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From:	General Secretariat of the Council
To:	Delegations
Subject:	Conclusions on the 2025 in-depth reviews under the macroeconomic imbalance procedure - Approval

Delegations will find attached the draft Council conclusions on the 2025 in-depth reviews under the Macroeconomic Imbalance Procedure.

DRAFT COUNCIL CONCLUSIONS ON THE 2025 IN-DEPTH REVIEWS UNDER THE MACROECONOMIC IMBALANCE PROCEDURE

THE COUNCIL OF THE EUROPEAN UNION:

1. NOTES that in 2024 several Member States enjoyed relatively favourable economic developments that contributed to the easing of some of the long-standing vulnerabilities that underlie imbalances. HIGHLIGHTS that inflation and cost pressures have receded further. ACKNOWLEDGES that uncertainty has risen significantly amid a changing geo-political and trade environment, adding to the risks around imbalances.

2. CONSIDERS that the 2025 in-depth reviews present a high quality and comprehensive analysis of the situation in each Member State under review. WELCOMES that the Commission published the in-depth review reports under the Macroeconomic Imbalance Procedure in early 2025. STRESSES the importance of the continued monitoring of the imbalances under the Macroeconomic Imbalance Procedure.

3. UNDERLINES the crucial role of comprehensive analysis in monitoring existing imbalances and identifying potential macroeconomic vulnerabilities. NOTES that overall, the Commission has applied relevant analytical tools, complemented by substantive qualitative analysis, in view of the specific challenges of each Member State. WELCOMES the use of forward-looking analysis and the assessment of relevant policies, also taking into account the gravity and evolution of imbalances. STRESSES the importance of stock and flow indicators in the assessment, the role of policy measures, and the EU and euro area dimension of the Procedure. UNDERLINES the continued high relevance of the assessment of spill-over effects of national economic policies. STRESSES the importance of ensuring equal treatment based on objective assessment of data and implemented policies.

4. RECOGNISES that inflation differentials have further declined, though accumulated inflation divergences over recent years are sizeable. NOTES that unit labour cost growth decelerated in 2024, but remained significant in several cases, in a context of tight labour markets and low productivity growth. NOTES that price and cost pressures are expected to ease further in the near term, but divergences are likely to persist.

5. UNDERLINES that current account deficits and surpluses remain large in some Member States, often reflecting domestic demand dynamics. HIGHLIGHTS that in some Member States, large government deficits account for a significant part of the economy's external borrowing needs. NOTES that changes in current account balances are forecast to be limited, for both deficits and surpluses. Uncertainty is high affecting especially Member States that are highly integrated in trade, including global value chains, and those with large external financing needs. RECOGNISES that Member States with more negative net international investment positions benefitted from further improvements, supported by nominal economic growth. However, the latter impact is expected to decline as inflation recedes further.

6. NOTES that house prices gained dynamism during 2024 on account of rising incomes and easing financing conditions, following two years of muted or negative growth. However, in some Member States, house prices are below previous peak levels. RECOGNISES that in many Member States, house prices are expected to keep rising driven by long-standing structural effects, including bottlenecks to housing supply, taxation policies and inefficient rental markets.

7. NOTES that in 2024, in several Member States, household and corporate debt as a share of GDP reached their lowest levels in years. ACKNOWLEDGES that private sector borrowing is anticipated to increase again with easier financing conditions. NOTES that government debt levels and developments vary substantially across EU Member States, as debt ratios continued declining in some Member States, while in some others they have increased recently. RECOGNISES that the government debt ratio for the EU as a whole stopped declining in 2024, still remaining above the 2019 pre-pandemic level, and is forecast to slightly increase in the coming years. On unchanged policies, forecast developments also vary across EU Member States. The implementation of the fiscal-structural plans is expected to lead to a decline or stabilisation of debt ratios over the medium-term.

8. HIGHLIGHTS that the banking sector has strengthened further, with capital ratios and profitability remaining high. TAKES NOTE of the further reduction or stabilisation of non-performing loans in those Member States where they used to be more significant. This is mainly due to the creation of an efficient secondary market for non-performing loans which are now held by large servicers outside the banking sectors that typically operate on cross-border basis and remain largely concentrated in a few Member States. NOTES that sustained vigilance is needed to ensure continued macro-financial stability.

9. TAKES NOTE that Cyprus and Germany no longer experience imbalances in the context of the Macroeconomic Imbalance Procedure. NOTES that in Cyprus vulnerabilities relating to external, private sector and government debt are receding, also due to a strong economic growth, and that the current account deficit remains sizeable, while progress has been made in implementing measures to address the vulnerabilities. NOTES that in Germany, vulnerabilities related to the large current account surplus, which had cross-border relevance, have declined over the years, while policy efforts need to continue in line with the announced significant policy actions.

10. TAKES NOTE that Estonia is not found to experience imbalances. NOTES that in Estonia, vulnerabilities relating to deteriorating price and cost competitiveness have been present in recent years amid a protracted recession, and house prices have grown considerably, but overall vulnerabilities seem to be contained at present.

11. TAKES NOTE that Greece, Italy, Hungary, the Netherlands, Slovakia and Sweden continue to experience imbalances.

12. TAKES NOTE that Romania continues to experience excessive imbalances. NOTES that vulnerabilities have increased, as twin fiscal and current account deficits widened, and cost competitiveness has deteriorated in Romania. HIGHLIGHTS the need for structural reforms, and in particular those embedded in Romania's recovery and resilience plan and medium-term fiscal-structural plan, to strengthen competitiveness, export performance and attract further EU funding.

13. CALLS for the full application of the Macroeconomic Imbalance Procedure, including the activation of the Excessive Imbalance Procedure, where appropriate. UNDERLINES the importance of swift and continued policy action for addressing macroeconomic imbalances, in particular those included in the recovery and resilience plans, the medium-term fiscal-structural plans, and the corresponding country-specific recommendations under the European Semester.