



**COUNCIL OF
THE EUROPEAN UNION**



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Greece granted two more years to correct its excessive deficit

The Council today¹ agreed measures granting Greece an additional two years to correct its excessive budget deficit, following an agreement reached between the Greek government and the "troika" of international creditors².

It adopted a decision³ adjusting the fiscal consolidation measures required of Greece under the EU's excessive deficit procedure (decision 2011/734/EU).

The decision requires Greece to bring its government deficit below the 3% of GDP reference value in 2016, instead of 2014, relaxing the annual adjustment path previously set.

The agreement between Greece and the troika, approved by the Eurogroup on 26 November, will enable the disbursement of the next tranches of financial assistance to Greece under its second economic adjustment programme. It specifies the conditions for that assistance, which will be laid down in a revised memorandum of understanding, to be signed by the Commission on behalf of the eurozone member states.

¹ The decision was taken at a meeting of the Economic and Financial Affairs Council.

² Commission, IMF and European Central Bank.

³ On the basis of Articles 126(9) and 136 of the Treaty on the Functioning of the European Union.

P R E S S

The Council found that Greece has taken effective action in compliance with decision 2011/734/EU. In fact, Greece is estimated to have improved its structural deficit¹ already by 13.4 percentage points of GDP from a 14.7% deficit in 2009 to an estimated 1.3% deficit in 2012.

However, economic activity in 2012-2013 is currently projected to be much weaker than previously expected. This is mainly due to uncertainty as regards Greece's situation in the course of 2012, which adversely affected domestic demand, as well as due to less dynamic export activity. This marked worsening of the economic scenario implies a corresponding deterioration of the outlook for public finances, and makes it difficult for Greece to complete the correction of its excessive deficit by 2014.

The Council therefore agreed to revise the annual targets and the deadline for the correction of the excessive deficit. In view of the need to improve Greece's debt sustainability, the targets expressed in terms of a primary surplus as a percent of GDP are set as follows: 0.0% in 2013, 1.5% in 2014, 3.0% in 2015 and 4.5% in 2016.

¹ i.e. the government deficit as it would exist irrespective of economic cycles