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Recommendation for a

COUNCIL DECISION

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

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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 Commission,

Whereas:

(1) On 27 April 2009, following a recommendation from the Commission, the Council decided, by Decision 2009/417/EC[1], in accordance with Article 126(6) of the Treaty, that an excessive deficit existed in Spain. The Council noted that the general government deficit notified for 2008 was 3,4 % of GDP, thus above the 3%-of-GDP Treaty reference value. The general government gross debt was planned at 39.5% of GDP in 2008.

(2) On the same date, in accordance with Article 126(7) of the Treaty 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].

(3) Thereafter, the Council addressed three new recommendations to Spain (on 2 December 2009, 10 July 2012, and 21 June 2013) on the basis of Article 126(7) of the Treaty, which extended 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 unexpected adverse economic events with major unfavourable consequences for government finances had occurred.

(4) On 12 July 2016, the Council under Article 126(8) of the Treaty established that no effective action had been taken by Spain in response to the Council recommendation of 21 June 2013. On 8 August 2016, on the basis of Article 126(9) of the Treaty, the Council gave notice to Spain to take measures for the deficit reduction judged necessary in order to remedy the situation of an excessive deficit, thereby setting a new deadline for the correction by 2018. The Council also set a deadline of 15 October

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1 Council Decision 2009/417/EC of 27 April 2009 on the existence of an excessive deficit in Spain (OJ L 135, 30.5.2009, p. 25).

2 Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, p. 6).

3 All documents related to the excessive deficit procedure of Spain can be found at: https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/stability-and-growth-pact/corrective-arm-excessive-deficit-procedure/ongoing-excessive-deficit-procedures/spain_en .

2016 for effective action to be taken and for submitting a report 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 in compliance with Council Decision of 8 August 2016 under Article 126(9) of the Treaty.

(6) In accordance with Article 4 of the Protocol on the excessive deficit procedure annexed to the Treaties, the Commission provides the data for the implementation of the 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 Treaty reference value over the forecast horizon[5].

(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 turned out 0.2 percentage point lower, thanks 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 turned out higher, whereas on the expenditure side, compensation of employees turned out somewhat higher.

- The Stability Programme for 2019-2022, submitted by the Spanish government on 30 April 2019, plans the general government deficit to decline to 2.0% 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 2.0% of GDP in 2020, thus remaining below the 3%-of-GDP Treaty 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. The accumulated improvement in the structural balance since 2016 amounted to 0.4% of GDP.

- The gross government debt-to-GDP decreased to 97.1% in 2018, from 98.1% in 2017, mainly due to the debt-reducing impact of real growth and inflation

[4] 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 (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", adopted by the Economic and Financial Committee on 15 May 2017, available at: http://data.consilium.europa.eu/doc/document/ST-9344-2017-INIT/en/pdf

more than offsetting the opposite impact of interest expenditure, while the primary balance is close to zero. The Commission 2019 spring forecast projects the debt ratio to 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.

(9) 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.

(10) In the view of the Council, the excessive deficit in Spain has been corrected and Decision 2009/417/EC should therefore be abrogated.

(11) As from 2019, the year following the correction of the excessive deficit, Spain is subject to the preventive arm of the Stability and Growth Pact and should progress towards its medium-term budgetary objective at an appropriate pace, including respecting the expenditure benchmark, and comply with the debt criterion in accordance with Article 2(1a) of Regulation (EC) No 1467/97,

HAS ADOPTED THIS DECISION:

Article 1

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

Article 2

Decision 2009/417/EC is hereby abrogated.

Article 3

This Decision is addressed to the Kingdom of Spain.

Done at Brussels,

For the Council
The President