Recommendation for a

COUNCIL DECISION

abrogating Decision 2009/414/EC on the existence of an excessive deficit in France

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) On 27 April 2009, following a recommendation from the Commission, the Council decided, by Decision 2009/414/EC[[1]](#footnote-1), in accordance with Article 126(6) of the Treaty, that an excessive deficit existed in France. The Council noted that the general government deficit notified for 2008 was 3.2% of GDP, thus above the 3%-of-GDP Treaty reference value. The general government gross debt (which had been above the 60%-of-GDP Treaty reference value since 2003) was planned to reach 66.7% of GDP in 2008.

(2) On the same date, in accordance with Article 126(7) of the Treaty and Article 3(4) of Regulation (EC) No 1467/97[[2]](#footnote-2), the Council, based on a recommendation from the Commission, issued a recommendation to France with a view to bringing the excessive deficit situation to an end by 2012 at the latest[[3]](#footnote-3). The Council also set a deadline of 27 October 2009 for effective action to be taken.

(3) Thereafter the Council addressed a new recommendation to France on 2 December 2009 on the basis of Article 126(7) of the Treaty, which extended the deadline for correcting the excessive deficit to 2013. The Council considered that France had taken effective action, but unexpected adverse economic events with major unfavourable consequences for government finances had occurred.

(4) On 21 June 2013, on the basis of Article 126(7) of the Treaty, the Council addressed a new recommendation to France, which extended the deadline for correcting the excessive deficit to 2015. The Council considered that the available evidence did not allow to conclude on no effective action, but unexpected adverse economic events with major unfavourable consequences for government finances had occurred.

(5) Thereafter, on 10 March 2015 the Council under Article 126(7) of the Treaty issued a new recommendation to France with a view to bringing an end to the excessive deficit situation by 2017. The Council established the deadline of 10 June 2015 for France to report in detail on action taken.

(6) On 1 July 2015, the Commission concluded that the headline deficit targets for France were expected to be met both in 2015 and 2016, while the projected fiscal effort, according to all metrics, was projected to fall short of the recommended ones in 2015 and 2016. Therefore, according to the methodology for assessing effective action, the Commission considered that the procedure was to be held in abeyance.

(7) 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 Regulation (EC) No 479/2009[[4]](#footnote-4).

(8) The Council should take a decision to abrogate a decision on the existence of an excessive deficit 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[[5]](#footnote-5).

(9) Based on data provided by the Commission (Eurostat) in accordance with Article 14 of Regulation (EC) No 479/2009, following the April 2018 notification [[6]](#footnote-6) by France, the 2018 Stability Programme and the Commission 2018 spring forecast, the following conclusions are warranted:

* After reaching 3.4% of GDP in 2016, the general government deficit was reduced to 2.6% of GDP in 2017. As compared to the 2017 budget targets, the deficit reduction in that year was mainly driven by the buoyancy of tax revenues (0.7% of GDP), especially VAT and corporate taxes.
* The Stability Programme for 2018-2022, submitted by the French government on 25 April 2018, plans the general government deficit to decline to 2.3% of GDP in 2018 and to slightly increase to 2.4% of GDP in 2019. The Commission 2018 spring forecast projects a deficit of 2.3% of GDP in 2018 and 2.8% of GDP in 2019, thus remaining below the 3%-of-GDP Treaty reference value over the forecast horizon.
* The structural balance, which is the general government balance adjusted for the economic cycle and net of one-off and other temporary measures, improved by 0.5% of GDP in 2017. The accumulated improvement in the structural balance since 2015 amounted to 0.7% of GDP.
* The gross government debt-to-GDP increased to 97.0% in 2017, from 96.6% in 2016, mainly due to the debt-increasing stock-flow adjustments as the primary deficit and interest payments were broadly offset by the debt-reducing impact of real growth and inflation. The Commission 2018 spring forecast projects the debt ratio to decrease to 96.4% in 2018 and 96.0% in 2019 mainly due to high nominal growth that outweighs the primary deficits and interest payments.

(10) 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.

(11) In the view of the Council, the excessive deficit in France has been corrected and Decision 2009/414/EC should therefore be abrogated.

(12) As from 2018, the year following the correction of the excessive deficit, France is subject to the preventive arm of the Stability and Growth Pact and should progress towards its medium-term budgetary objective at an appropriate pace, including respecting the expenditure benchmark, and comply with the debt criterion in accordance with Article 2(1a) of Regulation (EC) No 1467/97,

HAS ADOPTED THIS DECISION:

Article 1

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

Article 2

Decision 2009/414/EC is hereby abrogated.

Article 3

This Decision is addressed to the French Republic.

Done at Brussels,

 For the Council

 The President

1. Council Decision 2009/414/EC of 27 April 2009 on the existence of an excessive deficit in France (OJ L 135, 30.5.2009, p. 19). [↑](#footnote-ref-1)
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). [↑](#footnote-ref-2)
3. All documents related to the excessive deficit procedure of France can be found at: https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/stability-and-growth-pact/corrective-arm-excessive-deficit-procedure/ongoing-excessive-deficit-procedures/france\_en#ongoing-procedure. [↑](#footnote-ref-3)
4. 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). [↑](#footnote-ref-4)
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”, adopted by the Economic and Financial Committee on 15 May 2017, available at:

http://data.consilium.europa.eu/doc/document/ST-9344-2017-INIT/en/pdf [↑](#footnote-ref-5)
6. Eurostat has expressed a reservation on the quality of the data reported by France. Firstly, Eurostat considers that the Agence Française de Développement should be classified inside the general government sector, which would result in an increase in government debt. Secondly, Eurostat considers that the capital injection by the State into AREVA (0.1% of GDP) in 2017 should be treated as a capital transfer, with an impact on the deficit. [↑](#footnote-ref-6)