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From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Conclusions on the 2026 in-depth reviews under the macroeconomic imbalance procedure – Approval

Delegations will find attached the draft Council conclusions on the 2026 in-depth reviews under the Macroeconomic Imbalance Procedure.

DRAFT COUNCIL CONCLUSIONS ON THE 2026 IN-DEPTH REVIEWS
UNDER THE MACROECONOMIC IMBALANCE PROCEDURE

THE COUNCIL OF THE EUROPEAN UNION:

1. HIGHLIGHTS that after reaching 1.5% in 2025, EU GDP growth is now projected to slow down, and inflation is expected to rise in 2026, driven by the implications of the Middle East conflict. NOTES that in 2025 the EU economy demonstrated resilience while inflationary pressures were declining, facilitating the receding of some long-standing macroeconomic vulnerabilities, while the developments were diverse across Member States. ACKNOWLEDGES that continued geopolitical and trade tensions are dampening growth prospects and lifting inflation, in a context of continued high uncertainty, adding to the risks around imbalances.
2. STRESSES the continued importance of the implementation of the Macroeconomic Imbalance Procedure to detect, prevent and correct imbalances which are adversely affecting, or have the potential to adversely affect, the proper functioning of the economy of a Member State or of the economic and monetary union, or of the EU as a whole. UNDERLINES the crucial role of comprehensive analysis in monitoring existing imbalances and identifying potential macroeconomic vulnerabilities. CONSIDERS that the 2026 in-depth reviews present a high quality and comprehensive analysis of the situation in each Member State under review.

3. 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. HIGHLIGHTS potential interactions between different macroeconomic variables. UNDERLINES the continued relevance of the assessment of spill-over effects of national economic policies and implications of global developments. STRESSES the importance of timely monitoring and assessment, and of ensuring equal treatment and transparency, based on evidence-based assessment, including as regards quantitative data, qualitative information and implemented policies, and that the classification of imbalances is based on objective evidence and applied consistently across Member States.
4. NOTES that inflation differentials have widened in the EU. RECOGNISES that the increases in energy prices in 2026 are contributing to an overall increase in inflation and that a further widening of inflation differentials cannot be excluded. NOTES that at the same time, unit labour cost growth moderated in the past year, while it remains elevated in several Member States. HIGHLIGHTS that persistent divergences in costs and prices may undermine competitiveness in individual Member States and be a particular concern within the euro area.
5. ACKNOWLEDGES that current account positions improved in 2025, with deficits and surpluses remaining large in some Member States. NOTES that in 2025, negative net international investment positions overall improved, albeit at a slower pace, and positive positions overall declined, also reflecting valuation effects. RECOGNISES the possible impact on external accounts arising from higher energy prices and the expected slower trade growth.

6. NOTES that house price growth accelerated further in 2025. ACKNOWLEDGES that in many Member States, demand was supported by increases in household real income and more supportive financing conditions, while supply remained constrained. NOTES the increase in the overvaluation risks of house prices in various Member States. RECOGNISES that house price growth is expected to remain dynamic in view of structural elements. This includes continued housing shortages amid slow progress in addressing supply bottlenecks in many Member States, taxation policies as well as inefficient rental markets, and in some cases exacerbated by demand for alternative investments, notably in Member States with a shallow capital market.
7. NOTES that in 2025, borrowing by households and non-financial corporations picked up given easier financing conditions. HIGHLIGHTS that the more recent tightening of financing conditions may dampen borrowing and increase debt service burdens especially where variable-rates loans are widespread. ACKNOWLEDGES that while government debt ratios continued declining in some Member States, in many Member States they increased and were above the 2019 pre-pandemic levels, and that they are expected to increase further in view of an increase in deficits in some Member States. NOTES that increased indebtedness combined with recently higher government bond yields result in higher interest expenditure.
8. HIGHLIGHTS that the banking sector has remained healthy and resilient with strong capital ratios and high bank profitability. STRESSES that non-performing loans remained close to historical lows on aggregate with limited further reductions in Member States where they used to be elevated. NOTES that large exposures to domestic sovereign debt in some Member States and vulnerabilities related to commercial real estate remain in some cases.
9. TAKES NOTE that Greece, the Netherlands and Sweden no longer experience imbalances in the context of the Macroeconomic Imbalance Procedure. NOTES that in Greece vulnerabilities related to the high government and external debt have receded, banks' non-performing loans have declined, and that favourable financing mitigates external sustainability risks related to the sizeable current account deficit. NOTES that in the Netherlands, vulnerabilities related to household debt and the current account surplus have lessened. NOTES that in Sweden, vulnerabilities related to its real estate market and high level of private debt remain but the gravity has lessened.

10. TAKES NOTE that Italy, Hungary and Slovakia continue to experience imbalances, while recognising some improvements in these countries, notably in Italy and Slovakia.
 11. TAKES NOTE that Romania continues to experience excessive imbalances. NOTES that vulnerabilities related to fiscal and current account deficits have diminished, but remain significant, while cost competitiveness continues deteriorating albeit less than before.
 12. CALLS for the full application of the Macroeconomic Imbalance Procedure, alongside the reformed economic governance framework, embedded in the European Semester, 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 medium-term fiscal-structural plans, and the country-specific recommendations under the European Semester.
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