



## European Semester Spring Package: Sustaining a green and sustainable recovery in the face of increased uncertainty

Brussels, 23 May 2022

The European Commission's 2022 European Semester Spring Package provides Member States with support and guidance two years on from the first impact of the COVID-19 pandemic and in the midst of Russia's ongoing invasion of Ukraine.

The [Spring 2022 Economic Forecast](#) projects the EU economy to continue growing in 2022 and 2023. However, while the EU economy continues to show resilience, Russia's war of aggression against Ukraine has created a new environment, exacerbating pre-existing headwinds to growth, which were previously expected to subside. It also poses additional challenges to the EU economies related to security of energy supply and fossil fuel dependency on Russia.

### Linking the European Semester, the Recovery and Resilience Facility and REPowerEU

The case for reducing our dependency on fossil fuels from Russia has never been clearer. [REPowerEU](#) is about rapidly reducing our dependence on Russian fossil fuels by fast-forwarding the clean transition and joining forces to achieve a more resilient energy system and a true Energy Union.

The European Semester and the Recovery and Resilience Facility (RRF) - at the heart of NextGenerationEU - provide for robust frameworks to ensure effective policy coordination and to address the current challenges. The RRF will continue to drive Member States' reform and investment agendas for years to come. It is the main tool to speed up the twin green and digital transition and strengthen Member States' resilience, including through the implementation of national and cross-border measures in line with REPowerEU.

The country-specific recommendations adopted in the context of the European Semester provide guidance to Member States to adequately respond to persisting and new challenges and deliver on shared key policy objectives. This year, they include recommendations for reducing the dependency on fossil fuels through reforms and investments, in line with the REPowerEU priorities and the European Green Deal.

### Fiscal policy guidance

The activation of the general escape clause of the Stability and Growth Pact in March 2020 allowed Member States to react swiftly and adopt emergency measures to mitigate the economic and social impact of the pandemic. Coordinated policy action cushioned the economic blow and paved the way for a robust recovery in 2021.

Policies to mitigate the impact of higher energy prices and support those fleeing Russia's military aggression against Ukraine will contribute to an expansionary fiscal stance in 2022 for the EU as a whole.

The specific nature of the macroeconomic shock imparted by Russia's invasion of Ukraine, as well as its long-term implications for the EU's energy security needs, call for a careful design of fiscal policy in 2023. Fiscal policy should expand public investment for the green and digital transition and energy security. Full and timely implementation of the RRFs is key to achieving higher levels of investment. Fiscal policy should be prudent in 2023, by controlling the growth in nationally financed primary current expenditure, while allowing automatic stabilisers to operate and providing temporary and targeted measures to mitigate the impact of the energy crisis and to provide humanitarian assistance to people fleeing from Russia's invasion of Ukraine. Moreover, Member States' fiscal plans for next year should be anchored by prudent medium-term adjustment paths reflecting fiscal sustainability challenges associated with high debt-to-GDP levels that have increased further due to the pandemic. Finally, fiscal policy should stand ready to adjust current spending to the evolving situation.

The Commission considers that the conditions to maintain the general escape clause of the Stability and Growth Pact in 2023 and to deactivate it as of 2024 are met. Heightened uncertainty and strong downside risks to the economic outlook in the context of war in Ukraine, unprecedented energy price

hikes and continued supply chain disturbances warrant the extension of the general escape clause through 2023. The continued activation of the general escape clause in 2023 will provide the space for national fiscal policy to react promptly when needed, while ensuring a smooth transition from the broad-based support to the economy during the pandemic times towards an increasing focus on temporary and targeted measures and fiscal prudence required to ensure medium-term sustainability.

The Commission will provide orientations on possible changes to the economic governance framework after the summer break and well in time for 2023.

### **Article 126(3) report on compliance with the deficit and debt criteria of the Treaty**

The Commission has adopted a report under Article 126(3) of the Treaty on the Functioning of the EU (TFEU) for 18 Member States (Belgium, Bulgaria, Czechia, Germany, Greece, Spain, France, Italy, Latvia, Lithuania, Hungary, Malta, Estonia, Austria, Poland, Slovenia, Slovakia and Finland). The purpose of this report is to assess Member States' compliance with the deficit and debt criteria of the Treaty. For all these Member States except Finland, the report assesses their compliance with the deficit criterion. In the case of Lithuania, Estonia and Poland, the report was prepared due to a planned deficit in 2022 exceeding the 3% of GDP Treaty reference value, whereas the other Member States had a general government deficit in 2021 exceeding 3% of GDP.

The pandemic continues to have an extraordinary macroeconomic and fiscal impact that, together with the current geopolitical situation, creates exceptional uncertainty, including for designing a detailed path for fiscal policy. The Commission therefore does not propose to open new excessive deficit procedures.

The Commission will reassess Member States' budgetary situation in the autumn of 2022. In spring 2023, the Commission will assess the relevance of proposing to open excessive deficit procedures based on the outturn data for 2022, in particular taking into account compliance with the fiscal country-specific recommendations.

### **Addressing macroeconomic imbalances**

The Commission has assessed the existence of macroeconomic imbalances for the [12 Member States selected for in-depth reviews](#) in the 2022 Alert Mechanism Report.

Ireland and Croatia are no longer experiencing imbalances. In both Ireland and Croatia, debt ratios have declined significantly over the years and continue to display strong downward dynamics.

Seven Member States (Germany, Spain, France, the Netherlands, Portugal, Romania, and Sweden) continue to experience imbalances. Three Member States (Greece, Italy, and Cyprus) continue to experience excessive imbalances.

Overall, vulnerabilities are receding and are falling below their pre-pandemic levels in various Member States, justifying a revision of the classification of imbalances in two cases, where also notable policy progress has been made.

### **Opinions on the draft budgetary plans of Germany and Portugal**

On 19 May, the Commission adopted its opinions on the 2022 draft budgetary plans of Germany and Portugal.

Germany submitted an updated draft budgetary plan for 2022 in April, after a new government took office in December 2021. Also Portugal submitted a new draft budgetary plan for 2022 in April. The Commission did not assess the draft budgetary plan submitted by Portugal in the autumn of 2021, given that the State Budget for 2022 had been rejected in the Portuguese Parliament.

Germany's fiscal stance in 2022 is projected to be supportive. Germany plans to provide continued support to the recovery by making use of the RRF to finance additional investment. Germany also plans to preserve nationally financed investment.

Portugal's fiscal stance in 2022 is projected to be supportive. Portugal plans to provide continued support to the recovery by making use of the RRF to finance additional investment. Portugal also plans to preserve nationally financed investment. Portugal is expected to broadly limit the growth of nationally financed current expenditure in 2022.

### **Enhanced surveillance report and post-programme surveillance reports**

The fourteenth [enhanced surveillance report for Greece](#) finds that the country has taken the necessary actions to achieve the agreed commitments, despite the challenging circumstances triggered by the economic implications of new waves of the pandemic as well as of Russia's invasion of Ukraine. The report could serve as a basis for the Eurogroup to decide on the release of the next

set of policy-contingent debt measures.

The Commission has also adopted the post-programme surveillance reports for Ireland, Spain, Cyprus, and Portugal. The reports conclude that the repayment capacities of each of the Member States concerned remain sound.

### **Employment guidelines**

The Commission is also proposing guidelines - in the form of a Council decision - for Member States' employment policies in 2022. Every year, these guidelines set common priorities for national employment and social policies to make them fairer and more inclusive. Member States will now be called to approve them.

Member States' continued reforms and investments will be crucial to supporting high-quality job creation, the development of skills, smooth labour market transitions, and to address the ongoing labour shortages and skills mismatches in the EU. The guidelines provide steering on how to continue modernising labour market institutions, education and training, as well as social protection and health systems, in order to make them fairer and more inclusive.

This year, the Commission proposes to update the guidelines for Member States' employment policies with a strong focus on the post-COVID 19 environment, on making the green and digital transitions socially fair, as well as on reflecting recent policy initiatives, including in response to Russia's invasion of Ukraine, such as measures to enable access to the labour market for people fleeing the war in Ukraine.

### **Progress towards the UN Sustainable Development Goals**

The Commission remains committed to integrating the United Nations Sustainable Development Goals (SDGs) into the European Semester. The 2022 European Semester cycle provides updated and consistent reporting on progress towards the achievement of the SDGs across Member States. Specifically, the country reports summarise the progress of each Member State towards implementation of the SDGs, and include a detailed annex, based on the monitoring carried out by Eurostat.

The country reports also make reference to the recovery and resilience plans of the 24 Member States which have been adopted by the Council. The support provided under the RRF underpins a significant number of reforms and investments that are expected to help Member States make further progress toward the SDGs.

In parallel to the Spring Package, Eurostat has today released the "Monitoring report on progress towards the SDGs in an EU context". The EU has made progress towards most of the SDGs over the last five years of available data. Most progress has been achieved towards fostering peace and personal security within the EU territory and improving access to justice and trust in institutions (SDG 16), followed by the goals of reducing poverty and social exclusion (SDG 1) as well as the economy and the labour market (SDG 8). In general, further efforts will be necessary to achieve the Goals, in particular in the environmental area like clean water and sanitation (SDG 6) and life on land (SDG 15).

### **Members of the College said:**

Valdis **Dombrovskis**, Executive Vice-President for an Economy that Works for People, said: "*Russia's invasion of Ukraine has undoubtedly put Europe into extraordinary economic uncertainty. This has resulted in significantly higher prices for energy, raw materials, commodities and food, and is hurting consumers and businesses. With this European Semester Spring package, we are looking to sustain Europe's economic recovery from the pandemic, and simultaneously phase out our strategic dependence on Russian energy before 2030.*"

Paolo **Gentiloni**, Commissioner for Economy, said: "*Ever since the first weeks of the pandemic more than two years ago, the EU and national governments have delivered strong and coherent policy support to our economies, helping to sustain a swift recovery. Today, our common priorities are investment and reform. This is reflected in the recommendations presented today, with their clear focus on the implementation of national recovery and resilience plans and on the energy transition. Fiscal policies should continue to transition from the universal support provided during the pandemic to more targeted measures. As we navigate the new period of turbulence caused by Russia's invasion of Ukraine, governments must also have the flexibility to adapt their policies to unpredictable developments. The extension of the general escape clause to 2023 recognises the high uncertainty and strong downside risks in a situation where the state of the European economy has not normalised.*"

Nicolas **Schmit**, Commissioner for Jobs and Social Rights said: "*The Commission's Employment*

*Guidelines are a vital aspect of Member States' priority-setting and policy coordination for employment and social policies. In the wake of the pandemic, it is crucial that the Union and its Member States ensure that the green and digital transitions are socially just. The Commission's 2022 Guidelines pave the way towards creating more and better jobs and promoting social fairness, which includes supporting the integration of people fleeing the war in Ukraine into labour markets."*

## **Next steps**

The Commission invites the Eurogroup and Council to discuss the package and endorse the guidance offered today. It looks forward to engaging in a constructive dialogue with the European Parliament on the contents of this package and each subsequent step in the European Semester cycle.

## **For more information**

[Questions and answers on the European Semester 2022 Spring Package](#)

[Communication on the main elements of the European Semester Spring Package](#)

[Country reports for the 27 Member States](#)

[Country-specific recommendations \(CSRs\) for the 27 Member States](#)

[In-depth reviews for 12 Member States](#)

[Report under Article 126\(3\) of the Treaty on the Functioning of the EU](#)

[Opinions on the draft budgetary plans of Germany and Portugal](#)

[Fourteenth enhanced surveillance report for Greece](#)

Post-programme surveillance reports for [Cyprus](#), [Ireland](#), [Spain](#) and [Portugal](#)

[Proposal for a Council Decision on guidelines for the employment policies of the Member States](#)

[Monitoring report on progress towards the UN Sustainable Development Goals in an EU context.](#)

[Spring 2022 Economic Forecast](#)

[The REPowerEU Plan](#)

[The Versailles Declaration](#)

[NextGenerationEU](#)

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