Commission adopts reports under excessive deficit procedure for Bulgaria, Cyprus, Denmark, Finland and Luxembourg

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The European Commission today adopted reports under the corrective arm of the Stability and Growth Pact for Bulgaria, Cyprus, Denmark, Finland and Luxembourg.
Taking due account of the most recent economic outlook and all other relevant factors, the reports examine whether the general government deficit remains close to the 3% of GDP reference value and whether the excess is exceptional and temporary.
The Commission concludes that only in the case of Luxembourg all these three conditions are fulfilled.

"The economic and financial crisis has put public finances in the EU under strain. As a result, a vast majority of Member States currently have a general government deficit in excess of 3% of GDP. The Commission services' spring 2010 forecast shows that the recovery is underway in the EU, although it is set to be a gradual one. Our attention should therefore turn to returning sustainable public finances as soon as possible. A rigorous application of the Stability and Growth Pact is the best way to assure financial markets that the reduction of deficit and debt levels will be conducted properly and timely", said Economic and Monetary Affairs Commissioner Olli Rehn.

Bulgaria

The data reported by the Bulgarian authorities in the April 2010 EDP notification show that the general government deficit in Bulgaria reached 3.9% of GDP in 2009. The excess over the 3% of GDP reference value can be qualified as exceptional, as it results from a severe economic downturn. According to the spring forecast, the deficit is temporary as the deficit forecast is below 3% of GDP this year, although considerable uncertainties prevail as to the outcome. However, since the deficit cannot be considered close to the reference value, the Commission concluded that the deficit criterion in the Treaty is not fulfilled.

Cyprus

In the April 2010 EDP notification, the Cypriot authorities notified a general government deficit of 6.1% of GDP in 2009, while the general government gross debt stood at 56.2% of GDP on a rising trend. Resulting from a severe economic downturn, the Commission considered the excess over the 3% to be exceptional. Clearly above the 3%, the deficit cannot be considered close to the reference value. The spring forecast shows the breach is not temporary. The Commission therefore concluded that the deficit criterion in the Treaty is not fulfilled. As the government debt ratio is forecast to exceed the 60% of GDP reference value in 2010 according to both the stability programme and the spring forecast, the Commission concluded that the debt criterion in the Treaty is not fulfilled either.

Denmark

The Danish authorities reported a planned general government deficit of 5.4% of GDP for 2010 in the April 2010 EDP notification. The planned excess over the reference value is exceptional as it results from a severe economic downturn. Clearly above the 3%, the deficit cannot be considered close to the reference value. The planned deficit is not temporary, as is evidenced by the spring forecast. The Commission therefore concluded that the deficit criterion in the Treaty is not fulfilled.

Finland

The Finnish authorities reported a planned general government deficit of 4.1% of GDP for 2010 in the April 2010 EDP notification. The planned excess over the reference value is exceptional, resulting from a severe economic downturn. The planned deficit is temporary, as the spring forecast projects the deficit to diminish to 2.9% of GDP under a no policy change assumption, narrowly below the reference value. However, at 4.1% of GDP the planned deficit cannot be considered close to the reference value. The Commission therefore concluded that the deficit criterion in the Treaty is not fulfilled.

Luxembourg

According to the April 2010 EDP notification, the general government deficit in Luxembourg is planned to reach 4.2% of GDP in 2010. The excess is considered to be exceptional, as it results from the effects of the economic downturn. However, the according to the Commission spring forecast is only 3.5%, which can be considered close. Furthermore, as result of the policy decision taken after the spring forecast deficit in 2010 can be considered temporary. The Commission therefore concluded that the deficit criterion in the Treaty is fulfilled.