This note presents the Member States' situation with respect to the Macroeconomic Imbalance Procedure (MIP), taking into account the Commission’s Communication on the 2015 Country Specific Recommendations of 13 May 2015, the Assessment Communication of February 2015, and following the 2015 Alert Mechanism Report of November 2014 (a separate EGOV note describes the MIP procedure).

In February 2015, the Commission had published Country Reports for each EU Member States and concluded that:

- 2 Member States are not subject to the MIP procedure, as they are currently subject to macroeconomic adjustment programmes;
- 10 Member States are not considered at risk of “macroeconomic imbalances”;
- 6 Member States are considered to be in a situation of macroeconomic imbalances requiring "policy action and monitoring”;
- 5 Member States are considered to be in a situation of macroeconomic imbalances requiring "decisive policy action and (possibly specific) monitoring”;
- 5 Member States are experiencing "excessive macroeconomic imbalances".
Current situation

In its Communication of May 2015, the COM presented its view on the reforms plans submitted by Member States and proposed a new set of draft Country Specific Recommendations (CSRs). For the 16 countries identified in the 2015 Alert Mechanism Report at risk of macro-economic imbalances, the COM specified that:

- Croatia and France are in a situation of excessive imbalance, as risks had significantly increased compared to 2014. In February 2015, the Commission considered that it would evaluate in May - on the basis of the National Reform Programmes - whether to recommend to the Council the opening of the Excessive Imbalance Procedure. The Commission analysed the policy commitments of both Member States and concluded that **there is no need at this stage for an escalation** in the macro-economic imbalances procedure.

- Italy, Bulgaria and Portugal are experiencing excessive macroeconomic imbalances: the Commission will carry out specific monitoring of ongoing and planned reforms. The monitoring of Portugal is carried out in the context of post-programme surveillance.

- Ireland, Spain and Slovenia are experiencing macroeconomic imbalances requiring specific monitoring. For Ireland and Spain the monitoring is part of the post-programme surveillance; for Slovenia (which in 2014 was considered in a situation of excessive imbalances) the Commission considered that significant adjustment had taken place.

- Germany and Hungary are experiencing macroeconomic imbalances requiring decisive policy action. The Commission considered that there was no tangible improvement in the trend of imbalances identified last year.

- Belgium, the Netherlands, Romania, Finland, Sweden and the United Kingdom are experiencing macroeconomic imbalances. Romania is in a precautionary financial assistance programme.

The COM has proposed 58 CSRs (out of 67 draft CSRs) for 2015 under the preventive arm of MIP-procedure (underpinned by Regulation 1176/2011 on the prevention and correction of macroeconomic imbalances) covering the 16 Member States that are subject to macroeconomic imbalances (see Annex 1 for a summary of the MIP-CSRs for the relevant countries). These draft CSRs are still to be endorsed by the European Council in June and adopted by the Council in July. A failure to implement the adopted recommendations might result in further procedural steps, and for Euro-area Member States to sanctions (under the Excessive Imbalances Procedure), and/or to the suspension of the European Funds.

Recent considerations of the Council and of the ECB

On 17 February, the ECOFIN Council considered that "the corrective arm of the MIP should be applied where appropriate". On 12 May, the ECOFIN council debated the in-depth reviews, and concluded that "enhanced transparency on the criteria for the categorization of macroeconomic imbalances as well as greater stability and predictability of the procedure would be welcome". Furthermore, the Council invited the Commission "to outline the concrete timing and content of the specific monitoring of the recommendations" to the Member States with excessive imbalances or with imbalances requiring decisive policy actions and specific monitoring.

In its Economic Bulletin of March 2015 (p. 50), the ECB stated that "it is important to make full and effective use of the instruments of the MIP, including its corrective arm, in order to reduce the potential risks to the smooth functioning of EMU."

Annexes:

2. Overview of the MIP under previous European Semester Cycles.
3. MIP scoreboard (reference year 2014).

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1 See "Country Specific recommendations 2014–2015", which provides detailed information on all CSRs and their implementation.
2 See “Implementation of MIP Country Specific Recommendations” for an overview of the implementation of 2014 MIP-CSRs.
## ANNEX 1

### Country-table: MIP status in 2015, main policy challenges, and MIP status in 2014

<table>
<thead>
<tr>
<th>Member State</th>
<th>MIP status in 2015</th>
<th>Summary of MIP related draft 2015 CSRs</th>
<th>MIP Status in 2014</th>
</tr>
</thead>
</table>
| **BE**       | **Imbalances**    | 1. Fiscal consolidation and pension reform  
                | requiring policy action and monitoring  
                | 2. Tax reform  
                | 3. Labour market  
                | 4. Restore competitiveness aligning wages evolution with productivity  | **Imbalances** requiring policy action and monitoring |
| **BG**       | **Excessive imbalances** requiring **decisive** policy action and **specific** monitoring | 1. Fiscal consolidation, tax collection and health care system  
                | 2. Banking sector  
                | 3. Labour market  
                | 5. Insolvency framework  | **Imbalances** requiring policy action and monitoring |
| **CZ**       | No IDR - **No imbalances** |  | No IDR – No imbalances |
| **DK**       | No IDR - **No imbalances** |  | IDR - No imbalances |
| **DE**       | **Imbalances** requiring **decisive** policy action and monitoring | 1. Public investments and tax system  
                | 2. Promote later retirement and reduce tax wedge on labour  
                | 3. Stimulate competition in services  | **Imbalances** requiring policy action and monitoring |
| **EE**       | No IDR - **No imbalances** | 1. Fiscal consolidation, tax system  
                | 4. Financial sector: restructuring solutions for mortgage arrears  | **Imbalances** requiring decisive policy action and specific monitoring |
| **EL**       | **Macroeconomic Adjustment Programme** |  |  |
| **ES**       | **Imbalances** requiring **decisive** policy action and **specific** monitoring | 1. Fiscal consolidation; transparency if regional public finance and health care system  
                | 2. Reform saving banks system  
                | 3. Promote alignment of wages and productivity  
                | 4. Remove barriers preventing business growth  | **Imbalances** requiring decisive policy action and specific monitoring |
| **FR**       | **Excessive imbalances** requiring **decisive** policy actions and **specific** monitoring | 1. Fiscal consolidation  
                | 2. Spending review of public finance and pension system  
                | 3. Labour cost and minimum wage to promote employment and growth  
                | 4. Reduce regulatory burden and remove restrictions on regulated professions  
                | 5. Improve tax system  
<pre><code>            | 6. Reform labour law and unemployment benefit system  | **Imbalances** requiring policy action and specific monitoring |
</code></pre>
<table>
<thead>
<tr>
<th>Member State</th>
<th>MIP status in 2015</th>
<th>Summary of MIP related draft 2015 CSRs</th>
<th>MIP Status in 2014</th>
</tr>
</thead>
</table>
| HR           | **Excessive imbalances** | 1. Fiscal consolidation; control over expenditure. Introduce property tax and improve tax compliance.  
2. Discourage early retirement and tackle fiscal risks in health care system  
3. Reform wage-setting framework  
4. Reduce fragmentation and overlap between central and local governments  
5. Reduce para-fiscal charges and barriers for service providers  
6. Reform insolvency framework, face non-performing loans and foreign currency mortgages | Excessive Imbalances requiring **decisive policy actions and specific monitoring** |
| IT           | **Excessive imbalances** | 1. Fiscal consolidation and tax reform  
2. Adopt national strategic plan for ports and logistics. Improve management of EU funds  
4. Tackle weaknesses in banks’ governance  
5. Adopt legislation on wages supplementation schemes, labour market and wage setting  
6. Reduce administrative burden and remove barriers to growth. | Excessive Imbalances requiring **strong policy actions and specific monitoring** |
| CY           | **Macroeconomic Adjustment Programme (Country report)** | | |
| LV           | No IDR - **No imbalances** | No IDR - No Imbalances |
| LT           | No IDR - **No imbalances** | No IDR - No Imbalances |
| LU           | No IDR - **No imbalances** | No IDR - No Imbalances |
| HU           | **Imbalances** | 1. Fiscal consolidation  
2. Restore normal lending flows to the economy  
3. Reduce distortive sector-specific taxes and entry barriers in the service sector. Reduce tax wedge and fight tax evasion. Improve public procurement and anti-corruption framework. | Imbalances requiring decisive policy action and monitoring |
| MT           | No IDR - **No imbalances** | IDR - **No Imbalances** |
| NL           | **Imbalances** | 1. Shift public expenditure toward R&D  
2. Accelerate decrease in mortgage interests deductibility  
3. Reduce pension contributions for young workers | Imbalances requiring policy action and monitoring |
| AT           | No IDR - **No imbalances** | No IDR - No Imbalances |
| PL           | No IDR - **No imbalances** | No IDR - No Imbalances |
| PT           | **Excessive imbalances** | 1. Fiscal consolidation. Improve sustainability of pension system, tax compliance and tax administration.  
2. Promote alignment of wages and productivity  
3. Improve efficiency of public employment services, including activation of benefit recipients, and ensure coverage of minimum income scheme.  
4. Tackle corporate debt overhang. | No IDR - **Macroeconomic Adjustment Programme** |
<table>
<thead>
<tr>
<th>Member State</th>
<th>MIP status in 2015</th>
<th>Summary of MIP related draft 2015 CSRs</th>
<th>MIP Status in 2014</th>
</tr>
</thead>
</table>
| **RO**       | **Imbalances**    | 1. Complete the financial assistance programme  
                2. Fiscal consolidation. Implement tax  
                compliance strategy. Tackle undeclared work  
                and equalise retirement age for men and  
                women  
                3. Strengthen provision on labour market.  
                Introduce minimum insertion income.  
                Reduce early school leaving. Pursue national  
                health strategy.  
                4. Reform corporate governance of state owned  
                enterprises | No IDR - Precautionary  
                Financial Assistance  
                Programme |
| **SI**       | **Imbalances**    | 1. Fiscal consolidation. Advance pension  
                reforms and reform health care system  
                2. Revise the minimum wage setting  
                mechanism and promote longer working  
                lives  
                3. Reduce non-performing loans and take  
                measures to improve access to finance for  
                SMEs. Revise the governance of the  
                Slovenian Sovereign Holding  
                4. Reduce the length of civil justice  
                proceedings | Excessive Imbalances  
                requiring **decisive**  
                policy actions and  
                **specific**  
                monitoring |
| **SK**       |                    | No IDR - **No imbalances**             | No IDR - No  
                imbalances |
| **FI**       | **Imbalances**    | 2. Adopt pension and administrative reforms  
                3. Improve employability of unemployed and  
                promote alignment of wages and productivity | Imbalances  
                requiring policy action  
                and monitoring |
| **SE**       | **Imbalances**    | 1. Address the rise of households’ debt. Reduce  
                the inefficiencies in the housing market | Imbalances  
                requiring policy action  
                and monitoring |
| **UK**       | **Imbalances**    | 2. Increase supply in the housing sector  
                3. Address mismatches in the labour market  
                and improve childcare. | Imbalances  
                requiring policy action  
                and monitoring |
ANNEX 2

Overview of the MIP under previous European Semesters Cycles

2012

The COM published the first AMR in February 2012, and 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 and considered Belgium, Bulgaria, Denmark, Finland, Sweden, United Kingdom as experiencing macroeconomic imbalances; France, Italy, Hungary, and Slovenia as experiencing serious macroeconomic imbalances; Cyprus and Spain as experiencing very serious macroeconomic imbalances. The IDRs constituted a basis for the Country Specific Recommendations (out of the 138 CSRs, 36 were linked to MIP).

No Member State was placed under EIP.

2013

The COM published the second AMR in November 2012 and concluded that, compared to the 2012 AMR, 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 2013, the COM published a Communication and the "In-Depth-Reviews" for the 13 Member States identified in the 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.

Out of the 141 CSRs, 56 were linked to MIP.

2014

On 13 November 2013, the 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 (i.e. opening of an EIP) 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 157 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. See separate document on the implementation of 2015 MIP related CSRs.
## ANNEX 3

Scoreboard for the identification of possible macro-economic imbalances

<table>
<thead>
<tr>
<th>Values for year 2014</th>
<th>External imbalances and competitiveness</th>
<th>Internal imbalances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3 year average of Current Account Balance as % of GDP</td>
<td>Net International Investment Position as % of GDP</td>
</tr>
<tr>
<td>Thresholds</td>
<td>-4/+6%</td>
<td>-35%</td>
</tr>
<tr>
<td>BE</td>
<td>0.3</td>
<td>-54.7</td>
</tr>
<tr>
<td>BG</td>
<td>0.8</td>
<td>-72.3</td>
</tr>
<tr>
<td>CZ</td>
<td>-0.5</td>
<td>-35.6</td>
</tr>
<tr>
<td>DK</td>
<td>6.3</td>
<td>n.a.</td>
</tr>
<tr>
<td>DE</td>
<td>7.0</td>
<td>36.4</td>
</tr>
<tr>
<td>EE</td>
<td>-1.2</td>
<td>-41.1</td>
</tr>
<tr>
<td>IE</td>
<td>4.1</td>
<td>-97.5</td>
</tr>
<tr>
<td>EL</td>
<td>-0.3</td>
<td>-121.9</td>
</tr>
<tr>
<td>ES</td>
<td>0.7</td>
<td>-93.5</td>
</tr>
<tr>
<td>FR</td>
<td>-1.3</td>
<td>-16.4</td>
</tr>
<tr>
<td>HR</td>
<td>0.4</td>
<td>n.a.</td>
</tr>
<tr>
<td>IT</td>
<td>0.8</td>
<td>-27.7</td>
</tr>
<tr>
<td>CY</td>
<td>n.a.</td>
<td>-165.1</td>
</tr>
<tr>
<td>LV</td>
<td>-2.9</td>
<td>-61.2</td>
</tr>
<tr>
<td>LT</td>
<td>0.2</td>
<td>-44.2</td>
</tr>
<tr>
<td>LU</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>HU</td>
<td>3.3</td>
<td>-74.7</td>
</tr>
<tr>
<td>MT</td>
<td>2.5</td>
<td>37.4</td>
</tr>
<tr>
<td>NL</td>
<td>10.7</td>
<td>65.8</td>
</tr>
<tr>
<td>AT</td>
<td>1.1</td>
<td>2.1</td>
</tr>
<tr>
<td>PL</td>
<td>-2.1</td>
<td>-67.4</td>
</tr>
<tr>
<td>PT</td>
<td>0.0</td>
<td>-111.6</td>
</tr>
<tr>
<td>RO</td>
<td>-1.9</td>
<td>-57.1</td>
</tr>
<tr>
<td>SI</td>
<td>4.7</td>
<td>-44.7</td>
</tr>
<tr>
<td>SK</td>
<td>0.9</td>
<td>-70.0</td>
</tr>
<tr>
<td>FI</td>
<td>n.a.</td>
<td>0.4</td>
</tr>
<tr>
<td>SE</td>
<td>6.7</td>
<td>-4.0</td>
</tr>
<tr>
<td>UK</td>
<td>-4.6</td>
<td>-19.6</td>
</tr>
</tbody>
</table>

Source: Eurostat, data retrieved on 27 May 2015. The shaded cells indicate values outside the thresholds. "n.a." = not available. "p" = provisional