Dear Prime Minister, dear Minister,

Thank you for your letter of 18 December 2018 concerning the proposed amendments to Italy's 2019 draft budget.

As you know, on 21 November 2018, the European Commission adopted a second Opinion on the revised draft budgetary plan of Italy presented on 13 November. This Opinion confirmed the existence of a "particularly serious non-compliance" with the recommendation made by the Council of the European Union to Italy on 13 July.

The European Commission also adopted a report under Article 126(3) of the Treaty on the Functioning of the European Union, since the "particularly serious non-compliance" identified in Italy's fiscal plans for 2019 was a material change in the relevant factors assessed in the previous report in May 2018 and warranted an updated analysis.

Mr Giuseppe CONTE
President of the Council of Ministers
Italy

Mr Giovanni TRIA
Minister of Economy and Finance
Italy
This report, after assessing all relevant factors, concluded that the debt criterion of the Stability and Growth Pact was not complied with and that an Excessive Deficit Procedure for non-compliance with the debt criterion was warranted. Subsequently, on 29 November, the Economic and Financial Committee adopted an Opinion under Article 126(4) of the Treaty, confirming the Commission's conclusion and noting that "further elements may emerge from the ongoing dialogue between the Commission and the Italian authorities". The Eurogroup of 3 December also supported the Commission assessment and recommended that Italy take the necessary measures to be compliant with the Stability and Growth Pact. It also expressed its support for the dialogue between the Commission and the Italian authorities.

We take good note of the fiscal measures you intend to table in an amendment to the draft budget law, as communicated to us in your letter. Subject to the adoption of these measures, including the envisaged safeguard clause ("freezing" mechanism), as part of the final 2019 budget law to be voted by the Italian Parliament before the end of the year, this would allow the European Commission not to recommend the opening of an Excessive Deficit Procedure at this stage.

The European Commission will continue to monitor budgetary developments in Italy, and in particular the execution of the 2019 budget, in the context of the European Semester of economic policy coordination.

Yours sincerely,

Pierre MOSCOVICI Valdis DOMBROVSKIS Jean-Claude JUNCKER