Excessive deficit: Spain exits procedure as deficit reduced below 3%

The Council today closed the excessive deficit procedure for Spain, confirming that it has reduced its deficit below the EU's 3% of GDP reference value.

The Council thereby abrogated its decision of April 2009 on the existence of an excessive deficit in Spain. As a consequence, no member state remains subject to an excessive deficit procedure. Procedures were open for 24 member states in 2010-11 at the height of the euro crisis.

Member states are required by article 126 of the Treaty on the Functioning of the European Union (TFEU) to avoid excessive government deficits. The procedure is used to support a return to sound fiscal positions.

Once it has exited an excessive deficit procedure, a member state is subject to the preventive arm of the EU's fiscal rulebook, the Stability and Growth Pact.

Spain's general government deficit amounted to 2.5% of GDP in 2018, down from 3.1% of GDP in 2017. The Commission's spring 2018 economic forecast projects deficits of 2.3% of GDP in 2019 and 2.0% of GDP in 2020, thus remaining below the EU's 3% of GDP 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 0.4% of GDP over the past three years.

The ratio of gross government debt to GDP decreased to 97.1% in 2018 from 98.1% in 2017, mainly due to debt-reducing impact of real growth and inflation, while the primary balance is close to zero. The Commission's spring 2019 forecast projects the debt ratio to decrease to 96.3% in 2019 and 95.7% in 2020.

Spain has been subject to an excessive deficit procedure since February 2009, when the Council called for its deficit to be corrected by 2012.

That deadline has been extended four times. The first three times in December 2009, July 2012 and June 2013, the deadline was pushed to 2013, 2014 and 2016 respectively, considering the major unfavourable consequences for government finances resulting from unexpected adverse economic events. In July 2016, the Council noted the lack of effective action undertaken to remedy the situation of an excessive deficit and set an new deadline for correction by 2018.

In the light of the latest data, the Council concluded that Spain's deficit has now been corrected.