



Economic and Monetary Union – Deepening and Convergence

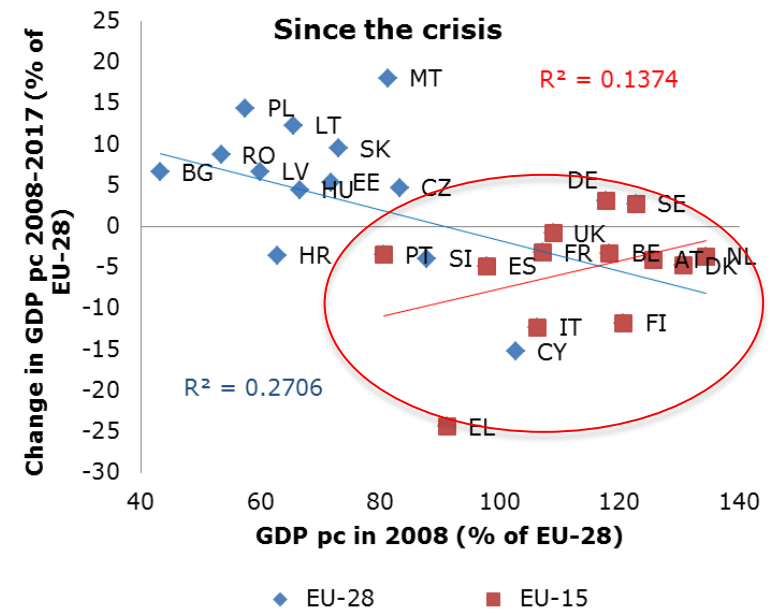
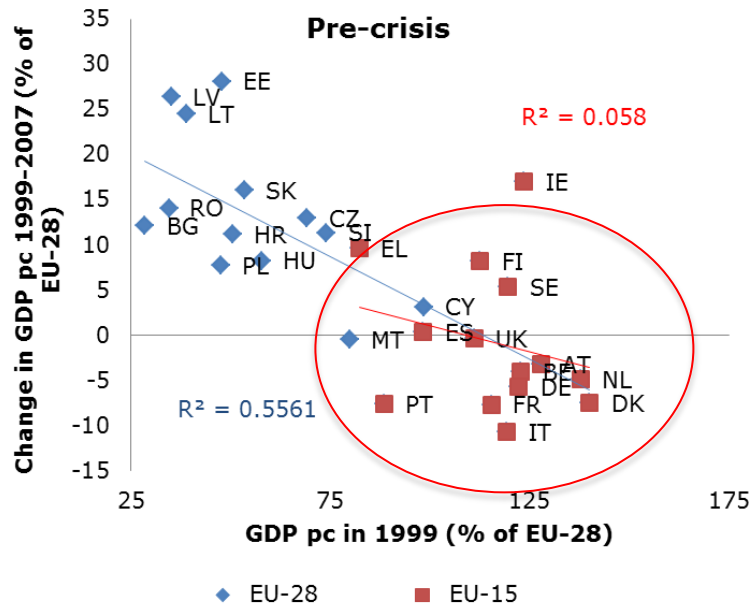
Conference organized by OeNB and WKÖ

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

Marco Buti, European Commission

July 6, 2018

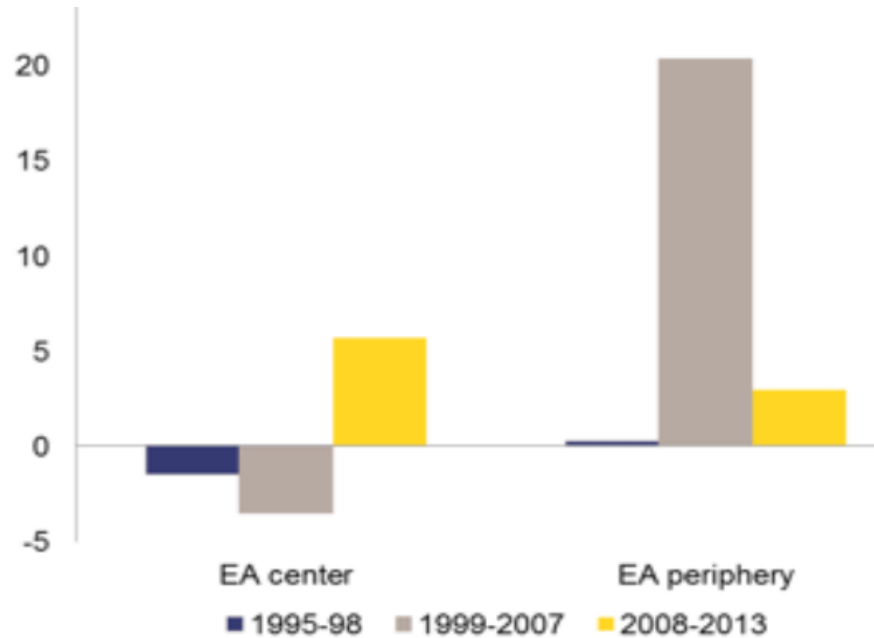
Convergence: pre- and post-crisis



- 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

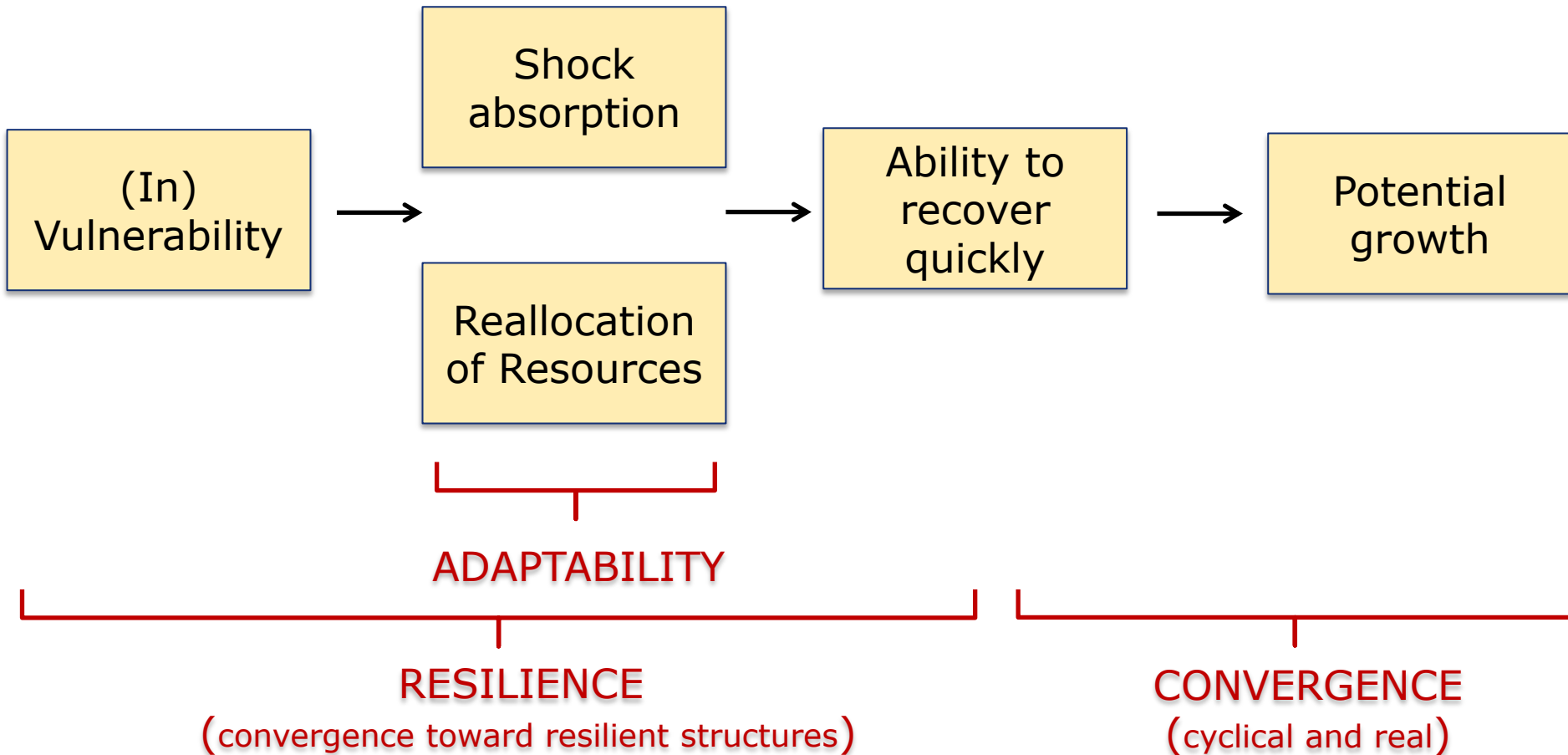


Source: Commission calculations based on AMECO

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



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