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**NOTE**

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**From:** General Secretariat of the Council  
**To:** Working Party of Financial Counsellors

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**Subject:** EGR - Illustrative simulations of the technical trajectories based on the Commission 2023 Spring Forecast

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Delegations will find attached the note by the Commission services on the illustrative simulations of the technical trajectories based on the Commission 2023 Spring Forecast.

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## ILLUSTRATIVE SIMULATIONS OF THE TECHNICAL TRAJECTORIES BASED ON THE COMMISSION 2023 SPRING FORECAST

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#### **Executive summary**

***This note presents illustrative simulations of the technical trajectories based on the Commission 2023 spring forecast (Section 1).*** Without benchmarks and safeguards, to allow a direct comparison between forecast vintages, the annual adjustments based on the 2023 spring forecast are close to those based on the autumn 2022 forecast, except for a few countries (Bulgaria, Germany, Croatia, Hungary, the Netherlands and Poland), mainly due to significant changes in fiscal policy measures included in the forecast up to 2024.

***The note also reports on the impact of the safeguards included in the legislative proposal (Section 2).*** In particular, the minimum annual fiscal effort of 0.5 pp. of GDP for countries with a deficit above 3% of GDP affects Malta and Poland in case of no extension of the adjustment period, and Spain, France, Hungary, Malta and Poland in case of extension. This safeguard, which entails that the fiscal effort is frontloaded, implies that, for the countries affected, the annual adjustments in case of extension get closer to those without extension. The safeguard ensuring that the debt ratio at the end of the planning horizon is below the initial debt level is binding for France in case of no extension, and for Belgium and France in case of extension. In the case of France, this safeguard implies identical requirements with and without extension.

***Finally, the note compares the fiscal effort in the technical trajectories and the existing rules (Section 3).*** The main findings are the following: first, under the current rules, the annual required adjustment is determined by the 'matrix' (i.e. 0.5% of GDP per year as a benchmark, with a maximum of 0.75% and a minimum of 0.25%). Given the current starting fiscal position, it implies, for many countries, a longer adjustment period than the minimum adjustment period of 4 years in the Commission's proposal. For 8 countries (Belgium, Bulgaria, France, Italy, Malta, Romania, Slovenia and Slovakia), it implies an adjustment over at least 7 years, the maximum adjustment period in the Commission's proposal (and up to 10 years in a few cases). Second, while the fiscal adjustment in the technical trajectory without extension is, on average, comparable with the fiscal effort required under the existing rules, the proposed new framework would lead to more differentiated adjustments, with fiscal adjustments that

are commensurate to the debt challenges faced by Member States (as per the Commission's latest Debt Sustainability Analysis based on the spring 2023 forecast). In a plan with extension, the annual fiscal adjustment is in most cases lower than under the existing rules. This is consistent with the expected positive impact of reforms and investments – underpinning an extension - on growth and debt sustainability. Third, the primary balances to be reached under the current rules appear in many cases (much) higher than the levels sufficient to meet the debt sustainability criteria under the proposed new framework, and rarely attained based on national and international past track record.

### 1. Results based on the Commission 2023 spring forecast (Commission technical trajectories without benchmarks and safeguards)

As a first step, no safeguards or benchmarks are applied (those are discussed in Section 2) to allow a comparison with calculations based on the Commission 2022 autumn forecast <sup>(1)</sup>. Countries are differentiated according to their debt and deficit levels in 2024 with respect to the Treaty reference values of 60% and 3% of GDP, respectively. The adjustment period for all countries is 4 years by default, and 7 years in case of extension

The technical trajectories based on the 2023 spring forecast are, for most Member States, close to those based on the 2022 autumn forecast. Without extension, the adjustment needed to ensure compliance with the EGR criteria is now higher for 12 countries, lower for 7 countries and unchanged for the remaining 8 countries (see Table 1). For most countries, the revision in the average annual adjustment, if any, does not exceed 0.15 pp. of GDP in absolute terms. Revisions are nonetheless significant for six Member States, namely **Bulgaria** (+0.6 pp. of GDP), **Croatia** (-0.55 pp.), **Germany**, **Hungary** and **Poland** (all -0.3 pp.), and the **Netherlands** (-0.25 pp.). Moreover, compared with the calculations based on the 2022 autumn forecast, two more countries with debt and deficit initially below the Treaty reference values, namely **Latvia** and **Luxembourg**, would now need to adjust their fiscal position to comply with the 3% of GDP deficit criterion over the medium term – although only by a limited amount of at most 0.1 pp. of GDP per year. For these two countries, the initial guidance from the Commission would be provided through 'technical information' and not technical trajectories, given that their debt and deficits levels in 2024 are expected to remain below the Treaty reference values. With extension, the most significant revisions affect the same set of countries. Furthermore, with or without extension, the structural primary balances (SPBs) at the end of the adjustment period

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<sup>(1)</sup> The adjustment ensures that debt is put on a declining path or stays at prudent levels, and that the deficit is brought and remains below 3% of GDP over the medium term, i.e. up to T+14 under no extension and T+17 under extension. The criterion of debt plausibly declining is considered on a year-by-year basis until the reference value of 60% of GDP is reached, with the exception of Greece. Greece is projected to experience an exceptional increase of debt by 10 pps. of GDP in 2033 due to deferred interests. As this is largely a statistical artefact, the country is still found not to need to increase further its large primary surplus to meet the EGR criteria. Indeed, with no further adjustment, the debt ratio declines by more than 45 pps. of GDP between 2028 and 2038 in the baseline (including the deferred interests), and strongly decreases under all stress tests (The probability of a decline in debt by 2033 is however slightly lower than 70% (at 66.2%) because of the impact of the interest deferral in 2033.)

lie within 0.5 pp. of GDP of the values based on the autumn 2022 forecast, with some rare exceptions (see Table A1.2 in the annex).

**For the few countries with significant revisions, the revised technical trajectories reflect above all changes in fiscal policy orientations, affecting the initial fiscal position; in some cases, they also reflect revisions in the macro-financial environment.** Compared with the autumn 2022, the structural primary balance forecast for 2024 has been substantially revised downwards for **Bulgaria** (by -2.1 pp. of GDP, see Table A1.1 in the annex) <sup>(2)</sup> and upwards for **Hungary** (by +1.6 pp. of GDP), **Germany**, **Croatia** and the **Netherlands** (all by +1.3 pp. of GDP) <sup>(3)</sup>. In the case of **Croatia**, the lower adjustment is also driven by the large upward revision of the T+10 growth projections, notably due to Eurostat's updated population projections (as of EUROPOP 2023). For **Poland**, the structural primary balance forecast for 2024 has also been revised upwards, although to a lesser extent (by +0.6 pp. of GDP); the country is also expected to benefit from improved financing conditions. For both **Latvia** and **Luxembourg**, the structural primary balance forecast for 2024 has been revised substantially downwards, by 1.5 pp. and 1.0 pp. of GDP, respectively <sup>(4)</sup>.

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<sup>(2)</sup> The deterioration of the structural primary balance of Bulgaria stems from exceptional increases in public salaries and pensions in the no-policy-change scenario underpinning the 2023 spring Forecast. However, on 23 June 2023, the Bulgarian authorities presented a new draft budget with consolidation measures and a deficit target of 3% of GDP in 2023. The budget has been approved at first reading in Parliament and final adoption is expected by the end of July. When adopted, these measures are expected to significantly reduce the average annual adjustment in the technical trajectories for Bulgaria.

<sup>(3)</sup> Compared with the autumn 2022 forecast, the improved fiscal positions stem from higher tax revenue estimates and lower government expenditure mainly due to the lower cost of energy measures.

<sup>(4)</sup> Compared with AF22, the deteriorated fiscal positions come from reduced tax revenues, linked to lower forecast inflation, and increased expenditure, due to the extension of the energy and inflation compensation measures in Luxembourg, and to wage increase for administration and medical personnel, additional financing for science and research, as well as substantial public investments for defence and internal security in Latvia.

**Table 1: Technical trajectories *without* benchmarks and safeguards, spring 2023 vs. autumn 2022**

Country	SF23			Without extension			With extension		
	DSA risk category	Debt 2024	Deficit 2024	SF23	AF22	Dif.	SF23	AF22	Dif.
EL	HIGH	154.4	0.6	0.00	0.00	0.00	0.00	0.00	0.00
IT	HIGH	140.3	3.7	0.90	0.85	0.05	0.50	0.45	0.05
FR	HIGH	109.5	4.3	0.75	0.65	0.10	0.40	0.35	0.05
ES	HIGH	109.1	3.3	0.60	0.60	0.00	0.40	0.35	0.05
BE	HIGH	107.3	4.7	1.05	0.95	0.10	0.65	0.60	0.05
PT	HIGH	103.1	0.1	0.25	0.30	-0.05	0.10	0.15	-0.05
FI	MEDIUM	76.2	2.6	0.25	0.20	0.05	0.10	0.10	0.00
AT	LOW	72.7	1.3	0.30	0.35	-0.05	0.10	0.20	-0.10
CY	MEDIUM	72.5	-2.1	0.00	0.00	0.00	0.00	0.00	0.00
HU	HIGH	71.1	4.3	0.60	0.90	-0.30	0.40	0.60	-0.20
SI	MEDIUM	66.6	2.9	1.10	0.95	0.15	0.65	0.60	0.05
DE	MEDIUM	64.1	1.2	0.15	0.45	-0.30	0.05	0.20	-0.15
HR	MEDIUM	61.8	1.3	0.20	0.75	-0.55	0.10	0.45	-0.35
SK	HIGH	58.7	4.8	1.10	1.00	0.10	0.65	0.65	0.00
MT	MEDIUM	56.1	4.5	0.45	0.40	0.05	0.35	0.30	0.05
PL	MEDIUM	53.0	3.7	0.20	0.50	-0.30	0.15	0.35	-0.20
NL	MEDIUM	48.8	1.7	0.40	0.65	-0.25	0.20	0.35	-0.15
RO	MEDIUM	46.1	4.4	0.95	0.90	0.05	0.60	0.60	0.00
CZ	MEDIUM	43.1	3.0	0.40	0.35	0.05	0.30	0.25	0.05
LV	LOW	40.5	2.7	0.05	nar	nar	0.05	nar	nar
IE	LOW	38.3	-2.2	nar	nar	nar	nar	nar	nar
LT	LOW	36.6	1.4	nar	nar	nar	nar	nar	nar
SE	LOW	30.7	0.5	nar	nar	nar	nar	nar	nar
DK	LOW	28.8	-1.3	nar	nar	nar	nar	nar	nar
BG	MEDIUM	28.1	4.8	0.75	0.15	0.60	0.50	0.15	0.35
LU	LOW	27.0	1.5	0.10	nar	nar	0.05	nar	nar
EE	LOW	21.3	2.7	nar	nar	nar	nar	nar	nar
<b>Average</b>				<b>0.48</b>	<b>0.55</b>		<b>0.29</b>	<b>0.34</b>	
<i>Average high risk</i>				<i>0.66</i>	<i>0.67</i>		<i>0.39</i>	<i>0.40</i>	
<i>Average medium/low risk</i>				<i>0.38</i>	<i>0.45</i>		<i>0.23</i>	<i>0.28</i>	
<i>Maximum</i>				<i>1.10</i>	<i>1.00</i>		<i>0.65</i>	<i>0.65</i>	
<i>Minimum</i>				<i>0.00</i>	<i>0.00</i>		<i>0.00</i>	<i>0.00</i>	

Notes: (1) Compared with the autumn forecast, 3 countries experienced a change in their risk category: Bulgaria from low to medium risk, Croatia from high to medium risk and Austria from medium to low risk. (2) The impact of the recently adopted pension reforms in some countries (including Spain, France and Slovakia) is not included in the calculations. However, it will be reflected in the upcoming Ageing Report 2024 and is expected to affect the projected cost of ageing, and to some extent the necessary adjustment requirements. (3) The figures shown in columns AF22 are also based on an adjustment period of 4 years for all countries, where relevant, in case of no-extension, and of 7 years in case of extension.

## 2. Results based on Commission 2023 spring forecast including benchmarks and safeguards

This section analyses in which cases the 0.5% of GDP benchmark adjustment and the debt-decline safeguard make the technical trajectory more demanding <sup>(5)</sup>. Table 2 shows the details for all

<sup>(5)</sup> The legislative proposal includes two additional safeguards that are not explicitly included in the simulations for this note. One provision relates to the proportionality of the total fiscal adjustment effort over time (Article 6 (c), Annex I (d)) and is always met in the simulations, by design. The other provision is a 'no-expansion' safeguard (Article 6 (e), Annex I (f)), which can be interpreted with flexibility ('net expenditure growth remains below medium-term output growth, on average, *as a rule*'). It is met for all countries but Greece and Cyprus, for which ensuring that the (structural) primary balance remains constant (net of ageing costs) would be sufficient to ensure a plausible debt decline and compliance with the 3% of GDP deficit criterion.

Member States and Table 3 summarises the impact on the countries for which additional requirements apply.

The benchmark requiring a minimum annual adjustment of 0.5% of GDP (here defined in terms of SPB change) for countries with a deficit above 3% of GDP <sup>(6)</sup> affects several countries, especially in case of extension. As shown in Tables 2 and 3, *without extension*, the EGR criteria already require an adjustment of at least 0.5 pp. of GDP per year for most countries with a deficit above 3% of GDP. Yet, the benchmark affects two countries: **Malta** needs to increase the adjustment by +0.05 pp. of GDP per year over 4 years, and **Poland** has to frontload it by +0.30 pp. of GDP per year over the first 2 years. *With extension*, the benchmark would require a more frontloaded adjustment for five countries: **France** (+0.1 pp. of GDP per year over the first 6 years), **Malta** (+0.15 pp. of GDP) and **Hungary** (+0.1 pp. of GDP) both over the first 4 years, and **Spain** (+0.1 pp. of GDP) and **Poland** (+0.35 pp. of GDP) both over the first 2 years. For the last four countries, the annual requirement in the first years would be close or equal (for Malta and Poland) to the requirement without extension.

**Table 2: Annual adjustment needed with the benchmarks and safeguards, with and without extension**

Country	SF23			No extension					With extension								
	DSA risk category	Debt 2024	Deficit 2024	Annual adjustment without benchmarks/safeguards	Benchmark			Safeguard	Average annual adjustment over the entire period	Annual adjustment without benchmarks/safeguards	Benchmark			Safeguard		Average annual adjustment over the plan period	Average annual adjustment over the adjustment period
					Adjustment of 0.5 pp. of GDP as a benchmark when deficit is > 3%	Number of years the benchmark applies	residual years	Annual adj. ensuring that debt level in T+4 is below debt level in T (applied if debt in T >60% GDP)			Adjustment of 0.5 pp. of GDP as a benchmark when deficit is > 3%	Number of years the benchmark applies	residual years	Annual adj. ensuring that debt level in T+4 is below debt level in T (applied if debt in T >60% GDP)	residual years		
EL	HIGH	154.4	0.6	0.00	0.00			0.00	0.00	0.00				0.00	0.00	0.00	0.00
IT	HIGH	140.3	3.7	0.90	0.90			0.15	0.90	0.50	0.50			0.15	0.50	0.50	0.50
FR	HIGH	109.5	4.3	0.75	0.75			1.00	1.00	0.40	0.50	6	0.00	1.00	1.00	0.57	0.57
ES	HIGH	109.1	3.3	0.60	0.60			0.00	0.60	0.40	0.50	2	0.35	0.00	0.43	0.39	0.39
BE	HIGH	107.3	4.7	1.05	1.05			0.80	1.05	0.65	0.65			0.80	0.80	0.63	0.63
PT	HIGH	103.1	0.1	0.25	0.25			0.00	0.25	0.10	0.10			0.40	0.10	0.10	0.10
FI	MEDIUM	76.2	2.6	0.25	0.25			0.00	0.25	0.10	0.10			0.00	0.10	0.10	0.10
AT	LOW	72.7	1.3	0.30	0.30			0.00	0.30	0.10	0.10			0.00	0.10	0.10	0.10
CY	MEDIUM	72.5	-2.1	0.00	0.00			0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00
HU	HIGH	71.1	4.3	0.60	0.60			0.15	0.60	0.40	0.50	4	0.15	0.15	0.50	0.35	0.35
SI	MEDIUM	66.6	2.9	1.10	1.10			0.05	1.10	0.65	0.65			0.05	0.65	0.65	0.65
DE	MEDIUM	64.1	1.2	0.15	0.15			0.00	0.15	0.05	0.05			0.00	0.05	0.05	0.05
HR	MEDIUM	61.8	1.3	0.20	0.20			0.00	0.20	0.10	0.10			0.00	0.10	0.10	0.10
SK	HIGH	58.7	4.8	1.10	1.10			nar	1.10	0.65	0.65			nar	0.65	0.65	0.65
MT	MEDIUM	56.1	4.5	0.45	0.50	4	nar	0.45	0.50	0.35	0.50	4	0.05	nar	0.50	0.31	0.31
PL	MEDIUM	53.0	3.7	0.20	0.50	2	0.00	0.20	0.25	0.15	0.50	2	0.00	nar	0.25	0.14	0.14
NL	MEDIUM	48.8	1.7	0.40	0.40			nar	0.40	0.20	0.20			nar	0.20	0.20	0.20
RO	MEDIUM	46.1	4.4	0.95	0.95			nar	0.95	0.60	0.60			nar	0.60	0.60	0.60
CZ	MEDIUM	43.1	3.0	0.40	0.40			nar	0.40	0.30	0.30			nar	0.30	0.30	0.30
LV	LOW	40.5	2.7	0.05	0.05			nar	0.05	0.05	0.05			nar	0.05	0.05	0.05
IE	LOW	38.3	-2.2	nar	nar			nar	nar	nar	nar			nar	nar	nar	nar
LT	LOW	36.6	1.4	nar	nar			nar	nar	nar	nar			nar	nar	nar	nar
SE	LOW	30.7	0.5	nar	nar			nar	nar	nar	nar			nar	nar	nar	nar
DK	LOW	28.8	-1.3	nar	nar			nar	nar	nar	nar			nar	nar	nar	nar
BG	MEDIUM	28.1	4.8	0.75	0.75			nar	0.75	0.50	0.50			nar	0.50	0.50	0.50
LU	LOW	27.0	1.5	0.10	0.10			nar	0.10	0.05	0.05			nar	0.05	0.05	0.05
EE	LOW	21.3	2.7	nar	nar			nar	nar	nar	nar			nar	nar	nar	nar

Notes: (1) “nar” stands for “no adjustment required”. (2) In case of extension, the *plan* period is still 4 years while the *adjustment* period is 7 years (last two columns).

<sup>(6)</sup> The regulation specifies that “for the years that the Member State concerned is expected to have a deficit above the 3% of GDP reference value, and the excess is not close and temporary, the technical trajectory is also consistent with the benchmark referred to under Article 3 of Council Regulation (EC) No 1467/97 [...]”. In the illustrative simulations, the notion of ‘close and temporary’ is not explicitly modelled: the adjustment of 0.5% of GDP as a benchmark is applied in case the deficit exceeded 3% of GDP in the previous year. Note that, once the deficit has been brought to 3% of GDP or below, the remainder of the adjustment is recalculated so as to meet the EGR debt and deficit criteria. The resulting SPB is slightly different from the case without a benchmark and often lower, given savings on interest payments.

**The safeguard ensuring that debt declines by the end of the planning period <sup>(7)</sup> affects Belgium and France.** *Without extension*, the safeguard is binding for **France**, raising the average annual adjustment requirement from 0.75 pp. of GDP to 1 pp. of GDP (see Tables 2 and 3). For France the debt outlook based on the spring 2023 forecast is less favourable than in the autumn of 2022, with a higher initial structural primary deficit, reduced inflation forecast, tightened financing conditions and lower potential GDP growth projections, specifically over the first years of the projections. *With extension*, the safeguard would be binding for **France and Belgium**. For France, the adjustment with extension would be identical to the one without extension during the 4-year period of the plan, namely 1 pp. of GDP per year, 0.6 pp. higher than without safeguards <sup>(8)</sup>. For Belgium, the safeguard would imply an additional adjustment of 0.15 pp. of GDP per year, raising the annual adjustment to 0.80 pp. of GDP.

**Table 3: Additional annual adjustment to comply with the benchmarks and safeguards**

	<b>0.5 pp. of GDP if deficit &gt; 3% of GDP</b>	<b>Debt in T+4 lower than in T</b>
No extension	MT: +0.05 PL: +0.30	FR: +0.25
Extension	FR, ES and HU: +0.10 MT: +0.15 PL: +0.35  For MT and PL, adjustment identical with and without extension	FR: +0.60 BE: +0.15  For FR, adjustment identical with and without extension

*Note:* the table provides the additional annual adjustment (with respect to the simulations without benchmarks and safeguards as presented in Table 1) over the years when the benchmarks and the safeguards are binding.

**3. Comparison with the existing rules**

**The existing rules would entail a long convergence of primary balances, towards particularly high levels in some cases.** Table 4 compares the technical trajectories based on the 2023 spring forecast including benchmarks and safeguards with a scenario under which countries adjust their fiscal position until they reach their medium-term budgetary objective (MTO), <sup>(9)</sup> at a pace defined by the existing matrix of adjustment requirements under the preventive arm. In the scenario, the annual adjustment in structural balance terms ranges from 0.25 to 0.75 pp. of GDP.

<sup>(7)</sup> Article 6 (d) of the proposed preventive arm Regulation: “The public debt ratio at the end of the planning horizon is below the public debt ratio in the year before the start of the technical trajectory.” This safeguard is only applied to countries with a debt-to-GDP ratio above 60%.

<sup>(8)</sup> If the safeguard was applied by the end of the *adjustment* period instead (T+7), the additional average annual adjustment would be limited to 0.15 pp. of GDP per year (bringing the fiscal adjustment to 0.55 pp. of GDP per year over 7 years).

<sup>(9)</sup> The values of the MTOs used in the simulations are the same as those of the January 2023 note to the EFC-A.

**Table 4: SPB at the end of the adjustment period, average annual adjustment and cumulated effort in the EGR simulations (including benchmarks and safeguards) versus adjustment towards the MTO**

Country	SF23				Associated SPB (by end adjustment period)			Average annual adjustment*			Cumulated effort (in terms of SPB change)			Final year of adjustment		
	DSA risk category	Debt 2024	Deficit 2024	SPB 2024	EGR 4y Adj.	EGR 7y Adj.	MTOs	EGR 4y Adj.	EGR 7y Adj.	MTOs	EGR 4y Adj.	EGR 7y Adj.	MTOs	EGR 4y Adj.	EGR 7y Adj.	MTOs
EL	HIGH	154.4	0.6	2.1	2.1	2.1	4.4	0.00	0.00	0.75	0.0	0.0	2.3	nar	nar	2027
IT	HIGH	140.3	3.7	-0.3	3.3	3.2	5.1	0.90	0.50	0.54	3.6	3.5	5.4	2028	2031	2034
FR	HIGH	109.5	4.3	-2.2	1.8	1.8	2.4	1.00	1.00	0.66	4.0	4.0	4.6	2028	2028	2031
ES	HIGH	109.1	3.3	-0.8	1.6	2.0	3.4	0.60	0.39	0.69	2.4	2.8	4.1	2028	2031	2030
BE	HIGH	107.3	4.7	-2.5	1.7	1.9	3.5	1.05	0.63	0.66	4.2	4.4	6.0	2028	2031	2033
PT	HIGH	103.1	0.1	1.9	2.9	2.6	2.7	0.25	0.10	0.40	1.0	0.7	0.8	2028	2031	2026
FI	MEDIUM	76.2	2.6	-0.7	0.3	0.0	0.9	0.25	0.10	0.54	1.0	0.7	1.6	2028	2031	2027
AT	LOW	72.7	1.3	-0.2	1.0	0.5	0.9	0.30	0.10	0.54	1.2	0.7	1.1	2028	2031	2026
CY	MEDIUM	72.5	-2.1	2.6	2.6	2.6	2.6	0.00	0.00	0.00	0.0	0.0	0.0	nar	nar	nar
HU	HIGH	71.1	4.3	0.5	2.9	2.9	3.3	0.60	0.35	0.58	2.4	2.4	2.9	2028	2031	2029
SI	MEDIUM	66.6	2.9	-2.3	2.1	2.2	2.5	1.10	0.65	0.60	4.4	4.5	4.8	2028	2031	2032
DE	MEDIUM	64.1	1.2	-0.1	0.5	0.2	0.5	0.15	0.05	0.62	0.6	0.4	0.6	2028	2031	2025
HR	MEDIUM	61.8	1.3	-0.7	0.1	0.0	0.4	0.20	0.10	0.55	0.8	0.7	1.1	2028	2031	2026
SK	HIGH	58.7	4.8	-3.3	1.1	1.2	2.1	1.10	0.65	0.55	4.4	4.6	5.5	2028	2031	2034
MT	MEDIUM	56.1	4.5	-2.4	-0.4	-0.2	1.6	0.50	0.31	0.50	2.0	2.1	4.0	2028	2031	2032
PL	MEDIUM	53.0	3.7	-0.8	0.2	0.2	1.5	0.50	0.50	0.47	1.0	1.0	2.3	2026	2026	2029
NL	MEDIUM	48.8	1.7	-1.2	0.4	0.2	0.1	0.40	0.20	0.44	1.6	1.4	1.3	2028	2031	2027
RO	MEDIUM	46.1	4.4	-2.4	1.4	1.8	1.8	0.95	0.60	0.60	3.8	4.2	4.2	2028	2031	2031
CZ	MEDIUM	43.1	3.0	-1.1	0.5	1.0	0.8	0.40	0.30	0.48	1.6	2.1	1.9	2028	2031	2028
LV	LOW	40.5	2.7	-1.8	-1.6	-1.4	0.6	0.05	0.05	0.47	0.2	0.3	2.4	2028	2031	2029
IE	LOW	38.3	-2.2	1.6	nar	nar	1.6	nar	nar	0.0	nar	nar	0.0	nar	nar	nar
LT	LOW	36.6	1.4	0.3	nar	nar	0.3	nar	nar	0.0	nar	nar	0.0	nar	nar	nar
SE	LOW	30.7	0.5	1.3	nar	nar	1.3	nar	nar	0.0	nar	nar	0.0	nar	nar	nar
DK	LOW	28.8	-1.3	2.6	nar	nar	2.6	nar	nar	0.0	nar	nar	0.0	nar	nar	nar
BG	MEDIUM	28.1	4.8	-4.4	-1.4	-0.9	0.0	0.75	0.50	0.55	3.0	3.5	4.4	2028	2031	2032
LU	LOW	27.0	1.5	-0.5	-0.1	-0.1	0.5	0.10	0.05	0.47	0.4	0.4	0.9	2028	2031	2026
EE	LOW	21.3	2.7	-0.7	nar	nar	0.2	nar	nar	0.24	nar	nar	1.0	nar	nar	2028

Notes: \*The average annual adjustment is calculated over the number of years of positive adjustment. The final year of adjustment for FR and PL in the “EGR Adj.” columns in the right panel reflects that, because of the frontloaded adjustment, the adjustment in the following years is equal to 0. Average annual adjustments marked in red bold indicate that the average adjustment is affected by the benchmarks and the safeguards (and therefore that it differs from Table 1). The cumulative effort over 7 years of adjustment is higher than over 4 years of adjustment for Belgium, Czechia, Spain, Malta, Luxembourg, Slovenia, Slovakia, and Romania because of the delayed fiscal effort that raise interest payments, also considering the rising interest– growth rates differential and the increasing costs of ageing at the end of the projection horizon. In the last column, the final year of adjustment is the year at which the MTO is reached. In the last three columns, years are marked in black bold when the MTO is reached after 5 to 7 years and in red bold when it is reached after more than 7 years.

- Based on the 2023 spring forecast, five Member States are expected to (over-)achieve their MTO in 2024, namely **Denmark, Ireland, Cyprus, Lithuania and Sweden**, entailing that no additional adjustment would be required for these countries. No adjustment would be needed under the technical trajectories of the proposed EGR framework either.
- Among the 22 countries that would need to adjust their fiscal position until they reach their MTO, 10 countries would reach it within 4 years, the adjustment period of a plan without extension. These are **Germany** (in 2025), **Portugal, Austria, Croatia and Luxembourg** (in 2026), **the Netherlands, Greece and Finland** (in 2027), and **Czechia and Estonia** (in 2028). In most cases, these countries would need to adjust over a shorter period and with a higher annual fiscal effort under the current rules than under the legislative proposal, reducing their budgetary room for investment and reforms in the short run.

- The remaining 12 countries would need to continue adjusting beyond the first 4 years and, for 8 of them, for at least 7 years. The longest adjustment periods would be for **Italy** and **Slovakia**, which would reach their MTO after 10 years (in 2034), with a cumulated effort exceeding 5 pps. of GDP. **Belgium** would reach it after 9 years (with a cumulated effort of more than 6 pps. of GDP), **Slovenia**, **Bulgaria** and **Malta** after 8 years, and **France** and **Romania** after 7 years. These 12 countries would need to adjust for a longer period and, in most cases, with a similar or higher annual fiscal effort than under the legislative proposal. The SPB level corresponding to the MTO appears in many cases higher than the SPBs at the end of the adjustment period under the EGR simulations, and the SPBs attained in the past, with particularly high values (above 3% of GDP) for **Belgium**, **Greece**, **Spain**, **Italy** and **Hungary**. Significantly higher values than the SPBs at the end of the adjustment period (with a difference larger than 1 pp. of GDP) are also estimated for **Bulgaria**, **France**, **Latvia**, **Malta** and **Poland**.

**The EGR requirements are more differentiated across categories of debt challenges.** As shown in Table 5, the average annual adjustment over the years of positive adjustment is of 0.7 pp. of GDP for countries with substantial debt challenges without extension (0.5 pp. with extension) and 0.5 pp. of GDP (0.3 pp. with extension) for moderate debt challenges countries, against a nearly uniform requirement of 0.5-0.6 pp. of GDP for most countries under the current rules. In addition, the EGR requirements – especially for countries with moderate debt challenges in case of extension – leave more fiscal room than the current rules for reforms and investments, while being demanding enough to ensure that the debt ratio declines or stays at prudent levels (below 60% of GDP) over the projection horizon.

**Table 5: Average annual adjustment in the EGR technical trajectories versus adjustment towards the MTO, and number of years required to reach the MTO, by risk categories**

	Average annual adjustment			Average number of years to reach MTO	Maximum number of years to reach MTO
	EGR 4y Adj.	EGR 7y Adj.	MTOs		
Average	0.5	0.3	0.4	5.2	
High risk	0.7	0.5	0.6	6.5	10
Medium risk	0.5	0.3	0.5	4.9	8
Low risk	0.2	0.1	0.2	3.3	5

Annex

Table A1.1: Comparison of the SPB in 2024 between AF22 and SF23

Country	SPB 2024		
	SF23	AF22	Diff.
BG	-4.4	-2.3	-2.1
LV	-1.8	-0.3	-1.5
LU	-0.5	0.6	-1.0
EL	2.1	2.5	-0.4
FR	-2.2	-2.0	-0.2
CZ	-1.1	-0.9	-0.2
RO	-2.4	-2.2	-0.2
SE	1.3	1.5	-0.2
SI	-2.3	-2.2	-0.1
SK	-3.3	-3.3	0.0
MT	-2.4	-2.5	0.1
FI	-0.7	-0.8	0.1
IT	-0.3	-0.5	0.2
BE	-2.5	-2.7	0.2
CY	2.6	2.4	0.3
ES	-0.8	-1.1	0.4
AT	-0.2	-0.6	0.4
PT	1.9	1.4	0.5
PL	-0.8	-1.4	0.6
IE	1.6	1.0	0.6
LT	0.3	-0.3	0.6
DK	2.6	1.7	0.9
EE	-0.7	-1.9	1.2
DE	-0.1	-1.4	1.3
NL	-1.2	-2.5	1.3
HR	-0.7	-2.0	1.3
HU	0.5	-1.1	1.6

Table A1.2: Comparison of end-of-adjustment SPBs between AF22 and SF23, without benchmarks and safeguards

Country	SF23			Without extension			With extension		
	DSA risk category	Debt 2024	Deficit 2024	SF23	AF22	Dif.	SF23	AF22	Dif.
EL	HIGH	154.4	0.6	2.1	2.5	-0.4	2.1	2.5	-0.4
IT	HIGH	140.3	3.7	3.3	2.9	0.4	3.2	2.7	0.5
FR	HIGH	109.5	4.3	0.8	0.6	0.2	0.6	0.4	0.2
ES	HIGH	109.1	3.3	1.6	1.3	0.4	2.0	1.3	0.7
BE	HIGH	107.3	4.7	1.7	1.1	0.6	2.0	1.5	0.5
PT	HIGH	103.1	0.1	2.9	2.6	0.3	2.6	2.5	0.1
FI	MEDIUM	76.2	2.6	0.3	0.0	0.3	0.0	-0.1	0.1
AT	LOW	72.7	1.3	1.0	0.8	0.2	0.5	0.8	-0.3
CY	MEDIUM	72.5	-2.1	2.6	2.4	0.3	2.6	2.4	0.3
HU	HIGH	71.1	4.3	2.9	2.5	0.4	3.3	3.1	0.2
SI	MEDIUM	66.6	2.9	2.1	1.6	0.5	2.2	2.0	0.2
DE	MEDIUM	64.1	1.2	0.5	0.4	0.1	0.2	0.0	0.3
HR	MEDIUM	61.8	1.3	0.1	1.0	-0.9	0.0	1.1	-1.1
SK	HIGH	58.7	4.8	1.1	0.7	0.4	1.2	1.2	0.0
MT	MEDIUM	56.1	4.5	-0.6	-0.9	0.3	0.1	-0.4	0.4
PL	MEDIUM	53.0	3.7	0.0	0.6	-0.6	0.2	1.1	-0.8
NL	MEDIUM	48.8	1.7	0.4	0.1	0.3	0.2	0.0	0.3
RO	MEDIUM	46.1	4.4	1.4	1.4	0.0	1.8	2.0	-0.2
CZ	MEDIUM	43.1	3.0	0.5	0.5	0.0	1.0	0.8	0.1
LV	LOW	40.5	2.7	-1.6	nar	nar	-1.4	nar	nar
IE	LOW	38.3	-2.2	nar	nar	nar	nar	nar	nar
LT	LOW	36.6	1.4	nar	nar	nar	nar	nar	nar
SE	LOW	30.7	0.5	nar	nar	nar	nar	nar	nar
DK	LOW	28.8	-1.3	nar	nar	nar	nar	nar	nar
BG	MEDIUM	28.1	4.8	-1.4	-1.7	0.3	-0.9	-1.3	0.3
LU	LOW	27.0	1.5	-0.1	nar	nar	-0.1	nar	nar
EE	LOW	21.3	2.7	nar	nar	nar	nar	nar	nar
<b>Average</b>				<b>1.0</b>	<b>1.0</b>		<b>1.1</b>	<b>1.2</b>	
Average high risk				2.0	1.7		2.1	1.8	
Average medium/low risk				0.4	0.5		0.5	0.7	
Maximum				3.3	2.9		3.3	3.1	
Minimum				-1.6	-1.7		-1.4	-1.3	

**Table A2.1: Debt projections in the simulations based on SF23 ( without benchmarks and safeguards)**

Country	SF23		Without extension					With extension				
	DSA risk category	Debt 2024	Annual adjustment	Debt in T+4	Debt in T+14	Change in debt T+4 - T	Average annual change in debt T+1 to T+14	Annual adjustment	Debt in T+4	Debt in T+17	Change in debt T+4 - T	Average annual change in debt T+1 to T+17
EL	HIGH	154.4	0.00	139.0	115.8	-15.4	-2.8	0.00	139.0	109.7	-15.4	-2.6
IT	HIGH	140.3	0.90	136.8	119.6	-3.5	-1.5	0.50	138.7	115.4	-1.6	-1.5
FR	HIGH	109.5	0.75	110.5	96.8	<b>1.0</b>	-0.9	0.40	112.2	99.0	<b>2.7</b>	-0.6
ES	HIGH	109.1	0.60	102.9	85.1	-6.2	-1.7	0.40	103.9	81.8	-5.2	-1.6
BE	HIGH	107.3	1.05	105.9	88.3	-1.4	-1.4	0.65	107.9	84.6	<b>0.6</b>	-1.3
PT	HIGH	103.1	0.25	90.5	70.0	-12.7	-2.4	0.10	91.3	62.9	-11.9	-2.4
FI	MEDIUM	76.2	0.25	73.2	60.6	-2.9	-1.1	0.10	74.1	60.4	-2.1	-0.9
AT	LOW	72.7	0.30	63.7	53.9	-9.0	-1.3	0.10	64.8	54.7	-7.8	-1.1
CY	MEDIUM	72.5	0.00	55.5	26.2	-16.9	-3.3	0.00	55.5	19.2	-16.9	-3.1
HU	HIGH	71.1	0.60	68.1	53.0	-3.0	-1.3	0.40	69.4	51.2	-1.7	-1.2
SI	MEDIUM	66.6	1.10	59.1	48.6	-7.6	-1.3	0.65	61.9	48.8	-4.7	-1.0
DE	MEDIUM	64.1	0.15	59.6	55.5	-4.4	-0.6	0.05	60.3	54.1	-3.8	-0.6
HR	MEDIUM	61.8	0.20	57.2	53.6	-4.6	-0.6	0.10	57.9	55.1	-3.9	-0.4
SK	HIGH	58.7	1.10	56.2	50.7	-2.5	-0.6	0.65	59.3	52.8	0.7	-0.3
MT	MEDIUM	56.1	0.45	55.3	51.2	-0.8	-0.3	0.35	55.9	49.0	-0.2	-0.4
PL	MEDIUM	53.0	0.20	50.8	49.6	-2.2	-0.2	0.15	51.1	48.8	-1.9	-0.2
NL	MEDIUM	48.8	0.40	47.3	50.6	-1.5	0.1	0.20	48.5	51.1	-0.3	0.1
RO	MEDIUM	46.1	0.95	44.2	41.0	-1.8	-0.4	0.60	46.9	43.8	0.8	-0.1
CZ	MEDIUM	43.1	0.40	41.6	44.4	-1.5	0.1	0.30	42.3	41.6	-0.8	-0.1
LV	LOW	40.5	0.05	44.6	55.2	4.1	1.1	0.05	44.6	57.6	4.1	1.0
IE	LOW	38.3	nar	24.3	12.6	-14.0	-1.8	nar	24.3	7.2	-14.0	-1.8
LT	LOW	36.6	nar	31.4	30.0	-5.1	-0.5	nar	31.4	27.1	-5.1	-0.6
SE	LOW	30.7	nar	24.6	9.0	-6.1	-1.6	nar	24.6	5.5	-6.1	-1.5
DK	LOW	28.8	nar	17.6	-5.7	-11.1	-2.5	nar	17.6	-12.8	-11.1	-2.4
BG	MEDIUM	28.1	0.75	36.3	45.8	8.3	1.3	0.50	38.3	47.3	10.2	1.1
LU	LOW	27.0	0.10	25.2	31.5	-1.7	0.3	0.05	25.6	31.5	-1.4	0.3
EE	LOW	21.3	nar	23.9	26.1	2.6	0.3	nar	23.9	27.4	2.6	0.4

*Note:* Change in debt between T and T+4 in **red bold** indicate increase of debt over the plan horizon and indicates countries (Belgium and France) that do not comply with the safeguard.

**Table A2.2: Debt projections in the simulations based on SF23 (including benchmarks and safeguards)**

Country	SF23		Without extension					With extension				
	DSA risk category	Debt 2024	Average annual adjustment	Debt in T+4	Debt in T+14	Change in debt T+4 - T	Average annual change in debt T+1 to T+14	Average annual adjustment over the plan period	Debt in T+4	Debt in T+17	Change in debt T+4 - T	Average annual change in debt T+1 to T+17
EL	HIGH	154.4	0.00	139.0	115.8	-15.4	-2.8	0.00	139.0	109.7	-15.4	-2.6
IT	HIGH	140.3	0.90	136.8	119.6	-3.5	-1.5	0.50	138.7	115.4	-1.6	-1.5
FR	HIGH	109.5	1.00	109.3	85.6	-0.2	-1.7	1.00	109.3	77.7	-0.2	-1.9
ES	HIGH	109.1	0.60	102.9	85.1	-6.2	-1.7	0.43	103.5	81.7	-5.6	-1.6
BE	HIGH	107.3	1.05	105.9	88.3	-1.4	-1.4	0.80	107.2	84.3	-0.2	-1.4
PT	HIGH	103.1	0.25	90.5	70.0	-12.7	-2.4	0.10	91.3	62.9	-11.9	-2.4
FI	MEDIUM	76.2	0.25	73.2	60.6	-2.9	-1.1	0.10	74.1	60.4	-2.1	-0.9
AT	LOW	72.7	0.30	63.7	53.9	-9.0	-1.3	0.10	64.8	54.7	-7.8	-1.1
CY	MEDIUM	72.5	0.00	55.5	26.2	-16.9	-3.3	0.00	55.5	19.2	-16.9	-3.1
HU	HIGH	71.1	0.60	68.1	53.0	-3.0	-1.3	0.50	68.8	53.8	-2.3	-1.2
SI	MEDIUM	66.6	1.10	59.1	48.6	-7.6	-1.3	0.65	61.9	48.8	-4.7	-1.0
DE	MEDIUM	64.1	0.15	59.6	55.5	-4.4	-0.6	0.05	60.3	54.1	-3.8	-0.6
HR	MEDIUM	61.8	0.20	57.2	53.6	-4.6	-0.6	0.10	57.9	55.1	-3.9	-0.4
SK	HIGH	58.7	1.10	56.2	50.7	-2.5	-0.6	0.65	59.3	52.8	0.7	-0.3
MT	MEDIUM	56.1	0.50	54.9	49.1	-1.1	-0.5	0.50	55.9	49.0	-0.2	-0.4
PL	MEDIUM	53.0	0.25	49.4	45.9	-3.6	-0.5	0.25	49.4	46.4	-3.6	-0.4
NL	MEDIUM	48.8	0.40	47.3	50.6	-1.5	0.1	0.20	48.5	51.1	-0.3	1.1
RO	MEDIUM	46.1	0.95	44.2	41.0	-1.8	-0.4	0.60	46.9	43.8	0.8	-0.1
CZ	MEDIUM	43.1	0.40	41.6	44.4	-1.5	0.1	0.30	42.3	41.6	-0.8	-0.1
LV	LOW	40.5	0.05	44.6	55.2	4.1	1.1	0.05	44.6	57.6	4.1	1.0
IE	LOW	38.3	nar	24.3	12.6	-14.0	-1.8	nar	24.3	7.2	-14.0	-1.8
LT	LOW	36.6	nar	31.4	30.0	-5.1	-0.5	nar	31.4	27.1	-5.1	-0.6
SE	LOW	30.7	nar	24.6	9.0	-6.1	-1.6	nar	24.6	5.5	-6.1	-1.5
DK	LOW	28.8	nar	17.6	-5.7	-11.1	-2.5	nar	17.6	-12.8	-11.1	-2.4
BG	MEDIUM	28.1	0.75	36.3	45.8	8.3	1.3	0.50	38.3	47.3	10.2	1.1
LU	LOW	27.0	0.10	25.2	31.5	-1.7	0.3	0.05	25.6	31.5	-1.4	0.3
EE	LOW	21.3	nar	23.9	26.1	2.6	0.3	nar	23.9	27.4	2.6	0.4

Note: Average annual adjustments marked in red bold indicate that the average adjustment is affected by the benchmarks and the safeguards (and therefore that it differs from Table 1).