

**COUNCIL DECISION**  
**of 27 April 2009**  
**on the existence of an excessive deficit in Spain**  
(2009/417/EC)

THE COUNCIL OF THE EUROPEAN UNION,

for a prompt return to sound budgetary positions taking account of the economic situation.

Having regard to the Treaty establishing the European Community, and in particular Article 104(6) thereof,

- (5) Article 104(5) of the Treaty requires the Commission to address an opinion to the Council if the Commission considers that an excessive deficit in a Member State exists or may occur. Having taken into account its report in accordance with Article 104(3) and having regard to the opinion of the Economic and Financial Committee in accordance with Article 104(4), the Commission concluded that an excessive deficit exists in Spain. The Commission therefore addressed such an opinion to the Council in respect of Spain on 24 March 2009 <sup>(3)</sup>.

Having regard to the recommendation from the Commission,

Having regard to the observations made by Spain,

Whereas:

(1) According to Article 104 of the Treaty Member States are to avoid excessive government deficits.

- (6) Article 104(6) of the Treaty states that the Council should consider any observations which the Member State concerned may wish to make before deciding, after an overall assessment, whether an excessive deficit exists. In the case of Spain, this overall assessment leads to the following conclusions.

(2) The Stability and Growth Pact is based on the objective of sound government finances as a means of strengthening the conditions for price stability and for strong sustainable growth conducive to employment creation.

- (7) According to the January 2009 update of the stability programme, Spain's general government deficit is estimated to have reached 3,4 % of GDP in 2008, thus exceeding the 3 % of GDP reference value. The deficit was close to the 3 % of GDP reference value but the excess over the reference value cannot be qualified as exceptional within the meaning of the Treaty and the Stability and Growth Pact with real GDP growth in Spain estimated to have attained 1,2 % of GDP in 2008, after 3,7 % in 2007, and with the output gap remaining positive. Furthermore, the excess over the reference value cannot be considered temporary.

(3) The excessive deficit procedure (EDP) under Article 104, as clarified by Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure <sup>(1)</sup> (which is part of the Stability and Growth Pact), provides for a decision on the existence of an excessive deficit. The Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of the EDP. Council Regulation (EC) No 3605/93 <sup>(2)</sup> lays down detailed rules and definitions for the application of the provisions of the said Protocol.

- (8) According to the Commission services' January 2009 interim forecast, the general government headline deficit will increase to 6,2 % of GDP in 2009, including deficit-increasing one-off measures worth over 0,5 % of GDP. The forecast was based on a projected GDP contraction by 2 % as well as on a prudent assessment of both the 2009 Budget Law and the fiscal package announced by the Spanish authorities on 27 November 2008. Based on the customary unchanged policies assumption, the 2010 deficit is projected at 5,7 % of GDP. Therefore, the deficit criterion in the Treaty is not fulfilled.

(4) The 2005 reform of the Stability and Growth Pact sought to strengthen its effectiveness and economic underpinnings as well as to safeguard the sustainability of the public finances in the long run. It aimed at ensuring that in particular the economic and budgetary background was taken fully into account in all steps in the EDP. In this way, the Stability and Growth Pact provides the framework supporting government policies

<sup>(1)</sup> OJ L 209, 2.8.1997, p. 6.

<sup>(2)</sup> OJ L 332, 31.12.1993, p. 7.

<sup>(3)</sup> All EDP-related documents for Spain can be found at the following website:  
[http://ec.europa.eu/economy\\_finance/netstartsearch/pdfsearch/pdf.cfm?mode=\\_m2](http://ec.europa.eu/economy_finance/netstartsearch/pdfsearch/pdf.cfm?mode=_m2)

- (9) General government gross debt remains well below the 60 % of GDP reference value and stood at an estimated 39,5 % of GDP in 2008 according to the January 2009 stability programme. However, according to the Commission services' January 2009 interim forecast, the general government debt-to-GDP ratio is projected to increase significantly reaching 53 % in 2010.
- (10) According to Article 2(4) of Regulation (EC) No 1467/97, 'relevant factors' can only be taken into account in the steps leading to the Council decision on the existence of an excessive deficit in accordance with Article 104(6) if the double condition – that the deficit remains close to the reference value and that its excess over the reference value is temporary – is fully met. In the case of Spain, this double condition is not met. Therefore, relevant factors are not taken into account in the steps leading to this Decision,

HAS ADOPTED THIS DECISION:

*Article 1*

From an overall assessment it follows that an excessive deficit exists in Spain.

*Article 2*

This Decision is addressed to the Kingdom of Spain.

Done at Luxembourg, 27 April 2009.

*For the Council*  
*The President*  
A. VONDRA