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(Acts adopted under the EC Treaty/Euratom Treaty whose publication is not obligatory)

DECISIONS

COUNCIL

COUNCIL DECISION

of 9 October 2007

abrogating Decision 2006/125/EC on the existence of an excessive deficit in the United Kingdom

(2007/738/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104(12) thereof,

Having regard to the recommendation from the Commission,

Whereas:

- (1) In its Decision 2006/125/EC ⁽¹⁾, following a recommendation from the Commission in accordance with Article 104(6) of the Treaty, the Council decided that an excessive deficit existed in the United Kingdom. The Council noted that in financial year 2004/2005 ⁽²⁾ the general government deficit was 3,2 % of GDP, above the 3 % of GDP Treaty reference value, while general government gross debt stood at 40,8 % of GDP, well below the 60 % of GDP Treaty reference value.
- (2) On 24 January 2006, 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 made, based on a recommen-

dation from the Commission, a recommendation addressed to the United Kingdom that the excessive deficit situation should be brought to an end by 2006/2007 at the latest. The recommendation was made public.

- (3) In accordance with Article 104(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.
- (4) In accordance with the Protocol on the excessive deficit procedure annexed to the Treaty, 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 4 of Council Regulation (EC) No 3605/93 of 22 November 1993 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community ⁽⁴⁾. In view of the fact that the data notified in March 2007 for budgetary year 2006/2007 were government projections, the United Kingdom submitted in the context of its excessive deficit procedure a supplementary notification. This, received on 16 July 2007, reports actual outturns for 2006/2007, which has enabled the Commission to assess budgetary developments in the United Kingdom relative to the Council recommendation on bringing the excessive deficit situation to an end by 2006/2007 at the latest.

⁽¹⁾ OJ L 51, 22.2.2006, p. 14.

⁽²⁾ According to Council Regulation (EC) No 1467/97, the relevant budgetary data for the United Kingdom are established in budgetary year (i.e. financial year) terms, running from 1 April to 31 March.

⁽³⁾ OJ L 209, 2.8.1997, p. 6. Regulation as amended by Regulation (EC) No 1056/2005 (OJ L 174, 7.7.2005, p. 5).

⁽⁴⁾ OJ L 332, 31.12.1993, p. 7. Regulation as last amended by Regulation (EC) No 2103/2005 (OJ L 337, 22.12.2005, p. 1).

- (5) Based on data provided by the Commission (Eurostat) in accordance with Article 8g(1) of Regulation (EC) No 3605/93 following the notification by the United Kingdom on 16 July 2007 and on the Commission services' spring 2007 forecast, the following conclusions are warranted:
- the general government deficit was reduced from 3,2 % of GDP in 2005/2006 to 2,7 % in 2006/2007, below the 3 % of GDP deficit reference value. This is slightly below the projection of 2,8 % of GDP set in the December 2005 update of the United Kingdom's convergence programme,
 - fiscal consolidation in 2006/2007 resulted from an increase in the revenue ratio of 0,4 percentage points of GDP, especially through higher corporate tax revenues. Total government expenditure between 2005/2006 and 2006/2007 grew in line with nominal GDP, although capital spending was lower than projected in the December 2006 convergence programme and current expenditure higher. Compared with 2005/2006, during which year the imputation of a one-off transaction reduced the deficit by 0,3 % of GDP, the improvement in the structural balance (i.e. the cyclically-adjusted balance net of one-off and other temporary measures) in 2006/2007 is estimated at 0,7 % of GDP,
 - for 2007/2008, in line with the deficit projection published in the Budget of March 2007, the Commission services' spring 2007 forecast projects the deficit to be reduced further, to 2,6 % of GDP, driven by a rise in the revenue ratio, specifically the tax burden, which is however almost completely offset by a rise in the expenditure ratio. This deficit ratio is higher than the official deficit projection of 2,3 % of GDP set in the December 2006 update of the convergence programme, on account of a downward revision in corporate taxation revenue. For 2008/2009, the spring forecast projects, on a no-policy change basis, a further decline in the deficit to 2,4 % of GDP. This profile indicates that the deficit has been brought below the 3 % of GDP ceiling in a credible and sustainable manner. In structural terms, the general government deficit is projected to fall by 0,2 percentage points of GDP in 2007/2008 and, on a no-policy change basis, by 0,3 percentage points in 2008/2009. This indicates a rather modest path of future consolidation relative to the favourable economic environment forecast,
 - government debt increased from 39,6 % of GDP in 2004/2005 to 42,5 % in 2006/07. According to the Commission services' spring 2007 forecast, the debt ratio is projected to increase to around 43,9 % by end-March 2009, but remaining well below the 60 % of GDP reference value. A further strengthening of the fiscal position beyond that forecast for 2008/2009 will be required to halt the increase in the debt ratio.
- (6) In the view of the Council, the excessive deficit in the United Kingdom has been corrected and Decision 2006/125/EC should therefore be abrogated,
- HAS ADOPTED THIS DECISION:
- Article 1*
- From an overall assessment it follows that the excessive deficit situation in the United Kingdom has been corrected.
- Article 2*
- Decision 2006/125/EC is hereby abrogated.
- Article 3*
- This Decision is addressed to the United Kingdom of Great Britain and Northern Ireland.
- Done at Luxembourg, 9 October 2007.
- For the Council*
The President
F. TEIXEIRA DOS SANTOS