COUNCIL DECISION

of 13 July 2010

on the existence of an excessive deficit in Finland

(2010/408/EU)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 126(6) in conjunction with Article 126(13) and Article 136 thereof,

Having regard to the proposal from the European Commission,

Having regard to the observations made by Finland,

Whereas:

(1) According to Article 126(1) of the Treaty Member States shall avoid excessive government deficits.

(2) The Stability and Growth Pact is based on the objective of sound government finances as a means of strengthening the conditions for price stability and for strong sustainable growth conducive to employment creation.

(3) The excessive deficit procedure (EDP) under Article 126 of the Treaty, as clarified by Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure [1] (which is part of the Stability and Growth Pact), provides for a decision on the existence of an excessive deficit. The Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of the EDP. Council Regulation (EC) No 479/2009 [2] lays down detailed rules and definitions for the application of the provision of the said Protocol.

(4) The 2005 reform of the Stability and Growth Pact sought to strengthen its effectiveness and economic underpinnings as well as to safeguard the sustainability of the public finances in the long run. It aimed at ensuring that, in particular, the economic and budgetary background was taken into account fully in all steps in the EDP. In this way, the Stability and Growth Pact provides the framework supporting government policies for a prompt return to sound budgetary positions taking account of the economic situation.

(5) Article 126(5) of the Treaty requires the Commission to address an opinion to the Council if the Commission considers that an excessive deficit in a Member State exists or may occur. Having taken into account its report in accordance with Article 126(3) and having regard to the opinion of the Economic and Financial Committee in accordance with Article 126(4), the Commission concluded that an excessive deficit exists in Finland. The Commission therefore addressed such an opinion to the Council in respect of Finland on 15 June 2010 [3].

(6) Article 126(6) of the Treaty states that the Council should consider any observations which the Member State concerned may wish to make before deciding, after an overall assessment, whether an excessive deficit exists. In the case of Finland, this overall assessment leads to the following conclusions.

(7) According to the data notified by the Finnish authorities in April 2010, the general government deficit in Finland is planned to reach 4,1 % of GDP in 2010, thus exceeding the 3 % of GDP reference value. While the third supplementary budget presented by the Ministry of Finance to the Parliament on 14 May 2010 suggests that tax revenues in 2010 could turn out higher than planned, this has not officially altered the deficit target. The planned deficit is not close to the 3 % of GDP reference value, but the planned excess over the reference value can be qualified as exceptional within the meaning of the Treaty and the Stability and Growth Pact. In particular, it does result from a severe economic downturn in the sense of the Treaty and the Stability and Growth Pact. Furthermore, the planned excess over the reference value can be considered temporary. According to the Commission services' spring 2010 forecast, the deficit will fall below the reference value in 2011, supported by the projected economic recovery taking hold. The deficit criterion in the Treaty is not fulfilled.

[1] OJ L 209, 2.8.1997, p. 6.
[2] OJ L 145, 10.6.2009, p. 1.
[3] All EDP-related documents for Finland can be found at the following website: http://ec.europa.eu/economy_finance/sgp/deficit/countries/index_en.htm

(8) According to the data notified by the Finnish authorities in April 2010, the general government gross debt remains below the 60 % of GDP reference value at 49,9 % of GDP in 2010. The Commission services' spring 2010 forecast projects the debt ratio to be at 50,5 % of GDP in 2010 and to increase to 54,9 % of GDP in 2011, still to remain below the 60 % of GDP reference value. The debt criterion in the Treaty is fulfilled.

(9) According to Article 2(4) of Council Regulation (EC) No 1467/97, 'relevant factors' can only be taken into account in the steps leading to the Council decision on the existence of an excessive deficit in accordance with Article 126(6) if the double condition – that the deficit remains close to the reference value and that its excess over the reference value is temporary – is fully met. In the case of Finland, this double condition is not met. Therefore, relevant factors are not taken into account in the steps leading to this Decision,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that an excessive deficit exists in Finland.

Article 2

This Decision is addressed to the Republic of Finland.

Done at Brussels, 13 July 2010.

For the Council

The President

D. REYNDERS