

National fiscal plans under the new European Union fiscal rules: An initial assessment

By: Christian Gréus and Jan Stráský

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ABSTRACT/RÉSUMÉ

National fiscal plans under the new European Union fiscal rules: An initial assessment

This paper provides an assessment of the national medium-term fiscal structural plans submitted by EU countries and compares them to the prior guidance issued by the Commission. The national plans are instrumental in ensuring sustainable fiscal policy in the euro area, while providing fiscal paths tailored to country-specific macroeconomic conditions and needs. To gauge the national plans and their effects at the euro area level, we focus on three related issues: to what extent were fiscal paths revised following the initial guidance by the Commission, how much fiscal consolidation do national plans imply for the euro area on aggregate, and how well is public investment spending protected under national plans. We find that the national fiscal plans for some countries imply less fiscal consolidation than the prior guidance and that the amount of fiscal consolidation at the euro area level embedded in the national plans between 2025 and 2028 is less than envisioned by the Commission in its prior guidance. Finally, even before recent activation of escape clauses permitting higher defence spending in several countries, public investment seemed protected in most EU countries, despite planned fiscal tightening in the agreed national plans.

JEL Codes: E62, E65, H50, H63, H68

Keywords: public debt, fiscal sustainability, EU fiscal rules, public investment

Plans budgétaires nationaux dans le cadre des nouvelles règles budgétaires de l' Union Européenne: une première évaluation

Le présent document fournit une évaluation des plans budgétaires structurels nationaux à moyen terme soumis par les pays de l'UE et les compare aux orientations préalables publiées par la Commission. Les plans nationaux jouent un rôle essentiel pour garantir la viabilité de la politique budgétaire dans la zone euro, tout en proposant des trajectoires budgétaires adaptées aux conditions et aux besoins macroéconomiques spécifiques de chaque pays. Afin d'évaluer les plans nationaux et leurs effets au niveau de la zone euro, nous nous concentrons sur trois questions connexes : dans quelle mesure les trajectoires budgétaires ont-elles été révisées à la suite des orientations initiales de la Commission, quel est le degré d'assainissement budgétaire que les plans nationaux impliquent pour la zone euro dans son ensemble, et dans quelle mesure les dépenses d'investissement public sont-elles protégées dans le cadre des plans nationaux ? Nous constatons que les plans budgétaires nationaux de certains pays impliquent un assainissement budgétaire moindre que les orientations précédentes et que le montant de l'assainissement budgétaire au niveau de la zone euro prévu dans les plans nationaux entre 2025 et 2028 est inférieur à celui envisagé par la Commission dans ses orientations précédentes. Enfin, même avant l'activation récente des clauses dérogatoires autorisant une augmentation des dépenses de défense dans plusieurs pays, les investissements publics semblaient protégés dans la plupart des pays de l'UE, malgré le resserrement budgétaire prévu dans les plans nationaux convenus.

Codes JEL: E62, E65, H50, H63, H68

Mots clés: dette publique, viabilité budgétaire, règles budgétaires de l'UE, investissements publics

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By Christian Gréus and Jan Stráský¹

Introduction

The new fiscal rules adopted in April 2024 reformed both the preventive and the corrective arms of the Stability and Growth Pact, replacing the multiple operational targets of the old framework with a single indicator, the net expenditure growth path. This is a welcome change, which puts more emphasis on country-specific debt sustainability pursued through a national fiscal adjustment plan approved by the Council of the EU. Such anchoring of a fiscal requirement could also help make fiscal policy more counter-cyclical and improve national ownership (OECD, 2023^[1]). As the track record of the new system still needs to be established, it remains to be seen whether compliance with the EU fiscal rules will improve relative to the old framework.

This paper compares the agreed national medium-term fiscal-structural plans (MTFSPs) with the prior guidance (reference trajectories) provided by the Commission to countries whose debt exceeds 60% of GDP or whose deficit exceeds 3% of GDP. Such comparison and the assessment of drivers such as macroeconomic developments and policy changes, can help assess whether the requirements based on the debt sustainability analysis criteria have been relaxed or tightened in the process of finalising the MTFSPs. In addition, we also assess whether net expenditures under the agreed national plans preserve public investment.

The EU fiscal rules have been relaxed in March 2025 by allowing the coordinated use of national escape clauses for spending up to 1.5% of GDP for defence purposes from 2025 to 2028 relative to a 2021 baseline (European Commission, 2025^[2]). Sixteen EU countries (Belgium, Bulgaria, Croatia, Czechia, Denmark, Estonia, Finland, Germany, Greece, Hungary, Latvia, Lithuania, Poland, Portugal, Slovakia and Slovenia) have requested activation of the national escape clause by the end of September. Additional space for defence spending created by the national escape clause activation will entail deviations from the net expenditure paths already endorsed by the Council, which could sum up to 1.5% of GDP of the countries involved. However, the precise path of net expenditure will depend on how fast the increase in defence expenditure will happen and on delivery dates of military equipment, which may result in additional budgetary spending after 2028 (provided they are contracted before end-2028 and remain within 1.5% of

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GDP). Since the prior guidance and many medium-term fiscal-structural plans have been finalised before the activation of the national escape clauses and their assessment requires additional modelling assumptions (European Commission, 2025^[3]), the additional fiscal spending triggered by the national escape clauses have not been included in our analysis.

Fiscal paths in the prior guidance and the national plans

During 2024, the European Commission issued reference trajectories for net expenditure growth to most EU countries with a deficit of above 3% of GDP or a debt-to-GDP ratio of more than 60% (the so-called “Maastricht criteria”). Under the new EU economic governance framework, net expenditure growth is the only indicator based on which a Member State’s compliance with the fiscal rules will be assessed by the Commission (European Commission, 2024^[4]). By June 2025, fifteen out of the 25 EU countries that are also members or accession candidates of the OECD², received the prior guidance: Austria, Belgium, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Poland, Portugal, Romania, Slovakia, Slovenia, and Spain. EU countries that meet the Maastricht criteria mentioned above (Bulgaria, Croatia, Czechia, Denmark, Ireland, Latvia, Lithuania, Luxembourg, the Netherlands, Sweden) could request reference values for structural primary balances for the coming years to ensure that the fiscal situation remains below the target values.

In November and December 2024, the Commission published in two instalments its Autumn Package, containing recommendations to the Council on the first batch of national medium-term fiscal-structural plans (MTFSPs) received before November. Recommendations on Hungary’s plan followed at the beginning of 2025. On 21 January, the Council of the EU endorsed the proposed net expenditure growth paths for the following EU countries that are also OECD member of accession candidate countries: Croatia, Czechia, Denmark, Estonia, Finland, France, Greece, Hungary, Ireland, Italy, Latvia, Luxembourg, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden. For Finland, France, Italy and Spain, the adjustment period was extended from the standard 4 years to 7 years – the longest permissible adjustment horizon under the revised rule framework – as they proposed sufficient additional structural reforms to justify such relaxation. By end-July 2025, Austria, Bulgaria, Belgium, Germany and Lithuania also submitted their respective MTFSPs and by mid-September, the Commission published the respective recommendations to the Council.

For Austria, Belgium, France, Italy, Hungary, Poland, Slovakia and Romania the net expenditure path in their MTFSPs was assessed by the Commission to be in line with the requirements under the excessive deficit procedure (EDP), in particular with the minimum annual structural adjustment according to Article 3(4) of Regulation 1467/97. With the exception of Romania, the net expenditure paths in the MTFSPs are the same as the ones established by the latest Council recommendation on the EDP. For Romania, the revised Council recommendation under the ongoing EDP recommended maximum net expenditure growth rates of 2.8% in 2025, 2.6% in 2026, 4.6% in 2027, which are lower than the growth rates foreseen for these years in the Romanian MTFSP.

The net expenditure growth paths set out in the prior guidance did not always coincide with those proposed in national MTFSPs. For all EU Member States, except the Netherlands, the Council’s endorsement aligned with the MTFSPs submitted by the individual countries. For Estonia, Finland, Greece, Italy, and Spain, the MTFSPs entailed considerably higher net expenditure growth than the prior guidance, at least for some years of the adjustment period. On the other hand, the MTFSP of France set out tighter fiscal policy constraints from 2025 onwards (Table 1). The revised framework makes provision for such differences, requiring that when planned net expenditure paths exceed those in the prior guidance, this is

² The two EU countries that are not OECD members or accession candidates are Cyprus and Malta.

due to justified differences in macroeconomic and fiscal assumptions made by national authorities and the Commission.

To assess the amount of fiscal consolidation implied by the new governance framework, we compare the differences in the structural primary balance set out in the MTFSPs with those indicated in the prior guidance given by the Commission (Table 2). In other words, this is a measure of the amount of additional fiscal leeway or, alternatively, greater tightening proposed in the final Council-approved national plans compared with the prior guidance issued by the Commission. Several differences between the MTFSP projections and the prior guidance stand out. Estonia, Finland, Germany, Greece, and Italy exhibit a significantly lower cumulative tightening in the structural primary balance in the MTFSPs than in the prior guidance. This is in line with the greater fiscal leeway implied by the higher projected net expenditure growth in the MTFSPs compared to the prior guidance. At the same time, structural primary balances implying more consolidation than foreseen by prior guidance can be found in the national plans of Austria, Belgium and Romania. The implied fiscal consolidation contained in the MTFSPs also seems broadly consistent with the amount of fiscal consolidation that has been historically sustained during debt reduction episodes, which in some cases involved annual average improvements in underlying primary balances exceeding 2 percentage points of GDP (Pina, Hitschfeld and Miyahara, 2025^[5]). However, such episodes are rare, with more modest improvements in structural primary balances more common.

Table 1. The national plans in some cases differ from the prior guidance

Government net expenditure, annual growth rates

Country	Source	2024	2025	2026	2027	2028	2029	2030	2031
Austria	Prior Guidance		2.0	1.7	2.4	2.4	2.5	2.6	2.7
	MTFSP		2.6	2.2	2.2	2.0	2.3	2.4	2.4
Belgium	Prior Guidance		3.0	2.6	2.6	2.2	2.2	2.4	2.4
	MTFSP		3.6	2.5	2.5	2.1	2.1	2.3	2.4
Bulgaria	Prior Guidance								
	MTFSP		6.2	4.9	4.4	4.0			
Croatia	Prior Guidance								
	MTFSP	18.6	6.4	4.9	4.1	3.7			
Czechia	Prior Guidance								
	MTFSP	5.3	4.5	2.5	2.6	2.9			
Denmark	Prior Guidance								
	MTFSP	7.2	5	5.7	3.8	2.9			
Estonia	Prior Guidance		3.3	3.3	2.9	2.9			
	MTFSP	1.9	7.1	5.1	3.6	3.2			
Finland	Prior Guidance		1.4	1.5	1.4	1.5	1.5	1.6	1.7
	MTFSP	3.7	1.6	1.9	2.6	2.6	2.8	2.8	2.9
France	Prior Guidance		2	1.7	1.6	1.4	1.5	1.6	1.7
	MTFSP	3.8	0.8	1.2	1.2	1.2	1.1	1.1	1.1
Germany	Prior Guidance		1.8	1.6	1.7	1.8	1.9	1.9	1.9
	MTFSP		3.1	3.0	2.7	2.1	2.0	2.4	2.4
	MTFSP (escape clause)		4.4	4.5	2.3	1.7	1.6	2.7	2.7
Greece	Prior Guidance		3	3.2	3.1	3			
	MTFSP	2.6	3.7	3.6	3.1	3			
Hungary	Prior Guidance		3.9	3.3	3.3	3.1			
	MTFSP	4.6	4.3	4	3.9	3.7			
Ireland	Prior Guidance								

	MTFSP	9.8	5.1	6.5	4.9	5.4	4.7		
Italy	Prior Guidance		1.6	1.6	1.5	1.4	1.3	1.3	1.4
	MTFSP	-1.9	1.3	1.6	1.9	1.7	1.5	1.1	1.2
Latvia	Prior Guidance								
	MTFSP	9.1	5.9	3.6	3.4	3.3			
Lithuania	Prior Guidance								
	MTFSP		6.1	5.2	4.8	4.5	4.3		
Luxembourg	Prior Guidance								
	MTFSP	8	5.8	4.7	3.8	5.4	4.7		
Netherlands	Prior Guidance								
	MTFSP	6.9	6.8	3.5	2.1	4.3			
	COM Recommendation		3.5	3.3	3	3			
Poland	Prior Guidance		5.3	4.6	4.2	3.9			
	MTFSP	12.5	6.3	4.4	4	3.5			
Portugal	Prior Guidance		4.1	3.6	3.4	3.3			
	MTFSP	11.8	5	5.1	1.2	3.3			
Romania	Prior Guidance		6.1	5.7	5.3	5	4.8	4.7	4.5
	MTFSP	14.3	5.1	4.9	4.7	4.3	4.2	3.9	3.8
Slovakia	Prior Guidance		2.8	2	1.6	1.5			
	MTFSP	6.2	3.8	0.9	1.6	1.5			
Slovenia	Prior Guidance		4.9	4.5	4.3	4.2			
	MTFSP	6.2	5.6	4.4	4.1	4			
Spain	Prior Guidance		3.2	2.8	2.7	2.7	2.7	2.6	2.5
	MTFSP	5.3	3.7	3.5	3.2	3	3	2.5	2.4
Sweden	Prior Guidance								
	MTFSP	6.4	4	4.4	4.4	4.6			

Note: Countries that meet the Maastricht criteria did not receive a prior guidance on the net expenditure growth path. For the Netherlands, the Commission recommended a different path to the Council than the one set out in the MTFSP. For all other countries, the Commission's recommendation to the Council aligns with the respective MTFSPs. For better comparability, the net expenditure paths shown for all countries are those without the activation of the national escape clause.

Source: European Commission.

Several factors may help explain these differences, in both directions. For example, some countries included in their national plans a lower net expenditure path than implied by the Commission's prior guidance (Boivin and Darvas, 2025^[6]). The difference comes from applying less than unitary revenue elasticity to nominal potential GDP in the corresponding formula for translating a structural primary balance target into a net expenditure growth path (for given assumptions of potential growth and inflation, net expenditure must be lower to attain a given structural primary budget position). As this implies more demanding fiscal effort, it can be seen as prudent budgeting. Another reason for differences in the net expenditure growth path could be differences in potential GDP growth or inflation projections. This might reflect either positive economic developments since the preparation of the prior guidance or the national authorities having successfully justified their macroeconomic assumptions to the Commission. Irrespective of the reason for adopting them, these updates also show how sensitive the new fiscal framework is to changes in assumptions (ECB, 2025^[7]).

Table 2. Changes in structural primary balance differ in both directions between the prior guidance and the national plans

Comparison of annual changes in structural primary balance, as % of potential output

Country	MTFSP							Prior Guidance						
	2025	2026	2027	2028	2029	2030	2031	2025	2026	2027	2028	2029	2030	2031
Austria	0.5	0.5	0.5	0.63	0.5	0.5	0.5	0.5	0.5	0.32	0.32	0.32	0.32	0.32
Belgium	0.2	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.59	0.58	0.48	0.48
Bulgaria	0.2	0.2	0.1	0.2										
Croatia	0.2	0.6	0.2	0.3										
Czechia	-0.2	0.5	0.5	0.3										
Denmark	-0.4	-0.4	0	0										
Estonia	-1	-0.2	0	0				0	0	0	0			
Finland	0.82	0.66	0.32	0.36	0.28	0.28	0.28	0.76	0.76	0.76	0.76	0.76	0.76	0.76
France	1.4	0.6	0.7	0.7	0.7	0.7	0.7	0.56	0.56	0.56	0.66	0.64	0.62	0.6
Germany	0.2	0.3	0.3	0.7	0.6	0.5	0.4	0.46	0.46	0.46	0.46	0.46	0.46	0.46
Greece	0.1	0.1	0.1	0.1				0.4	0.16	0.16	0.16			
Hungary	0.5	0.5	0.5	0.5										
Ireland	-0.4	-0.8	-0.7	0.5										
Italy	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.67	0.66	0.64	0.6
Latvia	-0.5	0	0	0										
Lithuania	0.1	-0.1	0	0										
Luxembourg	-0.5	0.1	0	-0.3										
Netherlands	-0.7	-0.1	0.6	-0.4										
Poland	0.3	1.1	1	1				0.82	0.82	0.82	0.82			
Portugal	-0.1	-0.4	1.1	0.1				0.08	0.08	0.08	0.08			
Romania	1	1	1	1	1	1	1	0.74	0.74	0.74	0.74	0.74	0.74	0.74
Slovakia	0.8	1.8	1.3	1.3				1.3	1.3	1.3	1.3			
Slovenia	0.4	0.4	0.4	0.4				0.44	0.44	0.44	0.44			
Spain	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Sweden	-0.5	-0.5	-0.5	-0.5										

Source: European Commission; authors' calculations.

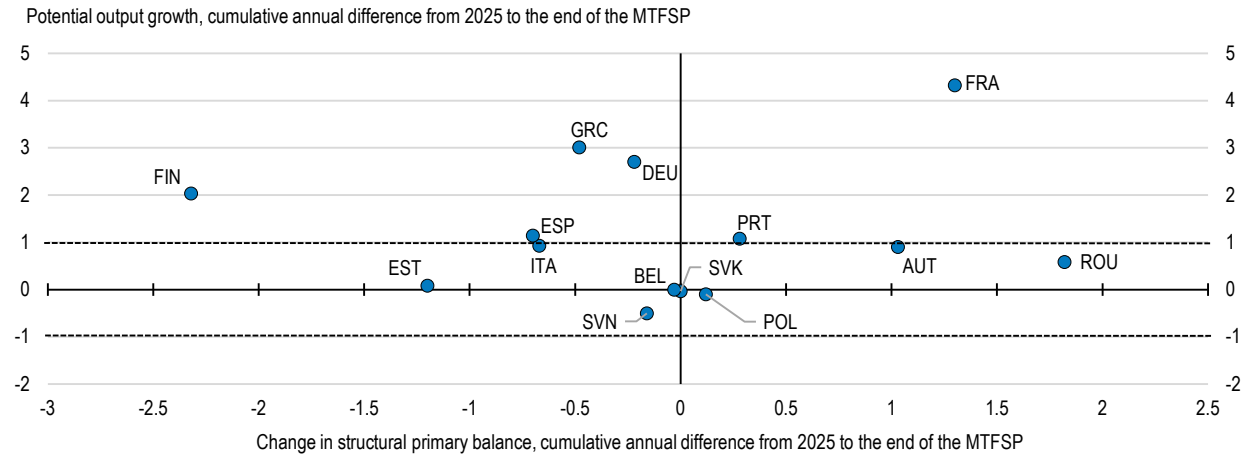
To further analyse the importance of these factors, Figure 1 plots the cumulative differences in potential GDP growth against cumulative changes in structural primary balance (SPB) between the MTFSP and the prior guidance. By doing that, one can evaluate to what extent the differences in the SPB changes in the MTFSPs and the prior guidance are driven by updated forecasts and different methodologies for calculating potential GDP growth.

In many cases, the differences in cumulative potential GDP growth lie within +/- 1 percentage point, which can be considered negligible. For those countries, the differences are driven by other factors than the estimates of potential output. The differences in potential growth rates between the MTFSPs and the prior guidance for other countries are more substantial. This is the case notably for France, Germany, Greece and Finland, weakening the comparability of the projected changes in SPB. This could partly reflect the more pro-cyclical nature of the Commission's estimates compared to the estimates by the OECD (Guillemette and Chaux, 2018^[8]) and by national authorities. Leaving out these outliers, we can see that the MTFSPs for Estonia, Belgium, Spain and Italy involve smaller SPB adjustment than foreseen in the

prior guidance, while the opposite is true of Romania, Austria and Portugal and to a lesser extent of Slovakia, Slovenia and Poland.

Figure 1. Both potential GDP growth rates and fiscal paths were updated after the prior guidance

Differences between prior guidance and medium-term fiscal structural plans (MTFSPs)



Note: Horizontal lines at 1 and -1 indicate “negligible” difference in potential growth. For Austria, Belgium, Finland, France, Germany, Italy, Romania and Spain the cumulative differences cover 7-years period from 2025 to 2031. For other countries, it is the 4-year period, from 2025 to 2028.

Source: OECD calculations based on the Commission’s prior guidance, the MTFSPs approved by the Council.

Fiscal stance in the euro area

In the next step of the analysis, we use country GDP weights to calculate the aggregate fiscal effort in the euro area. Since not all euro area countries submitted plans or received prior guidance, only the weighted aggregate fiscal effort of those countries for which data are available is calculated (this includes all euro area countries which are also members or accession candidates of the OECD except Ireland, Latvia, Luxembourg, the Netherlands, and Lithuania which did not receive the Commission’s prior guidance).³ The twelve countries with available data for 2025-2028 together account for about 88% of the euro area GDP (i.e., $\sum Weight = 0.8755$), so the numbers only give an approximate picture of the whole area.⁴

The aggregate euro area fiscal effort for the period 2025-2028 based on the projections contained in the prior guidance and the national plans is presented in Table 3. This simple aggregation suggests that for 2026 and 2027 the fiscal consolidation embedded in the national fiscal plans is lower than in the prior guidance, while the converse is true for years 2025 and 2028. Although the aggregate magnitude of the fiscal tightening is similar in the plans and the prior guidance, the yearly profile suggests some back-loading of the fiscal adjustment in the national plans towards the end of the planning horizon. A large part of the euro area back-loading in fiscal effort can be traced back to the difference between the prior guidance and the national plan for Germany, where the proposed annual tightening of the structural primary balance in the MTFSP is until 2027 smaller – to the tune of 0.2 to 0.3 percentage points of potential GDP – than that suggested in the prior guidance. Conversely, the structural primary balance tightening in Germany in 2028

³ The formula for the euro area fiscal effort is given by: $\sum_c \Delta SPB_c \times \frac{Weight_c}{\sum Weight}$. Here, *c* indicates the individual countries with available data and *Weight* are national weights in the EA17 aggregate as calculated by the OECD.

⁴ Fiscal effort numbers from prior guidance and MTFSPs are not available for the year 2024 for countries that submitted their national plans only in 2025. Hence, the euro area coverage for 2024 amounts to only 51%.

is more than 0.2 percentage points stronger than foreseen in the prior guidance to Germany. In other words, if the structural primary balance changes in the national plan for Germany coincided with its prior guidance, the euro area's fiscal effort embedded in national plans for 2025 would be about 0.15 percentage points of potential GDP larger than outlined in the euro area's prior guidance – and broadly identical afterwards.

One can also calculate the aggregate fiscal effort for the whole euro area, as implied by the approved MTFSPs, albeit at the cost of losing comparability to the fiscal effort implied by the prior guidance. The aggregate fiscal effort is always lower than reported in Table 3, at 0.43 percentage point of potential GDP in 2025, at 0.36 in 2026, and 0.44 and 0.51 in 2027 and 2028, respectively. This suggests that the euro area countries with more fiscal space (and hence, without a prior guidance) planned a slightly accommodative fiscal stance.

Table 3. Aggregate annual euro area fiscal effort in prior guidance is stronger than in national plans

Aggregate fiscal effort of the euro area as weighted sum of annual changes in national SPBs

Year	MTFSP	Prior Guidance
2024	1.01	1.34
2025	0.58	0.52
2026	0.45	0.51
2027	0.48	0.51
2028	0.59	0.54

Note: The column “MTFSP” refers to the aggregate fiscal effort of the Euro Area based on the national MTFSPs as proposed by the Commission for adoption by the Council. The column “Prior Guidance” takes the trajectories as set out in the Commission's prior guidance to the Member States as base values. For comparability with the prior guidance numbers, only countries that were provided with prior guidance are considered (Austria, Belgium, Estonia, Finland, France, Germany, Greece, Italy, Portugal, Slovenia, Slovakia, Spain), covering about 88% of the euro area aggregate from 2025 to 2028. For 2024, the euro area countries that submitted national plans in 2025 (Austria, Belgium, Germany and Lithuania) are not included and the coverage drops to 51%.

Source: European Commission, OECD, author's calculations

Public investment under the new framework

During the euro area sovereign debt crisis, euro area countries under macroeconomic programmes often implemented large fiscal adjustments that tended to cut public investment disproportionately relative to other components of government spending (OECD, 2016^[9]). The new economic governance framework aims to protect public investment, even in periods of fiscal tightening. To investigate to what extent this is the case, we compare the projections for growth of nationally financed public gross fixed capital formation (GFCF) from the MTFSPs with the projected public net expenditure growth in the same plans⁵ (Figure 2). Most countries in the sample (Croatia, Czechia, Denmark, Finland, France, Ireland, Italy, Latvia, Luxembourg, the Netherlands, Poland, Portugal, Romania, Sweden) exhibit a higher cumulative growth of nationally financed public GFCF than of net expenditure until 2028. At the same time, four countries (Estonia, Greece, Hungary, Slovenia) project in their plans lower annual growth in public investment than in net expenditure. In the case of Greece, the decrease comes after a 2024 surge in public investment. Over the period 2024–2028, the weighted cumulative growth in GFCF in the EU countries in our sample,

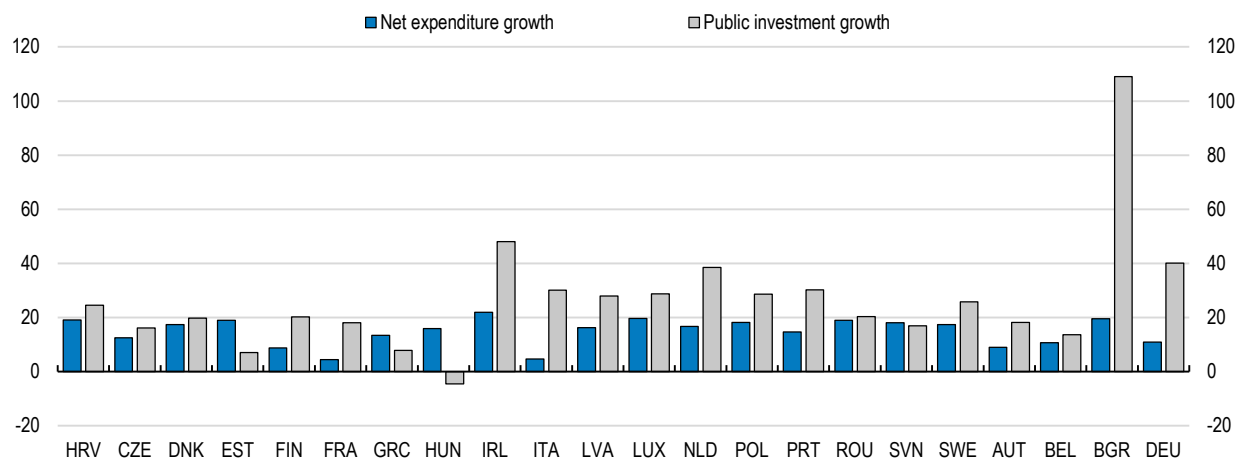
⁵ To calculate growth in public GFCF, first nominal GDP is calculated for each year by multiplying nominal GDP for 2023 with the respective growth rates for each year. Nominal public GFCF is then calculated by multiplying the values for nominal GDP in each year with the given values for public GFCF as a percentage of GDP. Lastly, growth in public GFCF is calculated from the nominal values.

which represent about 60% of EU GDP, amounts to 21.1% whereas the weighted cumulative growth in net expenditure is planned to reach only 11.6%.

For countries planning tax increases, growth of public investment could exceed growth of net expenditure even with investment falling relative to other spending. However, this does not seem to be widespread, as cumulative changes in the ratio of public investment to GDP foreseen in the national fiscal plans between 2024 and 2028 are mostly positive (Figure 3). The ratio of planned public investment to GDP increases in this period in most EU countries, except for Hungary, Estonia, Romania and Greece, where national fiscal plans imply a cumulative reduction in the public investment to GDP ratio of more than 0.2 percentage points between 2024 and 2028.

Figure 2. In most countries, growth of public investment exceeds growth of net expenditure

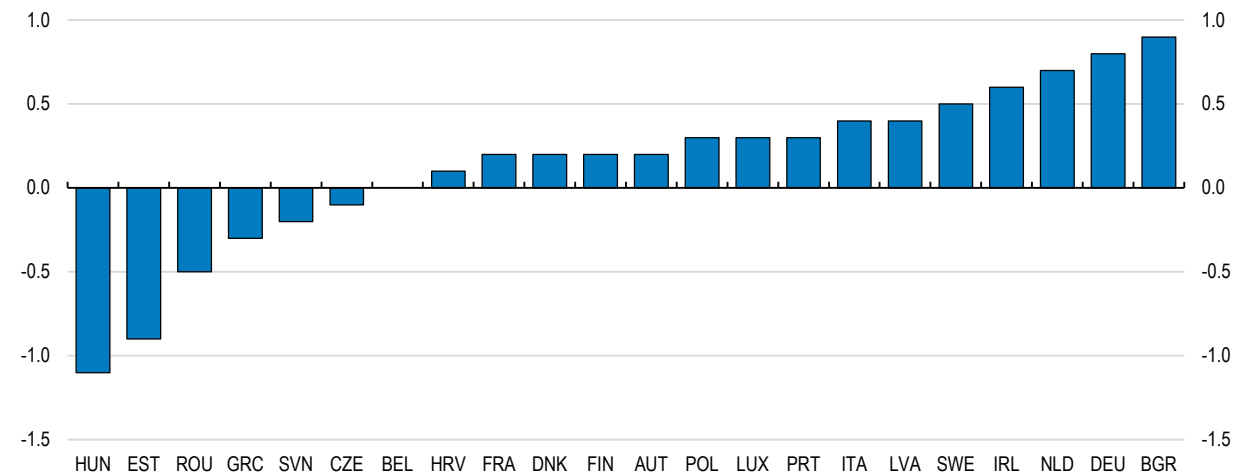
Cumulative growth rates in medium-term fiscal structural plans (MTFSPs) for 2024 to 2028



Source: OECD calculations based on the MTFSPs approved by the Council.

Figure 3. Public investment declines as a share of GDP in some countries

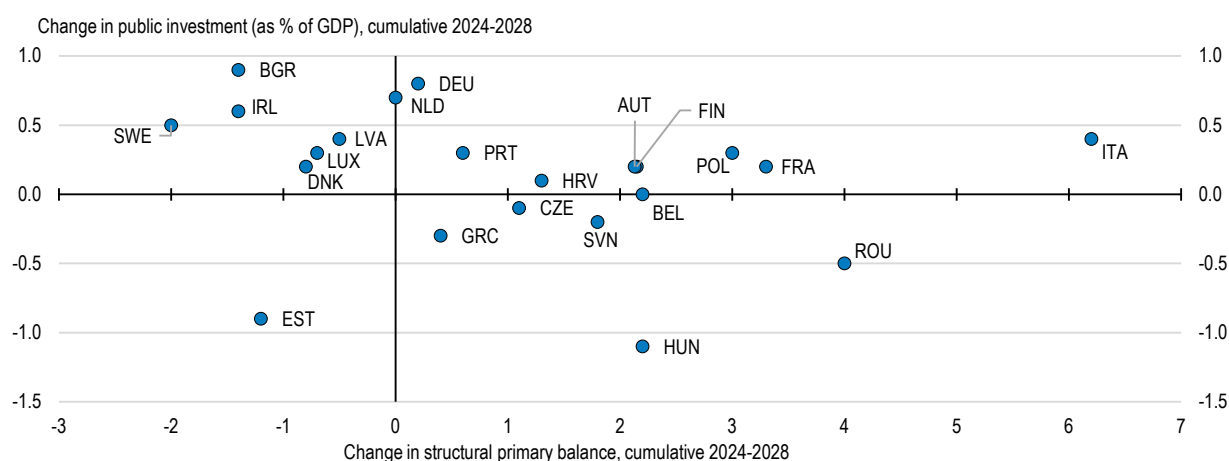
Change in public investment-to-GDP ratio, cumulative 2024-2028



Source: OECD calculations based on the MTFSPs approved by the Council.

Moreover, countries in greater need of fiscal consolidation still tend to reduce public investment disproportionately. Comparing the fiscal effort in terms of the change in the structural primary balance with the change in public investment, the MTFSPs numbers suggest that countries that plan greater fiscal adjustment also plan to reduce public investment more (Boivin and Darvas, 2025^[6]). Many countries that show a relaxation, i.e. a negative cumulative difference, in the structural primary balance in their MTFSPs exhibit a positive cumulative change in public investment as % of GDP (Figure 4, upper left quadrant). In other words, those countries relax their fiscal stance, while keeping or even increasing public investment at the same time. On the contrary, the lower right quadrant shows countries planning fiscal consolidation with a positive cumulative change in their structural primary balances, but this is at the expense of a decrease in public investment as a share of GDP. However, the largest group of countries including Italy, France, Poland, Austria, Finland, Croatia, Portugal and Germany, set out in their plans to consolidate their fiscal position while protecting public investment. Estonia is an outlier, showing a negative cumulative structural primary balance while even exhibiting a decrease in public investment.

Figure 4. Countries with smaller fiscal consolidations are better placed to increase public investment
Cumulative changes from 2024 to 2028

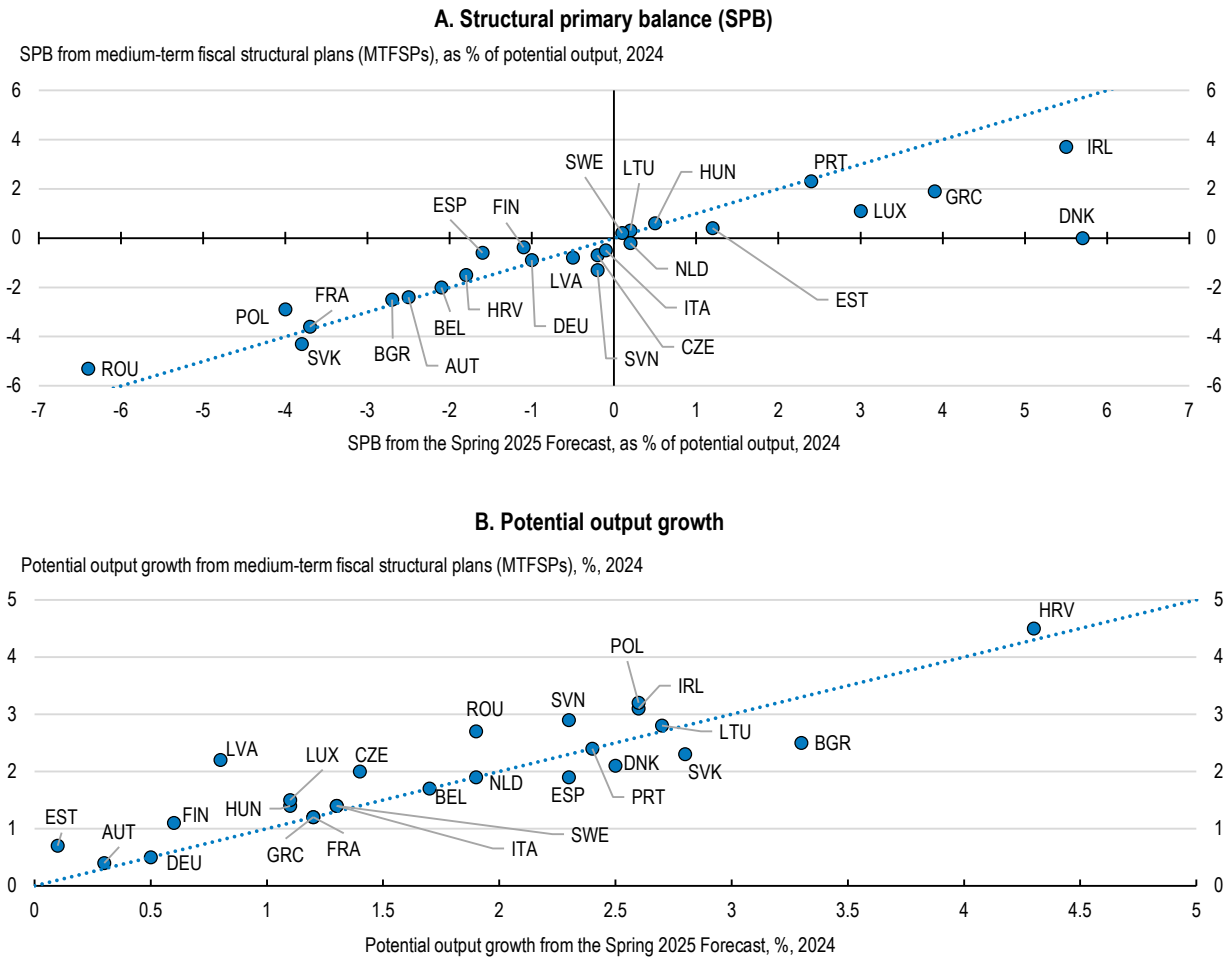


Source: European Commission, MTFSPs, and Bruegel.

Preliminary assessment of fiscal outturns for 2024

Following the publication of the Spring 2025 Economic Forecast by the Commission in May 2025, it is possible to compare the structural primary balances realised in 2024 with the values assumed in the national fiscal plans (European Commission, 2025^[10]). This would allow to gauge the reliability of the structural balances' projections employed in the national fiscal plans. For Austria, Belgium, Germany and Lithuania, whose national fiscal plans were prepared in 2025, the 2024 outturns for structural primary balances are already incorporated - and their scatter-plot dots lie on the 45-degree line by construction. But for many other EU countries, there are only limited differences between the national plans and the outturn in 2024 (Figure 5, Panel A). As previously, the remaining differences, in particular for Denmark, Greece, Ireland and Luxembourg, could in principle be due to the differences in assessment of potential output, but the limited variation in potential growth rates for these countries suggests that other factors were in play between the preparation of national plans and the Spring 2025 Economic Forecast (Figure 5, Panel B).

Figure 5. Structural primary balances in 2024 seldom differ in from values in national fiscal plans



Source: European Commission

The differences reflect both methodological issues and differences in assessment particular to the year 2024. In the Danish MTFSP, the structural primary balance in 2024 is considerably lower than the Commission’s estimate. This is partly explained by the Commission’s inclusion in the primary balance of interest revenue, which is considerable in Denmark, and the plan’s usage of a national concept of output gaps that differs from the commonly agreed methodology and implies a higher cyclical contribution to the decomposition of the headline deficit. In the case of Greece, the difference seems to come from differences in the assessment of the net budgetary impact in 2024 of one-off measures and assumed revenue elasticity to nominal GDP. For Ireland and Luxembourg, the variation seems driven by differences in cyclical assessment, including higher potential growth rate in the national fiscal plans. However, for a majority of EU countries in the sample, the structural primary balances for 2024 appear close to those assumed in the MTFSPs. Such strong correlation suggest consistency, despite the lag in production of the two indicators, and if continued, could help build credibility of the new fiscal framework.

Conclusion

The preliminary assessment of the medium-term fiscal structural plans in this paper suggests that for some EU countries national plans imply less fiscal consolidation than the prior guidance by the European Commission. This is partly explained by more prudent assumptions about fiscal revenues applied by the countries and by different macroeconomic assumptions, including in some cases about potential growth rates. The amount of fiscal consolidation at the euro area level from 2025 to 2028 implied by the prior guidance is somewhat greater than projected by the national plans for the same period. This gap seems to a great extent driven by differences in projections for Germany. At the same time, in most EU countries with ongoing tightening, public investment is protected in national fiscal plans, which is positive. However, the negative relationship between the amount of fiscal consolidation and public investment growth seems to persist. A preliminary assessment of the 2024 structural balances reported in the latest Economic Forecast of the Commission shows that for most EU countries, the national fiscal plans appear well aligned, despite the time lag and heightened uncertainty.

A possible extension to this analysis would include more detailed assessment of structural primary balances projected in the national plans against the track record of past fiscal consolidation episodes. In addition, one could repeat this analysis in future years to see the performance of the rules in the medium term, as more fiscal outturns become available and governments update national fiscal plans.

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Annex A. Additional tables

Table A.1. Potential real GDP Growth

Annual growth rates

Country	Source	2024	2025	2026	2027	2028
Croatia	MTFSP	4.5	4	3.5	2.9	2.5
	Prior Guidance					
Czechia	MTFSP	2	1.4	1.5	1.8	1.5
	Prior Guidance					
Denmark	MTFSP	2.1	2.6	1.2	1.3	0.9
	Prior Guidance					
Estonia	MTFSP	0.7	1	0.9	0.5	0.5
	Prior Guidance	0.7	1	0.9	0.5	0.5
Finland	MTFSP	1.1	0.9	0.9	0.9	0.9
	Prior Guidance	0.6	0.6	0.7	0.6	0.6
France	MTFSP	1.2	1.2	1.2	1.2	1.2
	Prior Guidance	1.1	1.0	0.6	0.4	0.3
Greece	MTFSP	1.2	2.5	2.4	1.7	1.5
	Prior Guidance	1.2	1.6	1.3	1.1	1.0
Hungary	MTFSP	1.4	1.5	1.7	1.7	1.6
	Prior Guidance					
Ireland	MTFSP	3.1	3.2	2.9	2.8	3.6
	Prior Guidance					
Italy	MTFSP	1.4	1.3	1.1	1	0.9
	Prior Guidance	1.0	1.1	1.0	0.8	0.7
Latvia	MTFSP	2.2	2.1	1.2	0.9	0.9
	Prior Guidance					
Luxembourg	MTFSP	1.5	1.7	1.8	1.9	2
	Prior Guidance					
Netherlands	Commission recommendation	2.1	1.8	1.7	1.5	1.4
	MTFSP	1.9	1.8	1.6	1.4	1.3
Poland	MTFSP	3.2	3.3	2	1.7	1.6
	Prior Guidance	2.8	2.8	2.2	1.9	1.7
Portugal	MTFSP	2.4	2.1	2	1.7	1.6
	Prior Guidance	2.2	2.2	1.6	1.4	1.2
Romania	MTFSP	2.7	2.7	2.5	2.4	2.2
	Prior Guidance	2.8	2.7	2.4	2.2	2
Slovakia	MTFSP	2.3	2.4	1.7	1.4	1.4
	Prior Guidance	2.3	2.4	1.7	1.4	1.2
Slovenia	MTFSP	2.9	2.8	2.4	2.2	2.1
	Prior Guidance	2.9	2.9	2.5	2.3	2.3
Spain	MTFSP	1.9	2	2.1	1.8	1.6
	Prior Guidance	1.9	2	1.6	1.4	1.4
Sweden	MTFSP	1.4	1.6	1.8	1.7	1.8
	Prior Guidance					

Source: European Commission.

Table A.2. Actual real GDP Growth

Annual growth rates

Country	Source	2024	2025	2026	2027	2028
Croatia	MTFSP	3.6	3.2	2.8	2.6	2.5
	Prior Guidance					
Czechia	MTFSP	1.1	2.7	2.6	2.6	2.0
	Prior Guidance					
Denmark	MTFSP	1.9	2.2	1.0	1.0	0.6
	Prior Guidance					
Estonia	MTFSP	-1.0	2.8	2.4	1.3	1.0
	Prior Guidance	-0.5	1.8	2.6	2.7	1.5
Finland	MTFSP	-0.2	1.2	1.6	1.6	1.3
	Prior Guidance	0.0	1.1	0.9	0.7	0.7
France	MTFSP	1.1	1.1	1.4	1.5	1.5
	Prior Guidance	0.7	1.2	0.3	0.2	0.1
Greece	MTFSP	2.2	2.3	2.0	1.5	1.3
	Prior Guidance	2.2	1.8	0.7	0.7	0.8
Hungary	MTFSP					
	Prior Guidance					
Ireland	MTFSP	-0.2	3.9	3.8	3.7	3.6
	Prior Guidance					
Italy	MTFSP	1.0	1.2	1.1	0.8	0.8
	Prior Guidance	0.9	0.6	0.3	0.4	0.4
Latvia	MTFSP	1.4	2.9	2.5	2.5	2.5
	Prior Guidance					
Luxembourg	MTFSP	1.5	2.7	2.0	3.2	3.0
	Prior Guidance					
Netherlands	MTFSP	0.6	1.5	1.5	1.4	1.1
Poland	MTFSP	3.1	3.9	1.7	1.4	1.2
	Prior Guidance	2.8	3.3	1.9	1.7	1.5
Portugal	MTFSP	1.8	2.1	2.2	1.7	1.8
	Prior Guidance	1.7	2.0	1.3	1.2	1.1
Romania	MTFSP	2.8	2.5	2.5	2.4	2.2
	Prior Guidance	3.3	2	2.2	2.1	2
Slovakia	MTFSP	2.2	2.6	0.5	1.0	1.1
	Prior Guidance	2.2	2.2	1.0	1.0	1.1
Slovenia	MTFSP	1.5	2.4	1.9	1.9	1.9
	Prior Guidance	2.3	2.7	1.9	1.9	2.0
Spain	MTFSP	2.7	2.4	2.2	1.3	1.2
	Prior Guidance	2.1	1.7	1.0	1.0	1.1
Sweden	MTFSP	0.8	2.5	2.3	2.2	2.2
	Prior Guidance					

Source: European Commission.

Table A.3. In most countries, growth of public investment is protected

Annual growth rates as given in the MTFSPs

Country	Indicator	2024	2025	2026	2027	2028	Cumulative sum
Croatia	GFCF	17.4	5	1.2	11.6	6.8	42.0
	IGAA	21.3	11.2	10.9			43.4
	Net Expenditure	18.6	6.4	4.9	4.1	3.7	37.7
Czechia	GFCF	-0.9	5.4	2.1	4.7	4	15.3
	IGAA	9.3	4	0			13.3
	Net Expenditure	5.3	4.5	2.5	2.6	2.9	17.8
Denmark	GFCF	7.3	10.3	6.6	5.9	-2.9	27.2
	IGAA	9	8.2	5.9			23.1
	Net Expenditure	7.2	5	5.7	3.8	2.9	24.6
Estonia	GFCF	6.1	19	-4.7	-0.6	-6.8	13.0
	IGAA	14.7	15.5	6.1			36.3
	Net Expenditure	1.9	7.1	5.1	3.6	3.2	20.9
Finland	GFCF	6.6	15.7	-0.7	6.1	-0.9	26.8
	IGAA	7.1	7.9	6.8			21.8
	Net Expenditure	3.7	1.6	1.9	2.6	2.6	12.4
France	GFCF	6.5	11.5	5.6	0.5	0.5	24.6
	IGAA	4.4	2.7	2			9.1
	Net Expenditure	3.8	0.8	1.2	1.2	1.2	8.2
Greece	GFCF	66.7	1.8	1.5	0.9	3.7	74.6
	IGAA	17.9	6.8	9.1			33.8
	Net Expenditure	2.6	3.7	3.6	3.1	3	16.0
Hungary	GFCF	-10.5	-15.7	7.4	0.2	3.6	-15.0
	IGAA	-12.4	-8.5	2.5			-18.4
	Net Expenditure	4.6	4.3	4	3.9	3.7	16.2
Ireland	GFCF	11.9	23.1	9.6	5.9	9.4	59.9
	IGAA	13.9	19.4	14.2			47.5
	Net Expenditure	9.8	5.1	6.5	4.9	5.4	31.7
Italy	GFCF	17.1	-3.2	-3.6	16.6	2.8	29.7
	IGAA	14.4	10.3	10.4			35.1
	Net Expenditure	-1.9	1.3	1.6	1.9	1.7	4.6
Latvia	GFCF	22.7	8.2	17.1	1.4	1.2	50.6
	IGAA	8.2	6.6	4.9			19.7
	Net Expenditure	9.1	5.9	3.6	3.4	3.3	25.3
Luxembourg	GFCF	3.2	8.2	17.1	1.4	1.2	31.1
	IGAA	6.6	6.4	8			21.0
	Net Expenditure	8	5.8	4.7	3.8	5.4	21.9
Netherlands	GFCF	2.3	7.7	10.9	7.3	12.6	40.8
	IGAA	5.4	1.7	2.7			9.8
	Net Expenditure		3.5	3.3	3	3	12.8
Poland	GFCF	15.2	3.8	17.4	15.6	-8.2	43.8
	IGAA	12.1	13.1	8.8			34.0
	Net Expenditure	12.5	6.3	4.4	4	3.5	30.7

Portugal	GFCF	28.3	4.8	13.7	8	3.7	58.5
	IGAA	18.1	25.6	11			54.7
	Net Expenditure	11.8	5	5.1	1.2	3.3	26.4
Romania	GFCF	65.3	18.9	13.6	-8	-4.1	85.7
	IGAA	15.9	10.6	3.8			30.3
	Net Expenditure	14.3	5.1	4.9	4.7	4.3	33.3
Slovakia	GFCF	19.2	35.1	-13.2	0.7		41.8
	IGAA	-35.9	-0.4	21.8			-14.5
	Net Expenditure	6.2	3.8	0.9	1.6	1.5	14.0
Slovenia	GFCF	25.9	-1.9	7	9	2.8	42.8
	IGAA	15.1	6.8	8.8			30.7
	Net Expenditure	6.2	5.6	4.4	4.1	4	24.3
Spain	GFCF	-4.7					-4.7
	IGAA	11					11.0
	Net Expenditure	5.3					5.3
Sweden	GFCF	7.7	10.2	6	3.9	5.7	33.5
	IGAA	5.9	4.7	5.4			16.0
	Net Expenditure	6.4	10.7	15.5	20.6	26.1	79.3

Note: For the Netherlands, the NE Growth path of the Commission's recommendation is taken (which is only given from 2025 onwards). The new French government proposed an updated net expenditure growth path to the Commission which was then confirmed by the Council. The numbers in this table reflect the updated trajectory (however, no new numbers on GFCF were provided which is why these are taken from the original plan). Croatia and Hungary submitted addenda to their national plans with updated net expenditure growth paths which were then recommended by the Commission to the Council. The data here is taken from the original plans since the addenda do not contain updated numbers on investment and growth assumptions. In the case of Croatia, France and Spain, nominal GDP growth to calculate GFCF growth is taken from Eurostat as it is not indicated in the national plans.

Source: European Commission, OECD.