



Council of the  
European Union

Brussels, 6 January 2023  
(OR. en)

5040/23

ECOFIN 9  
UEM 8  
SOC 3  
EMPL 2  
COMPET 7  
ENV 2  
EDUC 1  
RECH 2  
ENER 2  
JAI 5  
GENDER 1  
ANTIDISCRIM 1  
JEUN 1  
SAN 6

**NOTE**

---

From: General Secretariat of the Council  
To: Delegations

---

Subject: Annual Sustainable Growth Survey 2023  
– Draft Council conclusions

---

Delegations will find attached the draft Council conclusions on the Annual Sustainable Growth Survey 2023, as prepared by the Economic and Financial Committee on 10–11 January 2023.

## ANNUAL SUSTAINABLE GROWTH SURVEY 2023

– Draft ECOFIN Council conclusions –

The Council (ECOFIN):

1. **ACKNOWLEDGES** that the EU economy continued its strong post-pandemic recovery in 2022, thanks to the swift policy action at national and EU level, but that the EU economy and society face multiple economic, social and geopolitical challenges resulting from Russia's war of aggression against Ukraine. **RECOGNISES** that historically high energy prices, high inflation rates, supply shortages, increased debt levels, and rising borrowing costs, are strongly affecting many EU households and companies, requiring swift, targeted and coordinated policy action at the EU and national level.
2. **BROADLY AGREES** with the economic priorities outlined in the Annual Sustainable Growth Survey 2023. **NOTES** that the four dimensions of competitive sustainability – environmental sustainability, productivity, fairness, and macroeconomic stability – continue to guide the EU economic, fiscal and employment policy coordination. **RECOGNISES** the need to safeguard economic, fiscal and financial stability, and to address macroeconomic imbalances. **STRESSES** that policy measures should be supportive of fair, inclusive, resilient and sustainable growth. The measures should also contribute to accelerating the green and digital transitions and strengthening energy security, in line with the EU's medium and long-term climate and environmental objectives. **CALLS** for developing robust and sustainable supply chains for ensuring the EU's security of supply and ensuring global competitiveness.

3. **HIGHLIGHTS** the crucial role of coordinating closely the policy response for tackling the economic and financial impact of Russia's war of aggression against Ukraine. **RECALLS** that the coordinated EU efforts in tackling the effects of the COVID-19 pandemic laid the ground for a strong recovery in 2021 and in the first half of 2022. **CALLS** for the full and effective implementation of the Member States' recovery and resilience plans until 2026, as well as of the country-specific recommendations in the context of the European Semester, which should ensure continued investment and support major reforms in Member States. **ENCOURAGES** the efficient use of REPowerEU as one of the tools to increase the resilience of the EU energy systems and address energy poverty through investment and reforms, also supporting the objectives of the European Green Deal.
4. **AGREES** that ensuring macro-financial stability and maintaining the flow of credit to the economy are key for resilience in challenging economic circumstances. **WELCOMES** the policy actions taken in the last few years resulting in the decline in non-performing loans and in more resilient banks. Nevertheless, **UNDERLINES** the need for banks to maintain prudent provisioning policies and capital buffers consistent with evolving risks and the importance to continue reducing legacy non-performing loans while preventing the build-up of new impaired assets. **RECOGNISES** that financial stability risks can stem from various sources, including from tightening of financial conditions, large-scale cyber incidents and a sharp fall in asset prices. **UNDERLINES** the need for banks and non-bank financial institutions to prepare for tail-risk scenarios and monitor vulnerabilities in the real estate sector. **ACKNOWLEDGES** that deepening the capital markets union and progressing on the banking union would strengthen the funding channels to the economy, promote the private sector's contribution to the considerable investment needs and increase economic and social resilience.

5. AGREES to refrain from broad-based fiscal stimulus to aggregate demand in 2023, thus also facilitating the task of monetary policy to reduce inflation and to keep inflation expectations well anchored. UNDERLINES that fiscal measures, addressing the impact of high-energy prices, should be temporary and better targeted to vulnerable households and firms, while being fiscally affordable and providing incentives to reduce energy consumption. CALLS for a common approach to the temporary measures and reflections on appropriate ways of phasing out the support. CONSIDERS replacing broad-based price measures with a well-calibrated and cost-efficient two-tier energy price model that ensures incentives for energy savings, or with other schemes which achieve similar objectives, taking into account national features. NOTES the ongoing discussion on a reform of the electricity market design. STRESSES the need to preserve a level playing field and the integrity of the single market, in compliance with state aid rules and the temporary crisis framework. CONSIDERS that fiscal policy needs to remain agile and stand ready to adjust to the rapidly evolving situation if needed. AGREES that fiscal policy should preserve debt sustainability as well as raise the growth potential in a sustainable and inclusive manner, taking also into account the increased public and private investment needs for the green and digital transitions, including energy security.
6. TAKES NOTE of the Commission's intention for the general escape clause of the Stability and Growth Pact to be deactivated as of 2024, and of the Commission's intention to provide guidance for fiscal policy in 2024 in the first quarter of 2023.
7. WELCOMES the publication of the Commission Communication of 9 November 2022 on orientations for a reform of the EU economic governance framework, including the Stability and Growth Pact and the Macroeconomic Imbalance Procedure. WELCOMES the ongoing reflections on how to make the EU economic governance more effective. HIGHLIGHTS the importance of a rules-based fiscal framework and that swift progress on the economic governance review is a priority for enhancing economic policy coordination. [STRESSES the need to ensure timely clarity for budgetary planning for 2024.]

8. NOTES that in 2023, the European Semester and the implementation of recovery and resilience plans continue to frame EU policy coordination. WELCOMES the Commission's intention to provide a holistic overview of the economic and social challenges in each Member State, including close monitoring of emerging risks. UNDERLINES the importance of the continued implementation of the Macroeconomic Imbalance Procedure for addressing macroeconomic imbalances and WELCOMES the ongoing reflections taking place at national, euro area and EU level. CALLS for keeping the European Semester primarily focused on economic, fiscal and employment policies, including those relevant for the green and digital transitions, and avoiding duplications and overlaps across various surveillance work streams, while ensuring complementarity.
-