MACROECONOMIC IMBALANCE PROCEDURE (MIP) – FREQUENTLY ASKED QUESTIONS (FAQ)

Contents

General questions

1. What is Macroeconomic Imbalance Procedure (MIP)?

The Macroeconomic Imbalance Procedure (MIP) is a part of a surveillance framework that aims to identify potential macroeconomic risks early on, prevent the emergence of harmful macroeconomic imbalances and correct the imbalances that are already in place. It is a system for monitoring economic policies and detecting potential harms to the proper functioning of the economy of a Member State, of the Economic and Monetary Union, or of the Union as a whole, e.g. real estate bubbles, banking crises or falling competitiveness. The rules on the economic governance (introduced through the Six Pack Regulation, the Two Pack Regulation and the Treaty on Stability, Coordination and Governance) are grounded in the European Semester, the EU's annual cycle of economic policy guidance and surveillance. The MIP contains a number of sequential steps, having the Alert Mechanism Report (AMR) as a starting point.

2. What is an imbalance?

Regulation No 1176/2011, on the prevention and correction of macroeconomic imbalances, defines a macroeconomic imbalance as 'any trend giving rise to macroeconomic developments which are adversely affecting, or have the potential to adversely affect, the proper functioning of the economy of a Member State or of the Economic and Monetary Union, or of the Union as a whole', while excessive imbalances are 'severe imbalances that jeopardise or risk jeopardising the proper functioning of the Economic and Monetary Union'.

In general, any deviation from a desirable level can be considered as an imbalance. However, not all imbalances are detrimental or require policy interventions as they may be part of an economy's dynamic adjustment. Imbalances that require close monitoring and possibly policy interventions relate to developments that could imply threats to macroeconomic stability. For example, having a large and persistent current account deficit could be considered an imbalance when reflecting an excess of imports over exports related to competitiveness problems.

3. What is the legal basis for the MIP?

Detailed information on the legal basis defining the MIP is available on the Eurostat MIP dedicated web link

4. What is the role of Eurostat in the context of the Macroeconomic Imbalance Procedure (MIP)?

- To ensure statistical support in the MIP context
- To produce and supply the relevant statistics and indicators
- To produce the Statistical Annex of the Alert Mechanism Report
- To ensure high quality standards for data
- To set up and implement a quality management and monitoring framework for MIP relevant statistics
- To provide methodological support in the framework of MIP relevant statistics
- To contribute to the definition and choice of indicators to support the decisions of the policy-makers

5. **How does Eurostat ensure the quality of the statistics?**
   - Eurostat produces and disseminates harmonized statistics which comply with high-quality standards
   - This is guaranteed through a Code of practice applicable to the European Statistical System, a legal framework and a communication on quality of statistics.

Questions on the Alert mechanism report; the MIP Scoreboard and indicators

6. **What is the Alert Mechanism Report (AMR)?**

The Alert Mechanism Report (AMR) is the starting point of the yearly cycle of the Macroeconomic Imbalance Procedure (MIP), which aims at identifying and addressing imbalances that hinder the smooth functioning of the EU economies and may jeopardise the proper functioning of the Economic and Monetary Union. The AMR identifies the Member States for which further analysis (in the form of an in-depth review) is deemed necessary in order to decide whether an imbalance in need of policy action exists. In this regard, the AMR is an initial screening device, based on a scoreboard of indicators with indicative thresholds, plus a set of auxiliary indicators.
The AMR is not a mechanical exercise with an automatic interpretation of the results of scoreboard. It is not because a Member State reports an indicator beyond the indicative threshold that an in-depth review is launched as the Commission takes the complete economic picture into account and bases its findings on sound economic judgment.
The AMRs are published on the Commission's website under this link.

7. **Which countries are analysed in the AMR?**

The AMR is the first stage in the yearly cycle of the MIP. The AMR looks at all EU Member States except those that are benefiting from official financial assistance ("programme countries"), since the surveillance of these countries' imbalances and the monitoring of corrective measures will continue in the context of their economic adjustment programmes.

8. **What is the MIP Scoreboard?**

The MIP's alert mechanism consists of an indicator-based scoreboard complemented by an economic reading presented in an annual Alert Mechanism Report (AMR).

The scoreboard consists of a set of eleven indicators covering the major sources of macroeconomic imbalances. The aim of the scoreboard is to trigger in-depth analysis which will show whether the potential imbalances identified in the early-warning system are benign or problematic.

Given that the scoreboard needs to detect potentially harmful imbalances and competitiveness losses at an early stage of their emergence, a combination of stock and flow indicators which can capture both short-term rapid deteriorations as well as the long-term gradual accumulation of imbalances has been chosen.

Indicative thresholds have been set by the Commission; the crossing of one or more indicative thresholds does not necessarily imply that macroeconomic imbalances are emerging.

The choice of indicators in the scoreboard focuses on the most relevant dimensions of macroeconomic imbalances and competitiveness losses, with a particular focus on the smooth functioning of the euro area. For this reason, the scoreboard consists of indicators which can monitor external balances, competitiveness positions and internal imbalances.

The economic reading of the scoreboard indicators implies that there is no automaticity involved and that any other relevant information could also be taken into account (which is explicitly expressed in the regulation).

The composition of the MIP scoreboard indicators may evolve over time and it is regularly reviewed in the context of LIME working group of the Economic Policy Committee.

For more information on the design and technical explanations on the scoreboard, see the publication: Scoreboard For The Surveillance of Macroeconomic Imbalances (Occasional Paper 92/2012)

9. On which economic indicators is the MIP scoreboard based?

The MIP scoreboard is currently made up of eleven indicators with a view to monitor external and internal imbalances, as well as competitiveness. The indicators in the scoreboard allow an early identification of imbalances that emerge over the short term as well as of imbalances that arise due to structural and long-term trends. Indicative thresholds have been set for each indicator. For the time being the design of the scoreboard is:

External imbalances and competitiveness

- 3 year average of the *current account balance* as a percentage of GDP, with indicative thresholds of +6% and - 4%;
- *net international investment position* (NIIP) as a percentage of GDP, with an indicative threshold of -35%;
- 5 years percentage change of *export market shares* measured in values, with an indicative threshold of -6%;
- 3 years percentage change in *nominal unit labour cost* (ULC), with indicative thresholds of +9% for euro area countries and +12% for non-euro area countries.
- 3 years percentage change in *real effective exchange rates* (REER) based on HICP deflators, relative to 41 other industrial countries; indicative thresholds of -/+5% for euro area countries and -/+11% for non-euro area countries.

Internal imbalances

- *private sector debt* (consolidated) as a percentage of GDP, with a threshold of 133%;
- *private sector credit flow* as a percentage of GDP, with an indicative threshold of 14%;
- year-on-year percentage change in deflated *house prices*, with an indicative threshold of 6%;
- *public sector debt* as a percentage of GDP with an indicative threshold of 60%;
- 3-year average of *unemployment rate*, with an indicative threshold of 10%;
- year-on-year percentage change in *total financial corporations sector liabilities* of the financial sector, with an indicative threshold of 16.5%.

10. How are defined the thresholds for the MIP scoreboard indicators?

The scoreboard is an alert system, based on a set of indicators covering the major sources of macroeconomic imbalances. For each indicator, alert thresholds have been defined to detect potential imbalances. The scoreboard and the thresholds are not applied mechanically, as the scoreboard is complemented by an economic reading. The aim of the scoreboard is to filter countries that warrant in-depth studies in order to determine whether the potential imbalances identified in the early-warning system are benign or problematic.

The indicative thresholds are set at prudent levels, which on the one hand avoid excessive numbers of 'false alarms' but which on the other hand are not set so stringently that they only identify problems once they are entrenched. To this end, thresholds have generally been established via a statistical approach based on the distributions of the indicators' values, by identifying the thresholds as the lower and/or upper quartiles of the distributions: such thresholds are generally consistent with the values found in the empirical literature.

For more information on the design and technical explanations on the scoreboard, see the publication: Scoreboard For The Surveillance of Macroeconomic Imbalances (Occasional Paper 92/2012)

11. What is the usage of the MIP scoreboard?

The scoreboard is an alert system, based on a set of indicators covering the major sources of macroeconomic imbalances. The indicators in the MIP Scoreboard are used to identify emerging or persistent macroeconomic imbalances in a country. For each indicator, alert thresholds have been defined to detect potential imbalances. The scoreboard and the thresholds are not applied mechanically as the scoreboard is complemented by an economic reading. The aim of the scoreboard is to filter countries that warrant in-depth studies in order to determine whether the potential imbalances identified in the early-warning system are benign or problematic.

The Scoreboard is part of an annual exercise, where the first step is the compilation of an Alert Mechanism Report (AMR). The AMR draws its information from, especially, the MIP Scoreboard data. Data used in the AMR are 'frozen' close to the publication date of the report. The data updates and revisions released after the publication of the AMR, as well as the latest available statistics are published on the Eurostat MIP dedicated web section.

12. Does the economic reading of the scoreboard take into account only the eleven scoreboard indicators? What are the auxiliary indicators used for?

The economic reading takes into account complementary additional (auxiliary) indicators, as stipulated in Article 4.4 of Regulation (EU) No 1176/2011 and outlined in the Alert Mechanism Report.

The auxiliary indicators are useful for the interpretation of the scoreboard indicators and they provide additional information on aspects linked to the general macroeconomic situation, nominal and real convergence inside and outside the EU and the euro area, and detailed data on the external liabilities, including foreign direct investment and net external debt. Since 2013 indicators on social issues are also a part of the auxiliary set. However, there are no thresholds for these auxiliary indicators.

The list of MIP scoreboard and additional indicators was drafted and is regularly reviewed in the context of LIME working group of the Economic Policy Committee.

The MIP scoreboard and auxiliary indicators are published on Eurostat MIP dedicated web-section.

13. Where to find information on the MIP indicators?

- Eurostat MIP dedicated web section - The headline indicators comprising the MIP Scoreboard and the set of auxiliary indicators could be consulted here. The data refer to the EU Member States. The web section provides access to Eurostat source data sets, available legislation, Alert Mechanism Reports, methodology.
- DG ECFIN Macroeconomic Imbalance Procedure dedicated web site –The site contains information on the MIP framework and macroeconomic surveillance, legislative acts, Alert Mechanism Reports, In-depth reviews and other key documents.

Questions on the MIP indicators; the source data and the underlying methodology

14. What are the sources of the data used for the calculation of the MIP headline indicators?

Eurostat is the source for the basic data for majority of the headline indicators. The indicators sourcing from outside are:

- Real effective exchange rate - Directorate General for Economic and Financial Affairs (DG ECFIN);
- The quarterly data for the Private credit flow, Private debt and Financial sector liabilities – European Central Bank (ECB) provides the quarterly data, as the Member States' central banks are the genuine data source. The annual data are collected by Eurostat, the source data come from the National Statistical Institutes/National Central Banks;

15. What is the revision policy applied to the data used for the calculation of the scoreboard indicators?

The revision policies vary in the different domains:

- Unemployment rate - the revisions of the data are country specific and depend also on the source of the revisions.
- Current account balance, Net international investment position and Export market share –Data are revised with the updated information transmitted by the Member States, according to the timetable specified in the BoP Vademecum
- Real effective exchange rate - The full time series, i.e. more than 10 years, are sometimes revised at the quarterly update
- Nominal unit labour cost - revision patterns vary depending on countries policies in this respect, significant revisions several years back are usual e.g. related to benchmarking with supply-use-input-output framework
- House price index, deflated - major revisions may concern back years, while routine revisions usually are done one or few quarters back
- Private credit flow (consolidated); Private debt (consolidated); Financial sector liabilities, total (non-consolidated) - financial accounts data are revised going back 2 or 3 years. Benchmark revisions may affect the data for a longer number of years. The major revisions usually are relevant to the changes of methodology as the latest data revisions are defined due to the introduction of ESA 2010.
- General government gross debt - the whole time series can be revised due to methodological revisions.

16. Where to find information on the methodology and data production methods of the MIP indicators?

Information on methodology and methods related to the production on MIP indicators is published in the metadata files, accessible through the 'M' icon from the MIP Scoreboard or the MIP data tree. There are metadata files available for each domain of MIP. Metadata are produced in ESMS (Euro-SDMX Metadata Structure) format. For more information, see the methodology page under this link.

17. Why are seasonal adjustments made to the quarterly data?

Seasonal adjustment of infra-annual time-series or removal of regular seasonal influences, is made in order to understand more clearly the economic phenomenon which the indicator is measuring. By filtering out seasonal effects, the resulting series brings into greater focus the long-term trend and business cycle components of the indicator. Seasonally adjusted series may facilitate comparisons over time. MIP indicators are annual, but quarterly information can be used as complementary and it is shown on the MIP website.

Further information on seasonal adjustment can be found in the ESS Guidelines on seasonal adjustment.

18. What does 'domestic concept' used in National accounts mean?

For the calculation of the Nominal unit labour cost (NULC) the number of employees and employed persons is calculated according to the domestic concept used in national accounts. The same applies to the employment figures included as an auxiliary indicator.

The ESA2010 distinguishes two employment concepts depending on the geographical coverage: resident persons in employment (i.e. the national scope of employment) and employment in resident production units irrespective of the place of residence of the employed person (i.e. domestic scope).

The unit labour cost (ULC) is defined as the ratio of labour costs to labour productivity.
Nominal ULC (NULC) = (D1/EEM) / (B1GM/ETO) with
D1 = Compensation of employees, all industries, current prices
EEM = Employees, all industries, in persons
B1GM = Gross domestic product at market prices in millions NAC, chain-linked volumes reference year 2010
ETO = Total employment, all industries, in persons
The scoreboard indicator is the percentage change over three years of nominal unit labour cost, calculated using the formula: [(ULCt – ULCt-3)/ULCt-3]*100.

19. What is the difference between consolidated and non-consolidated data?

The data sourcing from the financial national accounts could be presented in consolidated and non-consolidated terms. Consolidation is a method of presenting the accounts for a set of units as if they constituted one single entity (unit, sector, or subsector). It involves eliminating transactions and reciprocal stock positions and associated other economic flows among the units being consolidated. When data are presented in non-consolidated terms, it takes into account transactions within the same sector.

The MIP Scoreboard indicator Total financial corporations sector liabilities is presented in non-consolidated terms, while the Private sector credit flow and Private sector debt are consolidated.

20. Is the Government debt published in the MIP Scoreboard the same as the EDP debt?

For the purpose of the Excessive Deficit Procedure (EDP) in the Economic and monetary union (EMU), as well as for the Growth and Stability Pact, the current Protocol 12, annexed to the 2012 consolidated version of the Treaty on the Functioning of the European Union, provides a complete definition of government debt: "debt means total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government". This definition is supplemented by Council Regulation (EC) No 479/2009, as amended by the Commission Regulation (EU) No 220/2014 (which has only updated references to ESA 2010 instruments) specifying the components of government debt with reference to the definitions of financial liabilities in ESA2010.

In this context, the stock of government debt in the Excessive Deficit Procedure (EDP debt) is equal to the sum of liabilities, at the end of year, of all units classified within the general government sector (S.13) in the following categories: AF.2 (currency and deposits) + AF.3 (debt securities) + AF.4 (loans).
The MIP headline indicator is calculated as: GGDt/GDPt * 100.
The GDP used in denominator of the headline indicator comes from the ESA2010 transmission programme, not from EDP submissions, thus the differences between the EDP debt and Scoreboard debt as % GDP may arise as a result of different timetables in the transmission of the revised GDP data.

21. Which GDP do we use as a denominator for the calculation of some of the MIP indicators?

For the calculation of some of the headline indicators is used GDP as a denominator. The variable used is GDP at market prices, sourcing from the National accounts (the source data table is nama_10_gdp). The headline indicators using GDP or other data from the national accounts as a denominator or as a basis for compilation of the indicator are:

- Current account balance
- Net international investment position
- Nominal unit labour cost
- Private sector credit flow (consolidated)
- Private sector debt (consolidated)
- Financial sector corporations liabilities
- General government gross debt
- House price index

22. What is the European System of Accounts (ESA)?

The European System of National and Regional Accounts (ESA) sets down the harmonised methodology that must be used for the production of national accounts data in the EU. It is crucial to have such a methodological rulebook in the EU, in order to ensure that statistics on Member States' economies are compiled in a consistent, comparable, reliable and up-to-date way.

23. Why did we change the ESA95 to the ESA2010?

The previously used methodological framework for producing national accounts data (ESA 1995) was almost twenty years old. Over the years, substantial changes have impacted economies, in particular the increasing role of ICT in production processes, the growing importance of intangible assets, intellectual property products and services, and the globalisation of economic systems. The way in which macroeconomic statistics are compiled needs to be adjusted accordingly, to reflect these changes.
It is important to stress that this adaptation of the system of accounts is not only European, but world-wide. Europe's ESA 2010 is the sister of the SNA 2008, adopted by the United Nations Statistical Committee, which is in the process of being implemented all around the world. It has already been implemented in the USA, Australia and Canada.
For more information on the major differences between ESA2010 and ESA95 see the link.

24. What are the main changes in ESA2010?

The main methodological changes made under ESA 2010 are:

- **Research and development expenditure** is counted as investment.
- **Expenditure on weapon systems** is counted as investment.
- There is a more detailed analysis of **pension schemes**. A compulsory supplementary table transparently shows the liabilities of all pension schemes, including those of government whether unfunded or funded, in order to improve comparability between countries.

For more information on the major differences between ESA2010 and ESA95 see the link.

25. Why was changed the treatment of research and development expenditure in ESA2010?

In today's world, investment into research and development is at least as important as investment in buildings and machinery. This is why it should also be recognised statistically as an investment.

26. Why was changed the treatment of expenditure on weapon systems in ESA2010?

A weapon system, such as an aircraft carrier, is available to a government over many years. This is why in the ESA 2010 they are treated as investment rather than current expenditure (the appropriate treatment for expenditure on items which are consumed within a limited timeframe).

27. What is a balance of payments (BoP)?

The balance of payments (BoP) is a statistical statement that systematically summarises, over a given period of time, all the transactions of an economy with the rest of the world. The balance of payments records all economic transactions undertaken between the residents and non-residents of a country during a given period. A transaction is defined as an economic flow that reflects the creation, transformation, exchange, transfer, or extinction of economic value and involves changes in ownership of goods and/or financial assets, the provision of services, or the provision of labour and capital.
If a country has received money, this is known as a credit, and if a country has paid or given money, the transaction is counted as a debit.
In accounting terms, the BOP is always zero, meaning that credits and debits balance. However, there might be imbalances of the individual accounts of the BOP. Thus, the BOP

can tell the observer if a country has a deficit or a surplus on the individual accounts and from which part of the economy the imbalances are stemming.
The BOP is divided into three main categories: the current account, the capital account and the financial account. Within these three categories are sub-divisions, each of which accounts for a different type of international monetary transaction.

28. What is BPM6?

The Sixth Edition of the IMF's Balance of Payments and International Investment Position Manual *(BPM6)* provides guidance on the recording of cross-border transactions and positions according to a set of internationally agreed guidelines, and provides greater clarity and details on an expanded range of international activities. The *BPM6* takes into account globalization (for example, currency unions, cross-border production processes, complex international company structures, and issues associated with labor mobility, such as remittances) and builds on the growing interest in examining vulnerability using balance sheet data (for example, greater elaboration of balance sheet components). The *BPM6* makes the international investment position (IIP) more central to the framework than does *BPM5*. It contains increased and updated guidance on new financial instruments and financial activities linked to innovation. The full range of changes may be found on the IMF website, see Appendix 8. Changes from BPM5.
For more information see:

1. The International monetary fund (IMF) website
2. Balance of Payments and International Investment Position Compilation Guide

Broad policy framework

29. What are the In-depth reviews (IDRs)?

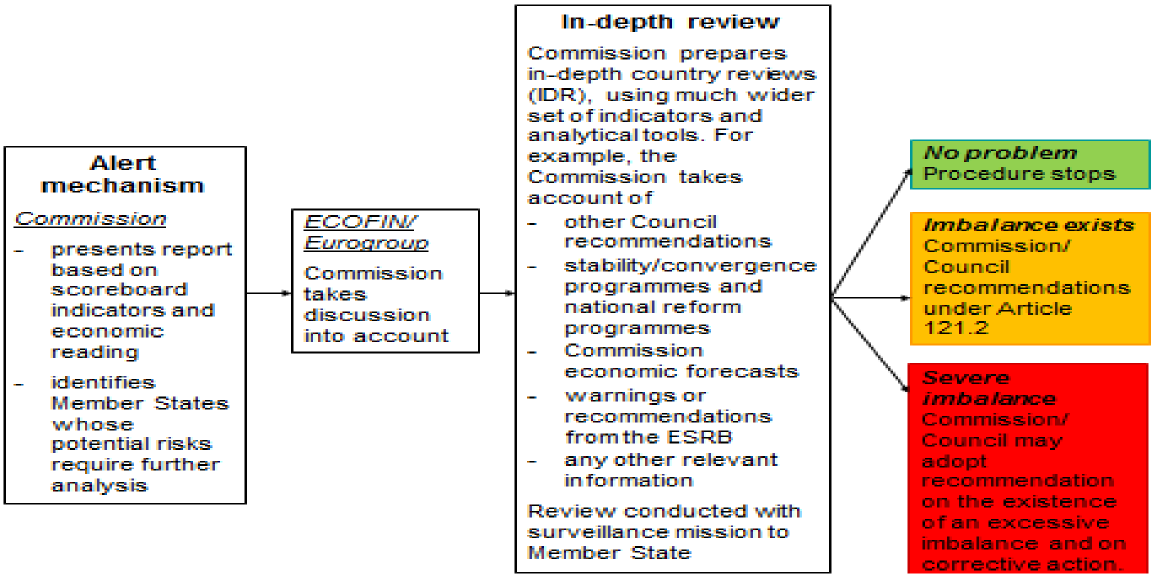
The Alert Mechanism Report (AMR) is the starting point of the yearly cycle of the Macroeconomic Imbalance Procedure (MIP). The AMR identifies the Member States for which further analysis (in the form of an in-depth review) is necessary in order to decide whether an imbalance in need of policy action exists.
The in-depth reviews examine macroeconomic developments with the aim of analysing potential imbalances, their origin, nature and severity, and in particular determining whether these imbalances are excessive in the sense of the Macroeconomic Imbalance Procedure (MIP). The in-depth reviews look particularly at external financial sustainability; the drivers of external competitiveness; developments related to the deleveraging of private sector balance sheets; private and public indebtedness; housing and mortgage market developments; and financial sector stability. In-depth reviews encompass a thorough analysis of sources of imbalances in the Member State under review, taking into account country-specific economic conditions. They consider a wide set of available data and other relevant information. In the preparation of the in-depth reviews, specific surveillance missions - including discussions with the Member States' government and other stakeholders - take place.

It is only on the basis of the in-depth reviews that the Commission concludes whether imbalances– and potentially excessive imbalances– exist and put forward the appropriate policy recommendations. The in-depth reviews are published in spring and are feeding into the analysis underpinning next year’s country-specific recommendations under the 'European Semester' of economic policy coordination. The in-depth reviews are published under this link.

30. What is the possible outcome of the in-depth reviews?

An in-depth review does not automatically lead to a recommendation or the identification of imbalances. The Commission's analysis could result in one of three different scenarios shown by the graph below.

Overview of the Macroeconomic Imbalance Procedure:



1. If the situation is considered unproblematic, the Commission will conclude that no further steps are necessary under the MIP.

2. If the Commission considers that a macroeconomic imbalance exists or could arise, it will come forward with the appropriate recommendations under the preventive arm of the MIP. The Member State concerned will be asked to correct the imbalance or prevent an imbalance from occurring. These recommendations are presented in the context of the European Semester as part of the package of country-specific recommendations (May/June).

3. If the macroeconomic imbalances are considered severe or excessive and may jeopardise the proper functioning of the Economic and Monetary Union, the Commission can recommend that the ECOFIN Council places the Member State under an Excessive Imbalance Procedure; this is the corrective arm of the MIP.

For more information on the in-depth reviews, see this link.

31. Are there any sanctions stemming from the MIP?

There are no fines or sanctions foreseen under the preventive arm of the MIP.

As regards the corrective arm, i.e. if an Excessive Imbalance Procedure is launched, the situation is different: In this case financial sanctions (up to 0.1% of GDP) are foreseen for euro area Member States if they repeatedly fail to deliver a sufficient corrective action plan or to take agreed action.

NB: It is important to note that it is the failure to take adequate measures that could be sanctioned, not the fact that the imbalance has not disappeared.

32. What are the European Semester and the EU's economic governance coordination?

The European Semester is a policy coordination tool, developed to ensure stronger economic governance and better policy coordination at the EU level. The rules have been introduced through the Six Pack Regulation, the Two Pack Regulation and the Treaty on Stability, Coordination and Governance.
The European Semester was introduced in 2010 and it ensures that Member States discuss their budgetary and economic plans with their EU partners at specific times throughout the year. This allows them to comment on each other's plans and enables the Commission to give policy guidance well in advance, before decisions are made at national level.

The European Semester has a clear timeline. Each policy cycle starts in November with the Commission's Annual Growth Survey (where the general economic priorities for the EU are defined and policy guidance for the following year is provided) and the Alert Mechanism Report.

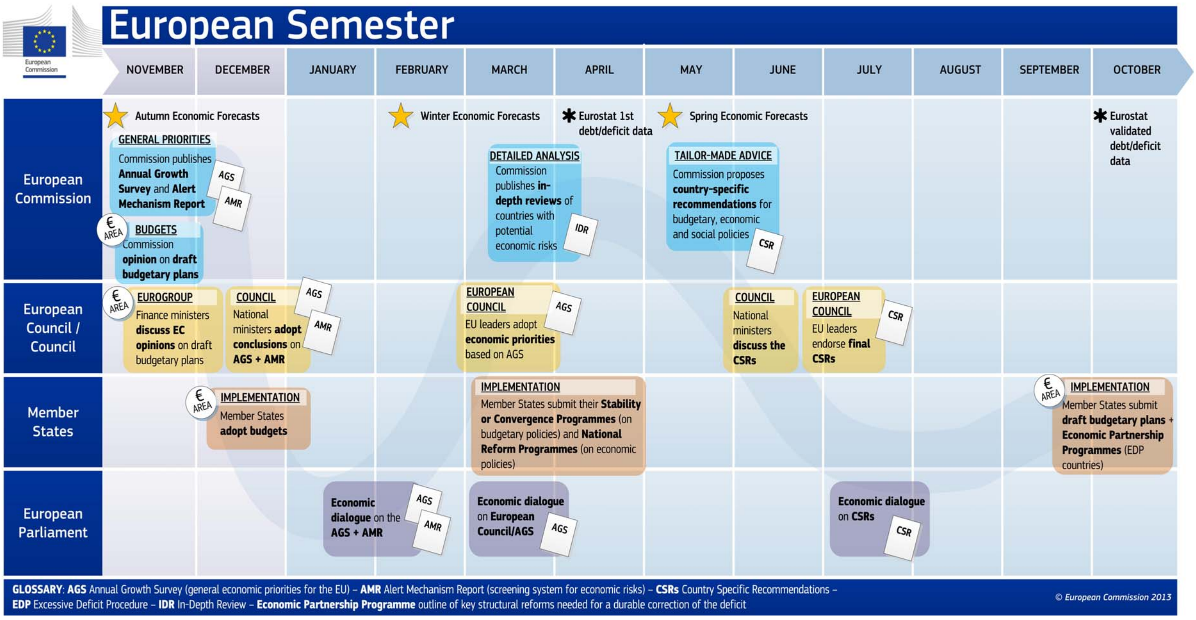
33. What are the steps, the timeline and the players in the European Semester?

The European Semester consists of the following steps:

- **November**: The Annual Growth Survey (AGS) sets out overall economic priorities for the EU for the following year. The Alert Mechanism Report (AMR) screens Member States for potential imbalances against a scoreboard of 11 indicators, as well as auxiliary indicators and other information to measure economic developments over time. The Commission publishes its opinion on draft budget plans (for all euro area countries) and Economic Partnership Programmes (for euro area countries with excessive budget deficits). The budget plans are also discussed by euro area finance ministers.
- **December**: Euro area Member States adopt final annual budgets, taking into account the Commission's advice and finance ministers' opinions.
- **February/March**: The European Parliament and relevant EU ministers (for employment, economics and finance, and competitiveness) meeting in the Council discuss the AGS. The Commission publishes its winter economic forecast. The European Council adopts economic priorities for the EU, based on the AGS.
- It is around this time that the Commission publishes in-depth reviews of Member States with potential imbalances (those identified in the AMR). The in-depth review confirms or denies the existence of imbalances and whether they are excessive or not. Member States are requested to take the findings of the in-depth review into account in their reform plans for the following year. Any follow-up is integrated into the advice the Commission gives to each Member State in the country-specific recommendations at the end of May.
- **April**: Member States submit their Stability/Convergence Programmes (medium-term budget plans) and their National Reform Programmes (economic plans), which should be in line with all previous EU recommendations. Eurostat publishes verified debt and deficit data from the previous year, which is important to check if Member States are meeting their fiscal targets.
- **May**: The Commission proposes country-specific recommendations (CSRs), tailored policy advice to Member States based on the priorities identified in the AGS and

information from the plans received in April. In May, the Commission also publishes its spring economic forecast.

- **June/July**: The European Council endorses the CSRs, and EU ministers meeting in the Council discuss them. EU finance ministers ultimately adopt them in July.
- **October**: Euro area Member States submit draft budget plans for the following year to the Commission. If a plan is out of line with a Member State's medium-term targets, the Commission can ask it to be re-drafted.



34. What is the link between the Alert Mechanism Report and the Annual Growth Survey?

The implementation of the MIP is embedded in the European Semester, with the aim of ensuring consistency with other economic surveillance tools. The Annual Growth Survey, which appears at the same time as the AMR, elaborates on the interlinkages between the correction of macroeconomic imbalances under the MIP, and the urgent challenges of promoting growth, fighting unemployment, ensuring sustainable fiscal policies and restoring lending.

35. Are current account surpluses as problematic as current account deficits?

In general the risks are higher for current account deficits than for current account surpluses because the former raise concerns about the sustainability of the external debt of a country. But this does not mean that surpluses cannot be the result of inefficiencies or constitute an imbalance, especially when they are large. Surveillance under the MIP covers both current account deficits and current account surpluses, as reflected in the thresholds. The asymmetry in the thresholds reflects the fact that the risks related to deficits are higher, as the threshold is 4% of GDP for current account deficits and 6% of GDP for surpluses.