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Council closes excessive deficit procedures for Belgium, Czech Republic, Denmark, Netherlands, Austria and Slovakia

The Council today[1] closed excessive deficit procedures for Belgium, the Czech Republic, Denmark, the Netherlands, Austria and Slovakia, confirming that these countries have reduced their deficits below 3% of GDP, the EU's reference value for government deficits.

It adopted decisions[2] abrogating previous Council decisions[3] on the existence of excessive deficits in these six countries.

As a consequence, 11 of the EU's 28 member states will remain subject to the excessive deficit procedure, down from 24 during a 12 month period in 2010-11.

A large number of procedures were opened subsequent to the global financial crisis and recession of 2008 and 2009, and the Council's recommendations under the excessive deficit procedure have set out to support a return by governments to sound fiscal positions.

Belgium

The excessive deficit procedure for Belgium was opened in December 2009, when the Council issued a recommendation on corrective measures to be taken. Belgium's general government deficit and its general government gross debt were projected to reach 5.9% of GDP and 97.6 % of GDP, respectively, in 2009.

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1 At a meeting of the Economic and Financial Affairs Council.
2 Under article 126(12) of the Treaty on the Functioning of the European Union (TFEU).
3 Adopted under article 126(6) of the TFEU.

PRESS

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The Council called on Belgium to correct its deficit to by 2012.

In January 2012, the Commission estimated that Belgium's deficit would reach 2.9% of GDP that year. In May 2013 however, it found that Belgium had run a deficit of 3.9% of GDP in 2012, thus missing the deadline set by the Council.

This was partly due to the recapitalisation of the Dexia banking group at the end of 2012, which had an impact of 0.8% of GDP on the government deficit, but even without this the 2012 deadline would have been missed.

Consequently in June 2013 the Council stepped up the excessive deficit procedure, adopting a decision, under article 126(8) of the Treaty on the Functioning of the European Union, establishing that Belgium had not taken effective action in response to its December 2009 recommendation. It also adopted a decision, under article 126(9) of the TFEU, giving notice to Belgium to take measures to correct the deficit in 2013.

The Council called on Belgium to reduce its headline deficit to 2.7% of GDP in 2013, consistent with an improvement in the structural balance of 1% of GDP in 2013. It required Belgium to fully implement consolidation measures foreseen in its 2013 budget, to take additional measures of a structural nature to achieve the recommended structural effort for that year, and to stand ready to adopt further measures if necessary.

According to Eurostat, Belgium's general government deficit amounted to 2.6 % of GDP in 2013, in line with the Council's June 2013 decision. The improvement was driven by significant fiscal consolidation, as well as an improvement in cyclical conditions.

On the basis of a no-policy-change scenario, the Commission's spring economic forecast projects deficits of 2.6 % of GDP also in 2014, and 2.8 % of GDP in 2015, thus remaining below the 3 % of GDP reference value over the forecast horizon.

Belgium's debt-to-GDP ratio rose by about five percentage points between 2009 and 2013, reaching 101.5%, in part due to its financial assistance to other eurozone countries. Its gross government debt is forecast to remain around this level in 2014 and 2015.

The Council concludes that Belgium's deficit has been corrected.

<u>Czech Republic</u>

The excessive deficit procedure for the Czech Republic was opened in December 2009, when the Council issued a recommendation on corrective measures to be taken. The Czech Republic's general government deficit was projected to reach 6,6 % of GDP in 2009.

The Council called on the Czech Republic to correct its deficit by 2013. To achieve this, it called for an average annual budgetary effort of at least 1 % of GDP over the 2010-13 period.

According to Eurostat, the Czech Republic's general government deficit amounted to 1.5 % of GDP in 2013, in line with the Council's recommendation.

On the basis of a no-policy-change scenario, the Commission's spring economic forecast projects deficits of 1.9 % of GDP in 2014 and 2.4 % of GDP in 2015, thus remaining below the 3 % of GDP reference value over the forecast horizon.

The Czech Republic's debt-to-GDP ratio increased by 11.5 percentage points between 2009 and 2013, reaching 46 %. The Commission projects the general government gross debt to fall to 44.4 % of GDP in 2014 and to increase to 45.8 % of GDP in 2015, remaining below the EU's 60 % of GDP reference value.

The Council concludes that the Czech Republic's deficit has been corrected.

Denmark

The excessive deficit procedure for Denmark was opened in July 2010, when the Council issued a recommendation on corrective measures to be taken. Denmark's general government deficit was projected to reach to 5,4 % of GDP in 2010.

The Council called on Denmark to correct its deficit by 2013. To achieve this, it called for an average annual budgetary effort of at least ½ % of GDP over the 2011-13 period.

According to Eurostat, Denmark's general government deficit was below the 3 % of GDP reference value during the 2010-13 period, except in 2012 when it was negatively affected by a one-off reimbursement related to a pension reform in 2011, estimated to be equivalent to 1.6 % of GDP. Denmark's deficit amounted to 2.5 % of GDP in 2010, 1.9 % of GDP in 2011, 3.8 % of GDP in 2012 and 0.8 % of GDP in 2013.

The Commission's spring economic forecast projects deficits of 1.2 % of GDP in 2014 and 2.7 % of GDP in 2015, thus remaining below the 3 % of GDP reference value over the forecast horizon.

The Commission projects Denmark's general government gross debt to decrease to 43.5 % of GDP in 2014 and to increase to 44.9 % of GDP in 2015, remaining below the EU's 60 % of GDP reference value.

The Council concludes that Denmark's deficit has been corrected.

Netherlands

The excessive deficit procedure for the Netherlands was opened in December 2009, when the Council issued a recommendation on corrective measures to be taken. The Netherlands' general government deficit was projected to reach 4.8% of GDP in 2009.

The Council called on the Netherlands to correct the deficit by 2013.

In June 2013 however, it agreed to extend the deadline for correcting the deficit by one year, finding that the Netherlands had fulfilled the conditions for doing so.

The Council set headline deficit targets of 3.6% of GDP for 2013 and 2.8% of GDP for 2014, consistent with 0.6% and 0.7% of GDP improvements in the structural balance respectively. It called on the Netherlands to bring the deficit below 3 % of GDP by 2014.

According to Eurostat, the Netherlands' general government deficit amounted to 2.5 % of GDP in 2013, dropping below the 3 % of GDP reference value a year earlier than required by the Council's most recent recommendation.

The Commission's spring economic forecast projects deficits of 2.8 % of GDP in 2014 and 1.8 % of GDP in 2015, remaining below 3 % of GDP over the forecast horizon.

The Netherlands' debt-to-GDP ratio was projected to reach 59.7 % of GDP in 2009. It increased by about ten percentage points between 2010 and 2013, reaching 73.5 %. The Commission projects the general government gross debt to increase further to 73.8 % of GDP in 2014 before falling to 73.4 % of GDP in 2015.

The Council concludes that the Netherlands's deficit has been corrected.

<u>Austria</u>

The excessive deficit procedure for Austria was opened in December 2009, when the Council issued a recommendation on corrective measures to be taken. Austria's general government deficit and its general government gross debt were projected to reach 3.9 % of GDP and 68.2 % of GDP, respectively, in 2009.

The Council called on Austria to correct its deficit by 2013. To achieve this, it called for an average annual budgetary effort of at least ¾ % of GDP over the 2009-11 period.

After peaking at 4.5 % of GDP in 2010, Austria's general government deficit was below than 3 % of GDP in 2011 and 2012, but the Commission didn't recommend closure of the excessive deficit procedure because of looming risks related to financial sector repair operations. However, these risks did not materialise and Austria has notified the Commission of a deficit amounting to 1.5 % of GDP for 2013.

The Commission's spring economic forecast projects deficits of 2.8 % of GDP in 2014 and 1.5 % of GDP in 2015, remaining below 3 % of GDP over the forecast horizon.

Austria's debt-to-GDP ratio rose from 69.2 % to 74.5 % between 2009 and 2013. The Commission projects its gross government debt to increase to around 80 % of GDP in 2014, mainly due to the inclusion of liabilities incurred in connection with the transfer of impaired assets of the Hypo Alpe Adria banking group.

The Council concludes that Austria's deficit has been corrected.

Slovakia

The excessive deficit procedure for Slovakia was opened in December 2009, when the Council issued a recommendation on corrective measures to be taken. Slovakia's general government deficit was projected to reach to 6.3 % of GDP in 2009.

The Council called on Slovakia to correct its deficit by 2013. To achieve this, it called for an average annual budgetary effort of at least 1% of GDP over the 2010-13 period.

According to Eurostat, Slovakia's general government deficit amounted to 2.8 % of GDP in 2013, in line with the Council's recommendation.

The Commission's spring economic forecast projects the deficit to increase to 2.9 % of GDP in 2014 and to return to 2.8 % of GDP in 2015, remaining below 3 % of GDP over the forecast horizon.

Slovakia's general government debt reached 55.4 % of GDP in 2013 and the Commission projects it to increase to 56.3 % of GDP in 2014 and 57.8 % of GDP in 2015, remaining below the EU's 60 % of GDP reference value.

The Council concluded that Slovakia's deficit has been corrected.