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COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	12 December 2025
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
Subject:	Proposal for a COUNCIL DECISION on the existence of an excessive deficit in Finland

Delegations will find attached document COM(2025) 778 final.

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Proposal for a

COUNCIL DECISION

on the existence of an excessive deficit in Finland

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Proposal for a

COUNCIL DECISION

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union (TFEU), and in particular Article 126(6) thereof,

Having regard to the proposal from the Commission,

Having regard to the observations made by Finland,

Whereas:

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

(2) The Stability and Growth Pact (SGP) 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) The excessive deficit procedure (EDP) under Article 126 TFEU, as clarified by Council Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure[1], which is part of the SGP, provides for a decision on the existence of an excessive deficit. Protocol No 12 on the excessive deficit procedure, annexed to the Treaty on the European Union and the TFEU, sets out further provisions relating to the implementation of the excessive deficit procedure. Council Regulation (EC) No 479/2009[2] lays down detailed rules and definitions for the application of those provisions. The Union's economic governance framework, which came into force on 30 April 2024, includes Council Regulation (EU) 2024/1264, which amended Regulation (EC) No 1467/97. The reform kept the rules of the excessive deficit

[1] Council Regulation (EC) No 1467/97 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) as last amended by Council Regulation (EU) 2024/1264 of 29 April 2024 (OJ L, 2024/1264, 30.4.2024).

[2] Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community (OJ L 145, 10.6.2009, ELI: http://data.europa.eu/eli/reg/2009/479/2014-09-01) as last amended by Commission Regulation (EU) No 220/2014 of 7 March 2014 as regards references to the European system of national and regional accounts in the European Union (OJ L 69, 8.3.2014).

procedure due to non-compliance with the deficit criterion broadly unchanged, whereas for Member States with a government debt ratio above 60% of GDP the excessive deficit procedure due to non-compliance with the debt criterion will focus on deviations from the recommended maximum growth rates of net expenditure[3] set by the Council under Articles 17 or 19 of Regulation (EU) 2024/1263[4]. According to Article 22(6) of Regulation (EU) 2024/1263, deviations are calculated on the basis of outturn data. The initial year of the maximum annual and cumulative net expenditure growth rates recommended by the Council for Finland is 2025. The assessment of compliance with the debt criterion can only be undertaken once the outturn data for 2025 are available, which will be in spring 2026. Therefore, this Council Decision concerns the excess of the ratio of the government deficit to GDP with respect to the reference value of 3% of GDP.

(4) According to Article 126(5) TFEU, if the Commission considers that an excessive deficit in a Member State exists or may occur, it is to address an opinion to the Member State concerned and shall inform the Council accordingly. Having taken into account its report adopted pursuant to Article 126(3) TFEU and having regard to the opinion of the Economic and Financial Committee of 4 December 2025 adopted pursuant to Article 126(4) TFEU, the Commission concluded that an excessive deficit exists in Finland. On 12 December 2025, the Commission therefore addressed such an opinion to Finland and informed the Council accordingly.[5]

(5) Article 126(6) TFEU provides that the Council is to consider any observations which the Member State concerned may wish to make before deciding, after an overall assessment, whether an excessive deficit exists. In the case of Finland, the overall assessment leads to the conclusions set out below.

(6) According to the data provided by Eurostat on 21 October 2025[6], the general government deficit in Finland reached 4.4% of GDP in 2024 and general government debt stood at 82.5% of GDP at end-2024. In 2025, Finland's general government deficit is planned to reach 4.3% of GDP.[7] The actual government deficit in 2024 and the planned deficit for 2025 are above and not close to the Treaty reference value of 3% of GDP, and the deficits in excess of

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3 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.

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

5 All EDP-related documents for Finland can be found at: https://economy-finance.ec.europa.eu/economic-governance-framework/stability-and-growth-pact/corrective-arm-excessive-deficit-procedure/excessive-deficit-procedures-overview/finland_en

6 Eurostat Euro Indicators published on 21 October 2025 (https://ec.europa.eu/eurostat/en/web/products-euro-indicators/w/2-21102025-AP), in accordance with Article 14 of Council Regulation (EC) No 479/2009.

7 Planned deficit as reported to Eurostat in the context of the Autumn 2025 fiscal notification. See: https://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables.

the reference value are not considered temporary. Based on the Commission Autumn 2025 Forecast[8], the general government deficit is projected to remain above 3% of GDP in 2025, 2026 and 2027. The Commission's report under Article 126(3) TFEU considered that the deficits in excess of the reference value in 2024 and 2025 are exceptional, due to the impact of adverse macroeconomic developments and the impact on public finances of Russia's war of aggression against Ukraine.

(7) In line with the requirements of Article 126(3) TFEU, the Commission also analysed all the relevant factors in its report under Article 126(3) TFEU. As laid down in Article 2(4) of Regulation (EC) No 1467/97, when assessing compliance on the basis of the deficit criterion, if the ratio of the government debt to GDP exceeds the reference value, relevant factors shall be taken into account in the steps following the report under Article 126(3) TFEU and leading to the decision on the existence of an excessive deficit only if – before these relevant factors are taken into account – the general government deficit remains close to the reference value and its excess over the reference value is temporary. In the case of Finland, the double condition is not met. Therefore, relevant factors are not taken into account.

(8) Thus, the deficit criterion as defined by the Treaty and Regulation (EC) No 1467/97 is not fulfilled.

(9) On 8 July 2025, the Council activated a national escape clause to facilitate an increase in defence expenditure in Finland[9], during the period 2025-2028. Article 2(5) of Regulation (EU) No 1467/97 establishes that, if a national escape clause is activated, the Commission and the Council may decide not to reach a conclusion regarding the existence of an excessive deficit. However, based on the Commission Autumn 2025 Forecast, the deficit in 2025 for Finland is projected at 3.4% of GDP without the increase in defence expenditure since 2021. Thus, the deficit in excess of the reference value in Finland in 2025 cannot be fully explained by an increase in defence expenditure since the reference year of 2021. As a result, Article 2(5) does not apply.

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment, it follows that an excessive deficit exists in Finland due to non-compliance with the deficit criterion.

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8 European Economic Forecast – Autumn 2025, *European Economy-Institutional Paper*, No 327, 17 November 2025.

9 Council recommendation allowing Finland to deviate from, and exceed, the recommended net expenditure path (Activation of the national escape clause), (OJ C, C/2025/3966, 20.8.2025, ELI: http://data.europa.eu/eli/C/2025/3966/oj).

Article 2

This decision is addressed to the Republic of Finland.

Done at Brussels,

For the Council
The President