Council of the
European Union

Luxembourg, 12 June 2017
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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject:	COUNCIL DECISION abrogating Decision 2010/288/EU on the existence of an excessive deficit in Portugal

COUNCIL DECISION (EU) 2017/…

of …

abrogating Decision 2010/288/EU
on the existence of an excessive deficit in Portugal

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, following a recommendation from the Commission, the Council decided, by Decision 2010/288/EU[1], in accordance with Article 126(6) of the Treaty, that an excessive deficit existed in Portugal. The Council noted that the general government deficit planned for 2009 was 5,9 % of GDP, thus above the 3 %-of-GDP Treaty reference value. The general government gross debt (which had been above the 60 %-of-GDP Treaty reference value since 2005) was foreseen to reach 74,5 % of GDP in 2009.

(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[2], the Council, based on a recommendation from the Commission, addressed a Recommendation to Portugal with a view to bringing the excessive deficit situation to an end by 2013 at the latest. The Council also set a deadline of 2 June 2010 for effective action to be taken.

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1 Council Decision 2010/288/EU of 2 December 2009 on the existence of an excessive deficit in Portugal (OJ L 125, 21.5.2010, p. 44).

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) Following the request by the Portuguese authorities for financial assistance from the Union, the Member States whose currency is the euro and the International Monetary Fund (IMF), the Council granted financial assistance to Portugal[1]. The Memorandum of Understanding on Specific Economic Policy Conditionality between the Commission and the Portuguese authorities was signed on 17 May 2011. Thereafter the Council addressed two new Recommendations to Portugal on 9 October 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 2014 and 2015, respectively. In both cases, the Council considered that Portugal had taken effective action, but unexpected adverse economic events with major unfavourable consequences for government finances had occurred. In line with Article 10(2)(a) of Regulation (EU) No 472/2013 of the European Parliament and of the Council[2], Portugal was exempted from a separate reporting requirement under the excessive deficit procedure and reported in the framework of its macroeconomic adjustment programme.[3]

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1 Council Implementing Decision 2011/344/EU of 17 May 2011 on granting Union financial assistance to Portugal (OJ L 159, 17.6.2011, p. 88).

2 Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability (OJ L 140, 27.5.2013, p. 1).

3 All documents related to excessive deficit procedures 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/excessive-deficit-procedures-overview_en

(4) In accordance with Article 126(8) of the Treaty, the Council decided, on 12 July 2016, that Portugal had not taken effective action in response to the Council Recommendation of 21 June 2013. On 8 August 2016, the Council adopted a decision in accordance with Article 126(9) of the Treaty giving notice to Portugal to take measures for the deficit reduction judged necessary in order to remedy the situation of excessive deficit, thereby setting a new deadline for correction by 2016. The Council also set a deadline of 15 October 2016 for effective action to be taken.

(5) On 16 November 2016, the Commission concluded that Portugal had taken effective action in compliance with the 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 statistical data for the implementation of the procedure. As part of the application of that Protocol, Member States are to notify statistical 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[1].

[1] 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).

(7) The Council has to take a decision to abrogate a decision on the existence of an excessive deficit on the basis of notified statistical 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[1].

(8) Based on data provided by the Commission (Eurostat) in accordance with Article 14 of Regulation (EC) No 479/2009, following the April 2017 notification by Portugal, the Stability Programme for 2017-2021 and the Commission 2017 spring forecast, the following conclusions are justified:

– After reaching 4,4 % of GDP in 2015 (3,1 % of GDP net of one-offs), the general government deficit was reduced to 2,0 % of GDP in 2016 (2,3 % of GDP net of one-offs). As compared to the targets set out in the 2016 budget, the deficit reduction in 2016 was mainly driven by the containment of current expenditure (-0,9 % of GDP), particularly in intermediate consumption, and under-execution of capital expenditure (-0,5 % of GDP), which more than compensated the revenue shortfall (1,1 % of GDP) for both tax and non-tax revenue.

1 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 5 July 2016, available at: http://ec.europa.eu/economy_finance/economic_governance/sgp/legal_texts/index_en.htm.

– The Stability Programme for 2017-2021, submitted by the Portuguese Government on 28 April 2017, is planning for the general government deficit to decline to 1,5 % of GDP in 2017 and 1,0 % of GDP in 2018. The Commission 2017 spring forecast projects a deficit of 1,8 % of GDP in 2017 and 1,9 % of GDP in 2018, thus remaining below the 3 %-of-GDP Treaty reference value over the forecast horizon. Those projections do not include the potential deficit-increasing impact of bank support measures, which are not to put at risk the durable reduction of the deficit.

– The structural balance, which is the general government balance adjusted for the economic cycle and net of one-off and other temporary measures, improved by 0,3 % of GDP in 2016.

– The gross government debt-to-GDP increased to 130,4 % in 2016, from 129 % in 2015, due to debt-increasing stock-flow adjustments. The Commission 2017 spring forecast projects the debt ratio to decrease to 128,5 % in 2017 and 126,2 % in 2018 due to primary surpluses.

(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 Portugal has been corrected, and Decision 2010/288/EU should therefore be abrogated.

(11) As from 2017, which is the year following the correction of the excessive deficit, Portugal 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 Portugal has been corrected.

Article 2

Decision 2010/288/EU is hereby abrogated.

Article 3

This Decision is addressed to the Portuguese Republic.

Done at Luxembourg,

For the Council
The President