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OUTCOME OF PROCEEDINGS

From:	General Secretariat of the Council
To:	Delegations
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Subject:	Alert Mechanism Report 2026 – Council counclusions (20.01.2026)

Delegations will find attached the Council conclusions on Alert Mechanism Report 2026, approved by the Economic and Financial Affairs Council at its 4148th meeting held on 20 January 2026.

ALERT MECHANISM REPORT 2026

COUNCIL CONCLUSIONS

THE COUNCIL OF THE EUROPEAN UNION:

1. HIGHLIGHTS that in 2025, economic growth in the EU was steady, albeit modest, supported by a resilient labour market, decreasing inflation and favourable financing conditions. RECOGNISES that the global economy continues to face structural changes and high geopolitical uncertainty, prompting a more challenging external environment for the EU. STRESSES that addressing economic vulnerabilities is crucial for ensuring macroeconomic stability and balanced growth.

2. UNDERLINES the continued importance of the implementation of the Macroeconomic Imbalance Procedure to detect, prevent and correct imbalances which are adversely affecting, or have the potential to adversely affect, the proper functioning of the economy of a Member State or of the economic and monetary union, or of the EU as a whole. WELCOMES the Alert Mechanism Report 2026, which initiates the fifteenth annual round of implementation of the Macroeconomic Imbalance Procedure.

3. WELCOMES the overall analysis within the Alert Mechanism Report. NOTES that part of the cross-country considerations around risks of imbalances was streamlined, with the new European Macroeconomic Report containing an assessment of risks to the macro-financial stability of the EU economy. ACKNOWLEDGES the importance of strengthening the holistic approach to the risks to macroeconomic stability, making a broad analysis of all macroeconomic imbalances, focusing on the Member States and preserving the continued visibility of the EU and euro area dimensions in the analysis. HIGHLIGHTS that the Alert Mechanism Report is based on the Commission economic reading of the data for 2024 of the scoreboard, interpreted in a forward-looking manner. RECOGNISES the uncertainty of forecasts and the importance of looking at both stock and flow variables for the analysis of risks.

4. BROADLY AGREES with the assessment of the Alert Mechanism Report regarding the evolution of macroeconomic imbalances and emerging risks. ACKNOWLEDGES that while inflation has overall been receding in the EU and is expected to remain broadly stable, inflationary pressures continue in some Member States. NOTES that the divergent increase in price and cost levels over the past post-pandemic years has impacted the relative cost competitiveness positions of Member States.

5. NOTES that debts of households and corporations have declined in the majority of Member States, while often remaining above levels that can be explained by economic fundamentals. NOTES that while nominal GDP growth supported the stabilisation in government debt-to-GDP ratios in 2024, for a number of Member States debt ratios remain high, and for many the debt ratios are forecast to rise again due to ongoing deficits. At the same time, for several Member States, the public debt ratios are expected to decline.

6. RECOGNISES that high house prices and house price growth constitute a rising concern in many Member States, with different dynamics across countries. ACKNOWLEDGES that inelastic supply linked to limited construction of new homes can severely affect housing affordability and reduce labour mobility, overall weighing on regional and national competitiveness, undermining economic activity and worsening social consequences.

7. UNDERLINES the continued resilience of the EU banking sector, maintaining high profitability and strong capital ratios. NOTES that the increase of the share of non-performing loans has remained limited.

8. NOTES that the EU and the euro area's persistent external surplus reflects lower investment as compared to savings, even though it has declined relative to its pre-pandemic level. ACKNOWLEDGES that some Member States with significant external surpluses have accumulated substantial net assets, exposing them to risks of valuation fluctuations. RECOGNISES that Member States with high external deficits rely on external financing, adding to the vulnerabilities in case of increasing risk perceptions. NOTES that in general negative net international investment positions continued improving, while large positive net external positions also increased sharply.

9. TAKES NOTE of the Commission's intention to prepare in-depth reviews for the seven Member States that were identified as experiencing imbalances or excessive imbalances in spring 2025. CALLS for the publication of in-depth reviews well ahead of the 2026 European Semester Spring package.

10. TAKES NOTE that for four other Member States, the Commission concluded that a number of developments also merit attention, even if they do not warrant an in-depth review at this juncture. This includes, in particular, cumulated price increases over the past years and the continued strong increase of unit labour costs that weigh on cost competitiveness. Additionally, fast increases of house prices and credit growth require close monitoring.

11. CALLS for continued effective and efficient implementation of the Macroeconomic Imbalance Procedure, applied in a transparent and horizontally consistent manner, alongside the reformed economic governance framework, embedded in the European Semester. STRESSES the potential interactions between different macroeconomic variables.

12. CALLS on Members States to undertake timely policy action aimed at reducing macroeconomic vulnerabilities, including by implementing reforms and investments to address country-specific recommendations, under the European Semester, in particular those related to the Macroeconomic Imbalance Procedure.

13. UNDERLINES that preventing and correcting macroeconomic imbalances enhances Member States' ability to respond to shocks and supports economic growth and convergence, and that reducing imbalances contributes to strengthening the EU's economy overall resilience, yielding positive spillovers.