Council of the European Union

PUBLIC

Brussels, 1 July 2025
(OR. en)

10349/25

LIMITE

ECOFIN 799
UEM 299
ECB
EIB

NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	COUNCIL RECOMMENDATION with a view to bringing an end to the situation of an excessive deficit in Romania - Adoption

COUNCIL RECOMMENDATION

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

PUBLIC

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) Romania has been subject to an excessive deficit procedure since April 2020.
On 3 April 2020, the Council decided, in accordance with Article 126(6) TFEU, that an excessive deficit existed in Romania due to non-compliance with the deficit criterion[1], and issued a Recommendation under Article 126(7) TFEU[2] with a view to bringing an end to the situation of an excessive government deficit by 2022 at the latest.

(4) On 18 June 2021, in light of the deep contraction in economic activity linked to the COVID-19 pandemic, the Council adopted a revised Recommendation[3] under Article 126(7) TFEU, thereby recommending that Romania put an end to the excessive deficit situation by 2024 at the latest.

---

[1] OJ L 110, 8.4.2020, ELI: http://data.europa.eu/eli/dec/2020/509/oj.

[2] Council Recommendation (EU) 2020/C 116/01 of 3 April 2020 with a view to bringing an end to the situation of an excessive government deficit in Romania (OJ C 116, 8.4.2020, p. 1–3).

[3] Council Recommendation (EU) 2021/C 304/24 of 18 June 2021 with a view to bringing an end to the situation of an excessive government deficit in Romania (OJ C 304, 29.7.2021, p. 111–115).

PUBLIC

(5) On 26 July 2024, the Council adopted Decision (EU) 2024/2130[4] under Article 126(8) TFEU, thereby deciding that Romania had not taken effective action in response to the Council Recommendation of 18 June 2021. The Council Decision of 26 July 2024 took into account that the next step in the excessive deficit procedure, namely a revised Council recommendation under Article 126(7) TFEU on the correction of the excessive deficit, would take place after the submission of the national medium-term fiscal-structural plan in accordance with Articles 11 and 36(1), point (a) of Regulation (EU) 2024/1263.

(6) On 25 October 2024, Romania submitted its first national medium-term fiscal-structural plan, as required under Regulation (EU) 2024/1263[5]. The plan covered the period from 2025 until 2028 and presented a fiscal adjustment spread over seven years. On 21 January 2025, the Council adopted a recommendation endorsing the national medium-term fiscal-structural plan of Romania[6]. This recommendation set maximum growth rates for net expenditure and specified the set of reforms and investments underpinning the extension of the adjustment period to seven years.

PUBLIC

4 Council Decision (EU) 2024/2130 of 26 July 2024 establishing that no effective action has been taken by Romania in response to the Council Recommendation of 18 June 2021 (OJ L, 2024/2130, 1.8.2024).

5 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 Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj.

6 Council Recommendation of 21 January 2025 endorsing the medium-term fiscal-structural plan of Romania, OJ C/2025/647, 10.2.2025. ELI: http://data.europa.eu/eli/C/2025/647/oj.

(7) On 21 January 2025, the Council adopted a revised Recommendation under Article 126(7) TFEU recommending that Romania put an end to the excessive deficit situation by 2030[7]. The Council recommended a corrective net expenditure path for Romania in accordance with Article 3(4) of Regulation (EC) 1467/97[8] with the following maximum growth rates of net expenditure[9]: 5.1% in 2025, 4.9% in 2026, 4.7% in 2027, 4.3% in 2028, 4.2% in 2029, and 3.9% in 2030, which correspond to the maximum cumulative growth rates calculated by reference to 2023 of 20.2% in 2025, 26.0% in 2026, 31.9% in 2027, 37.6% in 2028, 43.3% in 2029, and 49.0% in 2030. These were the same annual and cumulative growth rates set in the Recommendation endorsing the national medium-term fiscal-structural plan of Romania. The Council established a deadline of 30 April 2025 for Romania to take effective action and to present the necessary measures together with its 2025 annual progress report, to be submitted to the Commission in accordance with Article 21 of Regulation (EU) 2024/1263.

(8) To date, Romania has not submitted its annual progress report on action taken and on the implementation of the set of reforms and investments underpinning the extension of the adjustment period.

PUBLIC

---

7 All documents related to the excessive deficit procedure of Romania can be found at: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/corrective-arm-excessive-deficit-procedure/excessive-deficit-procedures-overview/romania_en.

8 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).

9 Net expenditure is defined in Article 2(2) of Regulation (EU) 2024/1263 as government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-off and other temporary measures.

(9) In 2024 and 2025, net expenditure is growing much faster than recommended by the Council; this leads to a persistent high government deficit, putting at risk a timely correction of the excessive deficit by 2030. There are no mitigating 'relevant factors' to be considered in the excessive deficit procedure that would change this assessment, while the high medium-term fiscal sustainability risks that Romania faces are an aggravating factor. On that basis, on 20 June 2025 the Council adopted a Decision under Article 126(8) TFEU establishing that no effective action had been taken in response to its recommendation of 21 January 2025.

(10) In case of non-effective action by a Member State with a derogation, Article 126 TFEU requires the Council to adopt a revised recommendation under Article 126(7) 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 adhere to a maximum growth rate of net expenditure as set by a corrective net expenditure path, 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 path is to be consistent with a minimum annual structural adjustment of at least 0.5% of 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.

PUBLIC

(11) Real GDP in Romania grew by 0.8% in 2024. According to the European Commission Spring 2025 Forecast, the economy is expected to grow by 1.4% in 2025, supported by a recovery in construction and transport services, helped by membership of the Schengen area and infrastructure upgrades. In 2026, real GDP is expected to increase by 2.2%, reflecting the stronger absorption of funds under the Recovery and Resilience Facility. The unemployment rate is expected to reach 5.3% in 2025 and 5.2% in 2026. Inflation is set to decrease from 5.8% in 2024 to 5.1% in 2025 and 3.9% in 2026.

(12) According to data provided by Eurostat on 22 April 2025[10], the general government deficit in Romania stood at 9.3% of GDP in 2024. This is much higher than the 7.9% of GDP deficit projection included in Romania's medium-term fiscal-structural plan of October 2024. The European Commission Spring 2025 Forecast projects a general government deficit of 8.6% of GDP in 2025 and 8.4% of GDP in 2026. The structural deficit is projected at 7.9% in 2025 and is expected to stay the same in 2026.

(13) General government debt stood at 54.8% of GDP at end-2024. According to the European Commission Spring 2025 Forecast, it is projected to increase to 59.4% of GDP at end-2025 and 63.3% of GDP at end-2026, thus exceeding the 60% of GDP reference value.

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

PUBLIC

(14) The revised corrective net expenditure path set out in this Recommendation, which establishes maximum growth rates of net expenditure, is consistent with a minimum annual improvement of at least 0.5% of GDP in the structural balance and ensures that the general government deficit is brought and maintained below the reference value within the original correction deadline of 2030. In order to ensure a consistent risk-based approach and address the deviation from the original path, the corrective path is frontloaded, with annual adjustments in the structural primary balance of about 2 pps. per year in 2025 and 2026 and about 1 pp. thereafter, supported by key reforms including the review of the tax framework, and ensures that debt returns to prudent levels below 60% of GDP in the medium term. Based on the corrective net expenditure path set out in this Recommendation, the European Commission medium-term government debt projection framework and the European Commission Spring 2025 Forecast, the general government deficit would decrease from 9.3% of GDP in 2024 to 2.8% by 2030. The general government debt would continue increasing from 54.8% of GDP at end-2024 until 62.3% at end-2028 and then decrease to 61.1% in 2030.

(15) Abiding by the recommended maximum growth rates of net expenditure set by the corrective net expenditure 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 should improve the growth and resilience potential of the economy in a sustainable manner, and support fiscal sustainability.

PUBLIC

(16) In this respect, point 2 and Annex II (Set of reforms and investments that underpins an extension of the adjustment period to 7 years) of the Council Recommendation of 21 January 2025 endorsing the medium-term plan of Romania, still apply. These reforms and investments will continue being monitored by the Commission under Article 22(1) of Regulation 2024/1263.

(17) Given the recent deterioration of Romania's fiscal position relative to the medium-term fiscal-structural plan, the scope of reforms in that plan, in particular those that have a more direct bearing on the fiscal outlook and debt sustainability, needs to be upscaled. The forthcoming tax reform should aim to generate additional revenue significantly above the 1.7% of GDP that was envisaged in the plan. To contribute to redressing the fiscal situation, additional measures will also be needed to improve tax administration and collection, and to ensure a strict control over current expenditure, including public wages.

(18) 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.

PUBLIC

HEREBY RECOMMENDS

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

2. Romania should thus put an end to the excessive deficit situation by 2030.

3. The Council establishes the deadline of 15 October 2025 for Romania to take effective action and present the necessary measures to ensure the timely correction of the excessive deficit. Thereafter, Romania 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 by 15 October, until the excessive deficit has been corrected.

This Recommendation is addressed to Romania.

Done at Brussels,

For the Council
The President

PUBLIC

ANNEX I

PUBLIC

Maximum growth rates of net expenditure

(annual and cumulative growth rates, in nominal terms)

Romania

Years		2025	2026	2027	2028	2029	2030
Growth rates (%)	Annual	2.8	2.6	4.6	4.4	4.2	4.0
	Cumulative*	2.8	5.5	10.4	15.2	20.1	24.9

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