

## Flash Note 31/07/2017

Alex Fusté

@AlexfusteAlex

[alex.fuste@andbank.com](mailto:alex.fuste@andbank.com)

### **The ECB wants to get tougher with Eurozone countries by applying the corrective arm of imbalance procedure.**

The ECB wants to put in practice the “European Commission's country-specific recommendations”, saying that “after the evident difficulties shown by countries in strengthening reform implementation, the ECB backs the use of the **corrective arm of the macroeconomic imbalance procedure**”.

ECB officials highlighted that this tool, which has not been used so far, offers a well-defined process ensuring greater traction on reform implementation for the most vulnerable Member States

#### **Why now?**

Now that the ECB must start announcing the withdrawal of the stimulus (de facto giving some time to the countries before the effective withdrawal of the stimuli), the ECB needs to get tougher. The reason could be that some relevant countries may not be able to withstand the withdrawal of the support provided to date by the Central Bank without having previously signaled to the market, through structural reforms, their ability to navigate without aid.

Whether this will work or not will depend on the level of social discontent in each economy, which in turn will depend on the structural imbalances in each. For my part, I think it is a good initiative. But I need to see the necessary political will (and the corresponding social backing) first to believe in it.

Best