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Brussels, 25.11.2025
COM(2025) 951 final

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

Reflecting the economic governance framework in national fiscal policy

{SWD(2025) 951 final}

INTRODUCTION

Today's Autumn Package comes at a time of serious challenges, in the EU and globally, yet the EU economy is forecast to remain resilient, with continued modest growth. As one of the world's most open economies, the EU is exposed to rising global trade restrictions, tensions and often unfair competition from other trade partners, compounding uncertainty linked to Russia's war of aggression against Ukraine. Recent data indicates that economic activity expanded at a faster-than-anticipated pace in the first half of 2025, partly due to the front-loading of goods production and exports ahead of higher US import tariffs. While momentum is expected to have eased in the second half of the year, euro area real GDP is forecast to grow by 1.3% in 2025, slightly above the projections set out in the Commission Spring 2025 forecast. While the pace of growth is expected to ease in 2026, resilient consumer spending and investment are expected to support real GDP growth of 1.2%¹.

Maintaining fiscal stability is key to underpin sustainable growth and resilience. The EU's reformed fiscal framework, which entered into force in 2024, is now fully operational. Today's Autumn Package marks an important milestone in putting this framework into operation. All Member States have submitted their medium-term fiscal-structural plans (MTFSP) and the Council has adopted recommendations setting net expenditure paths² for each of them³.

This Communication takes stock of fiscal developments in 2025 and the budgetary outlook for 2026, assessing Member States' compliance with the EU fiscal framework. The scope of this communication extends to all Member States, with a specific focus on the euro area. Euro area Member States have submitted their Draft Budgetary Plans (DBPs) for 2026 to the Eurogroup and the Commission, and the Commission has adopted opinions on each of those DBPs. Moreover, this Communication assesses whether Member States in excessive deficit procedure (EDP) are delivering effective action in response to the respective Council Recommendations⁴.

The EU fiscal framework accommodates the necessary increase in defence expenditure. In response to the current geopolitical context and heightened security challenges stemming from Russia's war of aggression against Ukraine, the Commission invited Member States to request the activation of national escape clauses for defence under the Readiness 2030 initiatives⁵. The national escape clauses provide Member States with flexibility to increase defence expenditure, without an immediate need to finance such increase with spending cuts or revenue-raising measures. The flexibility thus gives Member States the necessary time to accommodate higher defence expenditure within national budgets. It allows Member States to

¹ The Commission published the [Autumn 2025 Forecast](#) on the 17 November 2025 and the [European Macroeconomic Report](#) (SWD(2025) 957) on the 25 November 2025.

² '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 measure (Regulation (EU) 2024/1263, Article 2).

³ The Council recommendation setting out the net expenditure paths for each Member State is available under the fiscal surveillance tab https://economy-finance.ec.europa.eu/economic-surveillance-eu-member-states/country-pages_en.

⁴ The Autumn package includes a report under Article 126(3) of the Treaty of the Functioning of the European Union.

⁵ The Commission and the High Representative have presented a [White Paper for European Defence – Readiness 2030](#) on 19 March 2025.

temporarily deviate from the net expenditure path recommended by the Council, provided that those deviations are related to increases in defence spending, by up to 1.5% of GDP over the next four years. So far, the Council has activated the national escape clause for 16 Member States (Belgium, Bulgaria, Croatia, Czechia, Denmark, Estonia, Finland, Germany, Greece, Hungary, Latvia, Lithuania, Poland, Portugal, Slovakia, and Slovenia).

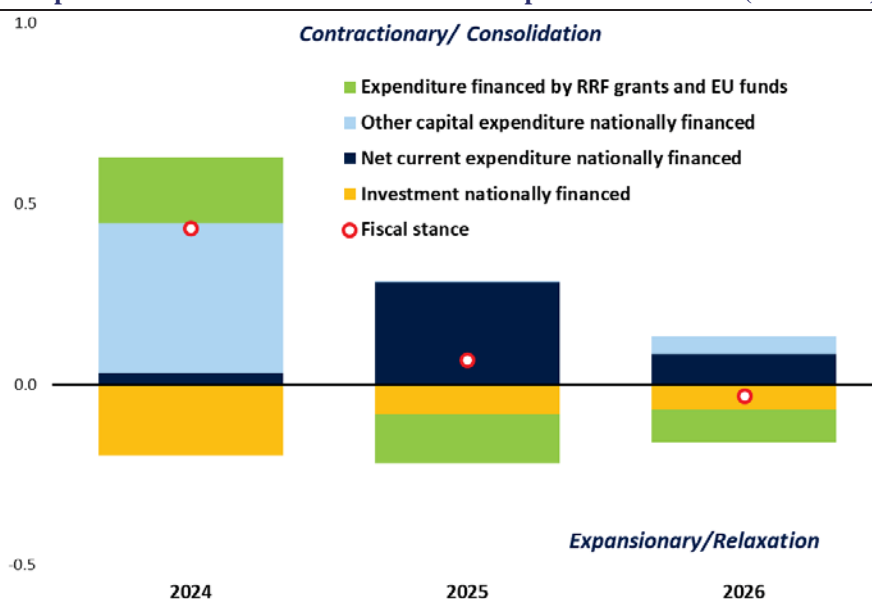
This Communication is structured into two sections. Section I provides an overview of the fiscal situation in the euro area, including the outlook for the years ahead, based on Member States' DBPs and the Commission Autumn 2025 Forecast. It examines the overall fiscal stance and its underlying components, as well as assessing the appropriateness of the fiscal stance, in the euro area as a whole. Section II focuses on the Commission's assessment of Member States' compliance with the ceilings for net expenditure growth as recommended by the Council. For euro area Member States, the assessment takes into account the information provided in their Draft Budgetary Plans. For Member States subject to an EDP the assessment takes into account the Member States' reporting on action taken in response to the respective Council Recommendations. Finally, section II contains a synopsis of the report under Article 126(3) TFEU, on the basis of which the Commission considers new cases for opening an EDP. The annexes provide the underlying analysis and data.

I. FISCAL DEVELOPMENTS AND FISCAL STANCE IN THE EURO AREA

The aggregate euro area general government deficit is expected to slightly increase in both 2025 and 2026. According to the Commission Autumn 2025 Forecast, the aggregate euro area deficit is projected to increase from 3.1% of GDP in 2024 to 3.2% of GDP in 2025. On the basis of current policies, the deficit is expected to rise to 3.3% of GDP in 2026.

After declining substantially in previous years, the aggregate euro area debt-to-GDP ratio has started to rise in 2025 and is expected to increase to 89.8% of GDP at end-2026, from around 88% at end-2024. This increase is driven by persistent primary deficits and some debt-increasing stock-flow adjustments. Additionally, the interest-growth rate differential ("snowball effect") is set to become less favourable as the implicit interest rate paid on debt increases while inflation (GDP deflator) moderates further. Four Member States are forecast to have debt ratios in excess of 100% next year.

Graph 1. The euro area fiscal stance and components 2024-2026 (% of GDP)



Source: Commission Autumn 2025 Forecast

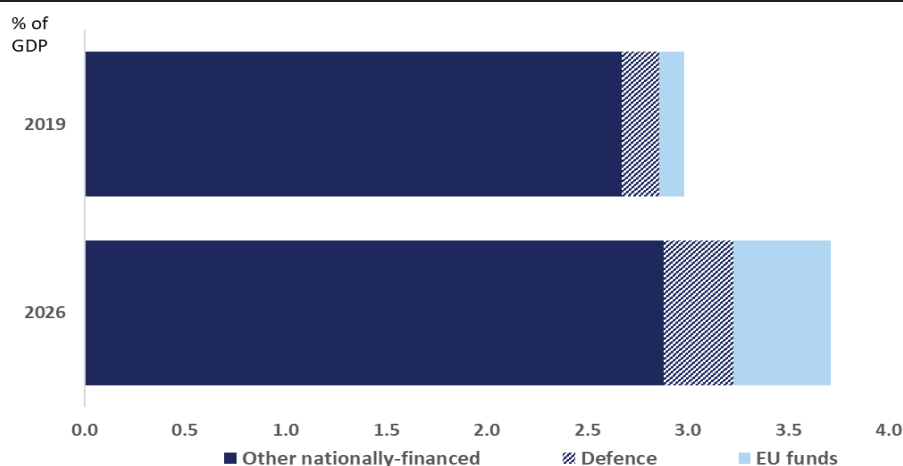
The euro area fiscal stance is projected to be broadly neutral in 2025 and 2026⁶. Reflecting the implementation of the medium-term plans, Member States have restrained nationally-financed current expenditure growth and/or increased revenues in 2025. This restraint has largely been offset by an expansion in nationally financed investment (mainly for defence) and expenditure financed by grants⁷ under the Recovery and Resilience Facility (RRF) and other EU funds. As a result, the overall fiscal stance in 2025 is expected to be broadly neutral. The aggregate euro area fiscal stance is expected to remain broadly neutral also in 2026, as some small restraint in net current and other capital expenditure is offset by the increasing absorption of RRF grants, in its last year of implementation, and other EU funds. Importantly, defence spending is also projected to rise steadily, increasing from 1.4% of GDP in 2024 to 1.7% in 2026.

Euro area public investment is expected to expand further in 2026, driven by a mix of national and EU financing. Investment is set to provide some further expansionary contribution to the euro area fiscal stance in 2026. Public investment in the euro area is projected to reach 3.7% of GDP by 2026, from 3.0% in 2019. The increase between 2019 and 2026 has been supported by both the national and the EU budgets, especially the RRF. Defence investment is also gaining momentum, with around 1/3 of the projected increase in investment in 2025-2026 due to higher defence investment.

⁶ The fiscal stance measures the short-term impulse to the economy from discretionary fiscal policy.

⁷ The term ‘grants’ refers to public expenditure financed by non-repayable support (“grants”) from the RRF and other EU funds.

Graph 2. Euro area public investment 2019-2026 (% GDP)



Source: Commission Autumn 2025 Forecast

The euro area fiscal stance appears broadly appropriate in both 2025 and 2026. The broadly neutral stance is consistent with the decline in inflation and its projected stabilisation around 2%, and with the need to preserve a still moderate growth outlook in an uncertain environment. It is coherent with euro area Member States' efforts to comply with the maximum growth rates of net expenditure recommended by the Council and the use of flexibility under the national escape clause for defence.

The composition of the fiscal stance is appropriate. The consolidation of national public finances, driven by the slowdown in net current expenditure, broadly corresponds to the adjustment needs reflected in the recommended net expenditure paths, especially in high-deficit and high-debt countries. At the same time, RRF and other EU funding contribute to neutralising the contractionary impact of this consolidation. Moreover, the increase in investment – both through national financing and RRF funding – supports the EU's priorities and growth potential. In 2026, there continues to be a need to support the build-up of Member States' defence capabilities, while ensuring that Member States with adjustment needs continue their fiscal efforts, especially on non-defence spending.

II. ASSESSMENT OF DRAFT BUDGETARY PLANS, OF EFFECTIVE ACTION BY MEMBER STATES IN EXCESSIVE DEFICIT AND OF THE FISCAL SITUATION IN OTHER MEMBER STATES

(i) Approach to assess compliance with the EU fiscal framework

Under the reformed economic governance framework, the growth of net expenditure is the single operational indicator to monitor Member States' compliance with the respective Council recommendations. As part of their medium-term plans, Member States commit to maximum growth rates of net expenditure expressed in annual and cumulative terms and, in case an extension of the adjustment period is requested, to a set of reforms and

investments⁸. Once endorsed by the Council, these maximum growth rates or ceilings become the benchmarks for the assessments of compliance during the lifetime of the plans. For Member States subject to an EDP, the corrective net expenditure paths established by the Council are the benchmark for compliance. Nine Member States are currently subject to an EDP: Austria, Belgium, France, Hungary, Italy, Malta, Poland, Romania and Slovakia. Member States for which the Council has activated the national escape clause for defence spending can temporarily deviate from their recommended maximum growth rates for net expenditure, provided that those deviations are related to increases in defence spending by up to 1.5% of GDP over the period 2025 to 2028. This concerns 16 Member States: Belgium, Bulgaria, Czechia, Denmark, Germany, Estonia, Greece, Croatia, Latvia, Lithuania, Hungary, Poland, Portugal, Slovenia, Slovakia and Finland.

The Commission's assessment of compliance is based on the Commission Autumn 2025 Forecast and highlights risks to compliance with a view to ensuring that the Union's policy guidance can be appropriately integrated in the national budgetary preparations. The Commission forecast takes into account information provided by the Member States in their Draft Budgetary Plans for 2026 (for euro area Member States), in their reports on effective action (for EDP countries)⁹, and – more in general – the national budgets of all Member States¹⁰. The assessment of compliance is based on a comparison of net expenditure growth as projected by the Commission Autumn 2025 Forecast with the maximum net expenditure growth recommended by the Council, taking into account the flexibility provided by the national escape clause for defence for the 16 Member States mentioned above¹¹. Box 1 provides a comprehensive overview of how the Commission has undertaken its assessment of compliance, which substantiates the findings presented in this Communication.

⁸ Eight Member States have committed to reforms and investments to underpin an extension of the adjustment period: Austria, Belgium, Germany, France, Italy Finland, Spain and Romania.

⁹ An overview of ongoing and closed excessive deficit procedures is available [here](#). The Council recommendations under Article 126(7) on the correction of the excessive deficit require Member States in EDP to report on action taken in response to the recommendation on a six-monthly basis. For euro area countries in EDP, the DBP can serve as the report on effective action.

¹⁰ In accordance with the legal requirements, macroeconomic forecasts underpinning the national budgets must be independently produced or endorsed. In some Member States (Belgium, Luxembourg, Netherlands, Austria and Slovenia), the forecasts are produced by a national independent fiscal institution (IFI). In other Member States the macroeconomic forecast is endorsed by the national IFI (Cyprus, Estonia, Greece, Spain, Croatia, Ireland, Italy, Lithuania, Latvia, Malta and Portugal) or by an independent expert committee (Germany and Slovakia). In France the IFI assesses the macroeconomic forecasts. In Finland, a department of the Ministry of Finance produces the macroeconomic forecast in line with the EU legal requirements regarding functional independence, but there is no official endorsement by an IFI. Some non-euro area IFIs also assess or endorse the macroeconomic forecasts used in annual budgets.

¹¹ The defence spending relevant to the assessment of compliance is the nationally financed defence expenditure as defined in the Classification of the functions of government (COFOG) in the framework of the European System of National Accounts (ESA2010).

Box 1. Commission's assessment of Member States' compliance with the Council Recommendations

In the autumn 2025 round of fiscal surveillance, the core of the Commission's assessment of the fiscal developments and prospects in the Member States consists in comparing the Commission's projections for net expenditure growth to the maximum growth rates of net expenditure as recommended by the Council. The latter are set either in the Council Recommendations endorsing Member States' medium-term plans or in the Council Recommendations with a view to bringing an end to the situations of excessive deficit. For euro area Member States, the Commission provides this assessment in its opinion on the Draft Budgetary Plans.

For all Member States, deviations from the recommended maximum growth rates of net expenditure are recorded in annual and cumulated terms since the base year of the relevant recommendation, which usually corresponds to the year before the endorsement of a medium-term plan¹².

A Member State is assessed to be compliant when net expenditure growth is within the ceilings recommended by the Council.

Where expenditure growth is higher than recommended (i.e. positive deviations), the Commission considers the size of the deviation in relation to the thresholds of 0.3% of GDP in annual terms and 0.6% of GDP in cumulated terms¹³. A deviation remaining below these thresholds entails a risk of non-compliance, while a deviation above these thresholds entails a risk of material non-compliance.

Moreover, for Member States in EDP, positive deviations in excess of either of these thresholds would entail a strong presumption of non-effective action and could lead to a stepping up of the procedure¹⁴. At the current juncture, there is no outturn data for 2025 and a stepping-up of the procedure would only be considered if the comparison between net expenditure growth projected in the Commission forecast and the recommended corrective net expenditure path (taking the flexibility for defence spending under the national escape clause into consideration as appropriate) pointed to a particularly serious case of non-compliance. Else, the EDP is kept in abeyance. For Member States that are not in EDP but register a debt ratio above 60% of GDP, positive deviations in excess of either of these thresholds would trigger the preparation of a Report under Article 126(3) TFEU when confirmed by outturn data. In this case, the report would assess compliance with the debt criterion and could lead to a debt-based EDP.

For the 16 Member States for which the Council has activated the national escape clause for defence spending, the assessment of compliance includes a check whether an upward

¹² For detailed country-specific tables underpinning the assessment see the Fiscal Statistical Tables providing background data relevant for the assessment of the budgetary policies of the Member States, SWD(2025) 951 final, Brussels 25.11.2025

¹³ Article 2(2) of the amended Regulation (EC) No 1467/97.

¹⁴ Stepping up the procedure means that the Commission recommends to the Council to adopt a decision establishing no effective action under Article 126(8).

deviation from the recommended maximum growth of net expenditure in cumulative terms is explained by a corresponding increase in defence expenditure compared to a reference year, of up to 1.5% of GDP over the period 2025 to 2028. If a deviation can be fully explained by a projected increase in defence expenditure compared to the reference year, the Member State is considered to be compliant with its recommendation.

In its assessment of compliance based on net expenditure growth, the Commission also takes into account the overall budgetary position of a Member State i.e., whether it is close to balance or in surplus.

(ii) Member States that have submitted a Draft Budgetary Plan

For euro area Member States, the DBPs outline the expenditure and revenue measures that they intend to implement in 2026. Most euro area Member States have submitted their DBPs for 2026 in line with the legal deadline of mid-October. Belgium and Spain have not yet submitted a DBP, as no budget for 2026 was tabled in their Parliaments¹⁵. Austria submitted a DBP covering both 2025 and 2026 on 13 May 2025 and the Commission issued an opinion on 23 June 2025¹⁶. Member States in EDP could use the Draft Budgetary Plan also to report on effective action taken under the EDP.

A) Member States in EDP

Three euro area Member States in EDP are projected to be **compliant** with the recommended maximum growth of net expenditure.

- For **Italy**, net expenditure in 2025 and 2026 is projected to grow within the ceilings recommended by the Council. As a result, the EDP is held in abeyance.
- For **Slovakia**, net expenditure in 2025 is projected to grow within the ceilings recommended by the Council, while net expenditure growth in 2026 is projected to be above the ceiling recommended by the Council. However, the projected deviation is expected to be within the flexibility provided by the national escape clause for defence. As a result, the EDP is held in abeyance.
- For **France**, net expenditure growth in 2025 is projected to be slightly above the ceiling recommended by the Council but the deviation does not exceed 0.3% of GDP, beyond which there would be a strong presumption of no effective action. Conversely, net expenditure in 2026 is projected to grow within the ceiling recommended by the Council. As a result, the EDP is held in abeyance. The Commission notes that this assessment is surrounded by considerable uncertainty in view of the ongoing parliamentary discussions.

¹⁵ The Commission keeps monitoring fiscal developments in Belgium and Spain, and has considered all relevant policy measures when preparing its Autumn forecasts. Spain has not submitted a DBP for 2025 either.

¹⁶ The Commission opinion concluded that, the Draft Budgetary Plan of Austria for 2025 and 2026 is in line with the provisions of the Stability and Growth Pact. Commission Opinion on the Draft Budgetary Plan of Austria, 23.06.2025, COM(2025) 4106 final.

One euro area Member State in EDP is projected to be **at risk of material non-compliance** with the recommended maximum growth of net expenditure.

- For **Malta**, net expenditure in 2025 and 2026 (in annual terms) is projected to grow within the ceilings recommended by the Council. However, given a large deviation in 2024, the cumulative deviation in both 2025 and 2026 is well above 0.6% of GDP in both years, entailing a strong presumption of no effective action. While the EDP is held in abeyance at this stage in the absence of outturn data for 2025, Malta is at risk of material non-compliance and may therefore fall short of delivering effective action, which could require a stepping up of the EDP. It should however be noted that a correction of the excessive deficit in 2026 is within reach in view of the large revenue windfalls that occurred in 2024.

B) Member States not in EDP

Six euro area Member States not in EDP are projected to be **compliant** with the recommended maximum growth of net expenditure.

- For **Finland**¹⁷ and **Luxembourg**, net expenditure in 2026 is projected to grow within the ceilings recommended by the Council.
- For **Germany, Estonia, Greece and Latvia** net expenditure growth is projected to be above the ceiling recommended by the Council. However, the deviations projected for these Member States are expected to be within the flexibility provided by the national escape clause for defence.

Three euro area Member States not in EDP are deemed to be **compliant** with the budgetary policy obligations of the Stability and Growth Pact thanks to a budgetary position close to balance or in surplus although net expenditure growth is projected to be above the recommended maximum growth of net expenditure.

- The budgetary positions of **Ireland, Cyprus and Portugal** are projected to be in surplus (Ireland and Cyprus) or close to balance (Portugal), thus contributing to a reduction in the government debt-to-GDP ratio. At the same time, the Commission notes that **Ireland** is at risk of exceeding the recommended maximum growth of net expenditure while **Cyprus** and **Portugal** are at risk of materially exceeding the recommended maximum growth of net expenditure.

Three euro area Member States not in EDP are projected to be **at risk of non-compliance** with the recommended maximum growth of net expenditure.

- For **Croatia, Lithuania and Slovenia**, net expenditure growth in 2026 is projected to be above the ceiling recommended by the Council. However, after taking into account the flexibility provided by the national escape clause for defence, the projected cumulative deviation in 2026 is below 0.6% of GDP.

¹⁷ However, the Commission is of the view that Finland does not fulfil the deficit criterion of Article 126 TFEU, and that, while the Council has activated the national escape clause for Finland, the deficit in excess of the reference value in 2025 is not fully explained by the increase in defence expenditure (see below).

One euro area Member State not in EDP is projected to be **at risk of material non-compliance** with the recommended maximum growth of net expenditure.

- For the **Netherlands**, net expenditure growth in 2026 is projected to be well above the ceiling recommended by the Council as both the annual and the cumulated deviations are above 0.3% and 0.6% of GDP, respectively.

(iii) Member States in Excessive Deficit Procedure that have not submitted a Draft Budgetary Plan

For euro area Member States in EDP that have not submitted a DBP in autumn and for non euro area Member States in EDP, the Commission has also undertaken an assessment of effective action on the basis of its forecast. As a result, the EDP is held in abeyance for all concerned Member States.

- For **Austria**, net expenditure in 2025 and 2026 (in both annual and cumulative terms) is projected to grow within the ceilings recommended by the Council. The Commission 2025 Autumn Forecast for Austria integrates the policy measures already laid out in the DBP submitted on 13 May 2025 as well as more recent information. Austria is therefore projected to be compliant with the recommended maximum growth of net expenditure.
- For **Belgium** and **Poland**, net expenditure growth in 2025 and 2026 (in cumulative terms) is projected to be above the ceilings established by the corrective path. However, the deviations are expected to be within the flexibility provided by the national escape clause for defence. Belgium and Poland are therefore projected to be compliant with the recommended maximum growth of net expenditure.
- For **Hungary** net expenditure growth in 2025 and 2026 (in cumulative terms) is projected to be above the ceilings established by the corrective path. In 2025, the cumulative deviation is expected to be within the flexibility provided by the national escape clause for defence and in 2026 it remains below 0.6% of GDP, beyond which there would be a strong presumption of no effective action. While the EDP is held in abeyance at this stage, Hungary is at risk of non-compliance in 2026 and may therefore fall short of delivering effective action, which could require a stepping up of the EDP.
- For **Romania**, net expenditure growth in 2025 is projected to be only slightly above the ceiling recommended by the Council (0.1% of GDP) and net expenditure in 2026 is projected to grow well within the ceiling recommended by the Council. This is thanks to the fiscal consolidation packages adopted by Romania over the summer. As a result, the EDP is held in abeyance. Accordingly, the Commission will not at this time propose a suspension of EU funds under the procedure of macroeconomic conditionality, in accordance with the Common Provisions Regulation and the RRF Regulation. At the same time, in the short term, it will be crucial for Romania to rigorously implement the fiscal consolidation measures adopted in recent months and to streamline public investment. In addition, as highlighted in the Council recommendation under Article 126(7) TFEU of 8 July 2025, Romania should strengthen its tax administration and budgetary process to avoid overspending relative to plans. The implementation of these

policy commitments will contribute to ensuring continued effective action. In the medium term, further fiscal consolidation measures will be needed to correct the excessive deficit by 2030.

(iv) Other Member States

The Commission has also assessed compliance with the recommended maximum growth of net expenditure for the other Member States on the basis of its forecast.

- For **Czechia** and **Denmark**, net expenditure growth in 2026 is projected to be above the ceiling recommended by the Council. However, the deviations projected for these Member States are expected to be within the flexibility provided by the national escape clause for defence. Czechia and Denmark are therefore projected to be compliant with the recommended maximum growth of net expenditure.
- In **Sweden** net expenditure growth in 2026 is projected to be above the ceiling recommended by the Council and exceeding 0.3% of GDP. However, given the results for 2024 and 2025, net expenditure in cumulative terms in 2026 is within the ceiling recommended by the Council. Sweden is therefore projected to be compliant with the recommended maximum growth of net expenditure.
- For **Spain**, net expenditure growth in 2026 is projected to be above the ceiling recommended by the Council, but the deviation is below 0.3% (annual) and 0.6% of GDP (cumulated). Spain is therefore projected to be at risk of non-compliance with the recommended maximum growth of net expenditure in 2026.
- For **Bulgaria**¹⁸, net expenditure growth in 2026 is projected to be above the ceiling recommended by the Council, taking into account the flexibility provided by the national escape clause for defence. Bulgaria is therefore projected to be at risk of non-compliance with the recommended maximum growth of net expenditure in 2026.

(v) Report under Article 126(3)

As part of the 2025 Autumn Package, the Commission has adopted a report under Article 126(3) TFEU covering Germany and Finland¹⁹. For Finland, the report is triggered by the 2024 deficit exceeding the 3% of GDP reference value and a planned deficit above 3% of GDP for 2025; for Germany, it is the planned deficit for 2025 that is above 3% of GDP. The report finds that there is no case to open an EDP for Germany at this stage because the excess in the deficit beyond 3% of GDP is fully explained by the increase in defence spending and allowed by the national escape clause. In Finland, the deficit in excess of 3% of GDP in 2025 can only be partly explained by the increase in defence spending and the flexibility granted under the

¹⁸ Following accession to the euro area on 1 January 2026 Bulgaria will be subject to the same reporting obligations as all other euro area Member States, including the submission of a DBP in autumn.

¹⁹ Report from the Commission, prepared in accordance with Article 126(3) of the Treaty on the Functioning of the European Union, 25.11.2025, COM(2025) 950 final.. That report analyses the government deficits against the requirements of the Treaty in order to conclude on whether there is a risk of an excessive deficit in a Member State. The Commission opinions on the Draft Budgetary Plans on the other hand analyse the net expenditure projected for 2026 against the relevant Council recommendations.

national escape clause. Therefore, the Commission will consider proposing to open an excessive deficit procedure for Finland.

(vi) Conclusions and next steps

Member States are invited to take into account, in the process of adopting their budget law, the Commission opinion on their draft budgetary plan. The 19 Member States that are assessed to be compliant are invited to continue implementing fiscal policies in 2026 as planned. In turn, the 8 Member States at risk of non-compliance are invited to take the necessary measures within their national budgetary process to ensure that fiscal policy in 2026 is in line with the Council Recommendation. In particular, for Member States in EDP, this is important to avoid a possible stepping up of the excessive deficit procedure in spring. The Commission stands ready to engage with all Member States and to support efforts to ensure compliance with the revised economic governance framework.

The Commission will consider proposing to open an excessive deficit procedure for Finland. For Finland, in light of the report under Article 126(3) TFEU and after taking into consideration the Opinion of the Economic and Financial Committee under Article 126(4) TFEU, the Commission will consider proposing to the Council to adopt a Decision under Article 126(6) TFEU establishing the existence of an excessive deficit. If the Council decides that an excessive deficit exists, the Council will at the same time also adopt a recommendation, in accordance with Article 126(7) TFEU, setting out a corrective net expenditure path.

The Commission will provide an updated assessment in spring 2026. The updated assessment of compliance will be based on outturn data for 2025, the Commission Spring 2026 Forecast and the Annual Progress Reports which must be submitted by Member States by 30 April 2026²⁰. The fiscal assessment will entail the Commission's first calculation of the control account for each Member State based on outturn data. This control account will keep track of deviations from the net expenditure growth path for all Member States and will be used to inform enforcement actions²¹. Moreover, the assessment in spring will also monitor the implementation of reforms and investments underpinning the extension of the fiscal adjustment periods to seven years, which concerns Spain, France, Italy, Finland, Belgium, Austria, Germany and Romania.

²⁰ For countries in EDP, the spring 2026 report on action taken in response to the Council recommendation under Article 126(7) on the correction of the excessive deficit can be subsumed under the Annual Progress Report.

²¹ See also Box 1 for a description of possible surveillance steps in case of a positive deviation from the recommended maximum growth of net expenditure. A detailed explanation of the control account is included in the Fiscal Statistical Tables providing background data relevant for the assessment of the budgetary policies of the Member States, SWD(2025) 951 final, Brussels 25.11.2025.

ANNEX I: ANNUAL AND CUMULATED DEVIATIONS OF NET EXPENDITURE GROWTH IN 2025 AND 2026 VIS-À-VIS THE RECOMMENDATIONS

Annual and cumulated deviations (% GDP)

	Annual deviation		Cumulated deviation		National escape clause (NEC)	Reference year for NEC	Cumulated deviation taking into account flexibility from NEC	
	2025 (A)	2026 (B)	2025 (C)	2026 (D)	(E)	(F)	2025 (G)	2026 (H)
Member States that have submitted a Draft Budgetary Plan								
DE	-0.3	0.3	-0.3	0.0	Yes	2021	-0.8	-0.7
EE	-2.7	2.9	-2.0	1.0	Yes	2021	-3.5	-0.5
IE	0.5	-0.1	0.2	0.1	No	n.a.	n.a.	n.a.
EL	0.0	1.2	-1.0	0.2	Yes	2024	-1.2	-0.1
FR	0.1	-0.3	-0.2	-0.4	No	n.a.	n.a.	n.a.
HR	1.3	0.3	0.8	1.1	Yes	2021	0.3	0.5
IT	-0.1	0.0	-0.2	-0.2	No	n.a.	n.a.	n.a.
CY	0.3	0.5	-0.1	0.5	No	n.a.	n.a.	n.a.
LV	0.3	0.7	-1.2	-0.5	Yes	2021	-2.0	-2.0
LT	1.1	0.8	1.1	1.8	Yes	2021	-0.4	0.3
LU	0.5	-0.2	-0.3	-0.4	No	n.a.	n.a.	n.a.
MT	-0.5	-0.4	2.0	1.5	No	n.a.	n.a.	n.a.
NL	1.5	0.5	1.3	1.7	No	n.a.	n.a.	n.a.
PT	0.3	0.0	0.8	0.7	Yes	2021	0.7	0.7
SI	1.0	0.6	0.2	0.8	Yes	2021	0.0	0.2
SK	-0.5	0.3	-1.4	-1.0	Yes	2021	-2.3	-1.5
FI	-0.2	-0.1	-0.4	-0.5	Yes	2021	-2.0	-2.4
Member States in Excessive Deficit Procedure that have not submitted a Draft Budgetary Plan								
BE	0.3	0.2	0.3	0.5	Yes	2021	-0.2	-0.3
HU	1.3	1.3	0.6	1.9	Yes	2021	-0.5	0.5
AT	-0.2	0.0	-0.2	-0.2	No	n.a.	n.a.	n.a.
PL	0.3	-0.1	0.6	0.5	Yes	2021	-0.9	-1.0
RO	0.1	-1.0	0.1	-0.9	No	n.a.	n.a.	n.a.
Other Member States								
BG	1.3	-0.5	1.3	0.7	Yes	2024	0.1	0.2
CZ	-0.5	1.0	-2.1	-1.0	Yes	2021	-2.5	-1.5
DK	2.1	0.5	0.4	0.8	Yes	2021	-1.1	-0.7
ES	0.3	0.3	-0.1	0.2	No	n.a.	n.a.	n.a.
SE	-1.0	0.9	-1.0	-0.1	No	n.a.	n.a.	n.a.

Source: Commission calculations based on Commission 2025 Autumn Forecast

A positive deviation indicates net-expenditure exceeding the recommendation.

ANNEX II: KEY MACROECONOMIC AND FISCAL INDICATORS

General government balance, debt and GDP growth

	General government balance (% GDP)			General government debt (%GDP)			GDP (real growth rate)		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Member States that have submitted a Draft Budgetary Plan									
DE	-2.7	-3.1	-4.0	62.2	63.5	65.2	-0.5	0.2	1.2
EE	-1.7	-1.3	-4.4	23.5	23.4	25.9	-0.1	0.6	2.1
IE	4.0	1.5	1.0	38.3	33.1	32.5	2.6	10.7	0.2
EL	1.2	1.1	0.3	154.2	147.6	142.1	2.1	2.1	2.2
FR	-5.8	-5.5	-4.9	113.2	116.3	118.1	1.2	0.7	0.9
HR	-1.9	-2.8	-2.9	57.4	56.2	56.1	3.8	3.2	2.9
IT	-3.4	-3.0	-2.8	134.9	136.4	137.9	0.7	0.4	0.8
CY	4.1	3.3	3.0	62.8	56.4	51.0	3.9	3.4	2.6
LV	-1.8	-3.1	-3.5	46.6	48.3	49.9	0.0	1.0	1.7
LT	-1.3	-2.2	-2.5	38.0	39.8	44.7	3.0	2.4	3.0
LU	0.9	-0.8	-0.5	26.3	26.8	27.1	0.4	0.9	1.9
MT	-3.5	-3.2	-2.8	46.2	47.0	47.2	6.8	4.0	3.8
NL	-0.9	-1.9	-2.7	43.7	45.2	47.9	1.1	1.7	1.3
PT	0.5	0.0	-0.3	93.6	91.3	89.2	2.1	1.9	2.2
SI	-0.9	-2.2	-2.3	66.6	65.2	63.7	1.7	1.0	2.4
SK	-5.5	-5.0	-4.6	59.7	61.9	64.0	1.9	0.8	1.0
FI	-4.4	-4.5	-4.0	82.5	88.1	90.9	0.4	0.1	0.9
Member States in Excessive Deficit Procedure that have not submitted a Draft Budgetary Plan									
BE	-4.4	-5.3	-5.5	103.9	107.1	109.9	1.1	1.0	1.1
HU	-5.0	-4.6	-5.1	73.5	73.7	73.9	0.6	0.4	2.3
AT	-4.7	-4.4	-4.1	79.9	81.4	82.8	-0.7	0.3	0.9
PL	-6.5	-6.8	-6.3	55.1	59.5	64.9	3.0	3.2	3.5
RO	-9.3	-8.4	-6.2	54.8	59.1	61.1	0.9	0.7	1.1
Other Member States									
BG	-3.0	-3.0	-2.7	23.8	28.5	30.6	3.4	3.0	2.7
CZ	-2.0	-1.8	-2.0	43.3	43.4	44.1	1.2	2.4	1.9
DK	4.5	2.3	1.1	30.5	28.9	27.7	3.5	2.0	2.1
ES	-3.2	-2.5	-2.1	101.6	100.0	98.2	3.5	2.9	2.3
SE	-1.6	-1.7	-2.4	34.0	34.5	35.3	0.8	1.5	2.6

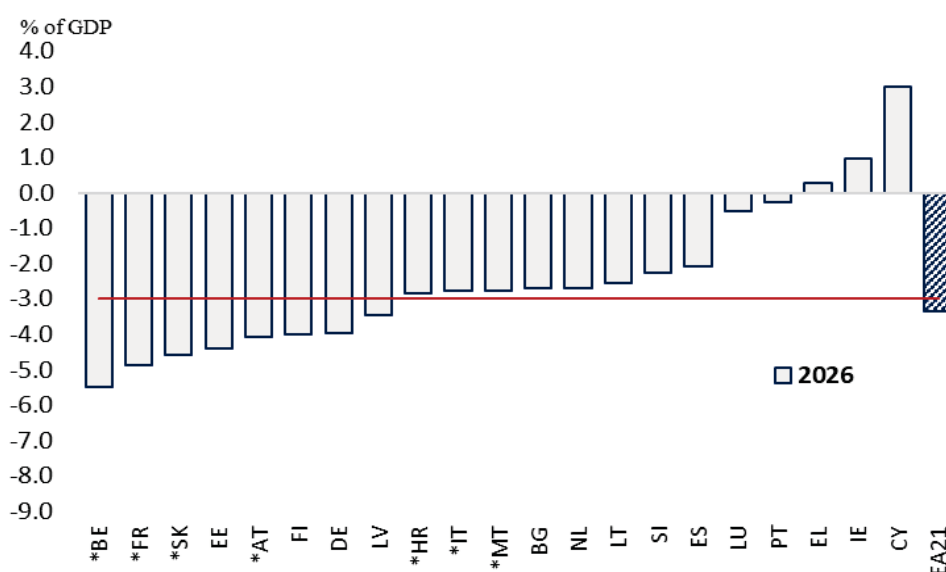
Source: Commission 2025 Autumn Forecast

ANNEX III: OVERALL EURO AREA FISCAL SITUATION AND FISCAL STANCE

(i) Government deficit and its drivers in 2025-2026

The general government deficit is expected to increase in 2025 and 2026 in the euro area as a whole, with important heterogeneity across countries. In 2026, the deficit is expected to increase compared to 2025 in 12 countries. Eight euro area Member States are set to have a deficit above 3% of GDP and among them seven are expected to have a deficit at or larger than 4%.

Graph 3. Euro area Member States general government balance in 2026

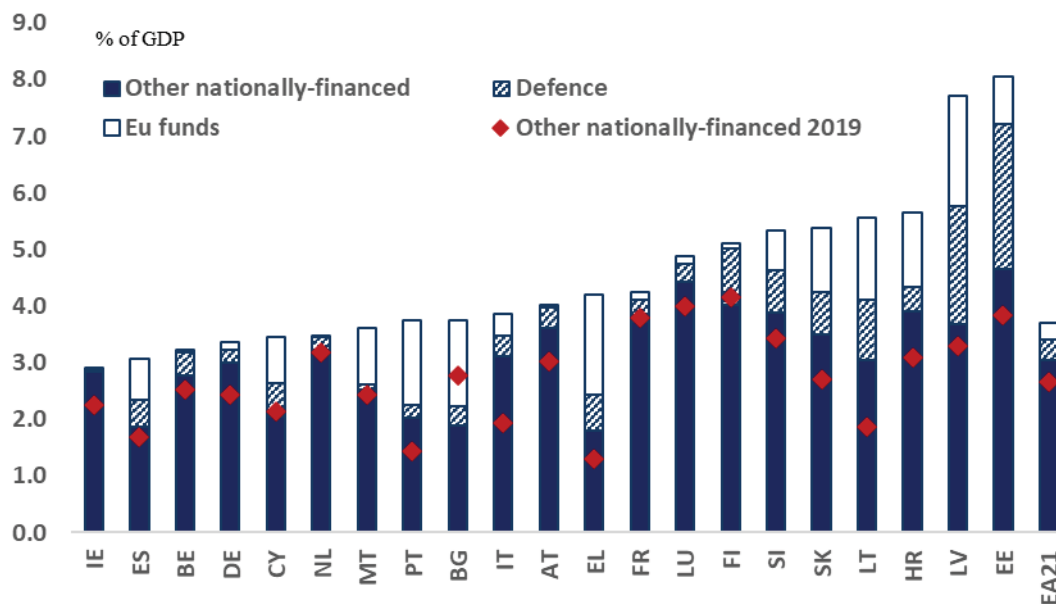


Source: Commission Autumn Forecast 2025

Note: Bulgaria's euro area accession is scheduled for 1 January 2026. The aggregate EA20 does not include Bulgaria. Member States with an asterisk* have an EDP open.

Spending developments are acting as a key driver for the euro area deficit. The euro area expenditure-to-GDP ratio is projected to increase by 0.5 pps and 0.3 pps in 2025 and 2026 respectively. Defence spending is projected to rise steadily (from 1.4% of GDP in 2024 to 1.7% in 2026), and interest expenditure is also set to increase as a share of GDP. Investment has expanded in most Member States in 2026, supported by both national and EU funding. Almost half of the increase in public investment between 2019 and 2026 is related to investment financed by the EU, particularly by the RRF. Most euro area countries are projected to spend more on nationally-financed public investment than they did prior to the pandemic. Italy and Lithuania stand out with an increase above 1% of GDP. From a functional perspective, defence spending is also expected to increase in the majority of the EU countries in 2026. Significant increases are expected in Estonia (above 1pp) and Latvia (around 1pp). It should be noted that the timing around the delivery of military equipment may create some volatility in the numbers from year to year.

Graph 4. Components of euro area Member States public investment (2026)

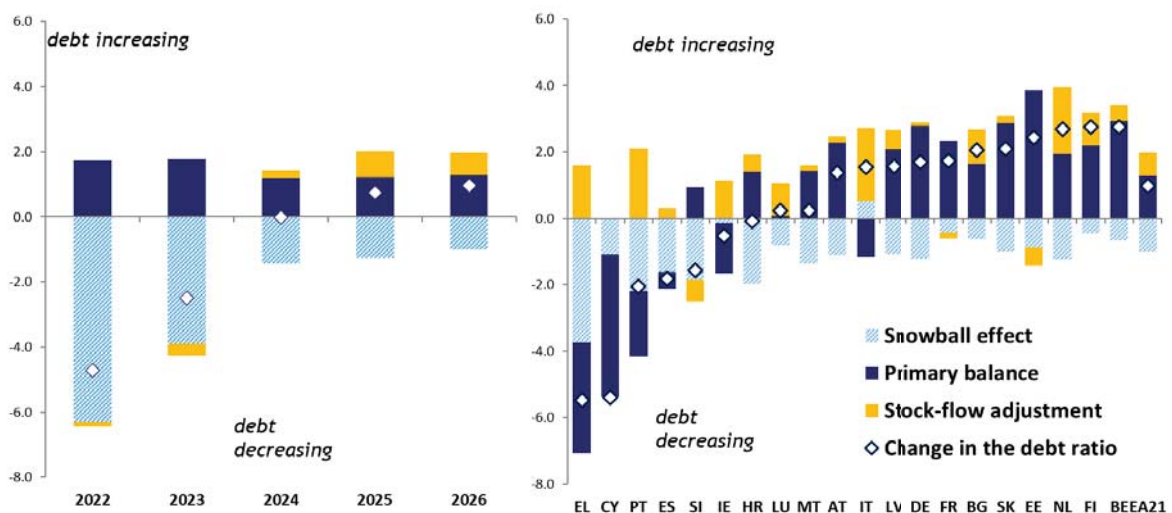


Source: Commission Autumn 2025 Forecast

(ii) Government debt in 2025-2026

Developments in public debt ratios are forecast to vary across euro area countries in 2025 and 2026, depending on consolidation efforts and macroeconomic developments. After declining significantly in most euro area Member States between 2000 and 2024, the debt ratio is projected to rise in 14 euro area Member States over 2025-2026. By 2026, four Member States (Belgium, Greece, France and Italy) are set to continue having debt ratios above 100% of GDP. At the same time, further large debt declines are projected in Greece and Cyprus thanks to their sizeable primary surpluses.

Graph 5. Drivers of the yearly change in debt-to-GDP ratio in the euro area (2022-2026) and its Member States (2026)



Source: Commission Autumn 2025 Forecast

In the majority of euro area Member States, the change in the debt ratio between 2026 and 2025 is driven by the primary balance and some stock-flow adjustments. Stock-flow adjustments are expected to be particularly important (above 1pp of GDP) in Greece, Portugal, Ireland, Italy, Lithuania and the Netherlands. The ‘snowball’ effect would continue to have a debt-decreasing impact, as the interest-growth rate differential is expected to remain favourable in all Member States except Italy, although it is significantly smaller than in previous years, mainly due to lower inflation and higher implicit interest rates paid on public debts.

(iii) The fiscal stance in euro area countries: 2025 and 2026

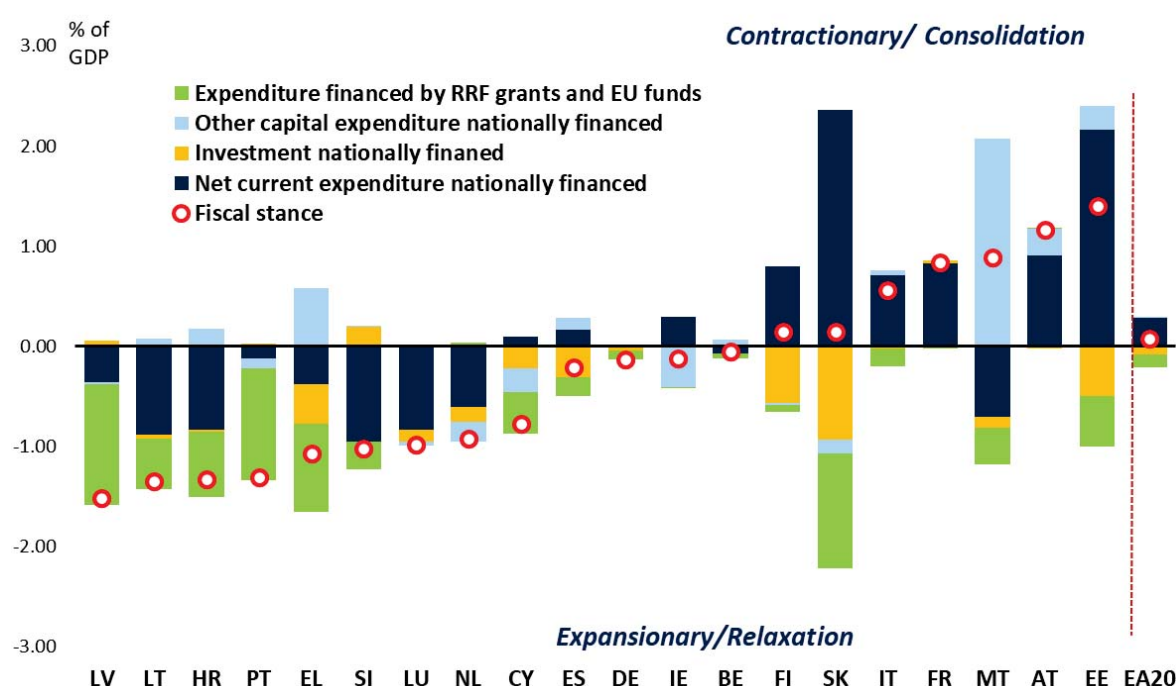
The fiscal stance projected in the euro area for 2025 is broadly neutral, with significant heterogeneity across countries²². The contraction in net current expenditure is expected to be largely offset by an expansionary impulse from public investment and EU-funded spending. However, fiscal developments remain heterogeneous across Member States, ranging from a contraction of 1.4% of GDP in Estonia to an expansion of 1.5% of GDP in Latvia (Graph 6). This heterogeneity can be attributed partly to the design of the new economic governance framework, which differentiates fiscal adjustment requirements based on Member States’ fiscal challenges, and partly to the different fiscal impulse from expenditure financed by RRF grants and other EU funds.

In particular, five euro area Member States are expected to implement contractionary fiscal policies in 2025, while nine Member States pursue expansionary policies and six maintain a broadly neutral stance. Among the high-debt Member States, a contractionary contribution from net current expenditure is projected to be the main factor shaping the overall fiscal stance in Italy, France, Austria, Slovakia and Finland. This component is expected to be expansionary in five out of the ten euro area countries that benefit from flexibility under the national escape clause for defence. In most Member States, nationally financed investment—

²² The net expenditure aggregate used to assess the fiscal stance includes expenditure financed by RRF grants and other EU funds. The fiscal stance is considered broadly neutral at a value within the -0.25% / +0.25% of GDP range while it is considered expansionary (-) or contractionary (+) outside this range.

particularly expenditure funded through RRF grants and other EU instruments—is expected to provide high-quality fiscal support to the economy. In three Member States, the contribution from nationally financed investment is projected at or above 0.5 percentage points of GDP (Finland, Slovakia and Estonia). The contribution from RRF and other EU-funded expenditure is projected at or above 0.5 percentage point of GDP in seven countries (Estonia, Greece, Croatia, Lithuania, Portugal, Slovakia and Latvia). No euro area Member State is expected to record a contraction in this component.

Graph 6. Fiscal stance and components of euro area Member States, 2025



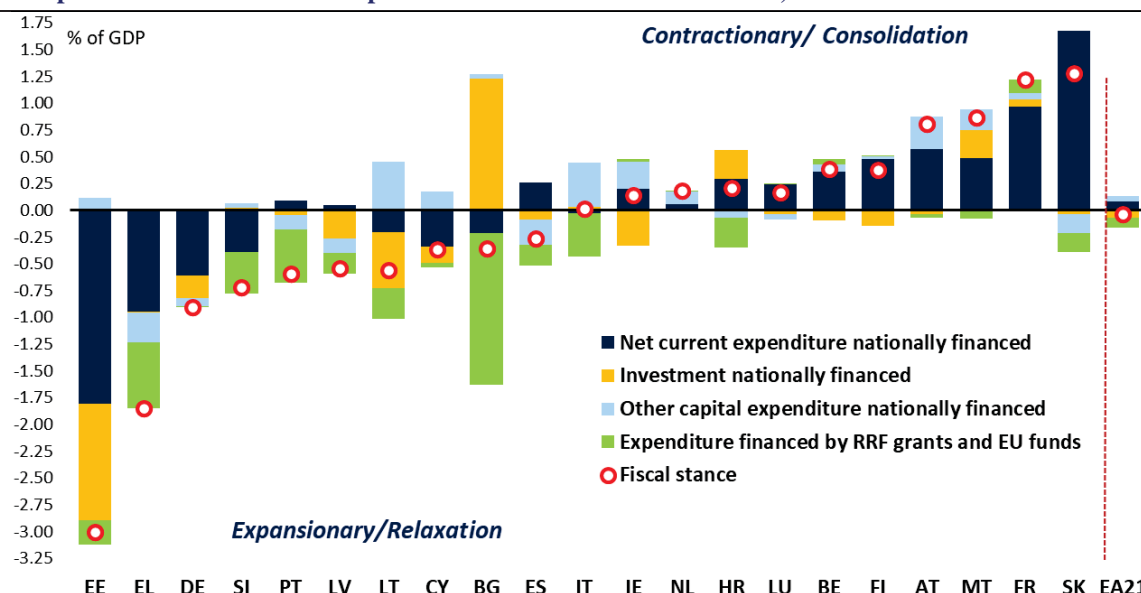
Source: Commission Autumn 2025 Forecast

The euro area aggregate fiscal stance is expected to be neutral in 2026, driven by both national and EU budgets. The recommended net expenditure paths by themselves would entail a broadly neutral fiscal stance for the euro area in 2026, with the flexibility allowed under the national escape clause for defence supporting a more expansionary stance. The Commission Autumn 2025 Forecast suggests the fiscal stance will be broadly neutral in the euro area in 2026. The expansionary budgets in some Member States as well as the increasing absorption of RRF grants and other EU funds (which are not included in net expenditure) are expected to be offset by fiscal restraints in other Member States.

Fiscal stances are expected to remain diverse across euro area countries in 2026. In 2026 six euro area Member States are expected to implement contractionary fiscal policies, while fiscal policies are expected to be expansionary in another ten Member States and broadly neutral in five. Euro area Member States' 2026 fiscal stances are set to range from a contraction of 1.3% of GDP in Slovakia to an expansion of 3.0% of GDP in Estonia. Net current expenditure is projected to be the main driver of the overall fiscal stance in the majority of euro

area Member States, with a significant contraction (0.5% of GDP or more) projected in Finland, Austria, Malta, France and Slovakia. In most Member States, nationally financed investment and especially expenditure financed by RRF grants and other EU funds are expected to provide high-quality fiscal support to the economy. In the case of Greece, Portugal and Bulgaria, the expansionary stance is largely driven by the projected acceleration in the RRF absorption.

Graph 7. Fiscal stance and components of euro area Member States, 2026



Source: Commission Autumn 2025 Forecast

(iv) Appropriateness of the fiscal stance and the policy mix

The appropriateness of the fiscal stance can be looked at from three different angles.

The fiscal stance in 2025 and 2026 is appropriate from a macroeconomic viewpoint. The broadly neutral fiscal stance in 2025 has complemented the ECB's monetary policy easing as inflation continues to fall and high uncertainty is still surrounding the growth outlook. In 2026, the broadly neutral fiscal stance is compatible with the expected stabilisation of inflation at around 2%, while not harming a still moderate growth outlook in a challenging global environment and in a context of a (small) negative output gap²³.

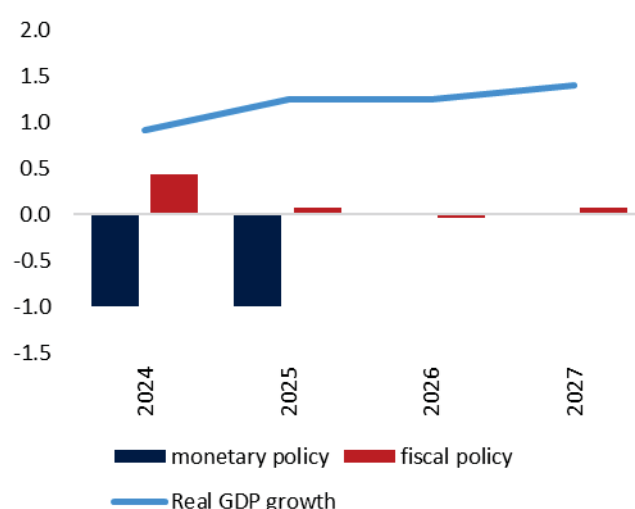
Secondly, the fiscal stance appears appropriate from a composition standpoint. Its investment content in 2025 and 2026 will stimulate potential growth in the medium term. While net current expenditure is set to be restrained reflecting the need to consolidate in several Member States, nationally financed investment is preserved. Total investment is also supported by an increase in expenditure financed by RRF grants, as RRF implementation speeds up with its final implementation date getting closer. Furthermore, the fiscal stance appears compatible

²³ The medium-term potential GDP growth for 2026 in the euro area is estimated at 1.2%.

with the need to ramp up defence spending and the activation of the national escape clause for several euro area Member States, while continuing to consolidate the non-defence spending.

In terms of geographical breakdown, the euro area fiscal stance for 2025 and 2026 appears to be broadly consistent with the need for fiscal prudence in Member States with high debt challenges. Most Member States with high-debt and high-deficit, are in fact set to restrain net expenditure financed by the national budgets. In some high-debt Member States, however, the fiscal stance based on the national budgets is not projected to be contractionary due to the NEC flexibility for higher defence spending²⁴. The expansionary stance in several Member States is also largely driven by the projected acceleration in RRF absorption.

Graph 8. Monetary policy stance and fiscal policy stance in the euro area



Source: Commission Autumn 2025 Forecast and ECB

Note: The monetary policy stance is measured as the overall change of the ECB deposit facility rate in the year.

²⁴ What matters for fiscal sustainability is the nationally financed part of the fiscal stance (i.e. without the impact of EU funding), which should be slightly contractionary in Member States with high fiscal challenges

ANNEX IV: EXCESSIVE DEFICIT PROCEDURES

Since the publication of the Spring package, the Council adopted revised recommendations under Article 126(7) TFEU for both Romania and Belgium and decided to open the EDP for Austria, leading to the adoption of a recommendation under Article 126(7) TFEU for Austria. All three Member States were set a deadline of 15 October 2025 to take effective action.

The paragraphs below provide an assessment of compliance with the EDP recommendation (taking into account the flexibility allowed under the national escape clause for defence as appropriate). For those EDP countries that submitted a DBP in Autumn, a more detailed assessment is provided in the DBP opinions, with a focus on 2026.

Austria: Together with the Council decision establishing the existence of an excessive deficit in Austria due to non-compliance with the deficit criterion on 8 July 2025, the Council also adopted a recommendation setting out a maximum net expenditure growth path with a view to bringing an end to the excessive deficit situation by 2028. According to the Commission Autumn 2025 Forecast, Austria's net expenditure growth is projected to increase by 2.2% in 2025, which is within the maximum growth rate of 2.6% recommended by the Council. On a cumulative basis, net expenditure growth in 2025 also remains within the maximum growth rate of 2.6% recommended by the Council. For 2026, net expenditure growth is projected to increase by 2.1%, which is within the maximum growth rate of 2.2% recommended by the Council. On a cumulative basis, net expenditure growth in 2026 also remains within the maximum growth rate of 4.8% recommended by the Council. As a result, Austria complies with the maximum growth of net expenditure in the Council Recommendation.

Belgium: Following the submission, assessment and endorsement of Belgium's medium term fiscal structural plan, the Council adopted a revised recommendation on 20 June 2025, aligned with the net expenditure path in Belgium's medium-term plan, with a view to bringing an end to the excessive deficit situation by 2029. Based on the Commission Autumn 2025 forecast, Belgium's net expenditure growth is projected to increase by 4.2% in 2025, which is above the maximum growth rate of 3.6% recommended by the Council. This corresponds to an annual deviation of 0.3% of GDP and a cumulative deviation of 0.3% of GDP in 2025. However, after taking into account the flexibility provided by the national escape clause, the projected cumulative deviation in 2025 is within the flexibility provided by the national escape clause. For 2026, net expenditure growth is projected to increase by 2.9% in 2026, which is above the maximum growth rate of 2.5% recommended by the Council. This corresponds to an annual deviation of 0.3% of GDP and a cumulative deviation of 0.5% of GDP in 2026. However, after taking into account the flexibility provided by the national escape clause, the projected cumulative deviation in 2026 is within the flexibility provided by the national escape clause. As a result, Belgium complies with the maximum growth of net expenditure in the Council Recommendation.

France: On 21 January 2025, the Council adopted a recommendation setting out a maximum net expenditure growth path with a view to bringing an end to the situation of an excessive deficit in France by 2029. Based on the Commission Autumn 2025 forecast, France's net expenditure growth is projected to increase by 1.0% in 2025, which is above the maximum growth rate of 0.8% recommended by the Council. This corresponds to an annual deviation of

0.1% of GDP in 2025. On a cumulative basis, net expenditure growth remains within the maximum growth rate of 4.6% recommended by the Council. For 2026, net expenditure is projected to increase by 0.7%, which is within the maximum growth rate of 1.2% recommended by the Council. On a cumulative basis, net expenditure growth also remains within the maximum growth rate of 5.8% recommended by the Council. As a result, France complies with the maximum growth of net expenditure in the Council Recommendation for 2026, but there is a risk of non-compliance in 2025.

Hungary: On 18 February 2025, the Council adopted a recommendation setting out a maximum net expenditure growth path with a view to bringing an end to the situation of an excessive deficit in Hungary by 2026. Based on the Commission Autumn 2025 forecast, Hungary's net expenditure growth is projected to increase by 7.6% in 2025, which is above the maximum growth rate of 4.3% recommended by the Council. This corresponds to an annual deviation of 1.3% of GDP and a cumulative deviation of 0.6% of GDP in 2025. However, after taking into account the flexibility provided by the national escape clause, the projected cumulative deviation in 2025 is within the flexibility provided by the national escape clause. For 2026, net expenditure growth is projected to increase by 7.4% in 2026, which is above the maximum growth rate of 4.0% recommended by the Council. This corresponds to an annual deviation of 1.3% of GDP and a cumulative deviation of 1.9% of GDP in 2026. Even after accounting for the flexibility provided by the national escape clause, the projected cumulative deviation in 2026 is still 0.5% of GDP. As a result, Hungary complies with the maximum growth of net expenditure in the Council Recommendation for 2025 but is at risk of non-compliance in 2026.

Italy: On 21 January 2025, the Council adopted a recommendation setting out a maximum net expenditure growth path with a view to bringing an end to the situation of an excessive deficit in Italy by 2026. According to the Commission Autumn 2025 Forecast, Italy's net expenditure growth is projected to increase by 1.2% in 2025, which is within the maximum growth rate of 1.3% recommended by the Council. On a cumulative basis, net expenditure growth also remains within the maximum growth rate of -0.7% recommended by the Council. For 2026, net expenditure growth is projected to increase by 1.5%, which is within the maximum growth rate of 1.6% recommended by the Council. On a cumulative basis, net expenditure growth also remains within the maximum growth rate of 0.9% recommended by the Council. As a result, Italy complies with the maximum net expenditure in the Council Recommendation.

Malta: On 21 January 2025, the Council adopted a recommendation setting out a maximum net expenditure growth path with a view to bringing an end to the situation of an excessive deficit in Malta by 2027. Based on the Commission Autumn 2025 forecast, Malta's net expenditure growth is projected to increase by 4.4% in 2025, which is within the maximum growth rate of 6.0% recommended by the Council. However, on a cumulative basis, net expenditure growth is expected to exceed the maximum growth rate of 13.8% recommended by the Council. This corresponds to a cumulative deviation of 2.0% of GDP in 2025. For 2026, net expenditure growth is projected to increase by 4.6%, which is within the maximum growth rate of 5.8% recommended by the Council. On a cumulative basis, net expenditure growth is expected to exceed the maximum growth rate of 20.4% recommended by the Council with a cumulative deviation of 1.5% of GDP in 2026. As a result, Malta is at risk of material non-

compliance with the maximum net expenditure in the Council Recommendation in 2025 and 2026.

Poland: On 21 January 2025, the Council adopted a recommendation setting out a maximum net expenditure growth path with a view to bringing an end to the situation of an excessive deficit in Poland by 2028. Based on the Commission Autumn 2025 forecast, Poland's net expenditure growth is projected to increase by 7.1% in 2025, which is above the maximum growth rate of 6.3% recommended by the Council. This corresponds to an annual deviation of 0.3% of GDP and a cumulative deviation of 0.6% of GDP in 2025. However, after taking into account the flexibility provided by the national escape clause, the projected cumulative deviation in 2025 is within the flexibility provided by the national escape clause. For 2026, net expenditure growth is projected to increase by 4.2%, which is within the maximum growth rate of 4.4% recommended by the Council. On a cumulative basis, the projected deviation in 2026 is 0.5% of GDP. However, after taking into account the flexibility provided by the national escape clause, the projected cumulative deviation in 2026 is within the flexibility provided by the national escape clause. As a result, Poland complies with the maximum growth of net expenditure in the Council Recommendation.

Romania: The Council adopted a decision on 20 June 2025, in accordance with Article 126(8) TFEU, establishing that no effective action had been taken by Romania in response to the Council recommendation of 21 January 2025. On 8 July 2025, the Council adopted a revised recommendation setting out a revised maximum net expenditure growth path with a view to bringing an end to the situation of an excessive deficit in Romania by 2030. Based on the Commission Autumn 2025 forecast, Romania's net expenditure growth is projected to increase by 3.0% in 2025, which is above the maximum growth rate of 2.8% recommended by the Council. This corresponds to an annual deviation of 0.1% of GDP and a cumulative deviation of 0.1% of GDP in 2025. For 2026, net expenditure growth is projected to decrease by -0.3%, which is within the maximum growth rate of 2.6% recommended by the Council. On a cumulative basis, net expenditure growth also remains within the maximum growth rate of 5.5% recommended by the Council. As a result, Romania complies with the maximum growth of net expenditure in the Council Recommendation for 2026, but there is a risk of non-compliance in 2025.

Slovakia: On 21 January 2025, the Council adopted a recommendation setting out a maximum net expenditure growth path with a view to bringing an end to the situation of an excessive deficit in Slovakia by 2027. Based on the Commission Autumn 2025 forecast, Slovakia's net expenditure growth is projected to increase by 2.5% in 2025, which is within the maximum growth rate of 3.8% recommended by the Council. On a cumulative basis, net expenditure growth also remains within the maximum growth rate of 10.3% recommended by the Council. For 2026, Slovakia's net expenditure growth is projected to increase by 1.7%, which is above the maximum growth rate of 0.9% recommended by the Council. This corresponds to an annual deviation of 0.3% of GDP and a cumulative deviation of -1.0% of GDP in 2026. However, after taking into account the flexibility provided by the national escape clause, the projected cumulative deviation in 2026 is within the flexibility provided by the national escape clause. As a result, Slovakia complies with the maximum growth of net expenditure in the Council Recommendation.

ANNEX V: DEBT SUSTAINABILITY 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 position²⁵.

The stochastic projections account for macroeconomic uncertainty around one ‘central’ debt projection scenario in 2026-2030. In this scenario, the usual ‘no-fiscal policy change’ assumption is applied from the last year of the forecast horizon²⁶. As such, this scenario does not include beyond 2026 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 9). 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. 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 mirroring the past developments.

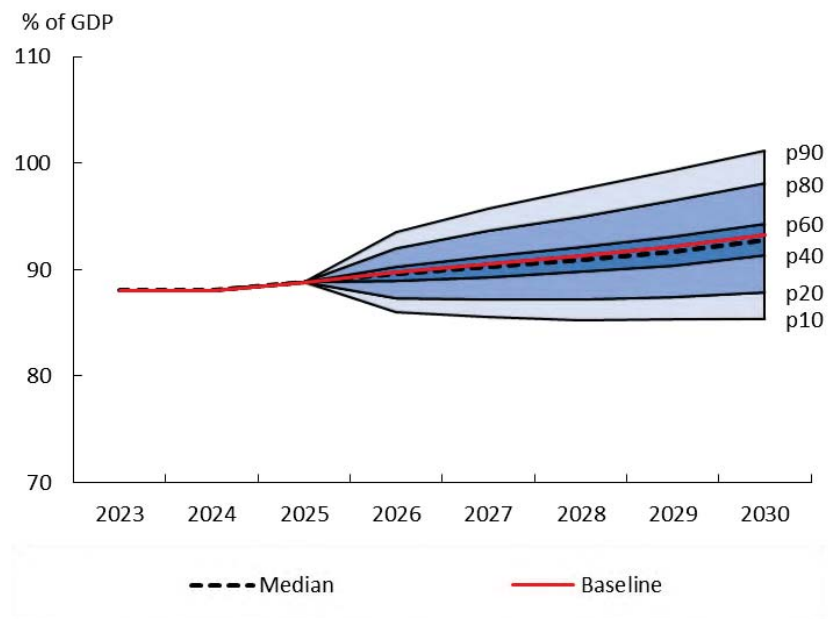
The fan chart reports the projected debt path under the central scenario as a red line. The median outcome of the simulations is shown as a dashed black line. The cone covers 80% of all possible debt paths, while the paths derived from the 20% least likely shocks are not shown. The differently shaded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

The median debt for 2030 is estimated at 92.7% 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 75% probability that debt might actually be higher in 2030 than it was in 2025.

²⁵ The methodology for stochastic public debt projections used here is presented in Bec at al. (2025), The stochastic simulations of the Commission’s debt sustainability analysis: a refined approach, ECFIN Discussion Paper Series.

²⁶ The Commission Autumn 2025 Forecast incorporates fiscal policy measures that were adopted or at least credibility announced and information that was available as of 31 October 2025. Beyond 2026, the structural primary balance is only modified by the projected (net) costs of ageing.

Graph 9. Fan charts from stochastic debt projections around the Commission's baseline scenario; euro area



Source: Commission Autumn 2025 Forecast

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