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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	COUNCIL RECOMMENDATION with a view to bringing an end to the situation of an excessive deficit in Austria - Adoption

COUNCIL RECOMMENDATION

with a view to bringing an end to the situation of an excessive deficit in Austria

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 126(7) thereof,

Having regard to the recommendation from the European Commission, Whereas:

(1) According to Article 126 of the Treaty on the Functioning of the European Union (TFEU), Member States shall avoid excessive government deficits.

(2) The Stability and Growth Pact is based on the objective of sound and sustainable government finances as a means of strengthening the conditions for price stability and for strong, sustainable and inclusive growth underpinned by financial stability, thereby supporting the achievement of the Union's objectives for sustainable growth and employment.

(3) On [date; OJ: please insert here as date 8 July 2025], the Council decided, in accordance with Article 126(6) TFEU, that an excessive deficit existed in Austria due to non-compliance with the deficit criterion.

(4) Article 126(7) TFEU and Article 3(4) of Council Regulation (EC) No 1467/97[1] require the Council to adopt a recommendation addressed to the Member State concerned with a view to bringing the situation of excessive deficit to an end within a given period. In line with Article 3(4) of Council Regulation (EC) 1467/97, that recommendation is also to establish a maximum deadline of six months for effective action to be taken by the Member State concerned to correct the excessive deficit, which can be reduced to three months when warranted by the seriousness of the situation. Furthermore, in its recommendation, the Council is to recommend that the Member State implements a corrective net expenditure path[2], which ensures that the general government deficit is brought and maintained below the 3% of GDP reference value within the deadline set in that recommendation. Where the excessive deficit procedure was opened on the basis of the deficit criterion, the corrective net expenditure path is to be consistent with a minimum annual structural adjustment of at least 0.5% GDP as a benchmark for the years when the general government deficit is expected to exceed the reference value. The Commission may, during a transition period in 2025, 2026 and 2027, adjust the benchmark to take into account the increase in interest expenditure when setting the proposed corrective path for those years, taking into account recital 23 of Council Regulation (EU) 2024/1264.

(5) Real GDP in Austria contracted by 1.0% in 2024. According to the European Commission Spring 2025 Forecast, the economy is expected to contract further by 0.3% in 2025, in a context of falling investments and negative net exports. In 2026, real GDP is expected to increase by 1.0%, with strengthening private consumption and investment growth turning positive. The unemployment rate is expected to reach 5.3% in 2025 and 5.2% in 2026. Inflation is set to remain stable at 2.9% in 2025 and reach 2.1% in 2026.

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1 Council Regulation (EC) No 1467/97 of 7 July 1997 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).

2 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.

(6) According to the data provided by Eurostat on 22 April 2025[3], the general government deficit in Austria stood at 4.7% of GDP in 2024. The European Commission Spring 2025 Forecast projects a general government deficit of 4.4% of GDP in 2025 and 4.2% of GDP in 2026, thus above the reference value in both years. The structural deficit is projected at 3.4% of GDP in 2025 and is expected to increase by 0.2 percentage points of GDP in 2026.

(7) General government debt stood at 81.8% of GDP at end-2024. According to the European Commission Spring 2025 Forecast, it is projected to increase to 84.0% of GDP at end-2025 and 85.8% of GDP at end-2026, thus remaining above the 60% of GDP reference value.

(8) On 13 May 2025, Austria submitted its first national medium-term fiscal-structural plan, in accordance with Articles 11 and 36(1), point (a) of Regulation (EU) 2024/1263[4]. The plan covers the period 2025−2029 and presents a fiscal adjustment over seven years. On [date; OJ: please insert here as date 8 July 2025], the Council adopted a Recommendation endorsing the national medium-term fiscal-structural plan of Austria for the years 2025 to 2029[5]. This recommendation specified the set of reforms and investments underpinning the extension of the adjustment period to seven years and set maximum growth rates for net expenditure. These recommended maximum growth rates for net expenditure factor in all the necessary requirements of a corrective path and should be recommended as the corrective net expenditure path under the excessive deficit procedure. The corrective net expenditure path is thus consistent with a minimum annual structural adjustment of at least 0.5 % GDP as a benchmark for the years when the general government deficit is expected to exceed the reference value, in line with Regulation (EC) 1467/97.

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3 Eurostat Euro Indicators published on 22 April 2025.
See: https://ec.europa.eu/eurostat/web/products-euro-indicators/w/2-22042025-ap.

4 Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council.

5 Council Recommendation of [date; OJ: please insert here as date 8 July 2025] endorsing the national medium-term fiscal-structural plan of Austria, OJ [OJ: please insert in this footnote the reference and date of adoption of Council Recommendation contained in document ST 10339/25]

(9) Based on the recommended maximum growth rates for net expenditure, as the sole operational reference for monitoring compliance, which is set out in the Council Recommendation endorsing the plan of Austria and in this recommendation, and based on the European Commission medium-term government debt projection framework and the European Commission Spring 2025 Forecast, the general government deficit is projected to decrease from 4.4% of GDP in 2025 to 2.9% by 2030. In its plan, Austria expects the deficit to no longer exceed the 3% deficit reference value earlier, in 2028, based on the plan's assumptions.

(10) Based on the corrective net expenditure path in this recommendation, the European Commission medium-term government debt projection framework, and the European Commission Spring 2025 Forecast, the general government debt would continue increasing from 81.8% of GDP at end-2024 until 89.2% at end-2030 and then start decreasing to 89.1% in 2031.

(11) Abiding by the recommended maximum growth rates of net expenditure set by the corrective path should secure a lasting correction of the excessive deficit, while concrete measures should be geared towards enhancing the quality and composition of the public finances, preserving investment and reinforcing the growth potential of the economy. Reforms of a fiscal and broader economic nature, including the reforms underpinning the extension of the adjustment period, as specified in Annex II of the Council Recommendation of [date; OJ: please insert here as date 8 July 2025] endorsing the medium-term plan of Austria[6], should improve the growth and resilience potential of the economy in a sustainable manner, and support fiscal sustainability.

(12) In line with Article 8(3) of Regulation No 1467/97, a Council decision to abrogate the excessive deficit procedure shall only be taken pursuant to Article 126(12) TFEU where the deficit has been brought below the reference value and is projected by the Commission to remain so in the current and following year.

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6 Council Recommendation of [date; OJ: please insert here as date 8 July 2025] endorsing the national medium-term fiscal-structural plan of Austria, OJ [OJ: please insert in this footnote the reference and date of adoption of Council Recommendation contained in document ST 10339/25].

HEREBY RECOMMENDS:

1. Austria should ensure that the nominal growth rate of net expenditure does not exceed the maxima established in Annex I.

2. Austria should thus put an end to the excessive deficit situation by 2028.

3. The Council establishes the deadline of 15 October 2025 for Austria to take effective action and present the necessary measures. Thereafter, Austria should report on progress made in the implementation of this recommendation at least every six months, in spring in the context of its annual progress report and in the autumn in the draft budgetary plan, until the excessive deficit has been corrected.

This Recommendation is addressed to Austria.

Done at Brussels,

For the Council
The President

ANNEX I

Maximum growth rates of net expenditure

(annual and cumulative growth rates, in nominal terms)

Austria

Years		2025	2026	2027	2028
Growth rates (%)	Annual	2.6	2.2	2.2	2.0
	Cumulative[*]	2.6	4.8	7.2	9.4

[*] The cumulative growth rates are calculated by reference to the base year of 2024.