



### Remarks by Commissioner Gentiloni at the Eurogroup Press conference

Brussels, 7 November 2022

Thank you very much Paschal and congratulations for everything that you are doing.

First, on the economic situation. We discussed it briefly.

We all know that after a strong level of growth in the first half of the year, we still had a positive third quarter.

Meanwhile, the inflation in the euro area has climbed to 10.7%, and if we look at high frequency indicators and the economic sentiment, we see that many things point to a contraction in economic activity this winter, in the coming months. But I think we need to work to keep overall positive figures also for next year.

The main bright spot - for the moment - continues to be the labour market.

I will not elaborate now on the outlook because, as Paschal just said, on Friday I will present our autumn economic forecast.

We discussed quite extensively the evolution of budgetary policies in the euro area, ahead of the adoption later this month of our opinions on the 2023 draft budgetary plans.

In 2022, we see a further significant fiscal impulse of around 2% of GDP. This is driven mainly by the measures to mitigate the impact of energy prices, which amounted to 1.25% of GDP.

Such a significant fiscal expansion risks adding to inflationary pressures. This is not what we want to happen, but we know that we need to respond to this situation. So we need, collectively, to ensure three things:

- First, that measures are fiscally affordable;
- Second, that they are targeted to the most vulnerable;
- And third that they preserve the price signal, which is important.

According to our calculations, we still have a majority of these measures adopted by Member States so far, around 70%, that are untargeted, meaning they benefit all, or a very large share, of the population.

This is progress compared to the same estimations a few weeks ago, and I think we can make further progress, despite the fact that we are aware of course that targeting is not always easy, politically and technically, especially if you have to react very quickly. This is also why we have the expectation that this targeting of measures can improve in the coming months.

We need to work together to improve our performance- not least because we can expect energy prices to remain high for some time to come.

Let me also highlight one positive message emerging from our ongoing assessment of the draft budgetary plans, which is that we see some acceleration in public investments in the euro area in 2023, in line with our recommendation, that to keep going with public investments in strategic sectors.

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