Council of the European Union

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**LEGISLATIVE ACTS AND OTHER INSTRUMENTS**

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| Subject: | COUNCIL RECOMMENDATION on the economic policy of the euro area |

**COUNCIL RECOMMENDATION (EU) 2025/…**

**of …**

**on the economic policy of the euro area**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 136 in conjunction with Article 121(2) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97[1], and in particular Article 3(3)(a) thereof,

Having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances[2], and in particular Article 6(1) thereof,

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1 OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj.

2 OJ L 306, 23.11.2011, p. 25, ELI: http://data.europa.eu/eli/reg/2011/1176/oj.

Having regard to the recommendation of the European Commission,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Economic Policy Committee, Whereas:

(1) On 4 November 2024, the Eurogroup, in inclusive format, issued a statement on the competitiveness of the European Economy (the 'Eurogroup statement'), where it emphasised the need for urgent action to address the Union's lagging productivity, innovation and competitiveness through ambitious investment and structural reforms. This call to action was subsequently reinforced by the European Council, which issued the Budapest Declaration on the New European Competitiveness Deal on 8 November 2024 (the 'European Council declaration'). The Eurogroup statement and the European Council declaration reflect the broad conclusions of the report entitled 'The future of European competitiveness' (the 'Draghi report'), and of the report entitled 'Much more than a market' (the 'Letta report'), and demonstrate a shared understanding of the challenges and opportunities the Union's economy is facing. They provide the context for the implementation of the new Economic Governance Framework (the 'framework'), following the entry into force of Regulation (EU) 2024/1263, Council Regulation (EU) 2024/1264[3] and Council Directive (EU) 2024/1265[4] on 30 April 2024.

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[3] Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1264/oj).

[4] Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: http://data.europa.eu/eli/dir/2024/1265/oj).

The framework aims to ensure public debt sustainability and promotes sustainable and inclusive growth through reforms and priority investments. The medium-term plans submitted under the framework by Member States to date put the emphasis on reforms and investments aimed at improving competitiveness. The Council recommendation on the economic policy of the euro area, as part of the European Semester for economic policy coordination, provides an assessment of macroeconomic policy for the euro area, including both on fiscal and non-fiscal aspects. By highlighting key macro-structural and institutional challenges, as well as priorities and recommendations collectively addressed to the euro area as a whole and to its Member States, this Recommendation provides a platform for policy discussion on areas of common interest of the euro area Member States.

(2) The euro area has displayed remarkable macroeconomic and social resilience, weathering rapid disinflation with minimal impact on employment. The euro area's ability to absorb shocks and to rebound, as seen in its response to the COVID-19 and the energy crises, has also contributed to this positive outcome. This resilience is largely due to the timely, decisive and joint policy response by the Union, including by the European Central Bank (ECB) and the Member States, which helped to cushion the economy in the face of major crises. In that respect, the sound fiscal situation in several Member States in 2019, the swift activation of the general escape clause of the Stability and Growth Pact, and new Union instruments such as NextGenerationEU and SURE, alongside the Multiannual Financial Framework ('MFF'), provided the euro area with crucial fiscal space, allowing an effective fiscal response. The structural transformation of the euro area over the last decade also enhanced its resilience. Labour markets have become more flexible, and financial systems demonstrated far greater robustness than during the Global Financial Crisis.

In the post COVID-19 period, private consumption has benefitted from a strong labour market and policy support measures, even though the savings rate has remained high. Public investment has been bolstered by the Recovery and Resilience Facility ('RRF') and other Union funds. Private investment has been much less dynamic, especially since 2022, in a context of tightening financial conditions and widespread global macroeconomic uncertainty. Meanwhile, the contribution of net exports to the GDP growth has been slightly positive due to weak import dynamics while, more recently, exports have been affected by growing trade fragmentation and restrictions. Going forward, after 0,4 % in 2023, real GDP growth is expected to remain subdued at around 0,8 % in 2024 but to pick up to 1,3 % in 2025 and 1,6 % in 2026. Stronger private consumption is expected to drive the acceleration in activity in 2025 and 2026 on the back of sustained, though slower, real wage increases and employment growth. Over the next two years, total investment is expected to increase more gradually, supported by both recovering private and strong national and EU-financed public investment, while a pickup in external demand is expected to support exports.

(3) Headline inflation surged in the wake of the energy crisis to high levels (peaking at 10,6 % in October 2022 for the euro area average), but it is projected to decrease to 2,1 % in 2025 and to decline further to 1,9 % in 2026. Inflation differentials in the euro area, which had widened in 2022, have also narrowed in the meantime and are expected to remain close to historical averages. The disinflation process largely reflects an unwinding of the exogenous forces that had led to strong increases in the prices of energy, food, and services over the past three years. It also shows the impact of the decisive policy actions taken by the ECB. In response to the initial inflation surge, the ECB implemented a series of interest rate increases aiming to keep inflation expectations anchored and to rein in prices, while at the same time starting to reduce its asset portfolios. The degree of monetary policy restriction has been recently moderated with a view to ensuring that inflation stabilises sustainably at the ECB's 2 % medium-term target.

(4) Labour markets remained strong in 2024 despite weakening economic activity. Employment rose by 3 million in the euro area between the end of 2022 and mid-2024 and the number of jobs reached a record high Employment growth has been strong across age groups, gender and level of educational attainment. Labour force participation also increased, reaching a new high in 2024, though challenges remain in particular for women, younger and older workers, Roma and people with disabilities. Like many other advanced economies, the euro area has benefited from large migration inflows, including from Ukraine and other areas, which contributed to labour supply and helped to reduce labour and skills shortages in some industries and countries. The euro area unemployment rate stabilized at around 6,3 %, a historical low, in October 2024. The rising trend in labour and skills shortages, which has been brought about by a shrinking working-age population and demand for new skills, compounded by the rapid recovery from the pandemic-induced recession, has recently declined somewhat. Nonetheless, significant labour shortages remain in multiple industries. Strong corporate profits and balance sheet dynamics have contributed to robust labour demand. Recently, the share of businesses declaring that labour is a factor limiting their production and the job-vacancy rate have dropped from their historical peaks, although they remain high and above pre-pandemic levels.

(5) In 2023 and 2024, nominal wages increased on the back of a high-inflation environment and a tight labour market. In the second quarter of 2024, nominal compensation per employee grew by 4,5 % (euro area average) compared to the same period in 2023, a slightly lower rate than what was observed in 2023. The Commission's Autumn 2024 forecast estimated robust nominal wage growth in 2024, with moderation expected 2025. Real wages, which declined in 2022 and in the first half of 2023, began to recover in the third quarter of 2023. The increase in the profit share in recent years and its subsequent decline suggests that businesses are absorbing increases in wages by reducing profit margins instead of raising prices. The ongoing gradual recovery in real wages largely reflects catching-up dynamics, and current expectations for nominal wage and productivity growth appears consistent with a return to the 2 % medium-term inflation target. Incomes at the bottom of the income distribution were supported by both government transfers and minimum wage increases over the recent year. However, further efforts are needed to promote adequate wages and quality jobs, as the risk of poverty remains only marginally lower than in 2019 and financial distress of households remains high after having increased during the energy crisis, for both the lowest and the lower middle-income households.

(6) The euro area has long-standing structural issues, which impact its competitiveness. These include stagnant productivity, internal market barriers, insufficient private investment, limited innovation and limited diffusion of digital technologies, high energy prices, and administrative burden. Total factor productivity growth – a metric of productivity that removes the increase in employment and capital – has stagnated over the past decades, more so than in other international peer regions such as the United States. This situation is raising concerns about the euro area's ability to maintain competitiveness in a global environment marked by rapid technological change. Addressing these challenges requires a multifaceted approach. That approach includes accelerating innovation and the development of advanced digital and zero- and low-emissions technologies and infrastructures, including by encouraging the adjustment of business models and the tackling of skills shortages as well as by improving access to digital infrastructure, where necessary. Furthermore, it remains crucial to facilitate the diffusion of innovation across industries and businesses, to increase skills in the labour force, in particular green and digital skills, and to reduce the administrative burden, while maintaining the policy goals and the protection of the standards of the Green Deal. Also, deepening the internal market, by removing barriers, and ensuring correct implementation, better application and enforcement of internal market rules, in particular by integrating the capital markets of the Union, are key to boost the euro area's competitiveness. In addition, higher energy prices than international peers erode the cost competitiveness of several industries. This puts businesses at a disadvantage, particularly energy-intensive industries relying on oil and gas.

(7) The Union stands out at global level in terms of fundamental (or basic) research, has comparable levels of public spending on Research and Development (R&D) vis-à-vis its competitors, but lags behind in applied research and in converting research results into marketable products, particularly in high-tech digital innovation. It is of paramount importance that the euro area and the Union do not fall behind other major economies in current innovation trends, including the green transition, digitalisation, artificial intelligence (AI), semiconductors and quantum computing, space and biotechnology.
In view of their growing importance, developing capacities in strategic digital technologies, and exploiting the Union's strengths are crucial, in order to reinforce the EU's position as a global technology leader, its technological sovereignty and resilience, and to maintain the Union's open strategic autonomy. Additionally, barriers to the mobility of knowledge and talent across European countries can hinder the full realisation of the Union's potential in innovation, productivity and competitiveness. Boosting productivity will demand an acceleration in innovation and a boost in R&D investment, particularly by the private sector, including through targeted and well-calibrated public R&D investments that can leverage private R&D efforts. Investing in human capital has become vital, as economies face the pressures of rapid technological and demographic change. While tertiary educational attainment in Europe is improving overall, there is a concerning decline in basic skills performance among younger people and far too limited progress in adult participation in learning, which hamper education outcomes and productivity growth in the near future. Moreover, the dual transition towards digitalisation and greening requires the development of new skills, from basic to more advanced and specialised skills. All these challenges need to be addressed with targeted education and training initiatives through the whole life-cycle. By prioritising education, training and skills development, the Union can boost innovation, productivity and competitiveness.

(8) Union businesses need supportive conditions to facilitate economies of scale and foster their growth and scale-up, and to help them thrive in global markets. Surveys indicate that the complexity of the regulatory environment and the existence of cumulative reporting obligations and of complicated tax rules often weigh on businesses' investment decisions and expansion prospects in the euro area and the Union. Geopolitical tensions, risks of geo-fragmentation, trade restrictions and economic security concerns that affect access to critical raw materials and technologies, also impact their growth. Accelerating the transition to a more circular economy would help tackle critical raw material shortages, while fostering investment with the Union's international partners can further strengthen the competitiveness of the European industry, including through the Global Gateway initiative and the Team Europe approach. Mobilising resources for sectors displaying potential for high productivity growth requires the removal of bottlenecks to capital and labour reallocation. In the energy market, the development of sufficient and cost-effective grid interconnections and the efficient use of existing ones, in particular cross-border, are crucial for connecting producers and consumers across wide geographic areas. In addition, in order to enable demand response, increase the role of flexibility and contribute to the reduction of energy costs, it is crucial to increase energy efficiency and to deploy and use zero- and low-emission technologies, including through energy communities. Eliminating unnecessary administrative burden and facilitating and accelerating permits can support business activity and investment. Structural reforms, such as those supported by Union funds included in medium-term fiscal-structural plans, help boosting Member States' competitiveness. Sustainable and inclusive growth and development contribute to reduce disparities between the European regions and foster upward social convergence.

However, the full potential of the internal market, more than 30 years after its creation, remains under-exploited. Policies to enhance productivity at national level could be better identified, prioritised, and coordinated. Not all Member States have established National Productivity Boards to this purpose or made an effective use of the potential of those established. Intensifying regulatory convergence and economic integration could boost private investment, productivity, and innovative capacity, as well as the diversification and the security of supply chains for businesses in the Union. The Union will also need to carefully navigate the possible trade-offs between engaging further in open trade and strengthening economic security, on the one hand, and achieving the goals of the Clean Industrial Deal while ensuring global level-playing fields through further usage of trade defence instruments against unfair trade practice, on the other. This calls for a coordinated approach and policy complementarity at both the Member State and Union levels.

(9) Savings in the euro area are abundant. If channelled towards productive investments via capital markets, they can provide significant financing support for the green and digital transitions, helping to close the competitiveness gap. A large proportion of euro area businesses rely on the banking sector as a source of financing, yet in recent years, tight, bank-based financing conditions have made it more difficult for them to invest. However, the cost of credit to businesses is decreasing, aligning with the decline in policy rates. Venture capital and non-bank financing, especially for innovative businesses, is not as available as in the United States. Although public investment, with the support of the RRF and other Union funds, can play a role, addressing the challenge of enhancing euro area competitiveness, while supporting green and digital investment, entails large private financing needs. Open, integrated and well-functioning capital markets are important in order to support the flow of private investments into innovation and to provide adequate financing to match that investment challenge. A European Savings and Investments Union, as suggested by the Letta and Draghi Reports, could promote competitive and well-functioning financial and banking sectors to support growth, improve competitiveness and help leverage the enormous wealth of private savings to provide adequate financing for investment opportunities. This could, overall, contribute to easier financing for innovation, industrial decarbonisation and the green and digital transitions. Nonetheless, increasing the pool of investible projects in the euro area would also require deeper integration of goods and services markets, and regulatory simplification. In the Eurogroup statement, the Eurogroup reiterated its commitment to complete the Banking Union in line with the statement of the Eurogroup in inclusive format of 16 June 2022.

(10) Recent crises and the required policy reaction have resulted in increased levels of government debt and significant deficits in some euro area Member States. This legacy, together with increasing ageing-related costs, poses a challenge to fiscal sustainability for the coming years. Policymakers will need to create fiscal buffers and invest in a fair green and digital transition, social and economic resilience, including the European Pillar of Social Rights, energy security and, where necessary, the building-up of defence capabilities. Achieving this balance will require a careful prioritisation of government expenditures and coordination of policies to ensure that the investments needed to achieve sustainable and inclusive economic growth and to enhance resilience can be supported. Prudent fiscal policies will contribute to a balanced policy mix, while financial stability will play a key role in reinforcing the euro area's economic foundations and securing its position in the global economy. The new economic governance framework, and in particular the use of net expenditure growth as single operational indicator in the implementation of the Stability and Growth Pact, is expected to enhance the role of automatic stabilisers in the euro area.

(11) After peaking in the first quarter of 2021, the average government debt-to-GDP ratio for the euro area Member States has been declining, reaching 88,9 % of GDP at the end of 2023. The aggregate debt ratio is set to rise marginally in 2024–2025, to 89,6 % of GDP. This projected increase reflects higher debt servicing costs in combination with a slow-down in nominal GDP growth due to falling inflation, while high primary deficits continue to weigh on debt dynamics. At the same time, stock-flow adjustments are set to turn debt-increasing in 2024–2025. Public debt ratios differ across countries: by the end of 2025, most Member States are expected to have a lower debt-to-GDP ratio than in 2020. However, eleven euro area Member States would still have debt ratios above 60 %, with five remaining above 100 %. With debt for the euro area still above pre-pandemic levels and sustainability challenges prevalent across many Member States, sustained, differentiated, gradual and realistic debt reduction strategies in line with the new economic governance framework are needed to ensure debt sustainability and to rebuild fiscal buffers. At the same time, reforms and investments would strengthen GDP growth, also contributing to fiscal sustainability. The fiscal stance in the euro area is estimated to have been contractionary in 2024, namely 0,5 % of GDP, and is projected to be slightly contractionary in 2025, namely just above 0,25 % of GDP. The proper implementation of the new fiscal framework would imply a slightly contractionary euro area fiscal stance also in 2026. After the strong expansions of the past years, this is appropriate in the euro area, although there are large differences among the Member States, particularly when taking into account their individual budgetary positions. Given the need to enhance fiscal sustainability further, and to keep supporting the ongoing disinflationary process, prudent policies are necessary. The gradual and differentiated fiscal consolidation coupled with reforms and investments, as well as the availability of the RRF and other Union's funds, is set to protect economic growth and boost potential growth in the euro area.

(12) Strengthening public finances is crucial for addressing future crises and ensuring the sustainability of pensions, healthcare and long-term care systems. The cost of age-related expenditure is forecast to increase, with significant variations across Member States, particularly driven by rising pension costs, as well as healthcare and long-term care costs. The necessary adjustment to public finances poses challenges, highlighting the need to carefully manage revenue and expenditure. In the euro area, public revenue has remained, on average, steady at around 45,6 % of GDP over the past two decades, while expenditure surged during the financial crisis and the COVID-19 pandemic. The revenue ratio is expected to have increased in 2024, due to windfalls from tax revenue and social contributions linked to a strong labour market, and it is projected to rise further in 2025, driven by discretionary revenue measures. However, the current composition of tax revenue may not always be optimal and the labour tax wedge in the euro area is relatively high compared to other advanced economies. This is particularly relevant in the context of the need to maximise labour market participation in a strong labour market, where labour shortages are a concern. A shift in the tax burden from labour taxation to other taxes that may impact growth less and are less distortive, such as property taxation or environmental taxes, would be beneficial. Targeted reviews of incentives in tax and benefits systems, as well as active labour market policies and the provision of quality and affordable early childhood education and care and long-term care, could help alleviate labour shortages while maintaining a stable revenue stream, supporting the necessary adjustment to public finances.

Measures addressing aggressive tax planning, tax avoidance and tax evasion can also make tax systems more efficient and fairer, while supporting recovery and increasing revenues. Although the total expenditure-to-GDP ratio has decreased since 2021, it remains elevated compared to pre-COVID levels. The expenditure ratio is projected to stabilise at around 49,6 % of GDP in 2024–2025, as the restraints in primary current expenditure related to the implementation of the new Union fiscal framework would be offset by higher interest expenditure.

(13) The euro area financial system has shown to be robust, in a context of rapidly increasing interest rates, and is now facing an uncertain macroeconomic environment, with subdued loan demand and vulnerabilities in the real estate sector of a number of Member States. In recent years, strong corporate profitability has helped businesses to service their debts despite tighter financing conditions. However, weak economic growth and rising labour costs may increase vulnerabilities in some sectors. Most notably, commercial real estate prices have fallen sharply, raising concerns over debt servicing, while residential price developments have strongly diverged among Member States. The banking sector's resilience has been supported by a robust prudential framework, including higher capital requirements and the application of borrower-based measures. Non-performing loans remain low but show signs of deterioration in the real estate sector. The growing non-bank financial sector also faces vulnerabilities where liquidity mismatches are unmitigated and leverage is excessive. These vulnerabilities might amplify price adjustments in the case of abrupt market correction,

HEREBY RECOMMENDS that euro area Member States take action, individually, including through the implementation of their Recovery and Resilience Plans, and collectively within the Eurogroup, in the period 2025–2026 to:

1. Competitiveness

Foster productivity as a matter of urgency by facilitating the reallocation of resources towards high-productivity sectors and sectors with high productivity potential through improved functioning and further integration of goods and services markets and structural reforms. Address the fragmentation of the innovation ecosystems and strengthen their ability to generate groundbreaking innovations, including in cutting-edge digital and zero- and low-emission technologies and infrastructure, and raise the adoption of new digital and zero- and low-emission technologies and innovative activities more broadly. Encourage expenditure by businesses on applied research and innovation and the transition to marketable products. Pursue policies to encourage the take-up of digital and high-tech solutions in businesses. Enhance businesses' efficiency and ability to reach optimal scale, notably by deepening the internal market. Improve the business environment by reducing unnecessary administrative burden and regulatory complexity and by removing investment obstacles, while preserving policy objectives. Ensure that industrial policy is effectively targeted towards strategic sectors and technologies, while ensuring that public support is coordinated at European level and does not distort the level playing field in the internal market, and effectively contributes to the competitiveness of the euro area and its open strategic autonomy. Encourage entrepreneurship and the creation of new businesses.

Swiftly develop a European Savings and Investment Union by promoting competitive and well-functioning financial and banking sectors, to support growth and investments and improve competitiveness. Complete the Banking Union by continuing work on all its outstanding elements, in line with the statement issued in June 2022 by the Eurogroup in inclusive format, and finalise the reform of the crisis management and deposit insurance framework. Make progress on the outstanding measures of the 2020 Capital Markets Union action plan and ensure swift implementation of the measures that have already been agreed, and advance work on the measures identified by the statement issued in March 2024 by the Eurogroup on the future of the Capital Markets Union, in order to provide deep, well-functioning and integrated European capital markets for the benefit of consumers and business. Improve access to appropriate funding for businesses to grow and invest, especially innovative SMEs, as well as access to a larger choice of investment possibilities on capital markets for citizens. Leverage Union support through targeted financial instruments to improve access to capital for SMEs, in particular for the purposes of innovation and expansion, thereby maximising the impact of Union funding. Mobilise venture capital – particularly for start-ups and scale-ups – through well-functioning and integrated European capital markets, to channel savings and risk capital, both from inside and outside the Union.

Promote upskilling and reskilling of the workforce and quality jobs with a view to increase productivity, notably in the context of demographic change, and support a fair green and digital transition. Further increase labour market participation, including by enhancing active labour market policies. Improve education and training policies, including policies for vocational education and training, to improve educational outcomes and ensure a better match between demand for and supply of skills.

Promote tangible and intangible investment in critical technologies, infrastructure and areas of common priorities, such as the digital and green transitions, energy security and the building-up of defence capabilities, by mobilising private capital and ensuring necessary public investment, while avoiding distortions to the internal market. Stimulate investment in R&D, particularly by facilitating private sector spending through enhanced framework conditions for investment, by implementing structural reforms, and by improving coordination of public funding, including at Union level. Continue the swift implementation of Recovery and Resilience Plans and make full use of cohesion policy programmes. Enhance the effectiveness of policy action aimed at increasing productivity by ensuring that measures are appropriately identified, coordinated and prioritised, including by means of improved governance, the involvement of local and regional authorities, and more effective use of National Productivity Boards.

2. Resilience

Facilitate the integration of underrepresented groups in the labour market, in particular women, young people, older people, low-skilled people, as well as persons with disabilities and people with a migrant background. Remove obstacles to labour force participation, including by improving access to and the quality of early childhood education and care and long-term care. Take measures to improve poor working conditions and facilitate managed legal migration of third country nationals to be employed in shortage occupations, in complementarity with fair labour mobility and harnessing labour supply and skills from within the Union.

In accordance with national practices and while respecting the role of social partners, strengthen the conditions that support sustainable wage and productivity growth, especially for low- and middle-income earners. Wage bargaining should consider the relative competitiveness dynamics and avoid contributing to lasting divergences in competitiveness within the euro area. Ensure the effective involvement of social partners in policymaking and strengthen social dialogue. Promote occupational health and safety across industries. When implementing new technologies, adopt a human-centred approach.

Strengthen incentives to work by shifting the tax burden away from labour, including through targeted reforms of tax and benefit systems. Take action in fighting poverty by safeguarding and strengthening systems for adequate and sustainable social protection and inclusion, including by improving access to affordable and sustainable housing.

Develop and implement a comprehensive Union-wide strategy to complement and bring together national strategies for effective electrification and the green transition, including through a sharp increase in the production and use of renewable energy and further cuts in the use of imported fossil fuels. In particular, sufficient, cost-effective and efficient grid interconnections, especially cross-border interconnections, are crucial for connecting producers and consumers across wide geographic areas. Step up efforts to improve preparedness for adverse developments, including climate change- and nature-related and geopolitical risks, especially in regions most exposed to such risks.

3. Macro-economic and financial stability

To ensure compliance with the new fiscal framework to improve debt sustainability and to promote sustainable economic growth, ensure that the annual net expenditure growth in each Member State does not exceed the maximum recommended by the Council. That should deliver appropriately differentiated fiscal adjustments and, in 2025 and 2026, result in an overall slightly contractionary euro area fiscal stance.

When determining fiscal strategies, improve the quality and efficiency of expenditure and revenue measures. Reduce tax avoidance and evasion, fight aggressive tax planning and align fiscal strategies with policy objectives, such as redirecting the tax burden from labour to less distortive tax bases.

Monitor risks to macro financial stability related to asset quality, asset repricing, including climate- and environmental- related risks, and strengthen the regulatory toolbox for the non-bank financial intermediation sector, as appropriate to manage and mitigate identified risks.

In taking further steps in deepening the economic and monetary union (EMU), consider the lessons learnt from the design and implementation of the Union's comprehensive economic policy response to the COVID-19 crisis. Continue making progress in deepening the EMU in full respect of the Union's internal market and in an open and transparent manner towards non-euro area Member States. Continue strengthening the international role of the euro and make further progress in the work on the digital euro.

Done at Brussels, …

*For the Council*
*The President*