

## BRIEFING

# Implementation of the Macroeconomic Imbalance Procedure

State-of-play, December 2014

This note presents the Member States' situation with respect to the Macroeconomic Imbalance Procedure (MIP), taking into account the European Commission's **2015 Alert Mechanism Report (AMR)** published on 28 November 2014 (a [separate EGOV note](#) describes the MIP procedure).

Even if EU economies continue to progress in correcting their external and internal imbalances, the Commission considers that **macroeconomic imbalances remain a serious concern and underline the need for decisive, comprehensive and coordinated policy action.**

- High and unsustainable **current account deficit** have been considerably reduced, but driven by a contraction in demand, particularly investment, which could have negative implications for medium-term potential if not corrected;
- **Current account surpluses** in some Member States have not sufficiently declined;
- The recovery in competitiveness is encouraging, as a result of adjustments and reforms, but **sustaining competitiveness** remains a key concern in particular for Member States with large external imbalances;
- **High levels of private and public debt** in most countries, and the high external liabilities in many countries, still constitute substantial vulnerabilities for growth, jobs and financial stability;
- **Unemployment** and other social indicators remain very worrying in several countries, and economic growth has been insufficient to improve the labour and social situation.

The **2015 AMR identifies which Member States warrant an In-Depth-Review (IDR)**, which will be undertaken and published by the Commission in spring 2015. These IDRs aim at establishing whether imbalances exist that hinder the smooth functioning of the Member States' economies, by examining the origin, the nature and the severity of the macroeconomic imbalances.

- For Croatia, Italy and Slovenia, the IDRs will assess if the **"excessive macroeconomic imbalances"** identified in the Semester 2014 still persist;
- For Ireland, Spain and France, the IDRs will assess if the **macroeconomic imbalances requiring "specific monitoring"** in 2014 still pose risks;
- For 10 countries the IDR will establish the existence of **"macroeconomic imbalances"**; in 8 countries (Belgium, Bulgaria, Germany, Hungary, the Netherlands, Finland, Sweden and the United Kingdom) macroeconomic imbalances had been identified in 2014, and 2 countries (Portugal and Romania) are submitted to IDR for the first time;
- 10 Member States are not considered at risk of **"macroeconomic imbalances"**;
- 2 Member States (Greece and Cyprus) are not proposed to be subject to an IDR as they are currently subject to macroeconomic adjustment programmes and the surveillance of imbalances takes place in this context.

The AMR provides a short overview of the economic reading of the MIP-scoreboard and the auxiliary indicators for **each Member State**. The Commission has published specific

monitoring reports for Member States assessed in 2014 as having "excessive imbalances" ([IT](#), [HR](#), [SI](#)) or "imbalances requiring specific monitoring" ([FR](#), [ES](#), [IE](#)) or "imbalances requiring decisive policy actions" ([HU](#)); for IE, ES and HU this is done in the context of post-programme surveillance.

The Council and the Eurogroup will discuss the AMR in the context of multilateral surveillance, and in line with Article 3(5) of the Regulation on the prevention and correction of macroeconomic imbalances. The Commission is also looking forward to feedback from the European Parliament. According to the 2015 AMR, the Commission will prepare IDRs for the relevant Member States, taking into account the discussion with the Parliament and within the Council and the Eurogroup. These are expected to be published in spring 2015, ahead of the "European Semester" package, including the Country-Specific Recommendations (CSRs).

### MIP-Map: Macroeconomic imbalances during the 2014 European Semester Cycle



Note: The Map is based on the results of the IDRs undertaken in 2014 and it will be updated next year based of the 2015 IDRs results. In 2014 3 MS were experiencing "excessive macroeconomic imbalances"; 11 MSs had "macroeconomic imbalances", of which 3 deserved "specific monitoring"; 10 Member States were not considered at risk of "macroeconomic imbalances", and 4 Member States were not subject to an IDR due to financial assistance programmes.

Member State	MIP status in 2015	Indicators outside thresholds	MIP Status in 2014	MIP - related 2014 CSRs
<a href="#">BE</a>	IDR	<ul style="list-style-type: none"> <li>Export market shares</li> <li>Private and public sector debt</li> </ul>	<a href="#">Imbalances</a>	2 (comprehensive tax reform, shift taxes from labour to environment) 4 (increase labour market participation) 5 (restore competitiveness by reforming wage-setting system)
<a href="#">BG</a>	IDR	<ul style="list-style-type: none"> <li>Negative net international investment position</li> <li>Growing unit labour cost</li> <li>Private sector debt</li> <li>Unemployment rate</li> </ul>	<a href="#">Imbalances</a>	3 (improve employment policies) 4 (reform higher education) 5 (improve business environment)
<a href="#">CZ</a>	No IDR		No IDR - No imbalances	
<a href="#">DK</a>	No IDR		IDR - <a href="#">No imbalances</a>	
<a href="#">DE</a>	IDR	<ul style="list-style-type: none"> <li>Current account surplus</li> </ul>	<a href="#">Imbalances</a>	1 (pursue growth-friendly fiscal policy, improving efficiency of tax system and ensuring sustainability) 2 (support internal demand) 3 (lower costs of transforming energy system) 4 (stimulate competition in service sector)
<a href="#">EE</a>	No IDR		No IDR - No imbalances	
<a href="#">IE</a>	IDR	<ul style="list-style-type: none"> <li>Negative net international investment position</li> <li>Private and public sectors debt</li> <li>Unemployment rate</li> </ul>	<a href="#">Imbalances</a>  Requiring specific monitoring	1 (correct excessive deficit and pursue structural adjustment) 3 (improve active labour market policies) 5 (develop policy initiatives for SMEs) 6 (monitor banks' performances, including NPLs and mortgage in arrears)
<a href="#">EL</a>	Financial Assistance Programme			
<a href="#">ES</a>	IDR	<ul style="list-style-type: none"> <li>Negative net international investment position</li> <li>Private and public sectors debt</li> <li>Unemployment rate</li> </ul>	<a href="#">Imbalances</a>  Requiring specific monitoring	1 (reinforce budgetary strategy) 2 (complete reform of saving banks sector) 3 (reduce labour market segmentation) 4 (implement youth and entrepreneur strategy) 6 (implement market unity law) 7 (eliminate deficit in electricity system) 8 (reform public administration)
<a href="#">FR</a>	IDR	<ul style="list-style-type: none"> <li>Losses in the export market share</li> <li>Private and public debt</li> </ul>	<a href="#">Imbalances</a>  Requiring specific monitoring	1 (fiscal discipline and sustainability) 2 (labour cost reduction) 3 (improve business environment) 4 (promote competition in services) 5 (reduce tax on labour and simplify tax system) 6 (active labour market policies)

Member State	MIP status in 2015	Indicators outside thresholds	MIP Status in 2014	MIP - related 2014 CSRs
<a href="#"><u>HR</u></a>	IDR	<ul style="list-style-type: none"> <li>Negative net international investment position</li> <li>Private and public sectors debt</li> <li>Unemployment rate</li> </ul>	<a href="#"><u>Excessive Imbalances</u></a>	1 (reinforce budgetary strategy) 2 (revise pension schemes and healthcare) 3 (review labour market) 4 (review tax and benefits systems) 5 (improve business environment) 6 (revise public property management and PA) 7 (improve judicial system) 8 (oversight financial sector)
<a href="#"><u>IT</u></a>	IDR	<ul style="list-style-type: none"> <li>Losses in the export market share</li> <li>Public debt</li> <li>Unemployment</li> </ul>	<a href="#"><u>Excessive Imbalances</u></a>	1 (fiscal discipline, especially on debt) 2 (shift taxes to consumption, property and environment) 3 (improve efficiency of public administration, including management of EU funds) 4 (reinforce banking sector) 5 (evaluate labour market reforms) 6 (improve education system) 7 (improve business environment) 8 (energy sector and transport authority)
<a href="#"><u>CY</u></a>	Financial Assistance Programme			
<a href="#"><u>LV</u></a>	No IDR		No IDR - No Imbalances	
<a href="#"><u>LT</u></a>	No IDR		No IDR - No imbalances	
<a href="#"><u>LU</u></a>	No IDR		IDR - <a href="#"><u>No Imbalances</u></a>	
<a href="#"><u>HU</u></a>	IDR	<ul style="list-style-type: none"> <li>Negative net international investment position</li> <li>Losses in the export market share</li> <li>Public sector debt</li> <li>Unemployment rate</li> </ul>	<a href="#"><u>Imbalances</u></a>  Requiring decisive policy action	1 (fiscal discipline especially on debt; improve transparency of public finances) 2 (reform the financial sector; restore normal lending) 3 (revise tax system) 5 (foster market competition; improve business environment)
<a href="#"><u>MT</u></a>	No IDR		IDR - <a href="#"><u>No Imbalances</u></a>	
<a href="#"><u>NL</u></a>	IDR	<ul style="list-style-type: none"> <li>Current account surplus</li> <li>Losses in the export market share</li> <li>Private and public sectors debt</li> </ul>	<a href="#"><u>Imbalances</u></a>	2 (reform housing market) 4 (enhance labour market participation)
<a href="#"><u>AT</u></a>	No IDR		No IDR - No Imbalances	
<a href="#"><u>PL</u></a>	No IDR		No IDR - No Imbalances	
<a href="#"><u>PT</u></a>	IDR	<ul style="list-style-type: none"> <li>NIIP</li> <li>Private and public sectors debt</li> <li>unemployment</li> </ul>	No IDR - Financial Assistance Programme	
<a href="#"><u>RO</u></a>	IDR	<ul style="list-style-type: none"> <li>Net international Investment position</li> </ul>	No IDR - Precautionary Financial Assistance Programme	

Member State	MIP status in 2015	Indicators outside thresholds	MIP Status in 2014	MIP - related 2014 CSRs
<a href="#"><u>SI</u></a>	IDR	<ul style="list-style-type: none"> <li>• Net International Investment Position</li> <li>• Export market shares</li> <li>• General Government debt</li> </ul>	<a href="#"><u>Excessive Imbalances</u></a>	1 (fiscal discipline) 2 (fiscal sustainability - pension system) 3 (labour market reform) 4 (financial stability - action plan) 5 (privatisation and governance of state-owned enterprises) 6 (corporate restructuring master plan) 7 (business environment, liberalisation); 8 (enhance transparency and accountability)
<a href="#"><u>SK</u></a>	No IDR		No IDR - No imbalances	
<a href="#"><u>FI</u></a>	IDR	<ul style="list-style-type: none"> <li>• Export market shares</li> <li>• Change in Unit labour cost</li> <li>• Private sector debt</li> </ul>	<a href="#"><u>Imbalances</u></a>	3 (administrative reforms) 4 (labour market) 5 (improve products and services markets)
<a href="#"><u>SE</u></a>	IDR	<ul style="list-style-type: none"> <li>• Current Account surplus</li> <li>• Export market shares</li> <li>• Private sector debt</li> </ul>	<a href="#"><u>Imbalances</u></a>	2 (moderate household sector credit growth and private indebtedness) 3 (reform housing market)
<a href="#"><u>UK</u></a>	IDR	<ul style="list-style-type: none"> <li>• Export market shares</li> <li>• Private sector debt</li> <li>• General government debt</li> </ul>	<a href="#"><u>Imbalances</u></a>	2 (macro-prudential regulation of the housing sector) 3 (address youth unemployment) 5 (financing corporate sector) 6 (governance of the Infrastructure Plan)

**Annexes:**

1. Implementation of the MIP in the previous European Semester cycles
2. The 2015 MIP scoreboard

## ANNEX 1: Implementation of MIP in the previous European Semesters Cycles

### 2012

The COM published the [first AMR](#) in February 2012, which identified twelve Member States as warranting an "*in-depth review*" (IDR). Member States under a financial assistance programme (EL, PT, IE and RO) were not subject to IDR.

In May 2012, the COM published the IDRs for [Belgium](#), [Bulgaria](#), [Denmark](#), [Spain](#), [France](#), [Italy](#), [Cyprus](#), [Hungary](#), [Slovenia](#), [Finland](#), [Sweden](#), [United Kingdom](#). They constituted a basis for the [Country Specific Recommendations](#). No Member State was placed under EIP.

### 2013

The COM published the [second AMR](#) in November 2012 and concluded that, compared to the AMR 2012, two additional MSs were subject to IDR: the Netherlands and Malta. The COM added to the scoreboard a [new financial indicator](#), namely the growth of liabilities of the financial sector. The COM also published an analytical [paper](#) on current account surpluses in the EU.

In April, the COM published a [Communication](#) and the "*in-depth-reviews*" for the 13 Member States identified in the 2013 AMR (Cyprus had entered a financial assistance programme). All of them were experiencing macro-economic imbalances, which deserved monitoring and policy action. For Spain and Slovenia, imbalances were considered excessive; and for France, Hungary and Italy the imbalances required decisive action.

On 29 May, the COM published the draft Country Specific Recommendations and no further procedural steps were proposed for Spain and Slovenia; in July the Council adopted the country [specific recommendations](#) to all countries for which imbalances had been identified.

### 2014

On 13 November 2013, COM published the [third AMR](#). 16 Member States were considered at risk of macroeconomic imbalances: the 13 ones already identified in the previous semester, plus Germany, Luxembourg and Croatia. The MIP scoreboard for 2014 underwent slight [changes](#).

In March 2014, the COM published the "*in-depth reviews*", which identified macroeconomic imbalances in 14 among the 17 Member States analysed (Ireland was added, as it exited the financial programme; Denmark, Luxembourg and Malta did not present imbalances).

- Croatia, Italy and Slovenia were experiencing excessive imbalances. No further procedural steps were proposed.
- Ireland, Spain and France were experiencing imbalances requiring specific monitoring and decisive policy action (in accordance to art. 5 of [Council Recommendation of 9 July 2013](#) on the implementation of the broad guidelines for the economic policies of the Member States whose currency is the euro).
- Belgium, Bulgaria, Germany, Hungary, the Netherlands, Finland, Sweden and the United Kingdom were experiencing imbalances.

Among the 158 [Country Specific Recommendations](#) that were proposed by the Commission in June 2014 and adopted by the Council in July, after the endorsement by the European Council, 66 were linked to MIP.

## ANNEX 2: Scoreboard for the identification of possible macro-economic imbalances

Values for year 2013	External imbalances and competitiveness					Internal imbalances					
	3 year average of Current Account Balance as % of GDP	Net International Investment Position as % of GDP	% Change (3 years) of Real Effective Exchange Rate with HICP deflators	% Change (5 years) in Export Market Shares	% Change (3 years) in Nominal ULC	% y-o-y Change in deflated House Prices	Private Sector Credit Flow as % of GDP	Private Sector Debt as % of GDP	General Government Debt as % of GDP	Unemployment rate - 3 year average	% y-o-y Change in Total Financial Sector Liabilities, non-consolidated
<b>Thresholds</b>	<b>-4/+6%</b>	<b>-35%</b>	<b>±5% (EA) ± 11%</b>	<b>-6%</b>	<b>+9% (EA) + 12%</b>	<b>+6%</b>	<b>14%</b>	<b>133%</b>	<b>60%</b>	<b>10%</b>	<b>16.5%</b>
BE	-1.6	45.8	-0.3	-9.1	8.6	0.0	1.1	163.0	104.5	7.7	-2.4
BG	<i>0.4</i>	-76.2	-1.0	5.7	14.8p	-0.1	6.7	134.8	18.3	12.2	3.3
CZ	-1.7	-40.1	-3.1	-7.7	3.7	-1.2	3.1p	73.7p	45.7	6.9	9.8p
DK	6.1	39.7	-2.6	-17.9	3.4	2.8	-1.4	222.6	45.0	7.4	-0.1
DE	6.7	42.9	-1.9	-10.7	6.4	1.8p	1.2p	103.5p	76.9	5.6	-6.3p
EE	-1.2	-47.1	3.1	14.0	9.6	7.3	5.4	119.4	10.1	10.3	8.9
IE	1.1	<i>-104.9</i>	-3.9	-4.9	1.3	0.3	-5.7	266.3	123.3	14.2	1.0
EL	-3.9	-121.1	-4.4	-27.3	-10.3p	-9.3e	-1.1p	135.6p	174.9	23.3	-16.3
ES	-0.7	-92.6	-0.4	-7.1	-4.6p	-9.9	-10.7p	172.2p	92.1	24.1	-10.2
FR	-1.3	-15.6	-2.3	-13.0	3.9	-2.6	1.8e	137.3e	92.2	9.8	-0.6
HR	-0.1	-88.7	-4.0	-20.9	<i>0.9</i>	-18.1p	-0.2	121.4	75.7	15.8	3.4
IT	-0.9	-30.7	0.0	-18.4	4.1	-6.9	-3.0	118.8	127.9	10.4	-0.7
CY	<i>-4.0</i>	-156.8	-0.8	-27.2	-5.9p	-5.5	11.2p	344.8p	102.2	11.9	-19.5
LV	-2.8	-65.1	-1.7	8.4	10.5	6.6	0.8	90.9	38.2	14.4	5.2
LT	-1.2	-46.4	-0.6	22.1	6.0	0.2	-0.2	56.4	39.0	13.5	-1.8
LU	5.5	216.4	0.7	2.2	10.5	4.9	27.7	356.2	23.6	5.3	8.8
HU	2.2	-84.4	-4.0	-19.2	5.9	-5.0	-1.0	95.5	77.3	10.7	-0.3
MT	4.0	49.2	-1.3	<i>-4.0</i>	9.5	-2.1	-0.4p	137.1	69.8	6.4	0.7
NL	9.8	31.3	0.4	-9.2	6.3p	-7.8	2.1p	229.7p	68.6	5.5	-3.2
AT	1.4	-0.2	0.7	-17.0	6.4	2.5e	0.2	125.5	81.2	4.5	-3.6
PL	-3.3	-68.0	-4.3	-0.4	3.9p	-4.4e	2.9	74.9	55.7	10.0	7.6
PT	-2.5	-116.2	-0.6	-5.3	-3.0e	-2.5	-2.4e	202.8e	128.0	15.0	-5.3
RO	-3.3	-62.4	0.3	16.4	-0.7p	-4.6p	1.5p	66.4p	37.9	7.0	3.1
SI	2.8	-38.2	-0.7	<i>-16.6</i>	1.3	-5.8	-4.0	101.9	70.4	9.1	-10.5
SK	<i>0.2</i>	<i>-65.1</i>	2.1	-2.2	2.5	-0.5	5.4	74.8	54.6	14.0	-0.3
FI	-1.7	8.8	0.1	-32.2	9.5	-1.3	0.7	146.6	56.0	7.9	-11.8
SE	6.1	-10.8	5.1	-15.0	8.1	4.7	3.7	201.1	38.6	7.9	9.1
UK	-3.2	-15.6	3.4	-11.7	3.8	1.6	3.4p	164.5p	87.2	7.9	-7.4p

Source: European Commission, [AMR](#) 2015. The shaded cells indicate values outside the threshold. Figures in italics are according to ESA 95.