COMMISSION OF THE EUROPEAN COMMUNITIES

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Recommendation for a

COUNCIL DECISION

abrogating Decision 2003/89/EC on the existence of an excessive deficit in Germany

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. BACKGROUND

Article 104 of the Treaty establishes that Member States should avoid excessive deficits and lays down a procedure for their identification and correction. The excessive deficit procedure (EDP) is further specified in Council Regulation (EC) No 1467/97 on "speeding up and clarifying the implementation of the excessive deficit procedure"[1], which is part of the Stability and Growth Pact. According to Article 104(2) of the Treaty, the Commission has to monitor compliance with budgetary discipline on the basis of two criteria, namely: (a) whether the planned or actual government deficit exceeds the reference value of 3% of GDP (unless either the deficit ratio has declined substantially and continuously and reached a level that comes close to the reference value; or, alternatively, the excess over the reference value is only exceptional and temporary and the ratio remains close to the reference value); and (b) whether government debt exceeds the reference value of 60 % of GDP (unless the debt ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace).

In accordance with the Protocol on the excessive deficit procedure annexed to the Treaty, the Commission provides the data for the implementation of the EDP. As part of the application of this Protocol, Member States have 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 4 of Council Regulation (EC) No 3605/93[2,3].

On 19 November 2002, the Commission initiated the EDP for Germany with the adoption of a report under Article 104(3), based on a planned general government deficit of 3.8 % of GDP and government debt of 60.9 % of GDP in 2002[4]. Based on a recommendation from the Commission, the Council decided on 21 January 2003 that an excessive deficit existed in Germany (Article 104(6) of the Treaty)[5]. At the same time, and also based on a Commission recommendation, the Council addressed recommendations under Article 104(7) to Germany with a view to bringing an end to the situation of an excessive government deficit by 2004 at the latest[6].

On 18 November 2003, the Commission considered that the measures taken by Germany had been insufficient and adopted a recommendation for the Council to decide accordingly and to give notice to Germany to take measures to correct the excessive deficit (under Articles 104(8) and 104(9) respectively). In this latter recommendation, the Commission proposed to extend the deadline for the correction of the excessive deficit to 2005. On 25 November 2003, the Council decided not to endorse the Commission's recommendations but instead adopted

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1 OJ L 209, 2.8.1997, p. 6. Regulation as amended by Regulation (EC) No 1056/2005 (OJ L 174, 7.7.2005, p. 5).

2 OJ L 332, 31.12.1993, p. 7. Regulation as last amended by Regulation (EC) No 2103/2005 (OJ L 337, 22.12.2005, p. 1).

3 The most recent notification of Germany can be found at: http://epp.eurostat.ec.europa.eu/portal/page?_pageid=2373,58110711&_dad=portal&_schema=portal.

4 SEC(2002) 1245.

5 OJ L 34, 11.2.2003, p. 16.

6 All documents pertaining to the excessive deficit procedure for Germany can be found on the following website: http://ec.europa.eu/economy_finance/about/activities/sgp/edp/edpde_en.htm.

conclusions addressing recommendations to Germany for the correction of the excessive deficit by 2005 and stating that, in the light of the commitments made by Germany, the excessive deficit procedure (EDP) was held in abeyance. On 13 July 2004 these conclusions were annulled by the European Court of Justice[7].

On 14 December 2004, the Commission adopted a Communication to the Council, which concluded that, in view of the unique circumstances created by the Council conclusions of 25 November 2003 and of the ruling of the European Court of Justice of 13 July 2004, the relevant deadline for the correction should be 2005. At the time, the Commission considered that Germany was on track to correct its excessive deficit by 2005 and that therefore no further steps under the EDP were necessary, although its budgetary situation remained vulnerable[8]. In its conclusions of 18 January 2005, the Council concurred with the Commission's conclusions and confirmed that, in cooperation with the Commission, it stood "ready to take steps under the EDP, as appropriate".

Actual data provided by the Commission (Eurostat) following a provisional notification by Germany in February 2006 indicated that the general government deficit remained above 3 % of GDP in 2005. On 14 March 2006, according to Article 10(3) of Regulation (EC) No 1467/97, the Council immediately decided, on the basis of recommendation from the Commission to give notice to Germany, in accordance with Article 104(9) of the Treaty[9], to take measures for the deficit reduction judged necessary in order to remedy the situation of excessive deficit "*as rapidly as possible and at the latest by 2007*". Specifically, the Council recommended that "*in 2006 and 2007, Germany shall ensure a cumulative improvement in its cyclically-adjusted balance net of one-off and temporary measures of at least one percentage point*". The Council requested Germany to submit a report outlining the measures taken to comply with its decision by the deadline of 14 July 2006 and further regular progress reports thereafter. It also urged Germany to "*take the necessary measures to ensure that budgetary consolidation towards its medium-term objective of a balanced budget in structural terms is sustained through a reduction in the structural deficit of at least 0.5 % of GDP per year after the excessive deficit has been corrected*".

Table 1: Adjustment endorsed by the Council on 14 March 2006

% of GDP, unless indicated otherwise	**2005**	**2006**	**2007**
General government balance	-3.3	deficit slightly > 3	deficit clearly < 3
change in structural balance		*Cumulative improvement of at least one percentage point*	
p.m.: Real GDP growth (%)	0.9	1.5	close to 1

Note: structural balance = cyclically-adjusted balance excluding one-off and other temporary measures.
Source: Council notice under Article 104(9) to Germany, quoting the Commission services' autumn 2005 forecast and including subsequent evaluations (such as the Commission services' interim forecast of 21 February 2006).

[7] Case C-27/04, Commission vs Council, [2004] ECR I-6649 (OJ C 228, 11.9.2004, p. 16).

[8] Communication from the Commission to the Council: "The situation of Germany and France in relation to their obligations under the excessive deficit procedure following the judgement of the Court of Justice" - COM(2004) 813, 14.12.2004.

[9] OJ L 126, 13.5.2006, p. 20.

Following the submission of the implementation report by Germany on 5 July 2006, the Commission adopted on 19 July 2006 a Communication informing the Council that Germany had taken action representing adequate progress towards the correction of the excessive deficit within the time limits set by the Council and that no further steps under the excessive deficit procedure were needed at that point[10]. In its meeting of 10 October 2006, the Council shared this view.

According to Article 104(12), a Council decision on the existence of an excessive deficit is to be abrogated, on the basis of a Commission recommendation, when the excessive deficit in the Member State concerned has, in the view of the Council, been corrected.

2. DEFICIT DEVELOPMENTS UNTIL 2006

The Council based its decision on the existence of an excessive deficit in Germany on the updated Stability Programme of December 2002, according to which the general government deficit amounted to 3.7 % of GDP in 2002. Its economic assessment led the Council to conclude that in the late 1990s, when Germany enjoyed relatively strong economic growth, progress in fiscal consolidation was limited, leaving little budgetary leeway to accommodate a cyclical slowdown. Government debt was projected to rise to 60.9 % of GDP by 2002, slightly above the reference value of 60 % of GDP.

From 3.7 % of GDP in 2002, the deficit even rose to 4.0 % in 2003, and then fell to 3.2 % in 2005. There had not been enough budgetary leeway to accommodate average real GDP growth at 0.5 % per year over that period. Moreover, a series of tax cuts, adopted in 1999/2000 and carried out until 2005, burdened the budget. The revenue-to-GDP ratio fell from 44.4 % in 2002 to 43.5 % in 2005. Offsetting measures on the expenditure side were implemented only with some delay. Measures that particularly reduced the expenditure-to-GDP ratio from 48.1 to 46.8 % over the same period were the restraint in public sector wages, accompanied by a reduction in staff levels, the reform of the public health system in 2004, a reduction of subsidies and investment, but also the fact that low wage growth in the private sector dampened pension outlays. Germany made little recourse to one-off measures[11]. Even though the cyclically-adjusted balance had declined from 3½ % of GDP in 2002 to 2¼ % in 2005, the nominal budget deficit remained above 3 % of GDP in 2005 (see Table 2).

Against the background of a forecast for real GDP growth of 1.4 % in 2006, the updated stability programme submitted in February 2006 aimed at a deficit of 3.3 % of GDP in 2006. While the German authorities had estimated the deficit at 2.1 % of GDP in the updated stability programme of November 2006, data provided by the Commission (Eurostat) following the reporting by Germany before 1 April 2007 in accordance with Council Regulation (EC) No 3605/93 show that the deficit actually amounted to 1.7 % of GDP in 2006, i.e. much below the reference value[12,13].

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10 SEC(2006) 990.

11 In 2004, a tax amnesty was granted, which however raised little revenue. In 2004 and 2005, *Landesbanken* were ordered to repay subsidies, following Commission Decisions.

12 Eurostat News Release No 55 of 23 April 2007.

13 General government accounts are usually revised for 4 years before becoming final. Based on past experience, the statistics on the German general government deficit are highly reliable. Therefore, any future (upward or downward) revision in the deficit ratio is expected to be very small.

About half of this unexpected improvement in the government balance is due to cyclical factors (real GDP actually grew by 2.7 %). Yet, also, the structural deficit improved, from 2½ % of GDP in 2005 to 1½ % of GDP in 2006. The principal contribution to the better structural outturn also comes from the revenue side. Direct taxes, especially those related to profits, yielded substantially stronger revenues than economic developments would have suggested. As a result, taxes as a percentage of GDP increased by more than ½ percentage point in 2006 compared with 2005. The higher tax ratio is therefore not the result of recent discretionary tax policy measures. Rather, it was partly driven by payments of tax arrears and early payments of direct taxes, to some extent the counterpart of the relatively low direct tax ratio of the past.

In addition, general government expenditure has been kept under firm control in 2006, growing only by 0.6 % and thus slightly less than targeted. The expenditure restraint in 2006 is the result of the above-mentioned measures adopted since 2002, especially with regard to public sector wages and subsidies, which continued to show effect in 2006. Moreover, the strong economic recovery has led to a reduction in labour market expenditure. Since most of the expenditure restraint was included in the expenditure ratio at around 46 % of GDP as targeted in the updated stability programme of February 2006, the further decline to 45.7 % was mainly due to the higher-than-expected GDP.

In sum, the nominal deficit has fallen well below the Treaty reference value, one year before the time limit set by the Council. In addition, the Council had requested an improvement in the structural balance of at least one percentage point in 2006 and 2007 in cumulative terms. Already in 2006, the structural balance improved by close to one percentage point.

3. Deficit projections for 2007 and beyond

Against buoyant expected real GDP growth of 2.5 % in 2007, the Commission services' forecast of spring 2007 projects the deficit to decline further to 0.6 % of GDP on current policies. The German authorities had projected the deficit to amount to 1.6 % of GDP in their updated stability programme of November 2006. In view of the improving macroeconomic situation and the lower-than-expected 2006 deficit, the deficit projection was revised to 1.2 % of GDP in the April 2007 notification.

As in the previous year, about half of the improvement in the government balance is structural, according to Commission services' calculations. Several measures, most of which were adopted in early 2006, contribute to the consolidation. The increase in the standard VAT rate from 16 % to 19 % should boost revenues by about 1 % of GDP. The pension contribution rate was raised from 19.5 % to 19.9 % and public health insurers are projected to increase contribution rates on average by ½ percentage point. On the other hand, the unemployment insurance contribution rate has been reduced from 6.5 % to 4.2 %, so that the overall social contribution burden will decline. As in 2006, profit-related taxes seem to continue their strong development. But notwithstanding the positive economic environment, revenue-rich tax bases like wages and salaries are expanding somewhat less dynamically than nominal GDP, so that – despite the increase in the VAT rate – the tax burden is expected to decline. The expenditure ratio should decline by more than one percentage point, once more reflecting public sector wage restraint and reduced labour-market-related spending, resulting from measures already implemented, such as the reduced benefit period for older recipients, and favourable labour market developments. However, public investment is projected to pick up, in view of better fiscal positions at all levels of government. Since there will be no recourse to one-off measures, the structural deficit is projected to decline by ¾ percentage point compared with the previous year.

Under the assumption of unchanged policies, the general government deficit is projected by the Commission services to decline further to 0.3 % of GDP in 2008, albeit almost entirely due to persistent favourable cyclical conditions. Continuing consolidation effects of measures already in force will be more than offset by the budgetary impact from the planned reform of company taxation, for which the government presented a draft law in March 2007, amounting to more than 0.3 % of GDP in the initial year.

In sum, the excessive deficit seems to have been corrected by 2006 in a permanent manner. The improvement in the structural balance as a percentage of GDP is projected to amount to ¾ percentage point in 2007, which would result in a cumulative improvement of 1½ percentage points in 2006 and 2007. Thus, Germany appears to comply with the Council's request for an improvement in the structural balance of at least one percentage point in 2006 and 2007 in cumulative terms.

According to the Commission services' spring forecast for 2008, at unchanged policies by the German authorities there will be no further improvement in the structural balance, whereas in its notice under Article 104(9), the Council had invited Germany to ensure that the budgetary consolidation towards its medium-term objective (MTO) of a balanced budget in structural terms was sustained through a reduction in the structural deficit by at least 0.5 % of GDP per year after the excessive deficit has been corrected. In its opinion of 27 February 2007 on the November 2006 update of the stability programme[14], the Council noted that the programme did not plan to achieve the MTO within the programme period (which ends in 2010). It invited Germany to: "*Benefiting from economic 'good times', strengthen the structural adjustment in 2008 including by using any extra revenues for deficit reduction, continue the fiscal consolidation towards the medium-term objective thereafter, by maintaining tight control over expenditures, while ensuring that the announced reform of the corporate tax system does not jeopardise the fiscal consolidation*".

4. DEBT DEVELOPMENTS AND PROJECTIONS

Government debt increased from 60.3 % of GDP in 2002 to 67.9 % in 2005 but stabilised in 2006. The fast increase in the debt ratio since the initiation of the excessive deficit procedure in 2002 can be mainly attributed to an unfavourable 'snow-ball' effect. This is the automatic increase in the debt-to-GDP ratio because of interest rates exceeding the growth rate of nominal GDP. Only in 2006, with high GDP growth, the increase in the primary surplus over-compensated the 'snow-ball' effect. Between 2002 and 2006, the increase in debt was contained through a reduction in financial assets – notably equity and loans granted by government to other sector – thus on average leading to a negative stock-flow adjustment.

Because of GDP growth expected to remain buoyant, the Commission services' spring 2007 forecast projects the debt ratio to decline in 2007 to 65.4 % of GDP. In line with the deficit reduction, the debt ratio would fall further to 63.6 % of GDP by 2008. This decline is steeper than projected in the updated stability programme of November 2006, which foresees a debt ratio at 66½ % for 2008.

14 OJ C 70, 27.3.2007, p. 5.

5. CONCLUSIONS

The general government deficit decreased from its peak of 4.0 % of GDP in 2003 to 1.7 % in 2006, much below the 3 % of GDP reference value. The measures underlying the deficit reduction are mainly of a permanent nature, while the cyclical upswing has supported the budgetary consolidation. The structural balance (the cyclically-adjusted balance net of one-off and other temporary measures) as a percentage of GDP improved by close to one percentage point in 2006. According to the Commission services' spring 2007 forecast, the headline deficit is expected to narrow to 0.6 % of GDP in 2007, supported by an estimated improvement in the structural balance of ¾ percentage point in 2007. Therefore, the estimated structural improvement in 2006 and 2007 would be in line with a fiscal effort of at least one percentage point as recommended by the Council. On a no-policy change basis, the headline deficit is projected at 0.3 % in 2008. This indicates that the deficit has been brought below the 3 % of GDP ceiling in a credible and sustainable manner.

General government gross debt rose from 60.3 % of GDP in 2002 to a peak of 67.9 % in 2005 but stabilised in 2006. According to the Commission services' spring 2007 forecast, the debt ratio is expected to fall to 65.4 % of GDP in 2007 and then in line with the deficit reduction to around 63½ % of GDP by 2008 (on a no-policy change basis), thus coming closer to the reference value more rapidly than projected in the most recent update of the stability programme.

From an overall assessment, it follows that the excessive deficit situation in Germany has been corrected. Accordingly, the Commission is recommending to the Council to abrogate its decision on the existence of an excessive deficit in Germany.

Table 2: Budgetary developments, 2002-2008

% of GDP, unless indicated otherwise	2002	2003	2004	2005	2006		2007		2008	
					COM	**SP**(2)	**COM**(3)	**SP**(2)	**COM**(3)	**SP**(2)
General government balance	-3.7	-4.0	-3.7	-3.2	-1.7	-2.1 (-1.7)(4)	-0.6	-1½ (-1.2)(4)	-0.3	-1½ (n.a.)(4)
- Total revenues	44.4	44.5	43.4	43.5	44.0	43½	43.7	43½	43.4	42½
- Total expenditure	48.1	48.5	47.1	46.8	45.7	45½	44.3	45	43.7	44½
Of which : - interest expenditure	2.9	3.0	2.8	2.7	2.8	3	2.8	3	2.8	3
- gross fixed capital formation	1.7	1.6	1.4	1.3	1.4	1½	1.4	1½	1.5	1 ½
One-off and temporary measures	n.a.	n.a.	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Cyclically-adjusted balance	-3.6	-3.2	-2.9	-2.3	-1.5	-2.0	-0.8	-1.5	-0.7	-1.5
Structural balance(1)	n.a.	n.a.	-3.0	-2.4	-1.5	-2.0	-0.8	-1.5	-0.7	-1.5
Government gross debt	60.3	63.9	65.7	67.9	67.9	68 (67.9)(4)	65.4	67 (66.7)(4)	63.6	66½ (n.a.)(4)
Pm Real GDP growth (%)	0.0	-0.2	1.2	0.9	2.7	2.3 (2.7)(5)	2.5	1.4 (2.3)(5)	2.4	1¾ (2.4)(5)
Pm Output gap	-0.2	-1.6	-1.5	-1.8	-0.3	-0.3	0.4	-0.3	0.9	-0.2

(1) Cyclically-adjusted balance excluding one-off and temporary measures.
(2) Cyclically-adjusted and structural balances and output gaps according to the programme as calculated by Commission services on the basis of the information in the programme.
(3) No-policy change assumption.
(4) Data from the spring 2007 notification (based on real GDP growth of 1.7 % in 2007).
(5) Forecast by German authorities of 25 April 2007.

Sources: Commission services' spring 2007 forecast (COM), November 2006 update of the stability programme (SP).

Recommendation for a

COUNCIL DECISION

abrogating Decision 2003/89/EC on the existence of an excessive deficit in Germany

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104(12) thereof,

Having regard to the recommendation from the Commission,

Whereas:

(1) By Council Decision 2003/89/EC[15], following a recommendation from the Commission in accordance with Article 104(6) of the Treaty, it was decided that an excessive deficit existed in Germany. The Council noted that the general government deficit was 3.7 % of GDP in 2002, significantly exceeding the 3 % of GDP Treaty reference value, while general government gross debt was expected at 60.9 % of GDP, slightly above the 60 % of GDP Treaty reference value.

(2) On 21 January 2003, in accordance with Article 104(7) of the Treaty and Article 3(4) of Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure[16] (EDP), the Council, based on a recommendation from the Commission, addressed a recommendation to Germany with a view to bringing the excessive deficit situation to an end as rapidly as possible and by 2004 at the latest. The recommendation was made public. As stated in the Commission Communication of 14 December 2004[17], in view of the unique circumstances created by the Council conclusions of 25 November 2003 and of the ruling of the European Court of Justice of 13 July 2004[18], the year 2005 should be considered to be the relevant deadline for the correction of the excessive deficit. On 18 January 2005, the Council concurred with this statement.

(3) In accordance with the Protocol on the excessive deficit procedure annexed to the Treaty, the Commission provides the data for the implementation of the procedure. As part of the application of this 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 4 of Council

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[15] OJ L 34 , 11.2.2003, p. 16.

[16] OJ L 209, 2.8.1997, p. 6. Regulation as amended by Regulation (EC) No 1056/2005 (OJ L 174, 7.7.2005, p. 5).

[17] Communication from the Commission to the Council: “The situation of Germany and France in relation to their obligations under the excessive deficit procedure following the judgement of the Court of Justice” - COM(2004) 813, 14.12.2004.

[18] Case C-27/04, Commission vs Council, [2004] ECR I-6649 (OJ C 228, 11.9.2004, p. 16).

Regulation (EC) No 3605/93 of 22 November 1993 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community[19].

(4) Actual data provided by the Commission (Eurostat) following a provisional notification by Germany in February 2006 indicated that the excessive deficit had not been corrected by 2005. According to Article 10(3) of Regulation (EC) No 1467/97 and based on a recommendation from the Commission, the Council on 14 March 2006 immediately took a decision under Article 104(9) of the Treaty giving notice to Germany to take measures for the deficit reduction judged necessary in order to remedy the situation of excessive deficit as rapidly as possible and at the latest by 2007. Specifically, the Council requested that in 2006 and 2007, Germany should ensure a cumulative improvement in its cyclically-adjusted balance net of one-off and temporary measures by at least one percentage point.

(5) In accordance with Article 104(12) of the Treaty, a Council Decision on the existence of an excessive deficit is to be abrogated when the excessive deficit in the Member State concerned has, in the view of the Council, been corrected.

(6) Based on data provided by the Commission (Eurostat) in accordance with Article 8g(1) of Regulation (EC) No 3605/93 following the notification by Germany before 1 April 2007 and on the Commission services' spring 2007 forecast, the following conclusions are warranted:

– the general government deficit, after rising from 3.7 % of GDP in 2002 to 4.0 % of GDP in 2003, was reduced to 3.7% of GDP in 2004, to 3.2 % of GDP in 2005, and finally to 1.7 % of GDP in 2006. This is lower than the target of 3.3 % of GDP set in the February 2006 update of the stability programme and well below the 3 % of GDP deficit reference value one year before the time limit set by the Council,

– in previous years of favourable cyclical conditions, Germany had not created enough budgetary leeway to accommodate the extended slow growth period between 2002 and 2005 with average real GDP growth at 0.5 % per year. A series of tax cuts, carried out until 2005, burdened the budget further, while offsetting measures on the expenditure side were implemented only with some delay. Consolidation measures included restraint in public sector wages, accompanied by a reduction in staff levels, the reform of the public health system in 2004, a reduction of subsidies and public investment, but also the fact that low wage growth in the private sector dampened pension outlays. Furthermore, in 2006, direct taxes, especially those related to profits, yielded stronger revenues than economic developments would have suggested. The cyclically-adjusted balance improved from 2002 onwards, without recourse to significant one-off measures. Particularly in 2006, the estimated structural balance (i.e. excluding one-off and other temporary measures) as a percentage of GDP improved by close to one percentage point,

[19] OJ L 332, 31.12.1993, p. 7. Regulation as last amended by Regulation (EC) No 2103/2005 (OJ L 337, 22.12.2005, p. 1).

– for 2007, the Commission services' spring 2007 forecast projects the deficit to be reduced further to 0.6 % of GDP, driven by continuing high GDP growth and, in particular, the increase in the standard VAT rate from 16 % to 19 % as of January 2007 (no one-offs are envisaged). In the spring 2007 notification, the German authorities estimated the 2007 deficit at 1.2 % of GDP. Moreover, the Commission services project an improvement in the structural balance as a percentage of GDP amounting to ¾ percentage point in 2007. Thus, Germany appears to comply with the recommended improvement in the structural balance of at least one percentage point in 2006 and 2007 in cumulative terms. For 2008, the spring forecast projects, with unchanged policies, a further decline in the deficit to 0.3 % of GDP. This indicates that the deficit has been brought below the 3 % of GDP ceiling in a credible and sustainable manner. With unchanged policies, the structural deficit is expected to decline only marginally in 2008. This has to be seen against the need to make progress towards the medium-term objective (MTO) for the budgetary position, which for Germany is a balanced budget in structural terms,

– after rising from 60.3 % of GDP in 2002 to a peak of 67.9 % of GDP in 2005, the debt ratio stabilised in 2006 and is projected to decline to 65.4 % of GDP in 2007 and to about 63½ % by 2008 (on a no-policy change basis) according to the Commission services' spring 2007 forecast, thus coming closer to the reference value more rapidly than projected in the most recent update of the stability programme.

(7) In the view of the Council, the excessive deficit in Germany has been corrected and Decision 2003/89/EC should therefore be abrogated.

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in Germany has been corrected.

Article 2

Decision 2003/89/EC is hereby abrogated.

Article 3

This Decision is addressed to the Federal Republic of Germany.

Done at [], [].

For the Council
The President