

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

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The Commission presents a report on the Macroeconomic Imbalances Procedure (MIP) established under Regulation (EU) No 1176/2011 to help detect, prevent and correct problems in Member States' economies at an earlier stage. The MIP – together with the reinforced Stability and Growth Pact, with its focus on sustainable public finances – is at the heart of the EU's strengthened economic governance.

The new EU economic governance tools are designed to help governments to pick up underlying problems and to address them without delay, pursuing appropriate and country specific policies within a wider European framework. This approach that underpinned the Commission's 2013 Annual Growth Survey at the start of this third cycle of the European Semester of economic policy coordination. As part of this process in its [Alert Mechanism Report](#), the Commission **screened all Member States for possible macroeconomic imbalances** on the basis of a scoreboard of indicators as part of the Macroeconomic Imbalances Procedure. As a result, fourteen Member States were selected for further in-depth reviews.

Based on the analysis presented the in-depth reviews (IDR), the Commission has identified imbalances in all countries selected in the Alert Mechanism Report: Belgium, Bulgaria, Denmark, Spain, France, Italy, Hungary, Malta, the Netherlands, Slovenia, Finland, Sweden and the United Kingdom).

The report summarises the broad conclusions that can be drawn from this analysis and presents the main findings country by country.

The **IDRs** illustrate certain points.

- The adjustment of external positions is underway, although the high level of net external liabilities continues to make several Member States vulnerable.
- In spite of improvements in export performance, which result from gains in cost-competitiveness, several Member States need to **step up efforts to boost or regain competitiveness**, both inside the Internal market and globally.
- **Non-cost competitiveness factors** remain crucial, for example action is needed on export composition and technological content, geographical diversification of exports, firms' structure, the imported contents of exports, the role of intermediary inputs, and investment in R&D and innovation.
- **Deleveraging is occurring in the private sector** of several economies, but **private debt levels remain high** and the deleveraging pressures remain strong.
- Housing markets are in the adjustment phase in a number of countries which experienced pre-crisis housing booms. **Further downward adjustments cannot be excluded**, against a background of a still vulnerable banking sector, tightened credit conditions and economic uncertainty.

Spain and Slovenia: the Commission's analysis leads it to conclude that in **Slovenia**, while in a still manageable position, excessive macroeconomic imbalances are quickly building up. Slovenia should now

proceed swiftly and decisively by completing the reforms it has started and include comprehensive and detailed policy measures in its forthcoming National Reform Programme and Stability Programme, in order to halt and reverse this trend.

Despite significant progress in 2012, **Spain still has excessive macroeconomic imbalances**. Spain should maintain the reform momentum by including comprehensive and detailed policy measures in its forthcoming National Reform Programme and Stability Programme.

The Commission is ready to cooperate closely and swiftly with these two Member States in preparing this response, in full respect of national processes and with an appropriate involvement of domestic stakeholders. These policy packages will be assessed as part of the [European Semester](#) to determine whether they are adequate in view of the challenges. Based on this assessment, the Commission will consider whether further steps are needed under the Excessive Imbalance Procedure.

Remaining 11 Member States: the Commission also expects the eleven other Member States experiencing imbalances that are not found to be excessive, namely Belgium, Bulgaria, Denmark, France, Italy, Hungary, Malta, the Netherlands, Finland, Sweden and the United Kingdom, to **take the findings of the in-depth reviews into account in their National Reform Programmes and Stability and Convergence Programmes**. On this basis and in the context of the European Semester, the Commission will make policy recommendations for the correction of these imbalances and the prevention of new ones on 29 May. On the basis of actual data for 2012 validated by Eurostat and the Commission services' Spring 2013 Forecast, the Commission will also reassess the situation under the on-going excessive deficit procedures and, where necessary, adopt the appropriate recommendations to the Council.