



European Commission - Speech [Check Against Delivery]



Remarks by Commissioner Gentiloni at the press conference on the European Semester Spring Package

Brussels, 2 June 2021

Good afternoon.

Both on the health front and the economic front, the situation is steadily improving across the European Union: millions of Europeans are being vaccinated every day. 45% of adults have had at least one dose, which is not far from the levels reached in the US. As COVID case numbers decline, restrictions are being eased and the most affected economic sectors are opening up for business again. According to the Commission's economic sentiment indicator, confidence is back above its long-term average. Growth is set to be above 4% both this year and next. This week the OECD's outlook was identical to our own for the euro area. And, of course, NextGenerationEU is now a reality, following the ratification of the Own Resources Decision. We are not yet out of the woods, but we have a brighter outlook ahead of us.

The national and common policy responses over the last year has played a huge role in securing this recovery. Let me just mention the SURE instrument which has benefited around 2 million firms and protected up to 30 million jobs. It has been very satisfying to see how united the economic policy responses have been. This includes the close interplay between monetary policy and fiscal policy, which of course have their different and autonomous, objectives but have been very complementary. Now we need to get the next steps right, to ensure the quality, inclusiveness and endurance of the recovery which is finally underway. And that's what today's policy announcements are all about.

The continuation of the general escape clause in 2022 and its expected de-activation as of 2023 is important for both Member States' planning and investors' expectations. With the general escape clause still in place, it is logical that no decision should be taken today to open any Excessive Deficit Procedures. Only in the case of Romania, which was already in Excessive Deficit Procedure. Let me briefly run through the main messages of today's fiscal guidance. First, the overall fiscal stance, taking into account both national budgets and the Recovery and Resilience Facility, should remain supportive in both 2021 and 2022. Second, once health risks diminish, fiscal measures should gradually pivot to more targeted measures that help workers and firms to transition to the post-COVID world. Third, in 2022, fiscal policies should become more differentiated, taking into account the state of the recovery, fiscal sustainability and the need to reduce economic, social and territorial divergences. These divergences are there and have not been cancelled by the crisis. For all Member States, fiscal policy should prioritise higher public and private investment. Those with high debt should limit the growth of current expenditure. Because it's one thing if public finances are used for current expenditures; it's another if they used to invest in research, education and public infrastructures. Fourth, for the period beyond 2022, when economic conditions allow, Member States should pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term. Lastly, we emphasise the importance of the quality of public finances. Member States should prioritise growth-enhancing investment, notably supporting the green and digital transition. On the revenue side, reforms aiming at shifting taxation from labour to environmental taxes and preventing harmful tax competition and aggressive tax planning are also essential.

To conclude, as our economies emerge from this crisis, we will be faced with significantly higher debt levels. We all know that budget deficits will have to be brought down from the exceptional levels of this and last year. But this must be done in a way that doesn't repeat the mistake of sacrificing public investment and other productive spending that is necessary for the future growth of our economies. The RRF is there to help. The experience of some Member States shows that strengthening growth potential is an effective way to reduce public debt. Keeping spending under control is necessary, but improving the composition of public expenditure is also key to addressing high debt levels.

The RRF offers a unique opportunity to improve our economies in so many ways. We are not only looking for a rebound and return to normal for our economies, but for lasting sustainable growth, making Europe fit for the post-COVID world. Today's guidance aims to ensure that this opportunity is

seized.

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