European Commission - Press release





European Semester Autumn Package: rebounding stronger from the crisis and making Europe greener and more digital

Brussels, 24 November 2021

Today, the European Commission has launched the 2022 European Semester cycle of economic policy coordination. The European Semester Autumn Package includes the Annual Sustainable Growth Survey, Opinions on euro area Draft Budgetary Plans (DBPs) for 2022, policy recommendations for the euro area and the Commission's proposal for a Joint Employment Report.

The package draws upon the <u>Autumn 2021 Economic Forecast</u> which noted that the European economy is moving from recovery to expansion but is now facing new headwinds.

Annual Sustainable Growth Survey

This year's Annual Sustainable Growth Survey (ASGS) puts forward an ambitious agenda for 2022 that steers the EU away from crisis management towards a sustainable and fair recovery that strengthens the EU economy's resilience. It also sets out how the Recovery and Resilience Facility(RRF), the centrepiece of NextGenerationEU - will be more deeply integrated into the new European Semester cycle. This will ensure synergies between these processes and avoid unnecessary administrative burdens for Member States. Moreover, the ASGS lays down how the Sustainable Development Goals (SDGs) will be further integrated into the European Semester to provide a fully updated and consistent SDG reporting across Member States.

The <u>Recovery and Resilience Facility</u>, with a budget of €723.8 billion in grants and loans, will have a central role in building a resilient economy that puts fairness at its heart. With the EU's priorities embedded in the RRF, the European Semester will now better guide Member States in making a success of the green and digital transitions, and building a more resilient EU economy.

As of today, the Commission has endorsed 22 national recovery and resilience plans and the Council has approved all of these. This has unlocked pre-financing disbursements of €52.3 billion for 17 Member States since August 2021. Overall, the plans approved by the Council so far represent €291 billion in grants and €154 billion in loans. The focus now turns to implementing the recovery plans on the ground.

RRF pre-financing disbursements have already started providing valuable contributions to the four dimensions of competitive sustainability outlined in the Annual Sustainable Growth Survey: environmental sustainability, productivity, fairness and macroeconomic stability.

The Commission also calls upon Member States to ensure that national reforms and investments reflect the priorities identified in the Annual Sustainable Growth Survey.

Opinions on the Draft Budgetary Plans of euro area Member States

The <u>Commission's Opinions on the 2022 DBPs</u> are based on the fiscal policy recommendations adopted by the Council in June 2021. They take into account the continued application in 2022 of the general escape clause of the Stability and Growth Pact.

Member States are unwinding the temporary emergency measures and increasingly focusing support measures on sustaining the recovery. RRF grants will in 2022 fund 24% of total recovery support measures. The absorption of RRF grants is set to be frontloaded: Member States are expected to spend over 40% of the total amount of allocated RRF grants, pending the decision to disburse following the fulfilment of the milestones and targets. Nationally financed investment is planned to be preserved or broadly preserved in 2022 in all Member States, as recommended by the Council.

The euro area fiscal stance is projected to be expansionary over the 2020-2022 period. The positive contribution coming from public investment and other capital spending financed by both the national and EU budgets is important, but the main driver of the fiscal expansion in 2021 and 2022 is nationally financed net current primary expenditure. In several Member States including some high-debt ones, the projected supportive fiscal stance is set to be driven by higher nationally financed current spending, or by unfunded tax cuts. In some cases, this is expected to have a sizeable impact

on the underlying fiscal position. In about a quarter of Member States the supportive fiscal stance is expected to be driven by investment, both nationally and EU financed.

Euro area recommendation and Alert Mechanism Report

The <u>recommendation on the economic policy of the euro area</u> presents tailored advice to euro area Member States on those topics that affect the functioning of the euro area as a whole. It recommends that euro area Member States take action over 2022-23, individually and collectively within the Eurogroup, to continue to use and coordinate national fiscal policies to effectively underpin a sustainable recovery. The recommendation calls for a moderately supportive fiscal stance to be maintained in 2022 across the euro area and for fiscal policy measures to gradually pivot towards investments that promote a resilient and sustainable recovery. Likewise, it highlights the importance of a transition from emergency to recovery measures in labour markets by ensuring effective active labour market policies, in line with the Commission Recommendation on an Effective Active Support to Employment following the COVID-19 crisis (EASE). Euro area Member States should maintain an agile fiscal policy to be able to react if pandemic risks re-emerge. Once economic conditions allow, euro area Member States should pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. The recommendation also calls for work to continue on completing the Banking Union, strengthening the international role of the euro, and for supporting the process of creating a digital euro.

The Alert Mechanism Report (AMR) is a screening measure to detect potential macroeconomic imbalances. This year's AMR concludes that in-depth reviews (IDRs) are warranted for 12 Member States: Croatia, Cyprus, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Romania, Spain, and Sweden. These Member States were subject to an IDR in the previous annual Macroeconomic Imbalance Procedure (MIP) surveillance cycle, and were considered to be experiencing imbalances (Croatia, France, Germany, Ireland, the Netherlands, Portugal, Romania, Spain, and Sweden) or excessive imbalances (Cyprus, Greece, and Italy). The new IDRs will assess how those imbalances have developed, analysing their gravity, evolution and the policy response delivered by Member States, to update existing assessments and assess possible remaining policy needs.

Steps under the Stability and Growth Pact in relation to Romania

Romania has been under the excessive deficit procedure (EDP) since April 2020 due to the breach of the Treaty deficit threshold in 2019. In June 2021, the Council adopted a new recommendation to Romania to bring an end to Romania's excessive government deficit by 2024 at the latest.

In light of the achieved intermediate target for 2021, the Commission considers that no decision on further steps in Romania's EDP should be taken at this juncture. It will reassess Romania's budgetary situation once a new government has presented a budget for 2022 and a medium-term fiscal strategy.

Enhanced surveillance report and post-programme surveillance reports

The <u>twelfth enhanced surveillance report for Greece</u> finds that the country has further progressed towards achieving the agreed commitments, despite delays encountered in some areas which are partly linked to the challenging circumstances caused by the COVID-19 pandemic and the catastrophic wildfires in August 2021. The report could serve as a basis for the Eurogroup to decide on the release of the next set of policy-contingent debt measures.

The post-programme surveillance reports for <u>Spain</u>, <u>Portugal</u>, <u>Cyprus</u> and <u>Ireland</u> find that all four Member States retain their capacity to service their outstanding debt.

Proposal for a Joint Employment Report

The Joint Employment Report (JER) confirms that the labour market is recovering, though employment is not yet back to pre-crisis levels. The COVID-19 crisis affected in particular young people, workers in non-standard forms of employment, the self-employed and third-country nationals. Sectors with high demand are already experiencing labour shortages. At the same time, a number of businesses are emerging from the crisis with considerable financial difficulties, and some jobs may disappear while others will be created through the green and digital transition. Against this background, active labour market policies and notably support to job transitions is becoming particularly important. Participation in adult learning remains far from standard practice throughout the EU and has been impacted by the pandemic, with wide differences across Member States. Therefore, ensuring that people have the right skills needed for the labour markets of the future remains a challenge. Finally, social protection systems helped weather the COVID-19 crisis without substantial increases in poverty risks or income inequality. This was also thanks to the substantial support at EU and Member State level, for example through short-time work schemes and other job

retention measures introduced or extended during the crisis financed via the SURE instrument. Nevertheless, social protection gaps remain in many countries, in particular for non-standard workers and the self-employed. The analysis in the 2022 JER relies on the revised Social Scoreboard that now supports the monitoring of 18 of the 20 principles of the <u>European Pillar of Social Rights</u>. This will contribute to comprehensively assessing key employment and social challenges in Member States. At the Porto Social Summit, EU leaders endorsed the European Pillar of Social Rights Action Plan which sets <u>three EU headline targets</u> on employment, skills and poverty reduction by 2030, and these targets are now integrated into the JER.

Members of the College said:

Valdis **Dombrovskis**, Executive Vice-President for An Economy that Works for People said: "As we shift gear from crisis management towards growth-friendly investments for the future, the priority now is to put the right reforms and investments into place for Europe to stage an inclusive, lasting and sustainable recovery. While the Recovery and Resilience Facility will provide the financing structure, Member States can also rely on the European Semester as the policy compass for the way ahead. Its regular guidance will help them to advance the green and digital transitions, give their economies the boost they need, and reinforce our collective resilience to future shocks. The Semester will also help them to address new as well as legacy risks that may hamper the recovery. In addition, we will need to focus on strengthening companies, getting more people into quality jobs, removing barriers to investment and coordinating policies to preserve the EU's fiscal sustainability."

Paolo **Gentiloni**, Commissioner for Economy, said: "The European economy is growing strongly but being buffeted by headwinds: sharply increasing COVID cases, spiking inflation and ongoing supply-chain issues. This complex economic picture calls for carefully calibrated policies: we need to both keep the recovery on track and shift towards a more sustainable, competitive and inclusive growth model for the post-pandemic era. For the euro area, we call for a moderately supportive fiscal stance for 2022, with a focus on investment, equipping workers with new skills and safeguarding the solvency of viable firms. Macroeconomic imbalances, which the pandemic has in many cases exacerbated, require close attention. The Recovery and Resilience Facility is now being implemented in 22 EU countries, which aim to spend around 40% of their total grant allocation in 2022 alone. Making a success of this will perhaps be the greatest challenge – and opportunity – for the coming year."

Nicolas **Schmit**, Commissioner for Jobs and Social Rights, said: "Active labour market policies, including skilling and hiring incentives, need to be at the centre of our work to smoothen out the negative impacts of the pandemic. This will ease job-to-job transitions and ensure that the green and digital transitions are fair and inclusive. Along with more investment in skills, it is also imperative to look at working conditions, which will also help address the labour shortage in some sectors. We are supporting people to move to new, future-proof jobs but we also need to ensure the quality of these new types of jobs."

Next steps

The Commission invites the Eurogroup and the Council to discuss the package and endorse the guidance offered today. It looks forward to engaging in a constructive dialogue with the European Parliament on the contents of this package and each subsequent step in the European Semester cycle.

Background

The European Semester provides a well-established framework for coordinating economic and employment policies of the Member States, and will continue to play this role in the recovery phase and in advancing on the green and digital transition. The policy priorities will be structured, like in previous years, around the four dimensions of competitive sustainability and in line with the Sustainable Development Goals.

The Recovery and Resilience Facility is the centrepiece of NextGenerationEU with €723.8 billion in loans and grants available to support reforms and investments undertaken by EU countries. The aim is to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions.

Further information

Questions and answers on the European Semester Autumn 2022 Package

Communication on the Annual Sustainable Growth Survey 2022

Communication on the 2022 Draft Budgetary Plans

Opinions on the 2022 Draft Budgetary Plans

Euro area recommendation 2022

Alert Mechanism Report 2022

Communication on the fiscal situation in Romania

Post-programme surveillance report: Cyprus

Post-programme surveillance report: Ireland

Post-programme surveillance report: Portugal

Post-programme surveillance report: Spain

Enhanced surveillance report: Greece

Proposal for a Joint Employment Report

Autumn 2021 Economic Forecast

The Recovery and Resilience Facility

The European Semester

IP/21/6105

Press contacts:

<u>Veerle NUYTS</u> (+32 2 299 63 02) <u>Andrea MASINI</u> (+32 2 299 15 19) <u>Flora MATTHAES</u> (+32 2 298 39 51)

General public inquiries: Europe Direct by phone 00 800 67 89 10 11 or by email