

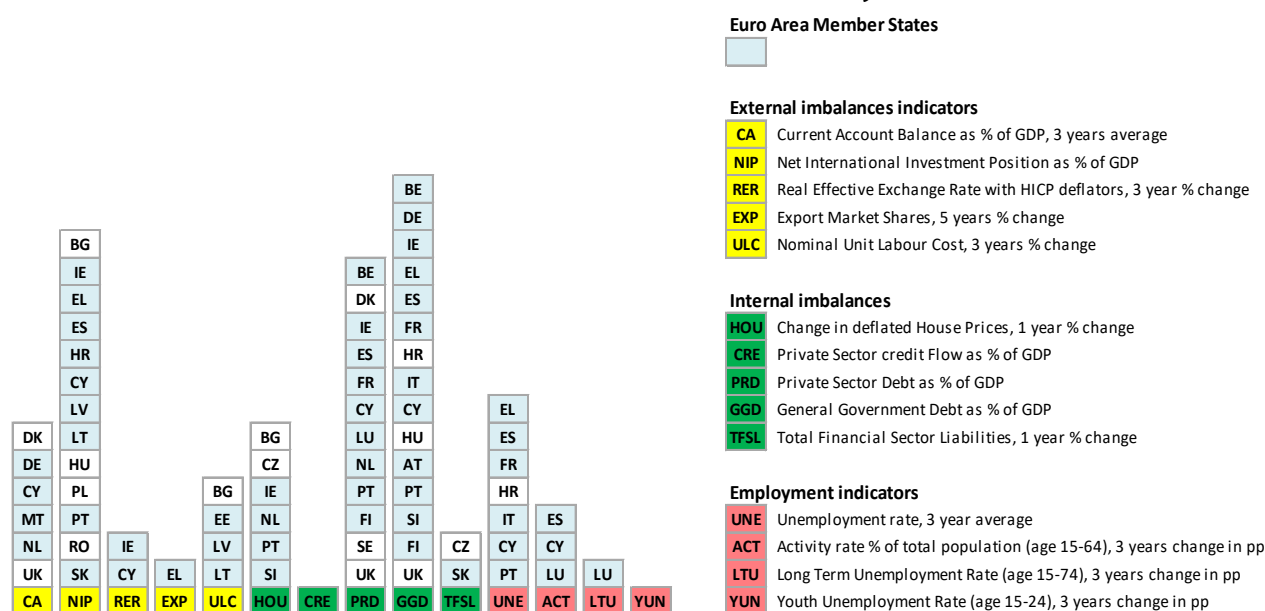
Implementation of the Macroeconomic Imbalance Procedure: State-of-play (January 2019)

This note presents the Member States' situation with respect to the Macroeconomic Imbalance Procedure, taking into account recent assessments and decisions by the European Commission and the Council. It also gives an overview of relevant comments on the MIP published by EU institutions. A separate [EGOV note](#) describes the MIP procedure. This document is regularly updated.

In November 2018, the European Commission published the 2019 [Alert Mechanism Report](#), which initiates the annual round of the Macroeconomic Imbalance Procedure (MIP), in the wider context of the 2019 European Semester cycle.

On the basis of an economic reading of the “MIP scoreboard” and its auxiliary indicators, the Commission identifies 13 Member States for which it will undertake in-depth reviews, namely: Croatia, Cyprus and Italy, (that were experiencing excessive macroeconomic imbalances during the 2018 cycle); Bulgaria, France, Germany, Ireland, the Netherlands, Portugal, Spain and Sweden (that were experiencing macroeconomic imbalances during the 2018 cycle); and two other Member States, Greece and Romania.

Chart 1: MIP scoreboard - Member States with values beyond the thresholds



Source: EGOV based on [2019 Alert Mechanism Report](#).



CONTENT

1. THE LAUNCH OF THE 2019 ANNUAL ROUND OF THE MIP	3
1.1 Main findings from the AMR	3
1.2 Procedural and institutional steps	4
Box 1 - Institutional positions on current accounts imbalances in the euro area	5
2 THE IMPLEMENTATION of the MIP in the 2018 Semester	6
2.1 The outcomes of the 2018 In-Depth-Reviews	6
2.2 The “European Semester 2018 Spring Package”	7
2.3 The adoption of the 2018 Country Specific Recommendations	9
Box 2 - Selected statements/positions on the corrective arm of the MIP	8
Box 3 - Special report of the European Court of Auditors on the MIP	9
3. MIP IMPLEMENTATION OVER THE 2012-2018 SEMESTER CYCLES	10
3.1 Member States assessed having macroeconomic imbalances	11
3.2 Implementation of CSRs underpinned by MIP	12

ANNEXES

Annex 1:	Recent procedural changes and innovations in the MIP	13
Annex 2:	The 2019 MIP scoreboard for the identification of possible macro-economic imbalances	15
Annex 3:	Country specific commentaries on imbalances, risks and adjustments (AMR 2019)	16
Annex 4:	2017 and 2018 CSRs underpinned by MIP for Member States experiencing macroeconomic imbalances	20

1. The launch of the 2018 cycle of the Macroeconomic Imbalance Procedure

The Commission published in November 2018 the Alert Mechanism Report ([AMR](#)): this document, which identifies the macroeconomic imbalances that risk to affect the proper functioning of the economy of the Member States or of the Union, launches the annual round of the Macroeconomic Imbalance Procedure (see an EGOV [note](#) for a description of the MIP procedure).

1.1 Main findings from the AMR

The analysis of the overall macroeconomic situation shows a weakening of the **economic recovery** Europe has experienced lately, as also pointed out in the [Commission forecast of autumn 2018](#). Positive growth is expected in all Member States, with consequent increase in employment, wages, domestic consumption, investments and a raising inflation. Nevertheless, the Commission identifies **several challenges** that may pose risks to the recovery and the correction of macroeconomic imbalances, including a decrease of net exports within a context of uncertainty in the trade policy environment and the recent appreciation of the euro.

The MIP scoreboard (see Chart 1 and Annex 2) and the Commission's analysis particularly show that:

- **There is still need to rebalance current accounts and external positions.** Only two countries (Cyprus and the UK) have external deficits beyond the MIP threshold; few countries should make further efforts to reduce the stock of net foreign liabilities. In contrast, elevated current accounts surpluses continue in some countries: Denmark, Germany, Malta and the Netherlands (with some figures possibly affected by cross-border activities of multinational companies).
- **Cost competitiveness conditions are becoming less favourable for several Member States:** Labour cost is growing at a fast rate in a majority of countries (especially in central and Eastern Europe), with risk of losses in cost competitiveness.
- The private sector is deleveraging, and the **private debt-to-GDP ratio is decreasing**, mainly due to high nominal GDP growth. Active deleveraging is mostly visible in the business sector, as households are increasing borrowing. **Public debt** is declining in most, not all, high-debt countries: despite positive nominal growth and low interest rates, a growing number of Member States are undertaking pro-cyclical fiscal measures. In eight Member States, the combination of high debt, both in the public and private sector, calls for general deleveraging needs.
- **House prices** are accelerating in most Member States, with several cases pointing at over-evaluation.
- Conditions in the EU **banking sector** are improving, including profitability. Non-Performing-Loans ratio are declining, notably in those Member States with high stocks.
- **Unemployment indicators** and activity rates are showing a general improvement, but there are differences among Member States. **Wage growth** is gradually resuming.

For the **euro area**, the **Commission notes that it continues to have the world's largest current account surplus**. It is expected to be 3.8% of GDP in 2018, above the level that is consistent with economic fundamentals. The euro area surplus should be reduced by adjustments in the net-creditor countries, while net-debtor countries are required to reduce their large stocks of external liabilities (Box 1 presents some positions on the current account imbalance in the euro area taken by various institutions).

The AMR presents also the analysis of the macroeconomic situation in **individual Member States**, and the conclusions reached by the Commission in the context of the MIP (Annex 3 presents a summary of these conclusions).

As part of the AMR, the Commission identified the Member States which will be subject to further analysis. This year, **in-depth-review (IDR) will be carried out** for the same countries presenting imbalances in the 2018 Semester cycle (see also Figure 2) namely:

- Croatia, Cyprus and Italy, that were experiencing **excessive macroeconomic imbalances**;
- Bulgaria, France, Germany, Ireland, the Netherlands, Portugal, Spain and Sweden, that were experiencing **macroeconomic imbalances**;
- and for Greece (who ended a financial assistance programme in August 2018) and Romania, for which the Commission has identified risky developments in relation to competitiveness and external balance.

1.2 Institutional and procedural steps

In February 2019, the Commission will publish the “country reports” for all Member States. For the thirteen countries mentioned above, these reports will include the IDRs, which focus on macroeconomic imbalances and possible spill-over effects. The Commission will then assess whether imbalances or excessive imbalances exist: for countries that are assessed to experience excessive imbalances, the Commission may propose opening the **Excessive Imbalance Procedure**: despite being advocated by many (see Box 2), this has never happened.

The EU Institutions deal with the European Semester and the MIP, according to the following timeline:

- In December 2018, two Council formations (ECOFIN and EPSCO) discuss the AMR;
- In January 2018, the **ECOFIN Council** adopts [conclusions](#) on the AMR;
- On 18-19 February the **European Parliament** hosts the European Parliamentary Week with representatives from national parliaments. The meetings include the European Semester Conference and the Inter-parliamentary Conference on Stability, Economic Coordination and Governance in the EU;
- In February 2019, the **Commission** publishes the annual Country reports, where it analyses the economies of the Member States, including their status with respect to MIP;
- In March, the **ECOFIN Council** discusses the implementation of the Country Specific Recommendations (CSRs), drawing on the AMR and the Country reports;
- On 21-22 March 2019, the **European Council** discusses the economic situation, endorses the Recommendation on the economic policy of the euro area and provides guidance to Member States for their 2019 National Reform Programmes and Stability or Convergence Programmes;
- In March and April, the **Commission** holds bilateral meetings with Member States, in view of the national programmes;
- At the end of May, the **Commission** will presents its proposals for the 2019 CSRs;
- In late June the various **Council Committees** (EFC, EPC, EMCO and SPC) will conduct preparatory work on the CSRs, and the ECOFIN Council draws conclusions on the MIP and on the IDRs;
- In June, the **ECOFIN Council** approves the Council opinions on the CSRs;
- In June, the **European Council** discusses and endorse the CSRS;
- In July, the **ECOFIN Council** formally adopts the CSRs.

For those countries that have been identified as experiencing imbalances, the **Commission** carries [specific monitoring](#) activities on a continuous basis.

In addition, [Economic dialogues](#) with representatives of the relevant institutions (Commission, the Eurogroup and the Council) are held in the competent committee of the European Parliament.

Box 1: Some institutional positions on current account imbalances in the euro area

The **Commission** notes in the [2019 AMR](#) (Box 2) that “The euro area current account has stabilised at very high levels. The current account balance of the euro area increased visibly after the 2008 crisis and until 2016. Since then its value has stabilised at around 3.2% of GDP in 2016 and 2017...The euro-area current account surplus remains the largest worldwide, and is estimated to be above the value that would be expected on the basis of economic fundamentals (about 1.5% of euro area GDP). ... The build-up of the euro area surplus reflects the correction of current accounts previously in deficit, coupled with the persistence of large current accounts...The recent evolution of the euro area current account was mainly linked to the energy... The dynamics of the euro area surplus is linked to domestic demand lagging behind that of economic activity and sustained export demand, building on supportive global demand for European goods and services, and on improved competitive position...Challenges remain linked to the persistence of stock imbalances, the durability of the current economic expansion, and the limited room for cushioning negative shocks in high-debt countries... Symmetric rebalancing in the euro area would help restoring sustainable growth, while ensuring macroeconomic stability... ”

In its [conclusions](#) on the AMR of January 2019, the **ECOFIN** agrees that “Member States with current account deficits or high external debt should additionally seek to reduce external debt and pursue reforms to further improve their competitiveness, while Member States with large current account surpluses should further strengthen the conditions to promote wage growth, while respecting the role of social partners, and implement as a priority, measures that foster investment, support domestic demand and growth potential, thereby also facilitating rebalancing.”

In its [resolution](#) on “the economic policies of the euro area” of 26 October 2017, the **European Parliament** considered “it of essential importance that all Member States take the necessary policy action to address macro-economic imbalances, in particular high levels of indebtedness, current account surpluses and competitiveness imbalances, and commit to socially-balanced and inclusive structural reforms ensuring the economic sustainability of each individual Member State, thereby ensuring the overall competitiveness and resilience of the European economy.”

The **ECB**, in its [Economic Bulletin 4/2017](#), reads “From a saving-investment perspective, the stabilisation in the current account balance in 2016 reflects a pick-up in investment which broadly offset the continuing increase in gross saving. According to a simple accounting identity, the current account balance broadly corresponds to the gap between domestic saving and investment... The widening of the euro area’s net lending position in previous years reflected a steady increase in gross saving and subdued investment (relative to GDP). Since economic activity started to recover in 2013, however, both the saving and the investment to GDP ratios have edged up. The private sector currently registers a net lending position, while the public sector continues to record a net borrowing position, which, however, has shrunk significantly in recent years”.

In its [Art. IV report for the Euro Area](#) of July 2018, the **IMF** states (p. 37): “The external position of the euro area in 2017 was moderately stronger than the level implied by medium-term fundamentals and desirable policies. In 2018, the current account surplus is projected to shrink modestly as the region’s economic recovery continues. Imbalances at the national level remain sizeable and progress in reducing them slow (...). Countries with excess CA surpluses should continue to strengthen domestic demand while those with weak external positions should work to further raise productivity and competitiveness.”. Furthermore, IMF Executive Board “agreed that decisive policy efforts should support external rebalancing and promote trade openness and the rules-based global trading system. With respect to staff’s assessment that the euro area current account surplus is moderately stronger than warranted by fundamentals, they underlined that the policy remedies lie primarily at the national level.”

2. Implementation of MIP during the 2018 Semester

2.1 The outcomes of the 2018 In-Depth-Reviews

On 7 March 2018, the Commission published its [Communication](#) on “Assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances”. This document provided an overview of the current situation on the economic and social context, on the Member States’ progress with the Country Specific Recommendations (CSRs), on the evolution of macroeconomic imbalances and on the implementation of the MIP.

The Commission also published the [Country reports](#) featuring the analysis, for each EU Member States, of its economic, fiscal and social situation and related challenges. These reports draw on mutual work and exchange of views with governments, national authorities and stakeholders at both technical and political level. Furthermore, they constitute the basis for dialogues between the Commission and the Member States before the submission of their National Reform Programmes (NRPs) in April, as well as for the formulation of the Commission's CSRs. The Country reports also provide an assessment of the implementation of the Country Specific Recommendations (see section 2.2 for more details).

For the twelve Member States identified in November 2017 as at risk of macroeconomic imbalances, the Country reports include also the **in-depth reviews** (IDRs) in the context of MIP. Each IDR:

- took into account spillovers to other countries, especially for the eurozone countries;
- included a “MIP assessment matrix” that summarised the main findings of the IDR, focused on imbalances and adjustment issues relevant for the MIP and presents synthetic;
- for the Member States considered as experiencing macroeconomic imbalances, presented the main conclusions of the specific monitoring carried out in 2017.

Based on the IDRs, the Commission concluded that:

- **3** Member States were considered being in a situation of **“excessive macroeconomic imbalances”**: Croatia, Italy, and Cyprus.
- **8** Member States were considered being in a situation of **“macroeconomic imbalances”**: Bulgaria, France, Germany, Ireland, Spain, the Netherland, Portugal, Sweden;
- **16** Member States were considered **not at risk of “macroeconomic imbalances”**: Belgium, Czech Republic, Denmark, Estonia, Latvia, Lithuania, Luxembourg, Hungary, Malta, Austria, Poland, Romania, Slovakia, Slovenia, Finland, United Kingdom;
- **1** Member State, Greece, was under surveillance in the context of a **macroeconomic adjustment programme**.

On 13 March 2018, the [ECOFIN Council](#) held a first exchange of view on the Country reports and the Commission’s findings for the eleven MSs experiencing imbalances. At the same meeting, the Court of Auditor presented its [Special Report on the MIP](#) (see Box 3), and the Council drew its [conclusions](#) on it. The [European Council](#) of 22 and 23 March 2018 provided policy guidance for the 2018 Semester Cycle. On 25 May 2018, the Council drew its [conclusions](#) on macroeconomic imbalances.

Figure 2: Situation of Member States with respect to macro-economic imbalances in 2018



Source: EGOV based on [European Commission, 2018](#)

2.2 The “European Semester 2018 Spring Package”

On May 2018, the Commission published a [set of documents](#) known as the “Spring Package” presenting its decisions and proposals on the fiscal and economic policies of Member States. The package included a Communication and the draft [country specific recommendations](#) (CSRs) to the 27 EU Member States setting out the economic and policy guidance to individual Member States for the next 12-18 months. Annex 4 presents the 2018 draft CSRs underpinned by the MIP legal basis (MIP-CSRs), together with the 2017 MIP-CSRs and the Commission’s assessment of their implementation.

As far as the CSRs are concerned, it can be noted that all MSs experiencing macroeconomic imbalances (either excessive or not) have received all their draft CSRs underpinned by the MIP, with the exception of Bulgaria.

For Bulgaria and Portugal, the Commission decided specifically, on [7 March 2018](#), that policy commitments and the evolution of imbalances will be monitored closely, as “*further efforts remain necessary to achieve a sustainable correction.*”

Box 2: Selected statements/positions on the corrective arm of MIP**ECOFIN Council**

The Council, in its [conclusions](#) of January 2019, reiterated that *"the MIP should be used to its full potential, including with the excessive imbalance procedure applied where found appropriate by the Commission and the Council; reemphasized 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 clearly and publicly explain its reasons"*. Similar text was included in the ECOFIN conclusions of May 2018 and [January 2018](#), May and January 2017.

European Central Bank

In its [Economic Bulletin](#) of July 2017, the ECB expressed a very critical position on the 2017 CSRs, and called again on the Commission to make use of the MIP corrective arm. *"CSRs have also been streamlined for countries with excessive imbalances. **The number of CSRs has been reduced for countries with excessive imbalances** and in several cases **the level of urgency has been reduced**, insofar as the CSRs contain significantly fewer deadlines compared with last year's recommendations. **This comes despite the limited implementation of CSRs for countries with excessive imbalances.** Given the difficulties of strengthening reform implementation in the context of the preventive arm of the macroeconomic imbalance procedure, **there seems to be a strong case for applying the corrective arm of this procedure for all countries with excessive imbalances.** This tool, which has not been used so far, offers a well-defined process ensuring greater traction on reform implementation for the most vulnerable Member States."* Previous similar statements were published in [March 2017](#), March 2016 and February 2016.

Commission

While recognising that the EIP has never been invoked, the Commission stated that, *"... the **Excessive Imbalances Procedure can be opened** in case of insufficient commitment to reforms and lack of effective progress in implementation, and will be used in case of severe macroeconomic imbalances that jeopardise the proper functioning of the economic and monetary union, like those that led to the crises."* ([Communication](#) of 21 October 2015).

The Five Presidents Report

The Five President Report on ["Completing Europe's Economic and Monetary Union"](#) of June 2015 affirms the need to use the MIP *"to its full potential. This requires action on two fronts in particular:*

- It should be used not just to detect imbalances but also to encourage structural reforms through the European Semester. Its corrective arm should be used forcefully. **It should be triggered as soon as excessive imbalances are identified and be used to monitor reform implementation.**
- The procedure should also better capture imbalances for the euro area as a whole, not just for each individual country. For this, it needs to continue to focus on correcting harmful external deficits, given the risk they pose to the smooth functioning of the euro area ..."

IMF

In the Executive Board's assessment of the 2017 [Art. IV consultation](#) report on the euro area, published in July 2017, *"IMF Directors reiterated their call for **stricter enforcement of the Macroeconomic Imbalances Procedure** combined with incentives for structural reforms, such as targeted support from central funds and outcome based benchmarks."* The staff report reads (p. 18) *"The weak implementation of CSRs in most countries, including by those six countries identified with excessive imbalances under the Macroeconomic Imbalance Procedure, suggests that the **EU instruments are currently not being used effectively.** To build credibility, stronger enforcement of the governance framework is needed."* The accompanying footnote reads *"While considering progress toward correcting excessive external imbalances in February 2017, the **EC has again used its discretionary powers not to open the excessive imbalances procedure in six cases**, despite these countries having made only 'limited' or 'some' progress in implementing CSRs."*

European Court of Auditor

The Auditors' [Report on the MIP](#) notes that the Commission has never recommended activating the excessive imbalance procedure, despite several member States having been identified with excessive imbalances over a prolonged period (see also Box 3).

2.3 The adoption of the 2018 Country Specific Recommendations

In late May and beginning of June 2018, various [Council configurations](#) and Committees (EFC, EPC, EMCO and SPC) discussed the draft CSRs; the revised Council versions were approved by the ECOFIN Council on 22 June. The differences between the draft CSRs proposed by the Commission and the final text adopted by the Council can be found [here](#).

The European Council discussed and endorsed the CSRS on 29 June, and finally the ECOFIN Council formally adopted the [2017 CSRs](#) in July 2018.

Box 3: The Special Report of the European Court of Auditors on the MIP

On 23 January 2018, the European Court of Auditors (ECA) published its [Special Report](#) on the Macroeconomic Imbalance Procedure.

The ECA examined the Commission's implementation of the Macroeconomic Imbalance Procedure, on the basis - *inter alia* - on stakeholders' opinion and detailed analysis of four Member States (Bulgaria, Slovenia, France and Spain).

The ECA found that although the MIP is generally well designed, **the Commission is not implementing it in a way that would ensure effective prevention and correction of imbalances**. More specifically:

- the classification of Member States with imbalances lacks transparency;
- the Commission's in-depth analysis - despite being of a good standard - has become less visible;
- the country specific recommendations do not stem from identified imbalances;
- there is lack of public awareness of the procedure and its implications.

Furthermore, the ECA pointed to the political rather than technical process on the opening of the EIP (paras 61-66) and addresses the weakness of the MIP scoreboard (paras 88-96).

The ECA made six **Recommendations to the Commission**, aimed at to substantially improve certain aspects of its management and to give greater prominence to the MIP. They can be summarised as follows:

1. clearly link MIP country specific recommendations to specific macroeconomic imbalances;
2. in its IDRs, clearly characterise the severity of the imbalances that Member States are facing. The Commission should, unless there are specific circumstances, recommend activating an **excessive imbalance procedure** when there is evidence that a Member State is facing excessive imbalances. Propose an amendment to the MIP regulation on this process;
3. separate the IDR from the Country report, to allow for a comprehensive analysis of the macroeconomic imbalances;
4. use the **MIP to make fiscal recommendations** to Member States when fiscal policy directly affects external imbalances and competitiveness. MIP-CSRs should be made consistent with recommendations for the euro area, including on the overall fiscal stance;
5. give greater prominence to the MIP by improving all communication aspects. When it assesses imbalances as excessive, make the relevant **Commissioners available to Member State parliaments** to explain the MIP related policy recommendations.

The publication includes a detailed **reply by the Commission** to each section of the ECA Reports'. As far as the ECA's recommendations are concerned, the Commission accepts all the Recommendations, with the exception of 2(ii), on the codification of of the definition of imbalances or excessive imbalances; and 2(iv) on the amendment of the MIP regulation concerning the opening of the EIP.

3. Implementation of MIP over time¹

3.1 Member States assessed as having macro-economic imbalances

From the MIP's inception until the 2015 round, an increasing number of countries has been both covered by in-depth reviews and classified as having excessive imbalances, yet the trend seems to be reversed in the latest rounds. Table 1 below shows that the number of Member States:

- subject to an **IDR** increased from 12 to 19 between 2012 and 2016, and declined to 12 in 2018;
- considered as experiencing **imbalances** rose from 12 to 16 between 2012 and 2015, but fell to 11 in 2018;
- considered as experiencing **excessive imbalances** increased from 0 to 6 between 2012 and 2017, but fell to 3 in 2018

Table 1: MIP stylized facts

	Semester/MIP cycle						
	2012	2013	2014	2015	2016	2017	2018
(1) Countries under adjustment programme	4	5	4	2	1	1	1
(2) Countries subject to IDR, <i>out of which</i> *:	12	13	17	16	19	13	12
(2.1) <i>Excessive imbalances with corrective action</i>	0	0	0	0	0	0	0
(2.2) <i>Excessive imbalances</i>	0	2	3	5	6	6	3
(2.3) <i>Imbalances</i>	12	11	11	11	7	6	8
(2.4) <i>No imbalances</i>	0	0	3	0	6	1	1
(3) Countries not subject to IDR	11	9	7	10	8	14	15
Total = (1) + (2) + (3)	27	27	28	28	28	28	28

Source: European Commission and EGOV.

Note: * The table refers to the streamlined categories applied from the 2016 cycle onwards.

The Commission has not yet proposed to open the **Excessive Imbalance Procedure** (EIP): a Member State subject to this procedure would be classified in Table 1 as experiencing "*excessive imbalances with corrective action*" (see also Box 3 "*Selected statements/positions on the corrective arm of MIP*"). Only in 2016 the Commission threatened to recommend to the Council an EIP (for Croatia and Portugal), due to the level of ambition of their National Reform Programmes. Based on its assessment of the policy commitments of both Member States and on the presumption that there would be a swift and full implementation of the reforms set out in their CSRs, the Commission eventually concluded that there was no need to step up with the MIP.

Table 2 depicts the situation of Member States with respect to MIP since its inception in 2012. Croatia and Italy have been experiencing *excessive imbalances* for five consecutive years, and *Excessive imbalances* are identified in Cyprus for a third year in a row. It can also be noted that one Member State (Sweden) is experiencing *imbalances* since 2012.

¹ See also the Commission publication "[The Macroeconomic Imbalance Procedure - Rationale, Process, Application: a Compendium](#)" that provides an overview of how the framework functions and how its application has evolved over time.

Table 2: Commission's conclusions under MIP

No Imbalances							Imbalances							Excessive imbalances						
2012	2013	2014	2015	2016	2017	2018	2012	2013	2014	2015	2016	2017	2018	2012	2013	2014	2015	2016	2017	2018
CZ*	CZ*	CZ*	CZ*	BE	BE*	BE*	BE	BE	BE	BE	DE	DE	BG		ES	HR	BG	BG	BG	HR
DE*	DE*	DK	DK*	CZ*	CZ*	CZ*	BG	BG	BG	DE	IE	IE	FR	SI	IT	FR	FR	FR	IT	
EE*	EE*	EE*	EE*	DK*	DK*	DK*	DK	DK	DE	IE	ES	ES	DE		SI	HR	HR	HR	CY	
LV*	LV*	LV*	LV*	EE	EE*	EE*	ES	FR	IE	ES	NL	NL	IE			IT	IT	IT		
LT*	LT*	LT*	LT*	LV*	LV*	LV*	FR	IT	ES	HU	SI	SI	ES			PT	PT	PT		
LU*	LU*	LU	LU*	LT*	LT*	LT*	IT	HU	FR	NL	FI	SE	NL				CY	CY		
MT*	AT*	MT	MT*	LU*	LU*	LU*	CY	MT	HU	RO	SE		PT							
NL*	PL*	AT*	AT*	HU	HU*	HU*	HU	NL	NL	SI			SE							
AT*	SK*	PL*	PL*	MT*	MT*	MT*	SI	FI	FI	FI										
PL*		SK*	SK*	AT	AT*	AT*	FI	SE	SE	SE										
SK*				PL*	PL*	PL*	SE	UK	UK	UK										
				RO	RO*	RO*	UK													
				SK*	SK*	SK*														
				UK	UK*	UK*														
					FI	FI*														
						SI														

Source: EGOV based on European Commission IDRs.

Note: The table refers only to the streamlined categories applied from the 2016 cycle onwards.

(*) Countries not considered at risk of macroeconomic imbalances, therefore not subject to in-depth reviews according to the AMR.

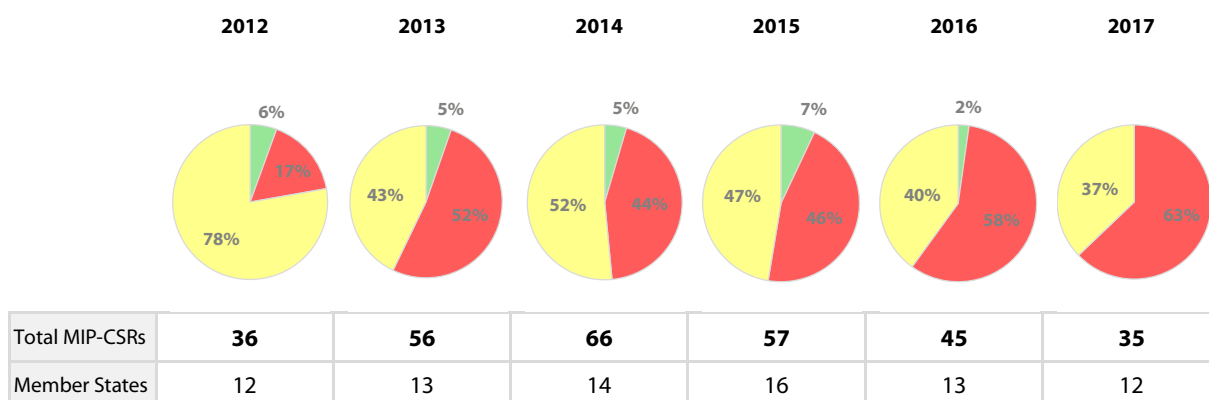
3.2 Implementation of CSRs underpinned by MIP

The credibility of the MIP, as part of the European Semester, depends *inter alia* on countries' implementation of the recommendations. The Commission adopts now a multi-annual perspective in its assessment² of the implementation of the CSRs, "... to account for the time needed for the full implementation of critical reforms". In its Communication of March 2018, it stated "Member States continue to make progress in addressing the country-specific recommendations adopted by the Council in the context of the European Semester. Reform implementation has slightly increased overall, as compared to the May 2017 stocktaking exercise... Since the start of the European Semester in 2011, Member States achieved at least 'some progress' with regard to more than two-thirds of the recommendations". Nevertheless, the Commission notes that reform implementation has been solid in some key areas (notably financial services, fiscal policy and fiscal governance), while modest progress can be seen in other areas (broadening of tax bases or transport).

With regard to the implementation of the CSRs underpinned by the MIP, Figure 3 below shows that the implementation rate of MIP-specific CSRs is decreasing over the time. The share of recommendations not implemented at all or only to a very limited extent is increasing ever since 2014, and concerning the 2017 CSRs, none of MIP-specific CSRs³ were fully implemented.

² The Commission presented this assessment in the [2018 Country Reports](#).

³ Macroeconomic imbalances typically take several years to correct, as different types of structural reforms produce the expected effects over variable time horizons; an [IMF study](#) shows that reforms in labour market may have a negative impact in the short term, while reforms in goods and services markets are visible in a shorter time lag.

Figure 3: Implementation of CSRs based on MIP (2012-2017)

Source: [EGOV](#) based on European Commission assessments.

Note: The assessment grid of CSRs implementation is as follows: full/substantial progress, some progress and limited/no progress.

Table 3 shows that Member States experiencing excessive imbalances during the 2017 cycle implemented recommendations underpinned by the MIP and joint SGP/MIP legal bases to various degrees. Judged at face value, Croatia and Cyprus had the worst implementation track record, and both countries were assessed as still having excessive imbalances in 2018.

Table 3: Commission's assessment of the 2017 CSRs for Member States with excessive imbalances during 2017 MIP Cycle

	Joint SGP and MIP legal base	MIP legal base			
BG		CSR2	CSR3		
FR	CSR1	CSR2	CSR3	CSR4	
HR	CSR1	CSR2	CSR3	CSR4	CSR5
IT	CSR1	CSR2	CSR3	CSR4	
CY	CSR1	CSR2	CSR3	CSR4	
PT	CSR1	CSR2	CSR3	CSR4	

Source: EGOV based on European Commission assessments ([2018 Country Reports](#)).

Annex 4 presents the 2017 MIP-related CSRs, the assessment of their implementation and the 2018 MIP-related CSRs, for the relevant Member States.

Disclaimer and Copyright

The content of this document is the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. It is addressed to the Members and staff of the EP for their parliamentary work. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy. © European Union, 2019.

Contact: egov@ep.europa.eu

This document is available on the Internet at: www.europarl.europa.eu/supporting-analyses

Annex 1: Procedural changes to the MIP

In line with its Communication "[On steps towards completing Economic and Monetary Union](#)" of October 2015, the European Commission introduced **several changes** in the Semester, aimed at fostering the integration of the euro area and national dimensions, strengthening the focus on employment, social performance, investment and competitiveness as well as at improving the whole procedure transparency. Specifically on MIP, the Commission stated how "*experience suggests that implementation of MIP can be improved in a number of ways*", and noted that the six levels scale of imbalances used up to 2015 to classify Member States in the context of the MIP was not transparent.

In 2016, several actions from the Commission were in line with such considerations:

- The Commission introduced in the MIP scoreboard **three new employment-related indicators**, namely activity rate, long-term and youth unemployment⁴.
- The Commission introduced some **changes in the calendar** of the Semester and the MIP, namely:
 - it anticipated to November the draft Council recommendations for the euro area;
 - it anticipated the publication of the IDRs to February and integrated them in the Country reports. These reports constitute the basis for dialogues between the Commission and the Member States before submission of their National Reform Programmes, as well as for the preparations of the CSRs. They provide also an assessment of the **implementation of the previous CSRs**⁵.
- The commission **reduced the number of MIP categories** from six to four, as shown in Table A.1.

Each of the IDRs takes into account **spill-overs** to other countries, especially for the euro area countries, and systemic issues. The IDRs also include the "**MIP assessment matrix**", which summarises the main findings and focuses on imbalances and adjustment issues relevant for the MIP.

Table A.1: Categorisation of imbalances in the macroeconomic imbalance procedure

Previous categories (6)	Streamlined categories (4)
No imbalances	No imbalances
Imbalances, which require policy action and monitoring Imbalances, which require decisive policy action and monitoring Imbalances, which require decisive policy action and specific monitoring	Imbalances
Excessive imbalances, which require decisive policy action and specific monitoring	Excessive imbalances
Excessive imbalances with corrective action*	Excessive imbalances with corrective action*

Source: [European Commission](#). Note: * Corrective action consists in the opening of the EIP.

⁴ The [ECOFIN Council](#), on 16 January 2016 "*expressed concern about the inclusion of three additional employment indicators to the main scoreboard, given the need to preserve the effectiveness of the scoreboard as an early warning device... Underlined that social and labour market indicators are not relevant for identifying macro-financial risks and developments in these indicators cannot trigger steps in the MIP process*".

⁵ Prior to the streamlined Semester, only the in-depth reviews were published in March, while the Country Reports (previously called Staff Working Documents) were issued in May/June. The publication of a single comprehensive report at an earlier stage is expected to help increase the transparency of the European Semester, as well as its integration in the National reform Programmes.

Table A.1 shows the categorisation of possible macroeconomic imbalances introduced in March 2016. All countries with imbalances are subject to [specific monitoring](#), that is tighter for countries with excessive imbalances and consists in dialogues with the national authorities, expert missions and regular progress reports, which should also help monitoring of the implementation of the CSRs in the Member States concerned. Countries in the category 'excessive imbalances with corrective action' are subject to the excessive imbalance procedure (EIP) entailing policy recommendations to remedy the imbalances and follow-up through a corrective action plan.

In 2018, the Commission introduced a number of new auxiliary indicators (technical detail are available in this [Commission SWD](#)), namely:

- **NIIP excluding non-defaultable instruments (NENDI)** replaces Net external debt: this indicator provides a broader representation of external stocks (both assets and liabilities) carrying default risks. The new indicator profits from the revised methodology for balance of payments statistics (from BPM5 to BPM6), which allows a finer breakdown of foreign assets and liabilities. Compared with NED, NENDI: (i) excludes net intra-company foreign direct investment (FDI) debt, which in some cases accounts for a large share of cross-border debt without representing solvency concerns; (ii) includes mutual fund shares, which are sometimes a very large item and are mostly backed by bonds; and (iii) includes net financial derivatives. Seen from a different perspective, NENDI is a subset of the NIIP that excludes equity-related components, namely FDI equity and equity shares, and intra-company cross-border FDI debt.
- **Consolidated banking leverage** (domestic and foreign entities from ECB consolidated banking data) replaces the non-consolidated financial sector leverage indicator from national account. This indicator has more clear economic interpretation, is comparable across countries, and is consistently based on book values, even if it covers the banking sector only.
- **Household debt (consolidated)** to complement the headline indicator on private sector debt;
- **Gross nonperforming loans**, which provides complementary information to assess private sector debt. The addition of the latter has become possible thanks to the availability of cross-country-comparable data in the ECB's consolidated banking statistics as of 2015.

To keep the scoreboard relevant and parsimonious, two auxiliary indicators previously included were dropped:

- the ten-year change in nominal unit labour costs (as it overlaps with data on three-year change on unit labour costs among the headline indicators and on ten-year change in unit labour costs relative to euro area also in the auxiliary indicators);
- non-consolidated private sector debt (which has been superseded by the headline indicator on consolidated private sector debt).

Auxiliary MIP indicators have no thresholds and are less visible than the headline "MIP scoreboard indicators"; nevertheless, they are of high statistical quality and comparable among Member States.

Annex 2: MIP scoreboard 2019 (reference year 2017)

Year 2017	External imbalances and competitiveness					Internal imbalances						Employment Indicators		
	Current Account Balance % of GDP 3 year average	Net International Investment Position % of GDP	Real Effective Exchange Rate with HICP deflator 3 year % change	Export Market Shares 5 year % change	Nominal ULC (2010=100) 3 year % change	House Prices index deflated 1 year % change	Private Sector Credit Flow % of GDP	Private Sector Debt, consolidated % of GDP	General Government Gross Debt % of GDP	Unemployment rate 3 year average	Total Financial Sector Liabilities, non-consolidated 1 year % change	Activity rate % of total pop. aged 15-64 3 year change	Long term unemployment rate % of active pop. aged 15-74 3 year change	Youth unemployment rate % of active pop. aged 15-24 3 year change
Thresholds	-4/+6%	-35%	±5% (EA) ±11% (non-EA)	-6%	+9% (EA) 12% (non-EA)	+6%	14%	133%	60%	10%	16.5%	-0.2 pp	0.5 pp	2 pp
BE	-0.3	52.6	0.9	3.9	1.1	1.5	-1.5	187.0	103.4	7.8	0.7	0.3	-0.8	-3.9
BG	3.1	-42.8	-3.3	19.4	13.6	6.2	6.2	100.1	25.6	7.7	1.1	2.3	-3.5	-10.9
CZ	1.0	-26.5	5.4	8.2	5.9	9.1	4.1	67.4	34.7	4.0	22.9	2.4	-1.7	-8.0
DK	8.1	56.3	-2.1	0.5	3.0	3.2	-1.4	204.0	36.1	6.0	4.1	0.7	-0.4	-1.6
DE	8.4	54.0	-2.5	6.5	5.1	2.9	4.9	100.1	63.9	4.2	4.0	0.5	-0.6	-0.9
EE	2.3	-31.4	2.9	2.6	12.4	1.8	3.6	106.4	8.7	6.3	9.7	3.6	-1.4	-2.9
IE	2.9	-149.3	-6.2	64.4	-17.2	9.5	-7.5	243.6	68.4	8.4	4.3	0.9	-3.6	-9.0
EL	-0.8	-142.5	-2.8	-10.0	-1.0	-2.2	-0.8	116.4	176.1	23.3	-12.9	0.9	-3.9	-8.8
ES	1.8	-83.8	-2.5	9.8	0.0	4.5	0.2	138.8	98.1	19.6	4.0	-0.3	-5.2	-14.6
FR	-0.6	-20.1	-2.9	2.7	1.3	1.8	7.0	148.2	98.5	10.0	4.3	0.5	-0.3	-1.9
HR	3.6	-62.4	0.0	20.0	-4.3	2.8	1.2	98.4	77.5	13.5	3.9	0.3	-5.5	-17.7
IT	2.3	-5.3	-3.1	2.0	1.1	-2.0	2.1	110.5	131.2	11.6	4.3	1.5	-1.2	-8.0
CY	-5.0	-121.5	-6.6	6.9	-2.7	1.3	8.7	316.3	96.1	13.0	-2.3	-0.4	-3.2	-11.3
LV	0.6	-56.3	1.7	7.8	14.7	5.5	0.3	83.5	40.0	9.4	6.1	2.4	-1.3	-2.6
LT	-0.7	-35.9	2.3	9.7	16.0	5.4	3.7	56.1	39.4	8.0	14.0	2.2	-2.1	-6.0
LU	5.0	47.0	-0.9	25.2	7.1	4.1	-15.5	322.9	23.0	6.1	-1.7	-0.6	0.5	-6.9
HU	4.0	-52.9	0.1	11.3	6.7	3.3	0.9	71.4	73.3	5.4	-8.0	4.2	-2.0	-9.7
MT	8.4	62.6	-2.3	11.2	1.7	4.1	2.9	120.2	50.9	5.2	4.7	4.4	-1.1	-1.2
NL	8.3	59.7	-1.6	1.2	-0.2	6.0	3.0	252.1	57.0	5.9	2.0	0.7	-1.0	-3.8
AT	2.1	3.7	0.3	2.3	3.7	3.5	4.3	122.5	78.3	5.7	1.8	1.0	0.3	-0.5
PL	-0.3	-61.2	-3.4	28.4	4.5	1.7	2.7	76.4	50.6	6.2	6.3	1.7	-2.3	-9.1
PT	0.4	-104.9	-0.7	14.6	3.5	7.9	1.3	162.2	124.8	10.9	1.8	1.5	-3.9	-10.9
RO	-2.2	-47.7	-5.5	37.0	11.9	4.0	1.7	50.8	35.1	5.9	8.1	1.6	-0.8	-5.7
SI	5.7	-32.3	-2.0	18.6	3.4	6.2	0.8	75.6	74.1	7.9	5.1	3.3	-2.2	-9.0
SK	-2.0	-65.6	-1.9	6.7	6.9	4.4	5.9	96.1	50.9	9.8	17.9	1.8	-4.2	-10.8
FI	-0.7	2.4	-2.6	-4.3	-2.5	0.5	8.2	146.4	61.3	8.9	-3.8	1.3	0.2	-0.4
SE	4.0	1.8	-5.4	-4.3	3.7	4.6	13.1	194.4	40.8	7.0	6.8	1.0	-0.2	-5.1
UK	-4.6	-8.6	-10.7	-1.0	5.4	2.4	8.4	169.0	87.4	4.8	-1.6	0.9	-1.1	-4.9

Source: [2019 AMR](#). Boxes shaded in grey indicate values outside the threshold.

Annex 3: Country specific commentaries on imbalances, risks and adjustments

(Summaries from the [Alert Mechanism Report 2019](#))

Belgium: In the previous round of the MIP, no macroeconomic imbalances were identified in Belgium. In the updated scoreboard, a number of indicators are beyond the indicative threshold, namely private debt and government debt. *Overall, the economic reading highlights issues relating to mainly to public but also private indebtedness though risks appears contained. Therefore, the Commission will at this stage not carry out further in-depth analysis in the context of the MIP.*

Bulgaria: In March 2018, Bulgaria was found to be experiencing imbalances in particular related to vulnerabilities in the financial sector coupled with high indebtedness and non-performing loans in the corporate sector. In the updated scoreboard, three indicators are beyond the indicative threshold, namely the net international investment position (NIIP), nominal unit labour cost growth and real house price growth. *Overall, the economic reading highlights issues relating to the remaining vulnerabilities in the financial sector and corporate debt. Therefore, the Commission finds it opportune, also taking into account the identification of an imbalance in March 2018, to examine further the persistence of imbalances or their unwinding.*

Czechia: In the previous round of the MIP, no macroeconomic imbalances were identified in Czechia. In the updated scoreboard, a number of indicators are beyond the indicative threshold, namely real house price growth and total financial sector liabilities. *Overall, the economic reading highlights issues relating to competitiveness and pressures in the housing market although the risks appear contained at this stage. Therefore, the Commission does not see it necessary at this stage to carry out further in-depth analysis in the context of the MIP.*

Denmark: In the previous round of the MIP, no macroeconomic imbalances were identified in Denmark. In the updated scoreboard, a number of indicators are beyond the indicative threshold, namely the current account balance and the private sector debt. *Overall, the economic reading highlights issues related to the current account, the private debt and the housing sector but risks appear contained. Therefore, the Commission will at this stage not carry out further in-depth analysis in the context of the MIP.*

Germany: In March 2018, the Commission concluded that Germany was experiencing macroeconomic imbalances, in particular related to its large current account surplus reflecting subdued investment relative to saving both in the private and public sector. In the updated scoreboard, a number of indicators remain beyond the indicative threshold, namely the current account balance and government debt. *Overall, the economic reading highlights issues relating to the persistent surplus of savings over investment reflected in the high and only gradually declining current account surplus underlining the need for continued rebalancing. Therefore, the Commission finds it useful, also taking into account the identification of an imbalance in March 2018, to examine further the persistence of imbalances or their unwinding.*

Estonia: In the previous round of the MIP, no macroeconomic imbalances were identified in Estonia. In the updated scoreboard, nominal unit labour cost growth is beyond the indicative threshold. *Overall, the economic reading highlights issues related to the nominal unit labour costs but risks appear contained. Therefore, the Commission will at this stage not carry out further in-depth analysis in the context of the MIP.*

Ireland: In March 2018, the Commission concluded that Ireland was experiencing macroeconomic imbalances, in particular involving vulnerabilities from large stocks of public and private debt and net external liabilities. In the updated scoreboard, a number of indicators are beyond the indicative threshold, namely the net international investment position (NIIP), the real effective exchange rate (REER), private debt, public debt as well as the annual change in real house prices. *Overall, the economic reading highlights issues relating to the volatility of the external position and the stock of private and public debt as well as the rapid growth of house prices and relatively high share of non-performing loans. Therefore, the Commission finds it opportune, also taking into account the identification of imbalances in March 2018, to examine further the persistence of imbalances or their unwinding.*

Greece: From 2010 and until recently, Greece has been under financial assistance programmes. Therefore, the surveillance of imbalances and correcting measures has taken place in the context of the programmes, and not under the MIP. In recent years, Greece has taken important steps to reduce its flow imbalances and to manage related risks, but legacy stock imbalances are expected to persist. This is reflected in the updated scoreboard,

where a number of indicators are beyond the indicative threshold, namely the net international investment position (NIIP), losses in export market shares, government debt and unemployment rate. *Overall, the economic reading highlights issues linked to the high public and external debt, low savings and high stock of NPLs, all in a context of high unemployment, low productivity growth and sluggish investment activity. Therefore, the Commission finds it opportune to examine further the risks involved in an in-depth analysis with a view to assess whether an imbalance exists.*

Spain: In March 2018, the Commission concluded that Spain was experiencing macroeconomic imbalances, in particular relating to the high levels of external and internal debt, both private and public, in a context of high unemployment. In the updated scoreboard, a number of indicators are beyond the indicative threshold, namely the net international investment position (NIIP), the private and government debt ratios, the unemployment rate as well as the growth in the activity rate. *Overall, the economic reading highlights issues relating to external sustainability, private and public debt, and labour market adjustment, in the context of weak productivity growth. Therefore, the Commission finds it useful, also taking into account the identification of imbalances in March 2018 and their cross-border relevance, to examine further the persistence of imbalances or their unwinding.*

France: In March 2018, the Commission concluded that France was experiencing macroeconomic imbalances in particular relating to high public debt and weak competitiveness in a context of low productivity growth. In the updated scoreboard, government and private sector debt and the unemployment rate indicators are on or beyond the indicative threshold. *Overall, the economic reading highlights issues relating to high indebtedness and weak competitiveness, in a context of low productivity growth. Therefore, the Commission finds it opportune, also taking into account the identification of an imbalance in March 2018, to examine further the persistence of imbalances or their unwinding.*

Croatia: In March 2018, the Commission concluded that Croatia was experiencing excessive macroeconomic imbalances, linked to high levels of public, private and external debt, all largely denominated in foreign currency, in a context of low potential growth. In the updated scoreboard, a number of indicators are beyond the indicative threshold, namely the net international investment position (NIIP), the government debt and the unemployment rate. *Overall, the economic reading highlights the still high but decreasing debt levels and currency risk exposures in all sectors of the economy and the importance of higher potential growth for a durable correction. Therefore the Commission finds it useful, also taking into account the identification of an excessive imbalance in March 2018, to examine further the persistence of macroeconomic risks and to monitor progress in the unwinding of excessive imbalances.*

Italy: In March 2018, the Commission concluded that Italy was experiencing excessive macroeconomic imbalances, in particular involving risks stemming from the very high public debt and protracted weak productivity dynamics in a context of high nonperforming loans (NPLs) and unemployment. In the updated scoreboard, two indicators are beyond the indicative threshold, namely government debt and the unemployment rate. *Overall, the economic reading highlights issues relating to the high level of public debt in a context of higher market volatility and high unemployment. Productivity dynamics remain weak amid renewed concerns about the bank-sovereign feedback loop. Therefore, the Commission finds it opportune, also taking into account the identification of an excessive imbalance in March 2018, to examine further the persistence of macroeconomic risks and to monitor progress in the unwinding of excessive imbalances.*

Cyprus: In March 2018, the Commission concluded that Cyprus was experiencing excessive macroeconomic imbalances, in particular involving large stocks of private, public, and external debt and the high share of NPLs in the banking system. In the updated scoreboard, a number of indicators remain beyond the indicative threshold in 2017, namely the current account, the net international investment position (NIIP), the real effective exchange rate (REER), private sector debt and government debt, the unemployment rate as well as the change in labour activity rate. *Overall, the economic reading highlights issues relating to external sustainability, public and private debt, vulnerabilities in the financial sector and labour market adjustment. Therefore, the Commission finds it useful, also taking into account the identification of an excessive imbalance in March 2018, to examine further the persistence of macroeconomic risks and to monitor progress in the unwinding of excessive imbalances.*

Latvia: In the previous round of the MIP, no macroeconomic imbalances were identified in Latvia. In the updated scoreboard, a number of indicators are beyond the indicative thresholds, namely the net international investment position (NIIP) and unit labour cost growth. *Overall, the economic reading highlights issues relating to the dynamics in the labour market and the external competitiveness although the risks appear contained at this stage. Therefore, the Commission does not see it necessary at this stage to carry out further in-depth analysis in the context of the MIP.*

Lithuania: In previous rounds of the MIP, no macroeconomic imbalances were identified in Lithuania. In the updated scoreboard, a number of indicators are beyond the indicative thresholds, namely the net international investment position (NIIP) and nominal unit labour costs. *Overall, the economic reading highlights issues relating to unit labour costs dynamics and external competitiveness although the risks appear contained at this stage. Therefore, the Commission does not see it necessary at this stage to carry out further in-depth analysis in the context of the MIP.*

Luxembourg: In the previous round of the MIP, no macroeconomic imbalances were identified in Luxembourg. In the updated scoreboard, a number of indicators are beyond the indicative threshold, namely private indebtedness as well as the change in the activity rate and the long-term unemployment rate. *Overall, the economic reading points mainly to some contained risks related to constantly increasing housing prices and household debt. Therefore, the Commission will at this stage not carry out further in-depth analysis in the context of the MIP.*

Hungary: In the previous round of the MIP, no macroeconomic imbalances were identified in Hungary. In the updated scoreboard, some indicators are beyond the indicative threshold, namely net international investment position (NIIP) and government debt. *Overall, the economic reading highlights issues relating to the housing market and a tightening labour market, although risks appear contained. The Commission will at this stage not carry out further in-depth analysis in the context of the MIP.*

Malta: In the previous round of the MIP, no macroeconomic imbalances were identified in Malta. In the updated scoreboard, the current account balance is beyond the indicative threshold. *Overall, the economic reading points to issues related to the external position and housing markets in the context of robust economic growth although risks appears contained at this stage. Therefore, the Commission will at this stage not carry out further in-depth analysis in the context of the MIP.*

The Netherlands: In March 2018, the Commission concluded that the Netherlands was experiencing macroeconomic imbalances, in particular involving a high stock of private debt and the large current account surplus. In the updated scoreboard a number of indicators are beyond the indicative threshold, namely the three year average of the current account balance, private sector debt and real house price growth. *Overall, the economic reading highlights issues relating to the high household debt and the large domestic savings surplus. Therefore, the Commission finds it opportune, also taking into account the identification of an imbalance in March 2018, to examine further the persistence of imbalances or their unwinding.*

Austria: In the previous round of the MIP, no macroeconomic imbalances were identified in Austria. In the updated scoreboard, only the government debt indicator is beyond the indicative threshold. *Overall, the economic reading highlights issues relating to the housing sector, but risks appear contained. Therefore, the Commission does not see it necessary at this stage to carry out further in-depth analysis in the context of the MIP.*

Poland: In the previous round of the MIP, no macroeconomic imbalances were identified in Poland. In the updated scoreboard, the net international investment position (NIIP) is beyond the indicative threshold. *Overall, the economic reading highlight issues related to the net international investment position but risks are limited. Thus, the Commission does not see it necessary at this stage to carry out an in-depth analysis in the context of the MIP.*

Portugal: In March 2018, the Commission concluded that Portugal was experiencing macroeconomic imbalances, in particular involving the large stocks of net external liabilities, private and public debt, and a high share of non-performing loans in a context of low productivity growth. In the updated scoreboard, a number of indicators are beyond the indicative threshold, namely the net international investment position (NIIP), government debt, private debt, unemployment, and real house price growth. *Overall, the economic reading highlights issues relating to imbalances in stock variables, in particular net external liabilities, public and private debt, banking sector vulnerabilities and weak productivity growth. Therefore, the Commission finds it opportune, also taking into account the identification of an imbalance in March 2018, to examine further the persistence of imbalances or their unwinding.*

Romania: In the previous round of the MIP, no macroeconomic imbalances were identified in Romania. In the updated scoreboard one indicator is beyond the indicative threshold, namely the net international investment position (NIIP). *The economic reading suggests that vulnerabilities have increased, particularly with respect to the external position and competitiveness. Overall, the Commission finds it opportune to examine further the risks involved in an in-depth analysis with a view to assess whether imbalances exist.*

Slovenia: In March 2018, the Commission concluded that Slovenia was no longer experiencing macroeconomic imbalances. In the updated scoreboard, government debt and real house price growth are beyond the indicative threshold. *Overall, the economic reading highlights issues relating mainly to the long-term fiscal sustainability. Therefore, the Commission does not see it necessary at this stage to carry out further in-depth analysis in the context of the MIP.*

Slovakia: In the previous round of the MIP, no macroeconomic imbalances were identified in Slovakia. In the updated scoreboard, the net international investment position (NIIP) and total financial sector liabilities are in breach of the indicative threshold. *Overall, the economic reading highlights issues relating to external aspects, the housing market and credit growth but risks appear contained so far. Therefore, the Commission will at this stage not carry out further in-depth analysis in the context of the MIP.*


Finland: In the previous round of the MIP, no macroeconomic imbalances were identified in Finland. In the updated scoreboard, a number of indicators are beyond the indicative threshold, namely the level of private sector debt and government debt. *Overall, the economic reading highlights challenges related to the private sector debt but risks remain limited. Overall, the Commission does not see it necessary at this stage to carry out further in-depth analysis in the context of the MIP.*


Sweden: In March 2018, the Commission concluded that Sweden was experiencing imbalances, in particular involving overvalued house price levels coupled with a continued rise in household debt. In the updated scoreboard, private sector debt is beyond the indicative threshold. *Overall, the economic reading highlights issues relating to high private debt and the housing sector. Therefore, the Commission finds it useful, also taking into account the identification of an imbalance in March 2018, to examine further the persistence of imbalances or their unwinding.*


United Kingdom: In the previous round of the MIP, no macroeconomic imbalances were identified in the United Kingdom. In the updated scoreboard, a number of indicators are beyond the indicative threshold, namely the current account deficit, private sector debt and government debt. *Overall, the economic reading highlights some issues relating to private debt, the housing market and the external side of the economy. These issues appear to pose limited risks to stability in the short term. Overall, the Commission does not see it necessary at this stage to carry out further in-depth analysis in the context of the MIP.*


Annex 4: 2017 and 2018 Country Specific Recommendations underpinned by MIP


These tables are extracted from the detailed EGOV document "[Country-Specific Recommendations for 2017 and 2018 - A tabular comparison and an overview of implementation](#)".


 BG	2017 CSRs SGP: - MIP: CSR 2, 3	Assessment of implementation of 2017 CSRs March 2018	2018 CSRs SGP: - MIP: CSR 2, 3
	<p>2. Take follow-up measures on the financial sector reviews, in particular concerning reinsurance contracts, group-level oversight, hard-to-value assets and related-party exposures. Improve banking and non-banking supervision through the implementation of comprehensive action plans, in close cooperation with European bodies. Facilitate the reduction of still-high non-performing corporate loans, by drawing on a comprehensive set of tools, including by accelerating the reform of the insolvency framework and by promoting a functioning secondary market for non-performing loans.</p>	<p>Some progress:</p>	<p>2. Take follow-up measures resulting from the financial sector reviews and implement the supervisory action plans in order to strengthen the oversight and stability of the sector. Ensure adequate valuation of assets, including bank collateral, by enhancing the appraisal and audit processes. Complete the reform of the insolvency framework and promote a functioning secondary market for non-performing loans.</p>
	<p>3. Improve the targeting of active labour market policies and the integration between employment and social services for disadvantaged groups. Increase the provision of quality mainstream education, in particular for Roma. Increase health insurance coverage, reduce out-of-pocket payments and address shortages of healthcare professionals. In consultation with social partners, establish a transparent mechanism for setting the minimum wage. Improve the coverage and adequacy of the minimum income.</p>	<p>Limited progress:</p>	<p>3. Increase the employability of disadvantaged groups by upskilling and strengthening activation measures. Improve the provision of quality inclusive mainstream education, particularly for Roma and other disadvantaged groups. In line with the National Health Strategy and its action plan, improve access to health services, including by reducing out-of-pocket payments and addressing shortages of health professionals. Introduce a regular and transparent revision scheme for the minimum income and improve its coverage and adequacy.</p>


DE 	<u>2017 CSRs</u> SGP: - MIP: CSR 1, 2	<u>Assessment of implementation of 2017 CSRs</u> March 2018	<u>2018 CSRs</u> SGP: - MIP: CSR 1, 2
	<p>1. While respecting the medium-term objective, use fiscal and structural policies to support potential growth and domestic demand as well as to achieve a sustained upward trend in investment. Accelerate public investment at all levels of government, especially in education, research and innovation, and address capacity and planning constraints for infrastructure investments. Further improve the efficiency and investment-friendliness of the tax system. Stimulate competition in business services and regulated professions.</p>	<p>Limited progress</p>	<p>1. While respecting the medium-term objective, use fiscal and structural policies to achieve a sustained upward trend in public and private investment, and in particular on education, research and innovation at all levels of government, in particular at regional and municipal levels. Step up efforts to ensure the availability of very high-capacity broadband infrastructure nationwide. Improve the efficiency and investment-friendliness of the tax system. Strengthen competition in business services and regulated professions.</p>
	<p>2. Reduce disincentives to work for second earners and facilitate transitions to standard employment. Reduce the high tax wedge for low-wage earners. Create conditions to promote higher real wage growth, respecting the role of the social partners.</p>	<p>Limited progress:</p>	<p>2. Reduce disincentives to work more hours, including the high tax wedge, in particular for low wage and second earners. Take measures to promote longer working lives. Create conditions to promote higher wage growth, while respecting the role of the social partners. Improve educational outcomes and skills levels of disadvantaged groups.</p>


 IE	<u>2017 CSRs</u> SGP: CSR 1 MIP: CSR 1, 3	<u>Assessment of implementation of 2017 CSRs</u> March 2018	<u>2018 CSRs</u> SGP: CSR 1 MIP: CSR 1, 2, 3
	1. Pursue a substantial fiscal effort in 2018 in line with the requirements of the preventive arm of the Stability and Growth Pact. Use any windfall gains arising from the strong economic and financial conditions, including proceeds from asset sales, to accelerate the reduction of the general government debt ratio. Limit the scope and the number of tax expenditures and broaden the tax base.	Some progress	1. Achieve the medium-term budgetary objective in 2019. Use windfall gains to accelerate the reduction of the general government debt ratio. Limit the scope and the number of tax expenditures, and broaden the tax base. Address the expected increase in age-related expenditure by increasing the cost-effectiveness of the healthcare system and by pursuing the envisaged pension reforms.
	2. Better target government expenditure, by prioritising public investment in transport, water services, and innovation in particular in support of SMEs. Enhance social infrastructure, including social housing and quality childcare; deliver an integrated package of activation policies to increase employment prospects of low-skilled people and to address low work intensity of households.	Some progress:	2. Ensure the timely and effective implementation of the National Development Plan, including in terms of clean energy, transport, housing, water services and affordable quality childcare. Prioritise the upskilling of the adult working-age population, with a focus on digital skills.
	3. Encourage a continued and more durable reduction in non-performing loans through resolution strategies that involve write-offs for viable businesses and households, with a special emphasis on resolving long-term arrears.	Some progress:	3. Foster the productivity growth of Irish firms, and of small and medium enterprises in particular, by stimulating research and innovation with targeted policies, more direct forms of funding and more strategic cooperation with foreign multinationals, public research centres and universities. Promote faster and durable reductions in long-term arrears by the use of secondary markets, building on initiatives for vulnerable households and, where necessary, using write-offs of non-recoverable exposures.


 ES	<u>2017 CSRs</u> SGP: CSR 1 MIP: CSR 1, 2, 3	<u>Assessment of implementation of 2017 CSRs</u> March 2018	<u>2018 CSRs</u> SGP: CSR 1 MIP: CSR 1, 2, 3
	<p>1. Ensure compliance with the Council Decision of 8 August 2016, including also measures to strengthen the fiscal and public procurement frameworks. Undertake a comprehensive expenditure review in order to identify possible areas for improving spending efficiency.</p>	<p>Some progress</p>	<p>1. Ensure compliance with Council Decision (EU) 2017/984 giving notice under the excessive deficit procedure, including through measures to enforce the fiscal and public procurement frameworks at all levels of government. Thereafter, ensure that the nominal growth rate of net primary government expenditure does not exceed 0,6 % in 2019, corresponding to an annual structural adjustment of 0,65 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio.</p>
	<p>2. Reinforce the coordination between regional employment services, social services and employers, to better respond to jobseekers' and employers' needs. Take measures to promote hiring on open-ended contracts. Address regional disparities and fragmentation in income guarantee schemes and improve family support, including access to quality childcare. Increase the labour market relevance of tertiary education. Address regional disparities in educational outcomes, in particular by strengthening teacher training and support for individual students.</p>	<p>Limited progress:</p>	<p>2. Ensure that employment and social services have the capacity to provide effective support for jobseekers, including through better cooperation with employers. Foster transitions towards open-ended contracts. Improve family support and increase the effectiveness of income guarantee schemes, by addressing coverage gaps, simplifying the system of national schemes and reducing disparities in access conditions to regional ones. Reduce early school leaving and regional disparities in educational outcomes, in particular by better supporting students and teachers.</p>
	<p>3. Ensure adequate and sustained investment in research and innovation and strengthen its governance across government levels. Ensure a thorough and timely implementation of the law on market unity for existing and forthcoming legislation.</p>	<p>Limited progress:</p>	<p>3. Increase public investment in research and innovation and systematically carry out evaluations of support policies in this area to ensure their effectiveness. Increase cooperation between education and businesses with a view to mitigating existing skills mismatches. Further the implementation of the Law on Market Unity by ensuring that, at all levels of government, rules governing access to and exercise of economic activities, in particular for services, are in line with principles of that Law and by improving cooperation between administrations.</p>


FR 	2017 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3, 4	Assessment of implementation of 2017 CSRs March 2018	2018 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3
	<p>1. Ensure compliance with the Council recommendation of 10 March 2015 under the excessive deficit procedure. Pursue a substantial fiscal effort in 2018 in line with the requirements of the preventive arm of the Stability and Growth Pact, taking into account the need to strengthen the ongoing recovery and to ensure the sustainability of France's public finances. Comprehensively review expenditure items with the aim to make efficiency gains that translate into expenditure savings.</p>	Limited progress	<p>1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 1,4 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. Implement expenditure savings in 2018 and fully specify the objectives and new measures needed in the context of Public Action 2022, for them to translate into concrete expenditure savings and efficiency gains measures in the 2019 budget. Progressively unify the rules of the different pension regimes to enhance their fairness and sustainability.</p>
	<p>2. Consolidate the measures reducing the cost of labour to maximise their efficiency in a budget-neutral manner and in order to scale up their effects on employment and investment. Broaden the overall tax base and take further action to implement the planned decrease in the statutory corporate-income rate.</p>	Some progress:	<p>2. Pursue the reforms of the vocational education and training system, to strengthen its labour market relevance and improve access to training, in particular for low qualified workers and jobseekers. Foster equal opportunities and access to the labour market, including for people with a migrant background and people living in deprived areas. Ensure that minimum wage developments are consistent with job creation and competitiveness.</p>
	<p>3. Improve access to the labour market for jobseekers, in particular less-qualified workers and people with a migrant background, including by revising the system of vocational education and training. Ensure that minimum wage developments are consistent with job creation and competitiveness.</p>	Some progress:	<i>See CSR 2 (access to the labour market, minimum wage developments)</i>


 HR	2017 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3, 4, 5	Assessment of implementation of 2017 CSRs March 2018	2018 CSRs SGP: - MIP: CSR 1, 2, 3, 4
	<p>1. Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails remaining at its medium-term budgetary objective in 2018. By September 2017, reinforce budgetary planning and the multi-annual budgetary framework, including by strengthening the independence and mandate of the Fiscal Policy Commission. Take the necessary steps for the introduction of the value-based property tax. Reinforce the framework for public debt management, including by ensuring annual updates of the debt management strategy.</p>	<p>Limited progress</p>	<p>1. Strengthen the fiscal framework, including by strengthening the mandate and independence of the Fiscal Policy Commission. Introduce a recurrent property tax.</p>
	<p>2. Discourage early retirement, accelerate the transition to the higher statutory retirement age and align pension provisions for specific categories with the rules of the general scheme. Improve coordination and transparency of social benefits.</p>	<p>Limited progress:</p>	<p>2. Discourage early retirement, accelerate the transition to a higher statutory retirement age and align pension provisions for specific categories with the rules of the general scheme. Deliver on the reform of the education and training system to improve its quality and labour market relevance for both young people and adults. Consolidate social benefits and improve their poverty reduction capacity.</p>
	<p>3. Improve adult education, in particular for older workers, the low-skilled and the long-term unemployed. Accelerate the reform of the education system.</p>	<p>Limited Progress</p>	<p><i>See CSR 2 (reform of the education system)</i></p>
	<p>4. Reduce the fragmentation and improve the functional distribution of competencies in public administration, while enhancing the efficiency and reducing territorial disparities in the delivery of public services. In consultation with social partners, harmonise the wage-setting frameworks across the public administration and public services.</p>	<p>No progress:</p>	<p>3. Reduce the territorial fragmentation of the public administration, streamline the functional distribution of competencies and enhance the capacity to design and implement public policies. In consultation with social partners, introduce harmonised wage-setting frameworks across the public administration and public services.</p>
	<p>5. Speed up the divestment of state-owned enterprises and other state assets, and improve corporate governance in the state-owned enterprise sector. Significantly reduce the burden on businesses stemming from costs of regulation and from administrative burdens. Remove regulatory restrictions hampering access to and the practice of regulated professions and professional and business services. Improve the quality and efficiency of the justice system, in particular by reducing the length of civil and commercial cases.</p>	<p>Limited progress:</p>	<p>4. Improve corporate governance in state-owned enterprises and intensify the sale of state-owned enterprises and non-productive assets. Significantly reduce the burden on businesses arising from parafiscal charges and from cumbersome administrative and legislative requirements. Enhance competition in business services and regulated professions. Reduce the duration of court proceedings and improve electronic communication in courts.</p>

 IT	<u>2017 CSRs</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4	<u>Assessment of implementation of 2017 CSRs</u> March 2018	<u>2018 CSRs</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4
	<p>1. Pursue a substantial fiscal effort in 2018, in line with the requirements of the preventive arm of the Stability and Growth Pact, taking into account the need to strengthen the ongoing recovery and to ensure the sustainability of Italy's public finances. Ensure timely implementation of the privatisation programme and use windfall gains to accelerate the reduction of the general government debt-to-GDP ratio. Shift the tax burden from the factors of production onto taxes less detrimental to growth in a budget-neutral way by taking decisive action to reduce the number and scope of tax expenditures, reforming the outdated cadastral system and reintroducing the first residence tax for high-income households. Broaden the compulsory use of electronic invoicing and payments.</p>	<p>Some progress</p>	<p>1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 0,1 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. Shift taxation away from labour, including by reducing tax expenditure and reforming the outdated cadastral values. Step up efforts to tackle the shadow economy, including by strengthening the compulsory use of e-payments through lower legal thresholds for cash payments. Reduce the share of old-age pensions in public spending to create space for other social spending.</p>
	<p>2. Reduce the trial length in civil justice through effective case management and rules ensuring procedural discipline. Step up the fight against corruption, in particular by revising the statute of limitations. Complete reforms of public employment and improve the efficiency of publicly-owned enterprises. Promptly adopt and implement the pending law on competition and address the remaining restrictions to competition.</p>	<p>Some progress:</p>	<p>2. Reduce the length of civil trials at all instances by enforcing and streamlining procedural rules, including those under consideration by the legislator. Achieve more effective prevention and repression of corruption by reducing the length of criminal trials and implementing the new anti-corruption framework. Ensure enforcement of the new framework for publicly-owned enterprises and increase the efficiency and quality of local public services. Address restrictions to competition, including in services, also through a new annual competition law.</p>
	<p>3. Accelerate the reduction in the stock of non-performing loans and step up incentives for balance-sheet clean-up and restructuring, in particular in the segment of banks under national supervision. Adopt a comprehensive overhaul of the regulatory framework for insolvency and collateral enforcement.</p>	<p>Some progress:</p>	<p>3. Maintain the pace of reducing the high stock of non-performing loans and support further bank balance sheet restructuring and consolidation, including for small and medium-sized banks, and promptly implement the insolvency reform. Improve market-based access to finance for firms.</p>
	<p>4. With the involvement of social partners, strengthen the collective bargaining framework to allow collective agreements to better take into account local conditions. Ensure effective active labour market policies. Facilitate the take-up of work for second earners. Rationalise social spending and improve its composition.</p>	<p>Limited progress:</p>	<p>4. Step up implementation of the reform of active labour market policies to ensure equal access to effective job-search assistance and training. Encourage labour market participation of women through a comprehensive strategy, rationalising family-support policies and increasing the coverage of childcare facilities. Foster research, innovation, digital skills and infrastructure through better-targeted investment and increase participation in vocational-oriented tertiary education.</p>

	<p><u>2017 CSRs</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4</p>	<p><u>Assessment of implementation of 2017 CSRs</u> March 2018</p>	<p><u>2018 CSRs</u> SGP: - MIP: CSR 1, 2, 3, 4, 5</p>
	<p>1. Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails remaining at its medium-term budgetary objective in 2018. Use windfall gains to accelerate the reduction of the general government debt ratio. By the end of 2017, adopt key legislative reforms aiming to improve efficiency in the public sector, in particular on the functioning of public administration, governance of state-owned entities and local governments.</p>	<p>Limited progress</p>	<p>1. Adopt key legislative reforms to improve efficiency in the public sector, in particular as regards the functioning of the public administration and the governance of state-owned entities and local governments.</p>
	<p>2. Increase the efficiency of the judicial system by modernising civil procedures, implementing appropriate information systems and increasing the specialisation of courts. Take additional measures to eliminate impediments to the full implementation of the insolvency and foreclosure frameworks, and to ensure reliable and swift systems for the issuance of title deeds and the transfer of immovable property rights.</p>	<p>Limited progress</p>	<p>2. Step up efforts to improve the efficiency of the judicial system by revising civil procedures, increasing the specialisation of courts and setting up a fully operational e-justice system. Take measures to fully operationalise the insolvency and foreclosure frameworks and ensure reliable and swift systems for the issuance of title deeds and the transfer of immovable property rights.</p>
	<p>3. Accelerate the reduction of non-performing loans by setting related quantitative and time-bound targets for banks and ensuring accurate valuation of collateral for provisioning purposes. Create the conditions for a functional secondary market for non-performing loans. Integrate and strengthen the supervision of insurance companies and pension funds.</p>	<p>Limited progress</p>	<p>3. Accelerate the reduction of non-performing loans by implementing a comprehensive strategy, including legislative amendments allowing for the effective enforcement of claims and facilitating the sale of loans. Integrate and strengthen the supervision of insurance companies and pension funds.</p>
	<p>4. Accelerate the implementation of the action plan for growth, focusing in particular on fast-tracking strategic investments and improving access to finance, and, by the end of 2017, resume the implementation of the privatisation plan. Take decisive steps towards the ownership unbundling of the Electricity Authority of Cyprus and, in particular, proceed with the functional and accounting unbundling by the end of 2017.</p>	<p>Limited progress</p>	<p>4. Prioritise the implementation of key elements of the action plan for growth, in particular fast-tracking strategic investments, and take additional measures to improve access to finance for small and medium-sized enterprises. Improve the performance of state-owned enterprises including by resuming the implementation of privatisation projects.</p>
	<p>5. Speed up reforms aimed at increasing the capacity of public employment services and improving the quality of active labour market policies delivery. Complete the reform of the education system to improve its labour market relevance and performance, including teachers' evaluation. By the end of 2017, adopt legislation for a hospital reform and universal healthcare coverage.</p>	<p>Some progress</p>	<p>5. Complete reforms aimed at increasing the capacity and effectiveness of the public employment services and reinforce outreach and activation support for young people who are not in employment education or training. Complete the reform of the education and training system, including teacher evaluation and actions to increase the capacity of vocational education and training. Take measures to ensure that the National Health System becomes fully functional in 2020, as planned.</p>

 NL	<u>2017 CSRs</u> SGP: - MIP: CSR 1, 2	<u>Assessment of implementation of 2017 CSRs</u> March 2018	<u>2018 CSRs</u> SGP: - MIP: CSR 1, 2
	<p>1. While respecting the medium-term objective, use fiscal and structural policies to support potential growth and domestic demand, including investment in research and development. Take measures to reduce the remaining distortions in the housing market and the debt bias for households, in particular by decreasing mortgage interest tax deductibility.</p>	<p>Some progress:</p>	<p>1. While respecting the medium-term objective, use fiscal and structural policies to raise public and private investment in research, development and innovation. Take measures to reduce the debt bias for households and the remaining distortions in the housing market, in particular by supporting the development of the private rental sector.</p>
	<p>2. Tackle remaining barriers to hiring staff on permanent contracts. Address the high increase in the self-employed without employees, including by reducing tax distortions favouring self-employment, without compromising entrepreneurship, and by promoting access of the self-employed to affordable social protection. Based on the broad preparatory process already launched, make the second pillar of the pension system more transparent, inter-generationally fairer and more resilient to shocks. Create conditions to promote higher real wage growth, respecting the role of the social partners.</p>	<p>Limited progress:</p>	<p>2. Reduce the incentives to use temporary contracts and self-employed without employees, while promoting adequate social protection for the self-employed, and tackle bogus self-employment. Create conditions to promote higher wage growth, respecting the role of the social partners. Ensure that the second pillar of the pension system is more transparent, inter-generationally fairer and more resilient to shocks.</p>

PT 	2017 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3, 4	Assessment of implementation of 2017 CSRs March 2018	2018 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3
	<p>1. Ensure the durability of the correction of the excessive deficit. Pursue a substantial fiscal effort in 2018 in line with the requirements of the preventive arm of the Stability and Growth Pact, taking into account the need to strengthen the ongoing recovery and to ensure the sustainability of Portugal's public finances. Use windfall gains to accelerate the reduction of the general government debt-to-GDP ratio. Step up efforts to broaden the expenditure review to cover a significant share of general government spending across several policies. Strengthen expenditure control, cost effectiveness and adequate budgeting, in particular in the health sector with a focus on the reduction of arrears in hospitals and ensure the sustainability of the pension system. To increase the financial sustainability of state-owned enterprises set sector-specific efficiency targets in time for the 2018 budget, improving state-owned enterprises' overall net income and decreasing the burden on the State budget.</p>	<p>Limited progress</p>	<p>1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 0,7 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. Strengthen expenditure control, cost effectiveness and adequate budgeting, in particular in the health sector with a focus on the reduction of arrears in hospitals. Improve the financial sustainability of state-owned enterprises, in particular by increasing their overall net income and by reducing debt.</p>
	<p>2. Promote hiring on open-ended contracts, including by reviewing the legal framework. Ensure the effective activation of the long-term unemployed. Together with social partners, ensure that minimum wage developments do not harm employment of the low-skilled.</p>	<p>Some progress:</p>	<p>2. Promote an environment conducive to hiring on open-ended contracts, including by reviewing the legal framework in consultation with social partners. Increase the skills level of the adult population, including digital literacy, by strengthening and broadening the coverage of the training component in adult qualification programmes. Improve higher education uptake, namely in science and technology fields.</p>
	<p>3. Step up efforts to clean up the balance sheets of credit institutions by implementing a comprehensive strategy addressing non-performing loans, including by enhancing the secondary market for bad assets. Improve the access to capital, in particular for start-ups and small and medium-sized enterprises.</p>	<p>Some progress:</p>	<p>3. Increase the efficiency of insolvency and recovery proceedings and reduce impediments to the secondary market for non-performing loans. Improve access to finance for businesses. Reduce the administrative burden by shortening procedural deadlines, using more tacit approval and reducing document submission requirements. Remove persistent regulatory restrictions by ensuring a proper implementation of the framework law for highly regulated professions. Increase the efficiency of administrative courts, inter alia by decreasing the length of proceedings.</p>
	<p>4. Implement a roadmap to further reduce the administrative burden and tackle regulatory barriers in construction and business services by the end of 2017. Increase the efficiency of insolvency and tax proceedings.</p>	<p>Limited progress:</p>	<p><i>See CSR 3 (removing persistent regulatory restrictions, increasing the efficiency of administrative courts)</i></p>

SE 	2017 CSRs SGP: - MIP: CSR 1	Assessment of implementation of 2017 CSRs March 2018	2018 CSRs SGP: - MIP: CSR 1
	<p>1. Address risks related to household debt, in particular by gradually limiting the tax deductibility of mortgage interest payments or by increasing recurrent property taxes, while constraining lending at excessive debt-to-income levels. Foster investment in housing and improve the efficiency of the housing market, including by introducing more flexibility in setting rental prices and revising the design of the capital gains tax.</p>	<p>Limited progress</p>	<p>1. Address risks related to high household debt by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes. Stimulate residential construction where shortages are most pressing, in particular by removing structural obstacles to construction, and improve the efficiency of the housing market, including by introducing more flexibility in setting rental prices and revising the design of the capital gains tax.</p>