



**COUNCIL OF  
THE EUROPEAN UNION**



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**Council opens excessive deficit procedures  
for Latvia, Lithuania, Malta, Poland and Romania and  
issues a new recommendation to Hungary**

The Council today opened excessive deficit procedures for Latvia, Lithuania, Malta, Poland and Romania, issuing recommendations on corrective action to be taken, and issued a revised recommendation to Hungary on measures to be taken in order to correct its excessive deficit.<sup>1</sup>

It adopted decisions, under article 104(6) of the treaty, on the existence of excessive government deficits in Latvia, Lithuania, Malta, Poland and Romania, which in 2008 exceeded the 3% reference value set by the treaty for the ratio of deficit to gross domestic product (GDP).

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

**P R E S S**

It adopted recommendations, under article 104(7) of the treaty, on action to be taken by the five member states to bring their deficits back below the 3% of GDP threshold, as well as revising the timetable for correction of Hungary's deficit. Hungary is already subject to an excessive deficit procedure.

In its recommendations, the Council sets 7 January 2010 as a deadline for all six member states to take corrective action.

On the basis of the outlook provided by the Commission in its spring 2009 economic forecasts, the Council calls on Latvia to reduce its deficit below the 3% of GDP threshold by 2012, Lithuania to do so by 2011, Malta by 2010, Hungary by 2011, Poland by 2012 and Romania by 2011.

The Council finds that special circumstances in Latvia, Lithuania, Poland and Romania allow for correction of the deficit in the medium term. In the case of Malta, it considers no departure from the standard deadline for correcting the deficit to be warranted. As regards Hungary, it finds that a revised timetable for correction of its deficit is justified.

According to figures notified by the respective authorities, their general government deficits in 2008 reached:

- in Latvia, 4% of GDP, and the deficit is expected to widen in 2009. Latvia has requested assistance from international lenders, obtaining a EUR 3.1 billion loan from the EU in January as part of a EUR 7.5 billion package of assistance. In its recommendation, the Council calls on Latvia to ensure an average annual fiscal effort of at least 2.75% of GDP over the 2010-12 period, in order to bring the deficit back below 3% of GDP in 2012;
- in Lithuania, 3.2% of GDP, and the deficit is expected to widen in 2009 and 2010 despite the government's consolidation efforts. In its recommendation, the Council calls on Lithuania to ensure an average annual fiscal effort of at least 1.5% of GDP over the 2009-11 period, in order to bring the deficit back below 3% of GDP in 2011;
- in Malta, 4.7% of GDP. In its recommendation, the Council calls on Malta to ensure that budgetary measures planned for 2009 are rigorously implemented, whilst avoiding any further deterioration in public finances, and to spell out new consolidation measures in order to bring the deficit back below 3% of GDP in 2010;

- in Poland, 3.9% of GDP, and the Polish authorities have announced that the deficit may significantly exceed the 4.6% of GDP planned for 2009. In its recommendation, the Council calls on Poland to ensure an average annual fiscal effort of at least 1.25% of GDP, starting in 2010, so as to bring the deficit back below 3% of GDP in 2012;
- in Romania, 5.4% of GDP. Romania requested assistance from international lenders in March, obtaining EUR 20 billion, including a EUR 5 billion loan from the EU. Its convergence programme envisages a reduction of its government deficit below 3% in 2011. To achieve this, the Council calls on Romania to ensure an average annual fiscal effort of at least 1.5% of GDP in structural terms, starting in 2010.

Hungary has been subject to an excessive deficit procedure since July 2004, when the Council also issued a recommendation under article 104(7) of the treaty. The Council issued further article 104(7) recommendations in March 2005 and October 2006.

The October 2006 recommendation set out measures for correction of Hungary's deficit by 2009. In view of economic downturn however, respecting this target is no longer regarded as realistic. Hungary has requested assistance from international lenders, obtaining a EUR 6.5 billion loan from the EU in November 2008 as part of a EUR 20 billion package of assistance.

The Hungarian government now aims to correct its deficit in 2011. Given a higher-than-recommended structural adjustment achieved by Hungary since 2006 in a worse-than-expected macroeconomic environment, the Council finds that Hungary has taken effective action and that a revised timetable for correction of its deficit is justified. In its recommendation, it calls on Hungary to rigorously implement the necessary consolidation measures, starting in 2010.

The Council's recommendations can be found in the following documents: Latvia, [11660/09](#); Lithuania [11398/09](#); Hungary [11404//09](#); Malta, [11396/09](#); Poland, [11400/09](#) and Romania, [11402/09](#).