural terms is not expected to be met." (p. 4)</p> <p>"The EC is also of the opinion that Slovenia has made limited progress with regards to the structural part of the fiscal CSRs issued by the Council in the context of the 2014 European Semester and thus invites the authorities to accelerate implementation." (p. 4)</p>	<p><u>Top down assessment:</u> "The annual adjusted structural effort in 2014 (-1.1% of GDP) falls significantly short of the recommended annual structural effort (0.5% of GDP) (...)" (p. 3)</p> <p><u>Bottom up assessment:</u> "Based on a bottom-up assessment of the latest available outturn data, the fiscal effort for 2013-14 falls short of the additional consolidation measures deemed necessary to reach the structural targets spelled out in the EDP recommendation." (p. 4)</p>	<p><u>Top down assessment:</u> "The annual adjusted structural effort in 2014 (-1.1% of GDP) falls significantly short of the recommended annual structural effort (0.5% of GDP) and is slightly below it in 2015 (0.3% of GDP vs. 0.5% of GDP)." (p. 3)</p> <p><u>Bottom up assessment:</u> "However, for 2015, the effort based on the bottom-up method is estimated at 2.1% of GDP, considerably above the recommended 1.5% of GDP." (p. 4)</p>
Euro area Member States not subject to an EDP			

Belgium	<p>"Overall, the EC is of the opinion that the DBP of Belgium, which is currently under the preventive arm of the SGP and subject to the transitional debt rule, is at risk of non-compliance with the provisions of the SGP. The EC therefore invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2015 budget will be compliant with the SGP." (p. 4)</p>	<p>"For 2014, the change of the (recalculated) structural balance in the DBP is insufficient to meet the required adjustment of 0.5% of GDP under the preventive arm of the SGP, but the deviation is not judged significant (gap of 0.2% of GDP). The deviation projected in the EC forecast is 0.2% of GDP larger; but still not significant." (p. 4)</p>	<p>"In 2015, the planned change of the (recalculated) structural balance in the DBP is appropriate. However, according to the Commission forecast, the structural improvement points to some deviation from the required effort that currently amounts to 0.6% of GDP (gap of 0.2% of GDP)." (p. 4)</p>
	<p>"The EC is also of the opinion that Belgium has made some progress with regard to the structural part of the fiscal CSRs issued by the Council in the context of the 2014 European Semester and invites the authorities to make further progress." (p. 5)</p>	<p>"Based on an overall assessment, there is a risk of some deviation from the adjustment path towards the MTO in 2014." (p. 4)</p>	<p>"An overall assessment, based on the EC forecast, points to a risk of some deviation from the required adjustment path towards the MTO over 2014-2015." (p. 4)</p>
Germany	<p>"Overall, the EC is of the opinion that the DBP of Germany, which is currently under the preventive arm of the SGPT and subject to the transitional debt rule, is compliant with the provisions of the SGP." (p. 3-4)</p>	<p>"According to the information provided in the DBP, with a structural surplus of 0.6% and 0.5% of GDP, respectively, Germany is expected to continue to overachieve its medium-term budgetary objective in 2014 and 2015, which is confirmed by the EC 2014 autumn forecast." (p. 3)</p>	<p>See the previous column.</p>
	<p>"However, the sizeable fiscal space, the investment needs and the very low interest rates, which imply that the social returns largely outweigh the borrowing costs, leave scope to boost public investment. Furthermore, Germany should ensure that an independent body in charge of producing or endorsing macroeconomic forecasts is in place." (p. 4)</p> <p>"The EC is also of the opinion that Germany has made limited progress with regard to the structural part of the fiscal CSRs issued by the Council in the context of the 2014 European Semester and thus invites the authorities to accelerate implementation." (p. 4)</p>		
Estonia	<p>"Overall, the EC is of the opinion that the DBP of Estonia, which is currently under the preventive arm, is broadly compliant with the provisions of the SGP." (p. 4)</p> <p>"The EC invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2015 budget will be compliant with the SGP." (p. 4)</p>	<p>"The (recalculated) structural balance is expected to improve in 2014 by 0.9% of GDP according to the DBP and by 0.4% of GDP according to the EC 2014 autumn forecast, which implies that the adjustment towards the medium-term objective is above what is required." (p. 3)</p>	<p>"In 2015, the structural deficit is projected to improve by 0.1% of GDP according to both the (recalculated) DBP and the EC 2014 autumn forecast. The change in the structural balance falls short of the required adjustment towards the MTO by 0.4% of GDP over one year, pointing to some deviation from the required adjustment." (p. 3-4)</p>

	<p>"The EC is also of the opinion that Estonia has made no progress with regard to the structural part of the fiscal CSRs issued by the Council in the context of the 2014 European Semester and thus invites the authorities to accelerate implementation." (p. 4)</p>	<p>"Based on an overall assessment, the adjustment towards the MTO seems compliant with the requirement of the preventive arm of the Pact in 2014, but there is a risk of some deviation over 2013 and 2014 taken together." (p. 3)</p>	<p>"An overall assessment, based on the EC forecast, points to some deviation from the required adjustment path towards the MTO in 2015." (p. 4)</p>
<p><u>Italy</u></p>	<p>"Overall, the EC is of the opinion that the updated DBP of Italy, which is currently under the preventive arm and subject to the transitional debt rule, is at risk of non-compliance with the requirements of the SGP. The EC therefore invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2015 budget will be compliant with the SGP." (p. 4)</p>	<p>"Over 2013-2015, Italy is in the transition period for the assessment of compliance with the debt criterion. ... for 2014, exceptionally severe economic conditions (negative growth and a negative output gap larger than 4% of GDP) justified in the EC's view that Italy is not required to fulfil the requirement of a structural adjustment towards the MTO..." (p. 4)</p>	<p>"... for 2015, the EC forecast points to a significant deviation from the required adjustment towards the MTO over one year and to a possible significant deviation with respect to the expenditure benchmark pillar." (p. 4)</p> <p>"An overall assessment, based on the EC forecast, points to a risk of a significant deviation from the required adjustment path towards the MTO." (p. 4)</p>
	<p>"The EC is also of the opinion that Italy has made some progress with regard to the structural part of the fiscal CSRs issued by the Council in the context of the 2014 European Semester and invites the authorities to make further progress." (p. 4)</p>		
<p><u>Luxembourg</u></p>	<p>"Overall, the EC is of the opinion that the DBP of Luxembourg, which is currently under the preventive arm, is compliant with the provisions of the SGP." (p. 4)</p>	<p>"The (recalculated) structural balance is planned to decline from 2% of GDP in 2013 to 1.2% of GDP in 2014, a level still well above the country-specific MTO of 0.5% of GDP. These results are in line with the EC 2014 autumn forecast, which expect a surplus of 1.1%." (p. 4)</p>	<p>"According the DBP, in 2015 Luxembourg is expected to make use of its margin with respect to the MTO as the structural surplus is set to decrease [...] to 0.5% of GDP, just in line with the MTO. The EC 2014 autumn forecast envisages a marginally lower structural surplus of 0.4% of GDP in 2015, while projecting Luxembourg to broadly remain at its MTO. On the basis of this assessment, it appears that Luxembourg is expected to comply with the requirements of the preventive arm of the SGP." (p. 4)</p>
	<p>"The EC is also of the opinion that Luxembourg made some progress with regard to the structural part of the fiscal CSRs issued by the Council in the context of the 2014 European Semester and invites the authorities to make further progress." (p. 4)</p>		

Latvia	<p>"Overall, the EC is of the opinion that the DBP of Latvia, which is currently under the preventive arm, is broadly compliant with the provisions of the SGP." (p. 3)</p> <p>The EC invites the authorities to take the necessary measures in the 2015 budget in order to be compliant with the SGP. (p. 3)</p>	<p>"Latvia is eligible to the systemic pension reform clause from 2013, which allows a deviation from the MTO (a structural deficit of 1% of GDP) of 0.5%, 0.5%, and 0.8% of GDP in 2013, 2014 and 2015, respectively. According to the DBP, the recalculated structural balance is within the limits of the allowed deviation from the MTO in 2014 and 2015. This is confirmed by the EC 2014 autumn forecast." (p. 3)</p>	<p>"In 2015, some deviation from the expenditure benchmark is projected on no-policy-change basis. An overall assessment, based on the EC forecast, points to some deviation from the requirements of the preventive arm of the SGP in 2015." (p. 3)</p>
	<p>"The EC is also of the opinion that Latvia has made limited progress with regard to the structural part of the fiscal CSRs issued by the Council in the context of the 2014 European Semester and thus invites the authorities to accelerate implementation." (p. 3)</p>	<p>"Based on an overall assessment, the adjustment towards the MTO seems compliant with the requirement of the preventive arm of the Pact in 2014." (p. 3)</p>	
Netherlands	<p>"Overall, the EC is of the opinion that the DBP of the Netherlands, which is currently under the preventive arm and subject to the transitional debt rule, is compliant with the provisions of the SGP. The EC invites the authorities to rigorously implement the 2015 budget." (p. 4)</p>	<p>"The Netherlands reached its MTO (-0.5% of GDP) in 2013 and is required to ensure that the MTO continues to be adhered to. According to the EC 2014 autumn forecast, the MTO is maintained in 2014..." (p. 3)</p>	<p>"[According to the EC 2014 autumn forecast,] a small deviation from [the MTO] is expected in 2015." (p. 3)</p>
	<p>"The EC is also of the opinion that the Netherlands has made some progress with regard to the structural part of the fiscal CSRs issued by the Council in the context of the 2014 European Semester and invites the authorities to make further progress." (p. 4)</p>		<p>"Following an overall assessment, the DBP seems to comply with the requirements under the preventive arm of the SGP." (p. 3)</p>
Austria	<p>"Overall, the EC is of the opinion that the DBP of Austria, which is currently under the preventive arm and subject to the transitional debt rule, is at risk of non-compliance with the provisions of the SGP." (p. 2)</p> <p>In particular, the EC is of the opinion that, after taking into account the measures announced in October, there is a risk of a significant deviation from the adjustment path towards the MTO over 2014-2015 based on both the structural balance and the expenditure benchmark pillar. The EC therefore invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2015 budget will be compliant with the</p>	<p>"Regarding 2014, the EC is of the opinion that an overall assessment based on Austria's DBP points to a deviation, although non-significant, from the required adjustment towards the MTO, which has been set at a structural deficit of 0.45% of GDP. The EC 2014 autumn forecast confirms this conclusion since the improvement in the structural balance by 0.2% of GDP falls short of the 0.6% of GDP adjustment that is required for countries like Austria with a debt level exceeding 60% of GDP and are in normal cyclical conditions." (p. 4)</p>	<p>"The same conclusion [as for 2014] is reached for 2015, with the one-year assessment pointing to an improvement by 0.1% in the structural balance according to the EC 2014 autumn forecast (the DBP shows a deterioration of the recalculated structural balance by 0.1% of GDP)..." (p. 4)</p> <p>"However, the assessment over 2014-2015 points to a significant deviation based on both the structural balance and the expenditure benchmark pillar..." (p. 4)</p>

	<p>SGP." (p. 5)</p> <p>"The EC is also of the opinion that Austria has made limited progress with regard to the structural part of the fiscal CSRs issued by the Council in the context of the 2014 European Semester and thus invites the authorities to accelerate implementation." (p. 5)</p>		
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Slovakia</p>	<p>"Overall, the EC is of the opinion that the DBP of Slovakia, which is currently under the preventive arm, is compliant with the provisions of the SGP. ... the EC invites the authorities to stand ready to take the necessary measures within the national budgetary process to ensure that the 2015 budget will remain compliant with the SGP." (p. 4)</p> <p>"The EC is also of the opinion that Slovakia has made limited progress with regard to the structural part of the fiscal CSRs issued by the Council in the context of the 2014 European Semester and thus invites the authorities to accelerate implementation." (p. 5)</p>	<p>"Overall, according to the EC forecast and in line with the DBP, the adjustment path towards the MTO seems to be appropriate and compliant with the requirement of the preventive arm of the Pact in 2014." (p. 4, see paragraph 11 for more detail)</p>	<p>"In 2015, based on projections of the DBP, both the change in the recalculated structural balance and the expenditure benchmark pillars are met by a large margin." (p. 4)</p> <p>"Therefore, the adjustment path towards the MTO seems to be appropriate and compliant with the requirement of the preventive arm of the Pact also in 2015." (p. 4)</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Finland</p>	<p>"Overall, the EC is of the opinion that the DBP of Finland, which is currently under the preventive arm, is broadly compliant with the provisions of the SGP." (p. 4)</p> <p>The EC invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2015 budget will be compliant with the SGP. (p. 4)</p> <p>"The EC is also of the opinion that Finland has made some progress with regard to the structural part of the fiscal CSRs issued by the Council in the context of the 2014 European Semester and invites the authorities to make further progress." (p. 4)</p>	<p>"In 2013, Finland reached its MTO of a structural deficit of 0.5% of GDP, but in 2014 it is expected to deviate from that position both according to the DBP and the EC 2014 autumn forecast." (p. 3)</p>	<p>"For 2015, taking into account that a large negative output gap indicates difficult economic times, the required adjustment would be limited to 0.1 pp. The EC forecast projects that the structural balance will not change in 2015 compared to 2014. This implies some deviation from the required adjustment, based on the structural balance pillar. While this deviation would not be regarded as significant over one year, the average deviation over 2014-2015 is 0.3%, exceeding the 0.25% threshold. Based on the DBP projection, the deviation is even higher. On the other hand, Finland still meets the requirements of the expenditure benchmark in 2015, both based on the DBP and the EC forecast. An overall assessment based on the EC forecast shows that the structural balance pillar is more relevant over 2014 and 2015 taken together, but that the significant deviation under this pillar is explained by statistical factors." (p. 3)</p>