Economic and Monetary Union – Deepening and Convergence

Conference organized by OeNB and WKÖ

Panel 5, Convergence of Production, Investment and the Reduction of Imbalances

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Convergence: pre- and post-crisis

- Nominal/real convergence but structural divergence
- The progress in real convergence was halted in the EA by the unwinding of imbalances during the crisis
Resource misallocation in the pre-crisis period

Cumulative growth rate of non-tradable/tradable value added

Source: Commission calculations based on AMECO
The diagnosis

• Building-up of macro imbalances with financial flows playing key role

• Growth differences due to productivity divergence

• Exposure to shocks with asymmetric effects: insufficient mechanism for cross-border risk sharing
Resilience as a means to reach sustainable convergence

- (In) Vulnerability
- Reallocation of Resources
- Shock absorption
- Ability to recover quickly
- Potential growth

Adaptability

Resilience (convergence toward resilient structures)

Convergence (cyclical and real)
EU-level policies to promote “sound” convergence

- Need « investment-rich » and « imbalance-free » growth to support (i) shock absorption and (ii) efficient allocation of resources:

  - **Macro-structural surveillance for imbalances**, e.g. MIP procedure
  - **Financing investment** (in innovation): EFSI and InvestEU; Capital Markets Union (CMU)
  - **Shielding pro-cyclical drops in investment**: European Investment Stabilisation Function
  - **Promote structural reforms**: Single Market agenda; better regulation; European Semester; Reform Support Programme; SGP Investment Clause