



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from: General Secretariat of the Council
to: COREPER/COUNCIL
Subject: Alert Mechanism Report 2013

Delegations will find attached the draft Council conclusions on the Alert Mechanism Report 2013, as prepared by the Economic and Financial Committee.

Encl.:

Alert Mechanism Report 2013**- Council Conclusions –*****Draft after EFC 31 January***

The Council (ECOFIN):

1. WELCOMES the Commission's second Alert Mechanism Report providing the starting point of the macroeconomic imbalances procedure in the context of the 2013 European Semester. Many EU economies continue to face large challenges to correct the external and internal imbalances accumulated in the pre-crisis period, including high public and private debt levels, divergences in competitiveness and financial imbalances. TAKES NOTE of the initial economic screening presented by the Commission in the Alert Mechanism Report, leading to an identification of 14 Member States warranting further analysis in in-depth reviews, on the basis of which any imbalances and their severity may be identified; while there are positive signs that rebalancing in both the EU and within the euro area is progressing, mainly in the Member States with the largest imbalances, and supported by gains in competitiveness and significant structural reforms, RECOGNISES the need to further analyse the developments in the Member States already covered by a review in 2012 to assess the persistence of imbalances, the risks involved and progress in unwinding those imbalances taking in to account the implementation of policies followed and previously recommended measures. While programme countries are not assessed in the Commission's report as they are subject to specific enhanced surveillance, UNDERLINES the need for sustaining, as part of their adjustment programmes, the good progress achieved so far with reforms aimed at correcting the significant imbalances. WELCOMES that significant structural reforms have been implemented in the Member States with the largest imbalances, leading to gains in competitiveness in these countries, and contributing to the rebalancing in the EU and within the euro area.

2. WELCOMES the inclusion of a new financial sector indicator to the scoreboard, as requested by the Council on 8 November 2011 and CONSIDERS that the current set of scoreboard indicators broadly focuses on the most relevant dimensions of macroeconomic imbalances and competitiveness developments. EMPHASISES the need to ensure stability, continuity and consistency of the scoreboard, while recalling the invitation to the Commission to assess the appropriateness of the scoreboard on a regular basis and report back on this assessment to the Council. When necessary, the Commission should, in close co-operation with Member States, update the indicators and thresholds 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. UNDERLINES the need for continuing the work by the Commission and the Economic Policy Committee with a view to further improve and develop analytical tools and frameworks for assessing developments and drivers behind the building up and unwinding of imbalances, including the role played by catching up effects, and supporting overall transparency of the Macroeconomic Imbalances Procedure.

3. EMPHASISES that the in-depth reviews should encompass a thorough examination of sources of imbalances in the Member State under review, taking due account of analysis already undertaken, country specific economic conditions and of a wide set of analytical tools, the most up-to-date indicators and qualitative information of country specific nature, so that the driving forces behind the observed developments are examined in detail and consistently; INVITES the Member States and the Commission to cooperate and to provide and exchange all relevant and most recent information.

4. WELCOMES the intentions of the Commission to publish the in-depth reviews in March, which will facilitate a multilateral discussion of the findings; INVITES the Commission to present the evidence underpinning the analysis with a view to also ensure a clear link between the Macroeconomic Imbalances Procedure and the forthcoming proposals for country-specific recommendations in the context of European Semester. To ensure the focus and full effectiveness of the procedure, UNDERLINES the need to concentrate on addressing key challenges, particularly the loss of competitiveness, while clearly distinguishing between Member States with different challenges and different urgencies to address them.

5. Finally, INVITES Member States to address in an ambitious and concrete manner in their upcoming National Reform Programmes and Stability or Convergence Programmes the issues identified in the framework of the macroeconomic imbalances procedure.
