Euro-area priorities in RRP

Presentation to the EWG

24 September 2021
Consistency between RRPss and euro-area recommendations

Policy priorities of the EAR 2021

1. Ensuring a policy stance which supports the recovery

2. Further improving convergence, resilience and sustainable and inclusive growth

3. Strengthening national institutional frameworks

4. Ensuring macro-financial stability

5. Completing the EMU and strengthening the international role of the euro
# Coverage of EARs 2021 in the RRP's

<table>
<thead>
<tr>
<th>EAR 1</th>
<th>Ensuring a policy stance which supports the recovery</th>
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<tbody>
<tr>
<td></td>
<td>The additional fiscal space provided by the RRF is balanced by measures to achieve prudent medium-term fiscal positions, such as spending reviews and improving the quality and sustainability of public finances (including pension reforms).</td>
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<thead>
<tr>
<th>EAR 2</th>
<th>Further improving convergence, resilience and sustainable and inclusive growth</th>
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<tbody>
<tr>
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<td>Facilitating the twin transitions, strengthening productivity and employment, labour market reforms, combatting aggressive tax planning. Improving the effectiveness, accessibility and resilience of health care systems.</td>
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<th>EAR3</th>
<th>Strengthening national institutional frameworks</th>
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<td>Modernizing and digitizing public administration and justice systems, removing barriers to investment and strengthening the anti-money laundering framework.</td>
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<th>EAR 4</th>
<th>Ensuring macro-financial stability</th>
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<td></td>
<td>The creation of NGEU/RRF has given a clear overall boost to macro-financial stability in the EA. RRP’s address inter alia constraints in credit availability for companies and high volumes of NPLs and private indebtedness.</td>
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Impact of the RRF on the fiscal stance

Fiscal stance, 2021-2022 (average, % of GDP)

Note: The graph shows the fiscal stance and its components based on net expenditure growth relative to 10-year potential growth. It excludes the phasing out of COVID-19 temporary emergency measures.

Source: European Commission 2021 spring forecast.
The RRF will boost growth & convergence

Impact of NGEU on GDP

Real GDP Change (%) in 2020

Level of real GDP in 2026 expressed in % deviation from a no-policy change baseline and for a slow profile.
Additional policy action needed to …

… address emerging risks

- bankruptcy/insolvency risks;
- expected developments in NPLs;
- need to ensure and broaden access to finance in the recovery phase, also towards supporting the twin transition.

RRPs partly respond to these, through e.g. insolvency and broader judicial reforms, set-up of publicly-backed equity funds.

… deepen BU and CMU

**Capital Markets Union**

- Implementation of the 2020 CMU Action Plan

**Banking Union**

- Review of the bank crisis management framework, EDIS
Thank you