Chapter 3

An overview of the proposed reform in the EU's economic governance framework

3.1 Introduction

Sound public finances are essential to maintain macroeconomic stability. To support this over the medium- and long-term, the conduct of fiscal policy should be done in a way that ensures the sustainability of public debt. Fiscal rules are typically imposed to ensure the soundness of public finances. In the EU, the Stability and Growth Pact (SGP) prescribes the fiscal rules by which Member States must abide with. These rules prevent countries in the European Union from excessive borrowing, and aid in coordinating their fiscal policies together. In particular, as specified in the Maastricht Treaty, government deficits should not exceed 3% of GDP and public debt levels should be below 60% of GDP or sufficiently diminishing towards and approaching that level satisfactorily.

With the onset of the COVID-19 pandemic, the European Commission encouraged fiscal intervention to tackle the difficulties that ensued, a shift in thinking when juxtaposed with how the Commission managed the 2008-09 financial crises and the subsequent sovereign debt crisis. Rather than advocating austerity measures, the European Commission activated the ‘general escape clause’ within the SGP and suspended the enforcement of the fiscal rules, allowing Member States the necessary fiscal flexibility to support their economies.

To date, fiscal rules through the SGP, are still suspended. On 23 May 2022, the European Commission extended the suspension of the rules until the end of 2023, mainly because of the consequences related to the Russia-Ukraine war and other emanating factors, including high inflationary pressures. Nonetheless, the Commission does provide guidance on the conduct of fiscal policy from time to time to which Member States are recommended to adhere to.

In the meantime, in February 2020, the European Commission had launched a review of the EU’s economic governance framework, and following the public debates and technical discussions with Member States, a Communication was issued on 9 November 2022 (hereafter referred to as the ‘Communication’). This Communication outlines the first orientations for a reform of the economic governance framework, including the framework underpinning the EU's fiscal rules.[23] It includes the objective of debt sustainability which is at the core of the proposed EU fiscal surveillance framework (see Box 3.1 on debt sustainability and its importance).

Box 3.1: Debt Sustainability

Public debt can have an important role in an economy. It can be a source of economic stimulus, a means to increase production and consumption, and ease the re-distributional element in society. Capital investment financed through public debt can also be used to reform the economy to become 'greener' and stimulate digital transformation. Public debt can also finance countercyclical fiscal policy, stimulating the economy during times necessitating fiscal intervention. However, public debt cannot be increased without limit. Public debt needs to be repaid by future generations, and in the process, the economy needs to also sustain increased interest payments, i.e., the cost of borrowing.

In public finance, maintaining debt sustainability implies that the government would be able to meet not just the current obligations it has but also future payment obligations without being subject to abnormal monetary and financial assistance or, at the extreme, defaulting.

When public debt is unsustainable, or the country has very high risks of being in such a situation, market access might be hindered, whilst borrowing costs would rise, not only because of high accumulated debt but also because of the higher risk of default. In turn, economic sentiment might turn negative, leading to lower investment and economic contraction.

How much debt is sustainable, and in what ways can debt sustainability be measured is a topic of debate in economic literature. Debt sustainability levels depend on various factors and therefore differ by country. The proposed economic governance framework for the EU seeks to address issues related to the different debt positions in different countries. This is why the European Commission is proposing that each Member State has a different fiscal path toward sustainable debt levels.

[23] The official Communication by the Commission is available here. The scope of the communication is broader than what is discussed in this Chapter and includes not only fiscal governance but also other aspects of macroeconomic stability.

This thematic chapter focuses on debt sustainability and summarizes the review of the Economic Governance Framework put forward by the European Commission. It also provides an overview of the Debt Sustainability Analysis methodology employed by the European Commission to assess medium-term risks. Finally, the chapter outlines how the proposed changes might affect Malta and its debt sustainability position.

3.2 The proposed economic governance framework

Since it was established in 1997, the SGP has evolved significantly over the years (see Box 3.2). However, in recent years, the debate on the need to review the fiscal rules resumed once again. The Commission has consequently put forth the new economic governance framework, with the aim of ensuring that "the framework is simpler, more transparent and effective, with greater national ownership and better enforcement, while allowing for reform and investment and reducing high public debt ratios in a realistic, gradual and sustained manner. In this way, the reformed framework should help build the green, digital and resilient economy of the future, while ensuring the sustainability of public finances in all Member States."[24]

The Commission is proposing to maintain the budget deficit reference value of 3% of GDP and the 60% of GDP debt reference value. Thus, this would not require any changes to the Treaty of the European Union. However, legislative changes may be required to transpose the other proposed orientations.

One of the main proposals in the revised fiscal framework is to move away from the debt reduction benchmark, which previously implied that if a country is in excess of the 60% debt-to-GDP ratio, that excess should decline by 1/20 on average over three years. The Commission considers this to be too demanding, pro-cyclical, and has negative growth implications. This hinders debt sustainability, especially in countries with high debt levels. Rather than implementing a 'one size fits all' rule, the proposed framework accounts for different cross-country circumstances and suggests different adjustment paths depending on the context and specificities of each country.

[24] This section provides a summary of the proposed economic governance framework. For a more detailed description, please refer to the official Communication by the Commission issued on 9 November 2022.

Box 3.2: The Stability and Growth Pact timeline

The diagram below provides a summary of the changes that were implemented to the EU's Stability and Growth Pact over the years, from the Maastricht Treaty in 1992 until recent years.

Diagram 3.1: The history of the SGP

1992 - The Maastricht Treaty is signed, introducing convergence criteria which countries must satisfy to adopt the Euro. These include a limit of 3% deficit-to-GDP benchmark and the 60% debt-to-GDP ratio, or sufficiently diminishing towards that level at a satisfactory pace.

1997 - The SGP is established. Firm policy guidelines were provided for its implementation. Member States undertook to abide by the medium-term objective (MTO) of fiscal balances in surplus or close to balance.

1998 - The SGP's preventive arm enters into force, so as to prevent, at an early stage, the occurrence of excessive general government deficits and to promote the surveillance and coordination of economic policies.

1999 - The SGP's corrective rules enter into force, including the Excessive Deficit Procedure (EDP) to deter excessive general government deficits and, if they occur, to prompt correction.

2005 - SGP is amended on two fronts, to consider different national circumstances (for instance differentiated MTO's) and strengthening surveillance, and to accelerate and clarify the implementation of the EDP.

2011 - New laws are introduced, known as the 'Six Pack'. The European Semester, the 'expenditure benchmark' (placing a cap on the annual growth of public expenditure), and the Excessive Imbalance Procedure, and minimum requirements for national budgetary frameworks are introduced.

2013 - Fiscal Compact and the 'Two Pack' enter into force. The latter introduces a common budgetary timeline and common budgetary rules for euro area countries. Draft budgets are based on independently produced/endorsed macroeconomic forecasts and an independent fiscal body must be established.

2014 & 2015 - The 'Six Pack' and the 'Two-Pack' are reviewed. Guidelines on SGP flexibility are issued to strengthen the link between structural reforms, investment and fiscal responsibility in support of jobs and growth.

2020 - present: The Commission launches a public consultation on ways to improve the framework for EU macroeconomic surveillance. COVID-19 halted this process, which was however resumed in 2021, and in 2022 a Communication is issued on the proposed new framework.

Source: European Commission, History of the Stability and Growth Pact, available here.

Indeed, the European Commission proposes shifting to a more risk-based classification of fiscal surveillance. This would be based on whether a country has low, moderate, or substantial public debt challenges established through the results of the Commission's Debt Sustainability Analysis (DSA) toolkit.[25] Based on the results of the DSA, the Commission would make public a reference multiannual expenditure path. A medium-term fiscal structural plan would then be prepared by each Member State and sent to the Commission for approval. If approved, the Commission would then pass it to the European Council for endorsement. These plans should outline the medium-term fiscal path to be followed by the country, alongside structural reforms and investments. Whilst strengthening public finances remains key, this should not be achieved at the cost of productive capital expenditure or reforms to achieve the twin green and digital transition.

The proposed framework focuses on a single indicator for achieving debt sustainability, that is nationally financed net primary expenditure. This is defined as the level of expenditure net of discretionary revenue measures and excluding interest expenditure as well as cyclical unemployment expenditure. Higher-than-planned expenditure growth would be counted as a deviation for the purpose of compliance even if compensated by windfall revenues. At the same time, escape clauses shall remain in place to account for the possibility of exceptional circumstances.

The plan proposed by each Member State to achieve debt sustainability would need to include the proposed multiannual net primary expenditure path. The expenditure path proposed by a Member State could be different from the 'reference' expenditure path proposed by the Commission as long as the proposed path would still meet the required debt adjustments and is backed by solid economic arguments.

Although differentiated among Member States, such expenditure paths shall be based on a common EU framework, depending on the country's debt position. The following reflects the specific requirements:

- For Member States with a **substantial** debt challenge, the reference net expenditure path should ensure that, by the horizon of the plan (four years), the 10-year debt trajectory at unchanged policies is on a plausibly and

[25] See section 4.3 for more details on the DSA toolkit.

continuously declining path and that the deficit remains below the 3% of GDP reference value over the same 10-year period.

- For Member States with a **moderate** debt challenge, the reference net expenditure path should ensure that, at most three years after the horizon of the four-year plan (therefore at least after seven years since the start of the plan), the 10-year debt trajectory is on a plausibly and continuously declining path at unchanged policies and that by the horizon of the plan, the deficit remains below the 3% reference value over the same 10-year period.

- For Member States with a **low** public debt challenge, the deficit should be maintained below the 3% of GDP reference value at unchanged policies over 10 years, at most 3 years after the horizon of the plan.

The European Commission would analyse the net expenditure path proposed by each Member State before approving it and such analysis would be made public. In particular, the Commission would ensure that the deficit is maintained below the 3% reference value over the proposed 10-year period. Indeed, the Excessive Deficit Procedure (EDP) is to be retained and would still apply in those cases where this level is exceeded. The Commission would not put forth a reference adjustment path to low debt challenge countries. However, these Member States would still be required to submit a medium-term fiscal structural plan, including a net expenditure path, to the Commission for its assessment.

Moreover, the 'debt-based EDP' is to be reinforced. For those countries with debt exceeding the 60% threshold, an EDP could be triggered if the countries depart from the agreed fiscal adjustment path. Indeed, those countries with substantial public debt challenges that infringe the agreed fiscal path would automatically be put into an EDP, whilst those deemed to have a moderate challenge would still be placed under an EDP if the deviations are due to what shall be defined as 'gross errors'. A Member State could also request to lengthen the adjustment period further by up to three years, which request would be thoroughly assessed by the Commission, provided that this is underpinned by appropriate and timebound reform and investment commitments.

The adjustment plans drawn up by the countries will be subject to continuous monitoring. Member States would also need to state the progress in implementing the plan. The enforcement by the Commission shall also change. The magnitude of the financial sanctions shall be reduced, as the Commission is arguing that smaller sanctions are more likely to be exerted should they need to be applied, whilst reputational sanctions are being enhanced. Other sanctions could be in the form of macroeconomic conditionality, for example, by suspending certain EU financing.

The Communication suggests that "independent fiscal institutions could play a role in the monitoring of compliance with the national medium-term fiscal-structural plans in support of the national governments". However, the added roles that IFIs are expected to adhere to are still unclear and need further clarification.[26]

3.3 The Commission's Debt Sustainability Analysis (DSA)

The DSA toolkit is a methodology used by the Commission to assess dimensions of debt sustainability challenges, across countries, over the medium term. In its Communication, the Commission suggests that the DSA framework would be the tool that determines under which public debt challenge category the different countries are classified, whether having a substantial, moderate, or low public debt challenge. This section provides a brief overview of this tool, given its proposed importance.[27]

The DSA category is determined via two steps (see Diagram 3.2). The first step involves assigning a risk category to a country based on deterministic and stochastic projections, whilst the next step combines these projections to arrive at an overall DSA risk category.

The deterministic projections are centred around three criteria. The baseline is a no-policy change scenario.

- The first criterion is to consider the debt level that would ensue at the end of the ten years following the last forecast year published in the Commission's

[26] The Communication does not assign specific roles to IFIs, but rather only states what IFIs '*could*' do.

[27] The analysis shall be mainly focused on the methodology used in the latest Fiscal Sustainability Report 2021, available here. As was the case in the latest assessment by the Commission, changes to the DSA can be implemented from one Report to another, and thus there could be changes for the DSA eventually used to base the adjustment paths on. The 2021 Report, for instance, included methodological changes that streamline the analysis and make it more relevant for the post-COVID environment, mainly by giving more importance to stochastic projections.

official forecast document (for example, 10 years after *t+2* in the case of a two-year published Commission forecast).

- The second criterion incorporates the assumed trajectory toward that debt level. This is generally summarised by the year in which debt-to-GDP would peak. A country's risk is considered higher if debt is expected to peak late over the ten years, as this would mean that it would be steadily increasing over time.

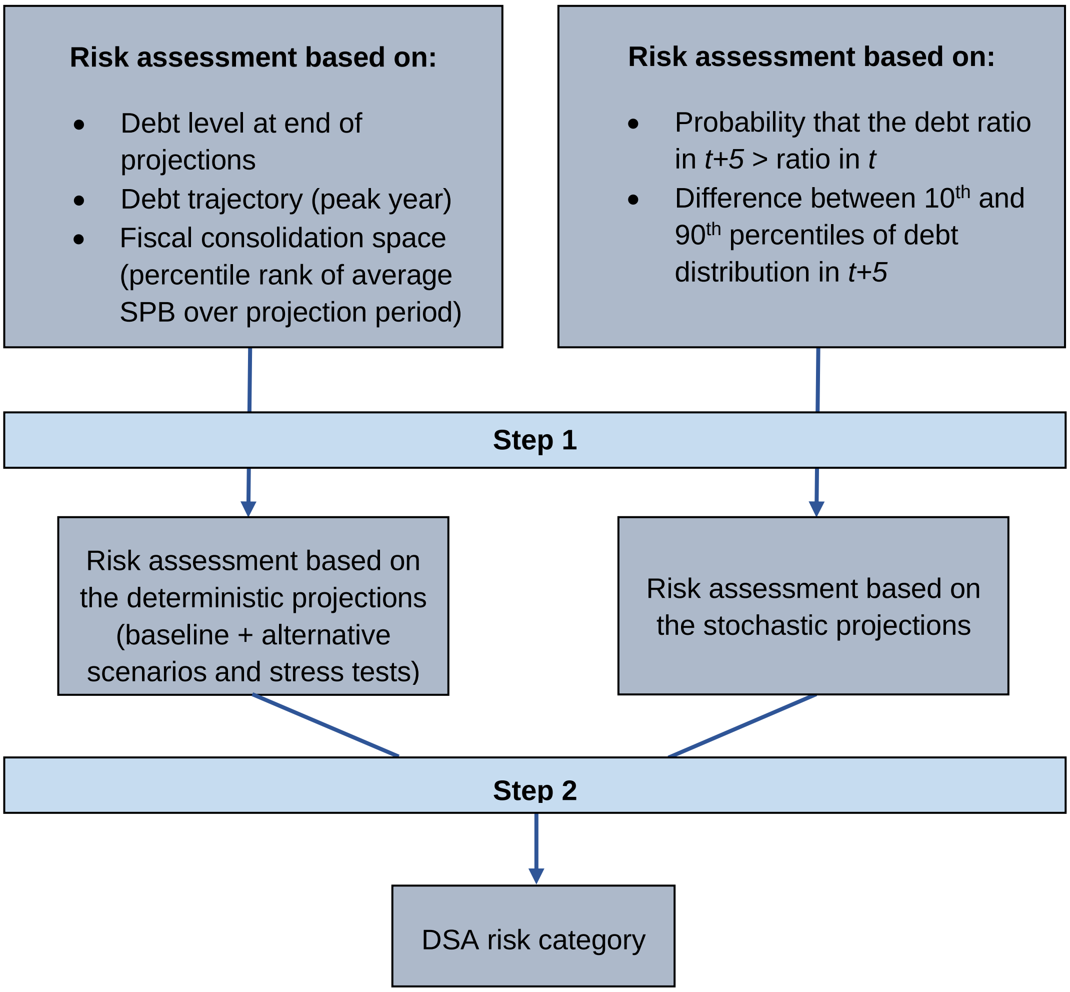
- The third component is the 'fiscal consolidation space'. The latter reflects whether the country has enough room for manoeuvre to take corrective measures should they be necessary. In this respect, the Commission uses the historical structural primary balances (SPB) (as a % of GDP) yearly data and forms a distribution. The average SPB from the 10-year projections is estimated, and a percentile rank of that average within a distribution of all historical SPBs is calculated. If a country would have often recorded higher SPBs than the level assumed in the baseline, it can plausibly aim to move again towards such higher levels in the coming decade, improving sustainability compared to the baseline.

Based on these criteria, for instance, a country would be associated with having high risk, thus having substantial public debt challenges, if its debt at the end of the 10-year projection period is high, is likely to increase over the medium-term and/or room for corrective action is limited (see the whole tree diagram as per Table 3.1).

In the case of the Fiscal Sustainability Report 2021, the Commission's 2021 autumn forecast was used. Thus, the same SPB projected for 2023 is assumed for the rest of the 10-year horizon in the no-policy change scenario (which also includes projected age-related costs as a variable).

Policy scenarios and stress tests complement the deterministic approach. Each scenario is assessed in terms of the same three criteria used in the baseline no-policy change scenario. The 'historical SPB' scenario assumes that in the middle of the 10-year projection, the SPB would converge to the average value observed in the country over the past 15 years. Across the EU, debt under this scenario would lead to lower debt levels compared to the baseline scenario, as the historical average SPB is more favourable than it was at the time of publication of the Fiscal Sustainability Report for 2021.

Diagram 3.2: A summary of the DSA methodology



Source: European Commission, reproduced from Fiscal Sustainability Report 2021

The stress tests are an ‘adverse r-g differential’, a ‘financial stress’ test and the ‘lower SPB scenario’. The adverse r-g scenario explores a situation whereby the difference between market interest rates (r) and nominal GDP growth (g) is permanently higher by 1pp. The other scenario captures risks related to stylised temporary turmoil in financial markets, by creating a shock on market interest rates for one year.[28] The ‘lower SPB’ scenario assumed that, for those countries in which SPB is expected to tighten, only half of the adjustment forecasted for 2022 and 2023 materialises.

[28] For example, in the Fiscal Sustainability Report 2021, this involved a 1pp interest rate hike in 2022, which was augmented if a country is highly indebted.

Table 3.1: DSA decision tree for the deterministic projections (including the baseline)

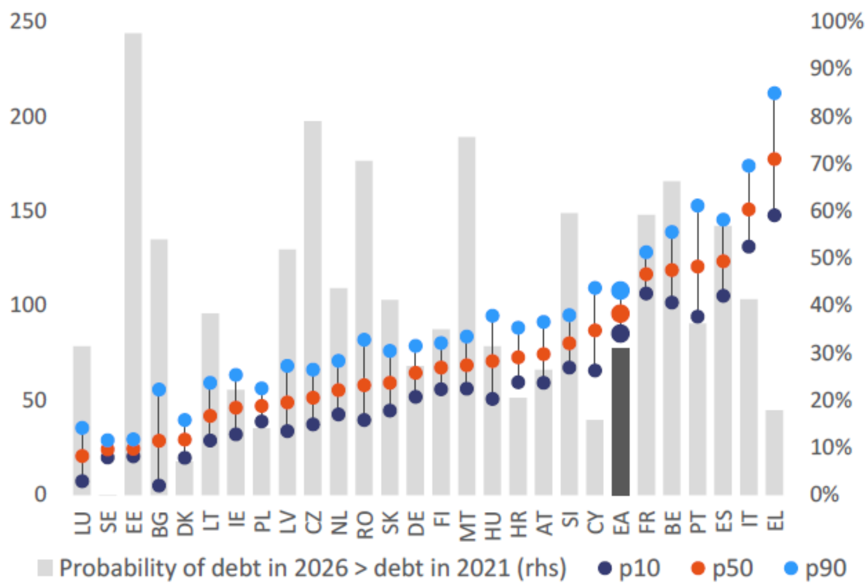
Case	Debt level	Debt path	Consolidation space	Overall
1	HIGH	HIGH/MEDIUM	ANY	HIGH
2	HIGH	LOW	HIGH/MEDIUM	HIGH
3	HIGH	LOW	LOW	MEDIUM
4	MEDIUM	HIGH	HIGH/MEDIUM	HIGH
5	MEDIUM	HIGH	LOW	MEDIUM
6	MEDIUM	MEDIUM	ANY	MEDIUM
7	MEDIUM	LOW	HIGH/MEDIUM	MEDIUM
8	MEDIUM	LOW	LOW	LOW
9	LOW	HIGH	HIGH/MEDIUM	MEDIUM
10	LOW	HIGH	LOW	LOW
11	LOW	MEDIUM/LOW	ANY	LOW

Source: European Commission, reproduced from Fiscal Sustainability Report 2021

Unlike the deterministic approach, the stochastic approach projects debt which accounts for a broader range of uncertainties and is shown in a fan chart. Indeed, it results in a distribution of debt paths rather than a single baseline path. Specific criteria are utilised to determine the risk signal, specifically the probability that debt would not stabilise over the following five years, and the uncertainty surrounding the projections. More weight was given to the stochastic projections in the Fiscal Sustainability Report 2021 to reflect better the macroeconomic uncertainty at the time. Shocks to economic growth, interest rates and exchange rates, and government budgetary positions are applied in up to 2000 different simulations. Chart 3.1 provides the stochastic debt projections reproduced from the Fiscal Sustainability Report 2021, while Table 3.2 shows the decision tree used to determine the stochastic projections risk category.

The final step of the DSA is to combine all the risk signals to determine the overall DSA risk category. This final step either confirms the baseline risk signal or it increases the risk level based on the results of the other deterministic scenarios or the stochastic simulations. However, it cannot lower the risk assigned in the baseline. Also, a risk category can only be increased by one notch, such that a country cannot move up from a low risk in the baseline to a high overall risk. The decision tree for the overall DSA risk classification is portrayed in Diagram 3.3.

Chart 3.1: Stochastic debt projections for EU Member States



Note: For each country, there is an 80% probability that debt in 2026 will be between the dark blue dot (which represents the 10th percentile of the debt distribution) and the pale blue dot (the 90th percentile). The more these two points are distant, the higher the uncertainty. The median debt level in 2026 is indicated by the red dot. The grey bars indicate the probability with which debt will be higher in 2026 than in 2021.

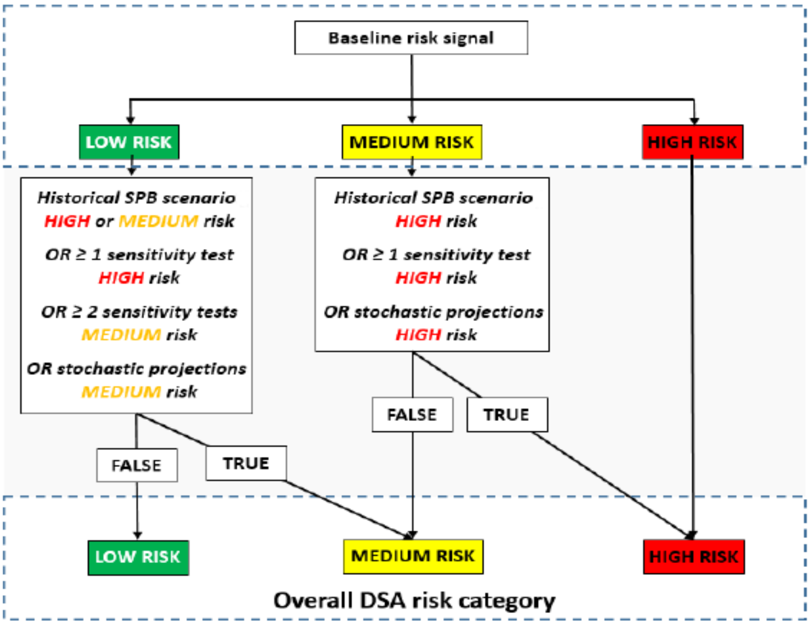
Source: European Commission, reproduced from Fiscal Sustainability Report 2021

Table 3.2: DSA decision tree for the stochastic projections (including the baseline)

Probability debt not to stabilise	Size of uncertainty	Overall
HIGH	ANY	HIGH
MEDIUM	HIGH	MEDIUM
MEDIUM	MEDIUM	MEDIUM
MEDIUM	LOW	LOW
LOW	HIGH	MEDIUM
LOW	MEDIUM	LOW
LOW	LOW	LOW

Source: European Commission, reproduced from Fiscal Sustainability Report 2021

Diagram 3.3: DSA decision tree for the overall risk classification



Source: European Commission, reproduced from Fiscal Sustainability Report 2021

A list of the overall DSA risk classification of all EU Member States, including the various scenarios based on the deterministic approach, stress test scenarios and the stochastic projections risk classifications, is presented in Table 3.3 at the end of the Chapter.

3.4 Country-specific implications for debt sustainability – Malta

Prior to COVID-19, Malta had consistently registered fiscal surpluses over four years, starting from 2016. In 2020, when the pandemic hit, the government implemented significant fiscal policy measures to tackle the negative repercussions that were ensuing from the pandemic. This resulted in large fiscal deficits of 9.4% of GDP in 2020 and 7.8% of GDP in 2021.[29] However, the debt ratio was kept under the 60% benchmark, at 53.3% and 56.3% respectively in 2020 and 2021. The forecast by the MFE, published in October 2022 within the DBP, is that public debt is still to remain below 60% of GDP in 2023, ranking better than the median of the EU Member States, even though it would have one of the highest budget deficits (5.5% of GDP).

[29] Data based on Malta's Draft Budgetary Plan for 2023.

The most recent publication by the European Commission on sustainability risks, the 'Fiscal Sustainability Report 2021', has categorised Malta as having low risk in the short-term but high risks in the medium and long-term. Indeed, the medium-term risk category based on the DSA methodology was assigned as 'high' (see Table 3.3 at the end of the Chapter). It is important to note that the Fiscal Sustainability Report was published in April 2022, whereby 2021 was still a forecast year. The situation might differ, when the next DSA is published, given the changes in fiscal measures and updates in fiscal forecasts.

One of the reasons why in the latest DSA, Malta was classified as a high-risk country, despite its relatively low debt ratio, was due to the high initial deficit level. The risk categories assigned to Malta in terms of the various scenarios employed in the DSA can be viewed in Table 3.3. Starting from the baseline 'no-policy change' scenario, Malta was classified as having medium risk to medium-term sustainability. The risk criteria were that:

- public debt forecasted to reach 73.2% of GDP in 2032 (classified as medium risk).
- debt would peak in the last year of the forecast (2032) thus meaning that the debt-to-GDP ratio would be increasing continuously (classified as high risk).
- the fiscal consolidation space, thus the percentile rank of the average SPB 2023 – 2032 against historical SPBs was high at 81% (classified as low risk).

However, as per diagram 3.3, Malta was consequently classified as having high medium-term risk because it classified as having high risk in one of the sensitivity tests (the lower SPB scenario) thus shifting to a higher risk category.

The Commission comments that reverting to past fiscal positions would reduce overall risks. Indeed, the country is portrayed to have significant room for manoeuvre since in all the deterministic scenarios, the fiscal consolidation space criteria was always classified as low risk. Moreover, it is pertinent to highlight that age-related public expenditure costs are included in the no-policy baseline trajectory. In this respect, the country faces issues, given that the change in ageing costs over the long-term, mainly in pensions, healthcare and long-term care, is amongst the highest in the EU.[30]

[30] According to the Ageing Report 2021, between 2019 and 2070, Malta is projected to have the fourth highest increase in ageing costs in pps of GDP change. The Ageing Report is available here. This information is also presented in the Fiscal Sustainability Report 2021.

3.5 Concluding remarks

Debt sustainability is at the core of the proposed reform of the EU's fiscal governance framework. In its November 2022 Communication, the European Commission proposed that Member States would have to comply with an agreed net primary expenditure path to achieve debt sustainability levels. This has implications for the conduct of national fiscal policy as, although the 3% budget deficit benchmark remains in place, the focus would shift more towards public expenditure growth and the debt trajectory.

In the European Commission's most recent (2021) debt sustainability analysis, Malta was assigned a high overall risk assessment. According to the proposed revised fiscal governance framework, this would imply that the country would have to follow a net expenditure path that would, within a four-year horizon plan, ensure that debt is on a plausibly and continuously declining path. On the other hand, a moderate or low debt risk assessment would allow more leeway in terms of the timeframe to achieve such a path.

A main factor underpinning Malta's high overall debt risk assessment is the initial (2021) budget deficit. In this respect, the MFAC considers that rebuilding fiscal space should again be prioritised. In particular, any windfalls of revenue or expenditure savings should not be allocated to fund additional expenditures, but should rather be used to lower the fiscal deficit. Moreover, it is also important to reduce the deficit to below the 3% of GDP benchmark, given that the Excessive Deficit Procedure is retained in the proposed revised fiscal governance framework. Finally, attention should be made to developments in age-related public expenditures as this constitutes another important variable used in the DSA methodology, and in this area, Malta faces long-term pressures due to an ageing population.

Table 3.3: Debt-Sustainability Analysis scenario and overall results (sourced from the Fiscal Sustainability Report 2021)

	Debt sustainability analysis: Sovereign-debt sustainability risks in EU countries																										
	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE
Baseline ('no-policy change' scenario)	HIGH	LOW	MEDIUM	LOW	LOW	LOW	LOW	HIGH	HIGH	HIGH	MEDIUM	HIGH	MEDIUM	LOW	LOW	LOW	LOW	MEDIUM	MEDIUM	LOW	LOW	MEDIUM	MEDIUM	HIGH	HIGH	LOW	LOW
Debt level (2032)	133.6	36.4	67.1	15.6	61.6	25.7	45.7	154.7	126.1	122.3	76.7	161.6	77.8	48.8	39.4	18.2	68.1	73.2	62.8	76.3	48.3	126.2	76.9	95.2	72.2	63.9	11.2
Debt trajectory (debt peak year)	2032	2032	2032	2021	2021	2032	2021	2021	2032	2032	2021	2032	2021	2022	2023	2021	2021	2032	2032	2021	2021	2021	2032	2032	2032	2021	2021
Fiscal consolidation space (percentile rank avg SPB 2023-32)	98%	94%	81%	64%	71%	89%	65%	38%	92%	96%	48%	75%	42%	72%	35%	83%	67%	81%	92%	94%	69%	56%	81%	97%	48%	94%	60%
Stochastic projections	HIGH	MEDIUM	MEDIUM	LOW	LOW	LOW	LOW	MEDIUM	HIGH	HIGH	LOW	HIGH	MEDIUM	LOW	LOW	LOW	MEDIUM	LOW	LOW	LOW	LOW	HIGH	MEDIUM	LOW	LOW	LOW	LOW
Probability of debt in 2026 greater than in 2021 (%)	66%	54%	79%	7%	27%	98%	22.2%	18%	57%	59%	21%	41%	16%	52%	38%	31%	31%	76%	44%	26%	14%	36%	71%	60%	41%	35.0%	0%
Difference of the 10th and 90th percentile in 2026 (p.p. of GDP)	37.4	50.7	28.8	19.9	26.9	9.0	31.4	64.7	40.3	21.7	28.9	42.7	43.7	34.6	30.4	28.2	43.9	27.6	28.3	32.3	17.5	58.7	42.3	27.8	31.7	24.5	9.1
Historical SPB scenario	HIGH	LOW	MEDIUM	LOW	LOW	LOW	LOW	HIGH	HIGH	HIGH	MEDIUM	HIGH	MEDIUM	LOW	LOW	LOW	LOW	LOW	LOW	LOW	LOW	MEDIUM	MEDIUM	MEDIUM	HIGH	LOW	LOW
Debt level (2032)	109.7	23.7	52.1	16.4	49.5	17.0	52.8	143.0	116.7	114.3	75.7	137.2	67.8	48.1	45.3	11.1	60.7	51.5	54.7	68.9	51.2	121.0	66.4	77.4	69.5	54.5	11.6
Debt trajectory (debt peak year)	2026	2024	2032	2021	2021	2024	2021	2021	2027	2027	2021	2021	2021	2022	2023	2021	2021	2025	2021	2021	2021	2021	2032	2027	2032	2021	2021
Fiscal consolidation space (percentile rank avg SPB 2023-32)	86%	79%	33%	65%	38%	66%	77%	22%	73%	85%	48%	48%	29%	69%	53%	73%	59%	52%	83%	73%	75%	52%	75%	72%	45%	68%	60%
Adverse 'r-g' differential scenario	HIGH	LOW	MEDIUM	LOW	LOW	LOW	LOW	HIGH	HIGH	HIGH	HIGH	HIGH	MEDIUM	LOW	LOW	LOW	LOW	MEDIUM	MEDIUM	LOW	LOW	HIGH	MEDIUM	HIGH	HIGH	LOW	LOW
Debt level (2032)	143.0	38.6	71.6	17.5	66.8	27.2	48.8	165.6	136.1	131.4	82.6	174.8	83.6	52.5	42.4	19.5	73.7	78.4	67.5	81.8	51.7	136.3	82.0	101.6	76.4	68.2	12.4
Debt trajectory (debt peak year)	2032	2032	2032	2021	2021	2032	2021	2021	2032	2032	2032	2032	2021	2032	2023	2021	2021	2032	2032	2021	2021	2032	2032	2032	2032	2023	2021
Fiscal consolidation space (percentile rank avg SPB 2023-32)	86%	94%	81%	64%	71%	89%	65%	38%	92%	96%	48%	75%	42%	72%	35%	83%	67%	81%	92%	94%	69%	56%	100%	97%	48%	94%	60%
Financial stress scenario	HIGH	LOW	MEDIUM	LOW	LOW	LOW	LOW	HIGH	HIGH	HIGH	MEDIUM	HIGH	MEDIUM	LOW	LOW	LOW	LOW	MEDIUM	MEDIUM	LOW	LOW	HIGH	MEDIUM	HIGH	HIGH	LOW	LOW
Debt level (2032)	135.6	36.7	67.6	15.9	62.2	25.8	45.9	159.0	128.9	124.5	77.2	167.9	78.1	49.3	39.7	18.3	68.7	73.9	63.4	76.8	48.6	128.5	77.4	95.8	72.6	64.3	11.3
Debt trajectory (debt peak year)	2032	2032	2032	2021	2021	2032	2021	2021	2032	2032	2021	2032	2021	2022	2023	2021	2021	2032	2032	2021	2021	2032	2032	2032	2032	2022	2021
Fiscal consolidation space (percentile rank avg SPB 2023-32)	98%	94%	81%	64%	71%	89%	65%	38%	92%	96%	48%	75%	42%	72%	35%	83%	67%	81%	92%	94%	69%	56%	100%	97%	48%	94%	60%
Lower SPB scenario	HIGH	LOW	MEDIUM	LOW	MEDIUM	LOW	LOW	MEDIUM	HIGH	HIGH	MEDIUM	HIGH	MEDIUM	MEDIUM	LOW	LOW	MEDIUM	HIGH	MEDIUM	MEDIUM	LOW	MEDIUM	MEDIUM	HIGH	MEDIUM	LOW	LOW
Debt level (2032)	141.3	39.1	76.6	34.2	79.6	33.7	59.8	184.0	126.7	134.1	78.5	173.2	90.3	77.4	52.9	18.4	82.0	94.5	75.2	86.6	50.0	127.8	83.1	103.7	84.5	70.2	16.2
Debt trajectory (debt peak year)	2032	2032	2032	2023	2032	2032	2032	2021	2032	2032	2021	2032	2021	2032	2032	2021	2032	2032	2032	2032	2021	2021	2032	2032	2032	2023	2021
Fiscal consolidation space (percentile rank avg SPB 2023-32)	100%	95%	91%	96%	96%	98%	80%	51%	92%	100%	50%	95%	75%	100%	64%	83%	74%	99%	100%	98%	70%	58%	100%	100%	65%	97%	70%
Debt sustainability analysis - overall risk assessment	HIGH	MEDIUM	MEDIUM	LOW	LOW	LOW	LOW	HIGH	HIGH	HIGH	HIGH	HIGH	MEDIUM	LOW	LOW	LOW	MEDIUM	HIGH	MEDIUM	LOW	LOW	HIGH	MEDIUM	HIGH	HIGH	LOW	LOW

Source: European Commission, reproduced from Fiscal Sustainability Report 2021