IN-DEPTH ANALYSIS

Economic Dialogue and Exchange of Views with the President of the Council (ECOFIN)

ECON on 25 January 2022

Bruno Le Maire, Minister of the Economy, Finance and the Recovery of France, is participating in the ECON Committee in his capacity of President of the ECOFIN Council during the French Presidency (January-June 2022). In accordance with the Treaty of the Union, "Member States shall regard their economic policies as a matter of common concern and shall coordinate them within the Council".

This briefing provides an overview of the French presidency priorities in ECON matters, including the Council's work relating to the implementation of the European Semester for economic coordination, notably the application of the Recovery and Resilience Facility and deepening of the Economic and Monetary Union.

1. The ECON-related priorities of the French Presidency

Regarding economic and financial affairs, the French Presidency's programme is built on three key priorities. Firstly, the Presidency seeks to accelerate the **European post-pandemic economic recovery** by closely monitoring the adoption of the national recovery and resilience plans, guaranteeing the prompt disbursement of funds and the coordination of a joint strategy on investment and structural reforms targeting future growth sectors.

Accordingly, the Presidency will encourage discussions on the **review of the EU's economic governance framework** (see Section 3 below), fostering investment towards the European economic model for 2030. Thus, the effects and challenges brought by the sanitary crisis to the economy, adapted fiscal and budgetary rules and the macroeconomic imbalances procedure will be discussed. Besides, discussions on the targeted revision of the EU Financial Regulation adjusting it to the 2021-2027 Multiannual Financial Framework are also planned, namely promoting progress on **green budgeting** and **new own resource**.

Secondly, seeking to strengthen **financial sovereignty, innovation and competition**, the Presidency will *'take forward Council negotiations on banking and insurance prudential regulations (Solvency II and Basel III) ... and will draw up conclusions taking stock of the implementation of the communication from the Commission of 19 January 2021 regarding "The European economic and financial system: fostering openness, strength and resilience"'*. The Presidency also plans to further advance with a) the Capital Markets Union, particularly targeting *'negotiations regarding a single access point for financial and non-financial information, the long-*

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term investment funds framework and the review of the Alternative Investment Fund Managers Directive' [1] (see Section 3.3 below) and b) further integrating financial Europe through the development of the Banking Union (see Section 3.2 below).

Lastly, the Presidency aims at promoting **responsible and sustainable capitalism** and **combating financial crime**. Accordingly, completing actions targeting the green transition, such as the Carbon Border Adjustment Mechanism[2] or the Corporate Sustainability Reporting Directive[3] (CSRD), will be prioritised. Furthermore, the agreement on Pillar Two[4] will have to be transposed into European law and work on the Energy Taxation Directive[5] will continue. Combating tax avoidance and evasion will be strengthened by increased cooperation between Member States and the conference of ministers taking place in March will also discuss policies on *'green finance, industrial transition, green budgeting and greening official export support'*. Progress on sustainable finance will be heightened through initiatives such as the green bond standard. The Presidency also seeks to promote the digital finance regulation[6], anti-money laundering and countering the financing of terrorism[7].

As regards the **progress on financial services legislative files in the ECOFIN Council**, please see this note by the French Presidency.

On 18 January, at the first ECOFIN-meeting during the French Presidency, Ministers:

- held a policy debate on the **proposed Council directive on ensuring a global minimum of taxation for multinational groups in the EU**.[8] Ministers were invited to provide political guidance on whether the file is a priority and the need to urgently transpose the agreed rules of international corporate taxation as soon as possible.

- exchanged views on the **state of play of the RRF: "***In their interventions, many ministers stressed the importance of a swift disbursement to the member states. The Council expects the bulk of the implementation of the RRF to take place in 2022"*; and

- approved conclusions on the Annual Sustainable Growth Survey and the Alert Mechanism Report and adopted a Recommendation on the economic policy of the euro area under the **2022 European Semester Cycle**.

On 19 January, the President of the French Republic presented the priorities of the French Presidency of the Council of the European Union to the plenary of the European Parliament.

[1] See here.
[2] A Regulation of the European Parliament and of the Council establishing a Carbon Border Adjustment Mechanism (CBAM) was proposed on 14 July 2021 (see here).
[3] On 21 April 2021, the Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD), which would amend the existing reporting requirements of the Directive 2014/95/EU (i.e. Non-Financial Reporting Directive (NFRD)) (see here).
[4] See here for further information.
[5] Proposal (14 July 2021) for a Council Directive restructuring the Union framework for the taxation of energy products and electricity
[6] Namely by implementing MiCA (Regulation on Markets in Crypto-Assets) and DORA (Digital Operational Resilience Act for the financial sector) (see here).
[7] In particular, through the *'creation of a European supervisory authority, revision of rules on transfers of funds in order to guarantee the traceability of crypto-assets, enhanced due diligence for persons who present a risk, harmonisation of internal control requirements, etc.'* (see here).
[8] The aim of the directive is to transpose an international agreement - the global G20/OECD, BEPS IF Two-Pillar Solution - into EU law.

Box 1: Ongoing ECON related legislative work

Below a list of ECON files which the French Presidency considers a priority:

- Proposal on Markets in Crypto-assets, and amending Directive (EU) 2019/1937;
- Digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No600/2014 and (EU) No 909/2014 (DORA Regulation);
- Digital operational resilience: temporary exemption for multilateral trading facilities and amendment of certain EU financial services directives;
- European green bonds;
- AML package, notably regarding the establishment of the Authority for Anti-Money Laundering;
- Insurance Recovery and Resolution.

A number of additional files are currently pending, notably the changes to the capital requirements; Solvency II amendments; and EDIS.

2. The launch of the 2022 European Semester Cycle

2.1. The amended Semester Cycle

This years' cycle, like the previous one, is being adapted to the implementation of the RRF, as the two processes are closely linked in terms of procedures and substance. To ensure synergies and avoid administrative burdens for Member States, the Commission will:

- Streamline reporting obligations: for example, the national reform programmes will also be used for the bi-annual reporting under the RRF.
- Make use of IT tools to monitor both the implementation of the plans and the progress on country-specific recommendations.
- Integrate bilateral exchanges with Member States under the European Semester with the dialogue on the implementation of their RRPs.

According to the Commission's Communication of October 2021, the 2022 European Semester Spring package will include:

- Streamlined country reports, identifying gaps related to those challenges that are only partially or not addressed by RRPs.
- Draft country-specific recommendations, to help bring forward Member States' efforts under RRPs, while addressing emerging socio-economic challenges to the twin transition and build up resilience. There will also be fiscal recommendations.

The Commission claims that it is committed to strengthening the democratic accountability of the Union's economic governance and will continue the strengthened inter-institutional dialogue at EU level with both the European Parliament and the Council. In particular, it "*will engage with the European Parliament before each key stage of the European Semester. The Commission will also continue to contribute to the Recovery and Resilience Dialogues with the Parliament and maintain regular exchanges in a dedicated Parliament Working Group on the RRF*".

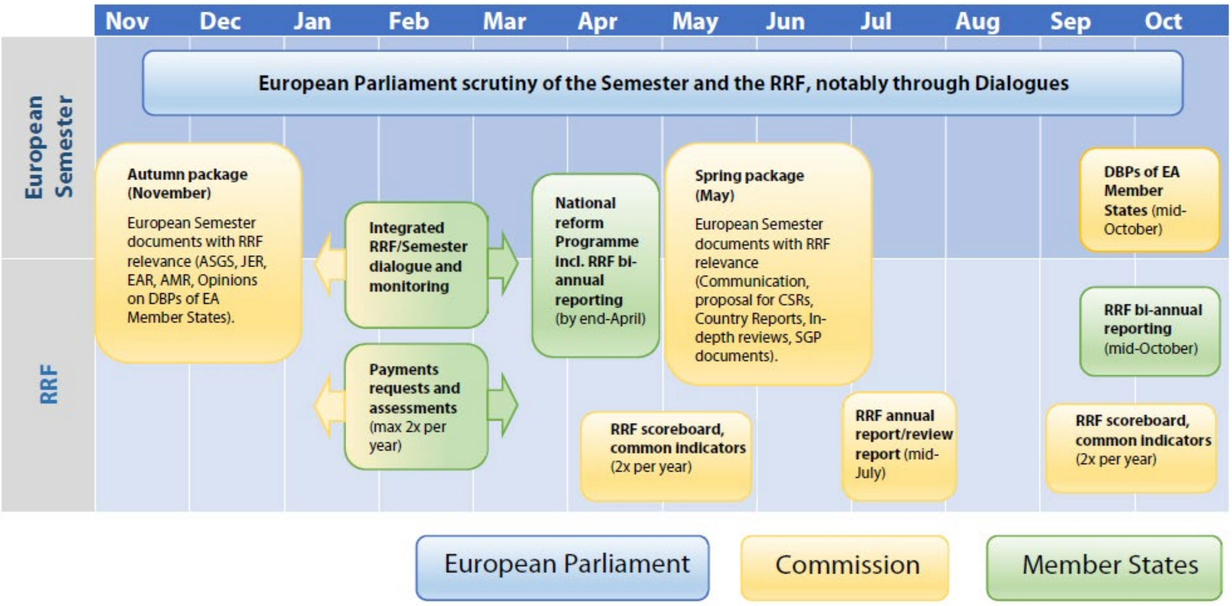
The European Parliament has started its deliberations on the 2022 Semester Cycle, notably by tabling two draft reports:

- ECON Committee Draft Report on the European Semester for economic policy coordination: Annual Sustainable Growth Survey 2022 (Rapporteur *Irene Tinagli*, S&D).

- EMPL Committee Draft Report on the European Semester for economic policy coordination: Employment and Social Aspects in the Annual Sustainable Growth Strategy 2022 (Rapporteur *Helmut Geuking*, EPP).

Furthermore, an inter-parliamentary meeting (the European Parliamentary Week), organised jointly with the French Parliament, is scheduled to take place on 15–16 March.

Figure 1: European Semester Cycle and the RRF



Source: EGOV own elaboration based on the Commission chart (p. 17 of ASGS).
Legend: ASGS: Annual Sustainable Growth Survey, EAR: Euro Area Recommendation, JER: Joint Employment Report, AMR: Alert Mechanism Report, DBP: Draft Budgetary Plans, EA: euro area, RRF: Recovery and Resilience Facility, SGP: Stability and Growth Pact

On 18 January 2022, the ECOFIN Council called for keeping the European Semester focused on economic, fiscal and employment policies, as the Commission continues the integration of the relevant United Nations' sustainable development goals in the European Semester.

It also welcomed that the European Semester resumes its broad economic, fiscal and employment policies coordination in 2022, including the publication of streamlined country reports and the adoption of country-specific recommendations. It acknowledged the need of temporary adapting the European Semester to the implementation of the Recovery and Resilience Facility and called for ensuring synergies and streamlined reporting requirements under the two processes, including specifying the role of national reform programmes.[9]

[9] On 11 November 2021, the Council had adopted its conclusions on the future of the European Semester in the context of the RRF. The Council had noted that *"New economic circumstances and the European response to the COVID-19 crisis caused a temporary adjustment of the European Semester also in 2021 with policy guidance focusing solely on fiscal policies, as the attention was put on the preparation, adoption and implementation of the Recovery and Resilience Plans"*. It underlined *"that the European Semester and the Recovery and Resilience Facility should continue, without duplications, to tackle the crisis' impact and to contribute to strengthening economic resilience and sustainable, dynamic and inclusive long-term growth, thus enhancing convergence among the EU economies"*. It also stressed *"that the European Semester should continue to ensure comprehensive surveillance of fiscal, financial, economic and employment policies, and it should closely monitor remaining and evolving risks and challenges, detect policy gaps, and ensure their follow-up"*.

Box 2: The Council Semester roadmap for spring 2022

The EU Institutions are expected to deal with the Europan Semester according to the following timeline:

- 18 January 2022: the ECOFIN approved its conclusions on the 2022 Alert Mechanism Report and on the 2022 ASGS and adopted the euro area recommendation;
- 25 January 2022: the European Parliament (ECON and EMPL Committees) hosts an Economic Dialogue with the Commission on the "autumn package";
- 25 February 2022: the Eurogroup exchanges views on macroeconomic developments (including inflation) and on policy prospects in the euro area, as well as the Euro area dimension of the macroeconomic imbalances procedure;
- 7-10 March 2022: European Parliament plenary session – Joint debate on the European Semester (tbc);
- 14 March 2022: Employment, Social Policy, Health and Consumer Affairs Council (Social) approves conclusions on the 2022 AGGS and adopt the Joint Employment Report 2022;
- 15-16 March 2022: the European Parliament hosts the European Parliamentary Week with representatives from national Parliaments including the Inter-parliamentary Conference on Stability, Economic Coordination and Governance in the EU;
- 22 March 2022: the General Affairs Council, in preparation of the March European Council, exchanges views on its Synthesis report on Council contributions on the 2022 European Semester;
- 24-25 March 2022: the European Council exchanges views on the economic and employment situation and provides guidance to Member States for their 2022 Stability and Convergence Programmes and National Reform Programmes;
- 5 April: ECOFIN adopts the 2022 recommendation on the economic policy of the euro area;
- By end-April 2022: Further to the guidance provided by the European Council, Member States submit their 2022 National Reform Programmes (that integrate progress on the RRPs in the context of the RRF);
- May/June 2022: the Commission publishes the "Spring package", constituted of the country reports (including the IDRs for countries at risk of macroeconomic imbalances under the MIP), and of the 2022 recommendations for *Council Recommendations delivering Opinions on the 2022 Stability and Convergence Programmes and on national reform programmes* (country-specific recommendations);
- Early June 2022: several Council preparatory bodies (EFC, EPC, EMCO and SPC) start work on the 2022 CSRs;
- 17-21 June 2022: the Council approves the CSRs;
- 23-24 June 2022: European Council adopts conclusions and endorses the CSRs;
- July 2022: the ECOFIN-Council adopts the CSRs and issues conclusions on in-depth reviews under the MIP and implementation of policy reform priorities.

2.2. The implementation of the RRF

Following the adoption of the Recovery and Resilience Regulation setting out the Recovery and Resilience Facility[10], all Member States but Netherlands submitted Recovery and Resilience Plans (RRPs) to the Commission. Out of the 26 submitted plans, the Commission assessed 22[11] plans and the Council adopted the 22 Commission's assessments. The Commission disbursed pre-financing to 18 Member States[12] and

[10] For an overview of the Recovery and Resilience Facility see here.

[11] Assessments for Hungary, Poland, Sweden and Bulgaria are pending.

[12] See EGOV paper on Recovery and Resilience Plans - public documents and overview of process for further details.

made a first payment to Spain on 27 December[13]. Italy[14], Greece[15] and France[16] also requested payments from the RRF. Payment requests are submitted after Member States complete the agreed milestones and targets (as set out in Council Implementing decisions) and upon signature of a number of legal arrangements (most notably, the operational arrangements[17]). Further information on the RRF and the RRPs can be found in a specific EGOV briefing.

The Commission has two months to assess payments requests and present a preliminary opinion to the Economic and Financial Committee (EFC). Once the EFC issues a positive opinion, the Commission submits a draft Implementing Decision to the Recovery and Resilience Facility Committee (RRF Committee), set up under the RRF Regulation. The Commission can then adopt an Implementing Decision (COM ID) and proceed with the payment to the Member State. The first (and so far, the only) payment under the RRF was to Spain (see here and box below).

On 18 January 2022, the ECOFIN Council conclusions on the ASGS 2022 acknowledged the potential of the RRF to contribute to the economic recovery and enhancing strong and sustainable EU growth, as well as its role in delivering a resilient, green and digital EU economy. The ECOFIN also called for timely, full and effective implementation of RRPs. It underlined the need for continued comprehensive EU economic policy surveillance, including close monitoring of emerging risks

On 15 December, the Commission launched the **RRF scoreboard**[18]. It gives an overview of how implementation of the RRF and of the national RRPs is progressing. The Scoreboard contains sections on the fulfilment of milestones and targets and on RRF disbursements, per Member State and aggregated. It contains data collected by the Commission while monitoring RRF implementation and data reported by the Member States on 14 common indicators[19]. The scoreboard also provides qualitative information through thematic analyses of plans' implementation in specific policy areas.

To finance the RRF, the Commission is **issuing debt on capital markets** under the so called "diversified funding strategy". Repayment of such debt is to be ensured through implementation of a roadmap for introducing new EU Own Resources, as agreed in an Interinstitutional agreement (IIA) between the Parliament, the Council and the Commission.

On 22 December 2021, the Commission proposed three **new sources of revenue** - based on emissions trading (ETS), the proposed EU carbon border adjustment mechanism, and on the share of residual profits from multinationals following the recent OECD/G20 agreement on a re-allocation of taxing rights (the so-

[13] On 11 November, Spain submitted its first request for EUR 10 billion (net of pre-financing).

[14] Italy submitted its request on 30 December for an amount of EUR 21 billion (net of pre-financing). This first payment request relates to 51 milestones covering several reforms in the areas of areas of justice, public administration, audit and control, education, active labour market policies, digital and tourist sectors as well as simplification of legislation in sectors like waste, water and rail transport.

[15] Greece submitted its request on 29 December for an amount of EUR 3.6 billion (net of pre-financing). This first payment request relates to 15 milestones covering reforms and investments in the areas of energy efficiency, sustainable mobility, waste management and civil protection, active labour market policies, healthcare, tax administration, justice, business extroversion, and the audit and control system linked to the RRF. Two of the milestones and targets concern the first steps of the implementation of the loan part of the Facility.

[16] The Commission announced the French request on 29 November. France requested an amount of EUR 7.4 billion (net of pre-financing). This first payment request relates to 38 milestones.

[17] For further details see section 2 of EGOV briefing ahead of the 13 December 2021 Recovery and Resilience Dialogue with the Commission.

[18] The scoreboard is based on two Commission Delegated Regulations: 2021/2106, setting out the common indicators and the detailed elements of the recovery and resilience scoreboard, and 2021/2105, defining a methodology for reporting social expenditure.

[19] Member States will report on the common indicators twice a year, by 28 February and 31 August. The Commission will update the data in scoreboard by April and October. The first reporting on the common indicators will take place in February 2022.

called "Pillar One"). The Commission expects the new sources of revenue to generate on average a total of up to €17 billion annually for the EU budget in the period 2026-2030[20].

The Commission December package referred to above comprises two measures: a proposal to amend the own resources decision (requiring unanimity in Council and consultation with the European Parliament, and national ratification) and targeted amendments to the Multiannual financial framework (requiring unanimous adoption by Council after obtaining the consent of the European Parliament). There is yet limited information on the Council timeline for discussing these proposals. The ECOFIN Council plans to discuss the issue at its June meeting[21]. The Commission will also present a proposal for a second basket of new own resources by the end of 2023[22], building on the 'Business in Europe: Framework for Income Taxation (BEFIT)' proposal foreseen for 2023[23].

Box 3: Assessing implementation of the Spanish RRP: first payment request

The Commission positive assessment of Spanish RRP was agreed by Council on July 2021. Spain and the Commission agreed its Operational Arrangements on 9 November and a first payment request was submitted on 11 November. The request received a positive preliminary assessment by the Commission on 3 December and by the EFC on 21 December. The RRF comitology Committee voted on 22 December, providing no amendments to the Commission proposal. The final text of the Commission's implementation decision authorising the disbursement is available in the Commission comitology register. The authorised disbursement amounts to EUR 11.494.252.874, of which EUR 1.494.252.874 is used to partially clear the 13% pre-financing Spain received, and EUR 10.000.000 refer to the first payment under the RRF. Spain received its first disbursement on 27 December.

Most of the measures underlying Spain first payment request were enacted before February 2021, date of publication of the RRF Regulation, and before Spain signed the operational arrangements, as the Commission points out in its 3 December press release: "*As most of the milestones linked to this first payment request had already been achieved by the end of the second quarter of this year, the Commission was able to conclude its assessment more rapidly than the two months period foreseen in the RRF Regulation*". Most measures relate to enacting legislation.

Box 4: A snapshot of the French Recovery and Resilience Plan

The French RRP was positively assessed by the Commission on June 2021 and Council implementing decision was agreed on July 2021, in line with the Commission assessment. France requested an amount of EUR 39. 368 318 000 billion in grants. Its RRP comprises 92 measures - 21 reforms and 70 investments - divided into nine components, together with 70 milestones and 105 targets (as detailed in the Commission summary of France RRP). The Commission evaluates that France will spend around 46% of RRF funds on climate-related measures and 21.3% measures qualify for meeting the digital target.

On 18 August 2021, France received EUR 5.1 billion in pre-financing and submitted its first payment request on 29 November 2021. The Commission is currently assessing the request.

[20] According to information in the public domain, some expressed their reservation at the ECOFIN meeting of 18 January with proposal to introduce a minimum global corporate tax rate of 15 percent by January 2023.
[21] A specific Working party in Council might be the one preparing Council discussions (see here, the Council Working Party on Own Resources). The WP is linked to ECOFIN. The ECOFIN Budget Committee might also be involved. The relevant Commission proposals were transmitted to Council on 22 December 2021 (see here, here and here) and the WPOR met already on the 10 January to discuss the Commission proposal for a new own resources decision. The WPOR meetings for the first semester has already been presented to meting delegates (see here; Council list of documents made available to Council working parties).
[22] Anticipating the deadline agreed in the IIA by one year, from 2024 to 2023 (as reiterated by Commissioner Hahn in a hearing on January 2021 before the BUDG Committee and in the Commission Communication accompanying the December 2021 proposals).
[23] The Commission Communication notes that this second proposal "*could include a Financial Transaction Tax and an own resource linked to the corporate sector.*"

2.3. Euro Area Recommendation

On 24 November 2021, the Commission published its recommendation for a Council recommendation on the 2022 economic policy of the euro area (EAR), as part of the 2022 autumn package. A staff working document (SWD) assessing the euro area economy is also part of such package. The SWD evaluates developments in the euro area in the preceding period and implementation of the 2021 EAR, presenting also a table summarising how national RRPs are implementing the 2021 EAR. The document refers in particular "*RRPs contribute to progress in the implementation of the euro area recommendations related to public finances, to structural reforms and to the strengthening of the national institutional framework (...). Measures aimed at ensuring macrofinancial stability are comparatively less present in RRPs: only four euro area Member States appear to have taken measures to that effect. However, the very creation of NGEU has clearly boosted confidence in the euro area, thus contributing to macro-financial stability*".

The Commission recommendation addresses mainly five areas: (a) fiscal policies and fiscal stance; (b) deepening of the internal market (addressing taxation, labour markets, education, training and collective bargaining), (c) business environment, (d) national institutional frameworks, and (e) financial markets.

Comparing the Commission proposal with the version published after the discussions in the Eurogroup Working Group (EWG) and the Economic and Financial Committee (dated of 11 January; submitted to the 18 January ECOFIN), one could note:

- clarifications on a number of recitals;
- addition of a sentence in recital 3 referring to the issuance of green bonds helping to promote sustainable investments;
- addition on recital 6 of a reference to the Commission's intention to make a legislative proposal underpinning the ECB digital euro;
- various amendments in recital 12 qualifying the social dimension of the COVID-19 crisis;
- added references in recital 14 to strengthened profitability and robust regulatory framework as elements contributing to maintaining the banking sector stability;
- in EAR 1, dealing with the fiscal stance, the Council deleted "Once economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment";
- Addition, in EAR 3 dealing with the single market actions, of a reference to the real economy ("Take actions to increase the capacity of insolvency frameworks to deal effectively and timely with bankruptcy and debt restructuring, maximize the preservation of value and promote an efficient allocation of capital <u>in the real economy</u> and cross-border investments");
- Addition, in EAR 5 dealing with financial and banking markets, of the need to continue working on all the outstanding elements of the Banking Union with "the same level of ambition".

The Council "comply or explain" note claims that the Commission has not accepted the change made in EAR3 above; the Council justified its approach as a mere clarification that EAR3 is dealing with the "real economy", whilst issues of capital allocation on the banking sector are to be dealt in EAR 5. The Commission accepted the reminder of changes outlined above.

On 18 January, the ECOFIN adopted the 2022 EAR as submitted after EWG and EFC discussions.

2.4. Fiscal surveillance

On 24 November 2021, the Commission published its opinions assessing the compliance of the Euro Area Member States' draft budgetary plans with the latest Council fiscal recommendations.[24] The Commission provided a summary of these assessments, which includes inter alia:

For High-debt Member States (Belgium, France, Greece, Italy and Spain)

- *As recommended by the Council, **all Member States** use the RRF to finance additional investment in support of the recovery.*
- *As recommended by the Council, **all Member States** preserve nationally financed investment.*
- ***Italy** has been recommended by the Council to limit the growth of nationally financed current expenditure. This is not projected to be sufficiently ensured, as the growth of nationally financed primary current expenditure (net of new revenue measures) in 2022 is projected to provide a sizeable contribution to Italy's overall supportive fiscal stance. In order to contribute to the pursuit of a prudent fiscal policy, the Commission invites Italy to take the necessary measures within the national budgetary process to limit the growth of nationally financed current expenditure.*
- *For **Belgium, France, Greece, Italy and Spain**, given the level of their government debt and high sustainability challenges in the medium term before the outbreak of the COVID-19 pandemic, when taking supporting budgetary measures, it is important to preserve prudent fiscal policy in order to ensure sustainable public finances in the medium term.*

In its conclusions on the 2022 ASGS of 18 January 2022, the ECOFIN Council acknowledged the expected deactivation of the general escape clause of the Stability and Growth Pact as of 2023. It looked forward to a timely discussion on the fiscal guidance that the Commission will submit for the period ahead, with the purpose of facilitating the coordination of fiscal policies and which will reflect the global economic situation and the specific situation of each Member State, as well as the discussions on the economic governance framework.

2.5. Macroeconomic Imbalances

The 2022 Alert Mechanism Report (AMR), published in November 2021 by the Commission, presents the analysis of the macroeconomic situation and of imbalance, as well as future challenges, in the EU, in the euro area and in each Member State. The AMR launched the eleventh annual round of the Macroeconomic Imbalance Procedure (MIP), which is an integral component of the European Semester (see this EGOV note on the MIP implementation).

The Commission notes that before the pandemic, most of the imbalances highlighted in previous years were undergoing a process of correction: excessive large current account deficits or strong credit growth had been reduced, and the economic recovery following the financial crisis was also supporting the correction of stock imbalances, namely private, public and external debts. Progress was visible in the financial sector as well, with strengthened banks' balance sheets. The post-2013 recovery had also brought some risks in a few countries, especially related to house prices and cost competitiveness developments (mainly in terms of labour cost).

The pandemic crisis interrupted most of the positive developments and is aggravating a number of existing imbalances, with new emerging risks. Most notably:

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[24] On 18 June 2021, the Council adopted the 2021 fiscal recommendations (opinions on the 2021 Stability and Convergence Programmes) of all EU Member States. These opinions reflect in the preventive arm the continuation of the general escape clause. Note that in 2021, exceptionally, due to the focus on combatting the economic/social consequences of COVID, there were no further CSRs under the European Semester than these fiscal recommendations. Please see separate EGOV document for a tabular comparison of 2019, 2020 and 2021 CSRs.

- **Both government and private debt-to-GDP ratios increased.** Government debt-to-GDP ratios have increased more in the countries disproportionately affected by the recession, principally due to their tourism sectors; borrowing costs have increased for some Member States outside the euro area with floating exchange rates.
- **External accounts worsened** in countries dependent on cross-border tourism revenues. Some of the large current account surpluses declined mildly in 2020, bringing the current account for the euro area as a whole in line with fundamentals, but the trend is reversing.
- **House prices**, which had already been buoyant, **accelerated further** and constitute a risk in several countries, in particular where they are accompanied by a significant increase in households' mortgage debt. Various EU countries display risks of overvaluation.
- **Debt repayment** by the private sector (households and companies) **might become difficult**, thereby affecting banks' balance sheets and profitability. The banking sector has maintained strong capital ratios, but profitability weakened in 2020 and the full impact of the crisis on bank balance sheets may only be visible with a delay. Potential feedback loops between banks, sovereigns and the corporate sector should be closely monitored.
- As the recovery takes hold, **labour shortages and cost pressures are emerging** in some countries, and substantial wage increases are foreseen in a number of countries, with inflationary risks.

The AMR concludes that the Commission' surveillance activities need to focus on countries that were already identified as having imbalances or excessive imbalances in the 2021 cycle. Therefore, the Commission recommends that IDRs to identify and assess the severity of possible macroeconomic imbalances be prepared for:

- **Croatia, France, Germany, Ireland, Netherlands, Portugal, Romania, Spain and Sweden** (the nine Member States experiencing imbalances in the 2021 cycle) and for **Italy, Greece and Cyprus** (that were experiencing excessive macroeconomic imbalances in the 2021 cycle).

Furthermore, the Commission will closely follow developments in other Member States, namely:

- **Slovakia**, because of strong house price growth accompanied by an increase in households' borrowing.
- **Hungary**, because of the risky interplay between government borrowing and external financing, in a context of significant debt exposure in foreign currency; as well as of growth of house prices.
- **Denmark, Luxembourg and Czechia**, where developments in the housing market point to a build-up of risks.
- **Malta**, where growing private debt combined with weaknesses of the insolvency framework create particular vulnerabilities.

On 18 January, the ECOFIN Council adopted its conclusions on the 2022 AMR. It welcomed the high-quality analysis in the AMR and appreciated that the Commission continues using analytical frameworks developed in consultation with Member States. It welcomed that the report continues to include a forward-looking assessment of the potential implications of the crisis for macroeconomic stability and the evolution of existing macroeconomic imbalances, which is particularly relevant, given the significant uncertainty around the full impact of the COVID-19 crisis. It also recalled the still substantial uncertainty about the evolution of the economies and underlined the need for prudence in drawing conclusions on imbalances based on forecast data.

3. Ongoing work on deepening of EMU

3.1. Review of the EU economic governance framework

The Commission published in February 2020 a report on the application of the regulations providing for the current economic and fiscal surveillance in the EU. The report took the form of a Communication on "Economic governance review"[25], and the main question focused on the extent to which the different surveillance elements (mainly the Stability and Growth Pact and the MIP) have been effective in achieving their key objectives, namely:

(i) ensuring sustainable government finances and growth, as well as avoiding macroeconomic imbalances,
(ii) providing an integrated surveillance framework that enables closer coordination of economic policies in particular in the euro area, and
(iii) promoting the convergence of economic performances among Member States.

The Commission then launched a public debate, to give stakeholders the opportunity to provide their views on the functioning of surveillance and on possible ways to enhance the effectiveness of the framework. Originally, citizens and institutions were invited to submit their responses to the questions set in the Communication by 30 June 2020. However, the public debate has been impacted by the need to focus on the immediate challenges of the coronavirus crisis, and the period of public consultation has been extended.

In October 2021, the Commission relaunched the economic governance review, with a Commission's Communication on the implications of COVID-19 for economic governance, aimed at to build consensus on how to improve the effectiveness of economic surveillance and policy coordination, by taking into account the changed circumstances for economic governance (e.g. the high levels of public debts or the investment needs for the green and digital transitions) and the lessons learnt from the EU policy response to the outbreak, in particular from the governance of the RRF. According to the Commission, the European Semester will remain the reference framework for integrated surveillance and the coordination of EU economic and employment policies. The Commission invited all key stakeholders to engage in the public debate, by replying to eleven questions, of which a new one related to the RRF experience, by 31 December 2021. The Commission stated that it will consider all views expressed during this public debate and will provide orientations on possible changes to the economic governance framework, with the objective of achieving a broad-based consensus on the way forward "*well in time for 2023*" (see this Commission website on the economic governance review). Box 5 below presents some references with reactions to the Communication.

On 17 January, the Eurogroup debated the euro-area aspects of the economic governance review, on the basis of a Secretariat's note including four questions for discussion. In his post-meeting remarks, the Eurogroup's chair P. Donohoe stated "*We had our first substantive discussion on the euro area dimension of the economic governance framework. And in this part of our meeting, we heard many views from governments in relation to the draft budgetary plan process, the surveillance procedures that are in place, the fiscal rules, the value of national economic policy coordination, and also in relation to how we can ensure that we have commitments in place regarding our national finances, that they are fulfilled and overseen in a transparent way. This was the first discussion on this particular topic. It's fair to say and indeed evident that we will have many other discussions on this topic in the period ahead. But we did have a good tone in this discussion, colleagues intervened*

[25] "Report on the application of Regulations (EU) No 1173/2011, 1174/2011, 1175/2011, 1176/2011, 1177/2011, 472/2013 and 473/2013 and on the suitability of Council Directive 2011/85/EU", i.e. the set of legal acts comprising the provisions on the EU economic governance framework, published in 2011 and 2013, also known as "Six-pack" and "Two-pack".

aware of the importance of this discussion and while outlining their national views, they were aware of the need to find agreement in this area as we will move through 2022".

On 18 January 2022, the ECOFIN-Council concluded that it continues thorough discussions on the EU economic governance review, including the SGP and the MIP. It noted the intention of the Commission to provide orientations on possible changes to the economic governance framework. It also acknowledged the need to build a broad-based consensus, as the effective functioning of the surveillance framework is the collective responsibility of all Member States, EU institutions and key stakeholders.

According to information in the public domain[26], EU Finance Ministers will discuss the revision of the SGP *"at their informal meeting on 25-26 February in Paris"*, as well at a special European summit on 10-11 March, *"which will be devoted to defining a European growth model"*. In spring, presumably as part of the 2022 CSRs to Member States, *"the Commission will present its conclusions on the discussions on the reform of the fiscal rules"*. According to Mr Gentiloni, *"the EU institution has already received 250 contributions to the consultation ... The ECOFIN Council, or even the June Euro Summit, could take political decisions on the reform of the fiscal rules, which the Commission would then transcribe into a legislative proposal to be presented in July. However, Mr Dombrovskis acknowledged, it seems "unlikely" that legislative proposals tabled in the middle of the year will be agreed in time to apply starting 2023, when the general escape clause that 'froze' the Pact to allow Member States to deal with the Covid-19 pandemic will be deactivated unless there is a major downturn in the economy"*. That is why guidance for economic and fiscal policies in 2023 would provide "a bridging solution", until reform is implemented (similar to the interpretative communication on the flexibility of the Pact, which the Commission presented in January 2015 to stimulate structural reforms and facilitate public investment).

Box 5: Some reactions to the Commission consultation on the review

On 1 December 2021, the ECB published its reply to the Commission Communication of October 2021.

On 10 November 2021, the European Fiscal Board (EFB) published its fifth annual report, which clarifies the EFB's reform proposals for the EU fiscal framework taking into account the post-pandemic reality

In July 2021, the European Parliament adopted an own-initiative report on the reform of the macroeconomic legislative framework.

On 23 December 2021, President Macron and Prime Minister Draghi published an op-ed in the Financial Times titled "The EU's fiscal rules must be reformed". The article made reference to a proposals previously advanced by four economists.

On September 2021, the Network of Independent EU Fiscal Institutions put forward a contribution and proposals to the debate.

3.2. Deepening of the Banking Union

There seems to be little progress around the work to deepen the Banking Union. Finalisation of the Single Resolution Fund backstop was the most (and apparently, only) visible outcome since the inception of the

[26] Source: Agence Europe Bulletin Quotidien Europe (requires registration).

COVID-19 crisis. Despite at least three formations dealing with the issue (the Eurogroup High Level Group on EDIS[27]; a Council Working Party[28] and a Commission expert group[29]) progress has been slow.

On 25 November 2021, the Slovenian Presidency published a progress report regarding progress on the Council Working Party (here and here). The Council highlighted that *"The discussions on the strengthening of the Banking Union in the Council Working Party during the Slovenian Presidency focused on the elements of the crisis management and deposit insurance framework"*. More specifically, the Council Working Party mainly focused on: (i) the EBA's reply to the Commission's call for advice on funding in resolution and insolvency; (ii) access to resolution financing, bail-in of deposits and use of state aid; (iii) possible harmonisation of winding-up procedures for banks; and (iv) topics related to reduction of risks in the banking sector (anti-money laundering package and capital requirements package).

According to the French Council (ECOFIN) priorities: *"The Presidency will work in support of deepening the Banking Union based on the progress expected within the context of the Eurogroup"*.

The 16 December 2021 Euro Summit has restated its commitment to completing the Banking Union and mandated Eurogroup to continue the work. *"A completed Banking Union ... [is] key to ensure a stable financial system, to support the EU's competitiveness and to channel the financing needed for the green and digital transitions, laying the ground for Europe's prosperity over the coming decades. To that end, we: ... b) recalling our full political commitment to the Banking Union, request the Eurogroup in inclusive format to finalise on a consensual basis a stepwise and time-bound work plan on all outstanding elements charting the way towards its completion"*. Delivering on this mandate is incorporated in the Eurogroup work program for the first half of 2022 stating that Eurogroup "*is working towards the preparation of a stepwise and time-bound work plan on all outstanding elements needed to complete the Banking Union and will continue the work on a consensual basis*". This mandate reiterates previous commitments from Leaders and the Eurogroup to complete the Banking Union.

The perception that a renewed push for completion of the Banking Union is crucial is at least also shared by the IMF. The IMF's staff concluding statement published on 6 December 2021 highlights that *"Further improvements in bank supervision and resolution are essential to creating a truly single market for bank services in Europe, ultimately underpinned by common European deposit insurance. This would help European banks to efficiently respond to the structural challenges of low profitability and accelerating digitalization, while enhancing cross-border risk sharing. Further progress towards Capital Market Union also remains important to*

[27] The High Level Group was established by the Eurogroup on December 2018 to advance discussions (in particular, on EDIS) at political level (see further here). The Eurogroup gave it a broad mandate and have expected reporting from June 2019 (see here): " *In line with the mandate from the June Euro Summit, work has started on a roadmap for beginning political negotiations on a European deposit insurance scheme (EDIS), adhering to all elements of the 2016 roadmap in the appropriate sequence. Further technical work is still needed. We will establish a High-level working group with a mandate to work on next steps. The High-level group should report back by June 2019*". On December 2021, the Eurogroup President informed the Euro Summit that: *"This week, Ministers agreed to relaunch political discussions on the Banking Union. My aim and determination is to reach an agreement on a work plan in the first half of next year. The issues involved are complex and politically sensitive and reaching a consensus will require effort and willingness to compromise from all sides. But I believe that, during the next six months, we have a unique window of opportunity to deliver on the Eurosummit mandate and take another decisive step on our journey towards a strong and vibrant European banking system. This opportunity we cannot afford to waste. I sense strong support in the Eurogroup for this approach."* The latest available report from the Chair of the HLWG dates from June 2021. On 17 June 2021 the Eurogroup President reported that "*We agreed that more work is needed to reach consensus on a work plan that is sufficiently ambitious and provides clear direction for our work in the coming years. Ministers expressed their support and commitment to complete the Banking Union and to that end, continue our work to put together such a work plan. We will report back to EU Leaders by the end of year*". On July 2021 Eurogroup "*ministers echoed this commitment to agree without delay and on a consensual basis, on a stepwise and time bound work plan on all outstanding elements needed to complete the Banking Union*".

[28] The Council Working Party is named, after June 2021, Working Party on Financial Services and the Banking Union, and results from the merger of two pre-existing Council groups (see here, together with the mandate of the group).

[29] The Commission Expert Group on Banking, Payments and Insurance (see here).

create a more balanced and efficient financial system in Europe" (see next section for broader discussion on progress on Capitals Market Union).

Even though completion of the Banking Union is not included in the Commission priorities in 2022 Work Programme, Commission aims to take action regarding insolvency proceedings by enhancing coverage and removing discrepancies, in order to increase efficiency anticipated for Q3 2022.

For further reading, please separate EGOV briefings: A roadmap to completing the Banking Union.

3.3. Progress on Capital Markets Union

In the same vein as the IMF Article IV consultation (mentioned in the previous section), the Council Recommendation[30] on the economic policy for the euro area stresses the need for further *"progress in deepening the Capital Market Union, including by swiftly agreeing on the Commission legislative proposals to support the financing of the economy and to enhance investments opportunities for firms and individuals and remove cross-border barriers to investments in the single market"*. Furthermore, in the 16 December 2021 Euro Summit has also called for *"for accelerating progress in the deepening of the Capital Markets Union"*.

Following the new Capital Markets Union (CMU) action plan (containing 16 legislative and non-legislative actions) that was adopted on 24 September 2020, Commission has already put forward *"seven sectorial legislations that can be regrouped into four different legislative blocks"*, namely:

- **European Single Access Point** (**ESAP**, to facilitate single point of access to public information about EU companies and EU investment products);
- Review of the **European Long-Term Investment Funds** (**ELTIFs**) Regulation (aiming to increase the attractiveness of ELTIFs and make it easier for retail investors to invest in them);
- Review of the **Alternative Investment Fund Managers Directive** (**AIFMD**, in order to harmonise the rules around loan-originating debt funds and to facilitate lending to real economy);
- Review of the **Markets in Financial Instruments Regulation** (**MiFIR**, to adjust trading rules that would in turn ensure more transparency for all parties trading on capital markets).

On 7 December 2021 ECOFIN meeting, ministers had a first exchange of views regarding these files.

Nevertheless, the Commission is planning to continue delivering on the CMU action plan in 2022 not only with (i) harmonising insolvency procedures that were mentioned in previous section, also, proposals on (ii) reviewing and simplifying listing requirements aiming *"to make public capital markets more attractive for EU companies and facilitate access to capital for small- and medium-sized enterprises"* (expected for Q3 2022); and (iii) an open finance framework.

Also, following the commitment in the CMU action plan and after conducting the feasibility assessment, on 11 January 2022 the Commission together with the OECD published *"Financial competence framework for adults in the European Union"* aiming *"to promote a shared understanding of financial competences ... provides a basis for a more coordinated approach among EU and national policymakers ... [and] contributing to the overall goal of improving individual financial well-being"*. This framework is a conceptual starting point to further promote *"concrete policies, tools and educational materials, and to offer a platform for policy makers and stakeholders to exchange good practices and lessons learnt when taking up the framework"*.

[30] It should be noted that in 2021 the CMU related recommendation was placed as part of recommendation number 5 in the Council Recommendation on the economic policy for the euro area, while in 2022 it was placed as part of recommendation number 3, dealing with the deepening of internal market. It signals that the Commission currently sees deepening of the CMU as an instrument to deepen the single market and not any longer as a euro area only instrument.

The Eurogroup and French Presidency have also committed to advancing the CMU agenda for the first half of the year, Furthermore, the Council Presidency also committed to actively make progress with the legislative proposals, *"focusing in particular on the negotiations regarding a single access point for financial and non-financial information, the long-term investment funds framework and the review of the Alternative Investment Fund Managers Directive"*.

Box 6: Progress in some files related to digital finance

On 24 November 2021, the Council (ECOFIN) adopted its position on a proposal for a Regulation on Markets in Crypto Assets (MiCA) and a proposal for a Digital Operational Resilience Act (DORA) on 24 November 2021. This agreement forms the Council's negotiating mandate for trilogue negotiations with the European Parliament. On 15 December, European Parliament has also decided to enter into interinstitutional negotiations regarding DORA, however MiCA is still waiting for the committee decision.

Also, the Presidency and the European Parliament's negotiators reached a provisional agreement on a pilot regime for market infrastructures based on distributed ledger technology (DLT) at political level. Details of the agreement will be sorted out at technical level after which member states' EU ambassadors will endorse the agreement, before the formal adoption procedure by the Council and the European Parliament is launched.

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This document is available on the internet at: www.europarl.europa.eu/supporting-analyses

Annex 1: Gross domestic product of EU Member States (estimates and forecasts)

	Eurostat* (01/2022)					EC (11/2021)			IMF (10/2021)			ECB (12/2021)			OECD (12/2021)		
	2019	2020	2021 Q1	2021 Q2	2021 Q3	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
BE	2.1	-5.7	1.2	1.7	2.0	6.0	2.6	1.9	5.6	3.1	1.8	6.1	2.6	2.4	6.1	3.2	1.4
DE	1.1	-4.6	-1.9	2.0	1.7	2.7	4.6	1.7	3.1	4.6	1.6	2.5	4.2	3.2	2.9	4.1	2.4
EE	4.1	-3.0	3.4	2.3	0.7	9.0	3.7	3.5	8.5	4.2	3.7	8.0	2.8	3.9	9.6	4.5	3.8
IE	4.9	5.9	10.0	5.2	0.9	14.6	5.1	4.1	13.0	3.5	3.9	15.8	7.0	5.6	15.2	5.7	3.9
EL	1.8	-9.0	4.2	2.1	2.7	7.1	5.2	3.6	6.5	4.6	2.6	7.2	5.0	3.9	6.7	4.8	2.9
ES	2.1	-10.8	-0.7	1.2	2.6	4.6	5.5	4.4	5.7	6.4	2.6	4.5	5.4	3.9	4.5	5.5	3.9
FR	1.8	-7.9	0.1	1.3	3.0	6.5	3.8	2.3	6.3	3.9	1.8	6.7	3.6	2.2	6.8	4.2	2.1
IT	0.4	-8.9	0.3	2.7	2.6	6.2	4.3	2.3	5.8	4.2	1.6	6.2	4.0	2.5	6.3	4.6	2.6
CY	5.3	-5.2	1.4	1.5	1.5	5.4	4.2	3.5	4.8	3.6	3.2	5.6	3.6	3.7	:	:	:
LV	2.5	-3.6	0.4	2.5	0.6	4.7	5.0	4.0	4.5	5.2	4.0	4.6	4.2	4.0	4.3	3.6	4.8
LT	4.6	-0.1	2.1	2.0	0.0	5.0	3.6	3.4	4.7	4.1	3.1	5.1	3.6	3.8	5.1	3.8	3.6
LU	3.3	-1.8	3.7	0.0	0.9	5.8	3.7	2.7	5.5	3.8	3.0	6.0	3.7	3.2	6.5	3.7	3.1
MT	5.9	-8.2	3.3	0.6	1.5	5.0	6.2	4.8	5.7	6.0	4.9	6.0	6.5	5.3	:	:	:
NL	2.0	-3.8	-0.8	3.8	2.1	4.0	3.3	1.6	3.8	3.2	2.1	4.5	3.6	1.7	4.3	3.2	1.8
AT	1.5	-6.7	-0.4	4.2	3.8	4.4	4.9	1.9	3.9	4.5	2.1	4.9	4.3	2.6	4.1	4.6	2.5
PT	2.7	-8.4	-3.3	4.4	2.9	4.5	5.3	2.4	4.4	5.1	2.5	4.8	5.8	3.1	4.8	5.8	2.8
SI	3.3	-4.2	1.5	2.0	1.3	6.4	4.2	3.5	6.3	4.6	3.7	6.7	4.0	3.3	5.9	5.4	3.2
SK	2.6	-4.4	-1.4	1.9	0.4	3.8	5.3	4.3	4.4	5.2	4.3	3.1	5.8	5.6	3.2	5.0	4.9
FI	1.2	-2.8	0.3	2.0	0.8	3.4	2.8	2.0	3.0	3.0	1.5	3.5	2.6	1.5	3.5	2.9	1.5
EA	**1.6**	**-6.4**	**-0.2**	**2.2**	**2.2**	**5.0**	**4.3**	**2.4**	**5.0**	**4.3**	**2.0**	**5.1**	**4.2**	**2.9**	**5.2**	**4.3**	**2.5**
BG	4.0	-4.4	1.4	0.8	0.6	3.8	4.1	3.5	4.5	4.4	4.0	:	:	:	3.2	4.2	4.5
CZ	3.0	-5.8	-0.4	1.3	1.6	3.0	4.4	3.2	3.8	4.5	4.1	:	:	:	2.5	3.0	3.9
DK	2.1	-2.1	-0.4	2.1	1.1	4.3	2.7	2.4	3.8	3.0	1.9	:	:	:	4.7	2.4	1.7
HR	3.5	-8.1	7.3	0.8	2.7	8.1	5.6	3.4	6.3	5.8	4.0	:	:	:	:	:	:
HU	4.6	-4.7	1.5	2.0	0.7	7.4	5.4	3.2	7.6	5.1	3.8	:	:	:	6.9	5.0	3.0
PL	4.7	-2.5	1.6	1.8	2.3	4.9	5.2	4.4	5.1	5.1	3.5	:	:	:	5.3	5.3	3.3
RO	4.2	-3.7	2.2	1.5	0.4	7.0	5.1	5.2	7.0	4.8	3.8	:	:	:	6.3	4.5	4.5
SE	2.0	-2.9	1.2	1.0	2.0	3.9	3.5	1.7	4.0	3.4	2.8	:	:	:	4.3	3.5	1.6
EU	**1.8**	**-5.9**	**0.0**	**2.1**	**2.1**	**5.0**	**4.3**	**2.5**	**5.1**	**4.4**	**2.3**	:	:	:	:	:	:

** Note: Year-on-year GDP growth is provided for 2019 and 2020, while quarter-on-quarter changes are provided for 2021 Q1, Q2 and Q3.*

Annex 2: Inflation rates in EU Member States (HICP annual rate of change)

	Eurostat (01/2022)						EC (11/2021)			IMF (10/2021)			ECB (12/2021)			OECD (12/2021)		
	2019	2020	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
BE	1.2	0.4	1.6	2.6	3.8	6.5	2.7	2.3	1.6	2.4	2.2	1.9	3.2	4.9	1.2	2.9	3.3	2.1
DE	1.4	0.4	2.0	2.1	4.1	5.7	3.1	2.2	1.7	2.9	1.5	1.3	3.2	3.6	2.2	3.1	2.8	2.2
EE	2.3	-0.6	0.9	3.7	6.4	12.0	4.0	3.9	2.1	3.8	4.9	2.2	4.2	6.9	3.2	4.1	6.0	3.2
IE	0.9	-0.5	0.1	1.6	3.8	5.7	2.3	3.1	1.5	1.9	1.9	2.0	2.4	3.9	2.2	2.1	2.7	1.7
EL	0.5	-1.3	-2.0	0.6	1.9	4.4	0.1	1.0	0.4	-0.1	0.4	1.1	0.6	3.0	0.9	0.4	3.1	1.5
ES	0.8	-0.3	1.2	2.5	4.0	6.7	2.8	2.1	0.7	2.2	1.6	1.4	3.0	3.7	1.2	2.9	3.2	1.5
FR	1.3	0.5	1.4	1.9	2.7	3.4	1.9	2.1	1.4	2.0	1.6	1.2	2.1	2.5	1.5	2.1	2.3	1.4
IT	0.6	-0.1	0.6	1.3	2.9	4.2	1.8	2.1	1.4	1.7	1.8	1.2	1.9	2.8	1.5	1.8	2.2	1.6
CY	0.5	-1.1	0.3	2.2	3.6	4.8	1.9	1.7	1.2	1.7	1.0	1.2	2.2	2.5	1.2	:	:	:
LV	2.7	0.1	0.3	2.7	4.7	7.7	3.1	3.6	0.8	2.6	3.0	2.2	3.2	6.1	2.9	2.9	4.9	2.7
LT	2.2	1.1	1.6	3.5	6.4	10.7	3.8	3.1	2.0	3.0	2.8	2.7	4.5	5.0	2.3	3.8	3.3	2.5
LU	1.6	0.0	2.5	3.4	4.0	5.4	3.2	2.2	1.8	2.7	1.4	1.9	3.5	3.2	1.6	3.2	2.9	2.0
MT	1.5	0.8	0.1	0.2	0.7	2.6	1.1	1.6	1.5	0.7	1.8	2.0	0.7	2.1	1.9	:	:	:
NL	2.7	1.1	1.9	1.7	3.0	6.4	2.1	2.2	1.5	1.9	1.7	1.8	2.7	3.0	2.9	2.4	3.1	1.7
AT	1.5	1.4	2.0	2.8	3.3	3.8	2.7	2.5	2.0	2.5	2.4	2.0	2.7	3.2	2.3	2.9	3.0	2.3
PT	0.3	-0.1	0.1	-0.6	1.3	2.8	0.8	1.7	1.2	1.2	1.3	1.4	0.9	1.8	1.1	0.8	1.7	1.2
SI	1.7	-0.3	0.1	1.7	2.7	5.1	1.7	2.1	1.7	1.4	1.8	1.8	2.0	3.8	1.8	1.7	2.8	3.0
SK	2.8	2.0	1.5	2.5	4.0	5.1	2.8	4.3	2.2	2.4	3.0	2.1	2.8	5.7	2.4	2.6	4.1	2.5
FI	1.1	0.4	1.4	1.9	2.1	3.2	1.8	1.9	1.9	1.9	1.6	1.6	2.1	2.0	1.6	1.9	1.9	1.8
EA	**1.2**	**0.3**	**1.3**	**1.9**	**3.3**	**5.0**	**2.4**	**2.2**	**1.4**	**2.2**	**1.7**	**1.4**	**2.6**	**3.2**	**1.8**	**2.4**	**2.7**	**1.8**
BG	2.5	1.2	0.8	2.4	4.0	:	2.4	2.9	1.8	2.1	1.9	1.9	:	:	:	3.0	4.8	2.3
CZ	2.6	3.3	2.3	2.5	4.0	:	3.3	3.4	2.3	2.7	2.3	2.0	:	:	:	3.8	6.2	2.3
DK	0.7	0.3	0.9	1.9	2.4	:	1.7	1.9	1.6	1.4	1.6	1.8	:	:	:	1.8	2.6	2.3
HR	0.8	0.0	1.6	2.2	3.5	:	2.2	2.0	1.5	2.0	2.0	2.1	:	:	:	:	:	:
HU	3.4	3.4	3.9	5.3	5.5	:	5.1	4.8	3.4	4.5	3.6	3.3	:	:	:	5.0	6.0	4.0
PL	2.1	3.7	4.4	4.1	5.6	:	5.0	5.2	2.6	4.4	3.3	2.8	:	:	:	4.8	6.2	3.5
RO	3.9	2.3	2.5	3.5	5.2	:	4.0	4.0	2.8	4.3	3.4	3.0	:	:	:	4.9	5.6	3.6
SE	1.7	0.7	2.1	1.8	3.0	:	2.4	1.9	1.1	2.0	1.6	1.7	:	:	:	2.0	2.6	2.1
EU	**1.4**	**0.7**	**1.7**	**2.2**	**3.6**	**:**	**2.6**	**2.5**	**1.6**	**2.4**	**1.6**	**1.6**	:	:	:	:	:	:

** Note: Average annual rate of HICP change is provided for 2019 and 2020, while information of annual rate of HICP change for the last month of the quarter is provided for all quarters of 2021.*