

Macroeconomic Imbalance Procedure Scoreboard

Eurostat indicators to support the detection of macroeconomic imbalances

Eurostat, the statistical office of the European Union, publishes for the first time today the indicators of the Macroeconomic Imbalance Procedure (MIP) Scoreboard. The Scoreboard indicators¹ provide the statistical support to the Commission's Alert Mechanism Report². The headline indicators are available on a dedicated section of the Eurostat website³, which will be regularly updated as the underlying data become available. For **Walter Radermacher**, Director General of Eurostat, "This is a confirmation of Eurostat's role as the leading provider of high quality European statistics. For the Commission, it is very important that the statistical information used in the Alert Mechanism is compiled according to the principles of the European Statistics Code of Practice of the European Statistical System. The Code ensures the relevance, comparability and quality of the data, produced by independent statistical institutions."

The MIP is part of the six legislative proposals on economic governance adopted by the European Parliament and Council in November 2011⁴. The MIP Scoreboard provides the basis for the economic reading of potential imbalances. The Commission will annually identify in its Alert Mechanism Report the cases for which more in-depth analyses are required.

The initial Scoreboard consists of ten economic, financial and structural indicators relevant for the early detection of emerging macroeconomic imbalances at Member State level. To assess internal imbalances, the Scoreboard includes indicators on government and private debt, private credit flow, house prices and unemployment. To assess external imbalances, the indicators cover the current account balance, net investment positions, real effective exchange rates, share of world exports and nominal unit labour cost (see definitions in annex). Eurostat is the main provider of data for these indicators. Some data are also provided by the Commission's Directorate General for Economic and Financial Affairs, the European Central Bank and the IMF.

1. http://epp.eurostat.ec.europa.eu/portal/page/portal/excessive_imbalance_procedure/Documents/MIP_Scoreboard_Headline_Indicators_30_Jan_2012.pdf
2. The Alert Mechanism Report can be found on the website of DG ECFIN: http://ec.europa.eu/economy_finance/eu/index_en.htm
3. http://epp.eurostat.ec.europa.eu/portal/page/portal/excessive_imbalance_procedure/imbalance_scoreboard
4. The scoreboard is defined in Regulation 1176/2011

Published by: **Eurostat Press Office**

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Annex: Brief definition of the indicators

Current account balance

The current account covers all transactions occurring between resident and non-resident entities, and refers to international trade in goods and services, income and current transfers. For the Scoreboard indicator, the current account balance as a percentage of GDP is expressed as the average of the past three years.

Net international investment position

International investment position statistics record the net financial position (liabilities minus assets) of a country vis-à-vis the rest of the world. Data cover stocks of direct and portfolio investments, financial derivatives and other investment and reserve assets. The indicator is expressed as a percentage of GDP.

Real effective exchange rate (REER)

The REER aims to assess a country's competitiveness relative to its principal competitors in international markets. This depends on exchange rate movements, but also on the relative cost or price developments in the country and its trading partners. The specific REER for the scoreboard takes account of exchange rate and consumer price developments against a panel of 36 countries (EU27 countries plus Australia, Canada, United States, Japan, Norway, New Zealand, Mexico, Switzerland, and Turkey). The indicator is expressed as the percentage change over three years (a positive value means a loss of competitiveness).

Share of world exports

This indicator captures the share of exports of goods and services of a country in total world exports. The indicator is expressed as the percentage change over five years.

Nominal unit labour cost

This indicator compares remuneration (compensation per employee) and productivity (GDP per person employed including self-employed) to show how the remuneration of employees is related to the productivity of their labour. The indicator is expressed as the percentage change over three years.

House price developments

This indicator measures the evolution of prices in the house market relative to the evolution of the whole final consumption basket. The house price index captures price changes of all residential properties purchased by households (flats, detached houses, terraced houses, etc.), both new and existing, independently of their final use and their previous owners. The indicator is expressed as year on year growth rate.

Private sector credit flow

The private sector credit flow represents the net amount of liabilities (loans and securities other than shares) which the sectors Non-Financial corporations and Households and Non-Profit institutions serving households have incurred during a year. The indicator is expressed as a percentage of GDP.

Private sector debt

The private sector debt is the stock of liabilities in the form of loans and securities other than shares held by the sectors Non-Financial corporations and Households and Non-Profit institutions serving households. The indicator is expressed as a percentage of GDP.

General government debt

Public debt is defined in the Maastricht Treaty as consolidated general government gross debt at nominal value, outstanding at the end of the year. The general government sector comprises central government, state government, local government, and social security funds. The indicator is expressed in percentage of GDP.

Unemployment rate

The unemployment rate is the number of unemployed persons as a percentage of the labour force based on International Labour Office definition. The labour force is the total number of people employed and unemployed. Unemployed persons comprise persons aged 15 to 74 who: - are without work during the reference week; - are available to start work within the next two weeks; - and have been actively seeking work in the past four weeks or had already found a job to start within the next three months. The indicator is expressed as the average of the past three years.