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From:	General Secretariat of the Council
To:	Permanent Representative Committee 2
Subject:	Council conclusions on the European Semester 2020 country reports, including in-depth reviews and the implementation of the 2019 country-specific recommendations

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Delegations will find in annex the draft Council conclusions on the European Semester 2020 country reports, including in-depth reviews and the implementation of the 2019 country-specific recommendations, endorsed by the Economic and Financial Committee on 7 May 2020.

**Council conclusions on the European Semester 2020 country reports, including in-depth reviews  
and  
the implementation of the 2019 country-specific recommendations**

**Draft (post-EFC)**

The Council (ECOFIN):

1. RECOGNISES that for tackling unprecedented severe socio-economic consequences of the COVID-19 pandemic, a coordinated and comprehensive response to the pandemic is crucial to prepare the ground for the recovery across the Union. STRESSES the need for making full use of the flexibility of the EU economic policy coordination framework, as strengthened in the light of the previous global economic and financial crisis.
2. CALLS for swift and targeted coordinated policy action for rapidly overcoming the economic crisis and building a basis for sustainable and inclusive growth. UNDERLINES that next to immediate measures for minimising the loss of life and reducing economic damages, it remains crucial to address structural challenges and vulnerabilities in order to sustain the recovery from the crisis. Reform efforts and high-quality investment are key to this end, in particular to strengthen economic resilience and facilitate the transition to a sustainable, digitalised and carbon neutral economy and respond to the challenges of population ageing. The European Semester provides the framework for continued economic policy coordination in the EU, as well as for identification of new emerging challenges.

3. In this context, WELCOMES the Commission's publication of the European Semester 2020 country reports that analyse the economic policies and the progress in the implementation of the 2019 country-specific recommendations and includes in-depth reviews in the context of the Macroeconomic Imbalance Procedure. TAKES NOTE of the accompanying Communication containing the Commission conclusions regarding the identification and the severity of macroeconomic imbalances. RECALLS that the Commission package was adopted prior to the COVID-19 crisis.
4. RECALLS that the multiannual assessment by the Commission illustrates that a number of country-specific recommendations relate to long-term structural issues that take time to be addressed and that tangible results take time to materialise. Nevertheless, NOTES that the overall implementation rate of the 2019 country-specific recommendations remained low, despite a rather favourable economic environment over the last years. Reform implementation continued to vary across policy areas and countries and has been strong in financial services and active labour market policies. Progress has remained slow in addressing competition in services and with regard to the long-term sustainability of public finances.

#### **MACROECONOMIC IMBALANCE PROCEDURE: IN-DEPTH REVIEWS**

5. CONSIDERS that the in-depth reviews present a high-quality and comprehensive analysis of the country situation in each Member State under review. ACKNOWLEDGES that relevant analytical tools, complemented by substantive qualitative analysis, have been applied in view of the specific challenges of each economy. RECOGNISES that the in-depth reviews provide an assessment of the situation before the outbreak of the COVID-19 pandemic and the subsequent economic downturn. STRESSES that the evolution of these imbalances should be monitored against the background of the COVID-19 pandemic.

6. AGREES that 12 Member States analysed in the in-depth reviews (Croatia, Cyprus, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Romania, Spain, and Sweden) are experiencing macroeconomic imbalances of various nature and degree of severity under the Macroeconomic Imbalance Procedure.
7. AGREES that excessive imbalances exist in three Member States (Cyprus, Greece and Italy).
8. AGREES that Bulgaria experiences no imbalances under the Macroeconomic Imbalance Procedure. It remains necessary to monitor continuously the full implementation of recently agreed reforms, notably the implementation of Bulgaria's roadmap to reinforce the insolvency framework and the development of non-performing loans.
9. NOTES that the 2020 in-depth reviews indicate some correction of macroeconomic imbalances in most Member States analysed prior to the COVID-19 pandemic, benefitting from economic growth and Member States' policy efforts. The in-depth reviews, despite favourable economic developments prior to the COVID-19 pandemic, also highlight persisting imbalances in some Member States, notably high levels of private, public, and external debt. At the same time high current account surpluses persist in some other Member States, albeit they have narrowed. STRESSES the importance of restoring economic activity and safeguarding sound economic fundamentals going forward, which enhance the resilience of an economy at the face of a crisis such as the current one and support the recovery.

10. HIGHLIGHTS the role of the Macroeconomic Imbalance Procedure for detecting, preventing and correcting macroeconomic imbalances and thereby strengthening economic resilience, and the importance of maintaining a regular review of developments, including in the framework of specific monitoring.
11. REITERATES that the Macroeconomic Imbalance Procedure should be used to its full potential and in a transparent and consistent way, ensuring Member States' ownership of the procedure, including the activation of the excessive imbalance procedure where appropriate. MAINTAINS that whenever the Commission concludes that a Member State is experiencing excessive imbalances, but does not propose to the Council the opening of the excessive imbalance procedure, it should explain clearly and publicly its reasons. RECALLS that the Council will discuss Macroeconomic Imbalance Procedure as part of the review of the economic governance legislation.