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#### COVER NOTE

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| From:            | Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director |
| date of receipt: | 4 June 2025   |
| To:              | Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union         |

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Delegations will find attached document COM(2025) 200 final.

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Brussels, 4.6.2025  
COM(2025) 200 final

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE  
EUROPEAN ECONOMIC AND SOCIAL COMMITTEE, THE COMMITTEE OF  
THE REGIONS AND THE EUROPEAN INVESTMENT BANK**

**2025 European Semester - Spring package**

## 1. INTRODUCTION

**While the EU economy is expected to expand in the coming years, the volatile trade and security situation put a drag on growth.** Europe's economy is set for a moderate expansion over the coming years, thus providing a favourable environment for businesses to invest and create jobs. The volatile international trade and security situation, however, weigh on the EU's trade performance and on economic growth.

**Policies to strengthen competitiveness are key to give the EU economy a boost and promote sustainable prosperity.** *The Competitiveness Compass for the EU*<sup>1</sup> sets out the priorities and actions guiding the work of the Commission over the next five years, establishing competitiveness as an overarching objective. It provides a framework to boost competitiveness by closing the innovation gap, decarbonising our economy, reducing excessive dependencies and increasing security, including by building up defence capabilities. This should boost the EU's growth potential across all Member States and regions, while supporting the EU's progress towards the implementation of the European Pillar of Social Rights and the UN's Sustainable Development Goals (SDGs). In addition, to underpin competitiveness across all sectors, the Competitiveness Compass sets out horizontal enablers: (i) simplifying the regulatory environment, reducing administrative burden and favouring speed and flexibility; (ii) fully exploiting benefits of scale offered by the Single Market by removing barriers; (iii) financing through a Savings and Investments Union, and a refocused EU budget; (iv) promoting skills and quality jobs while ensuring social fairness; and (v) better coordinating policies at EU and national level. Through its country-specific recommendations, the European Semester reflects these new priorities and provides guidance to Member States on the priority reforms and investments.

**EU budget instruments such as cohesion policy and the Recovery and Resilience Facility (RRF) continue to promote EU's common objectives through national investments and reforms.** With over EUR 300 billion disbursed, the RRF supports the implementation of country-specific recommendations and drives structural reforms in key policy areas for competitiveness. Examples include the support offered to Member States to tackle research and innovation needs (EUR 55 billion of committed RRF funds), including by improving governance and unlocking necessary investments. Over EUR 525 billion<sup>2</sup> are being mobilised by Member States under cohesion policy programmes to boost regional competitiveness and growth. The EU's decarbonisation agenda is supported with over 42% of committed RRF funds (EUR 276 billion) and nearly EUR 130 billion<sup>3</sup> are mobilised under cohesion policy towards the objective "Greener Europe". In the field of employment, reforms under the recovery and resilience plans (RRPs) address structural challenges in Member States' labour markets. Reforms in the field of education and training contribute to promoting high-quality employment, skills development and inclusion. Around EUR 68 billion<sup>4</sup> from cohesion policy funds will be invested in measures supporting for instance skills training and counselling and investments in formal and non-formal education and training systems.

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<sup>1</sup> [A Competitiveness Compass for the EU](#), COM(2025) 30 final.

<sup>2</sup> Includes national co-financing.

<sup>3</sup> Includes national co-financing.

<sup>4</sup> The figure refers to the 2021-2027 programming period and includes national co-financing.

# Competitiveness Compass and European Semester



**The EU is translating its strategic priorities into real actions at EU, national and regional levels.** Already last year, the Strategic Technologies for Europe Platform (STEP) was launched to pool funds from 11 EU programmes to support the EU's competitiveness in strategic technologies across all Member States. Further, the European Commission has put forward a proposal<sup>5</sup> on the mid-term review of cohesion policy to maximise the contribution of 2021-2027 cohesion policy to the current and emerging political priorities of the EU, enhancing support for competitiveness and decarbonisation, defence, affordable housing and access to water, sustainable water management and energy transition, in partnership with national, regional and local authorities, as well as a proposal to add defence as a fourth strategic sector for STEP. The Technical Support Instrument will play a key supporting role, with its single flagship initiative for 2026, focussing on providing support to Member States for implementing reforms outlined in the European Semester country specific recommendations (CSRs). Starting next year, the Social Climate Fund, based on national plans, will provide financing to tackle energy and transport-related poverty. As outlined in *The road to the next multiannual financial framework*<sup>6</sup>, with the next EU budget, the aim is to work closely with Member States and their regions to implement crucial reforms and investments. As a central mechanism for economic

<sup>5</sup> [A modernised cohesion policy: the mid-term review; proposal for a regulation of the European Parliament and of the Council amending regulations \(EU\) 2021/1058 and \(EU\) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review.](#)

<sup>6</sup> [The road to the next multiannual financial framework](#), COM(2025) 46 final.

and employment policy coordination, the European Semester will contribute to this objective by identifying the needs that Member States should address to tackle key economic and social challenges. This will be complemented by the Competitiveness Coordination Tool, which will be introduced as a follow-up to the Competitiveness Compass to align industrial and research policies and investments at EU and national level around projects of common European interest or EU added value.

**The last decades have exposed underinvestment and a lack of efficient spending in Europe's defence capabilities.** Given the current geopolitical context, and the existential challenge Europe faces as a result of Russia's war of aggression against Ukraine, Europe needs to increase its defence capabilities and build a strong industrial base. In order to provide Member States with additional budgetary space to increase their defence spending, within the EU's fiscal rules, the Commission proposes Council Recommendations to activate the national escape clause under the Stability and Growth Pact (see Box 1). Member States are encouraged to boost innovation, research and development related to defence, including by leveraging the financial support from the European Defence Fund (EDF), the EU Defence Innovation Scheme (EUDIS), the SAFE instrument to finance common procurements projects, and voluntary allocations from other EU funds under shared management. Joint procurement could further contribute to Member States' effort to ramp up their defence industrial capacity and to strengthen their technological base. Overall, taking into account the flexibility unlocked by the national escape clauses, based on projections of gradual take-up, defence investment could reach at least EUR 800 billion over the next four years<sup>7</sup>.

## **2. APPROACH TO THE 2025 COUNTRY-SPECIFIC RECOMMENDATIONS**

**The 2025 country reports provide a thorough analysis of economic, employment and social developments within Member States, in line with the framework of the Competitiveness Compass.** These reports highlight, for each Member State, the key challenges affecting competitiveness and prosperity. They also offer an updated assessment of the progress made in implementing past CSRs, in absorbing EU funds, in delivering on the SDGs and in adhering to reformed fiscal rules. For the first time, this assessment reflects the annual progress reports submitted by Member States on the implementation of their medium-term fiscal-structural plans, as part of the new economic governance framework.

**The 2025 CSRs provide comprehensive and coherent policy guidance.** With the RRF coming to an end in 2026, the 2025 European Semester cycle moves to a more comprehensive set of CSRs, phasing out the approach introduced during the earlier phases of RRF implementation. As such, the 2025 cycle provides guidance on reform and investment priorities in each Member State based on a broadening analysis to identify the relevant structural challenges.

**The Commission's simplification efforts are reflected in the European Semester.** The outstanding stock of 2019-2024 CSRs has been critically reviewed, taking into consideration their coverage in the RRFs and their continued relevance. On that basis, and taking into account emerging challenges, the 2025 CSRs provide, for each Member State, a consolidated set of recommendations on which further policy actions are needed by the Member States. This will

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<sup>7</sup> [Joint White Paper for European Defence Readiness 2030.](#)

improve transparency and help simplify the annual reporting on and assessment of progress in implementing the CSRs by Member States and the Commission.

**Swiftly implementing EU funds and maximising their impact remains a high priority.** As the RRF enters its final stages, with just a year and a half remaining until the August 2026 deadline, effective implementation of reforms and investments by Member States is increasingly urgent. To accelerate progress, the recommendations on RRF implementation have been tailored to reflect the scale and urgency of the required actions. Member States with a RRP representing less than 3% of GDP are encouraged to complete implementation within the originally foreseen timeline of August 2026. Among the countries whose RRP represents more than 3% of GDP, those with over 85% of milestones and targets still to be achieved are strongly urged to intensify their implementation efforts. The others, which record between 85% and 50% of their milestones and targets outstanding, should also increase their pace. Using the possibilities provided by STEP is also key to ensuring continuous support to competitiveness and growth. Commission proposals creating additional possibilities under cohesion policy to accelerate implementation and to support strategic priority areas within the mid-term review of cohesion policy programmes in 2025 can further leverage investment in key areas for the Union, its Member States and regions. Moreover, creating or topping-up InvestEU Member State compartments could mobilise up to EUR 240 billion in additional investments.

This Spring Package consists of:

- **country reports** identifying Member States' main challenges to competitiveness;
- **country-specific recommendations** for policy actions to tackle reform and investment needs;
- a report examining the reasons for exceeding the 3% of GDP **deficit** reference value for 4 Member States (Spain, Latvia, Austria, Finland);
- proposals for Council recommendations on the activation of the national escape clause;
- a recommendation for a Council recommendation on the **medium-term plan** for Lithuania;
- an opinion on the Draft Budgetary Plan of Belgium;
- a recommendation for a Council recommendation on action taken by Romania under the EDP;
- reports on **post-programme surveillance** for five Member States (Greece, Spain, Portugal, Cyprus and Ireland); and
- a proposal for a reconduction of the **guidelines for the employment policies** of the Member States.

### 3. KEY COMPETITIVENESS CHALLENGES AHEAD

#### 3.1 Macroeconomic developments

**In spite of high uncertainty about international developments, the EU economy is expected to continue to grow, albeit at a moderate pace.** Remarkably strong, though moderating, performance of the labour market in the past few years, together with declining inflation, has led to a recovery of real wages. This is set to support growth in demand, also helped by easing financing conditions. However, the volatile trade and security situation increases headwinds for economic growth. Real GDP growth is expected to increase slightly from 1.0% in 2024 to 1.1% in 2025 and further to 1.5% in 2026, indicating stable and consistent expansion at a moderate pace, which provides a favourable environment for businesses and



investors. EU trade performance, however, faces a significant risk of disruption. The Commission has identified vulnerabilities related to macroeconomic imbalances or excessive imbalances in seven Member States as part of the macroeconomic imbalance procedure. Box 2 summarises the findings on macroeconomic imbalances in the Member States.

**EU financial markets and intermediaries have shown resilience to economic and geopolitical challenges.** Overall, strong profits, sound capital levels, and sizeable liquidity buffers support EU banks' capacity to provide stable financing to the economy and to resist well to future risks. Banks' asset quality is close to an historical high but rising corporate insolvencies and pockets of vulnerabilities in commercial real estate indicate the need to watch credit risk closer. Furthermore, operational risk for banks and other financial sector institutions has become more prominent, with the increasing occurrence of cyber incidents.

**The fiscal outlook points to slight increases in the government deficit and debt ratios, after the strong reduction since 2021.** In the euro area the government deficit-to-GDP ratio decreased from 3.5% in 2023 to 3.1% in 2024, and in the EU from 3.5% to 3.2%. According to the Commission Spring 2025 Forecast, in 2025 the deficit is projected to slightly increase to 3.2% of GDP in the euro area and to 3.3% in the EU. In 11 Member States the deficit is expected to be above the 3% of GDP threshold. The decline in government gross debt-to-GDP ratio has halted: the ratio stabilised between 2023 and 2024 at 88.9% of GDP in the euro area and increased marginally to 82.2% in the EU. It is projected to increase by 1 percentage point in 2025 in both the euro area and the EU. Box 1 provides an overview of the main findings on the fiscal surveillance under the reformed Stability and Growth Pact.

### **Box 1: Fiscal surveillance under the reformed Stability and Growth Pact**

**The Spring 2025 European Semester package marks the conclusion of the first annual cycle of macroeconomic surveillance under the reformed economic governance framework.** Following the entry into force of the new framework in April 2024, all Member States but Germany have submitted their first medium-term plans. The Annual Progress Reports submitted by Member States at the end of April take stock of the progress made in the implementation of these medium-term plans<sup>8</sup>.

Together with the Commission Spring 2025 Forecast and 2024 outturn data they provide key inputs for the assessment of Member States' compliance with the maximum growth of net expenditure. In its assessments, the Commission has taken into account the flexibility provided under the national escape clause for the relevant Member States, assuming its timely endorsement by the Council<sup>9</sup>. For Germany, a full assessment of compliance cannot yet be undertaken in the absence of a medium-term plan. The Commission expects Germany to submit its plan by end-July 2025.

The coordinated activation of the national escape clause under the Stability and Growth Pact is part of the ReArm Europe Plan/Readiness 2030 package presented in March 2025 and demonstrates the framework's flexibility to accommodate unexpected developments. The national escape clause allows Member States to exceed the maximum growth rates of net expenditure recommended by the Council within certain limits linked to the increase in their

<sup>8</sup> Romania has not yet submitted its Annual Progress Report.

<sup>9</sup> In practice, the deviation for higher defence expenditure that would be permitted in case of activation of the national escape clause by the Council, in line with the Commission's recommendations was taken into account by the Commission when assessing compliance with the net expenditure path set under the preventive arm (Regulation (EU) 2024/1263) and when assessing effective action regarding compliance with the corrective path set under the corrective arm (Regulation (EC) 1467/97).

defence spending. Following the requests by 16 Member States (Belgium, Bulgaria, Czechia, Denmark, Germany, Estonia, Greece, Croatia, Latvia, Lithuania, Hungary, Poland, Portugal, Slovenia, Slovakia, Finland), the Commission has today adopted recommendations to the Council to activate the national escape clause, which are now pending adoption by the Council.

**For the eight Member States in an excessive deficit procedure (EDP), the Commission has assessed the action taken in response to the Council recommendations under the EDP.**

Based on that assessment, the procedures for Italy, Slovakia, Hungary, Poland, France and Malta are held in abeyance, with the latter two Member States being invited to stand ready to take further measures in view of the Commission forecasting a small deviation from the recommended net expenditure growth. For **Belgium**, the Commission has recommended a new corrective path following the submission of its medium-term plan, which is pending the adoption by the Council. Net expenditure growth in 2025 in Belgium is projected to be above the ceiling of this recommendation but within the flexibility provided by the national escape clause. For **Romania**, net expenditure growth is well above the ceiling established by the corrective path, with clear risks to the timely correction of the excessive deficit by 2030. Therefore, the Commission is recommending to the Council to adopt a decision that establishes no effective action. In order to safeguard fiscal and macroeconomic stability, and ensure continued full access to EU funding, Romania should take swift action to comply with the requirements of the excessive deficit procedure.

**The Commission has assessed progress with the implementation of the medium-term plans of the other 18 Member States.** 12 Member States (**Bulgaria, Czechia, Denmark, Estonia, Greece, Croatia, Latvia, Lithuania, Austria, Slovenia, Finland, Sweden**) are projected to be compliant with the recommended maximum growth of net expenditure, where relevant taking into account the flexibility provided by the national escape clause based on current projections of defence spending. For Lithuania, the Commission has today recommended to the Council the endorsement of its medium-term plan. **Portugal** and **Spain** are broadly compliant. For Spain the net expenditure growth in 2025 is projected to be above the ceiling recommended by the Council but does not exceed the thresholds of 0.3% of GDP (annual) and 0.6% of GDP (cumulated). For Portugal, the projected cumulated deviation, taking into account the flexibility provided by the national escape clause for defence spending is below the threshold of 0.6% of GDP. For **Ireland, Cyprus, Luxembourg** and **the Netherlands**, the Commission sees a risk of deviation from the recommended net expenditure path, as the growth rate in 2025 is projected to be above the ceiling recommended by the Council and the deviations exceed the thresholds for annual or cumulated deviations.

This preliminary assessment, based on the Commission Spring 2025 Forecast, will be followed up by a further assessment in autumn and a final assessment will take place in spring 2026 based on outturn data for 2025.

**The assessment of implementation of medium-term plans also considers the set of investment and reforms underpinning an extension of the respective fiscal adjustment periods.** This concerns Spain, France, Italy, Finland, Belgium and Romania. A detailed assessment of the state of play of implementation of these commitments is available in Annex 1 to the respective Country Reports. In the case of Romania, the response to the Council Recommendation of 21 January 2025 so far is deemed to be insufficient.

**The Commission has assessed compliance with the deficit criterion for four Member States, underpinning a possible decision on the existence of an excessive deficit.** For Austria, Finland, and Spain, the assessment is based on a general government deficit above the 3% of GDP deficit reference value in 2024. For Latvia the assessment is based on a planned deficit in 2025 exceeding the 3% of GDP reference value. On the basis of the analysis in the report, there is no case to open an excessive deficit procedure for Finland, Latvia and Spain. Concerning Austria, taking into account the Opinion of the Economic and Financial Committee on its



Report, the Commission will consider proposing to open an excessive deficit procedure by proposing to the Council to adopt a Decision under Article 126(6) TFEU establishing the existence of an excessive deficit.

Appendix 5 details the country-specific aspects.

### **Box 2: Macroeconomic imbalances in the Member States**

**The Commission has assessed the existence of macroeconomic imbalances for the 10 Member States selected for in-depth reviews (IDRs) in the 2025 Alert Mechanism Report.** Of those, nine Member States had been identified with imbalances or excessive imbalances in the previous cycle of surveillance under the macroeconomic imbalance procedure (MIP), and Estonia was deemed to display risks of newly emerging imbalances. In line with the new approach that was applied in 2024, the 2025 IDRs have been presented to the Member States before the publication of the Spring Package to enable more in-depth multilateral discussions in the Council Committees before concluding on the findings of imbalances and the subsequent formulation of the country-specific recommendations<sup>10</sup>.

**The classification of imbalances is based on three criteria: (i) the gravity of imbalances; (ii) the development of imbalances and prospects; and (iii) policy responses.** This reflects the forward-looking orientation of the MIP, communicated as part of the economic governance review, and applied since then. Under the forward-looking approach, those three criteria remain in place, but more emphasis is placed on the development of underlying imbalances and the adoption and implementation of policy responses by the national authorities to overcome those imbalances or the risks they present.

**The classifications are made at a time of uncertainty with respect to the global trade environment.** The classification decisions under the MIP take into consideration the Commission Spring 2025 Forecasts, which follow technical assumptions hinging upon the customary no-policy change assumption as the outcome of bilateral negotiations with the trade partners cannot be anticipated. They also reflect the considerable uncertainty related to the global trade and geopolitical environment and its economic implications.

**The Commission took several decisions under the MIP.** The strong inflationary environment of recent years has dissipated, and interest rates have been coming down. Despite the overall fall in inflation, there are still strong cost pressures in some cases, and these continue to put pressure on cost competitiveness, in particular in a number of Member States. House prices have started to rise more strongly again. The deleveraging of debt stocks – which has been facilitated in recent years through strong nominal GDP growth – is becoming more difficult. Vulnerabilities are receding in several of the Member States subject to an IDR and in some cases leading to a finding of no imbalances under the MIP. Developments are generally favourable in most of the remaining Member States analysed but relevant challenges remain. In particular:

- Estonia is not experiencing imbalances as vulnerabilities relating to deteriorating price and cost competitiveness have been present in recent years amid a protracted recession, and house prices have grown considerably, but overall vulnerabilities seem to be contained at present.
- Germany is no longer experiencing imbalances as vulnerabilities related to the large current account surplus, which had cross-border relevance, have declined over the years, while significant policy progress has very recently been announced.

<sup>10</sup> SWD(2025) 68 to 71 and SWD(2025) 122 to 127.

- Cyprus is no longer experiencing imbalances as vulnerabilities relating to external and private debt are receding, in part on account of strong economic growth, while government debt reduction is further supported by continued budgetary surpluses. Cyprus has made important progress in implementing measures that address its vulnerabilities, but the current account deficit remains sizeable.
- Greece, Italy, Hungary, the Netherlands, Slovakia, and Sweden continue to experience imbalances as their vulnerabilities remain overall relevant.
- Romania continues to experience excessive imbalances; the vulnerabilities have increased as Romania's twin fiscal and current account deficits widened, and cost competitiveness deteriorated in 2024.

Appendix 4 details the country-specific aspects for the 10 Member States concerned.

**Improving the efficiency and quality of public finances, including through a balanced tax mix, will help Member States finance policy priorities.** The high public debt level in a number of Member states, in a volatile economic environment, underscores the importance of ensuring the quality of public expenditure. Policy actions in that respect include in particular reviewing and improving the long-term efficiency of public spending and improving the framework for public investment management. In addition, reducing tax gaps, among other things by limiting tax expenditures, especially those least cost-effective, and stepping up taxpayer compliance are instrumental to building more stable revenues in a fair manner. This should be complemented with continued modernisation and digitalisation of tax administrations as well as with effective tools to fight aggressive tax planning strategies and strengthened exchange of information. Besides improving efficiency, improving the quality of public finances, including through tax reform, can contribute to other policy objectives, for example by reducing the tax burden on labour to increase employment. Tax incentives also play a crucial role in decarbonisation. The 2025 CSRs call on several Member States to improve the tax mix to support sustainable competitiveness, by reducing barriers to private investment as well as to speed up investment in decarbonisation and clean energy infrastructure, including by further speeding up permitting processes, to support the achievement of national and EU environmental and climate goals.

### **3.2 Closing the innovation gap**

**Closing the innovation gap requires greater investment, abundant talent, stronger science-business collaboration, technological adoption and diffusion and enhanced policy coordination.** Fragmented public investment and insufficient private R&D limit the EU's innovation potential. Essential aspects in achieving progress are stronger researcher-business collaboration, coherent innovation policies across governance levels, and addressing science, technology, engineering and mathematics (STEM) talent shortages. The rapid roll-out of digital infrastructure and the implementation of the national digital decade strategic roadmaps will be key to achieving the digital decade targets and goals, which are crucial for enabling innovation, productivity and an inclusive digital transformation. Moreover, it must be easier, cheaper and faster for scientific discoveries and new technologies to emerge from laboratories and reach the market and for start-ups to scale-up, fully exploiting the potential of the Single Market, including for the space sector.

**The Commission is putting research and innovation at the heart of our economy.** With the Choose Europe initiative, a EUR 500 million package will bolster researcher “super- grants” under the ERC, double relocation top- ups and boost Marie Skłodowska- Curie support over the 2025-27 period. Furthermore, the recently published AI Continent action plan aims to boost AI and the establishment of AI gigafactories across Europe, and the EU Startup and Scaleup Strategy aims to improve the framework conditions for setting-up and scaling-up innovative businesses in Europe. The RRF and cohesion policy already support research and innovation (R&I) in the Member States by allocating over EUR 55 billion from the RRF to R&I while EUR 113.6 billion<sup>11</sup> of cohesion policy funding is dedicated to the objective ‘A smarter Europe’ encompassing support for R&I, digital infrastructure and skills for innovation. The Digital Europe Programme has been at the forefront of the technological initiatives of the European Commission, with EUR 1.3 billion earmarked for the period 2025–2027 in relevant policy fields. The RRFs also include more than 70 reforms to consolidate institutions, boost research careers, ease funding access, enhance collaboration, and improve governance coordination. The 2025 CSRs call on Member States to intensify efforts to close the innovation gap by increasing public and private R&D investment, enhancing R&D support effectiveness, and reducing ecosystem fragmentation. This aims to contribute to reaching the EU's spending target for R&D of 3 % of GDP<sup>12</sup>. The CSRs also stress the need to translate scientific discoveries into business opportunities, by strengthening science-business collaboration and promoting the commercialisation of research results. A strong focus is placed on improving access to finance for start-ups and innovative companies, aiming to foster a dynamic and thriving R&I ecosystem. Additionally, the CSRs urge some Member States to close the investment gap for connectivity and streamline regulation for digital infrastructure roll-out, which is key for improving productivity and strengthening competitiveness.

### **3.3 A joint roadmap for decarbonisation, competitiveness and security**

**It is crucial to secure an affordable energy transition for European consumers and industry.** While electricity and gas prices have fallen overall compared to the peaks in 2022, industrial retail electricity and gas prices remain significantly higher in the EU than in the US (2 to 2.5 and 3 to 5 times the US prices<sup>13</sup>, respectively). Building on the relevant reforms and investments under their RRFs, Member States are taking steps towards a more fully integrated energy market, supported by an interconnected and digitalised network and a stronger regulatory framework. The REPowerEU chapters of RRFs and cohesion policy programmes provide significant firepower to decarbonise the energy system, driven by a substantial scale-up of investments in renewable energy and clean energy infrastructure, ensuring the rapid acceleration of electrification, with energy efficiency at its centre. The 2025 CSRs call for continued decarbonisation of the energy system and, for a number of Member States, include recommendations to take concrete steps to phase out fossil-fuel subsidies that do not address energy poverty in a targeted way nor genuine energy security concerns, hinder electrification and are not crucial for industrial competitiveness. Supporting Member States’ efforts, the EU’s Action Plan for Affordable Energy aims to lower energy prices and further reduce fossil-fuel

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<sup>11</sup> With national co-financing.

<sup>12</sup> <https://data.consilium.europa.eu/doc/document/ST-16179-2024-INIT/en/pdf>.

<sup>13</sup> European Commission (DG ENER Chief Economist unit) calculations based on price data from Eurostat and the US Energy Information Administration (EIA).

imports, achieving annual savings of up to EUR 130 billion by 2030. For this, completion of the Energy Union, electrification, energy efficiency, an accelerated deployment of renewable and clean energy, improved grid capacity, including cross-border interconnectors and the efficient use of existing ones, smart grid infrastructure, and greater energy system flexibility, are essential.

**The focus should remain on reducing excessive dependencies and strengthening energy security.** Member States have made substantial progress in implementing the REPowerEU plan, including through the dedicated chapters in the RRP, to phase out Russian energy imports. Nevertheless, these imports still represent a significant part of the EU's energy mix. In this regard, in May 2025 the Commission adopted the REPowerEU Roadmap towards ending Russian energy imports to ensure the EU's full energy independence from Russia<sup>14</sup>, with the aim of phasing out all Russian energy imports by end-2027. The respective legislative proposal will be adopted in June. Continued action at national level is therefore required to improve energy efficiency across sectors and accelerate renewable energy use while diversifying to more reliable partners. The 2025 CSRs also encourage Member States to further strengthen their clean energy infrastructure, including interconnections, and energy storage to allow for the increase of renewable and clean electricity production and to ensure the resilience and security of electricity supply.

**Enhancing resource efficiency and promoting the circular use of materials contribute to decarbonisation, improve competitiveness, and bolster economic security.** To secure a stable and affordable supply and to strengthen the EU's capacity for extracting, processing and recycling materials that are critical for the clean energy transition, the first list of strategic projects under the Critical Raw Materials Act has been announced. Additionally, the Commission will adopt a Circular Economy Act in 2026, which will tackle persistent bottlenecks in the supply of and demand for secondary raw materials, circular products and services. At national level, the 2025 CSRs call on Member States to improve the conditions for the transition towards a circular economy, by increasing waste prevention, fostering resource efficiency, stepping up public and private investments and promoting solutions to improve durability, reusability, reparability and recyclability of products.

**The EU and its Member States need to advance the transition to a climate-neutral economy while ensuring that their industry remains competitive.** The swift implementation of the Net-Zero Industry Act is crucial to enhance European manufacturing capacity for net-zero technologies and their key components, addressing barriers to scaling up production in Europe. Further, the Clean Industrial Deal was presented by the Commission in February to support and accelerate the transition of European industries, unlocking investments and supporting companies, with a focus on energy-intensive industries and the clean-tech sector. Moreover, the Commission presented action plans for the automobile sector and steel and metal sectors to bolster their competitiveness and promote decarbonisation. The 2025 Semester Spring Package emphasises that Member States should support the creation of lead markets and put into place plans and policies for net-zero infrastructure, in particular the strengthening of energy infrastructure, carbon capture and storage, and hydrogen. The CSRs also refer to the

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<sup>14</sup> COM(2025) 440 final/2.

urgent need to transform and decarbonise industrial production and transport. While the EU is well on track to reach its 55% climate target for 2030<sup>15</sup>, swift and steady implementation of the national energy and climate plans remains equally important in meeting the 2030 energy and climate objectives.

**Climate change adaptation, including through sustainable water management, remains a pressing priority for the EU, as it is crucial for safeguarding resources and enhancing prosperity and security.** Member States continue to face challenges related to water pollution, inefficient use, poor governance of water management, and inadequate pricing policies, in addition to the human and economic costs of droughts and floods. The 2025 CSRs therefore include policy actions for a number of Member States to strengthen water governance at national and regional level and undertake significant investments. Further, the Water Resilience Strategy provides a consistent framework to ensure sustainable water management and to address challenges related to water scarcity and quality. The recently proposed mid-term review of cohesion policy has reinforced the objective related to promoting secure access to water, sustainable water management and water resilience and enhanced pre-financing and co-financing rates. The forthcoming European Climate Adaptation Plan will help Member States prepare and plan for climate impacts on critical infrastructure, strategic sectors and related investments.

### **3.4 Simplifying the regulatory environment**

**Simplifying regulation, reducing burden and ensuring effective implementation are essential for making business easier and fostering prosperity in the EU.** Regulatory complexity remains a major obstacle to long-term investment in Europe, with two thirds of European companies considering this as a key barrier<sup>16</sup>. The diversity and length of administrative procedures across Europe are an impediment to investment, with simplification efforts needed across EU, national and local levels. The Commission is delivering an unprecedented simplification and implementation agenda<sup>17</sup> and aiming to reduce administrative costs by at least 25%, and at least 35% for SMEs by 2028. This equals to achieving at least EUR 37.5 billion administrative cost savings until the end of the current Commission's term of office. The Commission has so far adopted four extensive simplification proposals, in the areas of sustainability reporting, investment, the common agricultural policy and small mid-caps and digitalisation of product rules. It urges the co-legislators to reach a swift agreement on the proposals and will continue working towards its simplification goals by stress-testing the EU acquis to identify overlaps or inconsistencies that may be addressed in simplification proposals.

**Member States also have a responsibility to contribute to the simplification efforts through legislative and administrative reforms.** New consultation tools like implementation dialogues and reality checks are helping to identify bottlenecks and lay out ways to improve implementation of the existing regulatory framework. The Commission will also improve the quality of new legislation by ensuring any new proposal is conducive to growth and competitiveness, by applying a renewed SME and competitiveness check. Companies'

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<sup>15</sup> COM(2025) 274.

<sup>16</sup> [EIB Investment Survey 2024 - European Union overview](#).

<sup>17</sup> [Simplification and Implementation - European Commission](#).



perception of how easy it is to comply with national laws and administrative requirements varies across Member States. More than 45% of citizens think that the public administration in their country is complex, burdensome and slow. Member States should ensure that their regulatory framework is conducive to growth, avoid any unnecessary burden when implementing EU laws, ensure swift implementation of simplification proposals, boost digitalisation and facilitate permitting, certification and seamless exchange of information among public administrations at all levels of government.

**Accordingly, the 2025 CSRs call on Member States to simplify administrative procedures and regulatory frameworks across sectors by reducing complexity, cutting red tape and improving regulatory tools.** The CSRs urge Member States to streamline permitting and licensing processes – shortening appeal timelines, digitalising applications and clarifying land- use and grid- connection rules – to accelerate renewable energy roll- out, housing construction and infrastructure deployment. The CSRs also call on Member States to enhance the quality of lawmaking through robust stakeholder consultation, independent oversight and evidence- based evaluations to boost legal certainty and competitiveness.

### **3.5 Making the most of Europe’s Single Market**

**To unleash the full potential of the Single Market, the remaining barriers that hinder cross-border business and investment must be removed.** While the Single Market has fostered growth and prosperity, it remains insufficiently integrated. SMEs, start-ups, and scale-ups face obstacles such as burdensome administration, restrictive regulations, late payments, and limited access to finance. Inadequate digital, energy and transport infrastructure weaken competitiveness, while the lack of coordinated services integration limits potential – services trade makes up just 7.6% of GDP<sup>18</sup>. Given the sector’s scale, deeper integration offers major opportunities. To address these barriers, the European Commission has presented the Single Market Strategy setting out a series of competitiveness actions to facilitate cross border trade and a smooth functioning of Europe’s Single Market. The early and gradual integration of EU candidate countries into parts of the Single Market will bolster it further. To streamline innovation across the Single Market, the Unitary Patent system is reducing legal fragmentation, cutting patenting costs, and facilitating cross-border trade, with over 50,000 unitary patents already registered. As part of the RRP’s implementation, a number of Member States have recently adopted reforms to strengthen the Single Market by liberalising services markets, simplifying the regulatory framework for a range of professions, modernising and professionalising public procurement, and supporting trade and investment. The 2025 CSRs focus on strengthening the Single Market by urging Member States to reduce regulatory barriers, enhance competition and improve public procurement. CSRs also call for more strategic industrial planning to address territorial disparities and support infrastructure, innovation, and value chains. The rule of law plays an important role in the functioning of the EU economy, ensuring that rights are defended, corruption is punished, and contracts are enforced. Respect for the rule of law, in particular independent, quality and efficient justice systems, legal certainty and equality before the law are also key determinants of a business environment that fosters investment and innovation, where companies benefit from free movement and predictable business conditions. Where relevant, and where not covered by the

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<sup>18</sup> Average of services exports and imports over GDP.

RRPs and in complementarity with the Rule of Law Report, the CSRs call on Member States to increase the efficiency of judicial systems and strengthen anti-corruption.

### **Box 3: Barriers to investment**

**Investment across European countries is hindered by a range of structural barriers, both at the private and public level.** The 2025 Semester Spring Package identifies the main factors hindering investment in Member States. Regulatory complexity and administrative burden represent one of the main obstacles to investment, with several Member States having inconsistent or rapidly changing legal frameworks, bureaucratic inefficiencies, and weak coordination across government layers. This unpredictability deters long-term investments, particularly for SMEs. Another significant challenge is the widespread shortage of skilled labour, affecting over 75% of businesses. This scarcity is particularly acute in technical, ICT, and scientific fields, limiting innovation and productivity growth. High energy costs also represent a serious hurdle to investment, impacting operating margins and the competitiveness of energy-intensive industries. Furthermore, access to finance remains limited in several member states due to underdeveloped capital markets and a heavy reliance on bank lending, with firms struggling to secure venture capital or alternative financing. Public investment also suffers from lack of coordination across government levels as well as deficient planning and project appraisal. Several Member States lack standardised methodologies for assessing, selecting, and reviewing investment projects, resulting in inefficiencies and missed opportunities. Lastly, geopolitical uncertainty and inadequate infrastructure planning exacerbate these issues, leading to delays in renewable energy deployment, transport modernisation, and infrastructure roll out. Together, these barriers create a fragmented investment landscape, hampering the EU competitiveness.

### **3.6 Financing competitiveness and a Savings and Investments Union**

**The development of a Savings and Investments Union<sup>19</sup> is set to improve the way the EU financial system supports citizens' wealth creation and investments into the strategic priorities set by the Competitiveness Compass.** Over the last decade, the private sector in the EU has been generating average net savings to the tune of 8.0% of GDP. Only about a quarter of these savings have been funding domestic private investment, as EU capital markets remain relatively underdeveloped by international standards and overall make only a small contribution to the external funding of companies. The Savings and Investments Union, which draws on progress already made under the Capital Markets Union action plans, aims at deepening integration and risk sharing in capital markets. It also aims at further developing the Banking Union. In line with the work on the Savings and Investments Union, the 2025 CSRs outline targeted actions at national level to improve access to finance. The set of proposed policy actions includes: (i) encouraging retail and institutional investors' participation in capital markets; (ii) increasing the non-bank funding opportunities for EU businesses, including innovative start-ups and scale-ups, and especially for small to medium-sized enterprises (SMEs); (iii) developing local private equity and venture capital markets and increasing competition in the financial markets where necessary; and (iv) improving overall financial literacy.

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<sup>19</sup> COM(2025) 124 final.

### **3.7 Promoting skills and quality jobs while ensuring social fairness**

**The EU labour market has been very resilient amid heightened uncertainty, but further policy action is needed to support labour market participation and foster Europe's labour productivity.** The EU labour market remains strong, with a historically low unemployment and record employment. The EU is well on track to reach the European Pillar of Social Rights' headline employment rate target of 78% by 2030, also reflecting the policies and reforms adopted by many Member States over more than a decade. Labour shortages have slightly eased in the past year but remain above pre-pandemic levels in most Member States, and are projected to increase, hindering the ability of businesses to invest and innovate. Greatly varying across regions and sectors and aggravated also by demographic trends and low supply of affordable housing, labour shortages are persistent in construction, health and long-term care, technology, engineering, ICT and transport, weighing on competitiveness and growth.

**Concerted efforts at EU and Member State level are needed to foster inclusive labour markets.** National RRP and cohesion policy programmes contain many relevant measures addressing labour market segmentation, improving effectiveness of public employment services, supporting labour mobility, and providing targeted support to specific groups. Nevertheless, additional efforts are still needed. The labour market participation of women and underrepresented groups (such as older workers, youth, low-skilled, persons with disabilities, Roma and people with a migrant background) is key, also in view of the shrinking working-age population, as emphasised in the Union of Equality Strategies<sup>20</sup>. Recommendations in the Spring Package call on Member States to put in place more effective active labour market policies and well-designed tax and benefit systems with the right incentives to work, in addition to upskilling and reskilling efforts. Fostering access to high-quality and affordable early childhood education and care services, as well as social and long-term care, providing adequate adaptations for persons with disabilities, and improving working conditions is needed to remove barriers to labour market participation and attract people to key sectors<sup>21</sup>. Wage developments require careful monitoring and need to strike a balance between ensuring productivity and competitiveness, on the one hand, and addressing the cost of living, on the other. Social dialogue and collective bargaining play a key role in this. Moreover, mobility of workers within the EU remains important, while fostering legal migration from non-EU countries will also be increasingly needed to match EU labour market needs. The Commission's forthcoming Quality Jobs Roadmap will play a key role in guiding EU and national level action.

**Boosting human capital is key for a competitive, prosperous and inclusive Europe.** On top of policies to attract and retain talent, recommendations in the Spring Package call on Member States to boost the skills levels of Europe's population and the inclusiveness of education systems. Across the EU, the last years have seen a steep decline in the levels of basic skills, including a decrease in the share of top performers<sup>22</sup>. Around half of people in the EU still lack

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<sup>20</sup> The Union of Equality strategies promote equal opportunities in the labour market and in education for women and disadvantaged groups such as persons with disabilities, and those with a minority racial or ethnic background, including Roma.

<sup>21</sup> [The Demography Toolbox](#) also points to actions to address demographic challenges and their impact on Europe's competitive edge.

<sup>22</sup> European Commission (2024). [The twin challenge of equity and excellence in basic skills in the EU](#).

basic digital skills, while participation in adult learning remains significantly below the EU Pillar's headline target of 60% by 2030. Against a background of skills and labour shortages<sup>23</sup>, further efforts are needed to bolster investment in lifelong learning, facilitate skills retention and recognition, and make learning opportunities more accessible to underserved groups. Education and training systems in Member States and regions need to become more responsive to the changing labour markets. Policy actions also need to include increasing the attractiveness of the teaching profession and boosting the quality and inclusiveness of teaching. By 2035, more than half of new job openings will be in highly skilled occupations<sup>24</sup>, but the current supply of STEM skills is insufficient to meet the growing demand. STEM needs to become a strategic priority in education and skills policies across all levels. At EU level, the Union of Skills initiative<sup>25</sup> focuses on building skills, regular upskilling and reskilling, as well as mobility of skills and workers. The Action Plan on Basic Skills invites Member States to support underachieving pupils. Significant effort to address skills shortages is also underway with the help of cohesion policy and the RRF, with all Member States implementing EU supported measures on skills, adult learning, education and training. The EU and the Member States should also continue to work together to expand the use of micro-credentials and set up a Skills Guarantee pilot for workers in sectors undergoing restructuring or at risk of unemployment.

**Europe's unique social market economy strongly relies on resilience and fairness.** The European Pillar of Social Rights remains central to shaping a stronger and more inclusive Europe. Member States have included relevant reforms and investments in their RRP, focusing in particular on the strengthening of social services and healthcare facilities, the inclusion of vulnerable groups, the modernisation of the social benefits systems and the digitalisation of healthcare. While the share of people at risk of poverty or social exclusion has slightly declined recently, it is important to address the still high poverty rates for vulnerable groups and children, as well as the significant regional disparities. Intensive efforts will be needed to achieve the EU Pillar's headline target of reducing poverty or social exclusion by at least 15 million people by 2030, including at least 5 million children. In light of demographic, labour market and social challenges, the 2025 CSRs stress the need to have adequate and efficient social protection, inclusion and pension systems in place, and to foster access to affordable housing, and social services. It is also important to ensure non-discrimination, promote gender equality and improve equality mainstreaming. Faced with increasing health and long-term care demand, Member States also need to build resilient health and long-term care systems, including by shifting towards a preventive and primary healthcare model. The risk of health emergencies is rising, making it imperative for the EU to further strengthen and consolidate its health security preparedness and response capabilities<sup>26</sup>. To complete the European Health Union, the EU is also acting on initiatives such as the Critical Medicines Act to improve the supply and production of critical medicines. A fair and inclusive EU also requires that the benefits of the green and digital transitions be shared across society. It means supporting regions and communities that are disproportionately impacted by these transitions.

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<sup>23</sup> Eurobarometer 529, 2023.

<sup>24</sup> Estimated as part of the CEDEFOP's skills intelligence project "Skills Forecast" [Skills Forecast | CEDEFOP](#)

<sup>25</sup> [Union of skills - European Commission](#).

<sup>26</sup> In light of evolving climate, geopolitical, and security challenges, [the Preparedness Union Strategy](#) includes policy actions which will support and complement Member States in reinforcing preparedness efforts

The Just Transition Fund is supporting a fairer transition, and the Social Climate Fund will provide dedicated funding to support the most affected. The Commission will put forward a new action plan on the implementation of the European Pillar of Social Rights, complemented by an EU Anti-Poverty Strategy.

#### **Box 4: Analysis of upward social convergence in line with the Social Convergence Framework**

**The Commission has assessed the existence of challenges to upward social convergence in 10 Member States in line with the Social Convergence Framework (SCF)**, which entails a two-stage country-specific analysis of risks and challenges to upward social convergence<sup>27</sup>. In the first-stage analysis, presented in the 2025 Joint Employment Report<sup>28</sup>, labour market, skills and social policies were analysed for all Member States. A total of 10 Member States (Bulgaria, Estonia, Greece, Spain, Croatia, Italy, Lithuania, Luxembourg, Hungary and Romania) were identified as presenting potential risks to upward social convergence. A second-stage analysis for these 10 countries was published on 11 April 2025<sup>29</sup>, focusing on the policy areas that were identified as presenting potential risks to upward social convergence in the first stage via the headline indicators of the Social Scoreboard. This second-stage analysis relies on a wide set of quantitative and qualitative evidence and the key factors driving the challenges to upward social convergence. It examines in more detail the developments and takes into account the relevant policy responses undertaken or planned by the Member State. Overall, the second-stage analysis identified challenges to upward social convergence for three Member States (Greece, Romania and Italy)<sup>30</sup>.

**The analysis of upward social convergence points to horizontal challenges in all three policy areas.** The analysis points to further measures to boost skills acquisition to lay the foundations for skills development and address skills and labour shortages. While labour markets remain strong overall, the analysis highlights the need to more effectively integrate all population groups in the labour market. At the same time, income inequality and risks of poverty or social exclusion require very close policy attention, also against the background of the demographic challenge, while keeping to adequate and sustainable social protection and inclusion systems.

**The findings of the social convergence analysis are reflected in the country reports and have informed the 2025 European Semester.** This analysis has fed into the multilateral surveillance reviews in the relevant Committees of the Council.

#### **Box 5: Housing in Europe – policy challenges**

**Developments in the housing market have significant economic and social implications.** Housing makes a sizeable contribution to the EU's economy, with the construction sector representing approximately 5% of GDP in 2024. Housing costs also consume a large share of households' income, close to 20% in 2024 and even higher for vulnerable groups, and their level significantly impacts household budgets and living standards. Developments in housing and mortgage markets have a strong impact on economic cycles and financial stability. High prices and rents can negatively affect labour and residential mobility, both within and between countries, and also affects the capacity of persons with disabilities to live

<sup>27</sup> See Regulation (EU) 2024/1263, Article 3 and the underlying recital.

<sup>28</sup> [Joint Employment Report 2025, as adopted by the EPSCO Council on 10 March 2025.](#)

<sup>29</sup> [SWD\(2025\) 95 – Second-stage country analysis on social convergence in line with the Social Convergence Framework \(SCF\)](#), 2025.

<sup>30</sup> In 2024, the Member States identified were Bulgaria, Romania and Italy.



independently. In turn, this can hamper the efficient allocation of labour, contribute labour shortages and constrain overall productivity.

**Europe suffers from a large gap between a strong demand for housing and insufficient supply, which results in high prices.** Between 2019 and 2024, the number of permits issued for construction of new residential buildings decreased by 14%. At the same time, house prices grew by 27%. House prices are estimated to be overvalued in about two thirds of European countries. Housing markets are particularly tight in capitals, growth poles and tourist areas. In addition, availability of social housing is declining while homelessness is increasing.

**Reforms and investments are needed to ensure more affordable housing.** Housing policy remains primarily the responsibility of Member States, regions and cities, but a determined approach is needed at all levels. The RRF is supporting significant investments (around EUR 20 billion) in this area, and reforms on housing affordability and availability. The Commission proposed in the mid-term review of cohesion policy to double the allocations for housing to reach at least EUR 15 billion. As part of this Spring Package, specific recommendations are issued on tackling availability in a number of countries where the situation is especially acute. To ensure sufficient and adequate supply of housing, policies should target long-term structural barriers such as insufficient investments, taxation, zoning policies and labour shortages in construction and should streamline rules and regulations. Increasing the supply of affordable housing and social housing is needed to help meet the housing needs of vulnerable groups, as well as low and middle-income households that cannot access housing at market conditions. The European Affordable Housing Plan, planned for 2026, will aim to offer operational recommendations to support investments, policy reforms and best practices.

#### 4. CONCLUSION

**To drive long-term prosperity and resilience, the EU is aligning its economic governance with a renewed focus on competitiveness.** The Competitiveness Compass defines the Commission's priorities for the next five years, setting out a clear roadmap to strengthen the EU's economic resilience and global standing. The European Semester is a key mechanism for delivering on these priorities, supporting Member States in aligning national reforms and investments with the EU's common objectives, ensuring consistent implementation across all levels of governance.

**The Commission calls on the European Council to endorse and on the Council of the EU to adopt the Commission recommendations for the 2025 CSRs.** It also calls on all Member States to implement the recommendations fully and in a timely manner, in close dialogue with their social partners, civil society organisations and other stakeholders.

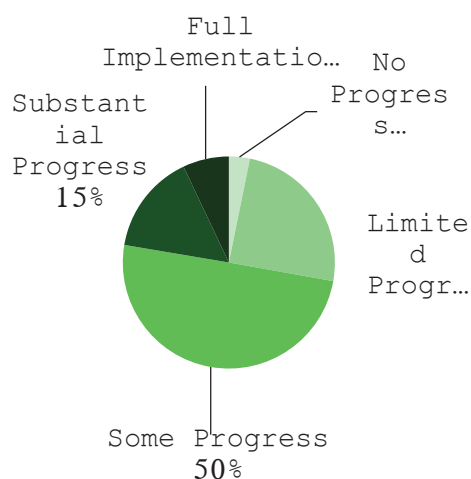
# APPENDIX 1 – OVERVIEW OF THEMATIC AREAS COVERED IN THE COUNTRY-SPECIFIC RECOMMENDATIONS

|    | Innovation                        | Decarbonisation and competitiveness          | Security                                   | Simplification                                 | Single market, competition & state aid | Financing  | Skills, quality jobs and social fairness                   | Macro-fiscal   |
|----|-----------------------------------|--|--|--|--|--|--|--|
|    |                                   |  |  |  |  |  |  |  |
| MS | Science and innovative ecosystems | Decarbonisation, renewable energy and energy | Build-up of defence capabilities           | Regulatory and administrative burden reduction | State-owned enterprises                | Access to finance & growth financing (incl. CMU) | Skills, Vocational Education and Training & adult learning | Taxation policy  |
| BE | Innovation, startups and scaleups | Energy efficiency                            | Transport                                  | Public administration                          | Single market, competition & state aid | Private sector debt & insolvency framework       | Education & Early childhood education and care             | Budgetary framework and fiscal governance  |
| BG | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Regional development & local public services   |
| CZ | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Poverty, social inclusion & social protection  |
| DK | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Pension systems and active ageing  |
| DE | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Housing  |
| EE | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Healthcare & long-term care  |
| IE | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Non-discrimination and equal opportunities   |
| EL | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Active labour market policies, functioning of the labour market & wages & wage setting |
| ES | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Non-discrimination and equal opportunities   |
| FR | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Active labour market policies, functioning of the labour market & wages & wage setting |
| HR | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Non-discrimination and equal opportunities   |
| IT | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Active labour market policies, functioning of the labour market & wages & wage setting |
| CY | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Non-discrimination and equal opportunities   |
| LV | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Active labour market policies, functioning of the labour market & wages & wage setting |
| LT | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Non-discrimination and equal opportunities   |
| LU | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Active labour market policies, functioning of the labour market & wages & wage setting |
| HU | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Non-discrimination and equal opportunities   |
| MT | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Active labour market policies, functioning of the labour market & wages & wage setting |
| NL | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Non-discrimination and equal opportunities   |
| AT | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Active labour market policies, functioning of the labour market & wages & wage setting |
| PL | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Non-discrimination and equal opportunities   |
| PT | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Active labour market policies, functioning of the labour market & wages & wage setting |
| RO | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Non-discrimination and equal opportunities   |
| SI | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Active labour market policies, functioning of the labour market & wages & wage setting |
| SK | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Non-discrimination and equal opportunities   |
| FI | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Active labour market policies, functioning of the labour market & wages & wage setting |
| SE | Digitisation of businesses        | Energy efficiency                            | Environmental policy & resource management | Quality of law making                          | State-owned enterprises                | Financial services and financial stability       | Education & Early childhood education and care             | Non-discrimination and equal opportunities   |

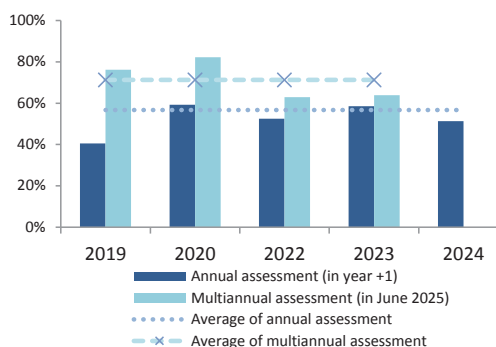
## APPENDIX 2 – PROGRESS IN IMPLEMENTING THE CSRs

The 2025 European Semester takes stock of the Member States' policy action to address structural challenges identified in the country-specific recommendations (CSRs) adopted since 2019. The 2025 assessment of CSRs implementation considers the policy action taken by the Member States to date <sup>(31)</sup>, taking into account measures taken as part of the implementation of the RRF as well as the commitments undertaken in the RRP and the medium-term fiscal structural plans, depending on their degree of implementation. The assessment reflects the current stage of implementation, rather than the level of progress that could be achieved assuming full implementation of the plans <sup>(32)</sup>. The 2025 CSR assessment covers the 2019-2023 CSRs (multiannual assessment) and the assessment of 2024 CSRs (annual assessment).

**Figure 1: Current level of implementation of 2019-2023 CSRs**



**Figure 2: Implementation of 2019-2024 CSRs: annual assessment in each consecutive year versus implementation to date**



*Note: The multiannual assessment in Figure 1 looks at implementation of 2019-2023 CSRs from the time the recommendations were first adopted until publication of this Communication. To be noted that 2021 CSRs only relate to fiscal policy and are considered no longer relevant for the 2025 CSR assessment. In Figure 2, the annual assessment shows the progress recorded in the first year after CSRs adoption, while the multiannual assessment shows assessment of past CSRs to date.*

<sup>31</sup> Including policy action reported in the CSR database, in the annual progress reports, as well as in the RRF reporting (biannual reporting on progress in the implementation of milestones and targets and resulting from the payment request assessment).

<sup>32</sup> In the context of the RRF, Member States were asked to effectively address in their RRP all or a significant subset of the relevant CSRs. The CSR assessment presented here considers the degree of implementation of the measures included in the RRP and of those done outside of the RRP at the time of assessment. Measures foreseen in the annexes of the adopted Council Implementing Decisions on the approval of the assessment of the RRP, which have not yet been adopted or implemented but are considered as credibly announced in line with the CSR assessment methodology, warrant "limited progress". Once implemented, these measures can lead to "some/substantial progress" or "full implementation", depending on their relevance to address the challenges behind the CSRs. The same approach applies to reforms and investments included in the medium-term fiscal structural plans.

**From a multiannual perspective, at least some progress has been achieved for 72% of the 2019-2023 CSRs** (see Figure 1). In last year's assessment, 68% of the 2019-2023 CSRs were showing at least some progress. Progress was particularly strong in the 2019-2022 CSRs, 75% show at least some progress compared to 70% in 2024. This shows that the RRF, as a performance-based instrument, continues to contribute to the implementation of relevant CSRs, and will continue doing so as additional reforms and investments in the RRFs are undertaken. Nevertheless, reform implementation varies significantly across policy areas. In recent years, Member States continue to have made most progress on CSRs related to access to finance and financial services, followed by the functioning of the labour market, the budgetary framework and fiscal governance, and the business environment. On the other hand, particularly slow progress has been made on housing, environmental policy, public administration, taxation policy and non-discrimination and equal opportunities.

**Progress in the implementation of CSRs adopted in 2024 has also been substantial.** Member States have made at least "some progress" in 51% of the recommendations addressed to them in October 2024 (Figure 2). This represents a slight decrease compared to annual progress achieved in 2024 on CSRs adopted in July 2023. Considering the policy areas under which a significant number of Member States received a recommendation in 2024, overall, most progress has been achieved on budgetary framework and fiscal governance, followed by access to finance, the functioning of the labour market and skills, vocational education and training. By contrast, less progress has been made in addressing recommendations on public administration, environmental policy, pension systems and research and innovation.

The results of the 2025 CSR assessment, together with those of previous years, will be available on the Commission website.

## APPENDIX 3 – EU-WIDE PROGRESS ON SDG IMPLEMENTATION



*Note: The figure above shows the pace at which the EU has progressed towards each of the 17 goals over the most recent five-year period of available data. The method for assessing indicators and aggregating them at the goal-level, as well as more detailed analyses are available on the Eurostat website: [Overview - Sustainable development indicators - Eurostat \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&code=sdg).*



### **How has the EU progressed towards the SDGs?**

Significant progress was made towards the objectives and targets related to reduced inequalities (SDG 10), decent work and economic growth (SDG 8) and quality education (SDG 4). The EU has also made progress towards most of the other SDGs, but at a slower pace. Among the group of goals with moderate progress, the EU performed best for gender equality (SDG 5), responsible consumption and production (SDG 12), industry, innovation and infrastructure (SDG 9) and zero hunger (SDG 2). By contrast, the assessment shows no significant progress for life below water (SDG 14), due to the slow expansion of marine protected areas as well as the worsening health of the ocean. A movement away from the sustainable development objectives was observed for clean water and sanitation (SDG 6) and life on land (SDG 15). Progress towards SDG 6 has been unfavourably affected by water stress, whereas development in SDG 15 is negatively impacted by land degradation and loss of biodiversity.

## APPENDIX 4 – FINDINGS OF IN-DEPTH REVIEWS OF MACROECONOMIC IMBALANCES IN MEMBER STATES

**Imbalances or excessive imbalances have been identified in 7 out of the 10 Member States for which an in-depth review was carried out.** The in-depth review analysis looked at the gravity of the vulnerabilities, their recent and prospective evolution and related policy responses. This year, the in-depth review analysis has again been presented in advance of the European Semester Spring Package to facilitate more in-depth multilateral discussions with Member States before concluding on the findings of imbalances and the subsequent formulation of the country-specific recommendations<sup>33</sup>.

**Over the past year, economic developments have attenuated the gravity of some of the long-standing vulnerabilities that underlie imbalances in several countries.** Several countries saw a small strengthening of their economic growth in 2024, even if some others experienced stagnant activity or even a recession. Employment rose and unemployment remained at or close to historical lows. Inflation and cost pressures have receded further and – until recently – more swiftly than anticipated. Financial conditions loosened over the course of 2024 after the marked tightening of the previous two years. Prospects for 2025 are for a continuation of the similar growth rates as in 2024 for the EU and the euro area as a whole, with significant downside risks, and a potential acceleration in 2026.

**Uncertainty has risen significantly with a changing geo-political and trade context, compounding risks around imbalances.** Economies more exposed to trade are more at risk in case of a protracted weakness or even a retrenchment in global trade, following some years of sluggishness in trade, especially in manufacturing goods. Fiscal expansions – primarily to support higher spending on defence – are on the cards for the medium term although detailed plans have not been outlined in all cases. The impact of all those developments is difficult to predict, as settings are rather unstable and the outcomes unclear, but require a continued close monitoring of risks with the forward-looking perspective being important in that respect.

The paragraphs below review the most relevant vulnerabilities and prospects at this juncture, particularly in the 10 Member States subject to an in-depth review this year.

**Inflation is past its peak, but inflation differentials remain sizeable in several cases.** The inflation slowdown continued across the EU in 2024 and early 2025, but some Member States have continued recording clearly higher-than-average inflation, both within and outside the euro area. As a result, significant accumulated inflation divergences have widened, including in some cases where the economic recovery has been limited. Unit labour cost decelerated in 2024, but unit

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<sup>33</sup> The 10 IDRs were shared with Member States in two batches, one in March (for Cyprus, Germany, Greece, the Netherlands), another one in April (for Estonia, Hungary, Italy, Romania, Slovakia, Sweden); they were all published in May: [In-depth reviews - European Commission \(europa.eu\)](https://european-council.europa.eu/media/en/press-articles/detail/14444).

labour cost growth remained significant in several cases, against a backdrop of tight labour markets and low productivity growth.

**Price and cost pressures are expected to ease further in the near term, but divergences are likely to continue.** Significant declines in the prices of energy and other commodities, alongside the appreciation of the euro and of most other EU currencies, should help reduce inflation. Weak demand may further limit price pressures in several countries. Unit labour cost growth is expected to moderate further with decelerating wage growth, as the losses of purchasing power to inflation of earlier years have been recouped. Recent hikes in indirect taxation are supporting high inflation in some cases. Nevertheless, these effects are temporary and not anticipated to impact export competitiveness adversely. However, it is expected that accumulated and inflation differentials recorded in some countries may keep widening. Lasting divergences in costs and prices developments can be risky for the external positions, and some countries that have been recording larger competitiveness losses have more fragile external accounts. At the same time, inflation divergences can affect the effectiveness of the monetary stance, especially within the monetary union. It therefore remains important to bring domestic demand to more sustainable levels and to improve market functioning in some countries.

**Some large current account deficits and surpluses remain, reflecting domestic demand dynamics.** In 2024, current accounts generally increased further, helped by further gains in terms of trade, including additional falls in energy prices. Different patterns were observed across the EU due to domestic demand dynamics. Some countries exhibit large current account deficits with limited improvements, often coinciding with strong domestic demand. In a few other cases, the headline figures improved in times of weak GDP growth, which may mask weaker underlying external accounts. In some cases, deficits are worse than before the pandemic and weaker than what the fundamentals of those economies would suggest. In some of those countries, large government deficits account for much of the economy's external borrowing needs. At the same time, significant current account surpluses have not changed much despite weak global trade, while domestic demand remained stagnant in some of those countries.

**Changes in current account balances are forecast to be limited, but uncertainty is high.** The appreciation of the euro and other EU currencies should cheapen imports, while the prices of energy and some other commodities are projected to fall and further assist current accounts. On the contrary, global trade is expected to be further dampened, and no major changes are expected in domestic demand dynamics in the short term, such that most of the large current account deficits are expected to narrow only mildly and long-lasting large current account surpluses to change only marginally. Uncertainty is exceptionally high with a changing trade context. Member States with large surpluses may be potentially more impacted by a retrenchment in trade. However, their imports are set to fall along with lower exports, as domestic demand may also be affected. Countries highly integrated in global value chains are likely to be more affected. In parallel, it may

be more difficult for large debtors to growth out of debt by means of higher exports and to finance significant external borrowing needs.

**The more negative net international investment positions have improved further, supported by nominal GDP growth, but denominator effects are stalling.** Most of the more negative positions improved again in 2024 on account of marked nominal GDP growth and despite significant current accounts deficits. However, several negative net international investment positions-to-GDP ratios are expected to stagnate this year and next, or improve much less strongly, reflecting lower nominal GDP growth on top of the persistence of large external borrowing needs. In some cases, moderately negative net international investment positions may deteriorate where the current account deficit is very significant. Large positive positions are likely to further increase with the continuation of large current surpluses.

**House prices gained dynamism during 2024 on account of rising incomes and easing financing conditions, following two years of muted or negative growth.** House prices rose nearly everywhere over the course of 2024. This was also the case in some countries where house prices have seemed to be overvalued for years, increasing the risks of overvaluation again, after some corrections in recent years. Housing demand was underpinned by rising household incomes, which in some cases grew more than house prices, and by lower interest rates. At the same time, the construction of new homes continued falling in several countries, compounding price pressures.

**House prices are expected to keep rising driven by long-standing structural effects.** The loosening of financial conditions for households, together with continued growth of household incomes, should continue favour borrowing for house acquisition and support housing demand. Taxation policies supporting demand and dysfunctional rental markets have not changed much and reinforce debt-financed home ownership in various countries. At the same time, bottlenecks to housing supply remain much unaddressed, while the weak supply of recent years and falls in building permits suggest that housing shortages will linger and put upward pressure on house prices.

**Deleveraging by households and non-financial corporations has continued but slowed, as denominator effects weakened with lower inflation and borrowing edged up.** In 2024, in several countries, household and corporate debt as a share of GDP reached their lowest levels in years. However, these falls in debt-to-GDP ratios were often less pronounced than in previous years as lower inflation yielded more muted denominator effects. In addition, borrowing flows have edged up somewhat, especially for households, against a backdrop of gradually softening financing conditions and rising incomes.

**Government debt ratios have kept on declining in several cases but in some countries, they have increased again recently.** High government debt ratios decreased in some countries and edged up and exceeded pre-pandemic readings in other cases. Denominator effects weakened with

less favourable growth-interest-rate differentials. Significant deficits were recorded in some countries, while others presented balanced fiscal positions or even surpluses. There are a few countries with low or moderate debt that are experiencing rising debt ratios due to high deficits. Borrowing conditions for governments improved or were stable with most intra-euro area spreads narrowing last year but long-term interest rates increased in 2025. For some Member States outside the euro area, spreads on government bonds increased in 2024 and early 2025; as borrowing in foreign currencies is significant in some of those cases, there are risks should exchange rate volatility emerge.

**Deleveraging in both the private and government sectors is expected to slow down or reverse in the future.** Private sector borrowing is anticipated to continue edging up with easier financing conditions, slowing down debt deleveraging or even halting it. In the absence of an effective implementation of policy measures, fiscal deficits are set to remain sizeable in some cases, adding to government debt ratios. Some fiscal expansions have been outlined recently, including for defence spending, but details have not always been made known and have not been reflected in forecasts.

**The banking sector has strengthened further.** Banks have continued weathering the weak momentum of the recent years well. In 2024, capital ratios generally edged up again or remained at high levels, while profitability stayed high. Non-performing loans (NPLs) fell further or stabilised where they used to be more significant; in countries where they are moderate, they stabilised or increased slightly. However, NPLs held by servicers outside the banking sectors remain large in a few countries. Exposure to commercial real estate persists as a concern in some cases where that sector accounts for a significant share of corporate debt. Sizeable bank exposures to the sovereign debt of their home country have declined in some instances – while remaining significant – but have increased further in most other cases. Going forward, the recent loosening of financial conditions may be putting an end to rising interest rate margins. While this may limit profitability, lending volumes may increase somewhat.



**Table 1: MEMBER STATES CLASSIFICATION UNDER THE MIP**

|                             | 2024 outcomes  | 2025 outcomes   |
|-----------------------------|--|---|
| <b>No imbalances</b>        | ES, FR, PT   | <b>CY, DE, EE</b>   |
| <b>Imbalances</b>           | <b>CY, DE, EL, HU, IT, NL, SE, SK</b>                                    | EL, HU, IT, NL, SE, SK  |
| <b>Excessive imbalances</b> | RO   | RO  |
| <i>p.m.: No IDR</i>         | <i>AT, BE, BG, CZ, DK, <b>EE</b>, FI, HR, IE, LT, LU, LV, MT, PL, SI</i> | <i>AT, BE, BG, CZ, DK, ES, FI, FR, HR, IE, LT, LU, LV, MT, PL, PT, SI</i> |

Note: Member States with classification changed between 2024 and 2025 are marked in bold in both columns.

### **Member States not experiencing imbalances**

*Estonia* is not found to experience imbalances. Vulnerabilities relating to deteriorating price and cost competitiveness have been present in recent years amid a protracted recession, and house prices have grown considerably, but overall vulnerabilities seem to be contained at present. Wages and prices have grown strongly for a number of years, and core inflation remained well above the euro area average in early 2025, driven by wage growth, especially in the public sector. These price and cost pressures are impairing the competitiveness position of the economy. While the loss of cheap energy and other inputs following Russia's war of aggression against Ukraine were the triggers for sustained price growth in 2022, inflationary pressure is now mostly domestic. Strong domestic demand and a tight labour market enabled wages to grow quickly at a time of weak productivity. Public wages, especially for teachers and health care staff, have increased over the last years, catching up from relatively low levels in the past. Part of the high inflation can be attributed to increases in indirect taxes. Estonian exports have lost some market shares in the past two years. The current account deficit has shrunk recently, owing to a recession at home; the net international investment position is only moderately negative and risks to external sustainability appear limited. House prices have grown considerably in recent years and are estimated to be overvalued, but the risk to financial stability associated with mortgage lending remains low. Some past policy actions have contributed to this situation, in particular by having fuelled domestic demand once the worst of the pandemic crisis was behind. These included the release of the second pillar pension funds, which boosted prices, including house prices. In recent years, the increase in public salaries and in minimum wages have coincided with the recession and led to higher overall wage growth across the economy. Measures to improve labour productivity and the business environment remain limited. The government recently announced several tax- and

expenditure-reducing policy actions for 2026 that could lower inflationary pressures and alleviate some labour cost pressures.

*Germany is no longer experiencing imbalances. Vulnerabilities related to the large current account surplus, which had cross-border relevance, have declined over the years, while significant policy progress has very recently been announced.* The current account surplus came below 6% of GDP in recent years, after having reached a trough in 2022 on account of exceptionally high energy prices. The reduction of the current account is largely reflecting an adverse external backdrop, whereas the overall underlying vulnerabilities in terms of a significant savings-investment gap have not changed fundamentally. Investment needs have been increasing over the years, mainly linked to public investment at regional level and corporate investment, whereas actual investment has receded in real terms in recent years. Combined with other structural challenges, low public and private investment provided amongst the lowest contributions to potential GDP growth in the EU. Real wages have reached their pre-pandemic level during 2024 following moderate increases in nominal wages. However, considerable policy announcements were made in early March 2025, following the parliamentary elections, including the revision of the Constitutional budgetary framework. This policy package marks a major step and a clear acceleration from recent patterns, which, if implemented, will lead to significantly higher defence spending and infrastructure investment.

*Cyprus is no longer experiencing imbalances. Vulnerabilities relating to external and private debt are receding, in part on account of strong economic growth, and government debt reduction is further supported by continued budgetary surpluses; the current account deficit remains sizeable. Cyprus has made important progress in implementing measures that address its vulnerabilities.* Household and non-financial corporate debt have been falling as a share of GDP, predominantly thanks to strong denominator effects on account of high nominal GDP growth. A large share of corporate debt is owed by special purpose entities, whose lenders are located outside of Cyprus, and which pose limited risks to the economy. Additionally, NPLs held by banks has been declining significantly due to sales, write-offs and repayments. NPLs held by credit-acquiring companies are also decreasing leading to further deleveraging. The government debt is decreasing at a fast pace and Cyprus is forecast to sustain budgetary surpluses. Despite declining in 2024, the current account deficit remains elevated and is expected to improve only marginally; the negative net international investment position remains sizeable but is significantly inflated due to the presence of special purpose entities without significant direct links to the domestic economy. Cyprus is making policy progress to address its vulnerabilities. In particular, the foreclosure framework became fully operational in 2024, and legislation aiming to facilitate the NPLs resolution is expected to ease household indebtedness and boost their savings.

### **Member States experiencing imbalances**

*Greece continues to experience imbalances. Vulnerabilities relating to high government and external debt, non-performing loans, and unemployment continue to recede, while the current account deficit remains high.* The government debt-to-GDP ratio declined substantially again in 2024, but despite sustained reductions it remains the highest in the EU. Budgetary surpluses together with GDP growth are set to ensure continued debt reductions. The current account deficit increased marginally in 2024, well above its pre-pandemic level, and it is expected to remain unchanged at high levels this year and next. The net international investment position improved further in 2024, although it remains the most negative in the EU, and is not expected to improve materially further on account of the large current account deficits and of faltering denominator effects. The labour market continues to improve; unemployment is falling but is still high. The stock of NPLs in banks' balance sheets decreased further in 2024, but the resolution of NPLs held by servicers remained sluggish, continuing to burden corporate and household balance sheets. Greece has made strong policy progress in addressing its vulnerabilities. In 2024, measures were taken to improve tax collection and to further support the enforcement of legacy NPLs. Progress was achieved in the judicial sector too. Sustaining reform momentum under and beyond the RRP remains key to address the structural weaknesses of the economy, and increasing productivity is key to enhance long-term growth prospects, which would facilitate the unwinding of imbalances.

*Italy continues to experience imbalances. Vulnerabilities related to high government debt and weak productivity growth, which have cross-border relevance, remain.* In 2024, the government debt ratio stood above its pre-pandemic level and increased, reversing the downward path observed in the post-2020 period, even if the deficit lowered, as nominal GDP slowed down markedly, and debt-increasing stock-flow adjustments became sizeable due to the lagged impact on cash borrowing of the tax credits for housing renovations of previous years. Labour market indicators have continued to improve. Italian banks have significantly strengthened their asset quality and profitability; their exposure to sovereign risk and the stock of state-guaranteed loans have receded somewhat but remain significant. Some policies have already addressed the identified vulnerabilities, yet a continued and effective implementation of reforms and investments, notably those in the RRP and the medium-term fiscal-structural plan, together with a prudent fiscal stance remain crucial. A full implementation of the measures in Italy's medium-term fiscal-structural plan are key to ensure the high government debt ratio would not rise further over the medium term. Several policies have been implemented to foster fiscal sustainability, like enhancing the annual spending review, permanently reducing the tax wedge, and revising tax expenditures. Reforms also led to significant progress in the insolvency framework and NPLs market. RRP measures support productivity gains and help further exploiting Italy's labour potential, which will facilitate public debt deleveraging. The effective implementation of those measures is essential.

***Hungary*** continues to experience imbalances. Vulnerabilities primarily related to competitiveness and government financing needs remain relevant. Rapid wage growth has compromised cost competitiveness in recent years and inflationary pressures stronger than in the rest of the EU persist, while the economic recovery is slow and subject to downside risks. The external account recorded a surplus in 2024, but policies boosting domestic demand pose risks to external sustainability. The government deficit decreased in 2024 due to lower investment and a fall in spending on energy subsidies but remains high and is not forecast to improve much this year or next. The government debt ratio is not falling, and debt-servicing costs and gross financing needs remain high. The bank-sovereign nexus has deepened due to tax incentives for domestic banks to purchase government debt. House prices accelerated markedly in 2024 driven by strong demand, which has been compounded by demand-supporting government measures. Policy progress has been limited. Hungary will need to introduce permanent fiscal measures and rely less on temporary windfall profit taxes or cuts in investments. Monetary policy has been tight, but its effectiveness has been weakened by government interventions: poorly targeted subsidies and loans to household and corporations persist and controls of lending rates limit the effectiveness of monetary policy. At the same time, housing subsidies and preferential lending schemes continue to distort the housing market and exacerbate house price pressures.

***The Netherlands*** continues to experience imbalances. Vulnerabilities related to high private debt in a context of an overvalued housing market, and the large current account surplus remain relevant, despite some improvements including greater dynamism of domestic demand; these vulnerabilities have cross-border relevance. The current account surplus is among the largest in the euro area and is expected to remain high. From a savings-investment perspective, all sectors of the economy are contributing to the surplus. The corporate sector's surplus is to a significant degree driven by the activities of the non-financial corporations abroad and the contribution of multinationals' retained earnings. Even though consumption and investment growth were key drivers of the recovery from the pandemic, the Netherlands is lagging the euro area in terms of the level of corporate and public investment. Household debt remains among the highest in the EU but has decreased significantly due to denominator effects while household borrowing recovered strongly in 2024. House prices have edged up at increasing rates last year and are expected to increase strongly also in 2025 as significant structural challenges remain unaddressed. Policy progress has been limited. Some measures have been taken that could decrease the current account surplus, but their overall impact is not expected to be significant. Some measures have been taken to help boost housing supply, but there has only been limited action to decrease incentives for household borrowing. The recent introduction of rent limits poses risks to the development of the private and social rental markets.

*Slovakia continues to experience imbalances. Despite some improvements, the vulnerabilities related to cost competitiveness, external balance, and housing market persist, while improvements in household indebtedness seem to be stronger, and policy action has been limited.* Inflation and unit labour costs growth decreased significantly but differentials, including of core inflation, with the rest of the euro area and the EU persist. After the marked improvement of 2023 due to lower energy prices, the current account deficit worsened somewhat in 2024 on account of sluggish exports and rising imports amid a re-surgent domestic demand. The current account deficit is expected to further increase this year. In parallel, the high government deficit is not declining. Additionally, house prices accelerated again in the course of 2024, while the decline of residential construction exacerbates an already tight housing supply. After several years of strong rises in household debt, higher interest rates slowed down the demand for mortgages in the past two years and household debt ratios decreased in recent years. However, as financial conditions have eased in the course of 2024 and early 2025, household borrowing has been rebounding lately and has been further supported by increasing real disposable income in a context of a tight labour market. Denominator effects are becoming less significant, such that household debt ratios may stabilise or fall less in the near term than before, while remaining still below the EU average in a context of a sound banking sector. Policy progress has been limited. In order to curb inflation, energy support measures for households have been prolonged. Yet this untargeted measure became one of the drivers of the sizeable government and current account deficits. Adoption of measures to improve labour productivity and the business environment remain limited. An amendment to the Construction Act, aimed at streamlining construction procedures, became effective this April.

*Sweden continues to experience imbalances. Vulnerabilities related to its real estate market and high private debt remain relevant despite some recent moderation, and the identified vulnerabilities persist in the absence of firm action.* Despite some moderation, household and corporate debt-to-GDP readings remain among the highest in the EU, while house prices were constant in nominal terms but continue to be overvalued. Tightened financial conditions has also led to a slump in housing construction and put additional pressure on households and business expenditure, and the financial sector continues to be highly exposed to the real estate sector, including commercial real estate. Policy progress has been limited. Policy settings continue to favour debt-financed house acquisition while housing supply shortages linger. Taxation continues to incentivise debt-financed house ownership through the significant tax deductibility of mortgage interest payments. Measures that increase housing supply going forward would help moderate house price growth but are no substitute for reforms addressing the main drivers of household debt. The rental market has not yet been reformed. These vulnerabilities may worsen should a re-surge in debt-financed housing acquisition and house price overvaluation materialise on account of macroprudential measures being eased, which seem to be under consideration, on the top of more benign financing conditions.



### **Member States experiencing excessive imbalances**

*Romania continues to experience excessive imbalances. Vulnerabilities have increased as Romania's twin fiscal and current account deficits widened, and cost competitiveness deteriorated in 2024.* The high government deficit increased in 2024. The continued growth in the government deficit, in particular the increases in public sector wages and pensions, increased private consumption and the already large current account deficit. Unit labour costs accelerated further in 2024 after already very high growth rates in earlier years, which eroded cost competitiveness. The soundness of the external financing mix, based on sizeable net FDI and EU funds that had contained the increase of external debt, weakened in 2024. Only marginal reductions are expected for the government and the current account deficits in 2025 and 2026. Unit labour cost growth and inflation are set to decelerate but to remain large. Policy progress was minimal in 2024, and macroeconomic stability risks widened. Political uncertainty increased towards the end of last year leaving the country vulnerable to changes in investor sentiment and higher borrowing costs. The bank-sovereign nexus is the largest in the EU and increased further in 2024. A significant fiscal consolidation package adopted at end-2024, including a freeze of pensions and government wages is yet to be complemented by further measures to ensure full compliance with the medium-term fiscal-structural plan targets. A reform of the minimum wage setting was adopted in early 2025. The implementation of the medium-term fiscal-structural plan and a tax reform in 2025, could significantly reduce fiscal vulnerabilities. In addition, structural reforms, and in particular those embedded in the RRP, are needed to strengthen competitiveness, export performance and attract further EU funding. However, additional measures are likely needed. Overall, without resolute action on both fiscal and structural reform levers, fiscal and external deficits are likely to remain too high, leaving Romania significantly exposed to changes in investor sentiment and exogenous shocks.

## APPENDIX 5 – FISCAL SURVEILLANCE UNDER THE REFORMED STABILITY AND GROWTH PACT

The Spring 2025 European Semester package marks the conclusion of the first complete annual cycle of macroeconomic surveillance under the reformed economic governance framework. Following its entry into force in April 2024, the new framework reached an important milestone in autumn 2024 with the submission by most Member States of their first medium-term plans, followed by the assessment by the Commission in November and December, and the endorsement by the Council in January. The Annual Progress Reports submitted by Member States at the end of April take stock of the progress made in the implementation of the medium-term plans.<sup>34</sup> Together with the Commission Spring 2025 Forecast and 2024 outturn data they provide key inputs for the assessment of Member States' compliance with the maximum growth of net expenditure recommended by the Council. For Member States under the excessive deficit procedure, this Box and Annex 1 to the Country Report include the assessment of effective action to correct their excessive deficits.

For 22 Member States, the Commission has assessed compliance of net expenditure growth in 2025 (and 2024 and 2025 taken together) with the maximum net expenditure growth recommended by the Council. For Belgium, Bulgaria and Lithuania, the assessment of compliance is based on the net expenditure path put forward in their medium-term plan and positively assessed by the Commission as being in line with the requirements of Regulation (EU) 2024/1263 and assuming their timely endorsement by the Council. For Austria, the assessment is made on the basis of the net expenditure path put forward in its medium-term plan, pending its assessment by the Commission, and the endorsement by the Council. For Germany, a full assessment of compliance cannot be undertaken for the time being, in the absence of a medium-term plan. The Commission expects Germany to submit its plan by end-July 2025.

Following the European Council Conclusions on European defence of 6 March 2025<sup>35</sup>, the Commission invited all Member States<sup>36</sup> to make use of the flexibility provided by the national escape clause of the Stability and Growth Pact with a view to facilitating the transition to higher levels of defence expenditure. Following the requests by 16 Member States (Belgium, Bulgaria, Czechia, Denmark, Germany, Estonia, Greece, Croatia, Latvia, Lithuania, Hungary, Poland, Portugal, Slovenia, Slovakia, Finland), the Commission has today adopted recommendations to the Council to activate the national escape clause.<sup>37</sup> The flexibility under the national escape clause allows deviations from the recommended maximum growth of net expenditure of up to 1.5% of GDP over the period 2025 to 2028<sup>38</sup>; pending its activation by the Council, the flexibility provided

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<sup>34</sup> Romania has not yet submitted its Annual Progress Report.

<sup>35</sup> European Council conclusions on European defence of 6 March 2025,

<https://www.consilium.europa.eu/media/tzkadtec/20250306-european-council-conclusions-en.pdf>.

<sup>36</sup> Commission Communication on Accommodating increased defence expenditure within the Stability and Growth Pact, C(2025) 2000 final.

<sup>37</sup> The Council and the Commission have also received a request from Germany to activate the national escape clause. Since Germany has not yet submitted its medium-term plan, the Commission will assess the request together with the assessment of the medium-term plan upon its reception.

<sup>38</sup> In addition, the debt sustainability safeguard and the deficit resilience safeguard will not be taken into account when determining the flexibility that can be granted during the activation of the national escape clause. This ensures that, the sustainability condition of the national escape clause is applied equally to all Member States.

under the national escape clause is already duly considered in the assessment hereunder.<sup>39</sup> Deviations beyond that amount are taken into account to assess compliance with the rules of the Stability and Growth Pact as the recommendations to activate the national escape clause do not modify the definitions of government deficit, debt and net expenditure to be compiled and reported.

#### ASSESSMENT OF EFFECTIVE ACTION FOR MEMBER STATES UNDER EXCESSIVE DEFICIT PROCEDURE

Eight Member States are in an excessive deficit procedure: Belgium, France, Italy, Hungary, Malta, Poland, Romania and Slovakia. The assessment of effective action examines whether net expenditure growth in 2025 as projected in the Commission Spring 2025 Forecast respects the ceilings recommended by the Council.<sup>40</sup> Deviations from these ceilings are cast in annual terms (i.e. for 2025) and in cumulated terms (i.e. for 2024 and 2025 taken together).<sup>41</sup> The assessment takes already into account the flexibility provided under the national escape clause for those Member States where the Commission today recommends to the Council to activate it, assuming their timely endorsement by the Council.

Based on this assessment, for six Member States (**Italy, Slovakia, Hungary, Poland, France and Malta**), the EDP is held in abeyance, subject to the activation of the national escape clause by the Council. The assessment is as follows:

- For **Italy** and **Slovakia**, net expenditure in 2025 is projected to grow within the ceiling established by the corrective path.
- For **Hungary** and **Poland**, net expenditure growth in 2025 is projected to be above the ceiling established by the corrective path. However, the deviations that are projected by the Commission for these Member States are within the flexibility provided by the national escape clause based on current projections for defence spending.
- For **France** and **Malta**, net expenditure growth is projected to be above the ceiling established by the corrective path in 2025 for France and over 2024-2025 for Malta. The deviations do not exceed 0.3% (annual) and 0.6% (cumulative) of GDP, respectively, beyond which there would be a strong presumption of no effective action. Those Member States are invited to stand ready to take further measures to comply with the corrective path.

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<sup>39</sup> In practice, the deviation for higher defence expenditure that would be permitted in case of activation of the national escape clause by the Council, in line with the Commission's recommendations was taken into account by the Commission when assessing compliance with the net expenditure path set under the preventive arm (Regulation (EU) 2024/1263) and when assessing effective action regarding compliance with the corrective path set under the corrective arm (Regulation (EC) 1467/97).

<sup>40</sup> For Belgium the assessment of compliance is based on the net expenditure path put forward in their medium-term plan and positively assessed by the Commission as being in line with the requirements of Regulation (EU) 2024/1263 and assuming their timely endorsement by the Council.

<sup>41</sup> For Member States that submitted their medium-term plan this year (Bulgaria, Belgium, Lithuania, and Austria), the base year for the plan and/or for the respective recommendation is 2024 (as outturn data are now available) and the fiscal adjustment period starts in 2025. As a result, the annual and the cumulated deviation give the same result.

For **Belgium**, net expenditure growth in 2025 is projected to be above the ceiling to be established by the corrective path recommended by the Commission.<sup>42</sup> However, the projected deviation is within the flexibility provided by the national escape clause based on current projections for defence spending.

A further assessment will take place in autumn, and afterwards in spring 2026, when outturn data for 2025 are available.

In **Romania**, net expenditure growth is projected to be above the ceiling established by the corrective path. In particular the projected deviation over 2024 and 2025 taken together is estimated at 1.7% of GDP. This implies that no effective action has been taken while there are no mitigating relevant factors. The high net expenditure growth is leading to persistently high government deficits (9.3% in 2024 and, based on the Commission Spring 2025 Forecast, 8.6% of GDP in 2025) and an increase in the debt ratio by more than ten points since 2021. There are clear risks to the timely correction of the excessive deficit by 2030. Therefore, the Commission is today recommending to the Council to adopt a decision that establishes no effective action. This will lead to the adoption of a revised recommendation under Article 126(7). The Commission calls on Romania to take swift action to comply with the requirements of the excessive deficit procedure.

#### ASSESSMENT OF IMPLEMENTATION OF THE MEDIUM-TERM PLANS BY OTHER MEMBER STATES

- Based on the projections for net expenditure growth in 2025 in the Commission Spring 2025 Forecast, 12 Member States are projected to be compliant with the recommended maximum growth of net expenditure<sup>43</sup>, subject to the activation of the national escape clause, based on current projections of defence spending.
  - For **Czechia, Estonia, Latvia, Slovenia, Finland and Sweden**, net expenditure in 2025 is projected to grow within the ceiling recommended by the Council.
  - For **Austria**, net expenditure growth in 2025 is projected to grow within the ceiling in its medium-term plan (which is currently being assessed).
  - For **Bulgaria, Denmark, Greece, Croatia, Lithuania**, net expenditure growth is projected to be above the ceiling recommended by the Council (or the net expenditure growth in the respective medium-term plan). However, the deviations that are projected

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<sup>42</sup> On 21 May, the Commission has issued a revised Recommendation for a Council Recommendation under Article 126(7) TFEU with a view to bringing an end to the situation of an excessive government deficit into Belgium. The assessment of compliance for Belgium is reported against this revised corrective path, which corresponds to the commitment for the net expenditure growth rate in the medium-term plan of Belgium. The latter was positively assessed by the Commission on 21 May 2025 and is subject to endorsement by the Council in the coming weeks. Considering the revision, an assessment against the existing Council Recommendation would be obsolete.

<sup>43</sup> For Bulgaria and Lithuania, the assessment of compliance is based on the net expenditure path put forward in their medium-term plan and positively assessed by the Commission as being in line with the requirements of Regulation (EU) 2024/1263 and assuming their timely endorsement by the Council. For Austria, the assessment is made on the basis of the net expenditure path put forward in its medium-term plan, pending its assessment by the Commission, and the endorsement by the Council.

for these Member States are within the flexibility of the national escape clause based on current projections for defence spending.

- In two Member States, net expenditure growth in 2025 is projected to be above the ceiling recommended by the Council, based on the Commission Spring 2025 Forecast, these Member States are therefore also projected to be broadly compliant with the recommended maximum growth of net expenditure or with the conditions of the national escape clause, based on current projections of defence spending.
  - **For Portugal** net expenditure growth in 2025 is projected to be above the ceiling recommended by the Council. The projected cumulated deviation is below the threshold of 0.6% of GDP<sup>44</sup>.
  - For **Spain**, net expenditure growth in 2025 is projected to be above the ceiling recommended by the Council (in annual terms), but the deviation does not exceed the 0.3% of GDP threshold.
- In four Member States (**Ireland, Cyprus, Luxembourg** and the **Netherlands**), net expenditure growth in 2025 is projected to be above the ceiling recommended by the Council and the deviations exceed the thresholds for annual (Ireland, Cyprus, Luxembourg) and cumulated (Netherlands) deviations. For these Member States, the Commission sees a risk of deviation from the recommended maximum growth rates.

The above presents a preliminary assessment of compliance based on the Commission Spring 2025 Forecast. A further assessment will take place in autumn. Afterwards in spring 2026, the assessment of compliance with the recommended maximum growth rates for net expenditure will be based on outturn data for 2025, and deviations from the recommendations will be recorded in control accounts.

The assessment of implementation of medium-term plans also needs to consider the set of investment and reforms underpinning an extension of the respective fiscal adjustment periods. This concerns **Spain, France, Italy, Finland, Belgium** and **Romania**. A detailed assessment of the state of play of implementation of these commitments is available in Annex 1 to the respective Country Reports. In the case of Romania, the response to the Council Recommendation of 21 January 2025 so far is deemed to be insufficient.

#### ASSESSMENT OF COMPLIANCE WITH THE DEFICIT AND DEBT CRITERIA

As part of this European Semester Package, the Commission has adopted a Report under Article 126(3) TFEU for four Member States. These are **Austria, Finland, Latvia** and **Spain**. The aim of this report is to assess compliance with the deficit criterion, underpinning a possible decision on whether excessive deficits exist in those Member States. For Austria, Finland, and Spain, the report is based on a general government deficit above the 3% of GDP deficit reference value in 2024. Latvia is included due to a planned deficit in 2025 exceeding the 3% of GDP reference value. On the basis of the analysis in the report, there is no case to open an excessive deficit procedure for Finland, Latvia and Spain. Concerning Austria, taking into account the Opinion of the Economic and Financial Committee on its Report, the Commission will consider proposing to open an

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<sup>44</sup> In spite of this deviation, the Commission Spring 2025 Forecast indicates that, the general government headline balance remains in surplus.

excessive deficit procedure by proposing to the Council to adopt a Decision under Article 126(6) TFEU establishing the existence of an excessive deficit.



|  | <b>Annual<br/>deviation<br/>2025</b> | <b>Cumulated<br/>deviation<br/>2025</b> | <b>National<br/>escape<br/>clause</b> | <b>Reference year<br/>for national<br/>escape clause</b> | <b>Cumulated deviation<br/>taking into account flexibility<br/>from national escape clause</b> |
|--|--------------------------------------|---|---------------------------------------|--|--|
|  | <b>(A)</b>                           | <b>(B)</b>                              | <b>(C)</b>                            | <b>(D)</b>   | <b>(E)</b>   |

#### Member States under the excessive deficit procedure

|    |      |      |     |      |      |
|----|------|------|-----|------|------|
| BE | 0.7  | 0.7  | Yes | 2021 | -0.1 |
| FR | 0.1  | -0.3 | No  |      |      |
| IT | 0.0  | -0.2 | No  |      |      |
| HU | 0.7  | -0.2 | Yes | 2021 | -1.0 |
| MT | -1.8 | 0.2  | No  |      |      |
| PL | -0.1 | 0.0  | Yes | 2021 | -1.2 |
| RO | 0.1  | 1.7  | No  |      |      |
| SK | 0.0  | -0.3 | Yes | 2021 | -1.2 |

#### Other Member States

|    |      |      |     |      |      |
|----|------|------|-----|------|------|
| BG | 1.1  | 1.1  | Yes | 2024 | -0.2 |
| CZ | -0.2 | -2.2 | Yes | 2021 | -2.5 |
| DK | 2.1  | 0.5  | Yes | 2021 | -1.0 |
| DE |      |      | Yes |      |      |
| EE | -2.0 | -2.0 | Yes | 2021 | -3.5 |
| IE | 0.3  | 0.0  | No  |      |      |
| EL | 0.2  | -0.9 | Yes | 2024 | -0.9 |
| ES | 0.2  | -0.5 | No  |      |      |
| HR | 0.6  | 0.2  | Yes | 2021 | -0.3 |
| CY | 0.5  | 0.5  | No  |      |      |
| LV | -0.1 | -1.9 | Yes | 2021 | -2.7 |
| LT | 1.0  | 1.0  | Yes | 2021 | -0.3 |
| LU | 0.5  | -0.3 | No  |      |      |
| NL | 1.4  | 1.4  | No  |      |      |
| AT | -0.3 | -0.3 | No  |      |      |
| PT | 0.4  | 0.5  | Yes | 2021 | 0.5  |
| SI | -0.4 | -1.1 | Yes | 2021 | -1.5 |
| FI | -0.2 | -0.5 | Yes | 2021 | -1.4 |
| SE | -1.1 | -1.2 | No  |      |      |

Source: Commission calculations based on Commission 2025 Spring Forecast.

Notes: The table underpins the assessment of compliance of Member States discussed in this Box. In column A and B, a positive deviation indicates that net expenditure projected for 2025 in the Commission Spring 2025 Forecast

exceeds the maximum growth rates of net expenditure as set by the Council in its Recommendation endorsing the medium-term plan (Czechia, Denmark, Estonia, Ireland, Greece, Spain, Croatia, Cyprus, Latvia, Lithuania, Luxembourg, Netherlands, Portugal, Slovenia, Finland, Sweden) or in its Recommendation with a view to bringing an end to the situation of an excessive deficit (France, Italy, Hungary, Malta, Poland, Slovakia, and Romania). For Belgium, Bulgaria, Lithuania and Austria, a positive deviation indicates that projected net expenditure exceeds the maximum growth rates of net expenditure as included in the medium-term plan (for Belgium, Bulgaria and Lithuania, the plan has been positively assessed by the Commission and endorsement by the Council is pending; for Austria, the plan is still being assessed by the Commission). For Germany no quantitative assessment can be undertaken in the absence of the medium-term plan. Column C reports if Member States have so far requested the activation of the national escape clause. Column D reports the projected cumulative deviation after taking into account the flexibility provided by the national escape clause for defence spending for Member States that have requested the activation of the national escape clause.

|  | General government<br>balance (% GDP) |      |      | General government debt<br>(%GDP) |       |       | GDP<br>(real growth rate) |      |      |
|--|---------------------------------------|------|------|-----------------------------------|-------|-------|---------------------------|------|------|
|  | 2024                                  | 2025 | 2026 | 2024                              | 2025  | 2026  | 2024                      | 2025 | 2026 |
| <b>Member States under the excessive deficit procedure</b> |                                       |      |      |                                   |       |       |                           |      |      |
| BE   | -4.5                                  | -5.4 | -5.5 | 104.7                             | 107.1 | 109.8 | 1.0                       | 0.8  | 0.9  |
| FR   | -5.8                                  | -5.6 | -5.7 | 113.0                             | 116.0 | 118.4 | 1.2                       | 0.6  | 1.3  |
| IT   | -3.4                                  | -3.3 | -2.9 | 135.3                             | 136.7 | 138.2 | 0.7                       | 0.7  | 0.9  |
| HU   | -4.9                                  | -4.6 | -4.7 | 73.5                              | 74.5  | 74.3  | 0.5                       | 0.8  | 2.5  |
| MT   | -3.7                                  | -3.2 | -2.8 | 47.4                              | 47.6  | 47.3  | 6.0                       | 4.1  | 4.0  |
| PL   | -6.6                                  | -6.4 | -6.1 | 55.3                              | 58.0  | 65.3  | 2.9                       | 3.3  | 3.0  |
| RO   | -9.3                                  | -8.6 | -8.4 | 54.8                              | 59.4  | 63.3  | 0.8                       | 1.4  | 2.2  |
| SK   | -5.3                                  | -4.9 | -5.1 | 59.3                              | 60.9  | 63.0  | 2.1                       | 1.5  | 1.4  |
| <b>Other Member States</b>                                 |                                       |      |      |                                   |       |       |                           |      |      |
| BG   | -3.0                                  | -2.8 | -2.8 | 24.1                              | 25.1  | 27.1  | 2.8                       | 2.0  | 2.1  |
| CZ   | -2.2                                  | -2.3 | -2.2 | 43.6                              | 44.5  | 45.4  | 1.1                       | 1.9  | 2.1  |
| DK   | 4.5                                   | 1.5  | 0.6  | 31.1                              | 29.7  | 29.4  | 3.7                       | 3.6  | 2.0  |
| DE   | -2.8                                  | -2.7 | -2.9 | 62.5                              | 63.8  | 64.7  | -0.2                      | 0.0  | 1.1  |
| EE   | -1.5                                  | -1.4 | -2.4 | 23.6                              | 23.8  | 25.4  | -0.3                      | 1.1  | 2.3  |
| IE   | 4.3                                   | 0.7  | 0.1  | 40.9                              | 38.6  | 38.2  | 1.2                       | 3.4  | 2.5  |
| EL   | 1.3                                   | 0.7  | 1.4  | 153.6                             | 146.6 | 140.6 | 2.3                       | 2.3  | 2.2  |
| ES   | -3.2                                  | -2.8 | -2.5 | 101.8                             | 100.9 | 100.8 | 3.2                       | 2.6  | 2.0  |
| HR   | -2.4                                  | -2.7 | -2.6 | 57.6                              | 56.3  | 56.4  | 3.9                       | 3.2  | 2.9  |
| CY   | 4.3                                   | 3.5  | 3.4  | 65.0                              | 58.0  | 51.9  | 3.4                       | 3.0  | 2.5  |
| LV   | -1.8                                  | -3.1 | -3.1 | 46.8                              | 48.6  | 49.3  | -0.4                      | 0.5  | 2.0  |
| LT   | -1.3                                  | -2.3 | -2.3 | 38.2                              | 41.2  | 43.9  | 2.8                       | 2.8  | 3.1  |
| LU   | 1.0                                   | -0.4 | -0.5 | 26.3                              | 25.7  | 26.2  | 1.0                       | 1.7  | 2.0  |
| NL   | -0.9                                  | -2.1 | -2.7 | 43.3                              | 45.0  | 47.8  | 1.0                       | 1.3  | 1.2  |
| AT   | -4.7                                  | -4.4 | -4.2 | 81.8                              | 84.0  | 85.8  | -1.2                      | -0.3 | 1.0  |
| PT   | 0.7                                   | 0.1  | -0.6 | 94.9                              | 91.7  | 89.7  | 1.9                       | 1.8  | 2.2  |
| SI   | -0.9                                  | -1.3 | -1.5 | 67.0                              | 65.5  | 63.8  | 1.6                       | 2.0  | 2.4  |
| FI   | -4.4                                  | -3.7 | -3.4 | 82.1                              | 85.6  | 87.5  | -0.1                      | 1.0  | 1.3  |
| SE   | -1.5                                  | -1.5 | -0.8 | 33.5                              | 33.8  | 33.3  | 1.0                       | 1.1  | 1.9  |

Source: Commission Spring 2025 Forecast.