COUNCIL DECISION

of 20 June 2014

abrogating Decision 2010/284/EU on the existence of an excessive deficit in the Czech Republic

(2014/405/EU)

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, in Decision 2010/284/EU ([1]), that an excessive deficit existed in the Czech Republic. The Council noted that the general government deficit in the Czech Republic was planned to reach 6,6 % of GDP in 2009, thus above the 3 % of-GDP-Treaty reference value, while the general government gross debt was expected to reach 35,5 % of GDP in 2009, well below the 60 %-of-GDP Treaty reference value. The general government deficit and debt for 2009 were subsequently revised to 5,8 % and 34,6 % of GDP, respectively.

(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 the Czech Republic with a view to bringing the excessive deficit situation to an end by 2013 at the latest. That Council 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 that 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 ([3]).

(4) When considering whether a decision on the existence of an excessive deficit ought to be abrogated, the Council is to take a decision on the basis of notified 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 ([4]).

(5) Based on data provided by the Commission (Eurostat) in accordance with Article 14 of Regulation (EC) No 479/2009, following the notification by the Czech Republic before 1 April 2014, and on the Commission services 2014 spring forecast, the following conclusions are justified:

— Having peaked at 5,8 % of GDP in 2009, the general government deficit in the Czech Republic was brought down and reached 1,5 % of GDP in 2013, which was the deadline set by the Council. This improvement was driven by consolidation both on the expenditure and the revenue side, in particular by increases in indirect taxation and cuts in public investment.

— The 2014 Convergence Programme of the Czech Republic projects an increase in the general government deficit to 1,8 % of GDP in 2014 and to 2,3 % of GDP in 2015, while the Commission services 2014 spring forecast projects the general government deficit to reach 1,9 % of GDP in 2014 and 2,4 % of GDP in 2015, based on a no-policy-change assumption. Thus, the deficit is set to remain below the 3 %-of-GDP Treaty reference value over the forecast horizon.

([1]) Council Decision 2010/284/EU of 2 December 2009 on the existence of an excessive deficit in the Czech Republic (OJ L 125, 21.5.2010, p. 36).

([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]) 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).

([4]) 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

— The structural balance, that is the general government balance adjusted for the economic cycle and net of one-off and other temporary measures, improved on average by 1,4 % of GDP a year over the period 2010-2013. It is forecast to deteriorate by 1 % of GDP in 2014 (to — 1,1 % of GDP) and by a further 0,8 % of GDP in 2015, based on a no-policy-change assumption.

— The debt-to-GDP ratio increased by 11,5 percentage points between 2009 and 2013 to 46 %. The Commission services 2014 spring forecast projects the general government gross debt to fall temporarily to 44,4 % of GDP in 2014 and to increase to 45,8 % of GDP in 2015.

(6) Starting from 2014, which is the year following the correction of the excessive deficit, the Czech Republic is subject to the preventive arm of the Stability and Growth Pact and should maintain its structural balance at or above its medium-term budgetary objective.

(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 the Czech Republic has been corrected and Decision 2010/284/EU should therefore be abrogated,

HAS ADOPTED THIS DECISION:

Article 1

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

Article 2

Decision 2010/284/EU is hereby abrogated.

Article 3

This Decision is addressed to the Czech Republic.

Done at Luxembourg, 20 June 2014.

For the Council

The President

G. A. HARDOUVELIS