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From:	General Secretariat of the Council
To:	Delegations
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Subject:	Alert Mechanism Report 2024 – Council conclusions (16 January 2024)

Delegations will find attached the Council conclusions on the Alert Mechanism Report 2024, approved by the Economic and Financial Affairs Council held on 16 January 2024.

ALERT MECHANISM REPORT 2024

– Council Conclusions –

The Council of the European Union:

1. HIGHLIGHTS that the EU economy remains resilient despite the slowdown in 2023. NOTES that higher energy prices and rising inflation reduced purchasing power, and the tighter financing conditions that followed weighed on confidence and demand, while global trade has been subdued. RECOGNISES that the recent fall in inflation, together with rising wages in most Member States and a continued strong labour market should help support purchasing power, leading to an expansion of consumption. STRESSES that uncertainty remains high, including related to geopolitical tensions, the extent and speed of normalisation of inflation rates, the evolution of financing conditions, and the state of global demand, with possible effects on macroeconomic imbalances.

2. UNDERLINES the importance of the continued implementation of the Macroeconomic Imbalance Procedure in early detecting, preventing and correcting imbalances that hinder the proper functioning of Member States economies, the Economic and Monetary Union, or the European Union economy as a whole. WELCOMES the Alert Mechanism Report 2024, which initiates the thirteenth annual round of implementation of the Macroeconomic Imbalance Procedure.

3. BROADLY AGREES with the assessment of the Alert Mechanism Report regarding the evolution of macroeconomic imbalances and emerging risks. NOTES that current account balances of almost all Member States declined significantly in 2022, primarily due to soaring energy prices, followed by an increase in most Member States in the course of 2023, driven by recovering trade balances, with some Member States still recording large surpluses and deficits. The euro area current account fell significantly in 2022 too but has recovered to a surplus in the course of 2023. RECOGNISES that the large net external stock positions generally narrowed in nearly all Member States but remained substantial.

4. NOTES that continued inflation differentials among Member States could pose challenges for competitiveness, which have remained limited so far. ACKNOWLEDGES that nominal unit labour costs have increased markedly across the EU, in a context of historically high labour market participation and low unemployment, along with high inflation. RECOGNISES that energy and commodity price effects have dampened export market shares and that nominal effective exchange rates are appreciating in most Member States, following the depreciation in 2022. NOTES that some Member States have been experiencing strong real appreciations, driven by higher inflation than in trading partner countries.

5. HIGHLIGHTS that the high private and public sector debt ratios continue to decline in most Member States. RECOGNISES that pandemic support packages and measures to mitigate higher energy prices weigh on public debt ratios, which remain higher than pre-COVID-19 crisis in most Member States. NOTES that corporate debt stocks remain sizeable and above pre-pandemic levels in many Member States, representing a risk factor. ACKNOWLEGES the increasing interest burden and potential implications of tighter financing conditions on high debt. HIGHLIGHTS that household savings remain mostly above the pre-pandemic level. TAKES NOTE of the moderation in house price growth, with a decline in prices despite remaining elevated in several Member States, with possible spillovers to other sectors. NOTES that the banking sector remains well capitalised, with sufficient liquidity, and with a low and stable level of non-performing loans.

6. WELCOMES the high-quality analysis in the Alert Mechanism Report. ACKNOWLEDGES the forward-looking assessment of a possible evolution of risks, the importance of analysing stock indicators, and the increased visibility of the EU and euro area dimensions in the report. TAKES NOTE of the Commission's intention to conduct in-depth reviews for 11 Member States that were found experiencing imbalances or excessive imbalances in May 2023, and for one additional Member State with possible emerging imbalances. NOTES that the report identifies four other Member States that merit attention regarding some developments, despite not being affected or at risk of being affected by imbalances.

7. CALLS for the efficient implementation and better integration of the Macroeconomic Imbalance Procedure in the economic governance framework, currently under revision. WELCOMES the ongoing regular review of the scoreboard of the Macroeconomic Imbalance Procedure. STRESSES the need for close monitoring of existing and potentially emerging imbalances, and timely policy response, including implementing relevant reforms as recommended in the country-specific recommendations in the context of the European Semester, and as included in recovery and resilience plans.

8. HIGHLIGHTS that preventing and correcting macroeconomic imbalances enhances Member States' ability to respond to shocks and supports economic convergence. UNDERLINES that the reduction of all imbalances contributes to the overall resilience of the EU economy and can yield positive spillovers across the euro area and the EU.