

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

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The Commission presents the 2014 Alert Mechanism Report, in accordance with Regulation (EU) No 1176 /2011 on the prevention and correction of macroeconomic imbalances.

Background: the **Alert Mechanism Report (AMR)** is the starting point of the yearly cycle of the **Macroeconomic Imbalance Procedure (MIP)**, which aims at identifying and addressing imbalances that hinder the smooth functioning of the EU economies and may jeopardise the proper functioning of the Economic and Monetary Union. The AMR identifies the Member States for which further analysis (in the form of an in-depth review) is necessary in order to decide whether an imbalance in need of policy action exists.

This report initiates the **third round of implementing the macroeconomic imbalance procedure (MIP)**. The implementation of the MIP is embedded in the European Semester,' with the aim of ensuring consistency with other economic surveillance tools. The [Annual Growth Survey](#) (AGS), which is adopted at the same time of this report, elaborates on the interlinkages between the correction of macroeconomic imbalances under the MIP, and the urgent challenges of ensuring sustainable fiscal policies, restoring lending, promoting growth and competitiveness, fighting unemployment and the social consequences of the crisis, and modernising public administration.

In the coming days, the Commission is also adopting opinions on draft budgetary plans of the euro area Member States (except those that are subject to a macroeconomic adjustment programme), and on the euro area fiscal stance. It also transmits to the Council proposal for opinions on the economic partnership programmes of several Member States.

Evaluation: this report shows that it is necessary to analyse in further detail the accumulation and unwinding of imbalances, and the related risks, in 16 Member States. For some countries the IDRs will elaborate on the findings of the previous MIP cycle, while for others, it will be the first time the Commission will prepare an IDR. The several Member States for which the Commission intends to prepare an IDR have different challenges and potential risks including spillovers on their partners.

- **Spain and Slovenia:** the IDRs will assess whether the excessive imbalances persist or unwind, and the contribution of the structural policies implemented by these Member States to overcome these imbalances.
- **France, Italy and Hungary:** Member States with imbalances and for which the Commission indicated the necessity of adopting decisive policy actions.
- **Belgium, Bulgaria, Denmark, Malta, Netherlands, Finland, Sweden and the United Kingdom:** for the other Member States previously identified as experiencing imbalances, the IDR will contribute to assess for which Member States imbalances persist or for which they have been overcome. The Commission takes the view that, since imbalances are identified after the detailed analyses in the previous IDRs, the conclusion that an imbalance has been overcome should also take place only after duly considering all relevant factors in another in-depth review, which could potentially lead to the closure of the MIP for some Member States.
- **Germany and Luxembourg:** IDRs will also be prepared for these countries in order to better scrutinise their external position and analyse internal developments, and assess whether any of these countries is experiencing imbalances. An IDR is also warranted for **Croatia**, a new Member of the EU.

~ ***Ireland, Greece, Cyprus, Portugal and Romania:*** for the Member States that are subject to macroeconomic adjustment programmes and benefiting from financial assistance, the surveillance of their imbalances and monitoring of corrective measures will take place in the context of their programmes. The situation of Ireland in the context of the MIP will be assessed after the conclusion of the programme.

The Commission invites the Council and the Euro Group to discuss this report. It is also looking forward to feedback from the European Parliament and appropriately liaising with relevant stakeholders. Taking into account the discussions within the Council and the Euro Group, the Commission will prepare **in-depth reviews for the relevant Member States**. These are expected to be published in spring 2014, ahead of the preparation of the National Reform Programmes and the 'European Semester' package of country-specific recommendations.