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## **European Macroeconomics Imbalance: New Employment Indicators**

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The European Union (EU) to soundly manage economic integration, as part of the Macroeconomic Imbalance Procedure (MIP), does a survey every year to comprehend and try to fix macroeconomic imbalance amongst the member countries. The Fifth Alert Mechanism Report was released in last November. In the MIP imbalance is comprehended by a scoreboard made up of 11 major indexes, such as current account balance, governmental debt, etc. But this time three indexes related to employment, Activity Rate, Long-term Unemployment Rate and Youth Unemployment Rate were added.

Up to now for the index related to employment, the unemployment rate was included amongst the 11 indexes and any percentage that exceeded the threshold of 10% would be regarded as imbalance. In 2013 the three new indexes were added to the MIP as auxiliary indexes without any threshold, but for the first time they became one of the “Headline Indicators” and released together with their thresholds. The three indexes are provided not just as an indicator but to better understand the trend of the situation by providing the changes of the past three years.

For the European Committee by including these indexes in the scoreboard they will better understand the changes in employment and social conditions and would be able to recommend the proper remedies, by which it would be able to prevent the unemployment problem to lead to social unrest and decline in the potential growth rate. This comes from the background of over one year of discussions within the European Committee and European parliaments on the importance of including employment and society related indexes within the policy coordination of the European Semester.

Currently a number of elections are coming up in several countries of Europe, as the issue of the Syrian Refugees and Threats of Terrorism linger there are worries of the rise of anti-Europe and anti-EU ideas. The case of Greece made be too extreme but in Portugal the center right coalition cabinet, which barely was elected in the general election, resigned after their policy plan did not pass and there was a political vacuum until the President appointed the head of the largest center left party as Prime Minister. In Spain, in the election of the state of Catalunya, the

group seeking independence gained majority and for the general election to be held on December 20<sup>th</sup>, support for the anti-EU ideas is something to watch for. In France, in the regional elections the ultra-right party supporting anti-immigration is rising as well.

The unemployment problem especially the unemployed younger generation can change easily against the government and can easily lead to ideas such as ejection of immigrants. In this situation, it looks as if the recommendation of the European Committee concerning economic policies, up till now were about severe fiscal deficit reduction is changing its axis towards emphasis on growth friendly fiscal reform. It would be correct to say that the adding of new indexes could be a sign of this change.

MIP (Macroeconomic Imbalance Procedure) Scoreboard 2014

	International imbalance					Domestic imbalance						New employment indicators		
	Current account balance - % of GDP, 3 years average	Net international investment position - % of GDP	Real effective exchange rate, 3 years % change	Export market shares - 5 years % change	Nominal unit labour cost index - 3 years % change	House price index, deflated - 1 year % change	Private sector credit flow, consolidated - % of GDP	Private sector debt, consolidated - % of GDP	General government sector debt - % of GDP	Unemployment rate - 3 years average	Total financial sector liabilities, 1 year % change	Activity rate (15-64 years) - % point change (t, t-3)	Long-term unemployment rate, % point change (t, t-3)	Youth unemployment rate, % point change (t, t-3)
*thresholds	-4/+6%	-35%	±5% ±11%	-6%	+9% +12%	+6%	14%	133%	60%	10%	16.5%	-0.2%	0.5%	0.2%
○ Belgium	-0.1	57.2	-0.5	-10.7	5.6	-1.1	1.0	181.4	106.7	8.2	4.9	1.0	0.8	4.5
Bulgaria	0.9	-73.4	-2.6	6.7	12.5	1.5	-0.3	124.3	27.0	12.2	7.2	3.1	0.6	-1.2
Czech Republic	-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
Denmark	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
○ Germany	6.9	42.3	-0.3	-8.3	7.6	1.5	1.1	100.4	74.9	5.2	4.2	0.4	-0.6	-0.8
○ Estonia	-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
○ Ireland	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
○ Greece	-2.6	-124.1	-5.6	-17.5	-11.6	-4.9	-2.7	130.5	178.6	26.2	-7.6	0.1	10.7	7.7
○ Spain	0.7	-94.1	-1.0	-11.5	-4.1	0.1	-7.1	165.8	99.3	25.1	-1.9	0.3	4.0	7.0
○ France	-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
Croatia	0.5	-88.6	-0.9	-18.0	-5.9	-2.0	0.3	120.6	85.1	16.9	0.9	2.0	1.7	8.8
○ Italy	0.8	-27.9	0.2	-14.0	3.6	-4.6	-0.9	119.3	132.3	11.8	-0.7	1.8	3.5	13.5
○ Cyprus	-4.9	-139.8	-1.4	-26.7	-7.7	0.3	-8.5	348.3	108.2	14.6	0.7	0.8	6.1	13.6
○ Latvia	-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
○ Lithuania	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
○ Luxembourg	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
Hungary	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
○ Malta	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
○ Netherlands	10.9	60.8	0.8	-11.0	5.4	-0.5	-1.6	228.9	68.2	6.8	8.2	0.9	1.3	2.7
○ Austria	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
Poland	-2.3	-68.3	-1.3	4.8	2.5	1.1	4.7	77.9	50.4	9.8	0.6	2.2	0.2	-1.9
○ Portugal	0.0	-113.3	-1.8	-4.7	-2.3	3.6	-8.7	189.6	130.2	15.4	-6.1	-0.4	2.2	4.5
Romania	-2.1	-57.2	-1.1	21.5	2.3	-3.6	-2.4	62.2	39.9	6.9	1.1	1.6	-0.1	0.1
○ Slovenia	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
○ Slovak Republic	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
○ Finland	-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
Sweden	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
United Kingdom	-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

\*Note: The threshold figure for upper line is for Euro countries, lower line is for non-euro countries. ○ means Euro countries.

(Source) Compiled by European Committee data