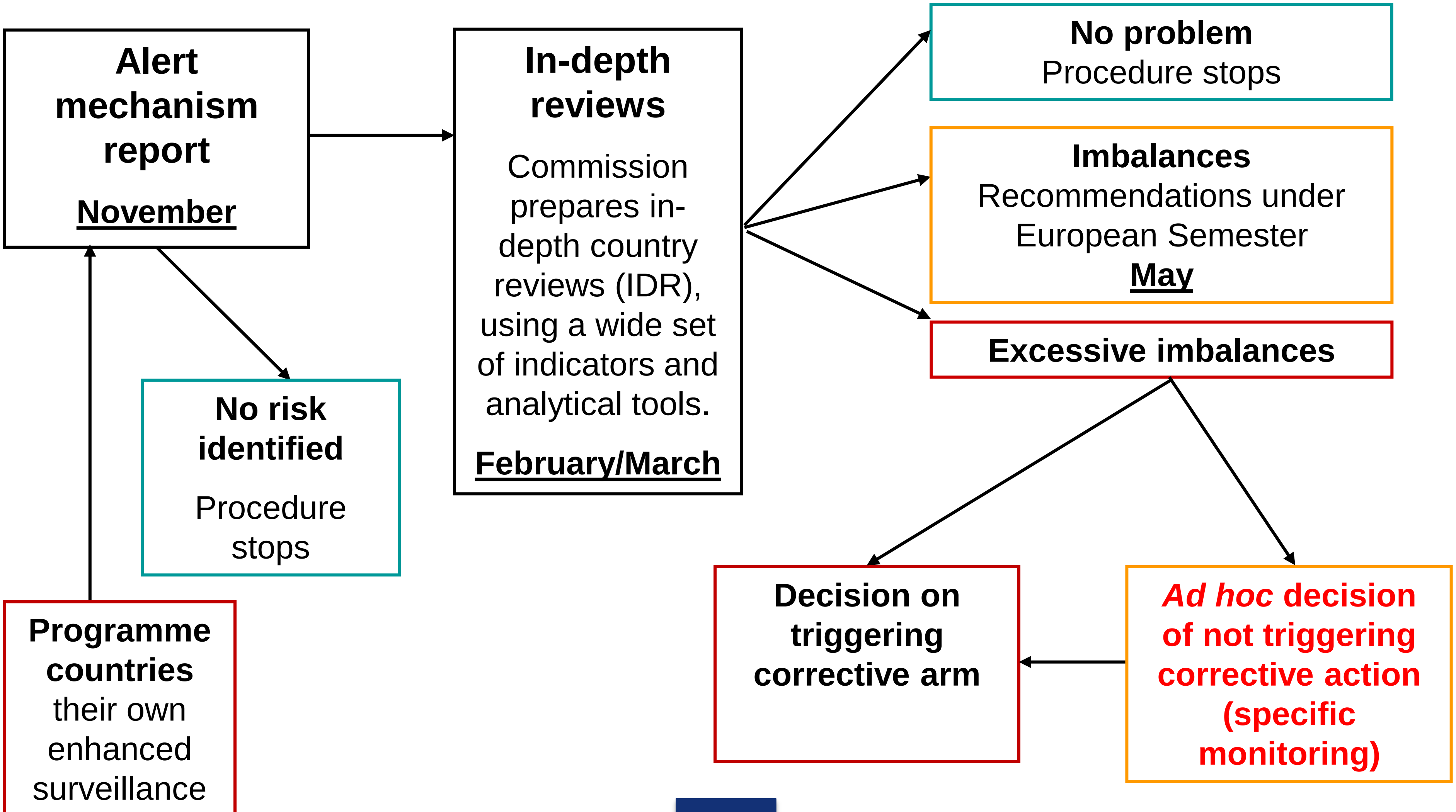
The MIP indicator scoreboard

Jonas Fischer (DG ECFIN)

ISPRA 29/09/2016

1. *The role of the scoreboard*
2. *The design of the scoreboard*
3. *The reading of the scoreboard*
4. *Remarks*

The MIP procedure



Role and scope of the AMR/ scoreboard

- Main priorities as regards imbalances in new cycle and...
- …screening device to identify Member States for which in-depth study is warranted
- No policy conclusions or country-specific recommendations
- Based around an economic reading of a scoreboard of indicators
- Programme countries are not assessed (CY, EL and PT, RO, IE in AMR-2014 and CY, EL in AMR-2015 and EL in AMR-2016)

Principles for selecting indicators

- **Economic relevance**
  - Indicators should help **flag imbalances or adjustment issues**
- **Statistical quality**
  - **Timeliness**
  - **Reliability and comparability**: compilation according to the principles of the European Statistics Code of Practice of the ESS
  - **Sample size**: sufficiently large timespan for the computation of statistically relevant thresholds
- **Parsimony and simplicity**
  - Keep the number of additional indicators limited
  - Avoid redundancy => avoid strong correlations with existing indicators

Head scoreboard: selected 14 indicators with indicative alert thresholds: alert thresholds based on historical data (not country specific)

Scoreboard complemented by set of additional 28 "reading indicators" (including 9 of social character)

Presented on t-1 annual statistics but the economic reading considers latest data available at any frequency (i.e.AMR-2016 uses 2014 outcome statistics)

Scoreboard may be adjusted over time (3 social/labour indicators added last cycle)

Scope (imbalances and *adjustment issues*)

External imbalances

- **External positions** (current accounts, net international investment positions)
- **Competitiveness developments** (REERs, ULCs)
- **Export performance** (export market shares)

Internal imbalances

- **Private sector indebtedness** (credit, debt)
- ***Public sector indebtedness***
- **Assets markets** (housing)
- **Financial sector developments** (fin. Sector liabilities)
- ***Unemployment***

Social employment indicators

- ***Activity rates***
- ***Long-term unemployment***
- ***Youth unemployment***

MIP Scoreboard AMR-2016

Year 2014	External imbalances and competitiveness					Internal imbalances						New employment indicators[1]		
	Current account balance - % of GDP (3 year average)	**Net international investment position** (% of GDP)	**Real effective exchange rate - 42 trading partners, HICP deflator** (3 years % change)	**Export market share - % of world exports** (5 years % change)	**Nominal unit labour cost index (2010=100)** (3 years % change)	**House price index (2010=100), deflated** (1 year % change)	**Private sector credit flow, consolidated** (% of GDP)	**Private sector debt, consolidated** (% of GDP)	**General government gross debt** (% of GDP)	**Unemployment rate** (3 year average)	**Total financial sector liabilities, non-consolidated** (1 year % change)	**Activity rate - % of total population aged 15-64** (3 years change in p.p.)	**Long-term unemployment rate - % of active population aged 15-74** (3 years change in p.p.)	**Youth unemployment rate - % of active population aged 15-24** (3 years change in p.p)
Thresholds	-4/6%	-35%	±5% (EA) ±11% (Non-EA)	-6%	9% (EA) 12% (Non-EA)	6%	14%	133%	60%	10%	16.5%	-0.2%	0.5%	0.2%
BE	-0,1	57,2	-0,5	-10,7	5,6	-1.1p	1,0	181,4	106,7	8,2	4,9	1,0	0,8	4,5
BG	0,9	-73,4	-2,6	6,7	12.5p	1.5p	-0,3	124,3	27,0	12,2	7,2	3,1	0,6	-1,2
CZ	-0,5	-35,6	-10,0	-5,0	3,8	1,8	1,8	72,7	42,7	6,7	4,4	3,0	0,0	-2,2
DK	6,9	47,0	-1,2	-17,3	5,1	3,1	1,7	222,8	45,1	7,0	6,6	-1,2	-0,1	-1,6
DE	6,9	42,3	-0,3	-8,3	7,6	1.5p	1,1	100,4	74,9	5,2	4,2	0,4	-0,6	-0,8
EE	-0,5	-43,6	4,7	24,5	13,0	12,8	6,4	116,1	10,4	8,7	12,2	0,5	-3,8	-7,4
IE	1,8	-106,7	-3,5	-6,1	-2,2	11,1	13,7	263,3	107,5	13,0	16,0	0,6	-2,0	-5,2
EL	-2,6	-124,1	-5,6	-17,5	-11.6p	-4.9e	-2,7	130,5	178,6	26,2	-7,6	0,1	10,7	7,7
ES	0,7	-94,1	-1,0	-11,5	-4.1p	0,1	-7,1	165,8	99,3	25,1	-1,9	0,3	4,0	7,0
FR	-1,0	-19,5	-1,2	-13,1	4,8	-1,6	3,3	143,2	95,6	10,1	5,4	1,3	0,6	1,5
HR	0,5	-88,6	-0,9	-18,0	-5,9	-2.0p	0,3	120,6	85,1	16,9	0,9	2,0	1,7	8,8
IT	0,8	-27,9	0,2	-14,0	3,6	-4.6p	-0,9	119,3	132,3	11,8	-0,7	1,8	3,5	13,5
CY	-4,9	-139,8	-1,4	-26,7	-7.7p	0.3p	-8,5	348,3	108,2	14,6	0,7	0,8	6,1	13,6
LV	-2,5	-60,9	0,4	9,9	12,9	5,1	-11,9	96,4	40,6	12,6	10,4	1,8	-4,1	-11,4
LT	1,3	-46,4	1,4	35,3	8,3	6,3	-1,2	52,5	40,7	12,0	16,3	2,3	-3,2	-13,3
LU	5,8	36,0	0,5	11,2	7,6	3,7	0,5	342,2	23,0	5,7	21,5	2,9	0,3	5,9
HU	2,7	-73,8	-7,0	-14,9	6,7	3,1	-0,5	91,3	76,2	9,6	8,5	4,6	-1,5	-5,6
MT	2,6	39,5	0,0	-18,2	7,0	2,6	7,8	146,4	68,3	6,2	5,8	4,5	-0,4	-1,5
NL	10,9	60,8	0,8	-11,0	5.4p	-0,5	-1.6p	228.9p	68,2	6,8	8.2p	0,9	1,3	2,7
AT	1,8	2,2	1,9	-15,7	7,8	1,4	0,2	127,1	84,2	5,3	-1,5	0,8	0,3	1,4
PL	-2,3	-68,3	-1,3	4,8	2.5p	1,1	4,7	77,9	50,4	9,8	0,6	2,2	0,2	-1,9
PT	0,0	-113,3	-1,8	-4,7	-2.3e	3,6	-8,7	189,6	130,2	15,4	-6,1	-0,4	2,2	4,5
RO	-2,1	-57,2	-1,1	21,5	2.3p	-3.6p	-2,4	62,2	39,9	6,9	1,1	1,6	-0,1	0,1
SI	5,1	-43,7	1,2	-11,8	-0,2	-6,6	-4,6	100,1	80,8	9,6	-0,4	0,6	1,7	4,5
SK	1,0	-69,4	1,3	3,2	2,2	1,5	3,9	76,2	53,5	13,8	7,0	1,6	0,0	-4,0
FI	-1,5	-0,7	2,7	-24,0	8,0	-1,9	0,4	150,0	59,3	8,2	8,7	0,5	0,2	0,4
SE	6,5	-6,5	-3,7	-9,8	7,1	8,6	6,5	194,4	44,9	8,0	13,4	1,6	0,0	0,1
UK	-4,3	-25,3	10,2	-8,7	1,9	8,3	3,4	157,7	88,2	7,2	4,4	1,2	-0,5	-4,4

Flags: e: estimated. p: provisional.

Ta MIP Scoreboard AMR-2016

Year 2014	Real GDP (1 year % change)	Gross fixed capital formation (% of GDP)	Gross domestic expenditure on R&D (% of GDP)	Current plus capital account (Net lending-borrowing) (% of GDP)	Net external debt (% of GDP)	Foreign direct investment in the reporting economy - flows	Foreign direct investment in the reporting economy - stocks	Net trade balance of energy products (% of GDP)	Real effective exchange rate - Euro Area trading partners (3 years % change)	Export performance against advanced economies (5 years % change)	Terms of trade (5 years % change)	Export market share in volume (1 year % change)	Labour productivity (1 year % change)	Nominal unit labour cost index (2010=100) (10 years % change)	Unit labour cost performance relative to EA (10 years % change)	House price index (2010=100) - nominal (3 years % change)	Residential construction (% of GDP)	Private sector debt, non-consolidated (% of GDP)	Financial sector leverage, non-consolidated (% debt-to-equity)
BE	1,3	23,3	na	-0,1	-79,7	-3,5	216,0	-3,9	-0,1	-4,6	-3,0	2,2	1,0	22,6	6,0	2.9p	5,9	207,6	176,9
BG	1,5	21,1	0.8p	3,5	19,0	3,5	92,7	-5,7	-2,9	14,0	3,3	-3,3	1.2p	78.3p	54,1	-2.7p	1,6	137,5	452,2
CZ	2,0	25,0	2p	1,4	-7,1	2,4	76,3	-4,1	-10,1	1,5	-1,4	5,7	1,4	13,8	-2,2	1,0	3,2	85,1	503,5
DK	1,1	18,7	3.08ep	7,8	0,7	1,1	46,6	0,0	-1,4	-11,7	2,2	-0,6	0,3	27,6	8,2	4,9	4,0	227,6	173,6
DE	1,6	20,1	2.84ep	7,5	-6,7	0,2	40,1	-2,9	-0,1	-2,1	-2,6	0,8	0,7	13,0	-5,8	9.3p	5,9	108,9	395,5
EE	2,9	25,2	1.46p	2,2	-11,0	6,0	100,9	-2,1	3,1	33,0	0,2	-1,4	2,1	68,9	40,5	35,0	3,2	135,3	370,6
IE	5,2	19,3	na	3,8	-477,2	36,0	385,5	-2,8	-1,8	0,3	-3,7	8,9	3,4	-1,5	-3,9	2,1	2,2	284,2	78,2
EL	0.7p	11.6p	0.83p	-0,7	132,3	0,7	12,2	-3.2p	-5,6	-11,9	1.4p	4.3p	0.5p	10.3p	-5,5	-27.1e	1.0p	130,5	1083,8
ES	1.4p	19.6p	na	1,4	94,7	2,3	55,7	-2.9p	-0,6	-5,4	-7.8p	1.9p	0.4p	11.7p	-4,2	-22,3	4.4p	185,5	444,9
FR	0,2	21,7	2.26p	-0,8	38,1	0,3	41,8	-2,5	-0,7	-7,2	-1,6	-0,8	-0,1	20,3	1,7	-4,0	5,9	180,9	384,3
HR	-0,4	18,6	0,8	0,9	na	6,7	7,6	-4,0	-1,5	-12,4	0,8	3,1	-3,0	26,4	4,8	-17.7p	na	141,9	460,6
IT	-0,4	16,6	na	2,2	61,1	0,6	24,8	-2,6	0,4	-8,1	-4,5	-0,1	-0,5	21,0	4,6	-12.4p	4,7	121,2	754,3
CY	-2.5p	11.5p	na	-3,7	128,4	-5,1	710,3	-5.9p	0,0	-21,7	0.4p	-3,7	-0.6p	19.3p	-13,0	-8.7p	3.3p	349,8	116,8
LV	2,4	22,9	0.68p	1,2	31,4	2,7	54,4	-4,2	-1,3	17,3	0,0	-0,1	3,8	82,7	53,9	16,6	2,3	104,7	642,6
LT	3,0	18,9	1.02p	6,3	28,8	0,7	39,0	-5,9	-0,1	44,5	-0,8	-0,2	1,0	36,8	11,2	7,5	2,5	56,7	445,3
LU	4,1	18,6	na	3,5	-2204,6	200,0	6369,7	-4,5	0,8	18,8	0,9	3,6	1,5	36,6	17,8	14,2	3,4	402,7	63,6
HU	3,7	21,7	1,4	6,0	53,3	9,3	220,5	-6,1	-7,2	-9,1	-1,1	4,4	-0,9	26,5	10,0	-2,2	1,6	116,5	123,0
MT	3,5	18,9	0.85p	4,5	-325,7	1,6	1964,6	-15,8	0,7	-12,6	1,7	-3,5	-1,0	27,7	10,3	5,3	2,7	221,3	42,0
NL	1.0p	18.2p	na	10,6	41,5	5,3	547,8	-1.6p	1,3	-5,0	-1.8p	0.8p	1.2p	17.2p	-0,2	-11,6	3.1p	240.7p	118.9p
AT	0,4	22,4	2.99ep	1,8	20,1	1,9	80,2	-3,0	1,6	-10,0	-3,0	-1,1	-0,5	22,9	4,1	16,8	4,3	147,1	197,3
PL	3,3	19,6	na	0,4	37,2	3,1	50,7	-2,6	-1,7	12,0	-1,8	3,2	1.6p	20.0p	-1,0	-6,8	2,4	81,4	287,3
PT	0.9e	14.9e	na	2,0	104,4	5,4	69,5	-3.5e	-1,2	1,8	0.4e	0.7e	-0.5e	4.9e	-9,3	-5,0	2.3e	206,2	340,3
RO	2.8p	22.0p	na	2,2	29,8	1,9	41,9	-1.4p	-1,3	29,8	4.5p	4.9p	1.7p	72.7p	46,6	-8,9	na	63,3	388,9
SI	3,0	19,6	na	6,5	39,2	2,0	31,6	-4,1	0,4	-5,8	-4,5	2,6	2,5	21,2	3,0	-17,6	2,2	110,1	448,1
SK	2,5	20,9	0,9	1,1	27,0	0,0	65,6	-4,3	0,5	10,2	-3,5	0,4	1,1	19,7	4,3	-0,4	2,6	78,9	756,8
FI	-0,4	20,3	3,2	-0,8	46,2	5,5	53,1	-2,4	2,0	-18,8	-3,4	-3,9	0,4	29,9	10,1	3,2	5,6	172,9	368,4
SE	2,3	23,5	3.16p	6,1	54,3	-0,6	83,6	-1,4	-3,7	-3,6	-0,6	0,3	0,9	24,9	5,4	16,8	4,1	234,8	196,0
UK	2,9	16,9	1.72ep	-5,3	na	1,6	76,7	-0,7	10,2	-2,5	3,8	-1,4	0,7	21,8	6,3	15,8	3,8	161,3	765,1

Flags: e: estimated. p: provisional. na: not available.

MIP Scoreboard AMR-2015

Year 2014	Employment rate (1 year % change)	Activity rate - % of total population aged 15-64 (%)	Long-term unemployment rate - % of active population aged 15-74 (%)	Youth unemployment rate - % of active population aged 15-24 (%)	Young people neither in employment nor in education and training - % of total population aged 15-24		People at risk of poverty or social exclusion - % of total population		People at risk of poverty after social transfers - % of total population		Severely materially deprived people - % of total population		People living in households with very low work intensity - % of total population aged 0-59	
					%	3 years change in p.p	%	3 years change in p.p	%	3 years change in p.p	%	3 years change in p.p	%	3 years change in p.p
BE	0,3	67,7	4,3	23,2	12,0	0,2	21,2	0,2	15,5	0,2	5,9	0,2	14,6	0,8
BG	0.4p	69,0	6,9	23,8	20,2	-1,6	40.1b	-9.0b	21,8	-0,4	33.1b	-10.5b	12,1	1,1
CZ	0,6	73,5	2,7	15,9	8,1	-0,2	14,8	-0,5	9,7	-0,1	6,7	0,6	7,6	1,0
DK	0,8	78,1	1,7	12,6	5,8	-0,5	17.8b	-1.1b	11.9b	-1.1b	3,2	0,6	12,1	0,4
DE	0,9	77,7	2,2	7,7	6,4	-1,1	20,6	0,7	16,7	0,9	5,0	-0,3	10,0	-1,2
EE	0,8	75,2	3,3	15,0	11,7	0,1	na	na	na	na	6.2p	-2.5p	na	na
IE	1,7	69,8	6,7	23,9	15,2	-3,6	na	na	na	na	na	na	na	na
EL	0.1p	67,4	19,5	52,4	19,1	1,7	36,0	5,0	22,1	0,7	21,5	6,3	17,2	5,2
ES	0.9p	74,2	12,9	53,2	17.1b	-1.1b	29,2	2,5	22,2	1,6	7,1	2,6	17,1	3,7
FR	0,3	71,4	4,4	24,2	11.4b	-0.9b	18,6	-0,7	13,3	-0,7	4,8	-0,4	9,7	0,3
HR	2,7	66,1	10,1	45,5	19,3	3,1	29,3	-3,3	19,4	-1,5	13,9	-1,3	14,7	-1,2
IT	0,1	63,9	7,8	42,7	22,1	2,4	28.1p	-0.1p	19.6p	0.0p	11.5p	0.3p	12.0p	1.6p
CY	-1.9p	74,3	7,7	36,0	17,0	2,4	27,4	2,8	14,4	-0,4	15,3	3,6	9,7	4,8
LV	-1,3	74,6	4,7	19,6	12,0	-4,0	32,7	-7,4	21,2	2,2	19,2	-11,8	9,6	-3,0
LT	2,0	73,7	4,8	19,3	9,9	-1,9	27,3	-5,8	19,1	-0,1	13,6	-5,4	8,8	-3,9
LU	2,5	70,8	1,7	22,3	6,3	1,6	19,0	2,2	16,4	2,8	1,4	0,2	6,1	0,3
HU	4,6	67,0	3,7	20,4	13,6	0,4	31,1	0,1	14,6	0,8	23,9	0,8	12,2	0,0
MT	4,5	66,3	2,7	11,8	10,5	0,3	23,8	1,7	15,9	0,3	10,2	3,6	9,8	0,9
NL	-0.2p	79,0	3,0	12,7	5,5	1,2	16,5	0,8	11,6	0,6	3,2	0,7	10,2	1,3
AT	0,9	75,4	1,5	10,3	7,7	0,4	19,2	0,0	14,1	-0,4	4,0	0,0	9,1	0,5
PL	1.7p	67,9	3,8	23,9	12,0	0,5	24,7	-2,5	17,0	-0,7	10,4	-2,6	7,3	0,4
PT	1.4e	73,2	8,4	34,7	12,3	-0,3	27,5	3,1	19,5	1,5	10,6	2,3	12,2	3,9
RO	1.1p	65,7	2,8	24,0	17,0	-0,5	40,2	-0,1	25,4	3,2	26,3	-3,1	6,4	-0,3
SI	0,6	70,9	5,3	20,2	9,4	2,3	20,4	1,1	14,5	0,9	6,6	0,5	8,7	1,1
SK	1,4	70,3	9,3	29,7	12,8	-1,0	18,4	-2,2	12,6	-0,4	9,9	-0,7	7,1	-0,6
FI	-0,8	75,4	1,9	20,5	10,2	1,8	17,3	-0,6	12,8	-0,9	2,8	-0,4	10,0	0,0
SE	1,4	81,5	1,5	22,9	7,2	-0,3	16,9	0,8	15,1	1,1	0,7	-0,5	6,4	-0,5
UK	2,3	76,7	2,2	16,9	11,9	-2,3	na	na	na	na	na	na	na	na

Flags: b: break in time series. e: estimated. p: provisional. na: not available.

Reading of the scoreboard

No indicator can capture all potential risks: Analysis in connection with other scoreboard indicators given the strong interlinkages

The number of flashes is not the key criteria

The scoreboard should be read also over time: not only the scoreboard values for the last year is important;

The severity of a breach of a threshold is a relevant factor;

The reading indicators are used as qualifiers as can other relevant information (such as the forecast).

But also consider impact of carry over: if an imbalance is identified after an IDR in cycle t, then normally a new IDR should be made in t+1 (since it takes and IDR to identify an imbalance it also takes an IDR to clear it).

Reading the scoreboard

Economic reading of the AMR scoreboard

- Observed values of scoreboard variables compared against indicative thresholds, across countries, in time
- Interpretation of possible causes and implications of scoreboard realisations, taking into account interactions
- Auxiliary indicators
- Analytical tools and additional relevant indicators

Prima-facie country-level analysis

- Relevant country-specific information not contained in the scoreboard
- Country-specific assessment of origins and determinants of observed scoreboard indicators
- Forward-looking assessment based on Economic Forecast

Findings from existing analyses

- Findings from previous AMRs
- Findings from previous In-Depth-Reviews

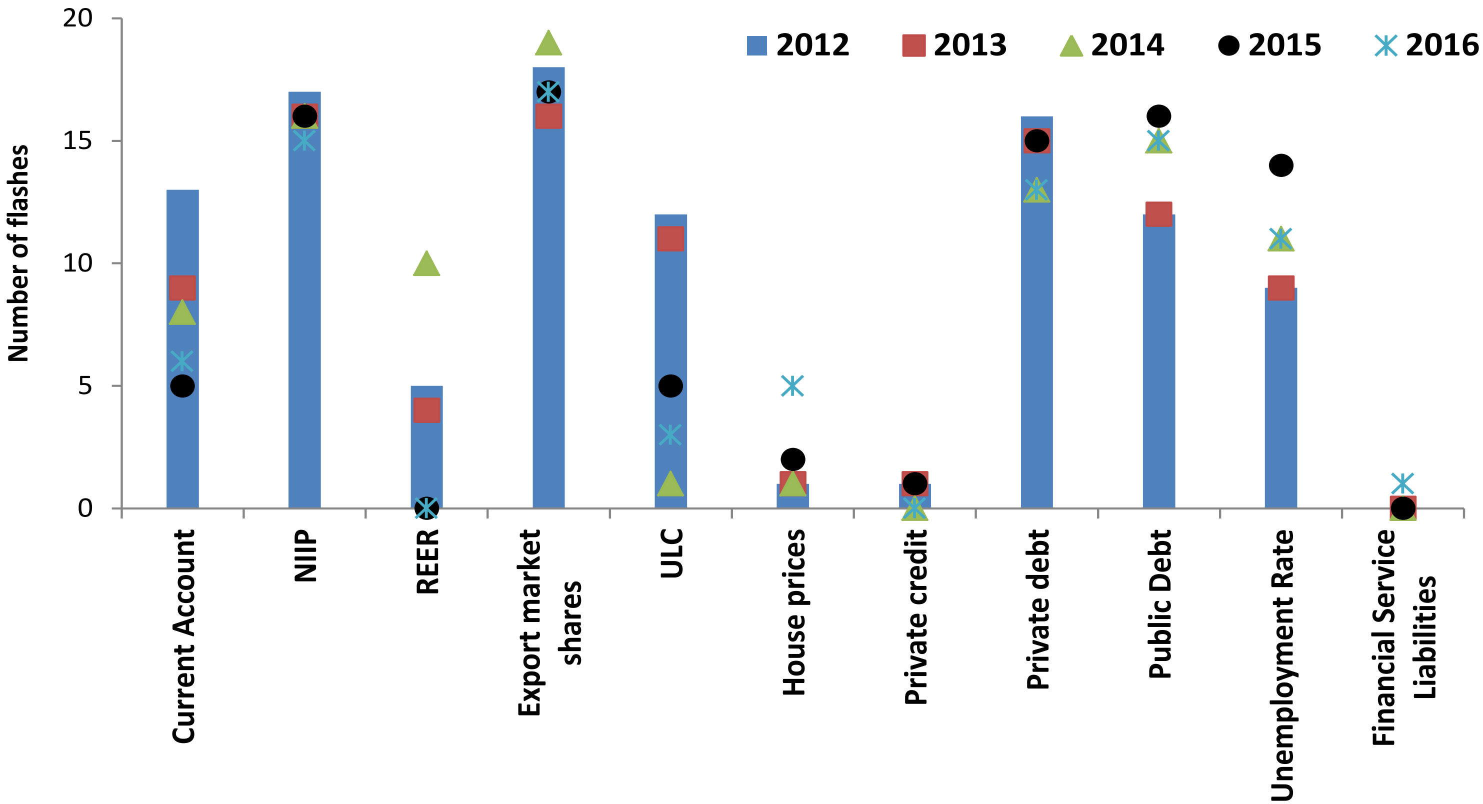
⇩

Selection for In-Depth Reviews

Taking stock of the MIP implementation

Evolution of the total number of flashes per scoreboard indicator, AMRs from 2012 until 2016,

(except for Greece)

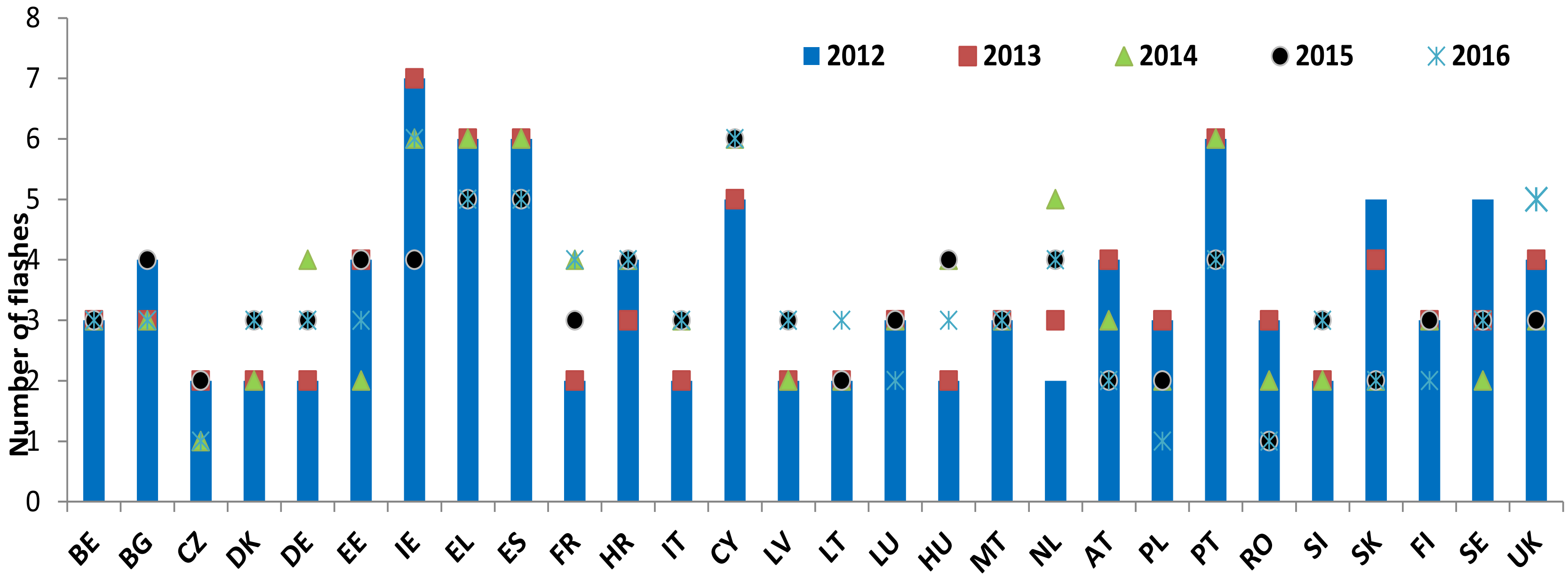


AMR	2012	2013	2014	2015	2016	Comment
CA	11	10	9	5	6	Declining, now surplus flashes dominates
NIIP	15	15	16	16	16	Steady (stocks take time)
REER	4	1	9	0	1	Volatile (appreciation early on vs. depreciation later)
EMS	15	17	19	17	18	Increasing (and less differentiated across)
NULC	8	4	1	5	3	Adjustment, cyclical
HP	2	0	1	2	5	Correction cycle
CF	1	1	0	1	0	Credit in correction cycle
PSD	15	15	14	15	13	Steady (stocks take time)
GGD	14	14	14	16	16	Steady (stocks take time)
U	7	9	11*	14	12	Increasing reflecting crises
TFSL	-	1	0	0	1	Correction cycle

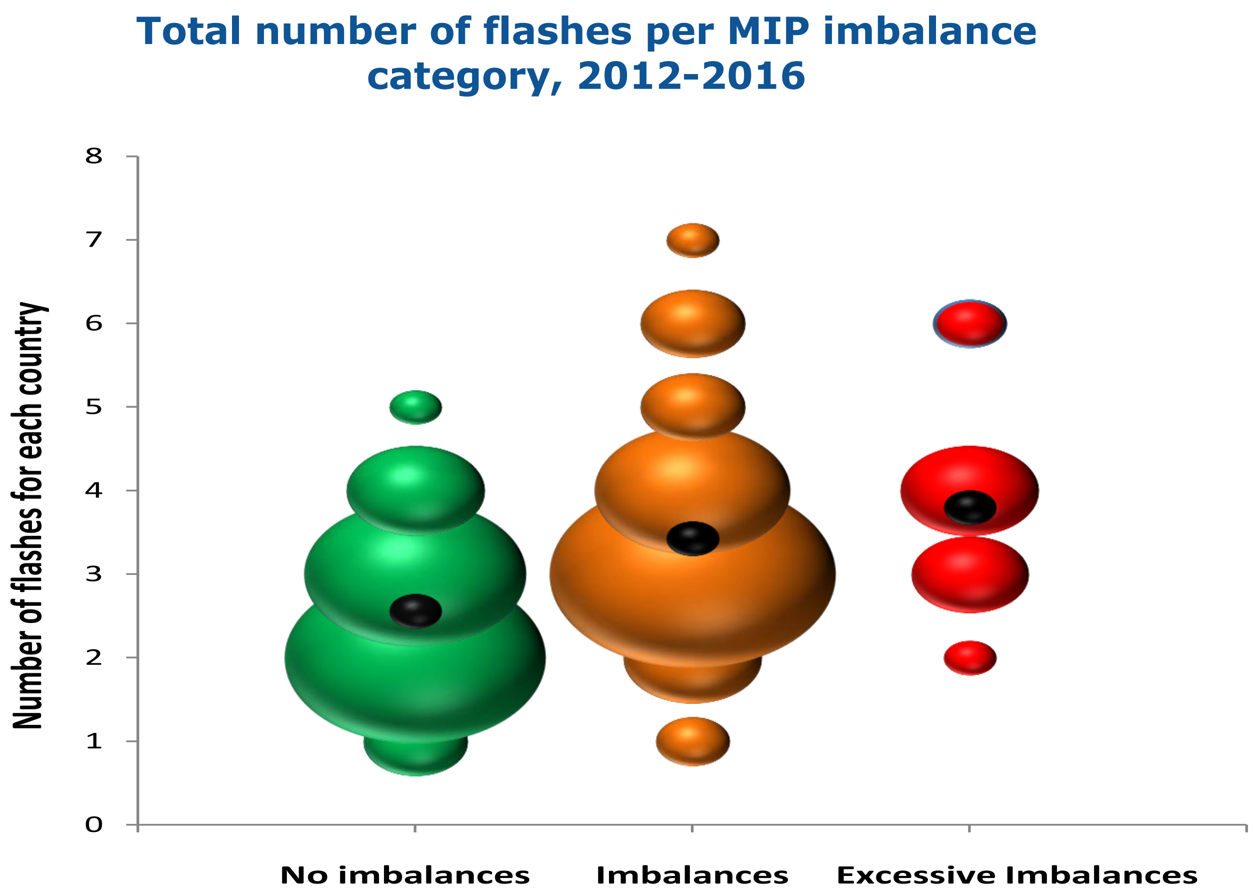
Taking stock of the MIP implementation

Evolution of the total number of flashes per Member State, AMRs from 2012 until 2015,

(except for Greece and Cyprus)



The MIP: implementation in first 5 years



Challenges vary significantly across Member States (AMR 2016)

- **Large stocks of net liabilities concerning a wide range of sectors, both external and internal**:
  - PT, ES, CY, EL, IE, SI, HU, HR, BG
- **Large and persistent current account surpluses**:
  - DE, NL
- **Combination of high public debt and declining trend in potential growth or competitiveness**:
  - IT, FR, BE
- **Vulnerabilities confined to a particular sector**:
  - NL, SE, UK, AT, EE, FI
- **Large negative NIIP**:
  - RO

Taking stock of the MIP implementation

Areas where countries experienced macroeconomic imbalances

Year	External rebalancing	Price/non-price competitiveness	Household debt and housing markets	Corporate indebtedness	Public debt risks	Financial sector, banks	Labour Market	Other
2012	BG, ES, CY, HU, FR, SE, FI, SI, DK	BE, DK, FR, IT, SI, FI, UK, BG, SE, HU	DK, ES, SE, UK, FR, FI	BG, SI, ES, BE, SE, FI, CY	BE, IT, CY, HU, FR	ES, CY, SI, FI	SI, DK, HU, BG	
2013	BG, ES, HU, FI, FR, NL, SE, DK, SI	BE, BG, DK, FR, IT, FI, SI, UK, SE, HU	DK, ES, HU, NL, SE, UK, FI	BG, HU, SI, FR, BE, SE, FI	BE, FR, IT, HU, MT, FI, SI	BE, ES, MT, SI, FI, DK, HU	FR, BE, BG, FI, SI, HU	HU
2014	DE, IE, ES, HR, HU, FR, NL, BG, SE, FI, DK, SI	BE, FR, HR, IT, SI, FI, UK, BG, DK, HU	IE, ES, HU, NL, SE, UK, FI, DK	IE, HR, HU, SI, ES, BG, SE	IE, FR, HR, IT, HU, SI, FR	BE, IE, ES, IT, SI, BG, DK, HU, HR, LU	FR, BE, ES, BG, FI, HU, IE, HR	SI, FR
2015	DE, HR, IE, ES, HU, PT, RO, NL, SI, FI, BG	BE, FI, FR, IE, IT, SI, ES, PT, BG, SE, RO	IE, ES, NL, SE, UK, BE, FI	IE, BG, HR, PT, ES, HU, SE, SI, FI	IE, BE, FR, HR, HU, IT, ES, PT, SI	BG, BE, HU, IE, IT, PT, RO, HR, SI, HU	FR, PT, ES, HR, SI, BG, HU, RO	RO, HR, FR, HU
2016	BG, DE, ES, HR, NL, PT, IE, SE, HU, RO, UK, SI, FI, EE, CY	FR, HR, IT, SI, FI, SE, PT, BE, EE, HU, AT, RO, BG	IE, ES, HR, NL, PT, FI, SE, BE, EE, HU, UK, CY	BG, IE, ES, HR, PT, SI, SE, FI, CY	IE, ES, FR, HR, IT, SI, PT, BE, RO, HU, CY	BG, IE, HR, IT, SI, PT, ES, HU, AT, RO, CY	FR, PT, ES, BG, HR, HU, SI, RO, CY	BG, ES, HR, IT, PT, RO, SI

Concluding remarks

• The scoreboard has worked well to frame a discussion on key issues related to risks from imbalances and adjustment and has allowed to select countries that deserve more focused attention.

•The scoreboard is designed on the last crises. Must be open for new developments outside the scoreboard.

•By design the in-depth analysis in the IDRs "trumph" the scoreboard: would be the same with a "more intelligent" scoreboard.

• The scoreboard must balance rules versus discretion: composite indicator would risk becoming too "automatic".

Indicators in detail

Table A1. Scoreboard indicators and their indicative thresholds

	External imbalances and competitiveness					Internal imbalances					
Indicator	3-year average of **current account balance** as a % of GDP	**Net international investment position** as a % of GDP	% change (3 years) of **real effective exchange rate,** HICP deflators relative to 41 industrial countries (a)	% change (5 years) in **export market shares**	% change (3 years) in **nominal unit labour cost** (b)	y-o-y % change in **deflated house prices** (c)	**Private sector credit flow** (consolidated) as % of GDP (d), (e)	**Unemploy-ment rate - 3-year average**	**Private sector debt** (consolidated) as % of GDP (d), (e)	**General government sector debt** as % of GDP	y-o-y % change in t**otal financial sector liabilities,** non-consolidated data
Data source	EUROSTAT (Balance of Payments statistics)	EUROSTAT (Balance of Payments Statistics)	DG ECFIN (data base Price and Cost competitivenes s).	EUROSTAT (Balance of Payments Statistics),.	EUROSTAT (National Accounts)	EUROSTAT	EUROSTAT (National Accounts)	EUROSTAT (Labour Force Survey)	, EUROSTAT (National Accounts)	EUROSTAT (EDP – treaty definition).	, EUROSTAT (National Accounts)
Indicative thresholds	-4/+6% Lower quartile (also used as a reference for upper threshold)	-35% Lower quartile	+/-5% for €A +/-11% non€A Lower and Upper Quartiles of EA -/+ s.d. of EA	-6% Lower quartile	+9% €A +12% non-€A Upper Quartile €A +3%	+6% Upper quartile	+15% Upper Quartile	+10%	133% Upper Quartile	+60%	16.5%
Some additional indicators to be used in economic reading	Net lending/ borrowing vis-à-vis ROW as % of GDP	Net External Debt as % GDP Inward FDI flows and stocks as % of GDP	Real effective exchange rate vis-à-vis rest of the euro area	Relative export market shares relative to advanced economies; Labour productivity; Trend TFP growth	Nominal unit labour costs (changes over 1, 5, 10 years); Effective unit labour cost relative to the rest of euro-area	Real house price changes (cumulated over 3 years); Nominal house price index Value-added in residential construction	Change in private debt	Participation rate, long-term and youth unemployment poverty indicators	Private sector debt based on non-consolidated data		Debt over equity ratio

Three year average of Current Account balance as % of GDP

Rationale: Flow external Imbalances indicator.

Thresholds: -4/+6% applies to deficit and surplus countries (based on data 1960-2007)

Headline indicator: “Current account balance” (annual BOP data) as a share of GDP; source Eurostat

Additional indicator: Net lending/borrowing vis-à-vis ROW (% GDP); source Eurostat

Net International Investment Position as a share of GDP

Rationale: Stock counterpart of CA/GDP (the stock of debt of the domestic sector of the economy)

Threshold: -35% (computed on lower quartile of available data 1980-2007).

Headline indicator: "Net IIP; total economy" as a share of GDP; source Eurostat (annual BOP).

Additional indicator: Net external debt (%GDP)

Change (over 3 y.) in Real Effective Exchange Rate HICP deflator

Rationale: competitiveness indicator: losses and gains in global price competitiveness relative to the major trading partners (35),

Thresholds: ±5% (EA) & ± 11% (nonEA) (upper and lower quartile of EA ± s.d. of EA)

Headline indicator: “REER based on HICP deflators; performance relative to 35 trade partners, double export weights”;

Additional indicator: REER vis-à-vis the rest of EA; source DG ECFIN

Change (over 5 y.) in Export Market Shares (in goods and services)

Rationale: geog. competitiveness and capturing non price competitiveness

Thresholds: -6% (lower quartile of 95-07 data)

Headline indicator: "Current account for goods and services", position: credit, partner: World (annual BOP data); source: Eurostat

Additional indicator: Export market shares based on volumes of goods, labour productivity, trend TFP growth; sources: Eurostat, ECFIN

Change (over 3 y.) in Nominal Unit Labour Cost

Rationale: cost competitiveness indicator with a direct link between cost and productivity.

Thresholds: -/+ 9% (EA) & -/+ 12% (non EA), computed on upper quartile EA 1995-2007 +3pp

Headline indicator: "Nominal ULC", ratio of nominal comp. per employee to real GDP per person employed; sources: Eurostat, Ameco.

Additional indicator: nominal ULCs, effective ULC relative to the rest of EA; source: ECFIN.

YoY change in real house prices

Rationale: recent experiences of asset bubbles

Threshold: 6% annual increase, based on Agnello and Schuknecht (2010):

Headline indicator: Harmonised houses price index; source Eurostat, available since 2005

Additional indicator: nominal house prices Residential construction; sources: Eurostat, Ecfin.

Private sector debt as a % of GDP

Rationale: indicator of risks for growth and financial stability.

Threshold: 160% (upper quartile of 95-07 data)

Headline indicator: stock of “loans & securities other than shares” for households and NFC, non-consolidated N.A. data; source Eurostat.

Additional indicator: Change in private debt, consolidated private debt.

Private sector credit flow, % of GDP

Rationale: indicator of risks for growth and financial stability.

Threshold: 15% (upper quartile of 95-07 data)

Headline indicator: flow of “loans & securities other than shares” for households and NFC, non-consolidated N.A. data; source Eurostat.

Additional indicator: Change in private debt

Government debt, % of GDP

Rationale: indicator of potential contribution of the government public sector debt to macroeconomic imbalances

Threshold: 60%

Headline Indicator: "Gross debt of Government Sector" as a share of GDP; source: Eurostat EDP (ESA95).

Unemployment rate, 3-year average

Rationale: Indicator of potential misallocation of resources and adjustment capacity.

Threshold: 10% (upper quartile of 94-07 data)

Headline indicator: Labour force survey annual data from Eurostat

Financial Sector Liabilities, YoY

Rationale: robust indicator of financial expansion reflecting and impacting macroeconomic imbalances

Threshold: 16.5% (upper quartile, 95-10 data)

Headline indicator: total financial liabilities (incl. equity/currency) of the financial sector, non-consolidated. Source: Eurostat

Additional indicator: Financial sector leverage (level), source: Eurostat

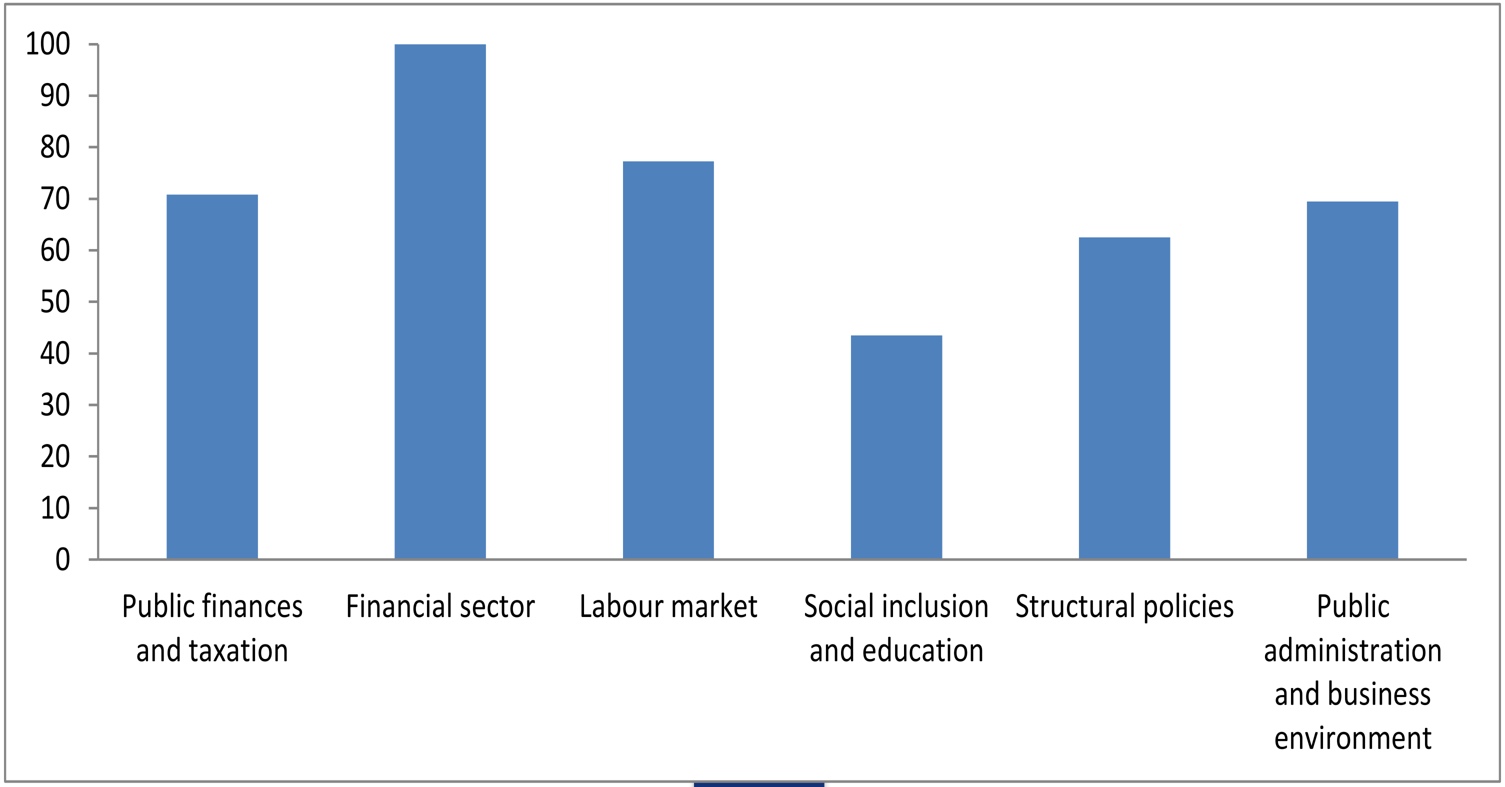
Did the EU semester matter?

Broadening of policy areas concerned by CSRs

	Wage setting			Tax on labour			Welfare-related benefits			Active Labour Market Policies			Labour market participation			Early retirement and pension systems			EPL			Poverty and social exclusion		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012		2011	2012	2013	2011	2012	2013	2011	2012	2013
BE	X	X	X	X	X	X	X	X		X	X	X			X		X	X						X
BG	X				X	X			X	X	X	X	X			X	X	X				X	X	X
CZ					X	X				X	X	X	X	X	X	X	X	X						X
DK										X				X	X	X	X	X						
DE		X	X	X	X	X				X	X	X	X	X	X									
EE				X	X			X	X	X	X	X		X	X							X		X
ES	X	X	X	X	X				X	X	X	X		X	X	X	X	X	X	X	X		X	X
FR	X	X	X	X	X	X			X	X	X	X	X	X	X		X	X	X	X	X			
IT	X	X	X		X	X	X	X	X		X	X	X	X	X				X	X	X			
CY	X	X	NA			NA			NA	X	X	NA			NA	X	X	NA			NA		X	NA
LV					X			X	X		X	X											X	X
LT							X	X	X		X	X	X	X	X	X	X	X	X	X	X		X	X
LU	X	X	X							X	X	X			X	X	X	X						
HU				X	X	X				X	X	X	X	X	X								X	X
MT	X	X										X		X	X	X	X	X						
NL					X	X			X				X	X	X	X	X	X		X	X			X
AT				X	X	X							X	X	X	X	X	X						
PL				X		X			X	X	X	X	X	X	X	X	X	X		X	X			X
RO	NA	NA		NA	NA		NA	NA	X	NA	NA	X	NA	NA	X	NA	NA	X	NA	NA		NA	NA	X
SI		X	X							X	X	X			X	X	X	X	X	X	X			
SK				X	X	X		X	X	X	X	X		X	X	X	X	X						X
FI		X	X							X		X	X	X	X	X	X	X						
SE											X	X	X	X	X									
UK									X	X	X	X	X	X	X								X	X
TOTAL	8	10	8	9	13	11	3	6	12	16	18	20	13	17	21	14	16	16	5	7	7	2	7	13

The MIP: implementation in first 5 years
Policy focus

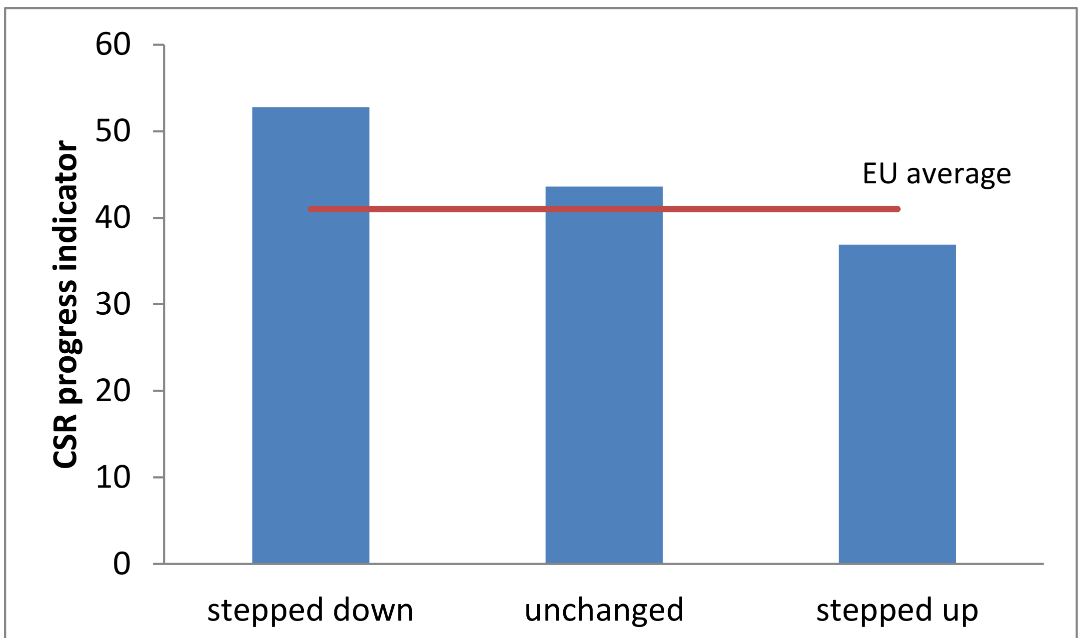
Fraction of MIP-related CSRs in total number of CSRs (MIP and non-MIP related) for MIP countries, average 2013, 2014 and 2015



The MIP: implementation in first 5 years

Policy compliance and MIP activation

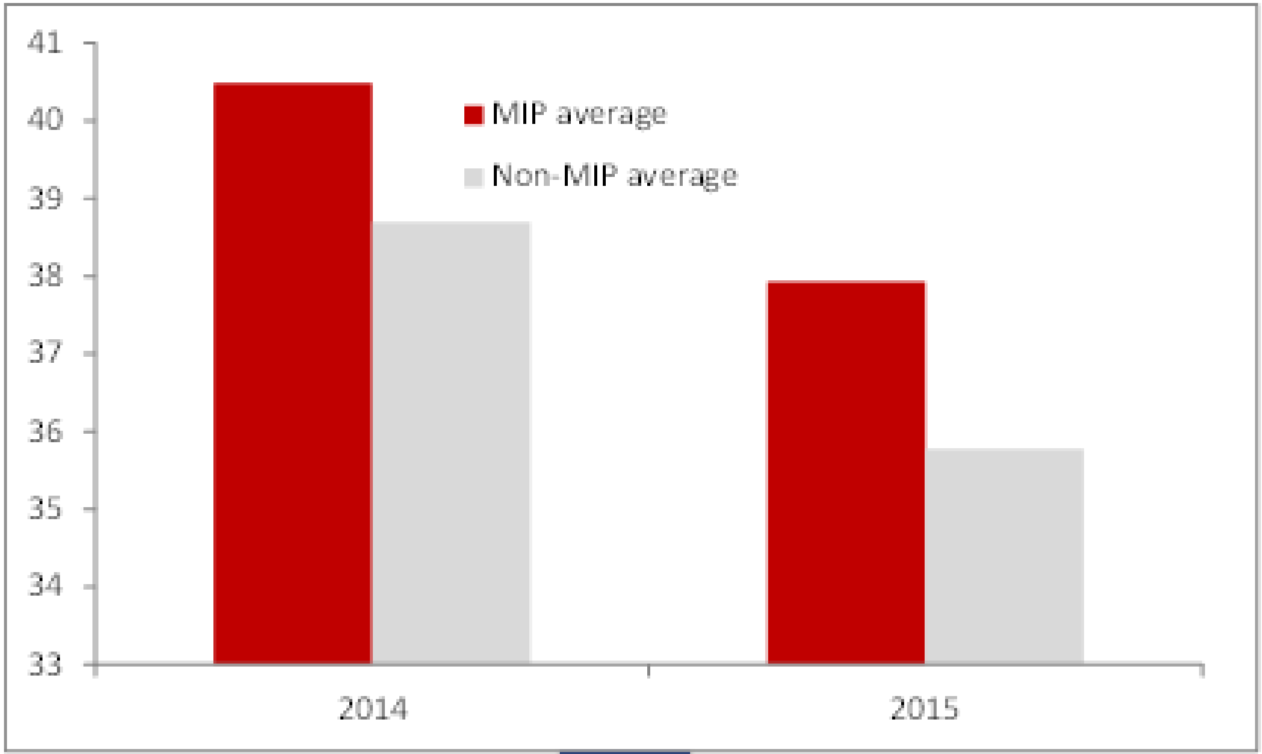
Average CSR progress indicator, breakdown by change in MIP imbalances classification (countries with IDRs over the 2013-2015 period,)



Did the MIP have an impact? A look at the data

MIP surveillance and policy compliance

CSR progress indicator for MIP versus non-MIP countries (arithmetic average)



Did the MIP have an impact? A look at the data

MIP surveillance and policy compliance

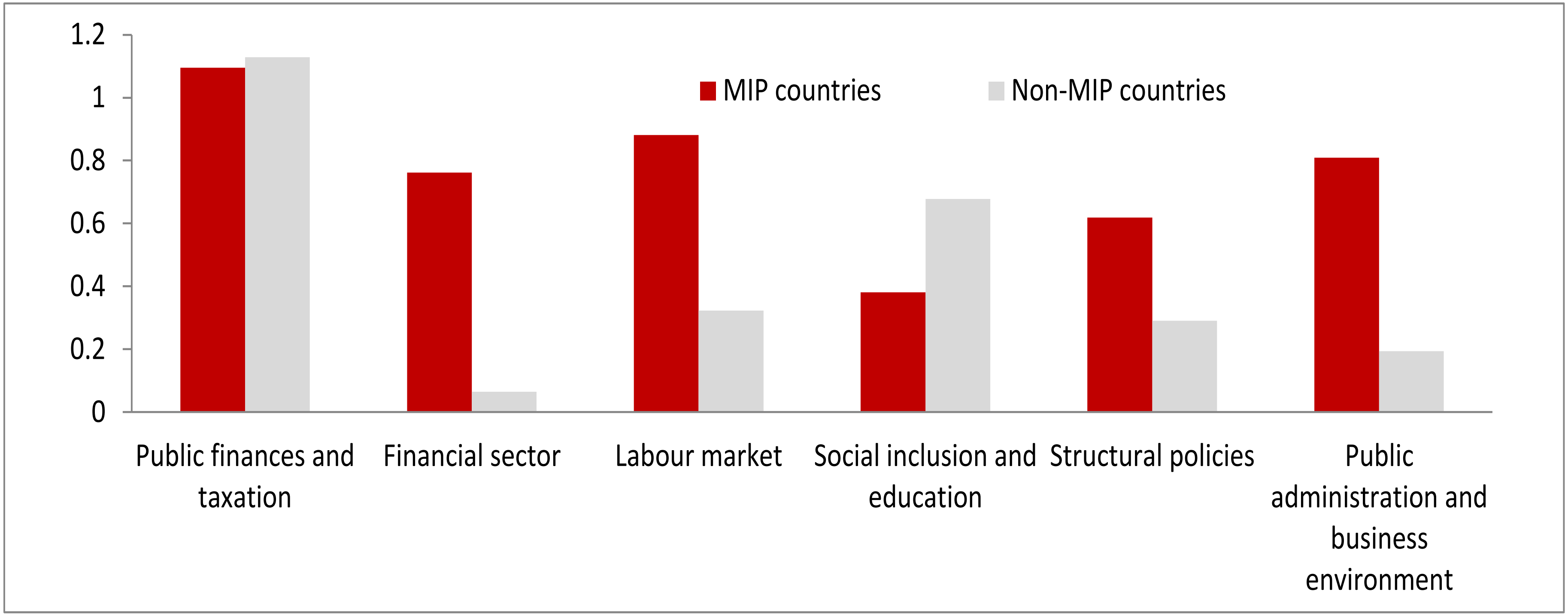
Does MIP surveillance affects CSR compliance? (data at detailed recommendation level, all EU members 2014-2015)

Dependent variable: CSR compliance score Explanatory variables	(1)	(2)	(3)	(4)
Estimation method:	Ordered probit	OLS	Ordered probit	OLS
MIP imbalance category	0.175**	0.149**	0.168**	0.141**
	(0.075)	(0.055)	(0.073)	(0.055)
Hard-to-comply with recommendation, dummy	-0.401**	-0.481*		
	(0.162)	(0.256)		
GDP growth	0.115	0.057	0.117	0.059
	(0.074)	(0.075)	(0.072)	(0.072)
Interest rate spread in previous year	0.199**	0.126	0.198**	0.124
	(0.087)	(0.081)	(0.085)	(0.079)
Elections in previous year	0.034	0.308*	0.027	0.301*
	(0.137)	(0.160)	(0.133)	(0.156)
Elections by following year	-0.237***	-0.116	-0.233***	-0.112
	(0.079)	(0.074)	(0.079)	(0.074)
Country and year F.E.	Yes	Yes	Yes	Yes
Clustering at country-year level	Yes	Yes	Yes	Yes
Number of observations	542	542	542	542
Pseudo R-squared	0.08		0.08	
R-squared		0.16		0.15
RMSE		1.28		1.29

The MIP: implementation in first 5 years

Policy focus

Average number of CSRs for MIP and non-MIP countries per policy area (average 2013, 2014 and 2015)



AMR outcomes

First report, AMR-2012 published on 14 February 2012. 12 countries selected for an IDR. Large set reflected the crises:

- ES, CY and HU, SI, FR, IT, BG, BE, DK, SE, FI, UK

AMR-2013 published on November 28 2012 (14 countries)**:**

- ES, CY and HU, SI, FR, IT, BG, BE, DK, SE, FI, UK (12 same as year before)
- NL (debt/ housing) + MT (financial sector)

AMR-2014 published on 13 November 2013 (16 countries)**:**

- ES, SI, and HU, FR, IT, BG, BE, DK, SE, FI, UK, NL, MT (same as year before net CY)
- DE (CA surplus) and LU (CA surplus and financial sector)
- IE (out of programme) and HR (new MS)

AMR outcomes

First report, AMR-2012 published on 14 February 2012. 12 countries selected for an IDR. Large set reflected the crises:

- ES, CY and HU, SI, FR, IT, BG, BE, DK, SE, FI, UK

AMR-2013 published on November 28 2012 (14 countries)**:**

- ES, CY and HU, SI, FR, IT, BG, BE, DK, SE, FI, UK (12 same as year before)
- NL (debt/ housing) + MT (financial sector)

AMR-2014 published on 13 November 2013 (16 countries)**:**

- ES, SI, and HU, FR, IT, BG, BE, DK, SE, FI, UK, NL, MT (same as year before net CY)
- DE (CA surplus) and LU (CA surplus and financial sector)
- IE (out of programme) and HR (new MS)

Challenge 1: complexity of the surveillance mechanisms

- A multiplicity of legal acts which is hard for experts to follow and emphasises process over substance
- The problem of the "complete contract":rules versus discretion
- Communciation with stakeholders, especially at national level, very difficult

Challenge 2: the analytical challenge

- More difficult to **identify problems earlier in the economic cycle**, e.g. credit growth, house prices?

- Economic literature is **not so conclusive on policy diagnosis and responses**, especially in the aftermath of a balance-sheet crisis

- Requires a lot of **country specific knowledge**

- **Overall, it requires qualitative judgement to complement quantitative analysis which is contestable**

Challenge 3: political economy accountability and ownership

- Respect the subsidiarity principle: when macroeconomic problems at the level of the Euro area require microeconomic actions at MS level

- Democratic accountability and transparency at both and national level

- The ins and the outs

The MIP is now well-established but the full set of instruments has not yet been used

Opportunities

- Earlier detection of imbalances
- Ability to communicate and have impact on domestic policy debates
- Evolving over time to capture macroeconomic priorities: adjustment of flows but outstanding stocks
- Shifting emphasis to reflect topical policy issues: e.g. current account surpluses or social implications of adjustment
- Improved analytical tools

Challenges

- Given the nature of imbalances, less rules-based, more judgement
- Corrective arm not used yet
- Exploit the existing framework (repeated game with potential stigma effects) to ensure its effectiveness
- IDRs for all Member States or more selective?
- Is the framework capturing the main challenges and is it adapting in an adequate manner?