

VALDIS DOMBROVSKIS
Vice-President of the European Commission

PIERRE MOSCOVICI
Member of the European Commission

Brussels, 22 October 2019

Dear Minister,

We would like to thank you for the submission of Italy's Draft Budgetary Plan (DBP) for 2020, which we received on 16 October. In line with the provisions of Article 7 of Regulation (EU) No. 473/2013, we are writing to ask for clarifications on the compliance of Italy's planned fiscal expansion in 2020 with the requirements of the preventive arm of the Stability and Growth Pact.

The DBP plans a change in the structural balance in 2020 amounting to a worsening by 0.1% of GDP, both at face value and as recalculated by the Commission services according to the commonly agreed methodology, which falls short of the recommended structural adjustment of 0.6% of GDP. The DBP plans a nominal rate of growth of net primary government expenditure of 1.9%, which exceeds the recommended reduction of at least 0.1%. Overall, these elements appear not to be in line with the budgetary policy requirements set out in the Council recommendation of 9 July 2019, since they point to a risk of significant deviation in 2020, and over 2019 and 2020 taken together from the recommended fiscal effort. Italy's plan does not comply with the debt reduction benchmark in 2020.

At the same time, we take note of Italy's request in the DBP to make use of the flexibility under the preventive arm of the Stability and Growth Pact to take account of the budgetary impact of unusual events. The European Commission, and later on the Council, will make a thorough assessment of the application, considering the eligibility criteria.

We would welcome further information on the precise composition of the structural balance changes and expenditure developments envisaged in the DBP for 2020. This information would help us to determine whether there is a risk of a significant deviation from the recommended fiscal adjustment in 2020 and over 2019 and 2020.

./..

Mr Roberto GUALTIERI
Minister of Economy and Finance
Via XX Settembre 97
00187 Roma

Mindful of the discussion at the 9 October Eurogroup meeting on the economic situation and euro area fiscal stance, the European Commission seeks to continue a constructive dialogue with Italy in order to come to a final assessment. We would appreciate receiving your views by 23 October 2019, to allow the Commission to take them into account before it provides its formal Opinion on your DBP.

Yours sincerely,



Valdis Dombrovskis



Pierre Moscovici