



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 8 November 2011

**15781/2/11
REV 2**

**ECOFIN 696
UEM 300**

REVISED NOTE

From: General Secretariat of the Council
To: Delegations
Subject: An early warning scoreboard for the surveillance for macroeconomic imbalances
- Council conclusions

Delegations will find annexed the Council conclusions on an early warning scoreboard for the surveillance for macroeconomic imbalances as approved by the Council (Ecofin) on 8 November 2011.

An early warning scoreboard for the surveillance of macroeconomic imbalances

- Council Conclusions –

1. Following the agreement reached between the Council and the European Parliament on the legislative package to reinforce economic governance in the EU, the Council REAFFIRMS its readiness to fully and swiftly implement the new framework, including the new procedure for the surveillance and correction of macroeconomic imbalances and its enforcement mechanism under the Excessive Imbalances Procedure (EIP). The Council therefore CALLS UPON the Commission to implement the new legislation as soon as it enters into force.
2. The scoreboard, combined with appropriate economic judgement, will form the basis for the Commission's first Alert Mechanism Report. The Council CALLS UPON the Commission to publish the Alert Mechanism Report in time for the start of the next European Semester. Furthermore, the Council EMPHASISES the importance of aligning and integrating the new procedure for the surveillance of macroeconomic imbalances with the forthcoming European Semester.
3. Against this background, the Council ENDORSES the suggestion made by the Commission on the design of the initial scoreboard, covering the following indicators for the identification and monitoring of external and internal macroeconomic imbalances: current account balance, net international investment position, export market shares, nominal unit labour costs, real effective exchange rates, the evolution of unemployment, private sector debt, private sector credit flow, house prices, and the general government sector debt. The choice of indicators focuses on the most relevant dimensions of macroeconomic imbalances and competitiveness developments, with a particular focus on the smooth functioning of the euro area.

4. The Council TAKES NOTE of the declaration of the Commission regarding the data sources and statistical transformations it intends to use, and its declaration that unlike current account deficits, large and sustained current account surpluses do not raise concerns about the sustainability of external debt or financing capacity that affect the smooth functioning of the euro area, which are key criteria for triggering the corrective arm of the EIP, and that they will not lead to sanctions. The Council INVITES the Commission to take account of the latest data available and to be fully transparent on which data is used.
5. Whereas the sustainability of public finances is assessed under the Stability and Growth Pact, the Council WELCOMES the Commission's intention under the Excessive Imbalances Procedure to consider general government sector debt solely to assess its specific contribution to problematic macroeconomic imbalances.
6. The Council WELCOMES the intention of the Commission to read the unemployment indicator in conjunction with other more forward-looking scoreboard indicators and be used to better understand the potential severity of macroeconomic imbalances in terms of their likely persistence and the capacity of the economy to adjust.
7. In addition to the indicators reflected in the Commission proposal, the Council UNDERLINES the need for additional indicators that the Commission should take into account when undertaking its economic reading of the scoreboard, including indicators looking at developments of the different components of productivity as well as financial sector indicators. The Commission should in particular take account of the net external debt as well as the share and composition of foreign direct investment and developments of the capital account in Member States as important additional information in the economic reading of the scoreboard and should ensure that structural features of catching-up economies and the EU transfers are appropriately taken into account.
8. Any assessment drawn on the basis of the scoreboard should consider all relevant factors, including country-specific circumstances. In this respect, the Council RECALLS that the crossing of one or more indicative thresholds need not necessarily lead to further steps in the Excessive Imbalances Procedure. Economic judgement should always be provided alongside the publication of the scoreboard and should ensure that all pieces of information, whether from the scoreboard or not, are put in perspective and become part of a comprehensive analysis.

9. The Council INVITES the Commission to assess the appropriateness of the scoreboard on a regular basis and report back on this assessment to the Council. The Council moreover CALLS ON the Commission to update the indicators and thresholds when necessary so as to take due account of enhanced availability of relevant statistics, the evolving nature of the challenges to macroeconomic stability and also developments in the economic literature. The Commission should closely cooperate with the Council and its relevant committees when adjusting the scoreboard. The Commission is also requested to present, before the end of 2012 and in line with the Regulation, suggestions on an indicator related to the financial sector, with a view to its inclusion for the 2013 European Semester.

10. The Council UNDERLINES the importance for the credibility of the Excessive Imbalances Procedure of having timely statistics of the highest quality for inclusion in the scoreboard and INVITES the Commission (Eurostat) to take all necessary initiatives to assure a reliable procedure for the compilation of these statistics as well as a continuous improvement of the underlying statistical information. The Council INVITES the European Statistical System and the European System of Central Banks to work together on improving the underlying statistics and to ensure their comparability.

11. The Council UNDERLINES the important communication role of the scoreboard, as the choice of indicators sends a clear awareness-raising message to policy makers and stakeholders on the types of macroeconomic developments which could potentially be a source of concern and where there is thus a need for enhanced surveillance.