European semester for economic policy coordination: annual growth survey 2017

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The European Parliament adopted by 418 votes to 202 with 73 abstentions, a resolution on the European Semester for economic policy coordination: Annual Growth Survey 2017.

Whilst welcoming the Commission's Annual Growth Survey 2017, Members called for a **better implementation of the macroeconomic policy mixing private and public investment, socially balanced structural reforms and responsible public finances**. They deplored the very low implementation rate of country-specific recommendations, which declined from 11 % in 2012 to only 4 % in 2015 and stressed that Member States would need to step up their efforts to reform.

Observing that the current excessive reliance on the monetary policy of the European Central Bank, Parliament noted that monetary policy alone is insufficient to stimulate growth when **investments and sustainable structural reforms are lacking**. It considered that stronger domestic demand would be better for the euro area's sustainable growth.

Parliament also noted that the referendum in the United Kingdom and the recent presidential election in the United States of America have created uncertainties for the European economy and the financial markets. It expressed concern about the backlash against globalization and the rise of protectionism.

Investment: more efforts should be made to boost **SME access to finance**, and the Commission should to step up its efforts to improve the financing environment:

The resolution stressed the importance of:

- facilitating investment in areas such as education, innovation and research;
- improving significantly the geographical and sectoral coverage of the European Fund for Strategic Investments (EFSI) and maximising the use of European Structural and Investment Funds (ESIF) in order to promote upward convergence;
- addressing remaining challenges, such as the stock of nonperforming loans (NPLs) accumulated during the financial crisis;
- accelerating work on the Capital Markets Union with a view to providing alternative financing to SMEs, complementing that of the banking sector, and bring about more diversified sources of financing for the economy in general;
- increasing financing of investments and implement projects that support and attract market-based investment high-growth companies;
- encouraging a thorough, step-by-step completion of the Banking Union and the development of the Capital Markets Union with the aim of increasing resilience in the banking sector,
- encouraging public and private investment is crucial to allow for the transition towards a low-carbon and circular economy;
- taking measures to reduce administrative burden, simplify regulations and improving the financial environment.
- stepping up efforts to improve the business environment for investments, inter alia by fully implementing and enforcing EU Single Market legislation.

Structural reforms: Parliament recommended the implementation of sustainable structural reforms in product and service markets, as well as in inclusive labour, health, housing and pension markets, in order

efficiently to support the recovery. It considered that well-functioning and productive labour markets, combined with an adequate level of social protection and dialogue, have proven to be quicker to recover from the economic downturn.

Parliament also stressed that the EU and its Member States cannot compete on general or labour costs alone, but need to **invest more in research, innovation and development, education and skills, and resource efficiency**, at both national and European level.

The resolution stressed the importance of:

- taking into account the impact of **ageing populations** on pension and healthcare systems in the EU;

- achieving a **high employment rate** in order ensuring the sustainability of pension systems; in this context, migrants' skills should be used in better ways in order to adapt to labour market needs;
- focusing efforts on cost-effective spending on high-quality **healthcare**, and on universal access thereto;
- continued reforms to facilitate the entry of **young people** into the labour market, emphasising, in this regard, the importance of the Youth Guarantee;
- **reforms in taxation** with a view to tackling the high tax burden on labour in Europe, and further transparency among the Member States in the field of corporate taxation.

Fiscal responsibility and structure of public finances: Parliament noted that only a fiscal policy that **respects and follows Union law** will lead to credibility and trust between Member States, and serve as a cornerstone for the completion of EMU and the trust of the financial markets.

It invited the Commission and the Council to be as specific as possible when addressing fiscal recommendations under the preventive and corrective arm of the Stability and Growth Pact in order to increase transparency and enforceability of the recommendations.

Furthermore, Members considered that **macroeconomic imbalances** inside Member States should be addressed in line with the Macroeconomic Imbalance Procedure (MIP) through efforts involving all Member States, building on relevant reforms and investments.

Fiscal stance for the euro area: Members considered the Commission's communication on a positive fiscal stance an important development, and welcomed the intention to contribute to the **better coordinating economic policies in the euro area** and to highlight the opportunities for fiscal stimulus in Member States having room for this.

Coordination of national policies and democratic accountability: Members highlighted the importance of national parliaments and genuine public debate at national, regional and local levels, leading to greater ownership of country-specific recommendations.

They urged the Commission to launch negotiations on an interinstitutional agreement on economic governance.