Basic information

2006/2239(INI) INI - Own-initiative procedure	Procedure completed
2006 annual report on the euro area **Subject** 5.10 Economic union 5.20.02 Single currency, euro, euro area	

Key players

European Parliament	**Committee responsible**	**Rapporteur**	**Appointed**
	ECON Economic and Monetary Affairs	GARCÍA-MARGALLO Y MARFIL José Manuel (PPE-DE)	04/07/2006
Council of the European Union	**Council configuration**	**Meetings**	**Date**
	Economic and Financial Affairs ECOFIN	2753	2006-10-10
European Commission	**Commission DG**	**Commissioner**	
	Economic and Financial Affairs	ALMUNIA Joaquín	

Key events

Date	Event	Reference	Summary
12/07/2006	Non-legislative basic document published	COM(2006)0392	Summary
28/09/2006	Committee referral announced in Parliament		
10/10/2006	Resolution/conclusions adopted by Council		Summary
23/10/2006	Vote in committee		Summary
26/10/2006	Committee report tabled for plenary	A6-0381/2006	
13/11/2006	Debate in Parliament		
14/11/2006	Decision by Parliament	T6-0485/2006	Summary
14/11/2006	Results of vote in Parliament		
14/11/2006	End of procedure in Parliament		

Technical information	
Procedure reference	2006/2239(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Annual report
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	ECON/6/40618

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE378.814	28/09/2006	
Amendments tabled in committee		PE378.831	05/10/2006	
Committee report tabled for plenary, single reading		A6-0381/2006	26/10/2006	
Text adopted by Parliament, single reading		T6-0485/2006	14/11/2006	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2006)0392	12/07/2006	Summary

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2006/2239(INI) - 10/10/2006

The Council discussed the creation of a single euro payments area (SEPA) and adopted the following conclusions. In particular, it:

- supports the aim of the Single Euro Payments Area (SEPA) with the aim of achieving an integrated market for payment services in euro which is subject to effective competition and where there is no distinction between cross-border and national payments in euro within the EU;
- considers that the highest priority must be given to meeting users' needs by the payment services developed under the SEPA, which requires continual involvement at national level of all interested parties;
- expresses appreciation of the substantial work undertaken by industry to achieve this aim and encourages it to make progress in the areas where work remains to be completed;
- notes that the completion of SEPA calls for the removal of all technical, legal and commercial barriers between the current national payment markets;
- notes that continued attention is needed to ensure that SEPA-payment services, including their supporting technology and procedures, do not represent a deterioration compared to the national cost and service level in the most efficient Member States and that SEPA products and services are offered in a competitive environment;
- stresses the importance of ensuring a level-playing field as regards the application of competition principles to all market participants, including new entrants to the payment services market, and invites the Commission to continue without delay, its work on this subject;
- undertakes to work, together with the European Parliament, towards a swift adoption of the Proposal for a Directive on Payments Services;

- welcomes that the Commission intends to come forward with the final report regarding the sector inquiry into competition in the retail banking market (which includes payment cards) before the end of the year;

- in order to facilitate commitment to an early use of SEPA, it invites Member States to carry out cost and benefit analysis, where necessary, to check that SEPA products are better or at least equivalent to existing products in terms of price and quality, including as regards the security of payments and invites the industry to provide information to this end;

- invites the Finance Ministries of Member States to monitor progress on SEPA at national level, with all interested parties; as well as the Commission and the ECB to continue monitoring the overall development, together with the Financial Services Committee and the Economic and Financial Committee, and report back to the Council if progress is not satisfactory and at the latest in 2008;

- invites the Commission to assess the economic and competition impacts of the SEPA taking into account its planned time schedule, and invites the Commission to continue its work on the next steps regarding the issues raised in its consultative paper on SEPA, including the responses to the public consultation, without delay.

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2006/2239(INI) - 12/07/2006 - Non-legislative basic document

PURPOSE : Commission Communication on the Annual Statement on the Euro Area.

CONTENT : The Annual Statement on the Euro Area, and its companion piece, the Annual Report on the Euro Area, present the Commission's views on the nature of the economic challenges presented through membership of the euro area and discuss the appropriate response of economic policies at the euro area and Member State level. It aims to raise awareness and stimulate a broad debate on euro-area economic policies and developments.

Improving outlook for the economy: the paper points out thatthe euro area is experiencing a recovery in economic activity. Growth is going back to potential, but there are no grounds for complacency. The European Commission's latest forecast expects euro-area GDP to grow by 2.1% in 2006 – as compared with a growth rate of 1.3% in 2005. Consumer price inflation, which reached 2.2% last year, partly as a result of high energy costs, is expected remain at this level, and over a million new jobs will be created in the euro area. Nevertheless, the unemployment rate still remains at 7.9% of the labour force in May 2006, while with employment growth at 0.9% per annum, the pace of job creation in the euro area is still too slow. Similarly, the low rate of potential growth in the euro area, around 2% per annum, underlines the need for productivity-enhancing reforms. Redressing this balance is a top priority for euro-area policies in the years ahead. The Commission warns that the possibility of further rises in oil prices could dampen growth conditions.

Securing sound macroeconomic policies:both monetary and fiscal policy helped to spur economic activity and confidence through historically-low interest rates in 2005 and fiscal consolidation. As the economic situation improves, the macroeconomic-policy setting must evolve. The paper discusses the need to improve budgetary balances and secure the sustainability of public finances. To implement fully the preventive arm of the Stability and Growth Pact, some euro area Member States will need to undertake a more ambitious budgetary adjustment in 2006 and 2007 than envisaged in their 2005 Stability Programmes. The Commission states that concerns that an adjustment in macroeconomic policy would cut short the economic recovery are unjustified. The real worry is that a failure to undertake such adjustment will undermine the conditions for continued economic growth in the euro area by postponing policy decisions that are necessary to sustain the recovery over the medium term. With economic growth in the euro area experiencing a sustained pick-up for the first time since 1999, the Commission considers that a prudent macroeconomic policy mix delivering price stability and reduced fiscal imbalances coupled with structural reforms to improve the functioning of product, labour and capital markets would be the appropriate policy response.

Enhancing economic reform: twelve million people are still unemployed in the euro area. Growth and productivity are too low, especially when the challenges presented by the ageing population are considered. The paper emphasises that ensuring broad public support is central to the success of economic reforms. Euro area Member State must take resolute steps on the path of economic reform identified in the Integrated Guidelines for Growth and Jobs for the period 2005-2008. Key priorities in this regard include stepping up the pace of R&D in the euro area, promoting greater competition in services and network industries, notably in energy, and achieving greater labour-market adaptability. The Commission discusses sustaining the social model, and notes reforms pioneered by Nordic countries, which are often referred to as "flexicurity". These reforms have led to dynamic economies by promoting a high degree of adaptability in work organisation and labour relations while providing security for workers, through substantial investment in life-long learning and retraining and activation policies for unemployed people. Although there is not a single, one-size-fits-all model of "flexicurity", the principle of increasing flexibility where needed in the labour market whilst safeguarding certain securities for workers may be implemented by various means.

One money, one market: some Member States have challenged the goals of the Internal Market by emphasising the national imperative of protecting key industries from cross-border competition. This prohibits companies from exploring all the possibilities offered by the Internal Market, and is to the detriment of consumers who forego the benefits of lower prices and increased choice. The Commission stresses fuller transposition and better implementation of Internal Market directives. In addition, reforming the service sector is crucial for the euro area, and financial market integration, in particular, offers real benefits by contributing to greater productivity and competitiveness and ultimately increasing the potential for economic growth. Economic studies suggest that EU financial market integration could increase GDP by between 0.5 and 1.1% over time. The paper goes on to discuss the need to consolidate existing legislation on financial services and ensure that Internal Market rules are implemented on time and enforced effectively. It points out that R&D expenditures in the euro area

stand at around 2% of GDP, thus significantly short of the EU-wide objective of 3%. And it states that in order to improve the supply of highly-skilled labour across the euro area, an upgrading of education and training systems in many Member States is necessary.

A dynamic EMU: the persistence of cross-country growth and inflation differences in the euro area deserves attention. The decreasing importance of cyclical factors means that structural factors now account for a high share of the growth differences that remain. In particular, it appears that some Member States may be adjusting to economic shocks and long-term economic developments only very sluggishly. Unless policies change, this means that the gulf between the euro-area's fast and slow growing Member States may become entrenched over time, and that inflation differentials may translate into a serious loss of competitiveness, which would require a more significant adjustment the more. The action to be taken is identified in the Integrated Guidelines for Growth and Jobs for the period 2005-2008.

The Euro area's global challenges: the launch of the euro has led to a seismic shift in international financial markets. Today, the euro area represents about one sixth of world GDP and a fifth of world trade and the euro accounts for a substantial and increasing part in the denomination of the international debt market (31.5 % versus 44 % for the US dollar by mid-2005). The euro also accounts for a significant proportion of international bank liabilities and foreign exchange transactions. A disorderly unwinding of global imbalances could have a severe, negative effect on the growth of the world economy and international financial stability. Economic reforms in Europe will help the euro area to adjust to potentially adverse global developments and to play a part in the orderly correction of global imbalances. Better-functioning product, labour and capital markets would make Europe more attractive to investors. Sustaining the economic recovery and promoting macroeconomic stability and structural reforms for a dynamic and smooth-functioning EMU requires commitment by Member States and strong leadership at the euro-area level. The paper emphasises the special importance of enhanced

structural reforms for Member States that share the euro and stressed the necessity of effective policy coordination within the euro area. The growing importance of the euro as a global currency and the challenges posed by global imbalances underlines the need for the euro area to show leadership on the world stage. The Commission recognises that some progress has been made in this respect in recent years. The appointment of a Eurogroup President for a two-year term of office in 2004 has, for example, brought greater stability to the external representation of the euro area. Nevertheless, the scarcity of common positions among euro-area authorities and the lack of firm commitments from its

Member States on issues of shared strategic significance have made it difficult for Europe to show global economic leadership. The European Commission supports, and is ready to contribute to a better coordination of EU external representation in international financial institutions and fora.

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2006/2239(INI) - 14/11/2006 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution based on the own-initiative report drafted by José Manuel **GARCIA-MARGALLO y MARFIL** (EPP-ED, ES) in response to the Commission's first annual report on the euro area (2006). (Please see the summary of 21/10/2006.) The report was adopted by 444 votes in favour to 71 against with 85 abstentions.