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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	In-depth reviews 2015 Draft Ecofin Council conclusions

Delegations will find attached the draft Ecofin Council conclusions on in-depth reviews 2015, as prepared by the Economic and Financial Committee.

Draft Ecofin Council conclusions on in-depth reviews

The Council (ECOFIN):

1. WELCOMES the publication of the Commission's single integrated country reports analysing the economic policies for each of the Member States and the euro area, including the in-depth reviews (IDRs) in the context of the Macroeconomic Imbalances Procedure (MIP), as well as the accompanying Communication summarising the main results of the IDRs.

2. CONSIDERS that this way of streamlining of the European Semester has proven to be a useful first step to better examine and discuss the economic policies of Member States, thus allowing for improved transparency and feedback on the Commission's analysis. For the future, further enhancing ownership, as well as multilateral surveillance, aimed at strengthening the process will be needed.

I - IN-DEPTH REVIEWS

3. 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.

4. AGREES that 16 of the examined Member States which are identified in Alert Mechanism Report 2015 (Belgium, Bulgaria, Germany, Ireland, Spain, France, Croatia, Italy, Hungary, the Netherlands, Portugal, Romania, Slovenia, Finland, Sweden and the UK) are experiencing macroeconomic imbalances of various natures and magnitudes. CONSIDERS that enhanced transparency on the criteria for the categorisation of macroeconomic imbalances as well as greater stability and predictability of the procedure itself would be welcome. AGREES that, since last year, the imbalances in Slovenia should no longer be considered as excessive, although high corporate leverage and persistent financial sector fragilities continue to warrant specific monitoring. This is based on the fact that decisive policy actions have been taken on the restructuring of the banking system. Furthermore, improved export performance and growth conditions have reduced risks compared to last year, in particular those linked to the external sustainability.

5. AGREES with the view of the Commission that excessive imbalances exist in 5 Member States (Bulgaria, France, Croatia, Italy, and Portugal), and the Commission's intention to consider in May the policy measures of France and Croatia, taking into account the level of ambition of the National Reform Programme and other commitments presented by that date, and to decide whether further steps are needed under the corrective arm of the MIP.

6. UNDERLINES the need for policy action and strong commitment to structural reforms in all Member States, in particular when they face macroeconomic imbalances, especially if affecting the smooth functioning of EMU. Imbalances should be addressed in a durable manner, reducing risks, facilitating the rebalancing of the EU economies and creating 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.

7. WELCOMES the Commission's plans with regard to specific monitoring of the recommendations by the Council to the Member States with excessive imbalances (Bulgaria France, Croatia, Italy and Portugal). Specific monitoring will also apply to a number of euro area Member States with imbalances requiring decisive policy action (Ireland, Spain and Slovenia), and INVITES the Commission to outline the concrete timing and content of such monitoring. In line with established practice, the monitoring for Ireland, Spain and Portugal will rely on post programme surveillance to avoid duplication.

8. RECOGNISES that a number of macro-economic imbalances are being corrected, but UNDERLINES that there are still sizeable risks in certain Member States. In particular, large external liabilities make debtor countries vulnerable, and improvements in current account are not always sufficient to diminish the stock of external debt. Although losses in price competitiveness compared to pre-crisis levels have been partly corrected in a number of debtor countries, strengthening export growth through further structural efforts remains a priority in order to achieve a sustainable and growth-friendly rebalancing. At the same time, current account surpluses remain high in some Member States: these reflect to some extent weak domestic demand, which can be partially linked to low levels of private and public sector investment. In addition, UNDERLINES that high levels of private and government debt remain an important challenge in some countries, also in the context of low inflation and moderate growth rates. Structural reforms are needed to enhance the growth potential and to tackle high unenemployment, in particular among the youth and long-term unemployed.

II – IMPLEMENTATION OF COUNTRY SPECIFIC RECOMMENDATIONS

9. WELCOMES the overall progress made in addressing the 2014-15 Country Specific and the euro area Recommendations. TAKES note that reform implementation has been uneven over policy areas and across countries and AGREES that reform implementation needs to be stepped up to address the individual policy challenges confronting each Member States and to ensure swift and sustainable economic recovery.

10. RECOGNISES that further structural reforms in the services, product and labour markets and responsible fiscal policies are needed in all Member States to strengthen and sustain the economic recovery, correct harmful imbalances, achieve fiscal sustainability, improve the conditions for investment and reinforce the single market, unleashing the growth potential of Member States' economies.

11. LOOKS FORWARD to the Commission's publication of the 2015-16 Country Specific Recommendations in mid-May to ensure the necessary in-depth multilateral discussions before their adoption by the Ecofin council. INVITES the Commission to take into account the discussion on Country Reports as well as the National Reform Programmes when drafting the country-specific recommendations 2015.

12. STRESSES that country-specific recommendations should focus on areas of macroeconomic significance where there is an urgent need for action, in order to give these issues more visibility in the Member State’s national political debate. At the same time, common challenges for the euro area and the EU as a whole will continue to be identified and monitored. CONSIDERS it important to continue to ensure a sound and transparent analytical basis for the CSRs, safeguarding equal treatment through consistency over time and across countries.