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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE EUROPEAN CENTRAL BANK

2025 European Semester: bringing the new economic governance framework to life

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Today's package launches the first implementation cycle of the new economic governance framework, which entered into force on 30 April 2024[1] and represents the most ambitious and comprehensive reform of the EU's economic governance rules since the aftermath of the economic and financial crisis. The main objectives of the new framework are to strengthen Member States' debt sustainability and promote sustainable and inclusive growth in all Member States through growth-enhancing reforms and priority 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. The documents that are published today are an important milestone in the implementation of this new framework. Upon endorsement by the Council, they will offer a coherent policy anchor for Member States' conduct of economic and fiscal policy for the years to come.

The new economic governance framework will help to ensure an effective coordination of economic policies and multilateral budgetary surveillance. It ensures a high degree of policy coherence, with both fiscal sustainability and sustainable economic growth at its core. It ensures a much closer integration between the fiscal strategy of Member States and the reforms and investments needed to support sustainable and inclusive growth in line with European priorities.

Reforms and investments are key to face new and existing challenges and to help secure credible debt reduction. The EU's priorities include securing the green and digital transitions, strengthening economic and social resilience, including the European Pillar of Social Rights, productivity and competitiveness, as well as bolstering Europe's security capacity. The new framework facilitates and encourages Member States to implement necessary reforms and investment in these areas. To that end, Member States have set out how they will deliver reforms and investment responding to the main challenges identified in the context of the European Semester and to the common priorities of the Union.[2] In particular, Member States can benefit from a more gradual fiscal adjustment path when their plans are underpinned by a set of investment and reform commitments that contribute to sustainable and inclusive growth and resilience, support fiscal sustainability and address common priorities of the Union.

Fiscal objectives should be differentiated and consistent with Member States' fiscal sustainability considerations. The new common EU framework allows to differentiate among Member States based on their individual fiscal situations, in view of country-specific fiscal sustainability considerations. Such a risk-based surveillance framework will allow for credible and gradual public debt reduction where needed and ensures that budget deficits fall or are maintained below the 3% of GDP Treaty reference value in a transparent way, ensuring equal treatment across Member States.

[1] Regulation 2024/1263 of the European Parliament and of the Council (EU) on the effective coordination of economic policies and on multilateral budgetary surveillance, together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure, and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States are the core elements of the reformed EU economic governance framework.

[2] The common priorities, identified in the Regulation, are as follows: i) a fair green and digital transition, including the climate objectives; ii) social and economic resilience, including the European Pillar of Social Rights; iii) energy security; and iv) where necessary, the build-up of defence capabilities.

The framework will foster compliance through its medium-term orientation, greater leeway for Member States to design their policy objectives, and enhanced enforcement. The medium-term fiscal-structural plans (henceforth, "Medium-Term Plans") that the Commission has assessed today, are at the centre of the new framework. These plans set out Member States' fiscal objectives as well as reforms and investments to tackle common EU priorities as well as the country specific recommendations. Thus, the framework draws insights from the Recovery and Resilience Facility's (RRF) commitment-based approach to policy coordination, with strong national ownership of policy design and outcomes, based on the new framework's requirements and the Commission's upfront guidance to Member States. Like for the RRF, the new framework fosters the positive interaction between reforms and investments. The new framework combines stronger ownership with a more effective and coherent enforcement of the EU fiscal rules.

The on-going economic pickup and absorption of RRF grants and other EU funds provide a supportive environment to improve the EU's potential for sustainable and inclusive growth, to support investment and to address fiscal sustainability challenges. The European economy has shown resilience and is regaining momentum, while public debt and deficit developments require a stronger focus on fiscal sustainability. Following a prolonged and broad-based stagnation, the EU economy resumed growth in 2024, with robust labour market outcomes, as inflationary pressures further abated. The conditions for a mild acceleration of domestic demand appear in place, despite heightened uncertainty. Economic growth in the EU is expected to pick up to 1.5% in 2025, as consumption shifts up a gear and investment is set to rebound from its contraction in 2024, with a further expansion of 1.8% in 2026. The absorption of EU funds (in particular NextGenerationEU (RRF) and cohesion policy) is set to accelerate in 2025 and 2026, further supporting Member States' investment. Moreover, Member States have set out in their Medium-Term Plans that they will maintain or increase investment over the plan horizon. This more positive backdrop will facilitate the necessary measures to address fiscal sustainability challenges in Member States with high deficits and/or debts, as set out in the new framework. The slightly contractionary euro area fiscal stance projected for 2025 is combined with an expansion in investment, indicating that the new fiscal framework is effective in ensuring that the adjustment is gradual and does not come at the cost of investment.

This Communication is structured into four sections. Section I presents the objective of an integrated fiscal package for fiscal sustainability and economic growth. Section II provides an overview of the assessment of Member States' medium-term fiscal-structural plans. Section III explains the steps under the excessive deficit procedure this autumn. It covers the proposed recommendations under Article 126(7) TFEU for Member States under an excessive deficit procedure and the conclusion of the latest Article 126(3) report for two Member States. Section IV gives an overview and assessment of this year's Draft Budgetary Plans and assesses the euro area fiscal stance and policy mix. The annexes provide further detail on each of the above sections.

I. AN INTEGRATED FISCAL PACKAGE FOR FISCAL SUSTAINABILITY AND ECONOMIC GROWTH

The Package incorporates the assessments of the Medium-Term Plans and the Draft Budgetary Plans for 2025, as well as the implementation of the excessive deficit procedures. The documents published today, reflecting these processes, comprise (i) Commission recommendations for Council recommendations on 21 Member States' Medium-Term Plans, (ii) Commission recommendations for Council recommendations under Article 126(7) for eight Member States with a view to bringing an end to the situation of an excessive deficit and (iii) a Commission report under Article 126(3) TFEU for two Member States assessing the respect of the 3% of GDP deficit criterion, and (iv) the Commission Opinions on the Draft Budgetary Plans of 17 euro area Member States (see Annex I).

While these processes are legally distinct, they are inextricably linked on substance. The Medium-Term Plans set the Member State's fiscal path (defined in terms of net expenditure growth rates) as well as priority reforms and investments for the next four years as a rule[3]. For euro-area Member States, the Draft Budgetary Plans outline the draft annual budget proposed by the national government, that is the specific expenditure and revenue measures to implement the fiscal path set in the Medium-Term plan for the next year. Finally, the excessive deficit procedure is to set the path to correct the Member State's excessive deficit, where it exists.

In view of these interlinkages, the Commission has aligned the timing of these processes and conducted an integrated assessment to ensure consistency in its fiscal surveillance. When the Commission made its proposals for Council decisions on the existence of excessive deficits under Article 126(6) TFEU for 7 Member States in spring, it exceptionally postponed its recommendations for Council recommendations under Article 126(7) TFEU until after the submission and assessment of the Medium-Term Plans.[4] In this way, it made possible that, subject to a positive assessment of the Medium-Term Plan, the corrective path under the excessive deficit procedure would reflect the Medium-Term Plan's net expenditure path. Furthermore, the timing of the assessment of the first Medium-Term Plans was aligned with the Draft Budgetary Plan process so that the latter could be assessed against the fiscal path for 2025 included in the Medium-Term Plans.[5] The Draft Budgetary Plans can thus present the first steps towards implementing the Medium-Term Plan, with concrete policy measures for the first year (2025). Going forward, compliance under all three processes will be assessed solely on the basis of net expenditure growth, the single operational indicator under the new framework, which will ensure consistency and transparency.

[3] The exact length of the plan depends on the length of national legislature. In any case, the fiscal adjustment period should be a maximum of four years (unless the adjustment period is extended).

[4] The same approach was followed for Romania, for which the Council Decision in July, establishing no effective action meant that a revised Recommendation under Article 126(7) TFEU was necessary.

[5] Member States were required to submit their MTP by 20 September, although the Commission agreed that submissions until 15 October would be acceptable, to align with the submission of Draft Budgetary Plans.

II. OVERVIEW OF THE MEDIUM-TERM PLANS

The Commission assessed 21 out of 22 submitted Medium-Term Plans and proposes Council recommendations for them. Following constructive technical dialogues with the Member States, the Commission considers that the Medium-Term Plans for Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden meet the requirements of Regulation 2024/1263 on the effective coordination of economic policies and on multilateral budgetary surveillance (hereafter "the Regulation") and set out a credible fiscal path to ensure fiscal sustainability over the medium term. In the case of the Netherlands, the Commission proposes to endorse the net expenditure path consistent with the technical information it transmitted in June, while for all other Member States, the Commission proposes to endorse the fiscal path set out in the respective Medium-Term Plans. Hungary's plan was submitted on 4 November 2024 and is still being assessed within the 6-week deadline in line with the Regulation. The submission of the plans for Austria, Belgium, Bulgaria, Germany and Lithuania has been delayed, due to general elections and the formation of new governments.

For 5 out of the 21 Medium-Term Plans that have been assessed by the Commission, the recommended fiscal adjustment period is extended from 4 to 7 years (Finland, France, Italy, Romania and Spain). The extension of the adjustment period for these five Member States is underpinned by a set of investment and reform commitments which contribute to sustainable and inclusive growth and resilience, support fiscal sustainability and address the main challenges identified in the European Semester, in particular in the country-specific recommendations, and the common priorities of the Union. In line with the Regulation, Member States underpinned the extension of their adjustment period with relevant measures included in their Recovery and Resilience Plans (RRPs), combined with RRP measures with further specifications and additional measures. For example, Romania included in its plan the pension reform and the reform of special pension regimes included in its RRP. France's plan includes an investment programme to support transformation in strategic sectors, which complements and adds to commitments made under the French RRP. Member States also took a number of new measures under their Medium-Term Plans. This includes for example a comprehensive reform of social security in Finland, measures to simplify the tax system in Italy and a reform of the work and job search visa system in Spain.

Member States have set out in their Medium-Term Plans that they will maintain or increase investment over the plan horizon. Reflecting the focus of the new framework on investments and reforms to deliver sustainable and inclusive growth over the medium and long term, most Member States plan to increase the level of nationally-financed investment by 2028. This includes the Member States that requested an extension of their fiscal adjustment period, who have committed to at least maintaining their pre-plan medium-term level of nationally-financed public investment, as required by the Regulation.[6]

All Member States have reported their policy intentions on reforms and investments addressing challenges identified as part of the European Semester and the common

[6] As part of the transitional provisions set out in Article 36 of Regulation (EU) 2024/1263, these Member States are also required to maintain their nationally financed investment levels realised on average over the period covered by the recovery and resilience plan (paragraph d).

priorities of the EU in their plans. Member States explain in their plans how they will ensure the delivery of reforms and investments responding to the main challenges identified as part of the European Semester, and in particular the country specific recommendations. Member States are also required to report how they will address the common priorities of the EU, comprising a fair green and digital transition, social and economic resilience, including the European Pillar of Social Rights, energy security and, where necessary, the build-up of defence capabilities. Member States have included in their plans a broad reform and investments agenda covering the policy areas related to common priorities of the EU and where relevant, the challenges identified in country-specific recommendations addressed to them by the Council. Measures to address the fair green and digital transition, for example by supporting energy-efficient building renovation and investment in energy infrastructure, are also to be seen in the context of the National Energy and Climate Plans. Examples of measures taken in the plans to support social and economic resilience include reforms of social protection or of the pension system, measures to improve the effectiveness and efficiency of healthcare or to support skills and life-long learning, as well as measures to improve the availability of childcare. A number of Member States have also included in their plans measures to strengthen the independence and efficiency of their justice system and their governance frameworks. The plans include reforms commitments as well as investments that will contribute to bridge the investment needs related to the EU common priorities, including as regards the build-up of defence capabilities. The Commission has analysed Member States' intentions on reforms and investments. The assessment of the implementation of the reform and investments will be carried out in spring – starting already in 2025 – as part of the European Semester Spring Package, following the submission of the first Annual Progress Reports by Member States.

Member States' implementation of the Medium-Term Plans will be assessed in spring 2025 and then in the subsequent economic and fiscal surveillance and coordination rounds in spring and autumn. The first assessment, as part of the Semester Spring Package, will rely on the Annual Progress Reports to be submitted by Member States in spring 2025. Those reports will allow the Commission to assess the implementation of the fiscal path, progress in the implementation of the reforms and investment that Member States committed to deliver in their Medium-Term Plans, as well as the implementation of country-specific recommendations in spring. Member States under an excessive deficit procedure will also have to report on action taken in response to the recommendation under Article 126(7) TFEU.

III. EXCESSIVE DEFICIT PROCEDURES

The Autumn Package includes eight recommendations for the Council to set the fiscal path correcting the excessive deficit for Member States under an excessive deficit procedure. This includes the seven Member States for whom an excessive deficit procedure was opened in July 2024 (Belgium, France, Italy, Hungary, Malta, Poland and Slovakia) as well as Romania, which has been in excessive deficit procedure since 2020. When the Commission recommends to the Council to endorse the fiscal path contained in the Medium-Term Plan, the corrective path in the excessive deficit procedure recommendation is consistent with the net expenditure path in the Medium-Term Plan. In the absence of such a recommendation, as for Belgium and Hungary, the corrective path in the excessive deficit procedure recommendation is based on the Commission's 4-year reference trajectory, updated based on most recent data. The Commission stands ready to recommend a revised recommendation after a positive assessment and Council endorsement of the Medium-Term Plan of these Member States.

For two Member States (Austria and Finland), the Commission has assessed compliance with the deficit criterion to decide whether there is a case to initiate excessive deficit procedures. Based on the Article 126(3) report, the Commission will consider proposing the opening of a deficit-based excessive deficit procedure for Austria. Austria has reported a planned deficit above the 3% of GDP reference value in 2024 and the Commission forecast does not project a reduction below the 3% of GDP reference value in 2025 or 2026 under a no policy change assumption.[7] The Commission will therefore consider to propose to the Council to establish that an excessive deficit exists in Austria. The Austrian authorities have expressed their intention to take the necessary action to bring the deficit below 3% in 2025. The Commission stands ready to assess new measures as soon as formally agreed by the government and sufficiently detailed. In the case of Finland, which also reported a planned deficit over 3% of GDP for 2024, the Commission does not intend to propose opening an excessive deficit procedure, since the deficit is no longer projected to exceed the reference value already as from 2025 without additional policy measures. The Commission also reviewed the budgetary situation of those Member States which were concerned by the Article 126(3) report in spring 2024 but for whom the Commission did not recommend the opening of excessive deficit procedures (Czechia, Estonia, Spain and Slovenia), and concluded that the spring assessment was still valid.

IV. Overview of the Draft Budgetary Plans and the Euro Area Fiscal Stance

The Commission has assessed the budgetary policies for 2025 for euro area Member States and examined whether they represent appropriate first steps to implement their medium-term plans. The Commission has published separate Opinions assessing 17 Draft Budgetary Plans. The assessment of the Draft Budgetary Plans is focused on net expenditure growth in 2024-25, taking into account the Commission autumn 2024 forecast. Operationalising the qualitative 2024 fiscal country-specific recommendations, the Opinions assess whether net expenditure is within the ceilings set out in the Member States' Medium-Term Plans, provided such a plan is available and recommended for endorsement by the Council. Otherwise, the assessment refers to the reference trajectory (for Germany) or technical information (for the Netherlands) provided to the Member States on 21 June 2024, or directly to the country-specific recommendation (for Lithuania).

Overall, eight euro area Member States are considered to be in line with the fiscal recommendations. The Draft Budgetary Plans for Croatia, Cyprus, France, Greece, Italy, Latvia, Slovakia, and Slovenia are assessed to be **in line** with the recommendations. The Draft Budgetary Plans for Estonia, Germany, Finland, Luxembourg, Malta and Portugal are assessed to be **not fully in line** with the recommendation. For Estonia, Germany, Finland and Ireland[8], their annual and/or cumulative net expenditure growth is projected to be above the respective

[7] For Austria, the forecast does not consider a budget for 2025 since the latter has been delayed by the Austrian electoral cycle.
[8] While Ireland's net expenditure growth is also expected to be above the ceiling, it did not receive a fiscal CSR and the Commission Opinion does not contain a concluding overall assessment of its Draft Budgetary Plan.

ceiling; for Luxembourg, Malta and Portugal, the energy emergency support measures are not set to be phased out by winter 2024-2025, while their net expenditure growth is expected to be within the ceiling. For the Netherlands, the plan is assessed as **not in line**, while for Lithuania, the plan is assessed to **risk not being in line**. For those Member States, there will be a need for vigilance and possible action to ensure that their budgetary implementation is in line with their country-specific recommendations and the new framework. For the euro area Member States that have not submitted a Draft Budgetary Plan for 2025 (Austria, Belgium, Spain), the Commission cannot at this stage assess whether those Member States' fiscal policies in 2025 are in line with the recommendations.

The Commission's assessment of the Draft Budgetary Plans points to a slightly contractionary fiscal stance in 2025, which is appropriate, coupled with continued growth in public investment. Therefore, the new framework delivers on the premise that fiscal consolidation cannot come at the expense of investment. The contraction in the fiscal stance in 2025 is driven by a reduction in net current expenditure, partially offset by increasing investment. This follows a contractionary stance in 2024 after a long period of expansion, also characterised by high or increasing level of public debt. The projected stance in 2025 would also support the effort of monetary policy to ensure that inflation returns to target.

At the same time, the fiscal stance is projected to be heterogeneous across Member States in 2025, reflecting the risk-based approach of the revised framework. Consistent with the approach of the new framework, a larger fiscal effort is planned by Member States with greater fiscal challenges.

Public investment is expected to increase again in 2025 in almost all Member States. Overall, euro area public investment is projected to reach 3.5% of potential GDP, compared to 3% of potential GDP in 2019. This reflects the ongoing efforts of Member States to protect and enhance investment in the face of multiple crises since 2019, building on the lessons learned from the financial crisis, when investment suffered cuts. Contributions from national budgets vary across Member States, while there is a significant impact of the RRF and EU funds (including cohesion policy funds) in several Member States.

ANNEX I: OVERVIEW TABLE OF THE FISCAL AUTUMN PACKAGE

Country	Draft Budgetary Plan Submission and Opinion	Medium-term plan			Excessive deficit procedure	
		Submission	*Extension of adjustment period*	*Recommendation for Council Recommendation endorsing plan*	*Recommendation for Council Recommendation under Art 126(7)*	*Report under Art. 126(3)*
BE					X	
BG	n.a.					
CZ	n.a.	X		X		
DK	n.a.	X		X		
DE	X					
EE	X	X		X		
IE	X	X		X		
EL	X	X		X		
ES		X	X	X		
FR	X	X	X	X	X	
HR	X	X		X		
IT	X	X	X	X	X	
CY	X	X		X		
LV	X	X		X		
LT	X					
LU	X	X		X		
HU	n.a.	X			X	
MT	X	X		X	X	
NL	X	X		X		
AT						X
PL	n.a.	X		X	X	
PT	X	X		X		
RO	n.a.	X	X	X	X	
SI	X	X		X		
SK	X	X		X	X	
FI	X	X	X	X		X
SE	n.a.	X		X		

Note: Only euro area Member States are required to submit a Draft Budgetary Plan.

ANNEX II: THE MEDIUM-TERM FISCAL-STRUCTURAL PLANS

(i) The new framework and process

The implementation of the new economic governance framework, with Member States' medium-term fiscal-structural plans as its cornerstone, began in spring 2024. The process for the medium-term plans was established in Regulation 2024/1263).[9] The plans should also ensure consistency with the corrective arm (Regulation 1467/97) for Member States in an excessive deficit procedure. The first step in preparing the plans consisted of technical exchanges between Member States and the Commission upon request, which were followed by technical dialogues with all Member States to ensure their plans would be compliant with the Regulation.

Reference trajectories were sent to Member States with a projected government deficit above 3% of GDP or a debt-to-GDP ratio above 60% in 2024. These were part of the prior guidance that the Commission transmitted to Member States on 21 June 2024 ahead of the technical dialogues, which also included information requirements for the plans and annual progress reports. The reference trajectory sets out a country-specific maximum growth rate of net expenditure consistent with the requirements of the new framework. It should ensure that, by the end of the adjustment period, the general government debt is on a plausibly downward trajectory or stays at prudent levels, and that the general government deficit is brought and maintained below 3% of GDP, in line with Articles 6, 7 and 8 of the Regulation. Nine Member States received a reference trajectory (see Table 2) while the other Member States were sent technical information if they requested it. The technical information indicates the minimum level of the structural primary balance that would be required by the end of the Member State's plan to ensure their debt and deficit levels continue to respect the fiscal rules over the medium term.[10]

Within seven months of the new framework coming into force, the Commission has adopted 21 recommendations for a Council recommendation on the Medium-Term Plans. The Commission recommendations for a Council recommendation also contain the detailed assessment of the Medium-Term Plan. Based on this assessment, the Commission recommends that the Council adopts a recommendation endorsing the fiscal requirement of 20 of those plans as they comply with the requirements of the new fiscal framework. Overall, this illustrates the usefulness of the technical dialogue process. This swift implementation ensures high-quality fiscal surveillance can be conducted for 2025.

Member States are submitting their Medium-Term Plans by the agreed deadlines. There has been a staggered submission of the Medium-Term Plans, with two plans (Denmark and Malta) submitted by the deadline of 20 September 2024. Most Member States agreed with the Commission to delay the submission to around 15 October 2024, to be submitted alongside the Draft Budgetary Plans for euro-area Member States. This delay ensured Member States had

[9] Under the Regulation's transitional provisions, the timeline for the first set of plans is different to that of the steady state, when Member States should submit plans by 30 April of the year before the current plan ends.
[10] Of the Member States eligible for technical information, six would still need to adjust their fiscal position to ensure that their deficit and debt remain below the Treaty reference values over the medium term.

sufficient time to respect domestic procedures, which needed to adjust to a new process, and that there was consistency with the Draft Budgetary Plans.

Member States reported on the consultations carried out in their Medium-Term Plans. Member States were strongly encouraged to consult social partners, regional authorities, civil society organisations and other relevant national stakeholders on their Medium-Term Plans. Moreover, the involvement of national parliaments during the preparation of the plans is important to contribute to the credibility of the policy commitments in the plans. However, given the time constraints of this year's process and the need to avoid a gap in fiscal surveillance, this was not a requirement for the first round of plans, but it will be for all future plans. The consultation of national stakeholders was varied and uneven across Member States. Many Member States consulted national parliaments and social partners. National independent fiscal institutions played a role in the preparation process of the plans in two thirds of Member States, although to varying degrees. A continued dialogue with national stakeholders and the involvement of national parliaments would be important during the implementation of the plans to increase their effectiveness.

Five Medium-Term Plans will be submitted later and thus their assessment is not included in this Autumn Package. The submission of the plans for Austria, Belgium, Bulgaria, Germany and Lithuania has been delayed, due to general elections and the formation of new governments. The new governments should submit their plans as soon as feasible after taking office, and the Commission will publish its assessment thereafter.

The Commission assessed whether the net expenditure growth paths set out by Member States, which will also be the sole indicator against which future compliance will be assessed, ensure fiscal sustainability over the medium term. The Commission examined for each plan whether the net expenditure path envisaged therein complies with the requirements of the Regulation, i.e., whether it effectively puts general government debt on a plausibly downward path by the end of the adjustment period or keeps it at prudent levels below 60% of GDP, and whether it brings and maintains the government deficit below 3% of GDP over the medium term. The Commission also assessed whether the net expenditure paths complied with the debt sustainability safeguard and deficit resilience safeguard set out in the Regulation where relevant, and for Member States in excessive deficit procedure, compliance with the deficit benchmark, as well as the need to avoid backloading the adjustment. Compliance will be assessed over the horizon of the Medium-Term Plans solely on the basis of the net expenditure growth path, which will ensure transparency and also facilitate macroeconomic stabilisation.[11] For Member States that requested an extension of the adjustment period by committing to a set of reforms and investment, the Commission assessed whether the criteria for such an extension were met. For all Member States, the Commission analysed Member States' intentions on reforms and investments responding to the main challenges identified as part of the European Semester and the common priorities of the EU.

[11] The net expenditure indicator is not affected by the operation of automatic stabilisers and other expenditure fluctuations outside the direct control of the government, thus providing leeway for counter-cyclical macro-economic stabilisation.

(ii) Medium-Term Plan commitments and Commission assessment

Out of the 21 Medium-Term Plans the Commission has assessed, it concludes that 20 set out a credible fiscal path. All Member States were found to be compliant with the Regulation's requirements regarding the net expenditure path, with the exception of the Netherlands, whose proposed net expenditure growth is projected to lead to a breach of the Treaty reference values in the medium term. In light of the Netherlands' statement in its plan that it was waiving its right to submit a revised plan, the Commission is thus proposing that the Council instead recommend a net expenditure path consistent with the technical information the Commission transmitted to the Netherlands. For the other Member States, the Commission is proposing that the Council recommend the net expenditure paths included by Member States in their plans. Table 2 shows the net expenditure growth planned by Member States across the Medium-Term Plan horizons.

The Commission assessed the net expenditure growth path in the plans against the requirements set by the Regulation. Concerning the underlying assumptions, the assessment relies on two main elements. First, where Member States have used macroeconomic and fiscal assumptions in their plan that differ from the prior guidance, the Commission has assessed whether the difference is explained and duly justified in a transparent manner and based on data-driven and sound economic arguments. Second, the Commission has assessed whether these differences in assumptions, considered both in isolation and jointly, affect the average net expenditure growth to which the Member State commits during the adjustment period. Overall, the Commission has found that, when the net expenditure path in the plan is higher than the prior guidance, this is backed by duly justified differences in assumptions.

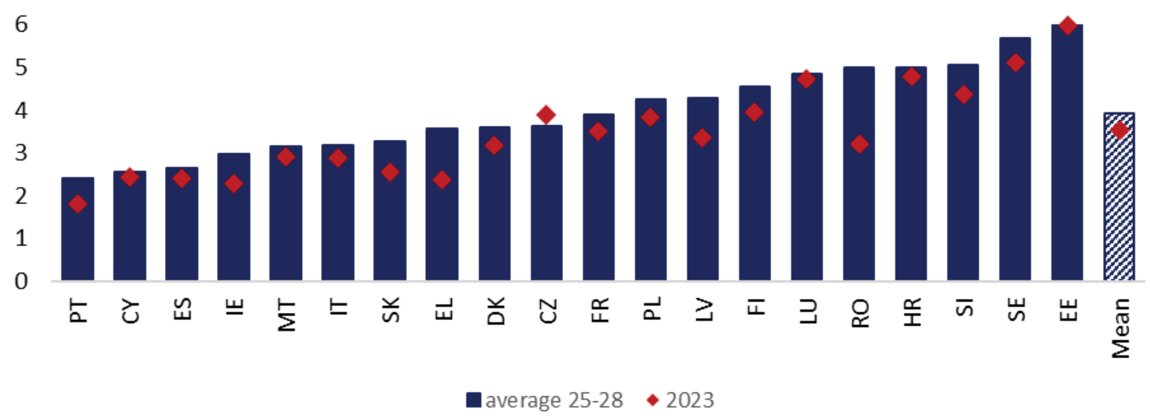
For five Member States, the recommended fiscal adjustment period is extended to seven years based on their commitment to a relevant set of investment and reforms. In all five cases (Finland, France, Italy, Romania and Spain), the set of reforms and investments was assessed as meeting the Regulation's conditions for an extension. Reforms and investments commitments were found to improve growth and resilience potential in a sustainable manner and support fiscal sustainability. They address the common priorities of the Union and the relevant CSRs and ensure that the level of nationally financed public investment is at least maintained throughout the plan's horizon. They are also consistent and, whenever possible, complementary with the commitments included in the RRPs and the Partnership Agreement agreed under the MFF. Each of the reform and investment commitments is sufficiently detailed, front-loaded, time-bound and verifiable. All five Member States have included RRP measures underpinning the extension that are aimed at improving fiscal sustainability and enhancing the growth potential of their economies. In many cases, the Member States have committed to continuing or increasing the reform effort for these measures throughout the plan's horizon. Examples of measures that are part of the RRPs or that build upon existing RRP measures include reforms of the public expenditure system, pension system, tax system, civil justice, business climate and the labour market as well as investments related to vocational training, healthcare, R&D and the digital and green transitions. Reform and investment commitments made in addition to those included in the RRPs include, for example, social welfare and healthcare reforms, pension and tax reform and measures on access to finance for businesses.

Table 2: Overview of the average net expenditure growth in Medium-Term Plans

	Medium-Term Plan		**Commission prior guidance**
	Average net expenditure growth over the plan horizon	*Final year of the adjustment period*	*Average over the plan horizon*
CZ	3.1	2028	3.5
DK	4.4	2028	5.8
EE	4.7	2028	3.1
IE	5.3	2028	n.a.
EL	3.3	2028	3.1
ES	3.0	2031	2.8
FR	1.1	2031	1.6
IT	1.5	2031	1.5
HR	4.8	2028	4.0
CY	5.2	2028	4.9
LV	4.1	2028	3.7
LU	4.9	2028	n.a.
MT	5.9	2028	5.9
NL	4.2	2028	3.2
PL	4.5	2028	4.5
PT	3.6	2028	3.6
RO	4.4	2031	5.2
SI	4.5	2028	4.4
SK	2.0	2028	2.0
FI	2.4	2031	1.5
SE	4.4	2028	4.5

Note: For countries that did not receive a reference trajectory due to having a general government deficit below 3% of GDP and general government debt below 60% of GDP, the implied net expenditure growth based on their technical information is shown. The average uses 2025 as the starting point.
Source: Member States' medium-term plans, Commission reference trajectory / technical information transmitted on 21 June 2024

Graph 1: **Nationally-financed investment in 2023 vs average 2025-28 (% of GDP)**



Note: NL did not report this information. The Regulation requires Member States extending their adjustment period to at least maintain their level of nationally-financed investment compared to the medium-term level before the start of the plan.
Sources: European Commission 2024 autumn forecasts

ANNEX III: Excessive Deficit Procedures

The Autumn Package includes recommendations setting the fiscal path correcting the excessive deficit for eight Member States that are under an excessive deficit procedure.[12] The corrective path included in the excessive deficit procedure recommendation is consistent with the net expenditure path recommended by the Commission as part of the Medium-Term Plan process if the plan is positively assessed, one element being consistency with the minimum annual adjustment of 0.5% of GDP in structural terms.[13] For Belgium and Hungary, the Commission proposes recommending the reference trajectory as the corrective path, updated based on more recent data, as Belgium has not yet submitted its medium-term plan, while Hungary's plan is still under assessment. These paths could be revised after these Member States' plans have received a positive assessment from the Commission and been endorsed by the Council. Romania has been in excessive deficit procedure since 2020 and, following the July Council decision on the lack of effective action under Article 126(8), the Commission proposes a revised recommendation under Article 126(7) with a corrective path that is likewise based on Romania's medium-term plan. The deadline for the correction of the excessive deficit is set taking into account the correction date indicated in the plan (where available), cross-checked with the European Commission 2024 Autumn forecast and the Commission medium-term government debt projection framework.

The Commission has assessed whether an excessive deficit exists in Austria and Finland. In the context of the autumn excessive deficit procedure notification, Austria and Finland reported a planned deficit for 2024 above the 3% of GDP reference value. For both Austria and Finland, the deficit in excess in 2024 has been assessed as not close to the reference value. Based on Commission Autumn 2024 Forecast, the government deficit in Austria is projected to exceed 3% of GDP over the forecast horizon, until 2026, under a no policy change assumption as the Commission forecast does not consider a budget for 2025 since it has been delayed by the Austrian electoral cycle. This is not the case for Finland (where the government deficit is not likely to exceed the reference value in 2025 and 2026). As a result, the excessive deficit has been assessed as not temporary for Austria and as temporary for Finland. In addition, the planned deficits in excess over the reference value for both Austria and Finland have been impacted by unfavourable macroeconomic conditions, and therefore they have been assessed as exceptional. For both Member States, the analysis carried out in the Article 126(3) report suggests that the deficit criterion is not fulfilled, before the consideration of the relevant factors. However, since the double condition necessary for relevant factors to be taken into account by the Council and the Commission in the steps leading to the decision on the existence of an excessive deficit is not met in both Member States, relevant factors cannot be taken into account. In light of its assessment in the Article 126(3) report, and after considering the opinion of the Economic and Financial Committee as established under Article 126(4) TFEU, the Commission will consider to propose to the Council to establish that an excessive deficit exists

[12] In light of the medium-term plans under the new framework, which include Member States' reform priorities, the recommendations to euro area Member States under an excessive deficit procedure do not recommend submitting an economic partnership programme in accordance with Article 9 of Regulation 473/2013.

[13] In line with the transitional provisions set out in Regulation (EU) 2024/1264 and against the backdrop of the significantly changed interest rate environment, the Commission may, during a transition period in 2025, 2026 and 2027, adjust this benchmark to take into account the increase in interest payments when setting the proposed corrective path relating to the first medium-term fiscal-structural plans.

in Austria. In the exchange leading to this report, the Austrian authorities recalled that negotiations are currently ongoing to form a government. The authorities expressed their intention to take the necessary action to bring the deficit below 3% in 2025 without having to open an excessive deficit procedure. This would require a package of corrective measures, in time for the ECOFIN meeting of January 2025. The Commission stands ready to assess such a package as soon as related measures are formally agreed by the government and sufficiently detailed. In contrast, according to the Commission Autumn 2024 Forecast, Finland's deficit is projected to no longer exceed the reference value from 2025, and that without additional measures. The Commission is thus of the view that initiating an excessive deficit procedure for Finland would not serve a useful purpose at this stage.

The Commission has also reviewed the budgetary situation of Member States which were concerned by the Article 126(3) TFEU report in spring 2024 but for whom the Commission did not recommend the opening of excessive deficit procedures. These comprise Czechia, Estonia, Spain and Slovenia. Taking into account the autumn excessive deficit procedure notification and the Commission Autumn 2024 Forecast, no substantive changes in the budgetary situation of Czechia and Spain are observed compared to spring, while for Estonia and Slovenia the situation has in fact improved. Overall, the conclusions of the Article 126(3) report in spring – that the excessive deficit procedure should not be opened for these countries – are still deemed as pertinent for all four Member States this autumn. A more detailed assessment is provided in Annex V.

ANNEX IV: OVERVIEW OF THE DRAFT BUDGETARY PLANS AND THE EURO AREA FISCAL STANCE

Euro area Member States' Draft Budgetary Plans for 2025 set out the budgetary implementation of the first year of their medium-term plans. The Draft Budgetary Plans were submitted to the Commission and Eurogroup in October 2024 before their submission to national parliaments by all euro area Member States except Austria, Belgium, and Spain[14]. Against the background of the Commission's 2024 autumn forecast, the Commission has adopted Opinions on whether the plans are compliant with the Council recommendations of 21 October 2024, which in practice means if they are compliant with the new EU fiscal framework. The Commission's approach to this assessment and its opinions are explained and summarised in the first part of this Annex. The Draft Budgetary Plans allow the Commission to assess the euro area fiscal stance and overall budgetary situation and prospects, which is done in the second part of this Annex.

(i) *Summary assessment of Member States' Draft Budgetary Plans*

The following is a summary of the Commission's assessment of the 2025 Draft Budgetary Plans and on national budgetary policies.[15] The Opinions are based on the Commission 2024 autumn forecast including the information in the Draft Budgetary Plans.

The assessment of the Draft Budgetary Plans is focused on net expenditure growth. The 2024 fiscal CSRs are qualitative. Their central element is a recommendation to all Member States to: 'limit the growth in net expenditure in 2025 to a rate consistent with putting (or keeping) the general government debt on a plausibly downward trajectory over the medium term and reducing (or maintaining) the general government deficit below 3% of GDP'. Making this more operational means assessing whether net expenditure is within the ceilings set out in the Member States' medium-term plans, provided such a plan is available and the ceilings are consistent with the requirements of the new framework. Otherwise, the Commission based its assessment on the prior guidance provided to the Member States on 21 June 2024. From next year, the Draft Budgetary Plan assessments will be guided by the multi-annual net expenditure path for each Member State set in the Council recommendation endorsing the medium-term plan.

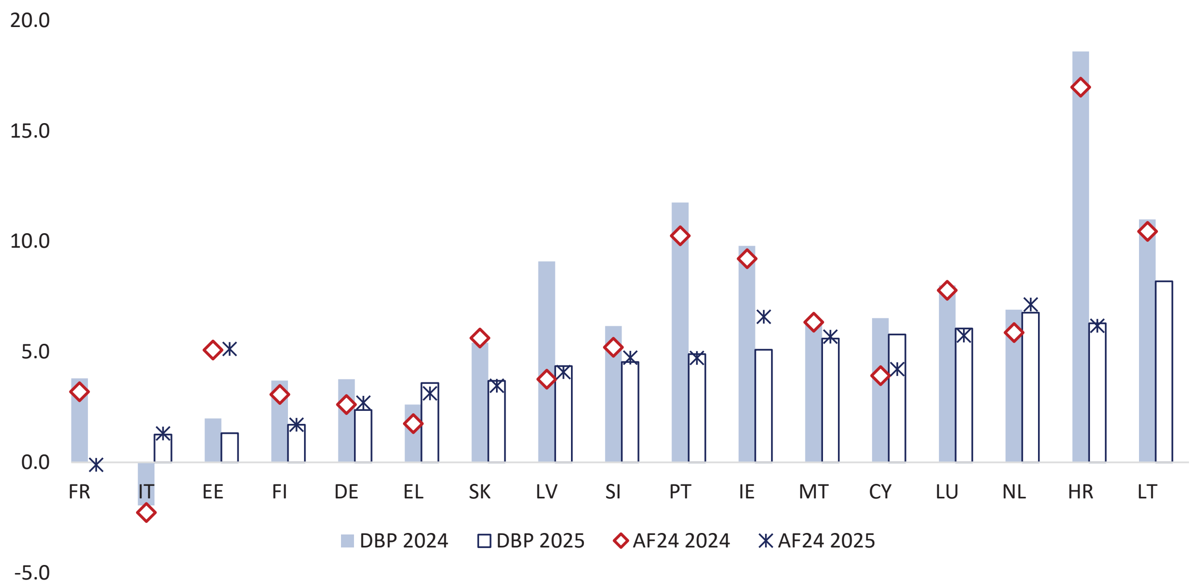
The assessment of net expenditure growth examines 2025 annual and 2024-2025 cumulative growth rates. As a first step, the Commission looked at the 2025 annual growth rate (with a 0.3% of GDP threshold marking the difference between "not fully in line" and "not in line"). As a second step, the cumulative growth rate over 2024-2025 (with a 0.6% of GDP

[14] The Commission did not require Member States to submit a Draft Budgetary Plan under the assumption of unchanged policies. Such "no policy change" Draft Budgetary Plans were submitted in past rounds where, for example, a government was not tabling a draft budget in the national parliament. This autumn, the Member States in such situations – Belgium, Austria and Spain - have been asked to postpone the submission until a fully-fledged Draft Budgetary Plan can be prepared. In any case, the Commission continuously monitors the budgetary situation in all Member States, based on all available information, including technical exchanges between national authorities and Commission services.

[15] The Opinions are accompanied by a Statistical Annex including the necessary information to assess Member States' plans.

threshold between "not fully in line" and "not in line"[16]). The conclusion in the Draft Budgetary Plan opinion depends on the less favourable of the two (annual or cumulative growth rate).

Graph 2: **Net expenditure growth in 2024 and 2025: Draft Budgetary Plan vs 2024 Autumn Commission forecast**



Source: European Commission 2024 autumn forecast
Note: Austria, Belgium, and Spain have not submitted Draft Budgetary Plans. The net expenditure growth from France's Medium-Term Plan is shown as it did not report net expenditure growth in its Draft Budgetary Plan.

The assessment of the Draft Budgetary Plans of Malta, Portugal and Luxembourg also took into account the Council recommendation to phase out the remaining energy emergency support measures. Luxembourg, Malta and Portugal are the only euro-area Member States that received a country-specific recommendation to phase out the emergency energy support measures by winter 2024/25. For all three, the Commission concludes that they do not phase out these measures. As a result, the overall conclusion in the Draft Budgetary Plan opinion is adjusted from "in line" (i.e., the assessment based on net expenditure growth) to "not fully in line".

Overall, eight euro-area Member States's Draft Budgetary Plans are considered to be in line with the fiscal recommendations, while seven are not fully in line, one is not in line, and one risks not to be in line:

- Croatia, Cyprus, France, Greece, Italy, Latvia, Slovakia and Slovenia are assessed to be **in line** with the recommendations, as their net expenditure is projected to be within the ceilings.
- Estonia, Germany and Finland are assessed to be **not fully in line** as their annual (Finland) and/or cumulative (Estonia, Germany) net expenditure is projected to be above the respective net expenditure growth ceilings, but still within the thresholds for the control account foreseen in the Regulation. Ireland's cumulative net expenditure is also projected to be above the respective ceiling.

[16] These 0.3%/0.6% thresholds are consistent with the thresholds from the control account.

- Luxembourg, Malta, Portugal are assessed to be **not fully in line** with the recommendation: as they do not phase out the energy emergency support measures by winter 2024-2025, while their net expenditure is projected within the net expenditure growth ceilings.
- The Netherlands is assessed to be **not in line** with the recommendation, as the net expenditure (both in annual and in cumulative terms) is projected above the ceiling.
- Lithuania is assessed to **risk being not in line** with the recommendation, as the net expenditure (both in annual and in cumulative terms) is projected to exceed the rates that the Commission would consider as an appropriate first step in the implementation of the new economic governance. However, Lithuania has not yet submitted its Medium-Term Plan.

For the euro area Member States that have not submitted a Draft Budgetary Plan for 2025 (Austria, Belgium, Spain), the Commission cannot at this stage assess whether those Member States' fiscal policies in 2025 are in line with the recommendations.

(ii) *Overall fiscal developments in the euro area, including the aggregate fiscal stance*

Member States' fiscal policies would help bring the euro area deficit below 3% of GDP in 2025. The pace of reduction of public deficits halted in 2023, despite the phase-out of COVID-19 temporary emergency measures, due to weak economic growth and sizeable revenue shortfalls. However, the euro area aggregate deficit is expected to have decreased again in 2024, reaching 3.0% of GDP in the Commission Autumn 2024 Forecast, driven by fading subsidies to private investment (notably for housing renovations in Italy) and strong revenue developments.[17] The deficit is then set to decline marginally to 2.9% of GDP in 2025, thanks to the consolidation efforts from Member States to ensure fiscal sustainability in the medium term, as set out in the new fiscal framework. This forecast is largely in line with the projections in Member States' Draft Budgetary Plans.

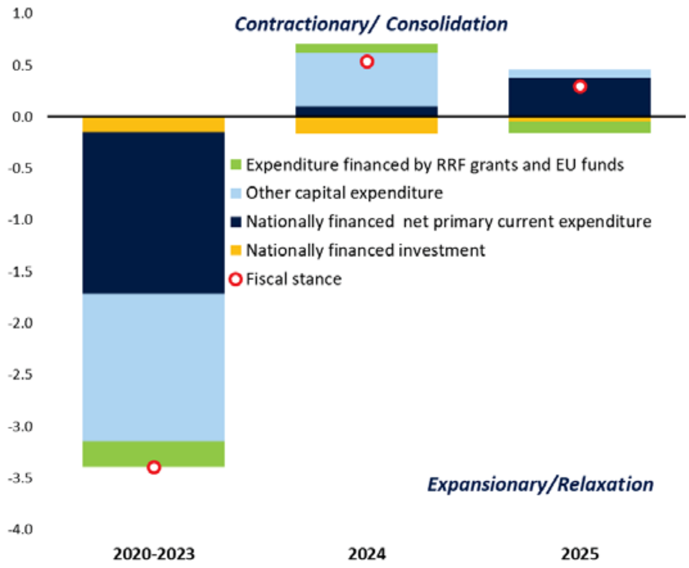
The euro area public debt-to-GDP ratio is projected to increase marginally in 2025, but it remains significantly below its 2020 peak. Both the Draft Budgetary Plans and the Commission forecast project a slight increase in the debt-to-GDP ratio to 90% in 2025, down from almost 99% of GDP in 2020. The public debt ratio is rising due to continued high primary deficits and rising interest expenditure, while lower inflation means that nominal GDP growth is weaker, moderating the increase in the denominator.

The euro area fiscal stance is set to be contractionary in 2024 after a long period of expansion.[18] The contraction of ½% of GDP, projected in the Commission's autumn forecast, follows four years of large crisis-related expansion, totalling around 3½% of GDP.[19] The euro

[17] Further detail on the EU fiscal outlook is presented in the Commission's Autumn 2024 forecast: https://economy-finance.ec.europa.eu/publications/european-economic-forecast-autumn-2024_en
[18] The contribution to the fiscal stance of total nationally financed net expenditure is projected to be contractionary (close to ½% of GDP) in both 2024 and 2025.
[19] The fiscal stance measures the short-term impulse to the economy from discretionary fiscal policy. It is based on the increase in net expenditure relative to 10-year nominal potential output growth. The net expenditure aggregate used to assess the fiscal stance includes expenditure financed by RRF grants and other EU funds.

area fiscal stance in 2024 has primarily been driven a reduction in other capital expenditure, which relates to the phase-out of large subsidies for private investment (especially housing renovations in Italy) (Graph 3). The phase-out of remaining energy measures was largely offset by new net current expenditure, which could weigh on fiscal consolidation efforts in the coming years.

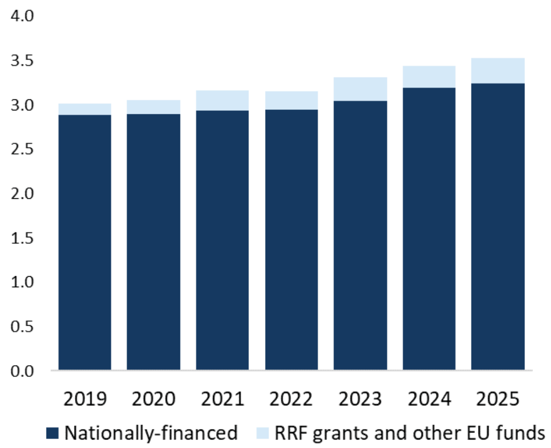
Graph 3: **The euro area fiscal stance and components, 2020-2025 (% of GDP)**



Note: the fiscal stance for 2020-2023 is cumulative.
Source: European Commission 2024 autumn forecast

The euro area fiscal stance is projected to be slightly contractionary in 2025, with the reduction in net current expenditure partially offset by increasing investment. According to the autumn forecast, the fiscal stance is expected to be slightly contractionary at just above ¼% of GDP, driven by a reduction in net current expenditure, as well as a small further contraction in government subsidies for private investment. This contractionary effect is partly offset by a slight expansion in investment, both that financed by national budgets and by RRF grants and other EU funds (Graph 4). This suggests that the new fiscal framework has been effective, at its outset, in ensuring that consolidation does not come at the cost of reducing necessary investments in the green and digital transitions, productivity and competitiveness.

Graph 4: **Euro area public investment 2019-2025 (% of potential GDP)**



(1) Nationally-financed investment includes the national co-financing of EU funds.

Sources: European Commission 2024 autumn forecasts

This slightly contractionary fiscal stance is appropriate in 2025. First, the contraction in current expenditure is consistent with the need to gradually improve the sustainability of the public finances in some Member States, after the period 2020-2023 when the normal operation of the EU fiscal rules was suspended by the activation of the general escape clause to address the impact of the COVID-19 crisis and the Russia's war of aggression against Ukraine and the related energy crisis. Second, debt pressures will continue to increase due to *inter alia* ageing costs, the green and digital transition and defence, as well as the less favourable interest-growth differential, which all create a need for future additional fiscal space. Third, the slight expansion in investment in 2025, continuing the trend since the pandemic, is consistent with the need to ensure sustainable and inclusive growth in the medium and long-term and with the focus of the new framework on incentivising reforms and investment. An overall slightly contractionary fiscal stance coupled with continued investment growth would also avoid any significant negative effect on aggregate economic activity in the euro area in the short term and also the longer term.

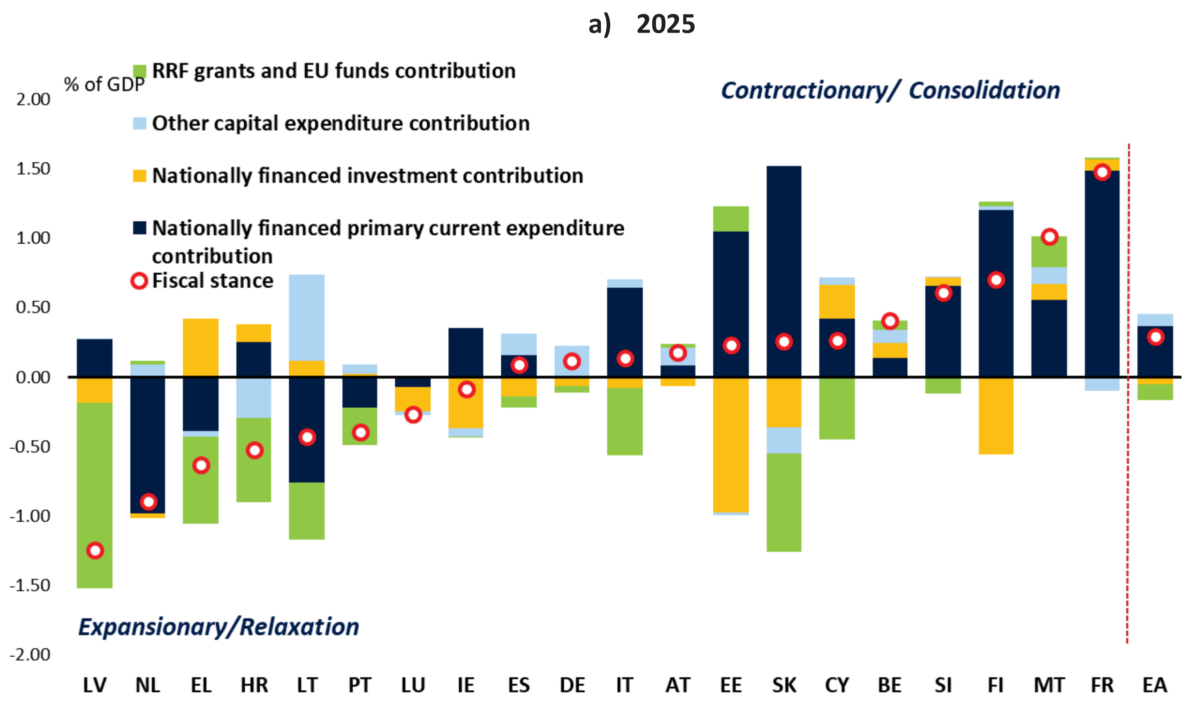
The slightly contractionary fiscal stance projected in the euro area for 2025 would support the effort of monetary policy to ensure that inflation returns to target. In June 2024, thanks to falling inflation, the ECB began lowering its deposit facility rate – the rate through which the Governing Council steers the monetary policy stance – to 3.75%, after nine months of holding it steady at 4%. Since then, the ECB has further cut the deposit facility rate twice by 25 basis points, to the current 3.25%. The ECB stated that policy rates will remain sufficiently restrictive for as long as necessary to ensure that inflation returns to the 2% medium-term target in a timely manner. A slightly contractionary euro area fiscal stance in 2025 would thus contribute to a policy mix lowering inflationary pressures, potentially providing room to the monetary authorities to further reduce interest rates in the future. This would have a positive effect on fiscal sustainability.

(iii) Member States' fiscal situation

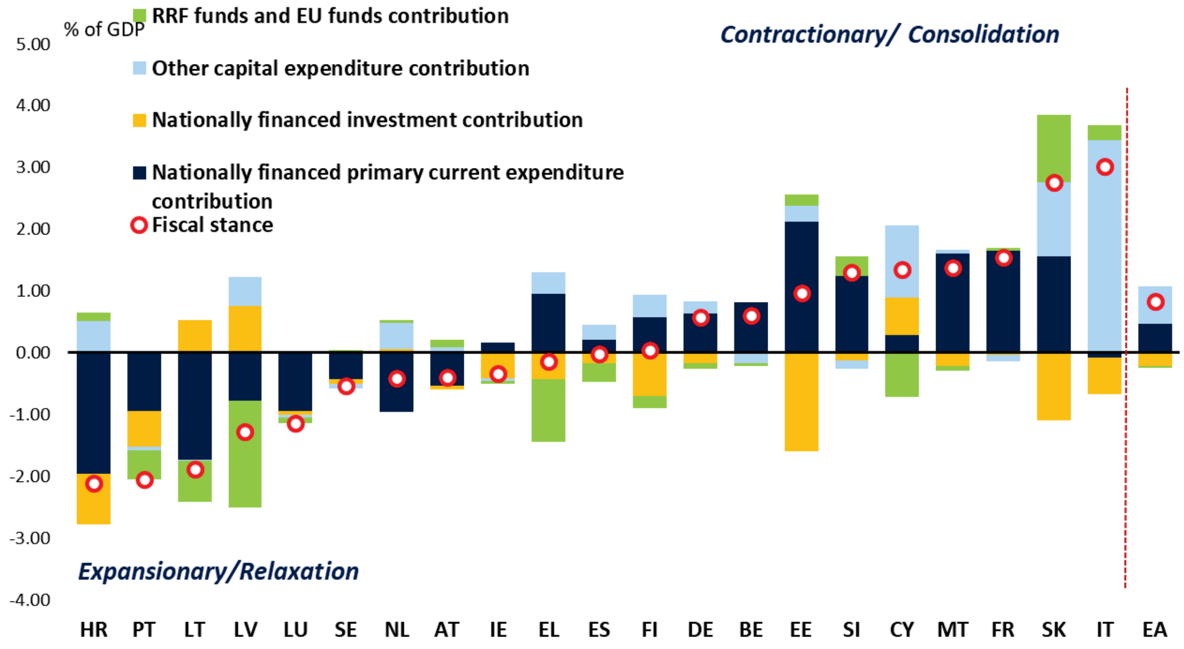
Deficit and debt remain very diverse in the euro area, in particular regarding their compliance with the Treaty-based reference values. Four euro area Member States plan a budgetary deficit above 3% of GDP in 2025 (France, Italy, Malta, Slovakia), with Belgium and Austria also projected to be above 3% in the Commission forecast. Turning to public debt, eleven euro-area Member States are projected to have a debt ratio above 60% of GDP in 2025. Developments vary across countries, with the debt ratio increasing in more than half of euro area Member States, including in three of the five Member States with debt above 100% of GDP (Belgium, France and Italy).

The fiscal stance is still projected to be very heterogeneous across Member States in 2025. This geographical heterogeneity has also been evident in 2024, when half of euro area Member States are projected to have an expansionary stance, despite an overall contractionary euro area stance. In 2025, one third of euro area Member States are expected to have an expansionary stance, compared with a contractionary stance in six, while it would be broadly neutral in the remainder of Member States. As expected, in the Member States with the largest adjustment needs under the new framework, the stance is projected to be contractionary. Thus, the fiscal stance will range from a contraction of 1½% to an expansion of 1¼% of GDP (Graph 5). In terms of composition, nationally-financed current expenditure is projected to contract in the majority of Member States. The contraction is driven by a reduction in non-energy-related expenditure in most countries (and the phasing-out of remaining energy measures in some Member States).

Graph 5: **Fiscal stance and components of euro area Member States, 2025 and 2024-25 (% of GDP)**



b) 2024-2025 cumulative



(1) Nationally-financed investment includes the national co-financing of EU funds.

Sources: European Commission 2024 autumn forecasts (AF2024)

Public investment is projected to increase in 2025 in almost all Member States, with varying contributions from national budgets and a significant impact of the RRF grants and EU funds in several Member States. According to the Commission's forecast, overall investment will increase in all but three euro area Member States. Nationally-financed investment is expected to make an expansionary contribution in half of the Member States in 2025. In the countries where nationally-financed investment is contractionary, the absorption of RRF grants and other EU funds is expanding. The absorption of RRF grants is set to accelerate further in 2025, to 0.4% of GDP, making an expansionary contribution in almost all Member States, and the absorption of other EU funds is also accelerating. This will allow the EU to continue to finance investment projects and productivity-enhancing reforms while ensuring Member States can improve national fiscal sustainability.

ANNEX V: Re-assessment of Member States included in the Article 126(3) report of the Spring 2024 Package, for whom the Commission concluded not to propose opening excessive deficit procedures

- **Czechia:** a deficit of 3.7% of GDP for 2023 and a planned deficit for 2024 equal to 2.3% of GDP were notified in spring. As a result, Czechia was included in the Article 126(3) report in spring. However, the deficit criterion was assessed as fulfilled in 2023 due to the mitigating nature of the relevant factors. The excessive deficit procedure notification in autumn points to a deficit of 3.8% of GDP in 2023 and of 2.8% of GDP in 2024, denoting a marginal deterioration compared to spring. The relevant factors that were considered in spring appear to remain applicable. Moreover, according to the Commission Autumn 2024 Forecast, the deficit is projected at 2.5% of GDP in 2024, at 2.3% of GDP in 2025 and at 1.9% of GDP in 2026. Overall, no substantive changes in the situation of Czechia are detected in autumn compared to spring and the conclusion of the 126(3) Report in spring (namely, not to propose the opening of an excessive deficit procedure) is deemed as still pertinent for Czechia this autumn.
- **Estonia:** the excessive deficit procedure notification in spring pointed to a deficit of 3.4% of GDP for 2023 and a planned deficit of 2.9% of GDP for 2024. As a result, Estonia was covered by the 126(3) Report in spring. The deficit in 2023 was assessed as close to the reference value, and the excess over the 3% reference value was assessed as due to exceptional circumstances. Overall, the deficit criterion was assessed as fulfilled due to the mitigating nature of the relevant factors. The excessive deficit procedure notification in autumn reflects a substantive improvement compared to spring for the year 2023, with a deficit now at 2.8% of GDP, but a slightly higher planned deficit for 2024, at 3.0% of GDP. In its press release of 22 October 2024, Eurostat expressed a reservation on the quality of data reported by Estonia for 2023. Eurostat is discussing with the Estonian statistical authorities the appropriate time of recording of military expenditure, impacting the deficit by around 0.4% of GDP. The relevant factors that were considered in spring appear to remain applicable. According to the Commission Autumn 2024 Forecast, the deficit is projected to remain at 3.0% of GDP in 2024, 2025 and 2026. Overall, the budgetary situation has improved compared to spring, since no breach of the deficit-to-GDP ratio is observed in 2023 and 2024 based on the autumn notification. Therefore, the conclusion of the 126(3) Report in spring (namely, not to propose the opening of an excessive deficit procedure) is deemed as still pertinent for Estonia this autumn.
- **Spain:** the spring notification reported an actual deficit of 3.6% of GDP for 2023 and a planned deficit of 3.0% of GDP for 2024. As the Commission Spring 2024 Forecast pointed to a deficit of 3.0% of GDP in 2024 and of 2.8% of GDP in 2025, the 126(3) Report adopted in spring concluded that initiating an excessive deficit procedure at that stage would not serve a useful purpose. The excessive deficit procedure notification in autumn points to a deficit of 3.5% of GDP in 2023, and to a planned deficit of 3.0% of GDP in 2024, therefore not revealing any deterioration compared to the figures notified in spring. According to Commission Autumn 2024 Forecast, the deficit is projected at 3.0% of GDP in 2024, 2.6% of GDP in 2025 and 2.7% of GDP in 2026. Overall, no

substantive changes in the situation of Spain are detected in autumn compared to spring and the conclusion of the 126(3) Report in spring (namely, not to propose the opening of an excessive deficit procedure) is deemed as still pertinent for Spain this autumn.

- **Slovenia:** In spring, Slovenia notified an actual deficit of 2.5% of GDP in 2023 and a planned deficit of 3.6% of GDP for 2024. However, due to the uncertainty surrounding planned data and considering that the Commission Spring 2024 Forecast pointed to a deficit of 2.8% of GDP in 2024, it was decided not to open an excessive deficit procedure for Slovenia in spring. The excessive deficit procedure notification in autumn points to a 2023 deficit of 2.6% of GDP and an improvement of the planned deficit in 2024 to 2.9% of GDP, hence below the reference value. According to Commission Autumn 2024 Forecast, the deficit is projected at 2.4% of GDP in 2024 and at 2.1% of GDP both in 2025 and 2026. Overall, the budgetary situation has improved compared to spring, since no breach of the deficit-to-GDP ratio is observed in 2023 and 2024 based on the autumn notification. As a result, the conclusion of the 126(3) Report in spring (namely, not to propose the opening of an excessive deficit procedure) is deemed as still pertinent for Slovenia this autumn.

ANNEX VI: Debt sustainability analysis and sensitivity analysis

This Annex presents a sensitivity analysis of public debt developments to possible macroeconomic shocks, as required by Article 7 of Regulation (EU) No 473/2013. Stochastic debt projections are used to assess the possible impact on public debt dynamics of risks to nominal GDP growth, financial market developments and fiscal shocks affecting the government budgetary position ([20]).

The stochastic projections account for macroeconomic uncertainty around one 'central' debt projection scenario in 2025-2029: the Commission 2024 autumn forecast scenario. In this scenario, the usual 'no-fiscal policy change' assumption is applied beyond the forecast horizon ([21]). As such, this scenario does not include the fiscal consolidation commitments in the medium-term fiscal structural plans submitted by member States.

Shocks are applied to the macroeconomic conditions assumed in the central scenario to obtain the distribution of possible debt paths (the 'cone' in the fan charts shown in Graph 6). The cone corresponds to a wide set of possible macroeconomic conditions, with up to 10000 shocks simulated on growth, short- and long-term interest rates and the primary balance. The size and correlation of these shocks reflect historical volatility and relationships between these variables ([22]). Therefore, the fan charts provide probabilistic information on euro area debt dynamics, taking into account the possible occurrence of shocks to growth, interest rates and the primary balance of a magnitude and correlation mirroring the past developments.

The fan chart reports the projected debt path under the central scenario as a red line. The median outcome of the simulations is shown as a dashed black line. The cone covers 80% of all possible debt paths, while the paths derived from the 20% least likely shocks are not shown. The differently shaded areas within the cone represent different portions of the overall distribution of possible debt paths.

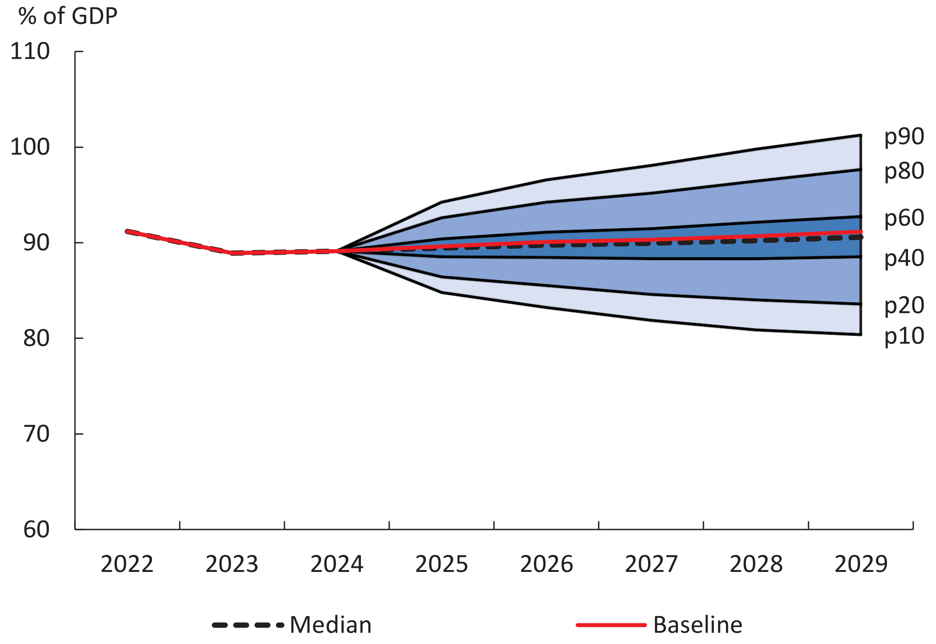
The median debt for 2029 is estimated at 90% of GDP, i.e. there is an equal probability that debt will be higher or lower than that level. Moreover, the baseline points to a slight increase in the debt ratio over the next five years and the stochastic projections suggest with a 57% probability that debt might actually be higher in 2029 than it was in 2024.

[20] The methodology for stochastic public debt projections used here is presented in the European Commission's Debt Sustainability Monitor 2019, Annex A7, and in Berti K. (2013), "Stochastic public debt projections using the historical variance-covariance matrix approach for EU countries", European Economy Economic Paper No. 480.

[21] The Commission 2024 autumn forecast incorporates fiscal policy measures that were adopted or at least credibility announced and information that was available as of 31 October 2024. Beyond 2026 (the last forecast year), the structural primary balance is only modified by the projected (net) costs of ageing.

[22] Shocks are assumed to follow a joint normal distribution.

Graph 6: **Fan charts from stochastic debt projections around the Commission's baseline scenario; euro area**



Note: the dashed line represents the median while the red line represents the baseline

ANNEX VII: Tables of macro and fiscal indicators

	Real GDP growth (%)				Headline balance (% of GDP)				General government debt (% of GDP)			
	2024		2025		2024		2025		2024		2025	
Country	DBP	COM	DBP	COM	DBP	COM	DBP	COM	DBP	COM	DBP	COM
BE	n.a.	1.1	n.a.	1.2	n.a.	-4.6	n.a.	-4.9	n.a.	103.4	n.a.	105.1
DE	0.3	-0.1	1.0	0.7	-2 ½	-2.2	-1 ¾	-2.0	63 ¼	63.0	63 ¼	63.2
EE	-1.0	-1.0	2.1	1.1	-2.7	-3.0	-3.0	-3.0	23.7	23.2	25.0	24.2
IE	-0.2	-0.5	3.9	4.0	4.5	4.4	1.7	1.4	41.4	41.6	37.9	38.3
EL	2.2	2.1	2.3	2.3	-1.0	-0.6	-0.6	-0.1	153.7	153.1	149.1	146.8
ES	n.a.	3.0	n.a.	2.3	n.a.	-3.0	n.a.	-2.6	n.a.	102.3	n.a.	101.3
FR	1.1	1.1	1.1	0.8	-6.1	-6.2	-5.0	-5.3	112.9	112.7	114.7	115.3
HR	3.6	3.6	3.2	3.3	-2.1	-2.1	-2.3	-2.1	57.4	57.3	56.0	56.0
IT	0.7	0.7	1.2	1.0	-3.8	-3.8	-3.3	-3.4	135.8	136.6	136.9	138.2
CY	3.7	3.6	3.1	2.8	3.9	3.5	2.7	2.7	68.9	66.4	64.1	61.4
LV	1.4	0.0	2.9	1.0	-2.6	-2.8	-2.9	-3.2	45.8	48.1	47.0	50.3
LT	2.3	2.2	2.9	3.0	-2.2	-2.0	-3.0	-2.4	39.4	38.3	43.2	41.0
LU	1.5	1.2	2.7	2.3	-0.6	-0.6	-0.6	-0.8	27.5	27.5	27.5	27.6
MT	4.9	5.0	4.3	4.3	-4.0	-4.0	-3.5	-3.5	49.5	49.8	50.1	50.4
NL	0.6	0.8	1.5	1.6	-1.8	-0.2	-2.5	-1.9	45.0	43.3	46.7	44.3
AT	n.a.	-0.6	n.a.	1.0	n.a.	-3.6	n.a.	-3.7	n.a.	79.5	n.a.	80.8
PT	1.8	1.7	2.1	1.9	0.4	0.6	0.3	0.4	95.9	95.7	93.3	92.9
SI	1.5	1.4	2.4	2.5	-2.9	-2.4	-2.6	-2.1	67.5	67.1	65.4	64.4
SK	2.3	2.2	2.2	2.3	-5.8	-5.8	-4.7	-4.7	58.9	58.9	59.6	59.8
FI	-0.2	-0.3	1.7	1.5	-3.7	-3.7	-2.9	-3.0	81.7	82.6	83.2	84.7
EA20	**0.9**	**0.8**	**1.5**	**1.3**	**-3.2**	**-3.0**	**-2.8**	**-2.9**	**89.2**	**89.1**	**89.5**	**89.6**

Note: Austria, Belgium, and Spain have not submitted Draft Budgetary Plans.
Source: European Commission 2024 autumn forecasts (AF2024)