Commission sets out the next steps for stability, growth and jobs

Brussels, 30 May 2012 – The European Commission has adopted a package of recommendations for budgetary measures and economic reforms to enhance financial stability, boost growth and create employment across the EU. The recommendations are country-specific, taking account of the individual situation of each Member State. The Commission has also issued recommendations for the euro area as a whole, and set out its vision for the EU-level policy action needed to complement the national measures to deliver an ambitious, two-tiered EU growth initiative. It has also presented the conclusions of twelve in-depth reviews in the context of the Macroeconomic Imbalance Procedure and made recommendations to the Council relating to the Excessive Deficit Procedure.

President Barroso said: "Today the Commission has taken important decisions that set out the further action that needs to be taken both at national level by each of our Member States and at the EU level to enhance our competitiveness, boost growth and jobs, and to strengthen decisively our economic and monetary union. They reflect the Commission’s vital role at the heart of Europe’s economic government. Our recommendations are tailored for each Member State, but form part of a coherent approach to rebalancing the European economy. We have made good progress: public finances are starting to improve and imbalances are beginning to be unwound. The direction is clear. We now need to redouble our efforts, at both the national and European levels, to move faster and further."

A number of key messages emerge from this second set of annual country-specific recommendations. On public finances, Member States are on the whole taking the necessary action to restore sustainability, but in several cases consolidation should be more growth-friendly. Unemployment, and in particular youth unemployment, is a severe problem – and though there is no quick fix, immediate action should be taken to increase productivity and better match skills and training to labour market needs. Many Member States are undertaking major structural reforms, including of their labour markets. These are helping to boost competitiveness and to correct macro-economic imbalances within Europe. Yet much greater action is needed across the EU to unlock our growth potential, create opportunities for business development, and unleash the job-creating potential of the services and energy sectors and the digital economy.

Finally, the Commission has indicated the main steps towards full economic and monetary union, including a banking union; an integrated financial supervision and a single deposit guarantee scheme. This process will need to take into account legal issues such as Treaty and constitutional change, while giving more democratic legitimacy and accountability to further integration moves.
Content of today’s package

The package has three distinct but interlinked components. First, there are 27 sets of country-specific recommendations, plus one for the euro area as a whole, on budgetary and economic policies. The analysis underpinning the recommendations is set out in 28 staff working documents, while the overarching policy messages are drawn together in a Communication on Action for Stability, Growth and Jobs.

Second, the Commission is publishing the results of the in-depth reviews launched earlier this year for 12 Member States deemed at risk of macro-economic imbalances. The Commission’s conclusion is that all twelve are suffering from imbalances, though none are currently excessive. Guidance for preventive action is included in the country-specific recommendations.

Third, the Commission is recommending to the Council that the Excessive Deficit Procedure be abrogated for Bulgaria and Germany. It is also proposing a Council decision concluding that Hungary has taken effective action to correct its excessive deficit and that the suspension of its 2013 Cohesion Fund commitments be lifted.

1. The 2012 country-specific recommendations (see MEMO/12/386)

The country-specific recommendations put forward by the Commission today give operational guidance for Member States while preparing their budgetary policies and for economic reforms that should be enacted over the coming twelve months to boost competitiveness and facilitate job creation. The adoption of the recommendations marks the concluding phase of the European Semester of economic policy coordination, which was launched with the Commission’s Annual Growth Survey on 23 November 2011 (IP/11/1381, MEMO/11/821). They should be endorsed by the European Council on 28-29 June and formally adopted by the Council in July.

The basis for these recommendations is a thorough assessment of the implementation of those adopted last year, combined with a detailed analysis of the national reform programmes and stability or convergence programmes\(^1\) that Member States submitted by 30 April 2012. The analysis underpinning the recommendations is presented in 28 staff working documents (again, one for each Member State and one for the euro area). For the first time this year, the recommendations also reflect the findings of the twelve in-depth reviews carried out in the context of the Macroeconomic Imbalances Procedure (see below).

The recommendations cover a wide range of issues including public finances and structural reforms in areas such as taxation, pensions, public administration, services, and labour market issues, especially youth unemployment. The programme countries (Greece, Portugal, Ireland and Romania) receive only one recommendation: to implement the measures agreed under their programme.

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\(^1\) Stability programmes are submitted by euro area Member States, convergence programmes by non-euro area Member States. They set out the plans for sustainable public finances. National reform programmes present key policy measures to enhance growth and job creation and reach the Europe 2020 targets.
2. Conclusion of 12 in-depth reviews (see MEMO/12/388)

The in-depth reviews are part of the Macroeconomic Imbalance Procedure, which was introduced to prevent and correct macroeconomic imbalances and which is being implemented for the first time this year. They cover twelve Member States, which were identified in the Alert Mechanism Report of 14 February 2012 (IP/12/132, MEMO/12/104) as warranting further economic analysis in order to determine whether macroeconomic imbalances exist or risk emerging. These Member States are Belgium, Bulgaria, Cyprus, Denmark, Finland, France, Italy, Hungary, Slovenia, Spain, Sweden and the United Kingdom. Each of the twelve in-depth reviews examines the origin, nature and severity of possible macroeconomic imbalances. They assess whether the country is affected by an imbalance or not, and if it is, what the nature of the imbalance is.

The reviews confirm that the twelve Member States concerned face macroeconomic imbalances which need to be corrected and closely monitored. They also conclude that the adjustment of economic imbalances is broadly proceeding, as reflected in reductions in current account deficits, convergence in unit labour costs, retrenchment in credit flows or corrections in housing prices. However, in some cases it is not clear to what extent the adjustment is complete and durable, or whether the speed of adjustment is adequate. In many cases, the accumulated internal and external imbalances continue to pose a formidable challenge, for example with regard to private and public sector indebtedness.

3. Proposals relating to the Excessive Deficit Procedure (see MEMO/12/385)

Along with the country-specific recommendations and the conclusions of the in-depth reviews, the Commission is today also making three proposals to the Council related to the Excessive Deficit Procedure (EDP).

Firstly, the Commission is recommending that the Council abrogate the EDP for Bulgaria and Germany, as foreseen in Article 126(12) of the Treaty. In March, Bulgaria and Germany notified that their 2011 general government deficit was below 3% of GDP. Following the validation of these figures by Eurostat on 23 April 2012, and also taking into account that the Commission's 2012 spring forecast shows that these deficits will remain durably below 3% of GDP, the Commission has concluded that the correction of their excessive deficits is ensured.

Secondly, the European Commission has adopted a proposal for a Council decision to lift the suspension of commitments from the Cohesion Fund for Hungary, after concluding that the country has taken the necessary action to correct its excessive deficit, in line with the Council Recommendation of 13 March 2012. More specifically, the Commission has concluded in its assessment that the 2012 budget deficit target of 2.5% of GDP is expected to be reached and the 2013 budget deficit is expected to be well below the 3% of GDP reference value, despite the slight weakening of the macroeconomic environment, as indicated by the Commission in its 2012 spring forecast. The Commission will continue to closely monitor budgetary developments in Hungary, in accordance with the Stability and Growth Pact.
For further information:
Europe 2020 website (for the Country-Specific Recommendations):
http://ec.europa.eu/europe2020/index_en.htm

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