C/2024/6554

12.11.2024

P9_TA(2024)0156

European Semester for economic policy coordination 2024

European Parliament resolution of 13 March 2024 on the European Semester for economic policy coordination 2024 (2023/2063(INI))

(C/2024/6554)

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 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 States ([1]),

— 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 procedure ([2]),

— 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 area ([3]),

— 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 area ([4]),

— 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 policies ([5]),

— 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 imbalances ([6]),

— 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 stability ([7]),

— 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 area ([8]),

([1]) OJ L 306, 23.11.2011, p. 41.
([2]) OJ L 306, 23.11.2011, p. 33.
([3]) OJ L 306, 23.11.2011, p. 1.
([4]) OJ L 306, 23.11.2011, p. 8.
([5]) OJ L 306, 23.11.2011, p. 12.
([6]) OJ L 306, 23.11.2011, p. 25.
([7]) OJ L 140, 27.5.2013, p. 1.
([8]) OJ L 140, 27.5.2013, p. 11.

— having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility ([9]) (RRF Regulation),

— 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 28 June 2023 on the fiscal stance appropriate for the euro area in 2024,

— having regard to the European Fiscal Board annual report of 4 October 2023,

— 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 proposal of 26 April 2023 for a regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (COM(2023)0240),

— having regard to the Commission proposal of 26 April 2023 for a Council regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (COM(2023)0241),

— having regard to the Commission proposal of 26 April 2023 for a Council directive amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (COM(2023)0242),

— having regard to the Granada Declaration adopted on 6 October 2023,

— having regard to the Commission communication of 21 November 2023 entitled 'Annual Sustainable Growth Survey 2024' (COM(2023)0901),

— having regard to the Commission communication of 21 November 2023 entitled 'Alert Mechanism Report 2024' (COM(2023)0902) and to the Commission recommendation of 21 November 2023 for a Council recommendation on the economic policy of the euro area (COM(2023)0903),

— having regard to the proposal for a joint employment report from the Commission and the Council of 21 November 2023 (COM(2023)0904),

— having regard to the Commission's Autumn 2023 Economic Forecast of 15 November 2023,

— having regard to Rule 54 of its Rules of Procedure,

— having regard to the opinion of the Committee on Budgets,

— having regard to the report of the Committee on Economic and Monetary Affairs (A9-0063/2024),

A. whereas the European Semester plays an essential role in coordinating economic, budgetary, structural, social and employment policies in the Member States, thereby safeguarding the macroeconomic stability of the Economic and Monetary Union;

B. whereas according to the Commission's winter 2024 forecast, economic activity in 2023 is estimated to have expanded by only 0,5 % in both the EU and the euro area in the face of high inflation and tighter financing conditions, after a strong recovery in 2022; whereas expected GDP growth has been revised down to 0,9 % (from 1,3 %) in the EU and 0,8 % (from 1,2 %) in the euro area for 2024; whereas in 2025, economic activity is still expected to expand by 1,7 % in the EU and 1,5 % in the euro area;

([9]) OJ L 57, 18.2.2021, p. 17.

C. whereas the EU labour market continued to perform strongly in the first half of 2023, despite the slowdown in economic growth; whereas according to the Commission's autumn 2023 forecast, however, labour shortages continued to be acute across many sectors and occupations, in particular in fields related to the scale-up and implementation of net-zero and low-emission technologies; whereas unemployment hit a historic low in the EU as a whole, with variation across Member States; whereas youth unemployment reached 14,7 % in the EU and 14,4 % in the euro area in December 2023, according to Eurostat;

D. whereas inflation is projected to fall from 6,3 % in 2023 to 3,0 % in 2024 and 2,5 % in 2025 in the EU and from 5,4 % in 2023 to 2,7 % in 2024 and 2,2 % in 2025 in the euro area, according to the Commission's winter 2024 forecast; whereas fiscal policy needs to support monetary policy in reducing inflation and safeguarding fiscal sustainability, while providing sufficient space for additional investments and supporting long-term growth;

E. whereas inflation affects income groups disparately and low-income groups suffer disproportionately; whereas inflation could create a genuine cost-of-living crisis for certain population segments, posing challenges to social cohesion;

F. whereas the debt-to-GDP ratio is expected to decrease to 83,1 % in the EU in 2023 (90,4 % in the euro area); whereas the debt-to-GDP ratio is expected to marginally decline in the EU to around 82,7 % in 2024 and 82,5 % in 2025; whereas the euro area debt-to GDP ratio is expected to decrease to around 89,7 % in 2024 and 89,5 % in 2025; whereas there is a high variation in the debt levels of different Member States; whereas high debt-to-GDP ratios combined with high interest rates and an uncertain macroeconomic situation may jeopardise long-term debt sustainability and economic stability;

G. whereas according to the Commission's autumn 2023 forecast, the general government deficit in the EU and the euro area is expected to decline to 3,2 % of GDP in 2023 and to further decrease to 2,8 % of GDP in 2024 and 2,7 % in 2025; whereas the general escape clause of the Stability and Growth Pact was deactivated at the end of 2023; whereas the Commission has announced that it will submit a proposal to the Council on initiating the deficit-based excessive deficit procedure in spring 2024 on the basis of the out-turn data for 2023, in line with existing legal provisions;

H. whereas in 2023 and 2024, the aggregate fiscal stance is expected to turn contractionary, by 0,5 % of GDP in both years, primarily due to the near complete phase out of crisis-related energy measures;

I. whereas a swift, decisive and coordinated policy response allowed the EU economy to rebound and tackle the socioeconomic consequences of the COVID-19 pandemic and Russia's war of aggression against Ukraine, and to navigate through the resulting energy crisis; whereas the economy slowed down in 2023; whereas the outlook remains characterised by high uncertainty and risks related to the evolution of Russia's ongoing war of aggression against Ukraine and the conflict in the Middle East;

J. whereas those disruptive geopolitical events have demonstrated the need for the European Union to further strengthen its open strategic autonomy and remain competitive in the global market, while ensuring that no one is left behind;

K. whereas EU funding has contributed to macroeconomic strength at EU level and increases the EU's internal and external resilience in times of crisis, while supporting the Member States in financing necessary investments in EU priorities to tackle current and future challenges;

L. whereas after a sizeable crisis-related expansion between 2020 and 2022, the fiscal stance in the euro area is expected to be restrictive in 2023 and 2024; whereas the fiscal stance should remain agile in the face of high uncertainty;

M. whereas net public investment as a percentage of GDP fell sharply in the EU after the financial crisis resulting from the COVID-19 pandemic, reaching negative levels in some instances; whereas this ratio has not yet fully recovered; whereas the success of climate-neutral policies and the digital transformation relies on a common European approach and requires measures both at the EU and Member State level; whereas the future resilience of the EU is closely linked to increased public and private investments for sustainable growth and an ambitious structural reform agenda; whereas addressing the need for a timely strategy to ensure appropriate public investment levels following the expiration of the Recovery and Resilience Facility (RRF) in 2026 is imperative; whereas achieving the goals of the European Green Deal and the Paris Agreement requires significant public and private investments;

N. whereas the Member States need to have the necessary monitoring and auditing mechanisms in place to ensure respect for the rule of law and to protect the EU's financial interests, notably to prevent fraud, corruption and conflicts of interest and to ensure transparency; whereas it is important that the Member States implement the relevant enabling country-specific recommendations (CSRs) in this regard;

Economic prospects for the EU

1. Expresses its concerns about the economic situation, persistent uncertainty, weak growth, competitiveness and productivity in the EU; notes with concern the continuous impact of energy prices and inflation on the purchasing power of households, resulting in an increased risk of poverty, including energy poverty, for many Europeans, and on the ability to perform of EU companies, including small and medium-sized enterprises (SMEs); calls on the Member States to take further steps to overcome those difficulties and to implement targeted measures to ensure fair competition in the single market and address persistent inflationary pressures;

2. Notes that many Member States are suffering from structural challenges that hinder their growth potential; highlights that tackling structural challenges is crucial for a sustainable recovery and continued growth, and that implementing reforms to address structural vulnerabilities is key not only to improving the ability to withstand and cope with existing challenges, but also to accomplishing the twin transitions in a sustainable and fair manner; highlights that ambitious structural reforms remain essential to strengthen the EU's economic base, promote business creation and entrepreneurship and strengthen the EU's competitiveness, productivity and overall growth potential;

3. Stresses that a lack of public and private investments in certain Member States is hindering the potential of socially balanced and sustainable growth; considers that predictable rules, a level playing field and reduced compliance costs are crucial factors in attracting investment; highlights that these investments are crucial for the EU's ability to cope with existing challenges, including the just green and digital transitions, and that they will increase the EU's resilience and long-term competitiveness during upcoming challenges; believes that these investments should be accompanied with growth- and resilience-enhancing reforms; calls attention to the investments in renewables and energy efficiency that are needed to, among other things, make the EU independent from imported fossil fuels and limit inflation driven by energy prices; takes note of the contractionary fiscal stance expected in 2023 and 2024; highlights that any contraction should not come at the expense of investment, which should be increased across the Union;

4. Stresses that further deepening the single market and removing barriers to investment, including through reforms that streamline and digitalise planning, permitting and other administrative procedures, would help boost private investment; reiterates that industrial policy, as well as deep and integrated EU capital markets and innovation, can also contribute by supporting investment, safeguarding EU global competitiveness and mitigating risks linked to excessive reliance on a limited number of non-EU countries for key technologies, raw materials and industrial inputs;

5. Invites the Member States to conduct spending reviews as a regular part of the (multi)annual budgetary process, which would help improve the efficiency and quality of public expenditure; concurs with the Commission's recommendation in the 2024 Annual Sustainable Growth Survey that Member States should wind down crisis-related energy support measures and phase out fossil fuel subsidies as soon as possible; stresses that both government revenues and government spending are essential to guarantee the sustainability of public finances; calls on the Member States to take action to tackle tax fraud, tax avoidance, tax evasion and money laundering; welcomes the agreement on the anti-money laundering package in this regard;

6. Concurs with the Commission's assessment that risks related to high debt and price divergences remain relevant, in particular in Member States where debt servicing requires large rollovers of debt, or where the private sector faces steep increases in interest payments;

7. Calls on the Member States in the euro area to explore all means to complete the revision of the European Stability Mechanism Treaty to allow for the introduction of the common backstop to the Single Resolution Fund, which would further strengthen the euro area's resilience;

European Semester and the RRF

8. Recalls that the European Semester is the well-established framework for coordinating the budgetary, economic, social and employment policies across the Union in accordance with the Treaties, including the European Pillar of Social Rights, thereby safeguarding its macroeconomic stability, the sustained convergence of the economic performances of the Member States and the EU's social cohesion; calls for stronger national ownership in the European Semester by the Member States, for example through their local and regional authorities; notes that the 2023 Green Deal industrial plan is part of the EU's growth strategy;

9. Shares the view that the 2024 CSRs need to be focused on specific criteria; underlines that they must also serve to promote sound and inclusive economic growth, enhance competitiveness and macroeconomic stability, promote the green and digital transitions and ensure social and inter-generational fairness; takes account of the differences regarding the national forecasts for GDP growth, inflation, unemployment, general government balance, gross public debt and current account balance and notes that they demonstrate the need for flexible approaches based on the specific reality of each Member State; calls, in that regard, on the Commission to link the CSRs more closely to the respective country reports; calls for efficient monitoring of the implementation of the CSRs and the relevant reforms, as well as of the progress on reducing identified investment gaps; stresses that the CSRs need to take account of social vulnerabilities and unemployment; notes the declining number of social CSRs based on the social scoreboard;

10. Welcomes flexibility in adjusting the RRF, e. g. in the context of REPowerEU, based on lessons learned from its implementation; highlights that the milestones and targets in national recovery plans should be consistent with the CSRs and that Member States should address at least a significant subset of the CSRs, as part of their national recovery and resilience plans; emphasises the RRF's success; recalls that the success and the effectiveness of the financed projects will be measured by their impact on the economy and employment and calls for a rapid, transparent and effective implementation of these projects; underlines, in this regard, that compliance with the RRF Regulation and proper implementation is crucial for the credibility of the RRF;

11. Notes the role played by the RRF in addressing global challenges stemming from the green transition and the digital transformation of the economy; stresses that reforms and investments under the recovery and resilience plans contribute to the climate targets of the RRF Regulation and respect the 'do no significant harm' principle; calls on the Member States to make the most of this opportunity and to use the RRF to transform their economies and make them more competitive; recalls the importance of verifying that the funds reach the real economy and SMEs and underlines the importance of accountability and transparency for bodies that receive EU funding;

12. Underlines the importance of private and public investment in the context of the economic recovery and in managing the twin transitions; recalls that the RRF does not replace the specific role of national public investment; reiterates the need to ensure quality, transparency and accountability in public investment and national strategies to align with the objectives of the twin transitions; highlights that these nation strategies for the twin transitions should complement the RRF and other European investment instruments;

13. Supports streamlining EU cohesion policy programmes with investment needs identified under the RRF and in CSRs; recalls that cohesion policy serves a broader set of objectives than the RRF and may complement the measures agreed on under the RRF; calls for stakeholder participation, including by social partners, civil society organisations and the business sector, to be comparably incorporated in the drafting and implementation of national recovery and resilience plans, as it is for cohesion policy programmes;

14. Underlines that coordination between the relevant authorities, including between national governments and regional and local authorities, is essential to manage the RRF and to overcome administrative barriers and bureaucracy;

15. Takes note of the provisional political agreement reached between the co-legislators on 10 February 2024 on the reform of the EU economic governance framework, which aims to ensure the effective coordination of economic policies and the sustained convergence of the economic and social performance of the Member States;

16. Welcomes the lessons learned from the design choices for the governance of the RRF; notes that the reform of the economic governance framework does not provide EU financial incentive mechanisms to support and promote national policy reforms and investments; stresses that providing for the necessary level of public investment is crucial to achieve the main objectives of the reform of the economic governance framework and to address the current and future priorities of the Union; is concerned that some Member States will not have the financial capacity to finance the just green and digital transitions on their own;

17. Emphasises the role of the European Parliament in the EU's economic governance framework and advocates for an increased engagement of the European Parliament in the European Semester, while fully respecting the competences established by the Treaties; notes the dialogue between the Commission and the Member States on their individual fiscal-structural plans; stresses the need for all Member States to be treated equally; underlines that an increase in discretionary power for the Commission in the development process for the medium-term fiscal-structural plans must be accompanied by increased compliance with the rules under the scrutiny of the European Fiscal Board, as well as increased accountability and an increase in the flow of information towards the European Parliament; recognises that the Economic Dialogue as part of the European Semester lays a useful foundation of accountability; considers that proper accountability would require that the European Parliament have instruments that allow it to apply consequences based on its assessment of the performance of the European Semester, in accordance with the Treaties;

°
° °

18. Instructs its President to forward this resolution to the Council and the Commission.