COUNCIL DECISION

of 27 June 1996

on the existence of an excessive deficit in Germany

(96/421/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104c (6) thereof,

Having regard to the recommendation from the Commission,

Having regard to the observations made by Germany,

Whereas the second stage for achieving economic and monetary union started on 1 January 1994; whereas Article 109e (4) of the Treaty lays down that, in the second stage, Member States shall endeavour to avoid excessive government deficits;

Whereas there is an excessive deficit procedure which provides for a decision on the existence of an excessive deficit and, after the excessive deficit has been corrected, for the abrogation of that decision; whereas the Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of that procedure; whereas Council Regulation (EC) No 3605/93 [1] lays down detailed rules and definitions for the application of the said Protocol;

Whereas the application of the excessive deficit procedure resulted in a Council Decision of 26 September 1994 that an excessive deficit existed in Germany; whereas the Council decided, on 10 July 1995, to abrogate that Decision;

Whereas Article 104c (5) of the Treaty requires the Commission to address an opinion to the Council if the Commission considers that an excessive deficit in a Member State exists or may occur; whereas the Commission addressed such an opinion on Germany to the Council in May 1996; whereas according to this opinion:

(a) Germany reported information on its budgetary situation to the Commission by March 1996. Thereupon, the Commission, in accordance with Article 4 of the Protocol on the excessive deficit procedure, provided the statistical data for the application of the said Protocol;

(b) in accordance with Article 104c (3) of the Treaty, the Commission prepared, in April 1996, a report on Germany which takes account of the relevant factors;

(c) in accordance with Article 104c (4) of the Treaty, the Monetary Committee formulated an opinion on the report of the Commission;

(d) the Commission considers that an excessive deficit exists in Germany;

Whereas Article 104c (6) of the Treaty lays down that the Council should consider any observations which the Member State concerned may wish to make before the Council decides, after an overall assessment, whether an excessive deficit exists; whereas this overall assessment leads to the following conclusions:

Germany has made considerable efforts to cope with the expenditure needs created by unification. The government deficit to GDP ratio was gradually reduced, with the temporary exception of 1993, and stood at 2,5 % of GDP in 1994. However, the decline of the deficit in Germany was reversed in 1995, when the deficit rose to 3,5 % of GDP, only partly due due to weaker growth. The Government deficit was reported by the German Federal Government, in February 1996, to be 3,6 % for 1996. The deficit as forecast by the Commission services for the year 1996 is 3,9 % of GDP. The planned deficit for 1996 is therefore in excess of the Treaty reference value;

Whereas, regarding the medium-term economic and budgetary position of Germany, the evolution of the gross Government debt as a ratio of GDP suggests that the ratio, having reached 58,1 % in 1995, is projected to increase further by several percentage points in 1996;

Whereas Article 3 of the Protocol on the excessive deficit procedure lays down that the governments of the Member States are responsible for the deficits of general government as defined in the first indent of Article 2 of that Protocol;

Whereas a Council Decision on the existence of an excessive deficit is to be abrogated, in accordance with the provisions of Article 104c (12) of the Treaty, when the excessive deficit in the Member State concerned has, in the view of the Council, been corrected,

[1] OJ No L 332, 31. 12. 1993, p. 7.

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that an excessive deficit exists in Germany.

Article 2

This Decision is addressed to the Federal Republic of Germany.

Done at Luxembourg, 27 June 1996.

For the Council
The President
A. MACCANICO