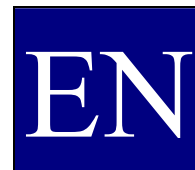




**COUNCIL OF  
THE EUROPEAN UNION**



## **Economic and budgetary policy messages for 2009**

*2919th ECONOMIC and FINANCIAL AFFAIRS  
Brussels, 20 January 2008*

Ministers agreed on the following elements:

"The decisive actions taken by European governments last autumn have contributed to the stabilisation of financial markets. The economic situation, however, is deteriorating fast, and the latest Commission forecast shows that we are now facing a deeper economic downturn, which is expected to continue throughout the first half of this year.

In this context, the EU has adopted a number of decisive measures, aiming at restoring confidence and return to growth:

- In addition to actions undertaken by the ECB and other central banks, which are welcome, the EU governments acted to address deficiencies in the financial sector through financial rescue packages aimed at stabilising the banking sector. Currently, restoring the proper functioning of credit channels, where necessary, is a very important task.
- A European Economic Recovery Plan to support demand and employment through timely, targeted and temporary stimulus measures is being implemented. These measures are in line with individual Member States' specific circumstances. Moreover, large automatic stabilisers are at play.
- To improve the resilience and growth potential of our economies, these measures will be accompanied by structural reforms within the Lisbon Strategy. No radical overhauls of reform strategies are warranted and backtracking should be avoided. Furthermore, when implementing national measures, distortions of the single market should be avoided by adherence to competition and state aid rules.

# **P R E S S**

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All these measures will take some time to have an impact on the real economy; meanwhile a period of negative economic data is expected.

While budget deficits will increase in many Member States in the short run, and a number of Member States will temporarily exceed the deficit reference value, we remain fully committed to sound and sustainable public finances. The Stability and Growth Pact provides adequate flexibility to deal with these exceptional situations. The adjustment path and recommendations will take into account this exceptional situation, as well as differences in fiscal space. These procedures should be seen as an instrument for constructive peer pressure, helping to return to sustainable public finances. We are all committed to return to our consolidation path towards medium-term budgetary targets as soon as possible, keeping pace with the economic recovery. The coordinated fiscal stimulus will thus be followed by a coordinated budget consolidation."

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