

BUSINESSEUROPE



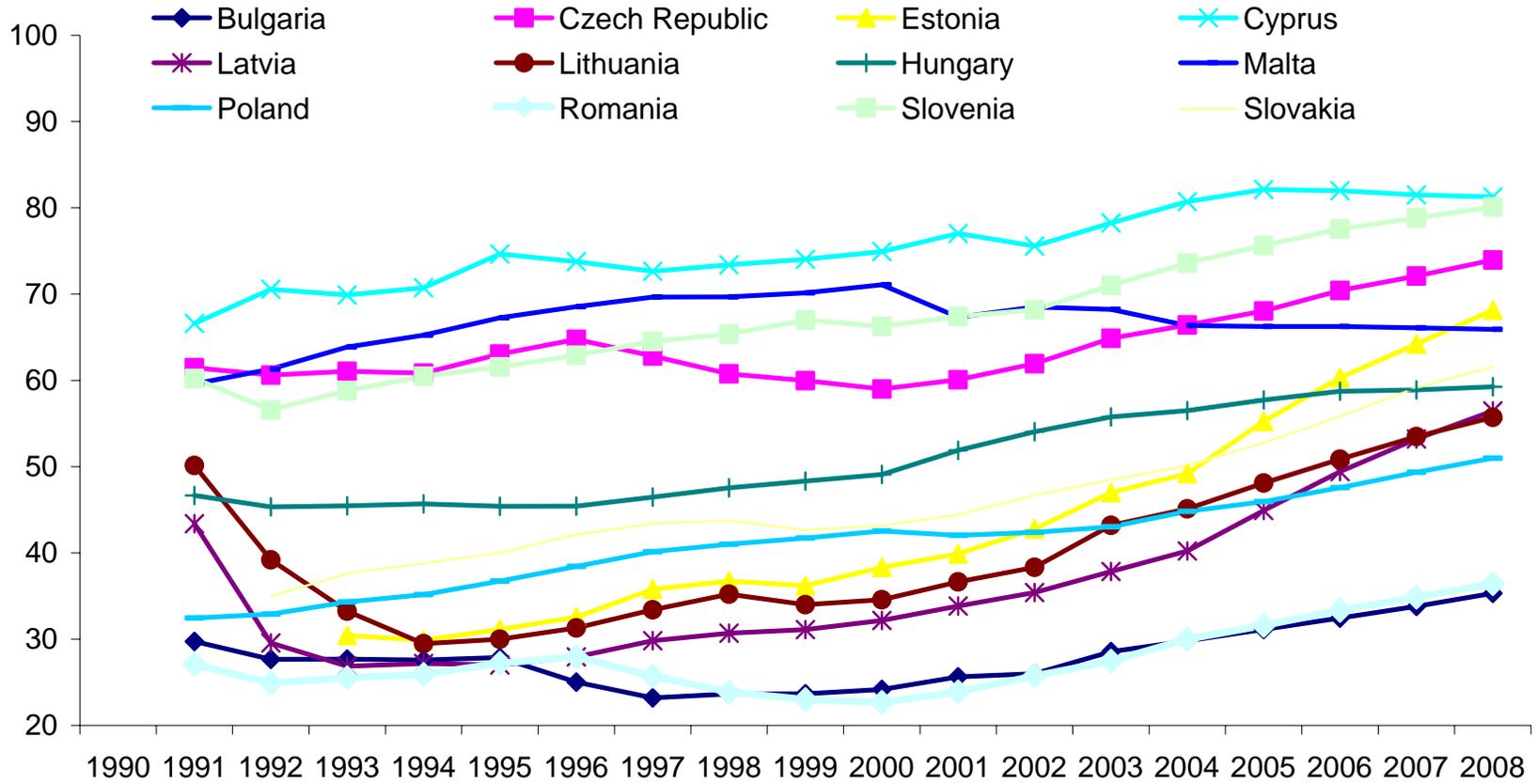
« Catching-up challenges in EU / EMU »

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New Member States (NMS) are in rapid real convergence process

GDP per capita (EU 15 = 100)

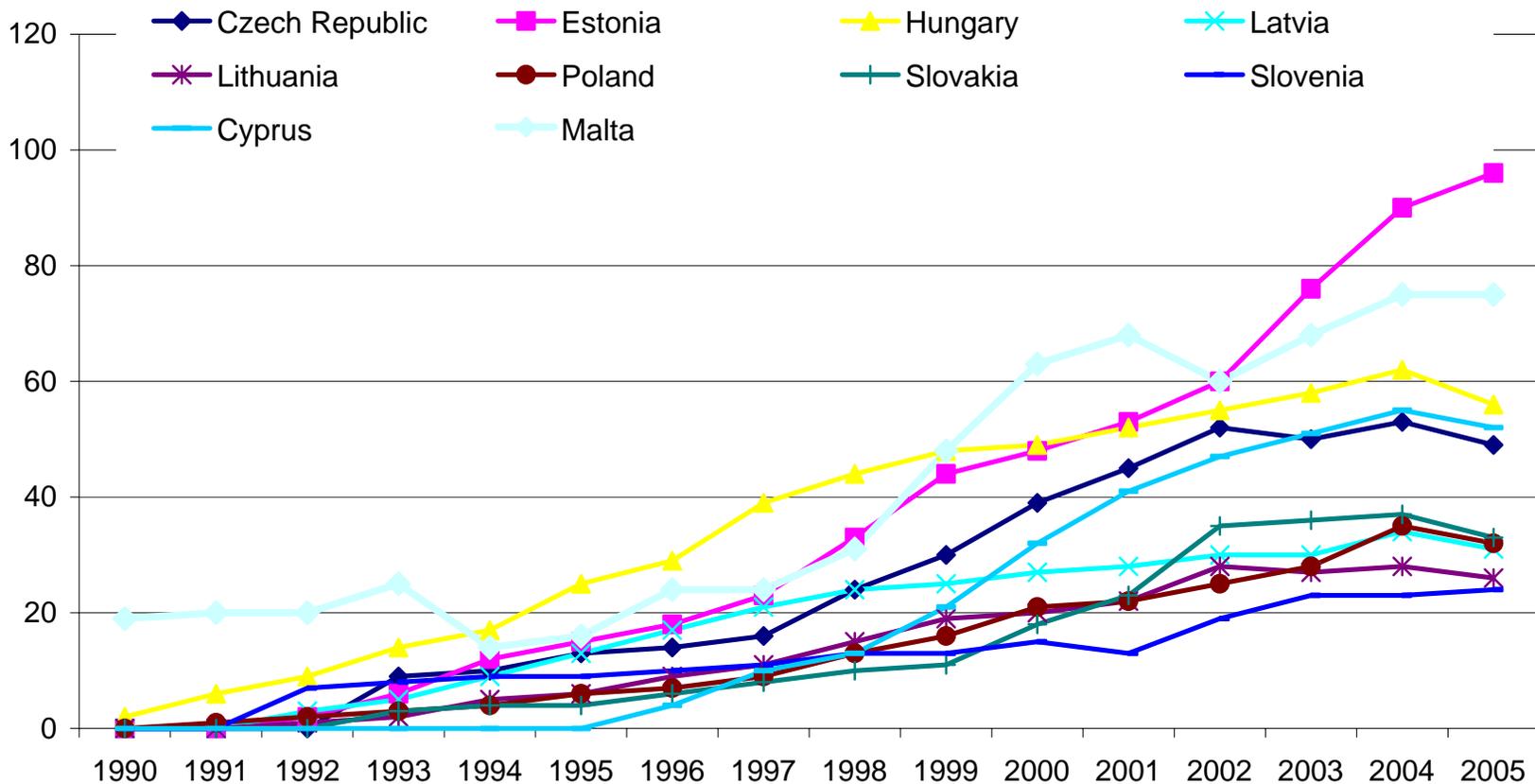


Source: EC AMECO database



Supported by trade opening, capital inflows, macro stabilisation and reforms

Stock of inward FDI (% of GDP)

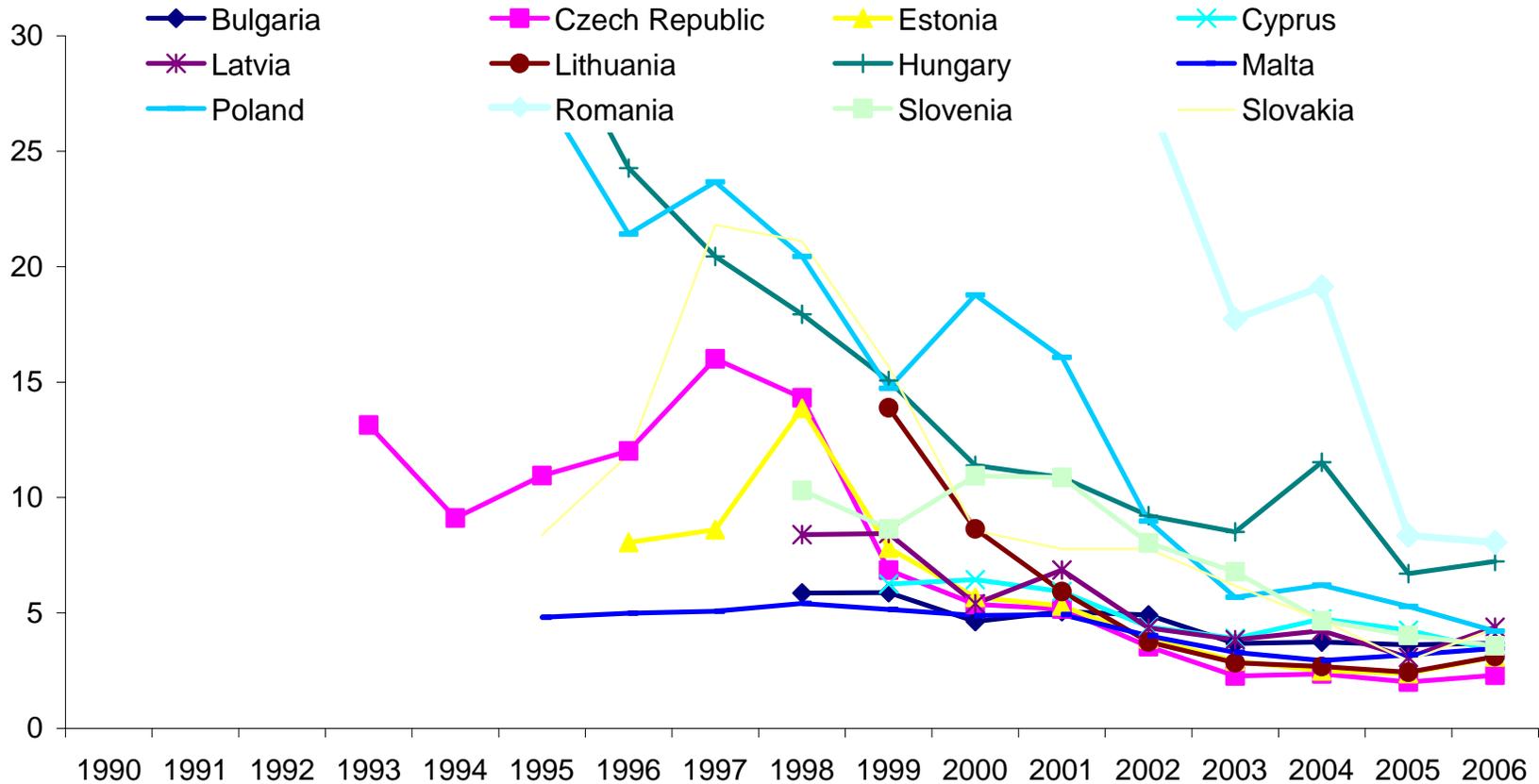


Source: UNCTAD



Supported by trade opening, capital inflows, macro stabilisation and reforms

Short-term interest rates

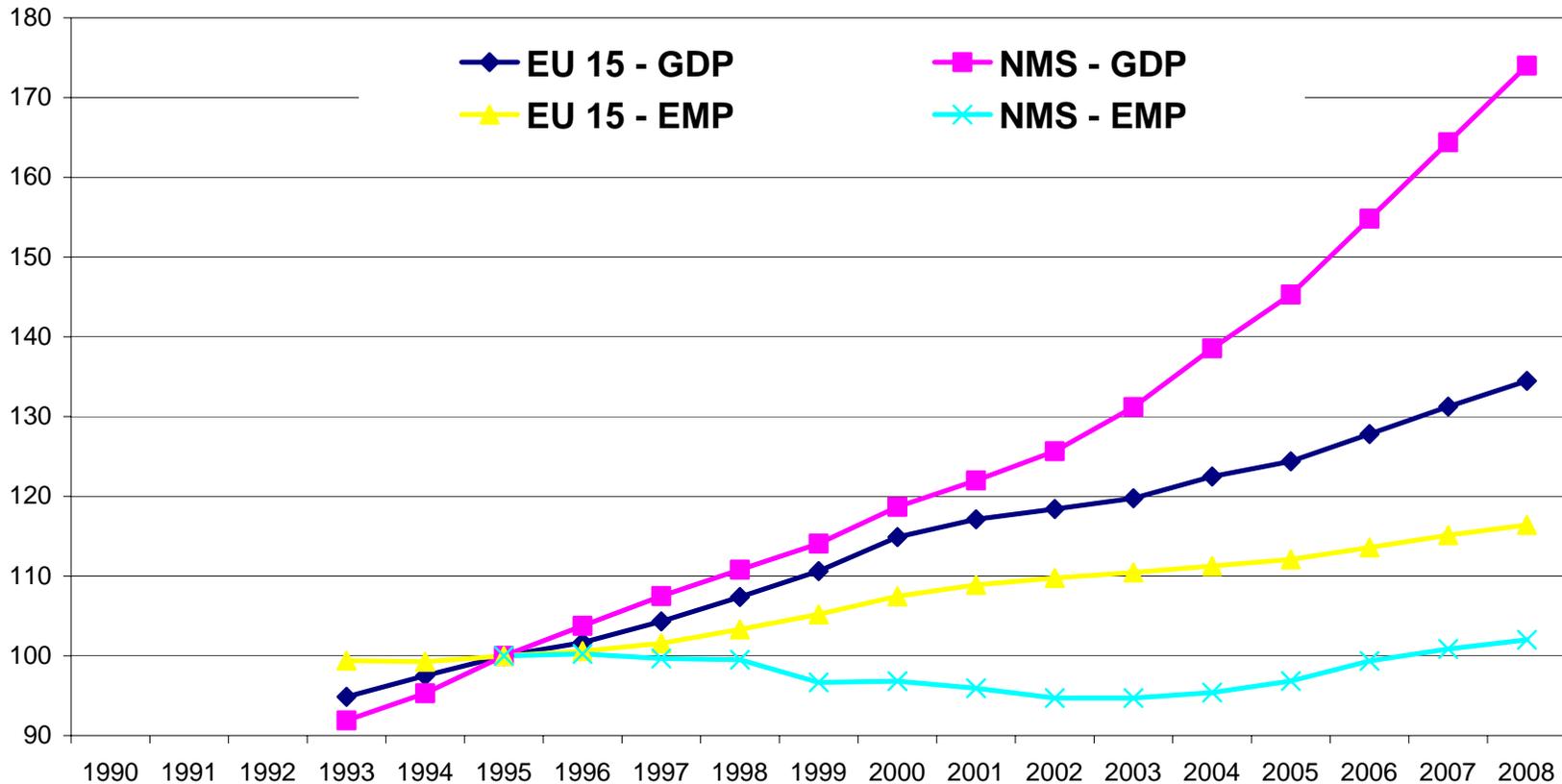


Source: Eurostat



Productivity is a driving force, employment has picked up more recently

GDP and employment in EU15 and NMS (1995 = 100)

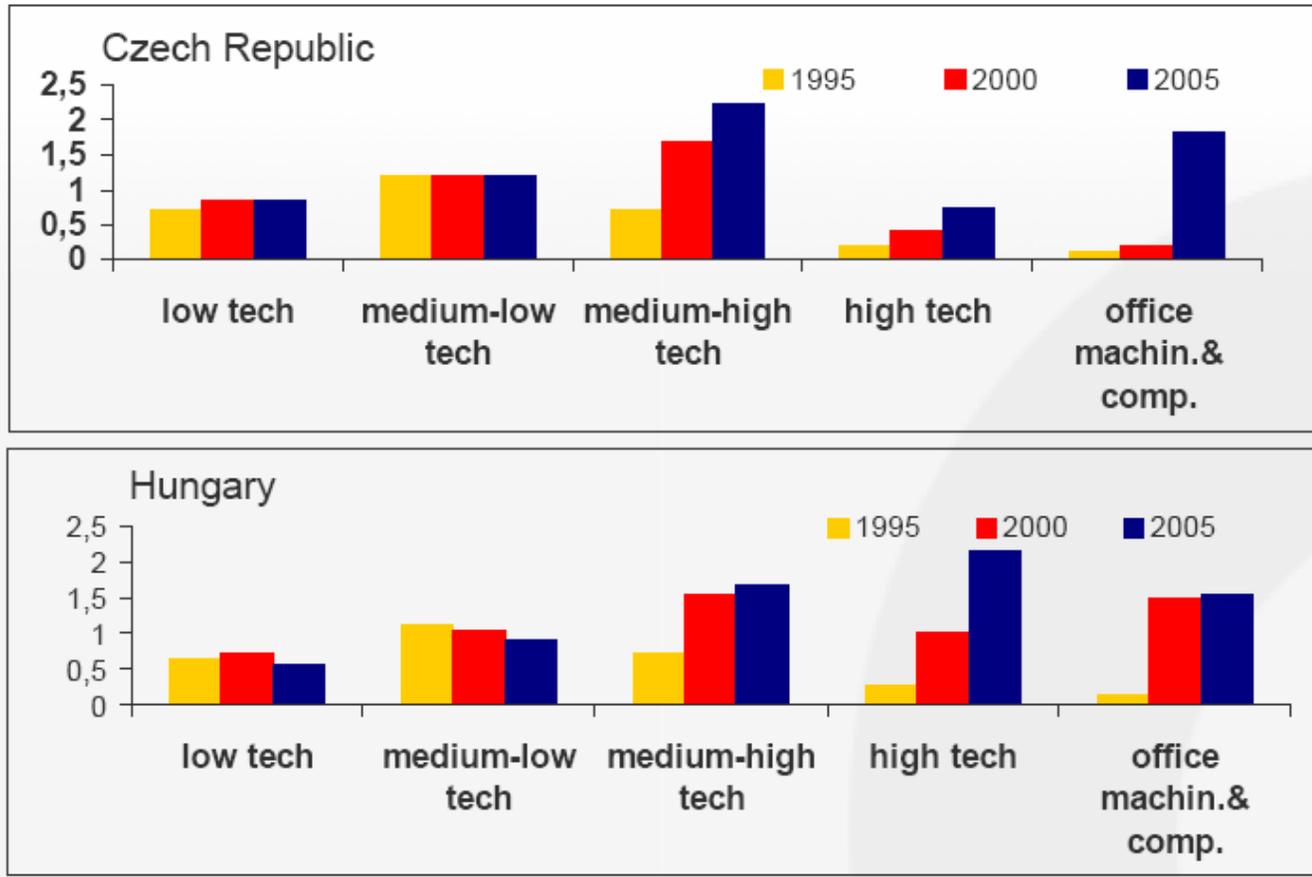


Source: EC AMECO database



NMS economies are undergoing major structural shifts

Market shares in EU-25 imports

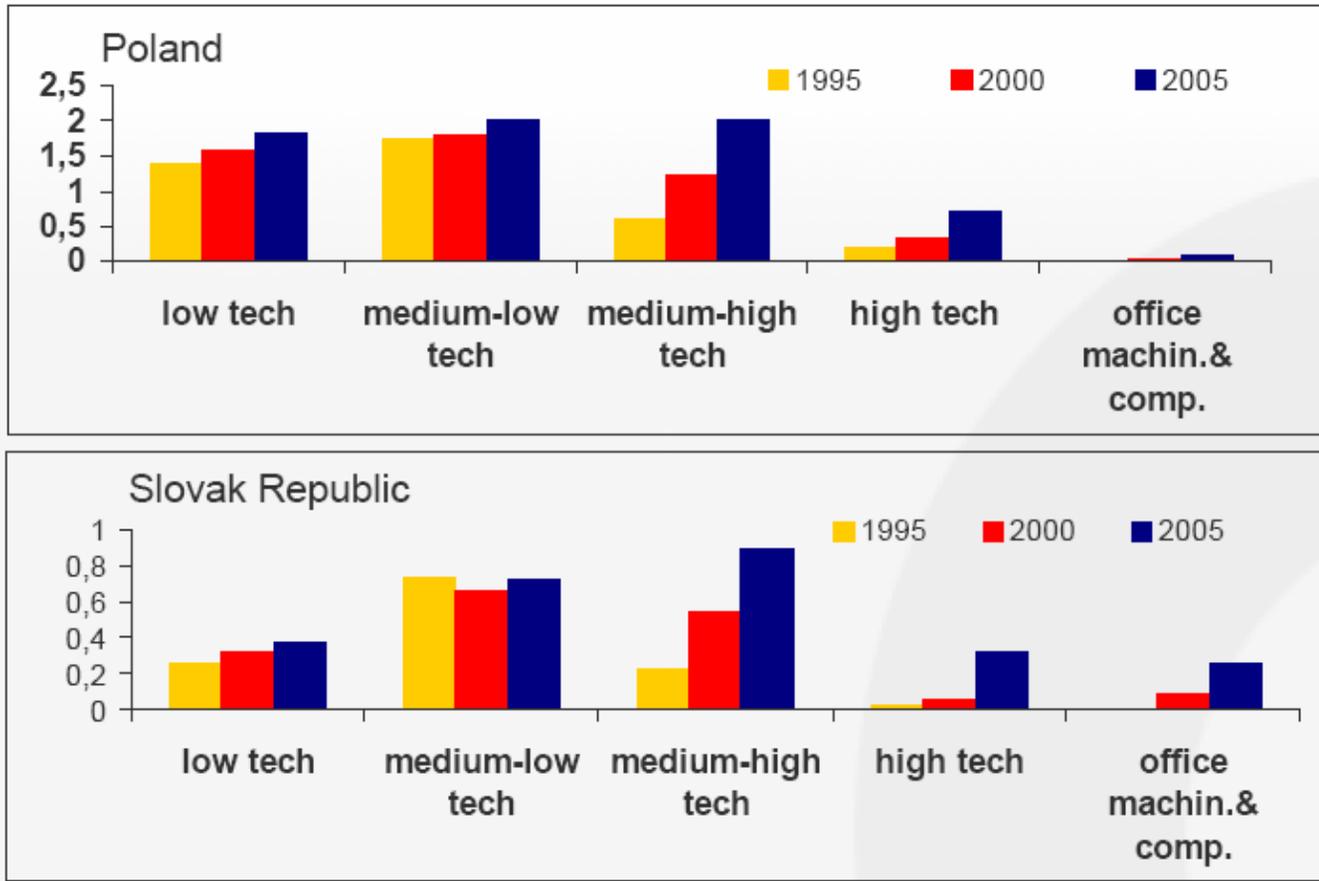


Source: WIIW



NMS economies are undergoing major structural shifts

Market shares in EU-25 imports

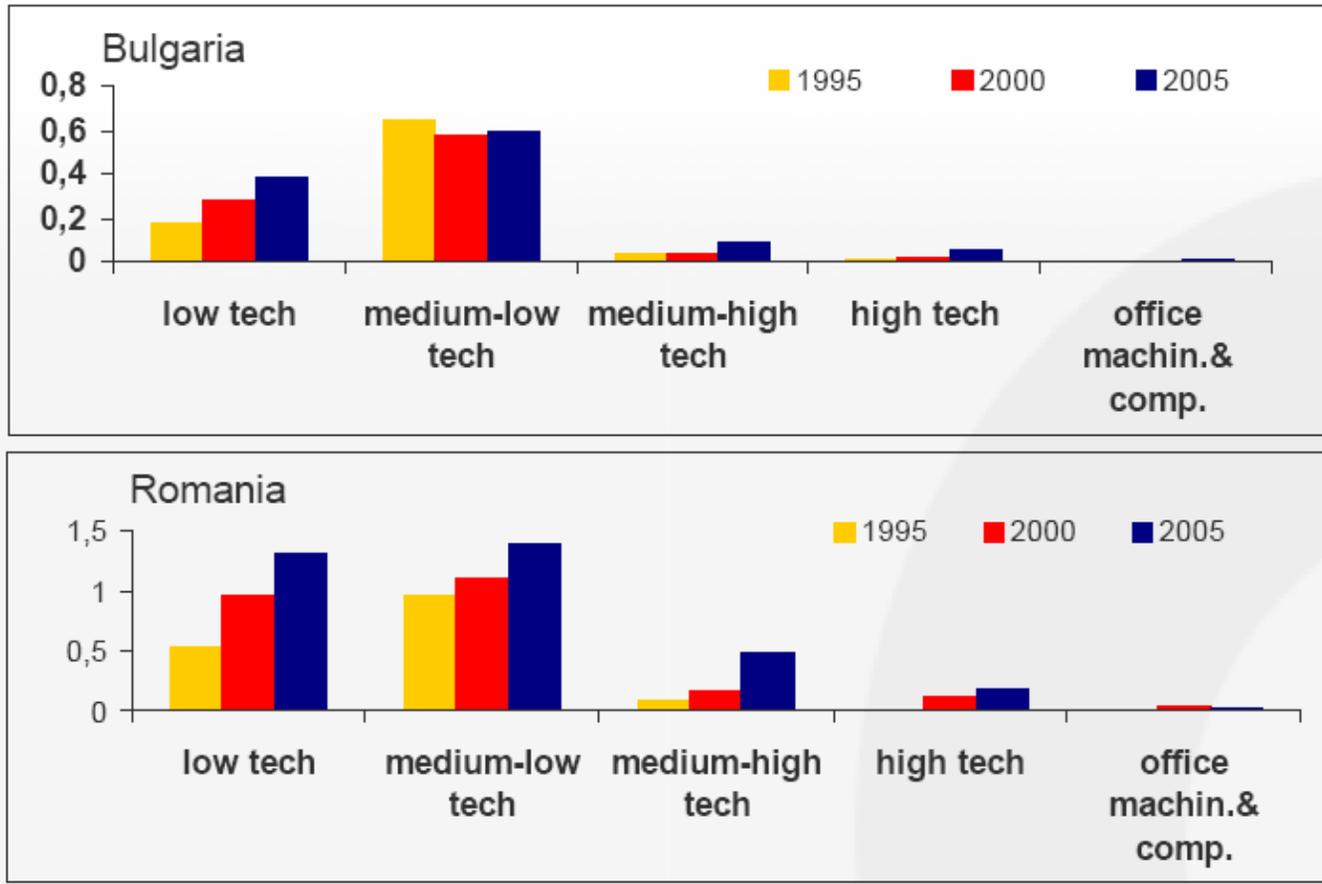


Source: WIIW



NMS economies are undergoing major structural shifts

Market shares in EU-25 imports



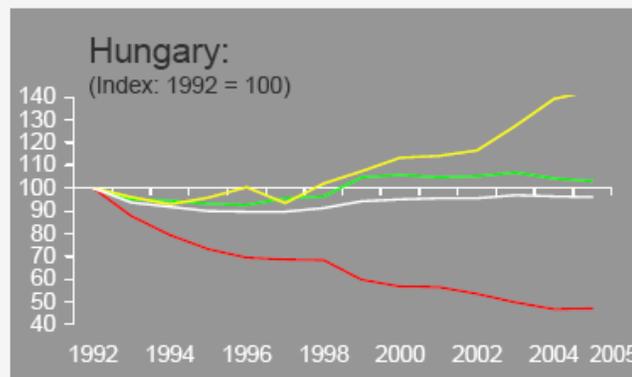
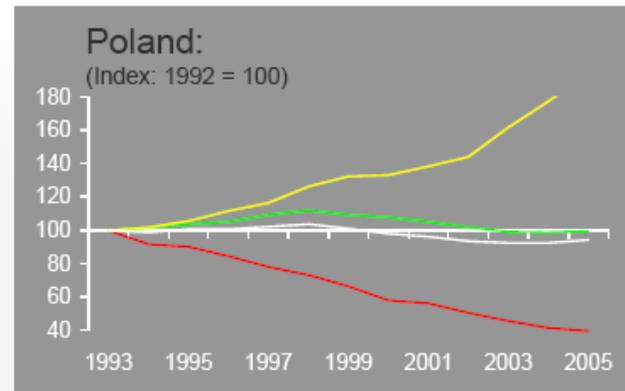
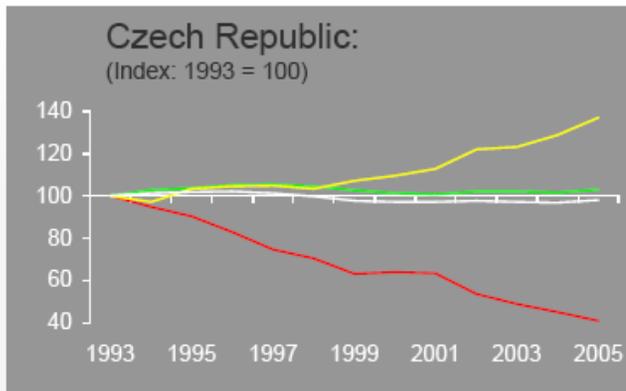
Source: WIIW



With important consequences on labour market needs

Employment by educational categories

1992-2005



- Primary education
- Secondary education
- Tertiary education
- Total employment

© wiiw

Source: WIIW



CHALLENGE N°1:

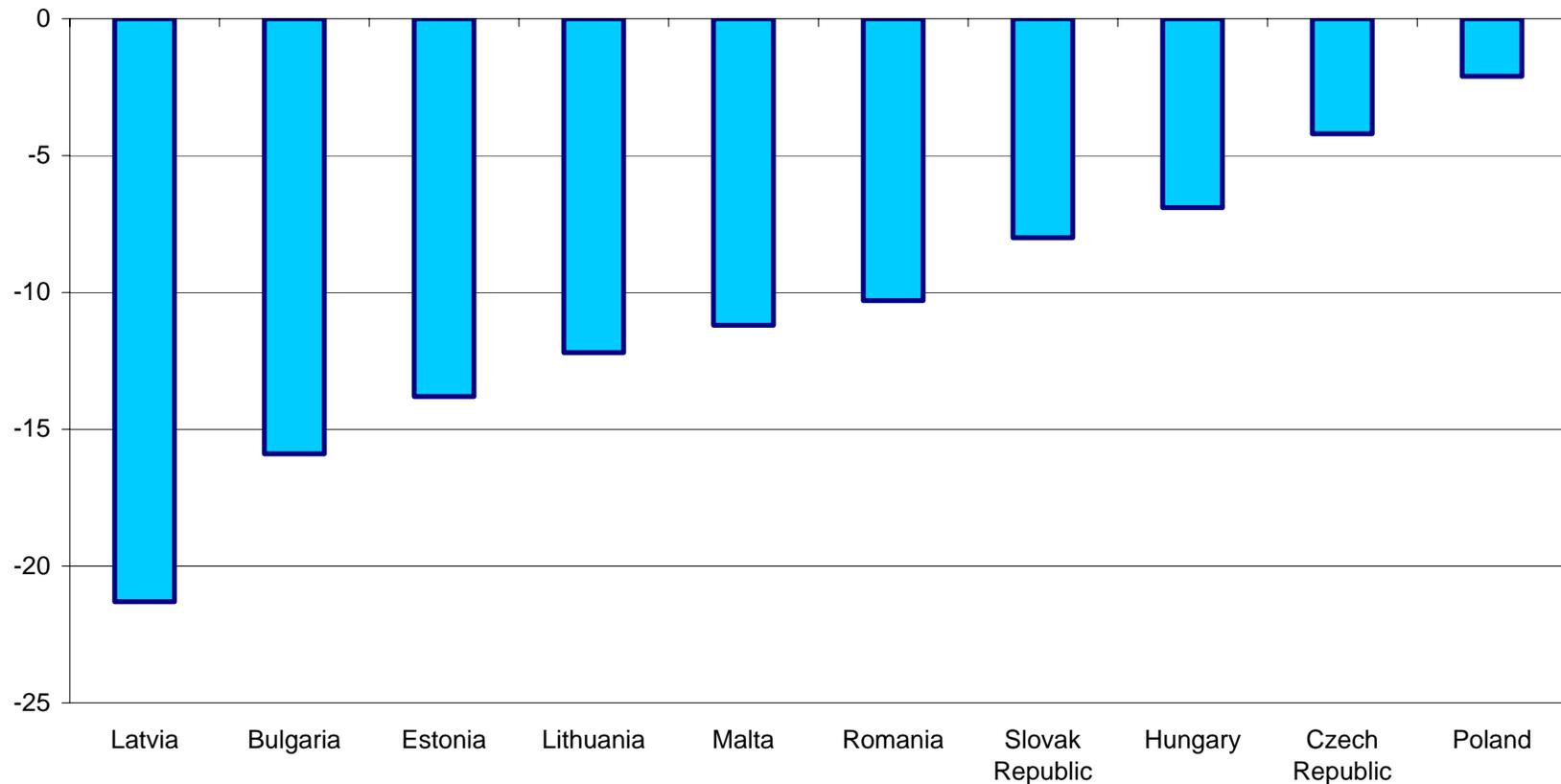
Policy priorities

1. Improve education, training and qualifications to match the rapid transformation of the labour market
2. Promote labour market flexibility and increase the participation of female and older workers (large untapped potential in some NMS)
3. Create the conditions to retain qualified and specialised workers at home (and facilitate their return)



Macro stabilisation: current account imbalances need close monitoring

Current account balances in 2006 (% of GDP)

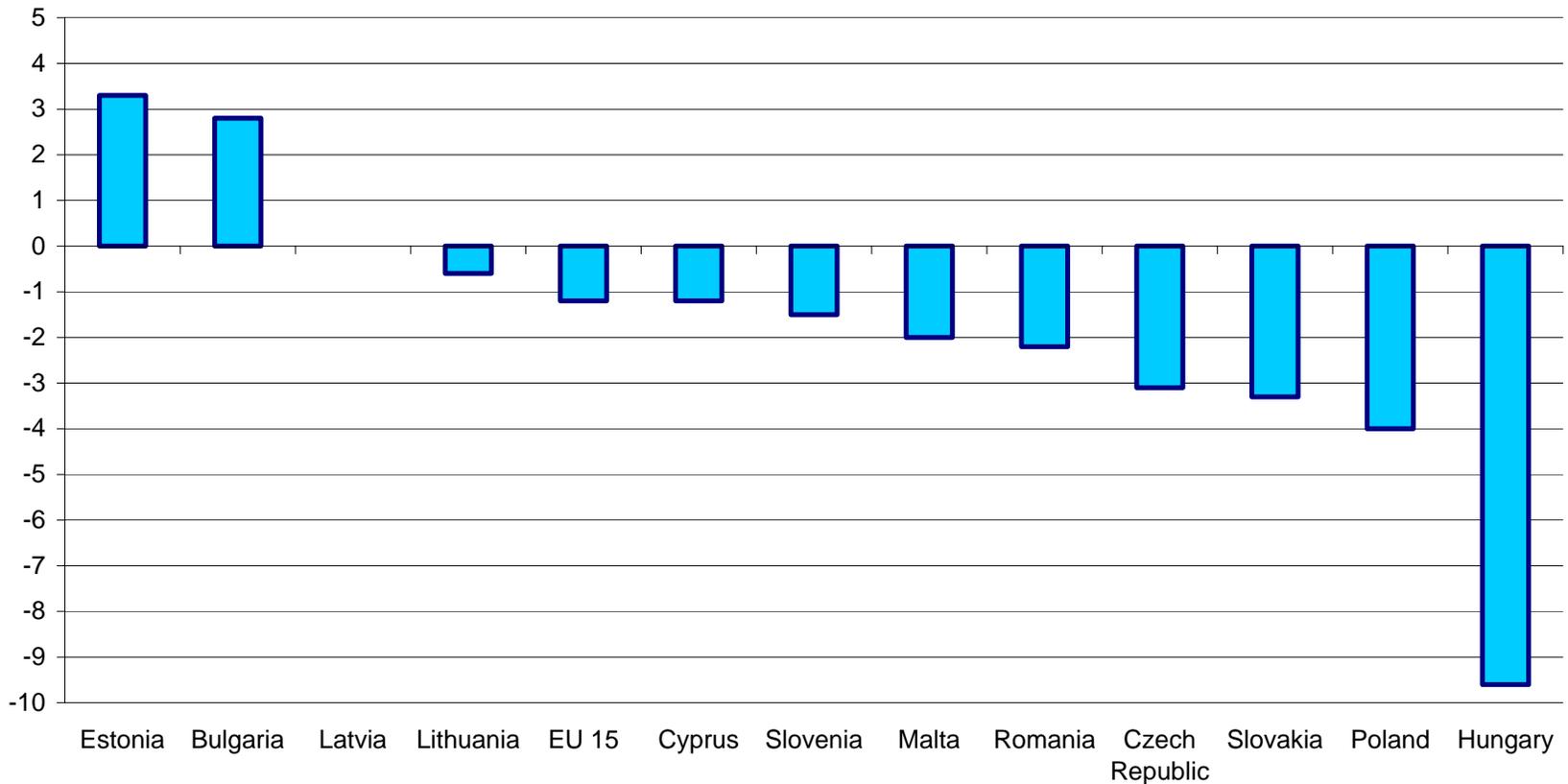


Source: Eurostat



Fiscal consolidation is lacking in a strong growth environment

Structural fiscal balance in 2006 (% of potential GDP)

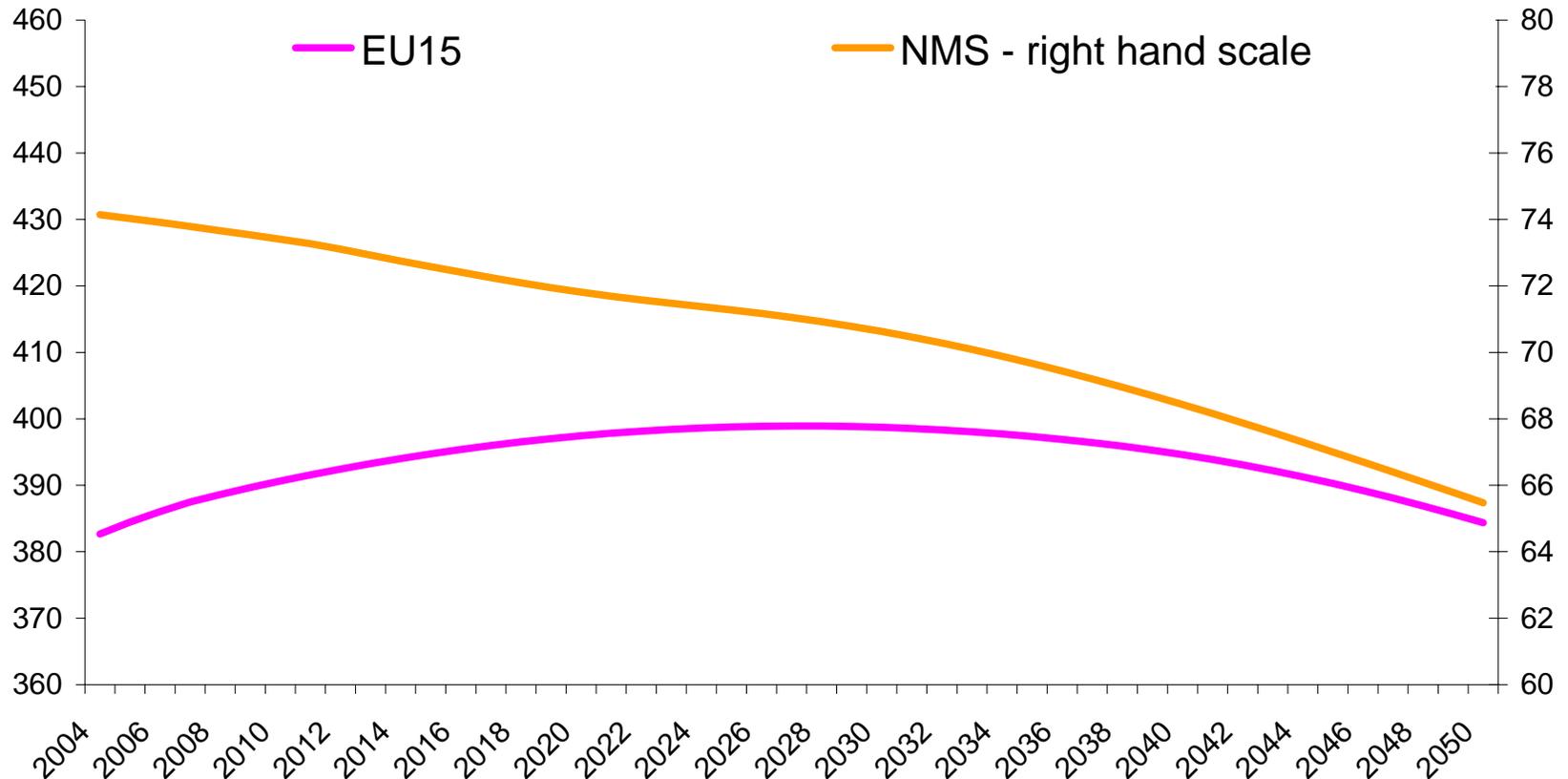


Source: EC AMECO database



Mind the demographic time bomb

Total population projections (millions)

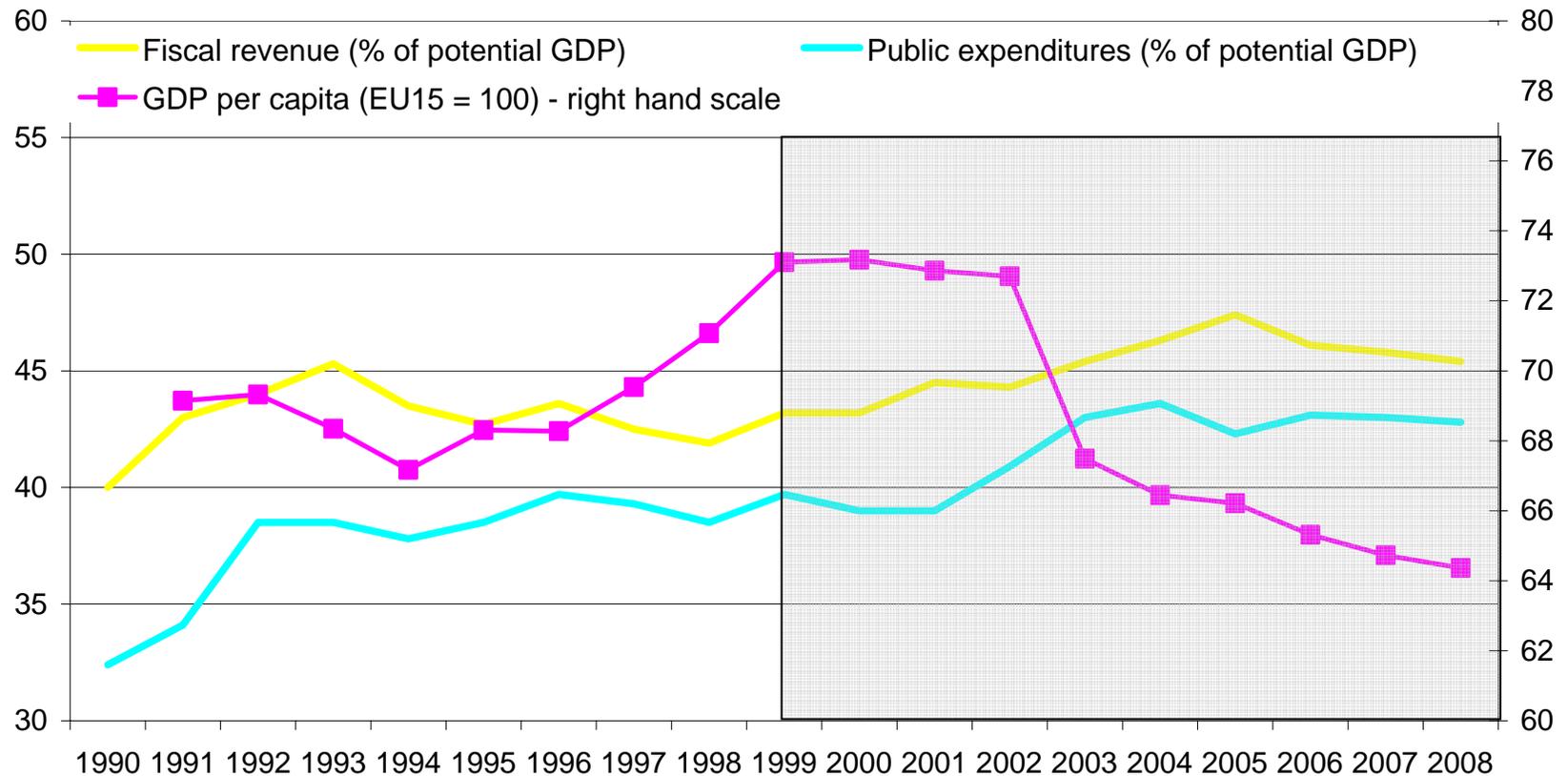


Source: European Commission



Mind the Portuguese experience

GDP per capita, fiscal revenue and public expenditure in Portugal



Source: EC AMECO database



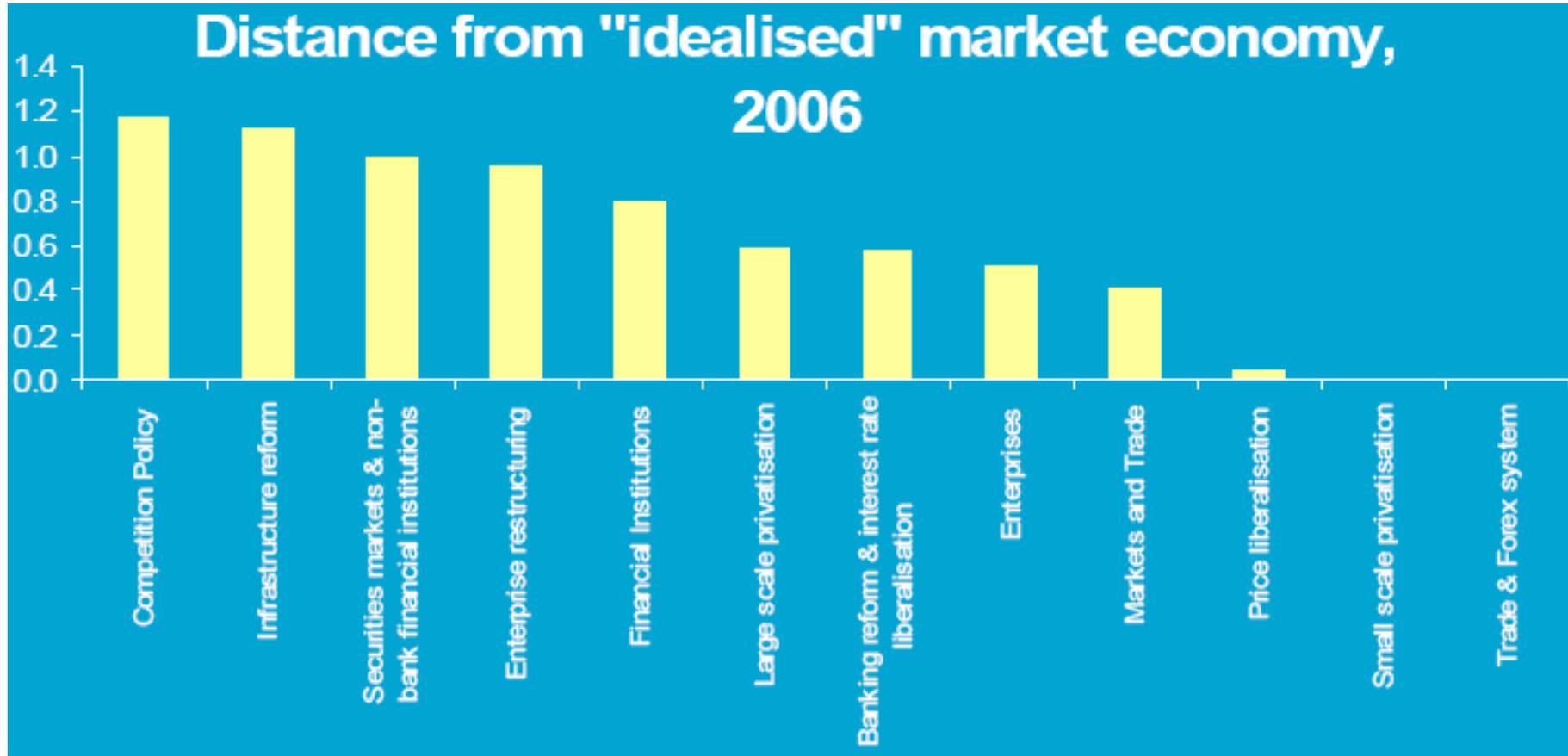
CHALLENGE N°II:

Foster macroeconomic stability

1. Use growth dividends from fast convergence to consolidate public finances and reduce public debt
2. Reform social systems to prepare for ageing
3. Support the independence and credibility of central banks, providing a strong nominal anchor
4. Maintain wage responsiveness to external competitiveness and labour market conditions



Institutional catch-up: more competition and financial liberalisation needed

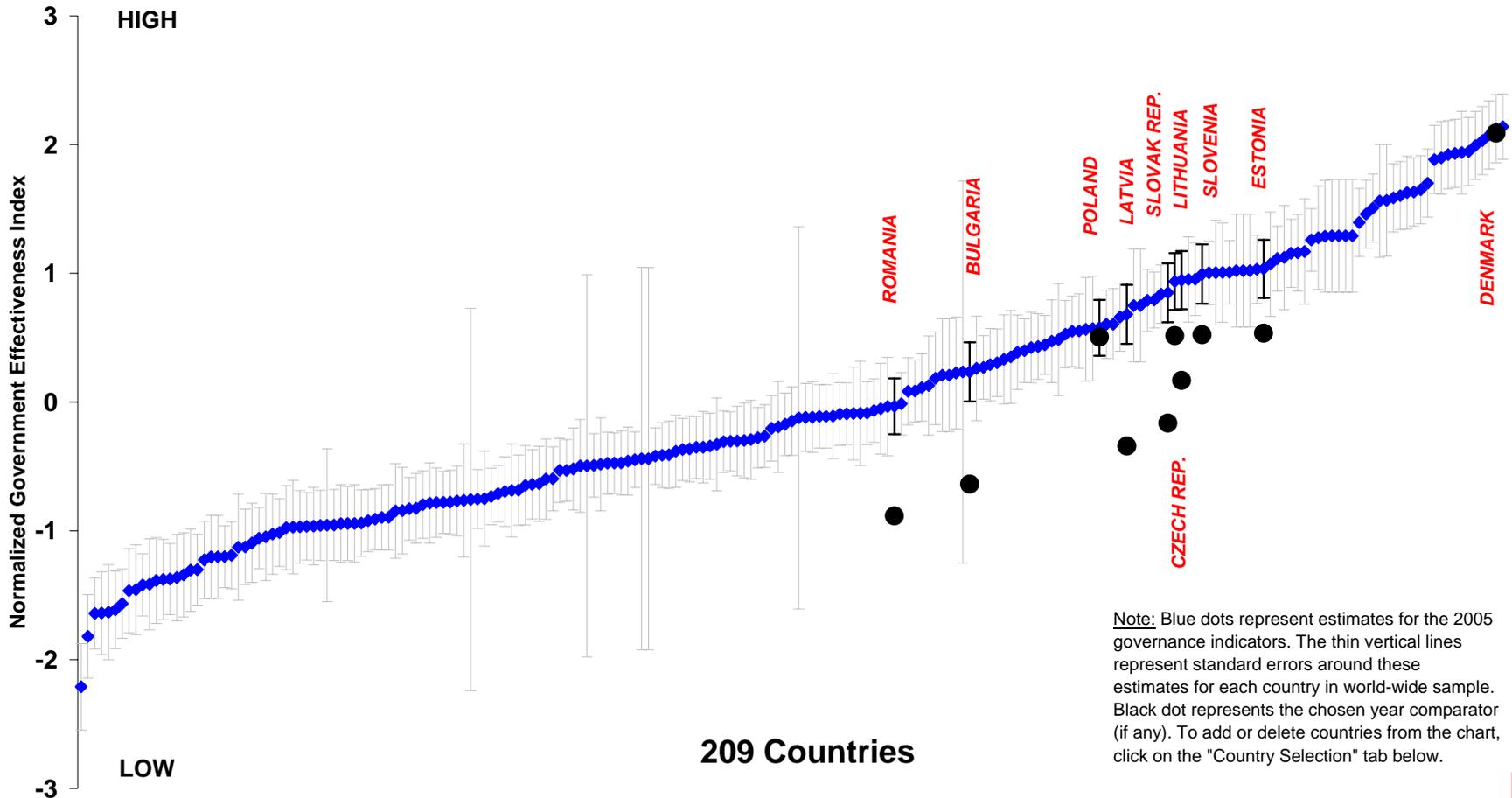


Source: EBRD Transition indicators



Institutional catch-up: a more effective public sector also needed

Government Effectiveness- 2005



Source: "Governance Matters V: Governance Indicators for 1996-2005 " by Daniel Kaufmann, Aart Kraay and Massimo Mastruzzi.



CHALLENGE N°III: Foster reforms for successful convergence in or out EMU

1. Competition policy, better regulation, more effective government
2. Financial liberalisation, internal market enforcement
3. Make effective use of Structural Funds to build up infrastructures and innovation capacity



Is the current pace of reforms matching these challenges? **BUSINESSEUROPE's** viewpoint:

	Public Finance	Business environmt	Research & Innovation	Internal Market	Labour Market	Education & training
Slovenia	+/-	+	+/-	+	+/-	+/-
Estonia	+/-	+/-	+/-	+/-	-	-
Cyprus	+	+/-	+/-	+	+/-	-
Latvia	+	+	+/-	+	+	-
Lithuania	+	+/-	+	+/-	+	+/-
Hungary	+/-	-	+/-	-	+/-	-
Malta	+	+	+	+	+/-	+
Poland	-	-	+	+	-	-
Slovakia	+	+	-	+/-	+	--
Romania	+	+	+	-	+	+
Bulgaria	+/-	-	-	-	-	+/-



National business evaluations available on: www.businessseurope.eu/growthandjobs



The European Reform Barometer



This section presents assessments, carried out by **national business federations**, of reform progress in European countries to implement the EU Growth and Jobs Strategy. An analysis of the aggregated assessment results is available in the BUSINESSEUROPE brochure "**The European Reform Barometer Spring 2007**" (.pdf/671 kB).

National reform progress is evaluated against five criteria: excellent, satisfactory, neither satisfactory nor unsatisfactory, unsatisfactory, deteriorating.

For further information on specific countries and policy areas, please click on the respective icons in the matrix below.

	Overall assessment	Public Finance	Business environment	Research & Innovation	Internal Market	Labour Market	Education & training
Belgium	+/-	-	+/-	-	+/-	-	+/-
Germany	-	+/-	-	-	+/-	-	-
Greece	+/-	-	-	+/-	+	+/-	+
Spain	+/-	+/-	-	+/-	-	+	+/-
France	+/-	-	+/-	+/-	-	+/-	-
Ireland	+	+	+	+	+/-	+	+
Italy	+/-	+/-	-	+/-	-	+/-	-
Luxembourg	+/-	-	+/-	+/-	+/-	-	-
The Netherlands	+	+	+	+	+	+/-	+/-
Austria	+	+/-	+/-	+	+	+/-	+/-

Conclusions:

1. Mind the pressure of fast catching-up and structural changes on the labour market
2. Ensure macroeconomic stability as a pre-condition for sustainable convergence
3. Progress with institutional catch-up, enforce EU policies and use its instruments effectively

