Eurogroup statement on the Draft Budgetary Plans for 2020

The Eurogroup welcomes that all 19 Member States have submitted Draft Budgetary Plans (DBPs) for 2020. On 20 November, the Commission provided in-depth individual assessments and Opinions, together with an analysis of the budgetary situation in the euro area as a whole.

The Eurogroup takes note that no DBP was found in particularly serious non-compliance with the SGP and consequently no resubmission of a DBP was requested by the Commission. We note that Belgium, Austria, Portugal and Spain submitted DBPs on a no-policy-change basis. We invite them to submit the updates of their DBPs as soon as possible, to ensure compliance with the SGP. We look forward to the Commission assessment of those updates.

The euro area's growth outlook, while remaining positive, has weakened over the past year. While the solid performance of the labour market has helped to sustain private consumption and domestic demand, the euro area economy is facing an elevated level of uncertainty. If downside risks were to materialise, fiscal responses should be differentiated, taking into account country-specific circumstances and avoiding pro-cyclicality to the extent possible. The Eurogroup stands ready to co-ordinate.

According to the Commission autumn forecast, following the slowdown in economic activity, the aggregate deficit in the euro area is expected to rise from 0.5% in 2018 to 0.8% of GDP in 2019 and to 0.9% of GDP in 2020, reversing the declining trend of recent years. Aggregate debt in the euro area is set to continue to be on a downward path, from about 88% of GDP in 2018 to about 85% of GDP in 2020, mainly thanks to the continued low interest rate environment and planned primary budget surpluses.

The Eurogroup underlines that Member States are in very different budgetary situations. Despite the current economic conditions, there is still a need to rebuild fiscal buffers in Member States that have not reached their Medium-Term Budgetary Objectives (MTO). The Eurogroup reiterates that a slow pace of debt reduction from high levels in a number of Member States remains a matter for concern and should be decisively addressed, including by making use of windfall gains from low interest rates. In this context, the continued fiscal expansion or limited structural fiscal adjustment expected in some Member States in 2020 is worrying, in particular when coupled with high medium-term sustainability risks. The Eurogroup recalls in this context that the focus on sufficient debt reduction and the adjustment towards the MTO are an integral part of the Stability and Growth Pact (SGP). We welcome that, as invited, some Member States with a favourable budgetary situation have made use of it and plan to use it further to boost investment and growth, while preserving the long-term sustainability of public finances.

The Eurogroup recalls the importance of a growth-friendly composition of public finances across the euro area. We concur on the fact that, in the context of policy design for 2020, a stronger emphasis should be given to reforms and investment in research and development, in digitalisation and on climate action.

The Eurogroup welcomes the fact that for the first time since 2002 no euro-area Member State is currently under the corrective arm of the SGP[1]. The Commission's compliance assessments for 2020 are thus made against the requirements of the preventive arm of the SGP. The Eurogroup recalls that country-specific recommendations adopted by the Council on 9 July 2019 include detailed and quantified fiscal policy guidance, taking into account the need to strengthen the growth potential and sustainability concerns.

The Eurogroup takes note that, according to the Commission assessment, eight Member States' plans are deemed to be at risk of non-compliance with the SGP in 2020: Belgium, Spain, France, Italy, Portugal, Slovenia, Slovakia and Finland. According to the Commission assessment, the DBPs of these Member States might result in a significant deviation from the adjustment path towards their respective MTOs. In addition, Belgium, Spain, France and Italy are not expected to comply prima facie with the debt reduction benchmark in 2020. The Eurogroup invites all Member States whose DBPs are at risk of non-compliance with the SGP to consider in a timely manner the necessary additional measures to address the risks identified by the Commission and to ensure that their 2020 budget will be compliant with SGP provisions and welcomes their commitment to follow-up as needed.

Based on the Commission assessment, two Member States' plans are deemed to be broadly compliant with the SGP in 2020: Estonia and Latvia. The Eurogroup invites these Member States to ensure compliance with SGP provisions within the national budgetary processes and welcomes their commitment to take any necessary measures.

The Eurogroup welcomes that nine Member States' plans are deemed to be compliant with the SGP in 2020: Austria, Cyprus, Germany, Greece, Ireland, Lithuania, Luxembourg, Malta and Netherlands. The Eurogroup also welcomes that some of the Member States that have outperformed their medium term objectives have plans to partly use their favourable budgetary situation in 2020 to boost investment and growth, while preserving the long-term sustainability of public finances.

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

[1] Only France is forecast to have a deficit above the 3% of GDP Treaty reference value in 2019. Based on the Commission assessment, that excess is temporary, close to the reference value, and solely due to a one-off impact of a single measure.

Visit the meeting page