STATEMENT
Brussels, 8 December 2014

Eurogroup Statement on the Draft Budgetary Plans 2015

We are convinced that the close coordination of Member States' fiscal policies in the framework of the draft budgetary plans significantly contributes to the strength and cohesion of the euro area. This, together with the Commission investment plan, continued implementation of structural reforms and measures to improve financing conditions can boost growth and jobs in the euro area, while ensuring the sustainability of public finances.

Against this background, we welcome the second round of this fiscal coordination process, established by the Two-Pack Regulation on the strengthening of budgetary monitoring. This has now become an established instrument and constitutes an important opportunity to assess and guide economic and fiscal policies in the euro area. We also welcome the dedicated manner in which the Commission has provided in-depth opinions on all draft budgetary plans for 2015 and on the assessment of the budgetary situation and prospects of the euro area as a whole. We broadly concur with the Commission's opinions and analysis. We welcome the intention of the Commission to advance the calendar for the submission of the opinions next year, which would facilitate taking into account the issues raised by the Commission opinions in our budgetary processes.

Years of fiscal consolidation have brought down government deficits in the euro area. From 2.6% of GDP in 2014, the government deficit ratio for the euro area as a whole is expected to fall even further, to 2.4% of GDP in 2015. As a result, the aggregate debt level is stabilising, and should be brought on a declining path in line with the debt rule. At the same time, given the still high debt and unemployment levels and the low nominal GDP growth, as well as the challenges of an ageing society and of supporting job-creation, particularly for the young, fiscal consolidation must continue in a growth friendly and differentiated manner. Structural reforms that enhance growth and improve fiscal sustainability should be given particular attention, including through an appropriate assessment of fiscal measures and structural reforms, while making best use of the flexibility that is built into the existing Stability and Growth Pact rules.

Furthermore, within the Eurogroup, we have recently stressed the importance of reforms to reduce the tax burden on labour and in September we agreed on a set of common principles for reform. We are pleased to see that the Commission assessment shows that addressing this bottleneck for growth has received attention in the Draft Budgetary Plans of many countries. We are convinced that labour tax reductions will further strengthen the recovery and will help boosting employment. This should support the overall strategy to make our public finances more growth-friendly, while taking into account the country specific fiscal margin for manoeuvre through an adequate compensation. We will continue to be active in the important reform areas in the months ahead, in line with the country specific recommendations and the euro area recommendation addressed to us by the Council in July.

In parallel to the fiscal consolidation efforts, we recall the importance of a simultaneous, strong implementation of the structural reforms recommended in the context of the MIP and the European Semester, in order to provide a sound foundation for addressing the identified macroeconomic imbalances and returning to sustained growth. We therefore welcome the attention paid by the Commission to the monitoring of progress in this area. We commit to pursue the implementation of growth oriented and investment-friendly structural reforms and invite the Commission to continue its close monitoring. At the same time, we are encouraged to see that the Member States identified as having excessive imbalances have made significant progress in addressing them. A thorough implementation of the ambitious planned reforms will further decrease the imbalances within the euro area, thereby supporting stability, growth and job creation.

The implementation of the provisions of the fiscal compact, in particular the automatic correction mechanism and the independent fiscal councils, will further strengthen the credibility of our rules based framework. A full assessment of the transposition of the Fiscal Compact into national law will be concluded by mid-2015.

The Commission's forecast indicates a broadly neutral planned fiscal stance for the euro area as a whole in 2015. In line with the Commission's assessment, this reflects a balance between sustainability requirements and current weak cyclical conditions. At the same time, the Commission assessment of the individual budgetary plans shows an uneven distribution, with several Member States at risk of not meeting their current obligations under the Stability and Growth Pact (SGP), and others outperforming their MTO.

The Eurogroup takes note that no draft budgetary plan was found in serious non-compliance with the obligations of the SGP and that consequently no resubmission of a DBP was requested by the Commission. We welcome the fact that Germany, Ireland, Luxembourg, the Netherlands and Slovakia have submitted draft budgetary plans that are compliant with the Stability and Growth Pact. At the same time, we welcome Germany's announcement of additional public investment in infrastructure.

We also take note that Estonia, Latvia, Slovenia and Finland have submitted draft budgetary plans that are broadly compliant with the provisions of the Stability and Growth pact. Slovenia will need to ensure a timely and sustainable correction of the excessive deficit in 2015, and we welcome the Slovenian commitment to this effect. We invite these Member States to ensure compliance with these provisions within the national budgetary processes and welcome their commitment to take compensatory measures as appropriate. We note that Latvia's incoming government has submitted an updated Draft Budgetary Plan and we await the Commission's assessment.

We also recognise that, for a number of Member States, compliance with the rules of the Stability and Growth Pact is at risk.

- Member States under the Preventive arm

- Those Member States whose plans are at risk of non-compliance with the rules under the Preventive arm should take, in a timely manner, additional measures as appropriate to address the risks identified by the Commission as regards an appropriate convergence towards the MTO and the respect of the debt rule.

- Malta – we agree with the Commission's assessment that there is a risk for a significant deviation from the adjustment path towards the MTO in 2015, which is required once a timely and sustainable correction of the excessive deficit in 2014 is ensured. We note that according to the latest Commission assessment Malta's structural fiscal effort in 2015 will be -0.2% of GDP, which is based on the no-policy change assumption and does not incorporate the consolidation measures in the 2015 budget, whereas 0.6% of GDP is required under the preventive arm. On that basis, additional measures would be needed to allow for an improvement of the structural effort in order to comply with the rules of the SGP.

  We welcome the commitments of Malta to implement the measures necessary to ensure that the 2015 budget will be compliant with the rules of the preventive arm of the SGP.

- Austria – we agree with the Commission's assessment that the Draft Budgetary Plan, after taking into account the measures announced in October, implies a significant deviation from the adjustment path towards the MTO over 2014-2015. We note that according to the latest Commission assessment, Austria's structural fiscal effort in 2015 will be 0.3% of GDP, whereas 0.6% of GDP is required under the preventive arm. On that basis, additional measures would be needed to allow for an improvement of the structural effort in order to comply with the rules of the SGP.

  We welcome the commitments of Austria to implement the measures necessary to ensure that the 2015 budget will be compliant with the rules of the preventive arm of the SGP.

- Belgium – we agree with the Commission's assessment that the budget is at risk of non-compliance with the requirements of the SGP. While we acknowledge that the unfavourable economic circumstances and the very low inflation rate have complicated the achievement of the debt reduction benchmark and full compliance with the debt rule appears very demanding at this point, the high debt level remains a matter of concern. We note that according to the latest Commission assessment, Belgium's structural fiscal effort in 2015 will be 0.4% of GDP, whereas 0.6% of GDP is required under the preventive arm. On that basis, effective measures would be needed to allow for an improvement of the structural effort in order to comply with the rules of the SGP.

  We welcome the commitments of Belgium to implement the measures necessary to ensure that the 2015 budget will be compliant with the rules of the preventive arm of SGP. We also welcome the commitment to use windfall revenues or unforeseen expenditure savings in 2015 and step up privatisation efforts to bring the debt ratio on a declining path. Finally, we welcome the commitments of Belgium to address the structural weaknesses of the economy and encourage the implementation of the ambitious and wide-ranging reform agenda, as reflected in the letter addressed to the Commission of 21 November 2014.

- Italy – We agree with the Commission's assessment that the budget is at risk of non-compliance with the requirements of the SGP. While we acknowledge that the unfavourable economic circumstances and the very low inflation rate have complicated the achievement of the debt reduction benchmark and full compliance with the debt rule appears very demanding at this point, the high debt level remains a matter of concern. We note that according to the latest Commission assessment, Italy's structural fiscal effort in 2015 will be 0.1% of GDP, whereas 0.5% of GDP is required under the preventive arm. On that basis, effective measures would be needed to allow for an improvement of the structural effort.

We welcome the commitments of Italy to implement the measures necessary to ensure that the 2015 budget will be compliant with the rules of the preventive arm of SGP. We also welcome the commitment to use windfall revenues or unforeseen expenditure savings in 2015 and step up privatisation efforts to bring the debt ratio on a declining path. Finally, we welcome the commitments of Italy to address the structural weaknesses of the economy and encourage the implementation of the ambitious and wide-ranging reform agenda, as reflected in the letter addressed to the Commission of 21 November 2014.

- Member States under the Corrective arm

- Member States remaining in the corrective arm of the SGP should ensure a timely correction of their excessive deficit, appropriate convergence towards the MTO thereafter, and respect of the debt rule.
- France – we agree with the Commission's assessment that the Draft Budgetary Plan is at risk of non-compliance with the rules of the corrective arm of the SGP. We note that according to the latest Commission assessment, France's structural fiscal effort in 2015 will be 0.3% of GDP, whereas 0.8% of GDP is required under the excessive deficit procedure. On that basis, additional measures would be needed to allow for an improvement of the structural effort in order to comply with the rules of the SGP.

  We welcome the commitments of France to implement the measures necessary to ensure that the budget will be in line with the required fiscal effort for 2015. We also welcome the commitments of France to address the structural weaknesses of the economy and encourage the implementation of the ambitious and wide-ranging reform agenda, as reflected in the letter addressed to the Commission of 21 November 2014.
- Portugal – we agree with the Commission's assessment that there is a risk of not complying with the requirements of the EDP recommendations. We note that according to the latest Commission assessment, the headline deficit will be 3.3% of GDP in 2015. On that basis effective measures would be needed to improve the headline deficit in order to comply with the rules of Pact..

  We welcome the commitments of Portugal to implement the measures necessary to ensure a timely correction of the EDP.
- Spain – We agree with the Commission assessment that the budget is at risk of not complying with the requirements of the EDP recommendations. We note that according to the latest Commission assessment, the headline deficit will be 4.6% of GDP in 2015, whereas a deficit of 4.2% of GDP is recommended. On that basis,, effective measures would be needed to allow for an improvement of the headline deficit in order to comply with the rules of the SGP.

We welcome the commitments of Spain to implement the measures necessary to ensure that the EDP requirements are met.

We acknowledge the implementation of the ambitious and wide-ranging reform agenda over the past year, addressing the weaknesses of the economy and we look forward to a continuation of determined implementation of structural reforms.

We also recall that Greece and Cyprus, which were not assessed today as they are subject to a macro-economic adjustment programme, have continued to make progress with respect to fiscal consolidation. We call on them to continue addressing the challenges as identified in their respective programmes with determination.

The Eurogroup will assess progress made with respect to the implementation of the Draft Budgetary Plans and additional commitments. This will be based on our commitment to the credibility of the SGP and on detailed follow-up assessments from the Commission, currently planned for early March. In this regard, we take note of Commission's announcement to examine the position of France, Italy and Belgium vis-à-vis their obligations under the SGP in the light of the finalisation of the budget laws and the expected specification of the structural reform programmes announced by the authorities in their letters of 21 November. We trust the Commission to take all necessary steps to ensure compliance with the SGP. The assessment should also benefit from the in-depth reviews which the Commission will put forward in the framework of the MIP.