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Recommendation for a

COUNCIL DECISION

abrogating Decision 2010/407/EU on the existence of an excessive deficit in Denmark

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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 2010/407/EU of 13 July 2010[1], following a recommendation from the Commission, it was decided that an excessive deficit existed in Denmark. The Council noted that according to the data notified by the Danish authorities in April 2010, the general government deficit planned for 2010 was 5.4% of GDP, thus above the 3% of GDP Treaty reference value. The general government gross debt was expected at 45.1% of GDP in 2010, well below the 60% of GDP Treaty reference value[2].

(2) On 13 July 2010, in accordance with Article 126(7) TFEU 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 Denmark with a view to bringing the excessive deficit situation to an end by 2013 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 (no 12) 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 189, 22.7.2010, p. 15.

2 The general government deficit for 2010 has subsequently been revised to 2.5% of GDP, while the general government gross debt has been revised to 42.8% of GDP.

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 reference value 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 Denmark before 1 April 2014 and on the Commission 2014 spring forecast, the following conclusions are warranted:

– The general government deficit stayed within the 3% of GDP reference value in the period 2010-2013, except in 2012, when the balance was negatively affected by a one-off reimbursement related to a pension reform in 2011. The one-off reimbursement is estimated to have weakened the fiscal balance by 1.6% of GDP in 2012. The general government deficit amounted to 2.5% of GDP in 2010, 1.9% of GDP in 2011, 3.8% of GDP in 2012 and 0.8% of GDP in 2013. The improvement of the fiscal balance was driven by consolidation measures both on the revenue and expenditure side, in particular through restricted growth in public consumption.

– Denmark's 2014 convergence programme projects a general government deficit of 1.3% of GDP in 2014 and 2.9% of GDP in 2015. In 2013-2014, public finances are affected by one-off revenues coming from the restructuring of existing capital pensions, giving the opportunity to pay off tax liability of future capital pensions at a favourable rate. This measure is estimated to boost the fiscal balance by close to 1.8% of GDP in both years. In 2015, this measure will have no impact, leading to an expected increase in the public finance deficit. The Commission 2014 spring forecast projects the general government deficit to 1.2% of GDP in 2014 and to 2.7% of GDP in 2015. Thus, the deficit is set to remain below the reference value of 3% of GDP over the forecast horizon.

– After having improved by 0.7% of GDP in cumulative terms between 2011 and 2013, the structural balance, i.e. adjusted for the economic cycle and net of one-off and other temporary measures, is forecast to deteriorate by 0.8% of GDP in 2014 (to -0.2% of GDP) and by further 0.3% of GDP in 2015, based on a no-policy-change assumption.

– The Commission 2014 spring forecast projects the general government gross debt to decrease to 43.5% of GDP in 2014 and to increase to 44.9% of GDP in 2015, below the 60% of GDP Treaty reference value.

(6) The Council recalls that, starting in 2014, which is the year following the correction of the excessive deficit, Denmark is subject to the preventive arm of the Stability and Growth Pact and should maintain its structural balance at or above its medium-term 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 Denmark has been corrected and Decision 2010/407/EU should therefore be abrogated,

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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 September2012. See: http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/coc/code_of_conduct_en.pdf

HAS ADOPTED THIS DECISION:

Article 1

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

Article 2

Decision 2010/407/EU is hereby abrogated.

Article 3

This Decision is addressed to the Kingdom of Denmark.

Done at Brussels,

For the Council
The President