This article provides information on the Macroeconomic Imbalance Procedure (MIP) and the indicators and statistical data used in this context. The Macroeconomic Imbalance Procedure (MIP) is part of the European Semester which enables the European Union member countries to coordinate their economic policies throughout the year, addressing economic challenges. The MIP is 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.

**Background**


> 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 defined as:

> severe imbalances that jeopardise or risk jeopardising the proper functioning of the Economic and Monetary Union.

The MIP covers a number of sequential steps, having the [Alert Mechanism Report (AMR)](https://ec.europa.eu/eurostat/statisticsexplained/) and its [Statistical Annex (SA)](https://ec.europa.eu/eurostat/statisticsexplained/) as a starting point, with the AMR being an initial screening device providing an economic reading of the MIP Scoreboard.
In 2010, the European Union set up a yearly cycle of economic policy coordination called the European Semester, to ensure that EU Member States coordinate their efforts to maximise the impact on growth, and discuss their budgetary and economic plans as well as structural reforms with their EU partners at specific times throughout the year.

The cycle starts every year in autumn with the publication of the Commission’s Annual Sustainable Growth Strategy (setting out general economic priorities) and the Alert Mechanism Report (AMR) under the MIP surveillance. The MIP is supported by the analysis of a set of headline and auxiliary indicators, the scrutiny of which could trigger further analysis at country level. Eurostat is in charge of producing the Statistical Annex to the AMR, a document covering the MIP indicators used in the economic reading.

On the basis of the AMR, the Commission decides for which countries it will prepare country-specific In-depth reviews (IDR) that encompass a thorough analysis of sources of imbalances in the Member State under review, taking into account country-specific economic conditions. The IDRs can consider a wide set of available data – starting with the MIP Scoreboard – and other relevant information, and also include the euro area dimension of macroeconomic imbalances.

Since 2015, the IDRs are published as part of the respective Country Reports: on their basis the Commission concludes whether imbalances, or potentially excessive imbalances, exist and puts forward the appropriate policy recommendations.

After the publication of the Country reports, Member States present their National Reform Programmes and Stability or Convergence Programmes: they contain reforms and measures envisaged to make progress towards a smart, sustainable, and inclusive growth, as well as the countries’ plans for sound public finances. The Council completes the European Semester in summer by agreeing on a set of country-specific recommendations, highlighting areas where European Union Member States need to take further actions to boost growth, job creation, training and education opportunities, research and innovation.

### The MIP indicators

The Commission annual report marking the starting point of the MIP yearly cycle is the Alert Mechanism Report (AMR), an initial screening device providing an economic reading of the MIP Scoreboard. Each report is accompanied by a Statistical Annex, presenting the MIP Scoreboard and auxiliary indicators for a 10-year period for each Member State.

The MIP indicators cover external and internal imbalances, competitiveness positions, and labour market trends.

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**Table 1: MIP Scoreboard 2018**  

The Macroeconomic Imbalance Procedure (MIP) introduced 2
They are calculated from several statistical areas, following specific quality assurance frameworks, including national accounts, balance of payments statistics, price statistics, excessive deficit procedure (EDP) statistics, and labour market statistics.

The MIP Scoreboard is a tool to support the early identification and monitoring of imbalances, and it comprises a limited number of relevant and high quality macroeconomic, financial, and social indicators. Each Scoreboard indicator has indicative thresholds serving as alert levels; however not all imbalances necessarily require policy intervention because they might be justified by an economy’s dynamic adjustment, so that Scoreboard indicators should not be interpreted mechanically. Moreover, their economic reading is complemented by the analysis of a wider set of auxiliary indicators that do not have associated thresholds.

The AMR identifies the Member States for which further analysis (in the form of in-depth reviews) is deemed necessary in order to decide whether an imbalance in need of policy action exists. Imbalances that require close monitoring and, possibly, policy interventions relate to developments that could imply threats to macroeconomic stability.

**Data sources**

The MIP scoreboard and auxiliary indicators are mainly compiled by Eurostat, from the data transmitted by Member States, following European legislation, although some data are produced by the Commission’s Directorate General for Economic and Financial Affairs (DG ECFIN), the European Central Bank (ECB) for two auxiliary indicators on banking data, and one denominator is produced by the International Monetary Fund (IMF). The composition of the indicators set is subject to review and it may evolve over time in order to reflect new developments or needs.

**MIP indicators in the 2020 Statistical Annex (SA)**

### MIP Scoreboard indicators (2020 AMR)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>Thresholds</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current account balance (% of GDP)</td>
<td>3 year average</td>
<td>4% – 5%</td>
<td>Eurostat</td>
</tr>
<tr>
<td>Half international investment position</td>
<td>% of GDP</td>
<td>15%</td>
<td>Eurostat</td>
</tr>
<tr>
<td>Real effective exchange rate (42 trading partners, HICP deflator)</td>
<td>3 year % change</td>
<td>1% – 4%</td>
<td>Eurostat, ECB</td>
</tr>
<tr>
<td>Export market shares (% of world exports)</td>
<td>5 year % change</td>
<td>1%</td>
<td>Eurostat, IME</td>
</tr>
<tr>
<td>Nominal wage and labour cost index (2010 = 100)</td>
<td>3 year % change</td>
<td>1%</td>
<td>Eurostat, ECB</td>
</tr>
<tr>
<td>House price index (2015 = 100), deflated</td>
<td>1 year % change</td>
<td>2%</td>
<td>Eurostat</td>
</tr>
<tr>
<td>Private sector credit流, consolilated</td>
<td>% of GDP</td>
<td>1%</td>
<td>Eurostat</td>
</tr>
<tr>
<td>Private sector debt, consolidated</td>
<td>% of GDP</td>
<td>1%</td>
<td>Eurostat</td>
</tr>
<tr>
<td>General government gross debt</td>
<td>% of GDP</td>
<td>60%</td>
<td>Eurostat</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>3 year average</td>
<td>1%</td>
<td>Eurostat</td>
</tr>
<tr>
<td>Total financial sector liabilities, non-consolilated</td>
<td>1 year % change</td>
<td>10%</td>
<td>Eurostat</td>
</tr>
<tr>
<td>Indebtedness rate (% of total population aged 15-64)</td>
<td>3 year change in p.a.</td>
<td>0.2%</td>
<td>Eurostat</td>
</tr>
<tr>
<td>Long-term unemployment rate (% of active population aged 15-64)</td>
<td>3 year change in p.a.</td>
<td>0.5%</td>
<td>Eurostat</td>
</tr>
<tr>
<td>Youth unemployment rate (% of active population aged 15-24)</td>
<td>3 year change in p.a.</td>
<td>2.5%</td>
<td>Eurostat</td>
</tr>
</tbody>
</table>

Source: European Commission, Eurostat and Directorate General for Economic and Financial Affairs (for Real Effective Exchange Rate), and International Monetary Fund data (IME for world volume exports of goods and services).

Table 2: MIP Scoreboard indicators (2020 AMR)

The 2018 MIP Scoreboard, as presented in the 2020 AMR, consists of fourteen Scoreboard indicators (also sometimes referred to as headline indicators) with indicative thresholds: they cover external imbalances and competitiveness, internal imbalances, and labour market issues. Detailed information about the rationale behind the choice of these specific indicators can be found in the MIP dedicated section of Eurostat’s website.

Supplementing the MIP Scoreboard indicators, a list of 28 auxiliary indicators provides additional information on aspects linked to the general macroeconomic situation. The auxiliary indicators (see Table 3) enhance the information base for understanding potential imbalances, as well as the adjustment capacity of a Member State’s economy.
Finally, to better understand and use the Statistical Annex and the Annual Mechanism Report, it is important to know the timeline of its content: both are published at the same time, in order to help set the priorities of the following year, by using indicators calculated on the most updated annual data. Therefore, the AMR for year T, is published in year T – 1, with data based on year T – 2 (e.g. the 2020 AMR is published in December 2019 based on 2018 data).

Statistical improvements in the 2020 Statistical Annex

The MIP indicators cover different statistical domains; in order to guarantee data consistency, it is essential that revisions on different domains are as coordinated as possible. The implementation of the harmonised European revision policy (HERP) for National Accounts and balance of payments statistics covering benchmark and routine revisions is progressing on a voluntary basis. The policy includes differentiated guidelines regarding the timing and depth of routine and benchmark revisions to quarterly and annual data. It aims at improving adherence to the twofold principle of alignment at national level between statistical domains and coordinated alignment at European Union level across the countries. According to the recommendations of the HERP, Member States should carry out benchmark revisions typically every 5 years. Since Member States implemented the last benchmark revision in 2014 in the context of the implementation of the revised methodologies ESA 2010 and BPM6, 2019 is the recommended implementation year of a new benchmark revision, even though some countries have decided to deviate from this recommended practice. In 2019, 17 Member States, namely Belgium, Bulgaria, Germany, Estonia, Spain, Italy, Cyprus, Latvia, Lithuania, Hungary, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden and the United Kingdom, as well as Norway carried out coordinated benchmark revisions of national accounts and balance of payments. It is worth noting that France and the Netherlands already implemented their benchmark revisions in 2018 and Austria in 2016. While the introduction of benchmark revisions is usually associated with more significant revisions, they improve the overall quality and consistency of data through further improvements in the methodology, sources or estimation techniques applied. In the Balance of Payments domain, progress has been made concerning the asymmetries in trade in goods and services. To address the problem of asymmetries in mirror trade data, Eurostat organised several workshops under the umbrella of its Balance of Payments Working Group with Member States. During these workshops, experts from Member States had the opportunity to exchange experiences, discuss bilaterally and decide on specific actions to resolve their corresponding trade asymmetries. Member States have also been invited to present their experiences and approaches to address bilateral asymmetries with partner countries. Furthermore, a recent paper jointly drafted by the Bureau of Economic Analysis (BEA) and Eurostat, analysed current account asymmetries with a focus on bilateral trade in services asymmetries and cross-border income flows between the United States and the European Union. The paper finds that EU-US bilateral asymmetries have shown an increasing trend in recent years, one of the identified reasons being that the US has only partially implemented the international methodological guidance (BPM6). Eurostat is working closely with the BEA and EU Member States to address these shortcomings, and further bilateral work between the BEA and Eurostat is foreseen.
including on the specific treatments of Direct Investment data.

In the domain of **Financial Accounts**, regarding Total Financial Sector Liabilities, work is ongoing to ensure a comprehensive and timely coverage of Other financial institutions (OFIs). Other areas of ongoing or planned statistical work which are important for the quality of MIP indicators concern the recording of other equity, of derivatives, of loans between non-financial corporations, of foreign-controlled corporations, and of the vertical discrepancy with non-financial sector accounts.

Concerning the **Labour Force Survey**, no major changes affected the data during 2018/19. In view of the entry into force of the Integrated European Social Statistics Framework Regulation (IESS FR), expected for the beginning of 2021, all countries are postponing methodological changes to that date, in order to introduce them together with the new standards provided by the regulation. The strategy is to impact the data time series with a unique major break, instead of perturbing the series for a longer period. A common strategy for the production and dissemination of back-calculated series is under development, led by Eurostat.

In the **House Prices** domain, the Index for Germany has been revised upwards in 2016 and 2017 to better capture the locations of property transactions and therefore to better reflect strong rise of prices in large cities. For Hungary, the index has been revised upwards in 2017 and 2018 following an adjustment of the housing quality composition index. The change concerned the composition of sold houses, which shifted more towards lower-quality housing than previously estimated in 2015. As a result of the adjustment, the 2017-2018 quality composition Index has been revised downwards, thus resulting in higher pure price index values than previously reported.

Finally, **General government gross debt** data notified for the years 2015 to 2018 have been released on 21 October 2019 within the EDP notification. For more information on main revisions between the April 2019 and the October 2019 notifications please see the latest EDP news release.

**MIP indicators through the years**

The initial Scoreboard (published in the first AMR in February 2012) consisted of 10 economic, financial and structural indicators. To assess internal imbalances, the Scoreboard included indicators on General government gross debt, non-consolidated Private sector debt and Private sector credit flow, House price index, and Unemployment. To assess external imbalances, the indicators covered the Current account balance, Net investment position, Real effective exchange rate, Export market share, and Nominal unit labour cost.

In the 2013 SA the MIP Scoreboard was enlarged with an indicator from the financial sector: Total financial sector liabilities, reaching a total of 11 Scoreboard indicators, and by a set of 18 auxiliary indicators.

In the 2014 SA the definitions of some Scoreboard indicators were modified. The country basket for the real effective exchange rate increased to 42 countries, by adding Croatia (as a new EU Member State), China, Brazil, Russia, South Korea and Hong Kong, allowing better accounting for the increasing role of some emerging economies when measuring competitiveness. In addition to that, an internationally comparable framework for the house price index was introduced through the adoption of the Regulation (EU) No 93/2013. The Scoreboard indicators on Private sector debt and Private sector credit flow were from now on based on consolidated data (the threshold for the Private sector debt changed consequently), whereas the Private sector debt non-consolidated indicator was kept as an auxiliary indicator.

Between the end of 2013 and 2014, two international methodological standards were updated and improved: that of National Accounts via the introduction of the new European System of National and Regional Accounts 2010 (ESA 2010 – September 2014), and the Sixth Edition of the IMF’s Balance of Payments and International Investment Position Manual (BPM6 – November 2013). Consequently, the data coming from the National Accounts and Balance of Payments domains underwent changes that impacted ten MIP Scoreboard indicators in the 2015 Statistical Annex (all except the unemployment rate). Such impact was twofold: (1) on the numerator side whenever data coming from National Accounts or Balance of Payments (BoP)/International Investment Position (IIP) were used, and/or (2) on the denominator side whenever expressed in relation to gross domestic product (GDP) or to a National Accounts deflator.

In the 2016 Statistical Annex three labour market indicators, previously published as auxiliary, were added to the set of Scoreboard indicators: Activity rate, Long-term unemployment rate and Youth unemployment rate. The inclusion of these employment statistics was aimed at strengthening its analysis of macroeconomic imbalances and the social consequences of the crisis: long, drawn-out negative employment and social devel-
opments can have a negative impact on potential GDP growth in a variety of ways and risk compounding macroeconomic imbalances. This inclusion did not change the focus of the MIP, which remained aimed at preventing the emergence of harmful macroeconomic imbalances and ensuring their correction. Therefore, flashes of these labour market indicators do not imply by themselves an aggravation of the macro-financial risks, and, consequently, are not used to trigger any steps in the MIP.

In order to extend the length of time series for the MIP indicators collected under the BPM6 framework, most countries back calculated the main BoP series according to the new standard. A series of measures were taken to increase the availability of data fulfilling the BPM6 standard for the MIP purposes; in 2016, thanks to the joint efforts of Eurostat and the Member States concerned by remaining gaps, BPM6 data coverage improved considerably. At country level, increased globalisation and in particular the relocation of few big economic operators, led Ireland to revise its 2015 GDP data impacting considerably indicators issued from BoP and national accounts in the 2017 Statistical Annex.

Finally, in the 2019 Statistical Annex the composition of the set of auxiliary indicators has changed, mainly to benefit from improved statistics becoming available and to incorporate into the set of the auxiliary indicators variables that provide finer breakdowns and/or complementary information to the Scoreboard indicators. **Net international investment position excluding non-defaultable instruments** measured as a percentage of GDP (NENDI) replaced the Net External debt (NED), as this indicator focuses on the NIIP components that may be subject to default or partly be used as collateral. **Consolidated banking leverage (CBL), domestic and foreign entities** (asset-to-equity multiple) produced by the European Central Bank (ECB), replaced the previous non-consolidated financial sector leverage (FSL) indicator. **Household debt, consolidated** (including non-profit institutions serving households (NPISH)) as a percentage of GDP was added; this variable helps to distinguish between the debt of households and that of non-financial corporations and contributes to interpreting and assessing private debt developments. Finally, following the availability of cross-country-comparable data in the ECB’s consolidated banking statistics, the addition of **Gross non-performing loans of domestic and foreign entities** (in percentage of gross loans, GNPL) has become possible. In order to keep the total number of indicators stable, two auxiliary indicators were removed: **10-year change of Nominal unit labour cost** and **non-consolidated Private sector debt**.

**Outcome of the 2020 AMR**

The 2020 AMR was published on 17 December 2019. On the basis of the economic reading of the MIP scoreboard, 13 countries will be covered in an in-depth review: Bulgaria, Croatia, Cyprus, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Romania, Spain, and Sweden.

Starting with 2019, Greece has been fully integrated into the European Semester economic and social policy coordination, after concluding its stability programme. In previous years, other countries where subject to an adjustment programme before entering the MIP: Ireland entered the MIP surveillance in 2014, Portugal and Romania in 2015, and Cyprus in 2016, having been under its economic adjustment programme for a number of years (2013-2016).

**AMRs before 2020**

The complete list of the AMRs, Statistical Annexes and Eurostat’s press releases are published on the MIP dedicated web section. Detailed information on the current situation and previous reports are published on the web section of DG ECFIN. Table 4 shows the publication dates of the different editions of the AMRs.
Table 4: Alert Mechanism Reports

Source: Eurostat MIP dedicated web section

In the 2016 AMR, in order to ensure more effective and simpler communication, the macroeconomic imbalances categories have been streamlined from the existing six to four: no imbalance, imbalances, excessive imbalances, and excessive imbalances with corrective action (Table 5).

<table>
<thead>
<tr>
<th>Alert Mechanism Reports</th>
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<tbody>
<tr>
<td><strong>AMR</strong></td>
</tr>
<tr>
<td>1st report</td>
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<td>2nd report</td>
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<td>3rd report</td>
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<td>4th report</td>
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<td>5th report</td>
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<td>6th report</td>
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<tr>
<td>7th report</td>
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<tr>
<td>8th report</td>
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</tbody>
</table>

Source: European Commission

Table 5: Categorisation of imbalances in the macroeconomic imbalances procedure

Source: Commission communication on 2016 Country Reports including In-Depth Reviews - COM(2016) 95 final/2

LEGISLATION:

The rules on economic governance (introduced through the Six Pack, the Two Pack (Regulation (EU) No 472/2013 and Regulation (EU) No 473/2013 of 21 May 2013) 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 fully-fledged mechanism for the prevention and correction of macroeconomic imbalances is made up of two regulations:

- Regulation (EU) No 1176/2011 of 16 November 2011 on the prevention and correction of macroeconomic imbalances - sketching out the excessive imbalances procedure
- Regulation (EU) No 1174/2011 of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area - focusing on the associated enforcement measures.

For more information on the design of and technical explanations about the MIP scoreboard and the thresholds for the different indicators, see the publication: Scoreboard for the surveillance of macroeconomic imbalances (Directorate-General for Economic and Financial Affairs, European Commission Occasional Paper 92/2012).
Other articles

- Balance of payment statistics
- National accounts - main GDP aggregates and related indicators
- Housing price statistics - house price index
- Government finance statistics
- Unemployment statistics
- Employment statistics
- Living conditions in Europe - poverty and social exclusion

Tables

- MIP indicators set

Database

- Macroeconomic imbalance procedure - Statistical annex indicators

Dedicated section

- Eurostat MIP dedicated web section

Methodology

Methodological information on the indicators is published on the Eurostat MIP methodology web section and in the respective metadata files:

- Current account balance and balance of payments (ESMS metadata file — tipsbp_esms)
- International investment position (ESMS metadata file — tipsii_esms)
- Net external debt (ESMS metadata file — tipsed_esms)
- Real effective exchange rate (ESMS metadata file — tipser10_esms)
- Export market shares (ESMS metadata file — tipsex_esms)
- Nominal unit labour cost (ESMS metadata file — tipslm10_esms)
- House price indices (ESMS metadata file — tipsho_esms)
- Private sector credit flow (ESMS metadata file — tipspc_esms)
- Private sector debt (ESMS metadata file — tipspd_esms)
- General government gross debt (ESMS metadata file — tipsgo10_esms)
- Quarterly government debt (ESMS metadata file — gov_10q_ggdeb10_esms)
- Unemployment rate (ESMS metadata file — tipsun_esms)
- Total financial sector liabilities (ESMS metadata file — tipsfs_esms)
- Activity rate (ESMS metadata file — tipslm60_esms)
- Annual national accounts (ESMS metadata file — nama_10_esms)
- Quarterly national accounts (ESMS metadata file — namq_10_esms)
- Statistics on research and development (ESMS metadata file — rd_esms)
- International trade in goods (ESMS metadata file — ext_go_esms)
- Poverty and social exclusion (ESMS metadata file — tipspo_esms)
Visualisations

- For visualisation of the up-to-date MIP indicators, please visit the MIP dedicated Statistics Illustrated pages.

External links

- DG ECFIN MIP dedicated web section
- DG ECFIN web section: In-depth reviews and progress reports
- European Semester dedicated web section