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DRAFT REPORT

on economic policies of the euro area
(2019/0000(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Esther de Lange

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

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(2019/0000(INI))

The European Parliament,

– having regard to the Treaty on the Functioning of the European Union (TFEU), in particular its Articles 121(2) and 136 and Protocols No 1 and 2 thereto,

– having regard to the Commission communication of 5 June 2019 on the 2019 country-specific recommendations (COM(2019)0500),

– having regard to its resolution of 13 March 2019 on the European Semester for economic policy coordination: Annual Growth Survey 2019[1],

– having regard to the Commission communication of 27 February 2019 entitled ‘2019 European Semester: Assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances, and results of in-depth reviews under Regulation (EU) No 1176/2011’ (COM(2019)0150),

– having regard to the Commission communication of 21 November 2018 entitled ‘Annual Growth Survey 2019: For a stronger Europe in the face of global uncertainty’ (COM(2018)0770),

– having regard to the Commission reports of 21 November 2018 entitled ‘Alert Mechanism Report 2019’ (COM(2018)0758) and ‘2019 Draft Joint Employment Report’ (COM(2018)0761), and to the Commission recommendation of 21 November 2018 for a Council recommendation on the economic policy of the euro area (COM(2018)0759),

– having regard to the Council recommendation of 9 April 2019 on the economic policy of the euro area (2019/C 136/01),

– having regard to the Council conclusions of 17 May 2019 on in-depth reviews and implementation of the 2018 country-specific recommendations (9473/19),

– having regard to the Commission’s European Economic Forecast – Spring 2019 of 7 May 2019,

– having regard to the Commission’s European Economic Forecast – Summer 2019 (Interim) of 10 July 2019,

– having regard to the European Fiscal Board’s assessment dated 25 June 2019 of the fiscal stance appropriate for the euro area in 2020,

– having regard to the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union,

[1] Texts adopted, P8_TA(2019)0201.

– having regard to Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies[2],

– having regard to Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States[3],

– having regard to Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area[4],

– having regard to Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure[5],

– having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances[6],

– having regard to Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area[7],

– having regard to Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area[8],

– having regard to Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability[9],

– having regard to Rule 54 of its Rules of Procedure,

– having regard to the report of the Committee on Economic and Monetary Affairs (A9-0000/2019),

A. whereas according to the Commission's forecasts, the GDP growth rate for 2019 stands at 1.2 % of GDP per capita in the euro area and 1.4 % in the EU28, and is expected to

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[2] OJ L 306, 23.11.2011, p. 12.
[3] OJ L 306, 23.11.2011, p. 41.
[4] OJ L 306, 23.11.2011, p. 8.
[5] OJ L 306, 23.11.2011, p. 33.
[6] OJ L 306, 23.11.2011, p. 25.
[7] OJ L 306, 23.11.2011, p. 1.
[8] OJ L 140, 27.5.2013, p. 11.
[9] OJ L 140, 27.5.2013, p. 1.

rise to 1.4 % and 1.6 % respectively in 2020[10];

B. whereas unemployment rates continue on a steady downward path, with an average rate of 7.5 % in the euro area and 6.3 % in the EU28 in May 2019, the lowest since the start of the EU monthly unemployment series, and a further decrease is expected to 7.3 % and 6.2 % respectively in 2020;

C. whereas significant differences in unemployment rates across the EU persist; whereas the youth unemployment rate, while gradually improving, stands at 15.7 % in the euro area and 14.3 % in the EU28, remaining at a significantly higher level than the average unemployment rate, and continuously and significantly above rates recorded in other economically developed regions of the world;

D. whereas the general government deficit is expected to rise from 0.5 % to 0.9 % in the euro area and from 0.6 % to 1.0 % in the EU28 in 2019, and to remain at that level in 2020; whereas the debt-to-GDP ratio in 2019 stands at 85.8 % in the euro area and 80.2 % in the EU28 and is forecast to decrease to 84.3 % and 78.8 % respectively in 2020;

E. whereas private consumption shows signs of recovery with an estimated positive trend, rising from 1.3 % in the euro area and 1.6 % in the EU28 in 2019 to 1.5 % and 1.7 % respectively in 2020;

F. whereas, in the light of the risks of trade tensions between the US and the China alongside the persistent uncertainty related to the withdrawal of the UK from the EU, the global outlook risks bending towards the downside;

1. Notes that while the European economy is growing for the seventh consecutive year, mounting economic risks and uncertainties pose a significant challenge;

2. Is therefore concerned about the low growth potentials compared to other regions in the world in recent decades;

3. Agrees that effective structural reforms, accompanied by well-targeted investments and responsible fiscal policies, continue to provide a successful compass for preparing the EU for its future and present challenges;

Responsible fiscal policies

4. Recognises that the average level of debt-to-GDP is projected to decline; notes, however, that the average level still remains significantly above the level required by the Stability and Growth Pact; points out the possibility of rising debt service costs; underlines, therefore, the importance of bringing down overall debt levels, in line with EU fiscal rules;

5. Notes, accordingly, with great concern that the average deficit levels appear to be increasing again and that in some Member States deficits above 3 % are projected; underlines that a significant part of the expected expansion originates in countries with

[10] Commission's European Economic Forecast – Summer 2019 (Interim) of 10 July 2019

high government debt-to-GDP ratios;

6. Regrets that the aggregate fiscal stance appears to be mildly expansionary in 2019, while emphasising that the European Fiscal Board considers a neutral stance as more appropriate;

7. Underlines that the fiscal stances at national and euro area level must balance the long-term sustainability of public finances in full compliance with the Stability and Growth Pact, respecting its provisions made for flexibility, with short-term macroeconomic stabilisation;

Structural reforms

8. Underlines that reforms which increase competition in product markets, promote resource efficiency and improve the business environment, as well as quality of institutions, including an effective justice system, and quality and efficiency of tax collection, are essential for achieving greater economic resilience for the euro area and Member States; emphasises in this context the importance of the single market and the need for its further deepening;

9. Shares the view that structural and institutional features of labour and product markets and well-functioning public administrations are crucial;

10. Supports shifting the tax burden away from labour and strengthening education and training systems and investment in skills; stresses the effectiveness of flexible labour market policies;

11. Calls on Member States to support and implement EU actions to combat Aggressive Tax Planning;

Investment

12. Agrees that the economic upswing needs to be supported by public and private investment, particularly in innovation, and notes that there is still an investment gap in the euro area; welcomes the fact that in some Member States investments already exceed the pre-crisis level, and regrets that in others investment is still lagging behind or is not picking up at the necessary speed;

13. Calls on Member States, while pursuing policies in full respect of the Stability and Growth Pact, to support public and private investment, improve the quality and composition of public finances, and rebuild fiscal buffers, especially in euro area countries with high levels of public debt;

14. Underlines that investment in tangibles and intangibles in order to increase productivity, skills and innovation, along with the growth-enhancing structural reforms, will increase long-term growth potential;

Country-specific recommendations (CSRs)

15. Agrees with the Council's recommendations that Member States should increase their growth potential by modernising their economies and strengthening their resilience;

16. Notes that more than two thirds of the CSRs issued until 2018 have been implemented with at least some progress; regrets, however, that there is evidence of backtracking on elements of major reforms adopted in the past, and is concerned about Member States' commitment to the CSRs, given that progress on the current recommendations is worse than in previous years;

17. Welcomes the particular progress that has been achieved on recommendations concerning financial services, legislation governing labour relations and employment protection;

18. Reminds Member States of the importance of committing to and delivering on the CSRs;

19. Instructs its President to forward this resolution to the Council and the Commission.