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ECONOMIC GOVERNANCE AND EMU SCRUTINY UNIT



ECONOMIC GOVERNANCE

2024 Recommendations on the economic policy of the Euro Area:

A comparison of Commission and Council texts (the 'comply or explain' principle)


This document compares the draft 2024 Recommendation for the economic policy of the Euro Area proposed by the [European Commission](#) on **21 November 2023** with the 2023 Euro Area Recommendation approved by the [Council](#) (ECOFIN) on 16 January 2023.

The formal adoption of the text by the Council should take place on 12 April 2024 after the endorsement by the European Council on **21 and 22 March 2024**.

The comparison is provided in order to facilitate the assessment of the "*comply or explain*" rule stipulated in Article 2-ab(2) of EU Regulation No **1175/2011**: "*The Council is expected to, as a rule, follow the recommendations and proposals of the Commission or explain its position publicly*". The Council has published an [explanatory note](#) accompanying the Council recommendation providing some explanations regarding the changes.

Note: In the table, the green underlined text was *added*; the yellow stricken through text was *deleted* by the Council, as compared to the text proposed by the Commission.



Euro Area 	Commission Recommendation As proposed on 21 November 2023	Council vs. Commission Text Modifications	Council Recommendation As approved by the Council (ECOFIN) on 16 January 2024
	<p>1. Adopt coordinated and prudent fiscal policies to keep debt at prudent levels or put debt ratios on a plausibly downward path. Achieve an overall restrictive fiscal stance in the euro area and thus facilitate the timely return of inflation to the 2% target, while remaining agile in view of the high uncertainty. Wind down crisis-related energy support measures as soon as possible and use the resulting savings to reduce deficits. While ensuring compliance with the expenditure maxima recommended by the Council, modulate the fiscal stance to avoid lasting divergences in inflation. In the medium term, develop fiscal strategies to achieve a prudent medium-term fiscal position and strengthen debt sustainability where necessary, through gradual and sustainable consolidation, combined with high-quality public investments and reforms. Where needed, include in these strategies measures to further increase the efficiency and quality of public expenditures and to improve the sustainability and adequacy of the pension and healthcare systems.</p>	<p>1. Adopt coordinated and prudent fiscal policies to keep debt at prudent levels or put debt ratios on a plausibly downward path. <u>While policies should remain agile in view of the prevailing uncertainty, achieve an overall restrictive fiscal stance in the euro area in line with the Council recommendations, and thus facilitate the timely return of inflation to the 2% target, while remaining agile in view of the high uncertainty enhance public finance sustainability and avoid fuelling inflationary pressures.</u> Wind down emergency energy support measures as soon as possible <u>in 2024</u> and use the related savings to reduce deficits. <u>While ensuring compliance with the expenditure maxima recommended by the Council, modulate the fiscal stance to avoid lasting divergences in inflation. In the medium term,</u> Develop fiscal strategies to achieve a prudent medium-term fiscal position and strengthen debt sustainability where necessary, through <u>determined, differentiated, gradual and sustainable realistic consolidation, combined with high quality public investments and reforms, notably to deliver higher sustainable growth and to boost the euro area's resilience to future challenges.</u> Where needed, include in these strategies measures to further increase the efficiency and quality of public expenditures and to improve the sustainability and adequacy of the pension, healthcare and <u>long-term care</u> systems.</p>	<p>1. Adopt coordinated and prudent fiscal policies to keep debt at prudent levels or put debt ratios on a plausibly downward path. While policies should remain agile in view of the prevailing uncertainty, achieve an overall restrictive fiscal stance in the euro area in line with the Council recommendations, and thus enhance public finance sustainability and avoid fuelling inflationary pressures. Wind down emergency energy support measures as soon as possible in 2024 and use the related savings to reduce deficits. Develop fiscal strategies to achieve a prudent medium-term fiscal position and strengthen debt sustainability where necessary, through determined, differentiated, gradual and realistic consolidation, combined with high quality public investments and reforms, notably to deliver higher sustainable growth and to boost the euro area's resilience to future challenges. Where needed, include in these strategies measures to further increase the efficiency and quality of public expenditures and to improve the sustainability and adequacy of the pension, healthcare and long-term care systems.</p>

	<p>2. Sustain a high level of public investment, to support the green and digital transition, strengthen productivity and resilience. Accelerate the implementation of the Recovery and Resilience Plans, including their REPowerEU chapters. Make full use of cohesion policy programmes and ensure that their mid-term review takes into account, among others, the challenges identified in the European Semester and the progress in implementing the European Pillar of Social Rights, without reducing their overall ambition.</p>	<p>2. Sustain a high level of public investment, to support the green and digital transition, strengthen productivity, <u>competitiveness and boost economic and social</u> resilience. <u>Accelerate</u> <u>Ensure the continued, swift and effective</u> the implementation of the Recovery and Resilience Plans, including their REPowerEU chapters. Make full use of cohesion policy programmes and ensure that their mid-term review takes into account, among others, the <u>new challenges and recommendations</u> identified in the European Semester and the progress in implementing the European Pillar of Social Rights, without reducing their overall ambition.</p>	<p>2. Sustain a high level of public investment, to support the green and digital transition, strengthen productivity, competitiveness and boost economic and social resilience. Ensure the continued, swift and effective the implementation of the Recovery and Resilience Plans, including their REPowerEU chapters. Make full use of cohesion policy programmes and ensure that their mid-term review takes into account, among others, the new challenges and recommendations identified in the European Semester and the progress in implementing the European Pillar of Social Rights, without reducing their overall ambition.</p>
	<p>3. In accordance with national practices and respecting the role of social partners, support wage developments that mitigate purchasing power losses, especially for low-income earners, taking due account of competitiveness dynamics and avoiding lasting divergences within the euro area. Promote upskilling and reskilling as well as active labour market policies to address labour and skill shortages and increase productivity. Take measures to facilitate managed legal migration of third countries workers in shortage occupations, in full complementarity to harnessing talents from within the EU. Safeguard and strengthen adequate and sustainable social protection and inclusion systems. Ensure the effective involvement of social partners in policymaking and strengthen social dialogue.</p>	<p>3. In accordance with national practices and respecting the role of social partners, support wage developments that mitigate purchasing power losses, especially for low-income earners, taking due account of <u>risks to inflation and competitiveness</u> dynamics, <u>and as well as</u> avoiding lasting divergences within the euro area. Promote upskilling and reskilling, <u>including for the green and the digital transitions, as well as</u> <u>Implement</u> active labour market policies to address labour and skill shortages and increase productivity <u>and growth. Promote better working conditions to attract and retain workers in order to address labour shortages.</u> Take measures to facilitate managed legal migration of third countries workers in shortage occupations, in full complementarity to harnessing talents from within the EU. Safeguard and strengthen adequate and sustainable social protection and inclusion systems. Ensure the effective</p>	<p>3. In accordance with national practices and respecting the role of social partners, support wage developments that mitigate purchasing power losses, especially for low-income earners, taking due account of risks to inflation and competitiveness dynamics, as well as avoiding lasting divergences within the euro area. Promote upskilling and reskilling, including for the green and the digital transitions. Implement active labour market policies to address labour and skill shortages and increase productivity and growth. Promote better working conditions to attract and retain workers in order to address labour shortages. Take measures to facilitate managed legal migration of third countries workers in shortage occupations, in full complementarity to harnessing talents from within the EU. Safeguard and strengthen adequate and sustainable social protection and inclusion systems. Ensure the effective</p>

		involvement of social partners in policymaking and strengthen social dialogue.	involvement of social partners in policymaking and strengthen social dialogue.
	4. Remove investment obstacles to reduce the prevailing gap in investment for the green and digital transitions. Improve access to finance, in particular for innovative companies and SMEs, through further progress towards the Capital Markets Union. Ensure that public support to relevant strategic sectors is targeted, with no distortions of the level playing field in the Single Market and with a view to enhancing the euro area competitiveness and open strategic autonomy. Continue strengthening the international role of the euro and make further progress in the work on the digital euro	4. Remove investment obstacles to reduce the prevailing gap in investment for the green and digital transitions. Improve access to finance, in particular for innovative companies and SMEs, through further progress <u>towards in deepening and strengthening</u> the Capital Markets Union. Ensure that public support to relevant strategic sectors is targeted, with no distortions of the level playing field in the Single Market and with a view to enhancing the euro area competitiveness and open strategic autonomy. Continue strengthening the international role of the euro and make further progress in the work on the digital euro.	4. Remove investment obstacles to reduce the prevailing gap in investment for the green and digital transitions. Improve access to finance, in particular for innovative companies and SMEs, through further progress in deepening and strengthening the Capital Markets Union. Ensure that public support to relevant strategic sectors is targeted, with no distortions of the level playing field in the Single Market and with a view to enhancing the euro area competitiveness and open strategic autonomy. Continue strengthening the international role of the euro and make further progress in the work on the digital euro.
	5. Monitor risks linked to tighter financial conditions, in particular those related to the asset quality and to potential corrections in asset prices, including in real estate markets. Monitor developments in the non-bank financial intermediation to prevent the build-up of systemic risk and negative spillovers to the economy. Complete the Banking Union by continuing to work on all elements, including on a European Deposit Insurance Scheme.	5. <u>Preserve macro-financial stability, maintain the credit channels to the economy and avoid the risk of financial fragmentation.</u> Monitor risks linked to tighter financial conditions, in particular those related to the asset quality and to potential corrections in asset prices, including in real estate markets. Monitor developments in the <u>banking sector and</u> non-bank financial intermediation to prevent the build-up of systemic risk and negative spillovers to the economy. Complete the Banking Union by continuing to work on all outstanding elements, <u>including on a European Deposit Insurance Scheme.</u>	5. Preserve macro-financial stability, maintain the credit channels to the economy and avoid the risk of financial fragmentation. Monitor risks linked to tighter financial conditions, in particular those related to the asset quality and to potential corrections in asset prices, including in real estate markets. Monitor developments in the banking sector and non-bank financial intermediation to prevent the build-up of systemic risk and negative spillovers to the economy. Complete the Banking Union by continuing to work on all outstanding elements.

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