



DSA Session Discussion

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Debt Sustainability Analysis

- **Best tool available** for assessing debt sustainability risks (IMF, ECB, EC)
 - Stochastic analysis + scenarios on specific risks
 - Variety of risks over different horizons
 - Inform fiscal policy → help make sustainable with high probability
 - Some aspects require professional judgement

Using the DSA

- More comprehensive assessment of risks → more complexity
 - But **complexity ≠ opacity**
- Results **will** depend on forecasts and assumptions
 - Need for **realism and prudence**
 - DSAs frameworks **should** check these
- **Transparency** on methodology, forecasts, assumptions, and conclusions
- Embed DSA in **broader macroeconomic framework**

Rethinking the policy framework and DSA

- **Corsetti:** Need for rethinking broader policy framework
 - Lessons from crises
 - Fiscal and monetary policy interaction
 - Strengthen EMU architecture
 - Implications for DSA

Monetary policy and the DSA

- **Alberola:** Incorporate monetary policy in DSA, incl. QE (novel)
 - Quantitative analysis of PEPP effect on sovereign yields
 - Impact of PEPP unwinding on borrowing costs/debt sustainability
 - Important to factor into long-run DSA assumptions
 - Winding down of APP reinvestments?

DSA in the Commission's reform proposal

- DSA plays important role in determining country-specific adjustment
 - Needs to deliver **sufficiently prudent MT anchor**
- **Long-run forecasts and assumptions** critical
 - Checks on realism/optimism bias in forecasts and assumptions?
 - Risks related to projections of aging related spending pressures?
- **Transparency** is essential
 - Publish the Excel files (incl. assumptions, stress tests) → allows independent assessment of implementation
- **Bolster role of NFCs** in assessing fiscal risks and DSA
- Role for an **independent** European Fiscal Board?

Thank you