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CORRIGENDUM

This document corrects document COM(2025)950 final of 25.11.2025.

Only the English version is concerned.

Amending footnote 35 containing a description of the main elements of the parliamentary pact on the terms of the new fiscal framework.

The text shall read as follows:

REPORT FROM THE COMMISSION

Germany and Finland

Report prepared in accordance with Article 126(3) of the Treaty on the Functioning of the European Union

1. INTRODUCTION

Article 126 of the Treaty on the Functioning of the European Union (TFEU) lays down the excessive deficit procedure. That procedure is further set out in Council Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure¹, which is part of the Stability and Growth Pact. In accordance with Article 126(3) TFEU, this report assesses the situation of Member States *vis-à-vis* the deficit criterion.²

The previous report under Article 126(3) TFEU was adopted by the Commission on 4 June 2025, in the context of the 2025 Spring Package of the European Semester. In that report³, the Commission concluded with its consideration to propose the opening of an excessive deficit procedure for Austria due to the non-compliance with the deficit criterion. Subsequently, upon a Commission proposal, the Council decided on the existence of an excessive deficit in Austria⁴ and adopted a Recommendation with a view to bringing an end to that situation.⁵ The Commission's report of 4 June 2025 also discussed the cases of Spain, Latvia and Finland. With regard to Spain and Latvia, the Commission considered that the deficit criterion was fulfilled, whereas, for Finland, the Commission considered, that there was no case to open an excessive deficit procedure at that time.

The present report examines the situation of the Member States for which the government deficit and debt levels reported under Council Regulation (EU) No 479/2009, and the Commission Autumn 2025 Forecast⁶, indicate relevant changes compared to the figures available in spring. This is namely the case for Finland and Germany.⁷

The deficit and debt criteria

The **deficit criterion** is fulfilled if the *actual* general government deficit for the previous year (2024) and *planned* deficit for the current year (2025) do not exceed 3% of GDP. If either does, the Commission examines whether the deficit ratio has declined substantially and continuously, and comes close to the reference value. The Commission also examines whether the deficit in excess over the reference value is exceptional and temporary, and remains close to the reference value (section 2). Relevant factors are to be considered by the Commission and the Council in the steps leading to the decision on the existence of an excessive deficit, if either *i*) the government debt does not exceed 60% of GDP, or *ii*) if the debt exceeds 60% of GDP, the deficit is close to 3% of GDP and the excess over it is temporary (section 4).

¹ Council Regulation (EC) 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, ELI: <http://data.europa.eu/eli/reg/1997/1467/2024-04-30>) as last amended by Council Regulation (EU) 2024/1264 of 29 April 2024 (OJ L, 2024/1264, 30.4.2024).

² Following the 2024 reform of the economic governance framework, the rules governing the excessive deficit procedures on the basis of the deficit criterion, as laid out in Regulation 1467/97, remain fundamentally unchanged.

³ COM(2025) 615 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025DC0615>

⁴ Council Decision on the existence of an excessive deficit in Austria, adopted on 8 July 2025.

⁵ All documents related to the excessive deficit procedure of Austria can be found at: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/corrective-arm-excessive-deficit-procedure/excessive-deficit-procedures-overview/austria_en.

⁶ European Commission Autumn 2025 Forecast (*European Economy Institutional Paper 327*, November 2025).

⁷ This report is adopted at the same time as the Commission's opinions on the draft budgetary plans of Germany, Finland, and other euro area Member States. This 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.

According to the Treaty, the **debt criterion** is fulfilled if the general government gross debt does not exceed 60% of GDP, or if the ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace. According to Article 2(2) of Regulation (EC) No 1467/97 (as amended), the debt-to-GDP ratio shall be considered as ‘sufficiently diminishing and as approaching the reference value at a satisfactory pace’ if the Member State concerned respects the maximum net expenditure⁸ growth rates recommended by the Council under Articles 17 or 19 of Regulation (EU) 2024/1263⁹. If the Member State concerned does not respect those maximum net expenditure growth rates, the Commission prepares a report in line with Article 126(3) TFEU if the debits¹⁰ recorded in the Member State’s control account exceed one of two thresholds – 0.3% of GDP annually and 0.6% of GDP cumulatively – unless the budgetary position is close to balance or in surplus.

The debt criterion cannot yet be fully assessed at this stage. According to Article 22(6) of Regulation (EU) 2024/1263, debits (or credits) in the control account are calculated on the basis of outturn data. For all Member States, the initial year for their maximum annual and cumulative net expenditure growth rates is currently 2025. The assessment of compliance with the debt criterion can thus only be undertaken by the Commission once the outturn data for 2025 are available, in spring 2026. Figures on the general government debt-to-GDP ratio are, however, presented in section 3.

Main data underlying and motivating this report

The present report concerns Member States for which the *actual* 2024 deficit ratio provided by Eurostat,¹¹ or the *planned* deficit ratio for 2025¹², exceeds 3% of GDP.¹³ These actual and planned deficits above the reference value are what motivates this report. Moreover, the assessment of compliance with the deficit criterion also considers the Commission Autumn 2025 Forecast¹⁴. This report also compares the government deficit with government investment expenditure and takes into account all other relevant factors, in accordance with Article 2 of Regulation (EC) No 1467/97.

⁸ According to Article 2(2) of Regulation (EU) 2024/1263, ‘net expenditure’ means government expenditure net of interest expenditure, discretionary revenue measures, expenditure on programmes of the Union fully matched by revenue from Union funds, national expenditure on co-financing of programmes funded by the Union, cyclical elements of unemployment benefit expenditure, and one-offs and other temporary measures.

⁹ Regulation (EU) 2024/1263 of the Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1263/oj>).

¹⁰ The control account set up by the Commission in accordance with Article 22(2) of Regulation (EU) 2024/1263 records deviations of the observed net expenditure in a Member State from the recommended maximum net expenditure growth rates set by the Council. Upward deviations from the recommended net expenditure path are registered as debits, after taking into account national escape clauses that may have been activated.

¹¹ See Eurostat Euro indicators of 21 October 2025 <https://ec.europa.eu/eurostat/en/web/products-euro-indicators/w/2-21102025-AP>, in accordance with Article 14 of Council Regulation (EC) No 479/2009.

¹² The complete set of tables reported to Eurostat by Member States is available at: <http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>. In these tables, Member States are required to report actual data for the previous years, as well as planned data for the current year.

¹³ Member States currently under excessive deficit procedure are not concerned by the present report.

¹⁴ Unless stated otherwise, the source for the figures for 2025, 2026 and 2027 provided in this report is the European Commission Autumn 2025 Forecast (European Economy Institutional Papers 327).

Based on the data provided by Eurostat on 21 October 2025 (see Table 1), this report assesses compliance with the deficit criterion in two Member States: **Germany** and **Finland**. Specifically:

- In Finland, the 2024 general government deficit exceeded 3% of GDP.
- According to the autumn 2025 fiscal notification, Germany and Finland plan government deficits that exceed 3% of GDP in 2025.

This report does not elaborate on the case of Spain, which reports a deficit of 3.2% of GDP in 2024 (see Table 1). Spain was analysed in the Commission report under Article 126(3) of 4 June 2025, which concluded that the deficit criterion was fulfilled. There have not been significant changes compared to the figures available in spring that would justify a reassessment of that conclusion¹⁵. The June 2025 report also examined the case of Latvia and concluded that the deficit criterion was fulfilled¹⁶. According to the autumn 2025 notification, Latvia no longer reports a breach of the reference value, as the actual deficit for 2024 and the planned deficit for 2025 are below 3% of GDP, so that the deficit criterion is regarded as fulfilled¹⁷. The Commission Communication of 25 November 2025¹⁸ provides a more detailed update on the fiscal situation of these and all other Member States.

¹⁵ In spring 2025, Spain notified a deficit of 3.2% of GDP for 2024 and a planned deficit of 2.5% for 2025. The 2024 deficit was assessed as above but close to the reference value, and the excess was assessed as temporary (based on the Commission Spring 2025 forecast) but not exceptional. Relevant factors could be taken into account and were regarded as on balance providing a mixed picture. Overall, the deficit criterion was assessed as fulfilled. Based on the autumn 2025 notification, the deficit in 2024 and the planned deficit for 2025 remain unchanged at 3.2% and 2.5% of GDP, while also the Commission Autumn 2025 forecast projects similar deficits in 2025-26 as in spring. As a result, there are no material changes compared to the situation in spring that would justify a detailed discussion of Spain in the present report.

¹⁶ In spring 2025, Latvia notified a deficit of 1.8% of GDP for 2024 and a planned deficit of 3.1% for 2025. The 2025 planned deficit was assessed as above but close to the reference value and the excess was assessed as exceptional but not temporary (based on the Commission Spring 2025 forecast). Relevant factors could be taken into account and were regarded as on balance mitigating. Overall, the deficit criterion was assessed as fulfilled.

¹⁷ Based on the autumn 2025 notification, the deficit in 2024 remains at 1.8% of GDP, while the planned deficit for 2025 fell to 2.9% of GDP. This means that the motivation for the report in spring no longer applies, and therefore a detailed discussion of Latvia in the present report does not seem justified. Note, However, that the European Commission Autumn 2025 Forecast projects the deficit in 2025 to be marginally above 3% of GDP and increasing in 2026. Fiscal developments in Latvia will be reassessed in spring 2026.

¹⁸ Communication from the Commission to the European Parliament, the Council and the European Central Bank 'Reflecting the economic governance framework in national fiscal policy', Brussels, 25.11.2025, COM (2025)951 final.

Table 1 - Member States' position vis-à-vis the deficit and debt reference values

	Actual deficit not exceeding (✓) / exceeding (X) 3% of GDP in 2024	Planned deficit not exceeding (✓) / exceeding (X) 3% of GDP in 2025	Debt ratio not exceeding (✓) / exceeding (X) 60% of GDP at end- 2024
<i>Member States assessed in this report</i>			
Germany	✓	X	X
Finland	X	X	X
<i>Member States not considered in this report</i>			
Belgium**	X	X	X
Bulgaria	✓	✓	✓
Czechia	✓	✓	✓
Denmark	✓	✓	✓
Estonia	✓	✓	✓
Ireland	✓	✓	✓
Greece	✓	✓	X
Spain†	X	✓	X
France**	X	X	X
Croatia	✓	✓	✓
Italy**	X	✓	X
Cyprus	✓	✓	X
Latvia	✓	✓	✓
Lithuania	✓	✓	✓
Luxembourg	✓	✓	✓
Hungary**	X	X	X
Malta**	X	X	✓
Netherlands	✓	✓	✓
Austria*	X	X	X
Poland**	X	X	✓
Portugal	✓	✓	X
Romania***	X	X	✓
Slovenia	✓	✓	X
Slovakia**	X	X	✓
Sweden	✓	✓	✓

Source: Eurostat (press release of 21 October 2025 and autumn 2025 fiscal notification).

Notes: (*) In excessive deficit procedure since June 2025. (**) In excessive deficit procedure since July 2024. (***) In excessive deficit procedure since April 2020. (†) Not in excessive deficit and not discussed in this report (see Section 1).

2. GENERAL GOVERNMENT BALANCE

Finland exceeded the government deficit reference value in 2024, while both **Germany** and **Finland** plan a deficit for 2025 exceeding the 3% of GDP reference value (see Table 2).

For **Finland**, the government deficit in 2024 amounts to 4.4% of GDP and the planned deficit for 2025 to 4.3% of GDP, whereas the Commission Autumn 2025 Forecast projects a deficit of 4.5% in 2025. The deficits in both 2024 and 2025 are therefore assessed as *above and not close* to the reference value. For **Germany**, the planned deficit for 2025 amounts to 3.3% of GDP, whereas the Commission Autumn 2025 Forecast projects the deficit at 3.1% which is assessed as *above but close* to the reference value.

According to the Commission Autumn 2025 Forecast, the government deficits in **Finland** and in **Germany** are projected to continue exceeding 3% of GDP over the forecast horizon to 2027. Therefore, the deficits in excess of the reference value are assessed to be *not temporary*.

For **Finland**, the deficit in excess of the reference value in 2024 was impacted by unfavourable macroeconomic conditions. Real GDP decreased by 0.9% in 2023 and grew by 0.4% in 2024, and is projected in the Commission Autumn 2025 Forecast to increase by 0.1% in 2025. In addition, the worsening security environment due to Russia's war of aggression against Ukraine has sizeable repercussions on public finances in Finland. On 8 July 2025, the Council adopted a Recommendation¹⁹ under Article 26 of Regulation 2024/1263²⁰ allowing Finland to deviate from the maximum growth rates of net expenditure as set by the Council (activation of the national escape clause) during the period 2025-2028 to accommodate the increase in defence spending²¹. The Recommendation documented the exceptional circumstances outside the control of the government with a major impact on public finances underpinning the increase in defence spending. However, the deficit in excess of the reference value in 2025 is not fully explained by an increase in defence spending²².

In **Germany**, the deficit in excess of the reference value in 2025 is impacted by unfavourable macroeconomic conditions. Real GDP decreased by 0.9% in 2023 and by 0.5% in 2024, and is projected in the Commission Autumn 2025 Forecast to increase by 0.2% in 2025. On 10 October 2025, the Council adopted a Recommendation²³ under Article 26 of Regulation 2024/1263 allowing Germany to deviate from the maximum growth rates of net expenditure as set by the Council (activation of the national escape clause) during the period 2025-2028 to accommodate the increase in defence spending. The Recommendation documented the exceptional circumstances outside the control of the government with a major impact on public

¹⁹ Council Recommendation of 8 July 2025 allowing Finland to deviate from the maximum growth rates of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause), (OJ C, C/2025/3966, 20.8.2025, ELI: <http://data.europa.eu/eli/C/2025/3966/oj>).

²⁰ According to Article 2(1) of Regulation 1467/97, the excess of the government deficit over the reference value shall be considered exceptional, in accordance with the second indent of point (a) of Article 126(2). TFEU if it results from the existence of a severe economic downturn in the euro area or the Union as a whole established by the Council in accordance with Article 25 of Regulation (EU) 2024/1263 or from exceptional circumstances outside the control of the government with a major impact on the public finances of the Member State concerned, in accordance with Article 26 of that Regulation.

²¹ 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 02).

²² According to the Commission Autumn 2025 Forecast, defence spending in Finland is projected to 2.2% in 2025, this is an increase by 1.0 pps. of GDP, compared to 2021.

²³ Council Recommendation of 10 October 2025 endorsing the national medium-term fiscal-structural plan of Germany and allowing Germany to deviate from the maximum growth rates of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause), OJ C/2025/5635, 22.10.2025. ELI: <http://data.europa.eu/eli/C/2025/5635/oj>.

finances underpinning the increase in defence spending. Moreover, the deficit in excess of the reference value in 2025 is fully explained by an increase in defence spending²⁴.

Based on the above, the deficits in excess of the reference value can be considered as exceptional for **Finland** and **Germany**.

In sum, this analysis of deficits in excess over the reference value – regarding whether the deficit is exceptional, temporary as well as remains close to the reference value – suggests that the deficit criterion is not fulfilled in **Finland** or **Germany**, before the consideration of relevant factors.

²⁴ According to the Commission Autumn 2025 Forecast, defence spending in Germany is projected to 1.6% in 2025, this is an increase by 0.5 pps. of GDP compared to 2021.

Table 2 - General government balance

Percentage of GDP					Autumn fiscal notification	European Commission Autumn 2025 Forecast		
2021	2022	2023	2024		2025	2025	2026	2027
<i>Member States assessed in this report</i>								
Germany	-3.2	-1.9	-2.5	-2.7	-3.3	-3.1	-4.0	-3.8
Finland	-2.7	-0.2	-2.9	-4.4	-4.3	-4.5	-4.0	-3.9
<i>Member States not considered in this report</i>								
Belgium**	-5.4	-3.6	-4.0	-4.4	-5.9	-5.3	-5.5	-5.9
Bulgaria	-4.0	-2.9	-2.0	-3.0	-3.0	-3.0	-2.7	-4.3
Czechia	-5.0	-3.1	-3.7	-2.0	-1.9	-1.8	-2.0	-2.2
Denmark	4.1	3.4	3.4	4.5	1.8	2.3	1.1	0.8
Estonia	-2.5	-1.0	-2.7	-1.7	-1.3	-1.3	-4.4	-4.4
Ireland	-1.3	1.6	1.4	4.0	1.3	1.5	1.0	0.8
Greece	-7.2	-2.6	-1.4	1.2	0.1	1.1	0.3	0.0
Spain†	-6.7	-4.6	-3.3	-3.2	-2.5	-2.5	-2.1	-2.1
France**	-6.6	-4.7	-5.4	-5.8	-5.4	-5.5	-4.9	-5.3
Croatia	-2.6	0.1	-0.8	-1.9	-2.9	-2.8	-2.9	-2.8
Italy**	-8.9	-8.1	-7.2	-3.4	-3.0	-3.0	-2.8	-2.6
Cyprus	-1.6	2.7	1.7	4.1	3.3	3.3	3.0	3.2
Latvia	-7.2	-4.9	-2.4	-1.8	-2.9	-3.1	-3.5	-4.3
Lithuania	-1.1	-0.7	-0.7	-1.3	-2.9	-2.2	-2.5	-2.7
Luxembourg	1.1	0.2	-0.7	0.9	-0.8	-0.8	-0.5	-0.8
Hungary**	-7.1	-6.2	-6.8	-5.0	-4.3	-4.6	-5.1	-5.1
Malta**	-7.0	-5.3	-4.4	-3.5	-3.3	-3.2	-2.8	-2.6
Netherlands	-2.3	0.0	-0.4	-0.9	-2.1	-1.9	-2.7	-2.1
Austria*	-5.7	-3.4	-2.6	-4.7	-4.5	-4.4	-4.1	-4.3
Poland**	-1.7	-3.4	-5.2	-6.5	-6.9	-6.8	-6.3	-6.1
Portugal	-2.8	-0.3	1.3	0.5	0.3	0.0	-0.3	-0.5
Romania***	-7.2	-6.5	-6.7	-9.3	-8.4	-8.4	-6.2	-5.9
Slovenia	-4.6	-3.0	-2.6	-0.9	-2.4	-2.2	-2.3	-2.5
Slovakia**	-5.1	-1.6	-5.3	-5.5	-5.1	-5.0	-4.6	-5.3
Sweden	-0.2	1.0	-0.9	-1.6	-1.4	-1.7	-2.4	-2.0

Source: Eurostat (data from 2021 to 2024, and 2025 fiscal notification) and European Commission Autumn 2025 Forecast (data for 2025, 2026 and 2027).

Notes: (*) In excessive deficit procedure since June 2025. (**) In excessive deficit procedure since July 2024. (***) In excessive deficit procedure since April 2020. (†) Not in excessive deficit and not discussed in this report (see Section 1).

3. GENERAL GOVERNMENT DEBT

In both **Finland** and **Germany**, the general government gross debt at the end of 2024 exceeded 60% of GDP (see Table 3). For Germany, the government debt-to-GDP ratio slightly decreased in 2024 compared to the previous year, whereas it increased in Finland. Based on the Commission Autumn 2025 Forecast, the debt-to-GDP ratios in both Member States are projected to rise in 2025 and 2026.

Table 3 – General government debt

Percentage of GDP					Autumn fiscal notification	European Commission Autumn 2025 Forecast		
2021	2022	2023	2024		2025	2025	2026	2027
<i>Member States assessed in this report</i>								
Germany	67.9	64.4	62.3	62.2	65.0	63.5	65.2	67.0
Finland	73.1	74.0	77.1	82.5	86.9	88.1	90.9	92.3
<i>Member States not considered in this report</i>								
Belgium**	108.7	103.4	102.4	103.9	107.5	107.1	109.9	112.2
Bulgaria	23.8	22.5	22.9	23.8	28.9	28.5	30.6	32.6
Czechia	40.7	42.5	42.2	43.3	44.2	43.4	44.1	45.1
Denmark	39.6	33.3	33.0	30.5	29.1	28.9	27.7	26.8
Estonia	18.4	19.2	20.2	23.5	23.3	23.4	25.9	29.2
Ireland	52.4	42.9	41.8	38.3	33.4	33.1	32.5	31.3
Greece	197.3	177.8	164.3	154.2	145.4	147.6	142.1	138.0
Spain†	115.7	109.3	105.2	101.6	101.3	100.0	98.2	97.1
France**	112.8	111.4	109.8	113.2	116.2	116.3	118.1	120.0
Croatia	78.2	68.5	60.9	57.4	56.9	56.2	56.1	55.9
Italy**	145.8	138.4	133.9	134.9	136.2	136.4	137.9	137.2
Cyprus	96.5	80.3	71.1	62.8	55.4	56.4	51.0	45.7
Latvia	45.9	44.4	44.4	46.6	48.9	48.3	49.9	54.5
Lithuania	43.3	38.3	37.1	38.0	44.1	39.8	44.7	48.2
Luxembourg	24.2	24.9	24.7	26.3	26.8	26.8	27.1	27.2
Hungary**	76.2	74.1	73.2	73.5	73.1	73.7	73.9	74.9
Malta**	49.8	50.3	47.0	46.2	49.9	47.0	47.2	47.3
Netherlands	50.5	48.4	45.8	43.7	44.9	45.2	47.9	48.1
Austria*	82.4	78.1	77.8	79.9	81.6	81.4	82.8	83.9
Poland**	53.0	48.8	49.5	55.1	59.8	59.5	64.9	69.2
Portugal	123.9	111.2	96.9	93.6	90.2	91.3	89.2	88.2
Romania***	48.6	48.1	49.3	54.8	59.5	59.1	61.1	62.7
Slovenia	74.8	72.8	68.3	66.6	66.0	65.2	63.7	63.1
Slovakia**	60.2	57.8	55.8	59.7	61.6	61.9	64.0	66.9
Sweden	37.2	34.1	32.0	34.0	35.1	34.5	35.3	35.8

Source: Eurostat (data from 2021 to 2024, and 2025 fiscal notification) and European Commission Autumn 2025 Forecast (data for 2025, 2026 and 2027).

Notes: (*) In excessive deficit procedure since June 2025. (**) In excessive deficit procedure since July 2024. (***) In excessive deficit procedure since April 2020. (†) Not in excessive deficit and not discussed in this report (see Section 1).

4. RELEVANT FACTORS WHEN ASSESSING COMPLIANCE WITH THE DEFICIT CRITERION

Article 126(3) of the Treaty provides that, for each Member State, this report shall “*take into account whether the government deficit exceeds government investment expenditure and take into account all other relevant factors, including the medium-term economic and budgetary position of the Member State*”. Those factors are further clarified in Article 2(3) of Regulation (EC) No 1467/97, as amended, and refer to:

- a) the medium-term debt position, i.e., the degree of public debt challenges, the evolution of the government debt position and its financing, and the related risk factors, in particular the maturity structure, the currency denomination of the debt and contingent liabilities, including any implicit liabilities related to ageing and private debt;
- b) the medium-term budgetary position, including, in particular, the size of the actual deviation from the maximum net expenditure growth rates as set by the Council, in annual and cumulative terms as measured by the control account;
- c) the medium-term economic position, including potential growth, inflation developments and cyclical developments compared to the assumptions underlying the maximum net expenditure growth rates as set by the Council;
- d) the implementation of reforms and investments²⁵, including in particular policies to prevent and correct macroeconomic imbalances and policies to implement the common growth and employment strategy of the Union, including those supported by the Recovery and Resilience Facility (RRF), and the overall quality of public finances, in particular the effectiveness of national budgetary frameworks;
- e) the increase of government investment in defence, where applicable, considering also the time of recording of military equipment expenditure. The increase in government investment in defence has been included among the relevant factors as a result of the reform of the economic governance framework.

Article 2(3) of Regulation (EC) No 1467/97 provides also that “*any other factors which, in the opinion of the Member State concerned, are relevant in order to comprehensively assess compliance with the deficit and debt criteria and which the Member State has put forward to the Council and the Commission*” need to be given due consideration in this report. Furthermore, in accordance with Article 2(4) of Regulation (EC) No 1467/97, the presence of substantial public debt challenges is a key aggravating factor.

As regards the assessment of compliance with the deficit criterion, Article 2(4) of Council Regulation (EC) No 1467/97 further provides that the relevant factors can be taken into account by the Council and the Commission in the steps leading to the decision on the existence of an excessive deficit only when:

- a) the government debt-to-GDP ratio does not exceed the 60% reference value, *or*
- b) if the government debt-to-GDP ratio exceeds the 60% reference value, a double condition is met – *i.e.* that the deficit remains close to the reference value *and* that the excess over the reference value is temporary.

For both **Germany** and **Finland**, the debt-to-GDP ratio exceeds the 60% reference value, and the double condition necessary for relevant factors to be taken into account (closeness and

²⁵ The implementation of the set of reforms and investments that underpins an extension of the adjustment period for some Member States, as specified in the Council Recommendations endorsing the medium-term fiscal-structural plans, will be assessed in the context of the European Semester Spring Package, which is expected to be published by the Commission at the beginning of June 2026. For the countries covered in this report, there is an extension of the adjustment period for both Germany and Finland.

temporariness) is not met. Therefore, for both Member States relevant factors **cannot be taken into account** by the Council and the Commission in the steps leading to the decision on the existence of an excessive deficit. According to the established practice and in line with Article 2(4) of Regulation (EC) No 1467/97, the relevant factors are discussed in this report, even if they cannot be taken into account by the Council and the Commission in the steps leading to the decision on the existence of an excessive deficit on the basis of the deficit criterion.

4.1. CROSS-COUNTRY RELEVANT FACTORS

The EU economy has been faced with a series of adverse shocks in recent years, including Russia's war of aggression against Ukraine and high energy prices, a rise in geopolitical uncertainty, higher US tariffs and a reconfiguration of global trade flows. These factors played a role in budgetary developments of Member States, via e.g. the delayed adjustment of certain tax bases to inflation, automatic indexation mechanisms and increased expenditure for defence and border safety.

Economic activity in the EU as a whole picked up in 2024, with real GDP growth rising to 1.1% in 2024 from 0.4% in 2023. Modest growth, driven by domestic demand, remains in place, amidst a challenging external environment and lingering high uncertainty. According to the Commission Autumn 2025 Forecast, EU real GDP growth is projected at 1.4% in 2025. Meanwhile, inflation has continued declining, decreasing from a peak of 9.2% in 2022 to 2.6% in 2024. According to the Commission Autumn 2025 Forecast, EU real GDP growth is projected at 1.4% in 2025. The disinflation process is set to continue, with headline inflation falling to 2.5% in 2025.

Concerning the aggregate EU government deficit, after a sizeable reduction in 2021 and 2022 from very high levels in 2020, the deficit increased to 3.4% of GDP in 2023 and then fell to 3.1% of GDP in 2024. In 2025, the aggregate deficit is projected to increase to 3.3% of GDP.

At the end of 2024, the EU government debt-to-GDP ratio stood at 82.0%, broadly unchanged compared to 2023 (81.8%) and around 9 pps. lower than the 91.3% peak at the end of 2020, when public debt ratios increased substantially as a result of the COVID-19 crisis. However, it remains around 3 pps. above the pre-COVID-19 level. According to the Commission Autumn 2025 Forecast, the debt ratio is projected to rise to 82.8% of GDP in 2025.

After a sizeable expansion overall in 2020-23, the fiscal stance in 2024 was contractionary at 0.3% of GDP, driven by the phase-out of support to private investment and somewhat lower expenditure financed by the EU budget (including due to the end of spending under the Multiannual Financial Framework 2014-2020). This was only slightly offset by an expansionary contribution from public investment financed by national budgets. The fiscal stance in 2025 is projected to be broadly neutral (below 1/4% of GDP), with the contractionary contribution from national budgets largely offset by the expansionary contribution from expenditure financed by the EU budget.

4.2. COUNTRY-SPECIFIC RELEVANT FACTORS

This section provides an assessment of country-specific relevant factors, including public investment (see Table 4), for each of the two Member States concerned by this report, as specified in section 4.

Concerning the increase in government expenditure and investment in defence, this report uses the breakdown of government expenditure that is based on national accounts (ESA 2010) definitions with respect to the International Classification of the Functions of Government (COFOG) for defence purposes.

While the country-specific sections refer to key information on the medium-term macroeconomic position, including on the contributions to growth, and on the medium-term budgetary and debt positions, more detail on the macroeconomic and fiscal outlook can be found in the Commission Autumn 2025 Forecast.

Table 4 - Public investment

Percentage of GDP					European Commission Autumn 2025 Forecast		
	2021	2022	2023	2024	2025	2026	2027
<i>Member States assessed in this report</i>							
Germany	2.9	2.9	2.9	3.1	3.2	3.4	3.4
Finland	4.2	4.1	4.1	4.4	5.0	5.1	5.1
<i>Member States not considered in this report</i>							
Belgium**	2.8	2.7	2.9	3.1	3.2	3.2	3.3
Bulgaria	2.7	2.4	3.8	3.2	4.2	3.8	4.2
Czechia	4.6	4.5	4.8	4.7	4.8	4.8	4.7
Denmark	3.2	3.1	3.2	3.2	3.8	4.2	4.3
Estonia	5.8	5.4	6.5	6.2	6.9	8.0	7.8
Ireland	2.0	2.1	2.3	2.6	2.5	2.9	2.9
Greece	3.6	3.7	3.9	3.6	4.4	4.2	5.0
Spain†	2.7	2.7	3.0	2.7	2.9	3.1	2.9
France**	4.1	4.2	4.2	4.3	4.3	4.2	4.3
Croatia	4.8	4.1	5.7	5.2	5.7	5.6	5.4
Italy**	2.8	2.6	3.1	3.6	3.7	3.9	3.9
Cyprus	2.7	2.4	3.1	2.8	3.2	3.5	3.0
Latvia	5.6	4.8	5.6	6.3	7.3	7.7	7.8
Lithuania	3.2	3.2	4.2	4.2	4.8	5.6	5.0
Luxembourg	4.1	4.3	4.6	4.6	4.8	4.9	4.9
Hungary**	6.2	5.3	5.1	4.3	4.1	4.2	4.2
Malta**	3.7	3.3	3.5	3.2	3.7	3.6	3.5
Netherlands	3.4	3.2	3.3	3.3	3.4	3.5	3.6
Austria*	3.6	3.4	3.7	3.9	4.0	4.0	4.1
Poland**	4.1	3.8	5.1	4.8	5.0	5.4	5.6
Portugal	2.6	2.4	2.6	2.7	3.5	3.8	2.4
Romania***	4.1	4.4	5.4	5.9	6.4	6.5	6.5
Slovenia	4.7	5.5	5.5	5.1	5.3	5.3	5.3
Slovakia**	3.0	3.1	3.6	3.6	5.2	5.4	5.0
Sweden	5.1	5.1	5.4	5.5	5.7	6.0	6.0

Source: Eurostat (data from 2021 to 2024) and European Commission Autumn 2025 Forecast (data for 2025, 2026 and 2027).

Notes: (*) In excessive deficit procedure since June 2025. (**) In excessive deficit procedure since July 2024. (***) In excessive deficit procedure since April 2020. (†) Not in excessive deficit and not discussed in this report since (see Section 1).

4.2.1. GERMANY

Medium-term macroeconomic position. Real GDP decreased by 0.9% in 2023 and by 0.5% in 2024, mainly driven by weakness in manufacturing and weak external demand. In addition, policy uncertainty and still relatively tight financing conditions continued to dampen investment in 2024. Private consumption provided only limited support to growth. Output is projected to broadly stagnate in 2025 (0.2%) and increase by 1.2% in both 2026 and 2027. Growth in 2025 is mainly driven by a pick-up in private and public consumption, counterbalanced by contracting investment and a negative trade contribution.

Medium-term budgetary position, including investment. Germany's general government deficit increased from 2.5% of GDP in 2023 to 2.7% in 2024. Government investment stood at 2.9% of GDP in 2023 and increased slightly to 3.1% in 2024.

Based on the Commission's estimates²⁶, the fiscal stance²⁷, which includes both nationally and EU-financed expenditure, was broadly neutral in 2024. Growth in nationally financed primary current expenditure (net of discretionary revenue measures) in 2024 provided a contractionary contribution to the fiscal stance amounting to 0.3% of GDP.

The Commission Autumn 2025 Forecast projects a general government deficit of 3.1% of GDP in 2025, 4.0% in 2026, and 3.8% in 2027. Government investment is projected to slightly increase to 3.2% of GDP in 2025 and to 3.4% in both 2026 and 2027. Based on the Commission's estimates, the fiscal stance is projected to be broadly neutral in 2025. Growth in nationally financed net primary current expenditure in 2025 is projected to provide a broadly neutral contribution to the fiscal stance.

According to the Commission Autumn 2025 Forecast, Germany's net expenditure is projected to increase by 3.7% in 2025, which is within the maximum growth rate of 4.4% recommended by the Council on 10 October 2025²⁸. For 2026, net expenditure is projected to increase by 5.2%, which is above the maximum growth rate of 4.5% recommended by the Council. This corresponds to a deviation of 0.3% of GDP in 2026. In cumulative terms, *i.e.* compared to the base year of 2024, Germany's net expenditure is projected by the Commission to increase by 9.1% in 2026, which is above the maximum cumulative growth rate of 9.0% recommended by the Council. This corresponds to a cumulative deviation of less than 0.1% of GDP in 2026. However, the projected cumulative deviation in 2026 is within the flexibility provided by the national escape clause based on current projections for defence spending.²⁹

Debt challenges and medium-term debt position. Government debt slightly decreased from 62.3% of GDP at the end of 2023 to 62.2% of GDP at the end of 2024. The debt-to-GDP ratio

²⁶ Commission Staff Working Document SWD(2025)951, 'Fiscal statistical tables providing background data relevant for the assessment of the budgetary policies of the Member States', 25.11.2025.

²⁷ The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

²⁸ Council Recommendation of 10 October 2025 endorsing the medium-term fiscal-structural plan of Germany and allowing Germany to deviate from the maximum growth rates of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause), OJ C/2025/5635, 22.10.2025. ELI: <http://data.europa.eu/eli/C/2025/5635/oj>.

²⁹ According to Art. 4 of the Council Recommendation of 10 October 2025 activating the national escape clause, actual deviations from the maximum growth rates of net expenditure as set by the Council that are allowed under the national escape clause will not be recorded as debits in the control account of Germany.

is projected to increase to 63.5% of GDP at the end of 2025, 65.2% at the end of 2026, and 67.0% at the end of 2027.

Overall, the debt sustainability analysis indicates medium risk over the medium term.³⁰ The debt ratio in the baseline under unchanged policies is projected to increase significantly, and the debt trajectory is sensitive to more adverse macroeconomic assumptions. According to the stochastic projections, which simulate a large range of possible temporary shocks to macroeconomic variables, there is a medium likelihood that the debt ratio in 2029 will be higher than in 2024.

Other factors need to be taken into account for an overall assessment of debt sustainability. On the one hand, risk-increasing factors are related to the recent high share of short-term government debt. On the other hand, risk-mitigating factors include the lengthening of debt maturity in recent years, relatively stable financing sources (with a diversified and large investor base), a low share of public debt held in foreign currency and Germany's positive net international investment position.

In addition, structural reforms and investments under the RRF will have a positive impact on GDP growth in the coming years. The implementation of reforms and investments included in the RRP is underway. However, timely completion requires sustained efforts.

National budgetary framework. The central element of the German fiscal framework is the debt brake, according to which the government finances shall in principle be balanced. This rule allows for structural net borrowing of up to 0.35% of GDP, which can be exceeded in the case of natural disasters and exceptional emergencies beyond state control and except defence and security-related expenditure above 1% of GDP. The latter exception was introduced in March 2025, along with a new EUR 500 billion special purpose vehicle for infrastructure and climate-related investments. If non-compliance with the rule is reported after a budget year, any deviations from the permissible borrowing amount are recorded to a standing control account, which must be balanced over time. A similar rule applies in every one of the regions (*Länder*), with net borrowing now also limited to 0.35% of GDP in structural terms since March 2025. The German constitution enshrines a general government balance rule to limit the general government structural deficit to 0.5% of GDP.

Increase in government investment in defence. Germany's government expenditure³¹ on defence amounted to 1.4% of GDP in 2024, compared to 1.1% in 2021. Government investment in defence represented 0.2% of GDP, remaining unchanged compared to 2023.

The Commission Autumn 2025 Forecast projects government expenditure on defence to amount to 1.6% of GDP in 2025, 1.9% in 2026 and 2.1% in 2027. Government investment in defence is projected to remain broadly unchanged at 0.2% of GDP in 2025 and 2026 to then increase to 0.3% in 2027.

Other factors put forward by the Member State. On 28 October 2025, Germany provided additional relevant factors not mentioned above. Germany drew attention to new estimates for tax revenue by the German Working Group on Tax Revenue Estimates published on 23 October, which shows an increase in projected tax revenue relative to the figures notified by Germany in the EDP notification. All else being equal, this increase would reduce the

³⁰ Debt Sustainability Monitor 2024 (European Economy Institutional Paper 306, March 2025) based on the Commission Autumn 2024 Forecast.

³¹ 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).

projected deficit in 2025 to 3.0% of GDP³². Germany also noted that the government had introduced reforms to enhance potential output and fiscal sustainability.

4.2.2.FINLAND

Medium-term macroeconomic position. Real GDP decreased by 0.9% in 2023 and increased by 0.4% in 2024, mainly driven by an increase in net exports as exports of goods and services increased while imports fell. Public consumption also increased, but altogether, domestic demand (including changes in inventories) declined in particular due to a significant contraction in investment. Finland's economy is projected to stagnate with a marginal increase in real GDP of 0.1% in 2025. This unfavourable economic situation is mainly linked to the worsening security environment due to Russia's war of aggression against Ukraine. The economy is projected to resume growth in 2026 and in 2027, when real GDP is anticipated to grow by 0.9% and by 1.2%, respectively. Growth in 2025 is supported by slightly increasing net exports and investment while public and private consumption are projected to decline. In 2026, private consumption and investment are projected to become the growth drivers while net exports would decline.

Medium-term budgetary position, including investment. Finland's general government deficit increased from 2.9% of GDP in 2023 to 4.4% in 2024. Government investment stood at 4.1% of GDP in 2023 and increased to 4.4% in 2024.

Based on the Commission's estimates, the fiscal stance, which includes both nationally and EU financed expenditure, was expansionary, by 1.1% of GDP, in 2024. The growth in nationally financed primary current expenditure (net of discretionary revenue measures) in 2024 provided an expansionary contribution to the fiscal stance, amounting to 0.8% of GDP.

The Commission Autumn 2025 Forecast projects a general government deficit of 4.5% of GDP in 2025, 4.0% in 2026 and 3.9% in 2027. Government investment is projected to increase to 5.0% of GDP in 2025 and then slightly increase to 5.1% in both 2026 and 2027. Based on the Commission's estimates, the fiscal stance is projected to be broadly neutral in 2025. Growth in nationally financed net primary current expenditure in 2025 is projected to provide a contractionary contribution to the fiscal stance, amounting to 0.8% of GDP, reflecting the implementation of substantial fiscal consolidation measures.

According to the Commission Autumn 2025 Forecast, Finland's net expenditure is projected to increase by 1.2% in 2025, which is within the maximum growth rate of 1.6 % recommended by the Council on 21 January 2025³³. For 2026, net expenditure is projected to increase by 1.8%, which is within the maximum growth rate of 1.9% recommended by the Council.

In cumulative terms, i.e. compared to the base year of 2023, Finland's net expenditure is projected by the Commission to increase by 4.5% in 2025, which is within the maximum cumulative growth rate of 5.3% recommended by the Council. For 2026, net expenditure is projected to increase by 6.4% in cumulative terms in 2026, which is within the maximum cumulative growth rate of 7.4% recommended by the Council.

Debt challenges and medium-term debt position. Government debt increased from 77.1% of GDP at the end of 2023 to 82.5% of GDP at the end of 2024. The debt-to-GDP ratio is

³² The Commission Autumn 2025 Forecast reflects the improved macroeconomic outlook underlying the tax revenue estimate and thus also higher tax revenues.

³³ Council Recommendation of 21 January 2025 endorsing the medium-term fiscal-structural plan of Finland, (OJ C, C/2025/656, 10.2.2025, ELI: <http://data.europa.eu/eli/C/2025/656/oj>).

projected to increase further to 88.1% of GDP at the end of 2025, 90.9% at the end of 2026, and 92.3% at the end of 2027.

Overall, the debt sustainability analysis indicates high risk over the medium term.³⁴ The debt ratio in the baseline under unchanged policies is projected to increase significantly, and the debt trajectory is sensitive to more adverse macroeconomic assumptions. According to the stochastic projections, which simulate a large range of possible temporary shocks to macroeconomic variables, there is a high likelihood that the debt ratio in 2029 will be higher than in 2024.

Other factors need to be taken into account for an overall assessment of debt sustainability. On the one hand, government guarantees, and the related implicit liabilities for the public sector, are the largest in the EU. On the other hand, risk-mitigating factors include relatively stable financing sources (with a diversified and large investor base) and the currency denomination of debt.

In addition, structural reforms and investments under the RRF will have a positive impact on GDP growth in the coming years. The implementation of reforms and investments included in the RRP is underway. However, timely completion requires sustained efforts.

National budgetary framework. The cornerstone of the Finnish fiscal framework is a set of binding expenditure ceilings covering the central government. At the beginning of the parliamentary term, the government decides on the spending limits and the rules governing the procedure for the entire 4-year term, complemented by a nominal deficit rule. In addition, Finland has a balanced-budget rule in structural terms as well as a debt rule covering the general government, which also apply over the length of the government term (four years). Finally, there are budget balance rules for local governments and the social security sector in place set by ordinary law. Finland builds its medium-term budgetary strategy outlining the government's fiscal objectives and medium-term priorities according to these rules, following a rolling planning window. Finland is currently reforming its fiscal framework, and the new framework is expected to be legislated by end-2025³⁵.

Increase in government investment in defence. Finland's government expenditure on defence amounted to 1.6% of GDP in 2024, compared to 1.2% in 2021. Government investment in defence represented 0.1% of GDP, remaining unchanged compared to 2023.

The Commission Autumn 2025 Forecast projects government expenditure on defence to amount to 2.2% of GDP in 2025, 2.1% in 2026 and 2.3% in 2027. Government investment in defence is projected to increase by 0.8 percentage point to 1.0% in 2025, stabilise in 2026, and then increase to 1.2% in 2027.

³⁴ Debt Sustainability Monitor 2024 (European Economy Institutional Paper 306, March 2025) based on the Commission Autumn 2024 Forecast.

³⁵ In October 2025, a parliamentary pact was signed by several political groups on the terms of the new fiscal framework. This includes a numerical fiscal rule that will come on top of the EU fiscal rules and the adoption of a 40% of GDP long-term debt target, with two medium-term budget balance targets (a target for a four-year government term, which is the fiscal rule, and an eight-year inter-parliamentary target set in the middle of the government term) covering the central and local government. The targets must be consistent with the EU fiscal rules and with an 0.75 pps. of GDP debt reduction on average per year during an eight-year period towards the long-term debt target. There is a transitory period, where targets will only be set consistently with the EU rules, while the debt-reduction precondition would enter into force as from 2033. A correction mechanism, triggered in case of deviations from the target for the government term and the steps of the excessive deficit procedure, is also expected to be part of the framework. The independent fiscal institution's tasks will be given to the Finnish Economic Policy Council.

Other factors put forward by the Member State. On 28 October 2025, Finland provided additional relevant factors not mentioned above. Finland highlights that the planned deficit of 4.3% of GDP in 2025 is due to lower-than-expected tax revenues and a downward revision to the projected growth of the property income of pension funds. Finland also highlighted consolidation measures of around EUR 1 billion (around 0.3% of GDP), announced in September 2025, to contain the growth of government debt; some of these measures will have effects already in 2026. This comes in addition to the consolidation measures amounting to EUR 9 billion (around 3.0% of GDP) taken since 2023. In addition, the unemployment insurance contribution will be increased at the beginning of 2026, strengthening the general government financial position by EUR 0.5 billion³⁶.

5. CONCLUSIONS

The government deficit in **Finland** exceeded the reference value of 3% of GDP in 2024 and is planned to exceed the reference value also in 2025; both deficits are assessed as above and not close to the reference value. Finland's deficits in excess of the reference value are assessed to be not temporary, according to the Commission's forecast, while the excess over the reference value is assessed as exceptional.

Germany had a government deficit not exceeding the reference value in 2024 but has reported a planned deficit that is assessed as above but close to 3% of GDP in 2025. Germany's deficit in excess of the reference value is assessed to be not temporary, according to the Commission's forecast, while the excess over the reference value is assessed as exceptional.

In both **Germany** and **Finland**, government debt exceeds the 60% of GDP reference value while the double condition necessary for relevant factors to be taken into account (*i.e.* that the deficit remains close to the reference value and that the excess over the reference value is temporary) is not met. Thus, for both Member States relevant factors cannot be taken into account by the Council and the Commission in the steps leading to the decision on the existence of an excessive deficit.

Therefore, the deficit criterion is fulfilled in neither **Finland** nor **Germany**

The Council has activated national escape clauses to facilitate an increase in defence expenditure in both Germany and Finland, during the period 2025-2028. Article 2(5) of Regulation (EU) No 1467/97 establishes that, if a national escape clause is activated, the Commission and the Council *may* decide not to reach a conclusion regarding the existence of an excessive deficit.

In line with Commission Communication of 19 March 2025³⁷, if the national escape clause is activated, the Commission and Council may decide not to reach a conclusion regarding the existence of an excessive deficit in case of an excess of the deficit over 3% of GDP, when this is due to an increase in defence expenditure.

In the case of **Germany**, defence expenditure increased from 1.1% of GDP in 2021 to 1.4% in 2024, and is projected to be 1.6% of GDP in 2025, based on the Commission Autumn 2025 Forecast. Without this increase in defence expenditure since 2021, the 2025 deficit projected by the Commission would be 2.6% of GDP, thus below the reference value. Not to reach a

³⁶ The measures announced in autumn that were specified in sufficient detail have been reflected in the Commission Autumn 2025 Forecast. This also includes the increase in the unemployment insurance contribution.

³⁷ Communication from the Commission 'Accommodating increased defence expenditure within the Stability and Growth Pact', Brussels, 19.3.2025, C(2025) 2000 final.

conclusion on the existence of an excessive deficit in Germany at this stage is therefore in accordance with Article 2(5) of Regulation (EU) No 1467/97.

In light of this assessment, the Commission is of the view that there is no case to open an excessive deficit procedure for Germany. Fiscal developments in Germany will be reassessed in spring 2026.

In **Finland**, defence expenditure increased from 1.2% of GDP in 2021 to 1.6% in 2024, and is projected to be 2.2% of GDP in 2025, based on the Commission Autumn 2025 Forecast. Without the increase in defence expenditure since 2021, the 2025 deficit projected by the Commission would be 3.4% of GDP, thus still above the reference value. Therefore the conclusion reached in the report of June 2025 needs to be revisited.

After considering the opinion of the Economic and Financial Committee as established under Article 126(4) TFEU, the Commission will consider proposing to open an excessive deficit procedure for Finland by recommending to the Council to adopt a Decision under Article 126(6) establishing the existence of an excessive deficit as well as a Recommendation under Article 126(7) with a view to correcting the excessive deficit.