



EUROPEAN COMMISSION

MEMO

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Letter from President Barroso to the Members of the European Council

Dear colleagues,

Our meeting on 14-15 March 2013 will mark an important midpoint in this year's European Semester. The Commission launched the process by proposing five key priorities in its 2013 Annual Growth Survey and I am pleased that they have already been endorsed by the Council and can now serve as a reference for the national programmes to be sent to the Commission in April. The President of the European Council has invited me to make a presentation to set the scene for our discussion and I will do this against the background of the Commission's Winter Forecasts¹ published on 22 February. We are not yet out of the crisis, as the unacceptably high levels of unemployment show, but we can see that the reform efforts of Member States are starting to bear fruit, correcting very important imbalances in the European economy.

We are all painfully aware that economic activity over the past year has been disappointing and that prospects remain difficult, with GDP growth in 2013 expected to be around 0.1% in the EU and -0.3% in the euro area.

We saw an improvement of financial market conditions in the second half of 2012 but this has not yet triggered recovery in the real economy and unemployment has reached unprecedented levels in many Member States. Balance-sheet adjustments to reduce private and public debt continue to weigh heavily on short-term growth. The social consequences of the crisis are a particular cause of concern for the Commission.

There are also positive signs. Some of the macro-economic imbalances built up before the crisis are being corrected and structural reforms initiated in several countries are contributing to a rebalancing of the EU economy, notably in the euro area. Moreover, there is progress in fiscal consolidation, with a reduction in headline fiscal deficits and a containment of the rise in debt-to-GDP levels.

¹ http://ec.europa.eu/economy_finance/eu/forecasts/2013_winter_forecast_en.htm

Attached to this letter, you will find some key data presenting the latest trends in GDP, unemployment and public finances. I think you will find it interesting to see how some of our economies are adjusting, in particular the programme countries. You can see that the steadfast implementation of reforms is beginning to deliver results in terms of current accounts and regaining competitiveness. You will also see that other Member States still need to invest more in structural reform to turn around their relative loss of competitiveness over several years. These data show the commonality of challenges, but also the differences across countries, and the need to make determined progress at all levels in the context of this European Semester.

In my brief presentation to the European Council, I will focus mainly on the challenge of competitiveness and on youth unemployment. Improving competitiveness is not an end in itself but a means to drive prosperity and sustain European living standards and values. It is an indispensable element to underpin growth and jobs and a permanent challenge in today's global environment and for large parts of the EU. When we look at productivity performance we see that the very best Member States are twice as productive as the lowest performers. Gearing up our economies to tap into the potential of our single market, to compete globally and to take advantage of the trade opportunities we are negotiating should be an important topic for our discussion.

We are all concerned by the high levels of youth unemployment and through a series of European Council meetings we have taken important decisions to help combat this scourge. As you will remember, in January 2012, I set out a pilot initiative to help the eight Member States with the highest levels of youth unemployment to mobilise efforts to reduce it. Working together in action teams the Commission and the eight governments decided to target available EU funding to support job opportunities for young people and to help SMEs get access to finance. The impact of this initiative has been positive, as is shown in the report which we have prepared for the European Council and is attached for your consideration.

I believe this pilot effort shows that by combining EU and national efforts in a targeted way, concentrating on the most difficult issues, we can make a difference. Now that our Youth Guarantee has been agreed and that we have agreed to provide additional financing in the next Multi-annual Financial Framework for combatting youth unemployment, I hope that a new momentum can be generated at national and regional level to give hope to our young people. Before we meet at the European Council the Commission will have tabled the legal proposals that will enable our Youth Employment Initiative to be up and running from the start of the next MFF period.

I am looking forward to our discussion and to hearing your ideas on boosting competitiveness and reducing youth unemployment as part of our European Semester.

José Manuel BARROSO

The letter is accompanied by the following annexes:

[MEMO/13/197](#): Key data on GDP, unemployment, public deficits and government debt

[MEMO/13/198](#): Trends in current account balances and unit labour costs

Report: Youth Employment Action Teams - Update for the Spring European Council, 14-15 March 2013

The letter and its annexes will soon be available in all languages on the

[Europe 2020 website](#).