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ECOFIN 474
UEM 109
SOC 289
EMPL 184
COMPET 371
ENV 476
EDUC 166
RECH 274
ENER 202
JAI 715
GENDER 46
ANTIDISCRIM 30
JEUN 62
SAN 292

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Subject: COMMISSION STAFF WORKING DOCUMENT Fiscal Statistical Tables providing background data relevant for the assessment of the 2022 Stability and Convergence Programmes Accompanying the document Recommendation for a COUNCIL RECOMMENDATION on the 2022 National Reform Programme and delivering a Council opinion on the 2022 Stability/Convergence Programme of Belgium, Bulgaria, Czechia, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland and Sweden

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COMMISSION STAFF WORKING DOCUMENT

**Fiscal Statistical Tables providing background data relevant for the assessment of the
2022 Stability and Convergence Programmes**

Accompanying the document

Recommendation for a COUNCIL RECOMMENDATION

**on the 2022 National Reform Programme and delivering a Council opinion on the 2022
Stability/Convergence Programme of Belgium, Bulgaria, Czechia, Denmark, Germany,
Estonia, Ireland, Greece, Spain, France, Croatia, Italy, Cyprus, Latvia, Lithuania,
Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania,
Slovenia, Slovakia, Finland and Sweden**

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{COM(2022) 613} - {COM(2022) 614} - {COM(2022) 615} - {COM(2022) 616} -
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These Fiscal Statistical Tables provide background data relevant for the assessment of the Member States' 2022 Stability and Convergence Programmes. For each Member State, the following tables are provided:

Table 1 (Macroeconomic developments and forecasts) shows the main macroeconomic data – real GDP growth and main expenditure components, output gap, employment, unemployment, labour productivity, inflation, GDP deflator, compensation of employees, and the net borrowing/lending vis-à-vis the rest of the world.

The figures from the Stability or Convergence Programme are shown side-by side with those of the Commission 2022 spring forecast (for which the cut-off date was 29 April 2022).

Table 2 (Main indicators for fiscal surveillance) includes the relevant indicators that are used for fiscal surveillance at this stage. It also shows the standard Stability and Growth Pact indicators.

Table 3 (General government budgetary position) shows data on the main revenue and expenditure variables and the deficit/surplus in the Stability or Convergence Programme, in comparison with the Commission forecast. The table also includes a number of additional indicators used for the assessment of the budgetary projections in the Programme ⁽¹⁾.

Table 4 (General government debt developments) shows year-on-year developments in general government debt and provides a breakdown of the change in the debt ratio as per the primary balance, the snowball effect (reflecting the relationship between GDP growth and interest expenditure) and the stock-flow adjustment (*i.e.* other elements that have an impact on the debt, such as differences between cash and accrual recording or the net accumulation of financial assets).

Table 5 (Debt sustainability analysis and sustainability indicators) contains information on debt sustainability indicators over the short, medium and long terms (the so-called S0, S1 and S2 indicators). The figures reported in the table are based on the Commission 2022 spring forecast; they update the indicators recently published in the Fiscal Sustainability Report 2021 ⁽²⁾.

Table 6 (RRF – Grants) presents data on grants from the Recovery and Resilience Facility included in the Programme's revenue projections, their cash disbursements, and the expenditure categories (or other costs) financed by those grants.

Table 7 (RRF – Loans) presents data on cash disbursements and repayments of loans from/to the Recovery and Resilience Facility included in the Programme's projections, and the expenditure categories (or other costs) financed by those loans.

⁽¹⁾ For the Stability or Convergence Programmes, the output gap used for the cyclical adjustment is recalculated by the Commission services based on the macroeconomic scenario in the Programmes using the commonly agreed methodology.

⁽²⁾ Fiscal Sustainability Report 2021, *European Economy-Institutional Papers*, 171, vol. 1 and 2.

Table 8 (Guarantees adopted/announced according to the Programme) presents the main guarantee schemes in place, in particular those adopted/announced since spring 2020 in response to the COVID-19 outbreak and related economic recession, as reported by the Member State. The table also provides the take-up of those guarantee schemes, if the information is available.

The differences between the projections in the 2022 Programmes and the Commission 2022 spring forecast may result from different assumptions for the macroeconomic outlook and on the implementation of the Member State's Recovery and Resilience Plans (RRP).

Indicators used in the assessment of the Stability and Convergence Programmes

Traditionally, the fiscal stance is defined as a measure of the year-on-year change in the general government's budgetary position. It may serve to measure the impact of fiscal policy on aggregate demand in an economy, as well as the speed at which the underlying budgetary situation converges towards medium-term fiscal targets. Using the same indicator to gauge two different concepts was appropriate under the assumption that government expenditure was funded entirely by national revenue sources and debt financing, without large external transfers. However, in the presence of sizeable transfers from the EU budget (such as those from the Recovery and Resilience Facility or other EU grants), conventional indicators do not capture the additional fiscal impulse provided by the EU budget as the related national expenditure is offset by corresponding revenue from the EU.

The fiscal stance reported in Table 2 aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. It measures the change in primary expenditure (net of discretionary revenue measures, including changes in expenditure financed by the RRF and other EU grants). Taking into account the exceptional circumstances created by the impact of the COVID-19 pandemic, it excludes crisis-related temporary emergency measures, relative to the 10-year average potential growth rate. ⁽³⁾ ⁽⁴⁾

$$\frac{(1 + Pot_t) * (1 + \pi_t) * E_{t-1} - E_t + \Delta RM_t}{Y_t}$$

Where $E_t = G_t - I_t - U_t - one_offs_t^G (-emerg.\ temp.\ measures_t^G)$.

The expenditure aggregate comprises primary expenditure (total expenditure G minus interest expenditure I), net of cyclical unemployment benefits U and one-off expenditure. ΔRM stands for the incremental budgetary impact of revenue measures (other than one-offs) excluding crisis-related temporary emergency measures.

Table 2 also presents a fiscal stance as computed in normal times, that is without excluding crisis-related temporary emergency measures.

Table 3 also monitors the growth rate of nationally financed net (primary) expenditure. In general, the net expenditure aggregate is calculated as:

$$E_t + \Delta RM_t = G_t - I_t - U_t - EU_t - one_offs_t^G + \Delta RM_t$$

The aggregate is very similar to the one used for the fiscal stance, but excludes expenditure financed by the EU budget. Table 3 presents an aggregate where G is calculated as general government expenditure excluding/including changes in crisis-related temporary emergency measures, and ΔRM representing the incremental budgetary impact of discretionary revenue measures excluding/including crisis-related temporary emergency measures.

⁽³⁾ Crisis-related emergency measures generally aimed at addressing the public health situation and compensating workers and firms for income losses due to lockdown measures and supply chain disruptions. These measures were mostly of a temporary nature, but their impact was contingent on the development of the health situation. While useful in the initial phase of the crisis, these measures are likely to be less efficient to support the recovery when the health related emergency gradually wanes.

⁽⁴⁾ The computations of the fiscal stance based on the Stability or Convergence Programmes assume no impact of crisis related temporary emergency measures in 2023 and beyond.

TABLE OF CONTENTS

| | |
|---------------------|-----|
| 1. Belgium | 5 |
| 2. Bulgaria | 12 |
| 3. Czechia | 18 |
| 4. Denmark | 23 |
| 5. Germany | 29 |
| 6. Estonia | 35 |
| 7. Ireland | 41 |
| 8. Greece | 46 |
| 9. Spain | 51 |
| 10. France | 56 |
| 11. Croatia | 61 |
| 12. Italy | 67 |
| 13. Cyprus | 72 |
| 14. Latvia | 78 |
| 15. Lithuania | 83 |
| 16. Luxembourg | 89 |
| 17. Hungary | 94 |
| 18. Malta | 100 |
| 19. The Netherlands | 105 |
| 20. Austria | 111 |
| 21. Poland | 117 |
| 22. Portugal | 122 |
| 23. Romania | 127 |
| 24. Slovenia | 132 |
| 25. Slovakia | 138 |
| 26. Finland | 143 |
| 27. Sweden | 149 |

1. BELGIUM

Table 1.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 | 2026 | 2027 |
|--|------|------|------|------|------|------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP | SP | SP |
| Real GDP (% change) | 6.2 | 6.1 | 2.0 | 3.0 | 1.8 | 1.9 | 1.5 | 1.3 | 1.3 | 1.2 |
| Private consumption (% change) | 6.4 | 6.3 | 4.2 | 5.9 | 2.5 | 1.9 | 1.8 | 1.4 | 1.4 | 1.4 |
| Gross fixed capital formation (% change) | 7.8 | 9.6 | -0.1 | 2.6 | 3.0 | 3.5 | 1.7 | 0.4 | 1.1 | 0.8 |
| Exports of goods and services (% change) | 9.6 | 9.0 | 3.3 | 5.2 | 3.9 | 3.9 | 3.1 | 3.1 | 3.3 | 3.1 |
| Imports of goods and services (% change) | 9.1 | 8.5 | 3.6 | 5.9 | 4.1 | 4.0 | 3.2 | 3.0 | 3.4 | 3.0 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | | | |
| - Final domestic demand | 6.1 | 5.7 | 2.2 | 3.5 | 2.0 | 2.0 | 1.6 | 1.2 | 1.4 | 1.2 |
| - Change in inventories | -0.5 | -0.9 | 0.0 | -0.3 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Net exports | 0.6 | 0.5 | -0.2 | -0.5 | -0.3 | -0.1 | -0.1 | 0.1 | -0.1 | 0 |
| Output gap ¹ | -1.0 | -1.4 | -0.5 | -0.2 | -0.3 | -0.1 | -0.1 | -0.1 | -0.1 | 0 |
| Employment (% change) | 1.8 | 1.7 | 1.0 | 1.2 | 0.8 | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 |
| Unemployment rate (%) | 6.3 | 6.3 | 5.8 | 5.9 | 5.6 | 5.8 | 5.5 | 5.4 | 5.4 | 5.3 |
| Labour productivity (% change) | 4.4 | 4.4 | 1.0 | 1.8 | 1.0 | 1.1 | 0.8 | 0.6 | 0.6 | 0.6 |
| HICP inflation (%) | 3.2 | 2.4 | 7.8 | 5.5 | 1.9 | 1.1 | 1.2 | 1.5 | 1.6 | 1.6 |
| GDP deflator (% change) | 4.5 | 4.3 | 4.5 | 3.3 | 3.0 | 1.3 | 1.4 | 1.3 | 1.5 | 1.6 |
| Comp. of employees (per head, % change) | 4.2 | 3.5 | 6.0 | 7.1 | 5.5 | 3.9 | 1.9 | 2.0 | 2.3 | 2.3 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 0.7 | 1.0 | -0.9 | -0.7 | -0.5 | 0.3 | 0.6 | 0.5 | 0.3 | 0.2 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 1.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|
| | COM | COM | SP | COM | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | 1.0 | -2.4 | n.a. | 0.0 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.1 | -0.2 | n.a. | 0 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0 | 0.0 | n.a. | -0.1 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0.1 | -0.1 | n.a. | 0 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | 0.9 | -2.1 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | 2.3 | 0.0 | 0.2 | 0.4 | 1.9 | 1.0 | n.a. |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | 2.4 | 0.4 | 0.8 | 0.3 | 2.0 | 0.9 | n.a. |
| Change in the structural balance | 1.2 | 0.1 | -0.7 | 0.4 | 1.6 | 0.2 | 0.7 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 1.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Revenue | 49.3 | 49.0 | 48.9 | 49.0 | 49.7 | 49.8 | 49.9 | 0.6 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 13.4 | 13.2 | 13.0 | 13.3 | 13.3 | 13.3 | 13.2 | -0.2 |
| - Current taxes on income, wealth, etc. | 15.6 | 15.5 | 15.6 | 15.4 | 15.6 | 15.8 | 16.0 | 0.4 |
| - Social contributions | 15.1 | 15.0 | 15.0 | 15.2 | 15.4 | 15.3 | 15.4 | 0.3 |
| - Other (residual) | 5.2 | 5.2 | 5.3 | 5.1 | 5.4 | 5.4 | 5.3 | 0.1 |
| RRF grants as included in the revenue projections | | 0.4 | 0.3 | 0.3 | 0.3 | 0.2 | 0.1 | 0.0 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expenditure | 54.8 | 54.0 | 54.2 | 53.4 | 53.3 | 53.2 | 52.6 | -2.2 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 53.1 | 52.5 | 52.8 | 52.0 | 51.9 | 51.8 | 51.2 | -1.9 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 16.5 | 16.5 | 16.4 | 16.4 | 16.2 | 16.0 | 15.8 | -0.7 |
| Compensation of employees | 12.3 | 12.4 | 12.3 | 12.4 | 12.3 | 12.1 | 11.9 | -0.4 |
| Intermediate consumption | 4.2 | 4.1 | 4.2 | 4.0 | 3.9 | 3.9 | 3.8 | -0.4 |
| Social payments | 26.0 | 26.0 | 26.0 | 26.0 | 25.7 | 25.9 | 26.0 | 0.0 |
| Subsidies | 4.2 | 3.9 | 3.8 | 3.7 | 3.8 | 3.7 | 3.7 | -0.5 |
| Gross fixed capital formation | 2.7 | 2.8 | 3.0 | 2.8 | 3.1 | 3.2 | 2.9 | 0.2 |
| Other (residual) | 3.8 | 3.4 | 3.5 | 3.1 | 3.1 | 2.9 | 2.9 | -0.9 |
| - Interest expenditure | 1.7 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | -0.3 |
| Expenditure financed by RRF grants | 0.1 | 0.3 | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| General government balance (GGB) | -5.5 | -5.0 | -5.2 | -4.4 | -3.6 | -3.4 | -2.7 | 2.8 |
| Primary balance | -3.9 | -3.5 | -3.9 | -3.1 | -2.2 | -2.1 | -1.3 | 2.6 |
| GGB excl. one-offs | -5.2 | -4.8 | -5.2 | -4.4 | -3.6 | -3.4 | -2.7 | 2.5 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 1.4 | 5.5 | 5.0 | 3.6 | 0.6 | 2.3 | n.a. | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 3.8 | 10.7 | n.a. | 4.4 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 1.3 | 5.2 | 3.9 | 3.3 | 0.2 | 2.3 | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 3.9 | 10.8 | n.a. | 4.1 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 6.0 | 6.0 | 6.0 | 4.4 | 4.4 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -1.0 | -0.5 | -0.2 | -0.3 | -0.1 | -0.1 | -0.1 | 1.2 |
| Cyclically-adjusted balance ² | -4.9 | -4.7 | -5.1 | -4.2 | -3.5 | -3.3 | -2.6 | 2.1 |
| One-offs | -0.3 | -0.1 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.3 |
| Structural balance ³ | -4.6 | -4.5 | -5.1 | -4.2 | -3.5 | -3.3 | -2.6 | 1.8 |
| Structural primary balance ³ | -3.0 | -3.1 | -3.7 | -2.8 | -2.1 | -1.9 | -1.2 | 1.5 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 1.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | COM | SP | COM | SP | SP | SP |
| Gross debt ratio¹ | 103.5 | 108.2 | 107.5 | 108.0 | 107.6 | 108.8 | 109.7 | 110.1 |
| Change in the ratio | 1.5 | -4.6 | -0.7 | -0.2 | 0.0 | 0.8 | 1.0 | 0.4 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | 0.8 | 3.9 | 3.5 | 3.9 | 3.1 | 2.2 | 2.1 | 1.3 |
| 2. "Snow-ball" effect | 0.4 | -9.3 | -5.2 | -5.1 | -3.5 | -2.0 | -1.7 | -1.4 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 2.2 | 1.7 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| Growth effect | -0.2 | -6.3 | -2.0 | -3.0 | -1.8 | -2.0 | -1.6 | -1.4 |
| Inflation effect | -1.7 | -4.6 | -4.6 | -3.4 | -3.1 | -1.3 | -1.5 | -1.4 |
| 3. Stock-flow adjustment | 0.4 | 1.1 | 1.1 | 1.1 | 0.5 | 0.5 | 0.6 | 0.5 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP)

Table 1.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|-----------|------------------------------|-------------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.3 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 6.6 | HIGH risk | 5.3 | HIGH risk |
| Debt sustainability analysis ^[3] | HIGH risk | | | |
| Baseline scenario | HIGH risk | | | |
| Stochastic projections | HIGH risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 117.1 | | 109.2 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 7.0 | HIGH risk | 5.4 | MEDIUM risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 1.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0.1 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 |
| Cash disbursements of RRF grants from EU | n.a. | 0.2 | 0.2 | 0.3 | 0.2 | 0.1 | 0.1 |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|----------|------------|------------|------------|------------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | 0 |
| Intermediate consumption P.2 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | 0 |
| Social payments D.62+D.632 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | 0 |
| Interest expenditure D.41 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | 0 |
| Subsidies, payable D.3 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | 0 |
| Current transfers D.7 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | 0 |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0.1 | 0.1 | 0.1 | 0.1 | 0 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0.1 | 0.1 | 0.1 | 0.1 | 0 |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0.2 | 0.2 | 0.1 | 0.1 | 0 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 1.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 1.8: Guarantees adopted/announced according to the Programme

| | Measures | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|--|------------------|---|------------------------------|
| In response to COVID-19 | Loan Guarantee Scheme for Viable Non-Financial Enterprises, SMEs, Self-employed and Non-Profit Organisations - Guarantee I | 27/03/2020 | 9.3 | 0.0 |
| | Loan Guarantee Scheme for SMEs - Guarantee II | 20/07/2020 | 1.9 | 0.1 |
| | Gigarent: guarantee scheme above € 1.5 million | adopted | 0.3 | 0.0 |
| | Subtotal | | 11.4 | 0.1 |
| Others | Other temporary guarantees (Wallonia) | | 1.3 | 1.3 |
| | Other guarantees (French Community) | | 0.2 | 0.1 |
| | Other guarantees (Flemish Region) | | 2.5 | 2.2 |
| | Other guarantees (Brussels region) | | 0.7 | 0.6 |
| | Guarantees to public companies (Federal) | | 0.5 | 0.5 |
| | Guarantees to the financial sector (Federal) | 19/12/2012 | 8.1 | 4.6 |
| | Guarantees - various (Federal) | | 0 | 0 |
| | Subtotal | | 13.2 | 9.4 |
| | Total | | 24.6 | 9.5 |

Source: National authorities.

2. BULGARIA

Table 2.1: **Macroeconomic developments and forecasts**

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|-------|-------|------|------|------|------|------|------|
| | COM | CP | COM | CP | COM | CP | CP | CP |
| Real GDP (% change) | 4.2 | 4.2 | 2.1 | 2.6 | 3.1 | 2.8 | 3.6 | 3.4 |
| Private consumption (% change) | 8.0 | 8.0 | 2.8 | 2.4 | 3.0 | 5.4 | 4.8 | 4.4 |
| Gross fixed capital formation (% change) | -11.0 | -11.0 | 4.0 | 7.6 | 6.9 | 9.0 | 6.0 | 9.9 |
| Exports of goods and services (% change) | 9.9 | 9.9 | 4.5 | 4.1 | 4.2 | 4.0 | 5.8 | 4.6 |
| Imports of goods and services (% change) | 12.2 | 12.2 | 5.0 | 5.4 | 4.5 | 6.1 | 6.5 | 6.8 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 3.4 | 3.4 | 2.4 | 3.3 | 3.3 | 4.2 | 3.9 | 4.7 |
| - Change in inventories | 1.9 | 1.9 | 0.0 | 0.1 | 0.0 | 0.1 | 0.1 | 0.1 |
| - Net exports | -1.1 | -1.1 | -0.3 | -0.8 | -0.2 | -1.5 | -0.4 | -1.4 |
| Output gap ¹ | -1.0 | -1.2 | -0.4 | -0.7 | 1.0 | -0.4 | 0.7 | 1.5 |
| Employment (% change) | 0.2 | 0.2 | 0.2 | 1.7 | 0.4 | 0.8 | 1.0 | 0.6 |
| Unemployment rate (%) | 5.3 | 5.3 | 5.4 | 5.0 | 5.3 | 4.8 | 4.4 | 4.2 |
| Labour productivity (% change) | 4.0 | 4.0 | 1.9 | 0.9 | 2.7 | 2.0 | 2.6 | 2.8 |
| HICP inflation (%) | 2.8 | 2.8 | 11.9 | 10.4 | 5.0 | 5.1 | 2.7 | 2.3 |
| GDP deflator (% change) | 6.2 | 6.2 | 9.5 | 8.2 | 3.9 | 6.1 | 3.7 | 2.7 |
| Comp. of employees (per head, % change) | 9.5 | 9.5 | 9.7 | 8.1 | 7.7 | 9.2 | 8.2 | 7.6 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | -0.4 | 0.3 | 0.7 | -0.7 | 0.5 | 1.2 | 0.8 | 1.1 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Convergence Programme (CP); Commission 2022 spring forecasts (COM); Commission calculations.

Table 2.2: **Main indicators for fiscal surveillance**

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | COM | COM | CP | COM | CP | CP | CP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | -0.6 | -3.4 | n.a. | -1.3 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| Change in expenditure financed by RRF grants and other EU funds | 0.2 | -1.1 | n.a. | -0.7 | n.a. | n.a. | n.a. |
| Change in nationally financed investments | 0.3 | -1.1 | n.a. | -0.2 | n.a. | n.a. | n.a. |
| Change in other capital expenditure | -0.1 | 0.1 | n.a. | 0.0 | n.a. | n.a. | n.a. |
| Change in net nationally financed primary current expenditure | -1.0 | -1.4 | n.a. | -0.5 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | -2.0 | -0.9 | 0.4 | 0.5 | 1.2 | 0.5 | n.a. |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | -2.7 | 1.7 | 1.9 | 0.7 | 2.0 | 0.3 | n.a. |
| Change in the structural balance | -0.9 | 0.3 | 0.7 | 0.8 | 0.4 | -0.4 | 0.2 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Convergence Programme (CP); Commission 2022 spring forecasts (COM); Commission calculations.

Table 2.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | CP | COM | CP | CP | CP | CP |
| Revenue | 39.0 | 40.2 | 38.0 | 40.7 | 38.0 | 37.0 | 36.2 | -2.8 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 16.1 | 16.7 | 15.9 | 16.6 | 15.7 | 15.3 | 15.0 | -1.1 |
| - Current taxes on income, wealth, etc. | 6.4 | 6.1 | 6.5 | 6.6 | 6.4 | 6.3 | 6.2 | -0.2 |
| - Social contributions | 9.3 | 9.2 | 9.2 | 9.3 | 9.2 | 9.2 | 9.2 | -0.1 |
| - Other (residual) | 7.2 | 8.2 | 6.4 | 8.2 | 6.7 | 6.2 | 5.8 | -1.4 |
| RRF grants as included in the revenue projections | | 1.0 | 0.5 | 2.1 | 1.3 | 1.1 | 1.0 | n.a. |
| Revenue reductions financed by RRF grants | 0 | 0 | n.a. | 0.0 | n.a. | n.a. | n.a. | n.a. |
| Expenditure | 43.1 | 43.9 | 43.3 | 43.1 | 40.9 | 39.8 | 38.6 | -4.5 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 42.6 | 43.3 | 42.8 | 42.6 | 40.3 | 39.0 | 37.8 | -4.8 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 17.1 | 16.7 | 17.2 | 16.5 | 15.7 | 14.7 | 13.7 | -3.4 |
| Compensation of employees | 11.7 | 11.2 | 10.8 | 11.1 | 10.1 | 9.6 | 9.3 | -2.4 |
| Intermediate consumption | 5.4 | 5.5 | 6.3 | 5.5 | 5.6 | 5.0 | 4.5 | -0.9 |
| Social payments | 15.4 | 15.2 | 15.4 | 14.7 | 14.6 | 14.7 | 14.6 | -0.8 |
| Subsidies | 3.8 | 3.4 | 3.1 | 2.7 | 2.3 | 2.2 | 2.1 | -1.7 |
| Gross fixed capital formation | 3.3 | 5.0 | 4.8 | 5.4 | 5.4 | 5.3 | 5.3 | 2.0 |
| Other (residual) | 3.0 | 3.1 | 2.3 | 3.2 | 2.3 | 2.2 | 2.1 | -0.9 |
| - Interest expenditure | 0.5 | 0.5 | 0.5 | 0.5 | 0.6 | 0.8 | 0.8 | 0.3 |
| Expenditure financed by RRF grants | 0.0 | 1.0 | n.a. | 2.1 | n.a. | n.a. | n.a. | n.a. |
| General government balance (GGB) | -4.1 | -3.7 | -5.3 | -2.4 | -2.9 | -2.8 | -2.4 | 1.7 |
| Primary balance | -3.6 | -3.1 | -4.8 | -1.9 | -2.3 | -2.0 | -1.6 | 2.0 |
| GGB excl. one-offs | -4.1 | -3.7 | -3.2 | -2.4 | -2.7 | -2.8 | -2.4 | 1.7 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 14.5 | 11.0 | 7.8 | 2.7 | 0.5 | 4.8 | n.a. | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 10.5 | 18.6 | n.a. | 7.3 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 17.6 | 8.2 | 7.2 | 1.9 | -0.8 | 4.5 | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 11.5 | 16.1 | n.a. | 7.1 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 8.3 | 11.5 | 11.5 | 5.7 | 5.7 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -1.0 | -0.4 | -0.7 | 1.0 | -0.4 | 0.7 | 1.5 | 2.7 |
| Cyclically-adjusted balance ² | -3.8 | -3.5 | -5.1 | -2.7 | -2.8 | -3.0 | -2.8 | 0.9 |
| One-offs | 0.0 | 0.0 | -2.1 | 0.0 | -0.2 | 0.0 | 0.0 | 0.0 |
| Structural balance ³ | -3.8 | -3.5 | -3.0 | -2.7 | -2.6 | -3.0 | -2.8 | 0.9 |
| Structural primary balance ³ | -3.3 | -3.0 | -2.5 | -2.2 | -2.0 | -2.2 | -2.0 | 1.2 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Convergence Programme (CP); Commission 2022 spring forecasts (COM); Commission calculations.

Table 2.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | CP | COM | CP | CP | CP |
| Gross debt ratio¹ | 24.2 | 25.1 | 25.3 | 25.5 | 25.6 | 27.7 | 29.1 | 30.4 |
| Change in the ratio | -0.2 | 0.4 | 0.2 | 0.4 | 0.3 | 2.2 | 1.4 | 1.3 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | -1.0 | 3.6 | 3.1 | 4.8 | 1.9 | 2.3 | 2.0 | 1.6 |
| 2. "Snow-ball" effect | -0.7 | -1.8 | -2.1 | -1.9 | -1.1 | -1.5 | -1.1 | -0.9 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 0.7 | 0.5 | 0.5 | 0.5 | 0.5 | 0.6 | 0.8 | 0.8 |
| Growth effect | -0.4 | -0.9 | -0.5 | -0.6 | -0.7 | -0.7 | -0.9 | -0.9 |
| Inflation effect | -1.0 | -1.4 | -2.1 | -1.8 | -0.9 | -1.4 | -0.9 | -0.7 |
| 3. Stock-flow adjustment | 1.5 | -1.3 | -0.8 | -2.4 | -0.4 | 1.4 | 0.5 | 0.6 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP), Commission calculations.

Table 2.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Convergence programme scenario | |
|--|---------------------|-------------|--------------------------------|-------------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0)^[1] | 0.3 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1)^[2] | -1.2 | LOW risk | -0.6 | LOW risk |
| Debt sustainability analysis^[3] | MEDIUM risk | | | |
| Baseline scenario | LOW risk | | | |
| Stochastic projections | MEDIUM risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 36.8 | | 40.7 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2)^[6] | 3.7 | MEDIUM risk | 3.9 | MEDIUM risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 convergence programme.

Table 2.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | n.a. | 0.5 | 1.3 | 1.1 | 1 | n.a. |
| Cash disbursements of RRF grants from EU | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | n.a. | n.a. | 0 | 0 | 0 | 0 | n.a. |
| Social payments D.62+D.632 | n.a. | n.a. | n.a. | 0 | 0 | 0 | n.a. |
| Interest expenditure D.41 | n.a. | n.a. | n.a. | 0 | 0 | 0 | n.a. |
| Subsidies, payable D.3 | n.a. | n.a. | n.a. | 0 | 0 | 0 | n.a. |
| Current transfers D.7 | n.a. | n.a. | n.a. | 0 | 0 | 0 | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | n.a. | n.a. | 0 | 0 | 0 | n.a. |
| Gross fixed capital formation P.51g | n.a. | n.a. | 0.5 | 1.3 | 1.1 | 1 | n.a. |
| Capital transfers D.9 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | n.a. | 0.5 | 1.3 | 1.1 | 1 | n.a. |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other costs with impact on revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Financial transactions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: National authorities.

Table 2.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 2.8: Guarantees adopted/announced according to the Programme

| | Measures | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|---|-------------------------|--|-------------------------------------|
| In response to COVID-19 | 1. European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) as a result of the COVID-19 outbreak, between the Re-public of Bulgaria and the European Commission. | 18.09.2020 | 0.1 | 0.1 |
| | 2. Contribution agreement between the Republic of Bulgaria and EIB in relation to the Pan-European Guarantee Fund. | 09.10.2020 | 0.1 | 0.1 |
| | Subtotal | | 0.2 | 0.2 |
| Others | 1. Guarantee for financing of a project for the construction of a cross-border pipe-line between the Greek and Bulgarian gas transmission systems. | 12.2019 | 0.1 | 0.1 |
| | 4. Guarantee in accordance with the Students and Doctoral Students Lending Act | 8.2009 | 0.1 | 0 |
| | Subtotal | | 0.2 | 0.1 |
| Total | | | 0.4 | 0.3 |

Source: National authorities.

3. CZECHIA

Table 3.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| | COM | CP | COM | CP | COM | CP | CP | CP |
| Real GDP (% change) | 3.3 | 3.3 | 1.9 | 1.2 | 2.7 | 3.6 | 3.2 | 2.4 |
| Private consumption (% change) | 4.4 | 4.4 | 2.0 | 0.5 | 2.0 | 4.5 | 4.0 | 3.5 |
| Gross fixed capital formation (% change) | 0.9 | 0.6 | 3.1 | 2.2 | 5.6 | 5.9 | 0.1 | 0.2 |
| Exports of goods and services (% change) | 5.1 | 5.1 | 1.2 | 1.5 | 3.5 | 4.2 | 3.7 | 2.5 |
| Imports of goods and services (% change) | 11.5 | 11.5 | 1.2 | 1.3 | 3.6 | 4.0 | 1.9 | 1.4 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 2.6 | 2.8 | 1.8 | 1.0 | 2.7 | 3.9 | 2.2 | 2.0 |
| - Change in inventories | 4.5 | 4.3 | 0.0 | 0.0 | 0.0 | -0.4 | -0.3 | -0.4 |
| - Net exports | -3.8 | -3.8 | 0.1 | 0.1 | 0.0 | 0.2 | 1.3 | 0.9 |
| Output gap ¹ | -2.4 | -2.4 | -2.2 | -3.0 | -1.2 | -1.3 | 0.1 | 0.8 |
| Employment (% change) | 0.1 | 0.1 | 2.2 | 2.1 | 0.3 | 1.3 | 0.2 | 0.1 |
| Unemployment rate (%) | 2.8 | 2.8 | 2.6 | 2.5 | 2.6 | 2.6 | 2.4 | 2.3 |
| Labour productivity (% change) | 3.2 | 3.2 | -0.3 | -0.9 | 2.4 | 2.3 | 3.0 | 2.3 |
| HICP inflation (%) | 3.3 | 3.3 | 11.7 | 11.3 | 4.5 | 4.2 | 2.0 | 2.0 |
| GDP deflator (% change) | 4.1 | 4.0 | 7.4 | 6.9 | 4.7 | 4.1 | 2.5 | 2.2 |
| Comp. of employees (per head, % change) | 5.7 | 5.6 | 2.4 | 2.0 | 5.3 | 4.0 | 3.8 | 3.9 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | -1.1 | -0.6 | -1.9 | -1.6 | -1.8 | -1.0 | 0.4 | 1.0 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Convergence Programme (CP); Commission 2022 spring forecasts (COM); Commission calculations.

Table 3.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|
| | COM | COM | CP | COM | CP | CP | CP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | -1.3 | 0.1 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | 0.0 | -1.0 | n.a. | -0.1 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.0 | 0.6 | n.a. | -0.2 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0.4 | -0.3 | n.a. | 0.0 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | -1.6 | 0.7 | n.a. | 0.4 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | -0.6 | 2.3 | 1.4 | 0.3 | 0.7 | 2.1 | n.a. |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | -0.9 | 3.6 | 2.2 | -0.1 | 1.0 | 1.3 | n.a. |
| Change in the structural balance | -0.8 | 1.9 | 2.4 | -0.4 | -0.2 | -0.2 | -0.1 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Convergence Programme (CP); Commission 2022 spring forecasts (COM); Commission calculations.

Table 3.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | CP | COM | CP | CP | CP | CP |
| Revenue | 40.5 | 40.2 | 40.4 | 39.8 | 40.0 | 38.5 | 37.6 | -2.9 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 11.5 | 11.4 | 11.5 | 11.4 | 11.5 | 11.4 | 11.2 | -0.3 |
| - Current taxes on income, wealth, etc. | 6.8 | 6.5 | 6.6 | 6.5 | 6.6 | 6.6 | 6.5 | -0.3 |
| - Social contributions | 16.6 | 15.8 | 16.0 | 15.5 | 15.6 | 15.2 | 15.0 | -1.6 |
| - Other (residual) | 5.7 | 6.5 | 6.3 | 6.4 | 6.3 | 5.3 | 4.9 | -0.8 |
| RRF grants as included in the revenue projections | | 0.9 | 0.8 | 0.7 | 0.6 | 0.6 | 0.2 | 0 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expenditure | 46.4 | 44.5 | 45.0 | 43.7 | 43.2 | 41.4 | 40.3 | -6.1 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 45.7 | 43.6 | 44.1 | 42.8 | 42.2 | 40.3 | 39.1 | -6.6 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 16.8 | 16.0 | 16.3 | 15.8 | 15.7 | 15.2 | 15.0 | -1.8 |
| Compensation of employees | 11.0 | 10.2 | 10.3 | 10.0 | 9.8 | 9.6 | 9.5 | -1.5 |
| Intermediate consumption | 5.8 | 5.8 | 6.0 | 5.8 | 5.8 | 5.7 | 5.6 | -0.2 |
| Social payments | 17.8 | 17.2 | 17.4 | 17.2 | 17.1 | 16.7 | 16.3 | -1.5 |
| Subsidies | 3.3 | 2.4 | 2.4 | 2.1 | 2.0 | 1.9 | 1.8 | -1.5 |
| Gross fixed capital formation | 4.7 | 4.9 | 4.7 | 5.2 | 4.9 | 4.0 | 3.6 | -1.1 |
| Other (residual) | 3.2 | 3.1 | 3.3 | 2.6 | 2.6 | 2.5 | 2.5 | -0.7 |
| - Interest expenditure | 0.7 | 0.9 | 0.9 | 0.9 | 1.0 | 1.1 | 1.2 | 0.5 |
| Expenditure financed by RRF grants | 0.2 | 0.7 | 0.8 | 0.7 | 0.6 | 0.5 | 0.2 | 0 |
| General government balance (GGB) | -5.9 | -4.3 | -4.5 | -3.9 | -3.2 | -2.9 | -2.7 | 3.2 |
| Primary balance | -5.1 | -3.4 | -3.6 | -3.0 | -2.3 | -1.8 | -1.5 | 3.6 |
| GGB excl. one-offs | -5.9 | -3.9 | -3.7 | -3.9 | -3.3 | -2.9 | -2.7 | 3.1 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 7.8 | 1.6 | 3.6 | 5.6 | 4.6 | 2.8 | n.a. | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 9.7 | 6.8 | n.a. | 6.0 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 9.4 | 2.8 | 2.2 | 5.2 | 4.1 | 3.7 | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 11.0 | 7.5 | n.a. | 5.5 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 6.4 | 9.5 | 9.5 | 6.7 | 6.7 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -2.4 | -2.2 | -3.0 | -1.2 | -1.3 | 0.1 | 0.8 | 3.2 |
| Cyclically-adjusted balance ² | -4.9 | -3.4 | -3.3 | -3.5 | -2.7 | -2.9 | -3.0 | 1.9 |
| One-offs | 0.0 | -0.4 | -0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Structural balance ³ | -4.9 | -3.1 | -2.5 | -3.5 | -2.7 | -3.0 | -3.0 | 1.9 |
| Structural primary balance ³ | -4.2 | -2.1 | -1.6 | -2.5 | -1.7 | -1.9 | -1.8 | 2.3 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Convergence Programme (CP); Commission 2022 spring forecasts (COM); Commission calculations.

Table 3.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | CP | COM | CP | CP | CP |
| Gross debt ratio¹ | 34.1 | 41.9 | 42.8 | 42.7 | 44.0 | 43.4 | 44.4 | 45.4 |
| Change in the ratio | -0.4 | 4.2 | 0.9 | 0.8 | 1.2 | 0.7 | 0.9 | 1.1 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | -0.3 | 5.1 | 3.4 | 3.6 | 3.0 | 2.3 | 1.8 | 1.5 |
| 2. "Snow-ball" effect | -0.7 | -1.8 | -2.6 | -2.2 | -2.0 | -2.1 | -1.3 | -0.8 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 0.8 | 0.7 | 0.9 | 0.9 | 0.9 | 1.0 | 1.1 | 1.2 |
| Growth effect | -0.6 | -1.2 | -0.7 | -0.4 | -1.1 | -1.4 | -1.3 | -1.0 |
| Inflation effect | -0.8 | -1.4 | -2.8 | -2.7 | -1.9 | -1.6 | -1.0 | -0.9 |
| 3. Stock-flow adjustment | 0.6 | 0.9 | 0.2 | -0.6 | 0.2 | 0.6 | 0.4 | 0.4 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Convergence Programme (CP); Commission 2022 spring forecasts (COM); Commission calculations.

Table 3.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Convergence programme scenario | |
|--|---------------------|-----------------|--------------------------------|-------------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0)^[1] | 0.2 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1)^[2] | 1.9 | MEDIUM risk | 0.9 | MEDIUM risk |
| Debt sustainability analysis^[3] | MEDIUM risk | | | |
| Baseline scenario | MEDIUM risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 61.4 | | 48.8 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2)^[6] | 7.1 | HIGH risk | 6.2 | HIGH risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 convergence programme.

Table 3.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0.2 | 0.8 | 0.6 | 0.6 | 0.2 | 0.2 |
| Cash disbursements of RRF grants from EU | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Social payments D.62+D.632 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0.3 | 0.1 | 0.1 | 0.1 | 0.1 |
| Gross fixed capital formation P.51g | n.a. | 0.2 | 0.5 | 0.5 | 0.4 | 0.1 | 0 |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0.2 | 0.5 | 0.5 | 0.4 | 0.1 | 0 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 3.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 3.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|---|------------------|---|------------------------------|
| In response to COVID-19 | COVID II Guarantee | 2020 | 0.2 | 0.2 |
| | COVID III Guarantee | 2020 | 0.7 | 0.7 |
| | COVID Plus Guarantee | 2020 | 0.3 | 0.3 |
| | National Guarantee Programme | 2020 | 0.1 | 0.1 |
| | Expansion - Guarantee Programme | 2020 | 0.1 | 0.1 |
| | Subtotal | | 1.5 | 1.5 |
| Others | Guarantees provided by local governments including | | | |
| | - for loans related to the housing needs | 2014 | 0.04 | 0.04 |
| | - other guarantees of the general government sector | 2014 | 0.01 | 0.01 |
| | Subtotal | | 0.1 | 0.1 |
| Total | | | 1.5 | 1.5 |

Source: National authorities.

4. DENMARK

Table 4.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 | 2026 | 2027 |
|--|------|------|------|------|------|------|------|------|------|------|
| | COM | CP | COM | CP | COM | CP | CP | CP | CP | CP |
| Real GDP (% change) | 4.7 | 4.7 | 2.6 | 3.4 | 1.8 | 1.9 | 1.2 | 0.6 | 0.8 | 0.9 |
| Private consumption (% change) | 4.2 | 4.2 | 2.3 | 2.6 | 2.1 | 2.0 | 2.0 | 1.8 | 1.6 | 1.5 |
| Gross fixed capital formation (% change) | 5.6 | 5.6 | 2.7 | 2.4 | 2.3 | 5.3 | 0.9 | 0.3 | 0.5 | 0.3 |
| Exports of goods and services (% change) | 7.8 | 7.8 | 5.4 | 5.1 | 4.5 | 3.7 | 3.3 | 1.1 | 0.3 | 0.9 |
| Imports of goods and services (% change) | 8.2 | 8.2 | 5.0 | 3.1 | 4.6 | 4.0 | 3.5 | 2.4 | 1.2 | 1.4 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | | | |
| - Final domestic demand | 4.1 | 4.1 | 2.0 | 1.9 | 1.7 | 2.1 | 1.2 | 1.3 | 1.2 | 1.1 |
| - Change in inventories | 0.3 | 0.3 | 0.1 | 0.1 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Net exports | 0.3 | 0.3 | 0.5 | 1.4 | 0.2 | 0.1 | 0.0 | -0.7 | -0.5 | -0.2 |
| Output gap ¹ | -2.0 | -2.1 | -1.6 | -1.1 | -1.9 | -1.2 | -1.2 | -1.3 | -1.0 | -0.4 |
| Employment (% change) | 2.6 | 2.6 | 1.9 | 2.3 | 1.1 | 0.5 | -0.5 | -0.5 | -0.4 | -0.2 |
| Unemployment rate (%) | 5.1 | 5.2 | 4.8 | 4.3 | 4.7 | 4.3 | 4.1 | 4.3 | 4.6 | 4.8 |
| Labour productivity (% change) | 2.0 | 1.9 | 0.7 | 1.4 | 0.7 | 1.3 | 1.6 | 1.1 | 1.1 | 1.0 |
| HICP inflation (%) | 1.9 | 1.9 | 5.1 | 5.2 | 2.7 | 1.8 | 2.1 | 2.1 | 1.9 | 1.8 |
| GDP deflator (% change) | 2.4 | 2.4 | 3.3 | 1.8 | 2.3 | 1.2 | 2.2 | 2.3 | 1.9 | 1.9 |
| Comp. of employees (per head, % change) | 3.2 | 3.1 | 3.6 | 1.5 | 2.9 | 3.6 | 3.8 | 3.5 | 3.4 | 3.4 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 8.4 | 8.3 | 7.9 | 6.5 | 7.9 | 5.9 | 9.8 | 8.9 | 7.8 | 7.2 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Convergence Programme (CP); Commission 2022 spring forecasts (COM); Commission calculations

Table 4.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | 2027 |
|--|------------|-------------|-------------|------------|-------------|-------------|-------------|-------------|-------------|
| | COM | COM | CP | COM | CP | CP | CP | CP | CP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | 3.0 | -2.2 | n.a. | 1.6 | n.a. | n.a. | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.2 | 0 | n.a. | 0.1 | n.a. | n.a. | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.1 | 0 | n.a. | -0.4 | n.a. | n.a. | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0.3 | 0 | n.a. | 0.4 | n.a. | n.a. | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | 2.7 | -2.2 | n.a. | 1.4 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | 0.9 | 2.3 | 4.3 | 1.6 | 0.4 | -0.4 | n.a. | n.a. | n.a. |
| Stability and Growth Pact indicators | | | | | | | | | |
| Expenditure benchmark | 1.1 | 2.4 | 4.4 | 1.6 | 0.8 | -0.2 | n.a. | n.a. | n.a. |
| Change in the structural balance | 1.3 | -1.6 | -1.0 | 0.3 | -0.2 | -0.3 | -0.2 | -0.7 | -1.5 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Convergence Programme (CP); Commission 2022 spring forecasts (COM); Commission calculations

Table 4.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | 2027 | Change: 2021-2027 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | CP | COM | CP | CP | CP | CP | CP | CP |
| Revenue | 53.3 | 49.2 | 47.9 | 47.7 | 47.9 | 47.7 | 47.8 | 48.7 | 48.7 | -4.6 |
| <i>of which:</i> | | | | | | | | | | |
| - Taxes on production and imports | 15.8 | 15.1 | 15.4 | 14.7 | 15.4 | 15.3 | 15.3 | 15.3 | 15.3 | -0.5 |
| - Current taxes on income, wealth, etc. | 31.2 | 28.3 | 27.4 | 27.4 | 27.5 | 27.4 | 27.5 | 28.2 | 28.2 | -3.0 |
| - Social contributions | 0.8 | 0.7 | 0 | 0.7 | 0 | 0 | 0 | 0 | 0 | -0.8 |
| - Other (residual) | 5.6 | 5.1 | 5.1 | 4.8 | 5.0 | 5.0 | 5.0 | 5.2 | 5.2 | -0.4 |
| RRF grants as included in the revenue projections | | 0.1 | 0.2 | 0 | 0.1 | 0.1 | 0.0 | 0.0 | n.a. | n.a. |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | n.a. | n.a. |
| Expenditure | 51.0 | 48.3 | 47.3 | 47.1 | 47.7 | 47.1 | 47.4 | 48.1 | 48.7 | -2.3 |
| <i>of which:</i> | | | | | | | | | | |
| - Primary expenditure | 50.5 | 47.7 | 46.7 | 46.6 | 47.2 | 46.7 | 47.0 | 47.6 | 48.2 | -2.3 |
| <i>of which:</i> | | | | | | | | | | |
| Compensation of employees+Intermediate | 24.0 | 23.6 | 23.3 | 23.1 | 23.1 | 23.0 | 23.3 | 23.7 | 23.9 | -0.1 |
| Compensation of employees | 15.0 | 14.5 | 14.4 | 14.3 | 14.4 | 14.4 | 14.6 | 14.8 | 15.0 | 0.0 |
| Intermediate consumption | 9.1 | 9.1 | n.a. | 8.8 | 8.7 | 8.6 | 8.8 | 8.9 | 9.0 | -0.1 |
| Social payments | 16.8 | 16.0 | 16.0 | 15.4 | 16.0 | 16.2 | 16.4 | 16.6 | 16.8 | 0.0 |
| Subsidies | 2.5 | 1.4 | 1.5 | 1.3 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | -1.0 |
| Gross fixed capital formation | 3.5 | 3.5 | 3.2 | 3.8 | 3.6 | 3.6 | 3.4 | 3.5 | 3.5 | 0.0 |
| Other (residual) | 3.6 | 3.3 | 2.4 | 3.1 | 2.9 | 2.2 | 2.2 | 2.3 | 2.3 | -1.3 |
| - Interest expenditure | 0.5 | 0.6 | 0.6 | 0.5 | 0.5 | 0.4 | 0.4 | 0.5 | 0.5 | 0 |
| Expenditure financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | n.a. | n.a. |
| General government balance (GGB) | 2.3 | 0.9 | 0.6 | 0.6 | 0.2 | 0.6 | 0.4 | 0.6 | 0.1 | -2.2 |
| Primary balance | 2.9 | 1.5 | 1.3 | 1.1 | 0.7 | 1.0 | 0.8 | 1.1 | 0.6 | -2.3 |
| GGB excl. one-offs | 2.3 | 0.9 | 1.9 | 1.1 | 1.7 | 1.4 | 1.1 | 0.6 | 0.1 | -2.2 |
| Expenditure aggregate growth rates | | | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 2.2 | 0.3 | -4.5 | 0.9 | 3.3 | 4.7 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | -2.4 | 10.4 | n.a. | 0.9 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 2.9 | -0.1 | -8.5 | 0.8 | 0.9 | 4.8 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | -2.0 | 10.9 | n.a. | 0.8 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 4.4 | 5.3 | 5.3 | 4.1 | 4.1 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | | | |
| Output gap ² | -2.0 | -1.6 | -1.1 | -1.9 | -1.2 | -1.2 | -1.3 | -1.0 | -0.4 | 1.6 |
| Cyclically-adjusted balance ² | 3.5 | 1.9 | 1.3 | 1.7 | 0.9 | 1.3 | 1.2 | 1.2 | 0.4 | -3.2 |
| One-offs | 0 | 0 | -1.3 | -0.5 | -1.5 | -0.8 | -0.7 | 0 | 0 | 0 |
| Structural balance ³ | 3.5 | 1.9 | 2.6 | 2.2 | 2.4 | 2.1 | 1.9 | 1.2 | 0.4 | -3.2 |
| Structural primary balance ³ | 4.1 | 2.4 | 3.2 | 2.7 | 2.9 | 2.5 | 2.3 | 1.7 | 0.9 | -3.3 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Convergence Programme (CP); Commission 2022 spring forecasts (COM); Commission calculations

Table 4.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | 2027 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | CP | COM | CP | CP | CP | CP | CP |
| Gross debt ratio¹ | 36.6 | 36.7 | 34.9 | 33.3 | 33.9 | 32.5 | 34.0 | 33.9 | 35.8 | 35.6 |
| Change in the ratio | 0.5 | -5.4 | -1.8 | -3.4 | -1.0 | -0.8 | 1.5 | -0.1 | 1.9 | -0.2 |
| <i>Contributions²:</i> | | | | | | | | | | |
| 1. Primary balance | -2.1 | -2.9 | -1.5 | -1.3 | -1.1 | -0.7 | -1.0 | -0.8 | -1.1 | -0.6 |
| 2. “Snow-ball” effect | -0.1 | -2.2 | -1.5 | -1.1 | -0.9 | -0.5 | -0.7 | -0.6 | -0.4 | -0.5 |
| <i>Of which:</i> | | | | | | | | | | |
| Interest expenditure | 0.8 | 0.5 | 0.6 | 0.6 | 0.5 | 0.5 | 0.4 | 0.4 | 0.5 | 0.5 |
| Growth effect | -0.6 | -1.8 | -0.9 | -1.2 | -0.6 | -0.6 | -0.4 | -0.2 | -0.3 | -0.3 |
| Inflation effect | -0.4 | -0.9 | -1.1 | -0.6 | -0.8 | -0.4 | -0.7 | -0.8 | -0.6 | -0.7 |
| 3. Stock-flow adjustment | 2.7 | -0.2 | 1.2 | -1.0 | 1.0 | 0.4 | 3.2 | 1.3 | 3.4 | 0.9 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Convergence Programme (CP); Commission 2022 spring forecasts (COM); Commission calculations

Table 4.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Convergence programme scenario | |
|--|---------------------|----------|--------------------------------|----------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.2 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | -5.9 | LOW risk | -4.7 | LOW risk |
| Debt sustainability analysis ^[3] | LOW risk | | | |
| Baseline scenario | LOW risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 9.7 | | 23.1 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | -0.8 | LOW risk | 0.5 | LOW risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 convergence programme.

Table 4.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0.1 | 0.2 | 0.1 | 0.1 | 0 | 0 |
| Cash disbursements of RRF grants from EU | n.a. | 0.1 | 0.2 | 0.1 | 0.1 | 0 | 0 |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|------------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | n.a. | 0.1 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|----------|------------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0.1 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 4.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|-------------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 4.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|---------------------------------|------------------|---|------------------------------|
| In response to COVID-19 | Guarantees for SMEs | June 2020 | 0.7 | 0.1 |
| | Guarantees for large corporates | June 2020 | 1.2 | 0 |
| | Other national guarantees | 2020 | 1.4 | 1.1 |
| | Guarantee for EIB | 2020 | 0.2 | 0.1 |
| | Guarantee EU SURE | 2020 | 0.2 | n.a. |
| | EU Recovery Fund | 2020 | 2.6 | n.a. |
| | Subtotal | | 6.2 | n.a. |
| Others | Others | n.a. | 8.7 | n.a. |
| | Subtotal | | 0 | n.a. |
| Total | | | 6.2 | n.a. |

Source: National authorities.

5. GERMANY

Table 5.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|--|------|------|------|------|------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP | SP |
| Real GDP (% change) | 2.9 | 2.9 | 1.6 | 3.6 | 2.4 | 2.3 | 0.8 | 0.8 | 0.8 |
| Private consumption (% change) | 0.1 | 0.1 | 4.1 | 6.0 | 3.7 | 2.6 | 0.8 | 0.8 | 0.8 |
| Gross fixed capital formation (% change) | 1.5 | 1.5 | 0.8 | 2.6 | 2.7 | 4.3 | 2.1 | 2.1 | 2.1 |
| Exports of goods and services (% change) | 9.9 | 9.9 | 2.4 | 5.5 | 4.2 | 4.0 | 3.1 | 3.1 | 3.1 |
| Imports of goods and services (% change) | 9.3 | 9.3 | 4.1 | 6.3 | 5.1 | 4.3 | 3.5 | 3.5 | 3.5 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | | |
| - Final domestic demand | 1.1 | 1.1 | 2.3 | 3.5 | 2.6 | 2.2 | 0.9 | 0.9 | 0.9 |
| - Change in inventories | 1.0 | 0.7 | -0.2 | 0.1 | 0.1 | 0 | 0 | 0 | 0 |
| - Net exports | 0.8 | 0.9 | -0.6 | 0.0 | -0.2 | 0.1 | 0 | 0 | 0 |
| Output gap ¹ | -2.0 | -2.6 | -1.4 | -0.4 | -0.1 | 0.6 | 0.3 | 0.0 | -0.2 |
| Employment (% change) | 0.0 | 0.0 | 0.8 | 0.9 | 0.5 | 0.4 | -0.3 | -0.3 | -0.3 |
| Unemployment rate (%) | 3.6 | 3.3 | 3.3 | 3.1 | 3.2 | 3.0 | 3.2 | 3.3 | 3.3 |
| Labour productivity (% change) | 2.8 | 2.8 | 0.8 | 2.7 | 1.9 | 1.9 | 1.1 | 1.1 | 1.1 |
| HICP inflation (%) | 3.2 | n.a. | 6.5 | n.a. | 3.1 | n.a. | n.a. | n.a. | n.a. |
| GDP deflator (% change) | 3.0 | 3.0 | 5.4 | 2.9 | 3.6 | 1.7 | 1.8 | 1.8 | 1.8 |
| Comp. of employees (per head, % change) | 3.4 | 3.4 | 3.4 | 3.5 | 4.0 | 3.1 | 3.3 | 3.2 | 3.2 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 6.9 | 6.9 | 5.8 | 6.9 | 6.2 | 7.1 | 6.9 | 6.8 | 6.7 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 5.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|--|------------|-------------|-------------|------------|-------------|-------------|-------------|-------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | 0.1 | -1.6 | n.a. | 0.6 | n.a. | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.2 | 0 | n.a. | 0.1 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.0 | -0.2 | n.a. | -0.1 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | -0.3 | 0.1 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | 0.6 | -1.5 | n.a. | 0.7 | n.a. | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | -1.5 | 1.5 | 1.3 | 1.8 | 2.3 | 0.9 | 1.0 | n.a. |
| Stability and Growth Pact indicators | | | | | | | | |
| Expenditure benchmark | -1.4 | 1.7 | 1.7 | 1.7 | 2.3 | 0.9 | 0.8 | n.a. |
| Change in the structural balance | -0.2 | 0.8 | -1.3 | 0.8 | 1.3 | 0.4 | 1.0 | 0.4 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 5.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | Change: 2021-2026 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP | SP |
| Revenue | 47.8 | 46.3 | 45 ½ | 45.9 | 46 | 46 ¼ | 47 | 47 ¼ | -½ |
| <i>of which:</i> | | | | | | | | | |
| - Taxes on production and imports | 11.0 | 11.2 | 10 ¾ | 11.2 | 11 | 11 | 11 | 11 | 0 |
| - Current taxes on income, wealth, etc. | 13.5 | 12.5 | 12 ¼ | 12.2 | 12 ½ | 12 ¾ | 13 | 13 ½ | 0 |
| - Social contributions | 17.7 | 17.3 | 17 ¼ | 17.2 | 17 ½ | 17 ½ | 18 | 18 ¼ | ½ |
| - Other (residual) | 5.6 | 5.3 | 5 ¼ | 5.3 | 5 | 5 | 5 | 4 ¾ | -1 |
| RRF grants as included in the revenue projections | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | -0.2 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expenditure | 51.5 | 48.8 | 49 ¼ | 46.9 | 47 ¾ | 48 | 47 ¾ | 47 ¾ | -3 ¾ |
| <i>of which:</i> | | | | | | | | | |
| - Primary expenditure | 50.9 | 48.3 | 48 ½ | 46.4 | 47 ¼ | 47 ½ | 47 ¼ | 47 ¼ | -3 ¾ |
| <i>of which:</i> | | | | | | | | | |
| Compensation of employees+Intermediate consumption | 14.7 | 14.2 | 14 ½ | 13.6 | 13 ½ | 13 ¼ | 13 ¼ | 13 ¼ | -1 ½ |
| Compensation of employees | 8.2 | 7.9 | 8 | 7.7 | 7 ¾ | 7 ¾ | 7 ¾ | 7 ¾ | -½ |
| Intermediate consumption | 6.5 | 6.3 | 6 ½ | 5.9 | 5 ¾ | 5 ½ | 5 ½ | 5 ½ | -1 |
| Social payments | 26.2 | 25.3 | 25 ¼ | 24.7 | 25 | 25 ¼ | 25 ½ | 25 ½ | -¾ |
| Subsidies | 2.9 | 1.6 | 2 | 1.3 | 1 ½ | 1 ¾ | 1 ¾ | 1 ¾ | -1 ¼ |
| Gross fixed capital formation | 2.5 | 2.7 | 3 | 2.8 | 3 | 3 | 2 ¾ | 2 ¾ | ¼ |
| Other (residual) | 4.4 | 4.3 | 4 ¼ | 4.0 | 4 ¼ | 4 ¼ | 4 | 4 | -½ |
| - Interest expenditure | 0.6 | 0.5 | ½ | 0.5 | ½ | ½ | ½ | ½ | 0 |
| Expenditure financed by RRF grants | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | -0.2 |
| General government balance (GGB) | -3.7 | -2.5 | -3 ¾ | -1.0 | -2 | -1 ¾ | -1 | -½ | 3 |
| Primary balance | -3.1 | -2.0 | -3 ¼ | -0.5 | -1 ½ | -1 ¼ | -¼ | 0 | 3 |
| GGB excl. one-offs | -3.6 | -2.5 | -3 ¾ | -1.0 | -2 | -1 ¾ | -1 | -½ | 3 |
| Expenditure aggregate growth rates | | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 7.1 | 3.5 | 3.8 | 1.0 | -0.1 | 2.5 | 2.0 | n.a. | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 3.7 | 10.2 | n.a. | 3.6 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 6.7 | 3.1 | 2.6 | 0.3 | -0.8 | 2.5 | 2.1 | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 2.9 | 10.4 | n.a. | 3.1 | n.a. | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 4.3 | 6.5 | 6.5 | 4.7 | 4.7 | n.a. | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | | |
| Output gap ² | -2.0 | -1.4 | -0.4 | -0.1 | 0.6 | 0.3 | 0 | -0.2 | 2.4 |
| Cyclically-adjusted balance ² | -2.7 | -1.8 | -3.5 | -1.0 | -2.2 | -1.9 | -0.9 | -0.5 | 1.9 |
| One-offs | -0.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.1 |
| Structural balance ³ | -2.6 | -1.8 | -3.5 | -1.0 | -2.2 | -1.9 | -0.9 | -0.5 | 1.7 |
| Structural primary balance ³ | -2.0 | -1.2 | -2.9 | -0.4 | -1.7 | -1.3 | -0.4 | 0 | 1.7 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 5.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | SP | COM | SP | SP | SP | SP |
| Gross debt ratio¹ | 64.5 | 69.3 | 66.4 | 66 ¾ | 64.5 | 65 ¾ | 65 ¾ | 65 | 64 ½ |
| Change in the ratio | -0.7 | 0.6 | -3.0 | -2 ½ | -1.9 | -1 | -¼ | -¾ | -½ |
| <i>Contributions²:</i> | | | | | | | | | |
| 1. Primary balance | -1.2 | 3.1 | 2.0 | 3 ¼ | 0.5 | 1 ½ | 1 ¼ | ¼ | 0 |
| 2. “Snow-ball” effect | -0.5 | -3.3 | -4.0 | -3.6 | -3.3 | -2.0 | -1.1 | -1.1 | -1.1 |
| <i>Of which:</i> | | | | | | | | | |
| Interest expenditure | 0.9 | 0.6 | 0.5 | ½ | 0.5 | ½ | ½ | ½ | ½ |
| Growth effect | -0.4 | -1.9 | -1.0 | -2.4 | -1.5 | -1.5 | -0.5 | -0.5 | -0.5 |
| Inflation effect | -1.1 | -2.0 | -3.5 | -1.9 | -2.3 | -1.1 | -1.1 | -1.1 | -1.1 |
| 3. Stock-flow adjustment | 1.1 | 0.8 | -0.9 | -2.0 | 0.9 | -0.3 | -0.3 | 0.1 | 0.5 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 5.5: Debt sustainability analysis results and fiscal sustainability indicators

| <i>Time horizon</i> | Commission scenario | | Stability programme scenario | |
|--|---------------------|-------------|------------------------------|-------------|
| Short term | LOW risk | | | |
| Short-term fiscal risk indicator (S0)^[1] | 0.3 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1)^[2] | -0.1 | LOW risk | -0.3 | LOW risk |
| Debt sustainability analysis^[3] | LOW risk | | | |
| Baseline scenario | LOW risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 57.0 | | 58.5 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2)^[6] | 2.6 | MEDIUM risk | 2.2 | MEDIUM risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and ‘financing’ of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 5.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|----------|------------|------------|------------|------------|------------|------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | 0 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0 |
| Cash disbursements of RRF grants from EU | 0 | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|----------|------------|------------|------------|------------|------------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Social payments D.62+D.632 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | 0 | 0.1 | 0.1 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: National authorities.

Table 5.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 5.8: Guarantees adopted/announced according to the Programme

| | Measures | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|--|--|--|---|------------------------------|
| In response to COVID-19 | Federation: including guarantees under the Budget Act (Haushaltsgesetz), here: expansion of guarantee framework following entry into force of the first supplementary budget for 2020, pursuant to section 3 (1) sentence 1 no. ... | retroactively from 1 January 2020 | 10.0 | n.a. |
| | 1. Exports (export guarantees) | | 0.2 | n.a. |
| | 2. Loans to foreign debtors, foreign direct investment, EIB loans | | 0.5 | n.a. |
| | 3. Financial cooperation projects | | 0.1 | n.a. |
| | 5. Domestic guarantees | | 8.4 | n.a. |
| | 6. International financing institutions | | 0.8 | n.a. |
| | Federation: Guarantees under other laws | | | |
| | Guarantees under the Act on the Assumption of Guarantees within the Framework of the European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE) (SURE-Gewährleistungsgesetz) | 10 July 2020 | 0.2 | 0.2 |
| | German contribution to the Pan-European Guarantee Fund | 2020 | 0.1 | 0 |
| | Federation: Guarantees by special funds | | | |
| Guarantees by the Economic Stabilisation Fund under section 21 of the Stabilisation Fund Act (Stabilisierungsfondsgesetz) (reduced to €100bn under the Act Amending the Stabilisation Fund Act (Gesetz zur Änderung des Stabilisierungsfondsgesetzes) and the Economic Stabilisation Acceleration Act (Wirtschaftsstabilisierungsbeschleunigungsgesetz) of 20 December 2021) | 28 March 2020 / 20 December 2021 | 2.8 | 0 | |
| Länder: Expansion of guarantee framework provided by the Länder | tbd | 2.2 | 0 | |
| | Subtotal | | 15.2 | n.a. |
| Others | Federation: including total guarantees under the Budget Act pursuant to section 3 (1) sentence 1 no. ... | 1 January 2020 | 23.0 | 15.3 |
| | 1. Exports (export guarantees) | | 4.3 | 3.6 |
| | 2. Loans to foreign debtors, foreign direct investment, EIB loans | | 2.1 | 1.0 |
| | 3. Financial cooperation projects | | 1.0 | 0.8 |
| | 5. Domestic guarantees | | 12.0 | 7.5 |
| | 6. International financing institutions | | 3.1 | 1.9 |
| | 8. Interest compensation guarantees | | 0.4 | 0.4 |
| | Federation: Guarantees under other laws | | | |
| | Guarantees for loans to Greece under the Act on Financial Stability within the Monetary Union (Währungsunion-Finanzstabilitätsgesetz) | 7 May 2010 | 0.6 | 0.6 |
| | Guarantees under the Act on the Assumption of Guarantees within the Framework of a European Stabilisation Mechanism (Gesetz zur Übernahme von Gewährleistungen im Rahmen eines europäischen Stabilisierungsmechanismus) | 23 May 2010, amendment: 1 June 2012 | 5.9 | 2.5 |
| | Federation: including guarantees by special funds | | | |
| | Guarantees by the ERP Special Fund ERP Business Plan Act (ERP-Wirtschaftsplangesetz) 2021 | | 0.1 | 0.1 |
| | Guarantees by the Financial Stabilisation Fund under sections 6 and 8a of the Stabilisation Fund Act | 18 Oct. 2008, amendment: 29 Dec. 2020 | 11.2 | 0 |
| | | Subtotal | | 40.9 |
| | Total | | 56.1 | n.a. |

Source: National authorities.

6. ESTONIA

Table 6.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|--|------|------|------|------|------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP | SP |
| Real GDP (% change) | 8.3 | 8.3 | 1.0 | -1.0 | 2.4 | 1.2 | 3.2 | 2.6 | 2.6 |
| Private consumption (% change) | 6.4 | 6.5 | 2.5 | -4.6 | 1.5 | 0.1 | 3.2 | 2.3 | 2.0 |
| Gross fixed capital formation (% change) | 3.3 | 3.3 | -7.0 | -7.2 | 5.0 | 3.9 | 1.0 | 2.4 | 2.5 |
| Exports of goods and services (% change) | 19.8 | 19.8 | 3.0 | -2.0 | 4.9 | 2.3 | 4.7 | 3.2 | 3.0 |
| Imports of goods and services (% change) | 20.6 | 20.6 | -0.6 | -6.6 | 4.3 | 2.1 | 3.4 | 2.8 | 2.3 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | | |
| - Final domestic demand | 5.0 | 4.9 | -0.4 | -4.4 | 2.1 | 1.2 | 1.8 | 1.8 | 1.7 |
| - Change in inventories | 2.8 | 2.6 | -1.6 | -0.2 | -0.3 | -0.2 | 0.0 | 0.3 | 0.1 |
| - Net exports | -0.5 | -0.4 | 2.9 | 3.5 | 0.6 | 0.2 | 1.3 | 0.5 | 0.7 |
| Output gap ¹ | 0.0 | 0.7 | -1.5 | -1.9 | -1.5 | -2.4 | -1.0 | -0.3 | 0.5 |
| Employment (% change) | 0.1 | -0.5 | 0.7 | -0.1 | 1.0 | -1.2 | 1.1 | 0.4 | 0.0 |
| Unemployment rate (%) | 6.2 | 6.2 | 6.8 | 7.2 | 6.9 | 8.3 | 7.2 | 6.7 | 6.4 |
| Labour productivity (% change) | 8.2 | 8.9 | 0.3 | -0.9 | 1.4 | 2.4 | 2.1 | 2.2 | 2.6 |
| HICP inflation (%) | 4.5 | 4.5 | 11.2 | 12.4 | 2.5 | 2.0 | 1.2 | 1.7 | 2.0 |
| GDP deflator (% change) | 5.5 | 5.5 | 8.1 | 7.8 | 3.2 | 2.5 | 1.7 | 2.1 | 2.4 |
| Comp. of employees (per head, % change) | 7.6 | 7.9 | 7.0 | 6.1 | 4.5 | 5.6 | 4.6 | 4.8 | 5.0 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 1.1 | 8.1 | 3.0 | 3.4 | 4.0 | 4.1 | 4.3 | 4.1 | 4.9 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 6.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|--|------|------|------|------|------|------|------|------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | 1.7 | -2.4 | n.a. | 0.2 | n.a. | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.1 | -0.1 | n.a. | -0.4 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | -0.1 | -0.6 | n.a. | -0.3 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0.4 | -0.4 | n.a. | 0.5 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | 1.6 | -1.4 | n.a. | 0.4 | n.a. | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | 1.3 | -0.5 | -0.5 | 1.0 | 1.2 | 1.4 | 1.9 | n.a. |
| Stability and Growth Pact indicators | | | | | | | | |
| Expenditure benchmark | 1.6 | 0.0 | 1.3 | 1.5 | 0.8 | 1.0 | 1.1 | n.a. |
| Change in the structural balance | 0.1 | -0.5 | -0.9 | 0.9 | -0.7 | 0.3 | 0.5 | n.a. |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 6.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | Change: 2021-2026 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP | SP |
| Revenue | 40.0 | 39.3 | 39.9 | 39.1 | 40.2 | 39.8 | 39.2 | 38.3 | -1.7 |
| <i>of which:</i> | | | | | | | | | |
| - Taxes on production and imports | 13.7 | 13.9 | 14.0 | 13.7 | 13.7 | 13.6 | 13.3 | 12.8 | -0.9 |
| - Current taxes on income, wealth, etc. | 8.6 | 7.8 | 8.0 | 7.3 | 7.6 | 7.6 | 7.7 | 7.7 | -0.9 |
| - Social contributions | 12.2 | 11.9 | 12.3 | 11.9 | 12.3 | 12.4 | 12.5 | 12.4 | 0.2 |
| - Other (residual) | 5.5 | 5.6 | 5.6 | 6.1 | 6.6 | 6.2 | 5.7 | 5.4 | -0.1 |
| RRF grants as included in the revenue projections | | 0.4 | 0.6 | 0.7 | 0.7 | 0.7 | 0.4 | 0.3 | 0.3 |
| Revenue reductions financed by RRF grants | 0 | 0 | n.a. | 0.0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Expenditure | 42.3 | 43.6 | 45.2 | 42.7 | 45.0 | 43.6 | 42.1 | 40.4 | -1.9 |
| <i>of which:</i> | | | | | | | | | |
| - Primary expenditure | 42.3 | 43.6 | 45.2 | 42.6 | 44.8 | 43.3 | 41.8 | 40.1 | -2.2 |
| <i>of which:</i> | | | | | | | | | |
| Compensation of employees+Intermediate consumption | 17.5 | 17.5 | 18.3 | 17.0 | 18.3 | 17.1 | 16.5 | 15.6 | -1.9 |
| Compensation of employees | 11.2 | 11.0 | 11.3 | 10.8 | 11.2 | 10.7 | 10.6 | 10.1 | -1.1 |
| Intermediate consumption | 6.3 | 6.6 | n.a. | 6.3 | 7.1 | 6.4 | 5.8 | 5.5 | -0.8 |
| Social payments | 15.3 | 15.7 | 15.4 | 15.6 | 15.6 | 15.6 | 15.8 | 15.9 | 0.6 |
| Subsidies | 1.0 | 0.8 | 0.8 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | -0.5 |
| Gross fixed capital formation | 5.7 | 6.3 | 7.5 | 6.8 | 7.6 | 7.4 | 6.8 | 6.1 | 0.4 |
| Other (residual) | 2.9 | 3.3 | 3.1 | 2.6 | 2.9 | 2.7 | 2.2 | 2.0 | -0.9 |
| - Interest expenditure | 0 | 0 | 0 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 |
| Expenditure financed by RRF grants | 0 | 0.4 | 0.4 | 0.7 | 0.7 | 0.7 | 0.4 | 0.3 | 0.3 |
| General government balance (GGB) | -2.4 | -4.4 | -5.3 | -3.7 | -4.8 | -3.8 | -2.9 | -2.2 | 0.2 |
| Primary balance | -2.3 | -4.3 | -5.2 | -3.5 | -4.6 | -3.6 | -2.9 | -1.9 | 0.4 |
| GGB excl. one-offs | -3.4 | -4.5 | -5.5 | -3.7 | -4.8 | -3.8 | -2.9 | -2.2 | 1.2 |
| Expenditure aggregate growth rates | | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 5.2 | 12.6 | 12.2 | 2.8 | 3.2 | 3.8 | 1.0 | n.a. | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 3.7 | 18.3 | n.a. | 4.8 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 5.5 | 9.7 | 7.2 | 2.7 | 4.9 | 4.4 | 2.1 | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 3.7 | 16.1 | n.a. | 5.2 | n.a. | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 8.8 | 11.5 | 11.5 | 6.4 | 6.4 | n.a. | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | | |
| Output gap ² | 0.0 | -1.5 | -1.9 | -1.5 | -2.4 | -1.0 | -0.3 | 0.5 | -0.2 |
| Cyclically-adjusted balance ² | -2.3 | -3.7 | -4.4 | -3.0 | -3.6 | -3.3 | -2.8 | -2.4 | 0.3 |
| One-offs | 1.0 | 0.2 | 0.2 | 0 | 0 | 0 | 0 | 0 | -1.0 |
| Structural balance ³ | -3.3 | -3.8 | -4.6 | -3.0 | -3.6 | -3.3 | -2.8 | -2.4 | 1.3 |
| Structural primary balance ³ | -3.3 | -3.8 | -4.6 | -2.8 | -3.4 | -3.0 | -2.5 | -2.1 | 1.5 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 6.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | SP | COM | SP | SP | SP | SP |
| Gross debt ratio¹ | 11.0 | 18.1 | 20.9 | 20.7 | 23.5 | 24.1 | 27.7 | 29.2 | 29.7 |
| Change in the ratio | 1.8 | -0.9 | 2.9 | 2.6 | 2.6 | 3.4 | 3.6 | 1.5 | 0.5 |
| <i>Contributions²:</i> | | | | | | | | | |
| 1. Primary balance | 1.4 | 2.3 | 4.3 | 5.2 | 3.5 | 4.6 | 3.6 | 2.9 | 1.9 |
| 2. “Snow-ball” effect | -0.4 | -2.3 | -1.5 | -1.0 | -0.9 | -0.5 | -0.9 | -1.3 | -1.1 |
| <i>Of which:</i> | | | | | | | | | |
| Interest expenditure | 0 | 0 | 0 | 0 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 |
| Growth effect | -0.2 | -1.4 | -0.2 | 0.2 | -0.5 | -0.2 | -0.7 | -0.7 | -0.7 |
| Inflation effect | -0.2 | -0.9 | -1.3 | -1.3 | -0.6 | -0.5 | -0.4 | -0.6 | -0.7 |
| 3. Stock-flow adjustment | 0.9 | -0.9 | 0.0 | -1.5 | 0.0 | -0.7 | 0.9 | -0.1 | -0.3 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 6.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|----------|------------------------------|----------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0)^[1] | 0.2 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1)^[2] | -1.5 | LOW risk | -1.4 | LOW risk |
| Debt sustainability analysis^[3] | LOW risk | | | |
| Baseline scenario | LOW risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 36.1 | | 35.8 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2)^[6] | 1.6 | LOW risk | 1.3 | LOW risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programmes.

Table 6.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0 | 0.6 | 0.7 | 0.7 | 0.4 | 0.3 |
| Cash disbursements of RRF grants from EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| <i>Other costs financed by RRF loans (% of GDP)</i> | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 6.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | | | | | | | |

Other costs financed by RRF grants (% of GDP)

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 6.8: Guarantees adopted/announced according to the Programme

| | Measures | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|---|------------------|---|------------------------------|
| In response to COVID-19 | Guarantees to foundation KredEx and limited company KredEx Credit Insurance Ltd, Rural Development Foundation (MES) | 2020 | 1.3 | 0.5 |
| | Subtotal | | 1.3 | 0.5 |
| | Guarantee in respect of bonds obligations of the EFSF | 2011 | 1.7 | 0 |
| | Callable capital of EIB, NIB, CEB, EBRD, IBRD, 3 SIIF | 2020 | 1.4 | 0 |
| | Guarantee to foundation KredEx and limited company KredEx Credit Insurance Ltd | 2009 | 1.3 | 0 |
| | Student loans | 2003 | 0.1 | 0 |
| | Loan guarantees (2 state owned foundations) | 2016 | 0.1 | 0 |
| | Subtotal | | 4.6 | 0 |
| Total | | | 5.9 | 0.5 |

Source: National authorities.

7. IRELAND

Table 7.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|-------|-------|------|-------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP |
| Real GDP (% change) | 13.5 | 13.5 | 5.4 | 6.4 | 4.4 | 4.4 | 4.0 | 3.8 |
| Private consumption (% change) | 5.7 | 5.7 | 5.7 | 6.0 | 4.1 | 3.6 | 3.5 | 3.4 |
| Gross fixed capital formation (% change) | -37.6 | -37.6 | 4.2 | -10.9 | 5.4 | 8.1 | 7.1 | 5.6 |
| Exports of goods and services (% change) | 16.6 | 16.6 | 6.0 | 7.5 | 4.9 | 5.1 | 4.6 | 4.4 |
| Imports of goods and services (% change) | -3.7 | -3.7 | 6.2 | 2.9 | 5.0 | 5.7 | 5.3 | 4.8 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | -12.8 | -12.8 | 2.6 | -1.1 | 2.4 | 2.7 | 2.6 | 2.3 |
| - Change in inventories | -0.4 | -0.4 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Net exports | 25.8 | 25.8 | 2.2 | 7.5 | 1.8 | 1.6 | 1.4 | 1.5 |
| Output gap ¹ | 2.5 | n.a. | 2.8 | n.a. | 2.5 | n.a. | n.a. | n.a. |
| Employment (% change) | 3.9 | 11.0 | 2.8 | 14.9 | 0.8 | 2.1 | 1.7 | 1.7 |
| Unemployment rate (%) | 6.2 | 15.9 | 4.6 | 6.2 | 5.0 | 5.4 | 5.2 | 4.9 |
| Labour productivity (% change) | 9.2 | 2.3 | 2.6 | -7.4 | 3.6 | 2.4 | 2.3 | 2.1 |
| HICP inflation (%) | 2.4 | 2.5 | 6.1 | 6.2 | 3.1 | 3.0 | 2.2 | 2.1 |
| GDP deflator (% change) | -0.4 | -0.4 | 4.8 | 4.1 | 4.1 | 2.2 | 1.9 | 1.7 |
| Comp. of employees (per head, % change) | 3.6 | -3.0 | 3.8 | -4.6 | 7.8 | 5.2 | 4.8 | 4.6 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 14.1 | 13.9 | 12.6 | 18.1 | 12.9 | 17.3 | 16.5 | 15.9 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 7.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|------------|-------------|-------------|------------|-------------|-------------|-------------|
| | COM | COM | SP | COM | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | 0.6 | -0.3 | n.a. | 1.8 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.1 | 0 | n.a. | 0 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.2 | -0.3 | n.a. | 0 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0.0 | 0.0 | n.a. | 0 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | 0.4 | 0.0 | n.a. | 1.8 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | 1.0 | 1.9 | 1.8 | 2.4 | 3.0 | 2.7 | 0.9 |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | 0.9 | 2.5 | 2.3 | 2.4 | 3.0 | 2.9 | 0.8 |
| Change in the structural balance | -0.6 | 1.2 | n.a. | 1.1 | n.a. | n.a. | n.a. |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 7.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Revenue | 23.0 | 22.4 | 22.6 | 21.6 | 22.3 | 22.0 | 21.6 | -1.4 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 6.8 | 6.7 | 6.6 | 6.7 | 6.6 | 6.5 | 6.4 | -0.4 |
| - Current taxes on income, wealth, etc. | 10.8 | 10.5 | 10.7 | 9.9 | 10.5 | 10.5 | 10.5 | -0.3 |
| - Social contributions | 3.8 | 3.7 | 3.7 | 3.7 | 3.7 | 3.6 | 3.5 | -0.3 |
| - Other (residual) | 1.5 | 1.5 | 1.6 | 1.4 | 1.5 | 1.4 | 1.2 | -0.3 |
| RRF grants as included in the revenue projections | | 0.1 | 0.1 | 0 | 0 | 0 | 0 | 0 |
| Revenue reductions financed by RRF grants | 0 | 0 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. |
| Expenditure | 24.9 | 23.0 | 23.0 | 21.2 | 22.0 | 20.7 | 20.3 | -4.6 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 24.1 | 22.2 | 22.3 | 20.5 | 21.3 | 20.1 | 19.8 | -4.3 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 10.0 | 9.4 | 9.4 | 8.9 | 9.1 | 8.9 | 8.6 | -1.4 |
| Compensation of employees | 6.2 | 5.9 | 5.8 | 5.6 | 5.7 | 5.6 | 5.5 | -0.7 |
| Intermediate consumption | 3.9 | 3.5 | 3.5 | 3.3 | 3.4 | 3.3 | 3.1 | -0.8 |
| Social payments | 8.9 | 8.2 | 7.8 | 7.2 | 7.4 | 7.0 | 6.9 | -2.0 |
| Subsidies | 1.6 | 0.6 | 0.5 | 0.4 | 0.3 | 0.3 | 0.3 | -1.3 |
| Gross fixed capital formation | 2.0 | 2.3 | 2.3 | 2.3 | 2.4 | 2.4 | 2.5 | 0.5 |
| Other (residual) | 1.6 | 1.8 | 2.4 | 1.6 | 2.2 | 1.5 | 1.4 | -0.2 |
| - Interest expenditure | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 | 0.6 | 0.5 | -0.3 |
| Expenditure financed by RRF grants | 0 | 0.1 | 0 | 0 | 0 | 0 | 0 | 0 |
| General government balance (GGB) | -1.9 | -0.5 | -0.4 | 0.4 | 0.2 | 1.2 | 1.4 | 3.3 |
| Primary balance | -1.1 | 0.3 | 0.3 | 1.1 | 1.0 | 1.9 | 1.9 | 3.0 |
| GGB excl. one-offs | -1.9 | -0.5 | -2.0 | 0.4 | -0.4 | 1.2 | 1.4 | 3.3 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 3.0 | 2.8 | 3.1 | -0.8 | -1.9 | -2.7 | 3.7 | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 4.6 | 13.2 | n.a. | 1.9 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 3.5 | 0.5 | n.a. | -2.2 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 5.4 | 11.7 | 5.1 | 0.8 | 1.6 | -2.0 | 3.0 | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 7.8 | 11.7 | 11.7 | 10.9 | 10.9 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | 2.5 | 2.8 | n.a. | 2.5 | n.a. | n.a. | n.a. | n.a. |
| Cyclically-adjusted balance ² | -3.2 | -2.0 | n.a. | -0.9 | n.a. | n.a. | n.a. | n.a. |
| One-offs | 0 | 0 | 1.6 | 0 | 0.6 | 0 | 0 | 0 |
| Structural balance ³ | -3.2 | -2.0 | n.a. | -0.9 | n.a. | n.a. | n.a. | n.a. |
| Structural primary balance ³ | -2.4 | -1.2 | n.a. | -0.2 | n.a. | n.a. | n.a. | n.a. |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 7.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | SP | COM | SP | SP | SP |
| Gross debt ratio¹ | 64.2 | 56.0 | 50.3 | 50.1 | 45.5 | 46.3 | 43.8 | 40.7 |
| Change in the ratio | -3.7 | -2.5 | -5.6 | -5.9 | -4.8 | -3.8 | -2.5 | -3.1 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | -0.5 | 1.1 | -0.3 | -0.3 | -1.1 | -1.0 | -1.9 | -1.9 |
| 2. "Snow-ball" effect | -2.9 | -6.0 | -4.4 | -4.6 | -3.3 | -2.4 | -1.9 | -1.8 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 1.7 | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 | 0.6 | 0.5 |
| Growth effect | -3.8 | -7.0 | -2.7 | -3.2 | -2.1 | -2.1 | -1.7 | -1.6 |
| Inflation effect | -0.7 | 0.2 | -2.4 | -2.1 | -1.9 | -1.0 | -0.8 | -0.7 |
| 3. Stock-flow adjustment | -0.2 | 2.3 | -0.9 | -0.8 | -0.4 | -0.4 | 1.3 | 0.6 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 7.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|-------------|------------------------------|-------------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0)^[1] | 0.3 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1)^[2] | -1.5 | LOW risk | -1.4 | LOW risk |
| Debt sustainability analysis^[3] | LOW risk | | | |
| Baseline scenario | LOW risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 36.7 | | 35.7 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2)^[6] | 5.3 | MEDIUM risk | 4.7 | MEDIUM risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 7.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0 | 0.1 | 0 | 0 | 0 | 0 |
| Cash disbursements of RRF grants from EU | n.a. | 0 | 0 | 0.1 | 0 | 0 | 0 |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other costs with impact on revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Financial transactions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: National authorities.

Table 7.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 7.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|----------|------------------|---|------------------------------|
| In response to COVID-19 | | | | |
| | Subtotal | | n.a. | n.a. |
| Others | | | n.a. | n.a. |
| | Subtotal | | n.a. | n.a. |
| Total | | | n.a. | n.a. |

Source: National authorities.

8. GREECE

Table 8.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|-------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP |
| Real GDP (% change) | 8.3 | 8.3 | 3.5 | 3.1 | 3.1 | 4.8 | 3.5 | 3.3 |
| Private consumption (% change) | 7.8 | 7.8 | 1.5 | 2.4 | 1.7 | 2.9 | 2.3 | 2.0 |
| Gross fixed capital formation (% change) | 19.6 | 19.6 | 14.7 | 9.8 | 8.5 | 21.5 | 9.2 | 8.6 |
| Exports of goods and services (% change) | 21.9 | 21.9 | 11.6 | 5.6 | 9.5 | 6.2 | 5.6 | 4.9 |
| Imports of goods and services (% change) | 16.1 | 16.1 | 7.9 | 2.9 | 5.3 | 5.3 | 4.0 | 3.7 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 8.6 | 8.6 | 2.6 | 2.5 | 1.6 | 4.8 | 3.1 | 2.9 |
| - Change in inventories | -0.9 | -1.1 | 0.0 | -0.3 | 0.0 | -0.1 | 0.0 | 0.0 |
| - Net exports | 0.7 | 0.9 | 0.9 | 0.9 | 1.5 | 0.1 | 0.5 | 0.4 |
| Output gap ¹ | -5.3 | -0.5 | -2.4 | -4.0 | -0.3 | -1.3 | -0.6 | -0.7 |
| Employment (% change) | 0.5 | 0.5 | 1.2 | 2.0 | 1.2 | 1.8 | 1.0 | 1.0 |
| Unemployment rate (%) | 14.7 | -9.8 | 13.7 | -5.4 | 13.1 | -12.2 | -8.2 | -8.9 |
| Labour productivity (% change) | 7.8 | 7.8 | 2.2 | 1.1 | 1.9 | 3.0 | 2.4 | 2.2 |
| HICP inflation (%) | 0.6 | 0.6 | 6.3 | 5.6 | 1.9 | 1.6 | 1.7 | 1.7 |
| GDP deflator (% change) | 2.1 | 2.1 | 4.8 | 4.5 | 2.1 | 1.6 | 1.7 | 1.8 |
| Comp. of employees (per head, % change) | 1.4 | 1.4 | 3.5 | 1.8 | 2.2 | 1.4 | 2.3 | 2.5 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | -6.2 | -4.8 | -6.3 | -3.3 | -4.1 | -2.9 | -2.0 | -1.5 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 8.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|-------------|-------------|-------------|------------|-------------|-------------|-------------|
| | COM | COM | SP | COM | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | -2.1 | -3.3 | n.a. | 1.5 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.1 | -0.2 | n.a. | 0.3 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | -0.7 | -0.8 | n.a. | -0.6 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0.0 | -0.1 | n.a. | 0.0 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | -1.3 | -2.2 | n.a. | 1.7 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | -2.2 | 1.8 | 2.7 | 3.2 | 3.1 | 0.4 | 0.2 |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | -1.2 | 3.5 | 4.2 | 2.1 | 2.8 | 0.7 | 0.2 |
| Change in the structural balance | -1.4 | 2.5 | 6.1 | 2.1 | 1.2 | 0.6 | 0.4 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 8.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Revenue | 49.4 | 49.2 | 48.5 | 46.6 | 46.6 | 45.7 | 44.4 | -5.0 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 16.6 | 18.7 | 17.1 | 16.9 | 16.3 | 15.9 | 15.6 | -1 |
| - Current taxes on income, wealth, etc. | 9.2 | 8.6 | 9.2 | 8.5 | 9.1 | 9.2 | 9.2 | 0 |
| - Social contributions | 14.9 | 13.8 | 13.6 | 13.3 | 12.8 | 12.4 | 12.0 | -2.9 |
| - Other (residual) | 8.7 | 8.1 | 8.6 | 8.0 | 8.4 | 8.2 | 7.6 | -1.1 |
| RRF grants as included in the revenue projections | | 1.8 | 1.6 | 1.7 | 1.7 | 1.6 | 1.5 | 1.3 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expenditure | 56.9 | 53.5 | 53.0 | 47.6 | 47.9 | 46.1 | 44.5 | -12.4 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 54.4 | 51.1 | 50.6 | 45.4 | 45.4 | 43.6 | 42.1 | -12.3 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 17.9 | 16.9 | 17.5 | 15.7 | 15.8 | 14.9 | 14.2 | -3.7 |
| Compensation of employees | 12.3 | 11.5 | 11.5 | 10.9 | 10.7 | 10.2 | 9.8 | -2.5 |
| Intermediate consumption | 5.6 | 5.4 | 6.0 | 4.8 | 5.1 | 4.7 | 4.4 | -1.2 |
| Social payments | 22.4 | 21.0 | 21.2 | 20.1 | 20.4 | 19.4 | 18.7 | -3.7 |
| Subsidies | 4.6 | 3.5 | 2.0 | 1.8 | 1.3 | 1.3 | 1.2 | -3.4 |
| Gross fixed capital formation | 3.6 | 4.8 | 5.5 | 4.8 | 4.9 | 5.1 | 5.0 | 1.4 |
| Other (residual) | 5.9 | 4.9 | 4.4 | 3.0 | 3.1 | 2.9 | 3.0 | -2.9 |
| - Interest expenditure | 2.5 | 2.4 | 2.4 | 2.3 | 2.5 | 2.5 | 2.4 | -0.1 |
| Expenditure financed by RRF grants | 0.2 | 1.6 | 1.6 | 1.7 | 1.7 | 1.7 | 1.6 | 1.4 |
| General government balance (GGB) | -7.4 | -4.3 | -4.4 | -1.0 | -1.4 | -0.4 | -0.1 | 7.3 |
| Primary balance | -5.0 | -1.9 | -2.0 | 1.3 | 1.1 | 2.1 | 2.3 | 7.3 |
| GGB excl. one-offs | -8.3 | -4.2 | -4.0 | -1.0 | -1.4 | -0.4 | -0.1 | 8.2 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 6.4 | -0.1 | -3.5 | -4.2 | -5.0 | 1.0 | 2.2 | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 6.8 | 11.6 | n.a. | -0.5 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 6.1 | 1.7 | 1.0 | -5.9 | -4.3 | 0.9 | 1.1 | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 4.8 | 10.2 | n.a. | -2.2 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 1.5 | 4.5 | 4.5 | 2.1 | 2.1 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -5.3 | -2.4 | -4.0 | -0.3 | -1.3 | -0.6 | -0.7 | -0.2 |
| Cyclically-adjusted balance ² | -4.6 | -3.0 | -2.3 | -0.9 | -0.7 | -0.1 | 0.3 | 7.4 |
| One-offs | 0.8 | -0.1 | -0.4 | 0 | 0 | 0 | 0 | -0.8 |
| Structural balance ³ | -5.5 | -3.0 | -1.9 | -0.9 | -0.7 | -0.1 | 0.3 | 8.3 |
| Structural primary balance ³ | -3.0 | -0.6 | 0.5 | 1.4 | 1.8 | 2.4 | 2.7 | 8.2 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 8.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | COM | SP | COM | SP | SP | SP |
| Gross debt ratio¹ | 186.7 | 193.3 | 185.7 | 180.2 | 180.4 | 168.6 | 155.2 | 146.5 |
| Change in the ratio | 5.9 | -13.1 | -7.6 | -13.1 | -5.2 | -11.6 | -13.4 | -8.7 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | -1.7 | 5.0 | 1.9 | 2.0 | -1.3 | -1.1 | -2.1 | -2.3 |
| 2. "Snow-ball" effect | 5.7 | -17.0 | -12.3 | -11.3 | -6.8 | -8.4 | -5.9 | -5.0 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 3.1 | 2.5 | 2.4 | 2.4 | 2.3 | 2.5 | 2.5 | 2.4 |
| Growth effect | 2.1 | -15.6 | -6.2 | -5.6 | -5.4 | -8.1 | -5.6 | -4.9 |
| Inflation effect | 0.4 | -3.9 | -8.5 | -8.2 | -3.7 | -2.7 | -2.8 | -2.6 |
| 3. Stock-flow adjustment | 1.9 | -0.7 | 3.0 | -3.5 | 3.0 | -2.0 | -5.3 | -1.3 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 8.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|------------------|------------------------------|-------------|
| | Short term | HIGH risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.5 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 4.4 | HIGH risk | 2.0 | MEDIUM risk |
| Debt sustainability analysis^[3] | HIGH risk | | | |
| Baseline scenario | HIGH risk | | | |
| Stochastic projections | MEDIUM risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 130.5 | | 112.3 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | -3.2 | LOW risk | -3.6 | LOW risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 8.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|----------|------------|------------|------------|------------|------------|------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | 0 | 0.2 | 1.6 | 1.7 | 1.6 | 1.5 | 1.5 |
| Cash disbursements of RRF grants from EU | 0 | 1.3 | 1.7 | 1.6 | 1.6 | 1.5 | 0.7 |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|----------|------------|------------|------------|------------|------------|------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0.1 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0.1 | 0.2 | 0.1 | 0.1 | 0 |
| Current transfers D.7 | 0 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | 0 | 0.1 | 0.2 | 0.4 | 0.3 | 0.3 | 0 |
| Gross fixed capital formation P.51g | 0 | 0.1 | 0.9 | 0.9 | 1 | 0.8 | 1.1 |
| Capital transfers D.9 | 0 | 0 | 0.5 | 0.4 | 0.4 | 0.5 | 0.5 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0.1 | 1.4 | 1.3 | 1.3 | 1.3 | 1.5 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 8.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | 0 | 0.9 | 0.9 | 0.9 | 0.8 | 0.8 | 1.5 |
| Repayments of RRF loans to EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 1.3 | 0.9 | 0.8 | 0.8 | 1.1 |

Source: National authorities.

Table 8.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|------------------------------------|------------------|---|------------------------------|
| In response to COVID-19 | Sure programme | 2020 | 0.2 | 0.2 |
| | Paneuropean Guarantees' Fund | 2020 | 0.2 | 0.2 |
| | Covid-19 Fund (HDB-ex. ETEAN) | 2020 | 0.9 | 0.9 |
| | Subtotal | | 1.3 | 1.3 |
| Others | State Guarantees to non General | 2020 | 2.7 | 2.7 |
| | Entrepreneurship loans (EIB loans) | 2020 | 0.8 | 0.8 |
| | Hercules NPL reduction scheme | 2020 | 9.4 | 9.4 |
| | HDB/ex.ETEAN & Entrepreneursh | 2020 | 0.0 | 0.0 |
| | Subtotal | | 13.0 | 13.0 |
| Total | | | 14.2 | 14.2 |

Source: National authorities.

9. SPAIN

Table 9.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP |
| Real GDP (% change) | 5.1 | 5.1 | 4.0 | 4.3 | 3.4 | 3.5 | 2.4 | 1.8 |
| Private consumption (% change) | 4.6 | 4.6 | 0.8 | 4.1 | 3.8 | 2.7 | 1.2 | 1.3 |
| Gross fixed capital formation (% change) | 4.3 | 4.3 | 8.3 | 9.3 | 5.8 | 7.5 | 3.3 | 2.9 |
| Exports of goods and services (% change) | 14.7 | 14.7 | 13.6 | 7.8 | 4.6 | 6.2 | 6.3 | 4.4 |
| Imports of goods and services (% change) | 13.9 | 13.9 | 8.3 | 9.1 | 4.8 | 6.5 | 4.7 | 3.4 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 4.1 | 4.1 | 2.0 | 4.6 | 3.4 | 3.6 | 1.8 | 1.4 |
| - Change in inventories | 0.5 | 0.5 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Net exports | 0.5 | 0.5 | 2.0 | -0.3 | 0.0 | -0.1 | 0.6 | 0.4 |
| Output gap ¹ | -4.9 | -4.8 | -2.2 | -2.3 | -0.2 | -0.5 | 0.4 | 0.7 |
| Employment (% change) | 2.4 | 2.4 | 2.8 | 2.6 | 1.1 | 2.1 | 1.9 | 1.5 |
| Unemployment rate (%) | 14.8 | 14.8 | 13.4 | 12.8 | 13.0 | 11.7 | 10.6 | 9.6 |
| Labour productivity (% change) | -1.4 | 2.7 | 0.7 | 1.7 | 1.7 | 1.3 | 0.6 | 0.3 |
| HICP inflation (%) | 3.0 | n.a. | 6.3 | n.a. | 1.8 | n.a. | n.a. | n.a. |
| GDP deflator (% change) | 2.2 | 2.2 | 3.7 | 4.0 | 2.4 | 2.4 | 1.9 | 1.8 |
| Comp. of employees (per head, % change) | -0.6 | -0.6 | 2.8 | 3.2 | 3.0 | 2.9 | 1.6 | 1.7 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 1.9 | 1.9 | 2.9 | 1.0 | 3.2 | 1.3 | 1.7 | 1.8 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 9.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|-------------|-------------|-------------|------------|-------------|-------------|-------------|
| | COM | COM | SP | COM | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | -3.0 | -2.2 | n.a. | 0.0 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.8 | -0.9 | n.a. | 0 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.2 | -0.4 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | -0.4 | 0.3 | n.a. | -0.2 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | -2.0 | -1.2 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | -2.1 | 0.1 | 1.4 | 0.4 | 0.6 | 1.5 | 0.2 |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | -1.3 | 0.8 | 1.4 | 0.5 | -0.3 | 0 | 0.1 |
| Change in the structural balance | 0.4 | 0.3 | 0.4 | -0.7 | -0.1 | 0.1 | 0.2 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 9.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Revenue | 43.7 | 43.6 | 42.0 | 42.6 | 41.8 | 41.4 | 41.3 | -2.4 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 12.1 | 12.1 | 12.0 | 12.0 | 12.0 | 11.8 | 11.6 | -0.5 |
| - Current taxes on income, wealth, etc. | 11.9 | 11.7 | 11.8 | 11.4 | 11.8 | 12.0 | 12.1 | 0.2 |
| - Social contributions | 14.3 | 13.8 | 13.7 | 13.5 | 13.7 | 13.8 | 13.9 | -0.4 |
| - Other (residual) | 5.4 | 5.9 | 4.5 | 5.8 | 4.3 | 3.8 | 3.7 | -1.7 |
| RRF grants as included in the revenue projections | | 2.1 | 2.0 | 1.7 | 1.4 | 0.1 | 0 | -1.8 |
| Revenue reductions financed by RRF grants | 0 | 0 | n.a. | 0.0 | n.a. | n.a. | n.a. | n.a. |
| Expenditure | 50.6 | 48.4 | 47.0 | 47.0 | 45.6 | 44.8 | 44.3 | -6.3 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 48.4 | 46.4 | 44.8 | 45.0 | 43.4 | 42.7 | 42.2 | -6.2 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 18.1 | 17.4 | 17.0 | 17.0 | 16.6 | 16.4 | 16.1 | -2.0 |
| Compensation of employees | 12.2 | 11.8 | 11.5 | 11.5 | 11.3 | 11.1 | 10.9 | -1.3 |
| Intermediate consumption | 5.9 | 5.7 | 5.5 | 5.4 | 5.4 | 5.3 | 5.2 | -0.7 |
| Social payments | 21.9 | 20.8 | 20.6 | 20.3 | 20.5 | 20.4 | 20.3 | -1.6 |
| Subsidies | 1.6 | 1.1 | 1.4 | 0.9 | 1.1 | 1.1 | 1.0 | -0.6 |
| Gross fixed capital formation | 2.7 | 2.7 | 2.4 | 2.6 | 2.3 | 2.2 | 2.1 | -0.6 |
| Other (residual) | 4.2 | 4.4 | 3.3 | 4.2 | 2.9 | 2.6 | 2.6 | -1.6 |
| - Interest expenditure | 2.2 | 2.1 | 2.2 | 2.0 | 2.2 | 2.1 | 2.1 | -0.1 |
| Expenditure financed by RRF grants | 0.2 | 1.8 | 1.9 | 1.7 | 1.4 | 0.1 | 0.0 | -1.8 |
| General government balance (GGB) | -6.9 | -4.9 | -5.0 | -4.4 | -3.9 | -3.3 | -2.9 | 4.0 |
| Primary balance | -4.7 | -2.8 | -2.8 | -2.4 | -1.7 | -1.3 | -0.9 | 3.8 |
| GGB excl. one-offs | -6.8 | -4.9 | -4.9 | -4.4 | -3.9 | -3.3 | -2.9 | 3.9 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 5.9 | 2.1 | 1.1 | 2.4 | 3.0 | 2.4 | 3.2 | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 8.3 | 7.7 | n.a. | 3.4 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 3.8 | 3.0 | 2.4 | 2.4 | 4.1 | 3.3 | 2.9 | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 8.2 | 7.7 | n.a. | 2.9 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 2.9 | 4.5 | 4.5 | 3.3 | 3.3 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -4.9 | -2.2 | -2.3 | -0.2 | -0.5 | 0.4 | 0.7 | 5.5 |
| Cyclically-adjusted balance ² | -3.9 | -3.5 | -3.6 | -4.3 | -3.6 | -3.5 | -3.3 | 0.7 |
| One-offs | -0.1 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Structural balance ³ | -3.8 | -3.5 | -3.5 | -4.3 | -3.6 | -3.5 | -3.3 | 0.6 |
| Structural primary balance ³ | -1.7 | -1.5 | -1.3 | -2.3 | -1.4 | -1.4 | -1.2 | 0.6 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 9.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | COM | SP | COM | SP | SP | SP |
| Gross debt ratio¹ | 103.3 | 118.4 | 115.1 | 115.2 | 113.7 | 112.4 | 110.9 | 109.7 |
| Change in the ratio | 4.1 | -1.5 | -3.3 | -3.2 | -1.4 | -2.8 | -1.5 | -1.2 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | 2.2 | 4.7 | 2.8 | 2.8 | 2.4 | 1.7 | 1.3 | 0.9 |
| 2. "Snow-ball" effect | 1.8 | -6.0 | -6.4 | -6.9 | -4.2 | -4.1 | -2.6 | -1.9 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 2.4 | 2.2 | 2.1 | 2.2 | 2.0 | 2.2 | 2.1 | 2.1 |
| Growth effect | 0.4 | -5.7 | -4.4 | -4.7 | -3.7 | -3.8 | -2.6 | -1.9 |
| Inflation effect | -1.0 | -2.4 | -4.0 | -4.4 | -2.6 | -2.5 | -2.0 | -2.0 |
| 3. Stock-flow adjustment | 0.1 | -0.1 | 0.5 | 1.0 | 0.5 | -0.3 | -0.2 | -0.1 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 9.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|-----------|------------------------------|-----------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.3 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 5.2 | HIGH risk | 4.1 | HIGH risk |
| Debt sustainability analysis ^[3] | HIGH risk | | | |
| Baseline scenario | MEDIUM risk | | | |
| Stochastic projections | HIGH risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 116.1 | | 108.1 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 1.9 | LOW risk | 0.9 | LOW risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 9.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 1.8 | 2 | 1.4 | 0.1 | 0 | n.a. |
| Cash disbursements of RRF grants from EU | n.a. | 1.6 | 1.4 | 1.2 | 0.6 | 0.2 | n.a. |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Social payments D.62+D.632 | n.a. | 0.2 | 0.2 | 0.2 | 0 | 0 | n.a. |
| Interest expenditure D.41 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | 0.3 | 0.2 | 0.2 | 0 | 0 | n.a. |
| Gross fixed capital formation P.51g | n.a. | 0.1 | 0.1 | 0.1 | 0 | 0 | n.a. |
| Capital transfers D.9 | n.a. | 1.4 | 1.6 | 1.1 | 0.1 | 0 | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | 1.5 | 1.7 | 1.2 | 0.1 | 0 | n.a. |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other costs with impact on revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Financial transactions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: National authorities.

Table 9.7:

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-over (% of GDP) |
|-------------------------|---|------------------|---|--------------------------------|
| In response to COVID-19 | Line ICO Leases COVID-19 | 01-05-2020 | 0.1 | 0 |
| | Line of guarantees COVID-19 | 17-03-2020 | 7.6 | 7.2 |
| | Line of guarantees COVID-19 | 03-07-2020 | 3.1 | 0.8 |
| | Creation of an extraordinary insurance cover line under the Internationalisation Risk Reserve Fund | 17-03-2020 | 0.2 | n.a. |
| | CERSA COVID-19 guarantee line | 31-03-2020 | 0.1 | 0.1 |
| | Guarantee European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE instrument) | 26-05-2020 | 0.2 | n.a. |
| | Guarantees for financing operations carried out by the European Investment Bank through the Pan-European Guarantee Fund in response to the COVID-19 crisis | 03-06-2020 | 0.2 | n.a. |
| | Solvency support fund for strategic companies through the provision of equity loans, subordinated debt, subscription to shares or other equity instruments. | 03-07-2020 | 0.8 | n.a. |
| Subtotal | | | 12.2 | n.a. |
| Others | Line of guarantees Ukraine | 20-04-2022 | 0.8 | n.a. |
| | Subtotal | | 0.8 | n.a. |
| Total | | | 13.0 | n.a. |

10. FRANCE

Table 10.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP |
| Real GDP (% change) | 7.0 | n.a. | 3.1 | n.a. | 1.8 | n.a. | n.a. | n.a. |
| Private consumption (% change) | 4.7 | n.a. | 3.4 | n.a. | 2.0 | n.a. | n.a. | n.a. |
| Gross fixed capital formation (% change) | 11.6 | n.a. | 2.0 | n.a. | 2.9 | n.a. | n.a. | n.a. |
| Exports of goods and services (% change) | 9.3 | n.a. | 8.3 | n.a. | 7.5 | n.a. | n.a. | n.a. |
| Imports of goods and services (% change) | 8.0 | n.a. | 6.7 | n.a. | 6.0 | n.a. | n.a. | n.a. |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 6.7 | n.a. | 2.7 | n.a. | 1.9 | n.a. | n.a. | n.a. |
| - Change in inventories | 0.0 | n.a. | 0.1 | n.a. | -0.4 | n.a. | n.a. | n.a. |
| - Net exports | 0.2 | n.a. | 0.3 | n.a. | 0.3 | n.a. | n.a. | n.a. |
| Output gap ¹ | -1.7 | n.a. | 0 | n.a. | 0.4 | n.a. | n.a. | n.a. |
| Employment (% change) | 1.8 | n.a. | 1.1 | n.a. | 0.4 | n.a. | n.a. | n.a. |
| Unemployment rate (%) | 7.9 | n.a. | 7.6 | n.a. | 7.6 | n.a. | n.a. | n.a. |
| Labour productivity (% change) | 5.1 | n.a. | 2.0 | n.a. | 1.4 | n.a. | n.a. | n.a. |
| HICP inflation (%) | 2.1 | n.a. | 4.9 | n.a. | 3.1 | n.a. | n.a. | n.a. |
| GDP deflator (% change) | 0.8 | n.a. | 2.2 | n.a. | 3.0 | n.a. | n.a. | n.a. |
| Comp. of employees (per head, % change) | 4.9 | n.a. | 3.8 | n.a. | 3.3 | n.a. | n.a. | n.a. |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | -1.7 | n.a. | -2.4 | n.a. | -1.6 | n.a. | n.a. | n.a. |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 10.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|-------------|-------------|-------------|------------|-------------|-------------|-------------|
| | COM | COM | SP | COM | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | -2.3 | -1.7 | n.a. | 0.9 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.5 | 0.2 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0 | 0 | n.a. | 0 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0.0 | -0.2 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | -1.8 | -1.6 | n.a. | 0.7 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | -1.8 | 0.5 | n.a. | 1.2 | n.a. | n.a. | n.a. |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | -1.2 | 0.4 | n.a. | 1.1 | n.a. | n.a. | n.a. |
| Change in the structural balance | -0.9 | 0.8 | n.a. | 1.2 | n.a. | n.a. | n.a. |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 10.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Revenue | 52.8 | 52.4 | n.a. | 52.7 | n.a. | n.a. | n.a. | n.a. |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 16.7 | 16.5 | n.a. | 16.7 | n.a. | n.a. | n.a. | n.a. |
| - Current taxes on income, wealth, etc. | 13.0 | 13.1 | n.a. | 13.5 | n.a. | n.a. | n.a. | n.a. |
| - Social contributions | 16.8 | 16.7 | n.a. | 16.5 | n.a. | n.a. | n.a. | n.a. |
| - Other (residual) | 6.3 | 6.1 | n.a. | 5.9 | n.a. | n.a. | n.a. | n.a. |
| RRF grants as included in the revenue projections | | 0.9 | n.a. | 0.3 | n.a. | n.a. | n.a. | n.a. |
| Revenue reductions financed by RRF grants | 0 | 0 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. |
| Expenditure | 59.2 | 57.0 | n.a. | 55.8 | n.a. | n.a. | n.a. | n.a. |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 57.8 | 55.6 | n.a. | 54.3 | n.a. | n.a. | n.a. | n.a. |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | | | n.a. | | n.a. | n.a. | n.a. | n.a. |
| Compensation of employees | 12.5 | 12.3 | n.a. | 12.0 | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption | 5.2 | 5.0 | n.a. | 4.9 | n.a. | n.a. | n.a. | n.a. |
| Social payments | 27.0 | 25.9 | n.a. | 25.9 | n.a. | n.a. | n.a. | n.a. |
| Subsidies | 3.4 | 2.6 | n.a. | 2.2 | n.a. | n.a. | n.a. | n.a. |
| Gross fixed capital formation | 3.6 | 3.6 | n.a. | 3.6 | n.a. | n.a. | n.a. | n.a. |
| Other (residual) | 6.2 | 6.2 | n.a. | 5.8 | n.a. | n.a. | n.a. | n.a. |
| - Interest expenditure | 1.4 | 1.4 | n.a. | 1.5 | n.a. | n.a. | n.a. | n.a. |
| Expenditure financed by RRF grants | 0.5 | 0.4 | n.a. | 0.3 | n.a. | n.a. | n.a. | n.a. |
| General government balance (GGB) | -6.5 | -4.6 | n.a. | -3.2 | n.a. | n.a. | n.a. | n.a. |
| Primary balance | -5.1 | -3.2 | n.a. | -1.7 | n.a. | n.a. | n.a. | n.a. |
| GGB excl. one-offs | -6.4 | -4.5 | n.a. | -3.0 | n.a. | n.a. | n.a. | n.a. |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 4.2 | 2.5 | n.a. | 2.0 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 5.4 | 6.7 | n.a. | 2.6 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 4.1 | 2.1 | n.a. | 2.2 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 5.7 | 6.6 | n.a. | 2.7 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 1.9 | 3.3 | 3.3 | 4.0 | 4.0 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -1.7 | 0.0 | n.a. | 0.4 | n.a. | n.a. | n.a. | n.a. |
| Cyclically-adjusted balance ² | -5.4 | -4.6 | n.a. | -3.4 | n.a. | n.a. | n.a. | n.a. |
| One-offs | -0.1 | -0.1 | n.a. | -0.1 | n.a. | n.a. | n.a. | n.a. |
| Structural balance ³ | -5.3 | -4.5 | n.a. | -3.3 | n.a. | n.a. | n.a. | n.a. |
| Structural primary balance ³ | -3.9 | -3.1 | n.a. | -1.8 | n.a. | n.a. | n.a. | n.a. |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 10.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|--------------|--------------|-------------|--------------|-------------|-------------|-------------|
| | | | COM | SP | COM | SP | SP | SP |
| Gross debt ratio¹ | 101.2 | 112.9 | 111.2 | n.a. | 109.1 | n.a. | n.a. | n.a. |
| Change in the ratio | 3.8 | -1.7 | -1.7 | n.a. | -2.1 | n.a. | n.a. | n.a. |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | 2.6 | 5.1 | 3.2 | n.a. | 1.7 | n.a. | n.a. | n.a. |
| 2. “Snow-ball” effect | 0.6 | -6.9 | -4.3 | n.a. | -3.6 | n.a. | n.a. | n.a. |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 1.6 | 1.4 | 1.4 | n.a. | 1.5 | n.a. | n.a. | n.a. |
| Growth effect | 0.3 | -7.4 | -3.3 | n.a. | -1.9 | n.a. | n.a. | n.a. |
| Inflation effect | -1.2 | -0.9 | -2.4 | n.a. | -3.2 | n.a. | n.a. | n.a. |
| 3. Stock-flow adjustment | 0.6 | 0.2 | -0.5 | n.a. | -0.2 | n.a. | n.a. | n.a. |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 10.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|-----------|------------------------------|------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.4 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 4.6 | HIGH risk | 4.6 | n.a. |
| Debt sustainability analysis ^[3] | HIGH risk | | | |
| Baseline scenario | MEDIUM risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 109.0 | | n.a. | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 0.7 | LOW risk | n.a. | n.a. |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services.

Table 10.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Cash disbursements of RRF grants from EU | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Social payments D.62+D.632 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Gross fixed capital formation P.51g | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Capital transfers D.9 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other costs with impact on revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Financial transactions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: National authorities.

Table 10.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Repayments of RRF loans to EU | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Social payments D.62+D.632 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Gross fixed capital formation P.51g | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Capital transfers D.9 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other costs with impact on revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Financial transactions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: National authorities.

Table 10.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|----------|------------------|---|------------------------------|
| In response to COVID-19 | | | | |
| | Subtotal | | n.a. | n.a. |
| Others | | | n.a. | n.a. |
| | Subtotal | | n.a. | n.a. |
| Total | | | n.a. | n.a. |

Source: National authorities.

11. CROATIA

Table 11.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| | COM | CP | COM | CP | COM | CP | CP | CP |
| Real GDP (% change) | 10.2 | 10.2 | 3.4 | 3.0 | 3.0 | 4.4 | 2.7 | 2.5 |
| Private consumption (% change) | 10.0 | 10.0 | 2.4 | 1.4 | 3.6 | 3.2 | 2.4 | 2.3 |
| Gross fixed capital formation (% change) | 7.6 | 7.6 | 6.5 | 5.8 | 8.2 | 6.1 | 3.9 | 3.6 |
| Exports of goods and services (% change) | 33.3 | 33.3 | 8.4 | 6.9 | 5.5 | 6.0 | 4.2 | 3.8 |
| Imports of goods and services (% change) | 14.7 | 14.7 | 8.1 | 6.1 | 8.0 | 6.9 | 4.2 | 3.6 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 8.3 | 8.3 | 3.4 | 2.8 | 4.5 | 3.6 | 2.7 | 2.6 |
| - Change in inventories | -4.9 | -4.9 | 0 | -0.2 | 0.0 | 1.5 | 0.2 | 0 |
| - Net exports | 6.8 | 6.8 | 0.1 | 0.3 | -1.5 | -0.7 | -0.1 | 0 |
| Output gap ¹ | 0.3 | 0.2 | 0.8 | -0.1 | 1.1 | 1.1 | 0.7 | 0.3 |
| Employment (% change) | 1.2 | 1.2 | 1.6 | 2.8 | 1.8 | 1.5 | 1.1 | 0.9 |
| Unemployment rate (%) | 7.6 | 7.6 | 6.3 | 6.3 | 6.0 | 5.6 | 5.2 | 5.0 |
| Labour productivity (% change) | 8.9 | 8.9 | 1.8 | 0.2 | 1.1 | 2.9 | 1.7 | 1.6 |
| HICP inflation (%) | 2.7 | 2.6 | 6.1 | 7.8 | 2.8 | 3.7 | 2.5 | 2.2 |
| GDP deflator (% change) | 3.2 | 3.2 | 3.8 | 6.2 | 2.4 | 4.1 | 2.7 | 2.4 |
| Comp. of employees (per head, % change) | 5.6 | 5.0 | 3.0 | 7.6 | 2.7 | 5.0 | 4.1 | 3.8 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 5.7 | 0 | 6.2 | 0.0 | 4.8 | 0 | 0 | 0 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 11.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | COM | COM | CP | COM | CP | CP | CP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | -0.2 | -1.8 | n.a. | -0.7 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.3 | -0.5 | n.a. | -0.5 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.7 | -0.4 | n.a. | -0.1 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0.4 | 0.1 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | -1.0 | -1.0 | n.a. | -0.2 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | 0.9 | -0.2 | -1.8 | -0.3 | -0.5 | 0.0 | n.a. |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | 0.6 | 0.5 | -0.7 | 0.2 | 0.1 | -0.7 | n.a. |
| Change in the structural balance | 1.4 | 0.4 | 0.5 | 0.4 | 0.5 | 0.1 | 0.6 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 11.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | CP | COM | CP | CP | CP | CP |
| Revenue | 46.4 | 46.4 | 46.9 | 46.7 | 46.5 | 45.8 | 45.5 | -0.9 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 19.3 | 19.3 | 19.3 | 19.5 | 19.1 | 19.0 | 18.9 | -0.4 |
| - Current taxes on income, wealth, etc. | 5.4 | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 | -0.1 |
| - Social contributions | 11.3 | 11.1 | 11.4 | 10.9 | 11.2 | 11.2 | 11.2 | -0.1 |
| - Other (residual) | 10.3 | 10.6 | 10.9 | 11.0 | 10.9 | 10.3 | 10.1 | -0.2 |
| RRF grants as included in the revenue projections | | 1.0 | 0.9 | 1.5 | 1.3 | 1.8 | 2.2 | 2.2 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expenditure | 49.2 | 48.6 | 49.8 | 48.5 | 48.1 | 47.4 | 46.7 | -2.5 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 47.7 | 47.2 | 48.4 | 47.2 | 46.9 | 46.3 | 45.7 | -2.0 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 20.8 | 20.8 | 20.8 | 20.8 | 20.2 | 19.9 | 19.7 | -1.1 |
| Compensation of employees | 12.5 | 12.4 | 12.1 | 12.5 | 11.8 | 11.6 | 11.5 | -1.0 |
| Intermediate consumption | 8.3 | 8.5 | 8.7 | 8.4 | 8.4 | 8.3 | 8.3 | 0.0 |
| Social payments | 15.5 | 15.2 | 15.1 | 15.0 | 14.7 | 14.7 | 14.7 | -0.8 |
| Subsidies | 2.7 | 1.8 | 2.0 | 1.7 | 1.8 | 1.8 | 1.7 | -1.0 |
| Gross fixed capital formation | 4.8 | 5.3 | 5.7 | 5.7 | 6.3 | 6.2 | 6.0 | 1.2 |
| Other (residual) | 3.9 | 4.0 | 4.9 | 4.1 | 3.8 | 3.7 | 3.6 | -0.3 |
| - Interest expenditure | 1.6 | 1.4 | 1.4 | 1.3 | 1.2 | 1.1 | 1.0 | -0.6 |
| Expenditure financed by RRF grants | 0.0 | 1.0 | 0.8 | 1.5 | 1.3 | 1.9 | 2.1 | 2.1 |
| General government balance (GGB) | -2.9 | -2.3 | -2.8 | -1.8 | -1.6 | -1.6 | -1.2 | 1.7 |
| Primary balance | -1.3 | -0.9 | -1.4 | -0.5 | -0.3 | -0.5 | -0.2 | 1.1 |
| GGB excl. one-offs | -2.9 | -2.3 | -2.5 | -1.8 | -1.4 | -1.6 | -1.2 | 1.7 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 2.6 | 5.3 | 8.2 | 4.2 | 4.4 | 5.4 | n.a. | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 5.1 | 9.3 | n.a. | 5.2 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 5.1 | 4.4 | 8.3 | 4.2 | 3.3 | 5.1 | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 8.2 | 8.9 | n.a. | 5.3 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 5.4 | 6.0 | 6.0 | 4.6 | 4.6 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | 0.3 | 0.8 | -0.1 | 1.1 | 1.1 | 0.7 | 0.3 | 0.1 |
| Cyclically-adjusted balance ² | -3.0 | -2.6 | -2.7 | -2.2 | -2.1 | -1.9 | -1.3 | 1.7 |
| One-offs | 0 | 0 | -0.3 | 0 | -0.1 | 0 | 0 | 0 |
| Structural balance ³ | -3.1 | -2.7 | -2.5 | -2.3 | -2.0 | -1.9 | -1.3 | 1.7 |
| Structural primary balance ³ | -1.5 | -1.3 | -1.1 | -1.0 | -0.8 | -0.8 | -0.3 | 1.1 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic potential growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 11.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | CP | COM | CP | CP | CP |
| Gross debt ratio¹ | 77.7 | 79.8 | 75.3 | 76.2 | 73.1 | 71.7 | 68.9 | 66.9 |
| Change in the ratio | 0.8 | -7.5 | -4.5 | -3.6 | -2.2 | -4.6 | -2.7 | -2.0 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | -1.0 | 1.3 | 0.9 | 1.4 | 0.5 | 0.3 | 0.5 | 0.2 |
| 2. "Snow-ball" effect | 1.0 | -8.8 | -3.9 | -5.3 | -2.6 | -4.8 | -2.6 | -2.2 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 2.4 | 1.6 | 1.4 | 1.4 | 1.3 | 1.2 | 1.1 | 1.0 |
| Growth effect | -0.7 | -7.9 | -2.5 | -2.2 | -2.1 | -3.1 | -1.9 | -1.7 |
| Inflation effect | -0.7 | -2.5 | -2.8 | -4.6 | -1.7 | -2.9 | -1.8 | -1.6 |
| 3. Stock-flow adjustment | 0.8 | 0.2 | -1.3 | 0.5 | -0.1 | 0.0 | -0.6 | 0 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 11.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Convergence programme scenario | |
|--|---------------------|-------------|--------------------------------|-------------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.4 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 1.1 | MEDIUM risk | 0.0 | MEDIUM risk |
| Debt sustainability analysis ^[3] | MEDIUM risk | | | |
| Baseline scenario | MEDIUM risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 69.3 | | 62.6 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 1.0 | LOW risk | 1.2 | LOW risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 convergence programme.

Table 11.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0 | 0.9 | 1.3 | 1.8 | 2.2 | 1.1 |
| Cash disbursements of RRF grants from EU | n.a. | 1.4 | 2.2 | 0.8 | 1.2 | 1.1 | 0.8 |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|----------|------------|------------|------------|------------|------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Social payments D.62+D.632 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0.3 | 0.4 | 0.5 | 0.5 | 0 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0.3 | 0.5 | 1 | 1.2 | 0.7 |
| Capital transfers D.9 | n.a. | 0 | 0.2 | 0.4 | 0.4 | 0.4 | 0.4 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0.6 | 0.9 | 1.3 | 1.7 | 1.1 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|----------|----------|------------|------------|------------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | 0 | 0 | 0.2 | 0.1 | 0.1 | 0 |

Source: National authorities.

Table 11.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 11.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|---|------------------|---|------------------------------|
| In response to COVID-19 | COVID-19 Programmes for the Portfolio Insurance of Liquidity Loans for Exporters and for the Individual Insurance Policy of Liquidity Loans for Exporters | avr-20 | 1.0 | 0.5 |
| | State aid Scheme to support the maritime, transport, transport infrastructure and related sectors and related sectors impacted by the COVID-19 outbreak | juil-20 | 0.2 | 0.1 |
| | State aid Scheme to support tourism and sport sectors impacted by the COVID-19 outbreak | févr-21 | 0.4 | 0.1 |
| | Guarantees for loans in sectors culture and creative industries impacted by the COVID-19 outbreak | juil-20 | 0.1 | 0 |
| | Subtotal | | 1.6 | 0.6 |
| Others | | | 0 | 0 |
| | Subtotal | | 0 | 0 |
| Total | | | 1.6 | 0.6 |

Source: National authorities.

12. ITALY

Table 12.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP |
| Real GDP (% change) | 6.6 | 6.6 | 2.4 | 3.1 | 1.9 | 2.4 | 1.8 | 1.5 |
| Private consumption (% change) | 5.2 | 5.2 | 2.2 | 3.0 | 1.4 | 2.1 | 1.6 | 1.6 |
| Gross fixed capital formation (% change) | 17.0 | 17.0 | 6.2 | 7.3 | 4.1 | 5.5 | 4.0 | 2.2 |
| Exports of goods and services (% change) | 13.3 | 13.3 | 4.9 | 4.4 | 4.3 | 3.4 | 3.1 | 2.9 |
| Imports of goods and services (% change) | 14.2 | 14.2 | 6.1 | 5.4 | 4.2 | 4.0 | 3.3 | 2.9 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 6.2 | 6.3 | 2.7 | 3.5 | 1.8 | 2.5 | 1.9 | 1.5 |
| - Change in inventories | 0.2 | 0.3 | 0.0 | -0.2 | 0 | 0.1 | 0 | 0 |
| - Net exports | 0.2 | 0 | -0.2 | -0.2 | 0.0 | -0.1 | 0 | 0.1 |
| Output gap ¹ | -2.4 | -2.5 | -0.5 | -0.5 | 0.3 | 0.5 | 0.7 | 0.8 |
| Employment (% change) | 0.6 | 0.6 | 0.6 | 1.3 | 1.1 | 1.7 | 1.3 | 1.1 |
| Unemployment rate (%) | 9.5 | 9.5 | 9.5 | 8.6 | 8.9 | 8.1 | 8.0 | 7.9 |
| Labour productivity (% change) | -0.8 | 6.0 | 0.1 | 1.8 | 0 | 0.7 | 0.5 | 0.5 |
| HICP inflation (%) | 1.9 | 1.9 | 5.9 | 5.8 | 2.3 | 2.1 | 1.8 | 1.8 |
| GDP deflator (% change) | 0.5 | 0.5 | 3.1 | 3.0 | 2.4 | 2.2 | 1.9 | 1.8 |
| Comp. of employees (per head, % change) | -0.9 | 0.3 | 2.5 | 2.7 | 1.3 | 1.7 | 1.4 | 1.8 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 2.4 | 2.4 | 1.1 | 1.6 | 1.5 | 1.5 | 1.5 | 1.6 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 12.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | COM | COM | SP | COM | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | -2.6 | -2.8 | n.a. | -1.2 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.1 | -0.9 | n.a. | -0.7 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | -0.4 | -0.3 | n.a. | -0.2 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | -0.3 | -0.3 | n.a. | 0 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | -1.7 | -1.3 | n.a. | -0.2 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | -1.9 | -0.5 | -0.4 | -0.1 | 0.3 | 1.3 | 1.6 |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | -1.6 | 0.7 | 0.6 | 0.7 | 1.1 | 0.3 | 1.3 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 12.3: Composition of the budgetary adjustment*

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Revenue | 48.3 | 48.5 | 48.5 | 48.7 | 48.8 | 47.3 | 46.9 | -1.4 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 14.5 | 14.5 | 14.5 | 14.6 | 14.7 | 14.6 | 14.5 | 0 |
| - Current taxes on income, wealth, etc. | 15.0 | 14.4 | 14.4 | 13.9 | 14.0 | 13.7 | 13.7 | -1.3 |
| - Social contributions | 13.8 | 14.0 | 14.0 | 14.0 | 14.0 | 13.9 | 13.8 | 0 |
| - Other (residual) | 4.9 | 5.7 | 5.6 | 6.1 | 6.1 | 5.1 | 4.9 | 0 |
| RRF grants as included in the revenue projections | | 0.8 | 0.7 | 1.2 | 1.1 | 0.8 | 0.5 | 0.4 |
| Revenue reductions financed by RRF grants | 0 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.1 | 0.1 |
| Expenditure | 55.5 | 54.0 | 53.6 | 53.0 | 52.5 | 50.5 | 49.6 | -5.9 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 52.0 | 50.5 | 50.1 | 49.8 | 49.4 | 47.5 | 46.6 | -5.4 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 16.2 | 16.3 | 16.2 | 15.6 | 15.4 | 14.7 | 14.3 | -1.9 |
| Compensation of employees | 9.9 | 10.1 | 10.0 | 9.6 | 9.5 | 9.1 | 8.8 | -1.1 |
| Intermediate consumption | 6.2 | 6.2 | 6.1 | 6.0 | 5.9 | 5.6 | 5.4 | -0.8 |
| Social payments | 25.1 | 23.9 | 23.8 | 24.2 | 24.1 | 23.8 | 23.5 | -1.6 |
| Subsidies | 2.0 | 2.2 | 2.4 | 1.9 | 2.1 | 1.9 | 1.9 | -0.1 |
| Gross fixed capital formation | 2.9 | 3.2 | 3.1 | 3.7 | 3.6 | 3.5 | 3.6 | 0.7 |
| Other (residual) | 5.8 | 4.8 | 4.6 | 4.4 | 4.2 | 3.5 | 3.5 | -2.3 |
| - Interest expenditure | 3.5 | 3.5 | 3.5 | 3.2 | 3.1 | 3.0 | 3.0 | -0.5 |
| Expenditure financed by RRF grants | 0.1 | 0.6 | 0.6 | 0.9 | 1.0 | 0.6 | 0.4 | 0.3 |
| General government balance (GGB) | -7.2 | -5.5 | -5.6 | -4.3 | -3.9 | -3.3 | -2.8 | 4.4 |
| Primary balance | -3.7 | -2.0 | -2.1 | -1.1 | -0.8 | -0.3 | 0.2 | 3.9 |
| GGB excl. one-offs | -7.6 | -6.0 | -6.3 | -4.6 | -4.2 | -3.4 | -2.9 | 4.7 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 4.4 | 2.2 | 2.4 | 1.3 | 0.8 | 2.2 | -0.2 | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 6.1 | 7.1 | n.a. | 3.7 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 2.6 | 3.9 | 4.7 | 1.8 | 1.4 | 2.3 | -1.0 | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 4.8 | 6.6 | n.a. | 3.5 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 0.7 | 3.5 | 3.5 | 2.9 | 2.9 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -2.4 | -0.5 | -0.5 | 0.3 | 0.5 | 0.7 | 0.8 | 3.4 |
| Cyclically-adjusted balance ² | -5.9 | -5.3 | -5.3 | -4.5 | -4.2 | -3.7 | -3.2 | 2.6 |
| One-offs | 0.4 | 0.5 | 0.7 | 0.3 | 0.3 | 0.1 | 0.1 | -0.3 |
| Structural balance ³ | -6.3 | -5.8 | -6.0 | -4.8 | -4.5 | -3.8 | -3.3 | 2.9 |
| Structural primary balance ³ | -2.8 | -2.3 | -2.5 | -1.6 | -1.4 | -0.8 | -0.3 | 2.4 |

(*) In the table, the figures related to the Stability Programme correspond to the budgetary projections transmitted by Italy. Except for the overall figures on government deficit and debt, those projections do not take into account the fiscal package announced by Italy for May 2022. This package, adopted on 2 May 2022, included additional support measures in 2022 as well as more resources for nationally financed investment projects in both 2022 and in the coming years. The estimates reported for the Stability Programme in Table 12.2 (Indicators for the fiscal surveillance) are based on those detailed budgetary projections, and therefore do not take into account the additional fiscal package.

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 12.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | COM | SP | COM | SP | SP | SP |
| Gross debt ratio¹ | 138.6 | 150.8 | 147.9 | 147.0 | 146.8 | 145.2 | 143.4 | 141.4 |
| Change in the ratio | 4.0 | -4.4 | -3.0 | -3.8 | -1.1 | -1.8 | -1.8 | -2.0 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | 0.0 | 3.7 | 2.0 | 2.1 | 1.1 | 0.8 | 0.3 | -0.2 |
| 2. "Snow-ball" effect | 3.7 | -6.8 | -4.4 | -5.4 | -2.8 | -3.4 | -2.2 | -1.6 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 3.6 | 3.5 | 3.5 | 3.5 | 3.2 | 3.1 | 3.0 | 3.0 |
| Growth effect | 1.5 | -9.6 | -3.5 | -4.4 | -2.6 | -3.4 | -2.5 | -2.1 |
| Inflation effect | -1.4 | -0.7 | -4.4 | -4.4 | -3.4 | -3.0 | -2.6 | -2.5 |
| 3. Stock-flow adjustment | 0.3 | -1.3 | -0.5 | -0.5 | 0.7 | 0.7 | 0.1 | -0.2 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 12.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|-----------|------------------------------|-----------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.3 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 9.6 | HIGH risk | 8.1 | HIGH risk |
| Debt sustainability analysis ^[3] | HIGH risk | | | |
| Baseline scenario | HIGH risk | | | |
| Stochastic projections | HIGH risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 155.2 | | 143.5 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 1.6 | LOW risk | 0.5 | LOW risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 12.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0.1 | 0.7 | 1.1 | 0.8 | 0.5 | n.a. |
| Cash disbursements of RRF grants from EU | n.a. | 0.5 | 1.1 | 0.6 | 0.4 | 0.4 | n.a. |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Social payments D.62+D.632 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0.1 | 0.2 | 0.2 | 0.1 | n.a. |
| Gross fixed capital formation P.51g | n.a. | 0 | 0.2 | 0.3 | 0.3 | 0.3 | n.a. |
| Capital transfers D.9 | n.a. | 0.1 | 0.3 | 0.5 | 0.1 | 0 | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0.1 | 0.5 | 0.7 | 0.3 | 0.3 | n.a. |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0.1 | 0.2 | 0.3 | 0.1 | n.a. |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |

Source: National authorities.

Table 12.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | n.a. | 0.9 | 1.2 | 1.2 | 1 | 1 | n.a. |
| Repayments of RRF loans to EU | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Social payments D.62+D.632 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0.1 | 0.1 | 0.1 | 0.1 | n.a. |
| Gross fixed capital formation P.51g | n.a. | 0.1 | 0.7 | 0.9 | 1.4 | 1.4 | n.a. |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0.1 | 0.8 | 1 | 1.4 | 1.4 | n.a. |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |

Source: National authorities.

Table 12.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|--|------------------|---|------------------------------|
| In response to COVID-19 | Central Guarantee Fund for SMEs | 17/03/2020 | n.a | 8.3 |
| | SACE- Italia Guarantee | 08/04/2020 | 11.3 | 1.6 |
| | Commercial credits insurance | 19/05/2020 | 0.1 | 0.1 |
| | Guarantee fund for first homes | 26/05/2021 | n.a | 0 |
| | Subtotal | | | 10.1 |
| Others | Central Guarantee Fund for SMEs | | n.a | 1.0 |
| | Guarantees provided by local authorities | | n.a | 0.1 |
| | GACS | | n.a | 0.7 |
| | Bond issues by CDP S.p.A. | | 0.3 | 0.2 |
| | Guarantee fund for first homes | | n.a | 0.6 |
| | Guarantee for non-market risks in favour of SACE | 08/04/2020 | 6.8 | 3.1 |
| | Green New Deal Guarantees | 15/09/2020 | 0.1 | 0.1 |
| Subtotal | | | 5.8 | |
| Total | | | | 15.9 |

Source: National authorities.

13. CYPRUS

Table 13.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP |
| Real GDP (% change) | 5.5 | 5.5 | 2.3 | 2.7 | 3.5 | 3.8 | 3.4 | 3.0 |
| Private consumption (% change) | 3.7 | 3.7 | 2.2 | 2.0 | 2.0 | 2.8 | 2.5 | 2.0 |
| Gross fixed capital formation (% change) | -6.3 | -6.3 | 5.4 | 5.8 | 5.8 | 5.4 | 5.2 | 5.2 |
| Exports of goods and services (% change) | 14.0 | 13.4 | 1.7 | 2.8 | 4.6 | 3.8 | 4.2 | 3.8 |
| Imports of goods and services (% change) | 9.2 | 9.5 | 2.5 | 2.7 | 3.7 | 3.0 | 3.2 | 3.0 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 2.7 | 2.8 | 2.9 | 2.9 | 2.8 | 3.1 | 2.6 | 2.3 |
| - Change in inventories | -0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| - Net exports | 3.4 | 2.7 | -0.6 | 0.0 | 0.7 | 0.6 | 0.8 | 0.7 |
| Output gap ¹ | 0.6 | 0.6 | 0.3 | 0.1 | 1.1 | 0.6 | 1.1 | 1.2 |
| Employment (% change) | 1.2 | 1.2 | 0.9 | 1.0 | 1.8 | 1.5 | 1.5 | 2.0 |
| Unemployment rate (%) | 7.5 | 7.5 | 7.8 | 7.1 | 7.3 | 6.4 | 6.0 | 5.5 |
| Labour productivity (% change) | 4.3 | 4.3 | 1.4 | 1.7 | 1.6 | 2.2 | 1.9 | 1.0 |
| HICP inflation (%) | 2.3 | 2.3 | 5.2 | 4.1 | 2.7 | 1.5 | 2.0 | 2.0 |
| GDP deflator (% change) | 2.7 | 2.4 | 4.5 | 4.5 | 3.2 | 1.5 | 2.0 | 2.0 |
| Comp. of employees (per head, % change) | 4.7 | 4.7 | 4.1 | 2.5 | 4.5 | 3.2 | 2.8 | 2.5 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | -7.2 | -7.3 | -8.8 | -6.0 | -7.2 | -5.4 | -4.4 | -3.6 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 13.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|------------|------------|-------------|------------|-------------|-------------|-------------|
| | COM | COM | SP | COM | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | 0.6 | 0.1 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.8 | -0.7 | n.a. | -0.3 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.5 | 0.6 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0 | 0 | n.a. | 0.2 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | 0.9 | 0.2 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | 0.2 | 3.5 | 3.5 | 0.6 | 2.1 | 2.9 | 3.2 |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | 0.8 | 4.3 | 3.7 | 0.6 | 1.9 | 2.6 | 3.0 |
| Change in the structural balance | 2.5 | 1.6 | 2.0 | -0.3 | 0.1 | 0.9 | 0.2 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 13.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Revenue | 42.4 | 40.7 | 41.7 | 39.9 | 41.3 | 41.3 | 40.6 | -1.8 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 14.4 | 13.5 | 14.2 | 12.7 | 14.1 | 14.0 | 13.9 | -0.5 |
| - Current taxes on income, wealth, etc. | 10.6 | 9.8 | 10.4 | 10.0 | 10.4 | 10.3 | 10.2 | -0.4 |
| - Social contributions | 11.6 | 12.0 | 11.5 | 12.1 | 11.4 | 11.7 | 11.4 | -0.2 |
| - Other (residual) | 5.8 | 5.4 | 5.6 | 5.1 | 5.4 | 5.3 | 5.1 | -0.7 |
| RRF grants as included in the revenue projections | | 0.8 | 0.6 | 1.1 | 0.7 | 1.0 | 0.8 | 0.5 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expenditure | 44.1 | 41.0 | 41.7 | 40.0 | 40.9 | 39.9 | 38.9 | -5.2 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 42.2 | 39.4 | 40.1 | 38.7 | 39.7 | 38.8 | 37.7 | -4.5 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 17.3 | 17.1 | 17.0 | 16.6 | 17.1 | 16.7 | 16.3 | -1.0 |
| Compensation of employees | 12.8 | 12.8 | 12.7 | 12.8 | 12.8 | 12.6 | 12.4 | -0.4 |
| Intermediate consumption | 4.4 | 4.3 | 4.3 | 3.8 | 4.2 | 4.0 | 3.9 | -0.5 |
| Social payments | 16.4 | 16.2 | 16.3 | 16.2 | 16.1 | 15.8 | 15.6 | -0.8 |
| Subsidies | 2.5 | 0.4 | 0.4 | 0.1 | 0.4 | 0.4 | 0.3 | -2.2 |
| Gross fixed capital formation | 2.7 | 2.7 | 3.1 | 2.6 | 3.0 | 2.7 | 2.6 | -0.1 |
| Other (residual) | 3.4 | 3.1 | 3.3 | 3.2 | 3.1 | 3.1 | 2.9 | -0.5 |
| - Interest expenditure | 1.8 | 1.6 | 1.6 | 1.3 | 1.2 | 1.1 | 1.2 | -0.6 |
| Expenditure financed by RRF grants | 0.1 | 0.7 | 0.6 | 1.1 | 0.7 | 1.1 | 0.9 | 0.8 |
| General government balance (GGB) | -1.7 | -0.3 | 0.0 | -0.2 | 0.4 | 1.5 | 1.7 | 3.4 |
| Primary balance | 0.2 | 1.3 | 1.6 | 1.1 | 1.6 | 2.6 | 2.9 | 2.7 |
| GGB excl. one-offs | -1.8 | -0.3 | 0.0 | -0.2 | 0.4 | 1.5 | 1.7 | 3.5 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 2.5 | -3.9 | -1.2 | 3.5 | 0.1 | -3.2 | -3.5 | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 1.2 | 4.8 | n.a. | 4.7 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 3.8 | -3.0 | -2.8 | 4.3 | -0.2 | -1.8 | -4.1 | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 2.5 | 6.6 | n.a. | 5.6 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 5.2 | 7.3 | 7.3 | 5.9 | 5.9 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | 0.6 | 0.3 | 0.1 | 1.1 | 0.6 | 1.1 | 1.2 | 0.6 |
| Cyclically-adjusted balance ² | -2.0 | -0.4 | -0.1 | -0.7 | 0.1 | 0.9 | 1.1 | 3.1 |
| One-offs | 0.1 | 0 | 0 | 0 | 0 | 0 | 0 | -0.1 |
| Structural balance ³ | -2.1 | -0.4 | -0.1 | -0.7 | 0.1 | 0.9 | 1.1 | 3.2 |
| Structural primary balance ³ | -0.2 | 1.1 | 1.5 | 0.6 | 1.3 | 2.0 | 2.3 | 2.5 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 13.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | SP | COM | SP | SP | SP |
| Gross debt ratio¹ | 100.1 | 103.6 | 93.9 | 93.9 | 88.8 | 88.2 | 81.0 | 76.7 |
| Change in the ratio | 1.6 | -11.4 | -9.7 | -9.7 | -5.1 | -5.7 | -7.2 | -4.3 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | -1.2 | -0.2 | -1.3 | -1.6 | -1.1 | -1.6 | -2.6 | -2.9 |
| 2. “Snow-ball” effect | -1.3 | -6.9 | -5.0 | -5.4 | -4.5 | -3.5 | -3.4 | -2.6 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 2.4 | 1.8 | 1.6 | 1.6 | 1.3 | 1.2 | 1.1 | 1.2 |
| Growth effect | -3.4 | -5.8 | -2.2 | -2.6 | -3.1 | -3.4 | -2.8 | -2.3 |
| Inflation effect | -0.2 | -2.9 | -4.4 | -4.4 | -2.8 | -1.3 | -1.7 | -1.5 |
| 3. Stock-flow adjustment | 4.1 | -4.1 | -3.3 | -2.6 | 0.7 | -0.5 | -1.1 | 1.3 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 13.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|----------|------------------------------|----------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.4 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | -0.4 | LOW risk | -3.0 | LOW risk |
| Debt sustainability analysis ^[3] | MEDIUM risk | | | |
| Baseline scenario | MEDIUM risk | | | |
| Stochastic projections | MEDIUM risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 63.8 | | 48.9 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 1.0 | LOW risk | -0.9 | LOW risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 13.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0.3 | 0.6 | 0.7 | 1 | 0.8 | n.a. |
| Cash disbursements of RRF grants from EU | n.a. | 0.6 | 0.7 | 0.8 | 0.7 | 0.6 | n.a. |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|------------|------------|------------|------------|------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Intermediate consumption P.2 | n.a. | 0 | 0.1 | 0.1 | 0.1 | 0.1 | n.a. |
| Social payments D.62+D.632 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | 0 | 0 | 0 | 0.1 | 0.1 | n.a. |
| Current transfers D.7 | n.a. | 0 | 0.1 | 0 | 0.1 | 0 | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0.2 | 0.2 | 0.3 | 0.2 | n.a. |
| Gross fixed capital formation P.51g | n.a. | 0.1 | 0.3 | 0.4 | 0.5 | 0.4 | n.a. |
| Capital transfers D.9 | n.a. | 0 | 0.1 | 0.1 | 0.3 | 0.3 | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0.2 | 0.4 | 0.5 | 0.7 | 0.7 | n.a. |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|----------|----------|----------|----------|----------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |

Source: National authorities.

Table 13.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | n.a. | 0.6 | 0.7 | 0.8 | 0.7 | 0.6 | n.a. |
| Repayments of RRF loans to EU | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Social payments D.62+D.632 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | n.a. | 0 | 0.1 | 0.1 | 0.1 | 0.1 | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0.1 | 0.1 | 0.1 | 0.1 | n.a. |
| Gross fixed capital formation P.51g | n.a. | 0 | 0.1 | 0.1 | 0.1 | 0.1 | n.a. |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0.1 | 0.1 | 0.1 | 0.1 | n.a. |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |

Source: National authorities.

Table 13.8: Guarantees adopted/announced according to the Programme

| | Measures | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|---|-------------------------|--|-------------------------------------|
| In response to COVID-19 | Support to the tourism sector in the form of government guarantees related to credit notes issued for the cancellation of contracts due to the pandemic of COVID-19, in case of insolvency of the issuers | 2020 | n.a. | n.a. |
| | Government guarantee scheme towards credit institutions for the granting of loan to businesses and self-employed individuals | 2021 | 0 | 0 |
| | Subtotal | | n.a. | n.a. |
| Others | Stock of Government Guarantees (excluding related to Covid-19 and linked to the financial sector) | n.a. | 7.3 | n.a. |
| | APS exposure (linked to the financial sector) | n.a. | 5.8 | n.a. |
| | Subtotal | | 13.1 | n.a. |
| Total | | | n.a. | n.a. |

Source: National authorities.

14. LATVIA

Table 14.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP |
| Real GDP (% change) | 4.5 | 4.8 | 2.0 | 2.1 | 2.9 | 2.5 | 3.3 | 3.4 |
| Private consumption (% change) | 4.8 | 4.8 | 5.0 | 3.7 | 3.8 | 4.4 | 4.0 | 4.0 |
| Gross fixed capital formation (% change) | 2.9 | 3.0 | 1.3 | 1.9 | 2.8 | 4.7 | 4.8 | 3.0 |
| Exports of goods and services (% change) | 6.2 | 6.2 | 1.3 | -3.0 | 4.1 | -0.1 | 4.0 | 5.0 |
| Imports of goods and services (% change) | 13.5 | 13.5 | 3.2 | -2.0 | 4.0 | 1.7 | 3.7 | 4.0 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 4.3 | 4.3 | 3.3 | 2.7 | 3.0 | 3.7 | 3.6 | 3.2 |
| - Change in inventories | 4.4 | 5.8 | 0 | -0.1 | 0 | 0 | 0 | 0 |
| - Net exports | -4.3 | -5.3 | -1.3 | -0.5 | -0.2 | -1.3 | -0.2 | 0.2 |
| Output gap ¹ | -1.6 | -1.6 | -1.7 | -1.8 | -0.9 | -1.7 | -0.7 | 0.4 |
| Employment (% change) | -2.6 | -3.2 | 0.7 | 1.3 | 0.5 | 0.4 | 0.0 | 0.0 |
| Unemployment rate (%) | 7.6 | 7.6 | 7.3 | 7.6 | 7.1 | 6.7 | 6.2 | 5.9 |
| Labour productivity (% change) | 7.2 | 8.3 | 1.3 | 0.8 | 2.4 | 2.1 | 3.3 | 3.4 |
| HICP inflation (%) | 3.2 | 3.3 | 9.4 | 8.5 | 3.5 | 3.5 | 2.5 | 2.0 |
| GDP deflator (% change) | 6.8 | 6.7 | 7.2 | 8.7 | 5.1 | 4.2 | 2.7 | 2.3 |
| Comp. of employees (per head, % change) | 11.0 | 11.7 | 5.6 | 6.0 | 6.0 | 5.7 | 5.3 | 5.0 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 1.6 | -1.4 | -1.3 | 1.2 | -0.4 | 1.0 | 0.6 | 0.6 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 14.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|------------|-------------|-------------|------------|-------------|-------------|-------------|
| | COM | COM | SP | COM | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | 0.4 | -3.3 | n.a. | 3.2 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | 0.3 | -0.8 | n.a. | -0.9 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.2 | -0.3 | n.a. | 0.8 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | -0.1 | -0.7 | n.a. | 0.6 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | 0.1 | -1.5 | n.a. | 2.7 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | -2.0 | 1.2 | -0.7 | 4.0 | 1.2 | 1.3 | 1.2 |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | -2.5 | 2.9 | 0.2 | 4.1 | 1.7 | 1.4 | 0.9 |
| Change in the structural balance | -3.6 | 0.3 | 3.9 | 3.9 | 1.3 | 0 | 0.2 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 14.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Revenue | 37.6 | 36.7 | 35.9 | 36.4 | 36.0 | 35.1 | 34.4 | -3.2 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 13.5 | 13.3 | 12.9 | 12.9 | 12.9 | 12.8 | 12.6 | -0.9 |
| - Current taxes on income, wealth, etc. | 7.2 | 6.7 | 6.5 | 6.4 | 6.4 | 6.3 | 6.3 | -0.9 |
| - Social contributions | 10.0 | 9.9 | 9.6 | 9.6 | 9.5 | 9.4 | 9.3 | -0.7 |
| - Other (residual) | 6.9 | 6.8 | 6.9 | 7.4 | 7.2 | 6.6 | 6.2 | -0.7 |
| RRF grants as included in the revenue projections | | 0.4 | 0.4 | 1.0 | 1.0 | 1.2 | 1.0 | 1.0 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expenditure | 44.9 | 44.0 | 42.4 | 39.4 | 38.8 | 37.3 | 36.1 | -8.8 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 44.4 | 43.4 | 41.8 | 38.8 | 38.2 | 36.7 | 35.5 | -8.9 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 17.7 | 17.3 | 16.9 | 16.8 | 15.9 | 15.1 | 14.6 | -3.1 |
| Compensation of employees | 11.7 | 11.1 | 10.9 | 10.8 | 10.1 | 9.7 | 9.3 | -2.4 |
| Intermediate consumption | 5.9 | 6.3 | 6.0 | 6.0 | 5.8 | 5.4 | 5.3 | -0.6 |
| Social payments | 14.1 | 13.4 | 12.9 | 12.6 | 12.4 | 12.0 | 11.8 | -2.3 |
| Subsidies | 0.9 | 1.3 | 0.8 | 0.7 | 0.8 | 0.7 | 0.7 | -0.2 |
| Gross fixed capital formation | 5.2 | 6.1 | 5.9 | 5.8 | 5.5 | 5.7 | 5.6 | 0.4 |
| Other (residual) | 6.5 | 5.3 | 5.3 | 3.0 | 3.7 | 3.2 | 2.9 | -3.6 |
| - Interest expenditure | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.1 |
| Expenditure financed by RRF grants | 0 | 0.4 | 0.3 | 1.0 | 1.1 | 1.2 | 1.1 | 1.1 |
| General government balance (GGB) | -7.3 | -7.2 | -6.5 | -3.0 | -2.8 | -2.3 | -1.7 | 5.6 |
| Primary balance | -6.8 | -6.7 | -5.9 | -2.4 | -2.2 | -1.6 | -1.1 | 5.7 |
| GGB excl. one-offs | -7.5 | -7.2 | -3.7 | -3.0 | -2.4 | -2.0 | -1.4 | 6.1 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 15.6 | 4.6 | 10.7 | -5.6 | 1.8 | 3.3 | 3.3 | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 8.7 | 16.7 | n.a. | -3.8 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 14.6 | 6.1 | 0.3 | -3.2 | -3.8 | 1.9 | 2.3 | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 9.0 | 14.4 | n.a. | -1.0 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 9.3 | 9.6 | 9.6 | 7.4 | 7.4 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -1.6 | -1.7 | -1.8 | -0.9 | -1.7 | -0.7 | 0.4 | 2.0 |
| Cyclically-adjusted balance ² | -6.7 | -6.6 | -5.8 | -2.7 | -2.1 | -2.0 | -1.9 | 4.9 |
| One-offs | 0.2 | 0 | -2.8 | 0 | -0.4 | -0.3 | -0.3 | -0.5 |
| Structural balance ³ | -6.9 | -6.6 | -3.0 | -2.7 | -1.7 | -1.7 | -1.6 | 5.3 |
| Structural primary balance ³ | -6.4 | -6.0 | -2.4 | -2.1 | -1.1 | -1.1 | -1.0 | 5.4 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 14.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | SP | COM | SP | SP | SP |
| Gross debt ratio¹ | 39.3 | 44.8 | 47.0 | 45.7 | 46.5 | 45.2 | 44.5 | 43.4 |
| Change in the ratio | 1.2 | 1.5 | 2.2 | 0.9 | -0.4 | -0.5 | -0.7 | -1.1 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | 0.5 | 6.8 | 6.7 | 5.9 | 2.4 | 2.2 | 1.6 | 1.1 |
| 2. "Snow-ball" effect | -0.5 | -3.9 | -3.2 | -3.7 | -2.9 | -2.3 | -1.9 | -1.8 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 0.8 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Growth effect | -0.6 | -1.7 | -0.8 | -0.8 | -1.3 | -1.1 | -1.4 | -1.4 |
| Inflation effect | -0.7 | -2.7 | -2.9 | -3.5 | -2.2 | -1.8 | -1.2 | -1.0 |
| 3. Stock-flow adjustment | 1.3 | -1.3 | -1.2 | -1.2 | 0.1 | -0.4 | -0.4 | -0.3 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 14.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|----------|------------------------------|----------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0)^[1] | 0.2 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1)^[2] | -0.5 | LOW risk | -1.7 | LOW risk |
| Debt sustainability analysis^[3] | LOW risk | | | |
| Baseline scenario | LOW risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 48.3 | | 41.3 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2)^[6] | 1.3 | LOW risk | 0.4 | LOW risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 14.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|----------|------------|------------|------------|------------|------------|------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | 0 | 0 | 0.4 | 1 | 1.2 | 1 | 0.7 |
| Cash disbursements of RRF grants from EU | 0 | 0.7 | 0.6 | 1.3 | 1 | 0.7 | 0.3 |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|----------|----------|------------|------------|------------|------------|------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | 0 | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Social payments D.62+D.632 | 0 | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | 0 | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | 0 | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | 0 | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0.1 | 0.4 | 0.4 | 0.4 | 0.2 |
| Gross fixed capital formation P.51g | 0 | 0 | 0.2 | 0.7 | 0.8 | 0.7 | 0.5 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0.2 | 0.7 | 0.8 | 0.7 | 0.5 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 14.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 14.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|-------------------|------------------|---|------------------------------|
| In response to COVID-19 | Credit guarantees | 2020 | 0.3 | 0.2 |
| | Subtotal | | 0.3 | 0.3 |
| Others | | | 0 | 0 |
| | Subtotal | | 0 | 0 |
| Total | | | 0.3 | 0.3 |

Source: National authorities.

15. LITHUANIA

Table 15.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP |
| Real GDP (% change) | 5.0 | 4.9 | 1.7 | 1.6 | 2.6 | 2.5 | 3.0 | 3.0 |
| Private consumption (% change) | 7.3 | 7.2 | 3.9 | 2.1 | 3.1 | 3.4 | 3.4 | 3.4 |
| Gross fixed capital formation (% change) | 7.0 | 7.0 | 2.7 | 2.7 | 4.5 | 4.8 | 5.4 | 5.4 |
| Exports of goods and services (% change) | 15.9 | 14.1 | -2.1 | -6.0 | 3.1 | 3.3 | 3.7 | 3.7 |
| Imports of goods and services (% change) | 18.7 | 17.0 | -0.9 | -6.0 | 3.6 | 4.1 | 4.1 | 4.1 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 5.9 | 5.8 | 2.9 | 1.9 | 2.9 | 3.0 | 3.2 | 3.3 |
| - Change in inventories | -0.6 | 0 | -0.1 | 0 | 0 | 0 | 0 | 0 |
| - Net exports | -0.3 | -0.6 | -1.1 | -0.2 | -0.4 | -0.6 | -0.3 | -0.3 |
| Output gap ¹ | -0.3 | -0.2 | -1.4 | -1.2 | -2.1 | -1.8 | -1.3 | -0.7 |
| Employment (% change) | 1.2 | 0.8 | 0.2 | -0.2 | 0.1 | 0.1 | -0.3 | -0.4 |
| Unemployment rate (%) | 7.1 | 7.1 | 7.2 | 7.3 | 7.2 | 6.9 | 6.6 | 6.3 |
| Labour productivity (% change) | 3.8 | 4.1 | 1.6 | 1.9 | 2.5 | 2.4 | 3.3 | 3.4 |
| HICP inflation (%) | 4.6 | 4.6 | 12.5 | 9.8 | 3.0 | 3.0 | 2.0 | 2.0 |
| GDP deflator (% change) | 6.5 | 6.5 | 7.4 | 7.1 | 3.0 | 3.0 | 2.0 | 2.0 |
| Comp. of employees (per head, % change) | 11.4 | 11.6 | 8.7 | 10.7 | 6.2 | 5.2 | 5.0 | 5.0 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 3.6 | 3.0 | -0.3 | 1.6 | -0.7 | 1.2 | -0.2 | -0.5 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 15.2: Indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|------------|-------------|-------------|------------|-------------|-------------|-------------|
| | COM | COM | SP | COM | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | 1.9 | -4.2 | n.a. | 1.5 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | 0.2 | -0.5 | n.a. | -0.4 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.8 | -0.3 | n.a. | 0.5 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0.2 | -0.1 | n.a. | 0.0 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | 0.7 | -3.2 | n.a. | 1.5 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | 2.9 | -2.6 | -2.6 | 2.8 | 3.0 | 1.4 | 0.5 |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | 2.1 | -1.5 | -1.9 | 2.5 | 2.7 | 1.3 | 0.4 |
| Change in the structural balance | 6.2 | -3.1 | -3.5 | 2.6 | 2.7 | 0.9 | 0.1 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 15.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Revenue | 37.7 | 37.0 | 37.4 | 37.0 | 37.3 | 37.5 | 37.4 | -0.3 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 12.2 | 11.6 | 11.8 | 11.7 | 12.1 | 12.2 | 12.1 | -0.1 |
| - Current taxes on income, wealth, etc. | 9.9 | 9.9 | 10.2 | 9.5 | 10.1 | 10.4 | 10.6 | 0.7 |
| - Social contributions | 10.7 | 10.6 | 10.6 | 10.5 | 10.6 | 10.6 | 10.5 | -0.2 |
| - Other (residual) | 4.9 | 4.9 | 4.8 | 5.3 | 4.5 | 4.3 | 4.2 | -0.7 |
| RRF grants as included in the revenue projections | | 0.3 | 0.3 | 0.8 | 0.8 | 0.9 | 0.7 | n.a. |
| Revenue reductions financed by RRF grants | 0 | 0 | n.a. | 0.0 | n.a. | n.a. | n.a. | n.a. |
| Expenditure | 38.7 | 41.5 | 42.3 | 39.3 | 39.7 | 38.7 | 38.4 | -0.3 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 38.3 | 41.2 | 42.0 | 39.0 | 39.5 | 38.4 | 38.1 | -0.2 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 15.6 | 16.3 | 16.7 | 16.3 | 16.8 | 16.3 | 16.2 | 0.6 |
| Compensation of employees | 10.9 | 11.2 | 11.6 | 11.3 | 11.6 | 11.6 | 11.5 | 0.6 |
| Intermediate consumption | 4.7 | 5.1 | 5.1 | 5.0 | 5.1 | 4.8 | 4.8 | 0.1 |
| Social payments | 15.3 | 16.3 | 16.4 | 16.2 | 16.3 | 16.2 | 16.2 | 0.9 |
| Subsidies | 1.6 | 1.9 | 1.9 | 0.4 | 0.4 | 0.3 | 0.3 | -1.3 |
| Gross fixed capital formation | 3.2 | 3.7 | 3.8 | 3.3 | 3.3 | 3.3 | 3.3 | 0.1 |
| Other (residual) | 2.6 | 2.9 | 3.2 | 2.8 | 2.7 | 2.3 | 2.1 | -0.5 |
| - Interest expenditure | 0.4 | 0.3 | 0.3 | 0.3 | 0.2 | 0.3 | 0.3 | -0.1 |
| Expenditure financed by RRF grants | 0.0 | 0.3 | n.a. | 0.8 | n.a. | n.a. | n.a. | n.a. |
| General government balance (GGB) | -1.0 | -4.6 | -4.9 | -2.3 | -2.4 | -1.3 | -1.0 | 0.0 |
| Primary balance | -0.6 | -4.2 | -4.7 | -2.0 | -2.2 | -1.0 | -0.7 | -0.1 |
| GGB excl. one-offs | -1.0 | -4.6 | -4.9 | -2.3 | -2.4 | -1.3 | -1.0 | 0.0 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 2.4 | 16.9 | 17.7 | -2.4 | -1.5 | 2.2 | 4.1 | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 4.7 | 22.5 | n.a. | 0.8 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 5.3 | 16.0 | 15.9 | -1.7 | 0.1 | 2.0 | 4.1 | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 7.5 | 22.1 | n.a. | 1.8 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 9.9 | 10.8 | 10.8 | 6.3 | 6.3 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -0.3 | -1.4 | -1.2 | -2.1 | -1.8 | -1.3 | -0.7 | -0.5 |
| Cyclically-adjusted balance ² | -0.9 | -4.0 | -4.4 | -1.5 | -1.7 | -0.8 | -0.7 | 0.2 |
| One-offs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Structural balance ³ | -0.9 | -4.0 | -4.4 | -1.5 | -1.7 | -0.8 | -0.7 | 0.2 |
| Structural primary balance ³ | -0.4 | -3.7 | -4.1 | -1.2 | -1.5 | -0.5 | -0.4 | 0.1 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 15.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | SP | COM | SP | SP | SP |
| Gross debt ratio¹ | 39.0 | 44.3 | 42.7 | 43.3 | 43.1 | 43.7 | 42.6 | 42.5 |
| Change in the ratio | 0.8 | -2.3 | -1.6 | -1.0 | 0.3 | 0.4 | -1.1 | -0.1 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | 0.2 | 0.6 | 4.2 | 4.7 | 2.0 | 2.2 | 1.0 | 0.7 |
| 2. “Snow-ball” effect | -1.1 | -4.4 | -3.4 | -3.4 | -2.0 | -2.1 | -1.8 | -1.7 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 1.0 | 0.4 | 0.3 | 0.3 | 0.3 | 0.2 | 0.3 | 0.3 |
| Growth effect | -1.1 | -2.1 | -0.7 | -0.7 | -1.0 | -1.0 | -1.2 | -1.2 |
| Inflation effect | -1.0 | -2.7 | -3.0 | -2.9 | -1.2 | -1.2 | -0.8 | -0.8 |
| 3. Stock-flow adjustment | 1.8 | 1.7 | -2.4 | -2.3 | 0.3 | 0.3 | -0.3 | 0.9 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 15.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|-------------|------------------------------|-------------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0)^[1] | 0.1 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1)^[2] | -0.6 | LOW risk | -1.1 | LOW risk |
| Debt sustainability analysis^[3] | LOW risk | | | |
| Baseline scenario | LOW risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 42.7 | | 39.8 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2)^[6] | 2.5 | MEDIUM risk | 2.1 | MEDIUM risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 15.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | n.a. | 0.3 | 0.8 | 0.9 | 0.7 | n.a. |
| Cash disbursements of RRF grants from EU | n.a. | 0.5 | 0.9 | 0.9 | 0.5 | 0.3 | n.a. |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Social payments D.62+D.632 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | n.a. | 0.1 | 0.3 | 0.4 | 0.3 | n.a. |
| Gross fixed capital formation P.51g | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Capital transfers D.9 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | n.a. | 0.2 | 0.5 | 0.5 | 0.4 | n.a. |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other costs with impact on revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Financial transactions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: National authorities.

Table 15.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 15.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|--|------------------|---|------------------------------|
| In response to COVID-19 | Portfolio guarantees administered by INVEGA | 2020 June | 0.2 | 0.1 |
| | State guarantees on loans and non-equity securities used to meet the objectives of stimulating economy affected by emergencies and to increase the financial liquidity of business | 2020 March | 0.5 | 0.1 |
| | State guarantees on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak | 2020 September | 0.1 | 0.1 |
| | State guarantees on the European Investment Bank set up by the European Guarantee Fund to respond to the COVID-19 | 2020 July | 0.1 | 0 |
| | Subtotal | | 0.9 | 0.4 |
| Others | State guarantees on INVEGA commitments under guarantees | | 0.4 | 0.2 |
| | State guarantees on the ACGF commitments under guarantees | | 0.4 | 0.2 |
| | State guarantees on loans to finance public investment projects and/or used to supplement the working capital of enterprises important for ensuring national security, which are specified in the Republic of Lithuania Law on the Protection of Objects of Importance to Ensuring National Security | | 0.3 | 0.2 |
| | State guarantees on State-subsidized loans specified in the Republic of Lithuania Law on Science and Studies | | 0.2 | 0.1 |
| | Subtotal | | 1.4 | 0.7 |
| Total | | | 2.3 | 1.1 |

Source: National authorities.

16. LUXEMBOURG

Table 16.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|--|------|------|------|------|------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP | SP |
| Real GDP (% change) | 6.9 | 6.9 | 2.2 | 1.4 | 2.7 | 2.9 | 2.9 | 2.6 | 2.6 |
| Private consumption (% change) | 7.4 | 7.4 | 3.7 | 6.0 | 2.9 | 4.5 | 3.6 | 3.2 | 2.8 |
| Gross fixed capital formation (% change) | 12.3 | 12.3 | 1.3 | 0.7 | 2.1 | 2.0 | 1.1 | 0.5 | 1.3 |
| Exports of goods and services (% change) | 9.7 | 9.7 | 3.8 | 4.8 | 3.1 | 5.1 | 5.2 | 4.7 | 4.6 |
| Imports of goods and services (% change) | 10.4 | 10.4 | 4.3 | 6.4 | 3.1 | 5.6 | 5.5 | 5.0 | 4.9 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | | |
| - Final domestic demand | 5.2 | 2.9 | 1.9 | 2.5 | 1.6 | 2.2 | 1.8 | 1.7 | 1.7 |
| - Change in inventories | -0.3 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| - Net exports | 2.0 | 4.1 | 0.4 | -1.0 | 1.1 | 0.8 | 1.0 | 0.9 | 0.9 |
| Output gap ¹ | 0 | 0.1 | -0.5 | -0.8 | -0.8 | -0.6 | -0.1 | 0 | 0 |
| Employment (% change) | 3.1 | 3.1 | 2.6 | 2.4 | 2.5 | 2.1 | 2.2 | 2.3 | 2.2 |
| Unemployment rate (%) | 5.3 | 6.2 | 5.2 | 5.7 | 5.1 | 5.6 | 5.5 | 5.5 | 5.4 |
| Labour productivity (% change) | 3.7 | 3.7 | -0.3 | -0.9 | 0.2 | 0.8 | 0.6 | 0.3 | 0.4 |
| HICP inflation (%) | 3.5 | 3.5 | 6.8 | 6.2 | 2.3 | 1.1 | 2.0 | 1.2 | 1.7 |
| GDP deflator (% change) | 6.8 | 6.8 | 4.0 | 3.9 | 2.1 | 1.5 | 1.4 | 1.5 | 1.6 |
| Comp. of employees (per head, % change) | 5.1 | 5.4 | 4.8 | 5.1 | 3.6 | 2.4 | 1.7 | 1.9 | 2.1 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 6.7 | n.a. | 5.2 | n.a. | 4.8 | n.a. | n.a. | n.a. | n.a. |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 16.2: Main indicators for fiscal surveillance

| | COM | COM | SP | COM | SP | SP | SP | SP |
|--|------------|-------------|-------------|------------|-------------|-------------|-------------|-------------|
| Relevant indicators for fiscal guidance at this stage | | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | 1.1 | -1.3 | n.a. | 0.5 | n.a. | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | 0.1 | 0 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.5 | -0.1 | n.a. | -0.1 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | -0.3 | 0.1 | n.a. | 0.2 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | 0.8 | -1.2 | n.a. | 0.5 | n.a. | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | 2.7 | -0.6 | -0.5 | 0.6 | 0.2 | -0.4 | n.a. | n.a. |
| Stability and Growth Pact indicators | | | | | | | | |
| Expenditure benchmark | 2.2 | -0.6 | -0.1 | 0.6 | 0.4 | -0.3 | n.a. | n.a. |
| Change in the structural balance | 2.5 | -0.8 | -1.2 | 0.3 | -0.6 | -0.1 | 0 | 0.2 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 16.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | Change: 2021-2026 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP | SP |
| Revenue | 43.2 | 42.6 | 42.8 | 42.4 | 42.8 | 43.0 | 43.1 | 43.2 | 0 |
| <i>of which:</i> | | | | | | | | | |
| - Taxes on production and imports | 11.6 | 11.6 | 12.0 | 11.7 | 11.9 | 11.8 | 11.8 | 11.7 | 0.1 |
| - Current taxes on income, wealth, etc. | 15.6 | 15.0 | 14.7 | 14.7 | 14.8 | 14.9 | 15.1 | 15.2 | -0.4 |
| - Social contributions | 11.7 | 11.8 | 11.8 | 11.9 | 11.9 | 12.0 | 12.0 | 12.0 | 0.3 |
| - Other (residual) | 4.3 | 4.1 | 4.3 | 4.1 | 4.2 | 4.3 | 4.2 | 4.3 | 0 |
| RRF grants as included in the revenue projections | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expenditure | 42.3 | 42.7 | 43.5 | 42.3 | 43.2 | 43.3 | 43.3 | 43.2 | 0.9 |
| <i>of which:</i> | | | | | | | | | |
| - Primary expenditure | 42.1 | 42.6 | 43.4 | 42.2 | 43.0 | 43.1 | 43.1 | 42.9 | 0.8 |
| <i>of which:</i> | | | | | | | | | |
| Compensation of employees+Intermediate consumption | 14.1 | 14.3 | 14.5 | 14.2 | 14.5 | 14.5 | 14.4 | 14.3 | 0.2 |
| Compensation of employees | 9.9 | 10.0 | 10.1 | 10.1 | 10.3 | 10.4 | 10.4 | 10.4 | 0.5 |
| Intermediate consumption | 4.2 | 4.3 | 4.4 | 4.1 | 4.1 | 4.1 | 4.0 | 3.9 | -0.3 |
| Social payments | 18.1 | 18.3 | 18.3 | 18.2 | 18.6 | 18.8 | 19.0 | 19.3 | 1.2 |
| Subsidies | 1.0 | 1.0 | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 0.9 | -0.1 |
| Gross fixed capital formation | 4.0 | 4.1 | 4.1 | 4.2 | 4.3 | 4.3 | 4.2 | 4.2 | 0.2 |
| Other (residual) | 4.9 | 4.9 | 5.3 | 4.6 | 4.6 | 4.6 | 4.4 | 4.3 | -0.6 |
| - Interest expenditure | 0.2 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.3 | 0.1 |
| Expenditure financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| General government balance (GGB) | 0.9 | -0.1 | -0.7 | 0.1 | -0.4 | -0.3 | -0.2 | 0.0 | -0.9 |
| Primary balance | 1.0 | 0.0 | -0.6 | 0.2 | -0.2 | -0.2 | 0.0 | 0.3 | -0.7 |
| GGB excl. one-offs | 0.9 | -0.1 | -0.7 | 0.1 | -0.4 | -0.3 | -0.2 | 0.0 | -0.9 |
| Expenditure aggregate growth rates | | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 3.2 | 8.3 | 7.7 | 4.5 | 4.5 | 5.5 | 3.4 | n.a. | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 7.0 | 10.0 | n.a. | 3.5 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 3.5 | 8.6 | 8.1 | 3.3 | 4.8 | 5.7 | 3.8 | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 7.3 | 10.4 | n.a. | 3.5 | n.a. | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 9.5 | 6.8 | 6.8 | 4.8 | 4.8 | n.a. | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | | |
| Output gap ² | 0.0 | -0.5 | -0.8 | -0.8 | -0.6 | -0.1 | 0 | 0 | -0.1 |
| Cyclically-adjusted balance ² | 0.9 | 0.1 | -0.3 | 0.4 | -0.1 | -0.2 | -0.2 | 0 | -0.9 |
| One-offs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Structural balance ³ | 0.9 | 0.1 | -0.3 | 0.4 | -0.1 | -0.2 | -0.2 | 0 | -0.9 |
| Structural primary balance ³ | 1.1 | 0.2 | -0.2 | 0.6 | 0.1 | 0.0 | 0.0 | 0.3 | -0.7 |

Notes:

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 16.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | SP | COM | SP | SP | SP | SP |
| Gross debt ratio¹ | 21.9 | 24.4 | 24.7 | 25.4 | 25.1 | 25.8 | 26.2 | 26.2 | 25.9 |
| Change in the ratio | 0.7 | -0.4 | 0.3 | 1.0 | 0.4 | 0.4 | 0.4 | 0 | -0.3 |
| <i>Contributions²:</i> | | | | | | | | | |
| 1. Primary balance | -1.4 | -1.0 | 0.0 | 0.6 | -0.2 | 0.2 | 0.2 | 0.0 | -0.3 |
| 2. "Snow-ball" effect | -0.4 | -2.8 | -1.3 | -1.1 | -1.0 | -0.9 | -1.0 | -0.8 | -0.8 |
| <i>Of which:</i> | | | | | | | | | |
| Interest expenditure | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.3 |
| Growth effect | -0.4 | -1.5 | -0.5 | -0.3 | -0.6 | -0.7 | -0.7 | -0.7 | -0.7 |
| Inflation effect | -0.3 | -1.5 | -0.9 | -0.9 | -0.5 | -0.4 | -0.3 | -0.4 | -0.4 |
| 3. Stock-flow adjustment | 2.5 | 3.6 | 1.7 | 1.6 | 1.7 | 1.1 | 1.2 | 0.8 | 0.8 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 16.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|-----------|------------------------------|-----------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0)^[1] | 0.3 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1)^[2] | -3.5 | LOW risk | -2.7 | LOW risk |
| Debt sustainability analysis^[3] | LOW risk | | | |
| Baseline scenario | LOW risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 19.4 | | 23.0 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2)^[6] | 7.4 | HIGH risk | 7.4 | HIGH risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 16.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash disbursements of RRF grants from EU | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 16.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|-------------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 16.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|--|------------------|---|------------------------------|
| In response to COVID-19 | State guarantee scheme | April 2020 | 3.4 | 0.2 |
| | Ducroire Office (further support for exports, including to markets affected by COVID-19) | April 2020 | 0.2 | 0.1 |
| | European Guarantee Fund at the EIB | April 2020 | 0.1 | 0 |
| | SURE Guarantee | April 2020 | 0.1 | 0.1 |
| | Subtotal | | 3.8 | 0.4 |
| Others | State guarantees (not COVID-19 related) | | 8.3 | 5.7 |
| | <i>of which in the financial sector</i> | | 5.2 | 4.3 |
| | Subtotal | | 8.3 | 5.7 |
| Total | | | 12.1 | 6.1 |

Source: National authorities.

17. HUNGARY

Table 17.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|--|------|------|------|------|------|------|------|------|------|
| | COM | CP | COM | CP | COM | CP | CP | CP | CP |
| Real GDP (% change) | 7.1 | 7.1 | 3.6 | 4.3 | 2.6 | 4.1 | 4.2 | 4.3 | 4.3 |
| Private consumption (% change) | 4.6 | 4.6 | 4.8 | 5.5 | 2.5 | 4.4 | 4.4 | 4.5 | 4.5 |
| Gross fixed capital formation (% change) | 5.9 | 5.9 | 0.9 | 2.7 | 1.2 | 4.2 | 4.4 | 4.1 | 4.1 |
| Exports of goods and services (% change) | 10.3 | 10.3 | 4.9 | 5.7 | 5.9 | 6.3 | 6.5 | 7.5 | 7.5 |
| Imports of goods and services (% change) | 8.7 | 8.7 | 3.8 | 4.9 | 4.6 | 5.5 | 5.7 | 6.5 | 6.5 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | | |
| - Final domestic demand | 4.6 | 4.6 | 2.5 | 3.6 | 1.5 | 3.6 | 3.6 | 3.5 | 3.5 |
| - Change in inventories | 1.1 | 1.1 | 0.1 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Net exports | 1.4 | 1.4 | 1.0 | 0.6 | 1.0 | 0.6 | 0.7 | 0.9 | 0.9 |
| Output gap ¹ | -0.2 | -0.5 | -0.5 | -0.9 | -1.1 | -0.8 | -0.6 | -0.3 | 0.0 |
| Employment (% change) | 2.0 | 0.7 | 1.7 | 0.7 | 0.6 | 0.3 | 0.2 | 0.1 | 0.1 |
| Unemployment rate (%) | 4.1 | 4.1 | 3.8 | 3.6 | 4.0 | 3.3 | 3.1 | 2.9 | 2.8 |
| Labour productivity (% change) | 5.0 | 6.4 | 1.9 | 3.6 | 1.9 | 3.8 | 4.0 | 4.2 | 4.3 |
| HICP inflation (%) | 5.2 | 5.2 | 9.0 | 8.9 | 4.1 | 5.2 | 3.0 | 3.0 | 3.0 |
| GDP deflator (% change) | 6.9 | 6.9 | 5.6 | 5.7 | 4.6 | 7.3 | 4.8 | 4.0 | 3.7 |
| Comp. of employees (per head, % change) | 9.2 | 8.9 | 8.7 | 12.2 | 6.5 | 9.3 | 8.8 | 8.5 | 8.2 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | -0.3 | -0.5 | -3.4 | -2.6 | -0.8 | 0.6 | 0.5 | 0.9 | 2.0 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 17.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|--|-------------|-------------|-------------|------------|-------------|-------------|-------------|-------------|
| | COM | COM | CP | COM | CP | CP | CP | CP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | -3.4 | -0.1 | n.a. | 1.9 | n.a. | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.4 | 1.0 | n.a. | -0.3 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.8 | -0.2 | n.a. | -0.4 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | -1.5 | -0.4 | n.a. | 0.6 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | -2.2 | -0.4 | n.a. | 1.9 | n.a. | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | -0.3 | 0.7 | 0.9 | 1.9 | -0.7 | 0.7 | 0.7 | n.a. |
| Stability and Growth Pact indicators | | | | | | | | |
| Expenditure benchmark | -0.3 | -0.8 | 0.3 | 3.0 | 0.4 | 1.3 | 0.7 | n.a. |
| Change in the structural balance | -0.4 | 0.8 | 2.6 | 1.3 | 1.3 | 0.9 | 0.9 | 0.4 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 17.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | Change: 2021-2026 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | CP | COM | CP | CP | CP | CP | CP |
| Revenue | 41.1 | 41.3 | 41.1 | 41.4 | 41.6 | 41.1 | 40.3 | 39.4 | -1.7 |
| <i>of which:</i> | | | | | | | | | |
| - Taxes on production and imports | 17.5 | 18.0 | 17.1 | 18.1 | 17.2 | 16.9 | 16.5 | 16.1 | -1.4 |
| - Current taxes on income, wealth, etc. | 5.6 | 6.8 | 7.3 | 6.7 | 7.3 | 7.3 | 7.3 | 7.3 | 1.7 |
| - Social contributions | 10.5 | 10.0 | 10.4 | 9.8 | 10.2 | 10.3 | 10.3 | 10.2 | -0.3 |
| - Other (residual) | 7.6 | 6.5 | 6.3 | 6.8 | 6.9 | 6.6 | 6.2 | 5.8 | -1.8 |
| RRF grants as included in the revenue projections | | 1.2 | 0.6 | 0.8 | 0.8 | 1.0 | 0.5 | 0.2 | -0.4 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | n.a. |
| Expenditure | 47.9 | 47.3 | 46.0 | 46.4 | 45.1 | 43.6 | 41.8 | 40.4 | -7.5 |
| <i>of which:</i> | | | | | | | | | |
| - Primary expenditure | 45.6 | 44.6 | 43.3 | 43.4 | 42.1 | 40.6 | 39.0 | 37.7 | -7.9 |
| <i>of which:</i> | | | | | | | | | |
| Compensation of employees+Intermediate consumption | 18.7 | 18.6 | 18.1 | 17.9 | 17.1 | 16.4 | 15.5 | 15.1 | -3.6 |
| Compensation of employees | 10.2 | 10.9 | 10.9 | 10.3 | 9.7 | 9.5 | 8.8 | 8.5 | -1.7 |
| Intermediate consumption | 8.5 | 7.7 | n.a. | 7.6 | 7.4 | 6.8 | 6.7 | 6.6 | -1.9 |
| Social payments | 12.3 | 12.3 | 12.5 | 12.0 | 12.1 | 11.7 | 11.2 | 10.8 | -1.5 |
| Subsidies | 1.3 | 1.1 | 1.1 | 1.1 | 1.1 | 1.0 | 0.9 | 0.8 | -0.5 |
| Gross fixed capital formation | 5.8 | 5.4 | 5.3 | 5.9 | 5.6 | 6.2 | 6.1 | 6.0 | 0.2 |
| Other (residual) | 7.5 | 7.2 | 6.3 | 6.5 | 6.2 | 5.4 | 5.2 | 5.0 | -2.5 |
| - Interest expenditure | 2.3 | 2.7 | 2.7 | 3.0 | 3.0 | 3.0 | 2.8 | 2.7 | 0.4 |
| Expenditure financed by RRF grants | 0.5 | 0.6 | 0.7 | 0.8 | 0.8 | 1.0 | 0.4 | 0.3 | -0.3 |
| General government balance (GGB) | -6.8 | -6.0 | -4.9 | -4.9 | -3.5 | -2.5 | -1.5 | -1.0 | 5.8 |
| Primary balance | -4.4 | -3.3 | -2.2 | -1.9 | -0.5 | 0.5 | 1.3 | 1.7 | 6.1 |
| GGB excl. one-offs | -6.7 | -6.0 | -4.2 | -4.9 | -3.5 | -2.5 | -1.5 | -1.0 | 5.7 |
| Expenditure aggregate growth rates | | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 10.0 | 9.7 | 8.9 | 2.7 | 7.4 | 4.8 | 4.5 | n.a. | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 18.1 | 11.7 | n.a. | 2.7 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 14.7 | 8.5 | 13.0 | 2.2 | 1.7 | 4.4 | 3.8 | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 17.3 | 10.4 | n.a. | 2.2 | n.a. | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 10.2 | 9.0 | 9.0 | 8.0 | 8.0 | n.a. | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | | |
| Output gap ² | -0.2 | -0.5 | -0.9 | -1.1 | -0.8 | -0.6 | -0.3 | 0.0 | 0.5 |
| Cyclically-adjusted balance ² | -6.7 | -5.8 | -4.5 | -4.4 | -3.1 | -2.2 | -1.4 | -1.0 | 5.5 |
| One-offs | -0.1 | 0.0 | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Structural balance ³ | -6.6 | -5.8 | -3.8 | -4.4 | -3.1 | -2.2 | -1.4 | -1.0 | 5.4 |
| Structural primary balance ³ | -4.3 | -3.1 | -1.1 | -1.4 | -0.1 | 0.8 | 1.4 | 1.7 | 5.8 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 17.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | CP | COM | CP | CP | CP | CP |
| Gross debt ratio¹ | 72.2 | 76.8 | 76.4 | 76.1 | 76.1 | 73.8 | 70.4 | 66.9 | 63.1 |
| Change in the ratio | 0.8 | -2.8 | -0.4 | -0.7 | -0.3 | -2.3 | -3.4 | -3.5 | -3.8 |
| <i>Contributions²:</i> | | | | | | | | | |
| 1. Primary balance | 0.7 | 4.4 | 3.3 | 2.2 | 1.9 | 0.5 | -0.5 | -1.3 | -1.7 |
| 2. "Snow-ball" effect | -1.9 | -7.4 | -3.8 | -4.3 | -2.1 | -4.8 | -3.1 | -2.6 | -2.3 |
| <i>Of which:</i> | | | | | | | | | |
| Interest expenditure | 2.5 | 2.3 | 2.7 | 2.7 | 3.0 | 3.0 | 3.0 | 2.8 | 2.7 |
| Growth effect | -1.6 | -4.9 | -2.5 | -3.0 | -1.8 | -2.8 | -2.8 | -2.8 | -2.7 |
| Inflation effect | -2.8 | -4.8 | -3.9 | -4.0 | -3.3 | -5.0 | -3.2 | -2.6 | -2.3 |
| 3. Stock-flow adjustment | 2.0 | 0.5 | 0.2 | 1.6 | 0.0 | 2.2 | 0.3 | 0.5 | 0.3 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 17.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Convergence programme scenario | |
|--|---------------------|-------------|--------------------------------|-------------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.3 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 1.9 | MEDIUM risk | -1.7 | LOW risk |
| Debt sustainability analysis ^[3] | MEDIUM risk | | | |
| Baseline scenario | LOW risk | | | |
| Stochastic projections | MEDIUM risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 72.8 | | 46.1 | |
| Long term ^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 6.3 | HIGH risk | 3.7 | MEDIUM risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 convergence programme.

Table 17.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0.6 | 0.6 | 0.8 | 1.0 | 0.5 | 0.2 |
| Cash disbursements of RRF grants from EU | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Social payments D.62+D.632 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | 0.6 | 0.2 | 0.2 | 0.3 | 0.1 | 0.1 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0.5 | 0.6 | 0.7 | 0.3 | 0.2 |
| Capital transfers D.9 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0.5 | 0.6 | 0.7 | 0.3 | 0.2 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other costs with impact on revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Financial transactions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: National authorities.

Table 17.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 17.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|--|------------------|---|------------------------------|
| In response to COVID-19 | AVHGA – Crisis Rural Guarantee Programme | n.a. | 0.3 | n.a. |
| | Magyar Export-Import Bank Zrt. - EXIM Compensation Loan Programme | n.a. | 1.3 | n.a. |
| | Magyar Export-Import Bank Zrt. - EXIM Compensation Loan Protection Programme | n.a. | 0.1 | n.a. |
| | Garantiqa Hitelgarancia Zrt. – Garantiqa Crisis Guarantee Programme | n.a. | 4.5 | n.a. |
| | MFB Magyar Fejlesztési Bank Zrt. - MFB Force Majeure Guarantee Programme | n.a. | 0.1 | n.a. |
| | MFB Magyar Fejlesztési Bank Zrt. - MFB Crisis Credit Programme | n.a. | 0.3 | n.a. |
| | MFB Magyar Fejlesztési Bank Zrt. - MFB Competitiveness Credit Programme | n.a. | 0 | n.a. |
| | Subtotal | | 6.6 | n.a. |
| Others | | | 0 | n.a. |
| | | Subtotal | 0 | n.a. |
| Total | | | 6.6 | n.a. |

Source: National authorities.

18. MALTA

Table 18.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP |
| Real GDP (% change) | 9.4 | 9.4 | 4.2 | 4.4 | 4.0 | 3.9 | 3.7 | 3.5 |
| Private consumption (% change) | 6.2 | 6.2 | 3.8 | 3.4 | 3.4 | 2.7 | 2.5 | 2.5 |
| Gross fixed capital formation (% change) | 19.3 | 19.3 | 2.5 | 1.8 | 4.9 | 6.3 | 5.0 | 4.1 |
| Exports of goods and services (% change) | 8.2 | 8.2 | 5.5 | 3.6 | 4.7 | 3.5 | 3.0 | 2.8 |
| Imports of goods and services (% change) | 7.6 | 7.6 | 6.0 | 3.4 | 4.3 | 3.2 | 2.6 | 2.3 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 8.0 | 8.0 | 4.0 | 3.6 | 2.9 | 3.1 | 2.8 | 2.5 |
| - Change in inventories | -0.4 | -0.4 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Net exports | 1.8 | 1.8 | 0.1 | 0.8 | 1.1 | 0.8 | 0.9 | 1.0 |
| Output gap ¹ | -1.3 | -1.2 | -0.9 | -0.6 | -0.7 | -0.6 | -0.4 | -0.4 |
| Employment (% change) | 1.6 | 1.6 | 2.1 | 2.4 | 2.0 | 2.1 | 2.2 | 2.3 |
| Unemployment rate (%) | 3.5 | 3.5 | 3.6 | 3.4 | 3.6 | 3.5 | 3.5 | 3.6 |
| Labour productivity (% change) | 7.7 | 7.7 | 2.0 | 1.9 | 2.0 | 1.7 | 1.5 | 1.2 |
| HICP inflation (%) | 0.7 | 0.7 | 4.5 | 3.5 | 2.6 | 2.2 | 1.8 | 1.7 |
| GDP deflator (% change) | 1.7 | 1.9 | 2.8 | 2.9 | 2.6 | 1.8 | 1.8 | 1.5 |
| Comp. of employees (per head, % change) | 5.5 | 5.5 | 3.8 | 3.1 | 2.9 | 2.9 | 2.5 | 2.4 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 5.1 | -5.3 | 2.9 | 1.8 | 2.9 | 3.0 | 3.8 | 4.5 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 18.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|-------------|-------------|-------------|------------|-------------|-------------|-------------|
| | COM | COM | SP | COM | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | -3.5 | -1.5 | n.a. | 1.1 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | 0.5 | -0.2 | n.a. | -0.2 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | -0.4 | 0.3 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0.1 | 0.0 | n.a. | -0.1 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | -3.7 | -1.6 | n.a. | 1.3 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | -2.2 | 1.9 | 1.6 | 2.4 | 2.2 | 2.4 | 1.2 |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | -2.7 | 2.6 | 1.9 | 2.7 | 2.3 | 1.7 | 0.9 |
| Change in the structural balance | -1.2 | 2.2 | 2.3 | 0.9 | 0.8 | 1.7 | 0.4 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 18.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Revenue | 37.5 | 38.3 | 38.1 | 38.2 | 38.1 | 37.6 | 36.9 | -0.6 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 10.8 | 11.5 | 11.5 | 11.8 | 11.9 | 12.2 | 12.1 | 1.3 |
| - Current taxes on income, wealth, etc. | 14.0 | 14.7 | 14.8 | 14.2 | 14.4 | 14.3 | 14.3 | 0.3 |
| - Social contributions | 6.3 | 6.1 | 6.1 | 5.9 | 6.0 | 5.9 | 5.8 | -0.5 |
| - Other (residual) | 6.4 | 6.1 | 5.7 | 6.2 | 5.8 | 5.2 | 4.7 | -1.7 |
| RRF grants as included in the revenue projections | | 0.4 | 0.4 | 0.5 | 0.5 | 0.6 | 0.4 | 0.4 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expenditure | 45.5 | 43.9 | 43.6 | 42.8 | 42.7 | 40.3 | 39.3 | -6.2 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 44.4 | 42.8 | 42.5 | 41.7 | 41.6 | 39.2 | 38.2 | -6.2 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 21.5 | 22.1 | 22.0 | 21.5 | 21.4 | 21.2 | 21.0 | -0.5 |
| Compensation of employees | 12.2 | 12.2 | 12.1 | 12.1 | 12.1 | 12.2 | 12.2 | 0.0 |
| Intermediate consumption | 9.4 | 9.9 | 9.9 | 9.4 | 9.3 | 9.0 | 8.8 | -0.6 |
| Social payments | 9.6 | 9.8 | 9.8 | 9.6 | 9.6 | 9.6 | 9.4 | -0.2 |
| Subsidies | 4.7 | 3.0 | 2.9 | 2.9 | 2.9 | 1.6 | 1.4 | -3.3 |
| Gross fixed capital formation | 4.2 | 4.1 | 4.1 | 4.2 | 4.2 | 3.7 | 3.4 | -0.8 |
| Other (residual) | 4.4 | 3.9 | 3.8 | 3.6 | 3.5 | 3.2 | 3.0 | -1.4 |
| - Interest expenditure | 1.2 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | -0.1 |
| Expenditure financed by RRF grants | 0.0 | 0.4 | 0.4 | 0.5 | 0.5 | 0.6 | 0.4 | 0.4 |
| General government balance (GGB) | -8.0 | -5.6 | -5.4 | -4.6 | -4.6 | -2.8 | -2.4 | 5.6 |
| Primary balance | -6.8 | -4.4 | -4.4 | -3.5 | -3.5 | -1.7 | -1.3 | 5.5 |
| GGB excl. one-offs | -8.0 | -5.6 | -5.5 | -4.6 | -4.6 | -2.8 | -2.4 | 5.6 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 13.6 | 2.1 | 1.2 | 0.1 | 0.9 | 0.8 | 3.0 | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 18.8 | 11.0 | n.a. | 3.2 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 13.7 | 2.5 | 2.3 | -0.6 | -0.3 | 1.9 | 3.6 | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 19.3 | 12.5 | n.a. | 2.9 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 6.7 | 7.4 | 7.4 | 6.8 | 6.8 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -1.3 | -0.9 | -0.6 | -0.7 | -0.6 | -0.4 | -0.4 | 0.8 |
| Cyclically-adjusted balance ² | -7.4 | -5.2 | -5.1 | -4.3 | -4.3 | -2.6 | -2.2 | 5.2 |
| One-offs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Structural balance ³ | -7.4 | -5.2 | -5.1 | -4.3 | -4.3 | -2.6 | -2.2 | 5.2 |
| Structural primary balance ³ | -6.2 | -4.0 | -4.0 | -3.2 | -3.2 | -1.5 | -1.1 | 5.1 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 18.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | SP | COM | SP | SP | SP |
| Gross debt ratio¹ | 48.1 | 57.0 | 58.5 | 58.6 | 59.5 | 59.4 | 58.6 | 57.2 |
| Change in the ratio | -0.6 | 3.6 | 1.5 | 1.6 | 1.0 | 0.8 | -0.8 | -1.4 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | -1.1 | 6.8 | 4.4 | 4.4 | 3.5 | 3.5 | 1.7 | 1.3 |
| 2. "Snow-ball" effect | -1.0 | -4.2 | -2.6 | -2.8 | -2.5 | -2.1 | -2.1 | -1.7 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 1.6 | 1.2 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Growth effect | -1.7 | -4.5 | -2.2 | -2.3 | -2.2 | -2.2 | -2.1 | -2.0 |
| Inflation effect | -0.9 | -0.8 | -1.5 | -1.6 | -1.4 | -1.0 | -1.1 | -0.8 |
| 3. Stock-flow adjustment | 1.6 | 1.0 | -0.3 | 0.1 | 0.0 | -0.6 | -0.4 | -1.0 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 18.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stabilityprogramme scenario | |
|--|---------------------|-------------|-----------------------------|-----------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.2 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 1.2 | MEDIUM risk | -1.1 | LOW risk |
| Debt sustainability analysis^[3] | MEDIUM risk | | | |
| Baseline scenario | MEDIUM risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 65.9 | | 50.5 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 10.1 | HIGH risk | 8.3 | HIGH risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 18.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0 | 0.4 | 0.5 | 0.6 | 0.4 | 0 |
| Cash disbursements of RRF grants from EU | n.a. | 0.3 | 0.4 | 0.6 | 0.6 | 0.2 | 0 |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0.4 | 0.5 | 0.6 | 0.4 | 0 |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0.4 | 0.5 | 0.6 | 0.4 | 0 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 18.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|-------------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 18.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|--|------------------|---|------------------------------|
| In response to COVID-19 | Malta Development Bank - COVID-19 Guarantee Scheme | 2020 | 2.4 | 1.3 |
| | EU SURE loan instrument | 2020 | 0.2 | 0.2 |
| | Subtotal | | 2.6 | 1.5 |
| Others | Non-financial corporations | | 6.9 | 5.1 |
| | Financial corporations | | 3.2 | 1.6 |
| | Households and NPISHs | | 0.1 | 0.1 |
| | Subtotal | | 10.2 | 6.8 |
| Total | | | 12.8 | 8.2 |

Source: National authorities.

19. THE NETHERLANDS

Table 19.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|--|------|------|------|-----|------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP | SP |
| Real GDP (% change) | 5.0 | 4.8 | 3.3 | 3.6 | 1.6 | 1.7 | 2.0 | 1.7 | 1.4 |
| Private consumption (% change) | 3.5 | 3.5 | 4.6 | 4.7 | 1.9 | 1.5 | 2.1 | 1.4 | 1.2 |
| Gross fixed capital formation (% change) | 3.5 | 3.3 | 2.9 | 3.7 | 2.9 | 3.6 | 2.4 | 2.5 | 1.3 |
| Exports of goods and services (% change) | 6.6 | 6.9 | 3.9 | 4.9 | 3.5 | 4.3 | 3.0 | 2.9 | 2.6 |
| Imports of goods and services (% change) | 5.1 | 5.2 | 4.1 | 5.5 | 4.3 | 5.5 | 3.6 | 3.4 | 3.0 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | | |
| - Final domestic demand | 3.7 | 4.5 | 3.0 | 3.6 | 1.9 | 2.3 | 2.4 | 1.9 | 1.6 |
| - Change in inventories | -0.3 | -1.2 | 0.0 | 0.3 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| - Net exports | 1.7 | 1.9 | 0.3 | 0.1 | -0.4 | -0.5 | -0.2 | -0.1 | -0.1 |
| Output gap ¹ | -0.7 | -0.9 | 0.9 | 0.7 | 0.8 | 0.4 | 0.4 | 0.3 | 0 |
| Employment (% change) | 1.8 | 1.7 | 2.0 | 1.5 | 1.1 | 0.6 | 1.0 | 0.6 | 0.2 |
| Unemployment rate (%) | 4.2 | 4.2 | 4.0 | 4.0 | 4.2 | 4.3 | 4.4 | 4.4 | 4.6 |
| Labour productivity (% change) | 3.2 | 3.0 | 1.2 | 2.1 | 0.4 | 1.1 | 1.0 | 1.1 | 1.2 |
| HICP inflation (%) | 2.8 | 2.8 | 7.4 | 5.9 | 2.7 | 2.2 | 1.9 | 2.3 | 1.8 |
| GDP deflator (% change) | 2.4 | 2.5 | 3.8 | 3.4 | 3.3 | 3.0 | 2.5 | 2.5 | 2.2 |
| Comp. of employees (per head, % change) | 2.1 | 0.1 | 3.1 | 2.6 | 3.7 | 3.6 | 4.1 | 3.9 | 3.8 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 9.5 | 9.4 | 8.8 | 9.8 | 8.7 | 9.1 | 8.8 | 8.5 | 8.4 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 19.2: Indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|--|------|------|------|------|------|------|------|------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | -0.2 | -2.6 | n.a. | 0.5 | n.a. | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | 0 | 0 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.1 | 0 | n.a. | -0.1 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | -0.2 | -0.5 | n.a. | -0.4 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | -0.1 | -2.0 | n.a. | 1.0 | n.a. | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | -0.3 | -0.2 | n.a. | 1.4 | n.a. | n.a. | n.a. | n.a. |
| Stability and Growth Pact indicators | | | | | | | | |
| Expenditure benchmark | -0.4 | -0.1 | 2.1 | 1.4 | 0.8 | -0.1 | -0.4 | n.a. |
| Change in the structural balance | -0.7 | -1.2 | -1.1 | 0.7 | 0 | -0.2 | -0.3 | -0.1 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 19.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | Change: 2021-2026 | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|------|
| | COM | COM | SP | COM | SP | SP | SP | SP | SP | SP |
| Revenue | 43.8 | 42.5 | 42.4 | 42.6 | 42.9 | 42.4 | 42.4 | 42.5 | | -1.3 |
| <i>of which:</i> | | | | | | | | | | |
| - Taxes on production and imports | 12.2 | 11.7 | 11.5 | 11.8 | 11.8 | 11.8 | 11.6 | 11.6 | | -0.6 |
| - Current taxes on income, wealth, etc. | 13.5 | 13.3 | 13.8 | 13.1 | 14.0 | 13.8 | 13.6 | 13.8 | | 0.3 |
| - Social contributions | 13.6 | 13.1 | 12.9 | 13.1 | 13.0 | 12.8 | 13.2 | 13.3 | | -0.3 |
| - Other (residual) | 4.5 | 4.4 | 4.2 | 4.5 | 4.1 | 4.0 | 4.0 | 3.8 | | -0.7 |
| RRF grants as included in the revenue projections | | 0.1 | 0 | 0.1 | 0 | 0 | 0 | 0 | | 0 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 |
| Expenditure | 46.3 | 45.2 | 44.8 | 44.6 | 45.2 | 44.9 | 45.4 | 45.7 | | -0.6 |
| <i>of which:</i> | | | | | | | | | | |
| - Primary expenditure | 45.8 | 44.8 | 44.4 | 44.3 | 44.9 | 44.6 | 45.1 | 45.4 | | -0.4 |
| <i>of which:</i> | | | | | | | | | | |
| Compensation of employees+Intermediate consumption | 15.1 | 14.7 | 14.8 | 14.6 | 14.7 | 14.8 | 14.8 | 14.8 | | -0.3 |
| Compensation of employees | 8.6 | 8.7 | 8.7 | 8.7 | 8.7 | 8.8 | 8.8 | 8.9 | | 0.3 |
| Intermediate consumption | 6.6 | 6.0 | n.a. | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | | -0.6 |
| Social payments | 21.6 | 21.5 | 21.2 | 21.3 | 21.3 | 21.5 | 21.8 | 22.1 | | 0.5 |
| Subsidies | 3.5 | 2.6 | 2.6 | 1.8 | 1.7 | 1.9 | 2.0 | 2.1 | | -1.4 |
| Gross fixed capital formation | 3.3 | 3.3 | 3.5 | 3.4 | 3.6 | 3.7 | 3.8 | 3.8 | | 0.5 |
| Other (residual) | 2.3 | 2.7 | 2.4 | 3.2 | 3.5 | 2.7 | 2.7 | 2.6 | | 0.3 |
| - Interest expenditure | 0.6 | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | | -0.3 |
| Expenditure financed by RRF grants | 0 | 0.1 | 0 | 0.1 | 0 | 0 | 0 | 0 | | 0 |
| General government balance (GGB) | -2.5 | -2.7 | -2.5 | -2.1 | -2.3 | -2.5 | -2.9 | -3.2 | | -0.7 |
| Primary balance | -2.0 | -2.3 | -2.0 | -1.7 | -1.9 | -2.2 | -2.6 | -2.9 | | -0.9 |
| GGB excl. one-offs | -2.4 | -2.7 | -2.5 | -2.1 | -2.3 | -2.5 | -2.9 | -3.2 | | -0.8 |
| Expenditure aggregate growth rates | | | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 4.7 | 5.8 | 1.2 | 1.6 | 3.1 | 5.1 | 5.0 | n.a. | | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 4.5 | 11.8 | n.a. | 3.7 | n.a. | n.a. | n.a. | n.a. | | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 4.5 | 4.6 | 2.1 | 0.0 | -0.2 | 7.0 | 4.8 | n.a. | | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 4.3 | 11.0 | n.a. | 2.2 | n.a. | n.a. | n.a. | n.a. | | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 4.0 | 5.4 | 5.4 | 4.8 | 4.8 | n.a. | n.a. | n.a. | | n.a. |
| Other indicators | | | | | | | | | | |
| Output gap ² | -0.7 | 0.9 | 0.7 | 0.8 | 0.4 | 0.4 | 0.3 | 0.0 | | 0.9 |
| Cyclically-adjusted balance ² | -2.1 | -3.2 | -2.9 | -2.5 | -2.5 | -2.8 | -3.1 | -3.2 | | -1.2 |
| One-offs | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.1 |
| Structural balance ³ | -2.0 | -3.2 | -2.9 | -2.5 | -2.5 | -2.8 | -3.1 | -3.2 | | -1.3 |
| Structural primary balance ³ | -1.4 | -2.8 | -2.5 | -2.2 | -2.2 | -2.5 | -2.8 | -2.9 | | -1.6 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 19.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | SP | COM | SP | SP | SP | SP |
| Gross debt ratio¹ | 54.8 | 52.1 | 51.4 | 53.1 | 50.9 | 52.7 | 53.1 | 54.4 | 56.1 |
| Change in the ratio | -2.1 | -2.3 | -0.6 | 1.0 | -0.5 | -0.4 | 0.4 | 1.3 | 1.7 |
| <i>Contributions²:</i> | | | | | | | | | |
| 1. Primary balance | -1.1 | 2.0 | 2.3 | 2.0 | 1.7 | 1.9 | 2.2 | 2.6 | 2.9 |
| 2. "Snow-ball" effect | -0.8 | -3.2 | -3.0 | -2.9 | -2.0 | -2.0 | -2.0 | -1.9 | -1.6 |
| <i>Of which:</i> | | | | | | | | | |
| Interest expenditure | 0.9 | 0.6 | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 |
| Growth effect | -0.7 | -2.5 | -1.6 | -1.7 | -0.8 | -0.9 | -1.0 | -0.9 | -0.7 |
| Inflation effect | -1.0 | -1.2 | -1.8 | -1.6 | -1.6 | -1.5 | -1.3 | -1.3 | -1.1 |
| 3. Stock-flow adjustment | -0.2 | -1.0 | 0.2 | 2.0 | -0.2 | -0.3 | 0.2 | 0.6 | 0.4 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 19.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|-------------|------------------------------|-----------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.2 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 1.9 | MEDIUM risk | 3.5 | HIGH risk |
| Debt sustainability analysis ^[3] | MEDIUM risk | | | |
| Baseline scenario | MEDIUM risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 63.2 | | 68.4 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 6.2 | HIGH risk | 6.8 | HIGH risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 19.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash disbursements of RRF grants from EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 19.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 19.8: Guarantees adopted/announced according to the Programme

| | Measures | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|---|------------------|---|------------------------------|
| In response to COVID-19 | Guarantee Royal Dutch Airlines (KLM) | 2020 | 0 | 0.3 |
| | EIB - pan European guarantee fund | 2020 | 0.2 | 0.2 |
| | Next Generation EU (NGEU) | 2020 | 3.2 | 3.2 |
| | Support to mitigate Unemployment Risks in an Emergency (SURE) | 2020 | 0.7 | 0.7 |
| | Reinsurance for supplier credit | 2020 | 1.4 | 0 |
| | Other guarantees | 2020 | 0.3 | 0 |
| | Subtotal | | | 5.9 |
| Others | European Financial Stability Facility (EFSF) | n.a. | 4.0 | 4.0 |
| | European Stability Mechanism (ESM) | n.a. | 4.1 | 4.1 |
| | DNB - capital contribution in IMF | n.a. | 3.5 | 3.5 |
| | Export credit insurance | n.a. | 1.2 | 2.5 |
| | Guarantee corporate finance (GO) | n.a. | 1.7 | 0 |
| | European Investment Bank (EIB) | n.a. | 1.4 | 1.4 |
| | Nuclear accidents (WAKO) | n.a. | 1.1 | 1.1 |
| | Other guarantees | n.a. | 3.4 | 3.5 |
| Subtotal | | | 20.4 | 20.2 |
| | Total | | 26.3 | 24.6 |

Source: National authorities.

20. AUSTRIA

Table 20.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP |
| Real GDP (% change) | 4.5 | 4.5 | 3.9 | 3.9 | 1.9 | 2.0 | 1.8 | 1.6 |
| Private consumption (% change) | 3.3 | 3.3 | 4.1 | 3.9 | 2.3 | 2.3 | 2.3 | 1.7 |
| Gross fixed capital formation (% change) | 4.0 | 4.0 | 3.7 | 3.5 | 2.3 | 2.5 | 2.1 | 2.2 |
| Exports of goods and services (% change) | 12.7 | 12.7 | 6.3 | 6.1 | 3.8 | 3.9 | 3.3 | 3.2 |
| Imports of goods and services (% change) | 14.5 | 14.5 | 4.6 | 4.6 | 3.8 | 3.8 | 3.6 | 3.4 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 4.1 | 4.1 | 2.8 | 2.5 | 1.9 | 1.8 | 1.9 | 1.6 |
| - Change in inventories | 0.5 | 0.9 | 0.1 | 0.5 | 0 | 0.1 | 0.1 | 0.1 |
| - Net exports | -0.5 | -0.5 | 1.0 | 0.9 | 0 | 0.1 | -0.2 | -0.2 |
| Output gap ¹ | -2.7 | -2.7 | -0.2 | -0.3 | 0.3 | 0 | 0.2 | 0.1 |
| Employment (% change) | 2.1 | 2.1 | 2.9 | 1.9 | 0.9 | 1.1 | 0.5 | 0.4 |
| Unemployment rate (%) | 6.2 | 6.2 | 5.0 | 4.9 | 4.8 | 4.7 | 4.6 | 4.5 |
| Labour productivity (% change) | 2.4 | 2.4 | 1.0 | 1.9 | 1.0 | 0.9 | 1.3 | 1.1 |
| HICP inflation (%) | 2.8 | 2.8 | 6.0 | 5.8 | 3.0 | 3.2 | 2.5 | 2.3 |
| GDP deflator (% change) | 1.8 | 1.8 | 3.4 | 3.5 | 3.2 | 3.5 | 2.6 | 2.2 |
| Comp. of employees (per head, % change) | 3.4 | 3.4 | 1.5 | 3.7 | 2.6 | 5.0 | 3.9 | 3.4 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | -0.6 | -0.2 | -1.1 | -0.4 | -0.9 | -0.1 | 0 | 0 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 20.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|-------------|-------------|-------------|------------|-------------|-------------|-------------|
| | COM | COM | SP | COM | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | -1.6 | -1.2 | n.a. | 0.4 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.1 | -0.1 | n.a. | 0.0 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | -0.3 | -0.3 | n.a. | 0.4 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0.1 | -0.4 | n.a. | 0.0 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | -1.4 | -0.5 | n.a. | 0.0 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | -1.3 | 1.9 | 1.5 | 1.4 | 0.9 | 0.7 | 1.2 |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | -1.1 | 2.3 | 2.0 | 1.0 | 0.7 | 0.5 | 1.2 |
| Change in the structural balance | 0.4 | 1.4 | 1.5 | 1.4 | 1.4 | 0.7 | 0.4 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 20.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Revenue | 50.0 | 48.8 | 49.1 | 48.9 | 48.9 | 48.9 | 49.1 | -0.9 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 13.9 | 13.7 | 13.7 | 13.7 | 13.6 | 13.7 | 13.7 | -0.2 |
| - Current taxes on income, wealth, etc. | 14.0 | 13.6 | 13.6 | 13.7 | 13.6 | 13.6 | 13.9 | -0.1 |
| - Social contributions | 15.9 | 15.6 | 15.6 | 15.7 | 15.7 | 15.7 | 15.7 | -0.2 |
| - Other (residual) | 6.2 | 5.9 | 6.2 | 5.8 | 6.0 | 5.9 | 5.8 | -0.4 |
| RRF grants as included in the revenue projections | | 0.3 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expenditure | 55.9 | 51.9 | 52.2 | 50.3 | 50.4 | 49.6 | 49.4 | -6.5 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 54.8 | 51.0 | 51.2 | 49.4 | 49.4 | 48.6 | 48.4 | -6.4 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 18.4 | 17.6 | 17.3 | 17.3 | 17.2 | 17.1 | 17.0 | -1.4 |
| Compensation of employees | 11.0 | 10.6 | 10.6 | 10.7 | 10.7 | 10.7 | 10.6 | -0.4 |
| Intermediate consumption | 7.4 | 7.0 | 6.7 | 6.6 | 6.6 | 6.4 | 6.3 | -1.1 |
| Social payments | 24.1 | 22.8 | 22.9 | 22.7 | 22.6 | 22.6 | 22.6 | -1.5 |
| Subsidies | 4.5 | 2.2 | 2.2 | 1.7 | 1.7 | 1.6 | 1.5 | -3.0 |
| Gross fixed capital formation | 3.5 | 3.7 | 3.7 | 3.3 | 3.3 | 3.1 | 3.2 | -0.3 |
| Other (residual) | 4.4 | 4.7 | 4.9 | 4.3 | 4.6 | 4.2 | 4.2 | -0.2 |
| - Interest expenditure | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | -0.1 |
| Expenditure financed by RRF grants | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0 |
| General government balance (GGB) | -5.9 | -3.1 | -3.1 | -1.5 | -1.5 | -0.7 | -0.3 | 5.6 |
| Primary balance | -4.8 | -2.1 | -2.1 | -0.5 | -0.5 | 0.3 | 0.7 | 5.5 |
| GGB excl. one-offs | -5.9 | -3.1 | -3.1 | -1.5 | -1.5 | -0.7 | -0.3 | 5.6 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 5.4 | 0.6 | 1.4 | 1.5 | 2.5 | 3.0 | 1.5 | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 6.3 | 7.0 | n.a. | 3.6 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 5.2 | -1.1 | -0.2 | 2.1 | 3.1 | 3.7 | 1.2 | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 6.2 | 5.7 | n.a. | 4.5 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 3.0 | 4.7 | 4.7 | 4.4 | 4.4 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -2.7 | -0.2 | -0.3 | 0.3 | 0.0 | 0.2 | 0.1 | 2.8 |
| Cyclically-adjusted balance ² | -4.4 | -3.0 | -2.9 | -1.6 | -1.5 | -0.8 | -0.4 | 4.0 |
| One-offs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Structural balance ³ | -4.4 | -3.0 | -2.9 | -1.6 | -1.5 | -0.8 | -0.4 | 4.0 |
| Structural primary balance ³ | -3.3 | -2.0 | -1.9 | -0.6 | -0.5 | 0.2 | 0.6 | 3.9 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 20.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | SP | COM | SP | SP | SP |
| Gross debt ratio¹ | 77.9 | 82.8 | 80.0 | 80.0 | 77.5 | 77.1 | 74.5 | 72.1 |
| Change in the ratio | -0.3 | -0.5 | -2.8 | -2.8 | -2.5 | -2.9 | -2.6 | -2.4 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | 0.3 | 4.8 | 2.1 | 2.1 | 0.5 | 0.5 | -0.3 | -0.7 |
| 2. "Snow-ball" effect | 0.1 | -3.8 | -4.6 | -4.7 | -2.9 | -3.2 | -2.2 | -1.7 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 1.7 | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Growth effect | -0.3 | -3.5 | -3.0 | -3.0 | -1.4 | -1.5 | -1.3 | -1.1 |
| Inflation effect | -1.3 | -1.4 | -2.6 | -2.7 | -2.4 | -2.7 | -1.9 | -1.6 |
| 3. Stock-flow adjustment | -0.7 | -1.4 | -0.1 | -0.2 | -0.1 | -0.1 | 0 | 0 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 20.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|-------------|------------------------------|----------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.2 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 1.7 | MEDIUM risk | 0.0 | LOW risk |
| Debt sustainability analysis ^[3] | LOW risk | | | |
| Baseline scenario | LOW risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 73.5 | | 62.6 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 3.4 | MEDIUM risk | 1.9 | LOW risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 20.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 | n.a. |
| Cash disbursements of RRF grants from EU | n.a. | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 | n.a. |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Social payments D.62+D.632 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Interest expenditure D.41 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Subsidies, payable D.3 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Current transfers D.7 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | 0.1 | 0.1 | 0.1 | 0 | 0 | n.a. |
| Gross fixed capital formation P.51g | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Capital transfers D.9 | n.a. | 0 | 0.1 | 0.1 | 0.1 | 0.1 | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0.1 | 0.2 | 0.1 | 0.1 | n.a. |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |

Source: National authorities.

Table 20.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Repayments of RRF loans to EU | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Social payments D.62+D.632 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Interest expenditure D.41 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Subsidies, payable D.3 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Current transfers D.7 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Gross fixed capital formation P.51g | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | n.a. |

Source: National authorities.

Table 20.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|---|------------------|---|------------------------------|
| In response to COVID-19 | aws SME Promotion Act (aws KMU-FG) | 2020 | 0.9 | 0.6 |
| | aws Guarantee Act 1977 (aws GG) | 2020 | 0.5 | 0.1 |
| | ÖHT Authorized to perform travel services | 2020 | 0.1 | 0 |
| | OeKB Special Framework KRR (Kontrollbank Refinancing Framework) | 2020 | 0.7 | 0.2 |
| | OeKB 90% | 2020 | | 0.1 |
| | ÖHT SME Promotion Act (ÖHT KMU-FG) | 2020 | 0.4 | 0.2 |
| | Subtotal | | 2.5 | 1.3 |
| Others | | | 0 | 0 |
| | Subtotal | | 0 | 0 |
| Total | | | 2.5 | 1.3 |

Source: National authorities.

21. POLAND

Table 21.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| | COM | CP | COM | CP | COM | CP | CP | CP |
| Real GDP (% change) | 5.9 | 5.9 | 3.7 | 3.8 | 3.0 | 3.2 | 3.0 | 3.1 |
| Private consumption (% change) | 6.0 | 6.0 | 4.8 | 5.9 | 3.7 | 4.0 | 2.7 | 2.9 |
| Gross fixed capital formation (% change) | 3.8 | 3.8 | 4.1 | 4.8 | 3.9 | 4.0 | 2.5 | 2.7 |
| Exports of goods and services (% change) | 11.8 | 11.8 | 5.5 | 4.5 | 3.9 | 4.0 | 3.6 | 3.6 |
| Imports of goods and services (% change) | 15.9 | 15.9 | 5.7 | 4.1 | 3.8 | 3.1 | 2.9 | 2.9 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 4.7 | 7.1 | 3.6 | 3.4 | 3.1 | 2.5 | 2.4 | 2.6 |
| - Change in inventories | 2.4 | 2.4 | 0.0 | -0.9 | -0.2 | -0.9 | 0.0 | 0.0 |
| - Net exports | -1.2 | -1.2 | 0.1 | 0.4 | 0.1 | 0.7 | 0.6 | 0.5 |
| Output gap ¹ | -0.6 | -0.4 | -0.5 | -0.5 | -0.9 | -0.8 | -0.9 | -0.5 |
| Employment (% change) | 1.5 | 2.6 | 0.4 | 1.2 | 0.3 | -0.1 | -0.1 | -0.3 |
| Unemployment rate (%) | 3.4 | 3.4 | 4.1 | 2.7 | 3.9 | 2.6 | 2.6 | 2.6 |
| Labour productivity (% change) | 4.4 | 3.3 | 3.3 | 2.6 | 2.7 | 3.2 | 3.1 | 3.4 |
| HICP inflation (%) | 5.2 | 5.2 | 11.6 | 9.1 | 7.3 | 7.8 | 4.8 | 3.5 |
| GDP deflator (% change) | 5.8 | 5.8 | 10.0 | 8.0 | 7.8 | 7.1 | 4.6 | 3.5 |
| Comp. of employees (per head, % change) | 5.0 | 0.0 | 9.5 | 10.3 | 8.0 | 10.1 | 8.3 | 7.1 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 2.9 | 1.0 | 1.0 | -0.1 | 1.3 | 0.6 | 0.4 | 1.2 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 21.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|
| | COM | COM | CP | COM | CP | CP | CP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | 1.7 | -3.4 | n.a. | 1.7 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | 0.3 | -0.1 | n.a. | -0.1 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.1 | -0.3 | n.a. | 0.3 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | -0.3 | -0.4 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | 1.6 | -2.7 | n.a. | 1.4 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | 3.3 | -0.7 | 0.2 | 1.7 | 1.8 | 1.4 | 1.1 |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | 3.0 | -0.2 | 0.5 | 1.7 | 2.0 | 1.4 | 0.9 |
| Change in the structural balance | 4.1 | -2.3 | -2.0 | 0.1 | 0.7 | 0.6 | 0.4 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 21.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | CP | COM | CP | CP | CP | CP |
| Revenue | 42.3 | 39.9 | 40.0 | 38.6 | 39.9 | 39.7 | 39.7 | -2.6 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 15.2 | 14.7 | 14.5 | 15.0 | 15.1 | 14.8 | 14.7 | -0.5 |
| - Current taxes on income, wealth, etc. | 8.4 | 7.3 | 7.3 | 6.1 | 7.0 | 7.1 | 7.2 | -1.2 |
| - Social contributions | 14.0 | 13.6 | 14.0 | 13.2 | 13.8 | 13.8 | 13.7 | -0.3 |
| - Other (residual) | 4.8 | 4.4 | 4.2 | 4.3 | 4.0 | 4.0 | 4.1 | -0.7 |
| RRF grants as included in the revenue projections | | 0.4 | n.a. | 0.6 | n.a. | n.a. | n.a. | n.a. |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | n.a. |
| Expenditure | 44.2 | 43.9 | 44.4 | 43.0 | 43.6 | 42.8 | 42.2 | -2.0 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 43.1 | 42.4 | 42.7 | 41.2 | 41.5 | 40.7 | 40.1 | -3.0 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 16.5 | 16.2 | 16.3 | 15.7 | 16.1 | 16.1 | 16.1 | -0.4 |
| Compensation of employees | 10.5 | 10.2 | 10.2 | 10.0 | 10.1 | 9.9 | 9.9 | -0.6 |
| Intermediate consumption | 5.9 | 6.0 | 6.1 | 5.8 | 6.1 | 6.2 | 6.2 | 0.3 |
| Social payments | 17.9 | 17.5 | 17.6 | 17.1 | 16.8 | 16.9 | 16.8 | -1.1 |
| Subsidies | 1.2 | 0.7 | 0.6 | 0.6 | 0.4 | 0.4 | 0.4 | -0.8 |
| Gross fixed capital formation | 4.1 | 4.2 | 4.2 | 3.9 | 4.3 | 4.2 | 4.2 | 0.1 |
| Other (residual) | 3.4 | 4.0 | 4.0 | 3.9 | 3.8 | 3.1 | 2.6 | -0.8 |
| - Interest expenditure | 1.1 | 1.5 | 1.7 | 1.8 | 2.1 | 2.1 | 2.1 | 1.0 |
| Expenditure financed by RRF grants | 0 | 0.4 | 0.3 | 0.6 | 0.6 | 0.7 | 0.8 | n.a. |
| General government balance (GGB) | -1.9 | -4.0 | -4.3 | -4.4 | -3.7 | -3.1 | -2.5 | -0.6 |
| Primary balance | -0.8 | -2.5 | -2.7 | -2.6 | -1.6 | -1.0 | -0.4 | 0.4 |
| GGB excl. one-offs | -2.1 | -4.3 | -4.2 | -4.4 | -3.7 | -3.1 | -2.5 | -0.4 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 1.9 | 15.5 | 14.0 | 6.6 | 6.8 | 5.0 | 4.6 | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 5.6 | 23.6 | n.a. | 6.6 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 1.7 | 13.8 | 13.4 | 7.2 | 5.5 | 5.3 | 4.9 | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 4.6 | 22.7 | n.a. | 7.2 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 9.5 | 13.8 | 13.8 | 11.4 | 11.4 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -0.6 | -0.5 | -0.5 | -0.9 | -0.8 | -0.9 | -0.5 | -0.1 |
| Cyclically-adjusted balance ² | -1.6 | -3.7 | -4.0 | -4.0 | -3.3 | -2.6 | -2.3 | -0.6 |
| One-offs | 0.2 | 0.3 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 |
| Structural balance ³ | -1.8 | -4.0 | -3.9 | -4.0 | -3.3 | -2.6 | -2.3 | -0.4 |
| Structural primary balance ³ | -0.7 | -2.5 | -2.2 | -2.2 | -1.2 | -0.5 | -0.2 | 0.6 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 21.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | CP | COM | CP | CP | CP |
| Gross debt ratio¹ | 51.3 | 53.8 | 50.8 | 52.1 | 49.8 | 51.5 | 51.0 | 49.7 |
| Change in the ratio | 1.2 | -3.4 | -3.0 | -1.7 | -1.0 | -0.6 | -0.5 | -1.3 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | 0.9 | 0.8 | 2.5 | 2.7 | 2.6 | 1.6 | 1.0 | 0.4 |
| 2. "Snow-ball" effect | -1.1 | -4.9 | -5.0 | -4.1 | -3.2 | -2.7 | -1.5 | -1.1 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 1.5 | 1.1 | 1.5 | 1.7 | 1.8 | 2.1 | 2.1 | 2.1 |
| Growth effect | -1.5 | -3.0 | -1.8 | -1.8 | -1.4 | -1.5 | -1.4 | -1.5 |
| Inflation effect | -1.0 | -3.0 | -4.7 | -3.8 | -3.6 | -3.3 | -2.2 | -1.7 |
| 3. Stock-flow adjustment | 1.4 | 1.0 | -0.3 | -0.2 | -0.4 | 0.7 | 0.1 | -0.6 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 21.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Convergence programme scenario | |
|--|---------------------|-------------|--------------------------------|-------------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.2 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 0.5 | MEDIUM risk | -1.4 | LOW risk |
| Debt sustainability analysis^[3] | LOW risk | | | |
| Baseline scenario | LOW risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 53.9 | | 43.2 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 4.4 | MEDIUM risk | 2.9 | MEDIUM risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 Convergence programme.

Table 21.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Cash disbursements of RRF grants from EU | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|----------|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Social payments D.62+D.632 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0.2 | 0.3 | 0.2 | 0.2 | 0.1 |
| Gross fixed capital formation P.51g | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Capital transfers D.9 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0.1 | 0.3 | 0.5 | 0.6 | 0.3 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other costs with impact on revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Financial transactions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: National authorities.

Table 21.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Repayments of RRF loans to EU | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|-------------|----------|----------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | n.a. | 0 | 0 | n.a. | n.a. | n.a. | n.a. |
| Social payments D.62+D.632 | n.a. | 0 | 0 | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | 0 | 0 | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | 0 | 0 | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | n.a. | 0 | 0 | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0 | n.a. | n.a. | n.a. | n.a. |
| Gross fixed capital formation P.51g | n.a. | 0 | 0 | 0.1 | 0.1 | 0.2 | 0 |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0.2 | 0.2 | 0.1 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0 | 0.1 | 0.3 | 0.4 | 0.1 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other costs with impact on revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Financial transactions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: National authorities.

Table 21.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|---|------------------|---|------------------------------|
| In response to COVID-19 | State Treasury guarantees related to the issuance of bonds by the Polish Development Fund (PFR) | 2020 | n.a. | 2.9 |
| | State Treasury guarantees for BGK's liabilities incurred for the COVID-19 Fund | 2020 | n.a. | 7.2 |
| | Subtotal | | | 10.1 |
| Others | Other government guarantees | | n.a. | 6.0 |
| | Subtotal | | n.a. | 6.0 |
| Total | | | n.a. | 16.1 |

Source: National authorities.

22. PORTUGAL

Table 22.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|--|------|------|------|------|------|-----|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP | SP |
| Real GDP (% change) | 4.9 | 4.9 | 5.8 | 5.0 | 2.7 | 3.3 | 2.6 | 2.6 | 2.5 |
| Private consumption (% change) | 4.5 | 4.5 | 4.6 | 4.3 | 2.3 | 2.1 | 1.9 | 2.0 | 1.9 |
| Gross fixed capital formation (% change) | 6.4 | 6.4 | 6.5 | 7.9 | 5.2 | 6.7 | 6.7 | 5.0 | 5.0 |
| Exports of goods and services (% change) | 13.1 | 13.1 | 12.3 | 13.1 | 4.1 | 5.2 | 4.1 | 4.1 | 4.0 |
| Imports of goods and services (% change) | 12.9 | 12.9 | 8.6 | 11.5 | 4.1 | 4.1 | 4.0 | 3.8 | 3.8 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | | |
| - Final domestic demand | 4.9 | 5.1 | 4.5 | 4.6 | 2.8 | 2.8 | 2.7 | 2.5 | 2.4 |
| - Change in inventories | 0.2 | 0.2 | 0 | 0 | 0 | 0 | 0 | 0.1 | 0 |
| - Net exports | -0.2 | -0.2 | 1.3 | 0.4 | -0.1 | 0.4 | 0 | 0.1 | 0 |
| Output gap ¹ | -3.3 | -3.3 | 0.3 | -0.6 | 0.9 | 0.1 | 0.3 | 0.5 | 0.7 |
| Employment (% change) | 2.1 | 2.1 | 1.0 | 1.3 | 0.9 | 0.7 | 0.4 | 0.4 | 0.4 |
| Unemployment rate (%) | 6.6 | 6.6 | 5.7 | 6.0 | 5.5 | 5.8 | 5.6 | 5.4 | 5.2 |
| Labour productivity (% change) | 2.8 | 2.8 | 4.8 | 3.7 | 1.7 | 2.6 | 2.2 | 2.1 | 2.1 |
| HICP inflation (%) | 0.9 | 0.9 | 4.4 | 3.3 | 1.9 | 1.7 | 1.7 | 1.7 | 1.7 |
| GDP deflator (% change) | 0.7 | 0.7 | 2.9 | 2.3 | 3.1 | 2.5 | 2.0 | 2.0 | 1.9 |
| Comp. of employees (per head, % change) | 3.8 | 3.8 | 4.2 | 3.2 | 2.6 | 3.2 | 3.0 | 3.0 | 3.0 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 0.7 | 0.7 | 0.3 | 1.6 | 1.6 | 2.5 | 2.3 | 2.4 | 1.4 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 22.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|--|------|------|------|------|------|------|------|------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | -1.4 | -2.0 | n.a. | 0.0 | n.a. | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -1.0 | -0.5 | n.a. | -0.2 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | -0.1 | -0.2 | n.a. | -0.3 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0 | -0.2 | n.a. | -0.2 | n.a. | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | -0.3 | -1.1 | n.a. | 0.7 | n.a. | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | -1.4 | -0.6 | -0.4 | 0.7 | 1.3 | 0.8 | 0.9 | n.a. |
| Stability and Growth Pact indicators | | | | | | | | |
| Expenditure benchmark | -0.2 | 0.1 | 0.4 | 0.7 | 1.3 | 0.8 | 0.6 | n.a. |
| Change in the structural balance | 0.5 | -0.6 | 0 | 0.4 | 0.8 | 0.3 | 0.2 | 0 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 22.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Revenue | 45.3 | 44.2 | 44.7 | 44.1 | 44.3 | 43.7 | 43.1 | 41.6 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 15.3 | 15.0 | 15.3 | 15.1 | 15.1 | 14.9 | 14.7 | 14.5 |
| - Current taxes on income, wealth, etc. | 9.7 | 9.5 | 9.6 | 9.6 | 9.6 | 9.6 | 9.5 | 9.4 |
| - Social contributions | 12.8 | 12.4 | 12.5 | 12.1 | 12.4 | 12.2 | 12.1 | 11.9 |
| - Other (residual) | 7.5 | 7.2 | 7.3 | 7.3 | 7.2 | 7.0 | 6.8 | 5.8 |
| RRF grants as included in the revenue projections | | 1.4 | 1.3 | 1.6 | 1.6 | 1.4 | 1.1 | 0.2 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expenditure | 48.1 | 46.1 | 46.7 | 45.1 | 45.0 | 44.1 | 43.1 | 41.6 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 45.7 | 43.9 | 44.4 | 42.9 | 42.8 | 42.1 | 41.1 | 39.7 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 17.6 | 16.8 | 17.0 | 16.5 | 16.5 | 16.2 | 15.9 | 15.6 |
| Compensation of employees | 11.8 | 11.3 | 11.4 | 11.1 | 11.2 | 11.0 | 10.9 | 10.7 |
| Intermediate consumption | 5.8 | 5.6 | n.a. | 5.4 | 5.4 | 5.2 | 5.0 | 4.9 |
| Social payments | 19.6 | 18.7 | 18.9 | 18.3 | 18.3 | 18.0 | 17.6 | 17.3 |
| Subsidies | 2.0 | 0.9 | 0.8 | 0.6 | 0.6 | 0.5 | 0.5 | 0.4 |
| Gross fixed capital formation | 2.5 | 3.1 | 3.2 | 3.4 | 3.6 | 3.7 | 3.7 | 3.3 |
| Other (residual) | 4.0 | 4.4 | 4.5 | 4.1 | 3.8 | 3.6 | 3.5 | 3.0 |
| - Interest expenditure | 2.4 | 2.2 | 2.3 | 2.2 | 2.2 | 2.0 | 2.0 | 1.9 |
| Expenditure financed by RRF grants | 0.0 | 1.3 | 1.4 | 1.6 | 1.6 | 1.4 | 1.1 | 0.3 |
| General government balance (GGB) | -2.8 | -1.9 | -1.9 | -1.0 | -0.7 | -0.3 | 0.0 | 0.1 |
| Primary balance | -0.4 | 0.3 | 0.3 | 1.2 | 1.6 | 1.7 | 1.9 | 2.0 |
| GGB excl. one-offs | -3.1 | -1.7 | -1.8 | -1.0 | -0.7 | -0.3 | 0.0 | 0.1 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 3.0 | 4.6 | 4.2 | 2.3 | 1.1 | 2.9 | 2.4 | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 3.0 | 8.4 | n.a. | 4.0 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 4.0 | 3.8 | 3.3 | 1.5 | 2.0 | 2.3 | 2.1 | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 2.9 | 7.6 | n.a. | 2.7 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 2.1 | 4.4 | 4.4 | 4.7 | 4.7 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -3.3 | 0.3 | -0.6 | 0.9 | 0.1 | 0.3 | 0.5 | 0.7 |
| Cyclically-adjusted balance ² | -1.1 | -2.1 | -1.6 | -1.5 | -0.7 | -0.5 | -0.3 | -0.2 |
| One-offs | 0.3 | -0.2 | -0.2 | 0 | 0 | 0 | 0 | 0 |
| Structural balance ³ | -1.3 | -1.9 | -1.4 | -1.5 | -0.7 | -0.5 | -0.3 | -0.2 |
| Structural primary balance ³ | 1.1 | 0.3 | 0.9 | 0.7 | 1.5 | 1.5 | 1.7 | 1.7 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 22.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 |
|-------------------------------------|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | COM | SP | COM | SP | SP | SP | SP |
| Gross debt ratio¹ | 126.2 | 127.4 | 119.9 | 120.8 | 115.3 | 115.4 | 109.8 | 105.9 | 101.9 |
| Change in the ratio | 0.8 | -7.8 | -7.5 | -6.7 | -4.7 | -5.3 | -5.6 | -3.9 | -4.1 |
| <i>Contributions²:</i> | | | | | | | | | |
| 1. Primary balance | -1.2 | 0.4 | -0.3 | -0.3 | -1.2 | -1.6 | -1.7 | -1.9 | -2.0 |
| 2. "Snow-ball" effect | 0.7 | -4.7 | -7.9 | -6.4 | -4.3 | -4.3 | -3.1 | -2.9 | -2.6 |
| <i>Of which:</i> | | | | | | | | | |
| Interest expenditure | 3.4 | 2.4 | 2.2 | 2.3 | 2.2 | 2.2 | 2.0 | 2.0 | 1.9 |
| Growth effect | -0.6 | -6.2 | -6.8 | -6.0 | -3.0 | -3.7 | -2.9 | -2.7 | -2.5 |
| Inflation effect | -2.1 | -0.9 | -3.3 | -2.7 | -3.5 | -2.8 | -2.2 | -2.1 | -2.0 |
| 3. Stock-flow adjustment | 1.3 | -3.4 | 0.9 | 0.2 | 0.9 | 0.7 | -0.8 | 0.9 | 0.5 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 22.5: Debt sustainability analysis results and fiscal sustainability indicators

| <i>Time horizon</i> | Commission scenario | | Stability programme scenario | |
|--|---------------------|-----------|------------------------------|-------------|
| Short term | LOW risk | | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.3 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 3.7 | HIGH risk | 2.1 | MEDIUM risk |
| Debt sustainability analysis ^[3] | HIGH risk | | | |
| Baseline scenario | HIGH risk | | | |
| Stochastic projections | MEDIUM risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 100.0 | | 90.0 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | -1.4 | LOW risk | -2.5 | LOW risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 22.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0 | 1.3 | 1.6 | 1.4 | 1.1 | 0.2 |
| Cash disbursements of RRF grants from EU | n.a. | 0.9 | 1 | 1.3 | 1 | 0.7 | 0.8 |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|----------|----------|------------|------------|------------|------------|------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0.3 | 0.3 | 0.2 | 0.1 | 0.0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0.1 | 0.1 | 0.1 | 0 |
| Current transfers D.7 | 0 | 0 | 0.2 | 0.1 | 0.1 | 0.1 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0.5 | 0.6 | 0.4 | 0.3 | 0.1 |
| Gross fixed capital formation P.51g | 0 | 0 | 0.5 | 0.6 | 0.6 | 0.5 | 0.1 |
| Capital transfers D.9 | 0 | 0 | 0.4 | 0.4 | 0.4 | 0.3 | 0.1 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0.8 | 1.0 | 0.9 | 0.8 | 0.1 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 22.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | 0 | 0.2 | 0.3 | 0.3 | 0.2 | 0.1 | 0 |
| Repayments of RRF loans to EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|------------|------------|------------|------------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0.1 | 0.2 | 0.1 | 0.1 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0.1 | 0.2 | 0.1 | 0.1 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 1 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 22.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|---|------------------|---|------------------------------|
| In response to COVID-19 | Including: | | | |
| | Capitalise 2018 - COVID-19 | 12-03-2021 | 0.2 | 0.1 |
| | Economy support COVID-19 | 30-03-2020 | 2.5 | 2.4 |
| | Specific line COVID-19 – Azores | 04-06-2020 | 0.1 | 0.1 |
| | LAE COVID-19 MPE | 06-08-2020 | 0.4 | 0.4 |
| | Social sector support COVID-19 | 14-09-2020 | 0.1 | 0.1 |
| | Economy support COVID-19 – Exporting | 18-01-2021 | 0.1 | 0.1 |
| | LAE COVID-19 – Medium and large tourism companies | 30-04-2021 | 0.1 | 0.1 |
| | 'Retomar' line | 30-09-2021 | 0.5 | 0.0 |
| | Pan-European Guarantee Fund (EGF) | 24-08-2020 | 0.1 | 0.1 |
| | Instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) | 18-09-2020 | 0.2 | 0.2 |
| | Export credit guarantee schemes (under Council of Ministers Resolution No 10-A/2020 – increased limits) | 13-03-2020 | 0.1 | 0 |
| | Export credit guarantee scheme – Short-term for temporarily non-marketable risks (OECD 2020) | 05-06-2020 | 0.4 | 0.2 |
| | State guarantee for the insurance of domestic trade credit risks | 28-04-2021 | 0.2 | 0.1 |
| Subtotal | | 5.1 | 3.8 | |
| Others | Export Credit Guarantee Schemes | | 0.1 | 0 |
| | Short-term export-credit insurance – non-marketable risk countries | 01-01-2020 | 0.1 | 0.1 |
| | Subtotal | | 0.2 | 0.1 |
| Total | | | 5.3 | 3.9 |

Source: National authorities.

23. ROMANIA

Table 23.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| | COM | CP | COM | CP | COM | CP | CP | CP |
| Real GDP (% change) | 5.9 | 5.9 | 2.6 | 2.9 | 3.6 | 4.4 | 4.8 | 4.5 |
| Private consumption (% change) | 7.9 | 7.9 | 2.9 | 3.1 | 3.5 | 4.5 | 4.7 | 4.5 |
| Gross fixed capital formation (% change) | 2.3 | 2.3 | 4.8 | 4.8 | 8.1 | 8.6 | 9.1 | 7.1 |
| Exports of goods and services (% change) | 12.5 | 12.5 | 4.5 | 4.4 | 5.2 | 5.3 | 5.5 | 4.9 |
| Imports of goods and services (% change) | 14.6 | 14.6 | 5.0 | 5.1 | 5.3 | 6.5 | 6.5 | 5.5 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 5.5 | 5.5 | 3.0 | 3.3 | 4.3 | 5.3 | 5.8 | 5.1 |
| - Change in inventories | 1.8 | 1.8 | 0.1 | 0.2 | -0.3 | 0 | -0.2 | -0.1 |
| - Net exports | -1.4 | -1.4 | -0.5 | -0.6 | -0.4 | -0.9 | -0.8 | -0.6 |
| Output gap ¹ | -2.5 | -2.7 | -3.0 | -3.0 | -2.7 | -2.1 | -1.0 | -0.3 |
| Employment (% change) | -8.9 | 0.0 | 0.8 | 0.7 | 0.8 | 0.9 | 1.0 | 0.8 |
| Unemployment rate (%) | 5.6 | 5.6 | 5.5 | 5.4 | 5.3 | 5.2 | 4.8 | 4.6 |
| Labour productivity (% change) | 16.2 | 0.0 | 1.7 | 2.2 | 2.8 | 3.5 | 3.8 | 3.7 |
| HICP inflation (%) | 4.1 | 4.1 | 8.9 | 9.9 | 5.1 | 5.2 | 2.8 | 2.5 |
| GDP deflator (% change) | 5.4 | 5.4 | 9.5 | 9.2 | 4.9 | 5.3 | 3.3 | 2.9 |
| Comp. of employees (per head, % change) | 5.7 | 5.7 | 8.3 | 8.5 | 7.0 | 8.5 | 7.4 | 7.1 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | -5.4 | -4.8 | -5.9 | -4.7 | -5.7 | -4.4 | -3.9 | -3.3 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 23.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|------------|-------------|-------------|------------|-------------|-------------|-------------|
| | COM | COM | CP | COM | CP | CP | CP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | 0.5 | -1.0 | n.a. | 1.3 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.3 | -0.3 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.6 | -1.5 | n.a. | -0.2 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0 | 0.2 | n.a. | 0.2 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | 0.2 | 0.6 | n.a. | 1.1 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | 1.3 | -0.1 | 0 | 1.3 | 0.8 | 0.4 | n.a. |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | 1.1 | 1.2 | 0.8 | 0.7 | 1.4 | 0.3 | n.a. |
| Change in the structural balance | 1.5 | -0.2 | 1.0 | 1.1 | 1.5 | 1.0 | -0.1 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 23.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | CP | COM | CP | CP | CP | CP |
| Revenue | 32.8 | 33.6 | 34.3 | 33.3 | 34.7 | 35.6 | 35.9 | 3.1 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 10.7 | 10.7 | 11.0 | 10.6 | 11.1 | 11.2 | 11.3 | 0.6 |
| - Current taxes on income, wealth, etc. | 5.1 | 5.8 | 5.7 | 5.6 | 5.2 | 5.3 | 5.3 | 0.2 |
| - Social contributions | 11.4 | 11.3 | 11.3 | 11.4 | 11.4 | 11.4 | 11.4 | 0 |
| - Other (residual) | 5.6 | 5.8 | 6.3 | 5.7 | 7.0 | 7.7 | 7.9 | 2.3 |
| RRF grants as included in the revenue projections | | 1.0 | 0.8 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 |
| Revenue reductions financed by RRF grants | 0 | 0 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. |
| Expenditure | 39.9 | 41.1 | 40.5 | 39.6 | 39.1 | 38.5 | 38.8 | -1.1 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 38.6 | 39.6 | 38.9 | 38.0 | 37.6 | 37.0 | 37.4 | -1.2 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 17.0 | 16.1 | 16.2 | 15.7 | 15.5 | 15.2 | 14.9 | -2.1 |
| Compensation of employees | 11.1 | 10.2 | 10.3 | 9.8 | 9.8 | 9.5 | 9.3 | -1.8 |
| Intermediate consumption | 5.9 | 5.9 | 5.8 | 5.8 | 5.7 | 5.6 | 5.6 | -0.3 |
| Social payments | 13.2 | 12.9 | 13.0 | 12.5 | 12.8 | 12.8 | 12.7 | -0.5 |
| Subsidies | 0.6 | 1.2 | 1.2 | 0.7 | 0.6 | 0.5 | 0.5 | -0.1 |
| Gross fixed capital formation | 4.2 | 5.9 | 5.2 | 6.0 | 5.5 | 5.6 | 6.3 | 2.1 |
| Other (residual) | 3.6 | 3.4 | 3.4 | 3.1 | 3.3 | 3.1 | 3.1 | -0.5 |
| - Interest expenditure | 1.4 | 1.5 | 1.6 | 1.6 | 1.5 | 1.5 | 1.4 | 0 |
| Expenditure financed by RRF grants | 0.1 | 0.9 | n.a. | 1.0 | n.a. | n.a. | n.a. | n.a. |
| General government balance (GGB) | -7.1 | -7.5 | -6.2 | -6.3 | -4.4 | -3.0 | -2.9 | 4.2 |
| Primary balance | -5.7 | -6.0 | -4.7 | -4.7 | -2.9 | -1.5 | -1.5 | 4.2 |
| GGB excl. one-offs | -7.1 | -7.5 | -6.2 | -6.3 | -4.4 | -3.0 | -2.9 | 4.2 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 4.9 | 13.0 | 12.9 | 5.1 | 7.9 | 8.9 | n.a. | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 7.0 | 15.7 | n.a. | 5.1 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 6.0 | 8.5 | 11.6 | 4.7 | 4.8 | 7.2 | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 8.5 | 11.4 | n.a. | 4.7 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 9.3 | 13.5 | 13.5 | 8.6 | 8.6 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -2.5 | -3.0 | -3.0 | -2.7 | -2.1 | -1.0 | -0.3 | 2.4 |
| Cyclically-adjusted balance ² | -6.3 | -6.5 | -5.2 | -5.4 | -3.7 | -2.7 | -2.8 | 3.4 |
| One-offs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Structural balance ³ | -6.3 | -6.5 | -5.2 | -5.4 | -3.7 | -2.7 | -2.8 | 3.4 |
| Structural primary balance ³ | -4.9 | -5.0 | -3.6 | -3.8 | -2.2 | -1.2 | -1.4 | 3.5 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 23.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | CP | COM | CP | CP | CP |
| Gross debt ratio¹ | 37.9 | 48.8 | 50.9 | 49.4 | 52.6 | 49.7 | 49.4 | 48.9 |
| Change in the ratio | 1.9 | 1.6 | 2.0 | 0.6 | 1.7 | 0.3 | -0.3 | -0.5 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | 3.1 | 5.7 | 6.0 | 4.7 | 4.7 | 2.9 | 1.5 | 1.5 |
| 2. "Snow-ball" effect | -1.4 | -3.4 | -3.7 | -3.7 | -2.4 | -2.9 | -2.3 | -2.0 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 1.3 | 1.4 | 1.5 | 1.6 | 1.6 | 1.5 | 1.5 | 1.4 |
| Growth effect | -1.1 | -2.5 | -1.1 | -1.3 | -1.7 | -2.0 | -2.2 | -2.1 |
| Inflation effect | -1.6 | -2.3 | -4.1 | -4.0 | -2.3 | -2.4 | -1.5 | -1.3 |
| 3. Stock-flow adjustment | 0.3 | -0.6 | -0.1 | -0.3 | -0.5 | 0.4 | 0.6 | 0.0 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 23.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Convergence programme scenario | |
|--|---------------------|-----------------|--------------------------------|-------------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.3 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 3.5 | HIGH risk | 1.3 | MEDIUM risk |
| Debt sustainability analysis ^[3] | MEDIUM risk | | | |
| Baseline scenario | MEDIUM risk | | | |
| Stochastic projections | MEDIUM risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 72.7 | | 52.2 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 4.3 | MEDIUM risk | 2.4 | MEDIUM risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 Convergence programme.

Table 23.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0 | 0.8 | 0.9 | 0.9 | 0.9 | 1.1 |
| Cash disbursements of RRF grants from EU | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|----------|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Social payments D.62+D.632 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Gross fixed capital formation P.51g | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Capital transfers D.9 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0.6 | 0.7 | 0.7 | 0.7 | 0.9 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other costs with impact on revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Financial transactions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: National authorities.

Table 23.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Repayments of RRF loans to EU | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|-------------|----------|----------|------------|------------|------------|------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | n.a. | n.a. | n.a. | n.a. |
| Intermediate consumption P.2 | n.a. | 0 | 0 | n.a. | n.a. | n.a. | n.a. |
| Social payments D.62+D.632 | n.a. | 0 | 0 | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | 0 | 0 | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | 0 | 0 | n.a. | n.a. | n.a. | n.a. |
| Current transfers D.7 | n.a. | 0 | 0 | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0 | 0.1 | 0.2 | 0.2 | 0.3 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0 | n.a. | n.a. | n.a. | n.a. |
| Capital transfers D.9 | n.a. | 0 | 0 | n.a. | n.a. | n.a. | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0 | 0.6 | 0.8 | 1.0 | 1.3 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other costs with impact on revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Financial transactions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: National authorities.

Table 23.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|----------|------------------|---|------------------------------|
| In response to COVID-19 | | | | |
| | Subtotal | | 0 | 0 |
| Others | | | 0 | 0 |
| | Subtotal | | 0 | 0 |
| Total | | | 0 | 0 |

Source: National authorities.

24. SLOVENIA

Table 24.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|-----|------|-----|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP |
| Real GDP (% change) | 8.1 | 8.1 | 3.7 | 4.2 | 3.1 | 3.0 | 2.8 | 2.6 |
| Private consumption (% change) | 11.6 | 11.6 | 4.1 | 4.3 | 2.5 | 1.4 | 1.6 | 1.8 |
| Gross fixed capital formation (% change) | 12.3 | 12.3 | 3.8 | 6.5 | 5.0 | 5.0 | 5.0 | 5.5 |
| Exports of goods and services (% change) | 13.2 | 13.2 | 4.9 | 7.1 | 6.0 | 5.5 | 5.0 | 4.2 |
| Imports of goods and services (% change) | 17.4 | 17.4 | 4.3 | 7.2 | 5.7 | 4.9 | 4.6 | 4.3 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 9.0 | 9.8 | 3.0 | 3.9 | 2.6 | 2.2 | 2.2 | 2.4 |
| - Change in inventories | 0.8 | 0.8 | 0 | 0.2 | 0 | 0.1 | 0 | 0 |
| - Net exports | -1.6 | -1.6 | 0.7 | 0.3 | 0.5 | 0.8 | 0.6 | 0.1 |
| Output gap ¹ | 1.9 | 1.9 | 2.5 | 2.6 | 2.3 | 2.0 | 1.4 | 0.4 |
| Employment (% change) | 1.4 | 1.4 | 0.9 | 1.7 | 1.5 | 1.0 | 0.7 | 0.4 |
| Unemployment rate (%) | 4.8 | 4.8 | 4.8 | 4.3 | 4.6 | 4.1 | 3.9 | 3.8 |
| Labour productivity (% change) | 6.6 | 6.6 | 2.8 | 2.4 | 1.6 | 1.9 | 2.1 | 2.1 |
| HICP inflation (%) | 2.0 | 1.9 | 6.1 | 6.4 | 3.3 | 3.2 | 2.3 | 2.0 |
| GDP deflator (% change) | 2.6 | 2.6 | 3.3 | 3.6 | 3.7 | 3.3 | 2.3 | 2.1 |
| Comp. of employees (per head, % change) | 5.4 | 5.4 | 3.6 | 3.6 | 5.5 | 4.2 | 3.8 | 4.1 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 4.0 | 3.7 | 1.3 | 0 | 2.1 | 0 | 0 | 0 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 24.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | COM | COM | SP | COM | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | -2.0 | -2.6 | n.a. | -0.1 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.3 | -0.2 | n.a. | -0.6 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | -0.5 | -0.9 | n.a. | -0.2 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0 | 0 | n.a. | 0 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | -1.2 | -1.6 | n.a. | 0.7 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | -1.0 | 0.6 | 1.4 | 0.5 | 1.0 | 1.7 | 1.1 |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | -0.3 | 1.0 | 2.9 | 1.1 | 0.7 | 0.8 | 1.0 |
| Change in the structural balance | 0.1 | 0.6 | 1.4 | 1.0 | 1.0 | 1.1 | 0.8 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 24.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Revenue | 43.9 | 43.0 | 43.2 | 42.9 | 42.8 | 42.2 | 41.8 | -2.1 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 13.2 | 13.4 | 13.0 | 13.2 | 12.9 | 12.8 | 12.5 | -0.7 |
| - Current taxes on income, wealth, etc. | 7.9 | 7.3 | 7.7 | 7.0 | 7.5 | 7.4 | 7.2 | -0.7 |
| - Social contributions | 16.8 | 16.3 | 16.2 | 16.2 | 16.0 | 15.9 | 16.2 | -0.6 |
| - Other (residual) | 6.0 | 6.0 | 6.3 | 6.4 | 6.4 | 6.1 | 5.9 | -0.1 |
| RRF grants as included in the revenue projections | | 0.6 | 0.5 | 0.7 | 0.8 | 0.6 | 0.4 | 0.2 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expenditure | 49.1 | 47.3 | 47.2 | 46.3 | 45.7 | 44.3 | 43.6 | -5.5 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 47.8 | 46.1 | 46.0 | 45.2 | 44.6 | 43.2 | 42.6 | -5.2 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 18.7 | 17.7 | 17.3 | 17.2 | 16.8 | 16.5 | 16.1 | -2.6 |
| Compensation of employees | 12.6 | 11.8 | 11.5 | 11.5 | 11.1 | 10.9 | 10.6 | -2.0 |
| Intermediate consumption | 6.1 | 5.9 | 5.8 | 5.7 | 5.7 | 5.7 | 5.5 | -0.6 |
| Social payments | 18.7 | 19.1 | 18.6 | 18.7 | 17.9 | 18.0 | 18.0 | -0.7 |
| Subsidies | 2.2 | 1.0 | 1.0 | 0.7 | 0.9 | 0.8 | 0.7 | -1.5 |
| Gross fixed capital formation | 4.7 | 5.7 | 6.4 | 6.3 | 6.6 | 5.8 | 5.6 | 0.9 |
| Other (residual) | 3.4 | 2.7 | 2.7 | 2.3 | 2.4 | 2.1 | 2.2 | -1.2 |
| - Interest expenditure | 1.3 | 1.2 | 1.2 | 1.1 | 1.1 | 1.1 | 1.0 | -0.3 |
| Expenditure financed by RRF grants | 0.2 | 0.4 | 0.4 | 0.7 | 0.8 | 0.9 | 0.6 | 0.4 |
| General government balance (GGB) | -5.2 | -4.3 | -4.1 | -3.4 | -3.0 | -2.1 | -1.7 | 3.5 |
| Primary balance | -3.9 | -3.2 | -2.9 | -2.3 | -1.9 | -1.0 | -0.7 | 3.2 |
| GGB excl. one-offs | -5.2 | -4.3 | -3.5 | -3.4 | -2.8 | -2.0 | -1.6 | 3.6 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 6.4 | 4.1 | 2.6 | 4.1 | 4.2 | 3.1 | 2.2 | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 9.2 | 11.9 | n.a. | 5.4 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 5.2 | 1.8 | -0.6 | 3.1 | 3.5 | 5.3 | 2.4 | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 8.3 | 10.2 | n.a. | 4.6 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 4.9 | 5.9 | 5.9 | 6.5 | 6.5 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | 1.9 | 2.5 | 2.6 | 2.3 | 2.0 | 1.4 | 0.4 | -1.5 |
| Cyclically-adjusted balance ² | -6.1 | -5.5 | -5.3 | -4.5 | -3.9 | -2.7 | -1.9 | 4.2 |
| One-offs | 0.0 | 0.0 | -0.6 | 0.0 | -0.2 | -0.1 | -0.1 | -0.1 |
| Structural balance ³ | -6.1 | -5.5 | -4.7 | -4.5 | -3.7 | -2.6 | -1.8 | 4.3 |
| Structural primary balance ³ | -4.8 | -4.3 | -3.5 | -3.4 | -2.6 | -1.5 | -0.8 | 4.0 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 24.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | SP | COM | SP | SP | SP |
| Gross debt ratio¹ | 73.7 | 74.7 | 74.1 | 73.3 | 72.7 | 71.5 | 69.5 | 68.0 |
| Change in the ratio | -0.6 | -5.1 | -0.6 | -1.4 | -1.4 | -1.8 | -2.0 | -1.5 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | -0.5 | 3.9 | 3.2 | 2.9 | 2.3 | 1.9 | 1.0 | 0.7 |
| 2. "Snow-ball" effect | -0.6 | -6.4 | -3.7 | -4.2 | -3.6 | -3.2 | -2.4 | -2.1 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 2.2 | 1.3 | 1.2 | 1.2 | 1.1 | 1.1 | 1.1 | 1.0 |
| Growth effect | -1.7 | -5.8 | -2.6 | -2.9 | -2.1 | -2.1 | -1.9 | -1.7 |
| Inflation effect | -1.1 | -1.8 | -2.3 | -2.5 | -2.6 | -2.3 | -1.6 | -1.4 |
| 3. Stock-flow adjustment | 0.5 | -2.4 | 0.0 | 0.0 | 0.0 | -0.3 | -0.6 | -0.1 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 24.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|-----------|------------------------------|-------------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.2 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 4.6 | HIGH risk | 2.3 | MEDIUM risk |
| Debt sustainability analysis ^[3] | MEDIUM risk | | | |
| Baseline scenario | MEDIUM risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 82.5 | | 63.2 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 11.1 | HIGH risk | 8.9 | HIGH risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 24.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0.2 | 0.5 | 0.8 | 0.6 | 0.4 | 0.5 |
| Cash disbursements of RRF grants from EU | n.a. | 0.4 | 0.5 | 0.7 | 0.5 | 0.3 | 0.5 |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | n.a. | 0 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 |
| Current transfers D.7 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 |
| Gross fixed capital formation P.51g | n.a. | 0.2 | 0.3 | 0.5 | 0.6 | 0.4 | 0.1 |
| Capital transfers D.9 | n.a. | 0 | 0 | 0.1 | 0.1 | 0.1 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0.2 | 0.3 | 0.5 | 0.6 | 0.5 | 0.2 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 24.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | n.a. | 0 | 0 | 0.6 | 0.1 | 0.2 | 0.3 |
| Repayments of RRF loans to EU | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0 | 0.2 | 0.3 | 0.3 | 0.1 |
| Capital transfers D.9 | n.a. | 0 | 0 | 0 | 0 | 0.1 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0 | 0.2 | 0.3 | 0.4 | 0.1 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 24.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|---|------------------|---|------------------------------|
| In response to COVID-19 | Act Regulating the Guarantee of the Republic of Slovenia in European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak (ZPEIPUTB) | 29-05-2020 | 0.2 | 0.2 |
| | Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (ZDLGPE) | 28-04-2020 | 3.8 | 0.1 |
| | Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (ZIUZEOP) | 02-04-2020 | 0.4 | 0.1 |
| | Act Regulating the Guarantee of the Republic of Slovenia for Pan-European Guarantee Fund (ZJPGS) | 03-03-2021 | 0.1 | 0.1 |
| | Subtotal | | 4.5 | 0.5 |
| Others | Act on State Guarantee for loans procured for financing of the Second railway track Divača – Koper project and for loans procured for financing the the part of the Third Development Axis project (ZPOD2TDK) | 18-12-2019 | 1.5 | 0.2 |
| | Subtotal | | 1.5 | 0.2 |
| Total | | | 6.0 | 0.8 |

Source: National authorities.

25. SLOVAKIA

Table 25.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP |
| Real GDP (% change) | 3.0 | 3.0 | 2.3 | 2.1 | 3.6 | 5.3 | 1.8 | 1.8 |
| Private consumption (% change) | 1.2 | 1.2 | 1.9 | 1.4 | 1.9 | 2.3 | 2.8 | 2.1 |
| Gross fixed capital formation (% change) | 0.6 | 0.6 | 10.8 | 15.2 | 13.4 | 15.1 | -2.5 | -0.6 |
| Exports of goods and services (% change) | 10.2 | 10.2 | 2.9 | 1.5 | 7.4 | 9.0 | 4.7 | 3.1 |
| Imports of goods and services (% change) | 11.2 | 11.2 | 3.4 | 1.8 | 7.6 | 8.4 | 3.9 | 2.3 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 1.2 | 3.8 | 2.8 | 2.3 | 3.9 | 4.7 | 0.9 | 0.9 |
| - Change in inventories | 2.6 | 2.7 | 0.0 | -0.7 | 0 | 0 | 0.1 | 0 |
| - Net exports | -0.8 | -0.6 | -0.5 | -0.3 | -0.4 | 0.7 | 0.9 | 0.9 |
| Output gap ¹ | -1.1 | -1.0 | -0.8 | -1.3 | 0 | 0.8 | 0.1 | -0.3 |
| Employment (% change) | -0.6 | -0.6 | 1.9 | 0.6 | 0.6 | 1.6 | 0.6 | 0 |
| Unemployment rate (%) | 6.8 | 6.9 | 6.7 | 6.6 | 6.3 | 5.6 | 5.4 | 5.2 |
| Labour productivity (% change) | 3.6 | 3.6 | 0.4 | 1.5 | 2.9 | 3.6 | 1.2 | 1.7 |
| HICP inflation (%) | 2.8 | 2.8 | 9.8 | 8.1 | 6.8 | 6.7 | 2.0 | 2.0 |
| GDP deflator (% change) | 2.4 | 2.4 | 6.6 | 7.4 | 5.5 | 5.1 | 2.4 | 2.1 |
| Comp. of employees (per head, % change) | 5.9 | 5.9 | 7.8 | 7.1 | 7.0 | 7.1 | 5.0 | 4.6 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | -1.9 | 0.7 | -3.5 | 0.1 | -2.2 | 0.3 | 0.6 | 0.8 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 25.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|
| | COM | COM | SP | COM | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | -1.1 | 0.3 | n.a. | -0.8 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | 0.1 | -0.7 | n.a. | -1.0 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.3 | -0.4 | n.a. | -0.1 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | 0.3 | -0.2 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | -1.7 | 1.6 | n.a. | 0.2 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | -2.0 | 2.5 | -1.4 | 0.1 | -0.6 | 3.3 | n.a. |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | -2.2 | 4.2 | 0.5 | 1.4 | 0.8 | 1.4 | n.a. |
| Change in the structural balance | -1.3 | 2.4 | 2.1 | 0.8 | 0.9 | 0.4 | 0.4 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 25.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Revenue | 40.7 | 40.5 | 40.2 | 40.7 | 41.2 | 39.1 | 39.0 | -1.7 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 12.4 | 12.1 | 11.9 | 11.8 | 12.0 | 11.8 | 11.9 | -0.5 |
| - Current taxes on income, wealth, etc. | 7.4 | 7.4 | 7.5 | 7.4 | 7.5 | 7.4 | 7.4 | 0 |
| - Social contributions | 16.1 | 15.7 | 15.3 | 15.5 | 14.9 | 14.9 | 14.9 | -1.2 |
| - Other (residual) | 4.9 | 5.3 | 5.5 | 6.1 | 6.8 | 5.0 | 4.8 | -0.1 |
| RRF grants as included in the revenue projections | | 1.1 | 0.7 | 1.3 | 0.8 | 0.7 | 0.5 | 0.5 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | n.a. |
| Expenditure | 46.8 | 44.2 | 45.3 | 43.3 | 43.6 | 41.4 | 41.0 | -5.8 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 45.7 | 43.1 | 44.3 | 42.3 | 42.7 | 40.5 | 39.9 | -5.8 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 17.6 | 16.8 | 17.4 | 16.3 | 17.1 | 15.5 | 15.1 | -2.5 |
| Compensation of employees | 11.6 | 11.1 | 10.4 | 10.9 | 9.5 | 9.4 | 9.0 | -2.6 |
| Intermediate consumption | 6.0 | 5.7 | 7.0 | 5.4 | 7.6 | 6.2 | 6.1 | 0.1 |
| Social payments | 18.9 | 17.8 | 17.9 | 17.5 | 17.0 | 17.4 | 17.3 | -1.6 |
| Subsidies | 1.4 | 1.2 | 1.1 | 1.0 | 0.8 | 0.7 | 0.7 | -0.7 |
| Gross fixed capital formation | 3.2 | 4.2 | 4.7 | 5.1 | 4.5 | 4.2 | 4.2 | 1.0 |
| Other (residual) | 4.7 | 3.1 | 3.3 | 2.4 | 2.9 | 2.7 | 2.2 | -2.5 |
| - Interest expenditure | 1.1 | 1.1 | 1.0 | 1.0 | 0.9 | 0.9 | 1.1 | 0 |
| Expenditure financed by RRF grants | 0 | 1.1 | 0.7 | 1.3 | 0.8 | 0.7 | 0.4 | n.a. |
| General government balance (GGB) | -6.2 | -3.6 | -5.1 | -2.6 | -2.4 | -2.3 | -2.0 | 4.2 |
| Primary balance | -5.0 | -2.6 | -4.1 | -1.5 | -1.5 | -1.4 | -1.0 | 4.0 |
| GGB excl. one-offs | -6.2 | -3.6 | -4.1 | -2.6 | -2.4 | -2.3 | -2.0 | 4.1 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 9.6 | 0.7 | 9.6 | 4.5 | 5.1 | 3.1 | n.a. | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 7.4 | 6.1 | n.a. | 7.1 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 12.0 | -1.4 | -0.1 | 4.3 | 3.8 | 3.7 | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 9.3 | 4.1 | n.a. | 7.0 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 2.1 | 2.0 | 2.0 | 2.0 | 2.0 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -1.1 | -0.8 | -1.3 | 0.0 | 0.8 | 0.1 | -0.3 | 0.8 |
| Cyclically-adjusted balance ² | -5.7 | -3.3 | -4.6 | -2.6 | -2.7 | -2.3 | -1.9 | 3.9 |
| One-offs | 0 | 0 | -1 | 0 | 0 | 0 | 0 | 0 |
| Structural balance ³ | -5.7 | -3.3 | -3.6 | -2.6 | -2.7 | -2.3 | -1.9 | 3.9 |
| Structural primary balance ³ | -4.6 | -2.3 | -2.6 | -1.5 | -1.8 | -1.4 | -0.8 | 3.8 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 25.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | SP | COM | SP | SP | SP |
| Gross debt ratio¹ | 52.3 | 63.1 | 61.7 | 61.6 | 58.3 | 58.0 | 58.2 | 57.3 |
| Change in the ratio | 1.6 | 3.3 | -1.4 | -1.5 | -3.4 | -3.6 | 0.1 | -0.9 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | 0.9 | 5.0 | 2.6 | 4.1 | 1.5 | 1.5 | 1.4 | 1.0 |
| 2. "Snow-ball" effect | 0 | -1.9 | -4.1 | -4.5 | -4.1 | -4.9 | -1.4 | -1.1 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 1.4 | 1.1 | 1.1 | 1.0 | 1.0 | 0.9 | 0.9 | 1.1 |
| Growth effect | -0.7 | -1.7 | -1.3 | -1.2 | -2.0 | -2.9 | -1.0 | -1.0 |
| Inflation effect | -0.7 | -1.4 | -3.8 | -4.2 | -3.1 | -2.9 | -1.3 | -1.2 |
| 3. Stock-flow adjustment | 0.7 | 0.3 | 0.2 | -1.0 | -0.7 | 0.0 | 0.2 | -0.7 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 25.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|-------------|------------------------------|-------------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.2 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 1.8 | MEDIUM risk | 1.5 | MEDIUM risk |
| Debt sustainability analysis^[3] | HIGH risk | | | |
| Baseline scenario | MEDIUM risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 61.0 | | 57.3 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 9.6 | HIGH risk | 9.2 | HIGH risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 25.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0 | 0.7 | 0.8 | 0.7 | 0.5 | n.a. |
| Cash disbursements of RRF grants from EU | n.a. | 0.8 | 1 | 1.3 | 1.2 | 0.8 | n.a. |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|-------------|------------|------------|------------|------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | n.a. | 0 | 0 | 0 | 0 | n.a. |
| Intermediate consumption P.2 | n.a. | n.a. | 0.1 | 0.1 | 0.1 | 0.1 | n.a. |
| Social payments D.62+D.632 | n.a. | n.a. | 0 | 0 | 0 | 0 | n.a. |
| Interest expenditure D.41 | n.a. | n.a. | 0 | 0 | 0 | 0 | n.a. |
| Subsidies, payable D.3 | n.a. | n.a. | 0 | 0 | 0 | 0 | n.a. |
| Current transfers D.7 | n.a. | n.a. | 0 | 0 | 0 | 0 | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | n.a. | 0.1 | 0.1 | 0.2 | 0.1 | n.a. |
| Gross fixed capital formation P.51g | n.a. | n.a. | 0.6 | 0.7 | 0.5 | 0.3 | n.a. |
| Capital transfers D.9 | n.a. | n.a. | 0 | 0 | 0 | 0 | n.a. |
| TOTAL CAPITAL EXPENDITURE | n.a. | n.a. | 0.6 | 0.7 | 0.5 | 0.3 | n.a. |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|-------------|----------|----------|----------|----------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | 0 | 0 | 0 | 0 | n.a. |
| Other costs with impact on revenue | n.a. | n.a. | 0 | 0 | 0 | 0 | n.a. |
| Financial transactions | n.a. | n.a. | 0 | 0 | 0 | 0 | n.a. |

Source: National authorities.

Table 25.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 25.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|---|------------------|---|------------------------------|
| In response to COVID-19 | COVID-19 bank guarantees (as of January 2022) | avr-20 | 2.1 | 0.9 |
| | Subtotal | | 2.1 | 0.9 |
| Others | EFSF | | 2.4 | 0 |
| | ESM | | 6.3 | 0 |
| | International financial institutions | | 1.3 | 0 |
| | Subtotal | | 10.0 | 0.2 |
| Total | | | 12.1 | 1.1 |

Source: National authorities.

26. FINLAND

Table 26.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| | COM | SP | COM | SP | COM | SP | SP | SP |
| Real GDP (% change) | 3.5 | 3.5 | 1.6 | 1.5 | 1.7 | 1.7 | 1.5 | 1.3 |
| Private consumption (% change) | 3.1 | 3.1 | 2.1 | 2.0 | 1.7 | 1.7 | 1.5 | 1.5 |
| Gross fixed capital formation (% change) | 1.2 | 1.2 | 2.1 | 2.2 | 3.0 | 2.9 | 2.0 | 4.4 |
| Exports of goods and services (% change) | 4.7 | 4.7 | 2.1 | 2.0 | 4.3 | 4.4 | 5.1 | 4.2 |
| Imports of goods and services (% change) | 5.3 | 5.3 | 2.9 | 2.6 | 3.7 | 3.7 | 4.2 | 5.5 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 2.7 | 2.7 | 1.9 | 2.1 | 1.4 | 1.4 | 1.2 | 1.8 |
| - Change in inventories | 0.8 | 1.0 | 0 | -0.3 | 0 | 0 | -0.1 | 0.1 |
| - Net exports | -0.2 | -0.2 | -0.3 | -0.3 | 0.3 | 0.3 | 0.4 | -0.6 |
| Output gap ¹ | -1.0 | -1.0 | -0.8 | -0.9 | -0.5 | -0.6 | -0.2 | 0 |
| Employment (% change) | 2.0 | 2.4 | 1.0 | 1.0 | 0.4 | 0.8 | 0.5 | 0.3 |
| Unemployment rate (%) | 7.7 | 7.7 | 7.2 | 7.2 | 6.9 | 6.8 | 6.6 | 6.5 |
| Labour productivity (% change) | 1.4 | 1.1 | 0.6 | 0.5 | 1.2 | 0.9 | 1.0 | 0.9 |
| HICP inflation (%) | 2.1 | 2.1 | 4.5 | 4.2 | 2.3 | 2.3 | 1.8 | 1.9 |
| GDP deflator (% change) | 2.7 | 2.7 | 3.8 | 3.4 | 2.3 | 2.2 | 1.8 | 1.8 |
| Comp. of employees (per head, % change) | 4.4 | 3.7 | 3.3 | 3.0 | 3.0 | 2.7 | 2.5 | 2.6 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 0.8 | 0.8 | 0.3 | 0 | 0.5 | 0.2 | 0.4 | 0 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 26.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|------------|-------------|-------------|------------|-------------|-------------|-------------|
| | COM | COM | SP | COM | SP | SP | SP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | 0.5 | -0.6 | n.a. | 0.3 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | 0.0 | -0.2 | n.a. | -0.2 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.6 | -0.2 | n.a. | -0.1 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | -0.1 | -0.3 | n.a. | 0.2 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | -0.1 | 0.1 | n.a. | 0.4 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | 1.6 | 0.8 | 0.8 | 0.5 | 0.3 | 0.6 | -0.2 |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | 0.9 | 1.3 | 1.2 | 0.8 | 0.6 | 0.5 | 0.1 |
| Change in the structural balance | 1.7 | 0.3 | 0.3 | 0.3 | 0.3 | 0.1 | -0.5 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 26.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | SP | COM | SP | SP | SP | SP |
| Revenue | 52.4 | 51.7 | 51.9 | 51.7 | 52.0 | 51.5 | 51.3 | -1.1 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 13.8 | 13.5 | 13.6 | 13.3 | 13.4 | 13.1 | 13.0 | -0.8 |
| - Current taxes on income, wealth, etc. | 16.6 | 16.2 | 16.3 | 16.1 | 16.1 | 16.1 | 16.1 | -0.5 |
| - Social contributions | 12.1 | 11.9 | 11.9 | 12.0 | 12.0 | 11.9 | 11.9 | -0.2 |
| - Other (residual) | 10.0 | 10.0 | 10.1 | 10.4 | 10.5 | 10.4 | 10.3 | 0.3 |
| RRF grants as included in the revenue projections | | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | n.a. |
| Expenditure | 54.9 | 53.9 | 54.1 | 53.4 | 53.6 | 53.0 | 53.1 | -1.8 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 54.5 | 53.4 | 53.6 | 52.9 | 53.1 | 52.5 | 52.7 | -1.8 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 23.7 | 23.5 | 23.7 | 23.5 | 23.6 | 23.2 | 23.0 | -0.7 |
| Compensation of employees | 12.6 | 12.4 | 12.5 | 12.3 | 12.4 | 12.2 | 12.1 | -0.5 |
| Intermediate consumption | 11.2 | 11.1 | 11.2 | 11.2 | 11.2 | 11.0 | 10.9 | -0.3 |
| Social payments | 21.7 | 21.1 | 21.2 | 21.0 | 21.1 | 21.1 | 21.0 | -0.7 |
| Subsidies | 1.6 | 1.2 | 1.2 | 1.0 | 1.0 | 1.0 | 1.0 | -0.6 |
| Gross fixed capital formation | 4.1 | 4.4 | 4.4 | 4.5 | 4.6 | 4.4 | 4.9 | 0.8 |
| Other (residual) | 3.3 | 3.2 | 3.2 | 2.9 | 2.9 | 2.7 | 2.7 | -0.6 |
| - Interest expenditure | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 | -0.1 |
| Expenditure financed by RRF grants | 0 | 0.2 | 0.4 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 |
| General government balance (GGB) | -2.6 | -2.2 | -2.2 | -1.7 | -1.7 | -1.4 | -1.8 | 0.8 |
| Primary balance | -2.1 | -1.7 | -1.7 | -1.2 | -1.2 | -1.0 | -1.3 | 0.8 |
| GGB excl. one-offs | -2.6 | -2.2 | -2.2 | -1.7 | -1.7 | -1.4 | -1.8 | 0.8 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 1.0 | 3.0 | 3.1 | 2.2 | 2.9 | 2.3 | 3.5 | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 2.9 | 5.8 | n.a. | 2.6 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 1.2 | 2.4 | 2.8 | 2.1 | 2.6 | 2.7 | 2.4 | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 4.0 | 4.8 | n.a. | 2.7 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 3.9 | 5.0 | 5.0 | 3.5 | 3.5 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -1.0 | -0.8 | -0.9 | -0.5 | -0.6 | -0.2 | 0.0 | 1.0 |
| Cyclically-adjusted balance ² | -2.0 | -1.7 | -1.7 | -1.4 | -1.4 | -1.3 | -1.8 | 0.2 |
| One-offs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Structural balance ³ | -2.0 | -1.7 | -1.7 | -1.4 | -1.4 | -1.3 | -1.8 | 0.2 |
| Structural primary balance ³ | -1.5 | -1.2 | -1.2 | -0.9 | -0.9 | -0.8 | -1.4 | 0.1 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 26.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | SP | COM | SP | SP | SP |
| Gross debt ratio¹ | 62.5 | 65.8 | 65.9 | 66.2 | 66.6 | 66.9 | 68.0 | 69.1 |
| Change in the ratio | 1.1 | -3.2 | 0.1 | 0.4 | 0.7 | 0.7 | 1.1 | 1.1 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | 1.0 | 2.1 | 1.7 | 1.7 | 1.2 | 1.2 | 1.0 | 1.3 |
| 2. "Snow-ball" effect | -0.6 | -3.5 | -2.9 | -2.5 | -2.0 | -2.0 | -1.7 | -1.5 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 0.9 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 |
| Growth effect | -0.7 | -2.3 | -1.0 | -0.9 | -1.1 | -1.1 | -1.0 | -0.9 |
| Inflation effect | -0.7 | -1.8 | -2.3 | -2.1 | -1.4 | -1.4 | -1.1 | -1.2 |
| 3. Stock-flow adjustment | 0.6 | -1.7 | 1.3 | 1.3 | 1.5 | 1.5 | 1.8 | 1.3 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Stability Programme (SP).

Table 26.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Stability programme scenario | |
|--|---------------------|-------------|------------------------------|-------------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.2 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | 0.0 | MEDIUM risk | 0.6 | MEDIUM risk |
| Debt sustainability analysis ^[3] | LOW risk | | | |
| Baseline scenario | LOW risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 62.5 | | 68.2 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 3.1 | MEDIUM risk | 3.5 | MEDIUM risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 stability programme.

Table 26.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0 | 0.2 | 0.2 | 0.2 | 0.1 | 0 |
| Cash disbursements of RRF grants from EU | n.a. | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|----------|------------|------------|------------|------------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0.1 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | n.a. | 0 | 0.1 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Interest expenditure D.41 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Subsidies, payable D.3 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | n.a. | 0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| TOTAL CURRENT EXPENDITURE | n.a. | 0 | 0.2 | 0.2 | 0.2 | 0.1 | 0 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0.1 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | n.a. | 0 | 0.1 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0 | 0.1 | 0.1 | 0 | 0 | 0 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: National authorities.

Table 26.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other costs with impact on revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Financial transactions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: National authorities.

Table 26.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|---|------------------|---|------------------------------|
| In response to COVID-19 | Increase in Finnvera's domestic guarantee limit to 12 billion euros | n.a. | 4.7 | 0.8 |
| | Guarantee to Finnair's loan from employment pension institutions | n.a. | 0.2 | 0.2 |
| | Guarantee to shipping companies to secure vital supplies | n.a. | 0.2 | 0.1 |
| | Guarantee to secure financing of Employment Fund | n.a. | 0.3 | 0 |
| | European Commission's SURE program | n.a. | 0.2 | 0.2 |
| | EIB's COVID19-guarantee fund | n.a. | 0.1 | 0.1 |
| | Guarantees relating to vaccines | n.a. | 0.1 | 0 |
| | Subtotal | | | 6.0 |
| Others | Other central government guarantees | n.a. | 0 | 23.7 |
| | Subtotal | | 0 | 23.7 |
| Total | | | 6.0 | 25.1 |

Source: National authorities.

27. SWEDEN

Table 27.1: Macroeconomic developments and forecasts

| | 2021 | | 2022 | | 2023 | | 2024 | 2025 |
|--|------|------|------|------|------|------|------|------|
| | COM | CP | COM | CP | COM | CP | CP | CP |
| Real GDP (% change) | 4.8 | 4.8 | 2.3 | 3.1 | 1.4 | 1.6 | 1.6 | 1.7 |
| Private consumption (% change) | 5.8 | 5.8 | 3.2 | 3.8 | 1.5 | 2.8 | 2.3 | 3.2 |
| Gross fixed capital formation (% change) | 6.1 | 6.1 | 2.0 | 3.4 | 2.5 | 1.3 | 1.8 | 1.5 |
| Exports of goods and services (% change) | 7.5 | 7.5 | 4.1 | 4.8 | 3.1 | 2.6 | 2.9 | 2.3 |
| Imports of goods and services (% change) | 9.4 | 9.4 | 4.5 | 5.5 | 1.8 | 2.4 | 2.8 | 2.4 |
| <i>Contributions to real GDP growth:</i> | | | | | | | | |
| - Final domestic demand | 4.8 | 4.8 | 2.1 | 2.9 | 0.6 | 1.4 | 1.4 | 1.6 |
| - Change in inventories | 0.4 | 0.4 | 0.1 | 0.2 | 0.1 | 0 | 0 | 0 |
| - Net exports | -0.4 | -0.4 | 0.0 | -0.1 | 0.7 | 0.2 | 0.2 | 0.1 |
| Output gap ¹ | -1.4 | -1.7 | -0.8 | -0.5 | -1.2 | -0.6 | -0.6 | -0.5 |
| Employment (% change) | 1.3 | 1.3 | 2.1 | 1.8 | 0.9 | 1.0 | 0.4 | 0.6 |
| Unemployment rate (%) | 8.8 | 8.8 | 7.8 | 7.6 | 7.0 | 7.0 | 7.0 | 7.0 |
| Labour productivity (% change) | 3.5 | 3.6 | 0.1 | 1.3 | 0.5 | 0.5 | 1.2 | 1.1 |
| HICP inflation (%) | 2.7 | 2.7 | 5.3 | 4.6 | 3.0 | 1.5 | 1.8 | 1.8 |
| GDP deflator (% change) | 3.0 | 3.0 | 4.3 | 3.5 | 3.9 | 1.9 | 1.8 | 1.9 |
| Comp. of employees (per head, % change) | 4.3 | 4.8 | 2.7 | -2.1 | 3.7 | 3.6 | 2.9 | 2.9 |
| Net lending/borrowing vis-à-vis the rest of the world (% of GDP) | 5.6 | 5.6 | 5.0 | 4.6 | 5.9 | 4.9 | 5.1 | 5.0 |

(1) In % of potential GDP, recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 27.2: Main indicators for fiscal surveillance

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|--|------------|-------------|-------------|------------|-------------|-------------|-------------|
| | COM | COM | CP | COM | CP | CP | CP |
| Relevant indicators for fiscal guidance at this stage | | | | | | | |
| Fiscal stance (including EU-financed expenditure, excluding crisis-related temporary emergency measures) ¹ | 0.1 | -0.6 | n.a. | 1.3 | n.a. | n.a. | n.a. |
| <i>of which contribution from:</i> | | | | | | | |
| <i>Change in expenditure financed by RRF grants and other EU funds</i> | -0.1 | -0.2 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| <i>Change in nationally financed investments</i> | 0.1 | 0.0 | n.a. | 0.1 | n.a. | n.a. | n.a. |
| <i>Change in other capital expenditure</i> | -0.1 | 0.0 | n.a. | 0.0 | n.a. | n.a. | n.a. |
| <i>Change in net nationally financed primary current expenditure</i> | 0.2 | -0.4 | n.a. | 1.1 | n.a. | n.a. | n.a. |
| Fiscal stance (including EU-financed expenditure) ¹ | 1.0 | 0.5 | 0.2 | 2.4 | 3.0 | 1.6 | 1.6 |
| Stability and Growth Pact indicators | | | | | | | |
| Expenditure benchmark | 1.1 | 0.8 | 0.6 | 2.3 | 3.1 | 1.8 | 1.6 |
| Change in the structural balance | 0.9 | -0.5 | -0.9 | 1.2 | 1.2 | 0.1 | 0.5 |

(1) A negative sign of the indicator corresponds to an excess of the primary expenditure growth compared with medium-term economic growth, which indicates an expansionary fiscal policy.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 27.3: Composition of the budgetary adjustment

| (% of GDP) | 2021 | 2022 | | 2023 | | 2024 | 2025 | Change: 2021-2025 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | COM | COM | CP | COM | CP | CP | CP | CP |
| Revenue | 50.0 | 48.7 | 49.1 | 47.7 | 48.9 | 48.5 | 48.3 | -1.7 |
| <i>of which:</i> | | | | | | | | |
| - Taxes on production and imports | 21.9 | 21.8 | 21.6 | 21.7 | 21.9 | 22.0 | 22.0 | 0.1 |
| - Current taxes on income, wealth, etc. | 18.4 | 17.9 | 17.7 | 17.7 | 17.7 | 17.6 | 17.4 | -1.0 |
| - Social contributions | 3.4 | 3.0 | 3.3 | 2.9 | 3.3 | 3.3 | 3.3 | -0.1 |
| - Other (residual) | 6.3 | 5.9 | 6.5 | 5.5 | 6.0 | 5.6 | 5.6 | -0.7 |
| RRF grants as included in the revenue projections | | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0 | -0.2 |
| Revenue reductions financed by RRF grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expenditure | 50.2 | 49.1 | 49.6 | 47.2 | 48.2 | 47.7 | 46.9 | -3.3 |
| <i>of which:</i> | | | | | | | | |
| - Primary expenditure | 50.0 | 49.0 | 49.3 | 47.0 | 47.9 | 47.4 | 46.5 | -3.5 |
| <i>of which:</i> | | | | | | | | |
| Compensation of employees+Intermediate consumption | 20.7 | 19.9 | 20.3 | 18.9 | 19.9 | 19.6 | 19.2 | -1.5 |
| Compensation of employees | 12.7 | 12.0 | 12.4 | 11.8 | 12.2 | 12.0 | 11.7 | -1.0 |
| Intermediate consumption | 8.0 | 7.9 | 7.9 | 7.1 | 7.7 | 7.6 | 7.5 | -0.5 |
| Social payments | 15.8 | 15.5 | 15.4 | 15.3 | 15.1 | 15.0 | 14.8 | -1.0 |
| Subsidies | 2.2 | 2.1 | 1.8 | 1.9 | 1.6 | 1.6 | 1.5 | -0.7 |
| Gross fixed capital formation | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.9 | 5.0 | 0.2 |
| Other (residual) | 6.5 | 6.7 | 7.0 | 6.1 | 6.4 | 6.2 | 6.1 | -0.4 |
| - Interest expenditure | 0.2 | 0.1 | 0.3 | 0.2 | 0.3 | 0.3 | 0.4 | 0.2 |
| Expenditure financed by RRF grants | 0.2 | 0.2 | 0.2 | 0.1 | 0.2 | 0 | 0 | -0.2 |
| General government balance (GGB) | -0.2 | -0.5 | -0.5 | 0.5 | 0.7 | 0.8 | 1.4 | 1.6 |
| Primary balance | 0.0 | -0.3 | -0.2 | 0.7 | 1.0 | 1.2 | 1.8 | 1.8 |
| GGB excl. one-offs | -0.2 | -0.5 | -0.5 | 0.5 | 0.7 | 0.8 | 1.4 | 1.6 |
| Expenditure aggregate growth rates | | | | | | | | |
| Nationally financed primary expenditure (net of discretionary revenue measures) growth rate (%) | 2.6 | 5.0 | 5.8 | 0.7 | -0.5 | 2.5 | 1.6 | n.a. |
| Nationally financed primary expenditure (net of discretionary revenue measures, excluding crisis-related temporary emergency measures) growth rate (%) | 4.6 | 7.4 | n.a. | 3.2 | n.a. | n.a. | n.a. | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures) growth rate (%) | 2.8 | 4.9 | 2.4 | 0.3 | 0.3 | 1.9 | 1.1 | n.a. |
| Nationally financed primary current expenditure (net of discretionary revenue measures and crisis-related temporary emergency measures) growth rate (%) | 4.6 | 7.5 | n.a. | 3.0 | n.a. | n.a. | n.a. | n.a. |
| p.m. nominal 10-year average potential growth (%) ¹ | 5.0 | 6.3 | 6.3 | 5.9 | 5.9 | n.a. | n.a. | n.a. |
| Other indicators | | | | | | | | |
| Output gap ² | -1.4 | -0.8 | -0.5 | -1.2 | -0.6 | -0.6 | -0.5 | 1.1 |
| Cyclically-adjusted balance ² | 0.5 | 0 | -0.2 | 1.2 | 1.0 | 1.2 | 1.7 | 1.0 |
| One-offs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Structural balance ³ | 0.5 | 0 | -0.2 | 1.2 | 1.0 | 1.2 | 1.7 | 1.0 |
| Structural primary balance ³ | 0.8 | 0.1 | 0.1 | 1.3 | 1.3 | 1.5 | 2.1 | 1.2 |

(1) This estimate does not include the impact of the structural reforms that are part of the Recovery and Resilience Plan and can boost economic growth.

(2) Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission on the basis of the programme scenario using the commonly agreed methodology.

(3) Structural (primary) balance refers to cyclically-adjusted (primary) balance excluding one-offs.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 27.4: General government debt developments

| (% of GDP) | Average 2016-2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | COM | CP | COM | CP | CP | CP |
| Gross debt ratio¹ | 39.3 | 36.7 | 33.8 | 33.5 | 30.5 | 30.7 | 28.9 | 26.4 |
| Change in the ratio | -0.8 | -3.0 | -2.9 | -3.2 | -3.2 | -2.8 | -1.8 | -2.5 |
| <i>Contributions²:</i> | | | | | | | | |
| 1. Primary balance | -0.7 | 0.0 | 0.3 | 0.2 | -0.7 | -1.0 | -1.2 | -1.8 |
| 2. "Snow-ball" effect | -0.9 | -2.6 | -2.1 | -2.0 | -1.5 | -0.8 | -0.6 | -0.6 |
| <i>Of which:</i> | | | | | | | | |
| Interest expenditure | 0.4 | 0.2 | 0.1 | 0.3 | 0.2 | 0.3 | 0.3 | 0.4 |
| Growth effect | -0.5 | -1.8 | -0.8 | -1.1 | -0.4 | -0.5 | -0.5 | -0.5 |
| Inflation effect | -0.8 | -1.1 | -1.5 | -1.2 | -1.3 | -0.6 | -0.5 | -0.5 |
| 3. Stock-flow adjustment | 0.7 | -0.3 | -1.1 | -1.4 | -1.0 | -1.0 | 0 | -0.1 |

(1) The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in the disbursements in RRF grants), accumulation of financial assets and valuation and other residual effects.

Source: Commission 2022 spring forecast (COM); Convergence Programme (CP).

Table 27.5: Debt sustainability analysis results and fiscal sustainability indicators

| Time horizon | Commission scenario | | Convergence programme scenario | |
|--|---------------------|----------|--------------------------------|----------|
| | Short term | LOW risk | | |
| Short-term fiscal risk indicator (S0) ^[1] | 0.3 | | | |
| Medium term | risk | | | |
| Medium-term fiscal risk indicator (S1) ^[2] | -5.7 | LOW risk | -6.6 | LOW risk |
| Debt sustainability analysis ^[3] | LOW risk | | | |
| Baseline scenario | LOW risk | | | |
| Stochastic projections | LOW risk | | | |
| (Per memo.) Baseline projected government debt-to-GDP in 2032 (%) ^[4] | 10.5 | | 7.8 | |
| Long term^[5] | risk | | | |
| Long-term fiscal risk indicator (S2) ^[6] | 0.9 | LOW risk | 0.2 | LOW risk |

(1) The S0 indicator informs the early detection of fiscal stress associated to fiscal risks within a one-year horizon.*

(2) The S1 indicator measures the effort required to bring the debt-to-GDP ratio to 60 % in 15 years. It corresponds to a cumulated improvement in the structural primary balance over 5 years compared with the baseline. Below 0: low risk. Between 0 and 2.5: medium risk. Above 6: high risk.*

(3) The debt sustainability analysis is performed around the Commission's baseline scenario to test the response to different shocks, including sensitivity tests and stochastic projections.*

(4) The Commission scenario assumes a gradual reversal of temporary pandemic-related measures (and 'financing' of permanent ones).* The stability or convergence programme scenario assumes that the budgetary plans in the programmes are fully implemented over the period covered by the programmes.

(5) The long-term risk classification is based on both the S2 indicator and the results of the debt sustainability analysis.

(6) The S2 indicator shows the upfront and permanent fiscal adjustment required to stabilise the debt-to-GDP ratio over the infinite horizon. Below 2: low risk. Between 2 and 6: medium risk. Above 6: high risk.*

* For more information, see the 2021 Fiscal Sustainability Monitor.

Source: Commission services; 2022 Convergence programme.

Table 27.6: RRF - Grants

| Revenue from RRF grants (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections | n.a. | 0.2 | 0.2 | 0.1 | 0.1 | 0 | 0 |
| Cash disbursements of RRF grants from EU | n.a. | 0 | 0.2 | 0.1 | 0.2 | 0 | 0.1 |

| Expenditure financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|------------|------------|------------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | n.a. | 0.1 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | n.a. | 0.1 | 0.1 | 0.1 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | n.a. | 0.1 | 0.1 | 0.1 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | n.a. | 0.1 | 0.1 | 0.1 | 0 | 0 | 0 |

| Other costs financed by RRF grants (% of GDP) | | | | | | | |
|---|-------------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Other costs with impact on revenue | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial transactions | n.a. | 0 | 0 | 0 | 0 | 0 | 0 |

Source: National authorities.

Table 27.7: RRF - LOANS

| Cash flow from RRF loans projected in the programme (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Disbursements of RRF loans from EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of RRF loans to EU | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Expenditure financed by RRF loans (% of GDP) | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Compensation of employees D.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intermediate consumption P.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Social payments D.62+D.632 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expenditure D.41 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subsidies, payable D.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current transfers D.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CURRENT EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross fixed capital formation P.51g | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital transfers D.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL EXPENDITURE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Other costs financed by RRF loans (% of GDP) | | | | | | | |
|--|------|------|------|------|------|------|------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Reduction in tax revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other costs with impact on revenue | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Financial transactions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: National authorities.

Table 27.8: Guarantees adopted/announced according to the Programme

| Measures | | Date of adoption | Maximum amount of contingent liabilities (% of GDP) | Estimated take-up (% of GDP) |
|-------------------------|----------------------------------|------------------|---|------------------------------|
| In response to COVID-19 | Credit guarantees for businesses | February 2021 | 1.0 | 0 |
| | Subtotal | | 1.0 | 0 |
| Others | | | 0 | 0 |
| | Subtotal | | 1.0 | 0 |
| Total | | | 2.0 | 0 |

Source: National authorities.