Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121(6) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Central Bank[(1)],

Having regard to the opinion of the European Economic and Social Committee[(2)],

Acting in accordance with the ordinary legislative procedure[(3)],

Whereas:

(1) The coordination of the economic policies of the Member States within the Union should be developed in the context of the broad economic policy guidelines and the employment guidelines, as provided for by the Treaty on the Functioning of the European Union (TFEU), and should entail compliance with the guiding principles of stable prices, sound and sustainable public finances and monetary conditions and a sustainable balance of payments.

(2) There is a need to draw lessons from the first decade of functioning of the economic and monetary union and, in particular, for improved economic governance in the Union built on stronger national ownership.

(3) Achieving and maintaining a dynamic internal market should be considered an element of the proper and smooth functioning of the economic and monetary union.

(4) The improved economic governance framework should rely on several interlinked and coherent policies for sustainable growth and jobs, in particular a Union strategy for growth and jobs, with particular focus on developing and strengthening the internal market, fostering international trade and competitiveness, a European Semester for strengthened coordination of economic and budgetary policies (European Semester), an effective framework for preventing and correcting excessive government deficits (the Stability and Growth Pact (SGP)), a robust framework for preventing and correcting macroeconomic imbalances, minimum requirements for national budgetary frameworks, and enhanced financial market regulation and supervision, including macroprudential supervision by the European Systemic Risk Board (ESRB).

(5) The strengthening of economic governance should include a closer and more timely involvement of the European Parliament and the national parliaments. While recognising that the counterparts of the European Parliament in the framework of the dialogue are the relevant institutions of the Union and their representatives, the competent committee of the European Parliament may offer an opportunity to participate in an exchange of views to a Member State which is the subject of a Council recommendation or decision in accordance with Article 7(2), Article 8(2) or Article 10(4) of this Regulation. The Member State's participation in such an exchange of views is voluntary.

(6) The Commission should have a stronger role in the enhanced surveillance procedure as regards assessments that are specific to each Member State, monitoring, on-site missions, recommendations and warnings.

(7) In particular, surveillance of the economic policies of the Member States should be broadened beyond budgetary surveillance to include a more detailed and formal framework to prevent excessive macroeconomic imbalances and to help the Member States affected to establish corrective plans before divergences become entrenched. Such broadening of the surveillance of economic policies should take place in parallel with a deepening of fiscal surveillance.

(8) To help correct such excessive macroeconomic imbalances, it is necessary to lay down a detailed procedure in legislation.

(9) It is appropriate to supplement the multilateral surveillance procedure referred to in paragraphs 3 and 4 of Article 121 TFEU with specific rules for the detection of macroeconomic imbalances, as well as the prevention and correction of excessive macroeconomic imbalances within the Union. It is essential that the procedure should be aligned with the annual multilateral surveillance cycle.

(10) That procedure should establish an alert mechanism for the early detection of emerging macroeconomic imbalances. It should be based on the use of an indicative and transparent ‘scoreboard’ comprising indicative thresholds, combined with economic judgement. This judgement should take into account, inter alia, nominal and real convergence inside and outside the euro area.

(11) In order to function efficiently as an element of the alert mechanism, the scoreboard should consist of a limited set of economic, financial and structural indicators relevant to the detection of macroeconomic imbalances, with corresponding indicative thresholds. The indicators and thresholds should be adjusted when necessary, in order to adapt to the changing nature of macroeconomic imbalances due, inter alia, to evolving threats to macroeconomic stability, and in order to take into account the enhanced availability of relevant statistics. The indicators should not be understood as goals for economic policy in themselves but as tools to take account of the evolving nature of the macroeconomic imbalances within the Union.

(12) The Commission should closely cooperate with the European Parliament and the Council when drawing up the scoreboard and the set of macroeconomic and macrofinancial indicators for Member States. The Commission should present

suggestions for comments to the competent committees of the European Parliament and of the Council on plans to establish and adjust the indicators and thresholds. The Commission should inform the European Parliament and the Council of any changes to the indicators and thresholds and explain its reasons for suggesting such changes.

(13) In developing the scoreboard, due consideration should also be given to catering for heterogeneous economic circumstances, including catching-up effects.

(14) The crossing of one or more indicative thresholds need not necessarily imply that macroeconomic imbalances are emerging, as economic policy-making should take into account interlinks between macroeconomic variables. Conclusions should not be drawn from an automatic reading of the scoreboard: economic judgement should ensure that all pieces of information, whether from the scoreboard or not, are put in perspective and become part of a comprehensive analysis.

(15) Based on the multilateral surveillance procedure and the alert mechanism, or in the event of unexpected, significant economic developments that require urgent analysis for the purpose of this Regulation, the Commission should identify the Member States to be subject to an in-depth review. The in-depth review should be undertaken without the presumption that an imbalance exists and should encompass a thorough analysis of sources of imbalances in the Member State under review, taking due account of country-specific economic conditions and circumstances and of a wider set of analytical tools, indicators and qualitative information of country-specific nature. When the Commission is undertaking the in-depth review, the Member State should cooperate to ensure that the information available to the Commission is as complete and correct as possible. Furthermore, the Commission should give due consideration to any other information which, in the opinion of the Member State concerned is relevant, and which the Member State has put forward to the Council and to the Commission.

(16) The in-depth review should be discussed within the Council, and within the Eurogroup for the Member States whose currency is the euro. The in-depth review should take into account, where appropriate, Council recommendations or invitations addressed to Member States under review adopted in accordance with Articles 121, 126 and 148 TFEU and under Articles 6, 7, 8 and 10 of this Regulation, and the policy intentions of the Member State under review, as reflected in its national reform programmes, as well as international best practices as regards indicators and methodologies. When the Commission decides to undertake an in-depth review in the event of significant and unexpected economic developments that require urgent analysis, it should inform the Member States concerned.

(17) When assessing macroeconomic imbalances, account should be taken of their severity and their potential negative economic and financial spill-over effects which aggravate the vulnerability of the Union economy and are a threat to the smooth functioning of the economic and monetary union. Actions to address macroeconomic imbalances and divergences in competitiveness are required in all Member States, particularly in the euro area. However, the nature, importance and urgency of the policy challenges may differ significantly depending on the Member States concerned. Given vulnerabilities and the magnitude of the adjustment required, the need for policy action is particularly

pressing in Member States showing persistently large current-account deficits and competitiveness losses. Furthermore, in Member States that accumulate large current-account surpluses, policies should aim to identify and implement measures that help strengthen their domestic demand and growth potential.

(18) The economic adjustment capacity and the track record of the Member State concerned as regards compliance with earlier recommendations issued under this Regulation and other recommendations issued under Article 121 TFEU as part of multilateral surveillance, in particular the broad guidelines for the economic policies of the Member States and of the Union, should also be considered.

(19) A procedure to monitor and correct adverse macroeconomic imbalances, with preventive and corrective elements, will require enhanced surveillance tools based on those used in the multilateral surveillance procedure. This could include enhanced surveillance missions to Member States by the Commission, in liaison with the European Central Bank (ECB) for Member States whose currency is the euro or Member States participating in the Agreement of 16 March 2006 between the European Central Bank and the national central banks of the Member States outside the euro area laying down the operating procedures for an exchange rate mechanism in stage three of Economic and Monetary Union[(4)] (ERM II), and additional reporting by Member States in case of severe imbalances, including imbalances that jeopardise the proper functioning of the economic and monetary union. Social partners and other national stakeholders should, where appropriate, be involved in the dialogue.

(20) If macroeconomic imbalances are identified, recommendations, where appropriate involving the relevant committees, should be addressed to the Member State concerned to provide guidance on appropriate policy responses. The policy response of the Member State concerned should be timely and should use all available policy instruments under the control of public authorities. Where appropriate, relevant national stakeholders, including social partners, should also be involved in accordance with the TFEU and national legal and political arrangements. The policy response should be tailored to the specific environment and circumstances of the Member State concerned and should cover the main economic policy areas, potentially including fiscal and wage policies, labour markets, product and services markets and financial sector regulation. The commitments under ERM II should be taken into account.

(21) The warnings and recommendations by the ESRB to Member States or to the Union address risks of a macrofinancial nature. These should also warrant appropriate follow-up action by the Commission in the context of the surveillance of macroeconomic imbalances, where appropriate. The independence and confidentiality of the ESRB should be strictly observed.

(22) If severe macroeconomic imbalances are identified, including imbalances that jeopardise the proper functioning of the economic and monetary union, an excessive imbalance procedure should be initiated that may include issuing recommendations to the Member State, enhanced surveillance and monitoring requirements and, in respect of Member States whose currency is the euro, the possibility of enforcement in accordance with Regulation (EU) No 1174/2011 of the European Parliament and

of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area[(5)] in the event of sustained failure to take corrective action.

(23) A Member State subject to the excessive imbalance procedure should establish a corrective action plan setting out details of its policies designed to implement the Council's recommendations. The corrective action plan should include a timetable for implementing the measures envisaged. It should be endorsed by a recommendation of the Council. That recommendation should be transmitted to the European Parliament.

(24) The power to adopt individual decisions establishing non-compliance with the recommendations adopted by the Council within the framework of the corrective action plan should be conferred on the Council. As part of the coordination of the economic policies of the Member States conducted within the Council, as provided for in Article 121(1) TFEU, those individual decisions are an integral follow-up to the recommendations adopted by the Council on the basis of Article 121(4) TFEU in the context of the corrective action plan.

(25) In applying this Regulation, the Council and the Commission should fully respect the role of national parliaments and social partners, as well as differences in national systems, such as the systems for wage formation.

(26) If the Council considers that a Member State is no longer affected by an excessive macroeconomic imbalance, the excessive imbalance procedure should be closed following the Council's abrogation, on a recommendation from the Commission, of its relevant recommendations. That abrogation should be based on a comprehensive analysis by the Commission showing that the Member State has acted in line with the relevant Council recommendations and that the underlying causes and associated risks identified in the Council recommendation opening the excessive imbalance procedure no longer exist, taking account, inter alia, of macroeconomic developments, prospects and spill-over effects. The closure of the excessive imbalance procedure should be made public.

(27) Since the objective of this Regulation, namely the establishment of an effective framework for the detection of macroeconomic imbalances and the prevention and correction of excessive macroeconomic imbalances, cannot be sufficiently achieved by the Member States because of the deep trade and financial interlinks between Member States and the spill-over effects of national economic policies on the Union and the euro area as a whole, and can therefore be better achieved at the level of the Union, the Union may adopt measures in accordance with the principle of subsidiarity, as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary to achieve that objective,

HAVE ADOPTED THIS REGULATION: