

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

2010/0281(COD) - 28/09/2011 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 554 votes to 90 with 21 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on the prevention and correction of macroeconomic imbalances.

The report had been returned to the competent committee for re-consideration on 23 June 2011.

Parliament adopted its position on first reading in accordance with the ordinary legislative procedure. The amendments adopted in plenary are the result of a compromise negotiated between Parliament and Council. The Commission's proposal was amended as follows:

Subject matter: the text clarifies that the Regulation sets out detailed rules for the detection of macroeconomic imbalances, as well as the prevention and correction of excessive macroeconomic imbalances within the Union.

The application of the Regulation shall fully respect Article 152 TFEU and the recommendations issued under the Regulation shall respect national practices and institutions for wage formation. It shall take into account the Charter of Fundamental Rights of the European Union, and accordingly shall not affect the right to negotiate, conclude and enforce collective agreements and to take collective action in accordance with national law and practices.

The term “**imbalances**” shall mean any trend giving rise to macroeconomic developments which are adversely affecting, or have the potential adversely to affect, the proper functioning of the economy of a Member State or of economic and monetary union, or of the Union as a whole.

Scoreboard: the scoreboard including indicators shall be used as a **tool to facilitate early identification and monitoring of imbalances**. It shall be made up of a **small number of** relevant, practical, simple, measurable and available **macroeconomic and macrofinancial indicators** for Member States. It shall allow for the early identification of macroeconomic imbalances that emerge over both the short-term as well as imbalances that arise due to structural and long-term trends. It shall inter alia encompass indicators which are useful in the early identification of:

- **internal imbalances**, including those that can arise from public and private indebtedness, financial and asset market developments including housing, the evolution of private sector credit flow and the evolution of unemployment;
- **external imbalances**, including those that can arise from the evolution of current account and net investment positions of Member States, real effective exchange rates, export market shares and changes in price and cost developments as well as non-price competitiveness, taking into account the different components of productivity.

In undertaking its **economic reading of the scoreboard** in the alert mechanism, the Commission shall pay close attention to (i) developments in the real economy including economic growth, employment and unemployment performance; (ii) nominal and real convergence inside and outside the euro area; (iii) productivity developments and its relevant drivers such as R&D and foreign/domestic investment, as well as (iv) sectoral developments including energy, which affect GDP and current account performance.

In developing the scoreboard due consideration should also be given to catering for heterogeneous economic circumstances, including catching-up effects.

The appropriateness of the scoreboard, including the composition of indicators, the thresholds set and the methodology used, are to be assessed on a regular basis and adjusted or modified when necessary.

Alert mechanism: the alert mechanism is designed to facilitate the early identification and monitoring of imbalances.

The Commission shall prepare an **annual report containing a qualitative economic and financial assessment** based on a scoreboard with a set of indicators compared to the indicative thresholds. The report including the values of the indicators of the scoreboard shall be made public.

Conclusions shall not be drawn from a mechanical reading of the scoreboard indicators. The assessment shall take into account the evolution of imbalances in the Union and the euro area. The report shall also indicate whether the crossing of thresholds in one or more Member States signifies the possible emergence of imbalances. The assessment of Member States showing large current account deficits may differ from that of Member States that accumulate large current account surpluses.

In-depth review: taking due account of the discussions in the Council and the Euro Group, or in the event of unexpected, significant economic developments that require urgent analysis for the purpose of this Regulation, 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.

The in-depth review shall build on detailed analysis of country-specific circumstances, including the different starting positions across Member States; it shall study a broad range of economic variables and involve the use of analytical tools and qualitative information of country specific nature. It shall acknowledge the national specificities regarding industrial relations and social dialogue.

Furthermore, the Commission shall give due consideration to any other information, which in the opinion of the Member State concerned are relevant, and which the Member State has put forward.

The in-depth review shall include an evaluation of whether the Member State in question is affected by imbalances, and of whether these imbalances constitute excessive imbalances. It will study the origin of the detected imbalances against the background of prevailing economic circumstances, including the deep trade and financial inter-linkages between Member States and the spillover effects of national economic policies. The review will analyse relevant developments related to the Union strategy for growth and jobs. It shall also consider the relevance of economic developments in the Union and the euro area as a whole. It shall take into account, in particular:

- The in-depth review: (i) will study the origin of the detected imbalances against the background of prevailing economic circumstances, including the deep trade and financial inter-linkages between Member States and the spillover effects of national economic policies; (ii) analyse relevant developments related to the Union strategy for growth and jobs; (iii) consider the relevance of economic developments in the Union and the euro area as a whole.
- The in-depth review shall be made public, and the Commission shall inform the Council and the European Parliament about the results of the in-depth review.

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 Council and the Euro Group and the European Parliament. The Council, on a recommendation from the Commission, may address the necessary recommendations to the Member State concerned. The Council shall inform the European Parliament of the recommendation. The Council recommendation shall be made public.

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 Council and the Euro Group accordingly and the European Parliament. The Commission shall also inform the relevant European Supervisory Authorities and the European Systemic Risk Board, which is invited to take the steps it deems necessary.

The Council, on a recommendation from the Commission, may adopt recommendation in accordance with Article 121(4) of the Treaty declaring the existence of an excessive imbalance and recommending the Member State concerned to take corrective action.

The recommendation shall set out the nature and implications of the imbalances and specify a set of policy recommendations to be followed and the deadline within which the Member State concerned must submit a corrective action plan.

Corrective action plan: the corrective action plan shall take into account the economic and social impact of the policy actions and shall be consistent with the Broad Economic Policy Guidelines and the Employment Guidelines.

- If considered sufficient, on the basis of a Commission recommendation, the Council shall endorse it through a recommendation that lists the required specific actions and the deadlines for taking them and establish a timetable for surveillance paying due attention to the transmission channels and recognising that there may be long lags between the adoption of the corrective action and the actual resolution of imbalances.
- If the actions taken or envisaged in the corrective action plan or their timetable for implementation are considered insufficient, on the basis of a Commission recommendation, the Council shall 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 within two months.

The Commission may carry out **enhanced surveillance missions** to the Member State concerned to monitor implementation of the corrective action plan, in liaison with the ECB when those missions concern Member States whose currency is the euro or Member States participating in ERM II. Social partners and other national stakeholders shall therefore, where appropriate, be involved in the dialogue.

Assessment of corrective action: on the basis of a Commission report, the Council shall assess whether the Member State concerned has taken the recommended corrective action in accordance with the recommendation issued. Where it considers that the Member State has not taken the recommended corrective action, the Council, on a recommendation from the Commission, shall adopt a decision declaring non-compliance and a recommendation setting new deadlines for taking corrective action. The recommendation on declaring non-compliance 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 Member State concerned may request that a meeting of the Council be convened to take a vote on the decision.

Closing of the excessive imbalance procedure: the Council shall abrogate recommendations issued on a recommendation from the Commission as soon as it considers that the Member State is no longer affected by excessive imbalances as outlined in the recommendation referred and shall make a public statement reflecting that fact.

Surveillance missions: the Commission shall ensure a permanent dialogue with the authorities of the Member States. To that end, it shall, in particular carry out missions for the purpose of the assessment of the actual economic situation in the Member State and the identification of any risks or difficulties in complying with the objectives of the Regulation. Enhanced surveillance may be undertaken for Member

States which are the subject of a recommendation on the existence of an excessive imbalance position. When the Member State concerned is a Member State whose currency is the euro or participating in ERM II, the Commission may invite representatives of the European Central Bank, if appropriate, to participate in surveillance missions.

Economic Dialogue: in order to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission, and to ensure greater transparency and accountability, **the competent committee of the European Parliament** may invite the President of the Council, the Commission and, where appropriate, the President of the European Council or the President of the Euro Group to appear before the committee to discuss matters including the results of multilateral surveillance carried out under the Regulation.

The competent committee of the European Parliament may offer the opportunity to the Member State concerned by the Council recommendation or decision

The Commission and the Council shall regularly inform the European Parliament of the results of the application of this Regulation to participate in an exchange of views.

Review and report: within three years after the entry into force of the Regulation and every five years thereafter, the Commission shall publish a report on the application of the Regulation. Where appropriate, this report shall be accompanied by a proposal for amendments to this Regulation.

The Commission shall annually report on the application of the Regulation including the updating of the scoreboard and shall present it to the Council and the European Parliament in the context of the European Semester.