

Italy avoids EU excessive deficit procedure.

Edoardo Bonatti

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The EU decided that initiating an excessive deficit procedure against Italy was no longer necessary given that the requests of the European Commission were satisfied. On 1 July, the Italian Government adopted a package of measures that will ensure the country compliance with the Stability and Growth Pact.

A month after the Commission assessed in its report that Italy's budgetary outturn in 2018 and the fiscal forecasts for 2019 and 2020 warranted an EDP, Italy approved a budget correction amounting to €7.6 billion or 0.42% of GDP in nominal terms. As a result, Italy's headline deficit is expected to reach 2.04% of GDP in 2019, which was the target enshrined in the 2019 budget as adopted by the Italian Parliament. Italy is now expected to be broadly compliant with the required effort under the preventive arm of the Stability and Growth Pact in 2019, while the additional fiscal effort delivered by the government for 2019 will partially compensate the deterioration in the structural balance recorded in 2018.

Valdis **Dombrovskis**, Vice-President for the Euro and Social Dialogue, also in charge of Financial Stability, Financial Services, and Capital Markets Union, said: *"I welcome the actions taken by the Italian government to ensure a better budget outcome in 2019. Ensuring sound public finances is a bedrock for confidence and growth. Respecting the commitment to prepare a 2020 budget in line with the EU fiscal rules and thus avoiding further uncertainty will be important in this context."*

Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs, also expressed his satisfaction and optimism for the future of Italian finances: *"The aim of the Stability and Growth Pact is not to punish or discipline anyone; it is to ensure that governments pursue sound public finances and correct problems swiftly when they occur. I am pleased to note this is the case today. The Italian government has responded to the Commission's signal one month ago that an Excessive Deficit Procedure was warranted by adopting a sound package of measures that ensure broad compliance with the Pact. We will carefully monitor the implementation of these measures in the second half of the year. Moreover, we stand ready to ensure that the 2020 draft budget to be presented this autumn will be compliant with the Pact. I have no doubt that we will work seamlessly in this context with the next Commission."*

Source: European Commission