LIVESTREAMED SESSION - Fiscal Expansion: A Welcome Return or Ticking Bomb? – SUGGESTED MESSAGES

- The euro area fiscal stance is projected to be broadly neutral in 2023, after the expansionary period of 2022. But this depends on whether our Member States roll back energy-related measures as planned. If existing measures are prolonged, deficits could increase more than forecast. This would be imprudent at the current juncture.

- That is why we have encouraged Member States to improve the targeting of these support measures and recommended replacing broad-based price measures with a cost-efficient two-tier energy pricing system that ensures incentives for energy saving.

- The ECB is due to offload more than €210bn by the end of this year, while national governments are set to issue more than €500bn. Markets need to be reassured about financial stability and debt sustainability. It is important that at both EU and national level we pursue a consistent policy mix to support growth, reduce inflationary pressures and address fragmentation risks.

- In the longer term, we need sustained public investments in the green and digital transition, so the fact that all euro area Member States plan to finance such investments in 2023, is most welcome. In the wake of the global financial crisis, public investment bore the brunt of cuts. It is important that we continue to avoid repeating that mistake.

- The twin peaks we face – a mountain of debt and a mountain of investment – should not be seen as alternative challenges, but as intrinsically linked ones. We cannot have sustainable public finances without sustainable growth, and that requires that we maintain strong levels of investment, both public and private, for years to come.

- Let me recall also that we are at the start of a crucial year for the reform of our economic governance. A swift agreement is particularly important at the current critical juncture for the European economy.
• We need to have a common framework in place which is fit for the challenges we face, notably reducing high public debt levels and promoting public investment. We need to send a strong signal that EU economic governance is solid and robust, also to reassure financial markets. The current rules are not fit for these challenges: they are too complex and have lost credibility.

• A thorough reform will require legislative change and my expectation is that we will present our proposals in this sense before the spring. We will need to work to rapidly reach a political agreement on this reform ahead of Member States’ budgetary processes for 2024.

• However, because it will take time for legislative changes to be implemented, we will also present guidance for Member States’ budgetary policies in 2024 before the end of the first quarter.