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European Union

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NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

Subject: European Semester 2023
- Synthesis report

Delegations will find attached the Synthesis report prepared by the Presidency on conclusions adopted by the Council on the Annual Sustainable Growth Survey 2023, the Alert Mechanism Report, the Joint Employment Report and the Recommendation on the economic policy of the euro area. Related discussions held in different Council configurations regarding the 2023 European Semester, during the first phase of the cycle, are also reflected in the document.

Background

The Commission adopted on 22 November 2022, the "Autumn Package" for the 2023 European Semester, which included:

- the Annual Sustainable Growth Survey 2023¹, which set out the economic and employment policy strategy for the EU, in line with the four dimensions of competitive sustainability;
- the Alert Mechanism Report 2023², which recommended that seventeen Member States should undergo an in-depth review in 2023 to identify and assess the gravity of possible macroeconomic imbalances;
- the proposal for a Joint Employment Report³, which analysed the employment and social situation in Europe and highlighted the areas in which progress was made, and where more needed to be done;
- the recommendation for a Council Recommendation on the economic policy of the euro area⁴ (euro area recommendation), for the period 2023-2024, which recommended that euro area Member States should take action, individually, including through the implementation of their recovery and resilience plans, and collectively within the Eurogroup.

The Annual Sustainable Growth Survey (ASGS) outlines the economic and employment policy priorities for the EU for the 12 to 18 months following its issuing. The economic perspective presented in the ASGS was based on the Commission's Autumn economic forecast of November 2022, which showed that after a strong first half of 2022, the EU economy had entered a much more challenging phase.

¹ 15184/22

² 15189/22

³ 15076/22

⁴ 15180/22

Despite the economic shock caused by Russia's aggression against Ukraine, GDP growth in the EU remained robust in the first half of 2022 and stayed positive in the third quarter. Labour markets had proved particularly resilient, and unemployment had reached a record low and employment a record high.

The ASGS outlined an economic policy agenda to mitigate the negative impacts of energy shocks in the short term and to keep up efforts to support sustainable and inclusive growth and increase resilience in the medium term, while maintaining flexibility to tackle new challenges.

On 17 January 2023, the ECOFIN Council approved **conclusions on the Annual Sustainable Growth Survey 2023**⁵. Ministers acknowledged that the EU economy and society face multiple economic, social and geopolitical challenges resulting from Russia's war of aggression against Ukraine. It was recognised that historically high energy prices, high inflation rates, supply shortages, increased debt levels, and rising borrowing costs, were strongly affecting many EU households and companies, which require swift, targeted and coordinated policy action at the EU and national level.

The Council broadly agreed that the economic priorities outlined in the ASGS and the four dimensions of competitive sustainability – environmental sustainability, productivity, fairness, and macroeconomic stability – continue to guide the EU economic, fiscal and employment policy coordination. The need to safeguard economic, fiscal and financial stability, and to address macroeconomic imbalances was recognised. Policy measures should be supportive of fair, inclusive, resilient and sustainable growth. The measures should also contribute to accelerating the green and digital transitions and to strengthening energy security, in line with the EU's medium and long-term climate and environmental objectives.

⁵ 5125/23

For 2023, the Council noted that the European Semester and the implementation of recovery and resilience plans should continue to frame EU policy coordination. The Commission's intention to provide a holistic overview of the economic and social challenges in each Member State, including close monitoring of emerging risks was welcomed, while the importance of the continued implementation of the Macroeconomic Imbalance Procedure for addressing macroeconomic imbalances was underlined. However, the Council called for keeping the European Semester primarily focused on economic, fiscal and employment policies, including those relevant for the green and digital transitions, and avoiding duplications and overlaps across various surveillance work streams, while ensuring complementarity.

In its conclusions of 17 January 2023, on the **Alert Mechanism Report 2023**⁶, the ECOFIN Council welcomed the analysis produced in the document, that initiated the twelfth annual round of the Macroeconomic Imbalance Procedure, in the EU and within the euro area.

The ministers took note of the Commission's intention to conduct in-depth reviews for the ten Member States that experienced imbalances or excessive imbalances in 2022, as well as for further seven Member States with particular risk of newly emerging imbalances.

The Council underlined that preventing and correcting macroeconomic imbalances enhances Member States' ability to respond to shocks and supports economic convergence. The reduction of all imbalances yields positive spillovers across the euro area and the EU.

⁶ 5124/23

In the 2023 **draft Council Recommendation on the economic policy of the euro area**⁷, it was recommended that Member States would take action, individually, through the implementation of their recovery and resilience plans, and collectively within the Eurogroup, for the period of 2023–2024. Euro area economies should sustain a high level of public investment and promote private investments, which are needed to boost economic and social resilience and support the green and digital transitions, including for greater energy efficiency and for the transition to renewable energy sources. They should implement the cohesion policy programmes and recovery and resilience plans, ensuring the timely delivery of reforms and investment, and ensure that updates to the plans are targeted, considering the evolving economic situation, while not reducing the overall ambition.

On the social aspects of the draft Recommendation on the economic policy of the euro area⁸, Member States were encouraged to act in accordance with national practices and respecting the role of social partners, to support wage developments that mitigate the loss in purchasing power of wage earners, in particular for low-income workers, while reflecting medium-term productivity developments and limiting second-round effects on inflation. Action should be taken to develop and adapt, where needed, social support systems to help vulnerable households deal with the energy shock and the green and digital transitions, addressing the increased risk of poverty. Euro area Member States should further improve active labour market policies and take measures to address skills shortages and promote quality employment.

The adoption of the Recommendation will take place after the endorsement by the European Council of 23-24 March 2023.

⁷ 5041/23

⁸ 5278/23

On 13 March 2023, the EPSCO Council adopted the **2023 Joint Employment Report**⁹. It provided an annual overview of key employment and social developments in the European Union, and of Member States' recent policy measures, in line with the Guidelines for the Employment Policies of the Member States.

In the same meeting, the Council approved **conclusions on the Annual Sustainable Growth Survey 2023 and Joint Employment Report**¹⁰ where it called upon Member States to reflect the priorities and findings of both documents in their National Reform Programmes and to step up the implementation of the principles of the European Pillar of Social Rights to reach the 2030 EU headline and national targets. The Council asked Member States to improve the adequacy and sustainability of social protection systems for all to boost economic and social resilience, taking into account the shrinking work-age population related to demographic change.

Member States should systematically involve social partners, civil society and other relevant stakeholders in a timely and meaningful manner at all stages of the European Semester and policymaking cycle, as this is key for the success of the economic, employment and social policy coordination and implementation.

Ministers encouraged the Commission to monitor the employment, skills, and social aspects of the green and digital transitions under the European Semester framework, expecting the National Energy and Climate Plans to be updated.

⁹ 6059/23

¹⁰ 6681/23

Exchanges of views and policy debate

On 6 December 2022, the ECOFIN held an exchange of views, on three elements of the Autumn package: the Annual Sustainable Growth Survey, which outlined the economic and employment policy priorities for the EU for a period of 12 to 18 months, the Alert Mechanism Report that initiated the annual round of the macroeconomic imbalance procedures, and the recommendation for a Council Recommendation on the economic policy of the euro area which provided recommendations to euro area Member States on policies that affect the functioning of the euro area as a whole. The respective documents were approved by the ECOFIN Council, on 17 January 2023.

On 8 December 2022, the EPSCO held a policy debate on the European Semester, following the Commission's presentation of the autumn package. Ministers broadly expressed satisfaction with the package, considering its priorities and challenges to be relevant and valid. Ministers called for a balance to be found between medium-term and long-term challenges, while supporting temporarily vulnerable groups because of the increased cost of living due to the high inflation and high energy costs. Ministers considered that training and learning, such as upskilling and reskilling, were necessary tools to bridge the gap between labour shortages and unemployment. They highlighted the key importance of employment and social policy aspects in the European Semester.

During the exchange of views held on 13 March 2023, EPSCO ministers focused on competitiveness and skills. Ministers considered that competitiveness is required to achieve sustainable economic resilience and prosperity as well as social welfare. Moreover, it will facilitate the green and digital transitions through the creation of opportunities for companies and individuals. Ministers were of the opinion that the future competitiveness of European economies depends on the skillset of European workers, as low levels of digital skills may hamper productivity growth and widen the digital divide leading to inequalities. Skills are central to deliver on the EU ambition of achieving climate neutrality by 2050 and seizing the opportunities of the digital decade, while leaving no one behind.

At the Environment Council on 16 March 2023, Ministers emphasised the need to continue exploring the socio-economic benefits of environmental sustainability despite the significant economic, social and fiscal challenges resulting from Russia's aggression against Ukraine. Ministers addressed cross-cutting economic enablers that can contribute to accelerate the transition towards sustainable consumption and production systems, address biodiversity loss and foster economic growth. In this context, ministers highlighted that addressing the environmental investment gap, promoting green budgeting and phasing out fossil fuels and other harmful subsidies can play a crucial role in facilitating sustainable systemic transitions. Ministers also pointed out that the European Semester must remain a transparent process and, in this regard, signalled the importance of knowledge and the availability of reliable data as important enablers for the green transition.

Acknowledging the Parliamentary dimension of the European Semester, the Presidency co-organised with the European Parliament the European Semester Parliamentary Week 2023¹¹ (27-28 February 2023) on EU economic governance from a parliamentary perspective and participated in the European Parliament's joint debate on the European Semester (14 March 2023).

¹¹ [Agenda - European Parliamentary Week 2023_14.02.pdf \(europa.eu\)](#)