EUROPEAN COMMISSION

PRESS RELEASE

Brussels, 2 June 2014

Building growth: Country-specific recommendations 2014

Brussels, 2 June 2014 – The European Commission has today adopted a series of economic policy recommendations to individual Member States to strengthen the recovery that began a year ago. The recommendations are based on detailed analyses of each country's situation and provide guidance on how to boost growth, increase competitiveness and create jobs in 2014-2015.

This year, the emphasis has shifted from addressing the urgent problems caused by the crisis to strengthening the conditions for sustainable growth and employment in a post-crisis economy. As part of today's package, which marks the culmination of the fourth European Semester of economic policy coordination, the Commission has also adopted several decisions on Member States' public finances under the Stability and Growth Pact. Taken together, they represent an ambitious set of reforms for the EU economy.

President José Manuel Barroso said: "*This is about helping Member States firmly out of the crisis and back to growth, with the country-specific recommendations acting as a compass showing the direction. The efforts and sacrifices made across Europe have started to pay off. Growth is picking up and - while still too modest - we will see a rise in employment from this year onwards. The fundamental challenge for the EU now is political: How do we keep up support for reform as the pressure of the crisis recedes? If politicians show leadership and summon the political will to see reform through – even if it is unpopular - we can deliver a stronger recovery and a better standard of living for everyone.*"

According to the Commission's analysis, sustained policy efforts at all levels in recent years have put the EU economy on much firmer ground. However, growth will remain uneven and fragile over 2014-2015, so the momentum for reform must be maintained. Over the longer term, the EU's growth potential is still relatively low: high unemployment levels and the difficult social situation will only improve slowly and the large investment gap will take time to be filled.

The 2014 country-specific recommendations

This year, recommendations have been made to 26 countries (excluding Greece and Cyprus, which are implementing economic adjustment programmes). They reflect progress made since the 2013 round of recommendations, which has yielded positive results:

- **Growth has returned**, including in most of the countries affected by the crisis. Only Cyprus and Croatia are expected to see their economies shrink this year, and by 2015, all EU economies are expected to be growing again.
- **Public finances continue to improve.** In 2014, the aggregate budget deficit of EU countries is expected to fall below the 3% of GDP limit for the first time since the crisis hit. The Commission recommends that Austria, Belgium, the Czech Republic, Denmark, Slovakia and The Netherlands exit the Excessive Deficit Procedure, which

will bring the number of countries still in the Excessive Deficit Procedure down to 11 (from 24 in 2011).

- **Reforms in the most vulnerable countries are paying off.** Ireland exited its financial assistance programme in December 2013, Spain in January 2014 and Portugal in May 2014. Greece is forecast to return to growth in 2014, while the situation in Cyprus has stabilised. Thanks to its determined pursuit of economic reforms, Latvia was able to join the euro in January.
- **Rebalancing is taking place**, with current account positions improving in a number of countries. In March 2014, for the first time since the Macroeconomic Imbalances Procedure was introduced, the Commission concluded that two countries (Denmark and Malta) are no longer experiencing imbalances, and that Spain was no longer in a situation of excessive imbalance.
- **The outlook is for a modest rise in employment from this year onwards**, and a decline in unemployment to 10.4% by 2015, as labour market developments typically lag behind GDP by half a year or more. Major reforms to improve the resilience of the labour market have been introduced in several Member States, including Spain, Portugal, Italy and France.

However, because the recovery is still unevenly spread and fragile, structural reforms of our economies need to continue, specifically:

- **To tackle high unemployment, inequality and poverty**: The crisis has had a severe and lasting impact on the level of unemployment in the EU, which remained dramatically high at 10.8% in 2013, with differences ranging from 4.9% in Austria to 27.3% in Greece. This requires continued reforms of employment policies, as well as improved coverage and performance of education and welfare systems. Particular attention is paid in the recommendations to tackling youth unemployment, notably by implementing a Youth Guarantee.
- **To shift to jobs-friendlier taxation**: Many countries have relied on tax rises rather than spending cuts during the crisis and the overall tax burden has risen. Because there is limited room for manoeuvre when it comes to public finances, a number of recommendations focus on shifting taxation from labour to more recurrent property, consumption and environmental taxes, to strengthen tax compliance and fight tax fraud.
- **To boost private investment**: Bank funding remains tight in Italy, Greece, Spain, Lithuania, Slovenia, Croatia and Cyprus, especially for small and medium-sized enterprises. The recommendations point to a need to further stabilise the banking sector and support alternative forms of finance – for instance, loan guarantee schemes or corporate bonds.
- **To make our economies more competitive**: Progress on structural reforms of key sectors remains limited compared to 2013. A number of recommendations this year push for further reforms in the services sector, energy and transport infrastructure, R&D systems and competition law.
- **To bring down debt**: Due to the accumulation of deficits over time, public debt is forecast to peak this year and needs to be put on a downward path, particularly in Belgium, Ireland, Greece, Spain, Italy, Cyprus and Portugal, where it remains above 100% of GDP. The challenge for public finances is to manage the costs of ageing – particularly pensions and healthcare - and to preserve growth-enhancing expenditure in education, research and innovation.

For an overview of the 2014 recommendations by country, see: http://ec.europa.eu/europe2020/pdf/csr2014/overview_recommendations_2014_by_member_state.pdf

Budgetary decisions

The European Commission has today recommended that the EU Council of Ministers close the Excessive Deficit Procedure (EDP) for six countries: Austria, Belgium, Czech Republic, Denmark, the Netherlands and Slovakia.

The Commission has also published a report analysing the reasons for a planned and forecast breach of the Treaty reference value for public debt (60% of GDP) in the case of Finland. It has concluded that the launch of an EDP is not merited since the excess is due to the country's contributions to solidarity operations for euro area countries.

In addition, the Commission has concluded that two countries, Poland and Croatia, have taken effective action in response to the Council Recommendations to those countries under the EDP.

Situation of Member States with regard to the Stability and Growth Pact:

Box 1. Situation of Member States with regard to the Stability and Growth Pact, as recommended by the Commission on 2 June 2014	
No excessive deficit procedure	**BG, DE, EE, FI, HU, IT, LT, LU, LV, RO, SE**
Abrogation of the excessive deficit procedure	**AT, BE, CZ, DK, SK, NL***
On-going excessive deficit procedures with deadlines in:	
2014	**MT**
2015	**IE, FR, PL, PT, SI, UK****
2016	**CY, EL, ES, HR**

Notes: * Early abrogation recommended for NL. ** The UK deadline is fiscal year 2014/2015.

Next steps

The country-specific recommendations will be discussed by EU leaders and EU ministers in June. They will be formally adopted by the EU's Council of Finance Ministers on 8 July. It will then be up to Member States to implement the recommendations by taking them up when drafting their national budgets and other relevant policies for 2015. The recommendations under the Stability and Growth Pact will be discussed and adopted at the EU's Council of Finance Ministers on 20 June.

For further information:

Country-specific recommendations 2014: http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm

Decisions under the Stability and Growth Pact: http://ec.europa.eu/economy_finance/economic_governance/sgp/corrective_arm/index_en.htm

Contacts :
Pia Ahrenkilde Hansen (+32 2 295 30 70)
Sarah Collins (+32 2 296 80 76)
Simon O'Connor (+32 2 296 73 59)
Vandna Kalia (+32 2 299 58 24)
Audrey Augier (+32 2 297 16 07)