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Recommendation for a

COUNCIL DECISION

abrogating Decision 2009/591/EC on the existence of an excessive deficit in Latvia

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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 Commission,

Whereas:

(1) By Council Decision 2009/591/EC of 7 July 2009[1], following a recommendation from the Commission in accordance with Article 104(6) of the Treaty, it was decided that an excessive deficit existed in Latvia. The Council noted that the general government deficit reached 4.0% of GDP in 2008, above the 3% of GDP Treaty reference value, while the general government gross debt stood at 19.5% of GDP in 2008, well below the 60% of GDP Treaty reference value[2].

(2) On 7 July 2009, in accordance with Article 104(7) of the Treaty and Article 3(4) of Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure[3], the Council, based on a recommendation from the Commission, addressed a recommendation to Latvia with a view to bringing the excessive deficit situation to an end by 2012 at the latest. The 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 this 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 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community[4].

(4) When considering whether a decision on the existence of an excessive deficit should be abrogated, the Council should take a decision on the basis of notified data. Moreover, a decision on the existence of an excessive deficit should be abrogated only

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1 OJ L 202, 4.8.2009, p. 50.
2 The general government deficit and debt for 2008 were subsequently revised to currently 4.2% of GDP and 19.8% of GDP respectively.
3 OJ L 209, 2.8.1997, p. 6.
4 OJ L 145, 10.6.2009, p. 1.

if the Commission forecasts indicate that the deficit will not exceed the 3% of GDP threshold over the forecast horizon[5].

(5) Based on data provided by the Commission (Eurostat) in accordance with Article 14 of Regulation (EC) No 479/2009 following the notification by Latvia before 1 April 2013 and on the Commission services' 2013 spring forecast, the following conclusions are warranted:

– Following high general government deficits in 2009 and 2010 (respectively at 9.8% and 8.1% of GDP), which partly reflected measures to stabilise the financial sector, the deficit started rapidly declining in 2011, when it reached 3.6% of GDP. This improvement reflected sizeable and broad-based fiscal consolidation implemented over the period of 2009-2011 in the context of the economic adjustment programme supported by the balance-of-payments assistance, as well as improving cyclical conditions; the adjustment programme was successfully completed in January 2012. In 2012, the general government deficit declined further to 1.2% of GDP, thus overachieving the deficit target of 2.1% of GDP set in the 2012 convergence programme and well below the 3% of GDP Treaty reference value. On the revenue side this reflected favourable cyclical conditions and improving tax efficiency, while expenditure growth remained substantially below the nominal GDP growth. As a result, the share of government revenue in GDP increased by ¼ percentage points, while the share of government expenditure declined by 2 percentage points in 2012.

– The 2013 convergence programme envisages that the headline deficit will be 1.1% of GDP in 2013, stabilising thereafter at the level of 0.9% of GDP until 2016. The Commission services' 2013 spring forecast projects that the general government deficit will remain broadly unchanged in 2013 at 1.2% of GDP and will decrease to 0.9% of GDP in 2014, thus staying well below the reference value of 3% of GDP.

– The general government debt stood at 40.7% of GDP in 2012. The Commission services' 2013 spring forecast projects the general government gross debt to increase to 43.2% of GDP in 2013, as the government accumulates assets for large debt repayments scheduled for 2014-2015. The debt is expected to decline again to around 40% of GDP in 2014, as these repayments take effect.

(6) The Council recalls that, starting from 2013, which is the year following the correction of the excessive deficit, Latvia should ensure compliance with the requirements of the preventive arm of the Stability and Growth Pact, including respecting the expenditure benchmark.

(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.

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5 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

(8) In the view of the Council, the excessive deficit in Latvia has been corrected and Decision 2009/591/EC should therefore be abrogated,

HAS ADOPTED THIS DECISION:

Article 1

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

Article 2

Decision 2009/591/EU is hereby abrogated.

Article 3

This Decision is addressed to the Republic of Latvia.

Done at Brussels,

For the Council
The President