Council Decision (EU) 2019/1001 of 14 June 2019 abrogating Decision 2009/417/EC on the existence of an excessive deficit in Spain

COUNCIL DECISION (EU) 2019/1001

of 14 June 2019

abrogating Decision 2009/417/EC on the existence of an excessive deficit in Spain

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 126(12) thereof,

Having regard to the recommendation from the European Commission,

Whereas:

(1) On 27 April 2009, following a recommendation from the Commission, the Council decided, by means of Decision 2009/417/EC[(1)], in accordance with Article 126(6) of the Treaty on the Functioning of the European Union (TFEU), that an excessive deficit existed in Spain. The Council noted that the general government deficit for 2008 reported in the January 2009 stability programme was 3,4 % of gross domestic product (GDP), thus above the 3 %-of-GDP TFEU reference value. The general government gross debt was planned at 39,5 % of GDP in 2008, well below the 60 %-of-GDP reference value.

(2) On 27 April 2009, in accordance with Article 126(7) TFEU and Article 3(4) of Regulation (EC) No 1467/97[(2)], the Council, based on a recommendation from the Commission, issued a recommendation to Spain with a view to bringing the excessive deficit situation to an end by 2012 at the latest.

(3) On 2 December 2009, 10 July 2012 and 21 June 2013 the Council addressed three new recommendations to Spain on the basis of Article 126(7) TFEU, extending the deadline for correcting the excessive deficit to 2013, 2014 and 2016 respectively. In all three recommendations, the Council considered that Spain had taken effective action, but that unexpected adverse economic events with major unfavourable consequences for government finances had occurred.

(4) On 12 July 2016 the Council, under Article 126(8) TFEU, established that no effective action had been taken by Spain in response to the Council recommendation of 21 June 2013. On 8 August 2016 the Council, on the basis of Article 126(9) TFEU, adopted Decision (EU) 2017/984[(3)], giving notice to Spain to take measures for the deficit reduction judged necessary in order to remedy the situation of excessive deficit and setting a new deadline of 2018 for the correction. The Council also set a deadline of 15 October 2016 for effective action to be taken and for a report to be submitted to the Council and the Commission on action taken in response to the Council notice.

(5) On 16 November 2016 the Commission concluded that Spain had taken effective action under Article 126(9) TFEU, in compliance with Decision (EU) 2017/984.

(6) In accordance with Article 4 of Protocol No 12 on the excessive deficit procedure, annexed to the Treaty on European Union and the TFEU, the Commission provides the data for the implementation of the excessive deficit procedure. As part of the application of that Protocol, Member States are to notify data on government deficits and debt and other associated variables twice a year, namely before 1 April and before 1 October, in accordance with Article 3 of Regulation (EC) No 479/2009[(4)].

(7) The Council takes a decision to abrogate a decision on the existence of an excessive deficit on the basis of notified data. Moreover, a decision on the existence of an excessive deficit should be abrogated only if the Commission forecasts indicate that the deficit will not exceed the 3 %-of-GDP TFEU reference value over the forecast horizon.

(8) Based on data provided by the Commission (Eurostat) in accordance with Article 14 of Regulation (EC) No 479/2009, following the April 2019 notification by Spain, the 2019 Stability Programme and the Commission 2019 spring forecast, the following conclusions are warranted:

— After reaching 3,1 % of GDP in 2017, the general government deficit was reduced to 2,5 % of GDP in 2018. Compared with the projections in the 2019 draft budgetary plan submitted in October 2018, the 2018 deficit was 0,2 percentage points lower, due to a 0,3-percentage-point higher revenue-to-GDP ratio being only partly offset by a 0,1-percentage-point higher expenditure ratio. On the revenue side, both corporate income tax revenues and other revenues were higher than projected; whereas, on the expenditure side, compensation of employees was somewhat higher.

— The Stability Programme for 2019–2022, submitted by the Spanish government on 30 April 2019, plans for the general government deficit to decline to 2 % of GDP in 2019 and to fall to 1,1 % of GDP in 2020. The Commission 2019 spring forecast projects a deficit of 2,3 % of GDP in 2019 and 2 % of GDP in 2020, thus remaining below the 3 %-of-GDP TFEU reference value over the forecast horizon.

— The structural balance, which is the general government balance adjusted for the economic cycle and net of one-off and other temporary measures, remained unchanged between 2017 and 2018, based on the Commission 2019 spring forecast. The accumulated improvement in the structural balance since 2016 amounted to 0,4 % of GDP.

— The gross government debt-to-GDP ratio decreased to 97,1 % in 2018, from 98,1 % in 2017, mainly due to the debt-reducing impact of real growth and inflation more than offsetting the opposite impact of interest expenditure, while the primary balance is close to zero. The Commission 2019 spring forecast projects that the debt ratio will decrease to 96,3 % in 2019 and 95,7 % in 2020, mainly due to high nominal growth that outweighs the impact of debt-increasing stock-flow adjustments and interest expenditure, while the primary balance is improving only slightly.