Review of the economic governance framework: stocktaking and challenges

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The Council adopted conclusions on the in-depth reviews in the context of the Macroeconomic Imbalances Procedure (MIP). These reviews are included in the country specific reports which analyse the economic policies for each of the Member States and of the euro area in the framework of the European Semester.

In-depth reviews: the Council considered that the in-depth reviews are structured in an appropriate way and present a thorough analysis of the imbalances in each of the Member States under review. It agreed with the Commission that:

- 16 of the examined Member States which are identified in Alert Mechanism Report 2015 (Belgium, Bulgaria, Germany, Ireland, Spain, France, Croatia, Italy, Hungary, the Netherlands, Portugal, Romania, Slovenia, Finland, Sweden and the UK) are experiencing macroeconomic imbalances of various natures and magnitudes;
- excessive imbalances exist in 5 Member States (Bulgaria, France, Croatia, Italy, and Portugal), and the Commission's intention to consider in May 2015 the policy measures of France and Croatia, taking into account the level of ambition of the National Reform Programme.

The Council stressed the need for policy action and strong commitment to structural reforms in all Member States, in particular when they face macroeconomic imbalances, especially if affecting the smooth functioning of the Economic and Monetary Union. It welcomed the Commission's plans with regard to specific monitoring of the recommendations by the Council to the Member States with excessive imbalances (Bulgaria France, Croatia, Italy and Portugal).

Specific monitoring will also apply to a number of euro area Member States with imbalances requiring decisive policy action (Ireland, Spain and Slovenia). The Commission is invited to outline the concrete timing and content of such monitoring.

The Council recognised that a number of macro-economic imbalances are being corrected, but that there are still sizeable risks in certain Member States. In particular:

- large external liabilities make debtor countries vulnerable, and improvements in current account are not always sufficient to diminish the stock of external debt.
- strengthening export growth through further structural efforts remains a priority in order to achieve a sustainable and growth-friendly rebalancing;
- current account surpluses remain high in some Member States: these reflect to some extent weak domestic demand, which can be partially linked to low levels of private and public sector investment;
- high levels of private and government debt remain an important challenge in some countries, also in the context of low inflation and moderate growth rates;
- structural reforms are needed to enhance the growth potential and to tackle high unemployment, in particular among the youth and long-term unemployed.

Country specific recommendations: the Council welcomed the overall progress made in addressing the 2014-15 Country Specific and the euro area Recommendations.

Reform implementation has been uneven over policy areas and across countries and needs to be stepped up: further structural reforms in the services, product and labour markets and responsible fiscal policies are needed in all Member States to strengthen and sustain the economic recovery, correct harmful imbalances, achieve fiscal sustainability, improve the conditions for investment and reinforce the single market.

The Council stated that it is looking forward to the Commission's publication of the 2015-2016 Country Specific Recommendations in mid-May to ensure the necessary in-depth multilateral discussions before their adoption by the Ecofin council.

Country-specific recommendations should focus on areas of macroeconomic significance where there is an urgent need for action, in order to give these issues more visibility in the Member State's national political debate.