

# European semester for economic policy coordination: annual growth survey 2018

2017/2226(INI) - 28/02/2018 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted the own-initiative report by Hugues BAYET (S&D, BE) on the European Semester for economic policy coordination: Annual Growth Survey 2018.

The Committee on Budgets, exercising its prerogative as an associated committee in accordance with [Article 54 of the Rules of Procedure](#), also gave its opinion on the report.

According to Commission forecasts, while the expansion of the European economy is expected to continue, the pace of job creation and household purchasing power growth implies a slight loss of momentum over the next two years, with growth reaching 2.4 % in 2017 in the EU and then marginally slowing down to 2.2 % in 2018 and to 2.0 % in 2019.

Further policy action will nonetheless be required to address unresolved legacies of the global economic crisis.

**Investments and growth:** Members underlined the importance of **boosting public investment in the EU** in order to remedy the current decrease in public investment. They urged the completion of the Capital Market Union with a view to boosting private investments across the single market. The regulatory framework for private investment should also be improved further. Further investment is needed in the areas of research, development and innovation, infrastructures, childcare, social housing, education, training, health, research, digital innovation and the circular economy can increase productivity and/or employment.

**Responsible public finance:** while welcoming the improvements made in public finances, Member States are called on to reduce their high debt-to-GDP ratios as a matter of urgency, as this is markedly easier to do in times of economic recovery. The report underlined the need for a stronger focus on the composition and management of national budgets.

**Structural reforms:** Members insisted on bringing expenditure on R&D closer to the EU 2020 targets and on Member States to set in place proper policies, and to provide investment, to ensure or maintain equal access to lifelong education and training, taking into account the evolution of the labour market, including the emergence of new professions. Members also called for **taxation reviews** aimed at achieving a fair balance of taxation on capital, labour and consumption.

**Convergence and inclusion:** the report underlined that the European Semester and the CSRs should contribute to the achievement of the objectives of EU 2020 strategy, including those set out in the Pillar of Social Rights, and should deliver on growth and jobs. It highlighted that, in the recent period, real wage growth has lagged behind productivity growth, while improvements have occurred in the labour market. Members stressed that there could be **room for wage increases in certain sectors**, in line with productivity goals to ensure good standards of living, taking into account competitiveness and the need to tackle inequalities. Efficient and **fair tax systems** that provide the right incentives for economic activity are encouraged. Members called for adequate measures to be adopted to help and integrate young persons not in education, employment or training (NEETs) and refugees, anticipating at an early stage the requirements for facilitating their smooth transition to the labour market, in order to prevent them from being sucked into the black economy and to ensure that public services are provided with sufficient resources.

**European Semester framework: ownership and implementation:** the report welcomed the increased attention given to the euro area's aggregate fiscal stance, while pointing to the obligations of individual Member States to comply with the Stability and Growth Pact, including full respect of its existing flexibility clauses. Members expressed concern about the **low rate of compliance** with the CSRs, including those aimed at fostering convergence, increasing competitiveness and reducing macroeconomic imbalances. They stated that more national ownership through genuine public debates at national level would lead to better implementation of the CSRs and that it is important to ensure that national parliaments debate country reports and CSRs. Regional and local authorities should be better involved in the European Semester process.

Stressing that any further step towards a deepening of the EMU must go hand in hand with **stronger democratic controls**, Members insisted that the role of both the European Parliament and the national parliaments must be strengthened in line with the liability principle.

**Budgets:** Members considered that EU budgets must provide an **incentive** for sustainable growth, convergence, investments and reforms, through solutions and **synergies** as regards national budgets. The AGS should serve as a guideline for the Member States, and for the preparation of national and EU budgets, particularly in the context of the preparation of the post-2020 multiannual financial framework.

There should be greater synergies between national budgets and the EU budget.