

European Semester 2019: Winter Package explained

Today, the Commission publishes:

COUNTRY REPORTS

What are the Country Reports?

Country Reports are analytical documents that provide an overview of the economic and social challenges in Member States, as well as their policies. The reports are a tool under the [European Semester](#), the EU's framework for economic and social policy coordination, to monitor reform implementation and identify issues to be addressed by Member States. For those Member States for which the Commission's [Alert Mechanism Report](#) in November identified the need for an in-depth review, Country Reports include an analysis into whether the countries are experiencing macroeconomic imbalances and, if they are, to what extent.

The Country Reports will serve as the basis for discussion with Member States of their national policy choices ahead of their national programmes in April, and will lead to the formulation in late spring of annual Country-Specific Recommendations.

As usual, Member States have been consulted on the analytical elements of the reports in advance of publication and given the opportunity to check the accuracy of facts and figures. The final analysis is that of the Commission.

What are the overall findings of the Country Reports?

The Country Reports confirm the overall sound shape of the European economy, which is expected to grow for the seventh consecutive year in 2019, with expansion forecast in every Member State. Employment is at a record high and unemployment at a record low. Public finances have also improved across the board, although some countries are still facing high levels of debt. However, challenges remain. Productivity levels remain subdued, population ageing is intensifying and rapid technological change is having a significant impact on labour markets. Youth unemployment has been significantly reduced, but is still unacceptably high in some Member States. At a time of more pronounced global uncertainty, it is crucial that Member States step up their action to boost productivity, improve the resilience of their economies and ensure that economic growth benefits all citizens.

Have the Member States addressed the challenges identified in past Country-Specific Recommendations?

Since the introduction of the European Semester in 2011, all Member States have made progress in implementing Country-Specific Recommendations. The rate of progress varies among Member States. Member States have made at least 'some progress' with the implementation of more than two thirds of the

Country-Specific Recommendations addressed to them.

Most progress has been achieved in financial services, reflecting the priority given to measures to stabilise the financial sector in the aftermath of the economic and financial crisis. Member States have also made progress with the implementation of the recommendations on reforms to promote job creation on permanent contracts and to address labour market segmentation.

More remains to be done. Member States must step up their efforts towards reform implementation, in order to improve the resilience of their economies and to foster growth. One of the ways in which the Commission has helped in recent years is the Structural Reform Support Programme: it provides technical support to all EU Member States, at their request, to help with the design and implementation of growth-enhancing reforms, including those identified in the Country-Specific Recommendations.

Why do Country Reports highlight investment needs in Member States this year?

The Commission has based its economic strategy on a 'virtuous triangle' policy mix which combines the promotion of reforms, investment and fiscal responsibility. Identifying and addressing investment needs is thus a key priority of the European Semester.

As a novelty of today's package, the Commission deepens the discussion on investment challenges and priorities in Member States and sets out first ideas as to how EU funds, in particular EU Cohesion Policy funds, can help in the forthcoming programming period 2021-2027. This will also serve to ensure greater coherence between the coordination of economic policies and the use of EU funds, which are a significant part of public investment in several Member States. This priority is reflected throughout the Country Reports and a new annex on the possible use of future EU Cohesion Policy funds is attached to each Country Report.

What is the new Link between Country Reports and Cohesion Policy funding?

The Country Reports review both reform and investment priorities at Member State level. In this context, this year, for the first time, they also include a dedicated annex which identifies possible priority investments for EU Cohesion Policy funding in the period 2021-2027.

This list is neither exhaustive nor exclusive. It presents the Commission's view on how to maximise the positive economic impact of the three Cohesion Policy funds – the European Regional and Development Fund, the European Social Fund Plus and the Cohesion Fund.

These dedicated annexes are a starting point for the future dialogue between the Commission and Member States on where the use of these EU funds should be targeted.

What are the Country Reports' findings with regard to the social situation?

With 240 million Europeans currently in employment, the level of employment in the EU is the highest ever recorded. Unemployment, at 6.6% in the EU, is

also at a record low. Following years of robust growth and job creation, the social situation continues to improve. In 2017 alone, more than five million people were lifted out of poverty and social exclusion.

However, the analysis points to remaining challenges and also to significant differences across Member States. In some Member States, unemployment rates have not fully recovered and are still above 10%, while youth unemployment remains too high. Social distress is a concern in several Member States and inequalities are still a challenge.

To monitor progress and compare employment and social performances across Europe, the Commission has set up a Social Scoreboard, which it uses as an analytical tool for its assessment in the Country Reports. The Social Scoreboard was established as a follow-up to the [European Pillar of Social Rights](#).

STEPS UNDER THE MACROECONOMIC IMBALANCES PROCEDURE (MIP)

What are the in-depth reviews?

In-depth reviews are carried out in the context of the Macroeconomic Imbalances Procedure to identify and prevent the emergence of potentially harmful macroeconomic imbalances that could damage economic stability in a single country, the euro area or the EU as a whole.

First, on the [basis of a reading of a scoreboard of indicators](#) released in November of each year, the Alert Mechanism Report identifies Member States with possible risks of economic imbalances. Then the Commission undertakes in-depth reviews to assess whether imbalances or excessive imbalances indeed exist in these countries and, if so, how serious they are. For those countries where an in-depth review was carried out, the results are included in the Country Reports.

The reviews examine aspects such as the sustainability of Member States' external accounts, savings and investment balances, effective exchange rates, export market shares, cost and non-cost competitiveness, productivity, private and public debt, housing prices, credit flows, financial systems, unemployment and other variables.

For which countries did the Commission publish in-depth reviews?

In the [Alert Mechanism Report](#), published in November 2018 as part of the European Semester Autumn Package, the Commission identified 13 Member States for in-depth reviews: **Bulgaria, Germany, Ireland, Greece, Spain, France, Croatia, Italy, Cyprus, the Netherlands, Portugal, Romania** and **Sweden**. All but Greece and Romania were already found to experience imbalances or excessive imbalances also in 2018.

In this Semester cycle, **Greece** was subject to an in-depth review for the first time, after being integrated into the European Semester following the successful conclusion of its stability support programme in August 2018. The Commission also considered that an in-depth review for **Romania** was warranted, in order to assess the implications of the ongoing deterioration in the

country's cost competitiveness and external balance.

The Commission has concluded that all of the 13 Member States examined are facing either imbalances (10) or excessive imbalances (3), although the gravity of imbalances has diminished in some cases. The summary of the in-depth reviews outcome is as follows:

- **Greece** has been identified as experiencing **excessive imbalances** as, even if a lot of progress has been made, it still faces various major challenges related to large debts, a weak financial sector, incomplete external rebalancing, and low growth potential combined with high unemployment.
- **Romania** is found to have **imbalances**. Risks related to competitiveness losses and a widening current account deficit, and recent legislation appears to be inducing risks to the financial sector. All that is happening in a context of weakening reform implementation, unpredictable policy-making environment, and an expansionary fiscal policy.
- **Croatia** has moved from excessive imbalances to **imbalances**. A continued positive macroeconomic backdrop has been contributing to a gradual correction of existing challenges, in particular the high debt stocks. In addition, policy commitments to help sustaining the correction of imbalances have been stepped up recently.
- In **Bulgaria, France, Germany, Ireland, the Netherlands, Portugal, Spain** and **Sweden** the findings of **imbalances** have been reconfirmed.
- **Cyprus** and **Italy** were reconfirmed to be experiencing **excessive imbalances**:
 - In **Cyprus**, only a very limited reduction in risks has been observed.
 - In **Italy**, progress in some policy areas in earlier years has been overshadowed by worsening prospects largely coming from the planned budgetary deterioration and a broadly stalled reform agenda. Recent policy measures backtrack on elements of previous reforms and will affect negatively the sustainability of public finances, productivity and potential GDP growth. Looking forward, the aggravation or the alleviation of imbalances will crucially depend on policy commitments and their implementation. The Commission will therefore closely monitor developments and assess policy steps and commitments to address imbalances, in particular the level of ambition of the National Reform Programme, in the context of the forthcoming European Semester Spring Package.

The countries experiencing imbalances will continue to be subject to specific monitoring of progress in the context of the European Semester.

OPINION ON THE DRAFT BUDGETARY PLAN OF SLOVENIA

The Commission has published its Opinion on Slovenia's updated Draft Budgetary Plan. Slovenia's previous Draft Budgetary Plan was submitted last October based on a "no policy change" scenario. It was resubmitted recently.

The Commission considers that the updated Draft Budgetary Plan is at risk of non-compliance with the provisions of the Stability and Growth Pact. Both the Commission and Slovenia forecast that the DBP might result in a significant

deviation from the adjustment path towards Slovenia's medium-term budgetary objective. Slovenia is invited to take the necessary measures within the national budgetary process to ensure that the 2019 budget will be compliant with the Stability and Growth Pact.

SECOND ENHANCED SURVEILLANCE REPORT FOR GREECE

The Commission has adopted the Second Enhanced Surveillance Report for Greece.

The Commission activated the Enhanced Surveillance framework for Greece, effective as of the conclusion of the European Stability Mechanism stability support programme on 20 August 2018. The Enhanced Surveillance framework facilitates continued support for the completion, delivery and implementation of reforms agreed under Greece's stability support programme, in line with the commitments made by the Greek authorities.

What are the conclusions of the Report?

The Report concludes that while Greece has made considerable progress implementing its specific reform commitments due by end-2018, the pace in some areas has been slow and has led to delays in related key reforms.

How will the conclusions of this report impact the activation of the debt relief measures for Greece?

The decision to activate policy-contingent debt measures is a decision for the Eurogroup, taking into account the assessment of the enhanced surveillance report. The details are foreseen in the Eurogroup Statement of 22 June 2018.

STRUCTURAL REFORM SUPPORT PROGRAMME (SRSP)

What is the Annual Work Programme of the Structural Reform Support Programme and how is it linked to the European Semester?

The Commission also adopted today the [2019 SRSP Work Programme](#) setting out the priorities, objectives and expected results, and describing the actions that will be implemented through the programme in that year. The SRSP is managed by the Commission's Structural Reform Support Service, which acts as a hub to gather and supply European and international expertise.

This year, the SRSP will provide technical support to 26 Member States to carry out more than 260 projects. This comes in addition to the more than 290 projects selected in 2017 and 2018. In 2019, the programme will also provide targeted support for reforms in Member States wishing to adopt the euro.

Examples of reform projects include support to help reform budgetary systems, modernise public administration, improve the quality and efficiency of national judicial systems, or fight against fraud, corruption and money laundering in Member States. The programme will also be used to help Member States better manage natural resources and resource efficiency and implement Energy Union initiatives. Numerous Member States will also benefit from

support to implement reforms of the labour market, healthcare and social welfare systems. In addition, the programme will also aim to help Member States to develop their capital markets, reform insolvency frameworks and strengthen their ability to deal with non-performing loans.

The SRSP is closely linked to the European Semester as it intends to improve the implementation of reforms highlighted in the Country-Specific Recommendations and the Country Reports. Concrete examples of technical support provided in 2018 and earlier are provided in the Country Reports published today.

PROGRESS REPORT ON ESTABLISHING NATIONAL PRODUCTIVITY BOARDS

Based on a proposal by the Commission, the Council adopted in September 2016 a Recommendation inviting euro area Member States to establish National Productivity Boards by March 2018. These productivity boards should act as objective, neutral and independent institutions to investigate the productivity challenges and contribute to evidence-based policy-making at national and European level. The Council Recommendation also invited the Commission to prepare a Progress Report on its implementation and suitability by 20 March 2019. The Progress Report presents an assessment on the implementation.

What are the conclusions of the report?

The report analyses productivity and competitiveness developments in the EU and the euro area and provides an overview of the established productivity boards at the end of 2018. The report concludes that 10 euro area Member States have established National Productivity Boards (Belgium, Ireland, France, Cyprus, Finland, Lithuania, Luxembourg, Netherlands, Portugal and Slovenia). The remaining euro area Member States have confirmed their intention to establish productivity boards, with some being in an advanced stage of the process (Greece, Malta and Slovakia). Moreover, three non-euro area Member States have identified or set up similar institutions (Denmark, Hungary and Romania).

The existing boards present a variety of set-ups, which reflect the different country-specific contexts. Several boards are already actively contributing to domestic discussions on productivity-related challenges, including by organising events and publishing annual reports. The Commission has launched a network for the productivity boards to facilitate sharing of views, practices and experiences. The Commission will, on a regular basis, exchange views with all the participating productivity boards, including during the European Semester fact-finding missions to Member States.

EMPLOYMENT GUIDELINES RENEWAL

The Commission has adopted a proposal to maintain the Council Decision on guidelines for the employment policies of the Member States for the year 2019. These guidelines have to be re-adopted every year. This year's proposal reconfirms the alignment of the Employment Guidelines with the 20 principles of the European Pillar of Social Rights, while the overall objectives and

priorities expressed in the guidelines remain valid. The Employment Guidelines present common priorities and targets for the national employment policies and provide the legal basis for [Country-Specific Recommendations](#) (CSRs) in these areas.

STOCKTAKING REPORT ON MEMBER STATES' TRAINING AND RETRAINING STRATEGIES

The Commission also released today a report on the implementation of the Council Recommendation on "Upskilling Pathways: new opportunities for adults", which is part of the new [Skills Agenda for Europe](#) put forward by the Commission in June 2016, and also an important element of the follow-up to the European Pillar of Social Rights. Currently, there are 61 million adults in the EU who have, at best, lower secondary education. Through this Recommendation, Member States committed to offer adults with low levels of skills and qualifications new and improved opportunities to boost their literacy, numeracy and digital skills, and to progress towards higher qualifications. This report reviews the measures carried out by Member States, which differ in size and level of ambition. The majority of them are supported by the European Social Fund.

What are the next steps in the European Semester?

The Council is expected to discuss the Country Reports together with the results of the in-depth reviews. In the coming months, the Commission will hold bilateral meetings with the Member States in light of the analysis of the respective reports. The Vice-Presidents, Commissioners and Commission services will visit Member States to meet governments, national parliaments, social partners and other stakeholders and discuss the findings of the reports. These visits will also include dedicated discussions of the annexes on how future EU Cohesion Policy funds could help address specific investment needs in the Member States.

By mid-April, Member States are expected to address the identified challenges in their National Reform Programmes, setting out reform priorities, and their Stability Programmes (for euro area countries) or Convergence Programmes (for non-euro area countries), setting out their multiannual fiscal strategies. In addition to the role to be played by national parliaments, Member States are encouraged to closely involve social partners and to ensure the ownership of the reform process by a wider range of stakeholders, including regional and local authorities, since success relies on various levels of government, as well as civil society.

On the basis of these programmes, the Commission will present its proposals for new Country-Specific Recommendations later in spring, targeting the key challenges each country should address. The recommendations will also include fiscal guidance and be based on the Commission Spring Forecast, which will incorporate final 2018 budgetary data validated by Eurostat.

Further Information:

Press release: [Assessing Member States' progress on economic and social priorities](#)

[28 Country Reports](#)

[Communication on the main findings of the Country Reports](#)

[Opinion on the 2019 Draft Budgetary Plan of Slovenia](#)

[Second Enhanced Surveillance Report for Greece](#)

[Annual Work Programme of the Structural Reform Support Programme \(SRSP\)](#)

Updated [Employment Guidelines](#) for 2019

[Progress Report on the Council Recommendation on “Upskilling Pathways: new opportunities for adults”](#)

[Progress Report on the Council Recommendation on the establishment of National Productivity Boards](#)

[Timeline of the European Semester cycle](#)

Previous publications

[Annual Growth Survey 2019](#)

[Alert Mechanism Report 2019](#)

[Euro area recommendation 2019](#)

[Draft Joint Employment Report 2019](#)

[European Pillar of Social Rights](#) and [the Social Scoreboard](#)

[Winter 2019 Economic Forecast](#)

[Start of the 2019 European Semester: Autumn Package](#)

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