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(Information)

COUNCIL

COUNCIL OPINION

of 8 May 2000

on the updated stability programme of Austria for the period 2000 to 2003

(2000/C 162/01)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to 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 ⁽¹⁾, and in particular Article 5(3) thereof,

Having regard to the recommendation of the Commission,

After consulting the Economic and Financial Committee,

HAS DELIVERED THIS OPINION:

On 8 May 2000 the Council examined the updated stability programme for Austria which covers the period 2000 to 2003. The Council notes with satisfaction that the new Austrian government was able, despite the relatively short time available, to present a programme update which is based on the draft budget for 2000 and gives detailed information on the expected developments of macroeconomic and budgetary aggregates up to the programme's horizon. The Council welcomes the fact that the deficit targets agreed in the original stability programme were met in 1998 and 1999. However, growth was above trend in the period 1998 to 1999, even though somewhat below what was anticipated in the original stability programme. Therefore, the Council regrets that no further headway in budgetary consolidation was made during this period. The Council notes, moreover, that the debt ratio, which is still above the 60 % reference value, increased in 1999.

The updated programme envisages a decline in the general government budget deficit from 2,0 % of GDP in 1999 to 1,3 % of GDP by 2003, while the gross debt ratio is expected to decrease from 64,9 % of GDP to 61,2 % over the same period. These projections are based on a macroeconomic scenario expecting output growth to fall gradually from its current cyclical peak of 2,8 % to 1,9 % by 2003, amounting to annual average growth of 2,5 %, i.e. slightly above trend. In view of the good supply and demand conditions at present in the Austrian economy and the favourable external environment, the Council considers that such a growth outlook appears feasible without igniting inflationary pressures, as assumed in the programme.

The Council notes that the new Austrian government has maintained the targets for the general government balance as set out in the original programme until 2002. The Council regrets, however, that the goal of attaining the 60 % of GDP reference value for the gross consolidated debt has been postponed by three years to 2005. The Council recalls that in its opinion on the original programme ⁽²⁾ it recommended that a more ambitious consolidation of government finances be pursued. The Council acknowledges that, owing to the former government's decision on a substantial reform of income taxes and family benefits taking effect in 2000, budgetary consolidation has been made more challenging. The Council notes, however, that, to meet the cost of this reform, the updated programme resorts heavily to one-off measures in each of the years covered by the programme. The Council emphasises that the necessary sustainable reduction in the government deficit cannot be achieved on a lasting basis by these measures. In addition, the Council considers that, net of these measures, the envisaged medium-term government deficit in the updated stability programme is not fully in line with the requirements of the Stability and Growth Pact, as it does not give a large enough safety margin to prevent the deficit from breaching the 3 % of GDP reference value in the event of cyclical downturn.

⁽¹⁾ OJ L 209, 2.8.1997, p. 1.

⁽²⁾ OJ C 42, 17.2.1999, p. 5.

The Council therefore urges the Austrian government to reduce the deficit targets in the next update of the programme. In addition, the Council invites the Austrian government to revert to its original goal for the government debt ratio to attain the 60 % of GDP reference value by 2002. To prepare the ground for such a revision, the Austrian government should aim at a better deficit outcome than projected in 2000, especially if growth should turn out higher than expected. All levels of government are called upon to achieve better budgetary outcomes than planned. Special attention must be given to the budget for 2001. Most notably, the one-off revenue measures, on which the attainment of the deficit targets relies, should be replaced by permanent measures, prioritising expenditure savings, from 2001 onwards. In this context, the Council notes that the statistical treatment of real estate sales is still under consideration by Eurostat. Furthermore, any additional spending or further revenue reductions, including those envisaged in the programme in the years 2001 and beyond, should be made contingent on expenditure savings in other areas.

The Council considers that, to achieve the aim of a sustained consolidation of government finances, wide-ranging structural reforms, as outlined in the programme, are essential. In particular, the public sector reform as well as reforms in the transfer and benefit systems should be pursued with determination. Moreover, in the framework of the upcoming negotiations on the financial equalisation scheme between the federal government and the regions, efforts should be undertaken better to align the competencies for taxing and spending.

The Council considers the planned structural reform measures outlined in the programme to be key measures for the required improvement in the functioning of product and labour market. The general thrust of these reforms appears appropriate and in keeping with the Broad Guidelines for the Economic Policies of the Member States and the Community. The Council encourages the Austrian government to implement these reforms with determination.