**COUNCIL OF
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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	In-depth reviews 2014 - Draft Council Conclusions -

Delegations will find attached draft Council conclusions on in-depth reviews 2014, as prepared by the Economic and Financial Committee.

ANNEX

Council conclusions on in-depth reviews (IDRs) 2014

The Council

1. In the context of the Macroeconomic Imbalances Procedure (MIP), WELCOMES the publication by the Commission of the in-depth reviews (IDRs) for the 16 Member States identified in the 2014 Alert Mechanism Report as warranting further analysis, as well as for Ireland following the successful completion of the Irish economic adjustment programme,[1] and the accompanying Communication summarising the main results of the IDRs. EMPHASISES the need to effectively implement the MIP, including its corrective arm where necessary. RECALLS that excessive macroeconomic imbalances were among the factors contributing to the sovereign debt crisis in the euro area.

2. CONSIDERS that the IDRs are structured in an appropriate way and present a thorough analysis of the imbalances in each of the Member States under review, taking country-specific circumstances and qualitative information into account. Relevant analytical tools are also applied in view of the specific challenges of each economy, while there is scope for further enhancing the link between the analysis and the identified policy challenges.

[1] See Council Conclusions on Alert Mechanism Report 2014 adopted on 18 February 2014

3. AGREES that 14 of the examined Member States (Belgium, Bulgaria, Croatia, Germany, Ireland, Italy, Slovenia, Spain, France, Hungary, the Netherlands, Finland, Sweden and the UK) are experiencing macroeconomic imbalances of various natures and magnitudes.

4. AGREES with the view of the Commission that excessive imbalances exist in 3 Member States (Croatia, Italy and Slovenia), and AGREES to the Commission's intention of assessing recently adopted as well as the planned policy measures outlined in National Reform Programmes and Stability and Convergence Programmes of these Member States, with a view to determine whether the policy actions are adequate in view of the challenges and risks linked to the imbalances.

5. TAKES NOTE of the Commission intention to consider on the basis of this assessment whether further steps are needed under the corrective arm of the MIP.

6. AGREES that 3 of the examined Member States (Denmark, Luxembourg and Malta) do not experience macroeconomic imbalances in the sense of the MIP. The macroeconomic and macro-financial risks in these countries appear limited and contained, and policy challenges are not such that they need to be addressed in the context of the procedure.

7. AGREES to the finding that, since last year, strong policy implementation has contributed to reduce imbalances and macroeconomic risks in Spain, so that the imbalances are no longer considered excessive by the Commission, although large stocks of accumulated imbalances remain.

8. UNDERLINES the need for policy action and commitment to structural reform in all Member States faced with macroeconomic imbalances to address imbalances, especially those affecting the smooth functioning of the euro area, in a durable manner, reduce risks, facilitate the rebalancing of the EU economies and create conditions for sustainable growth and jobs; and INVITES the Commission to come forward with well-focused and consistent recommendations to the Member States addressing macroeconomic imbalances in the context of the European Semester.

9. WELCOMES the Commission's plans with regard to specific monitoring of the recommendations by the Council to the Member States with excessive imbalances (Croatia, Italy and Slovenia), which it may step up if deemed necessary. Specific monitoring will also apply to euro area Member States where imbalances require decisive policy action (Ireland, Spain and France), in line with the Council recommendation No. 5 to the euro area Member States, and INVITES the Commission to outline how such a monitoring will be implemented in practice, while noting that the monitoring for Ireland and Spain will rely on post programme surveillance to avoid duplication of effort.

10. UNDERLINES that, although still fragile and uneven, the economic recovery is gaining ground. Supported by policy measures, this recovery is coupled with progress towards the correction of macroeconomic imbalances, notably a reduction of current account deficits underpinned by an adjustment in labour costs and improved competitiveness, a gradual reduction in private debt levels and a stabilisation in housing markets. At the same time current account surpluses remain high in some countries. However, NOTES that both private and public debt stocks remain high in several countries, and together with large external liabilities implies continued substantial vulnerabilities. Important challenges also include a lack of competitiveness, the impact of the necessary deleveraging on medium term growth; the high levels of private and public debt, especially in the context of very low inflation; and the difficulties faced by viable businesses in accessing affordable credit. Continued policy actions to address these challenges are essential to support the recovery, increase growth potential and reduce the high levels of unemployment.

11. STRESSES the importance of reducing imbalances in the euro area, also considering the interdependence of the economies. While policy action has been undertaken by euro area Member States, challenges remain. Actions needed to address macroeconomic imbalances and strengthen competitiveness are particularly important in the euro area, and the responsibility for the good functioning of the euro area and for increasing growth and employment lies primarily with individual Member States but also collectively in the Eurogroup. In addition, the reform areas in this respect are covered by the European semester framework and remain of interest to the EU as a whole. While continuing fiscal consolidation, challenges include the need for strengthening investment with a view to increase growth in the longer term, and enhancing competitiveness and addressing bottlenecks to medium-term growth through structural reforms, including in surplus countries, which would contribute to rebalancing within the euro area and support aggregate demand.