COUNCIL DECISION

of 22 June 2012

abrogating Decision 2010/285/EU on the existence of an excessive deficit in Germany

(2012/369/EU)

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 2 December 2009, by Decision 2010/285/EU [1], following a proposal from the Commission in accordance with Article 126(6) of the Treaty, the Council decided that an excessive deficit existed in Germany. The Council noted that the general government deficit planned for 2009 was 3,7 % of GDP, thus above the 3 % of GDP Treaty reference value, while the general government gross debt was planned to reach 74,2 % of GDP in 2009, thus above the 60 % of GDP Treaty reference value [2].

(2) On 2 December 2009, in accordance with Article 126(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 [3], 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 by 2013 at the latest. The recommendation was made public.

(3) Article 4 of the Protocol on the excessive deficit procedure annexed to the Treaties requires that the Commission provide 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 3 of Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community [4].

(4) When considering whether a decision on the existence of an excessive deficit should be abrogated, the Council should take a decision 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 threshold over the forecast horizon [5].

(5) Based on data provided by the Commission (Eurostat) in accordance with Article 14 of Regulation (EC) No 479/2009 following the notification by Germany before 1 April 2012 and on the Commission services 2012 spring forecast, the following conclusions are justified:

— Having stood at 3,2 % of GDP in 2009 and 4,3% of GDP in 2010, the general government deficit in Germany has been brought down to 1 % of GDP in 2011, thus below the 3 % reference value, two years ahead of the deadline set by the Council. This improvement was driven by favourable cyclical conditions, the robust labour market, the phasing-out of stimulus measures, fiscal consolidation efforts and the fading-out of the one-off impact of financial sector stabilisation measures on the deficit in the previous year.

— The German 2012 Stability Programme plans for the deficit to remain at 1 % of GDP in 2012 and to drop to ½ % of GDP in 2013, which is broadly in line with the Commission services forecast of a deficit of 0,9 % of GDP in 2012 and 0,7 % of GDP in 2013. Thus, the deficit is set to remain well below the reference value of 3 % of GDP. In addition, according to the Commission services' forecast, the cyclically adjusted budget deficit, net of one-off and other temporary measures, will be 0,4 % of GDP in 2012 and 0,3 % of GDP in 2013. Meanwhile, the growth rate of government expenditure net of discretionary revenue measures is forecast to exceed the expenditure benchmark as specified in Article 5(1) of Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies [6] in 2012, while respecting it in 2013.

— The debt-to-GDP ratio surged by 8,6 percentage points to 83,0 % in 2010, notably due to the

[1] OJ L 125, 21.5.2010, p. 38.
[2] The general government deficit and debt for 2009 were subsequently revised to currently 3,2 % of GDP and 74,4 % of GDP respectively.
[3] OJ L 209, 2.8.1997, p. 6.
[4] OJ L 145, 10.6.2009, p. 1.
[5] In line with the 'Specifications on the implementation of the Stability and Growth Pact and Guidelines on the format and content of Stability and Convergence Programmes', as agreed by the Council on 24 January 2012. See: http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/coc/code_of_conduct_en.pdf
[6] OJ L 209, 2.8.1997, p. 1.

transfer of impaired assets to 'bad banks' in the context of financial sector stabilisation. After having dropped to 81,2 % of GDP in 2011, gross debt is to increase again to 82,0 % of GDP in 2012 as a result of the euro area stabilisation measures, according to the Stability Programme, before falling to 80 % of GDP in 2013 and remaining on a downward path thereafter. This is broadly in line with the Commission services' forecast of a debt-to-GDP ratio of 82,2 % in 2012 and 80,7 % in 2013, which does not consider potential gains from the winding-up of 'bad banks'.

(6) In accordance with Article 126(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.

(7) The Council recalls that, starting in the year following the correction of its excessive deficit, Germany is in a transition period of three years (2012-2014), in which the requirement under the debt criterion is to be considered fulfilled if the country makes sufficient progress towards compliance with the debt reduction benchmark, in accordance with Article 2(1a) of Regulation (EC) No 1467/97. The fiscal adjustment planned by Germany in its stability programme is consistent with sufficient progress towards compliance with the debt reduction benchmark at the end of the transition.

(8) In the view of the Council, the excessive deficit in Germany has been corrected and Decision 2010/285/EU 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 2010/285/EU is hereby abrogated.

Article 3

This Decision is addressed to the Federal Republic of Germany.

Done at Luxembourg, 22 June 2012.

For the Council

The President

M. VESTAGER