

The EU Macroeconomic Imbalance Procedure

The Macroeconomic Imbalance Procedure (MIP) is a new policy tool introduced with the so-called "six-pack"¹. The MIP aims at preventing and correcting macroeconomic imbalances² in Member States, with specific attention to those macro-economic imbalances with potential spillover effects on other Member States. It relies on:

1. **An Alert Mechanism Report (AMR)**, prepared by the Commission and based on a [scoreboard](#)³ of indicators and thresholds, which prompts "in-depth country reviews" by the Commission, i.e. further economic analysis aimed at determining whether macroeconomic imbalances exist or risk emerging.
2. **Preventive and corrective recommendations, as appropriate.** Possible preventive recommendations form part of the so-called "Country Specific Recommendations" addressed to each Member State and adopted annually in July. Possible corrective recommendations, if deemed necessary, take place under an Excessive Imbalance Procedure (EIP): in the case of excessive imbalances, the Member State concerned must submit an action plan with a clear roadmap and deadlines for implementing the corrective actions. The Commission keeps the Member State concerned under surveillance, on the basis of regular progress reports.
3. **Potential financial sanctions** for euro area Member States which do not follow up on recommendations under the Excessive Imbalance Procedure.

The 2012 round

For the 2012 EU Semester the Commission published in February 2012 the [first AMR](#). It identified twelve Member States as warranting an "in-depth review". Member States under a financial assistance programme (EL, PT, IE and RO) were not subject to in-depth review.

In May 2012, the Commission published the twelve reviews, which examined the origin, the nature and the severity of possible macroeconomic imbalances for: [Belgium](#), [Bulgaria](#), [Denmark](#), [Spain](#), [France](#), [Italy](#), [Cyprus](#), [Hungary](#), [Slovenia](#), [Finland](#), [Sweden](#), [United Kingdom](#).

The outcomes of the twelve in-depth reviews constituted an integral part of the [Country Specific Recommendations](#) adopted by the Council in July 2012 (see Table 1 below).

The 2013 round

For the 2013 EU Semester the Commission published on 28 November 2012 the [second AMR](#). The report concludes that, compared to the AMR 2012, two additional MS will be subject to in-depth review: the Netherlands and Malta (Table 2 below presents the scoreboard used for the current year). The Commission added to the scoreboard a [new financial indicator](#), namely the growth of liabilities of the financial sector.

The Commission also published recently an analytical [paper](#) on current account surpluses in the EU, as a contribution to the current debate on this issue (see [EUROPEAN ECONOMY 9|2012](#)).

¹ [Regulation \(EU\) No 1176/2011 on the prevention and correction of macroeconomic imbalances](#); and [Regulation \(EU\) No 1174/2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area](#)

² [EC webpage](#) on the Macroeconomic Imbalance Procedure.

³ [Scoreboard data platform](#): Interactive Eurostat database with updated indicators of the scoreboard and additional 'reading' indicators.

TABLE 1: MIP in 2012: Outcome of "in-depth country reviews" and the related preventive recommendations to the concerned Member States

Member State (and link to underlying document)	<u>Macroeconomic imbalances based on the "in-depth reviews" May 2012</u>	<u>The Country Specific Recommendations with a specific references to MIP July 2012</u>	Member State (and link to underlying document)
<u>BE</u>	"Imbalances"	CSR 1 (fiscal); CSR 4 (wages); CSR 5 (labour market); CSR 6 (competition)	<u>BE</u>
<u>ES</u>	"Very serious imbalances"	CSR 1 (fiscal); CSR 3 (labour tax); CSR 4 (banks); CSR 5 (labour market); CSR 8 (competition)	<u>ES</u>
<u>FR</u>	"Serious imbalances"	CSR 2(fiscal); CSR 4 (labour costs); CSR 5 (business environment)	<u>FR</u>
<u>CY</u>	"Very serious imbalances"	CSR 1 (fiscal), CSR 2 (banks); CSR 7 (competitiveness)	<u>CY</u>
<u>IT</u>	"Serious imbalances"	CSR 1 (fiscal), CSR 4 (labour), CSR 5 (taxes) , CSR 6 (competition)	<u>IT</u>
<u>SI</u>	"Serious imbalances"	CSR 3(banks); CSR 6 (business environment); CSR 7 (wages)	<u>SI</u>
<u>FI</u>	"Imbalances"	CSR 5 (competitiveness)	<u>FI</u>
<u>BG</u>	"Imbalances"	CSR 3 (employment); CSR 5 (business environment)	<u>BG</u>
<u>DK</u>	"Imbalances"	CSR 3 (productivity); CSR 4(competition); CSR 5 (housing)	<u>DK</u>
<u>HU</u>	"Serious imbalances"	CSR 1 (fiscal); CSR 3 (labour incentives); CSR 4 (labour market); CSR 5 (business environment)	<u>HU</u>
<u>SE</u>	"Imbalances"	CSR 2 (housing)	<u>SE</u>
<u>UK</u>	"Imbalances"	CSR 2 (housing); CSR 3 and CSR 6 (broad links to productivity)	<u>UK</u>

Table 2: The scoreboard for the identification of possible macro-economic imbalances

Year 2011	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
Thresholds	-4/+6%	-35%	±5% (EA) ± 11%	-6%	+9% (EA) + 12%	+6%	15%	160%	60%	10%	16.5%
BE	-0.3	65.7	-0.5	-10.2	6.2	-0.1	11.6	236	98	7.8	4.7
BG	-3.4	-85.6	3.1	17.2	20.3	-9.0	-6.7	146	16	9.4	5.6
CZ	-3.0	-49.3	0.3	8.4	3.3	0.0	2.5	78	41	6.9	3.8
DK	5.0	24.5	-1.7	-16.9	4.7	-4.9	-2.2	238	47	7.0	4.7
DE	5.9	32.6	-3.9	-8.4	5.9	1.4	4.8	128	81	6.9	2.1
EE	2.8	-57.8	0.8	11.1	-6.2	3.3	6.8	133	6	14.4	-4.4
IE	0.0	-96.0	-9.1	-12.2	-12.8	-15.2	4.0	310	106	13.3	-0.6
EL	-10.4	-86.1	3.1	-18.7	4.1	-5.1	-5.5	125	171	13.2	-3.4
ES	-4.3	-91.7	-1.3	-7.6	-2.1	-10.0	-4.1	218	69	19.9	3.7
FR	-1.6	-15.9	-3.2	-11.2	6.0	3.8	4.0	160	86	9.6	7.3
IT	-2.9	-20.6	-2.1	-18.4	4.4	-2.0	2.6	129	121	8.2	3.8
CY	-8.4	-71.3	-0.9	-16.4	8.8	-8.5	16.1	288	71	6.6	-0.2
LV	3.1	-73.3	-0.6	23.6	-15.0	4.9	-2.5	125	42	18.1	-4.5
LT	0.0	-52.6	3.6	25.2	-8.4	2.4	-0.8	70	39	15.6	8.9
LU	7.5	107.8	0.8	-10.1	12.5	1.5	2.5	326	18	4.8	11.3
HU	0.6	-105.9	-3.3	-2.8	3.7	-4.1	6.4	167	81	10.7	-2.6
MT	-4.3	5.7	-3.0	11.7	5.8	-2.3	2.2	210	71	6.8	1.4
NL	7.5	35.5	-1.6	-8.2	5.8	-4.0	0.7	225	66	4.2	7.2
AT	2.2	-2.3	-1.0	-12.7	5.9	-8.0	4.1	161	72	4.4	-0.3
PL	-4.6	-63.5	-10.9	12.8	4.3	-5.7	7.1	80	56	9.2	4.4
PT	-9.1	-105.0	-1.9	-9.5	0.9	-3.6	-3.2	249	108	11.9	-0.7
RO	-4.3	-62.5	-2.4	22.8	12.9	-18.9	1.8	72	33	7.2	4.3
SI	-0.4	-41.2	-0.3	-6.1	8.3	1.0	1.9	128	47	7.1	-1.3
SK	-2.1	-64.4	4.3	20.9	4.4	-5.6	3.3	76	43	13.4	1.2
FI	0.6	13.1	-1.3	-22.9	9.1	-0.3	4.6	179	49	8.1	30.8
SE	6.6	-8.3	3.9	-11.6	1.2	1.0	6.3	232	38	8.1	3.6
UK	-2.2	-17.3	-7.1	-24.2	8.1	-5.4	1.0	205	85	7.8	8.5

Source: European Commission - ECFIN [AMR 2013](#)