Country-specific recommendations 2015: Further efforts needed to support a robust recovery

Brussels, 13 May 2015


These recommendations reflect the Commission’s economic and social agenda. Since President Juncker’s Commission took office in November 2014 and published its Annual Growth Survey 2015, this agenda has focused on three mutually reinforcing pillars: boosting investment, implementing structural reforms and pursuing fiscal responsibility. The successful implementation of the 2015 country-specific recommendations will be key to making Europe’s return to jobs and growth sustainable and less dependent on the external, cyclical factors that currently support the recovery.

Vice-President Valdis Dombrovskis, responsible for the Euro and Social Dialogue, said: "Strengthening the European economic recovery requires further decisive policy efforts. Many Member States face challenges such as high public and private debt, low productivity and lack of investment, which result in high unemployment and worsening social conditions. Addressing these challenges is what today's country-specific recommendations are about. To foster national ownership and implementation, we have stepped up our engagement with governments, parliaments and social partners, and considerably streamlined and focussed our recommendations."

Commissioner Marianne Thyssen, Commissioner for Employment, Social Affairs, Skills and Labour Mobility, said: "We need to make full use of the opportunity of this nascent economic recovery and bring the Europeans back to work. Member States should profit from the momentum and deliver on structural reforms. Special focus must be on those who have been left behind during the crisis, in particular the youth and the long-term unemployed."

Commissioner Pierre Moscovici, Commissioner for Economic and Financial Affairs, Taxation and Customs, said: "Today we ask Member States to ensure that the ongoing economic recovery is more than a seasonal phenomenon. Since the Juncker Commission's first day in office, our economic priorities have been to boost investment, support structural reforms and ensure the pursuit of responsible fiscal policies. These recommendations are not about Brussels lecturing governments. They are about encouraging national efforts to deliver the jobs and growth that we collectively need."

A stronger and streamlined European Semester

The European Commission has made a number of changes to the European Semester process, the EU's calendar for economic policy coordination, with the aim of increasing political ownership and accountability of European and national decision-making.

These include:
- a better focus on the priorities of the Annual Growth Survey with fewer recommendations on just a few, key priority areas for action.
- an earlier publication of country-specific and euro area analyses to allow for deep discussions with Member States and social partners on the key issues.
- a more intensive outreach at political and technical levels to discuss past and future recommendations.
- an adjusted timetable to give more time for all actors to discuss and agree priorities from a European perspective and to compare national performance and priorities in this light.

The 2015 country-specific recommendations

The Commission is making recommendations for 26 countries and for the euro area as a whole.[1] These recommendations reflect the following priorities:
- boosting investment to support future growth. This requires the removal of barriers to financing and launching investment projects and the swift implementation of the Commission’s €315 billion
Investment Plan for Europe.

- delivering ambitious **structural reforms** in product, service and labour markets that raise productivity, competitiveness and investment. By boosting job creation and growth, these reforms will contribute to prosperity and greater social fairness. Reforms in the financial sector will ease access to finance for investment and lessen the negative impact of deleveraging in the banking, private and public sectors.

- pursuing **responsible fiscal policies** that strike a balance between short-term stabilisation and long-term sustainability. Member States with high deficits or debt levels need to make further efforts to fix their balance sheets, while Member States with fiscal space should take measures to support productive investment. Changes in the composition of public finances should make them more supportive to growth.

- improving **employment policy and social protection** to enable, support and protect people throughout their lives and to ensure stronger social cohesion as a key component of sustainable economic growth.

The recommendations are based on detailed analyses of each country's situation. The tailor-made guidance is the result of an open dialogue with Member States throughout the year. They build notably on the analysis of the Commission’s Country Reports, as well as on the National Reform Programmes and Stability and Convergence Programmes presented by the Member States in April. They also take account of the latest data presented in the Commission's spring forecast.

As part of today's package, the Commission has also adopted several decisions on Member States’ public finances under the **Stability and Growth Pact**. Taken together, they represent an ambitious set of guidance and priorities for the EU economy.

Budgetary decisions

The Commission recommended today that the Council of Ministers of the EU closes the Excessive Deficit Procedure (EDP) for two countries: **Malta** and **Poland**.

Both countries have corrected their excessive deficits. In **Poland**, the headline figure for the deficit was 3.2% of GDP in 2014, thus above the reference value of 3% of GDP. In 2014 the effects of a systemic pension reform in 1999 are still being felt even after a law reversed the reform in December 2013. Once these net costs from 1999 are taken into account, the deficit is below 3% of GDP in 2014 (2.7% in 2015). Thus the Commission considers that Poland respects the deficit criterion of the Stability and Growth Pact.

In **Malta**, the general government deficit was reduced to 2.1% of GDP in 2014 and is forecast to remain 3% of GDP in 2015-16. Malta has also complied with the debt rule in 2014, a necessary condition for exiting the EDP given that the procedure was based on the breach of both the deficit and the debt criteria.

In the case of the **United Kingdom**, the Commission recommends that the Council decides the country has not taken effective action to comply with its December 2009 recommendation to correct the excessive deficit by the financial year 2014-15. This is because the fiscal effort delivered was below the recommended annual average fiscal effort of 1.75% of GDP and the deficit last year stood at 5.2%. The Commission recommends giving the UK an extra two years, until financial year 2016-17, to bring its deficit below the 3% of GDP reference value.

The Commission also prepared a report for **Finland**, which concludes that Finland does not comply with the debt and the deficit criterion of the Stability and Growth Pact. The Economic and Financial Committee will provide its opinion on the report within two weeks after which a decision on whether to open the excessive deficit procedure is to follow.

**France** is currently under an excessive deficit procedure. In its 2015 Stability Programme, the government plans to correct the excessive deficit and bring it down by 2017 – in line with the Council’s recommendation on 10 March 2015 following the Commission’s proposal. The Council set a deadline of 10 June 2015 for France to take effective action.

**Situation of Member States with regard to Macroeconomic Imbalance Procedure**

<table>
<thead>
<tr>
<th>MIP Category</th>
<th>Member States in 2015*</th>
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</thead>
<tbody>
<tr>
<td>No imbalances</td>
<td>Austria, Czech Republic, Denmark, Estonia, Lithuania, Luxembourg, Latvia, Malta, Poland, Slovakia</td>
</tr>
<tr>
<td>Imbalances, which require policy action and monitoring</td>
<td>Belgium, Netherlands, Romania**, Finland, Sweden, United Kingdom</td>
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<tr>
<td>Imbalances, which require decisive policy action and monitoring</td>
<td>Hungary, Germany</td>
</tr>
<tr>
<td>Imbalances, which require decisive policy action and specific monitoring</td>
<td>Ireland, Spain, Slovenia</td>
</tr>
<tr>
<td>Excessive imbalances, which require decisive policy action and specific monitoring</td>
<td>Bulgaria, France, Croatia, Italy, Portugal</td>
</tr>
<tr>
<td>Excessive imbalances, which require decisive policy action and the activation of the Excessive Imbalance Procedure</td>
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</tbody>
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* Cyprus and Greece are in a macroeconomic adjustment programme.
** Romania is in a precautionary financial assistance programme.

**Situation of Member States with regard to the Stability and Growth Pact**

| Box 2. Situation of Member States with regard to the Stability and Growth Pact, as of 13 May 2015 |
| No excessive deficit procedure | Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Germany, Hungary, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Romania, Slovakia, Sweden |
| Abrogation of the excessive deficit procedure | Malta, Poland |
| On-going excessive deficit procedures | Croatia, Cyprus, France, Greece, Ireland, Portugal, Slovenia, Spain, |
| New deadline: 2016/17 | United Kingdom |
| Consideration of opening a new excessive deficit procedure | Finland |

**Next steps**

EU Ministers will discuss the country-specific recommendations in June before EU Heads of State and Government endorse them on 25-26 June. They will be formally adopted in July. It is then up to Member States to implement the recommendations by including them in their national policies and budget plans for 2015-2016.

**For further information:**

Country-specific recommendations 2015
Decisions under the Stability and Growth Pact
Memo on Country-specific recommendations
Memo on budgetary decisions
Key Areas: Thematic fiches
[1] Greece and Cyprus are implementing macroeconomic adjustment programmes and do therefore not receive a recommendation.