

European Semester for economic policy coordination 2024

2023/2063(INI) - 28/02/2024 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted the own-initiative report by René REPASI (S&D, DE) on the European Semester for economic policy coordination 2024.

According to the Commission's winter 2024 forecast, economic activity in 2023 is estimated to have expanded by only 0.5 % in both the EU and the euro area in the face of high inflation and tighter financing conditions, after a strong recovery in 2022. Expected GDP growth has been revised down to 0.9 % (from 1.3 %) in the EU and 0.8 % (from 1.2 %) in the euro area for 2024.

The EU labour market continued to perform strongly in the first half of 2023, despite the slowdown in economic growth. As regards inflation, this is projected to fall from 6.3 % in 2023 to 3.0 % in 2024 and 2.5 % in 2025 in the EU.

The report highlighted that fiscal policy needs to support monetary policy in reducing inflation and safeguarding fiscal sustainability, while providing sufficient space for additional investments and supporting long-term growth.

Economic prospects for the EU

Members expressed their concerns about the economic situation, persistent uncertainty, weak growth, competitiveness and productivity in the EU. They called on the Member States to take further steps to overcome those difficulties and to implement targeted measures to ensure fair competition in the single market and address persistent inflationary pressures.

The report also stressed that the **lack of public and private investments** in certain Member States is hindering the potential of socially balanced and sustainable growth. These investments are crucial for the EU's ability to cope with existing challenges, including the just green and digital transitions, and they will increase the EU's resilience and long-term competitiveness during upcoming challenges.

Furthermore, Members stressed that both government revenues and government spending are essential to guarantee the sustainability of public finances. In this regard, they called on the Member States to take action to tackle tax fraud, tax avoidance, tax evasion and money laundering.

European Semester and the Recovery and Resilience Facility (RRF)

The report called for stronger national ownership in the European Semester by the Member States, for example through their local and regional authorities.

Members share the view that the 2024 **country-specific recommendations** (CSRs) need to be focused on specific criteria. They must serve to promote sound and inclusive economic growth, enhance competitiveness and macroeconomic stability, promote the green and digital transitions and ensure social and inter-generational fairness. The Commission is called on to link the CSRs more closely to the respective country reports. Country-specific recommendations should take account of social vulnerabilities and unemployment.

Noting the role played by the RRF in addressing global challenges stemming from the green transition and the digital transformation of the economy, the report called on the Member States to use the RRF to transform their economies and make them more competitive. Members recalled the importance of verifying that the funds reach the real economy and SMEs and underlined the importance of accountability and transparency for bodies that receive EU funding.

The report supports streamlining EU cohesion policy programmes with investment needs identified under the RRF and in CSRs.

In addition, Members underlined that **coordination** between the relevant authorities, including between national governments and regional and local authorities, is essential to manage the RRF and to overcome administrative barriers and bureaucracy.

The report stressed that providing for the **necessary level of public investment** is crucial to achieve the main objectives of the reform of the economic governance framework and to address the current and future priorities of the Union. Members are concerned that some Member States will not have the financial capacity to finance the just green and digital transitions on their own.

Parliament's increased role

Members emphasised the role of the European Parliament in the EU's economic governance framework and advocates for an increased engagement of the European Parliament in the European Semester. They underlined that an increase in discretionary power for the Commission in the development process for the medium-term fiscal-structural plans must be accompanied by increased compliance with the rules under the scrutiny of the European Fiscal Board, as well as increased accountability and an increase in the flow of information towards the European Parliament. They consider that **proper accountability** would require that the European Parliament have instruments that allow it to apply consequences based on its assessment of the performance of the European Semester, in accordance with the Treaties.