European Semester for economic policy coordination: Annual Sustainable Growth Survey 2022

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The European Parliament adopted by 534 votes to 85, with 73 abstentions, a resolution on the European Semester for economic policy coordination: 2022 annual review of sustainable growth.

The European Semester plays an important role in coordinating the economic and budgetary policies of the Member States, thereby safeguarding and the macroeconomic stability of the Economic and Monetary Union. This process should not ignore the objectives of the European Pillar of Social Rights and the European Green Deal as well as other issues related to the financial sector and taxation.

Economic prospects for the EU

Members noted that the European economy is recovering faster than expected from the devastating impacts of the global COVID-19 pandemic. However, they are concerned about the emergence of new variants, localised containment due to the pandemic, rising energy prices, inflationary pressures, supply disruptions and emerging labour shortages.

While all Member States are expected to reach their pre-pandemic production levels by the end of 2022, Members are concerned that the speed of recovery varies between Member States and regions, with significant differences and disparity between Member States in 2021. However, the recovery is expected to be more evenly spread in 2022 and 2023.

The resolution stressed that the conflict in Ukraine and the severe sanctions against Russia will inevitably have negative effects on the EU economy. The Commission is asked to identify and facilitate ways to address the economic and social consequences of these sanctions.

Responsible and sustainable budgetary policies

Members consider that the **EU's economic governance framework needs to be reviewed** and that it is important to have a clear path towards a revised fiscal framework, preferably before deactivating the general escape clause from the Stability and Growth Pact from 2023.

Convinced that the **coordination of national budgetary policies** is crucial in underpinning the recovery, Parliament agreed with the Commission that Member States with low or medium levels of debt should adopt or maintain a supportive fiscal stance, and that Member States with high debt levels should use the Recovery and Resilience Facility (RRF) to finance additional investment to support the recovery, while adopting a prudent fiscal policy that does not hamper the public investment needed to fund sectors of strategic importance.

Growth-enhancing, balanced, inclusive and sustainable structural reforms and investments

Members recalled that the European Semester cycle is a well-established framework for EU Member States to coordinate their fiscal, economic, employment and social policies. They stressed that without coordinated efforts to implement the digital and environmental transitions and to tackle certain issues related to the financial sector, European economies may suffer long-lasting damage.

Stressing that the European Semester and the RRF interact, Members called on Member States to make the most of this opportunity and use it to transform their economies and make them sustainable, more competitive and more resilient to future shocks. They recalled that the RRF and each of the national recovery and resilience plans must fully respect the rule of law conditionality regulation and that the measures set out in these plans should not go against EU values.

Members considered it essential to tackle structural problems and **increase private and public investment** to ensure a sustainable recovery and lasting growth.

Parliament is concerned about macroeconomic vulnerabilities related to excessive imbalances and that high levels of public debt may become a source of macroeconomic instability.

Member States are called on to take advantage of the unprecedented opportunity offered by the RRF to significantly reduce existing macroeconomic imbalances, including by incorporating ambitious reform measures into the national plans of all Member States. Members also stressed the importance of a regulatory framework and policy strategies that **combine a reduction in the debt-to-GDP ratio with an adequate level of private and public investment** to ensure sustained economic growth, a high degree of competitiveness and social cohesion.

A more democratic European Semester

Members stressed the importance of a thorough debate on the European Semester process and the need to involve national parliaments and the European Parliament. They called for the strengthening of **Parliament's democratic role** in the economic governance framework and urged the Council and the Commission to take due account of its resolutions. They also called on the Commission to keep Parliament and the Council duly and fairly informed on the application of the EU economic governance framework.