Council of the EU

PRESS
EN

PRESS RELEASE
30/18
23/01/2018

Council conclusions on macroeconomic and fiscal guidance to the member states (annual growth survey)

The Council (ECOFIN):

I. THE 2018 EUROPEAN SEMESTER

1. WELCOMES the Commission's Annual Growth Survey (AGS) 2018, which sets out policy priorities for jobs and growth in the EU and its Member States, and marks the starting point of the 2018 European semester. UNDERLINES the importance of a timely and meaningful examination of this package. BROADLY SHARES the Commission's analysis of the policy priorities on which national and EU level efforts should continue to concentrate in 2018: boosting investment, pursuing structural reforms and responsible fiscal policies.
2. SHARES the Commission's assessment that Europe's economy is increasingly driven by domestic demand and has become broad-based across Member States. Unemployment is falling, investment is recovering, and public finances are improving. Both the EU economy and the euro area economy have steadily grown over the past eighteen quarters. The recovery is nonetheless characterised by subdued core inflation and wage growth, despite labour market improvements. Still high unemployment, low participation rate of women in the labour market, low investment, subdued wage growth and high debt levels are all a drag on growth.
3. WELCOMES the stability over time in the AGS policy priority areas but STRESSES that reform implementation remains uneven across the EU and that pressing economic and social priorities require decisive progress in implementing reforms to tackle the EU's structural challenges. CALLS on Member States to take advantage of the relatively favourable economic climate to push forward with structural reforms to consolidate the recovery, tackle macroeconomic imbalances, and reignite sustained economic and social convergence, noting that evidence points to a more positive impact of reforms undertaken in good times. At the same time, the improving economic conditions call for the need to rebuild fiscal buffers, especially in highly indebted countries, to help our economies to be more resilient to shocks and to create space for increasing public investment, where relevant.
4. WELCOMES the principles of the European Pillar of Social Rights, proclaimed by the European Parliament, Council and the Commission at the Gothenburg Social Summit and STRESSES the need to tackle the EU's economic challenges.
5. UNDERLINES the importance of monitoring performance and policy implementation, including implementation of the country specific recommendations, throughout the year. LOOKS FORWARD to a substantial discussion in the Council in March 2018 on the implementation of the country specific recommendations with a focus on productivity growth, with input from the Commission. ENCOURAGES further efficient and open dialogue in the capitals between Member States and the Commission, and a continued involvement of national stakeholders.

II. FISCAL AND MACROECONOMIC POLICY ORIENTATIONS

BOOSTING INVESTMENT TO SUPPORT THE RECOVERY AND TO INCREASE LONG-TERM GROWTH

6. WELCOMES the upturn in investment but RECOGNISES that additional measures are needed to increase future economic output, raise productivity, convergence, and help with rebalancing. Reforms should aim at improving the business environment, making the public administration stronger and more efficient, addressing rigidities in product and labour markets, and ensuring effective insolvency frameworks that enable restructuring. Simplifying the tax system, making it more investment-friendly and taking measures against aggressive tax planning, in line with globally agreed best practices, will facilitate competition, preserve social cohesion and reduce inequalities.
7. RECOGNISES that the level of non-performing loans is receding, but it remains high in a number of Member States and continues to be an obstacle to bank profitability, hindering the financing of the real economy. The action plan on non-performing loans agreed in July 2017 should be implemented diligently. RECALLS that progress towards the completion of the Banking Union is required in line with the Council roadmap of June 2016.
8. RECALLS that more developed and more integrated capital markets could unlock investment for businesses and infrastructure projects, attract long-term foreign investment, and contribute to growth and job creation. To this end, STRESSES that advances in the creation of a fully-fledged Capital Markets Union holds significant potential to improve access to alternative, potentially cheaper sources of financing.
9. STRESSESS the importance of investment in high quality education and training, the development of digital skills, and in affordable, accessible and quality services to boost productivity and jobs through enhanced resource efficiency and reduced input costs, ensure equal opportunities, whilst reducing external costs and impacts. Further priorities should include investment to enhance environmental sustainability.

Pursuing structural reforms to modernise our economies

10. SHARES the Commission analysis' that further structural reforms are essential to enable the economy to deal with shocks and improve economic resilience. The economic crisis exposed vulnerabilities and economic structures that did not allow absorbing shocks smoothly and reallocating resources effectively.
11. STRESSES the importance of an adequate sequencing and packaging of structural reforms to reduce possible short-term costs and maximise long term benefits, and that structural reforms should also take account of distributional effects on

different societal groups and regions. The overall effectiveness of labour market and product market reforms tends to improve if they are part of a well-designed and comprehensive package. Reforms of public administration and the business environment should be prioritised because of their more direct boost to productivity and output regardless of economic conditions.

12. REAFFIRMS that the European single market for goods and services remains the most powerful engine of growth and jobs, and further work on the Digital Single Market, the Capital Markets Union and the Energy Union should be the priority. Regulatory and administrative obstacles persist particularly in the services sector. The opening-up of services such as business services, distribution services and retail services to a greater degree of competition would benefit the EU economy by improving productivity and competitiveness and ultimately lead to job creation. RECOGNISES that globalisation and technological progress are creating new opportunities to increase productivity, foster entrepreneurship, create jobs and improve living standards, but they are also transforming an increasing number of economic sectors and the labour market itself. In this context, EMPHASIZES the need for policy action to support up- and re-skilling and effective active labour market policies. Dynamic and flexible labour markets are important for creating good quality jobs and supporting labour market transitions.
13. STRESSES that product market reforms that increase competition and reforms that improve the business environment and the quality of institutions are essential to foster economic resilience.
14. BROADLY AGREES that there is room to support the demand for labour by shifting the tax burden away from labour, especially for groups at the margins of the labour market. In addition, growth in real wages, in line with productivity growth, and adequate design of tax and benefit systems can reduce inequalities and ensure higher standards of living. Dynamic wage developments, when translated into stronger domestic demand, would support the ongoing economic expansion and facilitate rebalancing.
15. STRESSES that Member States should ensure the sustainability and adequacy of their pension systems and in this context, LOOKS FORWARD to the publication of the 2018 Ageing Report. Most Member States have reformed their pension systems, but more efforts are needed. Reforms of health care and long-term care systems need to be pursued to enhance cost effectiveness ensure their fiscal sustainability and ensure quality of services and affordable access.

Responsible fiscal policies

16. WELCOMES the improvement of public finances while acknowledging that a slow pace of debt reduction from high levels in a number of Member States remains a matter for concern. RECOGNISES that fiscal policies in the current juncture should strike the appropriate balance between ensuring the sustainability of public finances, in particular reducing debt ratios where they are high, and supporting the economy. RECALLS that for the euro area a strong coordination of national fiscal policies, based on common rules, is essential to arrive at an appropriate aggregate fiscal stance and for the proper functioning of the monetary union. AGREES that a broadly neutral fiscal stance appears appropriate for the euro area as a whole in 2018.
17. AGREES that fiscal policy needs to be tailored to country-specific circumstances taking into account the need for both stabilisation and sustainability in full respect of the Stability and Growth Pact. AGREES with the Commission that the improving economic situation calls for the reduction of public debt and rebuilding fiscal buffers, especially in highly indebted countries, while continuing to strengthen the growth potential of our economies notably by prioritising public investment. HIGHLIGHTS that some Member States are at risk of a significant deviation from the adjustment path towards their respective medium-term budgetary objectives and need to ensure compliance with the Stability and Growth Pact. CONCURS that some Member States have outperformed their medium-term objectives and could use their favourable budgetary situation to further strengthen domestic demand and potential growth, depending on country specific circumstances, while respecting the medium-term objective and national requirements.
18. AGREES that improving the quality and composition of public finances remains crucial. ACKNOWLEDGES that reforms in public administration can achieve significant cost savings. AGREES that greater transparency and higher efficiency can help restore public trust in tax systems and improve tax collection. HIGHLIGHTS that comprehensive and regular spending reviews can be instrumental for improving the quality and composition of public expenditure.

Press office - General Secretariat of the Council

Rue de la Loi 175 - B-1048 BRUSSELS - Tel.: +32 (0)2 281 6319

press.office@consilium.europa.eu - www.consilium.europa.eu/press