# Daily News 23 / 10 / 2018

**COLLEGE MEETING: European Commission requests that Italy presents a revised draft budgetary plan for 2019**

The European Commission has identified in the draft budgetary plan submitted by Italy for 2019 a particularly serious non-compliance with the fiscal recommendation addressed to Italy by the Council, including Italy, on 13 July 2018. The Commission also notes that the plan is not in line with the commitments presented by Italy in its Stability Programme of April 2018. In line with the relevant rules, the Commission has adopted an Opinion that requests Italy to submit a revised draft budgetary plan within three weeks. This is the first time that the Commission has requested the presentation of a revised draft budgetary plan. Valdis **Dombrovskis**, Vice-President for the Euro and Social Dialogue, also in charge of Financial Stability, Financial Services and Capital Markets Union, said: "*The euro area is built on strong bonds of trust, underpinned by rules that are the same for everybody. It is our job and duty to uphold common interest and mutual commitments taken by the member countries. Italy's debt is among the highest in Europe, and Italian taxpayers spend about the same amount on it as on education. In this spirit, we see no alternative but to request the Italian government to revise its draft budgetary plan for 2019, and we look forward to an open and constructive dialogue in the weeks to come*." Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs, said: "*The Opinion adopted today by the Commission should come as no surprise to anyone, as the Italian Government's draft budget represents a clear and intentional deviation from the commitments made by Italy last July. However, our door is not closing: we wish to continue our constructive dialogue with the Italian authorities. I welcome Minister Tria's commitment to this end and we must move forward in this spirit in the coming weeks*." The Opinion is available here. A press release and memo are available online. *(For more information: Christian Spahr – Tel.: +32 229 50055; Annikky Lamp – Tel.: + 32 229 56151; Enda McNamara – Tel.: + 32 229 64976)*

**Better Regulation: Commission sets out way forward to strengthen subsidiarity and proportionality in EU policy-making**

With the European elections approaching and in the context of the future of Europe debate, the European Commission has today set out the changes it intends to introduce to the EU policymaking process in order to focus its limited resources on a smaller number of activities and deliver on its political priorities more efficiently. Today's Communication on how to strengthen the principles of proportionality and subsidiarity in EU decision-making also seeks to address the recommendations of the 'Task Force on subsidiarity, proportionality and doing less, more efficiently'. Commission President Jean-Claude **Juncker** said: *"I welcome the Task Force's conclusion that the EU adds value in all areas where it currently acts. At some point, however, we will have to confront the fact that we cannot continue to do more* *to tackle growing challenges with the resources currently available. In the future, the Commission will have to prioritise its activities and resources even more."* First Vice-President Frans **Timmermans,** responsible for Better Regulation and Chair of the Task Force, added: *"We have done a lot to create a world-class system for making better regulation. But we can still improve. The Task Force has initiated important changes within the Commission and we are embedding these in our institutional DNA. However, the Commission is not the only player in the policymaking process. We need everybody to take their own responsibilities, starting at the conference organised by the Austrian EU Presidency next month in Bregenz."* The Commission today set out how the principles of subsidiarity and proportionality will guide our future work and how we can further strengthen their role in EU policy-making. The Austrian Presidency conference in Bregenz in November will be the moment for other institutions to make their own commitments to implement the Task Force's recommendations. A full press release is available here. (For more information: Natasha Bertaud – Tel.: +32 229 67456; Tim McPhie – Tel.: +32 229 58602)

**COLLEGE MEETING: Commission Work Programme 2019: Delivering on promises and preparing for the future**

The European Commission today presented its Work Programme for 2019, setting out three main priorities for the year ahead: reaching swift agreement on the legislative proposals already presented to deliver on its ten political priorities; adopting a limited number of new initiatives to address outstanding challenges; and presenting several initiatives with a future perspective for a Union at 27 reinforcing the foundations for a strong, united and sovereign Europe. President Jean-Claude **Juncker** said: "*Seven months from today, Europe will have its most important rendezvous with voters for a generation, at the European elections. I call on the European Parliament and the Council to adopt the proposals presented by the Commission in the past four years. Citizens do not care about proposals, they care about laws in force that give them rights. There would be no better message to voters taking to the polls next year than if we were to demonstrate that this Union delivers concrete, tangible results for them.*" First Vice-President Frans **Timmermans** said: "*This Commission has consistently focussed on the challenges which can only be addressed through collective European action. This Work Programme contains no surprises: we have made all the proposals needed but now they must be agreed and their benefits implemented in practice. We will also look to the future with initiatives to ensure that tomorrow's Union of 27 has an optimistic vision for a fair and sustainable future for all Europeans.*" The 2019 Work Programme focuses on just 15 new initiatives, and an additional 10 new REFIT evaluations, to review existing legislation and ensure it is still fit for purpose. To ensure a focus on delivery, the Commission Work Programme identifies 187 priority pending proposals for adoption by the Parliament and Council before the European elections. The Commission also suggests to withdraw or repeal 17 pending proposals or existing laws. The Commission has already tabled all the legislative proposals needed to deliver on the ten priorities of the Juncker Commission. Together with the European Parliament and Council, we have found agreement on around half of these proposals so far, and a further twenty percent are well advanced in the legislative process More information is available in a press release and memo, a general factsheet on the Commission Work Programme, a factsheet with the new initiatives, and a factsheet with the REFIT initiatives and priority pending proposals. *(For more information: Natasha Bertaud – Tel.: +32 229 67456; Tim McPhie – Tel.: +32 229 58602)*

**European Commission and European Parliament take stock of the progress made in breaking down barriers to e-commerce in the EU** Consumers and businesses show an increasing interest in shopping and selling across the EU. Online sales of products are growing by 22% per year. However, some traders still make it difficult for customers from another EU Member State to buy online or to benefit from equally advantageous prices in comparison with local clients. Vice-President Andrus **Ansip** and Commissioners Elżbieta **Bieńkowska**, Věra **Jourová** and Mariya **Gabriel** met today in Strasbourg with members of the European Parliament to take stock of the progress made in breaking down the barriers to e-commerce in the EU and discuss next opportunities and challenges. On this occasion, Vice-President **Ansip** said: "*Together with the end of roaming charges, the modernisation of data protection rules and the possibility for citizens to travel with their online content, several initiatives on e-commerce are making the Digital Single Market a reality for all and creating new digital rights. For that purpose, we also need the new rules ending unjustified geoblocking to be applied correctly from day one. This is why we have issued practical guidelines aimed at helping online sellers to adapt to the new rules before they fully apply". As of* 3 December, Europeans will be able to **shop online without unjustifiedgeoblocking** wherever they are in the EU. As of next year, citizens will be able to compare parcel delivery costs more easily and benefit from more affordable prices for cross-border parcel delivery. The news rules on value added tax for e-commerce will simplify taxation process for the entrepreneurs as of 2021. Other proposals are being currently discussed in the European Parliament or negotiated between the institutions, such as contract rules for sale of goods and supply of digital content and the new deal for consumers. The aim is to agree on these new rules before the end of the current European Parliament legislature so that consumers and businesses take all the advantages of online commerce (see two factsheets here and here). More information is available on e-commerce actions here. (*For more information: Nathalie Vandystadt – Tel.: +32 229 67083*; Joseph Waldstein – Tel.: +32 229 56184)

**The Commission welcomes European Parliament's vote on the revised Drinking Water Directive**

Today the European Parliament adopted its position on the Commission's proposal on 'Safer drinking water for all Europeans'.In February 2018 the European Commission proposed a revision of the Drinking Water Directive in order to upgrade drinking water standards, improve access to water for all and help consumers to find reliable information about its supply.  The proposal was alsoa response to the first-ever successful European Citizens' Initiative, 'Right2Water', which received the support of 1.6 million Europeans. Commissioner Karmenu **Vella**, responsible for Environment, Maritime Affairs and Fisheries, said: *"I welcome today's vote in the European Parliament. Thanks to EU laws, most people living in the EU already enjoy* *very good access to high quality drinking water. Today's vote is part of a process that shows the EU is listening to citizens' demands for even better standards and for improved access to water. This vote will also keep us moving towards a more energy-efficient and circular economy."* The Commission proposed improved standards for the safety of water in order to guarantee that tap water is safe to drink throughout the EU. By applying a risk-based water safety assessment, authorities will be able to identify possible risks to water sources at distribution level. The revised Drinking Water Directive will improve access to water which will benefit, in particular, people without or with limited access to water. The aim is to stimulate overall consumption of tap water, which will simultaneously support several other Commission policies – helping consumers to save money, reducing plastic waste entering our rivers and seas and lowering greenhouse gas emissions.  In addition, thanks to new transparency rules consumers will be able to receive information online about the availability of water services in their local area.  The Commission calls upon the Council to work for the adoption of a negotiating mandate as soon as possible and counts on the Austrian Presidency to start trilogues before the end of the year so that the proposal can be adopted and implemented as soon as possible.*(For more information: Enrico Brivio – Tel.: + 32 229 56172; Daniela Stoycheva – Tel.: +32 229 53664)*

**Research: New grants offer €250 million for world class science**

Today the EU is awarding 27 research groups across Europe with highly-coveted European Research Council 'Synergy Grants' of up to EUR9.5 million each. This funding enables groups of two to four lead researchers to bring together complementary skills, knowledge and resources to jointly address research problems at the frontiers of existing knowledge. The selected projects will aim to further their investigations in a range of fields, including for example on a novel cure for osteoporosis; expand our understanding of the networks behind most biological processes and social systems and develop a fresh perspective on the history of Islam in Europe. The grants are part of the EU's research and innovation programme, Horizon 2020. The ERC press release and the full list of awarded grants are available here. *(For more information: Lucia Caudet – Tel.: +32 22956182; Mirna Talko – Tel.: +32 229 87278)*

**Mergers: Commission clears the acquisition of sole control over HotelsCombined by Booking Holdings**

The European Commission has approved, under the EU Merger Regulation, the acquisition of sole control over HotelsCombined Pty Ltd of Australia by Booking Holdings Inc. of the US.HotelsCombinedis active in theonline travel sector and provides metasearch services solely in respect of hotels and other accommodations.Booking Holdings provides online travel and related services. Its core brands include Booking.com, priceline.com, agoda.com, KAYAK, Rentalcars.com and OpenTable. The Commission found that the increase in the companies' combined market share brought about by the transaction is very small. The Commission also concluded that the merged entity will face competition from several other global operators, as well as indications that competitors intend to enter or expand in the market. Finally, the Commission found that the companies are not close competitors and they will not have the ability and incentive to restrict their competitors' access to essential input or to a sufficient customer base. Therefore, following its phase I investigation, the Commission concluded that the transaction would raise no competition concerns in any of the affected markets and cleared the case unconditionally. More information is available on the Commission's competition website, in the public case register under the case number M.9005. *(For more information: Ricardo Cardoso – Tel.: +32 229 80100; Maria Tsoni – Tel.: +32 229 90526)*

**Concentrations : La Commission autorise l'acquisition de Container Finance par CMA CGM**

La Commission Européenne a approuvé, en vertu du règlement européen sur les concentrations, l'acquisition de Container Finance Ltd Oy, basée en Finlande, par le groupe CMA CGM basé en France. Container Finance est une holding qui contrôle Containerships, société spécialisée dans le transport intra-régional, principalement en Europe du Nord, mais aussi en Méditerranée. Container Finance est également active dans la manutention portuaire. CMA CGM est un leader mondial du transport maritime. La Commission a conclu que la concentration envisagée ne soulèverait pas de problème de concurrence, compte tenu de son impact limité sur la structure des marchés du transport multimodal porte-à-porte, du transport maritime régulier par conteneurs de courte distance, des services de manutention portuaire et des services de transitaire de fret. L'opération a été examinée dans le cadre de la procédure normale du contrôle des concentrations. De plus amples informations sont disponibles sur le site internet concurrence de la Commission, dans le registre public des affaires sous le numéro d'affaire M.9016. *(Pour plus d'informations: Ricardo Cardoso – Tel.: +32 229 80100; Maria Tsoni – Tel.: +32 229 90526)*

**Mergers: Commission clears acquisition of Apogee by HP**

The European Commission has approved, under the EU Merger Regulation, the acquisition of Apogee Group Limited ("Apogee") of the UK by HP Inc. of the US. Apogee provides managed print services to business users primarily in the UK. HP is active in the manufacturing and sales of electronic devices, including personal computers and printers. The Commission found that the overlap of the companies' activities on the market for the supply of regular format printers was very limited and that a number of strong players would remain in the market after the merger. The Commission also investigated the relationship between the downstream market for the supply of managed print services and the upstream markets for the supply of large and regular format printers. The Commission concluded that the merged entity would not have the ability, or incentive, to shut out competing suppliers of these products as there are many alternative players at both levels. The transaction was examined under the normal merger review procedure. More information is available on the Commission's competition website, in the public case register under the case number M.9060. *(For more information: Ricardo Cardoso – Tel.: +32 229 80100; Maria Tsoni – Tel.: +32 229 90526)*

**Eurostat: La dette publique en baisse à 86,3% du PIB dans la zone euro**

À la fin du deuxième trimestre 2018, le ratio de la dette publique par rapport au PIB s'est établi à 86,3% dans la zone euro (ZE19), contre 86,9% à la fin du premier trimestre 2018. Dans l'UE28, le ratio a diminué, passant de 81,5% à 81,0%. Par rapport au deuxième trimestre 2017, le ratio de la dette publique par rapport au PIB a baissé tant dans la zone euro (de 89,2% à 86,3%) que dans l'UE28 (de 83,4% à 81,0%). Un communiqué de presse est disponible ici. *(Pour plus d'informations: Christian Spahr – Tel.: + 32 229 50055; Annikky Lamp – Tel.: +32 229 56151)*

**Eurostat: Déficit public désaisonnalisé de la zone euro en baisse à 0,1% du PIB**

Au deuxième trimestre 2018, le ratio du déficit public par rapport au PIB, corrigé des variations saisonnières, s'est établi à 0,1% dans la zone euro (ZE19), en baisse par rapport au premier trimestre 2018 où il se situait à 0,2%. Il s'agit du déficit le plus faible enregistré depuis le début des séries chronologiques comparables (2002). Dans l'UE28, le ratio du déficit public par rapport au PIB s'est établi à 0,3%, contre 0,5% au trimestre précédent. Il s'agit également du déficit le plus bas depuis le début des séries chronologiques comparables (2002). Un communiqué de presse est disponible ici. *(Pour plus d'informations:Christian Spahr – Tel.: + 32 229 50055; Annikky Lamp – Tel.: +32 229 56151)*

**STATEMENTS**

**Statement by Commissioner for Health and Food Safety, Vytenis Andriukaitis ahead of World Polio Day 2018**

On 24th October, we celebrate World Polio Day, and praise the efforts of thousands of healthcare workers, researchers and experts committed to the eradication of polio. Thanks to vaccines, children in the EU no longer die from this terrible disease or suffer severe life-long disabilities secondary to it. While trust in vaccines is essential for maintaining high coverage rates, a new study published by the Commission shows that confidence in vaccination is declining. Europe is the region with the lowest confidence in the safety and effectiveness of vaccines in the world. This is partly due to the rising influence of diverse anti-vaccine groups that spread misleading information through the internet or in political fora. Their influence should make us all cautious. In addition, a second report published today shows a lack of coordination among Member States and significant differences in national vaccination strategies. Both studies confirm the need for EU action. Some of the key issues we need to address are fighting misinformation and the lack of awareness in the general population on the risks posed by diseases preventable through vaccination. This is why the Commission proposed aCouncil Recommendation on Strengthened Cooperation against Vaccine Preventable Diseasesin April 2018. To guarantee the safety of all Europeans, I call on the EU Health Ministers to step up the European coordination efforts as soon as possible and adopt the Council Recommendation in December. Together we can make Europe the safest place to live in. The full statement is available online. (*For more information: Anca Paduraru – Tel.: +32 229 91269;*

*Aikaterini Apostola – Tel.: +32 229 87624)*

**ANNOUNCEMENTS**

**Commissioner Arias Cañete in Poland for ministerial dialogue ahead of UN climate conference (COP24)**

Ahead of the next UN climate conference (COP24), Climate Action and Energy Commissioner Miguel **Arias Cañete** will take part in a ministerial dialogue on climate change known as 'pre-COP' in Kraków, Poland, on 23-24 October. The meeting is the final step before COP24 in Katowice, Poland from 2-14 December, where parties to the Paris Agreement are aiming to adopt detailed rules and guidelines, the so-called 'work programme', for implementing the global accord. At the pre-COP, ministers will discuss the key issues for the Paris work programme, in order to facilitate an agreement namely on transparency, finance, mitigation and adaptation. The meeting comes in the wake of the recent special report on global warming of 1.5°C by the Intergovernmental Panel on Climate Change, which gives the world's policymakers a comprehensive scientific basis for efforts to tackle climate change and highlights the urgency of stepping up action worldwide. Commissioner **Arias Cañete** said: *"This year's climate conference in Katowice will be crucial for cementing countries' determination to implement climate action and raise collective ambition over time, in line with the long-term goals of the Paris Agreement. The EU will work with all partners at COP24 to ensure the adoption of a robust and ambitious Paris work programme. We also continue to act at home. We are close to completing our entire legislative framework for implementing all the 2030 climate and energy targets for the EU. Moreover, ahead of COP24, the Commission will present a long-term EU strategy for reducing greenhouse gas emissions, which will seek to modernise our economy making it more prosperous, sustainable and more socially fair."* (*For more information: Anna-Kaisa Itkonen – Tel.: +32 229 56186; Lynn Rietdorf – Tel.: +32 229 74959)*

**La Commissaire Thyssen participe au colloque concernant l'état des lieux du Fonds européen d'aide aux plus démunis en Belgique**

Demain, le 24 octobre, la Commissaire européenne en charge de l'Emploi, des affaires sociales, des compétences et de la mobilité des travailleurs, Marianne **Thyssen**,sera présente au colloque sur le Fonds européen d'aide aux plus démunis (FEAD), rassemblant ses interlocuteurs belges. Environ 250 organisations faisant partie du réseau FEAD en Belgique y participeront; les 4 partenaires principaux étant les Centres publics d'assistance sociale (CPAS / OCMW), les banques alimentaires, la Croix rouge et la société Saint Vincent de Paul. Toutes ces organisations distribuent de la nourriture et offrent de mesures d'accompagnement, financées par ce Fonds européen, aux plus démunis. Le but du colloque est d'évaluer la performance du programme du Fonds d'aide aux plus démunis en Belgique, de donner de la reconnaissance au travail des bénévoles et de discuter du futur du Fonds d'aide dans le contexte du prochain budget européen. Préalablement au colloque, la Commissaire **Thyssen** a dit: *"Les organismes partenaires belges et leurs bénévoles ont aidé plus de*

*310,000 personnes au cours de l'année passée. Ensemble, ils ont distribué près de 2 millions de repas et près d'un 1 million de colis alimentaires. Ce qui correspond à 13 mille tonnes de denrées alimentaires. Les bénévoles sont le visage de la solidarité européenne. Le Fonds Social Européen Plus permettra à cette aide essentielle de continuer dans les années à venir.*" La Commissaire Thyssen prononcera un discours qui sera publié [ici](). Plus d'information sur le nouveau Fonds social européen plus (ESF+) et le rôle du Fonds d'aide aux plus démunis au sein du ESF+ est disponible [ici](). *(Pour plus d'informations: Christian Wigand– Tel.: +32 229 62253; Sara Soumillion – Tel.: + 32 229 67094)*

**Commissioner Crețu in Slovakia to discuss the future Cohesion Policy with the Visegrád 4+4 countries**

Tomorrow, Commissioner for Regional Policy Corina **Creţu** will be in Bratislava, Slovakia, to attend a meeting of the Visegrád 4+4 countries (the Czech Republic, Hungary, Poland and Slovakia + Bulgaria, Croatia, Romania and Slovenia) dedicated to the future of Cohesion Policy and upcoming negotiations on the [Commission proposal for the 2021-2027 Cohesion Policy](). In this context, the Commissioner will meet Slovak Deputy Prime Minister for Investments and Informatisation Richard Raši and the ministers in charge of cohesion of the seven other countries. Commissioner **Creţu** said: *"On 29 May the Commission proposed a radically modernised, more flexible and simplified Cohesion policy. We have also proposed a policy that will keep on investing in all regions, as a concrete illustration of the solidarity that unites Europe and its regions and cities. Now we need a timely agreement on this proposal, before the European elections, and I will also encourage Member States and regions to start preparing the 2021-2027 Cohesion Policy programmes."(For more information Johannes Bahrke – Tel.: +32 229 58615, Sophie Dupin de Saint-Cyr – Tel.: +32 229 56169)*

[Upcoming events]() of the European Commission (ex-Top News)

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# [Avis de la Commission européenne sur le projet de plan budgétaire 2019 de l'Italie]()

19/10/2018 – Business / Enlargement, external relations and trade / Security and defence

Leaders agreed to further connect both continents to boost trade, improve security, preserve the environment and bring societies closer. They also discussed foreign and security issues.

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# European Commission Opinion on the 2019 draft budgetary plan of Italy

The Commission has issued an Opinion on the Italian draft budgetary plan for 2019. It requests that Italy presents a revised draft budgetary plan as soon as possible, and in any event within three weeks of today's decision. This is the first time that the Commission adopts such an Opinion.

**What is the Opinion of the Commission on Italy's draft budgetary plan?**

The Commission's assessment is that the draft budgetary plan is not in line with the recommendation of the Council addressed to Italy in July 2018. Italy plans a deterioration in the structural balance for 2019 that amounts to 0.8% of GDP, while the Council recommended a structural improvement of 0.6% of GDP.

The Commission is of the opinion that the 2019 draft budgetary plan submitted by Italy for 2019 presents a significant deviation from the recommended adjustment path towards the agreed medium-term budgetary objective. This is because of a large projected deterioration in the structural balance and a growth rate of government expenditure, net of discretionary revenue measures and one-offs, which are well above the reference rate. Moreover, there are significant downside risks to the projections presented in the draft budgetary plan, which could make the situation even worse. Italy's independent fiscal monitoring institution (Ufficio Parlamentare di Bilancio) has not endorsed the macroeconomic forecast underlying the 2019 draft budgetary plan.

The projected fiscal expansion, coupled with the downside risks to nominal GDP growth, endangers the reduction in Italy's still large debt-to-GDP ratio, notably the requirement, agreed by all Member States, to bring the debt down towards the 60% of GDP reference value of the Treaty. High debt remains a major vulnerability for the economy.

The Commission also notes that the draft budgetary plan is not in line with the commitments presented by Italy in its Stability Programme of April 2018. In its Stability Programme, Italy announced that it would target a deficit of 0.8% of GDP in 2019. The 2019 draft budgetary plan expects the government deficit to markedly increase to 2.4% of GDP in 2019 – three times higher than initially planned.

**What exactly did the Council recommend to Italy?**

Italy is currently subject to the preventive arm of the Stability and Growth Pact. On 13 July 2018, the Council, including Italy, recommended unanimously that Italy should ensure that the nominal growth rate of net primary government expenditure does not exceed 0.1% in 2019, corresponding to an annual structural adjustment of 0.6% of GDP. That recommendation had also been endorsed by the European Council of 28 June 2018.

**Why is the macroeconomic scenario problematic?**

EU rules set out that macroeconomic forecasts underlying draft budgetary plans have to be prepared or endorsed by an independent body. This is not the case for Italy. The Parliamentary Budget Office, Italy's independent fiscal monitoring institution, did not validate the macroeconomic projections underlying Italy's policy scenario for 2019, "as they lie outside the range of acceptable values on the basis of the information currently available" and are therefore subject to significant downside risks.

**Have you taken on board the views of the Italian government?**

The Commission consulted Italy via a letter sent on 18 October 2018, asking for further information. The observations from Italy's reply of 22 October 2018 have been taken into account in the Commission Opinion.

**Does the Commission expect Italy to change its budgetary priorities?**

Italy, like all other Member States, has the right to choose its budgetary priorities: to invest more in infrastructure, to roll out a universal income or to focus on the eradication of poverty. The role of the Commission is to assess whether Italy fulfils the fiscal commitments that it has itself taken before the other Member States: the recommendation addressed to Italy regarding the requirements under the Stability and Growth Pact was, as for all Member States, endorsed unanimously by the European Council of 28 June 2018 and adopted by the Council of the European Union on 13 July 2018, including Italy.

**Why is the Italian case different from other countries? Why haven't you asked other countries to revise their plans?**

Italy plans a deterioration in the structural balance for 2019 that amounts to 0.8% of GDP, while the Council, including Italy, recommended a structural improvement of 0.6% of GDP.

First, the Council recommendation to Italy calls for a fiscal improvement in 2019: given the size of the Italian debt and the ongoing economic recovery, this is the right time to adjust and rebuild fiscal buffers at national level. The Italian authorities have decided to opt for a draft budgetary plan with a net deficit-increasing impact of around 1.2%. While it has happened in the past that Member States deliver a fiscal adjustment smaller than the one required by the Council, there are no cases of large fiscal expansion when countries were recommended to make a fiscal effort.

Second, according to Italy's own plans, the gap between the planned fiscal deterioration and the adjustment recommended by the Council would amount to

1.4% of GDP. Such a large gap compared to the Council requirement, based on the Member State's own plans, has no precedent since the introduction of the jointly agreed process for assessing draft budgetary plans for euro area Member States back in 2013.

**Where does Italy stand regarding government debt?**

Italy's public debt-to-GDP ratio, at 131.2% in 2017, is the second largest in the European Union in relative terms and one of the largest in the world. In 2017, it represented an average burden of €37,000 per inhabitant. The large stock of public debt deprives Italy of the fiscal space it needs to stabilise its economy in case of macroeconomic shocks and represents an inter-generational burden weighing on the standard of living of future Italians. The fact that debt-servicing costs absorb a considerably larger amount of public resources in Italy than in the rest of the euro area also takes a toll on the country's productive spending. Italy's interest expenditure stood in 2017 at around €65.5 billion or 3.8% of GDP, which was broadly the same amount of public resources devoted to education.

Moreover, a large public debt, in the absence of prudent fiscal policies, could also amplify the effect of market confidence shocks on sovereign yields, with a proportionally larger negative impact on both the interest bill paid by the country as well as the overall financing cost for the real economy.

**What are the economic circumstances relevant for today's Opinion?**

Italy's economy is characterised by weak growth and productivity dynamics in comparison to the European Union average, with negative employment and social consequences. Boosting potential growth and tackling long-lasting stagnation in productivity require a comprehensive reform strategy. However, the measures included in the 2019 draft budgetary plan also indicate a risk of backtracking on reforms that Italy had adopted in line with past Country-Specific Recommendations, as well as with regard to the structural fiscal aspects of the recommendations addressed to Italy by the Council on 13 July 2018.

**How has Italy benefitted from the flexibility within the Stability and Growth Pact?**

Italy has been the main beneficiary of the flexibility applied within the Stability and Growth Pact in recent years, for an amount in the order of €30 billion (or 1.8% of GDP) between 2015 and 2018. This was on account of a variety of factors, including bad economic conditions, support for structural reforms and investment, and "unusual events" related to security threats, the refugee crisis and earthquakes.

**In what other way has the EU supported Italy?**

Italy is the second largest recipient under the Juncker Plan, the Investment Plan for Europe which started at the end of 2014. In that context, the total financing in Italy has reached €8.9 billion, which is expected to generate over €50 billion of new investments. Moreover, Italy is the second largest beneficiary of the European Structural and Investment Funds, with €44.7 billion of Union support over 2014-2020, which represents an average of €735 per person from the Union budget.

**What are the next steps?**

According to the applicable rules that Member States have jointly agreed on (Article 7(2) of Regulation (EU) No 473/773), the Italian government now has three weeks to present a revised draft budgetary plan. The Commission will assess that plan and publish an Opinion before the end of November.

The Commission intends to publish its Autumn Economic Forecast on 8 November 2018.

**For More Information**

Press release:

[European Commission invites Italy to present a revised draft budgetary plan for 2019]

[European Semester]

[Draft budgetary plans 2019]

[Regulation (EU) No 473/2013]

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# Europäische Kommission fordert Italien zur Vorlage eines überarbeiteten Haushaltsplans für 2019 auf

19/10/2018 – Business / Enlargement, external relations and trade / Security and defence

Leaders agreed to further connect both continents to boost trade, improve security, preserve the environment and bring societies closer. They also discussed foreign and security issues.

## Stellungnahme der Europäischen Kommission zum Haushaltsplan Italiens für 2019

19/10/2018 — Business / Enlargement, external relations and trade / Security and defence

Leaders agreed to further connect both continents to boost trade, improve security, preserve the environment and bring societies closer. They also discussed foreign and security issues.