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Subject: Council conclusions on the 2024 in-depth reviews under
the Macroeconomic Imbalance Procedure
– Council conclusions (16 July 2024)

Delegations will find attached the Council conclusions on the 2024 in-depth reviews under the Macroeconomic Imbalance Procedure, approved by the Council at its 4042nd meeting held on 16 July 2024.

COUNCIL CONCLUSIONS ON THE 2024 IN-DEPTH REVIEWS
UNDER THE MACROECONOMIC IMBALANCE PROCEDURE

THE COUNCIL OF THE EUROPEAN UNION:

1. NOTES that after the slowdown in 2023, the EU's economic growth is set to increase gradually, albeit at an uneven pace across Member States. HIGHLIGHTS the strong employment and growth in real wages in the EU, as inflationary pressures have declined, driven by the fall in energy prices. RECALLS the tightening of financial conditions over the past two years and NOTES the gradual improvement of credit conditions. HIGHLIGHTS the continued high uncertainty regarding the global outlook in the context of Russia's continued war of aggression against Ukraine, the dramatic situation in the Middle East and the increasing geopolitical tensions that make global trade and energy markets prone to shocks, despite progress made in achieving energy security and resilience within the EU.
2. In this context, UNDERLINES the importance of close monitoring and relevant policy action for addressing macroeconomic vulnerabilities. CONSIDERS that the 2024 in-depth reviews present a high quality and comprehensive analysis of the situation in each Member State under review. WELCOMES the early publication of the Commission analysis of the 2024 in-depth reviews under the Macroeconomic Imbalance Procedure.
3. HIGHLIGHTS that cost and price competitiveness pressures are easing, with divergent dynamics across Member States. NOTES the risk of longer lasting strong wage and corporate profit pressures that are not rooted in increased productivity. CALLS for swift policy action, including improving functioning of the markets, for avoiding competitiveness losses and to boost productivity growth.
4. RECOGNISES that current accounts strengthened with lower energy prices, but large current account deficits remain. NOTES that large current account surpluses in some Member States persist, potentially with cross-border relevance.

5. ACKNOWLEDGES that most of the negative net international investment positions improved further in 2023. RECOGNISES that lower nominal GDP growth and the persistence of large external borrowing needs may hinder the further improvement of the net international investment positions in some Member States.
6. TAKES NOTE that house prices have moderated or fallen in some Member States, leading to a reduction in the overvaluation of the housing markets. NOTES that at the same time, in a few other Member States house prices continued growing strongly. RECOGNISES that persistent tight financing conditions are likely to dampen demand and prices.
7. NOTES that long-standing imbalances related to high public, private and external debts have declined in several Member States. NOTES that high interest rates require proper monitoring in terms of their effects on public finances, where public debt ratios are high, exacerbated by a slowdown in potential growth, ageing population and global uncertainty weighing on the economic outlook. AGREES that strengthening potential economic growth, including by effectively implementing structural reforms, including as part of the recovery and resilience plans, as well as by effectively applying the reformed economic governance framework, should support debt deleveraging over the medium term.
8. UNDERLINES that the banking sector has remained resilient and NOTES that the increased profitability of banks has helped further strengthen their capital ratios. HIGHLIGHTS that non-performing loans continued to fall. NOTES that sustained vigilance is needed to ensure continued macro-financial stability.

9. **UNDERLINES** the central importance of the Macroeconomic Imbalance Procedure within the European Semester. **NOTES** that Regulation (EU) No 1176/2011 remains unchanged, focusing on (a) internal imbalances, including those that can arise from public and private indebtedness; financial and asset market developments, including housing; the evolution of private sector credit flow; and the evolution of unemployment; (b) external imbalances, including those that can arise from the evolution of current account and net investment positions of Member States; real effective exchange rates; export market shares; changes in price and cost developments; and non-price competitiveness, taking into account the different components of productivity. **NOTES** that overall, the Commission has applied relevant analytical tools, complemented by substantive qualitative analysis, in view of the specific challenges of each economy. **WELCOMES** the increased importance of forward-looking analysis and the assessment of relevant policies, also taking into account the gravity of imbalances. **CALLS** for further enhancing the EU and euro area dimension of the Procedure. **UNDERLINES** the continued high relevance of the assessment of cross-country spillover effects.
10. **CALLS** for continued implementation of the Macroeconomic Imbalance Procedure and conducting comprehensive analysis of existing and potential macroeconomic imbalances. **NOTES** the Commission's clarification of the respective roles of the Macroeconomic Imbalance Procedure and the Stability and Growth Pact that where risks are solely fiscal, the Stability and Growth Pact should be regarded as the appropriate vehicle for surveillance, but where, in addition to fiscal risks, there are wider macroeconomic risks, the Macroeconomic Imbalance Procedure remains the appropriate tool to complement surveillance under the Stability and Growth Pact. **UNDERLINES** the need for ensuring a common understanding of the approach to the assessment and classification of the imbalances and **HIGHLIGHTS** the importance of transparency and dialogue when assessing imbalances.

11. TAKES NOTE that France, Portugal and Spain are no longer experiencing imbalances in the context of the Macroeconomic Imbalance Procedure. RECOGNISES that in France, policy action has helped in reducing vulnerabilities related to competitiveness and low productivity growth. ACKNOWLEDGES that policy efforts need to continue, while vulnerabilities related to high public debt remain and will continue to be monitored under the revised EU economic governance framework. RECOGNISES that Portugal has made significant progress in reducing vulnerabilities related to high private, government and external debt, which are expected to continue to recede. UNDERLINES that Spain has made significant progress in reducing vulnerabilities, related to high private and external debt, and there have been reductions in government debt.
12. TAKES NOTE that Slovakia is experiencing imbalances. NOTES that in Slovakia, despite some recent improvements, the vulnerabilities related to cost competitiveness, external balance, housing market and household debt persist, requiring further policy action.
13. TAKES NOTE that Cyprus, Germany, Hungary, the Netherlands and Sweden continue to experience imbalances.
14. TAKES NOTE that Greece and Italy experience imbalances after being identified with excessive imbalances in 2023. RECOGNISES that in Greece, vulnerabilities related to high government debt and high non-performing loans in the context of high unemployment remain relevant but have receded markedly and are expected to recede further, but the external position remains weak. ACKNOWLEDGES that vulnerabilities related to high government debt and weak productivity growth in Italy, in a context of labour market fragilities and some residual weaknesses in the financial sector, which have cross-border relevance, remain. RECOGNISES the role of policies in tackling the vulnerabilities, including actions under the recovery and resilience plans.

15. TAKES NOTE that Romania is experiencing excessive imbalances, while it was identified with imbalances in 2023. NOTES that in Romania, vulnerabilities related to external accounts, mainly linked to large and increasing government deficits, decreased last year but still remain, while significant price and cost pressures have increased, and policy action has been insufficient.
16. CALLS for the full application of the Macroeconomic Imbalance Procedure, including the activation of the Excessive Imbalance Procedure, where appropriate. UNDERLINES the importance of swift and continued policy action for addressing macroeconomic imbalances, including in the context of the implementation of the Recovery and Resilience Facility and country-specific recommendations under the European Semester. STRESSES the importance of a strong and clear link between the identified macroeconomic imbalances and the country-specific recommendations.
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