



[Check Against Delivery]

## Remarks by Executive Vice-President Dombrovskis at the press conference on the European Semester Spring Package

Brussels, 20 May 2020

Good morning everybody,

It is almost inconceivable how much life has changed since we presented our European Semester country reports in February. We had the lowest unemployment figures in a decade, highest employment levels ever recorded, and every EU economy was growing.

Three months on, we now face a deep recession that is hitting every country in Europe, and across the world.

The speed and the degree of the recovery will primarily depend on how we can get the virus under control and safely restart activities.

Our economic policy response will also matter a lot. Some countries will find it harder to get back on their feet than others. The challenges vary from one sector and one region to the next. But the interdependence of our economies means that the dynamics of the recovery in one country will affect the strength of the recovery in other countries.

So we need a response that is tailored yet coordinated. This is exactly what today's Spring Semester package aims to provide.

I will focus on the main points of the country-specific recommendations. Paolo will give more detail on other aspects and the specific reports on Greece, Spain and Cyprus. Nicolas will inform you about the main elements regarding the social and employment aspects.

The semester has been recast and streamlined to guide and support Member States for the immediate and the next stage of this crisis.

Urgent priorities include investing in health, protecting jobs, making sure companies have enough liquidity and tackling the impact on society. This should allow us to preserve our productive capacity and cushion the impact on workers and companies as much as possible.

As we shift from emergency to recovery, we need to put our economies back on track towards sustainable and inclusive growth.

For this, we will continue to be steered by the agenda of competitive sustainability presented by last year's Annual Sustainable Growth Strategy. It has four aspects: economic stability, fairness, environmental sustainability and productivity.

The focus must be on strengthening the resilience of our economies and making them fit for the future. We can do that by turning them greener and more digital. This will allow Europe to become a global frontrunner in new technologies, boosting our competitive power.

For that, we will need to have the right kinds of investment in people and technologies; as well as reforms to improve productivity and the business environment.

In that regard, savers and investors will play a vital role for the economic recovery. They need to have the confidence to invest through capital markets. And companies need to be able to access diversified sources of market-based financing anywhere in the EU. That is why, more than ever, we need to speed up the progress with the Capital Markets Union.

In terms of economic stability, Member States' public finances play a key role.

As you know, we activated the general escape clause under the Stability and Growth Pact. This allows Member States to temporarily depart from the recommended adjustment path in order to address the pandemic, sustain the economy and support the ensuing recovery. These measures, however, will cause deficits in all Member States to go well above 3% of GDP.

Therefore we have produced reports to analyse this - in line with article 126.3 of the Treaty - for all Member States except for Romania which is currently under an excessive deficit procedure.

In all cases apart from Bulgaria, we concluded that the deficit criterion of the Treaty is not complied with.

In normal times, this would lead to the opening of an excessive deficit procedure. But these are exceptional times – so we consider that a decision on whether to place Member States under EDP should not be taken now.

The Stability and Growth Pact is not suspended. Once the recovery is underway, the focus will be on achieving prudent fiscal positions and debt sustainability, while stimulating investment. Member States will need to return to their medium-term budgetary objectives.

With the economic impact of this pandemic still unfolding, we face exceptional uncertainty. So at this stage, it is not possible to provide meaningful medium-term fiscal policy guidance.

We will come back to this in the autumn.

Our economies also depend on a well-functioning and robust financial system. Unlike the last crisis, banks are not part of the problem but part of the solution – and we need to ensure that this remains the case.

We continue to pay close attention to money laundering and the resilience of the financial sector, which is reflected in today's recommendations to 11 countries [Bulgaria, Denmark, Estonia, Ireland, Luxembourg, Latvia, Malta, Netherlands, Slovakia, Finland and Sweden].

Member States must take determined action to close the door on dirty money, which harms public finances and financial stability.

This pandemic will leave deep and lasting scars not only on our economies – but also on our societies. So Member States will have to address rising inequalities and make sure that no one is left behind. The recovery has to be fair and inclusive.

Next week, we will unveil how we intend to support Member States in their recovery efforts. I will not go in detail on this but there is one part I want to raise.

A substantial part of the money, as part of the Recovery Instrument, will go to a new recovery and resilience facility for all Member States to fund public investment and reforms aligned with EU priorities. And the European Semester and the country-specific recommendations which we put forward today will provide guidance for Member States while preparing their recovery and resilience plans, and consequently accessing financing from the recovery and resilience facility.

To conclude, this is a global crisis, a horizontal economic crisis, so we need a coordinated response to this – which is what this European Semester cycle intends to provide.

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