

DÉCLARATION ET OBSERVATIONS

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Eurogroup statement on the fiscal guidance for 2023

After two years of being in the grip of the Covid-19 pandemic, the EU is faced with a watershed moment caused by the unprovoked and unjustified Russian military aggression against Ukraine. The Eurogroup fully supports all the actions and sanctions being taken by the EU and its allies against the aggressor. We also recognise that additional economic measures to support Ukraine and to protect our core EU values may be required.

The fundamentals of the euro area economy are strong. The Commission 2022 winter forecast that was published on 10 February 2022 confirmed that the economy recovered strongly from the Covid-19 pandemic with output estimated to be above pre-crisis levels by the end of 2022 in all Member States and with unemployment reaching a record low by end-2021, despite the continued high uncertainty surrounding the evolution of the pandemic. This highlights the success of our swift, sizeable, and well-coordinated policy actions at the EU, euro-area and national levels. Policy measures have been well calibrated and fiscal and monetary policies have worked hand-in-hand to facilitate this rapid recovery.

However, the uncertainty has increased significantly. The economic impact of Russia's war against Ukraine is yet to be determined and adds to risks stemming from ongoing supply chain problems, higher energy prices and inflation remaining elevated for longer than previously expected. We are continuing our strong coordination of fiscal policy in the euro area to weather the heightened risks and uncertainties, and the impact on our economy. Our fiscal policies have to remain agile and flexible, and we stand ready to adjust our policy stance to the changing circumstances as needed. In parallel we will urgently address and consider concrete options, building on the Commission Communication of 8 March 2022 for dealing with the impact of increased energy prices on our citizens and businesses, especially our vulnerable citizens and SMEs. The fiscal guidance agreed by the Eurogroup today will be contingent on the development of the economic situation.

In providing policy orientations for the coordination of our fiscal policies, we welcome the Commission Communication of 2 March 2022 "Fiscal policy coordination for 2023". In light of the Commission assessment, we reaffirm the fiscal policy strategy for this year, as set out in our December 2021 statement on the 2022 Draft Budgetary Plans. We support the Commission's view that, on the basis of its Winter Forecast 2022, transitioning from an aggregate supportive fiscal stance in the euro area to a broadly neutral aggregate fiscal stance next year appears to be appropriate while standing ready to react to the evolving economic situation, also in view of the high level of uncertainty. We also take note of the Commission's readiness to adjust its guidance as needed and at the latest as part of the Commission's European Semester spring package in late May 2022.

At the same time, in light of the current assessment of the economic situation, a differentiation of fiscal strategies across member states is needed. This would also contribute to achieving a balanced aggregate fiscal stance in the euro area. More specifically, with a view to preserving debt sustainability, in member states with high public debt, we concur that starting a gradual fiscal adjustment to reduce their public debt is appropriate, if conditions allow. This adjustment should be embedded in a credible medium-term strategy that continues to promote investment and reforms needed for the twin transition, and improving the composition of public finances. On the other hand, member states with low- and medium-debt levels should prioritize the expansion of public investment where necessary. All of this would contribute to achieving an appropriate overall policy stance. Therefore, all Member States should increase the resilience of their economies and promote and protect high-quality nationally-financed investment to lay foundations for high sustainable growth and to achieve our twin transition goals.

Finally, in relation to the economic governance review, the Eurogroup will continue to engage actively in this process as per our Work Programme and in cooperation with the Council Presidency and in the appropriate format. We look forward to further discussions in the months ahead building on the substantive progress to date.

- [Economic governance framework \(background information\)](#)