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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
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EUROPEAN
COMMISSION

Brussels, 23.6.2025
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COMMISSION OPINION

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on the Draft Budgetary Plan of Austria

(Only the German text is authentic)

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GENERAL CONSIDERATIONS

1. Regulation (EU) No 473/2013 lays down provisions for enhanced monitoring of budgetary policies in the euro area, in order to ensure that national budgets are consistent with the economic policy guidance issued in the context of the EU economic governance framework.

2. Article 6 of Regulation (EU) No 473/2013 requires euro area Member States to submit annually to the Commission and to the Eurogroup a Draft Budgetary Plan, by 15 October, setting out the budgetary targets for the forthcoming year, and outlining the main aspects underlying the budgetary outlook for general government and its subsectors.

3. On 30 April 2024, the new economic governance framework entered into force. The main objectives of the new framework are to promote sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments. The framework helps to make the EU more competitive and better prepared for future challenges by supporting progress towards a green, digital, inclusive, and resilient economy.

4. In order to simplify the Union fiscal framework and increase transparency, a single operational indicator, anchored in debt sustainability, serves as a basis for setting the fiscal path and for carrying out annual fiscal surveillance for each Member State. That single operational indicator is the nominal growth rate of net expenditure[1].

5. The Recovery and Resilience Facility[2] provides financial support for the implementation of reforms and investments, notably to promote the green and digital transitions. The Facility also aims at increasing the resilience of the Union’s energy system by reducing dependence on fossil fuels and diversifying energy supply at Union level (‘REPowerEU objectives’). The Facility is expected to strengthen the resilience and potential growth of Member States’ economies, which contributes to job creation and sustainable public finances. Part of this support takes the form of non-repayable financial support (“grants”), entailing a fiscal impulse financed by the Union. Together with cohesion policy funds and the Just Transition Mechanism, the Facility is supporting a fair and inclusive recovery in the EU, in line with the European Pillar of Social Rights.

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[1] According to Article 2(2) of Regulation (EU) 2024/1263, 'net expenditure' means government expenditure net of interest expenditure, discretionary revenue measures, expenditure on programmes of the Union fully matched by revenue from Union funds, national expenditure on co-financing of programmes funded by the Union, cyclical elements of unemployment benefit expenditure, and one-offs and other temporary measures.

[2] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, OJ L 57, 18.2.2021, p. 17–75.

6. Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission recommended to activate the national escape clause of the Stability and Growth Pact in a coordinated manner to support the EU efforts to achieve a rapid and significant increase in defence spending and this proposal was welcomed by the European Council of 6 March 2025.

CONSIDERATIONS CONCERNING AUSTRIA

7. On 13 May 2025, Austria submitted a Draft Budgetary Plan for 2025-2026 to the Commission and to the Eurogroup. The submission of the Draft Budgetary Plan for 2025 was delayed beyond the 15 October deadline in view of the parliamentary elections of 29 September 2024 and the formation of a new government thereafter; this has also led Austria to prepare a budgetary plan that covers both 2025 and 2026. The Commission adopts this opinion on the Draft Budgetary Plan for 2025 and 2026, in accordance with Article 7 of Regulation (EU) No 473/2013, and taking into account the Council Recommendation on the economic, social, employment, structural and budgetary policies of Austria of 21 October 2024[3]. This opinion is adopted by the Commission together with the Commission Recommendation for a Council Recommendation under Article 126(7) of the Treaty with a view to bringing an end to the situation of an excessive deficit in Austria[4], and the Commission Recommendation for a Council Recommendation endorsing the national medium-term fiscal-structural plan of Austria[5], which the Commission expects the Council to act upon in a timely manner.

8. On 21 October 2024, the Council recommended Austria, in line with the requirements of the reformed Stability and Growth Pact, to limit the growth in net expenditure in 2025 to a rate consistent with, *inter alia*, putting the general government debt on a plausibly downward trajectory over the medium term and respecting the 3% of GDP deficit Treaty reference value.

9. On 13 May 2025, Austria submitted to the Commission its medium-term fiscal-structural plan in line with Regulation (EU) 2024/1263[6]. The plan commits to net expenditure growth not exceeding 2.6% in 2025, 2.2% in 2026, 2.2% in 2027, 2.0% in 2028 and 2.3% in 2029 which correspond to the maximum cumulative growth rates calculated by reference to 2024 of 2.6% in 2025, 4.8% in 2026, 7.2% in 2027, 9.4% in 2028 and 11.9% in 2029. The Commission has assessed the medium-term fiscal-structural plan of Austria and recommended to the Council to adopt a recommendation endorsing this plan and setting the maximum net expenditure growth rates contained therein. The Draft Budgetary Plan for 2025-2026 represents Austria's first step in the implementation of its medium-term fiscal-structural plan.

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[3] Council Recommendation on the economic, social, employment, structural and budgetary policies of Austria, OJ C 2024, 6827, 29.11.2024, ELI: http://data.europa.eu/eli/C/2024/6827/oj

[4] Commission recommendation for a Council recommendation under Article 126(7) of the Treaty with a view to bringing an end to the situation of an excessive deficit in Austria, 23.06.2025, COM(2025) 343 final.

[5] Commission Recommendation for a Council Recommendation endorsing the national medium-term fiscal-structural plan of Austria, 23.06.2025, COM(2025) 341 final.

[6] Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97, OJ L, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj.

10. On 4 June 2025, the Commission adopted a report under Article 126(3) of the TFEU[7]. That report assessed the budgetary situation of Austria, as its general government deficit in 2024 and its planned general government deficit in 2025 exceeded the reference value of 3% of GDP. The report concluded that the deficit criterion is not complied with. In light of this assessment, and after considering the opinion of the Economic and Financial Committee as established under article 126(4) TFEU, on 20 June 2025 the Commission has adopted a recommendation for a Council Decision under Article 126(6) establishing the existence of an excessive deficit in Austria[8] as well as a recommendation for a Council Recommendation under Article 126(7) of the Treaty with a view to bringing an end to the situation of an excessive deficit in Austria by [2028][9]. The latter proposes a corrective path that is consistent with the maximum growth rates for net expenditure in Austria's medium-term plan.

11. The positive assessment of the plan by the Commission, also for the purpose of setting the corrective path under the excessive deficit procedure, implies that, in the Commission's view, the maximum net expenditure growth rates set therein for the years 2025-2026 can be regarded as an appropriate reference for the assessment of the Draft Budgetary Plan.

12. According to the Draft Budgetary Plan, Austria's real GDP is projected to decline by 0.3% in 2025 and to grow by 1.2% in 2026, while inflation is forecast at 2.8% in 2025 and 2.1% in 2026. According to the European Commission Spring 2025 Forecast, Austria's real GDP is projected to decline by 0.3% in 2025 and to grow by 1.0% in 2026, while inflation is forecast at 2.9% in 2025 and 2.1% in 2026. Overall, the macroeconomic scenario underpinning the budgetary projections in the Draft Budgetary Plan appears to be in line with the Commission's forecast. Austria complies with the requirement of Article 4(4) of Regulation (EU) No 473/2013, since the Draft Budgetary Plan is based on independently produced macroeconomic forecasts.

13. The fiscal stance[10] is projected by the Commission to be contractionary, by 1.3% of GDP in 2025 and by 0.3% of GDP in 2026, following an expansionary fiscal stance of 2.3% in 2024. This measure of fiscal stance appropriately considers the impact on aggregate demand of expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other EU funds.

14. According to the Draft Budgetary Plan, Austria's general government deficit is projected to decrease from 4.7% of GDP in 2024 to 4.5% of GDP in 2025 and to 4.2% of GDP in 2026. The general government debt-to-GDP ratio is set to increase

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[7] Report from the Commission, prepared in accordance with Article 126(3) of the Treaty on the Functioning of the European Union, 4.6.2025, COM(2025) 615 final.

[8] Commission recommendation for a Council recommendation under Article 126(6) of the Treaty on the existence of an excessive deficit in Austria, 23.06.2025, COM(2025) 345 final.

[9] Commission recommendation for a Council recommendation under Article 126(7) of the Treaty with a view to bringing an end to the situation of an excessive deficit in Austria, 23.06.2025, COM(2025) 343 final.

[10] The fiscal stance is measured as the change in general government primary expenditure, net of the incremental budgetary impact of discretionary revenue measures, excluding one-off and cyclical unemployment expenditure, but including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other EU funds, relative to medium-term (10-year) average potential GDP growth rate, expressed as a ratio to nominal GDP.

from 81.8% at the end of 2024 to 86.2% at the end of 2026 due to the high deficits and low nominal GDP growth. According to the Draft Budgetary Plan, net expenditure is projected to grow by 1.6% in 2025 and by 2.1% in 2026, which is below the maximum growth rates of 2.6% and 2.2% that Austria committed to in the medium-term fiscal-structural plan for 2025 and 2026. In turn, according to the European Commission Spring 2025 Forecast[11], Austria's general government deficit is projected to decrease to 4.4% of GDP in 2025 and to 4.2% of GDP in 2026, while the general government debt-to-GDP ratio is set to increase to 85.8% at the end of 2026. The decrease in the deficit is driven by the implementation of a consolidation package. According to the European Commission Spring 2025 Forecast, net expenditure is projected to grow by 2.0% in 2025 and by 2.3% in 2026.

15. The Draft Budgetary Plan assumes that expenditure financed by non-repayable support ("grants") from the Recovery and Resilience Facility will amount to 0.1% of GDP in 2025 and to less than 0.1% of GDP in 2026. Expenditure financed by Recovery and Resilience Facility grants enables high-quality investment and productivity-enhancing reforms without a direct impact on the general government balance and debt of Austria.

16. The Draft Budgetary Plan includes several policy measures with a fiscal impact. In 2025, on the revenue side, these include the continuation of solidarity levies on energy suppliers, the abolishment of a tax exemption for electric vehicles and the increase of taxes on gambling and tobacco. On the expenditure side, these measures include the abolishment of the climate bonus, cost reduction efforts in the public administration and structural reforms to prolong working lives. In 2026, on the revenue side, the measures include the extension of the tobacco tax to alternative products and the extension of the tax rate for high income earners, while on the expenditure side they include the reform of the corridor pension and the reduction of mobility services contracts. According to Commission estimates, the overall additional impact of the revenue measures reduces the government deficit by 0.5% of GDP in 2025 and by an additional 0.4% of GDP in 2026.

17. According to the Commission 2025 Spring forecast, Austria's general government expenditure on defence[12] is projected to amount to 0.7% of GDP in 2024 and 0.8% of GDP in both 2025 and in 2026.

18. According to the Commission Spring 2025 Forecast, Austria's net expenditure is projected to increase by 2.0% in 2025. This is below the maximum net expenditure growth rate set in the medium-term fiscal-structural plan, which, as explained above, represents an appropriate reference for the assessment in the Commission's view. Therefore, the Commission is of the view that the implementation in 2025 of the budgetary plan is an appropriate initial step towards the implementation of the national medium-term fiscal-structural plan and the correction of the excessive deficit. The Commission is also of the view that this net expenditure growth rate is in line with the Council recommendation of 21 October 2024.

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[11] Although the cut-off date (30 April 2025) of the Commission 2025 Spring Forecast was a few weeks before the submission of the Draft Budgetary Plan, the Commission considers that its spring forecast is an appropriate benchmark for the assessment of the Draft Budgetary Plan.

[12] As defined in the International Classification of the Functions of Government (COFOG) in the framework of the European System of National Accounts (ESA2010).

19. According to the Commission Spring 2025 Forecast, Austria's net expenditure is projected to increase by 2.3% in 2026. This corresponds to a cumulative growth rate of 4.3% in 2025 and 2026 taken together. The projected annual net expenditure growth rate in 2026 is above the maximum growth rate in the plan (2.2%). However, the corresponding deviation amounts to less than 0.1% of GDP, which does not exceed the 0.3% of GDP threshold for annual deviations. At the same time, the projected annual net expenditure growth for 2025 and 2026 taken together is below the cumulative maximum net expenditure growth rate set in the medium-term fiscal-structural plan. Therefore, overall, the Commission is of the view that the implementation in 2026 of the budgetary plan is an appropriate step towards the implementation of the national medium-term fiscal-structural plan and the correction of the excessive deficit.

20. According to the European Commission Spring 2025 Forecast, nationally financed public investment is projected to remain stable at 3.9% of GDP in 2025 and to increase to 4.0% of GDP in 2026. In turn, public expenditure financed by EU fund revenue, including Recovery and Resilience Facility grants, is expected to remain stable at 0.2% of GDP in 2025 and in 2026.

21. Overall, the Commission is of the opinion that the Draft Budgetary Plan of Austria for 2025 and 2026 is in line with the provisions of the Stability and Growth Pact. Based on the European Commission Spring 2025 Forecast, the cumulative growth rate of net expenditure in 2025 and 2026 is consistent with the cumulative maximum growth rate set in the national medium-term fiscal-structural plan, which the Commission regards as an appropriate reference for the assessment. Given the exceptionally early assessment of the budgetary plans for 2026, the Commission will revisit its assessment of the budgetary outlook later in the year, in the light of its Autumn 2025 forecast. The progress made with the implementation of the Council's country-specific recommendations for 2025 is assessed by the Commission in the context of the European Semester Spring 2025 Package adopted on 4 June 2025; the progress made with the implementation of the country-specific recommendations for 2026 will be assessed by the Commission in the context of the European Semester Spring 2026 Package.

Table 1: Key macroeconomic and fiscal figures

#	Variables		2024	2025		2026	
			Outturn	**DBP**	**COM**	**DBP**	**COM**
1	Real GDP	% change	-1.0	-0.3	-0.3	1.2	1.0
2	HICP inflation	% change	2.9	2.8	2.9	2.1	2.1
3	General government balance	% GDP	-4.7	-4.5	-4.4	-4.2	-4.2
4	Primary balance	% GDP	-3.2	-2.8	-2.7	-2.3	-2.4
5	General government gross debt	% GDP	81.8	84.7	84.0	86.2	85.8
6	Fiscal stance (**)	% GDP	-2.3	n.a.	1.3	n.a.	0.3
7	Net expenditure growth (annual)	% change	n.a.	1.6	2.0	2.1	2.3
8	Net expenditure growth (cumulative)	% change	n.a.	1.6	2.0	3.7	4.3
			Medium-term fiscal-structural plan of Austria				
9	Maximum growth rates of net expenditure (*)	% change	Annual	2.6%		2.2%	
10		% change	Cumulative	2.6%		4.8%	

Notes:
* According to the Medium-term fiscal-structural plan of Austria.
** The fiscal stance is measured as the change in general government primary expenditure, net of the incremental budgetary impact of both discretionary revenue measures and COVID-19 pandemic-related temporary emergency measures, excluding cyclical unemployment expenditure, but including the change in expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other EU funds, relative to the medium-term (10-year) average potential GDP growth rate in nominal terms. A negative (positive) sign indicates an excess of primary expenditure growth over medium-term potential GDP growth, which corresponds to an expansionary (contractionary) fiscal stance.

Source: Commission Spring 2025 Forecast, Draft Budgetary Plan for 2025 and 2026 and Medium-term fiscal structural plan of Austria

Done at Brussels, 23.6.2025

For the Commission
Valdis DOMBROVSKIS
Member of the Commission

CERTIFIED COPY
For the Secretary-General

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