### Stability and Growth Pact

#### Countries in Excessive Deficit Procedure (corrective arm)

- No country report
- Macroeconomic imbalances are addressed under a stability support programme

- **Excessive imbalances**
  - Croatia
  - France
  - Portugal

- **Imbalances**
  - Spain

- **No imbalances**
  - United Kingdom

#### Countries not in Excessive Deficit Procedure (preventive arm)

- **Excessive imbalances**
  - Bulgaria
  - Italy
  - Cyprus

- **Imbalances**
  - Germany
  - Ireland
  - Netherlands
  - Slovenia
  - Sweden

- **No imbalances**
  - Austria
  - Belgium
  - Czech Republic
  - Denmark
  - Finland
  - Estonia
  - Hungary
  - Latvia
  - Lithuania
  - Luxembourg
  - Malta
  - Poland
  - Romania
  - Slovakia

 européenne
Pro-cyclical fiscal policy

- Strong cyclical growth
- Structural barriers
- Limited potential growth

- Spreads
- Fiscal expansion
- Public debt
- Current Account
- Wages
- Inflation
Cyclical upswing consumption-driven

- Private consumption
- Public consumption
- Gross investment
- Net exports
- Other
- GDP growth

11 12 13 14 15 16

%
Pro-cyclical fiscal policy and growth above potential

Fiscal impulse

Output gap (rhs)
Deficit to widen on tax cuts and expenditure increases

Total revenues and expenditures adjusted for the cyclical component and one-off and other temporary measures
Tax compliance remains low
Deteriorating budget deficit and public debt increasing

With deficit widening public debt projected to rise... ...and public debt is rising faster than for peers
Public debt ratios to gradually deteriorate

Baseline no-policy change scenario
SGP institutional scenario
Convergence Programme scenario
Volatile public sector wage growth

2012=100

- Manufacturing (Nace C)
- Business services (G_N)
- Public and other services (O_S)
Quality of public investment key for potential growth

One of the highest rates of public investment... but quality of investment is low.
The banking sector remains sound

Balance sheets are strengthening... ...while profitability is improving
THANK YOU
Vă Mulţumesc

Link to the 2017 country report: