Council of the
European Union

Brussels, 3 May 2019
(OR. en)

9021/19

ECOFIN 468
UEM 139
SOC 346
EMPL 260

NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee (part 2)/Council
Subject:	Draft Ecofin Council conclusions on In-depth reviews and implementation of the 2018 Country Specific Recommendations

Delegations will find attached the draft Council conclusions on In-depth reviews and implementation of the 2018 Country Specific Recommendations, as endorsed by the EFC on 2 May 2019.

Draft Ecofin Council conclusions on In-depth reviews and implementation of the 2018 Country Specific Recommendations

The Council (ECOFIN):

1. WELCOMES the publication of the Commission's country reports, including the in-depth reviews (IDRs) in the context of the Macroeconomic Imbalances Procedure (MIP), which analyses the economic policies for each Member State and monitors progress of the implementation of the 2018 country specific recommendations (CSRs). Also WELCOMES the accompanying Communication containing the Commission conclusions regarding the identification and the severity of imbalances.

2. WILL take account of these elements, as well as the Council conclusions of 22 January 2019 on the Annual Growth Survey and Alert Mechanism Report, the National Reform Programmes, the Stability and Convergence Programmes and the Council recommendation on the economic policy for the euro area, when adopting the 2019 Country Specific Recommendations.

I - IN-DEPTH REVIEWS

3. CONSIDERS that the IDRs present a high-quality and comprehensive analysis of the country situation in each Member State under review. RECOGNISES that relevant analytical tools, complemented by substantive qualitative analysis, have been applied in view of the specific challenges of each economy.

4. AGREES that all 13 Member States analysed in the IDRs (Bulgaria, 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 MIP.

5. AGREES with the view of the Commission that excessive imbalances exist in three Member States (Cyprus, Greece and Italy).

6. TAKES NOTE of the Commission's intention to continue reviewing developments and policy measures taken by all Member States with imbalances or excessive imbalances in the framework of specific monitoring.

7. REITERATES that the MIP 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 found appropriate by the Commission and the Council. 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 clearly and publicly explain its reasons.

8. WELCOMES that the correction of macroeconomic imbalances in the EU has been progressing thanks to GDP growth and Member States' policy efforts. UNDERLINES that vulnerabilities persist in certain Member States, especially where linked to persisting stock imbalances, in particular private and government debt imbalances remain at historically high levels and their correction is not proceeding fast enough. STRESSES that these high debt levels reduce the room for absorbing future negative economic shocks. HIGHLIGHTS the need to continue to monitor developments where signs of possible unsustainable trends are present, particularly where linked to rapid house price growth and fast-growing unit labour costs.

9. NOTES that much progress has been achieved among most net debtor countries in correcting their current account deficits, but large stocks of external debt remain a vulnerability in a number of Member States. Simultaneously, NOTES that other Member States exhibit instead large current account surpluses, which have remained persistent with onlymodest signs of reduction. REITERATES that Member States with current account deficits or high external debt should additionally seek to improve their competitiveness and prevent excessive growth in unit labour costs. Member States with large current account surpluses should further strengthen the conditions to promote wage growth, while respecting the role of social partners, and continue to implement as a priority measures that foster investment, support domestic demand and growth potential, thereby also facilitating the rebalancing.

10. UNDERLINES the need for policy action and strong commitment to structural reforms to reduce imbalances in all Member States, including when they face macroeconomic imbalances affecting the smooth functioning of EMU. Imbalances should be addressed in a durable manner which improves resilience and reduces risks, focusing on key challenges, and creating conditions for sustainable growth and jobs.

II – IMPLEMENTATION OF COUNTRY SPECIFIC RECOMMENDATIONS (CSRs)

11. RECALLS that the multiannual assessment by the Commission illustrates that a number of CSRs relate to long-term structural issues that take time to be addressed and that tangible results take time to materialise. WELCOMES the Commission`s multiannual assessment of CSR implementation that shows at least 'some progress' with regard to more than two-thirds of the recommendations since the start of the European Semester in 2011. NOTES that the overall implementation of the 2018 CSRs is far from complete and that reform implementation continues to vary across policy areas and countries. STRESSES that further reform progress requires continued focus and strong national ownership.

12. STRESSES that in view of the mounting global risks and slower growth, stronger reform implementation is crucial. Fiscal policy should be pursued in full respect of the Stability and Growth Pact, with an appropriate differentiation of fiscal efforts across Member States, thereby taking into account stabilisation needs and sustainability concerns. In this context STRESSES the need to guard against backtracking on important structural reforms. REAFFIRMS that Europe continues to face a productivity challenge, with productivity growth subdued and lagging behind the growth rates of other advanced economies. In this context REAFFIRMS the importance of structural reforms and investment, including in high quality education and training to foster innovation, digitalisation and facilitate the diffusion of new technologies to boost productivity and jobs.

13. TAKES NOTE of the enhanced focus on investment needs in the 2019 vintage of the Country Reports and that the Commission intends that the 2019 Country Specific Recommendations will have a stronger focus addressing investment needs. WELCOMES that some progress has been made by Member States in the areas of improving the business environment, improving access to finance, especially for small and medium sized enterprises, reducing administrative burdens and in creating fair and growth-friendly tax systems, while noticing that progress has been insufficient in addressing bottlenecks to investment and increase growth potential. REITERATES that further structural reforms should be prioritised to remove bottlenecks to investment, increase growth potential, further improve the institutional and business environment, and strengthen both administrative efficiency and regulatory quality. NOTES the need to reinforce the single market thus fostering further structural reforms in the product and services markets and to reform insolvency frameworks, thereby increasing their efficiency. This would also help improve resilience and enable the economies to deal with shocks.

14. WELCOMES the continued improvement in the situation within the banking sector and that NPL ratios have stabilised in nearly all more affected euro-area Member States or are on a declining trend, but STRESSES that progress remains uneven across Member States and banks, which requires in some cases further action in line with the Council Action Plan. Also STRESSES the need to continue safeguarding financial stability and preserving the independence of monetary policy.

15. WELCOMES the continued improvement in labour markets, but NOTES that important challenges remain. In some Member States unemployment remains high and inequality stands above pre-crisis levels. Further efforts to reduce youth and long-term unemployment, and to increase women's labour force participation, are needed. Labour markets and social and education systems need also to adapt to face the challenges of globalisation, technological progress, and to cope with demographic change. In this context, EMPHASISES the need for wage bargaining frameworks that support wage setting in line with local and sectoral developments of productivity and unemployment, while respecting the national role of social partners, as well as the need for policy action to ensure that labour market institutions allow necessary adjustment, to support up- and re-skilling, and to ensure effective active labour market policies.

16. WELCOMES how the Commisssion has incorporated the European Pillar of Social Rights within the country reports to keep track of employment and social performances, which allowed for the focus on macroeconomic imbalances and the main economic reform priorities to be maintained.