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Recommendation for a

COUNCIL DECISION

abrogating Decision 2010/290/EU on the existence of an excessive deficit in Slovakia

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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 proposal from the European Commission,

Whereas:

(1) By Council Decision 2010/290/EU of 2 December 2009[1], following a recommendation from the Commission, it was decided that an excessive deficit existed in Slovakia. The Council noted that according to the data notified by the Slovak authorities in October 2009, the general government deficit was planned to reach 6.3% of GDP in 2009, above the 3% of GDP Treaty reference value, while the general government gross debt was planned to stand at around 36% of GDP in 2009, well below 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 Slovakia with a view to bringing the excessive deficit situation to an end by 2013 at the latest. The recommendation was made public.

(3) 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 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

[1] OJ L 125, 21.5.2010, p. 48.
[2] The general government deficit and debt for 2009 reached 8% of GDP and 35.6% of GDP respectively.
[3] OJ L 209, 2.8.1997, p. 6.
[4] OJ L 145, 10.6.2009, p. 1.

if the Commission forecasts indicate that the deficit will not exceed the 3% of GDP reference value 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 Slovakia before 1 April 2014 and on the Commission 2014 spring forecast, the following conclusions are warranted:

– Having peaked at 8% of GDP in 2009, the general government deficit in Slovakia has been brought down to 2.8% of GDP in 2013 in line with the Council recommendation of 2 December 2009. The deficit reduction was driven by fiscal consolidation on both the revenue and the expenditure side, including one-off measures.

– The 2014 stability programme targets the headline deficit of 2.6% of GDP in 2014 and a further reduction to 2.5% of GDP in 2015, 1.6% of GDP in 2016 and 0.5% of GDP in 2017. The Commission 2014 spring forecast projects the general government deficit to increase slightly to 2.9% of GDP in 2014 and return to 2.8% of GDP in 2015. The deficit is thus set to stay below the Treaty reference value of 3% of GDP over the forecast horizon.

– The structural balance, i.e. the general government balance adjusted for the economic cycle and net of one-off and other temporary measures, has improved on average by 1½% of GDP each year between 2009 and 2013. While it is projected to deteriorate slightly in 2014, it would improve in 2015, based on a no-policy-change assumption. In this context, it appears that there is an emerging gap of 0.3% of GDP relative to the required adjustment of the structural balance towards the medium-term objective in 2014, suggesting that there is a need to reinforce the budgetary measures in order to ensure full compliance with the preventive arm of the pact in view of the emerging risk of a deviation from the required adjustment path.

– The general government debt reached 55.4% of GDP in 2013. The Commission 2014 spring forecast projects the general government debt to increase further to 56.3% of GDP in 2014 and 57.8% of GDP in 2015.

(6) The Council recalls that, starting from 2014, which is the year following the correction of the excessive deficit, Slovakia is subject to the preventive arm of the Stability and Growth Pact and should progress towards its medium-term objective at an appropriate pace, including respecting the expenditure benchmark.

(7) 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.

(8) In the view of the Council, the excessive deficit in Slovakia has been corrected and Decision 2010/290/EU should therefore be abrogated,

[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", of 3 September 2012. See: http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/coc/code_of_conduct_en.pdf

HAS ADOPTED THIS DECISION:

Article 1

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

Article 2

Decision 2010/290/EU is hereby abrogated.

Article 3

This Decision is addressed to the Slovak Republic.

Done at Brussels,

For the Council
The President