IN-DEPTH ANALYSIS

Economic Dialogue with the Commission on the launch of the 2017 European Semester Cycle

ECON and EMPL on 12 December 2016

Vice-President Dombrovskis, Commissioner Moscovici and Commissioner Thyssen are participating in an Economic Dialogue on the "European Semester Autumn Package", based on the provisions of the economic governance framework. This document gives an overview of the elements of the package and presents the next steps.

On 16 November 2016, the Commission presented the "European Semester Autumn Package", thereby launching the seventh cycle of the European Semester.

The package consists of:

1. the 2017 Annual Growth Survey: the Commission confirms the policy priorities identified in previous AGSs, namely re-launching investments, pursuing structural reforms and continuing responsible fiscal policies.
2. the 2017 Alert Mechanism Report: in the context of the Macroeconomic Imbalance Procedure, the Commission identifies 13 Member States for which further in-depth reviews are undertaken, to assess whether they are affected by imbalances requiring policy action. These are the same 13 countries identified as having imbalances in the previous round of in-depth-reviews (Bulgaria, Croatia, Cyprus, Finland, France, Germany, Ireland, Italy, the Netherlands, Portugal, Slovenia, Spain and Sweden).
3. the draft Joint Employment Report: the Commission provides an overview of key employment and social developments in Europe, as well as of the reforms implemented by Member States.
4. the Recommendation for a Council Recommendation on the economic policy of the euro area (and an accompanying Staff Working Document).
5. the Commission communication "Towards a positive fiscal stance for the euro area"
6. the Commission communication on the euro area Member States Draft Budgetary Plans, together with the individual assessments and including the assessment of actions taken by Portugal and Spain in the context of the Stability and Growth Pact.

This document provides an overview of the six elements of the package and presents the next steps. A specific box is devoted to the implementation of the Country Specific Recommendations.

The Annexes include the latest Scoreboard for the identification of macro-economic imbalances, the Member States Progress towards the EU 2020 targets and a table summarizing the scoreboard of key employment and social indicators.

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1. The 2017 Annual Growth Survey[1]

The 2017 Annual Growth Survey (AGS) outlines the Commission's view on the "*most pressing*" economic priorities, namely strengthening job creation, growth, investment and financial stability as well as social fairness. To achieve these priorities, the Commission called on policymakers to use all policy tools (monetary, fiscal and structural), individually and collectively, while at the same time intensifying their efforts on three elements of the virtuous triangle of economic policy, namely:

1. Boosting investment

a) *Improving the functioning of the financial sector* through ensuring better access to finance for businesses, setting up of a fully-fledged Capital Markets Union, addressing remaining vulnerabilities in the banking sector (high level of non-performing loans and operational inefficiencies) as well as making swift progress towards completion of the Banking Union, including improvements on further risk reduction and risk sharing;

b) *Increasing the impact of EU funds in support of the Investment Plan for Europe* via extending the size of the European Fund for Strategic Investments (EFSI)[2] beyond 2020 and increasing its size from EUR 315 billion to EUR 630 billion, while at the same time improving its geographical and sectorial coverage. In addition, the Commission proposed to combine the EFSI with the European Structural and Investment Funds (ESIF) along an enhanced technical assistance;

c) *Tackling barriers to investment*: the Commission is to continue to improve the overall investment environment in the EU through various policy initiatives such as the Energy Union, the Capital Markets Union, the Single Market Strategy, the Digital Single Market Strategy, the circular economy package and international trade and investment agreements;

d) *Opportunities for EU businesses to benefit from global markets and investment*: given that the EU is the world's largest exporter and importer of goods and services, and more than 30 million of jobs (1 in 7 jobs) are supported by exports outside the EU, the latest signs of trend reversal in global trade require to uphold openness, facilitate integration of EU companies in global value chains as well as increase the EU's attractiveness as an investment destination.

2. Pursuing structural reforms

a) Creating jobs and enhancing skill: Member States need to invest in creating supportive conditions for greater labour market participation, more quality jobs and effective training and up-skilling;

b) *Social policy as a productive factor - modernising the welfare state*: this includes redesign of social protection systems to improve labour market participation and provide adequate employment security and income replacement;

c) *Deepening the single market and making national markets bigger*: Member States should make use of the instruments available at the EU level to increase investment and productivity in Europe.

3. Ensuring responsible fiscal policies:

a) The Commission acknowledged that reduction in the average public deficit at the euro area level as well as in the number of Member States under the Excessive Deficit Procedure (EDP) reflects the efforts made in recent years;

b) The Commission recommended a positive fiscal stance at the euro area level, noting that Member States with fiscal space should use the available scope to help stabilise demand, while Member States where such a space does not exists should deliver on their SGP requirements;

c) The Commission specified that, in applying the rules, it will continue to make use of the appropriate flexibility built into the SGP;

d) The low funding cost environment makes it an ideal time for the Member States to frontload public investments;

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[1] Vice President Dombrovskis presented the AGS 2017 at the EP Plenary on 22 November 2016.

[2] See the Commission Communication of 14 September 2016.

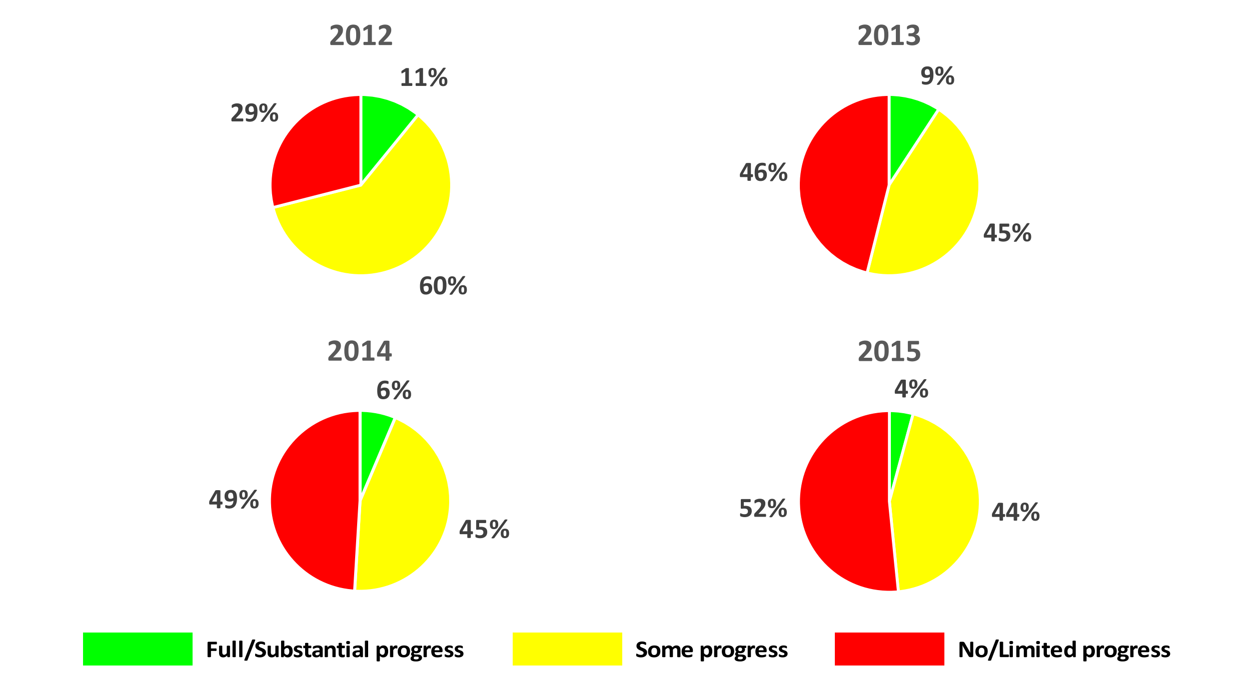
e) The Commission also called on further policy action at Member State level to consolidate pension and health care systems reforms.

Finally, the Commission noted, in agreement with the European Parliament, that the real success of the economic policy coordination under the European Semester can only be assessed through the implementation of the key reforms outlined in the Country-Specific Recommendations (CSRs, see Box 1). Therefore, the Commission called on Member States to step up implementation of CSRs and advocated for a stronger involvement of national parliaments and social partners in the preparation of National Reform Programmes (NRPs) so as to increase their ownership.

Box 1: Implementation of country-specific recommendations

Based on the Commission assessment of CSRs implementation, provided in its Country Reports, Chart 1 below shows that the proportion of fully/substantially implemented CSRs declined over the 2012-2015 Semester cycles (from 11% in 2012 to 4% in 2015). At the same time, the part of recommendations with limited/no progress rose from less than 30% in 2012 to more than 50% in 2015. Taken at their face value, these results would point to a lower implementation resolve at Member States level. This type of analysis assigns identical weights to all recommendations within and across countries as well as across time, based on the assessment of actions taken (rather than outcomes). It also leaves aside the question to what extent recommendations are formulated in a way that makes progress measurable (see Enderlein, H and Haas, J (2016) in relation to benchmarking performance of euro area Member States).

Chart 1: 2012-2015 CSRs implementation



Source: EGOV calculations based on the Commission's Country Reports.
Note: Calculations for 2015 abstract from CSRs related to the compliance with the SGP that the Commission evaluated separately in its assessment of the 2016 Stability and Convergence Programmes (SCPs).

As regards the 2017 CSRs, to be issued in May next year, Vice-President Dombrovskis stressed in its statement of 22 November 2016 that the Commission "*plans to intensify the dialogue with the Member States and social partners to develop a common understanding of successful reform implementation*".

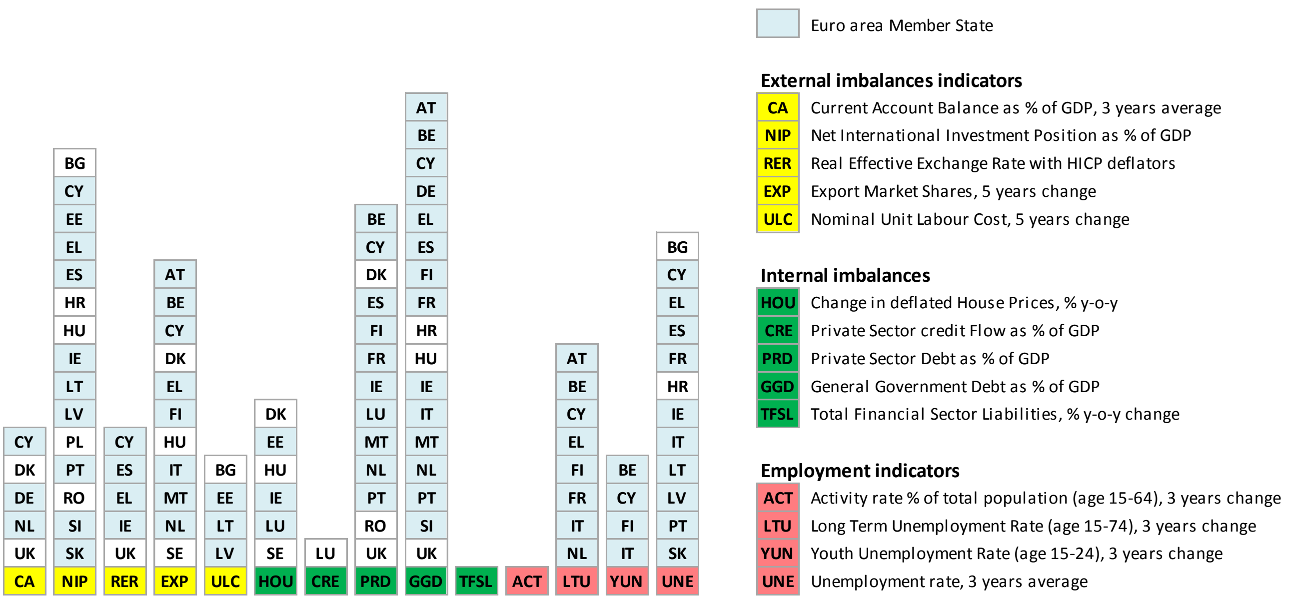
Furthermore, on 6 December 2016, the Council took note of the bottlenecks to investment identified within EU and invited the Commission to consider these findings into draft 2017 CSRs. It also invited Member States to fully implement the 2016 CSRs and particularly those identifying investment bottlenecks.

A separate EGOV note gives an overview of the involvement of national parliaments in the preparations of the Stability or Convergence Programmes and the National Reform Programmes.

2. The 2017 Alert Mechanism Report

The 2017 Alert Mechanism Report (AMR) is the sixth report since the entry into force of the Macroeconomic Imbalance Procedure (MIP) and launches the surveillance cycle aiming at preventing and correcting macroeconomic imbalances in the EU Member States.

Chart 2: MIP scoreboard - Member States with values beyond the thresholds



Source: EGOV based on the Commission's AMR

Based on the economic reading of the MIP scoreboard (which reflects data up to 2015 and is presented in Annex 1 to this document), the Commission identifies thirteen Member States which will be subject to further in-depth-review (IDR). They are the same countries identified as having imbalances in the 2016 Semester cycle[3]:

- Six countries (Bulgaria, Croatia, Cyprus, Italy, France and Portugal) present **excessive macroeconomic imbalances**;
- Seven countries (Ireland, Spain, the Netherlands, Germany, Slovenia, Finland and Sweden) are experiencing **macroeconomic imbalances**;
- For Greece, the surveillance takes place in the context of the financial assistance programme.

In February 2017, the Commission will publish the country reviews, including IDRs, to decide whether imbalances or excessive imbalances exist. For those countries where imbalances exist, the Commission carries specific monitoring activities and may propose country specific recommendations under the MIP procedure to be adopted by the Council. For countries that are assessed to experience excessive imbalances, the Commission may propose opening the Excessive Imbalance Procedures (it would be the first time).

The analysis of the macroeconomic situation underlines a background of a continuing but still fragile economic recovery, with high uncertainties linked to geopolitical developments. Chart 2 above and the Commission's analysis show that:

- As far as the **current accounts and external positions** are concerned, the adjustment in countries with high external deficits has made further progress, compared with previous years: only Cyprus

[3] The EGOV note "Implementation of the MIP" gives an overview of the current status of the procedural implementation.

and the UK show values beyond the MIP threshold. In contrast, elevated current accounts surpluses continue in some countries. Stocks of external liabilities remain high.

- **Private debt** is decreasing, but at a slow and uneven pace, also because of the low nominal growth. Vulnerabilities emerge in particular when high private debt is combined with high **public debt**. The Commission points to the fact that "*deleveraging is not always taking place where it is most needed, with some high-debt countries making slower progress in reducing their liabilities than low-debt countries*".
- Compared with previous years, fewer Member States are experiencing a decrease of **export shares.**
- **House price** strong increases are observed in some countries. Even if the growth rates are lower than those observed in the mid-2000, they require close monitoring, especially in cases where such increases are observed in a context of likely overvalued prices and rising net credit to households (see also Box 2).
- Some countries present **signs of possible overheating in labour markets**, as shown by the Unit Labour Cost indicator, and deserve monitoring, but do not require a complete IDR.
- Labour markets continue the recovery, but social distress persists in some countries. **Unemployment indicators** are showing a convergence among countries, but there are still very high unemployment rates and stagnant labour incomes, especially in the countries hardest hit by the financial and debt crises.

Box 2: The recent ESRB risk warnings on real estate

On 28 November 2016, the ESRB published eight warnings on medium term residential real estate vulnerabilities. The warnings are addressed to the following Member States: AT, BE, DK, FI, LU, NL, SE and UK. The vulnerabilities identified by the ESRB relate to the rising indebtedness of households or to the valuation of residential real estate. It is the first time the ESRB addresses a warning to individual countries. (For details, see EGOV briefing on the ESRB output since inception)

For the **euro area, the Commission notes that it continues to have the world's largest current account surplus**. It expanded to 3.3% in 2015 and is expected to rise again, to 3.7%, this year. The euro area surplus reflects partly the weak domestic demand dynamics in the past few years and the debt reduction efforts across all economic sectors (households, financial and non-financial corporations, and governments). In its analysis of the euro area dimension of macroeconomic imbalances, the Commission also points to the challenges of the financial sector, in a context of low profitability, high levels of non-performing loans and regulatory capital buffers.

3. The Joint Employment Report

The Draft Joint Employment Report[4] provides an annual overview of key employment and social developments in Europe. On the basis of a **scoreboard of key employment and social indicators**, the report identifies the areas where policy response is most needed. It also helps monitoring the impact of reforms proposed in line with the Guidelines for the Employment Policies of the Member States, the AGS priorities and the targets of Europe 2020 strategy (Annex 2 to this document presents the Member States' progress towards the EU2020 targets, and Annex 3 reproduces the summary of the scoreboard).

The employment and social situation is improving, in a context of moderate economic recovery. As a result, the Commission considers that the 75% employment rate target of the Europe 2020 strategy may be reached by 2020. Most labour market indicators saw an improvement in 2015 and 2016. **Youth unemployment** and the **numbers of those not in employment, education or training (NEET)**

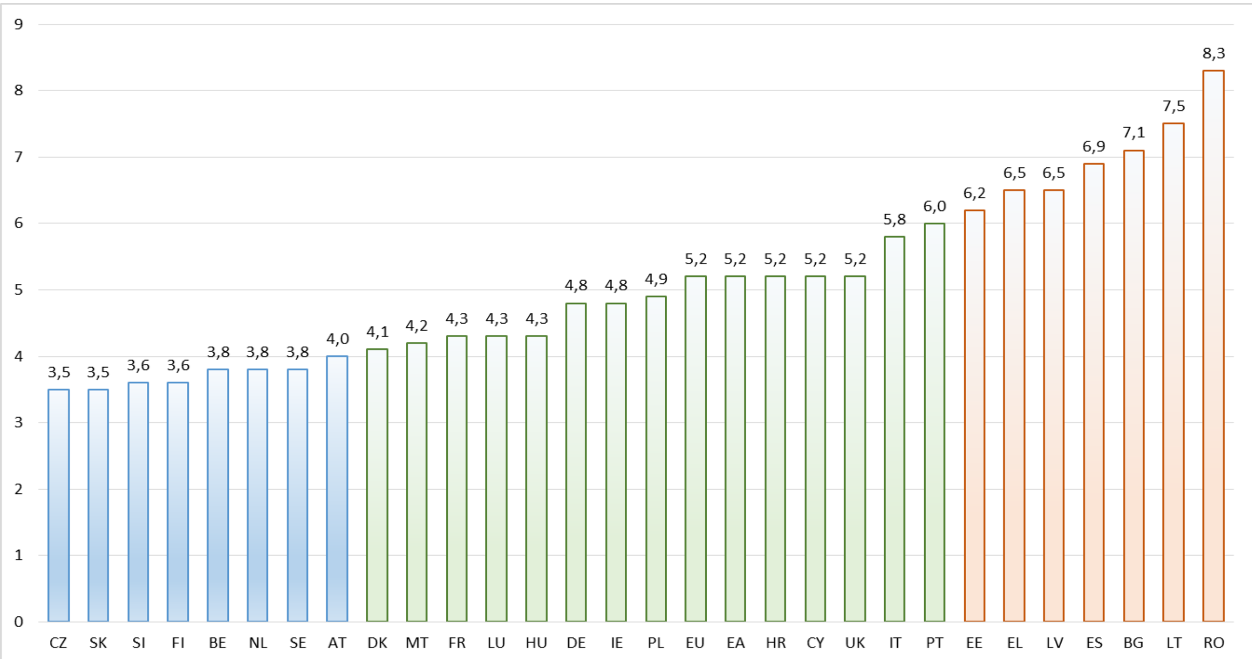
[4] The draft Joint Employment Report is mandated by Art. 148 TFEU. The Council and the Commission will present it to the European Council.

continue to decline, though they remain very high in some Member States. According to the Report, more than 40% of all NEETs aged 15-24 were enrolled in the Youth Guarantee in 2015, that has been a key driver of improvement.

However, **poverty remains high** and employment and social outcomes vary significantly across countries. Household incomes in the EU rose in 2015, mostly through increases in labour income and a decrease in taxes and contributions. The number and proportion of **people at-risk-of poverty** or social exclusion has started to decrease, but is still high. The risk of poverty or social exclusion rate in the EU has now returned to its 2008 level of 23.7%, but the target of lifting at least 20 million people from poverty or social exclusion by 2020 seem not achievable, as the number of people at risk of poverty or social exclusion in 2015 remains higher than in 2008.

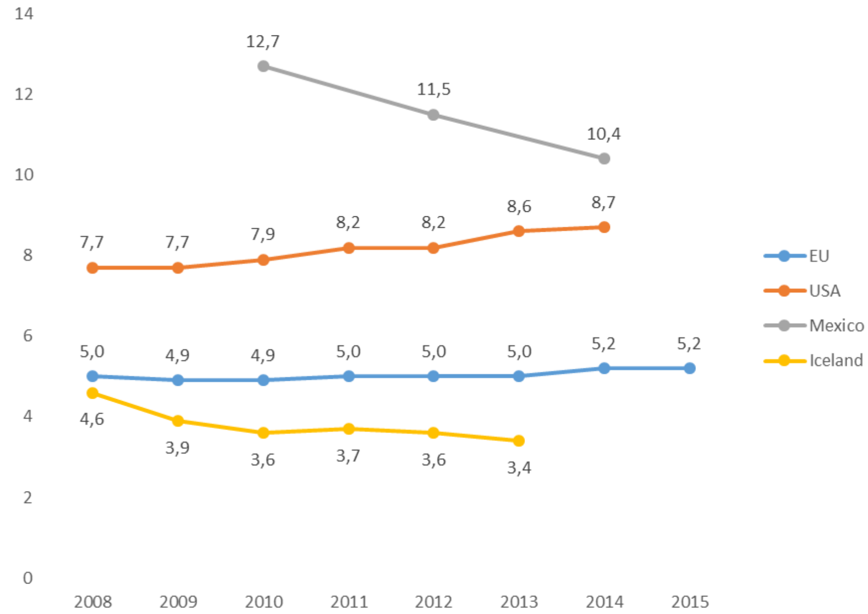
Overall **income inequality** stabilised in the last three years, with important divergences across the EU, as shown in Chart 3. Chart 4 shows the evolution of the inequality indicator in the EU in recent years, as well as those of the USA and of the most equal (Iceland) and the most unequal (Mexico) OECD countries. According to the Commission, "*The design of education, labour market and social security institutions in some Member States does not adequately support their function as an investment in human capital, promoting fairness of outcome; thus, it does not remedy the unequal opportunities and in turn contributes to persistent and ever higher income inequalities. To tackle inequalities, Member States can take action in different areas, including tax and benefits systems, wage setting policies (including the minimum wage), education and skills, and healthcare systems*."

Chart 3: The S80/S20 inequality indicator in the EU Member States in 2015



Source: Eurostat and OECD. S80/S20 is the ratio between the total income of the richest 20% of population and the total income of the poorest 20% of population.

Chart 4: Values of the inequality indicator S80/S20 for EU, USA, Iceland (the most equal) and Mexico (the most unequal) OECD countries, 2008- 2015



Source: Eurostat and OECD. S80/S20 is the ratio between the total income of the richest 20% of population and the total income of the poorest 20% of population.

Nominal wages have increased only moderately in a low inflation environment, while several Member States have **reformed their wage setting** frameworks in cooperation with social partners. Most Member States aligned wage developments with labour productivity, and increased wages where the economic context provided space. Furthermore, according to the Commission, Member States linking flexibility in working arrangements with effective active labour market policies and adequate social protection weathered the crisis more successfully. In addition, Member States have continued to modernise their **education and training systems** to improve the skills needed to adapt to labour market needs.

The draft Report highlights that **women continue to be under-represented** in the labour market and face an important pay differential, even if they outperform men in terms of educational attainment. However, the employment gap between women and men remains wide, in particular for mothers and women with caring responsibilities.

Analysis and recommendations in the Report also refer to social protection systems, pension reforms, and health systems.

Finally, the draft Report notes that in recent years, the EU has experienced an unprecedented **influx of migrants including refugees**, with almost 1.8 million asylum applications filed between January 2015 and June 2016. Member States should design and implement comprehensive integration strategies, aimed at ensuring that refugees can be effectively integrated into the labour market and society more generally. Several Member States have introduced “integration packages”, including access to the labour market, skills assessment and training.

4. The draft recommendation on the economic policy of the euro area

On 16 November 2016, the Commission issued its proposal on euro area recommendations based on the analysis outlined in the accompanying Commission staff working document (Report on the euro area).

According to the Commission, the present situation is characterized by ongoing but fragile recovery, declining but still high unemployment, increasing investment but persistent investment gap, inflation well below the target despite very accommodative ECB monetary policy, improving yet still fragile banking sector as well as insufficient progress made to complete both the Banking Union and the EMU. Therefore, the Commission recommends euro area member States, to use all policy tools (fiscal and structural), individually and collectively, to achieve strong, sustainable, balanced and inclusive growth. More specifically:

- Euro area Member States should better coordinate the implementation of structural reforms, including those needed to complete the EMU: this can create positive spillovers among Member States.
- Euro area Member States should enact a strong coordination of national fiscal policies, based on common rules, in order to achieve an appropriate aggregate fiscal stance and for the proper functioning of the monetary union. The Commission recommends an expansionary fiscal stance for the euro area as a whole of 0.5% of GDP. Member States with fiscal space should support domestic demand and quality investments, including cross-border ones.
- Member States should implement reforms to improve the resilience and the adjustment capacity of labour markets, including changes in employment protection legislation that provide flexibility and security for both employees and employers; enhancement of skills by improving the education systems; effective labour market policies to help the unemployed; adequate social protection schemes and equitable tax systems.
- Member States should complete the Banking Union, in particular by adopting a common deposit insurance scheme and a common backstop for the Single Resolution Fund.
- Finally, the Commission recommends euro area Member States to advance progress on the initiatives presented in the Five Presidents' Report on completing the Economic and Monetary Union. In this regard, the Commission notes progress on the National Productivity Boards and the European Fiscal Board, as well as the ongoing work to improve transparency and reduce the complexity of fiscal rules.

For more information on euro area recommendations under the European Semester, see a separate EGOV document.

5. The euro area fiscal stance

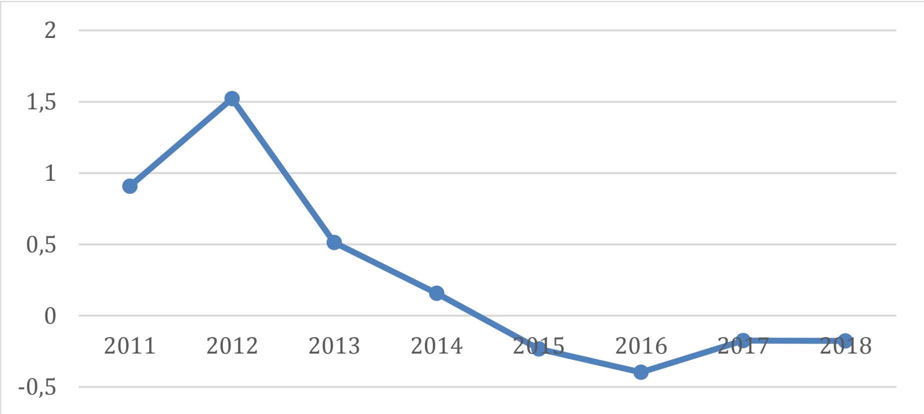
As part of this autumn package, the Commission published the communication "Towards a positive fiscal stance for the euro area", where it put itself in the position of a "*Finance Minister for the euro area as a whole*" that looks at the fiscal policy in aggregate terms.

The concept of "fiscal stance" [5] is used to measure the impulse of government's discretionary decisions on public finances, by excluding from the nominal general government budget balance the changes in expenditures and revenues that depend on the economic cycle. For the euro area, it is calculated as the sum of the 19 national fiscal stances. The Commission considered that both the aggregate fiscal stance obtained as the sum of the forecasts for 2017-2018, as well as the aggregate fiscal stance obtained by aggregating the individual fiscal stances planned by euro area Member States in their draft budgetary

[5] The EGOV note "The euro area fiscal stance" provides an overview of the concept and the latest developments, as well as of positions and contributions published before the Commission communication on this issue.

plans, are inadequate. Such aggregates would lead to a moderately neutral fiscal stance in 2017 and 2018, while the economic situation would call according to the Commission for an expansionary policy, also in support of the monetary policy of the European Central Bank. Furthermore, the Commission underlines that *“a full delivery of the fiscal requirements contained in the country-specific recommendations of the Council would lead, on aggregate, to a moderately restrictive fiscal stance for the euro area as a whole in 2017 and 2018”.*

Chart 1: The Euro area fiscal stance, 2011-2018



Source: Commission Autumn 2016 forecast (Ameco database). Negative values indicate expansionary fiscal stances, positive values indicate contractionary fiscal stances, values around zero are considered as neutral.

The Commission therefore “*sets out the case for a significantly more positive fiscal stance at this point in time. A positive fiscal stance refers both to the supportive, i.e. expansionary, direction that fiscal policy should take overall, and to the quality of the composition of the adjustment, in terms of repartition of efforts across countries and of the types of expenditure and/or taxes behind it* .”

More specifically, the Commission proposes for the euro area as a whole a fiscal expansion of 0.5% of GDP for 2017, which corresponds to an additional fiscal stimulus of around 50 billion euro. This amount is set against the objective of reducing the euro area output gap[6].

However, “*The current fiscal aggregate conceals a very uneven fiscal distribution across Member States, which does not make good economic sense from the point of view of the euro area. This situation has been summarised in the form of a telling paradox: those who do not have fiscal space want to use it; those who have fiscal space do not want to use it.”* Nevertheless, the Commission does not quantify the individual contribution that each Member State should provide to the overall objective. In its communication, the Commission simply provides a country-specific analysis of the macro-economic stabilisation needs (measured by the country’s output gap) and the fiscal sustainability needs (i.e. its margin of manoeuvre under the SGP, while taking into account the flexibility clauses). Based on a fiscal map, it identifies the Member States that both have fiscal space and whose economies would benefit economies from stimulus: Germany, Estonia, Luxembourg, Latvia, Malta and the Netherlands. In addition, the Commission considers that providing guarantees to the European Fund for Strategic Investments are an effective way for Member States with fiscal space to do their part to support the recovery in the euro area.

At its meeting of 5 December 2016, the Eurogroup concluded that it “*took note of the Commission Communication and analysis of the fiscal stance calling for a positive fiscal stance. The Eurogroup in July concluded, on the basis of Commission analysis, that the broadly neutral aggregate fiscal stance*

[6] There are discussions on the weakness of output gap models and the fragility of the fiscal measures based on them. The Commission Communication on the DBPs presents (p.12) an “agreement to examine the plausibility of output gap estimates”. See also the EGOV note on “Potential output estimates and their role in EU fiscal policy”

in 2017 strikes an appropriate balance. The Eurogroup underlines today, the importance to strike an appropriate balance between the need to ensure sustainability and the need to support investment to strengthen the fragile recovery thereby contributing to a more balanced policy mix. The Eurogroup underlines that Member States are in very different situations. The Commission assessment of the individual budgetary plans shows that eight Member States are at risk of not meeting their obligations under the SGP in 2017 and should take additional measures. Conversely, some Member States have outperformed their medium-term objectives and may have scope to prioritise investments to boost potential growth while preserving the long-term sustainability of public finances."

6. The draft budgetary plans

Euro Area Member States that are not subject to a macro-economic adjustment programme must submit annually their **Draft Budgetary Plan** (DBP) for the forthcoming year to the European Commission (Commission) and the Eurogroup. All of the 18 concerned Euro Area Member States have submitted their 2017 DBPs and the Commission issued on 16 November 2016 its Opinions (see also executive summary by Commission) on all of them:

- five countries (Germany, Estonia, Luxembourg, the Netherlands and Slovakia) are assessed to be **compliant** with their current obligations under the Stability and Growth Pact (SGP),
- five countries (France, Ireland, Latvia, Malta and Austria) are assessed to be **broadly compliant;**
- eight countries (Belgium, Cyprus, Spain, Italy, Lithuania, Portugal, Slovenia and Austria) are judged to be **at risk of non-compliance**.

Overall, the assessment based on the 2017 DBPs is worse compared to last year's exercise: three countries (Belgium, Slovenia and Finland) moved from "broad compliance" towards "risk of non-compliance", and only one country (Austria) in the opposite direction.

Lithuania and Spain submitted "no-policy change DBPs", due to caretaker governments being in place. The incoming governments of both countries are invited to submit full DBPs as soon as possible and, as a rule, at least one month before the draft budget law is planned to be adopted by the national parliament.

The Eurogroup of 5 December 2016 discussed 2017 DBPs on the basis of the Commission Opinions on these plans. The Eurogroup agreed on substance with the Commission's opinions. It invited Italy to take necessary steps and welcomed the commitment of other countries concerned to ensure compliance with the rules. The Eurogroup also looked forward to the submission of updated DBPs by Lithuania and Spain. The Eurogroup also discussed the budgetary situation and prospects for the euro area as a whole. The Ministers underlined the importance of striking the right balance between ensuring fiscal sustainability and supporting investment to strengthen the fragile recovery. They recalled that they had agreed in July 2016 on the basis of the Commission analyses that the broadly neutral aggregate fiscal stance in 2017 strikes an appropriate balance. The Eurogroup also highlighted that there a considerable differences across Member States in terms of fiscal space and budgetary consolidation needs. Ministers furthermore stressed the importance of a growth-friendly composition of budgetary measures.

More information on this subject is available in a separate EGOV briefing.

7. Next steps

The Commission stated that it would continue its constructive dialogue with the European Parliament and Council, to ensure swift advances on the priority initiatives at EU. It also intends to intensify the dialogue with the Member States in the run-up to the national programmes and country-specific recommendations next spring. The Commission calls for a strong role of national Parliaments and a stronger involvement of social partners during the preparation phase of the national programmes.

The EP is expected to adopt its reports on the 2017 autumn Semester Package in February 2017 plenary.

The Council announced that it expects to approve the draft eurozone recommendation and conclusions on the annual growth survey and the alert mechanism report at its meeting on 27 January 2017. It will be presented at the European Council of March 2017, and eventually adopted by the Council.

Under the incoming Council Presidency (Malta), meeting of the Council formations in spring will discuss the CSRs and eventually adopt them, after the endorsement by the European Council, in July 2017.

Annex 1: The scoreboard for the identification of possible macro-economic imbalances

	External imbalances and competitiveness					Internal imbalances						Employment Indicators		
Year 2015	**Current Account Balance** % of GDP 3 year average	**Net International Investment Position** % of GDP	**Real Effective Exchange Rate with HICP deflator** 3 year % change	**Export Market Shares** 5 year % change	**Nominal ULC (2010=100)** 3 year % change	**House Prices index deflated** 1 year % change	**Private Sector Credit Flow** % of GDP	**Private Sector Debt, consolidated** % of GDP	**General Government Gross Debt** % of GDP	**Unemployment rate** 3 year average	**Total Financial Sector Liabilities, non-consolidated** 1 year % change	**Activity rate % of total pop. aged 15-64** 3 year change	**Long term unemployment rate % of active pop. aged 15-74** 3 year change	**Youth unemployment rate % of active pop. aged 15-24** 3 year change
Thresholds	-4/+6%	-35%	±5% (EA) ±11% (N-EA)	-6%	+9% (EA) +12% (N-EA)	+6%	14%	133%	60%	10%	16.5%	-0.2 pp	0.5 pp	2 pp
BE	-0.2	61.3	-1.2	-11.3	1.5	1.3	4.5	166.3	105.8	8.5	-1.0	0.7	1.0	2.3
BG	0.6	-60.0	-4.1	12.8	14.9	1.6	-0.3	110.5	26.0	11.2	7.0	2.2	-1.2	-6.5
CZ	0.2	-30.7	-8.0	0.1	0.5	3.9	0.9	68.6	40.3	6.1	7.7	2.4	-0.6	-6.9
DK	8.8	39.0	-1.5	-8.8	4.9	6.3	-3.3	212.8	40.4	6.6	-2.0	-0.1	-0.4	-3.3
DE	7.5	48.7	-1.4	-2.8	5.7	4.1	3.0	98.9	71.2	4.9	2.8	0.4	-0.4	-0.8
EE	0.9	-40.9	6.4	8.5	14.4	6.8	3.3	116.6	10.1	7.4	8.1	1.9	-3.1	-7.8
IE	4.7	-208.0	-5.9	38.3	-18.1	8.3	-6.7	303.4	78.6	11.3	9.5	0.8	-3.7	-9.5
EL	-1.2	-134.6	-5.5	-20.6	-11.1	-3.5	-3.1	126.4	177.4	26.3	15.7	0.3	3.7	-5.5
ES	1.3	-89.9	-2.9	-3.5	-0.7	3.8	-2.7	154.0	99.8	24.2	-2.1	0.0	0.4	-4.6
FR	-0.7	-16.4	-2.7	-5.4	2.5	-1.3	4.4	144.3	96.2	10.3	1.8	0.8	0.6	0.3
HR	2.7	-77.7	0.1	-3.5	-5.0	-2.4	-1.3	115.0	86.7	17.0	2.1	2.9	0.1	0.9
IT	1.5	-23.6	-2.2	-8.9	1.5	-2.6	-1.7	117.0	132.3	12.2	1.7	0.5	1.3	5.0
CY	-4.1	-130.3	-6.2	-16.8	-10.5	2.9	4.4	353.7	107.5	15.7	2.8	0.4	3.2	5.1
LV	-1.8	-62.5	3.1	10.5	16.0	-2.7	0.7	88.8	36.3	10.9	12.2	1.3	-3.3	-12.2
LT	0.9	-44.7	4.0	15.5	11.6	4.6	2.2	55.0	42.7	10.5	6.7	2.3	-2.7	-10.4
LU	5.3	35.8	-0.5	22.9	0.6	6.1	24.2	343.1	22.1	6.1	15.5	1.5b	0.3	-1.4
HU	3.0	-60.8	-6.9	-8.0	3.9	11.6	-3.1	83.9	74.7	8.2	0.4	4.9	-1.9	-10.9
MT	4.3	48.5	-0.2	-8.8	3.9	2.8b	5.4	139.1	64.0	5.9	1.3	4.5	-0.7	-2.3
NL	9.1	63.9	-0.6	-8.3	0.2	3.6	-1.6	228.8	65.1	7.2	3.2	0.6	1.1	-0.4
AT	2.1	2.9	1.8	-9.6	6.1	3.5	2.1	126.4	85.5	5.6	0.6	0.4	0.5	1.2
PL	-1.3	-62.8	-1.0	9.7	-0.4	2.8	3.2	79.0	51.1	8.9	2.4	1.6	-1.1	-5.7
PT	0.7	-109.3	-2.8	2.8	0.0	2.3	-2.3	181.5	129.0	14.4	-1.6	0.0	-0.5	-6.0
RO	-1.0	-51.9	2.7	21.1	0.5	1.7	0.2	59.1	37.9	6.9	4.1	1.3	0.0	-0.9
SI	5.4	-38.7	0.6	-3.6	-0.6	1.5	-5.1	87.3	83.1	9.6	-3.4	1.4	0.4	-4.3
SK	1.1	-61.0	-0.7	6.7	2.2	5.5	8.2	81.4	52.5	13.0	4.5	1.5	-1.8	-7.5
FI	-1.0	0.6	2.3	-20.5	3.6	-0.4	9.5	155.7	63.6	8.8	1.5	0.6	0.7	3.4
SE	5.0	4.1	-7.9	-9.3	3.6	12.0	6.5	188.6	43.9	7.8	2.3	1.4	0.0	-3.3
UK	-4.8	-14.4	11.3	1.0	1.7	5.7	2.5	157.8	89.1	6.3	-7.8	0.8	-1.1	-6.6

Source: AMR. Grey boxes ( ) indicate values above threshold.

Annex 2: Member States´ progress towards the EU2020 targets

Member states	**Employment rate** *(% of population aged 20 to 64)*				**R&D Target** *(% of GDP)*				**Greenhouse Gas Emissions[1]** *(For EU28 index 1990 = 100 For Member States index 2005=100)*				**Renewable Energy** *(% of final energy consumption)*			
	2013	2014	2015	Target	2012	2013	2014	Target	2011	2012	2013	Target	2012	2013	2014	Target
EU (28 Countries)	68.4	69.2	70.1	**75**	2.01	2.03	2.04	**3**	83.0	81.8	80.2	**80**	14.3	15.0	16.0	**20**
Belgium	67.2	67.3	67.2	**73.2**	2.36	2.44	2.46	**3**	89.5	89.0	n.a.	**85**	7.2	7.5	8.0	**13**
Bulgaria	63.5	65.1	67.1	**76**	0.60	0.63	0.79	**1.5**	108.2	108.4	n.a.	**120**	16.0	19.0	18.0	**16**
Czech Republic	72.5	73.5	74.8	**75**	1.78	1.90	1.97	**1**	97.5	99.1	n.a.	**109**	11.4	12.4	13.4	**13**
Denmark	75.6	75.9	76.5	**80**	3.00	3.01	3.02	**3**	93.9	89.7	n.a.	**80**	25.6	27.3	29.2	**30**
Germany	77.3	77.7	78.0	**77**	2.87	2.82	2.89	**3**	93.7	95.3	n.a.	**86**	12.1	12.4	13.8	**18**
Estonia	73.3	74.3	76.5	**76**	2.12	1.73	1.45	**3**	100.4	99.9	n.a.	**111**	25.8	25.6	26.5	**25**
Ireland	65.5	67.0	68.7	**69**	1.56	1.56	1.51	**2**	89.6	88.8	n.a.	**80**	7.1	7.7	8.6	**16**
Greece	52.9	53.3	54.9	**70**	0.70	0.81	0.84	**1.21**	87.7	77.6	n.a.	**96**	13.4	15.0	15.3	**18**
Spain	58.6	59.9	62.0	**74**	1.29	1.27	1.24	**2**	87.5	84.4	n.a.	**90**	14.3	15.3	16.2	**20**
France	n.a.	69.3	69.5	**75**	2.23	2.24	2.24	**3**	89.9	90.4	n.a.	**86**	13.4	14.0	14.3	**23**
Croatia	57.2	59.2	60.5	**65.2**	0.75	0.82	0.79	**1.4**	n.a.	n.a.	n.a.	**111**	26.8	28.1	27.9	**20**
Italy	59.7	59.9	60.5	**67**	1.27	1.31	1.38	**1.53**	86.4	81.9	n.a.	**87**	15.4	16.7	17.1	**17**
Cyprus	67.2	67.6	67.9	**75**	0.43	0.46	0.48	**0.5**	87.0	83.5	n.a.	**95**	6.8	8.1	9.0	**13**
Latvia	69.7	70.7	72.5	**73**	0.67	0.61	0.69	**1.5**	100.1	100.3	n.a.	**117**	35.7	37.1	38.7	**40**
Lithuania	69.9	71.8	73.3	**72.8**	0.89	0.95	1.03	**1.9**	99.3	98.2	n.a.	**115**	21.7	23.0	23.9	**23**
Luxembourg	71.1	72.1	70.9	**73**	1.28	1.31	1.28	**2.3**	96.8	94.7	n.a.	**80**	3.1	3.6	4.5	**11**
Hungary	63.0	66.7	68.9	**75**	1.27	1.39	1.36	**1.8**	84.1	78.6	n.a.	**110**	9.6	9.5	9.5	**13**
Malta	64.8	66.4	67.8	**70**	0.83	0.77	0.75	**2**	103.7	103.0	n.a.	**105**	2.9	3.7	4.7	**10**
Netherlands	75.9	75.4	76.4	**80**	1.94	1.95	2.00	**2.5**	91.1	91.2	n.a.	**84**	4.7	4.8	5.5	**14**
Austria	74.6	74.2	74.3	**77**	2.93	2.97	3.06	**3.76**	88.3	87.5	n.a.	**84**	31.6	32.3	33.1	**34**
Poland	64.9	66.5	67.8	**71**	0.88	0.87	0.94	**1.7**	112.9	112.9	n.a.	**114**	10.9	11.3	11.4	**15**
Portugal	65.4	67.6	69.1	**75**	1.38	1.33	1.29	**2.7**	89.6	88.0	n.a.	**101**	25.0	25.7	27.0	**31**
Romania	64.7	65.7	66.0	**70**	0.48	0.39	0.38	**2**	92.5	93.5	n.a.	**119**	22.8	23.9	24.9	**24**
Slovenia	67.2	67.7	69.1	**75**	2.58	2.60	2.38	**3**	98.8	97.3	n.a.	**104**	20.9	22.5	21.9	**25**
Slovakia	65.0	65.9	67.7	**72**	0.80	0.82	0.88	**1.2**	92.9	90.1	n.a.	**113**	10.4	10.1	11.6	**14**
Finland	73.3	73.1	72.9	**78**	3.42	3.29	3.17	**4**	90.6	89.8	n.a.	**84**	34.4	36.7	38.7	**38**
Sweden	79.8	80.0	80.5	**80**	3.28	3.31	3.15	**4**	88.5	85.3	n.a.	**83**	51.1	52.0	52.6	**49**
United Kingdom	74.8	76.2	76.8	**n.n.t.**	1.61	1.66	1.68	**n.n.t.**	89.4	91.4	n.a.	**84**	4.6	5.6	7.0	**15**

	Energy Efficiency[2] *(Primary energy consumption - in Mtoe)*				Early School Leaving[3] *(% pop aged 18-24 with at most lower secondary)*				Tertiary Education[3] *(% of pop aged 30-34 with tertiary educ. attainment)*				Poverty/Social exclusion[4] *(people at risk of poverty or social exclusion, in thousands)*			
Member states	2012	2013	2014	Target	2013	2014	2015	Target	2013	2014	2015	Target	2013	2014	2015	Target
EU (28 Countries)	1584.0	1569.1	1507.1	**1483**	11.9	11.2	11.0	**10**	37.1	37.9	38.7	**40**	122685	121905	118759	**-20000**
Belgium	47.3	48.6	45.0	**43.7**	11.0	9.8	10.1	**9.5**	42.7	43.8	42.7	**47**	2286	2339	2336	**-380**
Bulgaria	17.8	16.3	17.2	**16**	12.5	12.9	13.4	**11**	29.4	30.9	32.1	**36**	3493	2909	2982	**-260**
Czech Republic	40.1	39.6	38.6	**39.6**	5.4	5.5	6.2	**5.5**	26.7	28.2	30.1	**32**	1508	1532	1444	**-100**
Denmark	17.7	17.9	16.7	**17.8**	8.0	7.8	7.8	**10**	43.4	44.9	47.6	**40**	1025	1006	999	**-22**
Germany	296.8	302.8	291.8	**276.6**	9.8	9.5	10.1	**10**	32.9	31.4	32.3	**42**	16212	16508	16083	**:**
Estonia	6.0	6.5	6.6	**6.5**	9.7	11.4	11.2	**9.5**	42.5	43.2	45.3	**40**	313	338	315	**-36**
Ireland	13.5	13.4	13.4	**13.9**	8.4	6.9	6.9	**8**	52.6	52.2	52.3	**60**	1358	1274	n.a.	**-200**
Greece	26.9	23.6	23.7	**27.1**	10.1	9.0	7.9	**9.7**	34.9	37.2	40.4	**32**	3904	3885	3829	**-450**
Spain	122.1	114.3	112.6	**119.8**	23.6	21.9	20.0	**15**	42.3	42.3	40.9	**44**	12630	13402	13175	**-1400**
France	243.5	245.4	234.5	**236.3**	9.7	9.0	9.2	**9.5**	44.0	43.7	45.0	**50**	11245	11540	11048	**-2000**
Croatia	8.3	8.0	7.7	**9.2**	4.5	2.7	2.8	**4**	25.6	32.2	30.9	**35**	1271	1243	1216	**-150**
Italy	157.8	153.2	143.8	**158**	16.8	15.0	14.7	**16**	22.5	23.9	25.3	**26**	17229	17146	17469	**-2200**
Cyprus	2.5	2.2	2.2	**2.2**	9.1	6.8	5.2	**10**	47.8	52.5	54.5	**46**	240	234	244	**-27**
Latvia	4.4	4.4	4.4	**5.4**	9.8	8.5	9.9	**10.4**	40.7	39.9	41.3	**34**	702	645	606	**-121**
Lithuania	5.9	5.7	5.6	**6.5**	6.3	5.9	5.5	**9**	51.3	53.3	57.6	**48.7**	917	804	857	**:**
Luxembourg	4.4	4.3	4.2	**4.5**	6.1	6.1	9.3	**10**	52.5	52.7	52.3	**66**	96	96	95	**-6**
Hungary	21.1	20.8	20.7	**24.1**	11.9	11.4	11.6	**10**	32.3	34.1	34.3	**34**	3398	3097	2735	**-450**
Malta	1.0	0.9	0.9	**0.7**	20.5	20.3	19.8	**10**	26.0	26.5	27.8	**33**	99	99	94	**-7**
Netherlands	66.7	66.4	62.7	**60.7**	9.3	8.7	8.2	**8**	43.2	44.8	46.3	**40**	2648	2751	2813	**-100**
Austria	31.4	31.9	30.6	**31.5**	7.5	7.0	7.3	**9.5**	27.1	40.0	38.7	**38**	1572	1609	1551	**-235**
Poland	92.7	93.0	89.1	**96.4**	5.6	5.4	5.3	**4.5**	40.5	42.1	43.4	**45**	9748	9337	8761	**-1500**
Portugal	20.9	21.0	20.7	**22.5**	18.9	17.4	13.7	**10**	30.0	31.3	31.9	**40**	2879	2863	2765	**-200**
Romania	33.6	31.0	30.8	**43**	17.3	18.1	19.1	**11.3**	22.9	25.0	25.6	**26.7**	8392	8043	7428	**-580**
Slovenia	6.9	6.8	6.5	**7.3**	3.9	4.4	5.0	**5**	40.1	41.0	43.4	**40**	410	410	385	**-40**
Slovakia	15.7	15.9	15.3	**16.4**	6.4	6.7	6.9	**6**	26.9	26.9	28.4	**40**	1070	960	963	**-170**
Finland	33.7	33.0	33.4	**35.9**	9.3	9.5	9.2	**8**	45.1	45.3	45.5	**42**	854	927	904	**-140**
Sweden	48.0	47.1	46.2	**43.4**	7.1	6.7	7.0	**7**	48.3	49.9	50.2	**45**	1602	1636	1555	**:**
United Kingdom	197.4	195.1	182.4	**177.6**	12.4	11.8	10.8	**n.n.t.**	47.4	47.7	47.9	**n.n.t.**	15586	15271	15028	**:**

Source: Eurostat 2020 indicators (Extraction date: 07/12/2016), Europe 2020 Targets by the Commission, 2016 Country Reports. This table includes all the newest available figures.n.n.t. = no national target.

[1] The EU as a whole aims to reduce GHG emissions by 20 % **compared to 1990 levels**; hence the index for EU28 uses 1990 as its base year. The Member State targets, set out in the Commission Decision 406/2009, covering only sectors *not included in the EU Emissions Trading System* (EU ETS), are **relative to 2005 levels.** Thus the index for emissions from these sectors uses 2005 as its base year. Moreover, these national targets are presented in terms of an index rather than percentage deviation from the 2005 target as specified in the above-mentioned Commission Decision. By 2020, the national targets will collectively deliver a reduction of around 10 % in total EU emissions from the non-EU ETS sectors and a 21 % reduction in emissions for the sectors covered by the EU ETS (both compared to 2005 levels). This will accomplish the overall emission reduction goal of a 20 % cut below 1990 levels by 2020.

[2] Member States have set indicative national targets based on different indicators translated into absolute levels of primary energy consumption in million tonnes of oil equivalent (Mtoe).

[3] Note that there is a break in the time series in 2014.

[4] Most of the Member States have set national targets based on a reduction in the number of people living in poverty or social exclusions (in most cases compared to 2008 levels); some Member States - whose target is not included in this column - have set national targets based on different indicators related to the reduction in poverty/social exclusion (e.g. reduction in long-term unemployment for Germany, reduction in the at risk poverty rate after social transfers for Estonia).

ANNEX 3: Summary of the scoreboard of key employment and social indicators

	Unemployment rate	Youth unemployment rate	NEET rate	Gross Disposable Household Income	At-risk-of-poverty rate	Inequality S80/S20
Best performers	Czech Republic Germany	Germany	Germany Luxembourg Netherlands Sweden	Denmark Latvia Romania	Czech Republic Slovakia	Czech Republic Finland Slovenia Slovakia
Better than average	Denmark Hungary Luxembourg Malta Netherlands Poland Romania United Kingdom	Bulgaria Czech Republic Hungary Lithuania Malta Netherlands United Kingdom	Austria Czech Republic Hungary Lithuania Latvia Slovenia	Slovakia	Austria Belgium Denmark Estonia Finland France Luxembourg Malta Netherlands Slovenia Sweden	Austria Belgium Denmark France Hungary Luxembourg Malta Netherlands Sweden
Good but to monitor	Austria Estonia	Austria Denmark Estonia	Denmark			
On average	Belgium Bulgaria Finland France Ireland Lithuania Sweden Slovenia Slovakia	Belgium Finland France Ireland Luxembourg Poland Sweden Slovenia Slovakia	Belgium Estonia Malta Poland Portugal United Kingdom	Czech Republic Germany Spain Hungary Lithuania Netherlands Portugal Sweden Slovenia United Kingdom	Croatia Germany Hungary United Kingdom	Croatia Cyprus Germany Poland United Kingdom
Weak but improving	Cyprus Spain Croatia	Cyprus Croatia	Greece Cyprus Spain		Bulgaria Greece	
To watch	Italy Latvia Portugal	Latvia Portugal	Finland France Ireland Slovakia	Austria Finland France Italy	Cyprus Latvia Lithuania Poland Portugal	Estonia Italy Portugal
Critical situations	Greece	Greece Italy Spain	Bulgaria Croatia Italy Romania	Cyprus	Italy Romania Spain	Bulgaria Greece Latvia Lithuania Romania Spain

Source: Draft Joint Employment Report.