

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

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The Commission has presented its 2015 Alert Mechanism Report (AMR), in line with Regulation (EU) No 1176/2011 on the prevention and correction of macroeconomic imbalances.

The AMR is the starting point of the annual cycle of the Macroeconomic Imbalance Procedure (MIP), which aims to identify and address imbalances that hinder the smooth functioning of the economies of Member States, the economy of the EU, and may jeopardise the proper functioning of the economic and monetary union.

The AMR uses a **scoreboard** of eleven indicators, plus a wider set of auxiliary indicators, to screen Member States for potential economic imbalances in need of policy action.

The Commission should publish the In-Depth Reviews (IDRs) in spring 2015 and the findings will feed into the country-specific recommendations under the **“European Semester”** of economic policy coordination.

The report states that **macroeconomic imbalances remain a serious concern** and underline the need for decisive, comprehensive and coordinated policy action:

- the recovery in competitiveness is encouraging, but **sustaining competitiveness** going forward remains a key concern;
- the **high levels of private and public debt** in most countries, and the high external liabilities in many, still constitute substantial vulnerabilities for growth, jobs and financial stability;
- **unemployment** and other social indicators remain very worrying in several countries.

Slow growth and low inflation weigh on the reduction of imbalances and of macroeconomic risks:

- in 2014 and 2015, economic activity in the EU, after having posted zero growth in 2013, is expected to grow respectively at **1¼% and 1½%**. In the euro area, real GDP growth rates are $-\frac{1}{2}$, $+\frac{3}{4}$ and **just above 1% in 2013, 2014 and 2015**;
- there are **considerable differences across Member States**. While some Member States, such as the Baltic countries, the Czech Republic, Luxembourg, Hungary, Poland, Slovakia and the United Kingdom, reported relatively robust output growth in the first three quarters of 2014, and Member States such as Spain and Slovenia succeeded in catching up after a severe economic adjustment, other economies, both big and small alike, have remained sluggish.

The very low inflation adds to the risks related to excessive indebtedness and increases the economic costs of rebalancing and deleveraging.

This Report **identifies Member States that may be affected by imbalances** in need of policy action and for which further in-depth reviews should be undertaken. Based on the economic reading of the MIP scoreboard, the Commission finds that **IDRs are warranted** to examine in further detail the accumulation and unwinding of imbalances and their related risks in **16 Member States**:

- **Croatia, Italy and Slovenia:** IDRs will assess whether previously identified excessive imbalances are unwinding, persisting or aggravating, while paying due attention to the contribution of the policies implemented by these Member States to overcome these imbalances;
- **Ireland, Spain, France and Hungary:** for these Member States with imbalances in need of decisive policy action, IDRs will assess risks related to the persistence of imbalances;
- **Belgium, Bulgaria, Germany, the Netherlands, Finland, Sweden and the United Kingdom:** IDRs will assess in which Member States imbalances persist, and in which they have been overcome;
- **Portugal and Romania:** for the first time, IDRs will also be prepared for these countries.

For the Member States that **benefit from financial assistance**, the surveillance of their imbalances and monitoring of corrective measures take place in the context of their programmes. This concerns **Greece and Cyprus**.

Finally, for the other Member States - Czech Republic, Denmark, Estonia, Latvia, Lithuania, Luxembourg, Malta, Austria, Poland and Slovakia [these are the countries listed in the report - only Republic, Denmark, Estonia, Latvia, Lithuania, Luxembourg are listed in the summary] – the Commission will not at this stage carry out further analyses in the context of the MIP.

However, the Commission considers that careful surveillance and policy coordination are necessary on a continuous basis for all Member States to identify emerging risks and put forward the policies that contribute to growth and jobs.