Economic governance: prevention and correction of macroeconomic imbalances. 'Six pack'

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The Committee on Economic and Monetary Affairs adopted the report drafted by Elisa FERREIRA (S&D, PT) on the proposal for a regulation of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area.

It recommended that the European Parliament's position adopted at first reading, under the ordinary legislative procedure, should be to amend the Commission proposal as follows:

Scope: this proposed Regulation sets out detailed rules for the detection, prevention and correction of macroeconomic imbalances within the Union. It shall not affect the exercise of fundamental rights as recognised in the Member States and by Union law. Nor does it affect the right to negotiate, conclude and enforce collective agreements and to take industrial action in accordance with national law and practices which respect Union law.

Respond to the weaknesses with the Union: Members stress the need to supplement the multilateral surveillance referred with specific rules for detection, prevention and correction of macroeconomic imbalances and vulnerabilities, which procedure it is absolutely essential to incorporate into the annual multilateral surveillance cycle. The report defines the macroeconomic imbalances as situations in which a Member State experiences large current account deficits, significant losses of competitiveness, large and unusual increases in asset prices, high levels of or a significant deterioration in external, public sector or private sector indebtedness or a significant risk thereof.

Scoreboard: the Commission shall, after consultation with Member States and the European Parliament, establish an indicative scoreboard as a tool to facilitate early identification and monitoring of imbalances.

The scoreboard, made up of an array of relevant and recognized statistical macroeconomic and structural indicators, shall allow for comparisons between Member States and reflect short-term, structural and medium-long term trends. The scoreboard of indicators, and in particular alert thresholds, shall be differentiated for Member States whose currency is the euro and Member States whose currency is not the euro if justified by specific features of the economic and monetary union and relevant economic circumstances. The indicators and thresholds shall reflect the convergence process among Member States. The crossing of either lower or upper thresholds shall only trigger, if appropriate, a stricter surveillance through an in-depth review.

The Commission shall adopt delegated acts setting the **list of relevant indicators to be included in the scoreboard**. The list of indicators is to include but not be limited to the following sets of indicators:

- internal imbalances, including private and public debt, wage level and unit profit rates as well as labour, resource and capital productivity indicators; public and private expenditure on research and development; unemployment rates and its development, asset price developments (namely, real estate and financial markets);
- external imbalances, including: real GDP growth rates, a rolling average of five-year comparative real growth; current account balance, with particular attention to its energy component; net foreign direct investment position; the evolution of export market shares intra and extra-EU.

In-depth review: taking account of the discussions in the European Parliament, the Council and the Euro Group, the Commission shall prepare an in-depth review for each Member State it considers may be affected by, or may be at risk of being affected by imbalances.

According to Members, the in-depth review shall build on detailed investigations of Member-State-specific circumstances, in particular the different starting positions across Member States. It shall study a broad range of economic variables and acknowledge the national specificities regarding industrial relations and social dialogue.

The in-depth review shall take into account, *inter alia*:

- the origin of the detected imbalances, including the deep trade and financial interlinkages between Member States, the spill-over effects of national economic policies and the asymmetric impact of Union and euro area policies;
- exceptional economic circumstances that may cause or aggravate such imbalances;
- indicators related to the Union strategy for growth and jobs. These indicators shall focus on employment (including long term and youth unemployment), innovation, education, social inclusion, climate and energy.

Preventive action:if, on the basis of its in-depth review, the Commission considers that a Member State is experiencing imbalances, it shall inform the European Parliament and the Council accordingly and if the imbalances are related to developments in another Member State, also the latter Member State. The Council, on a recommendation from the Commission, may address the necessary recommendations to the Member State concerned. The recommendation by the Commission shall be deemed adopted by the Council unless it decides, by qualified majority to reject the recommendation within ten days of the Commission adopting it.

The recommendations of the Council and the Commission shall not encroach upon fields such as wage formation which explicitly fall outside the Union's remit.

Opening of the excessive imbalance procedure: if, on the basis of the in-depth review, the Commission considers that the Member State concerned is affected by excessive imbalances, it shall inform the European Parliament and the Council accordingly. The Council, on a recommendation from the Commission, and taking account of the public debate in the European Parliament, may adopt recommendations declaring the existence of an excessive imbalance and recommending the Member State concerned to take corrective action. The recommendation by the Commission shall be deemed adopted by the Council unless it decides by qualified majority to reject the recommendation within ten days of the Commission adopting it.

Corrective action plan: the correction action plan shall take into account the social impact of these policy actions and shall be consistent with the Broad Economic Policy Guidelines and the Employment Guidelines. It shall be coherent with the Stability and Growth Pact, the Stability and Convergence Programmes, the National Reform Programmes and the medium and long-term objectives, namely convergence and a Union strategy for growth and jobs.

If the actions taken or envisaged in the corrective action plan or their timetable for implementation are considered insufficient to implement the recommendations, the Council shall, on the basis of a Commission proposal, adopt a recommendation to the Member State to submit a new corrective action plan within two months as a rule. The new corrective action plan shall be examined according to the procedure laid down in this paragraph. The proposals by the Commission shall be deemed adopted by the Council unless it decides, by qualified majority, to reject them within ten days of the Commission adopting them.

Meeting between Parliaments: the report stipulates that whenever there is an invitation to a meeting between the competent committee of the European Parliament and a Member State to explain a position, required action or divergence from the requirements herein the meeting shall be convened under the auspices of one of: (a) the European Parliament; (b) the Member State Parliament or; (c) the Rotating Presidency Parliament.

Dialogue and surveillance visits: the Commission shall ensure a permanent dialogue with the authorities of the Member States in accordance with the objectives of this Regulation. To that end, the Commission shall carry out, in all Member States, visits for the purpose of regular dialogue and, where appropriate, surveillance.

Delegated acts: the power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in a new Article.