European Commission - Speech
[Check Against Delivery]

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

Brussels, 2 June 2021

Ladies and gentlemen - good afternoon.

We are reaching a significant point for our economies.

The outlook is brighter than we predicted just a few months ago.

Vaccination rates are rising. Restrictions are easing.

The economic recovery is around the corner.

For the EU taken as a whole, economic activity is due to return to its pre-crisis level this year. And while there are still divergences across countries, we expect all member state economies to return to pre-crisis levels by the end ofnext year.

This is in no small extent thanks to the unprecedented policy response. Fiscal and monetary policies have been working hand-in-hand since the beginning of the pandemic.

As you know, we made maximum use of flexibility within the EU's fiscal and state aid rules, as well as in financial regulation.

The Recovery and Resilience Facility – with its €672.5 billion available in grants and loans - will be available to all EU countries to carry out reforms and investments in line with their national plans.

This year, we have adapted the European Semester to take into account the roll-out of the RRF and allow for its smooth launch.

So today's European Semester package comes with a slight twist.

As we are now in the process of assessing the 23 Recovery and Resilience Plans submitted so far. Today's package focuses on setting out fiscal guidance.

First, we can confirm that - based on our spring forecast - the general escape clause will stay activated in 2022 but no longer so as of 2023.

Second, we reconfirm that Member States should not prematurely withdraw fiscal support. Fiscal policy should remain supportive in both 2021 and 2022.

The RRF will contribute significantly to this, since its grants will not add to national debt and deficits.

For the EU as a whole, we expect that it should provide an economic impulse of 1.2% of GDP and help create around 800,000 jobs by the end of next year.

As economic recovery is taking hold and economic activity is slowly returning to normal, fiscal policies should become more differentiated.

Those countries with high debt should pursue prudent policies, using the RRF to fund more investment.

Those countries with low sustainability risks should support their economies, including through the RRF.

At the same time, the growth of nationally financed current expenditure should be kept under control.

And it should be limited for countries with high debt.

This will allow to support the recovery and growth potential of the economy without creating a permanent burden on public finances.

For the medium term, it is important to maintain a credible and coordinated approach.

However, at this stage, uncertainty is still high.

We do not yet know what lasting effects the crisis will leave and also the exact impact of the RRF.

This is why our guidance is still qualitative. It is also why we have decided not to open excessive deficit procedures at this stage.

However, it is clear that, when economic conditions allow, Member States should pursue policies aimed at prudent medium-term fiscal positions ensuring fiscal sustainability.

We should be able to provide more precise guidance next year.

For Romania, which was already under an excessive deficit procedure because of a high deficit in 2019, we updated the adjustment path with a new deadline to correct the excessive deficit by the end of 2024.

This actually reflects the policy strategy outlined by the new government in Romania in line with its convergence programme, and building on the corrective measures taken up to now.

One final recommendation: all EU countries should improve the composition of their public finances.

They should be efficient and prioritise their spending, given the many simultaneous demands.

While we need to address the challenges of ageing, climate change and digitalisation, we also need to deal with the consequences of the crisis.

Our greatest challenge is to set our economies firmly on the path of inclusive and sustainable growth. We need to ensure that our next generation will be able to enjoy high living standards across the board: economic, social and environmental.

This is why our priority now must be to implement the reforms and investments in the national plans.

Policies to modernise labour market institutions, education and training as well as social protection and health systems will be crucial for the recovery and for the future strength of our economies and societies.

This is at the core of our Employment Guidelines, which we propose to reconfirm today. Nicolas will tell you more about this.

The RRF is also an opportunity to tackle macroeconomic imbalances, where today we provide in-depth reviews.

The main sources of imbalances remain unchanged.

The economic impact of the pandemic adds to the existing vulnerabilities, but not in a way that would require a change in our overall assessment.

We therefore confirm that Cyprus, Greece and Italy continue to experience excessive imbalances, while nine other countries, Croatia, France, Germany, Ireland, the Netherlands, Portugal, Romania, Spain and Sweden continue to record imbalances.

Finally, a word on Greece.

Today, we adopted the report under enhanced surveillance.

Despite the challenging circumstances, Greece has taken the action needed to meet its commitments. This report could serve as a basis for the Eurogroup to decide on the release of the next set of policy-contingent debt measures worth €748 million.

Thank you and I will now pass the floor to Paolo.

SPEECH/21/2826

Related media

- Press conference by Executive Vice-President Valdis DOMBROVSKIS and Commissioners Paolo GENTILONI and Nicolas SCHMIT on the European Semester Spring Package