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ANNEXES 1 to 4

ANNEXES

to the

Communication from the Commission

2018 Draft Budgetary Plans: Overall Assessment

ANNEX I: Country-specific assessment of DBPs

Member States under the preventive arm of the SGP

Plans compliant with the country's obligations

The Commission is of the opinion that the Draft Budgetary Plan of **Germany**, which is currently under the preventive arm and subject to the debt reduction benchmark, is compliant with the provisions of the Stability and Growth Pact. Germany's favourable budgetary situation provides scope to cover additional expenditure for stimulating potential growth, including through public investment in infrastructure, education, research and innovation, as recommended by the Council in the context of the European Semester, and to reduce the accumulated investment backlog, especially at municipal level. The Commission is also of the opinion that Germany has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 11 July 2017 in the context of the 2017 European Semester and thus invites the authorities to accelerate progress.

The Commission is of the opinion that the Draft Budgetary Plan of **Lithuania**, which is currently under the preventive arm, is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2018 budget. The Commission is also of the opinion that Lithuania has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 11 July 2017 in the context of the 2017 European Semester and invites the authorities to make further progress.

The Commission is of the opinion that the Draft Budgetary Plan of **Latvia**, which is currently under the preventive arm, is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2018 budget. The Commission is also of the opinion that Latvia has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 11 July 2017 in the context of the 2017 European Semester and invites the authorities to make further progress.

The Commission is of the opinion that the Draft Budgetary Plan of **Luxembourg**, which is currently under the preventive arm, is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2018 budget. The Commission is also of the opinion that Luxembourg has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 11 July 2017 in the context of the 2017 European Semester and thus invites the authorities to accelerate progress.

The Commission is of the opinion that the Draft Budgetary Plan of the **Netherlands**, which is currently under the preventive arm, is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2018 budget. The Commission is also of the opinion that the Netherlands has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 11 July 2017 in the context of the 2017 European Semester and invites the authorities to make further progress.

The Commission is of the opinion that the Draft Budgetary Plan of **Finland**, which is currently under the preventive arm and subject to the debt reduction benchmark, is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2018 budget. The Commission is also of the opinion that Finland has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 11 July 2017 in the context of the 2017 European Semester and invites the authorities to make further progress.

Plans broadly compliant with the country's obligations

The Commission is of the opinion that the Draft Budgetary Plan of **Estonia**, which is currently under the preventive arm, is broadly compliant with the provisions of the Stability and Growth Pact. The Commission's autumn forecast projects risk of some deviation from the adjustment path towards the MTO in 2018. The Commission invites the authorities to stand ready to take further measures within the national budgetary process to ensure that the 2018 budget will be compliant with the SGP.

The Commission is of the opinion that the Draft Budgetary Plan of **Ireland**, which is currently under the preventive arm and subject to the transitional period to make sufficient progress towards compliance with the debt reduction benchmark, is broadly compliant with the provisions of the SGP. The Commission invites the authorities to stand ready to take further measures within the national budgetary process to ensure that the 2018 budget will be compliant with the SGP. The Commission is also of the opinion that Ireland has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 11 July 2017 in the context of the 2017 European Semester and invites the authorities to make further progress.

The Commission is of the opinion that the Draft Budgetary Plan of **Cyprus**, which is currently under the preventive arm and subject to the transitional period to make sufficient progress towards compliance with the debt reduction benchmark, is broadly compliant with the provisions of the Stability and Growth Pact. Based on the Commission 2017 autumn forecast, there is a risk of some deviation from the MTO in 2017 and in 2018. Cyprus is projected to be compliant with the debt criterion in 2017 and 2018. The Commission invites the authorities to stand ready to take the necessary measures within the national budgetary process to ensure that the 2018 budget will be compliant with the SGP, and to carefully monitor expenditure developments in the short and medium term, due to the risks associated with increases in expenditure being financed by revenue windfalls. The Commission is also of the opinion that Cyprus has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 11 July 2017 in the context of the 2017 European Semester and invites the authorities to make further progress.

The Commission is of the opinion that the Draft Budgetary Plan of **Malta**, which is currently under the preventive arm, is broadly compliant with the provisions of the Stability and Growth Pact. While at face value the structural balance is expected to remain in surplus in 2018, according to the Commission forecast there appear to be risks concerning the dynamics of public expenditure. The Commission invites the authorities to stand ready to take further measures within the national budgetary process to ensure that the 2018 budget will be compliant with the SGP. The Commission is also of the opinion that Malta has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 11 July 2017 in the context of the 2017 European Semester and invites the authorities to make further progress.

The Commission is of the opinion that the Draft Budgetary Plan of **Slovakia**, which is currently under the preventive arm, is broadly compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to stand ready to take further measures within the national budgetary process to ensure that the 2018 budget will be compliant with the SGP. The Commission is also of the opinion that Slovakia has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 11 July 2017 in the context of the 2017 European Semester and invites the authorities to make further progress.

Plans at risk of non-compliance with the country's obligations

After considering the need to balance the two objectives of strengthening the ongoing recovery and ensuring fiscal sustainability, the Commission is of the opinion that the Draft Budgetary Plan of **Belgium**, which is currently under the preventive arm and subject to the debt reduction benchmark, is at risk of non-compliance with the provisions of the SGP. In particular, the Commission projects a risk of significant deviation from the required adjustment towards the MTO for both 2017 and 2018. Therefore, the Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2018 budget will be compliant with the SGP and to use windfall gains to accelerate the reduction of the government debt-to-GDP ratio. Compliance with the preventive arm requirements is a key relevant factor when assessing compliance with the debt criterion. The Commission is also of the opinion that Belgium has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 11 July 2017 in the context of the 2017 European Semester and invites the authorities to make further progress.

After considering the need to balance the two objectives of strengthening the ongoing recovery and ensuring fiscal sustainability, the Commission is of the opinion that the Draft Budgetary Plan of **Italy**, which is currently under the preventive arm and subject to the debt reduction benchmark, is at risk of non-compliance with the provisions of the Stability and Growth Pact. The fiscal adjustment projected in the Commission 2017 autumn forecast for 2018 is not adequate in light of the sustainability challenges that Italy faces. Therefore, the Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2018 budget will be compliant with the SGP and to use windfall gains to accelerate the reduction of the government debt-to-GDP ratio. Compliance with the preventive arm requirements is a key relevant factor when assessing compliance with the debt criterion. The Commission is also of the opinion that Italy has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 11 July 2017 and invites the authorities to make further progress.

While acknowledging the no-policy-change nature of its projections, the Commission is of the opinion that the Draft Budgetary Plan of **Austria**, which is currently under the preventive arm and subject to the debt reduction benchmark, is at risk of non-compliance with the provisions of the Stability and Growth Pact. The Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2018 budget will be compliant with the SGP. The Commission is also of the opinion that Austria has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 11 July 2017 in the context of the European Semester and thus invites the authorities to make further progress.

After considering the need to balance the two objectives of strengthening the ongoing recovery and ensuring fiscal sustainability, the Commission is of the opinion that the Draft Budgetary Plan of **Portugal**, which is currently under the preventive arm and subject to the transitional arrangements as regards compliance with the debt reduction benchmark, is at risk of non-compliance with the provisions of the Stability and Growth Pact. In particular, the Commission projects a risk of significant deviation from the required adjustment towards the MTO for both 2017 and 2018. Therefore, the Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2018 budget will be compliant with the SGP. The Commission is also of the opinion that Portugal has made limited progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 11 July 2017 in the context of the 2017 European Semester and thus invites the authorities to accelerate progress.

After considering the need to balance the objectives of strengthening the ongoing recovery and of ensuring fiscal sustainability, the Commission is of the opinion that the Draft Budgetary Plan of **Slovenia**, which is currently under the preventive arm and subject to the transitional period to make sufficient progress towards compliance with the debt reduction benchmark, is at risk of non-compliance with the provisions of the Stability and Growth Pact. The fiscal adjustment projected in the Commission forecast for 2018 is not adequate in light of the medium-term sustainability challenges that Slovenia faces. The improvement in the headline deficit and the debt-to-GDP ratio is partly explained by the favourable economic environment. The firming recovery provides the conditions for Slovenia to restore sufficient fiscal buffers needed to weather future downturns. Therefore, the Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2018 budget will be compliant with the SGP. The Commission is also of the opinion that Slovenia has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Recommendation of 11 July in the context of the 2017 European Semester and thus invites the authorities to make further progress.

Member States under the corrective arm of the SGP

Plans broadly compliant with the country's obligations

The Commission is of the opinion that the Draft Budgetary Plan of **Spain**, which is currently under the corrective arm, is broadly compliant with the provisions of the SGP as the Commission 2017 autumn forecast projects that the excessive deficit will be corrected in a timely manner. However, – while acknowledging the no-policy-change nature of the Draft Budgetary Plan projections – neither the Commission forecast nor the Draft Budgetary Plan project the headline deficit target set by the Council Decision to be met in 2018. Also the required fiscal effort in 2018 is not projected to be met by a wide margin. The Commission is also of the opinion that Spain has made some progress with regard to the structural part of the fiscal recommendations contained in the Council Decision of 8 August 2016 and in the Council Recommendation of 11 July 2017 in the context of the 2017 European Semester, calling for a strengthening of Spain's fiscal and public procurement policy frameworks.

Plans at risk of non-compliance with the country's obligations

After considering the need to balance the two objectives of strengthening the ongoing recovery and ensuring fiscal sustainability, the Commission is of the opinion that the Draft Budgetary Plan of **France** for 2018, which is currently under the corrective arm and could become subject to the preventive arm and the transitional debt rule from 2018, is at risk of non-compliance with the provisions of the Stability and Growth Pact. In particular, the Commission projects a risk of significant deviation from the required adjustment towards the MTO for 2018. Therefore, the Commission invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2018 budget will be compliant with the SGP and to use windfall gains to accelerate the reduction of the government debt-to-GDP ratio. Compliance with the preventive arm requirements is a key relevant factor when assessing compliance with the debt criterion. The Commission is also of the opinion that France has made some progress with regard to the structural part of the fiscal recommendations contained inthe Council Recommendation of 11 July 2017 issued in the context of the 2017 European Semester and invites the authorities to make further progress.

ANNEX II: The methodology and assumptions underpinning the Commission autumn 2017 forecast

According to Article 7(4) of Regulation (EU) No 473/2013, "the methodology and assumptions of the most recent economic forecasts of the Commission services for each Member State, including estimates of the impact of aggregated budgetary measures on economic growth, shall be annexed to the overall assessment". The assumptions underlying the Commission 2017 autumn forecast, which is produced independently by Commission staff, are explained in the forecast document itself.[1]

Budgetary data up to 2016 are based on data notified by Member States to the Commission before 1 October 2017 and validated by Eurostat on 23 October 2017. Eurostat has made no amendments to the data reported by Member States during the autumn 2017 notification round. Eurostat has withdrawn the reservation on the quality of the data reported by Luxembourg in relation to the sector classification of hospitals, as well as a number of technical issues such as the recording of receivables and payables, the size of statistical discrepancies in the EDP tables and the unavailability of data for local government. Eurostat expressed a reservation on the quality of the data reported by France in relation to the recording of some operations of the *Agence Française de Développement*. Eurostat maintained the reservation on the quality of the data reported by Belgium in relation to the sector classification of hospitals. Eurostat also maintained a reservation on the quality of the data reported by Hungary in relation to the sector classification of Eximbank. On the other hand, Eurostat has withdrawn the reservation on the quality of the data reported by Hungary in relation to the sector classification of the statutory protection funds and the *Hungarian Restructuring and Debt Management* company.

For the forecast, measures in support of financial stability have been recorded in line with the Eurostat Decision of 15 July 2009.[2] Unless reported otherwise by the Member State concerned, capital injections known in sufficient detail have been included in the forecast as financial transactions, i.e. increasing the debt, but not the deficit. State guarantees on bank liabilities and deposits are not included as government expenditure, unless there is evidence that they have been called on at the time the forecast was finalised. Note, however, that loans granted to banks by the government, or by other entities classified in the government sector, usually add to government debt.

For 2018, budgets adopted or presented to national parliaments and all other measures known in sufficient detail are taken into consideration. In particular, all the information included in the DBPs submitted by mid-October is reflected in the autumn forecast. For 2019, the '*no-policy-change*' assumption used in the forecasts implies the extrapolation of revenue and expenditure trends and the inclusion of measures that are known in sufficient detail.

European aggregates for general government debt in the forecast years 2017-2019 are published on a non-consolidated basis (i.e. not corrected for intergovernmental loans). To ensure consistency in the time series, historical data are also published on the same basis. General government debt projections for individual Member States in 2017-19 include the

[1] Methodological assumptions underlying the Commission autumn 2017 economic forecast, available at: http://ec.europa.eu/economy_finance/publications/eeip/forecasts_en.htm).

[2] Available at: http://ec.europa.eu/eurostat/documents/1015035/2041337/FT-Eurostat-Decision-9-July-2009-3--final-.pdf.

impact of guarantees to the EFSF, bilateral loans to other Member States, and the participation in the capital of the ESM as planned on the cut-off date of the forecast.[3]

According to the Commission autumn 2017 forecast, the budgetary measures reported in the DBPs for 2018 are marginally deficit-reducing on aggregate (impact of less than 0.1% of GDP). This is entirely due to the aggregate impact of expenditure measures, while revenue measures are neutral on aggregate. Overall, the mechanical impact on GDP growth in the short-term is projected to be negligible.

It is important to be prudent in interpreting this estimate:

- Not acting on fiscal imbalances could heighten financial-asset fragility and lead to higher spreads and lending rates, with a negative impact on growth.
- The Regulation aims at evaluating the effect of the measures taken in the DBPs. Therefore measures taken and having entered into force before the DBP are not included in the assessment (even if they can have an additional impact on the public finance projections for 2018).
- Measures taken with effect in 2018 can also compensate for existing measures having a one-off impact in 2017 or for the trend increase in some expenditure items. Indeed, the baseline against which the above-mentionned expenditure measures are reported in itself implies an expansionary stance. This is illustrated by the fact that despite the marginally deficit-reducing impact of DBP measures, the aggregate fiscal stance in 2018 is mildly expansionary.

[3] In line with the Eurostat decision of 27 January 2011 on the statistical recording of operations undertaken by the EFSF, available at: http://ec.europa.eu/eurostat/documents/2995521/5034386/2-27012011-AP-EN.PDF.

ANNEX III: Sensitivity analysis

According to Article 7 of Regulation (EU) No 473/2013, "the overall assessment shall include sensitivity analyses that provide an indication of the risks to public finance sustainability in the event of adverse economic, financial or budgetary developments". This Annex therefore presents a sensitivity analysis of public debt developments to possible macroeconomic shocks (to growth, interest rates and the government primary balance), relying on results from stochastic debt projections.[4] The analysis allows gauging the possible impact on public debt dynamics of downside and upside risks to nominal GDP growth, the effects of positive/negative developments on financial markets, translating into lower/higher borrowing costs for governments, and fiscal shocks affecting the government budgetary position.

With stochastic projections the uncertainty in future macroeconomic conditions is featured in the analysis of public debt dynamics around a 'central' debt projection scenario, which corresponds respectively to the Commission autumn 2017 forecast scenario and the DBPs' forecast scenario in the two panels of the graph below, reporting results for the EA-18 (in both cases the usual no-fiscal policy change assumption is made beyond the forecast horizon).[5] Shocks are applied to the macroeconomic conditions (short-term and long-term interest rates on government bonds; growth rate; government primary balance) assumed in the central scenario to obtain the 'cone' (distribution) of possible debt paths presented in the graph below. The cone corresponds to a wide set of possible underlying macroeconomic conditions, with as many as 2000 shocks simulated on growth, interest rates and the primary balance. The size and correlation of the shocks reflect the variables' historical behaviour.[6] This implies that the methodology does not capture real-time uncertainty, which at the present juncture may be higher especially for the output gap. The resulting fan charts in the graph below therefore provide probabilistic information on debt dynamics for the EA-18, taking into account the possible occurrence of shocks to growth, interest rates and the primary balance of a magnitude and correlation mirroring those observed in the past.

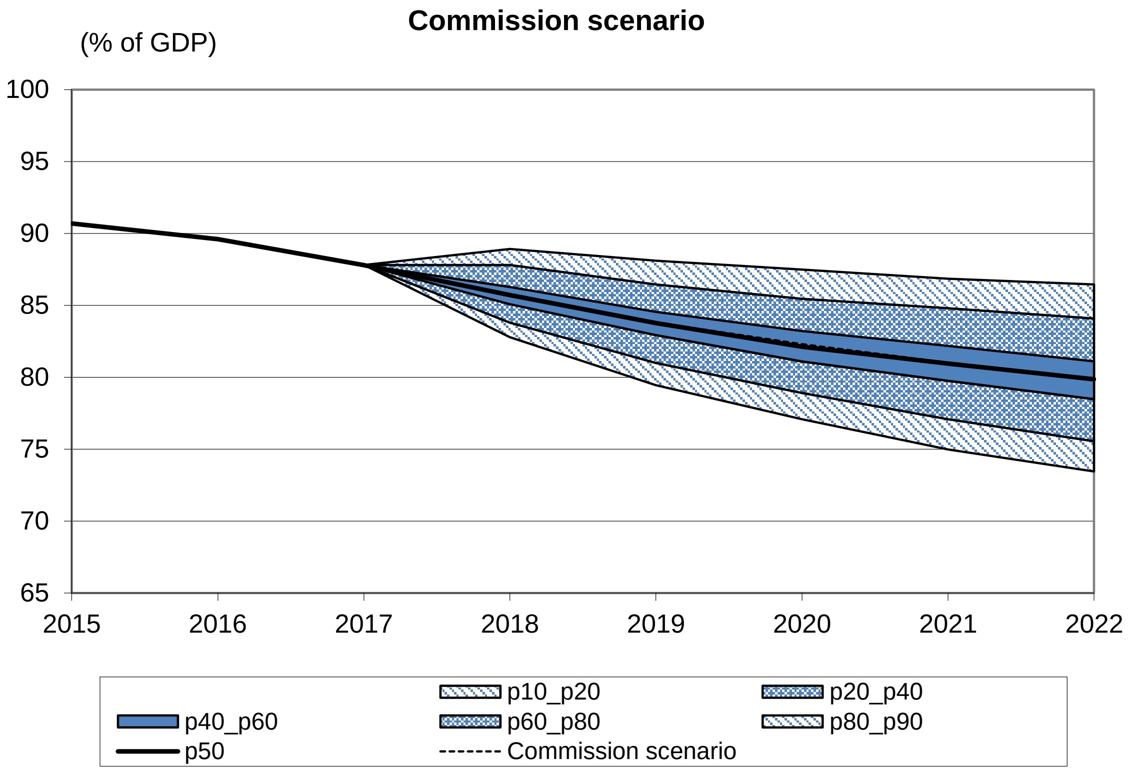
The fan charts report the projected debt path under the central scenario (around which macroeconomic shocks are applied) as a dashed line, and the debt projection trajectory that divides into two halves the whole set of possible trajectories obtained by applying the shocks (the median) as a solid black line at the centre of the cone. The cone itself covers 80% of all possible debt paths obtained by simulating the 2000 shocks to growth, interest rates and the primary balance (as the lower and upper lines delimiting the cone represent respectively the 10th and the 90th percentiles of the distribution), thus excluding from the shaded area simulated debt paths (20% of the whole) that result from more extreme (less likely) shocks, or 'tail events'. The differently shaded areas within the cone represent different portions of the overall distribution of possible debt paths. The dark blue area (delimited by the 40th and 60th percentiles) includes the 20% of all possible debt paths that are closer to the central scenario.

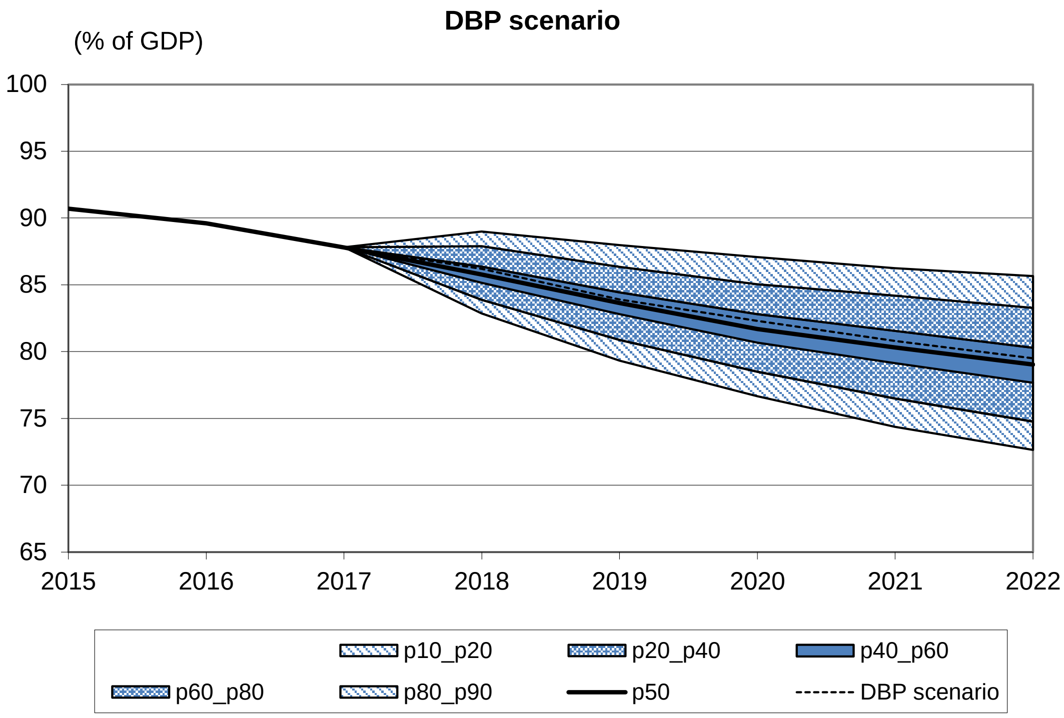
[4] The methodology for stochastic public debt projections used here is presented in the European Commission's Fiscal Sustainability Report 2015, Section 1.3.2, and in Berti K. (2013), "*Stochastic public debt projections using the historical variance-covariance matrix approach for EU countries*", European Economy Economic Paper No. 480.

[5] This entails that the EA-18 structural primary balance is assumed to remain constant at the last forecast value – a 0.8% surplus in 2018 in the DBP scenario, against a 0.6% surplus in 2019 in the Commission scenario – over the rest of the projection horizon.

[6] The assumption is made that shocks follow a joint normal distribution.

Graph III.1: Fan charts from stochastic public debt projections around the Commission's forecast scenario and the Draft Budgetary Plans' (DBP) forecast scenario





For both the Commission and the DBP forecast scenarios, accounting for both downside and upside risks to the government primary balance, growth and financial market conditions leads to a EA-18 debt in 2018 lying between around 83% and 89% of GDP with an 80% probability (as the cone represents 80% of all possible simulated debt paths). Lower and upper bounds of the debt ratio interval in 2018 would thus be fairly similar for the Commission scenario compared to the DBP scenario, due to a very small difference between the respective central forecasts to which shocks apply (a debt ratio at around 86% in the Commission scenario and the DBP scenario).

Beyond 2018, the horizon of the current DBPs, simulation results show that the difference in projected debt ratios under shocks between the Commission and the DBP scenarios remains fairly limited. At the end of the projection horizon considered in the fan charts (2022), there would be a 50% probability of a debt ratio higher than around 79% and 80% of GDP in the DBP and Commission scenarios respectively. This small difference is mainly due to the structural primary balance kept constant at a slightly higher last forecast surplus in the DBP scenario compared to the Commission scenario.

Note that since the size and correlation of the shocks reflect the variables' historical behaviour, the methodology does not capture real-time uncertainty, such as may exist in particular for assessing the output gap. Bearing in mind the past experience of significant revisions of output gap estimates, often in the direction of lower potential output than thought in real time, this suggests an additional source of risks on future debt paths that is not reflected in the previous analysis.

ANNEX IV. Graphs and Tables

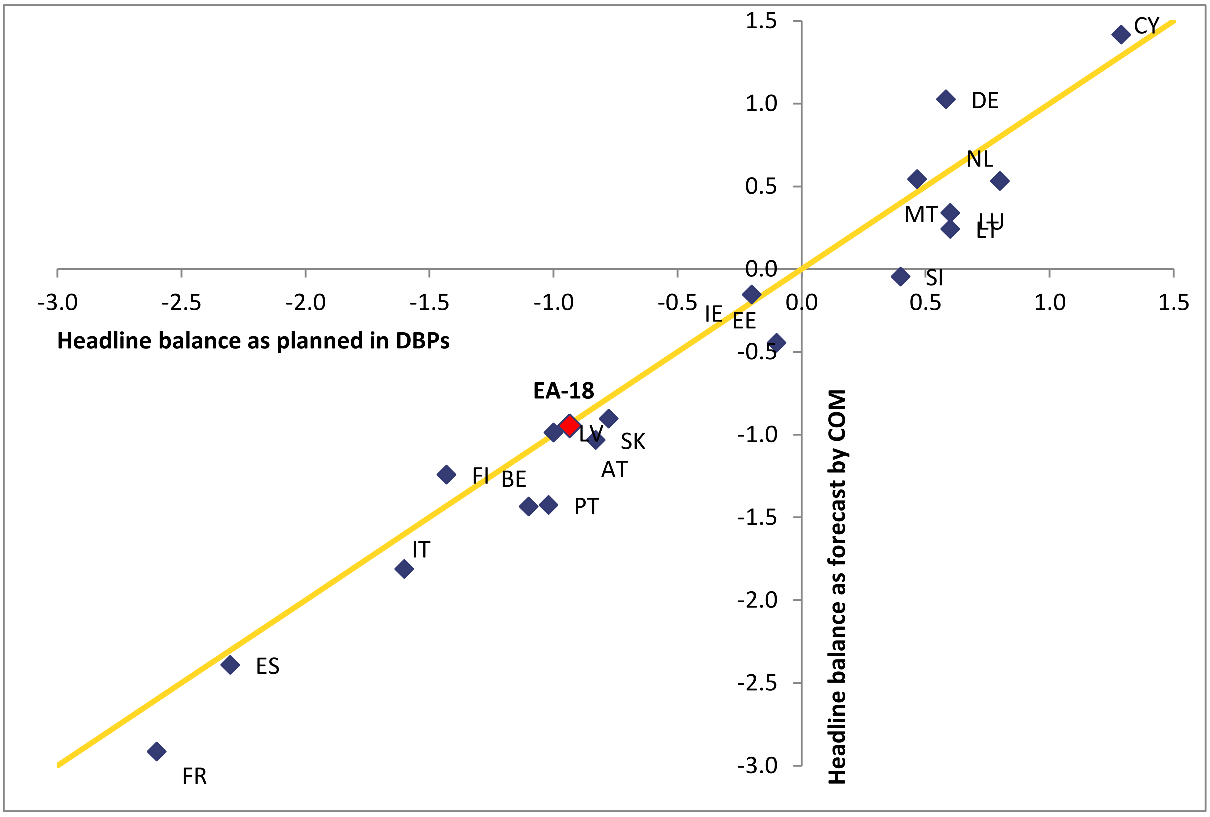
Table IV.1: Real GDP growth (%) for the EA-18 according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2017 autumn forecast (COM)

	2017			2018		
Country	SP	DBP	COM	SP	DBP	COM
BE	1.4	1.7	1.7	1.5	1.7	1.8
DE	1.4	2.0	2.2	1.6	1.9	2.1
EE	2.4	4.3	4.4	3.1	3.3	3.2
IE	4.3	4.3	4.8	3.7	3.5	3.9
ES	2.7	3.1	3.1	2.5	2.3	2.5
FR	1.5	1.7	1.6	1.5	1.7	1.7
IT	1.1	1.5	1.5	1.0	1.5	1.3
CY	2.9	3.6	3.5	2.9	3.0	2.9
LV	3.2	3.7	4.2	4.3	3.4	3.5
LT	2.7	3.6	3.8	2.6	2.9	2.9
LU	4.4	3.4	3.4	5.2	4.4	3.5
MT	4.3	5.9	5.6	3.7	5.6	4.9
NL	2.1	3.3	3.2	1.8	2.5	2.7
AT	2.0	2.8	2.6	1.8	2.8	2.4
PT	1.8	2.6	2.6	1.9	2.2	2.1
SI	3.6	4.4	4.7	3.2	3.9	4.0
SK	3.3	3.3	3.3	4.0	4.2	3.8
FI	1.2	2.9	3.3	1.8	2.1	2.7
EA-18	1.7	2.2	2.2	1.7	2.0	2.1

Table IV.2: Headline balance targets (% of GDP) for the EA-18 according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2017 autumn forecast (COM)

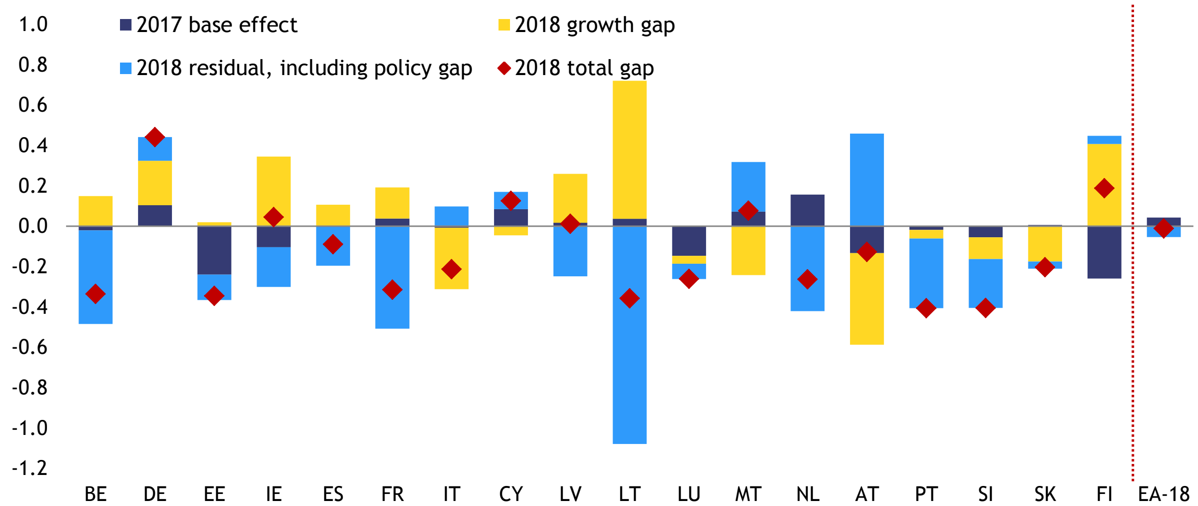
	2017			2018		
Country	SP	DBP	COM	SP	DBP	COM
BE	-1.6	-1.5	-1.5	-0.7	-1.1	-1.4
DE	½	¾	0.9	¼	½	1.0
EE	-0.5	0.0	-0.2	-0.8	-0.1	-0.4
IE	-0.4	-0.3	-0.4	-0.1	-0.2	-0.2
ES	-3.1	-3.1	-3.1	-2.2	-2.3	-2.4
FR	-2.8	-2.9	-2.9	-2.3	-2.6	-2.9
IT	-2.1	-2.1	-2.1	-1.2	-1.6	-1.8
CY	0.2	1.0	1.1	0.4	1.3	1.4
LV	-0.8	-0.9	-0.9	-1.6	-1.0	-1.0
LT	-0.4	0.1	0.1	0.4	0.6	0.2
LU	0.2	0.6	0.5	0.3	0.6	0.3
MT	0.5	0.8	0.9	0.5	0.5	0.5
NL	0.5	0.6	0.7	0.8	0.8	0.5
AT	-1.0	-0.9	-1.0	-0.8	-0.8	-0.9
PT	-1.5	-1.4	-1.4	-1.0	-1.0	-1.4
SI	-0.8	-0.8	-0.8	-0.2	0.4	0.0
SK	-1.2	-1.6	-1.6	-0.5	-0.8	-1.0
FI	-2.3	-1.2	-1.4	-1.6	-1.4	-1.2
EA-18	-1.3	-1.2	-1.1	-0.9	-0.9	-0.9

Graph IV.1: Comparison of headline government balance (% of GDP) as projected for 2018 by the Commission 2017 autumn forecast (COM) and by the Draft Budgetary Plans (DBP)



Note: The graph plots the 2018 headline budget balances from the DBPs (horizontal axis) against the projections of the Commission 2017 autumn forecast (vertical axis). Member States above (below) the bi-sector line are those where the Commission forecasts a lower (higher) headline balance than the DBPs.

Graph IV.2: Decomposition of the difference in headline balance targets (% of GDP) for 2018 between the Commission 2017 autumn forecast and the Draft Budgetary Plans



Note: The graph breaks the difference in 2018 headline balance between DBP and Commission forecast down into the impact of a different starting point (2017 base effect), the impact of different growth assumptions (nominal growth effect), and a residual which includes a policy gap related to the expected impact of measures. A positive sign means that the Commission forecast is more optimistic.

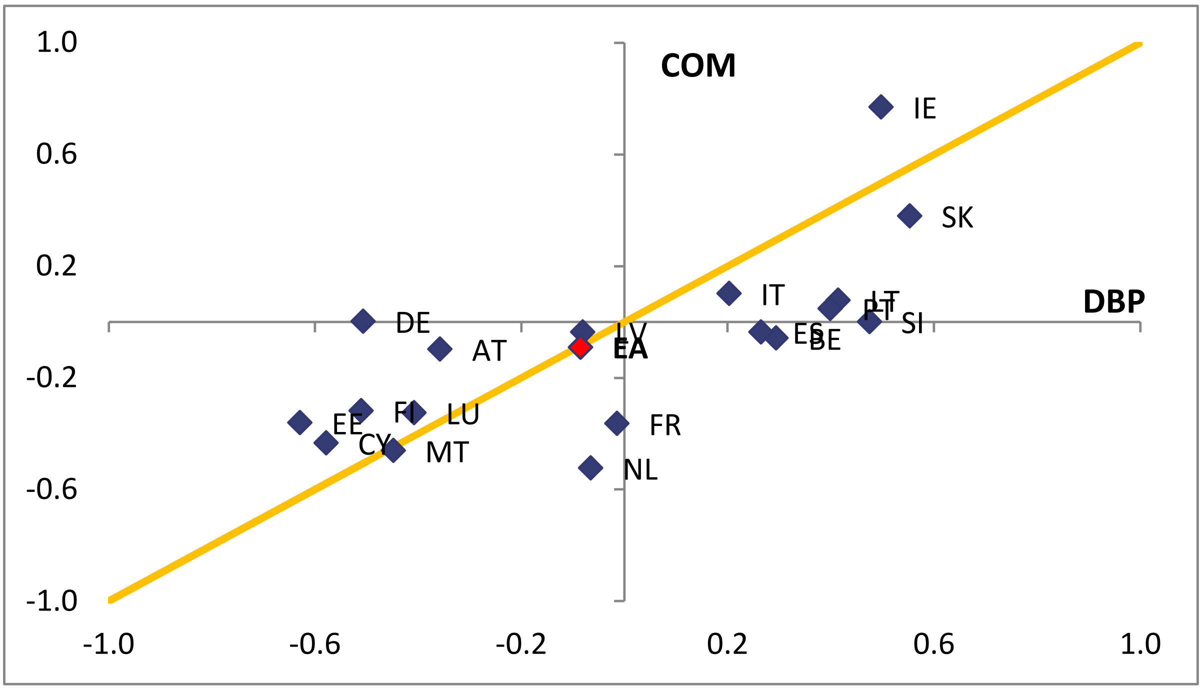
Table IV.3: Changes in structural balance (% of GDP) for the EA-18 according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2017 autumn forecast (COM)

	2017			2018		
Country	SP	DBP	COM	SP	DBP	COM
BE	1.0	0.6	0.7	0.6	0.3	-0.1
DE	-0.2	0.2	0.0	-0.3	-0.5	0.0
EE	-0.4	0.0	-0.6	-0.8	-0.6	-0.4
IE	0.3	0.8	0.6	0.6	0.5	0.8
ES	0.9	0.5	0.2	0.2	0.3	0.0
FR	0.4	0.2	0.2	0.4	0.0	-0.4
IT	-0.3	-0.4	-0.4	0.8	0.2	0.1
CY	-0.9	-0.7	-0.7	-0.3	-0.6	-0.4
LV	-1.1	-1.2	-1.1	-0.4	-0.1	0.0
LT	-0.4	-0.6	-0.7	0.5	0.4	0.1
LU	-1.5	-1.0	-1.4	-0.5	-0.4	-0.3
MT	0.0	-0.3	-0.2	0.1	-0.4	-0.5
NL	-0.4	-0.8	-0.6	0.3	-0.1	-0.5
AT	0.2	0.2	0.1	0.0	-0.4	-0.1
PT	0.3	0.1	0.1	0.6	0.4	0.0
SI	0.6	0.0	-0.1	0.2	0.5	0.0
SK	0.3	0.4	0.3	0.6	0.6	0.4
FI	-0.4	-0.2	-0.7	0.3	-0.5	-0.3
EA-18	0.1	0.1	0.0	0.2	-0.1	-0.1

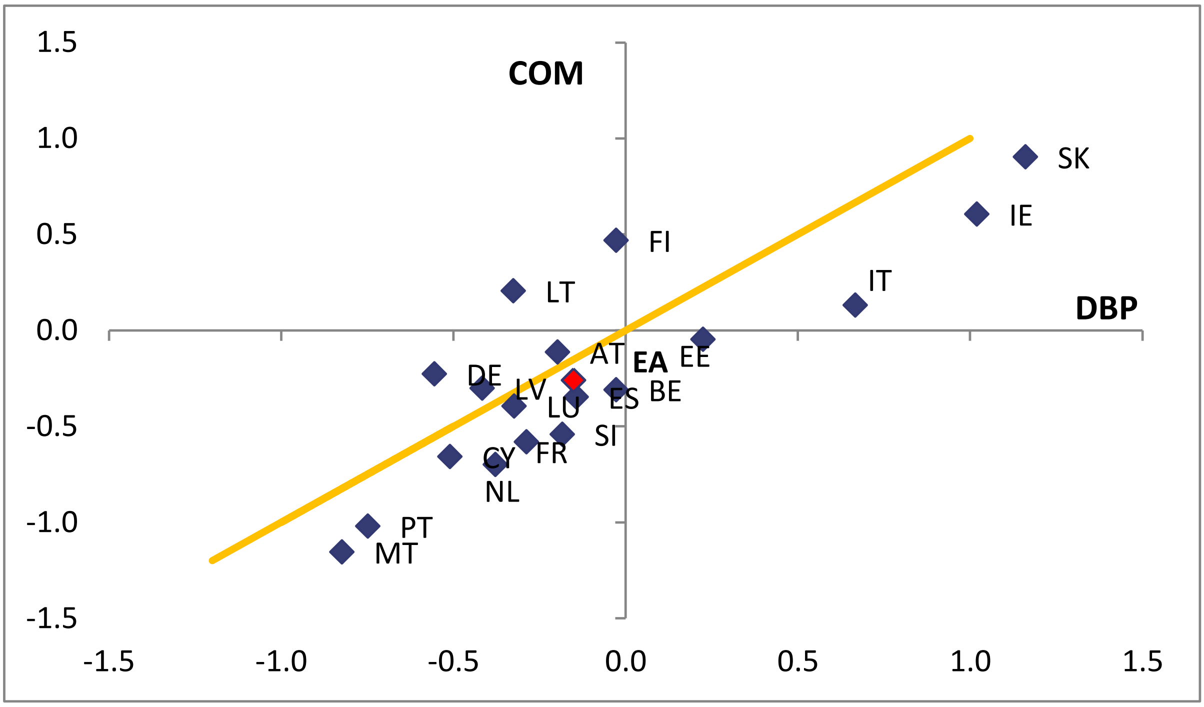
Table IV.4: Changes in structural primary balance (% of GDP) for the EA-18 according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2017 autumn forecast (COM)

	2017			2018		
Country	SP	DBP	COM	SP	DBP	COM
BE	0.7	0.3	0.4	0.4	0.1	-0.3
DE	-0.3	0.0	-0.1	-0.4	-0.6	-0.1
EE	-0.4	0.0	-0.6	-0.8	-0.6	-0.4
IE	0.1	0.6	0.4	0.5	0.4	0.6
ES	0.8	0.3	-0.1	0.1	0.2	-0.2
FR	0.3	0.1	0.2	0.4	-0.1	-0.4
IT	-0.3	-0.5	-0.6	0.6	0.0	-0.1
CY	-1.0	-0.8	-0.8	-0.3	-0.6	-0.6
LV	-1.2	-1.3	-1.2	-0.5	-0.2	-0.2
LT	-0.5	-0.7	-0.9	0.3	0.1	-0.2
LU	-1.6	-1.0	-1.4	-0.5	-0.4	-0.3
MT	-0.2	-0.6	-0.5	-0.1	-0.6	-0.6
NL	-0.5	-0.9	-0.7	0.2	-0.2	-0.7
AT	0.1	-0.1	-0.1	-0.2	-0.6	-0.2
PT	0.2	-0.1	-0.1	0.5	0.0	-0.3
SI	-0.2	-0.4	-0.5	-0.1	-0.2	-0.7
SK	0.0	0.1	0.0	0.5	0.5	0.3
FI	-0.6	-0.3	-0.7	0.3	-0.6	-0.4
EA-18	0.0	-0.1	-0.2	0.1	-0.2	-0.2

Graph IV.3: Change in the structural balance in 2018 (% of potential GDP): Draft Budgetary Plans (DBP) versus Commission 2017 autumn forecast (COM)



Graph IV.4: Discretionary Fiscal Effort in 2018 (% of GDP): Draft Budgetary Plans (DBP) versus Commission 2017 autumn forecast (COM)

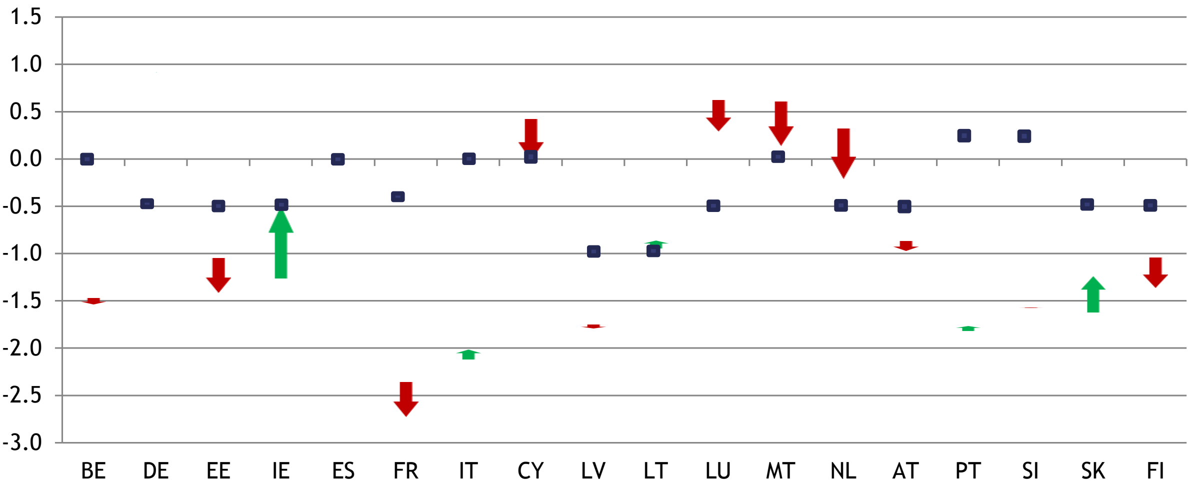


Note: For the calculation of the Discretionary Fiscal Effort on the basis of the DBP, the 10-year average potential growth rate of the Commission forecast is used as a benchmark rate for medium term economic growth.

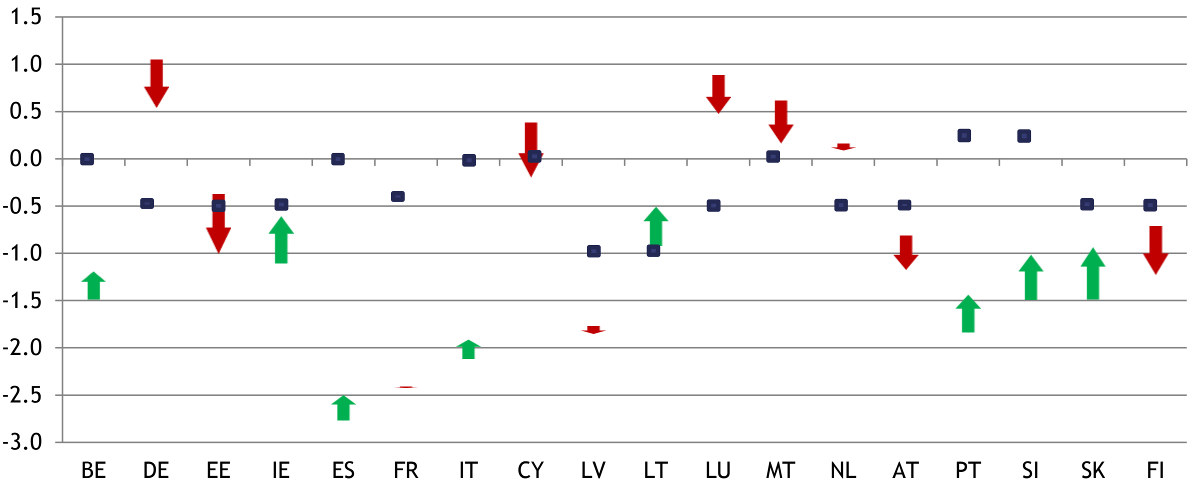
Table IV.5: Medium-Term budgetary Objectives (MTOs), as set in the 2017 Stability Programmes, and Minimum Benchmarks (MB) as from 2018 for EA-18

	MTO	Minimum Benchmark	2018 Structural balance	
			DBP	COM
BE	0.0	-1.4	-1.2	-1.5
DE	-0.5	-1.4	0.5	0.9
EE	-0.5	-1.4	-1.0	-1.4
IE	-0.5	-1.0	-0.6	-0.5
ES	0.0	-1.1	-2.5	-3.1
FR	-0.4	-1.1	-2.4	-2.7
IT	0.0	-1.3	-1.9	-2.0
CY	0.0	-1.3	-0.2	0.0
LV	-1.0	-1.7	-1.9	-1.8
LT	-1.0	-1.4	-0.5	-0.9
LU	-0.5	-1.4	0.5	0.3
MT	0.0	-1.7	0.2	0.1
NL	-0.5	-1.0	0.1	-0.2
AT	-0.5	-1.6	-1.2	-1.0
PT	0.25	-1.1	-1.4	-1.8
SI	0.25	-1.0	-1.0	-1.6
SK	-0.5	-1.6	-0.9	-1.2
FI	-0.5	-0.6	-1.2	-1.4

Graph IV.5a: Member States position vis-à-vis their MTO according to the Commission 2017 autumn forecast (% of GDP)



Graph IV.5b: Member States position vis-à-vis their MTO according to the 2018 Draft Budgetary Plans (% of GDP)

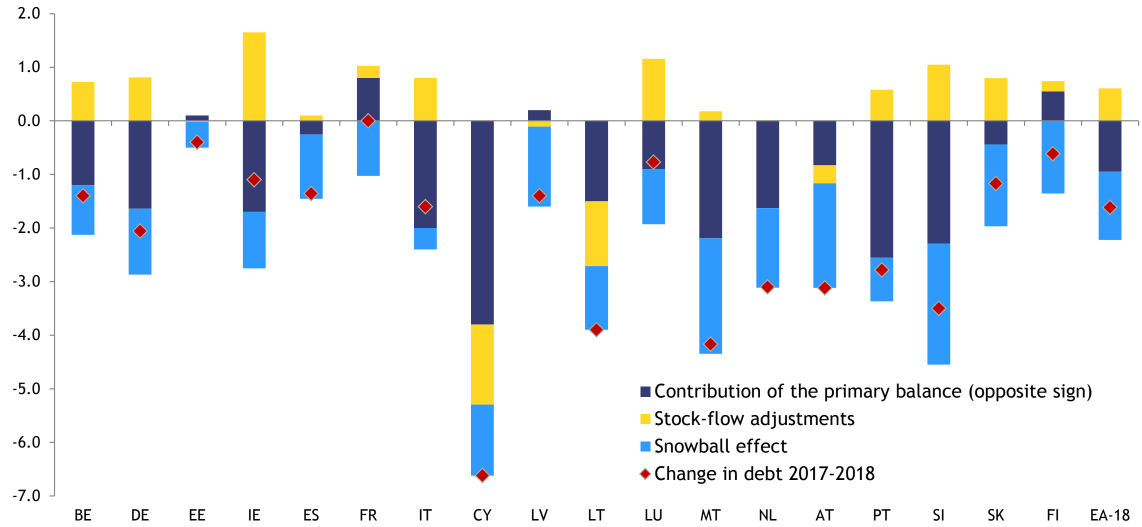


Note: The graph sets out Member States' progress towards their respective MTOs between 2017 and 2018, based on the Commission forecast (upper graph) and the Draft Budgetary Plans (lower graph). The base of the arrow represents the starting position of the structural balance in 2017, while the tip of the arrow represents the projected or planned (recalculated) structural balance in 2018. Thus, the size of the green (red) arrow corresponds to the improvement (deterioration) in the structural balance between 2017 and 2018. Finally, the dark squares represent each Member State's MTO for 2018.

Table IV.6: Debt-to-GDP ratio (% of GDP) for the EA-18 according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2017 autumn forecast (COM)

	2017			2018		
Country	SP	DBP	COM	SP	DBP	COM
BE	105.2	104.1	103.8	103.4	102.7	102.5
DE	66 1/4	65¼	64.8	64	63¼	61.2
EE	9.4	9.0	9.2	9.9	8.6	9.1
IE	72.9	70.1	69.9	71.2	69.0	69.1
ES	98.8	98.1	98.4	97.6	96.8	96.9
FR	96.0	96.8	96.9	95.9	96.8	96.9
IT	132.5	131.6	132.1	131.0	130.0	130.8
CY	104.0	99.0	103.0	99.7	92.4	98.3
LV	39.2	38.7	39.0	38.2	37.3	35.5
LT	42.4	41.5	41.5	38.4	37.6	37.9
LU	22.2	23.5	23.7	22.4	22.7	23.0
MT	55.9	54.9	54.9	52.5	50.8	51.6
NL	58.5	57.5	57.7	55.5	54.4	54.9
AT	80.8	78.3	78.6	78.5	75.2	76.2
PT	127.9	126.2	126.4	124.2	123.5	124.1
SI	77.0	75.2	76.4	74.3	71.7	74.1
SK	51.8	51.1	50.6	49.9	49.9	49.9
FI	64.7	62.5	62.7	64.5	61.9	62.1
EA-18	88.7	87.9	87.8	87.1	86.3	85.8

Graph IV.6: Drivers for the change in debt ratio between 2017 and 2018, based on the DBPs (% of GDP)

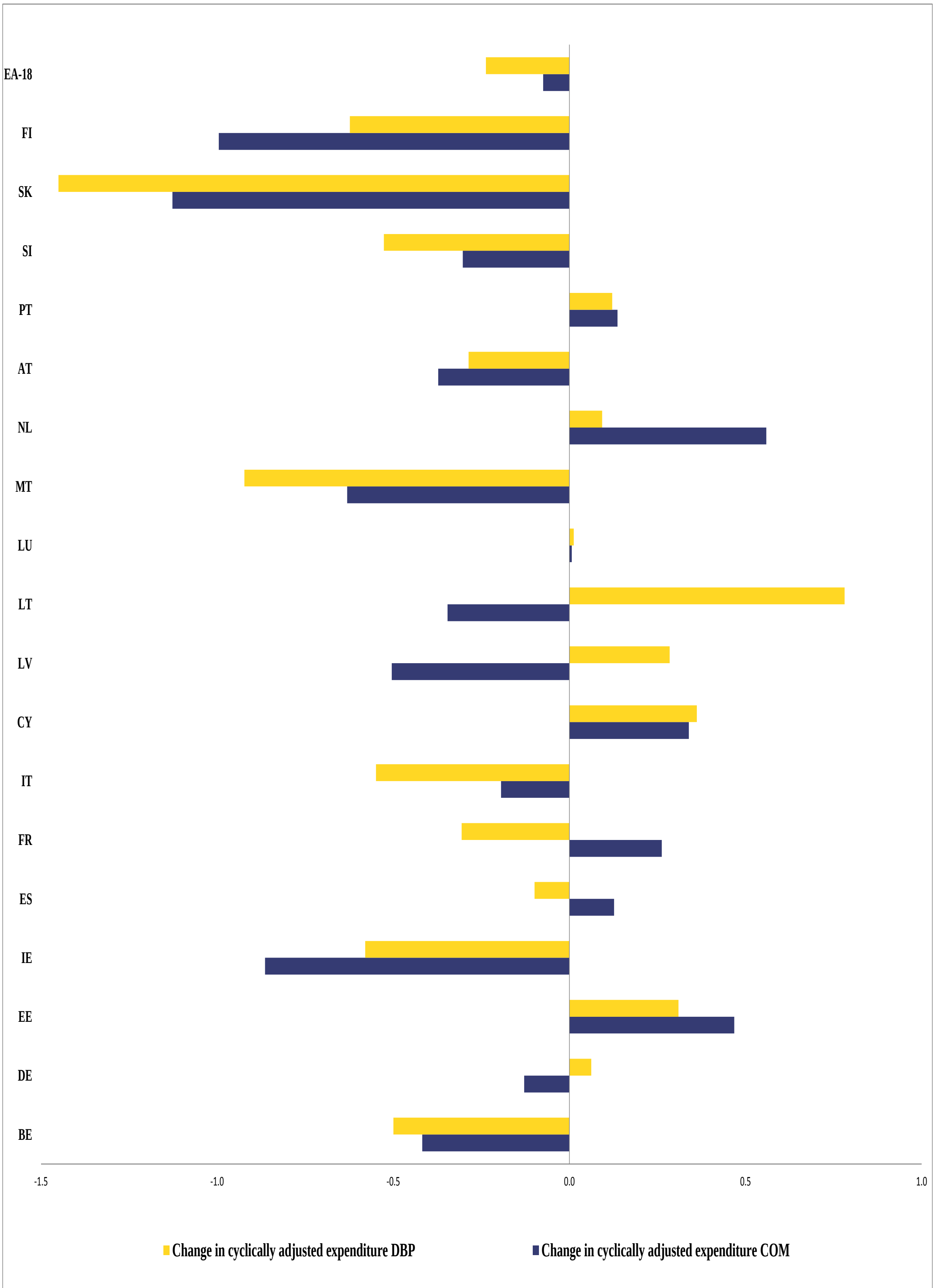


Note: The graph breaks the change in debt-to-GDP ratios down into the impact of the primary balance, planned stock-flow adjustments and the 'snowball effect'. The snowball effect represents the difference between projected growth rates and interest rates.

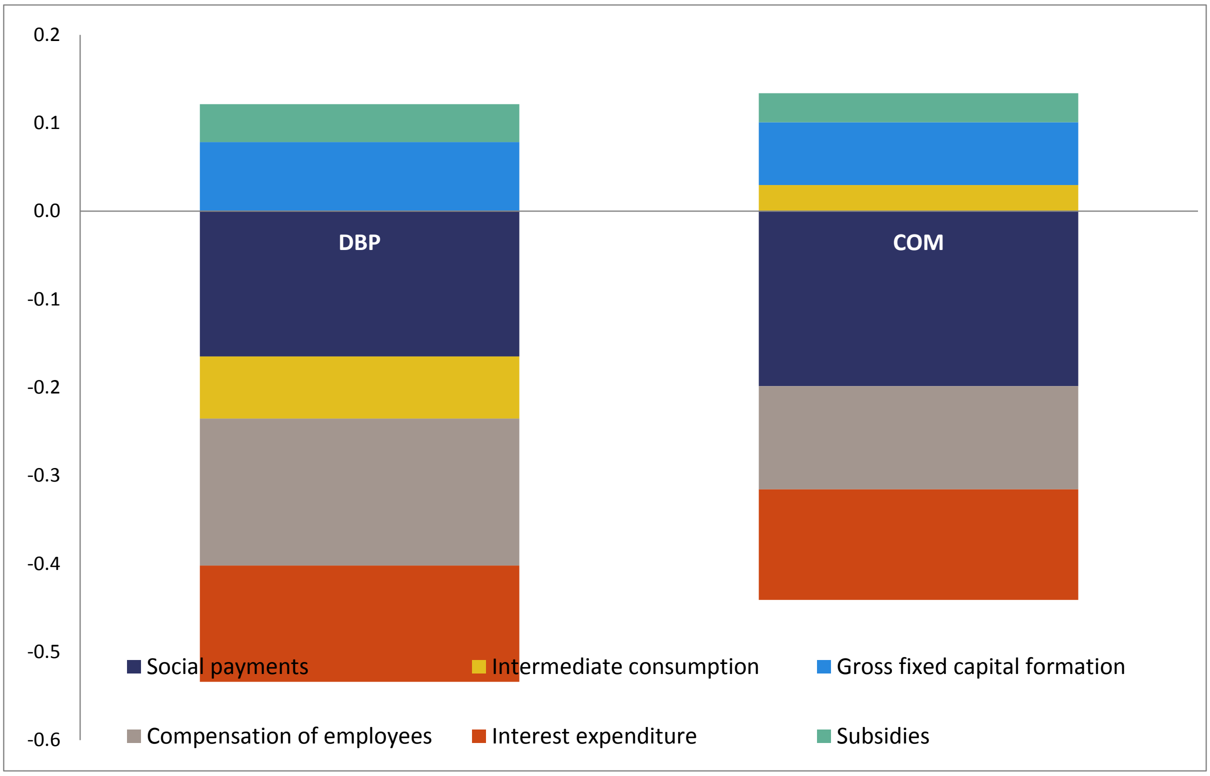
Table IV.7: Composition of the fiscal consolidation in 2017 and 2018 for the EA-18 according to the Stability Programmes (SP), the Draft Budgetary Plans (DBP) and the Commission 2017 autumn forecast (COM)

% potential GDP unless otherwise specified	2017			2018		
	SP	DBP	COM	SP	DBP	COM
Cyclically-adjusted revenue ratio	46.2	46.1	46.1	46.1	45.8	45.8
p.p. change with respect to previous year	0.1	0.1	0.0	-0.1	-0.3	-0.2
Cyclically adjusted-primary expenditure ratio	45.2	45.2	45.0	45.0	45.1	45.1
p.p. change with respect to previous year	0.1	0.3	0.2	-0.2	-0.1	0.1
Interest expenditure ratio (% of GDP)	2.1	2.0	2.0	2.0	1.9	1.9
p.p. change with respect to previous year	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1
Change in structural balance	0.1	-0.2	0.0	0.2	-0.1	-0.1

Graph IV.7: Projected changes in cyclically-adjusted expenditure ratios in the 2018 Draft Budgetary Plans (DBP) and Commission 2017 autumn forecast (COM)

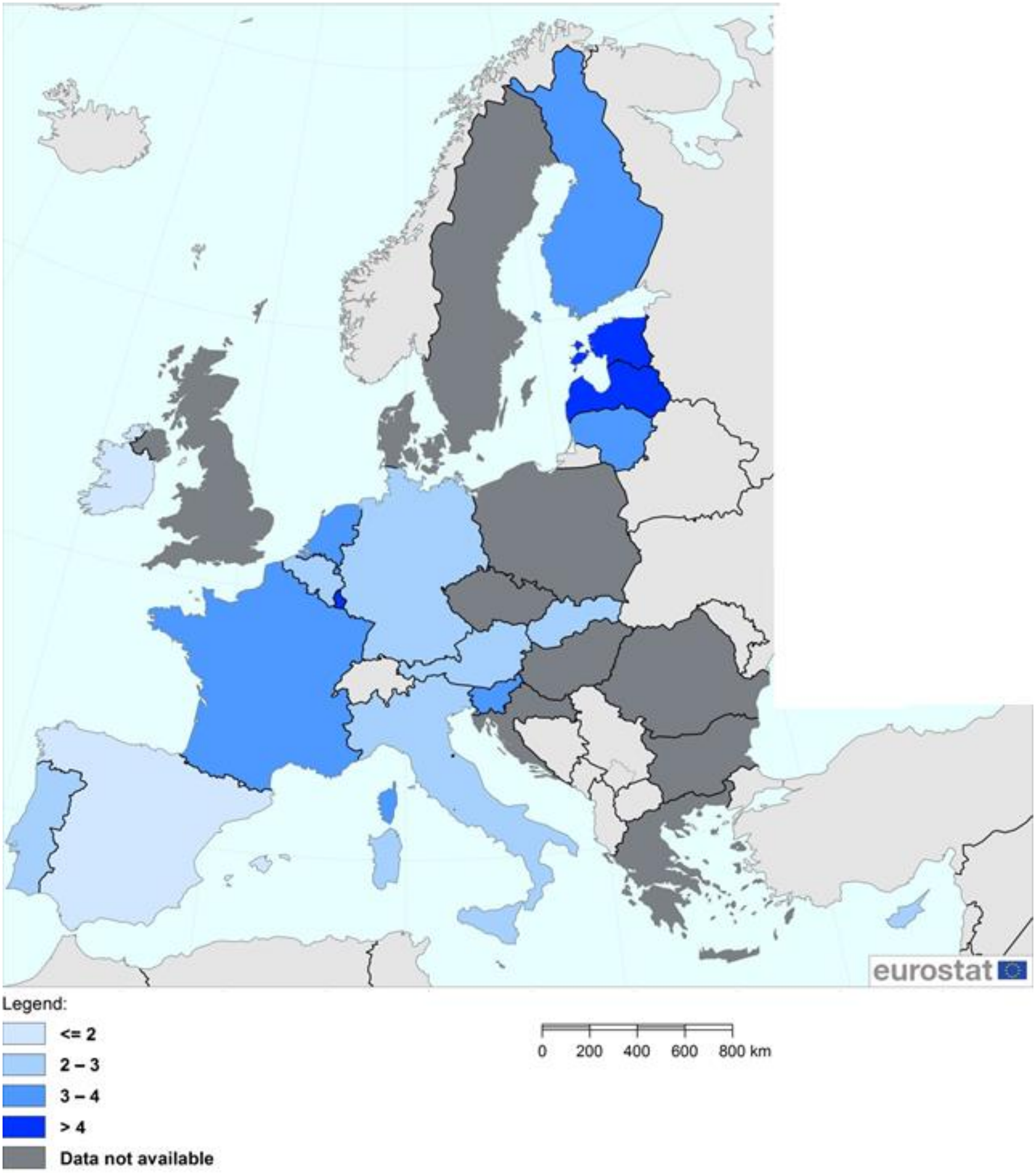


Graph IV.8: Projected changes in main types of expenditure (% of GDP) for 2018 in EA-18: Draft Budgetary Plans (DBP) versus Commission 2017 autumn forecast (COM)

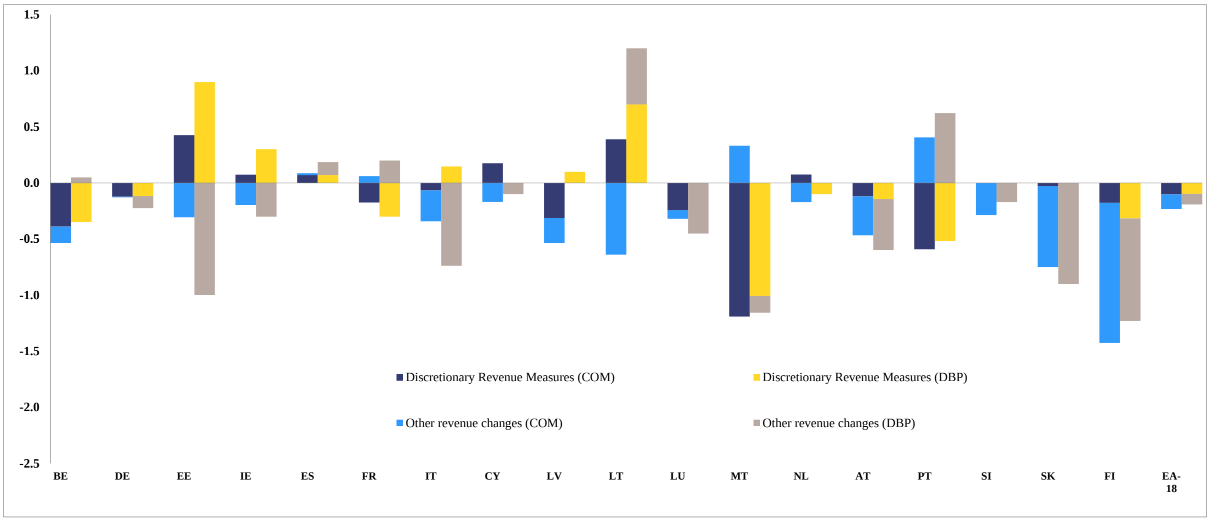


Note: The graph shows the contributions from the main components of expenditure to the projected changes in expenditure-to-GDP ratios.

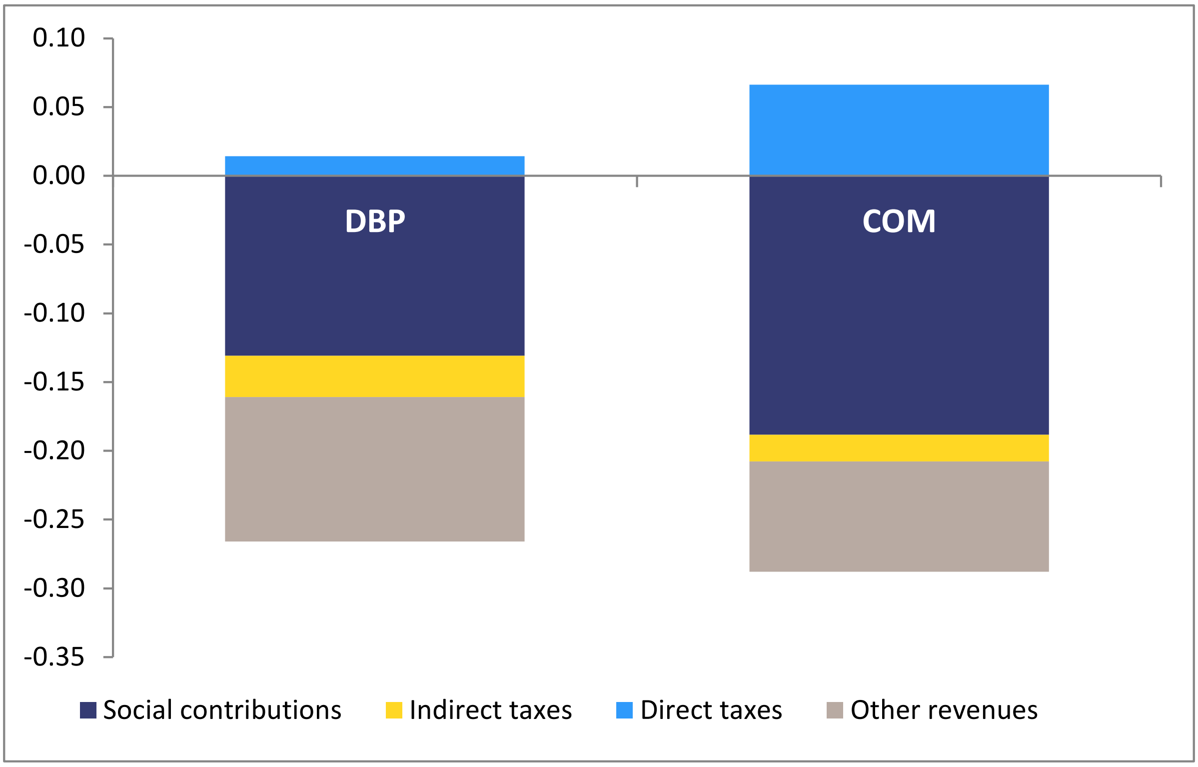
Graph IV.9: Investment (% of GDP) in 2018 according to euro area Member States' Draft Budgetary Plans



Graph IV.10: Discretionary revenue measures and other changes in the revenue ratio in 2018: Draft Budgetary Plans (DBP) versus Commission 2017 autumn forecast (COM)



Graph IV.11: Projected changes in main types of tax revenue (% of GDP) for 2018 in EA-18: Draft Budgetary Plans (DBP) versus Commission 2017 autumn forecast (COM)



Note: The graph shows the contributions from the main components of revenue to the projected changes in revenue-to-GDP ratios.

Table IV.8: Short-term elasticities underlying revenue projections for 2018 in EA-18: Draft Budgetary Plans (DBP) versus Commission 2017 autumn forecast (COM) and standard elasticities estimated by the OECD

	DBP	COM	OECD
BE	1.0	0.9	1.0
DE	0.9	1.0	1.0
EE	0.6	0.9	1.1
IE	0.7	0.8	1.1
ES	1.1	1.0	1.0
FR	1.1	1.0	1.0
IT	0.5	0.8	1.1
CY	0.9	0.9	1.2
LV	1.0	0.9	0.9
LT	1.3	0.7	1.1
LU	0.8	1.0	1.0
MT	0.9	1.1	1.0
NL	1.0	0.9	1.1
AT	0.8	0.8	1.0
PT	1.1	1.3	1.0
SI	0.9	0.9	1.0
SK	0.6	0.6	1.0
FI	0.5	0.4	0.9
EA-18	0.9	0.9	1.0

Note: the comparison between the elasticities derived from the DBPs and the Commission's forecast, on the one hand, and the OECD's elasticities, on the other, should be made with care. While the first two are net elasticities to GDP growth, the latter are, strictly speaking, computed with respect to the output gap. Differences are in general minor.

Table IV.9: Sustainability indicators based on the European Commission 2017 autumn forecast

	Overall SHORT-TERM risk category	Debt sustainability analysis - overall risk assessment	S1 indicator - overall risk assessment	Overall MEDIUM-TERM risk category
BE	LOW	HIGH	HIGH	HIGH
DE	LOW	LOW	LOW	LOW
EE	LOW	LOW	LOW	LOW
IE	LOW	LOW	LOW	LOW
ES	LOW	HIGH	HIGH	HIGH
FR	LOW	HIGH	HIGH	HIGH
IT	LOW	HIGH	HIGH	HIGH
CY	LOW	MEDIUM	MEDIUM	MEDIUM
LV	LOW	LOW	LOW	LOW
LT	LOW	LOW	MEDIUM	MEDIUM
LU	LOW	LOW	LOW	LOW
MT	LOW	LOW	LOW	LOW
NL	LOW	LOW	LOW	LOW
AT	LOW	MEDIUM	MEDIUM	MEDIUM
PT	LOW	HIGH	HIGH	HIGH
SI	LOW	MEDIUM	MEDIUM	MEDIUM
SK	LOW	LOW	LOW	LOW
FI	LOW	HIGH	MEDIUM	HIGH

Note: based on the methodology used in the European Commission Fiscal Sustainability Report 2015 and the Debt Sustainability Monitor 2016. These updated results, based on the European Commission 2017 autumn forecast, will be presented in the forthcoming Debt Sustainability Monitor 2017.