



## MACROECONOMIC SURVEILLANCE

Over the past decade, the EU has experienced major macroeconomic imbalances (which exacerbated the negative effects of the financial crisis that began in 2008) and serious divergences in competitiveness (which prevented the effective use of common monetary policy measures). In 2011, the EU set up the macroeconomic imbalance procedure (MIP) – a surveillance and enforcement procedure intended to facilitate the early identification and correction of such imbalances in Member States, paying specific attention to imbalances with potential spill-over effects on other Member States.

### LEGAL BASIS

- Article 3 of the Treaty on European Union (TEU);
- Articles 119, 121 and 136 of the Treaty on the Functioning of the European Union (TFEU).

### OBJECTIVES

The macroeconomic imbalance procedure (MIP) is a surveillance and enforcement mechanism that aims to prevent and correct macroeconomic imbalances in the EU. The surveillance undertaken is part of the European Semester for economic coordination ([2.6.4](#)).

This surveillance relies on:

1. An alert mechanism report (AMR), which is prepared by the Commission and is based on a [scoreboard](#) of indicators and thresholds. The scoreboard indicators refer to external imbalances (current accounts, net international investment position, real effective exchange rate, changes in export shares, unit labour cost) and internal imbalances (house prices, private sector credit flow, private sector debt, public debt, unemployment rate and changes in financial sector liabilities, as well as other indicators relating to employment and unemployment). Each indicator is associated with a threshold that signals that a specific problem might arise; some thresholds are differentiated for euro-area and non-euro-area Member States. If a Member State exceeds several thresholds, the Commission performs an in-depth review, i.e. further economic analysis intended to determine whether macroeconomic imbalances are likely to emerge, or already exist, and whether existing imbalances have been corrected;



2. Preventive recommendations. If, based on the outcomes of the in-depth review, the Commission finds that macroeconomic imbalances exist, it must inform Parliament, the Council and the Eurogroup. The Council, on a recommendation from the Commission, may address the necessary recommendations to the Member State concerned, in accordance with the procedure set out in Article 121(2) of the TFEU. These preventive MIP recommendations form part of the country-specific recommendations addressed to each Member State in July each year by the Council as part of the European Semester;
3. Corrective recommendations under the excessive imbalance procedure (EIP). If, based on the in-depth review, the Commission finds that the Member State concerned is affected by excessive imbalances, it must inform Parliament, the Council, the Eurogroup, the relevant European supervisory authorities and the European Systemic Risk Board (ESRB). The Council, on a recommendation from the Commission, may, in accordance with Article 121(4) of the TFEU, adopt a recommendation establishing the existence of an excessive imbalance and recommending that the Member State concerned take corrective action. The Council's recommendation must set out the nature and implications of the imbalances and specify a set of policy recommendations to be followed and a deadline within which the Member State concerned must submit a corrective action plan;
4. Corrective action plans. The Member State for which an EIP is opened must submit a corrective action plan within the deadline specified in the Council's recommendation. The Council, on the basis of a Commission report, must assess the corrective action plan within two months of its submission;
5. Assessment of corrective action. The Council must assess, based on a Commission report, whether the Member State concerned has taken the recommended corrective action. Where it considers that the Member State has not taken such action, the Council, on a recommendation from the Commission, must adopt a decision (based on reverse qualified majority voting (RQMV)) establishing non-compliance, together with a recommendation setting new deadlines for taking corrective action;
6. Potential financial sanctions. Euro-area Member States that do not follow recommendations made under the EIP may be subject to graduated sanctions, ranging from an interest-bearing deposit to annual fines. The interest-bearing deposit or fine should amount to 0.1% of national GDP.

The [proposal](#) for replacing [Regulation \(EC\) No 1466/97](#) on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies published by the Commission on 26 April 2023 interacts with [Regulation \(EU\) No 1176/2011](#) of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances in that the Council may adopt a recommendation establishing the existence of an excessive imbalance in the event that a Member State fails to implement the reform and investment commitments included in its medium-term fiscal-structural plan to address the country-specific recommendations that are relevant for the MIP. Moreover, if a Member State



is under an excessive imbalance procedure, it has to submit a revised medium-term fiscal-structural plan under the proposed regulation, which will serve as the corrective action plan under Regulation (EU) No 1176/2011.

## ACHIEVEMENTS

Since the inception of the [MIP](#) in 2012, the number of Member States:

- Considered as experiencing imbalances increased from 12 to 16 between 2012 and 2015, but fell to 11 in 2018, to 10 in 2019, to 9 in 2020 and in 2021, and to 7 in 2022 before increasing to 9 in 2023;
- Considered as experiencing excessive imbalances increased from 0 to 6 between 2012 and 2017, but then fell to 3 in 2018, where it remained from 2019 to 2022 before decreasing to 2 in 2023.

The Commission has not yet proposed initiating the excessive imbalance procedure, despite the Council and the European Central Bank having called for the procedure to be used to its full potential, with the corrective arm applied where appropriate.

All countries with imbalances are subject to [specific monitoring](#), which is tighter for countries with excessive imbalances and involves dialogues with the national authorities, visits from experts and regular progress reports. This should also help monitor the implementation of the country-specific recommendations in the Member States concerned.

If a Member State is considered to be at risk of macroeconomic imbalances, then some or all of the country-specific recommendations adopted by the Council in the context of the European Semester may be underpinned by the MIP. Over the years, the number of these recommendations has increased, but their level of implementation has not.

## ROLE OF THE EUROPEAN PARLIAMENT

With the entry into force of the Treaty of Lisbon, Parliament has become a co-legislator in setting rules for multilateral surveillance (Article 121(6) of the TFEU).

The legislative acts relating to macroeconomic surveillance provide for economic dialogue. In order to enhance the [dialogue between the institutions](#) of the Union – in particular Parliament, the Council and the Commission – and to ensure greater transparency and accountability, Parliament's competent committee may invite the President of the Council, the Commission, the President of the European Council and/or the President of the Eurogroup to discuss their decisions or present their activities within the European Semester. As part of this dialogue, Parliament may also provide an opportunity to participate in an [exchange of views with a Member State](#) which is the subject of a Council recommendation under the EIP.

In late autumn, Parliament expresses its opinion on the ongoing European Semester cycle (including the country-specific recommendations adopted by the Council), also taking into account the outcome of a joint meeting with representatives of the competent committees of national parliaments.



Under the MIP, the Commission cooperates with Parliament and the Council in defining the set of macroeconomic indicators to be included in the scoreboard used for monitoring possible macroeconomic imbalances in the Member States. In February 2020, the Commission launched a [review](#) of the EU economic governance framework, including an evaluation of the effectiveness of the MIP regulations and the progress made towards closer coordination of economic policies and towards continued convergence of the economic performances of the Member States.

Parliament promotes the involvement of national parliaments through annual meetings with members of the relevant committees of those parliaments. Furthermore, and in line with the legal and political arrangements of each Member State, the national parliaments should be duly involved in the European Semester and in the preparation of stability programmes, convergence programmes and national reform programmes, in order to increase the transparency and ownership of, and accountability for, the decisions taken.

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