Opening remarks by Vice-President Dombrovskis on the European Semester 2019 Spring Package

Good afternoon,

Today we spoke mostly on the 2019 Spring Package of the European Semester. Before giving details on this, let me tell you about the two other points which we had on the agenda today:

First, the Commission has today adopted the EU’s draft budget for 2020. We have proposed €168.3 billion for 2020 for a more competitive European economy, solidarity and security in the EU and beyond.

This budget is the seventh and last one under the current 2014-2020 multiannual EU budget.

It is designed to optimise funding for existing programmes as well as new initiatives and to boost the European value-added, in line with the Juncker Commission’s priorities.

The budget for 2020 has identified the following priority areas: competitive economy and young people; strengthening security and solidarity in the EU, climate change and several others.

For example, 21% of the overall proposed budget for 2020 will go to tackle climate change. This aligns with the ambitious target of spending 20% of EU’s current multiannual budget on activities that address climate change.

Our colleague Günther Oettinger will address the European Parliament on this topic this afternoon, jointly with the MEPs Jean Arthuis, Monika Hohlmeier and Vladimír Manka.

And they will have a press conference at 14:45 in front of meeting room ASP 5G3.

We also heard First Vice-President Timmermans who informed us about the ongoing legislative files that could still be delivered before the end of the mandate of this Commission.

Altogether, this Commission has made 474 legislative proposals; which includes 44 proposals presented by previous Commission.

Of these, 351 proposals have been adopted or agreed by the European Parliament and/or the Council during the present mandate.

This means that 167 proposals remain to be agreed at this point, of which about half have a chance of agreement before the 31st of October.

The College decided to work hard until the very last strand of this mandate to get our proposals adopted.

This bring me now to the European Semester.

This is the last Spring Package of this Commission. So maybe it’s a chance to take stock of how far we have come.

The European economy is in much better shape than when we found it.

Seven years of uninterrupted growth.

Investment is recovering.

Public finances are improving.

Employment is at record levels. Some 13.4 million jobs have been created since 2014.

And this is widespread. In spite of the recent slowdown and increased risks, all EU countries are set to grow this year and into the next.

It shows that our economic policies – boosting investment, stepping up structural reforms and conducting responsible fiscal policies – are working.

Unfortunately, that is not the case across all Member States.

Some Member States have not used the good economic times to build fiscal buffers and implement necessary reforms.

There is still much to do to make our economies more competitive and resilient.

For all Member States, new challenges lie ahead. We need to transform our economies to make sure digitisation, population ageing and the transition to a climate-neutral economy don’t undermine our strong European social model.

Indeed, making growth inclusive has been our focus for several years, so that it also benefits everyone, including the most vulnerable. This strong social dimension is to be maintained.

Marianne will talk more on this.

Let me point to two novelties in this year Country Specific Recommendations:

First, a greater focus on investment: a dedicated CSR identifies priority investment needs for each country, be it for private or public investments. We pay special attention to addressing regional and territorial disparities. These investment needs should be addressed by public and private sources, including EU funding.

Second, for several countries, namely, Bulgaria, Denmark, Estonia, Latvia, Malta and Sweden, we propose Country Specific Recommendations in relation to anti-money laundering. Failure to address shortcomings in AML enforcement can seriously undermine confidence in the European banking sector. This is why it is a European problem and we must work on it as such.

Today we also adopted a number of fiscal decisions as well as the third report under enhanced surveillance for Greece.

Pierre will elaborate on those cases, so let me say a few words on three countries: Spain, Italy and Greece.

Today we are proposing to abrogate the Excessive Deficit Procedure for Spain. So let me congratulate Spain!

Of course, the logic of the Stability and Growth Pact is that Spain, like other Member States, must continue to focus on sound public finances, precisely to avoid problems in the future.

As of this year, Spain will be in the preventive arm of the Pact, which means that we will look at the evolution of debt and the delivery of the required structural effort, which is expected to be 0.65% of GDP this year and also in the next.

On Italy, today we have published a report under Article 126.3 of the Treaty, assessing the breach of the debt benchmark in 2018.

It concludes that the debt criterion is not complied with and that a debt-based Excessive Deficit Procedure is thus warranted.

To be clear, today we are not opening an Excessive Deficit Procedure.

First, the EU Member States have to give their views on the 126.3 report.

The Economic and Financial Committee has two weeks to formulate its opinion on our conclusions.

But it is about much more than just procedure.

When we look at the Italian economy we are seeing the damage recent policy choices are doing.

Let me give you some examples.

We estimate that interest expenditure for Italy in 2018 turned out to be higher by around EUR 2.2 billion, if we compare with our Spring Forecast of 2018.

Today Italy pays in debt servicing as much as for the entire education system.

In 2018, Italy’s debt represented an average burden of EUR 38 400 per inhabitant. In addition, the average debt servicing cost per person was around EUR 1 000.

Growth has come almost to a halt.

The hit to confidence and higher interest rates have aggravated the impact of external factors, such as global trade tensions or a general slowdown in the world’s economy.

We now expect the Italian debt ratio to rise in both 2019 and 2020, up to 135% of GDP due to the gap between interest rates and growth, so called “snowball” effect, but also due to declining primary surplus and underachieved privatisation proceeds.

We know there is a path for recovery and growth for Italy. Other Member States have already taken it, with success. This path follows a renewed reform effort, not spending more where there is no fiscal space to do so.

Let me also say a few words on Greece.

During this Commission’s mandate, Greece is amongst those countries that have implemented the most reforms.

Thanks to those reforms and thanks to sound fiscal policies, the country is on the path of recovery, with growing employment and consumer demand.

In April, following the implementation of specific commitments, the Eurogroup released the first tranche of policy-contingent debt measures.

However, the reform momentum has slowed in recent months.

In May, Greece adopted a series of expansionary fiscal measures and announced more for later.

Today’s report notes that the package is costly and does not go in the right policy direction.

It undoes some elements of important past programme reforms. And these new measures poses a risk to the achievement of the agreed primary surplus target of 3.5% of GDP this year and beyond.

To conclude, it is important not to waste the major progress made in recent years.

It is a delicate exercise for Greece to return to markets. With public debt at around 180% of GDP, there is very little room for mistakes.

Thank you.