Eurogroup

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Eurogroup Work programme until December 2022

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While the euro area economy was recovering from the unprecedented crisis caused by the pandemic at the beginning of this year, the war of aggression against Ukraine has provoked a new shock with a potential massive impact on our economies. Member States have worked together to give a firm response to this aggression against a European state and the European Union has once again shown its ability to rise to the challenge in the most difficult of times.

Russia's war against Ukraine, and its direct and indirect consequences, will inevitably weigh on global economic growth, a slowdown of economic growth being increasingly likely in the euro area in the second half of 2022. Furthermore, the large jump in energy prices, exacerbated by the conflict in Ukraine, coupled with the re-opening of the economy after the Covid-19 pandemic has resulted in a surge in inflation to levels not seen in recent decades.

The Eurogroup has been monitoring these developments and continuing its close coordination of policies, which proved so valuable in the context of the Covid-19 crisis. In these turbulent times, the common currency has offered an anchor of stability for the euro area and the EU as a whole, which is demonstrated by both Greece's expected exit from enhanced surveillance, and Croatia's intention to join the euro area as of 2023.

In the present context, it will be crucial for the Eurogroup to respond to the new macroeconomic challenges, through coordinated responses based on appropriate policies within the euro area and in cooperation with non-euro area Member States in matters of common interest. The Eurogroup will continue to work towards deepening the Economic and Monetary Union (EMU) including by strengthening the Banking Union. The Eurogroup will also address in its discussions longer-term challenges, such as the digital and green transitions, including the potential development of a digital euro. It will work closely with the EU Institutions and the Council Presidency to achieve its policy priorities.

The Eurogroup's priority policy areas

In the second half of 2022, the Eurogroup will focus its work on a number of priority policy areas:

Economic and fiscal policies to support the recovery and long-term growth

Implementing effective, sustainable policies in a concerted manner to mitigate the impact of the war on the economy and support the recovery requires intense policy dialogue and coordination. Close monitoring and coordination of the broad range of fiscal and financial policies in the euro area will be essential. Next Generation EU remains a key instrument underpinning the economic recovery in euro area

Member States. In this context, regular discussions on macroeconomic developments and policy prospects are envisaged.

The annual assessment of Draft Budgetary Plans will be the time to provide guidance on the overall fiscal stance of the euro area and the fiscal plans of the Member States for next year. Similarly, the Euro Area Recommendations will provide the conduit for the Eurogroup to formulate its policy views and to support a coherent policy mix across a broad range of economic and fiscal policies, which is all the more relevant in the current challenging macroeconomic context.

The Eurogroup will remain engaged in post-programme surveillance in Cyprus, Ireland, Portugal and Spain, with Greece transitioning from enhanced to post-programme surveillance monitoring.

The Eurogroup will also exchange views on fiscal policy in the euro area, reflecting on the fiscal strategy for the medium-term. In addition, the Eurogroup will discuss on how to improve the quality of public investments, ensuring high quality public expenditure and investment in the light of the twin transitions and the need to maintain sustainable public finances in the evolving macroeconomic environment. Coordination within the Eurogroup helps to prioritize the structural reforms and investments that increase the resilience and fosters convergence within Economic and Monetary Union. The Eurogroup will seek to align reform with the goals of a green transition and a digital future.

As an integral stakeholder, Eurogroup will also continue its discussions on the economic governance review with a focus on euro area aspects in view of the envisaged Communication from the Commission with a view to reach a broad-based consensus.

The euro as a digital currency

The Euro Summit in March 2021 concluded that exploratory work on the possible introduction of a digital euro should be taken forward. The ECB, in cooperation with the Commission, is currently conducting investigations in this direction. A properly designed digital euro has the potential to foster innovation and unlock major benefits for citizens, businesses, Member States and the overall functioning of the EMU. The digital euro is a complex and important project given its potentially far-reaching repercussions for citizens, businesses, and the EMU as a whole.

During the first half of 2022, the Eurogroup was regularly updated on the ongoing work of the investigative phase by the ECB and Commission. Eurogroup discussions included considering the policy objectives and potential uses of a digital euro and the trade-offs in the design of a digital euro between privacy and other EU policy objectives.

The Eurogroup will return to this topic regularly, focusing on its political dimension, in full respect of the institutional roles and mandates of all actors involved. Key issues to be discussed will include the potential impacts of a digital euro on the financial system and the use of cash, and the business models of public and private participants in the digital euro ecosystem. The Eurogroup will draw conclusions to inform the Commission legislative proposals.

Deepening the Economic and Monetary Union

The Eurogroup stands ready to contribute to further work on the deepening of the EMU, including on the Banking Union. A robust and competitive EU banking sector, together with strong capital markets, foster trust and strengthen financial stability, necessary conditions for growth and reforms They are also key to mobilising the investments for the green and digital transformation and the energy transition. A consistent and effective framework for managing banks in distress is a critical part of the Banking Union. Capital Markets Union can complement Banking Union, as well as providing an alternative to bank-intermediated finance and would strengthen market-based adjustment mechanisms in the euro area.

The Eurogroup could draw lessons from the European response to the COVID-19 crisis, in terms of the benefits of strong policy coordination in the euro area and improving resilience of the Economic and Monetary Union in future shocks.

A well-functioning and robust EMU is necessary to ensure that the euro strengthens its role as a leading international currency. The Eurogroup will continue to play an important role in coordinating the euro area's position in international forums, especially in the context of the G7.

The enlargement of the euro area underscores the success of the euro as an anchor of stability and prosperity. The Eurogroup will support the efforts of the Member States with a derogation on their path towards the euro.

Indicative Work Programme

The work programme for Eurogroup meetings until December builds on the priorities listed above. The Eurogroup (in its regular composition or in an inclusive format, as appropriate) will continue monitoring the economic situation, policy response and recovery needs in the current post-pandemic and war context. Furthermore, the Eurogroup (in the appropriate format) will prepare and follow up to the Euro Summit meetings.

Given the current uncertain environment, the Eurogroup work programme should be seen as indicative. Sufficient flexibility is key in order to ensure swift reactions to future and unexpected developments.

Proposed agenda of upcoming meetings

<u>Eurogroup on 11 July</u>

- Euro area fiscal stance
- Potential impacts of a digital euro on the financial system and the use of cash
- Article IV review of euro area policies
- (poss.) Euro area aspects of the Commission Communication on the economic governance review
- (poss.) Euro area enlargement
- *(in inclusive format)* Banking Union - Debrief of and follow-up to the June Euro Summit

<u>Eurogroup on 9 September (Informal)</u>

- Macroeconomic developments and coordination of euro area policies including the role for fiscal policy in an evolving inflationary environment.
- Exchange of views with the Chair of the ECON Committee of the European Parliament on the economic situation and outlook
- (poss.) Euro area aspects of the Commission Communication on the economic governance review
- *(in inclusive format)* Central Bank Digital Currencies – including update on the digital euro project

<u>Eurogroup on 3 October</u>

- Stocktaking of the implementation of euro area priorities in the Recovery and Resilience Plans
- Stocktake on state of play on emergency supports (Covid-19 and energy prices) across the Euro Area
- Thematic discussion – Quality of public investment management – supporting the recovery and the twin transitions
- Preparation of international meetings
- Digital euro – Business models of public and private participants in the digital euro ecosystem

Eurogroup on 7 November

- Macroeconomic developments and policy prospects in the euro area
- Thematic discussion – Prospective structural drivers of prices and inflation and their impact
- Functioning of ERM II and the state of play of convergence
- (poss.) Debrief on international meetings
- (poss.) TFCA reporting
- (*in BU format*) Banking Union Update: including reporting on operational aspects.
    - Sixteenth hearing of the Chair of the Supervisory Board
    - Reporting on recent activities of the Single Resolution Board

Eurogroup on 5 December

- Assessment of euro area Member States' Draft Budgetary Plans and of the euro area budgetary situation and prospects
- Euro area recommendations (EARs) for 2023
- Post Programme Surveillance / Enhanced Surveillance reports: Greece, Cyprus, Ireland, Portugal, Spain
- Digital euro – Stocktaking of the Eurogroup discussions
- Eurogroup work programme for H1-2023
- (poss.) IMF mission to the euro area
- (*poss. in inclusive format*) Preparation of the December Euro Summit
- (*poss. in inclusive format*) Banking Union monitoring report

Pm, provisional agenda for the Eurogroup on 10 January

- 2023 Euro Area Recommendation
- (poss.) Thematic discussion – Euro area labour markets: recent developments and challenges ahead
- (poss.) Euro area enlargement: update on euro cash changeover in Croatia
  (poss.) Thematic Discussion – Follow-up discussion on housing market developments in the euro area and policy implications