European Commission

Economic and Financial Affairs

An Assessment of the Euro Area Fiscal Stance in 2025 and 2026, Considering the Flexibility for Higher Defence Spending

Alessandra Cepparulo
and Vito Ernesto Reitano

EUROPEAN ECONOMY

ECONOMIC BRIEF 085 | JULY 2025

European Economy Economic Briefs are written by the staff of the European Commission's Directorate-General for Economic and Financial Affairs to inform discussion on economic policy and to stimulate debate.

DISCLAIMER

The views expressed in this paper are solely those of the author(s) and should not be considered as representative of the European Commission's official position.

Authorised for publication by Decal Costello, Deputy Director-General for Economic and Financial Affairs.

Luxembourg: Publications Office of the European Union, 2025

PDF ISBN 978-92-68-12541-0 ISSN 2443-8030 doi:10.2765/921961 KC-01-25-037-EN-N

European Commission
Directorate-General for Economic and Financial Affairs

An Assessment of the Euro Area Fiscal Stance in 2025 and 2026, Considering the Flexibility for Higher Defence Spending

Alessandra Cepparulo and Vito Ernesto Reitano

Abstract

This Economic Brief analyses the euro area fiscal stance, i.e. the impulse that national and the EU budgets provide to the euro area economy, with a focus on the 2024-2026 period. Overall, after significant expansion in 2020-2023, the euro area fiscal stance turned contractionary in 2024, driven by lower capital transfers mainly due to the phase-out of large tax credits for housing renovations in Italy. Compliance with the recommended net expenditure paths would entail a slightly contractionary fiscal stance for the euro area in 2025 and 2026. However, the higher defence spending, including under the flexibility granted via the national escape clause, is expected to lead to a less restrictive fiscal stance.

JEL Classification: E61, E62, H50.

Keywords: fiscal policy coordination, fiscal rules, fiscal stance, inflation, business cycles, automatic stabilisers, fiscal forecast, sovereign debt sustainability, euro area.

Acknowledgements: This brief benefited from valuable comments This brief benefited from valuable comments by Declan Costello, João Nogueira Martins, Gilles Mourre, Lucia Piana, Massimo Suardi, Charlotte Van Hooydonk, and Hauke Vierke. The authors would also like to thank members of the Economic and Financial Committee – Alternates and colleagues at the European Central Bank for their insightful comments.

Contact: Alessandra Cepparulo, alessandra.cepparulo@ec.europa.eu, European Commission, Directorate-General for Economic and Financial Affairs, Unit C1: Fiscal policy and surveillance.

INTRODUCTION

This Economic Brief analyses the euro area fiscal stance, i.e. the impulse that national and the EU budgets provide to the euro area economy, with a focus on the 2024-2026 period. In the euro area, the European Central Bank (ECB) is entrusted with the objective of maintaining price stability through a common monetary policy, while fiscal policies are implemented at the national level and regulated by the Stability and Growth Pact (SGP). The reformed EU fiscal framework, and in particular the use of net expenditure growth as single operational indicator is expected to enhance countercyclicality and growth-friendliness of the fiscal rules. The key objective of the reform, for which 2025 is the first year of implementation, is to strengthen debt sustainability and promote sustainable and inclusive growth through reforms and investment. Besides nationally financed expenditure, a full assessment of the fiscal stance requires consideration of spending funded at the EU level, notably from Next Generation EU. At this juncture and for the coming years, fiscal policy will also be shaped by the need to enhance defence capability in Europe. Such need has prompted the launch of the *Readiness 2030* initiative in March 2025, which includes the possibility to deviate from the recommended net expenditure path in 2025-2028, with a cap of 1.5% of GDP, through the activation of the national escape clause of the SGP.

The fiscal stance measures the fiscal impulse of budgetary policy to the economy, from the national budget and from EU funding. The fiscal stance is measured by the change in net expenditure[1] financed by the national budgets and spending financed by RRF grants and other EU funds relative to 10-year potential GDP growth.[2] The fiscal stance is expansionary (contractionary) when net primary expenditure increases more (less) than potential GDP growth.[3]

The economic brief is structured as follows. It begins by recalling in section 2 the outlook for real GDP growth and inflation in the euro area, as projected in the Commission Spring 2025 Forecast.[4] Section 3 looks at the fiscal stance for the euro area, with estimates for 2024 and projections for 2025 and 2026. Section 4 then analyses the fiscal stance figures for the same years at the level of euro area Member States. Section 5 finally presents stylised scenarios that include the impact of the maximum 1.5% of GDP flexibility for higher defence spending in 2025-2028 under the national escape clause (NEC). The Annex reports the fiscal stance as projected by other institutions.

1 The Commission measures the fiscal stance through a broader expenditure aggregate than the 'net expenditure' indicator used in the new EU fiscal framework (see Article 2(2) of Regulation 2024/1263). In particular, the expenditure aggregate used for the fiscal stance also includes expenditure financed by the EU budget (i.e. RRF grants and other EU funds) and the national co-financing.

2 More details on the methodology are provided in Cepparulo et al. (2024)

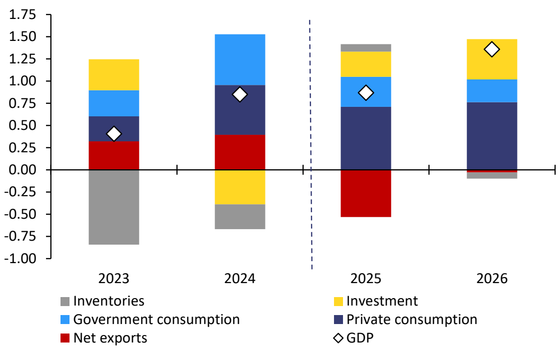
3 The fiscal stance is considered broadly neutral at a value within the -0.25% / +0.25% of GDP range, while it is considered expansionary (-) or contractionary (+) outside this range.

4 European Economic Forecast. Spring 2025.

ECONOMIC OUTLOOK

Euro area real GDP is expected to grow by 0.9% in 2025, like in 2024, and to accelerate to 1.4% in 2026 (Graph 1). These figures compare with a potential GDP growth estimated at around 1.1-1.2%. Private consumption is set to be the key driver of growth in 2025 and 2026, while the contribution of net exports to euro area growth is expected to be negative in 2025 and neutral in 2026. Specifically, private consumption is projected to increase by 1.3% and 1.4% in 2025 and 2026, respectively, broadly in line with real disposable income that is supported by continued gains in employment and wages, while inflation declines. By contrast, euro area exports are expected to grow by a modest 0.3% in 2025 and 2.0% in 2026, reflecting the impact of US tariffs on global demand for goods.

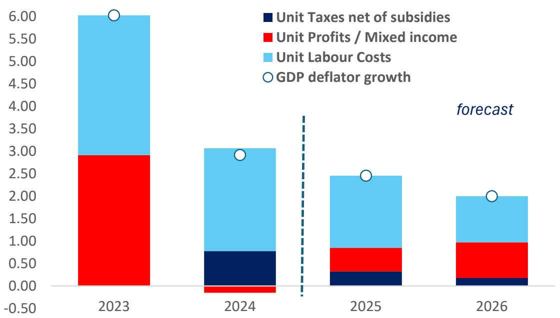
Graph 1: **Euro area real GDP (annual % change) and demand component contributions**



Source: European Commission Spring 2025 forecast.

Investment is expected to expand over the forecast horizon. After the fall recorded in 2024 (by 1.8%), investment is projected to increase again in 2025, by 1.3%, and to accelerate further to 2.2% in 2026. On the one hand, equipment investment is expected to stagnate in 2025 and to pick up only modestly in 2026, as dismal export prospects and high uncertainty affect private sector investment demand. On the other hand, infrastructure investment and intellectual property products (R&D and ICT) are set to expand – partly supported by the RRF and the digital transformation needs of businesses.

Graph 2: **Euro area GDP deflator (annual % change) and component contributions**



Source: European Commission Spring 2025 forecast.

The euro area is experiencing downward pressure on inflation also due to lower energy prices and a stronger euro. As a result of those factors and decelerating unit labour costs, headline inflation in the euro area is expected to decrease from 2.4% in 2024 to 2.1% in 2025 and 1.7% in 2026. The GDP deflator growth, which includes only inflationary pressure from domestic production factors, is projected to decline from 2.9% in 2024 to 2.5% in 2025 and 2.0% in 2026, despite some acceleration in unit profits (Graph 2).

The balance of risks surrounding the economic outlook for the euro area is tilted towards more adverse outcomes. On the downside, escalating trade tensions with the US, financial instability, and climate-related disasters threaten to derail growth and stability. On the other hand, a reduction in trade tensions, progress on structural reforms, and increased investment in infrastructure and defence could provide a boost to the euro area economy.

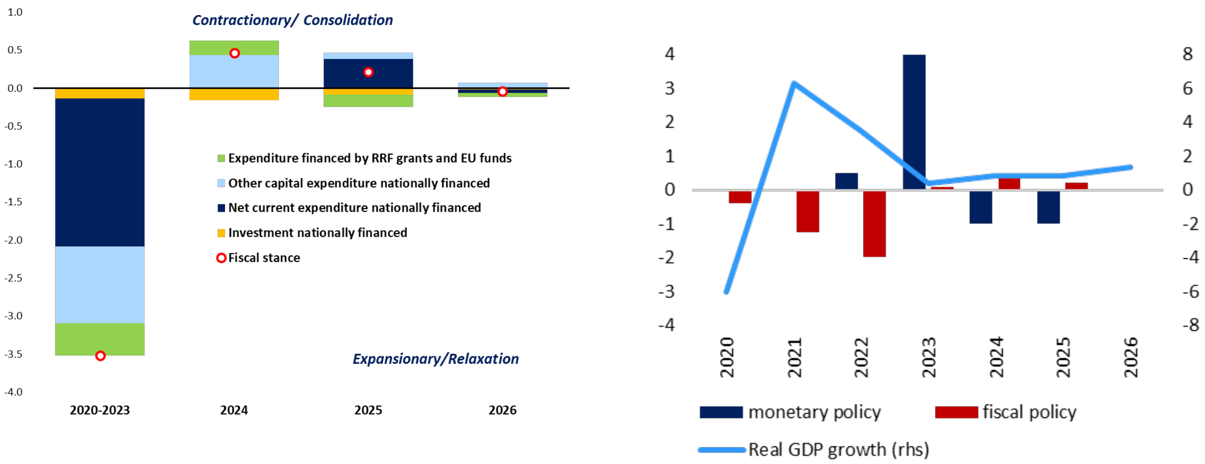
EURO AREA FISCAL STANCE IN 2024, AND PROJECTIONS FOR 2025-2026

THE FISCAL STANCE OBSERVED IN 2024

The euro area fiscal stance was contractionary in 2024 (Graph 3). After an overall expansion of 3½% of GDP in 2020-23, the fiscal stance turned contractionary in the euro area in 2024, by ½% of GDP. This contractionary stance was driven by the decline in governments' other capital expenditure (especially the phase-out of large tax credits for housing renovations in Italy) and lower expenditure financed by EU funds,[5] only marginally offset by increasing investment financed by the national budgets. The contractionary stance in 2024 supported the disinflation process in a still weak, albeit improving, economic environment. At the same time, the ECB cut the deposit facility rate – the key rate through which it steers the monetary policy stance – by overall 100 basis points during the year, to 3% in December 2024, and the disinflation process remained on track.

Graph 3: **Euro area fiscal stance and change in ECB deposit facility rate since 2020**

a) EA fiscal stance (% of GDP) b) EA fiscal and monetary policy stances



Note: in panel a) the fiscal stance for 2020-2023 is cumulative; in panel b) the fiscal stance profile in 2020-2023 does not include the temporary impact of COVID-19 emergency measures. The monetary policy stance is measured as the overall change of the ECB deposit facility rate in the year, until June for 2025.
Source: European Commission Spring 2025 forecast.

THE FORECAST FISCAL STANCE IN 2025

The fiscal stance in 2025 and subsequent years will be impacted by the need to ramp up defence spending over the medium term, particularly investment, in a more uncertain and dangerous geopolitical environment. On 19 March 2025, the Commission proposed decisive action - *Readiness 2030* - to boost Europe's defence spending to face the changed geopolitical situation in Europe.[6] 16 Member States have so far requested the activation of the NEC, [7] which is one of the five Readiness 2030 pillars. This activation will allow Member States to

5 Expenditure financed by EU funds was particularly high in 2023 due to the absorption of remaining funds from the Multiannual Financial Framework (MFF) 2014-2020.

6 Joint white paper for European Defence Readiness 2030 - 30b50d2c-49aa-4250-9ca6-27a0347cf009_en

7 National medium-term fiscal-structural plans - European Commission.

exceed the recommended maximum net expenditure growth rates in 2025-2028, up to a cap of 1.5% of GDP, owing to an increase in defence expenditure since 2021 (or 2024 if lower). Based on current policies, total defence spending in the euro area is projected to increase by 0.1 pps. in 2025, to 1.4% of GDP (measured in national account data), driven by the rise in defence investment (Graph 4). The increase in defence spending is expected to be higher in 2026-2028, as the implementation of the NEC and SAFE [8] - the new EU financing instrument for common defence investment procurements - gathers pace.

The fiscal policy stance is projected to be broadly neutral in the euro area in 2025.[9] This broadly neutral stance is driven by some restraint in both net current expenditure and other capital expenditure to meet the recommended net expenditure paths. These contractionary contributions to the fiscal stance are expected to be partly offset by increasing expenditure financed by RRF grants. In addition, higher investment in defence (Graph 4b) would entail a further expansion in nationally financed investment in 2025. An increase in defence spending beyond that underpinning the forecast (Graph 4a) - especially in some Member States for which the NEC is activated - would imply a stronger expansionary effect, pushing the overall fiscal stance further to the neutral territory.

The broadly neutral fiscal stance projected in the euro area for 2025 is considered to be appropriate in light of the revised macroeconomic environment. Since autumn 2024, when the fiscal stance was projected to be slightly contractionary in 2025, economic prospects for the euro area in 2025 have worsened and uncertainty has increased significantly. The continued decline in inflation in 2025, forecast to go below 2% in the second half of 2025, makes a contractionary fiscal stance less necessary. A broadly neutral stance, implying restraint in non-defence expenditure, would be still prudent and consistent with the monetary policy efforts to ensure that inflation stabilises sustainably at the 2% target over the medium term.

In terms of geographical composition, the euro area fiscal stance for 2025 appears to be broadly consistent with the need for fiscal prudence in Member States with high debt challenges. The overall fiscal stance for the euro area reflects large contractionary contributions from net expenditure financed by the national budgets in some countries with high sustainability risks and still high deficits. In some high-debt countries, however, the fiscal stance based on the national budgets is not projected to be contractionary also due to higher defence spending allowed by the NEC flexibility (see the country-specific section).[10]

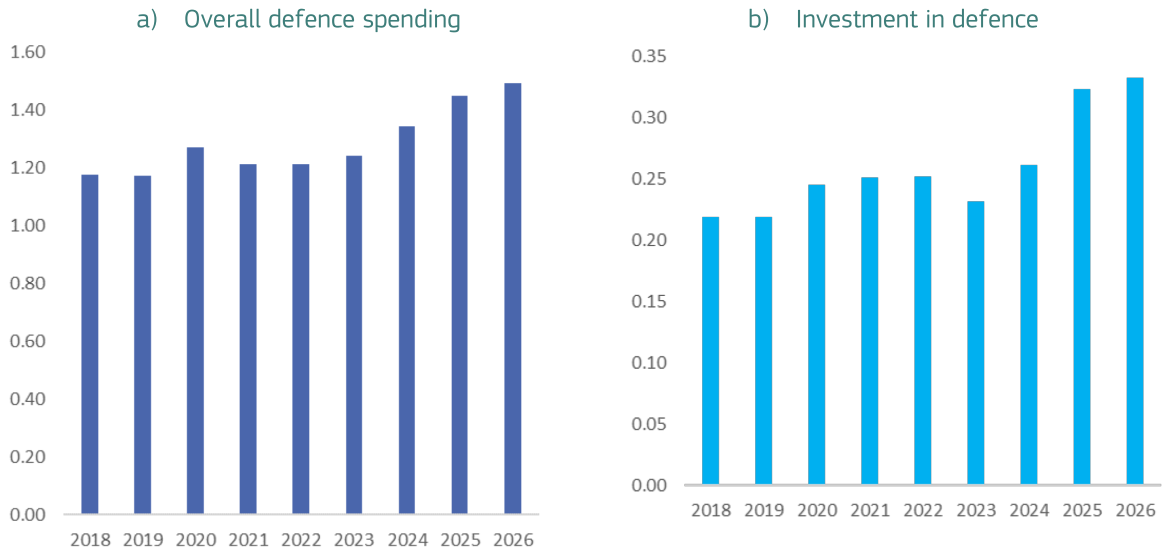
In terms of spending composition, the fiscal stance for 2025 appears growth-friendly given the underlying increase of investment. While net current expenditure is set to be restrained following the need to consolidate in several Member States, nationally financed investment is preserved. Total investment is also supported by an increase in expenditure financed by RRF grants, as RRF implementation speeds up with its sunset getting closer.

8 SAFE: Council adopts €150 billion boost for joint procurement on European security and defence - Consilium.

9 This result is similar when based on the Annual Progress Reports (see Report on Public Finances in EMU 2024 - forthcoming).

10 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.

Graph 4: **COFOG defence spending in the euro area, 2018-2026 (% of GDP)**



Source: European Commission Spring 2025 forecast.

THE FORECAST FISCAL STANCE IN 2026

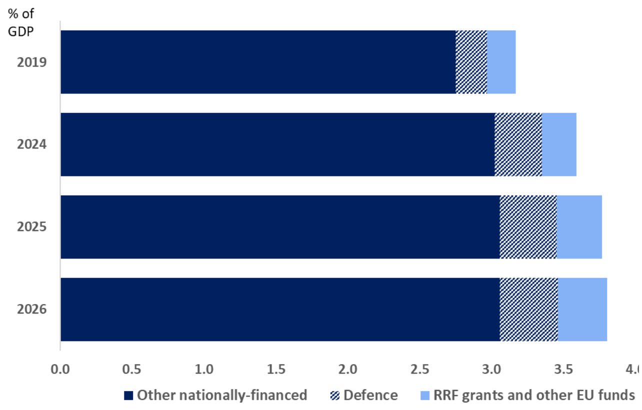
The recommended net expenditure paths would entail a slightly contractionary fiscal stance for the euro area in 2026, but this could be broadly offset by Member States making use of the NEC flexibility and increasing defence spending beyond what factored in the spring 2025 forecast. The additional measures needed to comply with the maximum net expenditure paths recommended to euro area Member States, still to be laid out in the Draft Budgetary Plans, would imply a slightly restrictive fiscal stance. At the same time, the NEC flexibility will allow Member States for which it has been activated to exceed the maximum net expenditure path if this is justified by the increase in defence spending since 2021 (or 2024 if lower). Aside from higher defence spending Member States should respect the maximum net expenditure path set by the Council to safeguard fiscal sustainability.

In the Commission Spring 2025 Forecast, the euro area fiscal stance is projected to be neutral in 2026, based on unchanged policies. The contributions from all components are also projected to be broadly neutral in 2026 (Graph 3). From a macroeconomic perspective, a broadly neutral overall fiscal stance, based on the application of the flexibility for additional defence spending, could be consistent with the highly uncertain, less favourable, economic outlook and lower inflationary pressures. At the same time, differentiation across Member States should be improved to reflect fiscal challenges as in the recommended net expenditure paths.

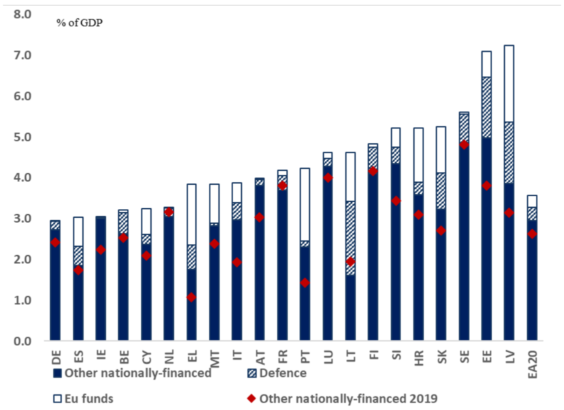
The RRF continues to support investment. Public investment is projected to reach 3.6% of GDP in the euro area by 2026, from 3.0% in 2019. The increase between 2019 and 2026 is expected to be supported by both the national and the EU budgets, especially the RRF (Graph 5). One third of the projected increase by 2026 is due to higher defence investment financed by the national budgets.

Graph 5: **Public investment in the euro area and in Member States**

a) Euro area, 2024-2026 vs 2019



b) Member States, 2026

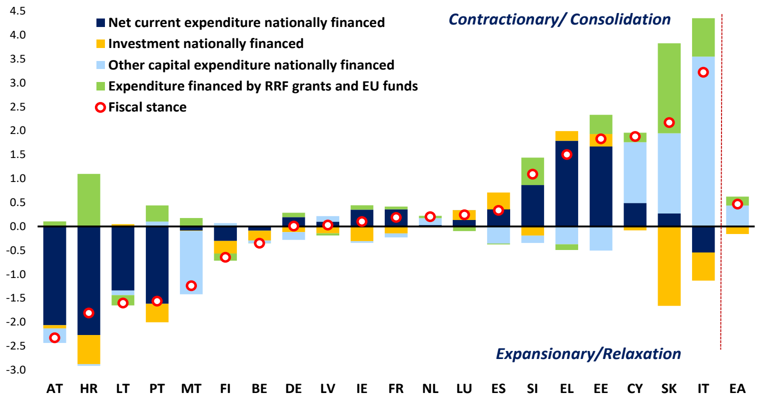


Source: European Commission Spring 2025 forecast.

MEMBER STATES' FISCAL STANCE IN 2024, AND PROJECTIONS FOR 2025-2026

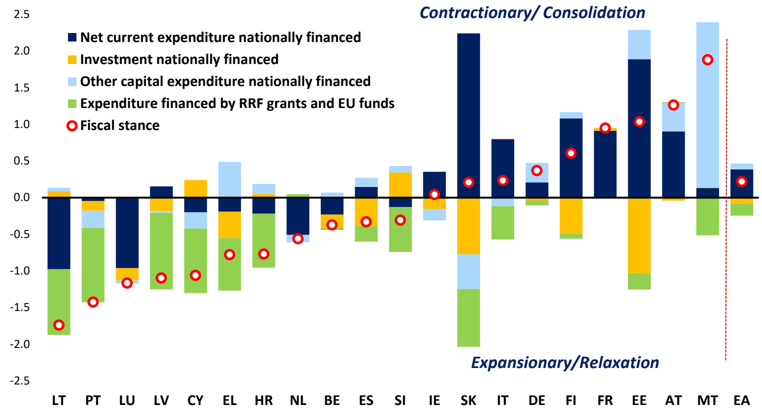
Seven euro area Member States implemented contractionary fiscal policies in 2024, while fiscal policies were expansionary in another seven countries and broadly neutral in six (Graph 6). In line with the fiscal guidance provided at EU level, public investment financed by the national budgets was at least preserved in most euro area Member States. RRF grants and other EU funds provided a large contractionary contribution in Croatia, Slovenia, Greece, Slovakia and Italy – see footnote 5. Other capital expenditure was a sizeable component of the expansionary stance in Malta due to the transfers to the national airline, whereas it had a contractionary impulse in Slovakia, Cyprus and especially Italy, due to the phase-out of sizeable tax credits for housing renovations. Finally, net current expenditure could have been more contractionary in 2024 in several Member States, including in some high-deficit/debt countries, especially after considering the impact of phasing out measures related to the energy crisis.

Graph 6: **Fiscal stance and components in euro area Member States in 2024 (% of GDP)**



Source: European Commission Spring 2025 forecast.

Graph 7: **Fiscal stance and components in euro area Member States in 2025 (% of GDP)**



Source: European Commission Spring 2025 forecast.

Fiscal stances are expected to remain diverse across euro area countries in 2025 (Graph 7). This heterogeneity can be attributed partly to the design of the new economic governance framework, which differentiates fiscal adjustment requirements based on countries' fiscal challenges, and partly to the different fiscal impulse from expenditure financed by RRF grants and other EU funds. Member States' 2025 fiscal stances are set to range from a contraction of 1.9% of GDP in Malta to an expansion of 1.7% of GDP in Lithuania. Eleven euro area countries are expected to have an expansionary stance, three broadly neutral and six contractionary. Net current expenditure is projected to be the main driver of the overall fiscal stance in the majority of Member States, with a significant contraction (more than 0.75% of GDP) projected in Slovakia, Estonia, Finland, France, Austria and Italy. In most countries, 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.

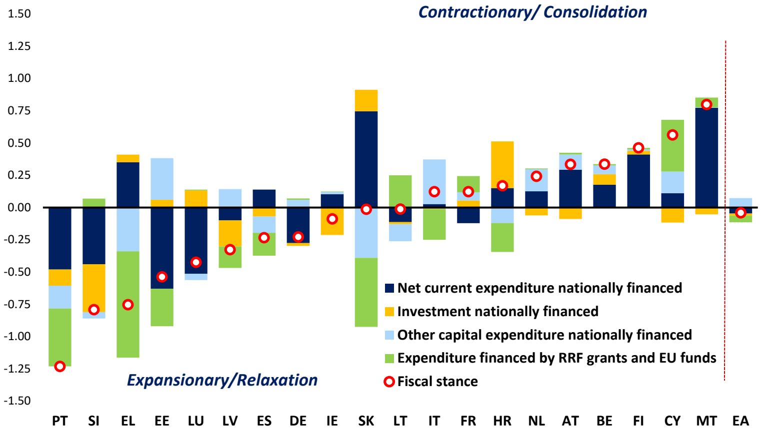
Overall, the fiscal stances projected for 2025 reflect the country-specific fiscal challenges. Most high-deficit/debt countries are in fact set to restrain net expenditure financed by the national budgets. In the case of Spain, the expansionary stance is largely driven by the projected acceleration in the RRF absorption, but the contribution of net current expenditure is set to be broadly neutral. The expansion in net expenditure projected for the Netherlands in 2025 would not be consistent with the recommended net expenditure path.[11]

The fiscal stance is set to be broadly neutral in 2026 for almost half of the euro area countries, based on unchanged policies. In 2026, Member States' fiscal stances are set to range from a contraction of ¾% of GDP in Malta to an expansion of 1¼% in Portugal (Graph 8). In nine euro area countries, fiscal policies would be broadly neutral, while expansionary and contractionary policies would be almost evenly distributed among the rest of the Member States. Net current expenditure financed by the national budgets would be contractionary (+0.25% of GDP or more) only in five euro area countries in 2026, based on unchanged policies.

The DBPs for 2026 should put forward additional consolidation measures in some euro area countries. Net expenditure is currently projected to exceed the maximum recommended growth rates - even after considering the NEC flexibility where applicable - in some euro area Member States. At the same time, euro area Member States could further increase defence expenditure in 2026 by using the NEC flexibility, making their fiscal stances less restrictive.

11 For more details on the assessment of Member States' compliance with recommended net expenditure paths see: [2025 European Semester: Spring package - European Commission.]

Graph 8: **Fiscal stance and components in euro area Member States in 2026, based on unchanged policies (% of GDP)**



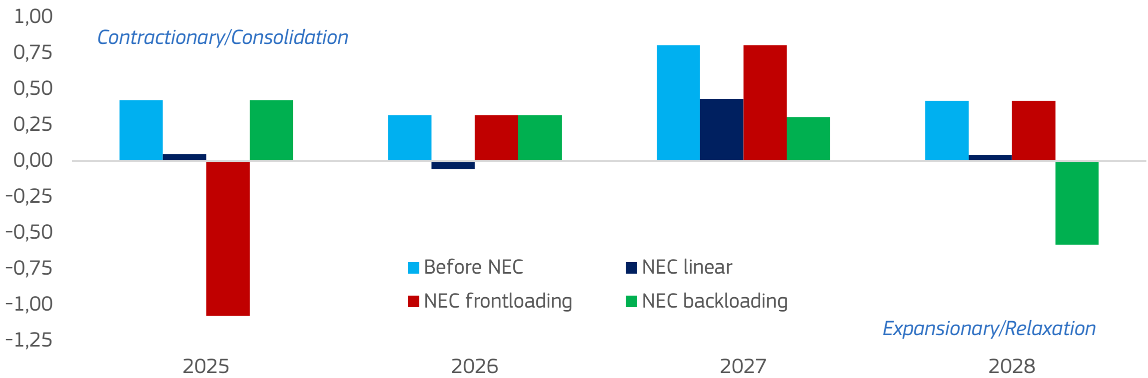
Source: European Commission Spring 2025 forecast.

Investment is set to increase in most Member States, while the RRF and other EU funds will provide additional support. At the same time, in seven euro area countries, the contribution of investment financed by the national budgets would be contractionary. In addition, eight euro area Member States with large RRF and/or other EU funds allocations are set to receive further expansionary support from the EU budget in 2026.

POSSIBLE MAXIMUM IMPACT OF HIGHER DEFENCE SPENDING ON THE EURO AREA FISCAL STANCE

The new EU fiscal framework allows to estimate the likely euro area fiscal stance over a multi-year period. The euro area fiscal stance for the period of 2025-2028 will be shaped by the maximum net expenditure path set by the Council for each individual Member State. This exercise assumes compliance with the fiscal path set by the Council in the sense of net expenditure growing at the maximum rates set by the Council and takes into account the impact of the end of the RRF in 2026. Since the NEC is activated to facilitate the transition to a higher level of defence spending, the fiscal stance for countries benefitting from the NEC will also be affected by the additional spending on defence, which will allow the concerned Member States to deviate from the maximum net expenditure path (see also European Economic Forecast. Spring 2025, Special Issue: *The economic impact of higher defence spending*).

Graph 9: **Euro area fiscal stance in 2025-2028: stylised scenarios considering the NEC flexibility for higher defence expenditure (% of GDP)**



Note: in 2027, it is mechanically assumed that the fiscal stance will be affected by the end of the RRF.
Source: European Commission services' calculations on the recommended net expenditure paths and on Commission's guidance for Germany.

This section presents stylised scenarios to assess the possible maximum impact on the euro area fiscal stance of the NEC flexibility for higher defence spending under an assumed full uptake (i.e. used by all Member States, up to the 1.5% of GDP cap). They are all built on the maximum net expenditure growth rates recommended by the Council and, for Austria, Lithuania and Belgium, the net expenditure growth rates committed to in the medium-term fiscal-structural plans (MTPs). The Commission's guidance has been used in the case of Germany, which is expected to submit its MTP soon, following the general election in February 2025. The scenarios make different assumptions on the phasing-in of defence spending, more precisely on how fast the rise in defence spending meets the cap of 1.5% of GDP. The following three stylised scenarios are considered, according to the pace of the phasing-in: regular (linear), fast (frontloaded) and slow (backloaded). The results are displayed in Graph 9.

Baseline scenario (Before NEC): in this scenario, net expenditure follows the recommended path. In 2025-2026, the contribution from RRF grants and other EU funds is assumed to be in line with the European Commission Spring forecast. As expected, the fiscal stance would be slightly contractionary in three out of four years, with an average of just above 0.3% of GDP. In 2027, the fiscal stance would become more contractionary (0.85% of GDP) due to the end of the RRF in 2026.

Linear phasing-in of NEC (Scenario 1). In this scenario, the additional spending allowed by the flexibility is distributed linearly over 2025-2028. This means that the same proportion (0.375% of GDP) of allowed additional spending (1.5% of GDP) is allocated to each of the four years.

As a result, *the fiscal stance would be mostly broadly neutral over the 2025-2028 period covered by the activation of the NEC, but not in 2027 when it would still remain contractionary due to the RRF expiry.*

Frontloading phasing-in of NEC (Scenario 2). This scenario assumes that all Member States decide to "front run" the additional defence spending, meaning they would use the entire 1.5% of GDP flexibility for higher defence spending from 2025.

In this scenario of frontloaded implementation, *the fiscal stance would turn expansionary in 2025 and then it would be the same as in the baseline (i.e. contractionary) in 2026-2028.*

Backloading phasing-in of NEC (Scenario 3). In the 'backloading' scenario, Member States delay the implementation of the additional spending, concentrating it in the last two years of the plan. Specifically, 0.5% of GDP is added in 2027, and a further 1% of GDP is added in 2028. The fiscal stance would experience its highest expansion in 2028.

This delayed implementation means that *fiscal policy would be slightly contractionary in 2025-2027 and expansionary in 2028.*

CONCLUSION

The Commission Spring 2025 Forecast projects a broadly neutral euro area fiscal stance in 2025, as a contraction in net current spending is largely offset by expanding investment and higher spending financed by RRF grants. This broadly neutral fiscal stance seems appropriate from a macroeconomic perspective, taking into account the heightened uncertainty on the (less favourable) economic outlook, lower inflationary pressures, a relatively growth-friendly composition of spending, and a differentiation across countries broadly consistent with their fiscal challenges.

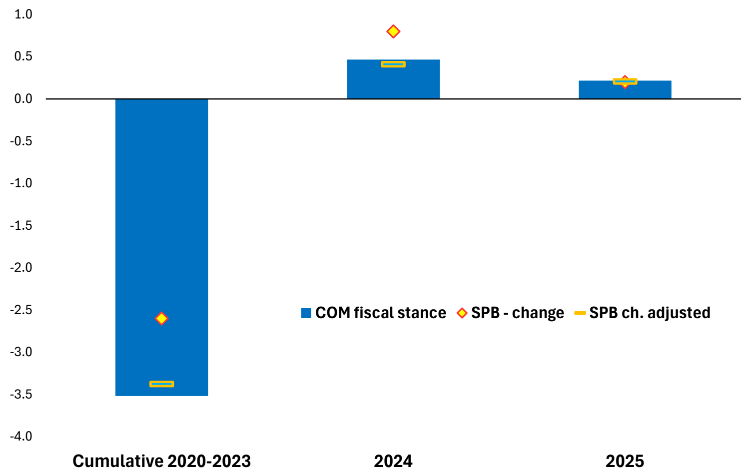
The euro area fiscal stance is projected to remain neutral in 2026, based on unchanged policies. There is scope, through the Draft Budgetary Plans for 2026, to improve the differentiation across Member States in line with the recommended net expenditure paths, entailing an overall slightly restrictive stance for non-defence spending that could be broadly offset by higher defence spending.

ANNEX

EURO AREA FISCAL STANCE IN 2024-2026: COMPARISON BETWEEN COMMISSION SPRING 2025 FORECAST AND PROJECTIONS BY OTHER INSTITUTIONS

The European Commission's measure of the fiscal stance – capturing the discretionary fiscal policy based on the net expenditure development - diverges from the fiscal stance (or fiscal impulse) measured by other institutions, which typically refers to the change in the cyclically adjusted (or structural) primary balance. Graph A1 shows how the two indicators differ: the Commission's indicator has the advantages to correct for revenue shortfalls / windfalls, considers the impact of the EU budget, and uses a medium-term (as opposed to annual) potential growth measures.

Graph A1: **Commission's measure of the fiscal stance vs change in structural primary balance in the euro area, 2020-2025 (% of GDP)**



Note: compared to the structural primary balance (SPB) change, the "adjusted" SPB ch. does not consider revenue windfalls / shortfalls, includes the impact of RRF grants and other EU funds and is based on 10-year potential GDP growth.
Source: European Commission Spring 2025 forecast.

By comparing the euro area fiscal stance as projected by four international institutions (Table A1), it can be observed that all agree in projecting a (broadly) neutral stance for 2026, even if they use different indicators (the OECD did not report a specific forecast for 2026). Over the entire 2024-2026 period, the size of the cumulative fiscal stance projected for the euro area ranges from 0.4% of GDP for the OECD to 2.2% for the IMF. The differences can be attributed to the varying timing and assumptions underlying the projections, as well as the use of different indicators.

Table A1: Euro area fiscal stance projected by different institutions, 2026 and cumulative 2024-2026 (% of GDP)

Institution	Date of publication	2026	2024-2026
European Commission	May 2025	0	0.6
ECB [12]	March 2025	0	1.1
OECD [13]	June 2025	/	0.4
IMF [14]	April 2025	-0.1 [15]	2.2
EFB (2025)	June 2025	fiscal restraint - excluding defence spending	/

12 The fiscal stance is measured as the change in the cyclically adjusted primary balance net of government support to the financial sector. The figures shown are also adjusted for grants under the Next Generation EU (NGEU) programme, which do not have an impact on the economy on the revenue side". ECB(2025) Macroeconomic projections.

13 The fiscal stance is measured as the change in primary balance in % of potential GDP. See OECD Economic outlook, Volume 2025, Fig. 1.30. The euro area average is based on the countries' figures presented in Fig; 1.30 using as weights those used by the OECD for real GDP aggregate and based See OECD Economic Outlook, Statistical Annex, Volume 2025, Issue 1.

14 The fiscal stance is measured as the change of general government structural primary balance in percent of potential GDP.

15 The figures for the euro area are determined on the base of the approach presented in the IMF, WEO, April 2025, page 4 (Figure 1.6, 2) and based on WEO data.

REFERENCES

Cepparulo, A.; Cousin, G., Monks, A; and V. E. Reitano (2024a). An evolving euro area policy mix. Quarterly Report on the Euro Area (QREA), European Commission, vol. 23(2_3), 61-77.

Cepparulo, A., McDonnell, C. and V. E. Reitano (2024b). "An Assessment of the Euro Area Fiscal Stance since the Pandemic," European Economy - Economic Briefs 080, European Commission.

ECB(2025) Macroeconomic projections. https://www.ecb.europa.eu/press/projections/html/index.en.html.

European Commission (2025). Assessment of the Fiscal Sustainability Condition for Member States Requesting the Activation of the National Escape Clause, Institutional Paper 321. https://economy-finance.ec.europa.eu/publications/assessment-fiscal-sustainability-condition-member-states-requesting-activation-national-escape_en.

EFB (2025) The European Fiscal Board assesses the appropriate fiscal stance for the euro area in 2026. https://commission.europa.eu/publications/european-fiscal-board-assesses-appropriate-fiscal-stance-euro-area-2026_en.

OECD (2025) Economic Outlook, Statistical Annex, Issue 1. https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue-1_83363382-en/full-report.html.

IMF (2025). WEO, April 2025.

EUROPEAN ECONOMY ECONOMIC BRIEFS

European Economy Economic Briefs can be accessed and downloaded free of charge from the following address: Publications (europa.eu).

Titles published before July 2015 can be accessed and downloaded free of charge from:

- http://ec.europa.eu/economy_finance/publications/economic_briefs/index_en.htm
  (ECFIN Economic Briefs)

- http://ec.europa.eu/economy_finance/publications/country_focus/index_en.htm
  (ECFIN Country Focus)

GETTING IN TOUCH WITH THE EU

In person

All over the European Union there are hundreds of Europe Direct centres. You can find the address of the centre nearest you online (european-union.europa.eu/contact-eu/meet-us_en).

On the phone or in writing

Europe Direct is a service that answers your questions about the European Union. You can contact this service:

- by freephone: 00 800 6 7 8 9 10 11 (certain operators may charge for these calls),
- at the following standard number: +32 22999696,
- via the following form: european-union.europa.eu/contact-eu/write-us_en.

FINDING INFORMATION ABOUT THE EU

Online

Information about the European Union in all the official languages of the EU is available on the Europa website (european-union.europa.eu).

EU Publications

You can view or order EU publications at op.europa.eu/en/publications. Multiple copies of free publications can be obtained by contacting Europe Direct or your local documentation centre (european-union.europa .eu/contact-eu/meet-us_en).

EU law and related documents

For access to legal information from the EU, including all EU law since 1951 in all the official language versions, go to EUR-Lex (eur-lex.europa.eu).

Open data from the EU

The portal data.europa.eu provides access to open datasets from the EU institutions, bodies and agencies. These can be downloaded and reused for free, for both commercial and non-commercial purposes. The portal also provides access to a wealth of datasets from European countries.

Publications Office
of the European Union