Table 5.10: Stock-flow adjustments (EUR millions)

	2022	2023
ESA adjustment	6.6	4.9
Total changes in Sinking Fund balances and MGS holdings	25.1	30.1
Equity acquisitions	45	12.5
Euro currency issue	12.5	6.1
ESA re-routed debt	18.1	20.0
Total consolidation	-7.4	22.2
Other adjustments	-9	-2.1
Total stock-flow adjustment	**90.9**	**93.7**

Source: MFE

The yearly increase in public debt from 2022 to 2023 is consistent with the macroeconomic and fiscal scenario, and the estimated SFA. The overall upside risk vis-à-vis the profile for real GDP (i.e., higher economic activity than anticipated in the baseline scenario) for 2023 compounded with the overall downside risk vis-à-vis the fiscal deficit (i.e., lower fiscal deficit than projected in the baseline scenario), in theory, places the possibility to have a lower debt-to-GDP ratio over the forecast horizon.

The MFAC acknowledges that the target is that the fiscal balance starts declining such that it falls below the 3% benchmark by 2025 and that the debt ratio stays within close range of the 60% ratio to GDP even by 2025. This is important as the new economic governance framework, shall still keep these ratios as a benchmark (see Box B for a brief description of the currently planned changes to the framework).

Box B: Communication by the COM setting out orientations for a reformed EU economic governance framework

The EU's economic governance framework embodies a set of fiscal rules and standard procedures by which Member States must abide. The framework is aimed at creating conditions for economic stability, sustainable economic growth and increasing employment. A review of the effectiveness of the economic surveillance framework was first launched in February 2020 (and relaunched in October 2021). The COM has, on 9 November 2022, presented its orientations for a reform of the economic governance framework, which accounts for challenges prevailing now and over the foreseeable future.[56] This box presents some brief information on this Communication.

The reform proposal recognises that both prudent fiscal strategies and investment and reforms that enhance sustainable growth are indispensable and mutually reinforcing in ensuring fiscal sustainability, while also making progress toward a green, digital, inclusive, and resilient economy. The reform proposal does not recommend any legal changes to the Stability and Growth Pact and/or changes to the Treaty, that is the 3% of GDP deficit and 60% of GDP debt reference values. However, it does propose to move away from the debt reduction benchmark (the 1/20th rule) as it suggests overly demanding, pro-cyclical, and frontloaded fiscal adjustments. The orientations therefore advocate a shift to a risk-based surveillance framework that prioritises debt sustainability and distinguishes across countries by considering their public debt challenges.

Essentially, the thorough reform of the EU fiscal rules aims to make them simpler and more transparent. The net expenditure path is planned to serve as the foundation for conducting annual fiscal surveillance. This would simplify the COM's annual monitoring for Member States, as the COM would concentrate on adherence to the net expenditure path as approved by the European Council. The proposed changes do not suggest a "golden rule" that would exempt investment from EU fiscal regulations.

The Excessive Deficit Procedure (EDP) is still planned to be retained. Departures from the agreed fiscal path are proposed to automatically result in triggering the EDP for Member States with a substantial public debt challenge. For those with a moderate public debt challenge, departures could still lead to the opening of an EDP, if assessed as giving rise to 'gross errors'. Enforcement mechanisms would be reinforced: the use of financial sanctions would be made effective by lowering their amounts. Stronger reputational consequences would also be implemented. In cases where Member States have failed to take concrete steps to reduce their excessive deficit, EU funds may also be suspended.

[56] The European Commission's Communication can be accessed here.