



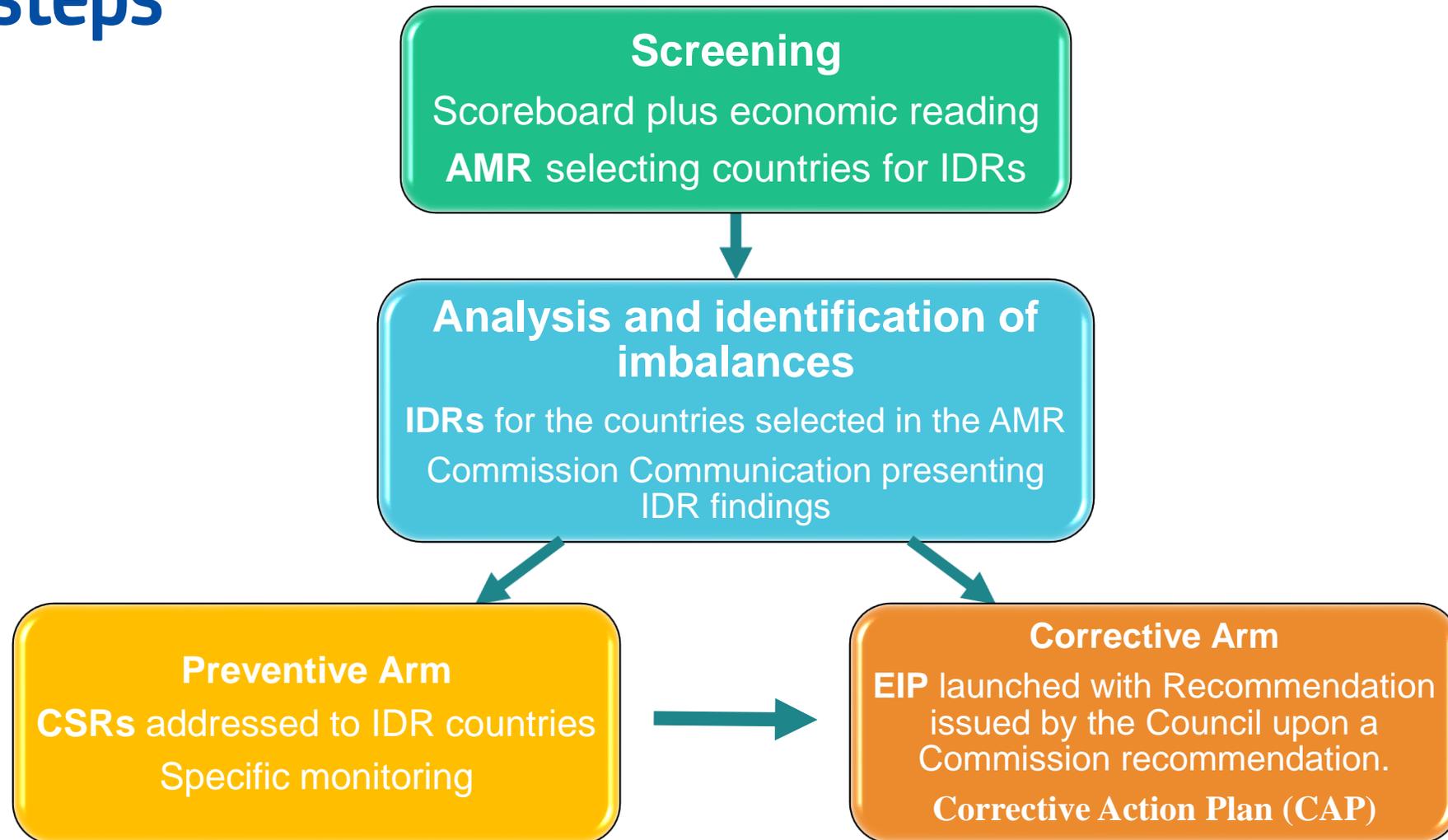
The Commission review of the Macroeconomic Imbalance Procedure

DG ECFIN Webinar, 8 December 2021

**“Taking stock of the experience with the
Macroeconomic Imbalance Procedure”**

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MIP steps



What is a macroeconomic imbalance?

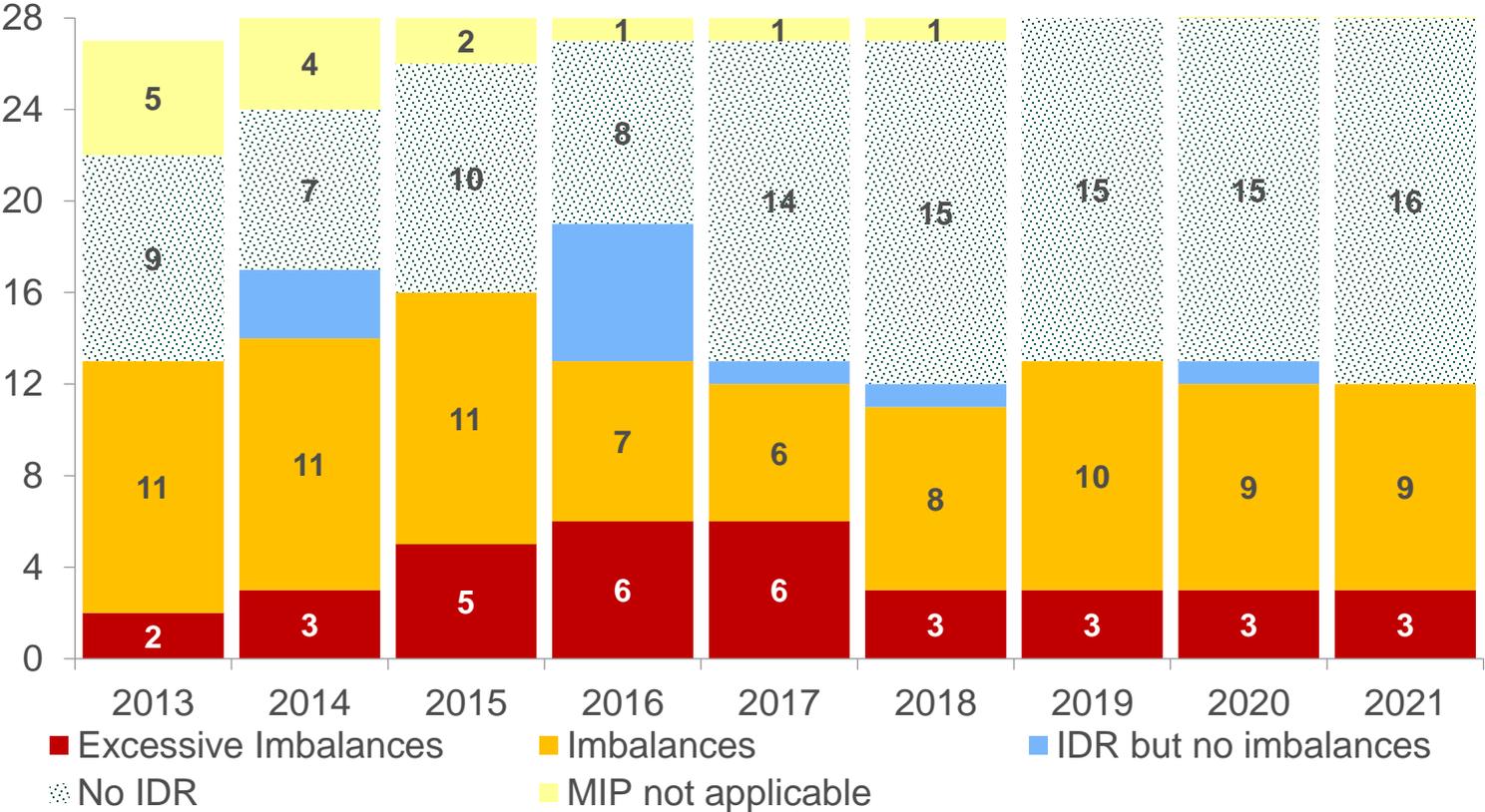
For the purposes of the Regulation (Art 2 of Regulation 1176/2011):

- (1) ‘imbalances’ means any trend giving rise to macroeconomic developments which are adversely affecting, or have the potential adversely to affect, the proper functioning of the economy of a Member State or of the economic and monetary union, or of the Union as a whole;
- (2) ‘excessive imbalances’ means severe imbalances, including imbalances that jeopardise or risks jeopardising the proper functioning of the economic and monetary union.

Identification of imbalances

- MIP regulation defines imbalances in a general and comprehensive manner, leaving room for economic interpretation;
- MIP Compendium: sets out the principles followed by Commission in the identification and assessment of imbalances => effort to increase transparency;
- Gravity of the challenges but also forward-looking considerations, incl. policy responses;
- COM has developed and has been using a broad set of analytical tools in its MIP analysis.

But countries have lingered in MIP...



Policy follow-up

- MIP-relevant recommendations
 - cover the most pressing challenges in terms of macroeconomic stability and the structural adjustment required;
 - addressed and integrated in the context of the European Semester;
- “Specific monitoring” to strengthen the monitoring of policy progress in addressing imbalances;
- The EIP has so far never been launched. The lack of full use of MIP enforcement tools has been object of debate -> ECA recommendations.

Governance Review: February 2020 Communication

Macroeconomic Imbalance Procedure...

- ...widened scope of surveillance but insufficient interplay with SGP, emerging economic challenges
- ...did not lead to sustained reforms in Member States with persisting imbalances
- More successful in reducing current account deficits than surpluses
- Effectiveness in preventing new imbalances and vulnerabilities still to be tested

Commission Communication from 19 October 2021

- Reduction of imbalances remains critical: higher debts, dynamic house prices, new imbalances emerging
- Surveillance tools partially overlap but the links have not always been fully exploited.
- Focus and procedure could be improved.
- Lessons from the RRF

MIP-relevant Issues for the public debate

8 questions out of 11 were already included in the February 2020 Communication

1. How can the framework be improved to ensure sustainable public finances in all Member States and to help eliminate existing macroeconomic imbalances and avoid new ones arising?
4. How can one simplify the EU framework and improve the transparency of its implementation?
5. How can surveillance focus on the Member States with more pressing policy challenges and ensure quality dialogue and engagement?
6. **[NEW]** In what respects can the design, governance and operation of the RRF provide useful insights in terms of economic governance through improved ownership, mutual trust, enforcement and interplay between the economic and fiscal dimensions?

Issues for the public debate (continued)

8. How can the framework ensure effective enforcement? What should be the role of pecuniary sanctions, reputational costs and positive incentives?
9. **[REVISED]** In light of the wide-ranging impact of the COVID-19 crisis and the new temporary policy tools that have been launched in response to it, how can the framework – including the Stability and Growth Pact, the Macroeconomic Imbalances Procedure and, more broadly, the European Semester – best ensure an adequate and coordinated policy response at the EU and national levels?
10. How should the framework take into consideration the euro area dimension and the agenda towards deepening the Economic and Monetary Union?
11. **[NEW]** Considering how the COVID-19 crisis has reshaped our economies, are there any other challenges that the economic governance framework should factor in beyond those identified so far?

Thank you

