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**NOTE**

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From: General Secretariat of the Council  
To: Delegations

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Subject: Draft Council conclusions on the 2021 in-depth reviews under the  
Macroeconomic Imbalance Procedure

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Delegations will find attached the draft Council conclusions on the 2021 in-depth reviews under the Macroeconomic Imbalance Procedure, as endorsed by the EFC on 1 July 2021.

# Draft Council conclusions on the 2021 in-depth reviews under the Macroeconomic Imbalance Procedure

The Council (ECOFIN):

1. RECALLS that in 2020, the EU suffered from a severe economic downturn and unprecedented socio-economic consequences of the COVID-19 pandemic. Since spring 2021, the economic activity is picking up, as containment measures are gradually relaxed and vaccination is progressing, while uncertainty remains elevated.
2. STRESSES the importance of the continued close EU economic policy coordination, including detecting, preventing and correcting macroeconomic imbalances that hinder the proper functioning of Member State economies, the Economic and Monetary Union or the European Union economy as a whole. WELCOMES the publication of the 2021 in-depth reviews in the context of the Macroeconomic Imbalance Procedure.
3. SHARES the Commission's assessment that the COVID-19 crisis has not fundamentally altered the nature of Member States' imbalances, while the crisis has implied a setback in the previously observed reduction of the imbalances and may increase the risks to macroeconomic stability. In response to the crisis, policy action over the past year has added to indebtedness, but it should support adjustment in the medium-term. The public debt increased considerably due to necessary public support measures to cushion the impact of the shock, adding to already high debt ratios in several Member States prior to the COVID 19 crisis. The private debt (notably of companies) has increased to address revenue shortfalls ensuing from lockdowns; possible repayment difficulties may lead to an increase of non-performing loans, once the support measures are phased out. Current account deficits have remained broadly stable, except for Member States that suffered most from falling foreign tourism; large current account surpluses persist in some Member States, potentially with cross-border relevance. House prices have remained elevated in some Member States with a higher risk of overvaluation. At the same time, moderating wage growth reduced cost competitiveness pressures during the COVID-19 crisis.

4. NOTES that it is still difficult to assess the full consequences of the crisis, including its structural effects. RECOGNISES that the COVID-19 crisis has strongly affected a wide range of sectors, global value chains and many EU regions. ACKNOWLEDGES the opportunities and challenges of the green and digital transitions, including possible related regional effects, which could affect macroeconomic imbalances. CALLS for close monitoring of existing and possible emerging new imbalances and distinguishing between cyclical and structural factors.
5. AGREES with the Commission confirmation that 12 Member States analysed in the in-depth reviews (Germany, France, Ireland, Spain, Greece, Croatia, Italy, Cyprus, the Netherlands, Portugal, Romania and Sweden) are experiencing macroeconomic imbalances of various nature and degree of severity under the Macroeconomic Imbalance Procedure. AGREES that excessive imbalances exist in three Member States (Greece, Italy and Cyprus).
6. 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. WELCOMES the increased importance of forward-looking analysis in the context of the current high uncertainties. UNDERLINES the continued high relevance of the assessment of cross-country spillover effects.
7. TAKES NOTE that the assessment in the in-depth reviews was completed before the finalisation of recovery and resilience plans. AGREES that a swift, thorough and effective implementation of the Recovery and Resilience Facility provides an opportunity to reduce existing macroeconomic imbalances, by supporting reforms and investments that address structural challenges as identified in country specific recommendations in the 2019 and 2020 cycles of the European Semester. STRESSES that the full, effective and timely implementation of recovery and resilience plans would enhance higher potential growth, increase economic resilience and support a marked economic recovery.

8. UNDERLINES that the Macroeconomic Imbalance Procedure is a central procedure within the European Semester. CALLS for continued implementation of the Macroeconomic Imbalance Procedure, in particular by maintaining a regular review of developments, including in the framework of specific monitoring, and examining potential and new emerging risks.
  
  9. 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. NOTES that under the present circumstances, the Commission has not deemed appropriate to launch the excessive imbalance procedure. 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 the Macroeconomic Imbalance Procedure as part of the review of the economic governance.
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