

Eurogroup statement

The euro area is making its way out of the crisis as the signs of economic recovery are becoming more visible. We are convinced that the closer coordination of Member States' fiscal policies in the framework of this new exercise will significantly contribute to the strength and cohesion of the euro area.

Against this background, we welcome the first round of this new coordination process, established by the Two-Pack Regulation on the strengthening of budgetary monitoring. This exercise constitutes an important step forward for economic and fiscal governance in the euro area. It allows for a considerable strengthening of the coordination and surveillance of budgetary policies within the euro area and also further enhances the transparency of Member States' budgetary policies. We also welcome the dedicated manner in which the Commission has taken up its role in providing in-depth opinions on all draft budgetary plans and on the assessment of the budgetary situation and prospects of the euro area as a whole.

We engaged fully in this new coordination exercise by having an in-depth and frank debate on the draft budgetary plans for 2014 and the overall situation in the euro area, allowing scrutiny by euro-area peers. We broadly concur with the Commission's opinions and analysis and we will take into account the concerns raised by the Commission opinions in our budgetary processes.

Years of fiscal consolidation in the euro area are now bearing fruit. The government deficit, already close to 3% of GDP in 2013, is expected to fall below it in 2014 and the aggregate debt level will stabilise, which allows fiscal policy to be supportive of the nascent recovery. With that, both the debt and deficit projections for the euro area are considerably more positive than for other major economies, including the United States and Japan. Setting correct priorities for fiscal policies will lay the foundations for improving our growth performance.

In parallel to these fiscal consolidation efforts, we recall the importance of a simultaneous strong implementation of the structural reforms recommended in the context of the European Semester, in order to provide a sound foundation for returning to sustained growth. We therefore welcome the attention paid by the Commission to the monitoring of progress in this area. We commit to pursue the implementation of growth oriented structural reforms and invite the Commission to continue its close monitoring.

We welcome that the planned or announced fiscal effort, respectively, for 2014 is broadly appropriate, including in its differentiation according to fiscal space. At the same time, we stress that this is not the time for complacency. We recall that it is important for all Member States to ensure the sustainability of public finances. The Member States in the preventive arm of the SGP, which have already achieved a deficit below the 3% of GDP threshold, should ensure an appropriate convergence towards the MTO and a continued respect of the debt rule. The other Member States, in the corrective arm of the SGP, should ensure a timely

correction of their excessive deficit and appropriate convergence towards the MTO thereafter, as well as continued respect of the debt rule.

The Eurogroup welcomes that no draft budgetary plan was found in serious non-compliance with the obligations of the SGP and that consequently no resubmission of a DBP was requested by the Commission. We take note of the fact that Germany and Estonia are assessed to be compliant with the SGP. Still, we recognise that, for a number of Member States, compliance with the rules of the Stability and Growth Pact is at risk.

- We therefore invite those Member States whose plans are at risk of non-compliance with the rules of the SGP to take measures as appropriate within their national budgetary processes or in parallel to that, to address the risks identified by the Commission and to ensure full compliance of the 2014 budget with the SGP rules. Against this background, we welcome their full commitment to address this risk and take note of additional measures:
 - which have recently been taken in the case of Malta;
 - which are in the process of implementation in the case of Italy, which is in the preventive arm of the SGP;
 - which are based on the National Reform Programme and are under preparation in the case of Spain;
 - which will be announced shortly in the case of Finland, which is in the preventive arm of the SGP and is close to the MTO.
- We take note that in the case of Luxembourg the risk of non-compliance with the preventive arm of the SGP stems from the absence of a full-fledged draft budget for 2014, which will be submitted by the newly formed government.
- We therefore invite those Member States whose plans are broadly compliant with the rules of the SGP (Belgium, Austria and Slovakia) to ensure full compliance with them within the national budgetary process and welcome their commitment to take compensatory measures if required.
- We therefore invite those Member States whose plans are compliant with no margin for deviation (France, Netherlands and Slovenia) to implement their budgetary plans rigorously and to prevent the occurrence of slippages that would endanger compliance with the SGP rules.

We look forward to the Commission assessment of the additional and announced measures. We also look forward to the Commission assessment of the updates of the draft budgetary plans of those Member States which are in the process of forming governments.

Lastly, as pointed out by the Commission, it is key that Member States focus more on the quality and composition of the adjustment, in order to ensure that our policies are as growth-friendly as possible. This implies that the share of investment in public expenditure should increase in future years. Therefore, we commit to focus more on the growth-friendliness of fiscal policy and on the implementation of structural reforms, including fiscal ones, as reflected in the country-specific recommendations addressed to us by the Council in July and in the euro area recommendation.

We also recall that the Member States with a macro-economic adjustment programme, which were not assessed today, have also shown progress with respect to fiscal consolidation, even though they obviously have considerably less fiscal room for manoeuvre than most other Member States. They have also progressed with the correction of imbalances and restoring the foundations for growth. We call on these Member States to continue addressing with resolve the challenges as identified in the respective programmes.

We will continue monitoring closely euro area Member States' fiscal and economic policies, as well as the aggregate fiscal stance for the euro area as a whole to ensure a growth-friendly, differentiated and sound fiscal policy on a regular basis.