Council of the European Union

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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject: COUNCIL DECISION on the existence of an excessive deficit in Italy

COUNCIL DECISION (EU) 2024/…

of …

on the existence of an excessive deficit in Italy

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 126(6) thereof,

Having regard to the proposal from the European Commission,

Having regard to the observations made by Italy, Whereas:

(1) Article 126(1) of the Treaty on the Functioning of the European Union (TFEU) provides that Member States are to avoid excessive government deficits.

(2) The Stability and Growth Pact (SGP) is based on the objective of sound and sustainable government finances as a means of strengthening the conditions for price stability and for strong, sustainable and inclusive growth underpinned by financial stability, thereby supporting the achievement of the Union's objectives for sustainable growth and employment.

(3) The excessive deficit procedure under Article 126 TFEU, as clarified by Council Regulation (EC) No 1467/97[1], which is part of the SGP, provides for a decision on the existence of an excessive deficit. Protocol No 12 on the excessive deficit procedure, annexed to the Treaty on the European Union and the TFEU, sets out further provisions relating to the implementation of the excessive deficit procedure. Council Regulation (EC) No 479/2009[2] lays down detailed rules and definitions for the application of those provisions. The Union's reformed economic governance framework, which came into force on 30 April 2024, includes Council Regulation (EU) 2024/1264[3], which amended Regulation (EC) No 1467/97. As the Council has not yet set the net expenditure path for Italy, the Commission is not able to assess compliance with the debt criterion in accordance with the new rules. This Decision therefore concerns only the excess of the ratio of the government deficit to gross domestic product (GDP) with respect to the TFEU reference value of 3 % of GDP, in line with existing legal provisions.

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1 Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, p. 6).

2 Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community (OJ L 145, 10.6.2009, p. 1).

3 Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1264/oj).

(4) Article 126(5) TFEU provides that, if the Commission considers that an excessive deficit in a Member State exists or may occur, it is to address an opinion to the Member State concerned and inform the Council accordingly. Having taken into account its report of 19 June 2024 adopted pursuant to Article 126(3) TFEU, and having regard to the opinion of the Economic and Financial Committee adopted pursuant to Article 126(4) TFEU, the Commission concluded that an excessive deficit exists in Italy. On 8 July 2024, the Commission therefore addressed such an opinion to Italy and informed the Council accordingly.

(5) Article 126(6) TFEU provides that the Council is to consider any observations which the Member State concerned may wish to make before deciding after an overall assessment whether an excessive deficit exists. In the case of Italy, the overall assessment leads to the conclusions set out below.

(6) According to the data validated by the Commission (Eurostat) on 22 April 2024, the general government deficit in Italy reached 7,4 % of GDP in 2023, and general government debt stood at 137,3 % of GDP. The Commission, in its report under Article 126(3) TFEU, considered that the excess of the deficit over the TFEU reference value of 3 % of GDP in 2023 is not exceptional, as it results neither from an unusual event nor from a severe economic downturn in the sense of the SGP. The excess over the TFEU reference value is also not temporary, based on the Commission's 2024 spring forecast, which projected the general government deficit to remain above 3 % of GDP in 2024 and 2025. In sum, the deficit in 2023 was above and not close to the TFEU reference value of 3 % of GDP. The excess is neither considered to be exceptional as defined by the TFEU and the SGP, nor is it considered to be temporary. Hence, the deficit criterion as defined by the TFEU and Regulation (EC) No 1467/97 is prima facie not fulfilled.

(7) According to the Italian 2024 Stability Programme, the general government deficit is planned to reach 4,3 % of GDP in 2024. The Commission's 2024 spring forecast indicates a deficit of 4,4 % of GDP in 2024, which is above and not close to the TFEU reference value of 3 % of GDP.

(8) In line with the requirements of Article 126(3) TFEU, the Commission also analysed all the relevant factors in its report under that Article. As laid down in Article 2(4), second subparagraph, of Regulation (EC) No 1467/97, when assessing compliance on the basis of the deficit criterion, if the ratio of the government debt to GDP exceeds the reference value, those relevant factors are to be taken into account in the steps following the report under Article 126(3) TFEU and leading to the decision on the existence of an excessive deficit only if – before these relevant factors are taken into account – the general government deficit remains close to the reference value and its excess over the reference value is temporary. In the case of Italy, that double condition is not met. Therefore, relevant factors are not taken into account in the steps leading to this Decision.

(9) In view of the deadline of 20 September 2024 for the submission of the national medium-term fiscal-structural plans, which deadline can be extended in accordance with Article 36(1), point (a), of Regulation (EU) 2024/1263 of the European Parliament and of the Council[4], indicatively until 15 October 2024, that being the date for submission of the draft budgetary plans of euro area Member States, the Council takes note that the next step in the procedure, namely the Commission's recommendation for a Council recommendation under Article 126(7) TFEU on the correction of the excessive deficit, will coincide with the Commission's opinions on the draft budgetary plans of euro area Member States under Article 7 of Regulation (EU) No 473/2013 of the European Parliament and of the Council[5]. This approach allows ensuring consistency between the budgetary requirements under the excessive deficit procedure and the adjustment path set out in the national medium-term fiscal-structural plans. Enabling such consistency, while avoiding a surveillance gap under the excessive deficit procedure, requires the timely submission of the national medium-term fiscal-structural plans. This timeline should be considered exceptional and as linked to the transition to the new framework, and therefore as not setting a precedent. The Council also takes note that, failing the timely submission of the national medium-term fiscal-structural plan, the Commission's recommendation for a Council recommendation under Article 126(7) TFEU will consider the reference trajectory transmitted by the Commission to the Member State determined in accordance with Regulation (EU) 2024/1263,

HAS ADOPTED THIS DECISION:

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[4] Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

[5] Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area (OJ L 140, 27.5.2013, p. 11).

Article 1

From an overall assessment it follows that an excessive deficit exists in Italy due to non-compliance with the deficit criterion.

Article 2

This Decision shall take effect on the date of its notification.

Article 3

This Decision is addressed to the Italian Republic.

Done at …, …

For the Council
The President