

## BRIEFING

# Economic Dialogue and Exchange of Views with Vice-President Dombrovskis, Commissioner Moscovici and Commissioner Thyssen

ECON and EMPL on 1 December 2015

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*Vice-President Dombrovskis, Commissioner Moscovici and Commissioner Thyssen are participating in an Economic Dialogue on the Annual Growth Survey, the Alert Mechanism Report and the draft Council Recommendations to the Euro Area. This Economic Dialogue takes place on the basis of the economic governance framework, notably Article 2-ab of [Regulation 1466/97](#) as amended in 2011.*

On 26 November 2016, the Commission presented the "November European Semester Package" that launches the sixth cycle of the European Semester, recently re-organised according to the Commission proposal of October 2015.

The package consists of:

1. [the 2016 Annual Growth Survey](#): the Commission confirms the policy priorities identified in the 2015 AGS, namely re-launching investments, pursuing structural reforms and continuing responsible fiscal policies.
2. [the 2016 Alert Mechanism Report](#): in the context of the Macroeconomic Imbalance Procedure, the Commission identifies 18 Member States for which further in-depth reviews are undertaken, to assess whether they are affected by imbalances requiring policy action. Two Member States (Austria and Estonia) are submitted for the first time to the in-depth review.
3. [the draft Joint Employment Report](#): it provides an overview of key employment and social developments in Europe as well as of the reforms implemented by Member States, in line with the Guidelines for the Employment Policies of the Member States and the AGS priorities.
4. a [Recommendation for a Council Recommendation on the economic policy of the euro area](#) (and an accompanying [Staff Working Document](#)): for the first time the recommendation for the euro area as a whole is proposed before the Country Specific Recommendations, according to the re-organised European Semester.
5. a [Commission proposal for a regulation of the EP and of the Council establishing a Programme for Structural Reform Support](#) (and accompanying [ex-ante evaluation](#) and [indicators](#) documents): for the period 2017-2020. This Programme aims at contributing to institutional, administrative and structural reforms in the Member States.
6. a [Staff Working Document on national investment challenges](#) that presents an analysis of the main challenges to investment faced by each Member State.

This document provides an overview of the first four elements of the package and presents the next steps, until summer 2016. A specific box gives an overview the "Revamped European Semester". The Annexes include the 2015 Scoreboard for the identification of macro-economic imbalances and the euro area recommendations (in a table comparing the recommendations for 2015, the implementation assessments and the recommendations for 2016).

## The Reorganised European Semester

The European Semester has been substantially streamlined in 2015, including 1) a single assessment per Member State, 2) re-focused and fewer CSRs, 3) an earlier publication of Country Specific Reports and 4) wider dialogue with stakeholders at all levels.

As announced in the [Commission Communication on completing the EMU of 21 October 2015](#), the design of the European Semester is further revised from the 2016 Cycle to:

- *[Better integrate the euro area and national dimensions](#)* - The European Semester, which runs from November to June, is now sequenced in two successive phases - a European phase (from November to February) and a national phase (from February to June). This new sequencing is to help to (1) better take account of challenges to the whole euro area since the start of the cycle and subsequently (2) integrate this analysis in the design of national policies. Therefore, from the 2016 European Semester onwards, the Commission is publishing its proposal for recommendations for the euro area as a whole and its assessment of the implementation of the recommendations from the previous cycle along the Annual Growth Survey (AGS);
- *[Stronger focus on employment and social performance](#)* - To better integrate employment and social aspects within the Macroeconomic Imbalance Procedure (MIP), three new indicators have been added to the Scoreboard, namely: activity rate, youth unemployment and long-term unemployment. At the same time, the Commission is to pay greater attention to social fairness in the design of macroeconomic adjustment programmes;
- *[Promoting convergence by benchmarking and pursuing best practices](#)* - The [Five Presidents Report](#) highlighted that common standards could help to foster economic convergence towards more resilient economic structures. Consequently, the Commission will progressively develop benchmarks and the exchange of best practices across policy areas, building on the existing thematic analysis developed with the Member States. This cross-examination against a particular benchmark of indicators related to economic and social performance and policies in each Member State is seen as a useful tool to (1) identify underperformance/need for action at an early stage, (2) monitor progress and (3) effectively communicate the results of policy action. The Commission considers that benchmarking can contribute to increasing the ownership of the structural reforms by the Member States and therefore their implementation;
- *[More focused support to reforms through EU funds and technical assistance](#)* - This year AGS is accompanied by a [Commission proposal for establishment of the Structural Reform Support Programme](#) for the period 2017-2020. This Programme is to contribute to institutional, administrative and structural reforms in the Member States, including through assistance for the efficient and effective use of the EU funds. It will mobilize 142.8 million euro.

## Annual Growth Survey 2016

The [Annual Growth Survey 2016 \(AGS\)](#) sets out the Commission's views on the EU's economic and social priorities for the coming year. While the three main priorities identified in the previous year remain valid, the Commission emphasizes that policy efforts need to be strengthened to set the recovery on a sustainable path, unlock investment, strengthen the adjustment capacity of EU Member States, foster productivity and accelerate the process of convergence. Therefore, the Commission recommends:

### 1. Re-launching investment

- a) The progress made on mobilising private and public investments and the selection of the strategic projects under the Investment Plan for Europe need to be accompanied by an improved investment and regulatory environment at the national as well as the European levels;

- b) The Banking Union needs to be completed to reinforce financial stability in the euro area and beyond; work on the Capital Markets Union needs to be accelerated, so that companies have access to increased and more diversified sources of funding and the financial sector can fully support the real economy; stocks of debt holding back financing and investment decisions also need to be addressed;
- c) Investment priorities must go beyond traditional infrastructures and extend to human capital and related social investment.

## **2. Pursuing structural reforms to modernise EU economies**

- a) Reforms must be based on effective coordination between the Member States and aim at higher productivity and upward convergence;
- b) Labour market policies need to balance flexibility and security considerations; a particular focus should be on tackling youth and long term unemployment;
- c) More integrated and competitive products and services markets should stimulate innovation and job creation.

## **3. Responsible fiscal policies:**

- a) There is a need to continue supporting growth- and social equity-friendly fiscal consolidation in many countries;
- b) Tax systems need to address disincentives to employment creation and become fairer and more effective;
- c) Social protection systems should be modernised to efficiently respond to risks throughout the lifecycle while remaining fiscally sustainable in view of the upcoming demographic challenges.

Prior to the AGS publication, the Commission had engaged with the European Parliament, including at the plenary session of 11 November 2015. Furthermore, the AGS highlights that the European Parliament will continue to play its guiding role and provide political orientation on economic and social priorities. The Commission considers the role of national Parliaments particularly valuable to strengthen democratic accountability, transparency and promote ownership of the reforms. Finally, the Commission looks forward to the views of the European Parliament as well as all stakeholders to enrich the discussion on the 2016 European Semester.

### *Joint Employment Report*

The [Draft Joint Employment Report](#) provides an overview of key employment and social developments in Europe (chapter 1) as well as of the reforms implemented by Member States in line with the Guidelines for the Employment Policies of the Member States and the AGS priorities (chapter 2).

While employment rates are increasing (+0.8 pp at 69.2% in 2014 in the EU-28) and unemployment rates are falling (-0.6 pp at 10.2% in 2014 in the EU-28) in most Member States, wide differences can be noticed across Member States (unemployment rates ranging from 5% in Germany to 26.5% in Greece, in 2014) and overall levels remain challenging (unemployment rates at 10.2% and 11.6% in 2014 in the EU-28 and EA-19 respectively). The situation is even more critical for youth unemployment, albeit it is slowly improving (-1.5 pp at 22.2% in 2014 in the EU-28). As to long term unemployment, it is only stabilizing at high levels, above 7% for the EU-28. When looking at people at risk of poverty or social exclusion, the situation is only stabilizing after a continuous deterioration from 2009 to 2012, with the general trend mainly driven by joblessness.

As to the various measures taken by Member States in those areas, subsidies remain widely used to support employment and growth, while some Member States also support labour market

participation through reductions in personal income taxes. Reforms aiming at modernizing the labour market do not systematically tackle the inequalities between insiders and outsiders. Finally some Member States have recently designed integration packages targeting large inflows of refugees in order to facilitate their integration into the labour market, which is seen as a condition for immigration to contribute to long-term growth in Europe.

### *Alert Mechanism Report 2015*

The 2015 Alert Mechanism Report (AMR) is the fifth report since the entry into force of the MIP and launches the surveillance cycle aiming at preventing and correcting macroeconomic imbalances (see separate EGOV note "[Overview of the MIP](#)").

This year three employment indicators - namely the activity rate, long-term and youth unemployment - have been added to the main scoreboard (see Annex 1), because long, protracted negative employment and social developments can have a negative impact on potential GDP and risk compounding macroeconomic imbalances.

The 2016 AMR shows that:

- Member States continue to correct their imbalances, even if vulnerabilities associated with elevated levels of indebtedness remain a source of concern. In several Member States, the stock of liabilities, private and public, external and internal, are at very high levels. Some Member States are showing an excessive current account surplus, due to the low domestic demand, affected mainly by their ageing profile;
- At the aggregate level, the euro area is posting a current account surplus, which is one of the world's largest and is expected to rise again this year. While weaker commodity prices and the depreciation of the euro exchange rate have contributed to boosting the trade balance, the surplus largely reflects an excess of domestic savings over investment in the euro area as a whole.

In the 2016 AMR, the Commission specifies the six levels of imbalances that it uses to classify Member States in the context of the MIP, recognising that so far the classification was not transparent. It notes that so far the Excessive Imbalance Procedure has not been invoked yet.

For the 2016 Semester cycle, 18 countries will be submitted to an in-depth review (IDR):

- For Bulgaria, France, Croatia, Italy and Portugal, IDRs will assess if the **excessive imbalances identified in the 2015 Semester Cycle** still persist.
- For Ireland, Spain and Slovenia, the IDRs will assess if the **imbalances in need of decisive policy action and requiring specific monitoring in 2015** still pose risks.
- For Germany and Hungary, the IDRs will assess if the **imbalances identified in 2015, requiring decisive policy action**, still persist.
- For the other countries (Belgium, the Netherlands, Romania, Finland, Sweden and the United Kingdom), the IDR will assess whether the **imbalances identified in 2015** still persist or have been overcome.
- IDRs will be prepared for **the first time for Estonia and Austria**. In the case of Estonia, the IDR will assess the risks and vulnerabilities linked to a renewed build-up of demand pressures. In the case of Austria, issues related to the financial sector, notably its high exposure to developments abroad and the impact on credit provided to the private sector will be analyzed.

For Greece and Cyprus, which benefit from financial assistance, the surveillance of their imbalances and monitoring of corrective measures take place in the context of their macro-economic adjustment programmes.

On the basis of the economic reading of the scoreboard, the Commission is of the view that for the

Czech Republic, Denmark, Latvia, Lithuania, Luxembourg, Malta, Poland and Slovakia, an IDR is not needed at this stage and that further MIP surveillance is not warranted.

The conclusions of the AMR will be discussed in the Eurogroup and in the Economic and Financial Affairs Council (ECOFIN). The Commission states that it is looking forward discussing them with the European Parliament and other partners. Taking all feedback into account, the Commission will present the IDR in February 2016, also involving a dialogue with the Member States concerned. On the basis of the IDRs, the Commission will conclude whether imbalances or excessive imbalances exist.

### *Euro area recommendations*

In the context of the 2016 European Semester, the Commission published its proposal for recommendations to the euro area and the accompanying Staff Working Document in November, at the start of the cycle. These recommendations cover issues relating to the whole EMU (see Box on page 2 for details).

Annex 2 compares 2015 and 2016 recommendations to the euro area, and presents the Commission assessment of the implementation of the 2015 recommendations. It is worth noting that:

- As in the 2015 European Semester Cycle, the Commission proposed four recommendations to the euro area in 2016.
- The 2016 recommendations are articulated around three main themes, namely: (1) Structural reforms; (2) Responsible fiscal policy and (3) Strengthening of banks' and private sector balance sheets. As such, the 2016 AGS' priorities are fully reflected in these recommendations. Note that there is no one-to-one correspondence between a given AGS priority and a given recommendation (i.e. CSR1 and CSR2 address the issue of structural reforms, with the former providing a more general framework, while the second offers a more tailored advice, in particular, as regards more specific elements of labour market reform but leaving a sufficient discretion to national authorities as to the related policy actions);
- Contrary to the 2015 recommendations, the issue of Deepening of Economic and Monetary Union is no longer addressed in a dedicated recommendation during the 2016 Cycle. This is due to the fact that the Commission has adopted on [21 October 2015](#) a series of measures to implement the Stage 1 "Deepening by doing" of the process outlined in the [Five Presidents Report](#) by (1) establishing National Competitiveness Boards and an Advisory European Fiscal Board (though not exactly along the lines outlined in the above-mentioned Report, in a sense that this newly created body is not placed outside the Commission: see separate [EGOV note](#) for more details), (2) putting forward proposal for a more consistent external representation of the euro area; (3) outlining further steps towards a Financial Union (with a legislative proposal for a Regulation on a European Deposit Insurance Scheme (EDIS) released on [24 November 2015](#)) and finally (4) a reorganised European Semester;
- As regards implementation of the 2015 recommendations, the Commission considers that "substantial progress" has been achieved on CSR 3 (related to establishment of Banking Union), "some progress" on CSRs 2 and 4 (pertaining to fiscal policy and deepening of the EMU respectively) while only "limited progress" has been made in implementing CSR 1 (structural reforms).

### *Next steps*

In the upcoming future, the Commission expects the opinion of the EP on all the elements of the package. According to the Commission, the EU institutions should agree on the EU and on the euro

area priorities for the coming year: these priorities will provide orientation for the Member States Programme in April, as well as the CSRs in May.

The Commission also signalled in its 2016 AGS report that it:

- Will take into account the budgetary impact of the exceptional inflow of refugees in its assessment of the 2015 and 2016 SGP requirements;
- Plans to publish its report on the transposition of the Fiscal Compact into national laws, as foreseen in Article 8(1) of the [TSCG](#), at the beginning of 2016;
- Will make, following the [EU2020 review](#), the best use of the existing strategy and its tools by improving its implementation and monitoring in the context of the European Semester.
- Will start next year a process for developing a longer term vision beyond 2020, also in the light of the new Sustainable Development Goals agreed by the United Nations for 2030, while taking into account the lessons learned from the Europe 2020 review.

The [incoming Council Presidency](#) (Netherlands) will address the AGS package together with the issue of implementation of CSRs. Spring Councils will devote specific attention to cross-examination of best practices and bottlenecks in implementing CSRs. This will enable ministers to examine how EU level guidance and conclusions are translated into national action and how this could be further improved. The reforms foreseen in the Five Presidents' Report on completing the EMU pertaining to the European Semester will be discussed within the Council in parallel to the European Semester itself.

Next steps ([indicative timetable](#)):

- 30 November - 11 December 2015: Bilateral meetings Commission - Member States on implementation of 2015 CSRs;
- 7 December 2015: Employment, Social Policy, Health and Consumer Affairs Council: presentation by the Commission and exchange of views on the AGS and the EMU package;
- 8 December 2015: Economic and Financial Affairs Council: presentation by the Commission and exchange of views on the AGS and the EMU package;
- 15 December 2015: General Affairs Council: presentation by the Commission and exchange of views, and preparation of the draft conclusions of the December European Council;
- 17-18 December 2015: European Council: follow-up to the Five Presidents' report on completing EMU;
- 14 January 2016: Eurogroup: Preparation of the Council recommendation on broad guidelines for the economic policies of the Member States whose currency is the euro;
- 15 January 2016: Economic and Financial Affairs Council: Approval of the Council recommendation on the implementation of the broad guidelines for the economic policies of the Member States whose currency is the euro and Council conclusions on AGS and AMR;
- 16 February 2016: General Affairs Council: Preparation of the March European Council: annotated draft agenda;
- 16-17 February 2016: European Parliamentary Week in the framework of the European Semester: Debates between members of the European Parliament and national parliaments;
- 18-19 February 2016: European Council: Endorsement of the Council recommendation on the implementation of the broad guidelines for the economic policies of the Member States whose currency is the euro;
- 18 February 2016: Economic Dialogue with the Council (ECOFIN) and vote in ECON on the 2016 European Semester INI-report;
- 24 February 2016: publication of country-specific analysis (country reports) by the Commission, including, where relevant, MIP In-depth reviews;

- 24-25 February 2016: vote in Plenary on the EP (ECON) resolution on the 2016 European Semester;
- 24 February 2016: Education Council: Contribution of education and training to growth and jobs, drawing on the AGS and the Education and Training Monitor 2016;
- 29 February 2016: Competitiveness Council: Implementation of CSRs drawing on a Commission presentation on the country reports and with a focus on microeconomic recommendations (Single Market): exchange of views; AGS exchange of views;
- 4 March 2016: Environment Council: European semester/AGS and the 2030 agenda for sustainable development: exchange of views;
- 7 March 2016: EPSCO: implementation of CSR drawing on the country reports: exchange of views: AGS: Council conclusions (including on health aspects); Joint Employment Report: adoption; General approach on the Employment Guidelines;
- 8 March 2016: ECOFIN: Implementation of CSRs drawing on the AMR and the country reports: exchange of views; adoption of the Council recommendation on the implementation of the broad guidelines for the economic policies of the Member States whose currency is the euro;
- 7-10 March 2016: EP plenary session: Joint debate on the European Semester;
- 15 March 2016: General Affairs Council: Preparation of the March European Council: Draft conclusions; Synthesis report on Council contributions on the European Semester; Poss. updated roadmap on the 2016 European Semester;
- 17-18 March 2016: European Council: CSR implementation and guidance to Member States for their 2016 Stability and Convergence Programmes and National Reform Programmes.

#### **Other relevant EGOV documents:**

- Member States Progress towards the EU 2020 Targets  
[http://www.europarl.europa.eu/RegData/etudes/ATAG/2014/528741/IPOL\\_ATA\(2014\)528741\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2014/528741/IPOL_ATA(2014)528741_EN.pdf)
- Implementation of the Stability and Growth Pact and European Commission Opinions on 2016 Draft Budgetary Plans [http://www.europarl.europa.eu/RegData/etudes/note/join/2014/497746/IPOL-ECON\\_NT\(2014\)497746\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/note/join/2014/497746/IPOL-ECON_NT(2014)497746_EN.pdf)
- Overview on European Commission opinions on 2016 Draft Budgetary Plans  
[http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/542689/IPOL\\_IDA\(2015\)542689\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/542689/IPOL_IDA(2015)542689_EN.pdf)
- Key features of 2016 Draft Budgetary Plans (DBP)  
[http://www.europarl.europa.eu/RegData/etudes/ATAG/2015/542684/IPOL\\_ATA\(2015\)542684\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2015/542684/IPOL_ATA(2015)542684_EN.pdf)
- Involvement of independent fiscal bodies in 2016 DBP and 2014 and 2015 SCP  
[http://www.europarl.europa.eu/RegData/etudes/note/join/2014/528747/IPOL-ECON\\_NT\(2014\)528747\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/note/join/2014/528747/IPOL-ECON_NT(2014)528747_EN.pdf)
- Involvement of the National Parliaments in SCPs and NRPs – 2014 and 2015  
[http://www.europarl.europa.eu/RegData/etudes/note/join/2014/497743/IPOL-ECON\\_NT\(2014\)497743\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/note/join/2014/497743/IPOL-ECON_NT(2014)497743_EN.pdf)
- Implementation of the 2014 Country Specific Recommendations  
[http://www.europarl.europa.eu/RegData/etudes/ATAG/2015/542649/IPOL\\_ATA\(2015\)542649\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2015/542649/IPOL_ATA(2015)542649_EN.pdf)
- The legal nature of Country Specific Recommendations  
[http://www.europarl.europa.eu/RegData/etudes/ATAG/2014/528767/IPOL\\_ATA\(2014\)528767\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2014/528767/IPOL_ATA(2014)528767_EN.pdf)

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## Annex 1: The scoreboard for the identification of possible macro-economic imbalances

Values for year 2014	External imbalances and competitiveness					Internal imbalances						Employment Indicators		
	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	Activity rate % of total pop. aged 15-64 - 3 years change	Long term unemployment rate % of active pop. aged 15-74 - 3 years change	Youth unemployment rate % of active pop. aged 15-24 - 3 years change
<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>	<b>-0.2%</b>	<b>0.5%</b>	<b>0.2%</b>
BE	-0.1	57.2	-0.5	-10.7	5.6	-1.1	1.0	181.4	106.7	8.2	4.9	1.0	0.8	4.5
BG	0.9	-73.4	-2.6	6.7	12.5	1.5	-0.3	124.3	27.0	12.2	7.2	3.1	0.6	-1.2
CZ	-0.5	-35.6	-10.0	-5.0	3.8	1.8	1.8	72.7	42.7	6.7	4.4	3.0	0.0	-2.2
DK	6.9	47.0	-1.2	-17.3	5.1	3.1	1.7	222.8	45.1	7.0	6.6	-1.2	-0.1	-1.6
DE	6.9	42.3	-0.3	-8.3	7.6	1.5	1.1	100.4	74.9	5.2	4.2	0.4	-0.6	-0.8
EE	-0.5	-43.6	4.7	24.5	13.0	12.8	6.4	116.1	10.4	8.7	12.2	0.5	-3.8	-7.4
IE	1.8	-106.7	-3.5	-6.1	-2.2	11.1	13.7	263.3	107.5	13.0	16.0	0.6	-2.0	-5.2
EL	-2.6	-124.1	-5.6	-17.5	-11.6	-4.9	-2.7	130.5	178.6	26.2	-7.6	0.1	10.7	7.7
ES	0.7	-94.1	-1.0	-11.5	-4.1	0.1	-7.1	165.8	99.3	25.1	-1.9	0.3	4.0	7.0
FR	-1.0	-19.5	-1.2	-13.1	4.8	-1.6	3.3	143.2	95.6	10.1	5.4	1.3	0.6	1.5
HR	0.5	-88.6	-0.9	-18.0	-5.9	-2.0	0.3	120.6	85.1	16.9	0.9	2.0	1.7	8.8
IT	0.8	-27.9	0.2	-14.0	3.6	-4.6	-0.9	119.3	132.3	11.8	-0.7	1.8	3.5	13.5
CY	-4.9	-139.8	-1.4	-26.7	-7.7	0.3	-8.5	348.3	108.2	14.6	0.7	0.8	6.1	13.6
LV	-2.5	-60.9	0.4	9.9	12.9	5.1	-11.9	96.4	40.6	12.6	10.4	1.8	-4.1	-11.4
LT	1.3	-46.4	1.4	35.3	8.3	6.3	-1.2	52.5	40.7	12.0	16.3	2.3	-3.2	-13.3
LU	5.8	36.0	0.5	11.2	7.6	3.7	0.5	342.2	23.0	5.7	21.5	2.9	0.3	5.9
HU	2.7	-73.8	-7.0	-14.9	6.7	3.1	-0.5	91.3	76.2	9.6	8.5	4.6	-1.5	-5.6
MT	2.6	39.5	0.0	-18.2	7.0	2.6	7.8	146.4	68.3	6.2	5.8	4.5	-0.4	-1.5
NL	10.9	60.8	0.8	-11.0	5.4	-0.5	-1.6	228.9	68.2	6.8	8.2	0.9	1.3	2.7
AT	1.8	2.2	1.9	-15.7	7.8	1.4	0.2	127.1	84.2	5.3	-1.5	0.8	0.3	1.4
PL	-2.3	-68.3	-1.3	4.8	2.5	1.1	4.7	77.9	50.4	9.8	0.6	2.2	0.2	-1.9
PT	0.0	-113.3	-1.8	-4.7	-2.3	3.6	-8.7	189.6	130.2	15.4	-6.1	-0.4	2.2	4.5
RO	-2.1	-57.2	-1.1	21.5	2.3	-3.6	-2.4	62.2	39.9	6.9	1.1	1.6	-0.1	0.1
SI	5.1	-43.7	1.2	-11.8	-0.2	-6.6	-4.6	100.1	80.8	9.6	-0.4	0.6	1.7	4.5
SK	1.0	-69.4	1.3	3.2	2.2	1.5	3.9	76.2	53.5	13.8	7.0	1.6	0.0	-4.0
FI	-1.5	-0.7	2.7	-24.0	8.0	-1.9	0.4	150.0	59.3	8.2	8.7	0.5	0.2	0.4
SE	6.5	-6.5	-3.7	-9.8	7.1	8.6	6.5	194.4	44.9	8.0	13.4	1.6	0.0	0.1
UK	-4.3	-25.3	10.2	-8.7	1.9	8.3	3.4	157.7	88.2	7.2	4.4	1.2	-0.5	-4.4

Source: [Eurostat](#) and [AMR](#). Grey boxes (■) indicate values above threshold. Data extracted on 26 November 2015.

## Annex 2: Overview and assessment of 2015 and 2016 recommendations to the euro area

<u>Council 2015 Recommendations</u>	<u>Assessment of implementation of 2015 Recommendations</u> (based on COM Staff Working Document)	<u>Commission proposal for 2016 Recommendations</u>
<p><b>1. Use peer pressure to promote structural reforms that facilitate the correction of large internal and external debts and support investment.</b> Regularly assess the delivery of reforms in those Member States which require specific monitoring within the framework of the <b>Macroeconomic Imbalances Procedure</b>. Continue the regular thematic assessment of structural reforms. By spring 2016, take decisions on the follow-up to the coordination exercise on <b>reducing the high tax wedge on labour</b> and on <b>reforming services markets</b>.</p>	<p>The euro area has made <b>limited progress</b> in addressing CSR 1:</p> <ul style="list-style-type: none"> <li>• Progress in delivering reform commitments has been promoted at the euro area level, via i.a. technical discussions in Economic Policy Committee and Economic and Financial Committee and political discussion in Eurogroup and ECOFIN. Programme countries' reform progress, as well as discussion on reform progress in member states with excessive imbalances or imbalances requiring decisive action, has also taken place.</li> <li>• The Eurogroup has held thematic discussions on reducing the high tax wedge on labour, inter alia agreeing on a benchmarking exercise, as well as on reforming services markets.</li> </ul>	<p><b>1. Pursue policies that support the recovery, foster convergence, facilitate the correction of macroeconomic imbalances and improve adjustment capacity.</b> To this end, Member States, particularly those with large stocks of private and foreign debt, should implement reforms that enhance productivity, foster job creation, raise competitiveness and improve the business environment. Member States with large current account surpluses should implement as a priority measures that help channelling excess savings toward the domestic economy and thereby boost domestic investment.</p> <p><b>2. Implement reforms</b> that combine (i) <b>flexible and reliable labour contracts</b> that promote labour market transitions and avoid a two-tier labour market; (ii) comprehensive <b>lifelong learning</b> strategies; (iii) effective policies to help the <b>unemployed re-enter the labour market</b>, (iv) <b>modern social protection systems</b> that support those in need and provide incentives for labour market integration and, (v) <b>open and competitive product and services markets. Reduce the tax wedge on labour</b>, particularly on low-earners, in a budgetary-neutral way to foster job creation.</p>
<p><b>2. Coordinate fiscal policies to ensure that the aggregate euro area fiscal stance is in line with sustainability risks and cyclical conditions.</b> This is without prejudice to the fulfilment of the requirements of the Stability and Growth Pact. By spring 2016, hold thematic discussions on improvements in the quality and sustainability of public finances, focussing in particular on the prioritisation of tangible and intangible <b>investment</b> at national and EU levels, and on making <b>tax systems more growth friendly</b>. Monitor the effective functioning of the recently strengthened national fiscal frameworks.</p>	<p>The euro area has made <b>some progress</b> in addressing CSR 2:</p> <ul style="list-style-type: none"> <li>• Assessments of the euro area fiscal stance have been carried by the Eurogroup, notably by reviewing the implementation of the Two-pack and discussing the implications of the Commission services' autumn 2013 and 2015 forecast for fiscal surveillance.</li> <li>• The Eurogroup has held thematic discussions on fiscal frameworks.</li> <li>• In the EMU Package on 21 October 2015, the Commission published its decision to set up an European Fiscal Board to act as an independent advisory body. Its mandate will include to evaluate how fiscal governance framework was implemented, to advise on the euro area fiscal stance and to cooperate with the national fiscal councils.</li> <li>• Some progress has been made on the coordination of fiscal</li> </ul>	<p><b>3. Maintain the planned broadly neutral fiscal stance in 2016.</b> With a view to 2017, reduce public debt to restore fiscal buffers while avoiding pro-cyclicality, in full respect of the Stability and Growth Pact. Differentiate the fiscal effort by individual Member States taking into account their respective position vis-à-vis the requirements under the SGP and their stabilisation needs, as well as spillovers across euro area countries. To this end, discuss the euro area fiscal stance in time for the preparation and presentation of the Stability Programmes and the Draft Budgetary Plans.</p>

	<p>policies, in particular in the context of the assessment of the draft budgetary plans, to the extent that fiscal outlook for the euro area as a whole has improved and the aggregate fiscal stance seems appropriate. However, the distribution of the fiscal stance remains sub-optimal.</p>	
<p><b>3. Ensure the timely finalisation of the follow up of the Comprehensive Assessment carried out by the European Central Bank</b>, implementation of Directive 2014/59/EU of the European Parliament and of the Council (1) (Bank Recovery and Resolution Directive), completion of the ratification of the Intergovernmental Agreement on the Single Resolution Fund and make the Fund fully operational as from January 2016. <b>Promote measures to deepen market-based finance</b>, to improve access to finance for SMEs and to develop alternative sources of finance. <b>Encourage further reforms of national insolvency frameworks.</b></p>	<p>The euro area has made <b>substantial progress</b> in addressing <b>CSR 3</b>:</p> <ul style="list-style-type: none"> <li>• The ECB Single Supervisory Mechanism (SSM) became fully operational and responsible for direct supervision of the most significant euroarea banks. The asset quality review (the comprehensive assessment) of 130 banks was completed and the SSM started work towards further harmonisation of bank supervisory and regulatory treatment across the euro area.</li> <li>• The establishment of the Single Resolution Board (SRB) and of the Single Resolution Fund (SRF) advanced according to plans in 2015. Work also progressed towards agreeing bridge financing arrangements for the SRF and towards the establishment of a common backstop for the SRF during the transition period.</li> <li>• On 30 September 2015 the Commission launched the Capital Markets Union (CMU) Action Plan, aiming at boosting business funding and investment financing by building a single market for capital across the EU. This initiative will enable the development of alternative sources of finance complementary to bank-financing and to break down barriers blocking cross-border investments in the EU. CMU should be particularly beneficial to SMEs and start-ups. Preparatory work has started and consultations are gearing up towards a legislative proposal for principles-based minimum harmonisation of business insolvency.</li> </ul>	<p><b>4. Facilitate the gradual reduction of banks' non-performing loans and improve insolvency proceedings for businesses and households.</b> In Member States with large stocks of private debt, promote an orderly deleveraging, including by facilitating the resolution of unviable private debt.</p>
<p><b>4. Take forward work on deepening Economic and Monetary Union</b>, and contribute to the improvement of the economic surveillance framework in the context of the report on the next steps on better economic governance in the euro area, prepared by the President of the European Commission, Jean-Claude Juncker, in close cooperation with the President of the European Council, Donald Tusk, the President of the European Parliament, Martin Schulz, the President of the European Central Bank, Mario Draghi, and the President of the Eurogroup, Jeroen Dijsselbloem, and its follow-up.</p>	<p>The euro area has made <b>some progress</b> in addressing <b>CSR 4</b>:</p> <ul style="list-style-type: none"> <li>• On 21 October 2015 the Commission adopted a package of measures to further strengthen and deepen the Economic and Monetary Union. It followed up on the Five Presidents' Report published in June, which was based on a wide consultation with the Member States.</li> <li>• The package proposals included measures to revamp the EU Semester, in particular by strengthening its euro area dimension, it presented proposals for an improved toolbox of economic governance, including a recommendations to establish national Competitiveness Boards and a proposal for a more consistent external representation of the euro area.</li> </ul>	