



TEXTS ADOPTED

P9_TA(2023)0078

European Semester for economic policy coordination 2023

European Parliament resolution of 15 March 2023 on the European Semester for economic policy coordination 2023 (2022/2150(INI))

The European Parliament,

- having regard to the Treaty on the Functioning of the European Union (TFEU), in particular Articles 121(2) and 136 thereof,
- having regard to Protocol No 1 to the Treaty on European Union (TEU) and the TFEU on the role of national parliaments in the European Union,
- having regard to Protocol No 2 to the TEU and the TFEU on the application of the principles of subsidiarity and proportionality,
- having regard to the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union,
- having regard to the Paris Agreement of the United Nations Framework Convention on Climate Change and the Sustainable Development Goals,
- having regard to Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States¹,
- having regard to Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure²,

¹ OJ L 306, 23.11.2011, p. 41.

² OJ L 306, 23.11.2011, p. 33.

- having regard to Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area¹,
- having regard to Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area²,
- having regard to Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies³,
- having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances⁴,
- having regard to Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability⁵,
- having regard to 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 area⁶,
- having regard to Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget⁷ (Rule of Law Conditionality Regulation),
- having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility⁸ (RRF Regulation),

¹ OJ L 306, 23.11.2011, p. 1.

² OJ L 306, 23.11.2011, p. 8.

³ OJ L 306, 23.11.2011, p. 12.

⁴ OJ L 306, 23.11.2011, p. 25.

⁵ OJ L 140, 27.5.2013, p. 1.

⁶ OJ L 140, 27.5.2013, p. 11.

⁷ OJ L 433 I, 22.12.2020, p. 1.

⁸ OJ L 57, 18.2.2021, p. 17.

- having regard to the Commission communication of 27 May 2020 entitled 'Europe's moment: Repair and Prepare for the Next Generation' (COM(2020)0456),
- having regard to the Commission communication of 2 June 2021 entitled 'Economic policy coordination in 2021: overcoming COVID-19, supporting the recovery and modernising our economy' (COM(2021)0500),
- having regard to the Commission communication of 4 March 2021 entitled 'The European Pillar of Social Rights Action Plan' (COM(2021)0102),
- having regard to the Porto Social Commitment of 7 May 2021 of the Council, the Commission, Parliament and social partners,
- having regard to the European Fiscal Board assessment of 16 June 2021 on the fiscal stance appropriate for the euro area in 2022,
- having regard to its resolution of 10 June 2021 on the views of Parliament on the ongoing assessment by the Commission and the Council of the national recovery and resilience plans¹,
- having regard to its resolution of 13 November 2020 on the Sustainable Europe Investment Plan – How to finance the Green Deal²,
- having regard to the European Fiscal Board annual report of 26 October 2022,
- having regard to its resolution of 8 July 2021 on the review of the macroeconomic legislative framework for a better impact on Europe's real economy and improved transparency of decision-making and democratic accountability³,
- having regard to the Commission communication of 9 November 2022 on orientations for a reform of the EU economic governance framework (COM(2022)0583),
- having regard to the Commission communication of 22 November 2022 entitled 'Annual Sustainable Growth Survey 2023' (COM(2022)0780),
- having regard to the Commission report of 22 November 2022 entitled 'Alert Mechanism Report 2023' (COM(2022)0781) and to the Commission recommendation of 22 November 2022 for a Council

¹ OJ C 67, 8.2.2022, p. 90.

² OJ C 415, 13.10.2021, p. 22.

³ OJ C 99, 1.3.2022, p. 191.

recommendation on the economic policy of the euro area (COM(2022)0782),

- having regard to the proposal for a joint employment report from the Commission and the Council of 22 November 2022 (COM(2022)0783),
 - having regard to the Commission's Autumn 2022 Economic Forecast of 11 November 2022,
 - having regard to Rule 54 of its Rules of Procedure,
 - having regard to the opinion of the Committee on Budgets,
 - having regard to the letters from the Committee on the Environment, Public Health and Food Safety and the Committee on Regional Development,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A9-0044/2023),
- A. whereas the European Semester plays an important role in coordinating economic and budgetary policies in the Member States, thereby safeguarding the macroeconomic stability of the Economic and Monetary Union; whereas this process should ignore neither the objectives of the European Pillar of Social Rights and the European Green Deal nor other issues related to the financial sector and taxation; whereas the integration of these issues should not detract from its mainly economic and fiscal focus;
- B. whereas according to the Commission's winter economic forecast the gross domestic product (GDP) growth rate for 2022 is expected to be 3,5 % for both the EU-27 and the euro area, but is expected to fall in 2023 to 0,9 % and 0,8 % for the euro area and the EU-27 respectively; whereas some Member States will not be able to achieve pre-pandemic GDP until 2024, while the euro area as a whole is already two percentage points above it; whereas the Commission's assessment of the euro area Member States' draft budgetary plans indicates an expansionary fiscal stance in some Member States; whereas the Commission recommendation on the economic policy for the euro area as a whole is for a neutral fiscal stance for 2023;
- C. whereas according to the Commission's winter forecast, inflation in the euro area should peak at 8,4 % in 2022 and then gradually decrease to 5,6 % in 2023 and 2,5 % in 2024; whereas, however, according to the estimates in the European Central Bank (ECB) projections, inflation, excluding energy and food, is expected to rise from 3,9 % in 2022 to 4,2 % in 2023; whereas wage growth is expected at the moment to only partially mitigate losses in real incomes, without triggering a persistent feedback loop between

wages and inflation; whereas the level of inflation varies across Member States and income groups, with low-income groups suffering proportionately more, particularly as inflation is mainly driven by price developments in essential goods that cannot be substituted;

- D. whereas, according to the Commission's autumn forecast, the government deficit is expected to increase to 3,6 % of GDP in 2023 (3,7 % in the euro area) and to decrease to 3,2 % of GDP in 2024 (3,3 % in the euro area);
- E. whereas according to the Commission's autumn forecast, the debt-to-GDP ratio is expected to fall to 86 % in the EU at the end of 2022 (94 % in the euro area) from the historically high level of 91,5 % recorded in 2020 (99 % in the euro area); whereas the debt-to-GDP ratio is expected to decline marginally in the EU to around 85 % in 2023 and 84 % in 2024 (92 % and 91 % in the euro area); whereas the high debt-to-GDP ratios, significantly above the reference value of 60 %, combined with rising interest rates in a highly uncertain macroeconomic situation may jeopardise long-term debt sustainability and may represent a drag on the recovery;
- F. whereas the climate-neutral and digital transformation can only succeed at European level, and whereas it is of the utmost importance for the future viability of the EU to stabilise targeted growth-enhancing investments at a higher level in the long term; whereas it is therefore necessary to provide a timely answer on the issue of how to ensure a higher level of private and public investment, even after the expected expiry of the Recovery and Resilience Facility (RRF) in 2026;
- G. whereas the EU's productivity growth remains low; whereas enhancing the EU's productivity and global competitiveness requires structural, socially balanced, growth-enhancing and sustainable reforms, and a substantial level of investment, in particular the strategic investments;
- H. whereas inflation and economic forecasts are operating under conditions of heightened uncertainty; whereas such uncertainty compels the EU and the Member States to remain vigilant and to take rapid action if risks materialise;
- I. whereas the differences regarding the national forecasts for GDP growth, inflation, unemployment, the general government balance, gross public debt and the current account balance demonstrate the need for flexible and tailor-made approaches; whereas a clear and unambiguous framework is needed for the successful implementation of the new economic governance by Member States;

Economic prospects for the EU

1. Is concerned that the EU is one of the most exposed advanced economies to downward risks, given its geographical proximity to Ukraine and heavy reliance on energy imports, particularly on gas from Russia; stresses that the impact of high energy prices and inflation leads to the erosion of household purchasing power and industry competitiveness, in particular of small and medium-sized enterprises (SMEs); acknowledges the initiatives of the Commission and the Council to tackle this problem; recalls that an inflation rate approaching the ECB target level will be a condition for long-term sustainable economic growth; highlights that a reduction in aggregate demand, combined with less favourable financing conditions, could lead to a sharp decline in investment and therefore in economic growth; worries that investment in renewables and energy efficiency could also suffer, although these are precisely the investments required to reduce reliance on imported fossil fuels and limit inflation driven by energy prices;
2. Understands that government debt-to-GDP levels have risen in recent years, partially owing to the exceptional circumstances; underlines that government debt-to-GDP ratios in many Member States are historically high, which, in combination with the rising interest rates, have led to a steep increase in debt servicing costs; recognises the need for adequate and predictable public revenue to ensure the sustainability of public finances in times of pressing investment needs and frequent economic shocks; highlights the various observations made by the Commission as part of the European Semester on the tax mix; underlines that in the current circumstances, Member States may also consider raising revenues on windfall profits, in particular of the energy companies that have benefited excessively from the energy crisis; reiterates that robust economic growth, sound fiscal policies and a healthy balance between government revenues and expenditure are necessary to reduce legacy debt, make debt sustainable in the long term and to create the required fiscal space to address future challenges;
3. Agrees with the Commission's observation that deteriorating economic conditions have increased the vulnerabilities and risk associated with the pre-existing imbalances, and that new imbalances may emerge; notes that the European Systemic Risk Board has issued a warning calling for heightened awareness with regard to financial stability risks resulting from sharply falling asset prices; is concerned that rising mortgage rates and the deterioration in debt servicing capacity resulting from the decline in real household income may cause further distress for families and for financial markets;
4. Stresses that the primary objective of the ECB is to maintain price stability, whereas the aim of the Union as a whole should be to minimise the impact of current turbulences on the real economy, thereby defending the well-being of its citizens, in particular the

most vulnerable, and preserving its production structure and the international competitiveness of its companies, as well as decent working conditions, in line with Article 3 TEU; underlines, in this regard, the importance of adequate and coordinated fiscal, structural and regulatory policies and reforms that complement the ECB's monetary policy actions to bring down inflation to its target level, which are also capable of supporting household incomes and providing targeted and temporary support to companies and SMEs suffering from supply bottlenecks and high energy costs; notes that further increases of the ECB's key policy rates or quantitative tightening put considerable pressure on highly indebted Member States and may further contract economic activity;

5. Concurr with the Commission's conclusion that a broad-based fiscal impulse to the economy would not be appropriate in 2023; welcomes the Commission's call on Member States to deliver targeted measures to offset the impact of high energy prices on vulnerable households and companies; agrees with the Commission in stressing that such measures should maintain incentives for energy savings; notes with concern the Commission's analysis that 70 % of the measures introduced so far by Member States to cushion the economic and social impact of the exceptional increase in energy prices were not focused on vulnerable households and exposed firms, and two thirds of them did not include provisions to reduce energy demand; recalls that the Member States find themselves in starkly diverging fiscal spaces when it comes to implementing measures aimed at combating the energy crisis; notes that this situation entails the risk of furthering divergence between Member States as the energy crisis continues;
6. Concurr with the Commission's recommendation that fiscal policies should aim to achieve prudent medium-term fiscal positions and ensure fiscal sustainability through gradual consolidation and investment and reforms which enhance sustainable growth;
7. Highlights the role of the Support to mitigate Unemployment Risks in an Emergency (SURE) instrument as a crucial element to protect citizens and mitigate the economic and social consequences of the COVID-19 pandemic; underlines that this instrument provided EU macroeconomic stabilisation through support for national counter-cyclical fiscal policies; calls on the Commission to encourage all Member States to strengthen their national unemployment benefit schemes; calls on the Commission to build on the loan-based SURE experience for crisis situations in which national schemes temporarily lack sufficient resources, thereby limiting potential macroeconomic stabilisation; asks the Commission to take into account the observations made by the European Court of Auditors as regards the implementation and the transparency of the SURE instrument;

8. Believes that greater European energy self-sufficiency, the diversification of energy sources and enhanced intra-European energy connections would strengthen the EU economy and achieve the targets of the European Green Deal;

The European Semester and the Recovery and Resilience Facility (RRF)

9. Observes the sizeable impact of the NextGenerationEU (NGEU) instrument as estimated by the Commission, the ECB and the International Monetary Fund, in particular an increase in GDP growth of up to 1,5 % higher than without NGEU investment if the instrument is implemented effectively; stresses that the majority of the reforms and investments, which are key to increasing the long-term potential output levels of the Member States, are yet to be completed; agrees with the Commission that strengthening the EU's competitiveness and its long-term potential for sustainable growth remain key to contributing to economic prosperity and social welfare;
10. Notes that many Member States are suffering from structural challenges and a lack of investment, hindering their growth potential; highlights that tackling these two elements in a balanced way is crucial for a sustainable recovery and continued growth, and is key not only to improving the EU's ability to withstand and cope with the existing challenges but also to accomplish the twin transitions in a sustainable and fair manner;
11. Recalls that the European Semester for economic policy coordination is the established framework for coordinating the budgetary, economic, social and employment policies across the European Union, thereby safeguarding its macroeconomic stability and its social cohesion; recalls that the Commission has underlined that the European Semester aims to identify relevant policy options, clarify policy priorities, provide policy guidance and ensure policy monitoring and follow-up;
12. Believes that future reforms of the European Semester should aim for a more transparent and democratic process relating to the definition of policy objectives and the conduct of policy coordination, as well as the involvement of Parliament in monitoring and scrutiny;
13. Welcomes the close link between the European Semester and the implementation of the RRF, whereby the national recovery and resilience plans (NRRPs) must be consistent with the relevant country-specific challenges and priorities identified in the context of the European Semester, as well as those identified in the most recent Council recommendations on the economic policy of the euro area for the Member States which have the euro as their currency; highlights the key role being played by the NRRPs in driving the

Member States' reform and investment agendas; calls for effective monitoring of the implementation of the country-specific recommendations (CSRs); notes that beyond the scope of the RRF, the recommendations that are not addressed will continue to be monitored under the European Semester framework;

14. Recalls that since 2019, six Member States have received CSRs aimed at addressing features of the tax system that may facilitate aggressive tax planning; notes that these Member States made commitments in their NRRPs to reform their tax policies in order to fight aggressive tax planning; welcomes the fact that some jurisdictions have already implemented some of those changes; regrets the delays in implementation in the other jurisdictions; recalls that, in the Commission's recommendations for 2022, only two Member States received a CSR on aggressive tax planning, while some have not implemented any changes yet, but did not receive a recommendation nevertheless;
15. Highlights the essential role played by the RRF in contributing to equipping the Union with the tools needed to successfully face the global challenges stemming from the green transition and the digital transformation of the economy; recalls that the RRF does not replace the specific role of national public and private investments to achieve the EU policy objectives in this regard;

Communication on orientations for a reform of the EU economic governance framework

16. Notes that the policy leeway created by the activation of the general escape clause contributes to strengthening Member States' competitiveness as well as their economic and social resilience in the current circumstances; concurs with the analysis of the European Fiscal Board that the continued suspension of the Stability and Growth Pact is creating a harmful vacuum and calls for an urgent review of the EU fiscal framework, preferably to be completed prior to the deactivation of the general escape clause;
17. Welcomes the publication of the Commission's communication on orientations for a reform of the EU economic governance framework; expresses concern about its delay; stresses the need to adopt and implement legislative proposals before time runs out and the current legislature comes to an end; underlines that the effectiveness of every framework also depends on its proper enforcement;
18. Agrees with the Commission's orientations as regard the simplification of the framework, differences in Member States' debt reduction paths and the use of a comprehensive debt sustainability analysis; welcomes the Commission's intention to strengthen the national ownership of fiscal trajectories, based on a transparent and risk-based EU surveillance framework, thereby pursuing a path of

greater flexibility and accountability; recalls that enhanced flexibility for Member States goes hand in hand with greater responsibility, in particular with regard to the effective and timely implementation of the agreed investments and reforms; notes that some tools suggested by the Commission might make the process of economic governance more opaque;

19. Stresses that the revised regulatory framework should allow Member States to have sufficient leeway to deliver decisive crisis resolution measures when they are needed; is of the opinion that the implementation of such measures should not require the suspension of regulatory provisions by means of escape clauses; notes that, in the future, the activation of escape clauses should remain a measure of last resort in the event of unforeseen circumstances;
20. Welcomes the choice of nationally financed net primary expenditure as a single operational indicator; notes that this indicator, given that it is anchored in debt sustainability, could help the framework to become both more transparent and easier to manage; calls for the provision relating to the accounting of investment expenditure in the calculation of Member States' expenditure laid down in the Commission's communication on flexibility in the Stability and Growth Pact of 13 January 2015¹ also to be applied in the calculation of net expenditure in the envisaged revised framework for EU economic governance; is of the opinion that, alongside the types of expenditure specified by the Commission in its communication of 9 November 2022² and which already provide for a degree of structural adjustment of the indicator, investment in the resolution of macroeconomic imbalances as part of the Macroeconomic Imbalances Procedure (MIP) should be exempted from the net expenditure indicator;
21. Notes that the Commission's communication puts debt sustainability analyses (DSAs) at the centre of the fiscal rules and suggests using them to determine multi-year fiscal-structural plans; underlines that DSAs still require estimating unobservable variables, thereby undermining transparency and hampering ownership and predictability, and therefore leaving space for discretion;
22. Notes that owing to different starting points and with the aim to stimulate investment and reforms, the Commission suggests allowing Member States to have different debt reduction paths, provided that these enhance growth and avoid procyclicality, improve debt sustainability and are in line with the EU's objectives, in particular those of the green and digital transition, social resilience and

¹ Commission communication of 13 January 2015 entitled 'Making the best use of the flexibility within the existing rules of the Stability and Growth Pact' (COM(2015)0012).

² COM(2022)0583.

strategic autonomy; highlights the need for common criteria to ensure that, in spite of more country-specific flexibility in debt reduction, all Member States are assessed according to the same standards, are treated equally, and that flexibility must by no means lead to the unequal enforcement of the overall framework; notes that the common criteria should include criteria for the definition of Member States' debt reduction paths; stresses that debt reduction should be delivered in a growth-friendly way and that underlying regulatory criteria should be defined in relation to Member States' output and expenditure growth;

23. Underlines that the European Semester takes into account the future economic policy coordination framework; stresses that this medium-term focus should not result in necessary fiscal consolidation efforts being pushed too far back in time;
24. Stresses that further action to counter tax avoidance and evasion in the EU and in global forums is a necessary complement to the reform of the EU economic governance framework;
25. Stresses the role that national budgets will need to play in financing the twin transitions, as well as in preserving strategic autonomy; takes note of the proposal of the Commission for the establishment of an European Sovereignty Fund; recalls its position regarding this instrument as expressed in its resolution of 16 February 2023 on an EU strategy to boost industrial competitiveness, trade and quality jobs¹;
26. Notes that while monetary policy is conceived and designed as a single instrument, the overall fiscal policy is the result of aggregating national fiscal policies; underlines that, apart from the recommendation on the economic policy of the euro area, coordination of actions has thus far been limited and the situation and challenges of the euro area have not been easy to factor in; observes that it is still largely random if the aggregation of national fiscal policies results in a euro area fiscal stance which is appropriate and consistent with monetary policy; stresses that while solid public finance would enable national automatic stabilisers to help Member States in reaching an appropriate national fiscal stance, the Commission's communication does not identify any appropriate mechanisms to ensure that the actual euro area fiscal stance is in line with the recommended one; calls on the Commission to do more to encourage better fiscal coordination;
27. Welcomes the Commission's intention to enhance the effectiveness and the enforcement of the MIP as part of a larger review of the fiscal rules; notes that the Commission's Communication acknowledges the potential inconsistencies between the application

¹ Texts adopted, P9_TA(2023)0053.

of the fiscal rules and the recommendations under the MIP; notes that the communication of 9 November 2022 does not encompass any instrument that allows for the correction of such inconsistencies;

28. Welcomes the fact that the Commission's communication of 9 November 2022 recognises the need to reinforce the enforcement mechanism and its proper application by relying on a broader set of sanctions; calls on the Commission to complement this toolbox with an incentive-based approach;
29. Notes the Commission's statement that independent fiscal institutions should play an important role in the economic governance process; invites the Commission to further clarify the role of the European Fiscal Board in this regard;
30. Recalls that the better law-making agreement reiterates that the European Parliament and the Council are to exercise their powers as co-legislators on an equal footing and that the Commission therefore needs to treat them equally, fully respecting the competences defined by the Treaties; recalls the importance for the economic governance framework to be subject to democratic accountability; stresses that Parliament should therefore be fully involved in the reform of the economic governance framework, as well as in the future conduct of economic governance in the EU; stresses the role and responsibility of national parliaments in scrutinising the collective actions of national governments; calls for the necessary respect for the principles of subsidiarity and proportionality;
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31. Instructs its President to forward this resolution to the Council and the Commission.