STATEMENT

Brussels, 9 March 2015

Eurogroup statement on follow-up to the 8 December Eurogroup statement on Draft Budgetary Plans

Today, the Eurogroup assessed progress made with respect to the implementation of draft budgetary plans (DBPs) of all euro area Member States as well as the additional budgetary and structural reform commitments made by certain Member States. This follow-up assessment was foreseen in our statement of 8 December 2014, which recognised that compliance with the rules of the Stability and Growth Pact (SGP) was at risk for seven Member States.

Overall, based on the Commission's winter forecast, the euro area is set to maintain a broadly neutral planned fiscal stance, confirming the assessment from December. Given the moderate strengthening of the economic recovery and low interest rates, this stance allows a gradual reduction of headline government deficits 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 SGP, while others are still set to outperform their MTO.

In December 2014, the DBPs for six Member States (Germany, Ireland, Luxembourg, the Netherlands, Slovakia and Latvia) were found to be compliant with the rules of the SGP. This is confirmed with this updated assessment. For three Member States (Estonia, Slovenia and Finland) the plans were found to be broadly compliant. This assessment remains unchanged for Slovenia, while recent information makes the assessment less clear-cut for Estonia and Finland.

For seven Member States (Belgium, Spain, France, Italy, Malta, Austria and Portugal), the DBPs were assessed to be at risk of non-compliance.

Today, we welcome the additional measures taken by Belgium and the further specifications provided by Malta. We also reaffirm that those Member States whose plans are at risk of non-compliance with the rules under the preventive arm of the SGP should take, in a timely manner, additional measures as appropriate to address the risks identified by the Commission.

Belgium - we welcome the additional measures taken by Belgium, in line with the commitments made in December (0.2% of GDP), and the progress made on relevant structural reforms. Continued effective implementation of measures is needed to ensure full compliance with the preventive arm of the SGP in 2015. In this respect, we welcome the commitment from Belgium to undertake any necessary further action, if necessary to ensure the requirements of the preventive arm are met. Furthermore, Belgium is assessed to depart from the transitional debt rule for 2014 and 2015 and has breached the deficit reference value for 2014. However, based on the analysis of relevant factors, namely (i) the expectation that compliance with the required adjustment path towards the MTO is broadly ensured (ii) the currently unfavourable economic conditions, in particular exceptionally low nominal GDP growth and very low inflation; and (iii) the continued implementation of ambitious growth-enhancing structural reforms, we consider that the deficit and debt criteria can be considered as currently fulfilled.

Italy - we welcome the improved outlook for the structural balance of Italy for 2015 and progress made on relevant structural reforms and privatisations. While this helps to bring the adjustment path towards the MTO in line with the current requirements of the preventive arm of the SGP, Italy is still assessed to depart from the requirements of the debt rule over the transition period (2013-2015). However, based on the analysis of relevant factors, namely (i) the expectation that compliance with the required adjustment path towards the MTO is ensured; (ii) the currently unfavourable economic conditions, in particular exceptionally low nominal GDP growth and very low inflation, and (iii) the continued implementation of ambitious growth-enhancing structural reforms, we consider that the debt criterion can be considered as currently fulfilled.

Malta - we note that Malta has further specified its fiscal measures for 2015. We note that according to the latest Commission assessment Malta's structural fiscal effort in 2015 will be 0.2% of GDP, whereas 0.6% of GDP is required under the preventive arm. Compared to the December assessment, the risk of a significant deviation appears to have declined, but some deviation from the requirements of the SGP is still likely and additional measures would be needed to ensure compliance in 2015. In this respect we welcome the commitment from Malta to stand ready to undertake additional measures as appropriate to ensure the requirements of the preventive arm are met.

Austria - we note that Austria still risks a significant deviation from the required adjustment under the preventive arm of the SGP and that no substantial further measures have been taken to address the risks identified in December. We note that according to the latest Commission assessment, Austria's structural fiscal effort in 2015 will be 0.1% of GDP, whereas 0.6% of GDP is required under the preventive arm. On that basis, we welcome Austria's reaffirmation of its December 2014 commitment to take the necessary additional measures to allow for an improvement of the structural effort in order to comply with the rules of the SGP.

Today we also reaffirmed that 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 note that France still risks non-compliance with the requirements of the corrective arm of the SGP in 2015 and that more substantial measures have to be taken to address the risks identified in December. We note that according to the latest Commission assessment, France's structural fiscal effort in 2015 will be 0.3% of GDP, whereas under the new recommendation from the Commission, 0.5% of GDP is required. We welcome the commitment from France to take additional measures so as to ensure full compliance with the rules of the corrective arm in 2015 (an additional 0.2% of GDP). We also welcome the commitment from France to use its National Reform Programme to further complement the reform plan communicated on 18 February, which shall be strictly implemented so as to improve the growth outlook and contribute to the long-term sustainability of public finances.

Spain - we note that, on the back of wide-ranging structural reforms over the past years, Spain is experiencing higher-than-expected economic growth, leading to a slight improvement in the headline deficit forecast for 2015 and bringing achievement of the headline deficit for 2015 within reach. In particular, we note that according to the latest Commission assessment, the headline deficit will be 4.5% in 2015, whereas a deficit of 4.2% of GDP was recommended. If so, effective measures would be needed to allow for an improvement of the headline deficit in order to comply with the rules of the SGP. In this light, we welcome Spain's reaffirmation of its December 2014 commitment to implement the measures necessary to ensure that the EDP requirements are met in 2015.

Portugal - we note that Portugal, which is making some progress with structural reforms, is not projected to achieve a timely correction of its excessive deficit in 2015, although this objective is still within reach. In particular, we note that according to the latest Commission assessment, the headline deficit will be 3.2%

of GDP, whereas it should bring the headline deficit below 3% in 2015, while 2.5% of GDP was recommended. If so, effective measures would be needed to allow for an improvement of the headline deficit in a durable manner in order to comply with the rules of the SGP. In this light, we welcome Portugal's reaffirmation of its December 2014 commitment to implement the measures necessary to ensure that the EDP requirements are met in 2015.

Finally, we reaffirm our belief that 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.