COUNCIL OPINION
of 22 January 2002
on the updated stability programme of the Netherlands, 2000-2004

(2002/C 33/03)

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 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 22 January 2002 the Council examined the updated stability programme for Austria which covers the period 2000-2004.

Real GDP growth decelerated sharply in 2001 to about 1 % from 3,5 % in 2000; the deterioration in the general government balance, although significant, but partly due to the implementation of the tax reform as from 1 January 2001, was less dramatic, the surplus falling from 1,5 % to an estimated 0,7 % of GDP; besides the contribution of these surpluses, the government debt ratio continued to decrease due to developments in nominal GDP.

The Council notes that, since the presentation of the 2001 updated stability programme on 17 October 2001, the macroeconomic projections for 2001 and 2002 have been significantly revised downwards by the Netherlands Bureau for Economic Policy Analysis, in order to take into account the full impact of the international economic downturn and the estimated effects of the 11 September events. The Dutch authorities, acknowledging the economic slowdown and its impact on budgetary conditions, have presented revised figures reflecting the latest information (December) available on economic growth, resulting in budgetary surpluses of 0,7 % of GDP in 2001 and 0,4 % in 2002.

The Council notes that for 2003 and 2004, which are beyond the term of office of the present government, the budgetary estimates in the updated programme are technical projections based on a cautious macroeconomic scenario under the assumption of unchanged policy.

The Council notes that despite the economic slowdown, a general government surplus is projected for 2002; the Council expects that surpluses will continue to be projected for the remaining years of the programme implying that they will be in line with the stability and growth pact objective of a fiscal position close to balance or in surplus; the Council considers that the progress already made by the Netherlands in improving the general government budgetary position provides adequate margin in order to cope with the budgetary impact of normal macroeconomic fluctuations without breaching the 3 % of GDP deficit threshold.

The Council notes the modification in the 2002 budget, in favour of debt reduction, of the fifty-fifty rule of allocation of additional revenues to debt reduction and tax alleviation. It acknowledges that this was done in order to comply with the Council recommendation of March 2001 as well as with the broad economic policy guidelines, but also in view to strengthen the budgetary position and better prepare for the consequences of the ageing population. The Council notes that the implementation of overall expenditure targets made possible increased government spending in priority areas and reduction in the tax burden, while respecting the requirements of the stability and growth pact. The Council welcomes the growth pact. The Council welcomes the structural reforms underway, which aim at improving the efficiency of government expenditure in particular in health care, education and social infrastructure, as well as increasing the participation rate and competitiveness which should reduce the tightness of the labour markets and help to moderate wage pressures.

The Council welcomes the clear strategy for improving the sustainability of public finances and meeting the consequences of population ageing; it encourages the government to maintain the effort towards reducing the debt ratio and improving labour supply and employment rate in order to achieve these objectives.