

European semester for economic policy coordination: annual growth survey 2018

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The European Parliament adopted by 544 to 141, with 2 abstentions, a resolution on the European Semester for economic policy coordination: Annual Growth Survey 2018.

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**.

Parliament took note of the publication of the 2018 Annual Growth Survey (AGS) package and the proposed policy mix of investments, ambitious and socially balanced structural reforms and responsible public finances. It agreed that **further progress on the implementation of structural reform is needed** to deliver on growth and jobs, and to carry on the fight against those inequalities that hamper economic growth.

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: the gross debt-to-GDP ratio within the euro area still hovers around 90 %, with several Member States being well above that level. 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. Taking account of ageing societies, Member States should take responsibility for future generations.

Structural reforms: Parliament 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 in the area of digitalisation, globalisation and technological change. Members also called for taxation reviews aimed at achieving a fair balance of taxation on capital, labour and consumption.

Convergence and inclusion: 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. Given that during 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. Parliament 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: Parliament 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.