

## Eurogroup statement on orientations for fiscal policies in the euro zone Member States (20 April 2007)

**Caption:** On 20 and 21 April 2007, at an informal Ecofin meeting in Berlin, the Finance Ministers of the 13 Member States of the euro zone, the President of the European Central Bank, Jean-Claude Trichet, and the European Commissioner for Economic and Monetary Affairs, Joaquín Almunia, assess the economic situation in the euro zone.

**Source:** Déclaration de l'Eurogroupe – Spring orientation debate on budgetary policies Orientations for fiscal policies in euro area Member States. [ONLINE]. [Luxembourg]: Gouvernement luxembourgeois. Informations et actualités du gouvernement luxembourgeois. [01.11.2013]. 20.04.2007.

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## EUROGROUP

Berlin, 20 April 2007

### **Spring orientation debate on budgetary policies**

#### **Orientations for fiscal policies in euro area Member States**

On 20 April 2007, with a view to improve the co-ordination of fiscal policies in the euro area, Eurogroup ministers discussed national budgetary developments in 2007 and preliminary policy outlook for 2008 and their implications for the euro area. They reaffirm their adherence to the sound fiscal policy principles of the revised Stability and Growth Pact and to national fiscal rules.

Ministers agree that the euro area is experiencing economic good times. In this context, they are committed to make full use of the current economic growth and the better than expected tax revenues to pursue sound fiscal policies and to avoid pro-cyclical policies in line with the SGP provisions. The fiscal-monetary policy mix benefits from fiscal consolidation efforts at the level of the euro area as a whole.

The Eurogroup welcomes the improvement in the budgetary situation in 2006. The overall euro area government deficit was reduced for the third consecutive year, down to below 1¾% of GDP and, owing also to stronger growth, the overall euro area government debt ratio recorded its first decline since 2002. The improvement in the overall budgetary situation is estimated to reflect a significant reduction in the structural deficit, following an improvement by 0.75% in 2005. Moreover, euro area countries in excessive deficit procedure (EDP) have made a substantial effort to correct excessive budget deficits.

Ministers recall the 22-23 March 2005 European Council Conclusions on improving the implementation of the Stability and Growth Pact, confirming notably the commitment to actively consolidate public finances in good times and to use unexpected extra revenues for deficit and debt reduction.

Member states that have not yet reached their medium term objective (MTO) are expected to make use of the benign economic outlook to speed up the pace of deficit and debt reduction, in order to achieve at least the benchmark of 0.5 % of GDP annual fiscal adjustment in

structural terms, and to make use of the benign economic outlook to speed up the pace of deficit and debt reduction. Taking advantage of the favourable cyclical conditions, most euro area members would achieve their MTOs in 2008 or 2009 and all of them should aim for 2010 at the latest.

Member states at MTO are expected to maintain their strong structural budgetary position so as to avoid fiscal loosening in good times.

Ministers commit:

- To build on the better-than-expected budgetary outcomes in 2006 to pursue more ambitious budgetary targets than those set in the 2006 Stability Programmes.
  - To implement their 2007 budget as planned, avoiding expenditure overruns, and using unexpected extra revenues to reduce government deficit and debt.
  - To carefully design fiscal policy plans for 2008 so as to accelerate adjustment towards the MTO for Member states which have not reached it and for those which have reached it to avoid feeding macroeconomic imbalances overall.
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