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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: COUNCIL RECOMMENDATION with the view to bringing an end to the situation of an excessive deficit in Finland

COUNCIL RECOMMENDATION

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

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the recommendation from the Commission,

Whereas:

- (1) Article 126(1) of TFEU provides that 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], the Council decided, in accordance with Article 126(6) TFEU, that an excessive deficit existed in Finland due to non-compliance with the deficit criterion¹.

¹ Council Decision of [DATE] on the existence of an excessive deficit in Finland, ST document 5093/26.

(4) Article 126(7) TFEU and Article 3(4) of Council Regulation (EC) No 1467/97² 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, the Council is to recommend that the Member State implements a corrective net expenditure³ path, which ensures that the general government deficit is brought and maintained below the reference value of 3% of gross domestic product (GDP) 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, according to Article 3(4) of Council Regulation (EC) No 1467/97, to be consistent with a minimum annual structural adjustment of at least 0.5 percentage points 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 net expenditure path for those years, taking into account recital 23 of Council Regulation (EU) 2024/1264. The corrective path will, where needed, be based on updated projections produced by the Commission using the methodology for Debt Sustainability Analysis . The concerned Member State may signal to the Commission country-specific issues that it considers relevant for setting the corrective path.

² 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).

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.

- (5) Real GDP in Finland grew by 0.4% in 2024. According to the Commission Autumn 2025 Forecast, the economy of Finland is expected to grow by 0.1% in 2025. Growth is driven by net exports and investment; however, the positive impact of these components is largely offset by a decline in public and private consumption. Real GDP is expected to increase by 0.9% in 2026 and 1.2% in 2027, driven by increasing private consumption and investment while net exports would decline. The unemployment rate is expected to reach 9.5% in 2025 and decline to 9.3% in 2026 and 9.0% in 2027. Inflation is expected to increase from 1.0% in 2024 to 1.9% in 2025. Looking forward, the inflation rate is projected at 1.6% in 2026 and 2.0% in 2027.
- (6) According to the data provided by Eurostat on 21 October 2025⁴, the general government deficit in Finland stood at 4.4% of GDP in 2024. The Commission Autumn 2025 Forecast projects a general government deficit of 4.5% of GDP in 2025, and 4.0% of GDP in 2026, thus above the reference value in both years. According to the Commission's calculations⁵, these developments correspond to a net expenditure growth rate of 1.2% in 2025 and 1.8% in 2026. The structural deficit is projected at 2.9% of GDP in 2025 and is expected to decrease by 0.2 percentage points of GDP in 2026.
- (7) General government debt stood at 82.5% of GDP at end-2024. According to the Commission Autumn 2025 Forecast, on the basis of existing policies, it is projected to increase to 88.1% of GDP at end-2025 and 90.9% of GDP at end-2026, thus remaining above the 60% of GDP reference value.

⁴ Eurostat Euro Indicators published on 21 October 2025. See:

<https://ec.europa.eu/eurostat/en/web/products-euro-indicators/w/2-21102025-AP>.

⁵ Commission Staff Working Document SWD(2025) 951 final, 'Fiscal statistical tables providing background data relevant for the assessment of the budgetary policies of the Member States', 25.11.2025.

- (8) The corrective net expenditure path in this recommendation is consistent with minimum annual structural adjustments, or structural primary adjustments, of at least 0.5 percentage points of GDP, in line with Article 3(4) of Council Regulation (EC) No 1467/97 and Recital 23 of Council Regulation (EU) 2024/1264. Based on the macroeconomic assumptions from the Commission Autumn 2025 Forecast, the corrective net expenditure path in this recommendation corresponds to an adjustment in the structural primary balance of 0.5 percentage points of GDP in both 2026 and 2027. For 2028, which is beyond the period during which the Commission may take into account the increase in interest expenditure, the adjustment in the structural balance is of 0.5 percentage points and the adjustment in the structural primary balance is of 0.6 percentage points of GDP.
- (9) The corrective net expenditure path in this recommendation supersedes the maximum growth rates for net expenditure for 2026 onwards set out in point 1 of Council Recommendation of 21 January 2025 endorsing the medium-term fiscal-structural plan of Finland⁶.
- (10) Based on the recommended maximum growth rates for net expenditure, as the sole operational reference for monitoring compliance, which is set out in this recommendation, and based on the Commission medium-term government debt projection framework and the Commission Autumn 2025 Forecast, the general government deficit is projected to decrease from 4.5% of GDP in 2025 to 2.7% by 2028.
- (11) Based on the corrective net expenditure path in this recommendation, the Commission medium-term government debt projection framework, and the Commission Autumn 2025 Forecast, the general government debt would continue increasing from 82.5% of GDP at end-2024 to 93.5% at end-2028.

⁶ Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Finland (OJ C, C/2025/656, 10.2.2025, ELI: <http://data.europa.eu/eli/C/2025/656/oj>).

- (12) 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 should improve the growth and resilience potential of the economy in a sustainable manner, and support fiscal sustainability.
- (13) In this respect, point 2 and Annex II ("Set of reforms and investments that underpins an extension of the adjustment period to seven years") of the Council Recommendation of 21 January 2025 endorsing the medium-term plan of Finland, continue to apply. The implementation of these reforms and investments will continue being monitored by the Commission in accordance with Article 22(1) of Regulation 2024/1263⁷.
- (14) On 30 April 2025, Finland requested the activation of the national escape clause to accommodate higher defence spending, in accordance with Article 26(1) of Regulation (EU) 2024/1263 and following the Commission Communication of 19 March 2025⁸. On 8 July 2025, the Council, upon this request, adopted a recommendation⁹ allowing Finland to deviate from, and exceed, the maximum growth rates of net expenditure in the Council Recommendation of 21 January 2025 endorsing the medium-term plan of Finland, for the period 2025–2028.

⁷ 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>).

⁸ Communication from the Commission 'Accommodating increased defence expenditure within the Stability and Growth Pact' 19.3.2025, C(2025) 2000 final.

⁹ Council recommendation allowing Finland to deviate from the maximum growth rate of net expenditure as set by the Council under Regulation (EU) 2024/1263, (Activation of the national escape clause), (OJ C, C/2025/3966, 20.8.2025, ELI: <http://data.europa.eu/eli/C/2025/3966/oj>).

- (15) The flexibility provided by the national escape clause should also be considered in the implementation of the excessive deficit procedure, and when assessing if Finland has taken effective action. Therefore, until 2028, the corrective net expenditure path set out in this recommendation is complemented by the flexibility that is allowed by the increase in defence expenditure¹⁰ under the national escape clause. To ensure that fiscal sustainability is not endangered, this Recommendation should set out the maximum flexibility, in line with the Commission Communication of 19 March 2025 and the Council Recommendation of 8 July 2025. For that purpose, the overall maximum flexibility under the excessive deficit procedure should be limited to the flexibility that has not been used during the period preceding the net expenditure path in this recommendation.
- (16) Based on the Commission's projections,¹¹ Finland is expected not to have exceeded the maximum net expenditure growth rate for 2025 recommended by the Council on 21 January 2025, and therefore to not have used any flexibility allowed by the Council Recommendation of 8 July 2025. As a result, the maximum flexibility continues to be defined as the increase in defence expenditure in percent of GDP since 2021, and in any case not more than 1.5% of GDP.
- (17) In line with Article 8(3) of Regulation (EC) 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.

¹⁰ Nationally financed defence expenditure as defined in the Classification of the functions of government (COFOG02).

¹¹ Commission Staff Working Document SWD(2025) 951 final, 'Fiscal statistical tables providing background data relevant for the assessment of the budgetary policies of the Member States', 25.11.2025.

HEREBY RECOMMENDS:

1. Finland should ensure that the nominal growth rates of net expenditure do not exceed the maxima established in Annex I.
2. Finland should thus put an end to the excessive deficit situation by 2028.
3. The Council establishes the deadline of 30 April 2026 for Finland to take effective action and present the necessary measures together with its 2026 annual progress report, to be submitted to the Commission in accordance with Article 21 of Regulation (EU) 2024/1263. Thereafter, Finland 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 reports, and in autumn in the context of its draft budgetary plans, until the excessive deficit has been corrected.
4. Until 2028, Finland is allowed to exceed the maximum growth rates of net expenditure as set by point 1 of this Recommendation, to the extent that the net expenditure in excess of those maximum growth rates is not more than:
 - (a) the increase in defence expenditure in percent of GDP since 2021;
 - (b) provided that the deviation in excess of the maximum growth rates of net expenditure does not exceed 1.5 percent of GDP.

5. In order to ensure the correct recording of the additional expenditure, Finland is to include actual and planned data on total defence expenditure (COFOG division 02), including defence investment (COFOG division 02 P.51) and any expenditure to be financed by SAFE loans that are not covered in COFOG-02:
- (a) for years T-4, T-3, T-2 and T-1 (with year T being the current year), in the reporting to the Commission (Eurostat) in accordance with Council Regulation (EC) No 479/2009¹²;
 - (b) for years 2021 through year T (current year), in national medium-term fiscal-structural plans and in annual progress reports in accordance with Article 11(1), Article 15 and Article 21(1) of Regulation (EU) 2024/1263;
 - (c) for years T (current year) and T+1, in draft budgetary plans in accordance with Regulation (EU) No 473/2013¹³.

This Recommendation is addressed to the Republic of Finland.

Done at Brussels,

For the Council
The President

¹² 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, p. 1-9, ELI: <http://data.europa.eu/eli/reg/2009/479/2014-09-01>).

¹³ Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area (OJ L 140, 27.5.2013, ELI: <http://data.europa.eu/eli/reg/2013/473/oj>).

Maximum growth rates of net expenditure
(annual and cumulative growth rates, in nominal terms)

Finland

Years		2026	2027	2028
Growth rates (%)	Yearly	1.3	1.5	1.8
	Cumulative*	2.5	4.1	5.9

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