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

Ladies and gentlemen,

Today, we have adopted the spring economic package – the highlight of the country-specific phase of the European Semester. The package includes recommendations for 27 Member States – so all Member States except Greece – and fiscal decisions concerning several countries.

This year, the spring economic package comes against a positive backdrop: the European economy continues its recovery, now for the fifth consecutive year.

GDP growth, for the EU as a whole, is expected to be at 1.9% both this year and the next. All Member States are expected to grow. Employment has reached the highest number ever and public finances are improving.

We should use this as an opportunity to make European economies more competitive, resilient and innovative. And we need to make growth truly inclusive, so that all people feel the recovery.

This is the overall objective of the reform efforts we are recommending today.

They are targeted to address the specific socio-economic challenges in each Member State. They focus on how to use reforms to make growth more inclusive and reinvigorate productivity.

There is no quick fix. Inclusive growth requires time and a mix of policies.

Our experience shows that labour market reforms bring good results. Several Member States have implemented reforms to strengthen the performance of their labour markets and the sustainability of social protection systems. More needs to be done to provide well-targeted assistance to job seekers, which was also shown in our country assessments. We need to work to optimise social spending.

Social protection systems must be better targeted to provide wide and adequate income support to all people in need.

Income inequality needs to be addressed when designing policy reforms across the board. For example, well-designed tax and social benefit systems contribute to increasing employment and reducing poverty. We traditionally recommend shifting the tax burden away from low-paid labour to a tax basis less detrimental to growth and this is reflected in our recommendations to several Member States.

Relevant skills, effective education systems and life-long learning are essential not only for creating inclusive growth, but also for lifting productivity. Robust productivity is our guarantee for rising living standards.

So how do we raise productivity?

We need to support innovation and we need more investment. Many of our recommendations are targeted at addressing barriers to investment – for example, disproportionate regulatory requirements and burdensome administrative systems. For many countries we recommend opening up product and services markets, in a way to boost innovation and lift productivity growth.

Speaking of macroeconomic imbalances in specific countries, in February we left open the cases of Cyprus, Italy and Portugal – all experiencing excessive imbalances. After having scrutinised their National Reform Plans and following additional clarifications, we concluded that our analysis does not provide ground for moving these countries into the corrective arm of macroeconomic imbalances procedure.

On fiscal, although the overall picture of public finances continues to improve, several countries still have high levels of private and public debt, which need to be set on a downwards path.

Today we have positive news for Croatia and Portugal – we recommend the Council to abrogate the Excessive Deficit Procedures for the two countries as they have brought their budget deficits below the 3% of GDP and this for the whole forecast horizon.

As regards the preventive arm, there are 8 countries – Germany, Luxembourg, Malta, the Netherlands, Bulgaria, Czech Republic, Denmark, Sweden – that are projected to be at or above their medium-term budgetary objectives both in 2017 and 2018. These countries have no SGP-related CSR.

Unfortunately, we also see that there are Member States diverging from their budgetary objectives – this is why, for example, Italy had to take additional structural measures worth 0.2% of GDP this year.

And – we are recommending the Council to give warning to Romania on the existence of a significant observed deviation from the adjustment path towards the medium-term objective in 2016.

I will now pass floor to Marianne who will focus on employment and social aspects in this package.