

European Semester: Assessing the 2017 priorities

The European Semester is a key monitoring element of the EU's economic governance framework which aims to detect, prevent, and correct problematic economic trends such as excessive government deficits or public debt levels. As part of the annual evaluation cycle, three European Parliament Committees discuss the European Commission's priority areas for 2017: boosting investment, pursuing structural reforms and ensuring responsible fiscal policies. The Committee reports assess the priorities from an economic, employment and single market point of view before the Commission presents dedicated country reports in late February. Plenary discussion on all three reports is planned for the February II part-session.

Monitoring and coordinating European economies – the European Semester cycle

The [European Semester](#) (ES) synchronises the timing of economic and fiscal policy reporting and evaluation at EU level, and introduces ex-ante coordination of national economic policies during a six-month period every year. Introduced in 2010 as part of an [economic governance](#) reform in response to the euro crisis, it has [evolved](#) substantially since then. The cycle starts every November with two major reports by the European Commission: the Annual Growth Survey ([AGS](#)) – policy priorities regarding economic, budgetary and labour policies – and the Alert Mechanism Report ([AMR](#)) – identifying risks of macro-economic imbalances in Member States – including, since 2016, a separate [recommendation for the euro area](#). The [main following step](#) is policy guidance from the [European Council in March](#). Then the Member States present National Reform Programmes (NRPs) on economic and employment policies, and Stability/Convergence Programmes ([SCP](#)) on budgetary policies. The ES concludes in July with the adoption of country-specific recommendations ([CSRs](#)) to the Member States. The European Parliament monitors the assessment twice: in late autumn, it expresses its opinion on the on-going ES cycle, and in February on the AGS and the AMR. In addition, Parliament holds several [Economic Dialogues](#) with other EU institutions and representatives from Member States subject to CSRs (e.g. [European Parliamentary Week](#)). The most recent dialogue (with the ECOFIN Council) took place on [25 January 2017](#).

The priorities of the 2017 cycle

Presented by the Commission on 16 November 2016, the priorities for the 2017 cycle focus on three areas relevant for economic growth: boosting investment, pursuing structural reforms (in product, service and labour markets), and ensuring responsible fiscal policies. The [AGS 2017](#) recommends improving the functioning of the financial sector, and increasing the impact of the European Fund for Strategic Investments (EFSI). It calls on Member States to 'create supportive conditions for greater labour market participation' and to modernise their welfare systems. As to fiscal policies, the report finds that 'challenges in terms of fiscal sustainability remain in a number of countries', and warns that some of the drivers of the modest economic recovery since 2014 are fading. '[In-depth-reviews](#)' ([IDR](#)) will thus cover Member States with identified imbalances: **Bulgaria, Croatia, Cyprus, Finland, France, Germany, Ireland, Italy, the Netherlands, Portugal, Slovenia, Spain and Sweden**. For the euro area, the Commission implies that 'more efforts are needed to bring about a positive fiscal stance for the euro area as a whole'. The key element of the dedicated euro-area recommendations is to 'deliver an overall positive fiscal stance contributing to a balanced policy mix, to support reforms and to strengthen the recovery through a **fiscal expansion of up to 0.5 % of GDP in 2017**'. To support its claim, the Commission adopted a communication, '[Towards a positive fiscal stance for the euro area](#)'.

In January 2017 [conclusions](#) on the AGS, the Council 'broadly shares' the Commission's view on policy challenges and 'agrees on the broad policy priorities'. However, it 'stresses that too little emphasis is placed on the need for product market reform'. On the [AMR](#), the Council 'underlines that despite improvements the challenges and risks remain broadly unchanged and further progress on policy actions is needed to address imbalances'.



European Parliament

To contribute to the definition of economic policy priorities for the 2017 European Semester, the Economic and Monetary Affairs Committee (ECON) drew up an own-initiative report. This report is complemented by reports on employment and social aspects from the Employment and Social Affairs Committee (EMPL) as well as on single market governance, by the Internal Market and Consumer Affairs Committee (IMCO).

Presented to the **ECON Committee** on 21 November 2016, the [draft report](#) (Committee vote scheduled for 13 February 2017) welcomes the AGS 2017 and 'reaffirms the strategy of a virtuous triangle of investment, structural reforms and responsible public finances'. However, the rapporteur also believes that the EU's 'moderate recovery requires relentless efforts if it is to achieve greater resilience'.

Investment

- The draft report 'stresses that a functioning Capital Markets Union can, in a longer perspective, provide alternative financing to SMEs' and 'that step-by-step completion of the Banking Union shall aim at increasing resilience in the banking sector and contributing to financial stability'.

Structural reforms

- The draft report 'considers that well-functioning, flexible labour markets have proven to be quicker to recover from the economic downturn', is 'concerned about the effects of demographic developments on public finances', but also notes that with regard to youth unemployment, 'there remain stark differences across the Member States'.

Fiscal responsibility and structure of public finances

- The draft report stresses the importance of the [Treaty on Stability, Coordination and Governance \(TSCG\)](#) and is concerned about the 'hesitancy in using the instruments available under the Excessive Deficit Procedure' but 'welcomes the reduction in average public deficits'.
- The rapporteur questions the usefulness of an aggregate target [common fiscal stance], given the lack of significant spill-over effects of domestic demand between Member States.

Adopted on 6 February 2017, the **EMPL** report welcomes the AGS's emphasis on the 'importance of ensuring social fairness as a means of stimulating more inclusive growth'. However, the Committee not only notes that the 'percentage of people at risk of poverty and social exclusion remains high' but also points out that high levels of inequality are detrimental to growth. The Committee calls on Member States to make more active use of [EFSI](#) funds and the Youth Employment Initiative. EFSI funds however, 'should not be used solely to implement country-specific recommendations'. The report calls on the Commission to monitor and control investments under EFSI and to measure their economic and social impact. So far, it has not improved 'social and economic convergence between Member States'.

Adopted on 25 January 2017, the **IMCO** [report](#) combines findings on the single market in the ES process, its potential in key areas, and on how to strengthen its governance.

Strengthening the single market pillar of the European Semester

- MEPs reiterate the need for 'creation of a strong single market pillar with a social dimension within the European Semester, with a system of regular monitoring and identification of the country-specific barriers to the single market'. It 'should also serve as a benchmark for commitment to structural reforms'.
- Overall implementation of the key reforms set in the CSRs 'is still disappointing in some areas'.

'Tapping the potential of the single market in key areas'

- IMCO Members stress that 'a vast number of various unnecessary non-tariff barriers still exist' and recall their request that 'the Commission present in 2016 a comprehensive overview' of these and an analysis of the means for tackling them.

Strengthening the governance of the single market

- The Committee reiterates its call on the Commission to develop systematic and integrated indicators (including social indicators, as well as considering a headline indicator) to more properly measure single market governance, as this 'could provide useful input for the CSRs'.
- MEPs support quantitative targets to reduce unnecessary administrative burdens at EU level.

Own-initiative reports: [2016/2306\(INI\)](#), [2016/2307\(INI\)](#) and [2016/2248\(INI\)](#); Committees responsible: ECON (rapporteur: Gunnar Hökmark, EPP, Sweden), EMPL (rapporteur: Yana Toom, ALDE, Estonia) and IMCO (rapporteur: Antonio López-Istúriz White, EPP, Spain).