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Council recommendations on the Economic Policy of the Euro Area

This note looks at the 2024 recommendation on the economic policies of the euro area proposed by the Commission and agreed by the Council. The note provides a review of the euro area recommendations from an institutional perspective and includes broad comparisons to earlier recommendations, in order to illustrate how policy concerns have evolved over time. This note will be updated in light of relevant developments.

1. The euro area recommendation: institutional perspective

Within the framework of the European Semester for economic policy coordination, the Council issues, on the basis of a Commission proposal, annual recommendations on the economic policy of the euro area (the euro area recommendation, EAR), in accordance with Articles 136 and 121(2) of the Treaty of the Functioning of the European Union (TFEU). These recommendations typically cover fiscal, financial and structural issues, as well as institutional aspects of the Economic and Monetary Union (EMU). The EAR aims to provide orientations to euro area (EA) Member States on issues that are relevant for the functioning of the euro area as a whole (and, thus, are to be regarded as a "*common concern*") such as policies related to the euro area fiscal stance and the completion of the EMU. Since the 2015 Semester cycle, and following the recommendations in the Five Presidents' report, the EAR is part of the so-called autumn European Semester package, and precedes the country specific recommendations (CSRs).

At the national level, euro area countries are expected to take the EAR into consideration when:

(1) Drafting their Stability Programmes and National Reform Programmes (to be submitted to the Commission and Council by April), and

(2) Implementing their CSRs.

The Council and the Commission are expected to monitor the implementation of the EAR and take further actions as appropriate. The European Parliament scrutinises the decisions taken at the EU/EA-level during

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the Semester cycle, in particular by means of Economic Dialogues. Moreover, the ECON Committee regularly requests external research papers on topical issues relevant for the smooth functioning of the euro area.

At the euro area level, as such, there is (1) no institutional body that bears formal responsibility for the implementation of the EAR and (2) no formal mechanism to ensure its implementation (or enforcement). Nevertheless, the Eurogroup (EG), as the *de facto* coordination body of euro area policies, takes into account the euro area recommendation when drawing up its work programmes and undertakes "thematic discussions" on issues that are relevant from a euro area perspective which are addressed in the EAR.

In particular, the Council considers the EG as the appropriate forum for Member States to "*take action*", individually and collectively[1], to implement the EAR. Notwithstanding, most of the actions covered by the EAR need implementation at national level (in particular, the EAR covering fiscal and structural issues), even if such actions are coordinated at European level within the European Semester.

The Recovery and Resilience Facility (RRF) Regulation also conferred a specific role to the EAR as one of the elements to be considered by euro area Member States in their Recovery and Resilience Plans (RRPs). In the context of the RRF, the EG is being called to assess national implementation of EAR through national RRPs.

The European Fiscal Board (EFB) also plays a role in advising the Commission and relevant stakeholders on the consistency between the national fiscal stances and the fiscal stance of the euro area as a whole[2] and may, therefore, contribute to the debate on the implementation of the EAR. The EFB regularly appears before the European Parliament for hearings.

The European Economic and Social Committee (EESC) also issues opinions on euro area policies[3].

The International Monetary Fund (IMF) staff also assesses euro area developments as part of their Article IV consultations.

2. The Council euro area recommendation in 2023 and 2024

2.1 The Council 2023 euro area recommendation

The 2023 EAR as adopted by the Council (ECOFIN) on 18 May 2023 addresses mainly five areas: (a) fiscal policies and inflation, (b) structural policies (green and digital transitions, energy resilience and EU's energy independence, implementation of NRRPs), (c) labour markets (loss in purchasing power, promotion social dialogue and investments in skills), (d) internal market (solvency of companies, balancing support in energy crisis with level playing field, CMU), and (e) financial markets.

The 2023 EAR focuses on:

- - *Fiscal policies and inflation (EAR 1),* suggesting to avoid a broad-based stimulus to instead focus on targeted policies to cushion the impact of higher energy prices on vulnerable households and firms; promoting a two-tier pricing model for energy. It also recommends to reflect on reducing support once energy price pressures fade away. It calls for continued coordination among Member States' fiscal policies with a view of ensuring debt sustainability and support return to the 2% inflation target in the medium-term;

[1] In fact, the EAR includes, after the recitals and preceding the recommendations themselves, a sentence stating that the Council recommends "*euro-area Member States take action within the Eurogroup, individually and collectively*". This seems as a mandate for Member States to reflect the EAR in their economic policies, to consider them as a matter of common concern and points to a coordination and monitoring role by the Eurogroup.

[2] See specific EGOV paper on the euro area fiscal stance.

[3] For 2023, the EESC issued its *Euro area economic policy opinion on 21 April 2023 and its* additional opinion on 25 October 2023.

- *Structural policies (EAR 2),* calling for high level of public investments and encouraging private developments in support of the green and digital transitions, particularly to improve energy efficiency and facilitate the shift towards renewables. It lists REPowerEU as well as national energy and climate plans as the channels to boost the energy transition and achieve energy independence at EU level. Finally, it calls for the timely implementation of cohesion policy programmes and RRPs, with a view of *"ensuring the timely delivery of reforms and investments*";
- *Labour markets (EAR 3),* focusing on supporting wage developments to address the loss in purchasing powers, in particular for low-income workers. At the same time, the Council emphasises the need to prevent second-round effects. It recommends further work to adapt social support systems to help vulnerable households address the energy crisis and the twin transitions. Lastly, it calls for further development of skills, effective participation of social partners in policy-making and improved social dialogue;
- *Internal market (EAR 4),* recommending that support for corporates in the energy crisis remains "*cost-effective, temporary and targeted",* offers incentives to transition towards renewable energy and improves energy efficiency. It emphasises the need to avoid competitive distortions in the single market and identifies the Temporary State aid Crisis Framework as a way to maintain a level playing field. The recommendation continues to call for improvements in the efficiency of insolvency frameworks and in the business environment as well as for advancements towards the CMU.

  Financial markets (EAR 5), emphasising the need to prevent fragmentation and maintain credit channels. The Council urges to monitor negative developments in the energy sector, vulnerabilities in the real estate market, tightening of financial conditions, possible changes in non-performing assets and private indebtedness levels. It highlights the role of the upcoming proposal on the reform of bank crisis management and deposit insurance framework (CMDI) for the completion of the Banking Union while recommending that Member States continue to engage in the preliminary work for the issuance of a digital euro.

Box 1: Overview of implementation of the 2023 Euro Area Recommendation

An indirect instrument to assess the implementation of the EAR is constituted by the summaries and conclusions of the debates held in the Eurogroup.

In 2023, the core of Eurogroup's work focused on the normalisation of fiscal policy and on the uncertainty rising from inflation and geopolitical factors (EAR 1). Similarly, a new focus on competitiveness and on the internal market emerged as a key area of focus of euro area finance ministers, who also engaged on developing a blueprint to advance the CMU (EAR 4). Financial markets continued to be largely addressed by the Eurogroup, notably through discussions on completing the ratification of the ESM Treaty reform and discussions on CMDI, financial stability concerns in the euro area, especially at the light of the March 2023 banking turmoil, and on the digital euro project (EAR 5). Ministers instead engaged less in topics pertaining to the recommendations on structural policy (EAR 2), social policies and labour market (EAR 3).

The Commission services also issued a Staff Working Document (**SWD**) accompanying the 2024 EAR proposal and evaluating implementation of the 2023 EAR based on an aggregate assessment of progress in relevant country-specific recommendations (CSRs) in previous years. According to the SWD, fiscal policy measures (EAR 1) exhibits overall moderate progress whereas progress in the areas of structural reforms (EAR 2) is more limited. Overall good progress is also reported in the areas of labour markets and social policy (EAR 3) and internal market (EAR 4). Progress in the area of financial markets seems instead quite limited.

For a detailed overview of the implementation of 2023 EAR, please see separate EGOV's EAR implementation briefing and the Euro Area Recommendation Dashboard.

2.2 The Council 2024 euro area recommendation

On 21 November 2023, the Commission published its recommendation for a Council recommendation on the 2024 EAR, as part of the 2024 European Semester autumn package. This also included a staff working document (SWD) assessing the euro area economy.

ECOFIN approved the 2023 draft Council recommendations[4] on 16 January 2023, paving the way for final endorsement by the European Council in March 2024 and formal adoption in the Council.

The Council 2024 draft EAR, similarly as last year, focuses on five areas: (a) fiscal policies and inflation (debt reduction, restrictive fiscal stance and preventing further inflationary built-up, unwinding of energy support measures, quality of public expenditures) (b) structural policies (green and digital transitions, economic and social resilience, RRF and cohesion fund implementation), (c) labour markets (loss in purchasing power, promotion of social dialogue, investments in skills, retention of workers and facilitate legal migration to tackle labour shortages), (d) internal market (access to finance, CMU, balancing State aid to strategic sector with level playing field in the Single Market, boosting role of the euro), and (e) financial markets. In more detail:

- *Fiscal policies and inflation (EAR 1);* suggesting adopting coordinated and prudent fiscal policies in the euro area to reduce debt levels and achieve debt sustainability. It advises a restrictive fiscal stance, including by winding down energy support measures and channel savings to narrow deficits, as well as avoiding to fuel inflation. The Council also calls for developing fiscal strategies for medium-term stability and debt sustainability, incorporating high-quality investments and reforms for growth and resilience; and improving the quality of public expenditures.
- *Structural policies (EAR 2);* advising maintaining high public investment, facilitating the green and digital transition, enhancing productivity and competitiveness, and improving economic and social resilience. It emphasises the need for ongoing, rapid, and effective implementation of Recovery and Resilience Plans, including their REPowerEU. It also calls for the full deployment of cohesion fund programmes, with a view of addressing country-specific recommendations (CSRs) and progressing with the implementation of the European Pillar of Social Rights;
- *Labour markets (EAR 3*); suggesting supporting wage increases, especially for low-income earners, while considering inflation and competitiveness. It calls for upskilling and reskilling, as well as for active labour market policies to address skill shortages and boost growth. The Council calls for adequate working conditions to address labour shortages and measures to facilitate legal migration for specific occupations. The recommendation further emphasises the need for maintaining and strengthening social protection and inclusion systems, while reiterating the need to engage social partners in policymaking and enhance social dialogue ;
- *Internal market (EAR 4*); calling for removing investment barriers to address the current shortfall in funding for green and digital transitions. It calls for better access to finance, especially for SMEs, and progress on the CMU. It warns that State aid for strategic sectors should be targeted and not distort competition in the Single Market, aiming to boost the euro area's competitiveness. Additionally, it urges to continue enhancing the international role of the euro and make further progress on the digital euro;
- *Financial markets (EAR 5*); emphasising preserving macro-financial stability, ensuring credit flow to the economy, and avoiding financial fragmentation. It calls for monitoring risks associated with tighter financial conditions, particularly those affecting asset quality and potential corrections in

[4] For a comparison between the Council and the Commission approaches please refer to EGOV's "comply or explain" briefing.

asset prices, including in real estate markets. The Council also advises keeping a close watch on developments in the banking sector and non-bank financial intermediation to prevent systemic risks. Additionally, it calls for completing the Banking Union by addressing all remaining issues.

Box 2: Overview of the changes made by the Council to the Euro Area Recommendation 2024

The Council approach to the 2024 EAR presents some differences relative to the Commission's original draft:

- The Council amended the language regarding inflation as it no longer mentions facilitating a return to 2% but focuses instead on maintaining public finance sustainability and avoiding further pressures. It also specifies that energy support measures should be revised as soon as possible "in 2024".
- Fiscal strategies now emphasise a "determined, differentiated, and realistic approach" to consolidation vis-a-vis the previous emphasis on sustainability.
- The focus on high public investment now includes references to competitiveness as well as economic and social resilience.
- The Council watered down the language on the roll-out of the Recovery and Resilience Facility (RRF), replacing the goal of accelerating implementation with "ensuring continued, swift, and effective" implementation.
- Social objectives were modified to include the promotion better working conditions to address labour shortages, attract and retain workers.
- In the financial recommendations, new additions include a call to safeguard macro-financial stability, keep credit channels to the economy, and preventing financial fragmentation. While the original Commission text called for monitoring only the non-bank sector, the Council suggests to also monitor banking developments. References to the European Deposit Insurance Scheme were deleted in the call for continuing work on Banking Union completion.

For a comparison between the Council and the Commission approaches please refer to EGOV's "comply or explain" briefing.

2.3 Comparing the Council approaches in the 2023 and 2024 draft euro area recommendation

The publication of the 2024 EAR takes place in a context of geopolitical tensions, stagnant economic growth and uncertainty. As the EU seeks to reassert its competitiveness on the global stage and to revamp its single market, the 2024 EAR makes a clear pledge for fiscal consolidation while shifting its focus on competeiveness dynamics.

In a departure from last year's fiscal recommendation, the 2024 draft EAR recognises the end of the energy-crisis emergency and calls for fiscal consolidation. Amid the deactivation of the general escape clause and an ongoing review of the fiscal rules, the Council thus reiterates the need to tackle the post-COVID-19 debt surge with a focus on sustainability and quality of public expenditure. Similarly to 2023, there remains however an emphasis on the need to manage uncertainty, though the 2024 EAR deviates from the past approach by clearly recognising the need for fiscal tightening. In acknowledging the potential for lasting inflation disparities, the Council nevertheless underscores the heightened role of structural policies over fiscal measures in addressing these differentials.

The **renewed focus on fiscal consolidation is accompanied by a stronger stress on social aspects** than in the past, including through an explicit mention of the European Pillar of Social Rights. In 2024, the Council clearly turns its focus on labour markets, on the one hand calling for adequate conditions to be able to retain workers and, on the other, highlighting the role of legal migration in addressing shortages. The recommendations touch upon the social dimension of the European Semester for coordination of economic policies, mirroring discussions that are also taking place in the context of the broader review of the EU's economic governance framework.

Competitiveness features prominently in the 2024 recommendations as the Council calls for boosting the euro area's strategic autonomy and avoiding distortions to the level playing field. This is accompanied by a recollection of the role of cohesion funds, including to address social issues. The emergence of this theme in the 2024 EAR is coherent with the reflections on the use of the State aid framework to boost EU strategic priorities, such as defence and the green transition, against the backdrop of heightened geopolitical instability and reflections on the transatlantic partnership amid the competitive threats arising from the US Inflation Reduction Act and the uncertainty on future relations depending on the November Presidential elections. The more articulated recommendations on competitiveness is also coherent with the work commissioned to former Italian Prime Ministers Enrico Letta and Mario Draghi on the Single Market and the EU's competitiveness, respectively.

On other elements, in the EAR 2024 **references to improved tax policies have completely disappeared** following the trend from 2022 and 2023. The **language on the banking union remains vague and less detailed** than in previous years, avoiding references to the European Deposit Insurance Scheme (EDIS) and to the ongoing reform of the bank crisis management and deposit insurance framework. On the contrary, the **recommendations on the Capital Markets Union (CMU) has been strengthened** with a more explicit recognition of the role of private investments, reflecting a desire for increased participation from the private sector. In the financial recommendation, **non-bank financial intermediation (NBFI) has emerged as a new theme**.

The Annex provides a comparison of Council EAR for 2023 and 2024 (2022 Council proposals are kept for illustrative purposes)

Annex: Council EAR 2022, 2023 and 2024: from COVID recovery to fiscal prudence and competitiveness amid geopolitical uncertainty

	2022 Council Recommendation	2023 Council Recommendation	2024 draft Council Recommendation
Fiscal policies	(1) Continue to use and coordinate national fiscal policies across Member States to effectively underpin a sustainable and inclusive recovery. (1) Maintain a moderately supportive fiscal stance in 2022 across the euro area, taking into account national budgets and the funding provided by the Recovery and Resilience Facility. (1) Gradually pivot fiscal measures towards investments that promote a sustainable and inclusive recovery, consistent with the green and digital transitions, paying particular attention to the quality of budgetary measures. (1) Reflecting the degree of uncertainty, keep fiscal policy agile in order to be able to react to the evolution of the COVID-19 pandemic. (1) Differentiate fiscal policies taking into account the strength of the recovery, ensuring fiscal sustainability and enhancing investments, while bearing in mind the need to reduce divergences.	(1) Refrain from broad-based support to aggregate demand in 2023, while better targeting fiscal measures to address the impact of high energy prices on vulnerable households and viable companies, and maintaining the agility to adjust to the rapidly evolving situation, if needed. (1) Continue to coordinate national fiscal policies across Member States to preserve debt sustainability and raise the growth potential in a sustainable manner, thus also facilitating the task of monetary policy to ensure timely return of inflation to the ECB's 2% medium-term target. (1) Agree on a common approach and, in particular, consider replacing broad-based price measures with a well calibrated cost-efficient two-tier energy pricing model that ensures incentives for energy savings, or other schemes that achieve similar objectives, taking into account national features, as well as reflect on appropriate ways to wind down support as energy price pressures diminish. (1) Define appropriately differentiated medium-term fiscal strategies, through gradual and sustainable consolidation, as well as through investments and reforms, to achieve prudent medium-term fiscal positions.	(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. (1) Wind down emergency energy support measures as soon as possible in 2024 and use the related savings to reduce deficits. (1) 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. (1) 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.

		(4) Ensure that the support to companies, in particular small and medium-sized enterprises, that come under financial pressure because of the energy crisis is cost-effective, temporary, and targeted to viable firms.	
Productivity	(4) Reduce the administrative burden for firms and improve the business environment.	(2) Implement the cohesion policy programmes and recovery and resilience plans, ensuring the timely delivery of reforms and investment, and ensure that updates to the plans are targeted, taking into account the evolving economic situation, while not reducing the overall ambition. (4) Improve the business environment, in particular by enhancing competition and increasing the efficiency of insolvency frameworks to ensure that they deal effectively and in a timely manner with bankruptcy and corporate restructuring.	(2) Ensure the continued, swift and effective the implementation of the Recovery and Resilience Plans, including their REPowerEU chapters. (2) 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.
Green and digital agendas	(1) Gradually pivot fiscal measures towards investments that promote a sustainable and inclusive recovery, consistent with the green and digital transitions, paying particular attention to the quality of budgetary measures. (4) Strengthen the effectiveness and digitalisation of public administration.	(2) Sustain a high level of public investment and promote private investments, which are needed to boost economic and social resilience and support the green and digital transition, including for greater energy efficiency and for the transition to renewable energy sources. (2) Take further steps, including through REPowerEU plan and through national energy and climate plans, to accelerate the energy transition and increase Union's energy independence. (4) The support provided should maintain incentives for energy efficiency and for	(2) Sustain a high level of public investment, to support the green and digital transition, strengthen productivity, competitiveness and boost economic and social resilience. (3) Promote upskilling and reskilling, including for the green and the digital transitions. (4) Remove investment obstacles to reduce the prevailing gap in investment for the green and digital transitions.

		renewable energy, while preserving the level playing field and the integrity of the single market, including through the State aid Temporary Crisis Framework.	
Business environment and investment gaps	(4) Continue to strengthen national institutional frameworks and pursue reforms to address bottlenecks to investment and reallocation of capital, and ensure the efficient and timely use of Union funds. (4) Improve public financial management, including through green budgeting and by improving the effectiveness of public investment management frameworks, and make use of spending reviews to improve the composition and quality of public finances, in particular quality of public investments and investment in people and skills, and to better focus public expenditure on recovery and resilience needs.	(4) Improve the business environment, in particular by enhancing competition and increasing the efficiency of insolvency frameworks to ensure that they deal effectively and in a timely manner with bankruptcy and corporate restructuring.	(4) Remove investment obstacles to reduce the prevailing gap in investment for the green and digital transitions. (4) 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.
Tax issues	(2) Promote policies that tackle aggressive tax planning, tax evasion and tax avoidance to ensure fair and efficient tax systems. (2) Work to limit harmful tax competition including through the implementation of the global consensus-based solution to address the tax challenges arising from the digitalisation and globalisation of the economy. (2) Lower the tax wedge on labour and promote a shift-from labour taxation towards taxes that are less distortive.		
Education, training and labour markets	(2) Transition from emergency to recovery measures in labour markets by ensuring effective active labour market policies: (i)	(3) In accordance with national practices and respecting the role of social partners, support wage developments that mitigate the loss in	(3) In accordance with national practices and respecting the role of social partners, support wage developments that mitigate purchasing

	supporting job transitions, in particular towards the green and digital economy, (ii) combining measures tackling skills shortages, strengthening upskilling and re-skilling, providing targeted hiring incentives and (iii) enhancing the capacity of public employment services to address labour market mismatches. (2) Strengthen inclusive quality education and training systems. (2) Promote labour market integration of young people, women, and vulnerable groups, ensure adequate working conditions and address labour market segmentation, develop and adapt where needed social protection systems and strengthen access in order to address challenges emerging from the COVID-19 crisis and those related to the green and digital transitions. (2) Ensure sharing of, and convergence towards, good practices in labour market and social policies that increase economic and social resilience.	purchasing power of wage earners, in particular for low-income workers, while reflecting medium-term productivity developments and limiting second-round effects on inflation. (3) Further improve active labour market policies and take measures to address skills shortages and promote quality employment.	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. (3) Promote upskilling and reskilling, including for the green and the digital transitions. (3) Implement active labour market policies to address labour and skill shortages and increase productivity and growth. (3) Promote better working conditions to attract and retain workers in order to address labour shortages. (3) Take measures to facilitate managed legal migration of third countries workers in shortage occupations, in full complementarity to harnessing talents from within the EU.
Social policies	(2) Promote labour market integration of young people, women, and vulnerable groups, ensure adequate working conditions and address labour market segmentation, develop and adapt where needed social protection systems and strengthen access in order to address challenges emerging from the COVID-19 crisis and those related to the green and digital transitions.	(3) In accordance with national practices and respecting the role of social partners, support wage developments that mitigate the loss in purchasing power of wage earners, in particular for low-income workers, while reflecting medium-term productivity developments and limiting second-round effects on inflation. (3) Develop and adapt, where needed, social support systems to help vulnerable households deal with the energy shock and the green and	(1) 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. (2) 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

	(2) Ensure the effective involvement of social partners in policy making, strengthen social dialogue and collective bargaining. (2) Ensure sharing of, and convergence towards, good practices in labour market and social policies that increase economic and social resilience.	digital transition, addressing the increased risk of poverty. (3) Ensure the effective involvement of social partners in policy-making and strengthen social dialogue.	European Pillar of Social Rights, without reducing their overall ambition. (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. (3) Safeguard and strengthen adequate and sustainable social protection and inclusion systems. (3) Ensure the effective involvement of social partners in policymaking and strengthen social dialogue.
Banking Union	(5) Continue to work on completing the Banking Union, by means of a step-wise and time-bound work plan on all outstanding elements needed and with the same level of ambition, and on strengthening the international role of the euro.	(5) Continue to work on completing the Banking Union, the next step being the reform of the current Crisis Management and Deposit Insurance framework.	(5) Complete the Banking Union by continuing to work on all outstanding elements.
Credit to the economy; NPLs	(3) Monitor the effectiveness of policy support packages for companies, focus on a more targeted support for the solvency of viable firms that have come under stress during the COVID-19 crisis, and make greater use of equity-type instruments. (3) Increase the capacity of insolvency frameworks to deal effectively and in a timely manner with bankruptcy and debt restructuring, maximise the preservation of value and promote an efficient allocation of	(4) Improve the business environment, in particular by enhancing competition and increasing the efficiency of insolvency frameworks to ensure that they deal effectively and in a timely manner with bankruptcy and corporate restructuring. (5) Preserve macro-financial stability, maintain the credit channels to the economy and avoid the risk of financial fragmentation. (5) Monitor risks linked in particular to tensions in the energy sector, tightening of financial	(4) Remove investment obstacles to reduce the prevailing gap in investment for the green and digital transitions. (5) Preserve macro-financial stability, maintain the credit channels to the economy and avoid the risk of financial fragmentation. (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.

	capital in the real economy and cross-border investments. (4) Reduce the administrative burden for firms and improve the business environment. (5) Ensure macro-financial stability, and maintain the credit channels to the economy, continuing to address non-performing loans through, amongst others, monitoring asset quality, timely and pro-active engagement with distressed debtors, in particular viable ones, and the further development of secondary markets for non-performing loans.	conditions, non-performing assets, levels of private indebtedness and developments in real estate markets.	(5) 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.
Supervisory and regulatory framework	(2) Promote policies that tackle aggressive tax planning, tax evasion and tax avoidance to ensure fair and efficient tax systems. (2) Work to limit harmful tax competition including through the implementation of the global consensus-based solution to address the tax challenges arising from the digitalisation and globalisation of the economy.	(4) Improve the business environment, in particular by enhancing competition and increasing the efficiency of insolvency frameworks to ensure that they deal effectively and in a timely manner with bankruptcy and corporate restructuring.	(4) Remove investment obstacles to reduce the prevailing gap in investment for the green and digital transitions.
CMU	(3) Make swift progress in deepening the Capital Markets Union, on which the Commission has made legislative proposals with a focus on supporting the financing of the economy, enhance investment opportunities for firms and individuals, and remove unwarranted cross-border barriers to investments in the single market.	(4) Contribute to progress towards the Capital Markets Union.	(4) Improve access to finance, in particular for innovative companies and SMEs, through further progress in deepening and strengthening the Capital Markets Union.
EMU deepening and	(5) Continue to work on completing the Banking Union, by means of a step-wise and time-bound work plan on all outstanding elements needed	(5) Continue to actively engage in the preparatory work on the possible introduction of a digital euro.	(4) Continue strengthening the international role of the euro and make further progress in the work on the digital euro.

international role of the euro	and with the same level of ambition, and on strengthening the international role of the euro. (5) Continue to support exploratory work on the possible introduction of a digital euro.		
Single Market	(1) Differentiate fiscal policies taking into account the strength of the recovery, ensuring fiscal sustainability and enhancing investments, while bearing in mind the need to reduce divergences.	(4) Ensure that the support to companies, in particular small and medium-sized enterprises, that come under financial pressure because of the energy crisis is cost-effective, temporary, and targeted to viable firms. (4) The support provided should maintain incentives for energy efficiency and for renewable energy, while preserving the level playing field and the integrity of the single market, including through the State aid Temporary Crisis Framework.	(2) 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. (4) 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.

Source: *EGOV, based on the 2021 and 2022 euro area recommendation by the Council and the draft 2024 euro area recommendation by the Council*
Numbers in parentheses refer to the number of the relevant EAR in the Commission texts; EGOV categorisation of subjects (some EAR subparts are referred more than once, as they fit more than one category).

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