

Eurogroup statement on fiscal policy orientations for 2023

Russia's war of aggression against Ukraine, in the wake of the global pandemic, has significantly altered the geopolitical and economic context. Through the repercussions in international trade, the impact of the war on the economies of the euro area member states has been felt through higher prices for energy, and food and raw materials, adding inflationary pressures and dampening growth prospects.

In March this year, the Eurogroup agreed on fiscal guidance for 2023, underlining the importance of continued coordination of fiscal policy in the euro area to weather the heightened risks and uncertainties, and their impact on our economy. We also concurred that our policies have to remain agile and flexible, and that we stand ready to adjust our policy stance to the rapidly evolving circumstances as needed.

Since then, the macro-economic environment, including growth prospects and inflationary dynamics, has deteriorated, as confirmed by the latest forecasts of the European Commission and the ECB. While our economies remain resilient, supported by our sizable policy actions at the EU, euro area and national levels, global risk factors, including those related to the war, the pandemic and financial market volatility, remain elevated. Various supply-side constraints, including increasingly the availability of labour in some member states and sectors, could limit short-term growth. Although these developments and risks affect the entire euro area economy, the level of impact is heterogeneous across member states. The current economic situation and heightened uncertainty call for a careful design of fiscal policy, including the quality of measures, and coordination of fiscal policies in the euro area in 2023.

In light of the current circumstances and as reflected in the country-specific recommendations, the Eurogroup considers that supporting overall demand through fiscal policies in 2023 is not warranted, the focus being instead on protecting the most vulnerable, while maintaining the agility to adjust, if needed. Fiscal policies in all countries should aim at preserving debt sustainability, as well as raising the growth potential in a sustainable manner to enhance the recovery, thus also facilitating the task of monetary policy to ensure price stability by not adding inflationary pressures. Fiscal policies should continue to be appropriately differentiated according to member states' economic and fiscal situation, including as regards their exposure to the crisis and the inflow of displaced persons from Ukraine. Fiscal measures should focus on alleviating the supply-side constraints that are holding back our economies. Implementing structural reforms and supporting investment for the green and digital transitions remain priorities, while also structurally diversifying energy supplies and improving energy independence, taking into account the REPowerEU initiative and making efficient use of the RRF and other EU funds, where appropriate. Moreover, the Versailles Declaration defines an agenda to bolster our defence capabilities, reduce our energy dependencies, and build a more robust economic base that needs to be taken forward by all, individual member states and collectively at the European level.

Broad-based fiscal measures, such as general reductions of taxes and excise duties, were aimed to mitigate the impact of rapidly rising energy prices at the national level, but these should be temporary and increasingly adjusted towards targeting the most vulnerable. As we prepare our national budgets for 2023, policy adjustments should preserve incentives for the energy transition. In this respect, income measures are, in principle, preferable to price measures. We will continue to coordinate our measures in this respect and take stock of our progress in the context of our Draft Budgetary Plan exercise towards the end of the year. We recognise that the negative effect on incomes due to high energy prices cannot be durably addressed through compensatory fiscal measures but will require investments over the medium term in energy efficiency and the development of environmentally sustainable local sources of energy.

Although the current global context poses significant challenges, the Eurogroup has full confidence in the resilience of the euro area economies and remains fully committed to ensuring the conditions for high sustainable growth and achieving our policy objectives in a united manner. As agreed by the Leaders at the June Euro Summit, the Eurogroup will continue to closely monitor economic developments and ensure our policy response remains well-coordinated, determined and agile.

- [Statement of the Euro Summit \(24 June 2022\)](#)

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