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Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

Alert Mechanism Report 2026

prepared in accordance with Article 3 of Regulation (EU) No 1176/2011 on the prevention and correction of macroeconomic imbalances

{COM(2025) 956 final} - {SWD(2025) 900 final}

CONTENTS

LIST OF GRAPHS

1. INTRODUCTION

This staff working document provides the underlying technical analysis as part of the Alert Mechanism Report. The present staff working document provides background information and accompanies the Commission Communication, which highlights the main concerns at the current juncture and identifies Member States for which in-depth reviews (IDRs) should be undertaken to assess whether they are affected by imbalances (Article 5 of Regulation (EU) No 1176/2011) ([1]). The present staff working document provides the economic reading of the scoreboard ([2]). The analysis contained in the present staff working document also builds on analytical tools and assessment frameworks, additional published data, notably in-year data for 2025, and forecasts, largely based on the Commission autumn 2025 economic forecast ([3])°([4]). In comparison with previous editions of this staff working document, part of the cross-country considerations around risks of imbalances was streamlined considering the content of the new European Macroeconomic Report, which conveys a narrative around risks to the macro-financial stability of the EU economy ([5]).

Taking into account discussions on the AMR within the Council, the Commission will then prepare In-Depth Reviews for the Member States that may be affected by, or may be at risk of being affected by, imbalances. The In-Depth Reviews will be published in early 2026 and will provide the basis for the Commission assessment of the existence and severity of macroeconomic imbalances, and for the identification of policy gaps. The eventual conclusions on the existence of imbalances and their severity are planned to be published with the spring package of the European Semester.

([1]) Commission communication, Alert Mechanism Report 2026, COM(2025) 956.

([2]) This staff working document with the economic reading of the scoreboard is accompanied by another staff working document that contains the values of the scoreboard: Commission staff working document, Statistical Annex accompanying the Alert Mechanism Report 2026, SWD(2025) 900.

([3]) The cut-off date for the scoreboard data, i.e. the date on which data were extracted from the Eurostat database for the preparation of this report, was 31 October 2025. For any other data, the cut-off date was also 31 October 2025.

([4]) European Commission, European Economic Forecast, Autumn 2025, Institutional Paper 327, November 2025.

([5]) 2026 European Macroeconomic Report, SWD(2025) 957.

2. IMBALANCES, RISKS AND ADJUSTMENT: MAIN DEVELOPMENTS

2.1. EXTERNAL SECTOR

Countries with current account balance (3 year average, in % of GDP) above 6% or below -4% in 2024 in blue																										
BE	BG	CZ	**DK**	DE	EE	**IE**	**EL**	ES	FR	HR	IT	**CY**	LV	LT	LU	HU	MT	**NL**	AT	PL	PT	**RO**	SI	**SK**	FI	SE

Countries with NIIP in % of GDP below -35% in 2024 in blue																										
BE	BG	CZ	DK	DE	EE	**IE**	**EL**	**ES**	FR	HR	IT	**CY**	LV	LT	LU	HU	MT	NL	AT	PL	**PT**	**RO**	SI	**SK**	FI	SE

- In 2024, the 3-year averages of the current account balances of four Member States were below the lower scoreboard threshold of -4% of GDP: **Greece**, **Cyprus**, **Romania** and **Slovakia**. Three other Member States had averages above the upper threshold of 6% of GDP: **Denmark**, **Ireland**, and the **Netherlands**. As for the NIIP readings, they were below the scoreboard threshold of -35% of GDP for seven Member States: **Ireland**, **Greece**, **Spain, Cyprus**, **Portugal**, **Romania**, and **Slovakia**.

- Between 2023 and 2024, the **current account balances** increased in around half of the Member States (Graph 2.3.b). Ireland recorded the strongest increase (9.1 pps.), while Luxembourg, Croatia, Slovakia, Poland and Romania faced declines of more than 1 pp. in their current account balances. The largest current account surpluses were recorded in Ireland ([6]) (16.2% of GDP), Denmark (12.2%), and the Netherlands (9.1%), while Greece (-7.2%), Romania (-8.2%) and Cyprus (-8.2%) continued to record the highest current account deficits (Graph 2.3.a) ([7]). Balances in around half of the Member States remained below the pre-pandemic level, with deficits in Greece, Romania and Cyprus being the furthest below. The current account balances of most Member States remained below levels suggested by fundamentals in 2024 (Graph 2.2.a).

- Current account balances are generally **forecast** to remain stable across countries. In-year 2025 data, however, suggest that the EU aggregate current account balance will somewhat decline compared to 2024 levels, and the current account balance is set to remain broadly stable in most countries, with some exceptions. These are, in particular, Ireland, Latvia on the worsening side and Greece on the strengthening side.

- From a **saving-investment** perspective, the net lending/borrowing positions were driven mainly by persistently high savings of the private sector in most Member States in 2024**.** Surpluses were driven by the corporate sector savings in Ireland, Denmark, and the

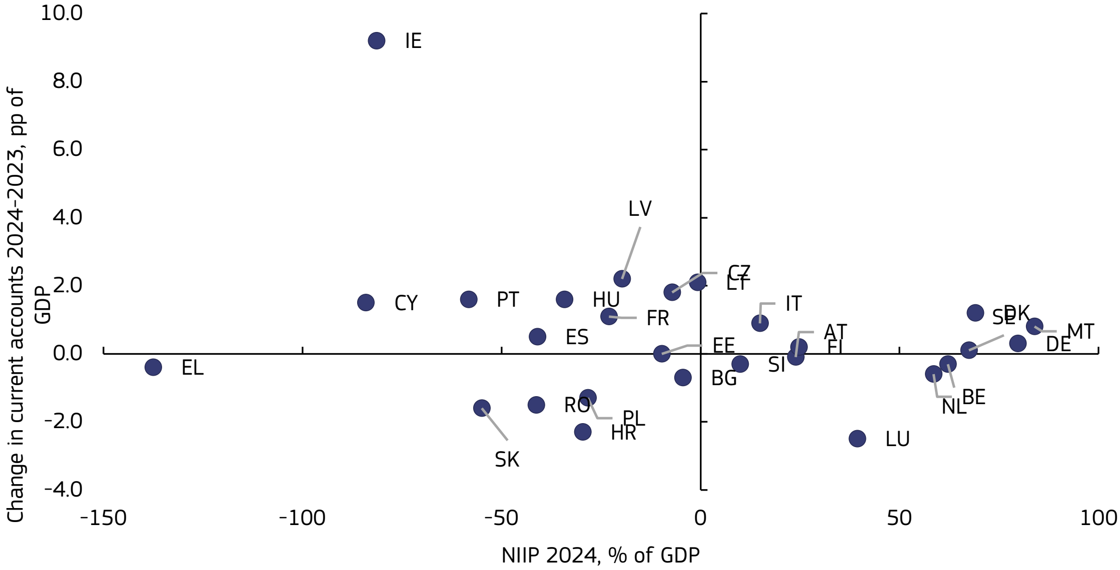
([6]) In the case of Ireland, the current account balance improved due to a strong surplus in goods and a significant rise in service exports, including a substantial one-off export of intellectual property from the MNE sector, see International Monetary Fund. European Dept. "Ireland: 2025 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Ireland", IMF Staff Country Reports 2025, 128 (2025), https://doi.org/10.5089/9798229012768.002

([7]) The current account balances of Ireland, Denmark, the Netherlands and Cyprus also somewhat reflect noticeable movements due to the presence of multinational enterprises (MNEs) and/ or special purpose entities (SPEs).

Netherlands, while in most other Member States, households contributed more strongly (Graph 2.3.c). The household net lending position strengthened in most Member States and EU funds also contributed to the increase of the net external position in several Member States. In Cyprus, Greece and Romania, however, households contributed greatly to the deficits, along with the government in the case of Romania and corporations in the case of Cyprus.

- In 2024, the **net international investment position (NIIP)** strongly increased in almost all Member States, mainly due to valuation effects in equity and bond holdings, with positive current account balances also contributing. The largest increases were recorded in Sweden and Denmark (about 30 pps.), and in Ireland (about 20 pps.) (Graph 2.3.f). By contrast, Croatia (-2.8 pps.), Malta (-7.9 pps.) and Luxembourg (-8.2 pps.) recorded the strongest NIIP declines. The current account balances of some net-debtor countries remain below the levels necessary for the correction of their strong negative NIIPs, as estimated by prudential or fundamental benchmarks ([8]). In most net-creditor countries, NIIPs remained considerably above levels explained by economic fundamentals, notably in Germany (Graph 2.2.b). The NIIP-to-GDP ratios are projected to [decline or somewhat remain stable] in most member states in 2025.

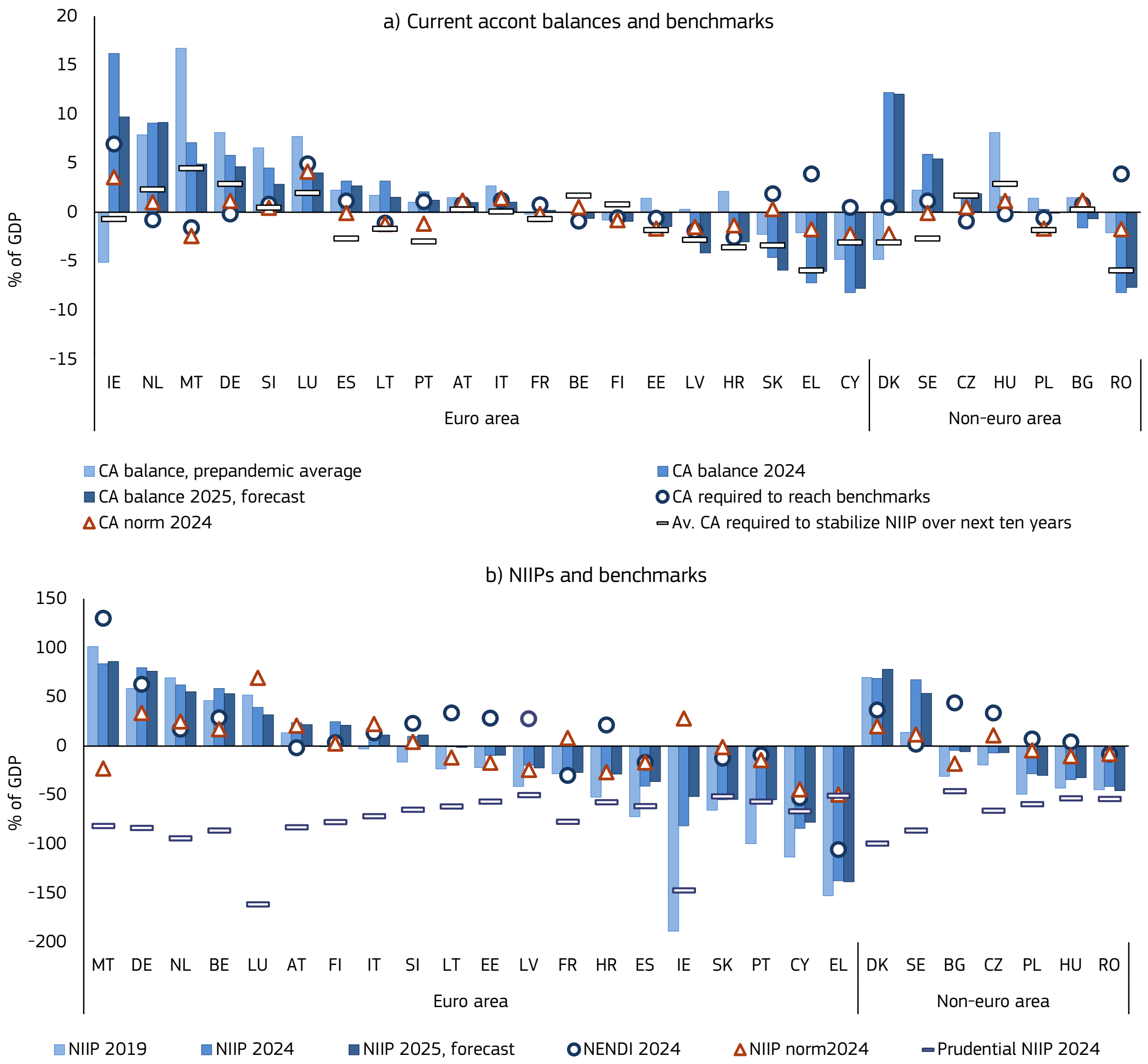
Graph 2.1: **Change in current account balances vs net international investment position**



Source: Eurostat and European Commission calculations.

([8]) The current account required to reach a specific NIIP target is the current account required to reach the prudential threshold over the next 10 years, or to halve the gap to the NIIP in line with fundamentals, whichever is higher, and is based on the European Commission's Spring Forecast. NIIP prudential thresholds are determined from the maximisation of the signal power in predicting a balance of payment crisis, taking into account country-specific information summarised by per-capita income. The NIIP in line with fundamentals (NIIP norms) are obtained as the cumulation over time of the values of the current account norms. For the methodology for the computation of NIIP prudential and fundamental benchmarks, see A. Turrini and S. Zeugner (2019), "Benchmarks for Net International Investment Positions", European Economy, Discussion Paper 097/2019.

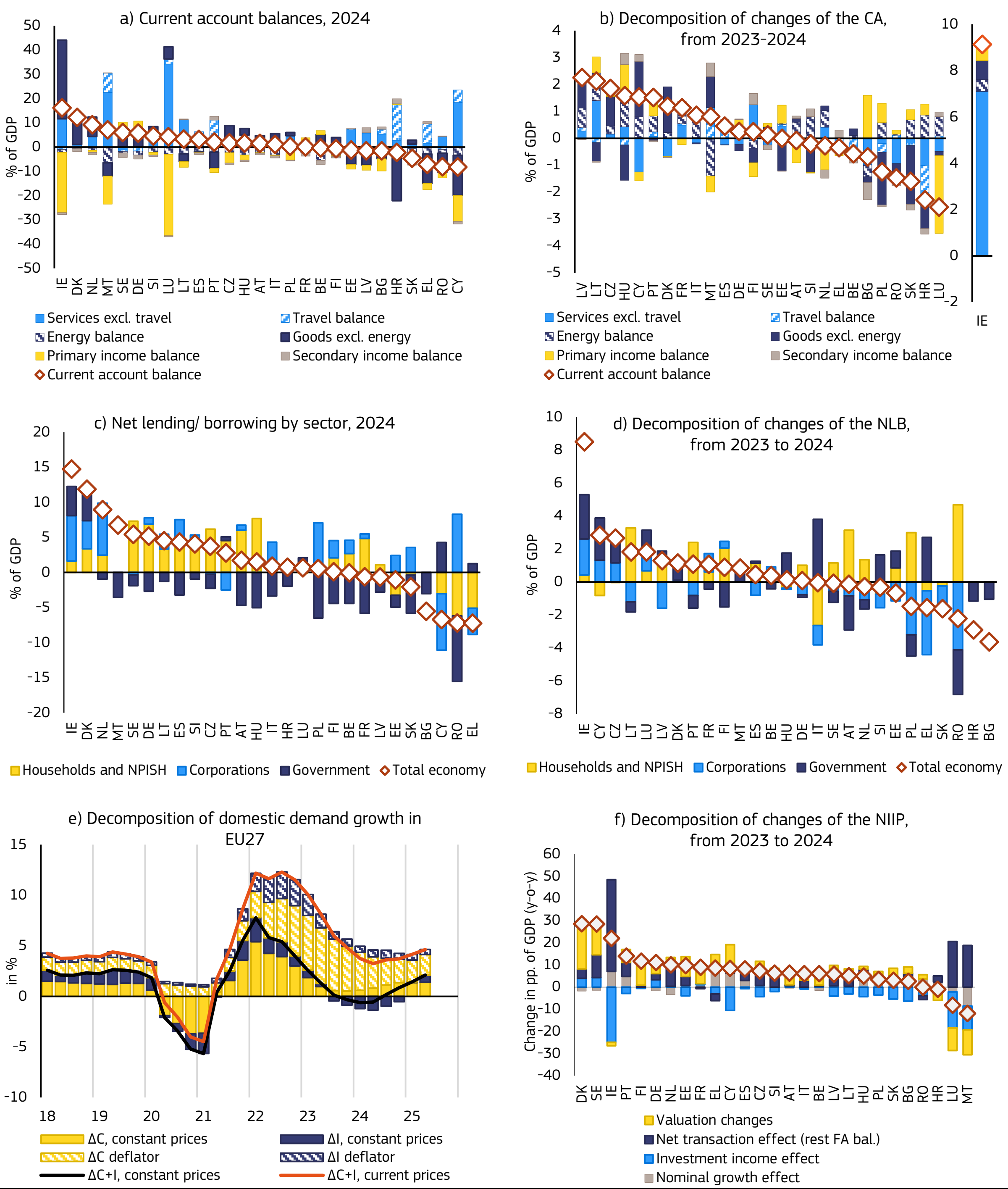
Graph 2.2: **Current account and net international investment position**



***Notes**:* Countries are ranked in increasing order of current account balances in 2024. CA stands for current account. NENDI is the NIIP excluding non-defaultable instruments. Current account norms: see footnote (9). For the concepts of NIIP norm, NIIP prudential threshold, and NIIP-stabilising current account benchmark and required CA for reaching specific NIIP target: see footnote (3).
Source: Eurostat and European Commission calculations.

(9) Current accounts in line with fundamentals (current account norms) are derived from reduced-form regressions capturing the main determinants of the saving-investment balance, including fundamental determinants, policy factors and global financial conditions, and is based on the European Commission's Spring Forecast. See L. Coutinho et al. (2018), "Methodologies for the assessment of current account benchmarks", European Economy, Discussion Paper 86/2018, for the description of the methodology for the computation of the fundamentals-based current account used in this AMR; the methodology is akin to S. Phillips et al. 2013), "The External Balance Assessment (EBA) Methodology", IMF Working Paper, 13/272.

Graph 2.3: **Selected graphs for the external sector**



Source: Eurostat and European Commission calculations.

2.2. COMPETITIVENESS

Countries with HICP based real effective exchange rate against 42 trading partners (3 year % change) above/below +/- 3% (EA) and +/- 10% (non-EA) in 2024 in blue																										
BE	BG	**CZ**	DK	DE	**EE**	IE	EL	ES	FR	**HR**	IT	CY	**LV**	**LT**	LU	HU	MT	**NL**	AT	**PL**	PT	RO	SI	**SK**	FI	SE

Countries with export performance against advanced economies (3 year % change) below -3% in 2024 in blue																										
BE	BG	CZ	DK	**DE**	**EE**	IE	EL	ES	FR	HR	IT	CY	LV	LT	**LU**	HU	MT	**NL**	**AT**	PL	PT	RO	SI	**SK**	**FI**	**SE**

Countries with nominal unit labour cost index per hour worked (3 year % change) above 9% (EA) and 12% (non-EA) in 2024 in blue																										
BE	**BG**	**CZ**	DK	**DE**	**EE**	**IE**	EL	**ES**	**FR**	**HR**	IT	**CY**	**LV**	**LT**	**LU**	**HU**	**MT**	**NL**	**AT**	**PL**	**PT**	**RO**	**SI**	**SK**	**FI**	**SE**

- For the HICP-based REER ([10]), the three-year changes were beyond the scoreboard thresholds in eight Member States: **Czechia**, **Estonia**, **Croatia**, **Latvia**, **Lithuania**, **the Netherlands**, **Poland**, and **Slovakia**.

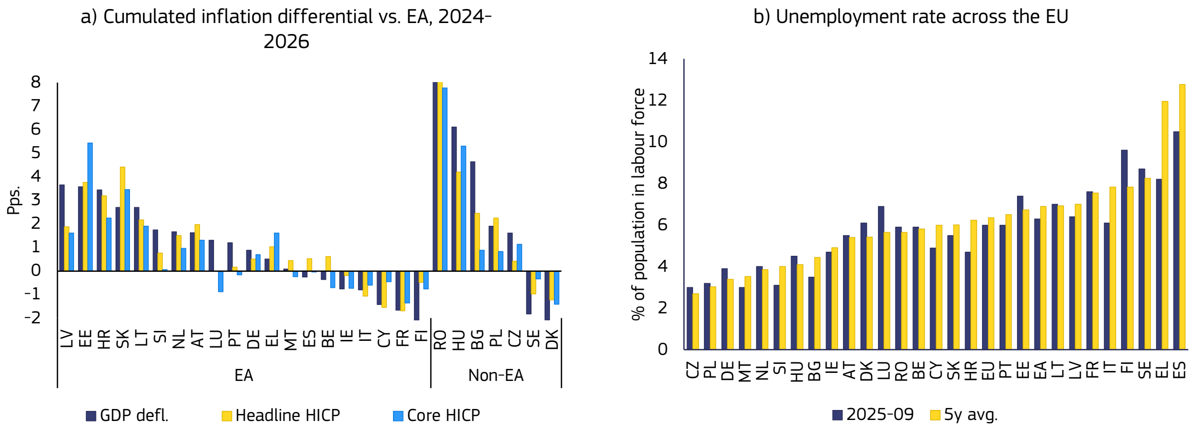
- Nine Member States exceeded the scoreboard threshold for the changes in export performance against advanced economies in the three years up to 2024: **Belgium**, **Germany**, **Estonia**, **Luxembourg**, **the Netherlands**, **Austria**, **Slovakia**, **Finland**, and **Sweden**.

- The three-year change in unit labour cost, based on hours worked, was above the scoreboard threshold in twenty-four Member States: **Belgium**, **Bulgaria**, **Czechia**, **Germany**, **Estonia**, **Ireland**, **Spain,** **France**, **Croatia**, **Cyprus**, **Latvia**, **Lithuania**, **Luxembourg**, **Hungary**, **Malta**, **the Netherlands, Austria**, **Poland**, **Portugal**, **Romania**, **Slovenia**, **Slovakia**, **Finland**, and **Sweden**.

- In 2024, **headline inflation** approached the 2% target in the euro area but remained high in some non-euro area countries, such as Romania, Hungary and Poland. Over 2025-2026, headline inflation is expected to remain higher than the euro area average in several EU countries, particularly in Romania, Hungary, and Slovakia, and to remain below the euro area average in Cyprus, France, Ireland, Denmark, Sweden, Finland, and Italy. Cumulated price and cost differentials are forecast to continue to build up in some countries (Graph 2.4.a). Although of relatively smaller magnitudes than those seen since the pandemic, inflation differentials thus compound previous increases.

([10]) Unless otherwise specified, REER refers to HICP-based REER, 42 trading partners.

Graph 2.4: **Inflation and unemployment dynamics**



Notes: a) Positive values indicate inflation higher than in the euro area
Source: Eurostat and European Commission forecasts and calculations.

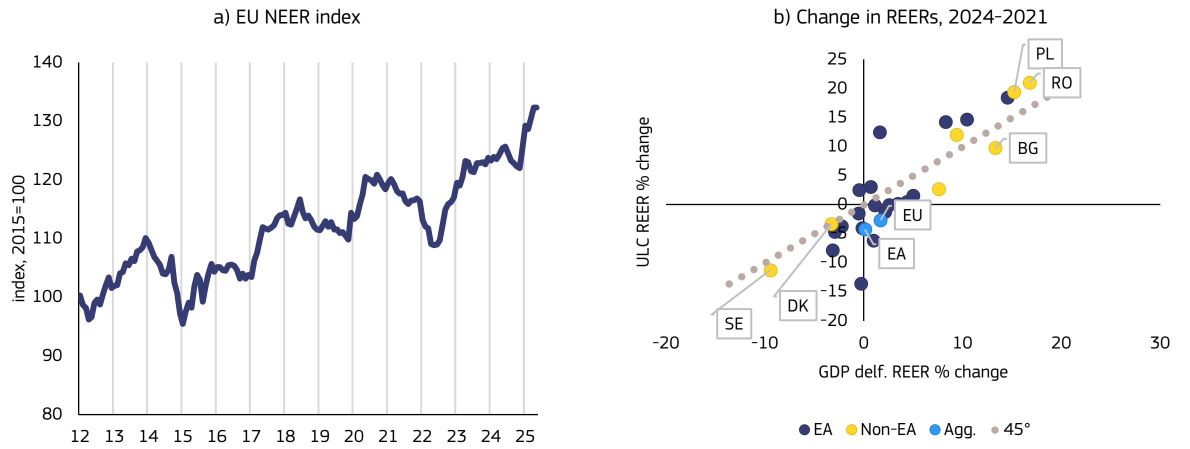
- Strong falls in **unemployment** were recorded in countries with high unemployment rates in recent years, such as Greece, Spain, and Italy, but unemployment rates have started to increase somewhat in some countries. In Finland and Estonia, it has increased by more than 1 pp. by the end of the third quarter of 2025.

- **Nominal compensation per employee** continued to rise strongly in 2024 and is expected to slow down in 2025 and 2026 overall. For 2024, internal EU dynamics have been again very divergent, with increases of less than 2% in Finland, less than 4% in Cyprus, Luxembourg, Italy, France, and Belgium, and more than 10% in Hungary, Poland, Bulgaria, Latvia, and Romania (Graph 2.6.b). The 2024 **real wages** ([11]) at EU level almost closed the gap with their 2019 level, but remained visibly below in Czechia, Italy, France, and Greece while having increased by double digits in Bulgaria, Romania, Hungary, Poland, Latvia, Croatia, Portugal, Slovenia, and Cyprus.

- For 2024, **unit labour costs** (ULCs) growth remained high, and the 3-year change was double digits in many Member States reflecting legacy from the high inflationary periods of 2022, 2023, and, to a lesser extent, 2024. ULCs increased by close to 5% in both the EU and the EA, ranging from little change in Finland, to increases of over 10% in Romania, Bulgaria, Croatia, and Hungary (Graph 2.6.c). Most of the ULCs increase was driven by real compensation increases. In only a few cases, such as Malta, Cyprus, Slovakia, Denmark, Poland, and Bulgaria, productivity gains visibly subtracted from the ULCs growth. For 2025, ULCs are expected to grow at a more moderate pace across the EU, with a few exceptions (Romania, Hungary, Croatia, Slovenia, and Bulgaria), where annual growth rates are forecast to be above 6%.

([11]) Nominal compensation per employee deflated by HICP.

Graph 2.5: **Nominal and real effective exchange rates**

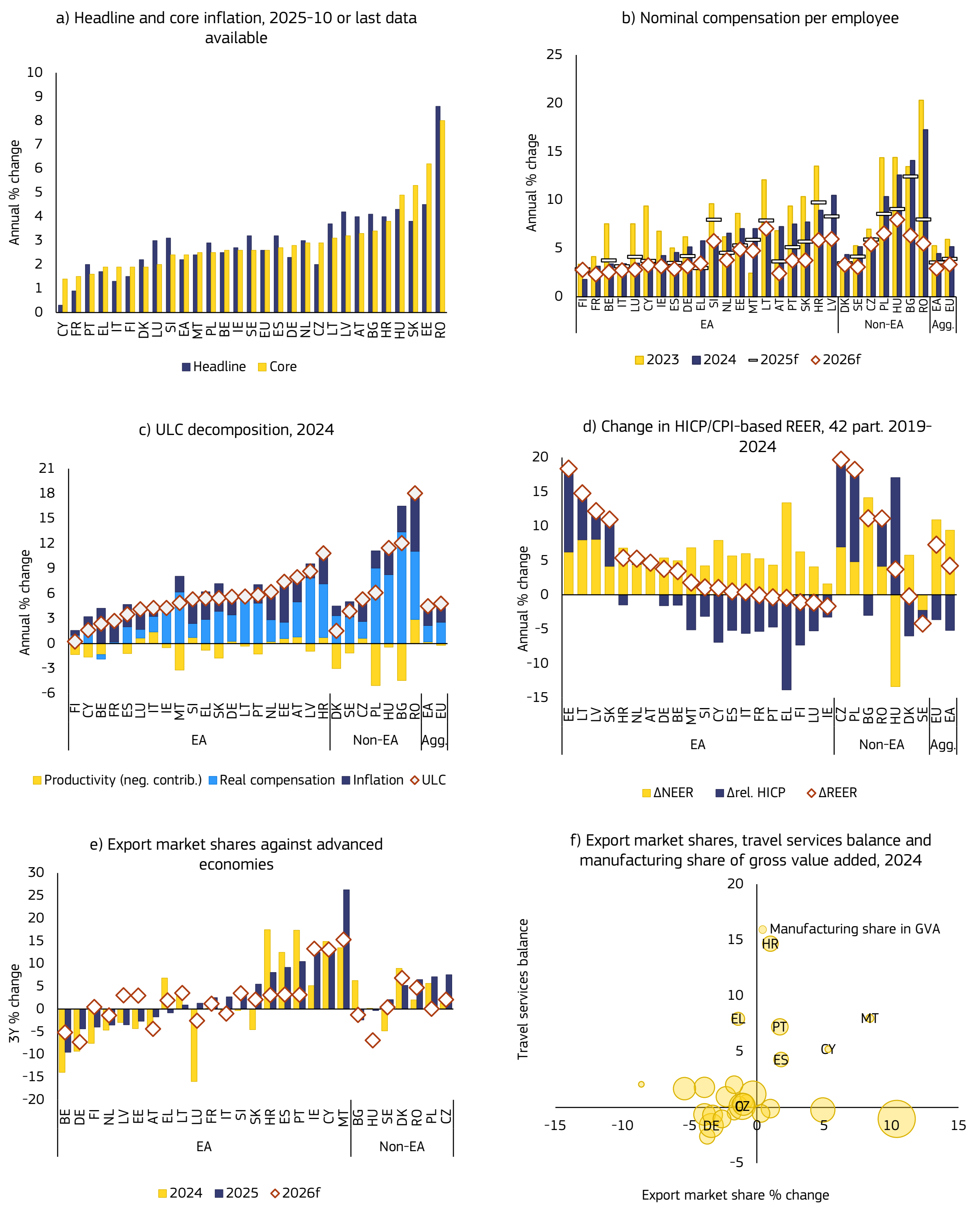


Source: European Commission.

- The EU's **nominal effective exchange rates** (NEERs) appreciated in 2024, (Graph 2.5.a), and although they were partly offset by inflation differentials with trading partners, overall **real effective exchange rates** (REER) still appreciated. The strongest REER appreciation (Graph 2.5.b) in 2024 was in Poland, where it gained 7% due to a strong zloty, while nominal depreciations supported REER losses of 4.4% and 2.3% in Czechia and Hungary respectively. In Romania, both inflation differentials and NEER gains pushed the REER to appreciate by almost 3%. Within the EA, 2024 saw appreciations in Belgium, Estonia, and Croatia (of around 1.5-2%) and depreciations in Lithuania, Latvia and Italy (around 1-1.5%). As of mid-2025, REERs have been marked by an appreciating trend.

- In the three years to 2024, the **export market shares against advanced economies** fell by 2.5% and 3.3% for the EU and the EA respectively. The largest losses were for Belgium, Germany, Luxembourg, and Finland, but there were strong gains for Malta, Spain, Croatia, and Portugal (Graph 2.6.e). The changes in 2024 point towards the continuation of the post-pandemic trend of manufacturing-intensive Member States losing export shares, while Member States exporting travel services gain export shares (Graph 2.6.f), assisted by favourable export deflator dynamics.

Graph 2.6: **Selected graphs for competitiveness**



Source: Eurostat and European Commission forecasts and calculations.

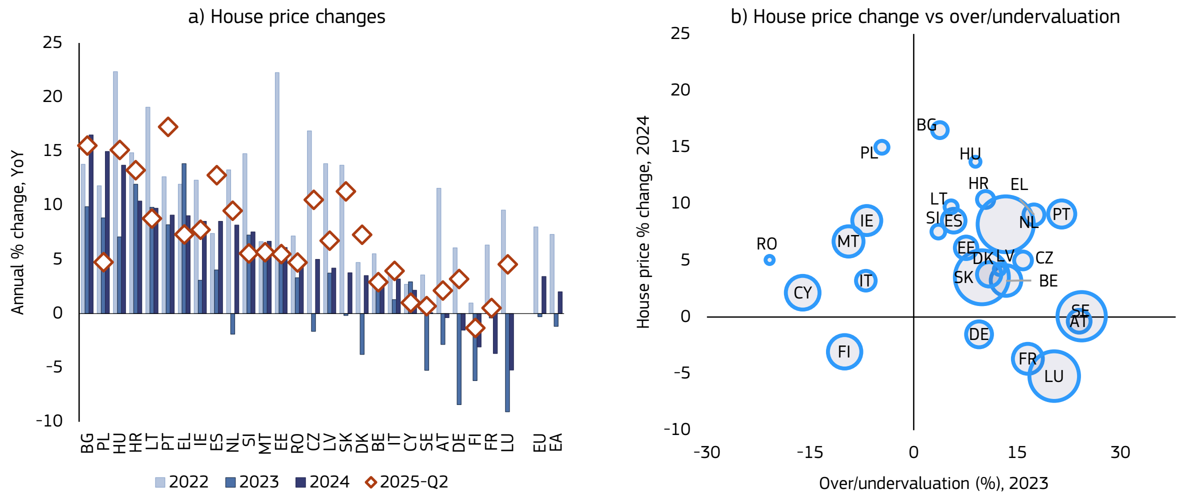
2.3. HOUSING MARKETS

Countries with nominal house price index growth (1 year % change) above 9% in 2024 in blue																										
BE	**BG**	CZ	DK	DE	EE	IE	**EL**	ES	FR	**HR**	IT	CY	LV	**LT**	LU	**HU**	MT	NL	AT	**PL**	**PT**	RO	SI	SK	FI	SE

- In 2024, house prices increased above the 9% scoreboard threshold in seven Member States: **Bulgaria, Greece**, **Croatia**, **Lithuania**, **Hungary**, **Poland** and **Portugal**.

- **House prices** increased in 2024 in almost all Member States, with some countries on a clear path of high growth for several years. Growth was close to the scoreboard threshold in Ireland, Spain and the Netherlands (Graph 2.7.a). Many of these countries experienced sustained growth with limited slowdown in 2023. Cumulatively, house prices rose by more than 20% over 2023-24 in Bulgaria, Poland, Greece, Croatia, Hungary, Lithuania, and by more than 15% in Portugal and Slovenia. Conversely, prices fell in Germany, Luxembourg, France, Austria and Finland, continuing declines from 2023. Over 2023 and 2024, Luxembourg, Germany, Finland, Sweden, France, Austria and, marginally, Denmark saw cumulative drops, with total reductions above 9% for Luxembourg, Germany and Finland. By early 2025, growth resumed broadly, except in Finland.

Graph 2.7: **House price evolution and House price change and household debt in 2024 vs over/undervaluation in 2023**



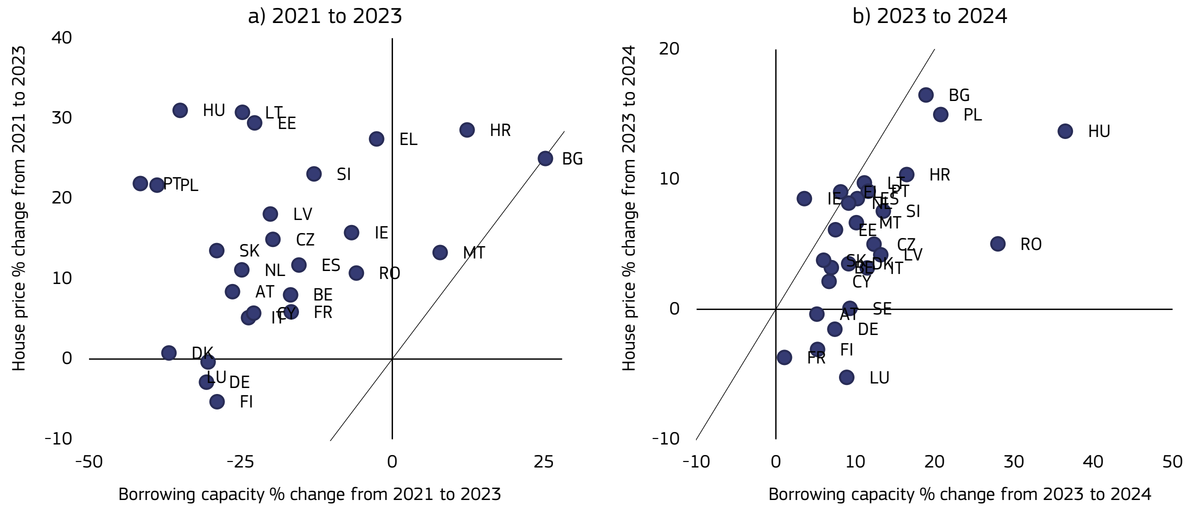
Notes: The bubbles size in panel b refer to household debt as % of household income in 2024.
Source: Eurostat and European Commission calculations

- **Price dynamics reflect valuation gaps**. Countries that were near fair value or undervalued in 2023, such as Bulgaria and Poland, saw the strongest growth (Graph 2.7.b). Exceptions include Portugal and Greece, where prices continued to grow strongly despite an estimated overvaluation of over 20%, and to a lesser extent Czechia and the Netherlands. Declines were concentrated in highly overvalued markets such as Luxembourg (where prices were overvalued by 32%) and Austria (+23%), while Sweden (+23%) recorded only a marginal increase. Finland remains an outlier, with falling prices despite a 16% undervaluation.

- **Housing transactions and mortgage credit** rebounded in most countries. Credit growth accelerated with lower interest rates, reaching five-year highs in Lithuania, Portugal, Latvia, Estonia, Croatia, Spain, Hungary, Netherlands, Cyprus and Ireland (Graph 2.10.c). Transactions – which had fallen in 2022-2023 – partially recovered in 2024 and exceeded their 10-year average in Cyprus, Bulgaria, Spain, Portugal, Ireland, and Poland, markets with continued house price growth. Conversely, transactions remained well below historical averages in Austria, France, Luxembourg, Finland, and Slovenia where prices have been muted, but also in Hungary despite rising prices.

- **Borrowing capacity** surged in 2024, often outpacing nominal house price growth. After a 14% drop between 2021-2023, borrowing capacity rose sharply in 2024 – by over 10% in many countries, and up to 40% in Hungary, 30% in Romania, and around 20% in Poland and Bulgaria. Gains were modest in Belgium, Germany and France. Despite this, affordability remains constrained, with mortgage-to-income ratios elevated.

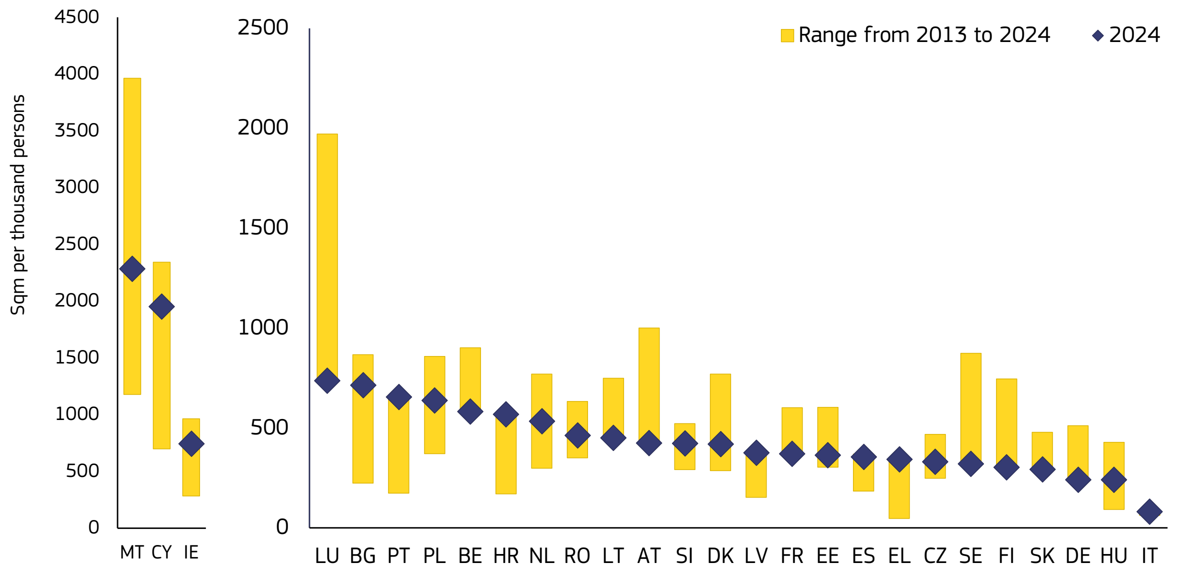
Graph 2.8: **House price change vs borrowing capacity change, from 2021 to 2023 and from 2023 to 2024**



Notes: (1) Borrowing capacity reflects the evolution of house prices that credit constrained households can afford by devoting a constant share of their income to mortgage payment at the origination of the mortgage. (2) Data used for computing borrowing capacity is median household income, interest rates and country-specific loan maturity. For loan maturity is used the average of maximum maturity, available in Grünberger et al. (2023): Housing taxation database 1995-2021, European Commission, Joint Research Centre (JRC). The LTV ratio considered is 100% and other variables, like taxation, tax relief and transaction costs were fixed to zero to capture only the impact of income and interest rates on borrowing capacity. (3) The straight line serves as a reference where both variables — borrowing capacity and house prices — change by the same amount. (4) For more detailed methodology see Andrle, M. and M. Plašil (2019): Assessing House Prices with Prudential and Valuation Measures. IMF Working Paper No. 19/59.
Source: Eurostat, ECB, JRC and European Commission forecasts and calculations.
Source:

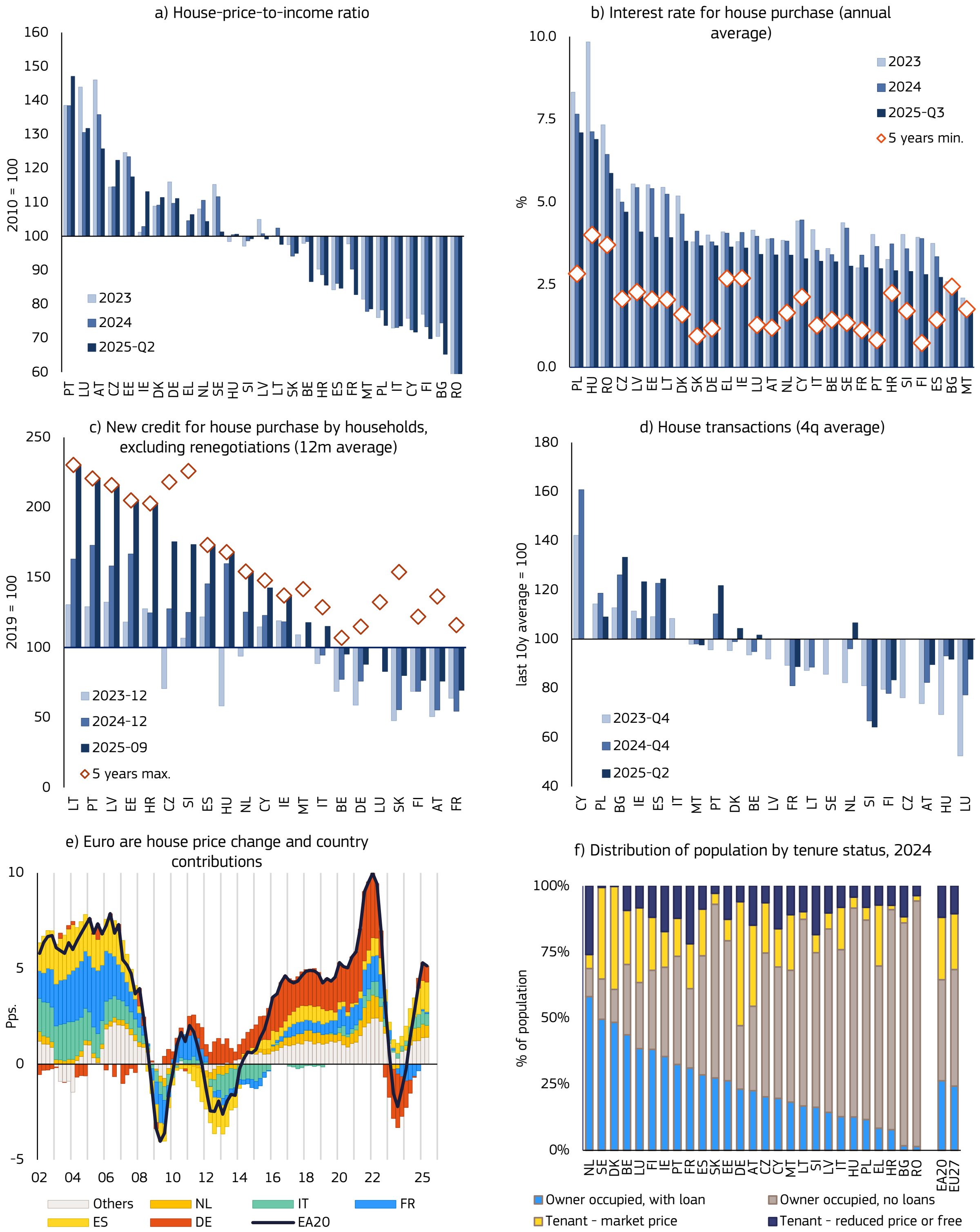
- Supply constraints remain tight and **building permits** in 2024 were low relative to the past decade (Graph 2.9), in most countries, especially Germany, France, Sweden and Finland. Building permits are at their highest levels in Portugal, Croatia, Latvia, Spain and Greece compared to the last decade but are still low as the last decade was marked by historically low construction activity. Supply constraints are likely to keep upward pressure on prices through 2025-2026.

Graph 2.9: **Building permits for residential construction, 2013 to 2024**



Source: Eurostat and European Commission calculations

Graph 2.10: **Selected graphs on the housing market**



Notes: (1) Graphs a, b and c are ordered by decreasing order of the last data. (2) In Graph d, countries are ordered by decreasing order of 2023-Q4 values, as 2024 and 2025 data is not available for several countries. (3) In Graph f, countries are ordered by decreasing order of share of population that is "owner occupied with loan".
Source: Eurostat, ECB and European Commission calculations.

2.4. HOUSEHOLD DEBT AND SAVING

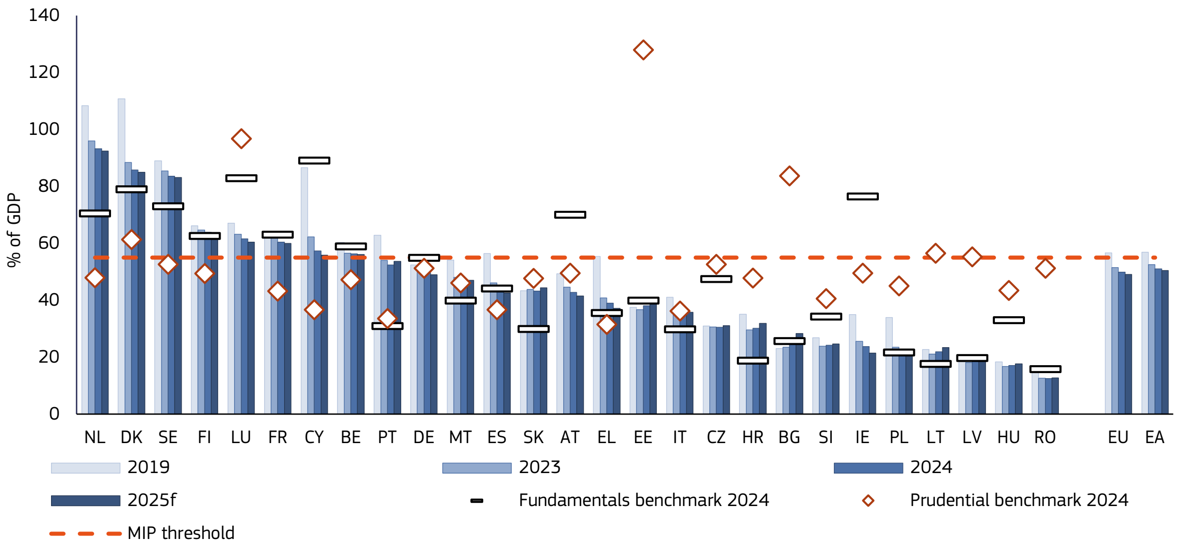
Countries with consolidated household (+NPISH) debt (in % of GDP) above 55% in 2024 in blue																										
BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE

Countries with consolidated household (+NPISH) credit flow (in % of debt stock in t-1) above 14% in 2024 in blue																										
BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE

- In 2024, the household debt-to-GDP ratios of eight Member States were above the scoreboard threshold of 55%: **Belgium**, **Denmark**, **France**, **Cyprus**, **Luxembourg**, the **Netherlands**, **Finland**, and **Sweden**. **Bulgaria** was the only Member State which displayed credit growth above the scoreboard threshold of 14% of the previous year's debt stock.

- Compared to 2023, the **debt-to-GDP ratios** declined in the majority of countries (Graphs 2.11 and 2.14.e), with particularly large drops in very high-debt countries such as Cyprus, the Netherlands and Denmark. Bulgaria and Estonia are the only EU Member States where the 2024 debt ratio stood above its 2019 level. The Netherlands, Denmark, and Sweden continued to record the highest debt-to-GDP ratios, joined by Luxembourg when considering the debt-to-gross household disposable income ratio. In 11 Member States, debt ratios remain above their prudential benchmark ([12]). In less than half of the Member States, debt ratios are well explained by economic fundamentals.

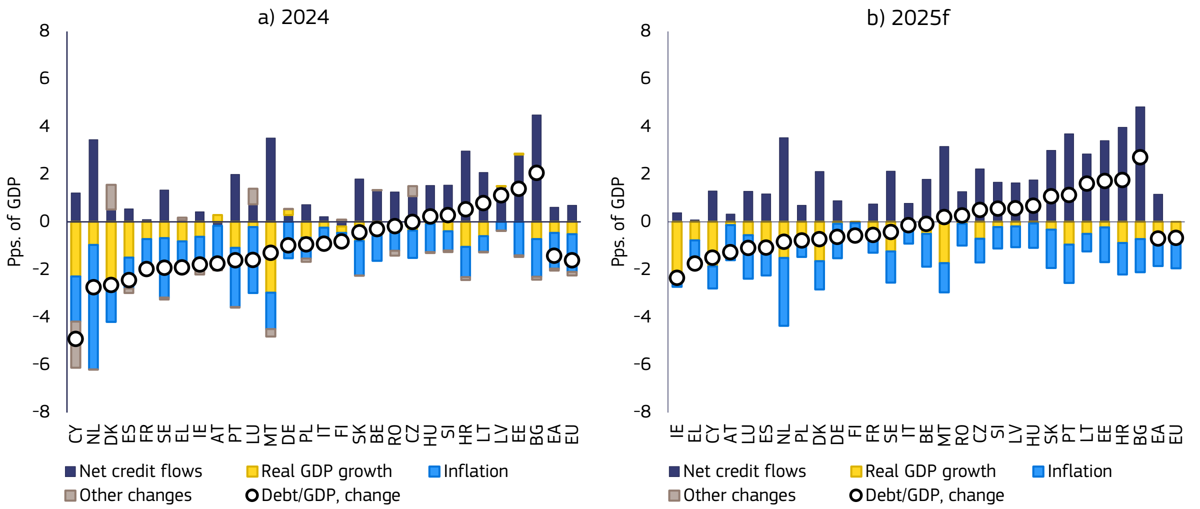
Graph 2.11: **Household debt-to-GDP ratios**



Notes: Debt comprises loans (F4) and debt securities (F3), consolidated. 2025 figures present projections based on available in-year data and forecasts.
Source: Eurostat and European Commission forecasts and calculations

([12]) Fundamental benchmarks are derived from regressions capturing the main determinants of credit growth and taking into account a given initial stock of debt. Prudential thresholds identify a threshold above which banking crises become more likely. The fundamentals-based and the prudential benchmarks are calculated following Bricongne, J. C., Coutinho, L., Turrini, A., Zeugner, S. (2020), "Is Private Debt Excessive?", *Open Economies Review* 31:471-512.

Graph 2.12: **Decomposition of changes in household debt-to-GDP ratios**



Notes: Debt comprises loans (F4) and debt securities (F3), consolidated. 2025 figures present projections based on available in-year data and forecasts.
Source: Eurostat and European Commission forecasts and calculations

- Household deleveraging is **forecast** to slow down further and to start reversing in a broader set of countries in 2025. The largest increases in the debt-to-GDP ratio in 2025 are expected for Bulgaria, Croatia, Estonia, Lithuania, and Portugal, all countries with low to moderate debt ratios. Deleveraging is expected to continue at a swift pace in Ireland, Greece, Cyprus, and Austria.

- The deceleration of the decline in household debt-to-GDP ratios is driven by the slowdown in nominal GDP growth and the gradual recovery of **credit flows** after a strong contraction in 2023 (Graph 2.12 and Graph 2.13). Household borrowing behaviour remained muted in several countries, including Germany, France, and Italy in 2024; while it recovered dynamically in Portugal, the Netherlands, and several low- to moderate-debt countries. Credit growth was particularly strong in Bulgaria, Croatia, Romania, Lithuania and Hungary. Net credit flows in Bulgaria exceeded 21% of the previous year's debt stock in 2024, resulting in significant growth in the debt ratio from a low basis.

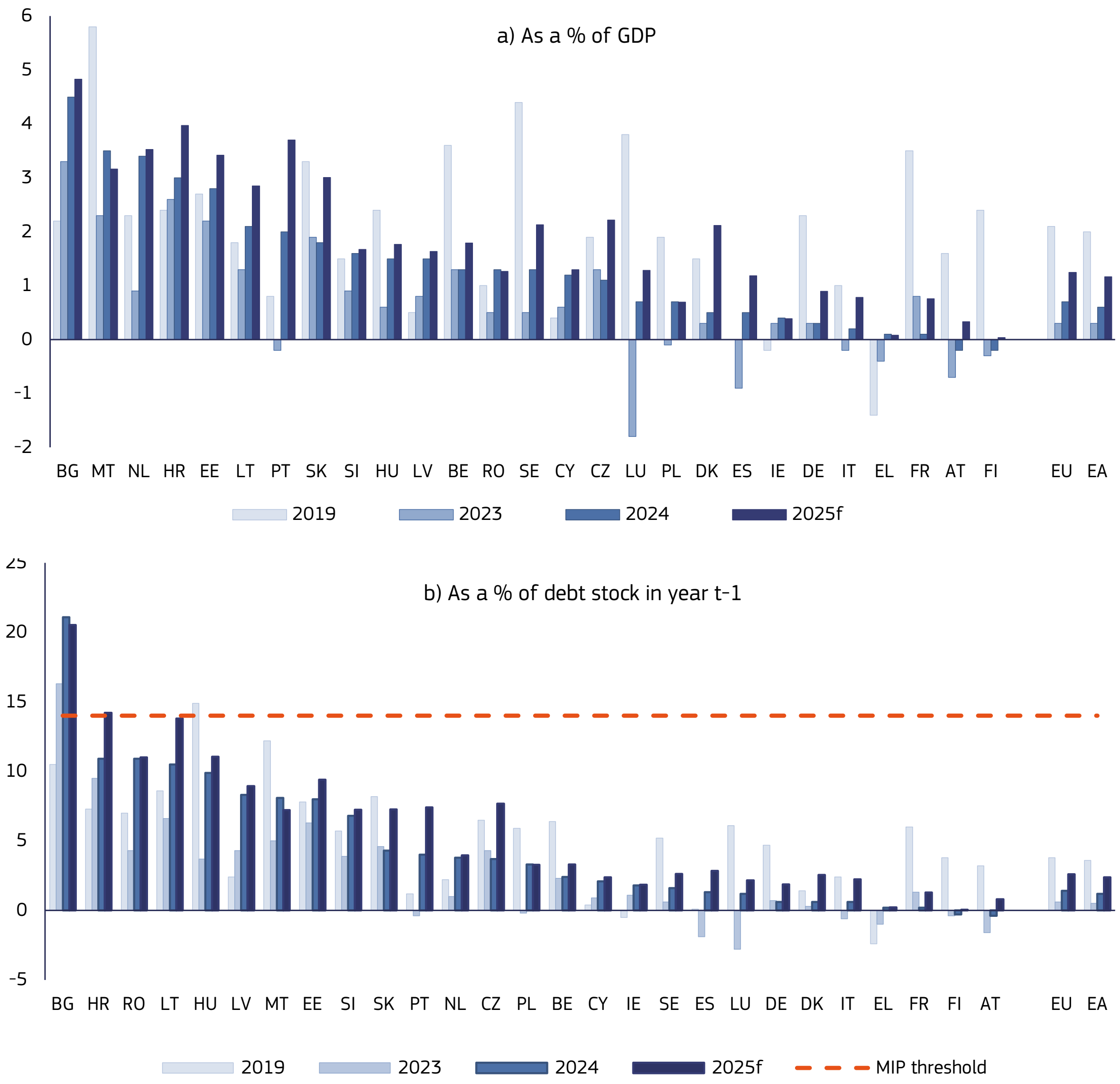
- **Mortgage interest rates** have now come down from their peak value in all countries for new loans, while remaining above their pre-2019 level. For some countries (such as Spain and Italy) the cost of borrowing has decreased more significantly than for other countries (such as Germany), where it remains close to its peak (Graph 2.14.a). The interest rate on outstanding loans rose more slowly. For some countries with mostly fixed mortgage interest rates (Graph 2.14.d), it continues to increase in 2025, putting upward pressure on interest payments (Graph 2.14.c).

- Households' overall **financial situation** has improved. Real disposable household income growth exceeded 2% in 2024. Households' gross saving rate remained above its long-term average in several countries, including Germany, France and Spain (Graph 2.14.b). At the same time, gross saving rates remained negative in Greece and Romania. In Estonia, Latvia and Slovakia, saving rates dropped strongly in 2022, and they remained below their pre-pandemic levels in 2024.

- The proportion of **non-performing loans** remained stable at around 2% of total household loans for the euro area as a whole. It continued to decline significantly in Cyprus and Greece, countries with a legacy of high shares of non-performing loans. In several countries with low proportions of non-performing loans to households, minor upticks were observed in 2024.

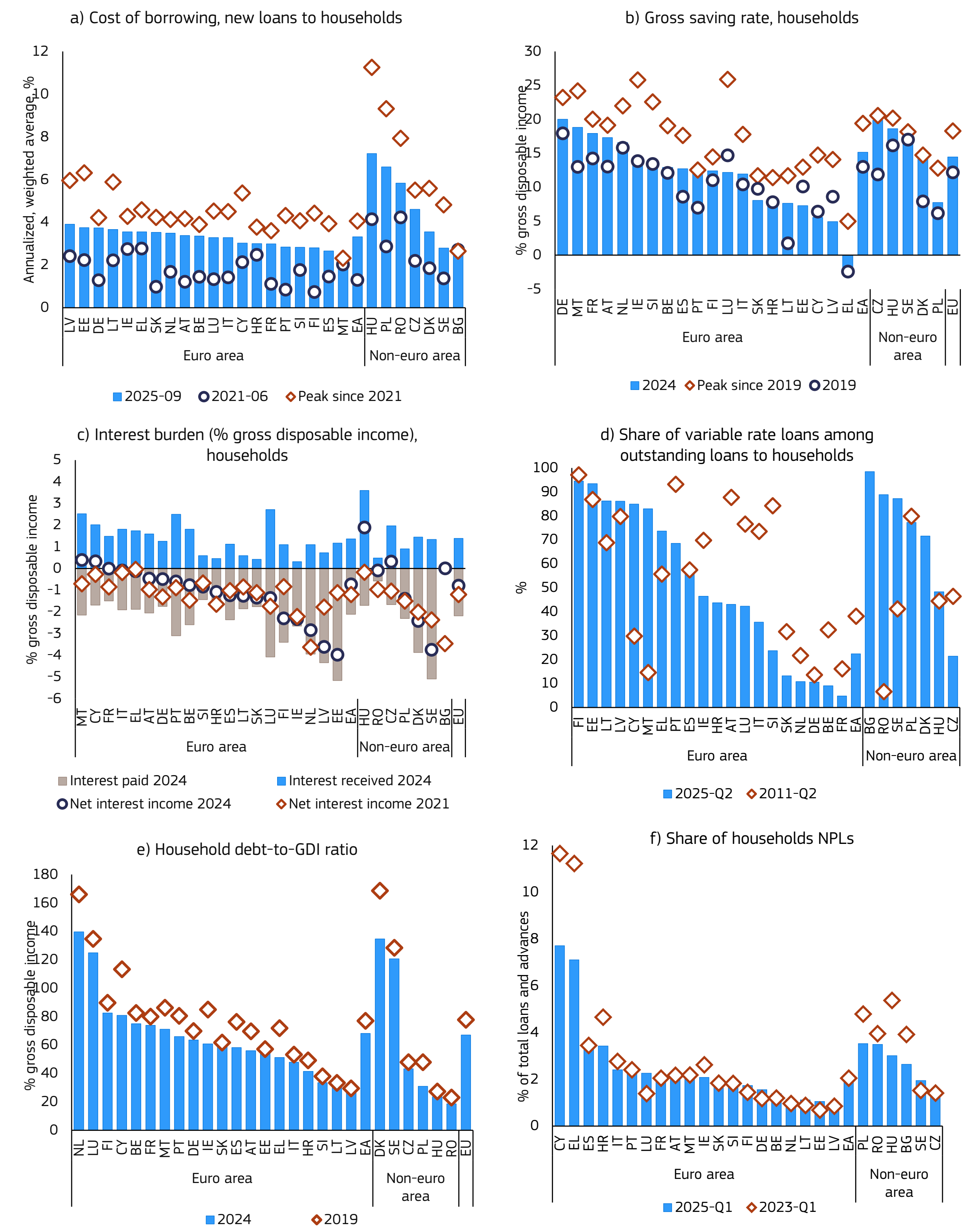
Moreover, in Belgium, Germany, France, and Sweden, a slow but consistent upward trend can be noted.

Graph 2.13: **Net credit flows to households**



Notes: Credit flows reflect loans and debt securities to households (net flows, consolidated) as reported by ECB. 2025 figures present projections based on available in-year data and forecasts
Source: Eurostat and European Commission forecasts and calculations

Graph 2.14: **Selected graphs on household savings and debt**



Notes: a) Cost of borrowing concerns new (+renegotiated) loans for house purchase by HH and NPISH. Source: ECB-MIR. b) The gross savings rate is measured as a proportion of HH (+NPISH) gross disposable income, adjusted for changes in net equity in pension funds reserves. Source: Eurostat. c) Net interest paid = interest paid – received. Source: ECB-QSA (D41G). d) Variable rate loans are defined as loans with an interest rate reset due within one year and reflect outstanding loans to households. Source: ECB-RAI. e) GDI is measured as adjusted gross household disposable income (B7G, GDHI adjusted for social transfers in kind). f) NPLs are defined as HH gross non-performing loans and advances, % of total gross loans and advances to households. Source: ECB-CBD2.
Source: Eurostat and ECB.

2.5. NON-FINANCIAL CORPORATIONS

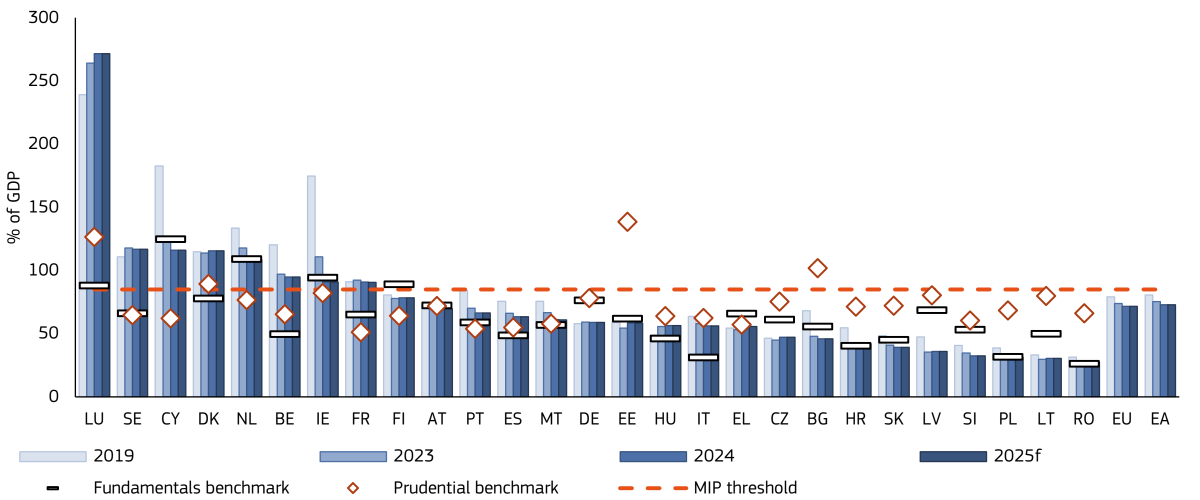
Countries with consolidated non-financial corporate debt (in % of GDP) above 85% in 2024 in blue																										
BE	BG	CZ	**DK**	DE	EE	**IE**	EL	ES	**FR**	HR	IT	**CY**	LV	LT	**LU**	HU	MT	**NL**	AT	PL	PT	RO	SI	SK	FI	**SE**

Countries with consolidated non-financial corporate credit flow excl. FDI (in % of debt stock excl. FDI in t-1) above 13% in 2024 in blue																										
BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE

- In 2024, the non-financial corporate debt-to-GDP ratios of eight Member States were above the scoreboard threshold of 85%: **Belgium**, **Denmark**, **Ireland, France**, **Cyprus**, **Luxembourg**, the **Netherlands**, and **Sweden**. No Member State showed credit growth above the scoreboard threshold of 13% of the previous year's debt stock.

- Non-financial corporate (NFC) debt-to-GDP ratios continued to decline in 2024 and reached their lowest levels since 2006 (Graph 2.19.a). In one-third of the EU countries, debt ratios increased in 2024, yet mostly from comparatively low levels, apart from Luxembourg where debt increased from 264% to 272% of GDP ([13]). Corporate debt-to-GDP exceeded the prudential benchmark in Luxembourg, Cyprus, Sweden, Denmark, the Netherlands, Belgium, France, Ireland, Finland, Portugal, Malta and Spain (Graph 2.15). In only about one-quarter of the EU countries can debt ratios be explained by economic fundamentals. In 2024, the pace of deleveraging slowed compared with previous years (Graph 2.19.c) and in most countries, deleveraging is expected to cease or slow further as inflation remains contained and credit is expected to accelerate (Graph 2.19.d).

Graph 2.15: **Non-financial corporate debt-to-GDP ratios**



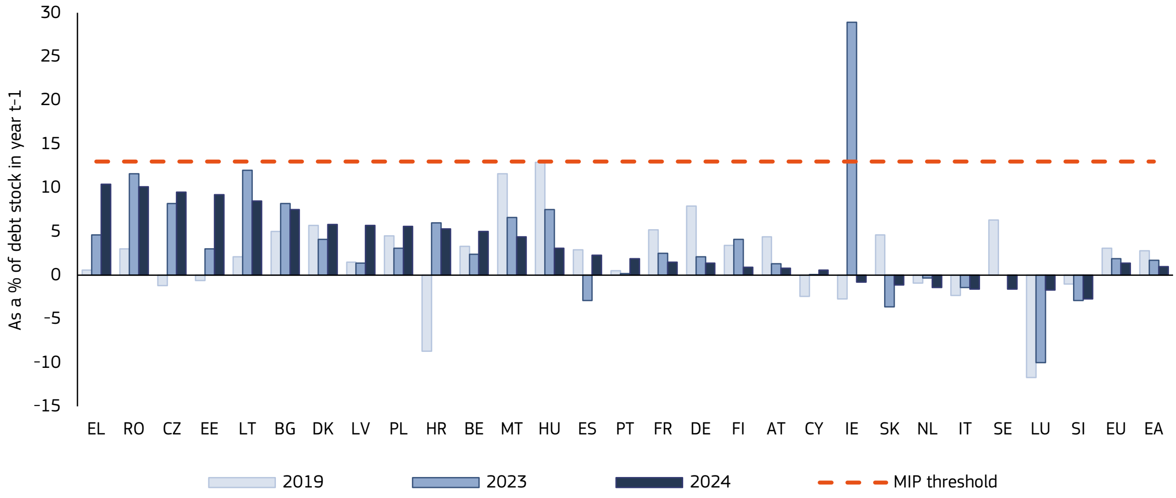
Notes: Debt comprises loans (F4) and debt securities (F3), consolidated. 2025 figures present projections based on available in-year data and forecasts.
Source: Eurostat and European Commission forecasts and calculations.

- In the EU, credit growth, defined as credit flows excl. FDI in % of the lagged debt stock excl. FDI, declined to 1.4% in 2024 (Graph 2.19.b) and in no country it exceeded the MIP-threshold of 13% (Graph 2.16). Bank loan flows to EU NFCs showed signs of a recovery in early 2025. This

([13]) This increase was driven by a strong increase in FDI debt. Almost two-thirds of Luxembourg's NFC debt is FDI debt while on average in the EU this share is about one-quarter.

recovery, which was recorded in most countries, with Germany being a notable exception (Graph 2.19.e), is in line with the European Commission Autumn Forecast which expects corporate borrowing to pick up amid a recovery in demand, lower interest rates and increased defence spending and investment.

Graph 2.16: **Credit growth of non-financial corporations**

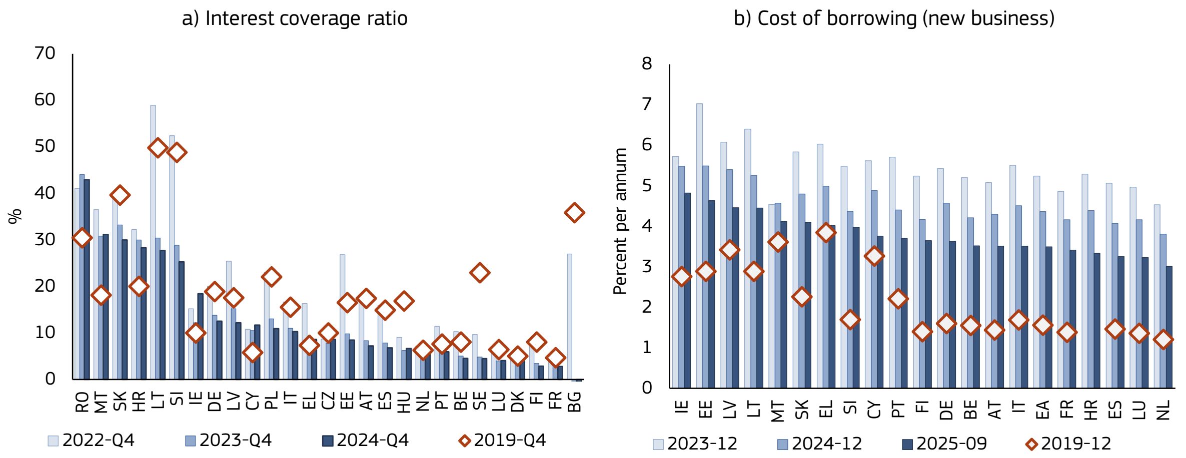


(1) Corporate debt includes loans (F4) plus debt securities (F3) as defined in the financial balance sheet accounts. Corporate debt is consolidated, which means that transactions within the non-financial sector are excluded.
Source: Eurostat and European Commission calculations.

- **Borrowing costs** rose in 2024 in almost all countries (Graph 2.17.b) but had peaked by the end of 2024. The **interest coverage ratio** ([14]) (ICR) decreased further in 2024 in most countries, including France, Germany, Italy and Spain as well as in the EU and euro area aggregates (Graph 2.17.a). Quarterly data shows that the lowest point in the euro area was reached in 2024-Q3 and most countries including Germany, Spain and Italy have since then seen their ICRs increase again.

([14]) The interest coverage ratio is calculated as gross operating surplus over total interest before financial intermediation services indirectly measured (FISIM) allocation and measures how easily companies can pay the interest on their outstanding debt.

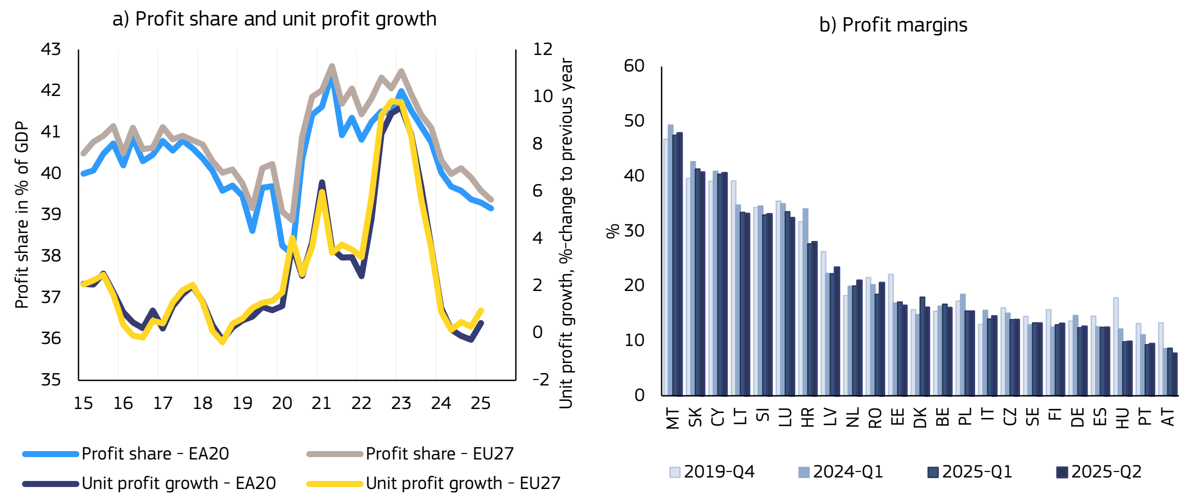
Graph 2.17: **Corporate interest coverage ratio and costs of borrowing**



Notes: The interest coverage ratio is calculated as gross operating surplus over total interest before FISIM allocation.
Source: ECB and Eurostat.

- **Profit indicators** deteriorated further in early 2024, but some have since stabilised. The profit shares of European NFCs have fallen in almost all countries during 2024 in the EU and the euro area (Graph 2.18.a). In several countries, such as Austria, Greece, Portugal, Germany, Czechia, Poland, Finland and Spain, the profit shares were notably below their pre-pandemic averages. Similarly, unit profit growth and profit margins decreased in 2023 and the first half of 2024 but have since started to stabilise in many countries (Graph 2.18).

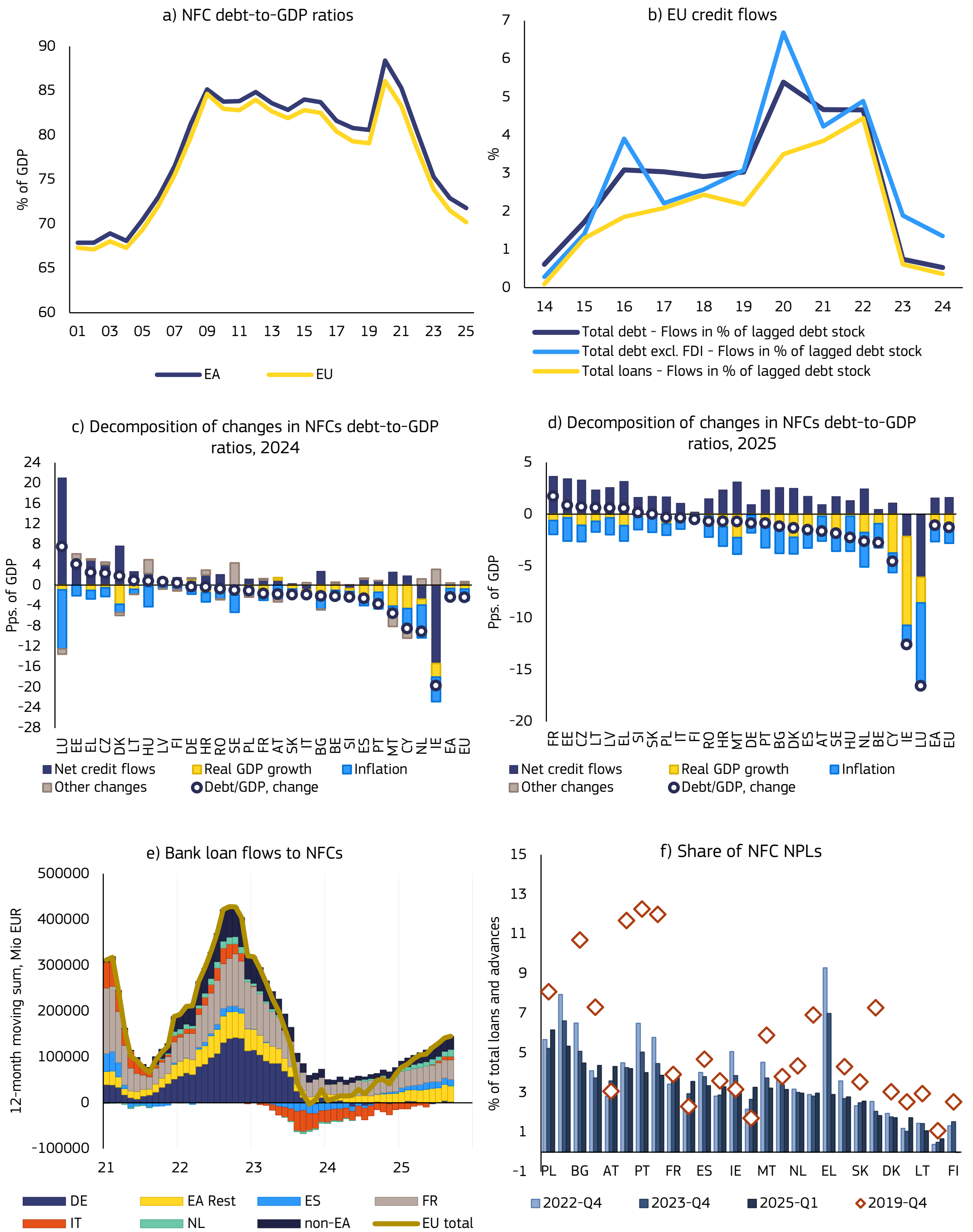
Graph 2.18: **NFC profit indicators**



Notes: Unit profit growth is calculated as gross operating surplus divided by real GDP growth. The profit margin is defined as gross operating surplus minus deprecation divided by net value added.
Source: ECB, Eurostat and European Commission forecasts and calculations

- In almost half of the EU countries, the share of **non-performing loans** (NPLs) increased between 2023-Q4 and 2024-Q4, especially in Poland, Austria, Luxembourg and Germany, but in most of these countries, the share remains low by historical standards (Graph 2.19.f). **Bankruptcies** increased to above pre-pandemic levels in many countries including Greece, Hungary, France, the Netherlands and Austria.

Graph 2.19: **Selected graphs on non-financial corporations**



Notes: Net credit flows (debt transactions) correspond to transactions of loans (F4) and debt securities (F3) from the Eurostat financial transactions accounts. Data is consolidated, meaning that intrasectoral lending and borrowing is excluded. In panels c and d, "other changes" arise from valuation changes, debt writedowns and reclassifications. Panel f: The corresponding NPL ratios for 2019-Q4 for Cyprus and Greece are 24.8% and 38.2% respectively.
Source: ECB, Eurostat and European Commission forecasts and calculations.

2.6. GOVERNMENT SECTOR

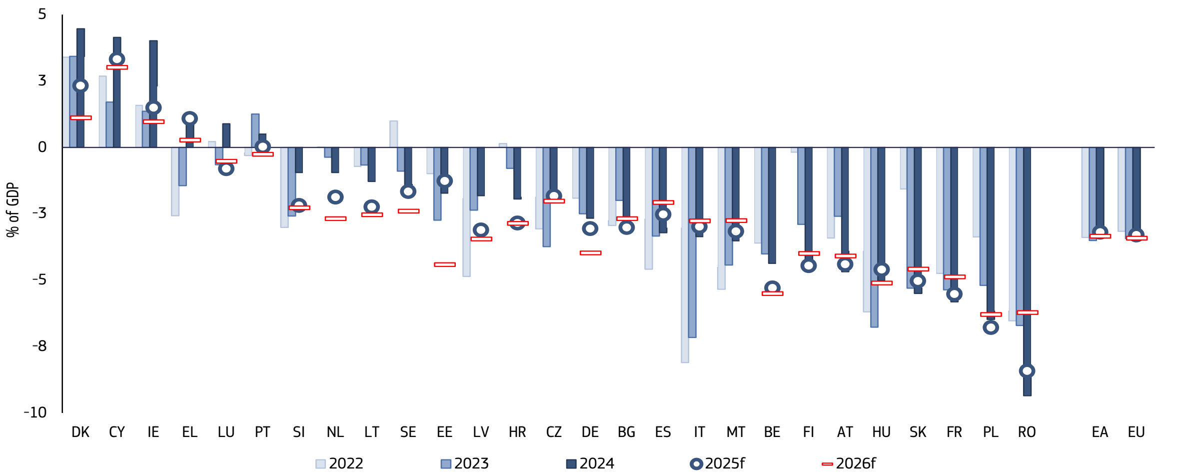
Countries with general government gross debt (in % of GDP) above 60% in 2024 in blue																										
BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE

- At the end of 2024, the government debt-to-GDP ratios were above the scoreboard threshold of 60% in 12 Member States: **Belgium, Germany, Greece, Spain, France, Italy, Cyprus, Hungary, Austria, Portugal**, **Slovenia,** and **Finland**.

- In 2024, some of the largest government deficits in the EU increased. Deficits worsened significantly in Romania, Austria, Bulgaria, Finland, and Poland. In Belgium and France, large deficits increased somewhat further and to a lesser extent in Slovakia too. A strong improvement took place in Italy, and to a lesser extent in Hungary and Malta. Among countries with highest debts, the improvements in Greece and Italy stood out, with Greece recording a surplus in its government accounts (Graph 2.20).

- In 2025, **government balances** are expected to improve in most EU countries with large deficits, except in Belgium and Poland, but very often by small margins. On the contrary, balances are weakening in 2025 for those countries that recorded surpluses or modest deficits in 2024. For 2026, deficits are forecast to decline in the countries where they have been high in recent years, except in Belgium and Hungary. In 2026, expected increases in Estonia and Germany's deficits stand out (Graph 2.20).

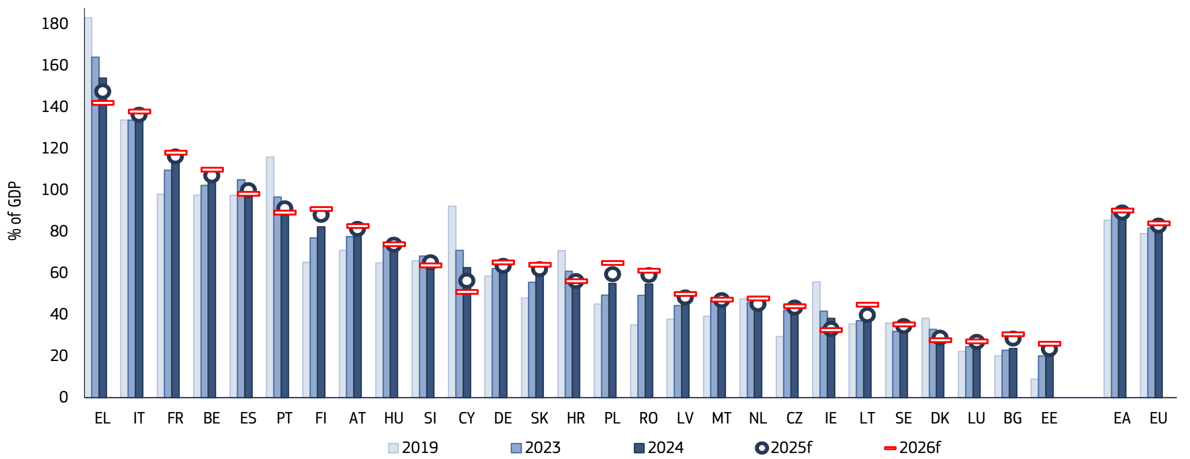
Graph 2.20: **Government balances across the EU**



Notes: Countries are ranked in decreasing order of the government balance (in % of GDP) in 2024
Source: Eurostat and European Commission forecasts

- In 2024, **government debt ratios** increased in over half of the EU countries. Debt increased in some countries where it is high, especially France. Conversely, it declined further notably in Cyprus, Greece, Spain, and Portugal. In Austria and especially Finland debt ratios are lower, but increases were marked in 2024. Debt ratios increased in several countries with readings just below 60% of GDP as the passive deleveraging effect yielded by nominal GDP growth was smaller. Among these countries, the debt increases were more pronounced in countries with high deficits: Romania, Poland, and Slovakia too, stood out in that respect. Compared with the pre-pandemic period, among countries with debt now close to or above 60% of GDP, Romania stands out with increases of some 20 pps of GDP, and France and Finland with some 15 pps. and 17 pps. rises respectively (Graph 2.21).

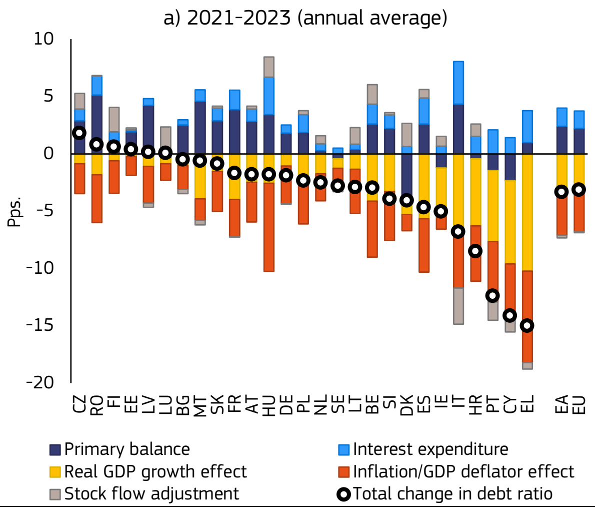
Graph 2.21: **Government debt across the EU**

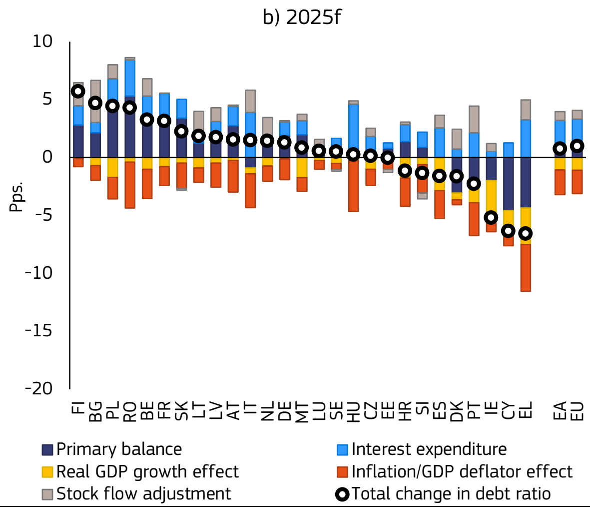


Notes: Countries are ranked in decreasing order of the government debt (in % of GDP) in 2024. EU and euro area aggregates for government debt are presented on a non-consolidated basis (i.e. not corrected for intergovernmental loans, including those made through the European Financial Stability Facility).
Source: Eurostat and European Commission forecasts.

- **Government debt** ratios are expected to rise marginally in most of the EU in 2025 and 2026 as sizeable deficits persist and passive deleveraging weakens further (Graph 2.22). Among the countries with debt in excess of 60% of GDP in 2024, debt may increase more visibly in Belgium, France, and Finland, and to a smaller extent also in Austria and Italy. Rises will be large in Poland and Romania too, which have debts just below 60% of GDP but continued high deficits. Debt dynamics are becoming more challenging as debts are rolled over at higher costs**.** Rates on long-term bonds have increased further in 2025, in particular for the best rated debt of the euro area (Grap 2.23.c and d). The rise in interest spending is, and will continue to be, of course more marked in countries where debt is rising faster and where average debt maturities are shorter, resulting in larger gross financing needs (Graph 2.23.b). Hungary, Finland, Poland, and Romania stand out for expected increases in interest expenditure of more than 1 pp. of GDP over the years 2023 to 2026 (Graph 2.23.e).

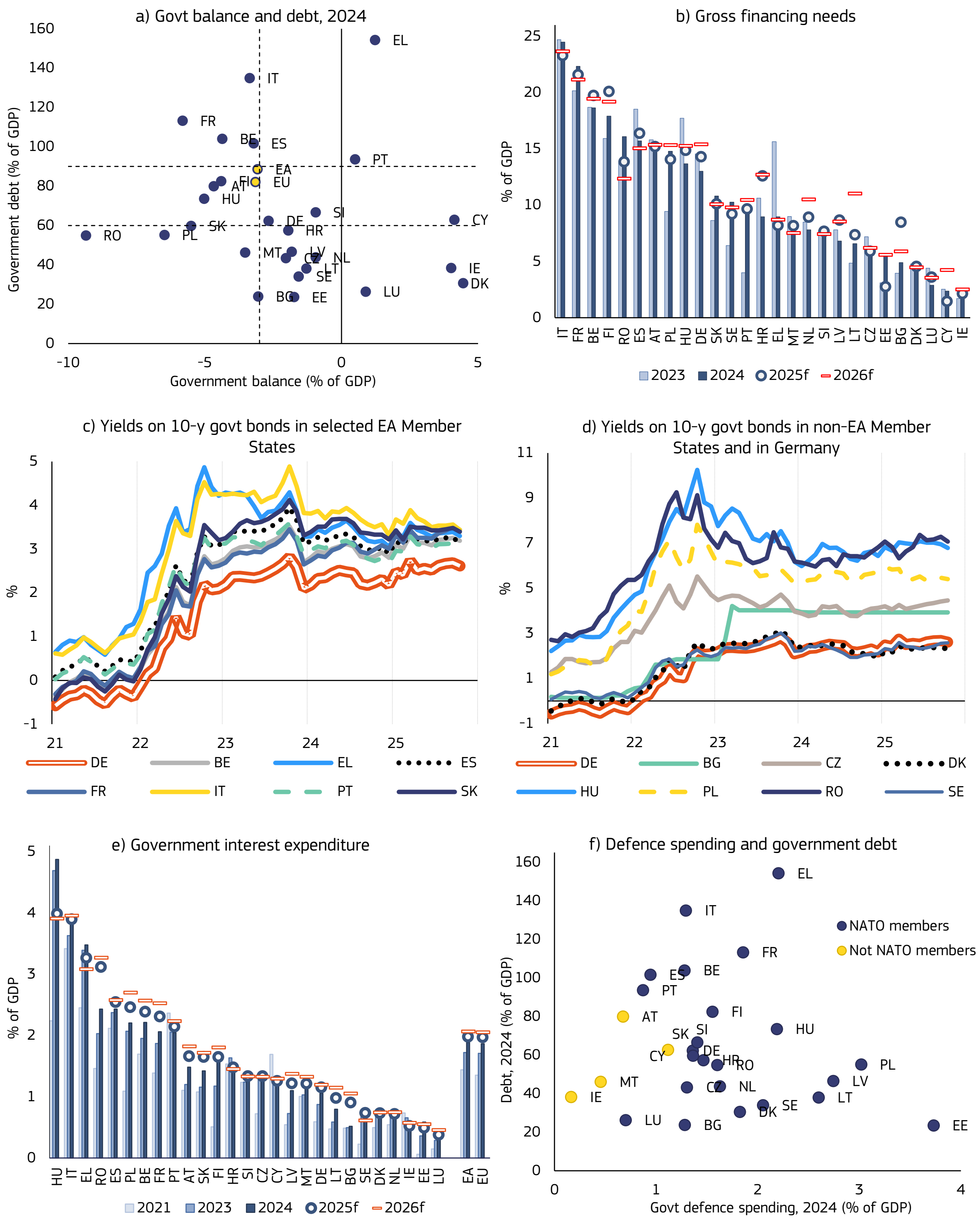
Graph 2.22: **Drivers of the evolution of the gov't debt-to-GDP ratios: post-pandemic and now**





Source: Eurostat and European Commission forecasts and calculations

Graph 2.23: **Selected graphs on the government sector**



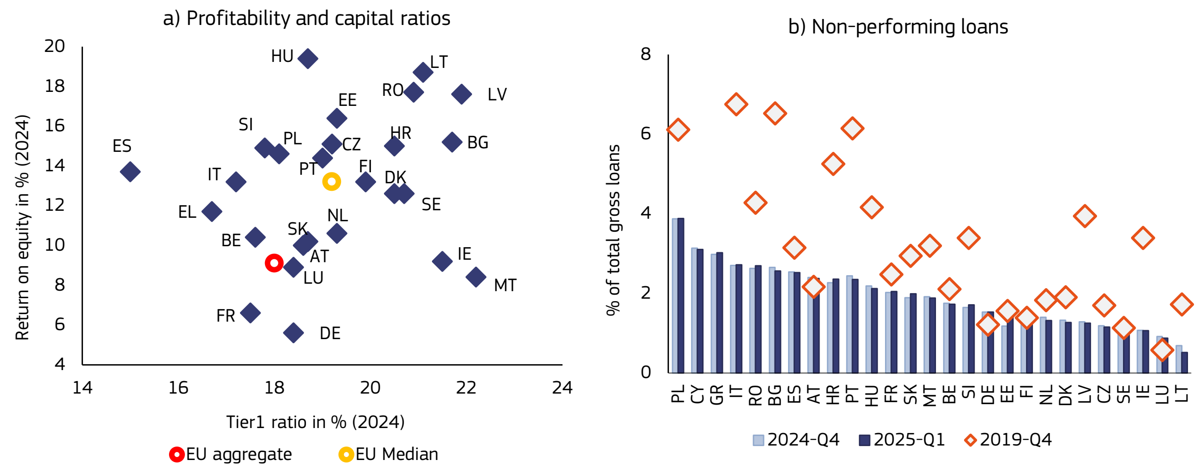
Source: Eurostat and European Commission forecasts and calculations.

2.7. FINANCIAL SECTOR

- In 2024, the EU banking sector maintained **high profitability and low non-performing loans (NPLs)** amid slowly recovering credit growth. Over 2024, the financial system was marked by geopolitical and economic uncertainty, while interest rates and inflation declined. Despite these challenges, EU banks remained well capitalised and their asset quality robust. The return on equity (RoE) remained with 9.1% in 2024 at historic highs attained also in 2023 ([15]). The Tier 1 ratio of EU banks remained stable, and in 2024 it stood at 17.9% of risk-weighted assets (Graph 2.24.a). Relatively low profitability and capitalisation can be found in the banking systems in Germany and France. NPLs remained stable overall in 2024, standing at 1.9% (Graph 2.24.b). The highest NPLs ratio, 3.9%, was attained in Poland, followed by Cyprus and Greece.

- EU banks gained strength in 2024 with **rising valuations and a gradual credit recovery.** The valuations of EU banks increased since mid-2024, outperforming their US peers. This was driven by robust earnings growth and profitability, strong capital and liquidity positions but also enhanced efficiency by growth in digital services and ongoing domestic and cross-border banking consolidation. Credit growth started to recover at the end of 2024 in the euro area amid a partial decline of lending rates for households and NFCs (Graph 2.25.a, b) and still relatively tight credit conditions. As in previous years, household and corporate credit remained rather dynamic in some non-EA countries, namely Bulgaria, Romania and Hungary ([16]). In 2025, EU bank valuations surged by over 40% year-to-date through October. Credit growth in 2025 rebounded strongly, with total bank lending in the euro area expected to expand by about 3.1%.

Graph 2.24: **Banking sector: profitability, capital ratios and non-performing loans**



Notes: a) The Common Equity Tier 1 (CET1) ratio encompasses ordinary shares and retained earnings. CET1 ratio and return on equity are average of quarterly data over the year. The average value for the EU is unweighted by the economy size.
Source: ECB Consolidated Banking Data and European Commission.

Banking systems in some EU countries have been significantly exposed to real estate with mortgages representing almost 50% of banks' assets (Graph 2.25.c). The highest exposure can be found in Sweden, Slovakia, Estonia and Denmark. The correction in EU residential

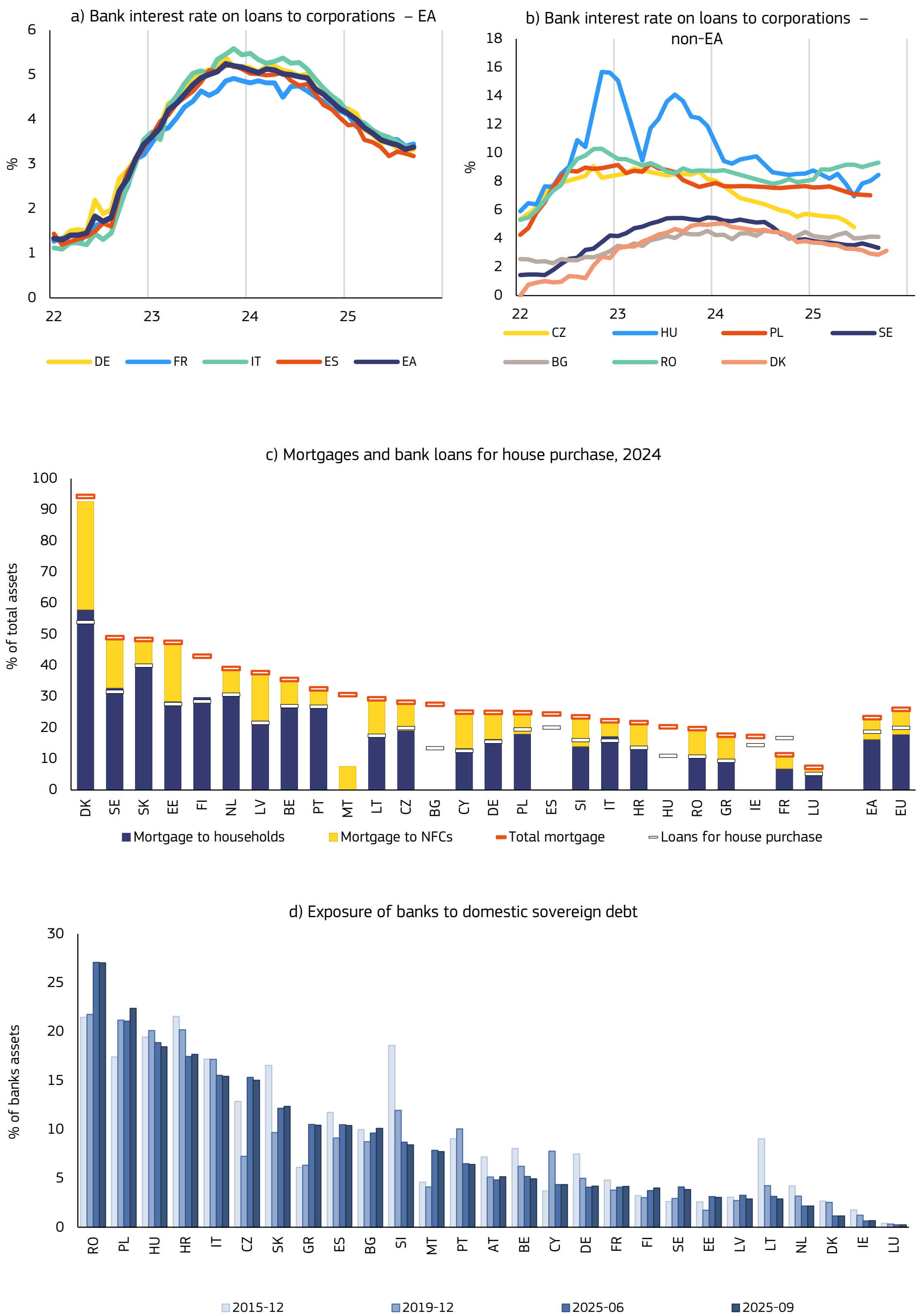
([15]) EBA Risk Dashboard, 2024-Q4.

([16])

real estate through 2024 and into 2025 has remained relatively contained, but with considerable variation among Member States, and house prices are growing again. Segments of commercial real estate, particularly the office sector, have undergone a much more significant adjustment. Office vacancy rates in Europe hit 8.8% at the end of 2024, up from 8.6% earlier in the year, with much higher vacancy in peripheral districts and secondary stock. However, large urban centres continue to post vacancy rates below 6%, as occupiers focus on prime, energy-efficient space.

The high exposure of the financial sector to domestic sovereign debt (Graph 2.25.d) increases risks of feedback loops in those Member States that are highly indebted (see Section 2.6. on the government sector) or rely on foreign currency funding. The exposure of banks (in terms of total assets) towards their domestic sovereigns is the highest in Romania (27%), Poland (21%), Hungary (19%), Croatia (18%) and Italy (16%). Banking sectors that have a strong domestic bias tend to be more exposed to changes in their home country's fiscal and economic conditions. EU sovereign debt is under renewed pressure in 2024 and 2025 due to a combination of high debt levels, increasing bond issuance in some Member States, rising interest costs (increasing cost of refinancing maturing debt) and weak nominal GDP growth.

Graph 2.25: **Selected graphs on the financial sector**



Notes: d) Loans vis-a-vis domestic general government reported by MFIs and holdings of debt securities issued by domestic general government reported by MFIs, divided by total assets/liabilities reported by MFIs. The data for the euro area countries suggest that MFIs' exposures to non-domestic sovereigns are very limited compared to those to domestic sovereigns. The exposure of all sovereign debt holding for the euro area aggregate is 6.5% as of 9/2025.
Source: Eurostat, ECB and European Commission calculations.

3. COUNTRY SECTIONS

BELGIUM

Unfavourable cost competitiveness developments have abated somewhat. Nominal unit labour cost slowed down and increased less than the euro area average in 2024 while the core inflation differential against the euro area narrowed, easing concerns about cost competitiveness. Public debt levels remain high amid lower nominal GDP growth, with widening government deficits further contributing to an increase in the government debt-to-GDP ratio. Private debt ratios also remain high, but the associated risks appear limited.

Real GDP growth reached 1.1% in 2024 and is forecast to stand at 1.0% in 2025 and 1.1% in 2026. Headline inflation rebounded to 4.3% in 2024, but it is expected to ease to 2.8% in 2025. Core inflation decreased to 3.4% in 2024 and is forecast to decrease to 2.1% in 2025, slightly below the euro area average. The unemployment rate remained close to historical lows in 2024, at 5.7%. It is expected to increase to 6.0% in 2025.

The scoreboard reading for Belgium shows that five indicators were beyond their indicative thresholds in 2024, namely export performance, nominal unit labour costs, household debt, non-financial corporations debt, and government debt. Relevant developments worth highlighting:

- **External sustainability** indicators remained stable in 2024, with a current account deficit at 0.4% of GDP and a high but relatively stable net international investment position (NIIP) at 58.6% of GDP. The current account deficit is expected to slightly increase in 2025, as domestic demand remains relatively strong.

- **Competitiveness** developments reflect the moderation of inflation, and weak export performance. ULC grew by less than the euro area average in 2024, due to lower nominal wage increases alongside some productivity gains, and the 3-year change was 15.1% (vs. 14.6% in the EA). The 2024 HICP-based REER ([17]) appreciated by 2.2%, due to nominal exchange rate gains and positive inflation differentials, with the strong euro supporting a further appreciation in the first half of 2025. In parallel, Belgium's 3-year change in export market share against advanced economies deteriorated in 2024, dropping by 14%, marking one of the largest losses in the EU. However, this drop was accompanied by a reduction in imports, and reflects the base effect associated with transitory large increases in exports in 2021.

- Persistently high **non-financial corporate debt**, subdued activity, and a weak debt service capacity pose challenges to the NFC sector. Despite a decline, NFC debt-to-GDP remained elevated at 95% in 2024. Credit growth increased to 5% in 2024. While profit indicators improved, the Interest Coverage Ratio (ICR) ([18]) is one of the lowest in the EU and hit its lowest value in over a decade in 2024. Borrowing costs have come down from their post-pandemic peak in the start of 2024 and will likely translate into an improved debt service capacity from

([17]) Unless otherwise specified, REER refers to HICP-based REER, 42 trading partners

([18]) The interest coverage ratio is calculated as gross operating surplus over total interest before FISIM allocation and measures how easily companies can pay the interest on their outstanding debt.

2025 onwards. Deleveraging is expected to slow as a recovery in demand and more favourable financing conditions are likely to boost borrowing.

- The **household debt ratio** plateaued at around 56% of GDP in 2024 (75% of gross household disposable income (GHDI) in 2024), the lowest level observed over the last decade, but is expected to rebound in 2026. Borrowing costs on new loans peaked at the end of 2023 at almost 4% and have by 2025-Q3 come down to a bit above 3%, but borrowing costs on the stock of outstanding loans continue to increase slowly. With net credit flows gradually recovering against a background of disinflation and subdued real GDP growth, the debt ratio is expected to remain above the MIP threshold of 55% over the next years. In 2024, households' gross saving rate remained above its pre-pandemic level, but below its longer-term average since 2000.

- **House prices** increased by 3.2% in 2024 and continue to grow moderately in 2025. The decrease in interest rates combined with rising incomes led to a 7.0% increase in borrowing capacity in 2024, supporting the growth of house prices. The price-to-income ratio was 4 pps. above the long-term average, suggesting house prices are slightly elevated relative to income. Overvaluation stood at 12%. Building permits declined to 583 m^2 per 1000 persons but still point to a relatively adequate level of housing supply ([19]).

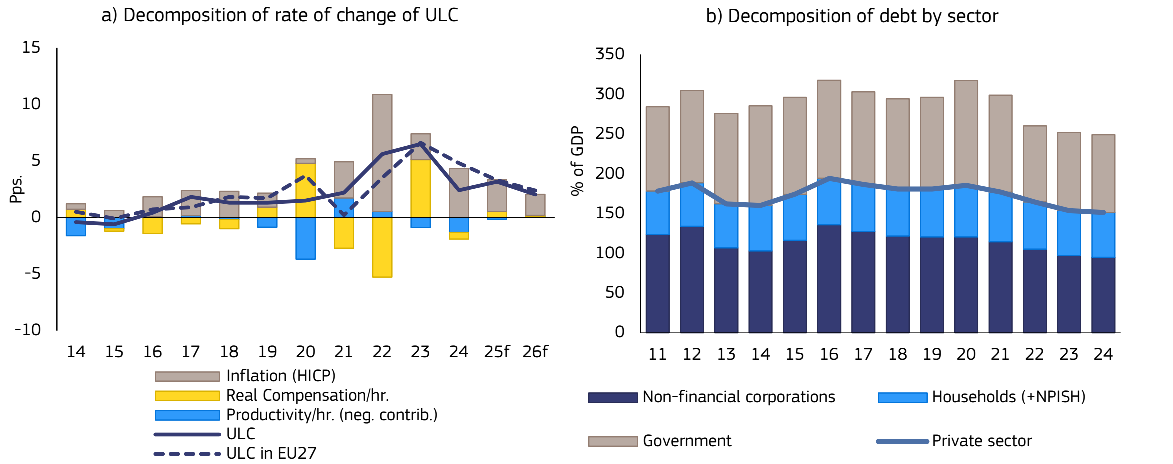
- **Government debt** is high and increasing as a result of large and widening deficits. Government debt edged up to 103.9% of GDP in 2024, some 6 percentage points (pps.) above its pre-COVID-19 level. Debt is forecast to increase further in 2025 and 2026. The government deficit remains high and worsened in 2024 to 4.4% of GDP and is forecast to increase again this year and next. Gross financing needs are high. The average debt maturity is among the longest in the euro area though, which slows down the pass-through of higher interest rates into the rapidly increasing interest expenditure. Spreads on Belgian long-term sovereign bonds compared with the best rated euro area sovereign debt have been overall stable. An excessive deficit procedure for Belgium has been in place since July 2024. Fiscal sustainability risks remain high in the medium term ([20]).

- The **financial sector** remains sound. In 2024, the Tier 1 capital ratio was rather stable, profitability remained high, and the NPL ratio remained low. Stage 2 loans significantly declined in 2024 and are close to levels in other euro area countries. Credit dynamics gradually expanded in 2024 and 2025.

([19]) EU last decade average stands at around 450 m^2 per 1000 persons.

([20]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Graph 3.1: **Selected graphs, Belgium**



Source: Eurostat and European Commission forecasts and calculations.

Table 3.1: **Key economic and financial indicators, Belgium**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	forecast 2026
Output and Prices									
Real GDP (1 year % change)				1.9	1.7	1.7	1.1	1.0	1.1
Real GDP per capita (1 year % change)				1.5	1.1	0.9	0.5	0.5	0.7
GDP deflator (1 year % change)				1.9	3.6	5.5	1.9	2.5	1.9
Harmonised index of consumer prices (1 year % change)				1.9	4.6	2.3	4.3	2.8	1.8
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.4	2.2	6.0	3.4	2.1	1.8
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**0.3**	**0.4**	**0.0**	**-0.7**	**-0.3**	**-0.5**
Current account balance, balance of payments (% of GDP)		0.5 (1)	-0.9 (2)	0.0	0.3	0.2	-0.4	-0.6	-0.6
of which: trade balance (% GDP)				0.4	0.4	-0.2	-0.4		
of which: income balance (% GDP)				-0.4	-0.1	0.4	0.0		
Net international investment position (% of GDP)	**-35%**	-86.2 (3)	17.1 (4)	**45.6**	**53.9**	**52.6**	**58.6**	**53.2**	**51.9**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				38.9	32.7	28.6	28.6		
Net lending-borrowing (% of GDP)				0.1	0.4	0.4	-0.5		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**3.2**	**6.2**	**15.0**	**15.1**	**12.4**	**7.7**
Nominal unit labour cost index per hour worked (1 year % change)				1.5	3.1	6.5	2.4	3.1	2.0
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**3.6**	**1.6**	**0.0**	**1.6**	**-1.5**	**1.8**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.9	0.6	-0.5	2.2	0.3	-0.2
Export performance against advanced economies (3y % change)	**-3%**			**1.2**	**4.7**	**-6.6**	**-13.9**	**-10.3**	**-5.4**
Export performance against advanced economies (1 year % change)				0.1	0.6	-4.1	-3.7	-2.0	0.5
Core inflation differential vis-à-vis the euro area (pps.)				0.4	0.2	1.0	0.5	-0.3	-0.4
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	65.4 (5)	49.7 (6)	**123.0**	**113.2**	**97.0**	**94.8**	**92.0**	**91.7**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			-0.3	0.8	2.4	5.0	0.7	4.0
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	47.3 (5)	59.0 (6)	**59.6**	**62.3**	**56.6**	**56.3**	**56.1**	**56.5**
Household debt, consolidated (% of GHDI)				81.2	82.6	75.6	75.0		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**5.3**	**4.8**	**2.3**	**2.4**	**3.3**	**3.8**
House price index, nominal (1 year % change)	**+9%**			**3.4**	**5.5**	**2.3**	**3.2**	**3.0**	**2.0**
House prices over/undervaluation gap (7)				12.7	17.2	13.4	12.4		
Standardized price-to-income ratio				106.1	109.0	102.0	102.5		
Building permits (m^2 per 1000 inh)				790.2	781.6	670.6	582.6		
Government									
General government gross debt (% of GDP)	**60%**			**100.2**	**107.8**	**102.4**	**103.9**	**107.1**	**109.9**
General government balance (% of GDP)				-1.3	-6.0	-4.0	-4.4	-5.3	-5.5
Banking sector									
Return on equity of banks (%)				8.5	8.6	11.4	10.4		
Tier-1 capital ratio banking sector (% risk-weighted assets)				16.7	18.5	17.9	17.6		
Gross non-performing loans, domestic and foreign entities (% gross loans)				2.4	1.7	1.6	1.8	1.7	
Cost of borrowing for households for house purchase (%)				1.9	1.7	3.6	3.4	3.2	
Cost of borrowing for NFCs (%)				1.6	1.7	4.7	4.9	3.7	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	5.7 (8)		**6.2**	**5.9**	**5.5**	**5.7**	**6.0**	**6.2**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.8**	**1.0**	**2.1**	**1.1**	**0.7**	**1.2**

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

BULGARIA

Wage pressures remain elevated, and house prices continue to increase rapidly amid strong credit growth, leading to increased macroeconomic risks. Following a decrease in 2024, inflation ticked up in early 2025 and again in recent months, while continued strong rises in nominal unit labour costs risk fuelling further price pressures. House prices have been increasing strongly for some years in tandem with accelerating household borrowing, against a backdrop of supportive financial conditions.

Real GDP growth reached 3.4% in 2024 and is forecast at 3.0% in 2025 and 2.7% in 2026. Headline inflation decreased to 2.6% in 2024, but it has rebounded and is expected to reach 3.5% in 2025. With core inflation decreasing to 3.1% in 2024, its differential against the euro area narrowed to 0.3 pps. in 2024 before increasing slightly in 2025. The unemployment rate stood at 4.2% in 2024 and is expected to decrease in 2025, to 3.5%.

The scoreboard reading for Bulgaria shows that three indicators were beyond their indicative thresholds in 2024, namely nominal unit labour costs, house prices, and households credit flow. Relevant developments worth highlighting:

- **External sustainability** indicators remain close to balance, although the current account deficit increased in 2024, reaching 1.6% of GDP. The current account balance is forecast to improve but to remain in deficit in 2025. The slightly negative NIIP continued to narrow in 2024, while the NIIP excluding non-defaultable instruments (NENDI) remained strongly positive.

- **Competitiveness** concerns relate to strong labour cost increases. Inflation decelerated in 2024 but recorded a short burst in early-2025, fuelled by services and processed food inflation, and has rekindled again in recent months, with a 4.1% annual increase in September. Last year, ULC continued to grow strongly, by 12% (with a 38% cumulated 3-year change), despite considerable productivity gains, pushed by strong nominal wage increases, especially in the public sector. In 2025, ULC growth is expected to be even more robust. In 2024, the REER flattened out, as the strong nominal exchange rate appreciation was offset by negative inflation differentials against trading partners. By mid-2025, it started to marginally appreciate on account of the euro peg. Although Bulgaria lost export market share in 2024, both against advanced economies and the world, the 3-year change remains positive.

- The **non-financial corporate sector** has remained solid. NFC debt-to-GDP has been on a declining path since 2013 and fell to 46% in 2024, supported by strong nominal GDP growth. Credit growth remained solid at 7.5% and with bank loan flows maintaining an upward trend over 2024, deleveraging is expected to cease. A moderate increase in bankruptcies was accompanied by a simultaneous rise in new business registrations. The share of NPLs continued to fall but remained above other EU countries.

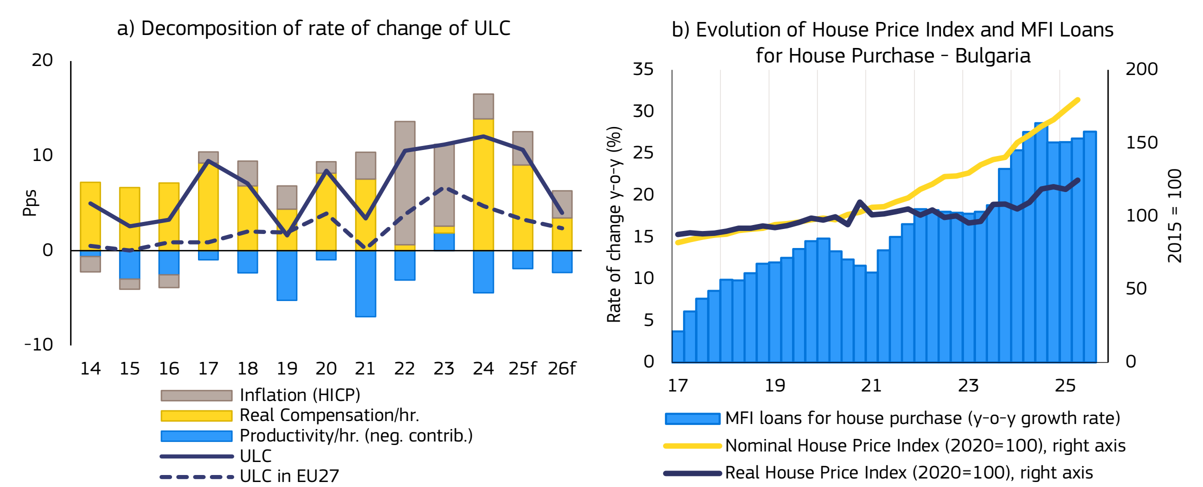
- As credit growth continued accelerating, the **household debt ratio** increased by 2 pps. to around 26% of GDP in 2024, which is still a relatively low level. Credit growth has been exceeding the MIP threshold (14% of the previous year's debt stock) since 2021, surpassing 21% in 2024. In-year data indicates that credit growth continued at a high level in 2025. In contrast to most other EU countries, borrowing costs have not increased and lending has not decelerated since 2022. The debt ratio is expected to continue growing over the coming years. Historical data from the non-financial accounts indicate a negative household saving rate, but recent data are not available [21]. Although it continued to decline in 2024, the proportion of non-performing loans, around 3% of overall bank loans to households, remained significant.

- **House prices** increased strongly, by 16.5%, in 2024 and maintained strong growth in the first half of 2025. House price growth had already been high in earlier years, and the current path is likely to continue. House prices are supported by rising incomes, which increased by 10.1% in nominal terms in 2024, and by low mortgage interest rates. The price-to-income ratio was 31 pps. below its long-term average, suggesting house prices are moderate relative to income. Overvaluation stood at 12%. Building permits declined moderately to 714 m^2 per 1000 persons but still point to an adequate level of housing supply [22].

- **Government debt** remains low even if increasing recently. Debt came to 23.8% of GDP in 2024 and is forecast to increase somewhat significantly in 2025 but to remain contained. The fiscal deficit increased to 3% of GDP in 2024 and is forecast to remain at that level in 2025 and to recede only very slightly in 2026. Some three quarters of the debt is denominated in euro, but the imminent euro accession will eliminate those risks of exchange rate volatility for government finances. Fiscal sustainability risks remain medium in the medium term [23].

- **The financial sector** remains stable, with credit growth continuing to show strength. In 2024, the Tier 1 capital ratio and return on equity remained well above the EU median. The non-performing loans ratio declined marginally to 2.6% in 2024 and remains above the EU median. Stage 2 loans and forborne loans remain high. Credit growth has been very strong, both for companies and for households, amid favourable credit conditions, reflecting the high liquidity in the banking sector on account of marked deposits growth. While borrower-based macroprudential measures were introduced for the first time in late 2024 [24], mortgage credit growth has still been accelerating in 2025. Preparations for euro adoption drove strategic adjustments in banking operations and regulatory compliance efforts.

Graph 3.2: **Selected graphs: Bulgaria**



Source: Eurostat and European Commission forecasts and calculations.

(21) Important discrepancies exist between data on household saving from the non-financial and the financial accounts.

(22) EU last decade average stands at around 450 m^2 per 1000 persons.

(23) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

(24) Measures include requirements on loan-to-value ratio of 85%, debt service to income of 50% and a maximum maturity of 30 years.

Table 3.2: **Key economic and financial indicators, Bulgaria**

				average	average			forecast	
	Thresholds	Bench. I	Bench. II	*2017-2019*	*2020-2022*	*2023*	*2024*	*2025*	*2026*
Output and Prices									
Real GDP (1 year % change)				2.9	2.8	1.7	3.4	3.0	2.7
Real GDP per capita (1 year % change)				4.4	3.6	2.0	3.5	3.1	2.8
GDP deflator (1 year % change)				4.8	9.0	8.0	7.2	5.8	3.5
Harmonised index of consumer prices (1 year % change)				2.1	5.5	8.6	2.6	3.5	2.9
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.1	3.4	8.9	3.1	2.9	2.5
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**2.1**	**0.0**	**-1.5**	**-1.7**	**-1.0**	**-0.9**
Current account balance, balance of payments (% of GDP)		-1.0 (1)	-2.4 (2)	1.9	-1.1	-0.9	-1.6	-0.7	-0.5
of which: trade balance (% GDP)				3.5	2.0	4.1	2.5		
of which: income balance (% GDP)				-1.6	-3.1	-5.0	-4.1		
Net international investment position (% of GDP)	**-35%**	-46.2 (3)	-18.1 (4)	**-37.4**	**-15.9**	**-6.3**	**-4.4**	**-5.7**	**-5.5**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				36.1	46.1	46.5	43.9		
Net lending-borrowing (% of GDP)				3.0	-0.1	0.7	0.1		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**18.7**	**18.6**	**27.1**	**37.7**	**37.9**	**28.9**
Nominal unit labour cost index per hour worked (1 year % change)				6.1	7.4	11.2	12.1	10.6	4.0
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.8**	**5.5**	**8.5**	**7.3**	**2.7**	**1.0**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				1.6	1.9	5.4	-0.3	0.7	0.5
Export performance against advanced economies (3y % change)	**-3%**			**10.3**	**9.9**	**15.5**	**6.3**	**-3.0**	**-1.7**
Export performance against advanced economies (1 year % change)				2.9	5.4	-0.7	-1.7	0.0	0.4
Core inflation differential vis-à-vis the euro area (pps.)				0.1	1.4	4.0	0.3	0.5	0.4
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	101.9 (5)	55.6 (6)	**72.2**	**58.9**	**48.0**	**45.9**	**44.7**	**44.7**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			4.0	4.0	8.2	7.5	7.7	7.9
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	83.7 (5)	25.8 (6)	**22.9**	**23.4**	**23.6**	**25.6**	**28.4**	**31.8**
Household debt, consolidated (% of GHDI)				34.3	36.7				
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**10.0**	**11.9**	**16.3**	**21.1**	**20.5**	**19.3**
House price index, nominal (1 year % change)	**+9%**			**7.1**	**9.0**	**9.9**	**16.5**	**15.0**	**10.0**
House prices over/undervaluation gap (7)				-5.9	-0.3	3.8	11.8		
Standardized price-to-income ratio				83.3	80.7	73.7	66.9		
Building permits (m^2 per 1000 inh)				586.8	717.8	837.7	714.1		
Government									
General government gross debt (% of GDP)	**60%**			**22.5**	**23.6**	**22.9**	**23.8**	**28.5**	**30.6**
General government balance (% of GDP)				1.8	-3.6	-2.0	-3.0	-3.0	-2.7
Banking sector									
Return on equity of banks (%)				11.1	8.3	16.3	15.2		
Tier-1 capital ratio banking sector (% risk-weighted assets)				19.7	21.9	20.9	21.7		
Gross non-performing loans, domestic and foreign entities (% gross loans)				8.1	4.8	2.9	2.7	2.6	
Cost of borrowing for households for house purchase (%)				3.4	2.7	2.6	2.5	2.5	
Cost of borrowing for NFCs (%)				3.7	2.7	4.0	4.3	4.1	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	4.0 (8)		**6.2**	**5.2**	**4.3**	**4.2**	**3.5**	**3.7**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**3.2**	**0.8**	**1.3**	**1.7**	**1.4**	**2.3**

Notes: See Annex 1.
Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

CZECHIA

Competitiveness developments have become more favourable. Headline and core inflation have decreased and the core inflation gap with the euro area is expected to narrow further. ULC growth moderated considerably. Lower inflation and currency depreciation contributed to a depreciation of the REER in 2024, while the current account balance recorded a surplus. Following a contraction in 2023, house prices rebounded and show signs of overvaluation.

Real GDP growth reached 1.2% in 2024 and is forecast at 2.4% in 2025 and 1.9% in 2026. Headline inflation decreased strongly to 2.7% in 2024 and has decreased slightly further in 2025, when it is forecast to reach 2.3%. With core inflation decreasing to 4.1% in 2024, the core inflation differential against the euro area narrowed to 1.2 pps. and it has narrowed further in 2025 (with core inflation forecast at 3.0%). The unemployment rate stood at 2.6% in 2024 and is expected to increase slightly to 2.7% in 2025.

The scoreboard reading for Czechia shows that two indicators were beyond their indicative thresholds in 2024, namely nominal unit labour costs and the real effective exchange rate. Relevant developments worth highlighting:

- **External sustainability** indicators continue to strengthen, as the current account balance reached a surplus of 1.7% of GDP in 2024 and is forecast to remain in surplus in 2025. The negative NIIP continued to reduce from -14.4% in 2023 to -7.1% of GDP in 2024 and is expected to further moderate in 2025. The NENDI has remained positive.

- **Competitiveness** concerns receded due to decelerating inflation. In 2024, core inflation decreased considerably, but headline hovered above 2.5% for most of the year. In 2024, the REER depreciated by 4.4%, due to both nominal exchange rate depreciation and negative inflation differentials, while gaining more than 14% in 3 years. The trend continued in the first half of 2025, albeit at smaller magnitudes. ULC growth moderated considerably, due to decelerating nominal wage increases and productivity gains, but the 3-year change was 20.3%. Following the strong recovery in 2023, Czechia's export market share against advanced economies dropped slightly last year.

- The **non-financial corporate sector** has remained resilient and is characterised by low leverage, healthy credit demand and a solid debt service capacity. Czechia was one of the few countries to record an increase in its NFC debt-to-GDP ratio, reaching 47.2%, as credit growth increased to 9.5%. Bank loan flows to NFCs picked up in the first half of 2025, and, together with easing financing conditions and a recovery in demand, the debt level is expected to increase slightly to around 49% of GDP in the coming years. NFC profitability indicators have remained resilient, and debt service capacity solid.

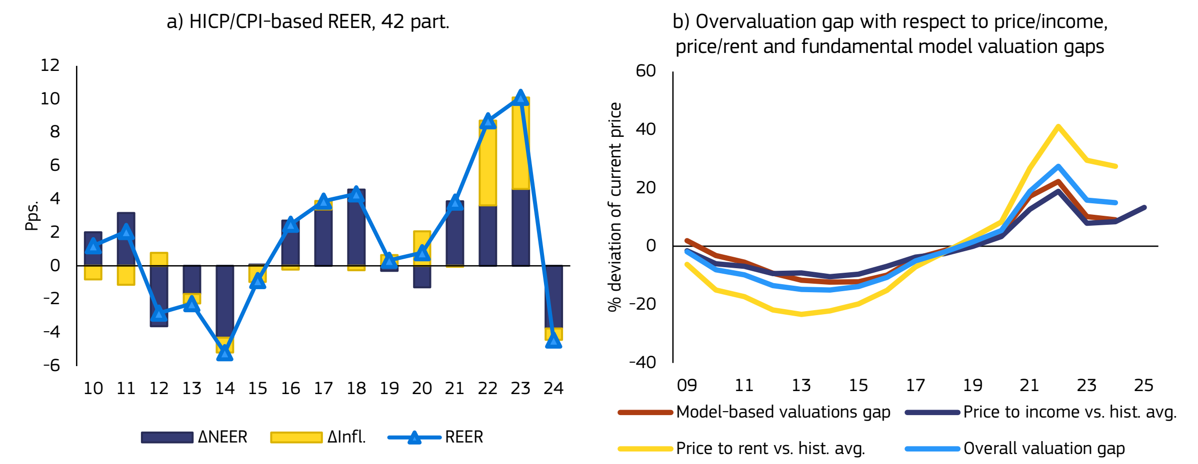
- After three years of deleveraging, the **household debt ratio** remained flat at 31% in 2024 (43% of GHDI) and is expected to rebound in 2025. While credit growth declined somewhat in 2024, it remained significant, putting a brake on deleveraging. While household investment in homes plateaued, households' financial saving has boomed since 2019, and the gross saving rate remains around 20%, 8 pps. above its pre-pandemic level. Real consumption has remained flat since 2019, in line with employee compensation, despite a rise in income from other sources such as property (+3 pps. of GHDI) and government (tax-benefit) transfers (+5pps. of GHDI).

- **House prices** increased by 5.0% in nominal terms in 2024 and accelerated in the first half 2025. The price-to-income ratio was 13 pps. above the long-term average, suggesting house prices are elevated relative to income. Overvaluation stood at 15%, following years of strong increases in house prices and only short-term price adjustment in 2023. Building permits remained low, at 3301330 m² per 1000 persons, indicating potential supply constraints ([25]). The recent evolution in house prices has been supported by the decrease in interest rates combined with rising incomes that led to a 12.4% increase in borrowing capacity in 2024.

- **Government debt** remains limited, although it has been increasing recently. It reached 43.3% of GDP in 2024, approximately 14 pps. above its pre-COVID-19 level. It is forecast to be essentially unchanged in 2025. The government deficit decreased to 2% of GDP in 2024 and is expected to remain around that level this year and next. Spreads on Czech long-term sovereign bonds vis-à-vis the best rated sovereign debt of the EU have been stable. Fiscal sustainability risks remain medium in the medium term ([26]).

- The **financial sector** remained sound. The banking sector remained well capitalised, and significantly increased its profitability in 2024, surpassing the EU median despite the continued imposition of windfall taxes. The non-performing loans ratio remains very low. Credit recovered in 2024, driven by a significant rebound in mortgage lending alongside a decline in mortgage interest rates. The share of corporate loans denominated in euros rose to 52% in 2024, reflecting ongoing euroization in the corporate segment.

Graph 3.3: **Selected graphs, Czechia**



Source: Eurostat and European Commission forecasts and calculations.

([25]) EU last decade average stands at around 450 m² per 1000 persons.

([26]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Table 3.3: **Key economic and financial indicators, Czechia**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				3.9	0.4	0.0	1.2	2.4	1.9
Real GDP per capita (1 year % change)				3.7	-0.2	-1.0	1.1	2.2	1.7
GDP deflator (1 year % change)				2.8	5.7	8.6	3.9	3.4	3.0
Harmonised index of consumer prices (1 year % change)				2.3	7.0	12.0	2.7	2.3	2.1
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				2.0	6.2	9.3	4.1	3.0	2.7
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**1.1**	**-0.3**	**-2.3**	**-1.0**	**1.2**	**1.9**
Current account balance, balance of payments (% of GDP)		0.9 (1)	0.3 (2)	0.7	-1.7	-0.1	1.7	1.9	2.1
of which: trade balance (% GDP)				6.6	3.8	4.9	6.5		
of which: income balance (% GDP)				-5.8	-5.5	-5.0	-4.7		
Net international investment position (% of GDP)	**-35%**	-66.3 (3)	10.8 (4)	**-22.8**	**-17.0**	**-14.4**	**-7.1**	**-6.8**	**-2.7**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				27.7	32.3	28.5	33.8		
Net lending-borrowing (% of GDP)				1.4	-0.5	1.0	3.5		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**11.8**	**16.6**	**18.4**	**20.3**	**19.0**	**13.7**
Nominal unit labour cost index per hour worked (1 year % change)				4.6	5.4	8.4	5.3	4.3	3.5
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**8.4**	**8.0**	**24.3**	**14.4**	**3.9**	**-2.1**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				2.8	4.4	10.1	-4.4	1.3	1.4
Export performance against advanced economies (3y % change)	**-3%**			**4.2**	**-1.9**	**0.6**	**1.3**	**4.2**	**1.6**
Export performance against advanced economies (1 year % change)				0.9	-1.6	6.8	-1.1	1.9	1.3
Core inflation differential vis-à-vis the euro area (pps.)				0.9	4.2	4.4	1.2	0.6	0.5
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	75.3 (5)	61.0 (6)	**48.4**	**46.0**	**44.9**	**47.2**	**47.9**	**49.2**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			5.6	4.9	8.2	9.5	7.4	7.9
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	52.7 (5)	47.5 (6)	**31.2**	**33.0**	**30.7**	**30.6**	**31.2**	**32.1**
Household debt, consolidated (% of GHDI)				48.2	47.1	43.3	43.3		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**7.2**	**6.9**	**4.3**	**3.7**	**7.7**	**8.2**
House price index, nominal (1 year % change)	**+9%**			**9.8**	**14.9**	**-1.7**	**5.0**	**10.0**	**8.0**
House prices over/undervaluation gap (7)				-1.8	17.2	15.9	15.0		
Standardized price-to-income ratio				102.3	115.3	112.7	112.7		
Building permits (m^2 per 1000 inh)				367.0	425.1	340.1	330.4		
Government									
General government gross debt (% of GDP)	**60%**			**31.7**	**40.0**	**42.2**	**43.3**	**43.4**	**44.1**
General government balance (% of GDP)				0.9	-4.6	-3.7	-2.0	-1.8	-2.0
Banking sector									
Return on equity of banks (%)				13.4	10.6	13.7	15.1		
Tier-1 capital ratio banking sector (% risk-weighted assets)				18.2	20.5	19.5	19.2		
Gross non-performing loans, domestic and foreign entities (% gross loans)				2.2	1.7	1.2	1.2	1.2	
Cost of borrowing for households for house purchase (%)				2.6	3.0	5.4	5.0	4.7	
Cost of borrowing for NFCs (%)				2.7	4.0	8.5	6.5	5.3	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	2.5 (8)		**2.4**	**2.5**	**2.6**	**2.6**	**2.7**	**3.0**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**2.2**	**0.3**	**0.7**	**0.9**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

DENMARK

The high current account surplus increased further in 2024 and is expected to remain elevated in 2025. With low inflation, competitiveness developments have been favourable, and Denmark has recorded export performance gains. Household debt levels remain high despite a recent decrease and house prices show signs of overvaluation, but the associated macroeconomic risks appear limited.

Real GDP growth reached 3.5% in 2024 and is forecast at 2.0% in 2025 and 2.1% in 2026. Headline inflation decreased to 1.3% in 2024. It rebounded slightly and is expected to stand at 1.9% in 2025, while core inflation, which decreased to 1.3% in 2024, would increase slightly to 1.6% in 2025 and remain below the euro area average. The unemployment rate stood at 6.2% in 2024 and is expected to decrease to 6.1% in 2025.

The scoreboard reading for Denmark shows that three indicators were beyond their indicative thresholds in 2024, namely the current account surplus, household debt, and non-financial corporations debt. Relevant developments worth highlighting:

- **External sustainability** concerns related to the high current account surplus remain. The Danish current account surplus increased from 11% of GDP in 2023 to 12.2% in 2024 and is forecast to remain elevated in 2025. The pharmaceutical industry's success as well as relatively sluggish domestic demand have resulted in Denmark to have one of the highest current account surpluses in the EU in 2024. The levels far exceeded the levels explained by economic fundamentals, remaining beyond the indicative upper scoreboard threshold. This surplus reflects a discrepancy between savings and investment in the corporation and government sector. The NIIP increased by almost 30 pps., reaching 69% of GDP in 2024, mainly on the back of the current account surplus and valuation effects.

- **Competitiveness** developments reflect low inflation and strong export performance. In 2024, average headline and core inflation rates were among the lowest in the EU (coming in below 1.5%) and remained so throughout the first half of 2025. ULC growth was below 2% against the background of strong productivity gains and muted nominal wage increases, while the 3-year change was 11.6%. Last year, the REER depreciated slightly as nominal appreciation was more than offset by negative inflation differentials, but it remained stable by mid-2025. The 3-year change in exports market shares against advanced economies stood at close to 9%, marking one of the best performances in the EU.

- The **non-financial corporate sector** is highly leveraged but levels of NPLs and bankruptcies are low and activity and investment steady**.** The NFC debt-to-GDP ratio remained broadly unchanged at around 115.5% in 2024. For this year and next, slight deleveraging is expected. Credit growth increased to 5.8% in 2024. The interest coverage ratio, which is one of the lowest in the EU, decreased further in 2024. Savings remained low, further weighing on the debt service capacity of NFCs. Nevertheless, activity and profitability indicators started to improve throughout 2024.

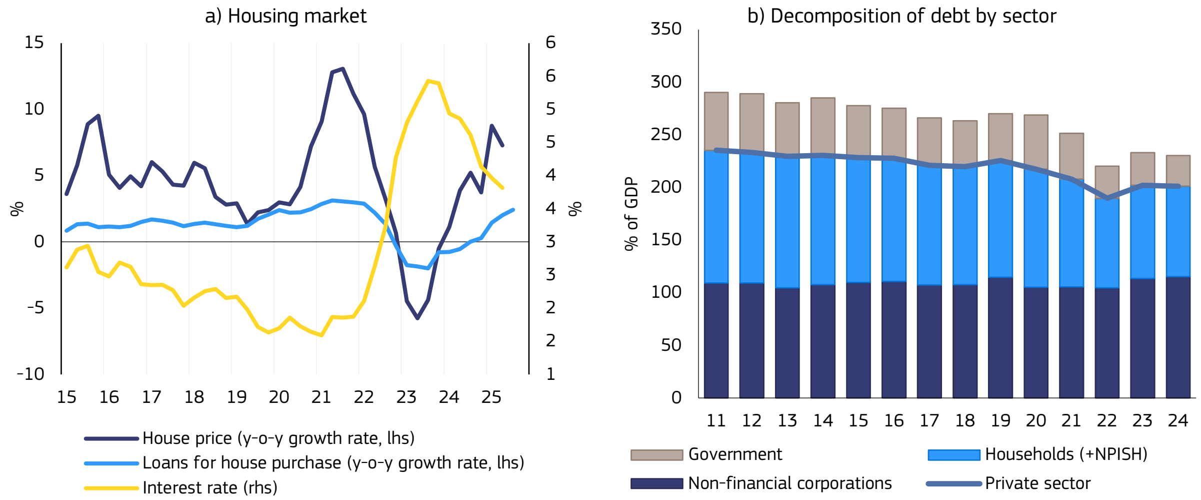
- While having dropped by nearly a third over a four-year period, the **household debt ratio** remains high at 86% of GDP and 135% of GHDI, among the highest in the EU. Net credit flows are expected to accelerate in 2025 while deleveraging is forecast to continue due to strong real GDP growth, before the debt ratio picks up in 2026. The household saving rate is high, and significantly above its 2019 level, reflecting particularly an increase in financial savings since 2023, as investment in homes remains somewhat below its pre-pandemic level (as a % of GHDI). Household savings in Denmark have been on a longer-term upward trend over the last two decades, supported by strong growth in assets and asset income, and more prudent borrowing behaviour.

- **House prices** rose by 3.5% in 2024, and have shown some acceleration in the first half of 2025, notably in the Copenhagen area. The price-to-income ratio was 4 pps. above its long-term average, suggesting house prices are slightly elevated relative to income. Overvaluation stood at 11%. Building permits were low (418 m^2 per 1000 persons), indicating potential supply constraints ([27]). The recent evolution in house prices has been supported by the decrease in interest rates combined with rising incomes that led to a 9.2% increase in borrowing capacity in 2024.

- **Government debt** is low and is declining further. It stood at 30.5% of GDP in 2024 and is forecast to recede further in 2025 and 2026. The budget balance is clearly in surplus: it came to 4.5% of GDP in 2024, with smaller surpluses being forecast for this year and next. Since late 2024, yields on long-term Danish government bonds have been among the lowest in the EU and below the best rated sovereign debt of the euro area.

- The **financial sector** is sound as the banks are well capitalised, and the non-performing loans ratio is low. Profitability remained high in 2024 and is close to the EU median. Credit growth has been moderate but steady. The banking sector maintains strong exposure to real estate, which coupled with high household indebtedness still represents a risk for the financial sector.

Graph 3.4: **Selected graphs, Denmark**



Source: Eurostat, ECB and European Commission calculations.

([27]) EU last decade average stands at around 450 m^2 per 1000 persons.

Table 3.4: **Key economic and financial indicators, Denmark**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				2.2	1.6	0.6	3.5	2.0	2.1
Real GDP per capita (1 year % change)				1.7	1.2	-0.1	3.0	1.6	1.7
GDP deflator (1 year % change)				0.9	5.3	-2.1	1.5	1.4	1.3
Harmonised index of consumer prices (1 year % change)				0.8	3.5	3.4	1.3	1.9	1.0
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.6	1.9	4.6	1.3	1.6	1.6
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**7.1**	**7.9**	**10.3**	**11.5**	**11.7**	**12.0**
Current account balance, balance of payments (% of GDP)		0.8 (1)	-1.4 (2)	7.0	9.0	11.0	12.2	12.0	11.9
of which: trade balance (% GDP)				5.9	7.1	9.0	10.2		
of which: income balance (% GDP)				1.1	1.9	2.0	2.0		
Net international investment position (% of GDP)	**-35%**	-99.5 (3)	20.0 (4)	**59.3**	**56.2**	**40.3**	**69.0**	**78.3**	**86.9**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				17.4	28.7	36.8	36.6		
Net lending-borrowing (% of GDP)				7.0	9.1	10.7	11.8		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**1.4**	**6.2**	**9.5**	**11.6**	**7.7**	**5.5**
Nominal unit labour cost index per hour worked (1 year % change)				0.8	3.0	3.5	1.5	2.5	1.4
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**0.2**	**-0.5**	**-1.0**	**-0.9**	**-4.5**	**-3.7**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				-0.1	-0.4	1.8	-0.8	-1.0	-1.2
Export performance against advanced economies (3y % change)	**-3%**			**0.5**	**10.6**	**3.9**	**8.9**	**6.0**	**7.5**
Export performance against advanced economies (1 year % change)				1.1	4.2	-1.7	4.9	2.0	-0.2
Core inflation differential vis-à-vis the euro area (pps.)				-0.4	-0.1	-0.4	-1.6	-0.9	-0.5
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	89.2 (5)	77.7 (6)	**109.9**	**105.2**	**113.7**	**115.5**	**114.1**	**113.0**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			2.7	5.6	4.1	5.8	2.8	2.9
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	61.4 (5)	79.0 (6)	**112.3**	**99.9**	**88.4**	**85.8**	**85.0**	**84.4**
Household debt, consolidated (% of GHDI)				171.1	158.4	137.3	134.8		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**1.1**	**1.7**	**0.3**	**0.6**	**2.6**	**2.7**
House price index, nominal (1 year % change)	**+9%**			**3.9**	**6.8**	**-3.8**	**3.5**	**7.0**	**5.0**
House prices over/undervaluation gap (7)				5.8	15.8	9.9	10.6		
Standardized price-to-income ratio				102.2	111.0	103.9	104.2		
Building permits (m^2 per 1000 inh)				684.7	699.5	403.5	418.3		
Government									
General government gross debt (% of GDP)	**60%**			**39.0**	**39.4**	**33.0**	**30.5**	**28.9**	**27.7**
General government balance (% of GDP)				2.3	2.6	3.4	4.5	2.3	1.1
Banking sector									
Return on equity of banks (%)				9.2	5.5	11.7	12.6		
Tier-1 capital ratio banking sector (% risk-weighted assets)				19.8	20.3	21.0	20.5		
Gross non-performing loans, domestic and foreign entities (% gross loans)				2.2	1.7	1.3	1.3	1.3	
Cost of borrowing for households for house purchase (%)				2.1	2.2	5.2	4.6	3.8	
Cost of borrowing for NFCs (%)				1.0	1.2	4.4	4.4	3.3	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	4.8 (8)		**5.3**	**5.1**	**5.1**	**6.2**	**6.1**	**6.1**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**1.4**	**1.3**	**1.8**	**2.8**	**2.5**	**2.0**

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

GERMANY

The current account surplus remains elevated, reflecting persistently weak domestic demand, but is on a decreasing trend due to a significant worsening of export performance. Productivity has stagnated and competitiveness indicators are mixed, with ULC growth slightly above the euro area average but the REER appreciation in line with the euro area average in 2024. House prices decreased slightly in 2024 but there are signs of housing supply constraints.

Real GDP contracted by 0.5% in 2024 and is forecast to broadly stagnate in 2025 before growing by 1.2% in 2026. Headline inflation decreased to 2.5% in 2024 and is expected to stand at 2.3% in 2025. Core inflation eased to 3.2% in 2024 and has remained slightly above the euro area average also in 2025. The unemployment rate stood at 3.4% in 2024 and is expected to increase to 3.6% in 2025.

The scoreboard reading for Germany shows that three indicators were beyond their indicative thresholds in 2024, namely export performance against advanced economies, nominal unit labour costs, and general government debt. Relevant developments worth highlighting:

- **External sustainability** indicators highlight the persistent current account surplus. The three-year average of the current account balance decreased to 5% of GDP in 2024, remaining below the indicative threshold of 6% and the higher levels recorded in the last decade. The surplus continues to exceed what can be explained by economic fundamentals. It mainly reflects weak domestic demand, which continued to broadly stagnate at pre-pandemic levels in real terms (1.3% growth since 2019 excluding inventories). The private sector is the main driver, as household savings continue to exceed pre-pandemic levels and corporations also increased their net savings, reflecting stagnant investment and a persistent decline of capital intensity. As a result of the continued external surplus, the NIIP increased further to ca. 80% of GDP in 2024, and is expected to remain among the largest worldwide in absolute terms.

- **Competitiveness** is marked by export underperformance. In 2024 and in the first half of 2025, headline inflation stayed broadly in line with that in the euro area, but core inflation consistently exceeded the euro area average by around ½ pp., owing to sticky services inflation. Since last year, the REER appreciated, as the negative inflation differential was offset by an appreciating euro. On the back of stagnating productivity and robust nominal wage growth, ULC continued to grow slightly above the euro area average, with an increase of close to 6% in 2024, as real wages closed in on their pre-pandemic levels, and a 3-year change of 17.9%. At the same time, Germany has suffered a significant loss of export market share (one of the highest in the EU) compared to advanced economies over the last 3 years.

- An uncertain outlook and limited economic recovery characterise the **non-financial corporate sector.** Its debt-to-GDP ratio decreased slightly to 58.9% of GDP, while credit growth fell to 1.4% and deleveraging is expected to continue in 2025. Bank loan flows to NFCs have remained subdued, making Germany one of the few countries without a recovery by early 2025. The debt service capacity weakened with both the interest coverage ratio (ICR) and corporate savings decreasing compared to 2023. Despite this decline, Germany's ICR remains high relative to other countries and by historical standards. Financing conditions have started to ease as borrowing costs decreased throughout 2024. Sentiment remains weak and the profit share fell further. Bankruptcies and the share of NPLs increased, while new business registrations recovered only modestly. Real investment growth has been negative since the end of 2022.

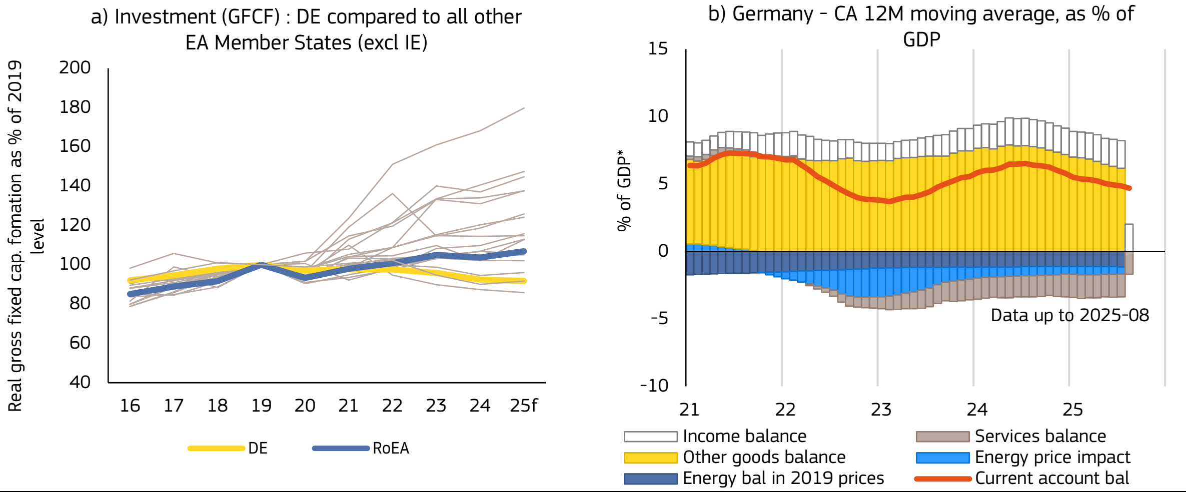
- The **household debt ratio** continued to decrease in 2024 and fell to 50% of GDP (64% of GHDI) in 2024. Net credit flows remained close to zero but are expected to recover going forward, slowing down further deleveraging. At 20%, the gross saving rate is among the highest in the EU and stands at more than 2 pps. above its 2019 level. Real consumption has been virtually flat since 2022 while real disposable income grew by 1.4%.

- **House prices** decreased by 1.5% in 2024, despite increasing nominal income, but are increasing moderately in the first half of 2025. The price-to-income ratio was 2 pps. below the long-term average, supporting the assessment of house prices being broadly in line with fundamentals. Building permits fell further to 241 m² per 1000 persons, indicating potential supply constraints ([28]). House prices started to recover in early 2025, supported by decreasing interest rates combined with rising incomes that led to a 7.5% increase in borrowing capacity in 2024.

- **Government** debt remains moderate but is forecast to increase. Government debt declined to 62.2% of GDP in 2024. The budget deficit stood at 2.7% of GDP in 2024 and is forecast to increase to 3.1% of GDP this year and 4% of GDP in 2026, driving up debt. Those increases reflect the government's plans for higher public spending and tax relief. Government guarantees have been among the largest in the EU. Fiscal sustainability risks remain medium in the medium term ([29]).

- **Financial sector** vulnerabilities remain contained. The capital ratio and notably profitability, which improved in 2023 and was sustained in 2024, remain below the EU median. This is driven by structural factors such as a fragmented market and competitive pressures. Non-performing loans and bankruptcies increased in 2024, especially for NFCs. Stage 2 loans increased to one of the highest values in the EU. The ongoing adjustment of the commercial real estate market could affect banks with large exposures as liquidity strains could force distressed sales and developer defaults.

Graph 3.5: **Selected graphs, Germany**



Source: Eurostat and European Commission forecasts and calculations.

([28]) EU last decade average stands at around 450 m² per 1000 persons.

([29]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Table 3.5: **Key economic and financial indicators, Germany**

				average	average			forecast	
	Thresholds	Bench. I	Bench. II	*2017-2019*	*2020-2022*	*2023*	*2024*	*2025*	*2026*
Output and Prices									
Real GDP (1 year % change)				1.6	0.5	-0.9	-0.5	0.2	1.2
Real GDP per capita (1 year % change)				1.5	0.4	-1.8	-0.8	0.1	1.2
GDP deflator (1 year % change)				1.8	3.6	6.7	3.1	3.0	2.7
Harmonised index of consumer prices (1 year % change)				1.7	4.0	6.0	2.5	2.3	2.2
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.3	2.3	5.1	3.2	2.8	2.5
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**8.3**	**6.7**	**5.4**	**5.0**	**5.3**	**4.8**
Current account balance, balance of payments (% of GDP)		1.2 (1)	-0.2 (2)	8.1	5.7	5.5	5.8	4.6	3.8
of which: trade balance (% GDP)				6.2	4.4	3.9	3.8		
of which: income balance (% GDP)				1.9	1.3	1.6	1.9		
Net international investment position (% of GDP)	**-35%**	-83.7 (3)	33.7 (4)	**51.6**	**68.1**	**68.7**	**79.7**	**76.1**	**69.8**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				47.3	54.2	53.2	62.8		
Net lending-borrowing (% of GDP)				8.0	5.4	4.9	5.2		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**5.8**	**7.4**	**11.0**	**17.9**	**18.3**	**12.3**
Nominal unit labour cost index per hour worked (1 year % change)				2.4	2.2	7.6	5.6	4.1	2.2
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.9**	**0.9**	**1.9**	**1.6**	**-0.8**	**-0.6**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.7	-0.1	3.8	0.4	-0.5	0.1
Export performance against advanced economies (3y % change)	**-3%**			**-1.7**	**-3.2**	**-7.9**	**-9.3**	**-2.0**	**-5.8**
Export performance against advanced economies (1 year % change)				-1.0	-2.5	1.4	-3.4	-2.3	-1.7
Core inflation differential vis-à-vis the euro area (pps.)				0.3	0.2	0.2	0.4	0.3	0.4
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	78.0 (5)	76.4 (6)	**55.4**	**63.0**	**59.2**	**58.9**	**58.0**	**57.6**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			5.3	8.2	2.1	1.4	2.3	4.7
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	51.3 (5)	55.0 (6)	**52.0**	**54.8**	**50.6**	**49.7**	**49.0**	**48.5**
Household debt, consolidated (% of GHDI)				69.3	70.9	66.0	63.6		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**3.9**	**4.6**	**0.7**	**0.6**	**1.9**	**2.8**
House price index, nominal (1 year % change)	**+9%**			**6.2**	**8.5**	**-8.4**	**-1.5**	**3.0**	**3.0**
House prices over/undervaluation gap (7)				3.6	20.4	9.5	4.4		
Standardized price-to-income ratio				103.3	116.8	103.2	97.6		
Building permits (m^2 per 1000 inh)				465.9	490.2	302.6	240.7		
Government									
General government gross debt (% of GDP)	**60%**			**61.2**	**66.8**	**62.3**	**62.2**	**63.5**	**65.2**
General government balance (% of GDP)				1.5	-3.2	-2.5	-2.7	-3.1	-4.0
Banking sector									
Return on equity of banks (%)				2.5	3.5	5.7	5.6		
Tier-1 capital ratio banking sector (% risk-weighted assets)				16.3	16.6	17.7	18.4		
Gross non-performing loans, domestic and foreign entities (% gross loans)				1.5	1.1	1.3	1.5	1.5	
Cost of borrowing for households for house purchase (%)				1.7	1.7	4.0	3.8	3.7	
Cost of borrowing for NFCs (%)				1.6	1.8	4.9	5.2	3.9	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	3.2 (8)		**3.2**	**3.4**	**3.1**	**3.4**	**3.6**	**3.5**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**1.1**	**0.9**	**2.3**	**1.5**		

Notes: See Annex 1.
Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

ESTONIA

Cost competitiveness continues to worsen while economic activity remains weak, leading to increased macroeconomic risks. Core inflation has remained elevated and the inflation differentials vis-à-vis the euro area have widened recently. Unit labour costs have continued to increase significantly due to increases in nominal wages, adding to the increases recorded in previous years, and export performance has worsened. House prices continue to grow, with some signs of overvaluation.

Real GDP stagnated in 2024 (-0.1%) but is forecast to grow by 0.6% in 2025 and 2.1% in 2026. Headline inflation decreased to 3.7% in 2024 but has increased and is set to stand at 4.8% in 2025. While core inflation decreased to 5.1% in 2024, it is forecast to rise to 6.0% in 2025 with about half of it attributed to tax increases. Hence, the core inflation differential against the euro area, which narrowed to 2.3 pps. in 2024, would stand at 3.5 pps. in 2025. The unemployment rate stood at 7.6% in 2024 and is expected to remain stable in 2025.

The scoreboard reading for Estonia shows that three indicators were beyond their indicative thresholds in 2024, namely the real effective exchange rate, export performance, and nominal unit labour costs. Relevant developments worth highlighting:

- **External sector** developments remained stable. The current account deficit remained at 1.2% of GDP in 2024; however, as economic activity was sluggish, the underlying cyclically-adjusted deficit appears to be considerably wider. The current account is expected to widen somewhat. The NIIP increased markedly in 2024, to around -10% of GDP, mostly due to valuation effects. The NENDI, which excludes non-defaultable instruments from the NIIP, was positive in 2024.

- **Competitiveness** concerns persist. Both headline and core inflation differentials vis-à-vis the euro area remained positive in 2024. They have increased by mid-2025 and are now the highest in the euro area, mainly due to services inflation picking up, partly due to increases in indirect taxes. The REER appreciated moderately in 2024, on account of both higher domestic inflation and NEER appreciation, but gained 16% over 3 years, and continued to strengthen over the first half of 2025. Last year, nominal wage increases remained high despite some moderation, and, along with drops in productivity, pushed ULC to rise by over 7%, with a 3-year growth of over 40%. In 2025, ULC growth has eased somewhat. Real wages remained below their 2019 levels in 2024. Export market share relative to advanced economies have fallen by some 4% over the three years up to 2024.

- High costs of borrowing, and subdued investment have strained the **non-financial corporate sector** despite low indebtedness. The NFC debt-to-GDP ratio increased to 58.3% and is expected to stay close to 59% in the near future. Credit growth rose to 9.2% in 2024, among the highest in the EU, and is expected to remain strong as bank loan flows to NFCs increased strongly in the first half of 2025. The share of NPLs increased somewhat in 2024 but was still among the lowest in the EU. Sentiment has remained weak and debt service capacity deteriorated further as the costs of borrowing increased compared to 2023. The interest coverage ratio fell further as interest expenses rose and gross operating surplus continued to decline. However, the gross operating surplus started to mildly increase in 2025, which, together with falling borrowing costs, suggests an improvement in the debt service ability in the near future. Unit profits remained broadly stable in 2024. Investment has been weak despite strong credit growth.

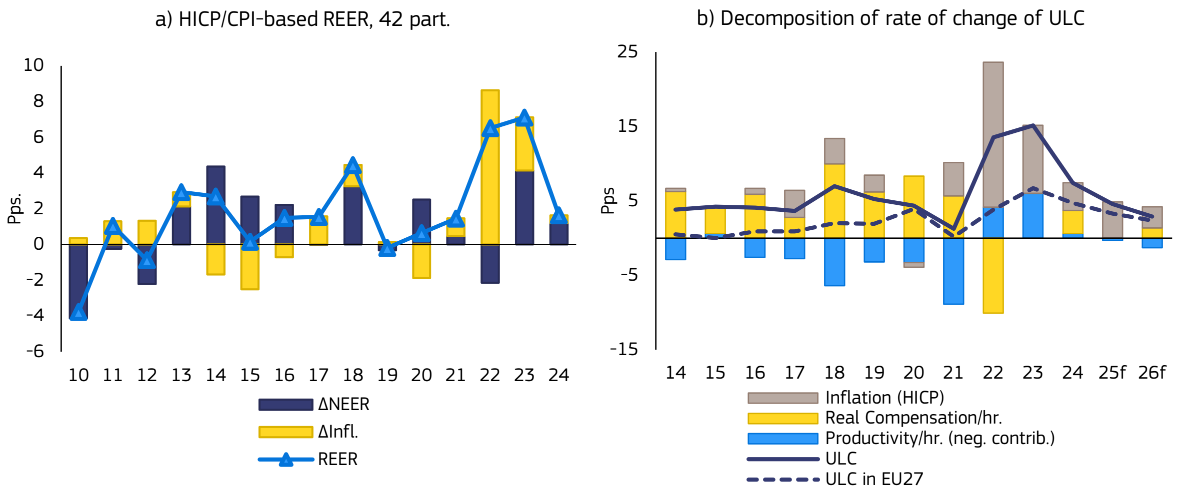
- The **household debt ratio** is moderate (at 38% of GDP and 55% of GHDI in 2024) but increasing on the back of dynamic credit growth (8% of last year's debt stock in 2024). The debt ratio is expected to continue increasing in 2025. Consumption growth outpaced disposable income growth and led to a collapse in the gross saving rate in 2022. By 2024, it has partially recovered to 7% of GHDI, still below its pre-pandemic level of 10%. This is reflected particularly in a drop in financial savings ([30]), as mortgage lending and investment in dwellings remained relatively dynamic. On the positive side, while having declined recently, households' net financial asset position remains above its pre-pandemic level, both as a proportion of GHDI and in real terms.

- **House prices** rose by 6.1% in 2024, following a 5.9% increase in 2023. In the first half of 2025, house price growth slightly moderated. The price-to-income ratio was 3 pps. above its long-term average in 2024, suggesting house prices are elevated relative to income. Overvaluation stood at 9%. Building permits were low (364 m^2 per 1000 persons), indicating potential supply constraints ([31]). The recent evolution in house prices has been supported by the decrease in interest rates combined with rising incomes that led to a 7.5% increase in the borrowing capacity in 2024.

- **Government debt** is low despite recent increases. It came in at 23.5% of GDP in 2024, which is over 14 pps. above its pre-COVID-19 level. It is forecast to stay essentially unchanged in 2025 but to edge up again in 2026. The fiscal deficit narrowed to 1.7% of GDP in 2024 and is expected to decline somewhat this year before worsening next year.

- The **financial sector** remains resilient. Banks display a very low non-performing loan ratio, while capital ratios and profitability remain above the EU median despite recent decline. Loan growth has been among the fastest in the euro area despite relatively high bank lending rates. Large exposure of the banking sector to real estate represents a risk.

Graph 3.6: **Selected graphs, Estonia**



Source: Eurostat and European Commission forecasts and calculations.

([30]) The financial saving rate is negative according to the non-financial accounts, but positive according to the financial accounts.

([31]) EU last decade average stands at around 450 m^2 per 1000 persons.

Table 3.6: **Key economic and financial indicators, Estonia**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	forecast 2026
Output and Prices									
Real GDP (1 year % change)				4.3	1.3	-2.7	-0.1	0.6	2.1
Real GDP per capita (1 year % change)				4.1	1.1	-5.2	-0.7	0.8	2.4
GDP deflator (1 year % change)				4.1	7.1	8.6	4.0	4.0	4.3
Harmonised index of consumer prices (1 year % change)				3.1	7.4	9.1	3.7	4.8	2.8
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				2.0	4.3	8.7	5.1	6.0	3.9
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**1.3**	**-1.5**	**-2.7**	**-1.9**	**-1.3**	**-1.7**
Current account balance, balance of payments (% of GDP)		-1.7 (1)	-0.6 (2)	1.4	-3.1	-1.2	-1.2	-1.4	-2.4
of which: trade balance (% GDP)				3.1	-1.1	1.0	0.3		
of which: income balance (% GDP)				-1.7	-2.0	-2.2	-1.5		
Net international investment position (% of GDP)	**-35%**	-56.8 (3)	-17.1 (4)	**-28.1**	**-19.0**	**-19.4**	**-9.7**	**-9.5**	**-8.7**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				24.4	36.6	30.7	28.3		
Net lending-borrowing (% of GDP)				2.8	0.7	-0.1	0.4		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**14.8**	**16.2**	**32.4**	**40.4**	**29.3**	**15.6**
Nominal unit labour cost index per hour worked (1 year % change)				5.3	6.4	15.1	7.4	4.6	2.9
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**5.6**	**5.1**	**15.7**	**16.0**	**6.7**	**4.0**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				1.9	2.8	7.1	1.6	1.9	0.8
Export performance against advanced economies (3y % change)	**-3%**			**2.9**	**15.6**	**8.1**	**-4.3**	**-1.3**	**4.5**
Export performance against advanced economies (1 year % change)				1.8	5.7	-4.1	-1.3	2.8	1.5
Core inflation differential vis-à-vis the euro area (pps.)				1.0	2.3	3.8	2.3	3.5	1.7
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	138.5 (5)	61.7 (6)	**61.9**	**58.1**	**54.3**	**58.3**	**59.2**	**59.0**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			1.1	6.0	3.0	9.2	7.7	7.5
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	128.0 (5)	39.9 (6)	**37.9**	**38.1**	**36.7**	**38.1**	**39.8**	**41.1**
Household debt, consolidated (% of GHDI)				58.1	57.1	54.5	54.5		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**7.3**	**7.6**	**6.3**	**8.0**	**9.4**	**9.9**
House price index, nominal (1 year % change)	**+9%**			**6.1**	**14.2**	**5.9**	**6.1**		
House prices over/undervaluation gap (7)				-10.2	0.5	7.6	9.4		
Standardized price-to-income ratio				89.9	98.1	104.4	103.4		
Building permits (m^2 per 1000 inh)				505.1	551.3	366.1	363.7		
Government									
General government gross debt (% of GDP)	**60%**			**9.0**	**18.9**	**20.2**	**23.5**	**23.4**	**25.9**
General government balance (% of GDP)				-0.4	-3.0	-2.7	-1.7	-1.3	-4.4
Banking sector									
Return on equity of banks (%)				9.1	9.3	18.5	16.4		
Tier-1 capital ratio banking sector (% risk-weighted assets)				28.8	24.0	21.4	19.3		
Gross non-performing loans, domestic and foreign entities (% gross loans)				1.6	1.2	1.1	1.2	1.4	
Cost of borrowing for households for house purchase (%)				2.5	2.5	5.6	5.5	4.1	
Cost of borrowing for NFCs (%)				2.8	3.0	6.3	6.6	5.0	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	7.0 (8)		**5.2**	**6.2**	**6.4**	**7.6**	**7.5**	**7.1**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**2.3**	**0.7**	**2.0**	**3.1**	**0.8**	**0.2**

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

IRELAND

External and private debt ratios remain high but related macroeconomic risks seem limited. External sector data and private debt ratios in Ireland are affected by the statistical impact of the extensive operations of multinational corporations. The current account surplus increased and the negative NIIP continued to improve in 2024. Inflationary pressures have remained contained, which has supported competitiveness, and Ireland has recorded export market share gains. Non-financial corporations debt ratios decreased while remaining elevated.

Real GDP growth rebounded to 2.6% in 2024 and is forecast to increase to 10.7% in 2025 before decreasing to 0.2% in 2026. Headline inflation decreased to 1.3% in 2024 and is set to stand at 1.9% in 2025. Core inflation decreased to 2.3% in 2024. It has decreased slightly further and is set to stand at 1.9% in 2025, hence remaining below the euro area average. The unemployment rate stood at 4.3% in 2024 and is expected to increase to 4.6% in 2025.

The scoreboard reading for Ireland shows that four indicators were beyond their indicative thresholds in 2024, namely the current account surplus, the net international investment position, nominal unit labour costs, and non-financial corporations debt. Relevant developments worth highlighting:

- **External sustainability** continues to strengthen, but external sector data are inflated and volatile due to the impact of the activities of multinational enterprises (MNEs) in Ireland. The current account surplus increased from 7.0% of GDP in 2023 to 16.2% in 2024, mainly due to higher service exports, including a large one-off service export from MNEs. The current account surplus is forecast to remain high in 2025 and 2026. The net international investment position (NIIP) narrowed further, from -103.3% of GDP in 2023 to -81.4% in 2024. A further narrowing in this position is expected in the coming years, mainly due to the continued current account surpluses.

- **Competitiveness** indicators reflect inflationary pressures below those in the euro area in both 2024 and 2025. ULC evolved broadly in line with those in the single currency area in 2024 (with a 3-year change of 20.6%) and are expected to post figures below them in 2025. The REER marginally depreciated last year and in early 2025, but following the euro’s appreciation relative to the dollar in April, it gained some 2%. Ireland’s export performance against advanced economies has increased, but movements largely reflect the activities of very large multinational enterprises in the country.

- High leverage continues to be the main weakness of the **non-financial corporate sector** together with a high share of short-term debt. Deleveraging continued and the NFC debt-to-GDP ratio decreased to 90.9% in 2024 supported by nominal GDP growth and active deleveraging. Credit growth, defined as credit flows excl. FDI divided by the debt stock in the previous year excl. FDI, declined to -0.8% and bank loan flows to NFCs have remained subdued. Further deleveraging is expected in the next years. The interest coverage ratio increased in 2024 as interest expenses have come down since 2023-Q2 and gross operating surplus increased strongly in the second half of 2024. The share of NPLs decreased further in 2024. However, the share of short-term to long-term debt has been above its long-term average.

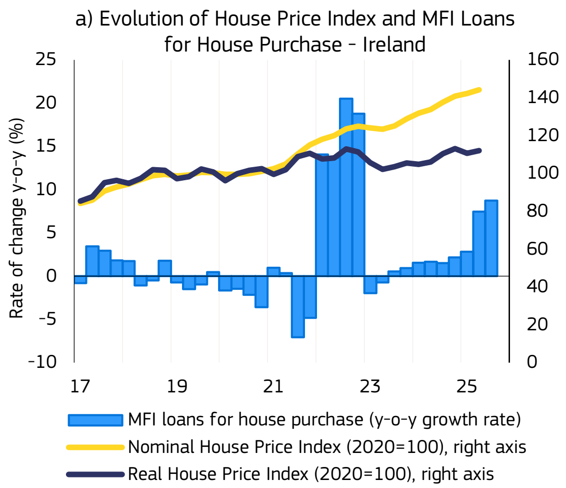
- The **household debt ratio** is relatively low when expressed as a share of GDP (24%), but it remains moderate to high, at around 61%, when expressed as a share of GHDI. Net credit flows increased in 2024 following a contraction when interest rates increased. The gross saving rate is in line with its pre-pandemic level, but investment in homes has recently strengthened significantly at the expense of financial saving.

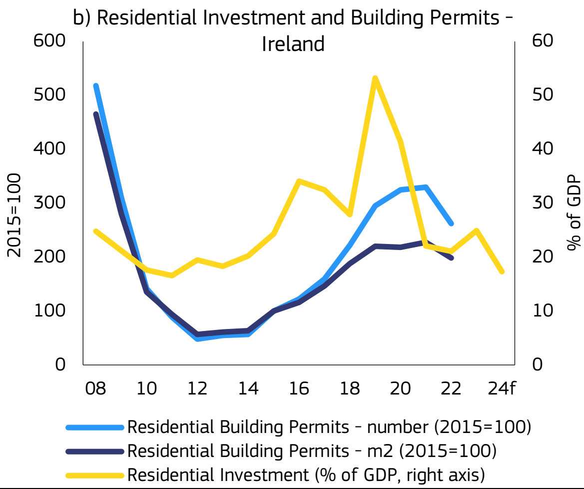
- **House prices** rose by 8.5% in 2024 and continued to increase at a similar pace in the first half of 2025. In 2024, the price-to-income ratio was 3 pps. below the long-term average, but it takes 12.5 years of income to buy a 100m^2 apartment on average, while the long-term EU average is 8 years. Low affordability has been driven by lack of supply and increased immigration. New housing units built in 2024 remain high at 5.6 per 1000 persons, reflecting some dynamism of housing supply. Despite some increase in interest rates, the recent evolution in house prices has been supported by the increase in incomes that led to a 4.4% increase in borrowing capacity in 2024.

- **Government debt** remains limited as share of GDP and is declining further. Government debt fell to 38.3% of GDP in 2024, which is some 18 pps. below its pre-COVID-19 level. It is forecast to fall further this year and next. The government balance has been in surplus since 2022, and it came at 4% of GDP in 2024. That has been largely due to high corporate taxation revenues, with much of them paid by relatively few large foreign-owned multinational enterprises and a large portion of those revenues is estimated to be windfall, i.e. beyond what is explained by underlying domestic economic activity. The budgetary surplus is expected to recede visibly this year and next.

- The resilience of the large **financial sector** is underpinned by a well-capitalised banking sector. The profitability of banks (both domestic retail banks and international investment ones) increased further in 2024 but remains below the EU median. The non-performing loans ratio remains low and declined slightly in 2024. The stage 2 ratio is rather high, and linked to vulnerabilities in some NFC segments such as commercial real estate, but it remained stable in 2024. Loan growth was rather dynamic in 2024, especially towards households, but has decelerated somewhat in 2025 as interest rates for corporations rise.

Graph 3.7: **Selected graphs, Ireland**





Source: Eurostat, ECB and European Commission forecasts and calculations.

Table 3.7: **Key economic and financial indicators, Ireland**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				7.6	10.3	-2.5	2.6	10.7	0.2
Real GDP per capita (1 year % change)				6.0	8.5	-4.3	0.9	9.1	-0.8
GDP deflator (1 year % change)				1.9	2.2	3.4	4.5	2.1	2.0
Harmonised index of consumer prices (1 year % change)				0.6	3.3	5.2	1.3	1.9	1.9
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.5	2.0	4.4	2.3	1.9	1.9
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-0.6**	**-2.8**	**9.3**	**10.7**	**11.0**	**11.2**
Current account balance, balance of payments (% of GDP)		3.6 (1)	7.0 (2)	-5.1	4.6	7.0	16.2	9.7	7.8
of which: trade balance (% GDP)				19.3	34.6	33.4	41.8		
of which: income balance (% GDP)				-24.4	-30.0	-26.4	-25.6		
Net international investment position (% of GDP)	**-35%**	-147.3 (3)	27.9 (4)	**-180.2**	**-130.2**	**-103.3**	**-81.4**	**-51.7**	**-47.4**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-260.9	-274.3	-269.7	-332.1		
Net lending-borrowing (% of GDP)				-16.3	3.6	5.4	15.7		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**-6.3**	**-10.2**	**9.9**	**20.6**	**12.4**	**4.0**
Nominal unit labour cost index per hour worked (1 year % change)				-1.2	-3.7	13.1	4.3	-4.7	4.6
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**-1.6**	**-2.7**	**-1.3**	**-1.8**	**-2.3**	**-2.1**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				-0.4	-1.5	3.7	-0.7	-0.6	-0.2
Export performance against advanced economies (3y % change)	**-3%**			**23.5**	**29.4**	**-7.6**	**5.2**	**10.6**	**11.4**
Export performance against advanced economies (1 year % change)				4.9	5.2	0.6	10.4	1.3	1.3
Core inflation differential vis-à-vis the euro area (pps.)				-0.5	0.0	-0.5	-0.6	-0.5	-0.2
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	82.0 (5)	94.3 (6)	**195.8**	**135.3**	**110.7**	**90.9**	**78.3**	**77.9**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			-5.4	-1.4	28.9	-0.8	-4.6	2.7
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	49.6 (5)	76.5 (6)	**44.7**	**29.3**	**25.6**	**23.8**	**21.4**	**21.6**
Household debt, consolidated (% of GHDI)				106.2	77.1	66.2	60.8		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**-1.5**	**-0.5**	**1.1**	**1.8**	**1.8**	**2.7**
House price index, nominal (1 year % change)	**+9%**			**7.7**	**6.8**	**3.1**	**8.5**	**6.0**	**4.0**
House prices over/undervaluation gap (7)				-5.8	-5.7	-6.8	-5.3		
Standardized price-to-income ratio				96.7	97.0	95.8	97.4		
Building permits (m^2 per 1000 inh)				816.1	901.2	868.6	742.8		
Government									
General government gross debt (% of GDP)	**60%**			**60.8**	**50.7**	**41.8**	**38.3**	**33.1**	**32.5**
General government balance (% of GDP)				0.1	-1.5	1.4	4.0	1.5	1.0
Banking sector									
Return on equity of banks (%)				4.5	1.9	7.6	9.2		
Tier-1 capital ratio banking sector (% risk-weighted assets)				23.3	23.0	21.8	21.5		
Gross non-performing loans, domestic and foreign entities (% gross loans)				6.3	2.5	1.3	1.1	1.1	
Cost of borrowing for households for house purchase (%)				3.0	2.8	3.8	4.0	3.6	
Cost of borrowing for NFCs (%)				2.9	3.0	5.6	5.7	5.1	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	4.4 (8)		**5.8**	**5.5**	**4.3**	**4.3**	**4.6**	**4.7**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.7**	**1.2**	**6.7**	**3.3**	**1.9**	**1.7**

Notes: See Annex 1.
Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

GREECE

While remaining elevated, external and government debt levels have continued to decrease, alleviating the related vulnerabilities. The current account deficit widened slightly in 2024, partly due to the import content of investment. The net international investment position remains very negative despite its significant increase. The government debt-to-GDP ratio continued to decrease, with the government primary balance recording a significant surplus in 2024. The share of non-performing loans has continued to decrease. House prices have increased further and show signs of overvaluation.

Real GDP growth was unchanged at 2.1 % in 2024 and is forecast to remain stable in 2025 and to reach 2.2% in 2026. Headline and core inflation decreased in 2024 (to 3.0% and 3.6% respectively). They have remained broadly stable in 2025 (with headline inflation set to stand at 2.8% and core inflation at 3.5%). The core inflation differential against the euro area, which stood at 0.7 pps. in 2024, has widened somewhat in 2025. The unemployment rate stood at 10.1% in 2024 and is expected to decrease to 9.3% in 2025.

The scoreboard reading for Greece shows that five indicators were beyond their indicative thresholds in 2024, namely the current account deficit, the net international investment position, house prices, government debt, and the unemployment rate. Relevant developments worth highlighting:

- **External sustainability** concerns remain. The current account balance remained sizeable, well above its pre-2020 levels as well as above levels explained by economic fundamentals. The deficit widened slightly to 7.2% in 2024. Continued robust investment activity contributed to the widening of the deficit, while price effects partly mitigated this effect in 2024. The current account deficit is forecast to somewhat reduce but remain elevated. Grants and loans from the EU will help cover part of external financing needs, although the capital account was balanced in 2024, after many years of positive capital transfer inflows. The net international investment position increased substantially in 2024 but remained very negative, at -137.5% of GDP. The combination of substantial net external borrowing and an expected deceleration in nominal growth will constrain its further improvement.

- **Competitiveness** indicators remain stable despite an uptick in inflation. Both headline and core inflation differentials vis-à-vis the euro area increased lately, owing to contributions from the services component, and are expected to stay positive over 2025. Last year, the REER remained virtually unchanged as the nominal appreciation of the euro was almost completely offset by favourable inflation differentials with main trading partners. It started to appreciate in 2025, particularly after April. In 2024, ULC growth evolved in line with the euro area average and it is expected to come in slightly higher in 2025. Following years of improvement in the labour market, the unemployment rate is expected to drop below the 10% scoreboard threshold in 2025. Although the 3-year change in export market share boasts strong gains, the annual change for 2024 indicated a marginal decline.

- The **non-financial corporate sector** appears robust, with strong borrowing and investment, accompanied by a continuing decline in the share of non-performing loans (NPLs). After two years of deleveraging, the NFC debt-to-GDP ratio increased in 2024 to 55.5% and is expected to stay broadly at this level over the next two years. Credit growth was strong at 10.4% in 2024 (the highest in the EU) and bank loan flows have continued rising in the first half of 2025, suggesting that borrowing will remain robust. The share of NFC NPLs continued to fall. The change in unit profit fell in 2023 and 2024, and turned negative in the beginning of 2025. Real investment growth was lower in 2024 than in 2023, but still among the highest across the EU.

- The **household debt ratio** is moderate at 39% of GDP (51% GHDI) and has come down significantly over the last two decades on the back of consistently negative net credit flows, supported in recent years by strong nominal GDP growth. In 2024, net credit flows turned marginally positive for the first time since 2010, helped by a public loan subsidy program. Deleveraging is expected to continue, albeit at a lower speed, over the next years. Households' gross saving rate remains negative at -2.5% and among the lowest in the EU ([32]), with little prospect of substantially improving. Household investment in dwellings remains weak, at around 6% of GHDI, but has been on an upward trend since 2018. Fixed capital consumption has exceeded fixed capital investment since 2012, but the gap is declining. Non-performing loans still represent 7% of overall bank loans to households in Greece. This proportion continues to decrease, but at a clearly decelerating speed.

- **House prices** increased by 9% in 2024. The price-to-income ratio was 8 pps. above its long-term average, suggesting house prices are high relative to income. Overvaluation stood at 22%. Building permits were low (342 m^2 per 1000 persons), indicating potential supply constraints ([33]). The recent evolution in house prices has been supported by the increase in incomes that led to an 8.2% increase in borrowing capacity in 2024.

- **Government debt** is high but is clearly declining. Government debt fell to 154.2% of GDP in 2024, some 29 pps. below its pre-COVID-19 level. It remains the highest in the EU, and is forecast to fall further this year and the next. The government balance has been improving and a surplus of 1.2% of GDP was recorded in 2024, with the primary surplus alone being at 4.7% of GDP. Smaller surpluses are forecast in 2025 and 2026. As Greece's government debt is predominantly held by official lenders at favourable rates and long maturities, interest expenditure growth has been contained, and gross financing needs are limited and edging down. Spreads on Greek long-term sovereign bonds compared with the best rated euro area sovereign debt have been receding further, staying at below 100 basis points since late 2024. The fiscal sustainability risks remain high in the medium term ([34]).

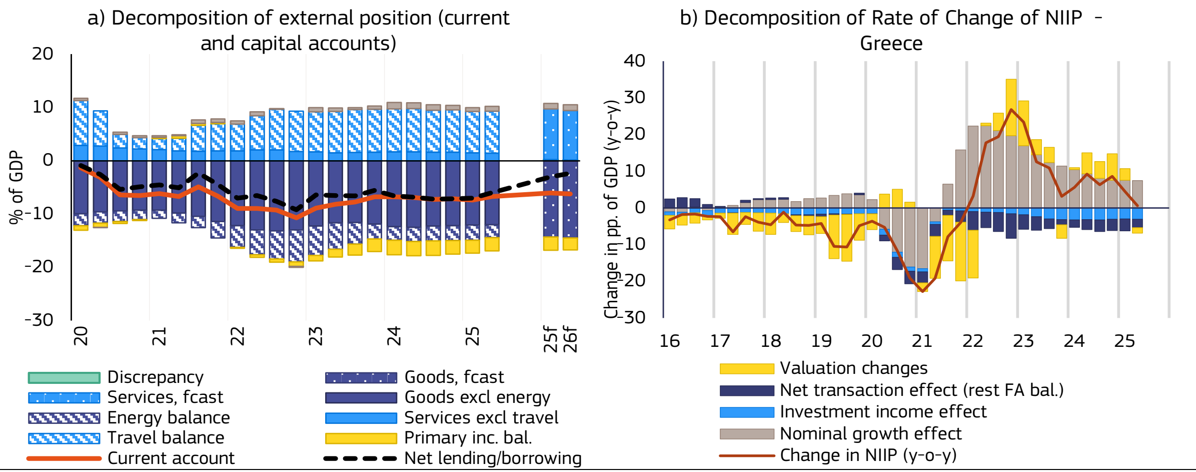
- The **financial sector** situation improved further, but some concerns remain. The capitalisation of the banking sector was stable in 2024 whereas profitability remained strong, but both remained below the EU medians. The non-performing loans (NPL) ratio of the banking sector further decreased, but at 3% it remained above the EU median. A large share of NPLs in Greece is held by servicers and their workout is rather slow; as a result, they still have the capacity to weigh on the economy. The share of Stage 2 loans has been gradually decreasing.

([32]) Household statistics might be distorted by measurement issues, as data from the financial transactions accounts imply a positive gross savings ratio since 2019.

([33]) EU last decade average stands at around 450 m^2 per 1000 persons.

([34]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Graph 3.8: **Selected graphs, Greece**



Source: Eurostat and European Commission forecasts and calculations.

Table 3.8: **Key economic and financial indicators, Greece**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	forecast 2026
Output and Prices									
Real GDP (1 year % change)				2.0	1.4	2.1	2.1	2.1	2.2
Real GDP per capita (1 year % change)				2.1	1.8	2.4	2.2	2.1	2.3
GDP deflator (1 year % change)				0.1	2.4	6.3	3.2	2.8	2.5
Harmonised index of consumer prices (1 year % change)				0.8	2.8	4.2	3.0	2.8	2.3
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.5	0.7	5.3	3.6	3.5	2.6
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-1.9**	**-5.5**	**-8.1**	**-8.2**	**-6.7**	**-6.5**
Current account balance, balance of payments (% of GDP)		-1.7 (1)	-0.2 (2)	-2.1	-7.9	-6.8	-7.2	-6.0	-6.2
of which: trade balance (% GDP)				-1.2	-8.0	-5.0	-5.5		
of which: income balance (% GDP)				-0.9	0.0	-1.8	-1.7		
Net international investment position (% of GDP)	**-35%**	-50.8 (3)	-49.5 (4)	**-147.8**	**-165.5**	**-145.9**	**-137.5**	**-138.5**	**-136.5**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-131.7	-144.0	-116.5	-105.7		
Net lending-borrowing (% of GDP)				-1.7	-6.2	-5.6	-7.2		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**-3.4**	**4.7**	**0.3**	**7.6**	**12.0**	**12.4**
Nominal unit labour cost index per hour worked (1 year % change)				-0.8	1.9	2.0	5.4	4.1	2.4
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**0.5**	**-1.8**	**-1.2**	**0.8**	**-1.2**	**0.7**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.2	-0.8	1.6	0.4	0.2	0.1
Export performance against advanced economies (3y % change)	**-3%**			**5.9**	**-2.6**	**32.1**	**6.9**	**0.7**	**3.0**
Export performance against advanced economies (1 year % change)				4.8	2.6	-1.4	-1.4	2.0	1.3
Core inflation differential vis-à-vis the euro area (pps.)				-0.5	-1.3	0.4	0.7	1.1	0.5
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	57.1 (5)	66.0 (6)	**59.0**	**61.7**	**53.1**	**55.5**	**56.1**	**56.6**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			0.4	7.0	4.6	10.4	6.3	6.1
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	31.5 (5)	35.6 (6)	**57.4**	**52.8**	**40.9**	**39.0**	**37.2**	**35.7**
Household debt, consolidated (% of GHDI)				76.1	65.4	53.0	51.2		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**-2.2**	**-2.4**	**-1.0**	**0.2**	**0.2**	**0.4**
House price index, nominal (1 year % change)	**+9%**			**2.6**	**8.0**	**13.9**	**9.0**	**10.0**	**8.0**
House prices over/undervaluation gap (7)				-9.7	2.8	17.4	22.0		
Standardized price-to-income ratio				88.0	95.5	102.8	107.6		
Building permits (m^2 per 1000 inh)				83.9	181.9	256.0	341.8		
Government									
General government gross debt (% of GDP)	**60%**			**184.8**	**194.8**	**164.3**	**154.2**	**147.6**	**142.1**
General government balance (% of GDP)				0.8	-6.5	-1.4	1.2	1.1	0.3
Banking sector									
Return on equity of banks (%)				-0.3	-5.1	12.0	11.7		
Tier-1 capital ratio banking sector (% risk-weighted assets)				16.2	14.6	16.2	16.7		
Gross non-performing loans, domestic and foreign entities (% gross loans)				40.7	13.8	5.0	3.0	3.0	
Cost of borrowing for households for house purchase (%)				3.0	2.8	4.1	4.1	3.6	
Cost of borrowing for NFCs (%)				4.2	3.3	5.9	5.6	4.3	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	9.4 (8)		**19.8**	**14.9**	**11.1**	**10.1**	**9.3**	**8.6**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.5**	**-0.9**	**4.2**	**3.2**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

SPAIN

External sustainability indicators strengthened further in 2024. Thanks to contained inflationary pressures, Spain's competitive position has remained steady, with ULC growth and core inflation in line with the euro area average. Spain's current account surplus increased further in 2024 and its net international investment position improved. The unemployment rate, while remaining elevated, continued its downward trend in 2024. The government deficit narrowed in 2024, which, together with strong nominal GDP growth, led to a further decrease of the still high government debt-to-GDP ratio.

Real GDP increased by 3.5% in 2024 and is forecast to grow by 2.9% in 2025 and 2.3% in 2026. Headline inflation decreased to 2.9% in 2024 and is set to stand at 2.6% in 2025. Core inflation moderated to 2.8% in 2024, and it is expected at 2.5% in 2025, almost in line with the euro area average. The unemployment rate continued to edge down in 2024 and is expected to reduce further in 2025, at 10.4%.

The scoreboard reading for Spain shows that four indicators were beyond their indicative thresholds in 2024, namely the net international investment position, nominal unit labour costs, government debt, and the unemployment rate. Relevant developments worth highlighting:

- **External sustainability** indicators continue to strengthen, with a current account surplus standing at 3.2% of GDP and an increasing NIIP. The current account surplus is forecast to remain relatively stable, while the NIIP, standing at -41% of GDP in 2024, is expected to increase further in 2025 and 2026, rising above the -35% scoreboard threshold.

- **Competitiveness** challenges remain contained. In 2024, the REER appreciated slightly, as negative inflation differentials against trading partners partially offset the nominal appreciation of the euro, a trend that continued into mid-2025. In 2024, ULCs growth reached 3.5% slightly below the euro area figure, as nominal wage growth was partly offset by productivity gains. The 3-year change in ULCs was 11.4%. The labour market has improved significantly in recent years and the unemployment rate has decreased markedly thanks to significant employment gains, although it remains the highest in the EU.

- Despite a slight deterioration in debt service capacity, the **non-financial corporate sector** remained robust. Deleveraging continued in 2024, with the debt-to-GDP ratio standing at 63.4% in 2024, level around which it is expected to stabilise over the next year or two. Credit growth turned positive, reaching 2.3% in 2024. The interest coverage ratio reached its lowest point in mid-2024 in line with the euro area aggregate and has since then started to slightly increase as interest expenses began to decline. The share of NPLs continued to decrease, but bankruptcies picked up partly related to the new legal framework for insolvencies, widening the gap with new business registrations. Profitability indicators continued to deteriorate and savings decreased further.

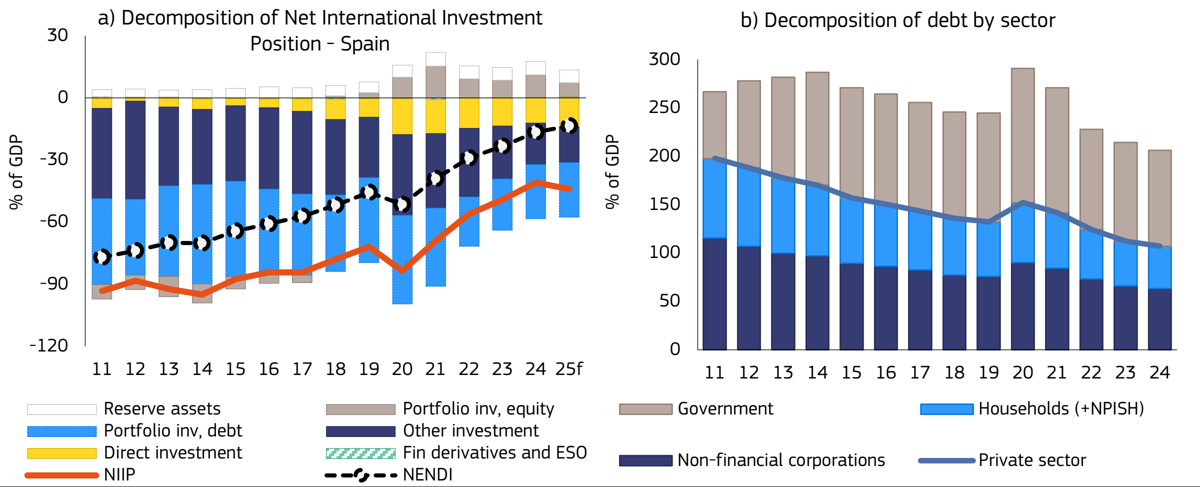
- The **household debt ratio** is moderate at 44% of GDP (58% of GHDI) and has declined by nearly 18 pps. over the last four years thanks to high nominal GDP growth and subdued borrowing. Net credit flows turned positive again in the second half of 2024 and further accelerated in 2025. The household gross saving rate remains firmly above its pre-pandemic level, largely due to a pick-up in financial saving, although non-financial saving has slightly increased as well compared to 2019. The proportion of non-performing loans to households is plateauing at just below 4%, which is still a significant level.

- **House prices** increased by 8.5% in 2024. In the first half of 2025, house prices are showing signs of some acceleration. The price-to-income ratio was 1 pp. below the long-term average, suggesting that house prices are still moderate relative to income. Overvaluation stood at 10%. Building permits were low, at 354 m² per 1000 persons, indicating potential supply constraints ([35]). The recent evolution in house prices has been supported by the decrease in interest rates combined with rising incomes, which led to a 10.3% increase in borrowing capacity in 2024.

- **Government debt** remains high but is decreasing. It fell to 101.6% of GDP in 2024, which is still about 4 pps. above its pre-COVID-19 level. Government debt is forecast to edge down marginally in 2025 and 2026. The government deficit declined very marginally to 3.2% of GDP in 2024 and is forecast to narrow somewhat more visibly this year and the next. Gross financing needs are sizeable. In 2024 and 2025, spreads on Spanish long-term sovereign bonds compared to the highest-rated euro area sovereign debt declined somewhat. Fiscal sustainability risks remain high in the medium term ([36]).

- The **financial sector** remained resilient in 2024. Profitability increased to record highs, despite the ongoing effect of the temporary banking tax introduced in 2023. Banking capitalisation remained stable, yet lower compared to EU peers. The non-performing loans ratio further decreased in 2024, reaching a historical low, though at 2.5% it remains slightly above the EU median. The ratio of Stage 2 loans slightly decreased in 2024 and remains below the EU average. Bank lending remains resilient amid a buoyant economic outlook.

Graph 3.9: **Selected graphs, Spain**



Source: Eurostat and European Commission forecasts and calculations.

([35]) EU last decade average stands at around 450 m² per 1000 persons.

([36]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Table 3.9: **Key economic and financial indicators, Spain**

				average	average			forecast	
	Thresholds	Bench. I	Bench. II	*2017-2019*	*2020-2022*	*2023*	*2024*	*2025*	*2026*
Output and Prices									
Real GDP (1 year % change)				2.4	0.4	2.5	3.5	2.9	2.3
Real GDP per capita (1 year % change)				1.9	-0.1	1.3	2.4	1.7	1.2
GDP deflator (1 year % change)				1.3	2.8	6.2	2.9	2.5	2.1
Harmonised index of consumer prices (1 year % change)				1.5	3.6	3.4	2.9	2.6	2.0
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.1	1.6	4.1	2.8	2.5	2.0
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**2.5**	**1.2**	**1.3**	**2.1**	**2.9**	**2.9**
Current account balance, balance of payments (% of GDP)		-0.1 (1)	1.2 (2)	2.3	0.7	2.7	3.2	2.7	2.7
of which: trade balance (% GDP)				3.1	1.1	3.8	4.2		
of which: income balance (% GDP)				-0.9	-0.5	-1.1	-1.0		
Net international investment position (% of GDP)	**-35%**	-61.4 (3)	-16.8 (4)	**-78.1**	**-69.7**	**-49.3**	**-41.0**	**-36.3**	**-31.0**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-51.6	-39.9	-23.3	-16.6		
Net lending-borrowing (% of GDP)				2.6	1.4	3.9	4.3		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**2.3**	**12.0**	**9.4**	**11.4**	**13.3**	**10.1**
Nominal unit labour cost index per hour worked (1 year % change)				2.1	3.3	5.7	3.5	3.5	2.7
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.2**	**-0.1**	**-0.8**	**-0.7**	**-1.9**	**0.4**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.6	-0.2	0.6	0.6	0.2	0.0
Export performance against advanced economies (3y % change)	**-3%**			**2.2**	**-8.7**	**13.2**	**12.5**	**10.1**	**4.7**
Export performance against advanced economies (1 year % change)				-0.2	-1.4	5.9	1.8	1.3	0.1
Core inflation differential vis-à-vis the euro area (pps.)				0.1	-0.4	-0.8	0.0	0.1	-0.1
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	54.8 (5)	48.7 (6)	**78.4**	**82.4**	**66.0**	**63.4**	**61.9**	**61.5**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			0.7	2.8	-2.9	2.3	3.7	4.9
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	36.7 (5)	44.2 (6)	**58.7**	**56.9**	**46.1**	**43.7**	**42.6**	**42.3**
Household debt, consolidated (% of GHDI)				79.9	72.8	61.9	58.2		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**-0.1**	**0.4**	**-1.9**	**1.3**	**2.9**	**3.6**
House price index, nominal (1 year % change)	**+9%**			**6.0**	**4.4**	**4.0**	**8.5**	**13.0**	**8.0**
House prices over/undervaluation gap (7)				-0.8	4.9	5.8	10.0		
Standardized price-to-income ratio				94.0	99.4	96.9	99.2		
Building permits (m^2 per 1000 inh)				338.5	250.4	299.9	354.1		
Government									
General government gross debt (% of GDP)	**60%**			**99.6**	**114.8**	**105.2**	**101.6**	**100.0**	**98.2**
General government balance (% of GDP)				-2.9	-7.0	-3.3	-3.2	-2.5	-2.1
Banking sector									
Return on equity of banks (%)				7.3	5.5	11.8	13.7		
Tier-1 capital ratio banking sector (% risk-weighted assets)				13.5	14.7	14.7	15.0		
Gross non-performing loans, domestic and foreign entities (% gross loans)				3.7	2.8	2.7	2.5	2.5	
Cost of borrowing for households for house purchase (%)				1.9	1.7	3.8	3.4	2.8	
Cost of borrowing for NFCs (%)				1.8	1.7	4.5	4.7	3.5	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	12.6 (8)		**15.5**	**14.5**	**12.2**	**11.4**	**10.4**	**9.8**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**-0.4**	**-0.5**	**2.3**	**0.9**	**0.7**	**0.3**

Notes: See Annex 1.
Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

FRANCE

Vulnerabilities related to competitiveness continue to recede. Both headline and core inflation remain below the euro area average. The real effective exchange rate has been stable, and ULCs have increased less than the euro area average, supporting competitiveness. Fiscal sustainability risks have aggravated as government debt has increased further due to high government deficits amid low nominal GDP growth. While remaining high, private debt ratios have decreased further.

Real GDP growth stood at 1.2% in 2024 and is forecast to decrease to 0.7% in 2025 before rebounding slightly to 0.9% in 2026. Headline inflation decreased to 2.3% in 2024 and is expected to stand at 1.0% in 2025. Core inflation declined to 2.3% in 2024 and has decreased further in 2025. It is set to stand at 1.7% in 2025, remaining below the euro area average. The unemployment rate stood at 7.4% in 2024 and is expected to increase to 7.6% in 2025.

The scoreboard reading for France shows that four indicators were beyond their indicative thresholds in 2024, namely nominal unit labour costs, household debt, non-financial corporations debt, and government debt. Relevant developments worth highlighting:

- **External sustainability** indicators remain stable, with the current account turning into balance in 2024. The NIIP continued to further increase, reaching -23.0% of GDP in 2024, and is forecast to remain relatively stable.

- **Competitiveness** developments remain stable. Since mid-2024, both headline and core inflation have been below euro area averages. Last year, the REER remained stable, while by mid-2025 and despite the NEER appreciation, it fell, driven by the stronger negative inflation differential with main trading partners. ULC grew by only 2.7% in 2024 (with a 3-year change of 11.4%) due to muted nominal wage growth and to some productivity gains, and ULC is expected to grow by 1.6% in 2025. Over the 3 years up to 2024, France's export market share against advanced economies remained broadly unchanged.

- High levels of **non-financial corporate indebtedness** and a further deterioration in debt service capacity weigh on the financial soundness of the NFC sector. Deleveraging slowed and NFC debt in France remains above the MIP threshold, at 90.7% of GDP. No further deleveraging is expected over the next year or two. Credit growth fell to 1.5% in 2024. The interest coverage ratio is the lowest in the EU and fell further in 2024, hovering slightly above 2, its lowest level since the beginning of the monetary union. While in most EU countries interest expenses peaked in 2024 and have started to decline, they have increased continuously in France from 2022-Q2 until 2024-Q4 weighing on the debt service capacity. Despite a slight increase from 2023, the share of NPLs has remained comparatively low (at 3.8% in 2025-Q2), and the gap between bankruptcy filings and new business registrations has narrowed. Yet, bankruptcy filings remain at historical highs.

- The **household debt ratio** continued to decline and reached 61% of GDP (74% of GHDI) in 2024 on the back of a further slow-down in net credit flows. In-year data suggest credit flows are slowly recovering in 2025, but not yet sufficiently to put a brake on deleveraging. The saving rate remains almost 4 pps. of GHDI above its long-term average, and even more above the rate that could be expected based on the downward trend observed over the 2010s. The increase is mostly reflected in a pickup in financial savings, as investment fell sharply.

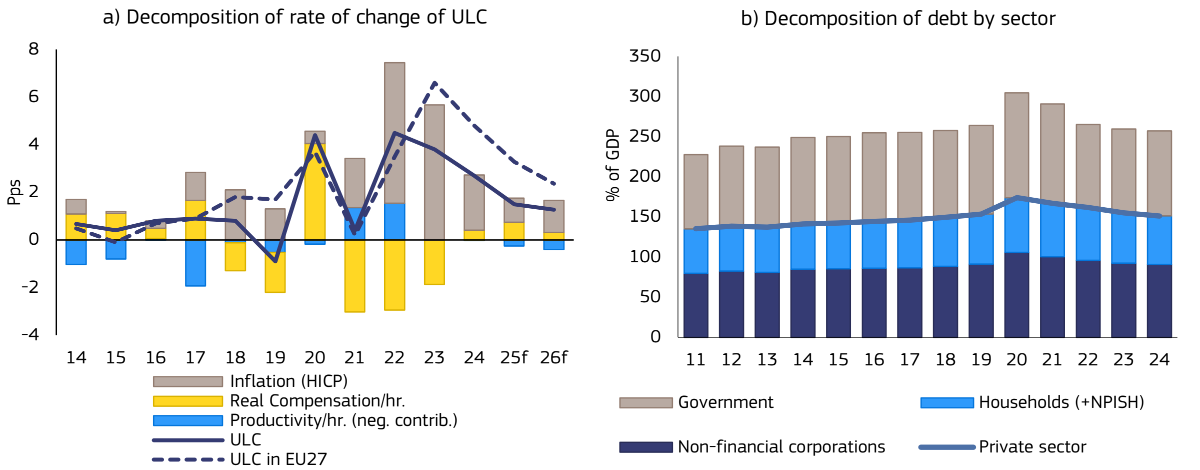
- **House prices** decreased by 3.7% in 2024. In the first half of 2025, house prices were showing signs of stabilisation. The price-to-income ratio was 5 pps. below its long-term average in 2024, but it takes 13.3 years of income to buy a 100m² apartment, while the long-term EU average is

8 years, suggesting house prices are high relative to income. Overvaluation stood at 9%. Building permits were low (371 m² per 1000 persons), indicating potential supply constraints ([37]). In 2024, borrowing capacity rose by only 1.1% as interest rates on loans for house purchases still increased, offsetting the positive impact of rising incomes and declining house prices.

- **Government debt** is high and increasing as a result of large deficits. Government debt edged up to 113.2% of GDP in 2024, some 15 pps. above its pre-COVID-19 level. Moreover, debt is forecast to increase further in 2025 and 2026. The government deficit remains high. It worsened in 2024, to 5.8% of GDP, and is forecast to improve only marginally this year. Gross financing needs are high and not declining, on account of the high debt and deficits. Considerable uncertainty underlies the fiscal outlook for 2026, with risks tilted to the downside, as the parliamentary discussions are ongoing. Spreads on French long-term sovereign bonds compared with the best rated euro area sovereign debt widened in mid and late 2024 before stabilising somewhat in 2025, although they have recently again started to trend up slowly. The rating agency Fitch downgraded French sovereign debt to A+ this September and Standard & Poor's did so in October, whereas Moody's kept the rating but with a negative outlook. An excessive deficit procedure for France has been in place since July 2024. Government guarantees have been among the largest in the EU. Fiscal sustainability risks remain high in the medium term ([38]).

- The **financial sector** continues to be characterised by a relatively low profitability of banks compared to other EU countries. The low profitability is mainly due to slow balance-sheet repricing with fixed-rate mortgages and regulated savings products, delaying banks' ability to profit from higher interest rates. A temporary tax surcharge on large companies weighs on net profits for banks with greater French exposure. French banks' capitalisation is also lower than in the majority of other EU countries. The NPL ratio has been stable and close to the EU average, as have Stage 2 loans. Retail and consumer lending volumes started to recover in late 2024. The banking sector has rather high exposure to the commercial real estate, but risks seem to be contained due to conservative underwriting standards and diversified CRE loan books.

Graph 3.10: **Selected graphs, France**



Source: Eurostat and European Commission forecasts and calculations.

([37]) EU last decade average stands at around 450 m² per 1000 persons.

([38]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Table 3.10: **Key economic and financial indicators, France**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				1.9	0.6	1.4	1.2	0.7	0.9
Real GDP per capita (1 year % change)				1.5	0.1	1.2	0.9	0.4	0.7
GDP deflator (1 year % change)				1.0	2.4	5.0	2.1	1.5	1.7
Harmonised index of consumer prices (1 year % change)				1.5	2.8	5.7	2.3	1.0	1.3
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.7	1.8	4.0	2.3	1.7	1.6
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-0.4**	**-0.7**	**-0.7**	**-0.8**	**-0.2**	**0.4**
Current account balance, balance of payments (% of GDP)		-0.2 (1)	0.8 (2)	-0.2	-1.1	-1.0	0.1	0.2	0.8
of which: trade balance (% GDP)				-0.8	-1.8	-1.4	-0.1		
of which: income balance (% GDP)				0.6	0.7	0.3	0.2		
Net international investment position (% of GDP)	**-35%**	-77.3 (3)	8.2 (4)	**-25.7**	**-31.1**	**-31.9**	**-23.0**	**-26.9**	**-25.5**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-32.3	-34.2	-31.7	-29.9		
Net lending-borrowing (% of GDP)				-0.1	-0.8	-0.8	0.3		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**1.8**	**5.9**	**8.9**	**11.4**	**8.2**	**5.5**
Nominal unit labour cost index per hour worked (1 year % change)				0.3	3.1	3.8	2.7	1.5	1.3
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.1**	**-0.6**	**-1.8**	**-1.1**	**-2.0**	**-2.8**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.6	-1.3	3.5	0.3	-1.7	-0.8
Export performance against advanced economies (3y % change)	**-3%**			**-2.1**	**-6.3**	**2.4**	**0.2**	**8.4**	**5.3**
Export performance against advanced economies (1 year % change)				-0.6	-2.1	2.2	-0.8	1.1	0.9
Core inflation differential vis-à-vis the euro area (pps.)				-0.3	-0.3	-1.0	-0.5	-0.7	-0.6
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	51.2 (5)	65.1 (6)	**88.6**	**100.6**	**92.3**	**90.7**	**92.4**	**93.7**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			5.5	6.5	2.5	1.5	4.9	4.8
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	43.3 (5)	63.1 (6)	**60.9**	**66.8**	**62.5**	**60.5**	**60.0**	**59.8**
Household debt, consolidated (% of GHDI)				77.8	82.0	77.2	73.8		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**5.5**	**5.1**	**1.3**	**0.2**	**1.3**	**2.2**
House price index, nominal (1 year % change)	**+9%**			**3.1**	**5.9**	**-0.4**	**-3.7**	**0.0**	**2.0**
House prices over/undervaluation gap (7)				9.0	18.3	16.6	8.5		
Standardized price-to-income ratio				102.8	109.3	103.2	95.3		
Building permits (m^2 per 1000 inh)				573.6	560.3	437.3	370.5		
Government									
General government gross debt (% of GDP)	**60%**			**98.5**	**113.0**	**109.8**	**113.2**	**116.3**	**118.1**
General government balance (% of GDP)				-2.7	-6.8	-5.4	-5.8	-5.5	-4.9
Banking sector									
Return on equity of banks (%)				6.3	5.8	5.9	6.6		
Tier-1 capital ratio banking sector (% risk-weighted assets)				15.7	17.0	17.3	17.5		
Gross non-performing loans, domestic and foreign entities (% gross loans)				2.8	2.0	1.9	2.0	2.0	
Cost of borrowing for households for house purchase (%)				1.5	1.3	3.0	3.4	3.0	
Cost of borrowing for NFCs (%)				1.5	1.4	4.3	4.6	3.6	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	7.8 (8)		**8.9**	**7.7**	**7.3**	**7.4**	**7.6**	**8.0**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.4**	**0.3**	**1.9**	**1.5**	**1.0**	**1.0**

Notes: See Annex 1.
Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

CROATIA

In Croatia, price pressures and cost competitiveness pressures persist, leading to increased macroeconomic risks. Unit labour costs have continued growing significantly due to wage increases and inflation rates have remained elevated, among the highest in the euro area. While external sustainability has remained sound, cost pressures are weighing on the services sector. House prices have increased noticeably over the past years while bank lending for house purchases has been buoyant.

Real GDP grew by 3.8% in 2024 and is forecast to grow by 3.2% in 2025 and 2.9% in 2026. Headline inflation decreased to 4.0% in 2024, and is set to stand at 4.3% in 2025. While decreasing, core inflation remained high in 2024, at 4.8%, and it is set to stand at 4.1% in 2025. Hence, the core inflation differential against the euro area, which narrowed to 1.9 pps. in 2024, would stand at 1.7 pps. in 2025, mostly driven by services related to tourism. The unemployment rate stood at 5.0% in 2024 and is expected to decrease to 4.7% in 2025.

The scoreboard reading for Croatia shows that three indicators were beyond their indicative thresholds in 2024, namely the real effective exchange rate, nominal unit labour costs, and house prices. Relevant developments worth highlighting:

- **External sustainability** remained sound in 2024, despite the deterioration of the current account balance. The current account balance shifted from 0.1% of GDP in 2023 to a deficit of 2.2% in 2024, due to a reduction in the services balance. The current account deficit is forecast to increase slightly. The NIIP worsened somewhat to -29.6% of GDP in 2024 after years of improvements, but should somewhat strengthen over 2025 and 2026. The NIIP excluding non-defaultable instruments (NENDI) was positive, at 21.4% of GDP in 2024.

- **Competitiveness** concerns persist. Headline and core inflation were 4% and 4.8% respectively in 2024, some of the highest in the EA. They continued to remain high by mid-2025, due to the services and food components. The REER appreciated by 5.4% in the 3 years to 2024 and appreciated by 1.5% year-on-year in 2024, driven by nominal appreciation. It continued to appreciate in the first half of 2025 at around the same pace. In 2024, ULC growth was substantially higher than the euro area average (10.8% vs. 4.5%), with nominal wage increases and productivity losses contributing to the increase. The 3-year cumulated change in ULC stood at 31.8%. The robust pace of ULC growth is expected to continue in 2025, at above 8%, before moderating more visibly in 2026. Croatia recorded an increase of almost 18% in export market share against advanced economies in the 3 years up to 2024, although gains have started to flatten as of late.

- The **non-financial corporate sector** has remained robust with low leverage and a healthy debt service capacity. In 2024, NFC debt-to-GDP decreased slightly to 41.8% while credit growth declined to 5.3%. However, since mid-2024 bank loan flows to NFCs have increased across maturities suggesting a possible pickup in credit growth in 2025. The interest coverage ratio has declined recently but remains among the highest in the EU and debt service capacity stayed solid. Activity and profitability indicators deteriorated somewhat in recent quarters, while the share of NPLs has decreased further (although it remains high compared to other euro area countries) and bankruptcies have grown less strongly than new business registrations.

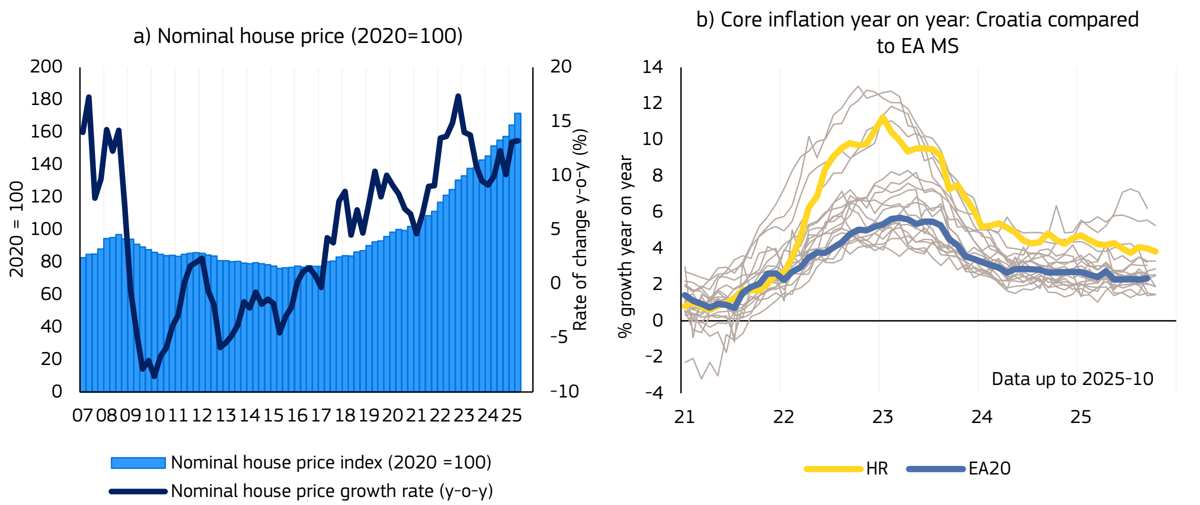
- The **household debt ratio** remained stable at a low level (30% of GDP and 41% of GHDI) in 2024, but credit flows have been growing dynamically since 2020. In 2024, credit flows stood at 3% of GDP and at 11% of the previous year's debt stock. If credit growth remains strong, the debt ratio will start growing again as of 2025. New macroprudential measures have been introduced as of the second part of 2025. They seem to have caused some frontloading of borrowing (also helped by a temporary reduction in the cost of borrowing for new loans) in the first half of the year, with credit growing even faster in 2025-Q2 but decelerating again in 2025-Q3. Households' gross saving rate is at par with its pre-pandemic level and in line with its long-term average. NPLs to households have continued to decrease but remain at a significant proportion (more than 3%) of all bank loans to households.

- **House prices** increased by 10.4% in 2024. In the first half of 2025 house prices continued to grow at a fast pace. The price-to-income ratio was 8 pps. below the long-term average, but it takes 16.0 years of income to buy a 100m² apartment, while the long-term EU average is 8 years, suggesting house prices are high relative to income. Overvaluation stood at 14%. Building permits remain at an adequate level (569 m² per 1000 persons), indicating adequate housing supply ([39]). The recent evolution in house prices was driven by the increase of 16.5% in borrowing capacity due to the rise in incomes which offset the increase in interest rates.

- **Government debt** is limited and is declining further. The government debt fell to 57.4% of GDP in 2024, which is some 14 pps. below its pre-COVID-19 level. Debt is forecast to continue decreasing in 2025. The fiscal deficit worsened to 1.9% of GDP in 2024, and it is expected to widen somewhat further this year and to stabilise next, but to remain below 3% of GDP. Gross financing needs are expected to increase somewhat this year and beyond, and to surpass the euro area average, amid an average debt maturity of just over five years, which is among the lowest in the euro area. Fiscal sustainability risks remain medium in the medium term ([40]).

- The **financial sector** remains stable. The non-performing loans ratio keeps declining but remains above the EU median. Bank profitability further remained high in 2024, above the EU median. The Tier 1 capital ratio stays one of the highest in the EU despite a recent decline. Loan growth remains strong. The financial sector's exposure to domestic sovereign debt while declining remains one of the highest in the euro area.

Graph 3.11: **Selected graphs, Croatia**



Source: Eurostat, ECB and European Commission forecasts and calculations.

([39]) EU last decade average stands at around 450 m² per 1000 persons.

([40]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Table 3.11: **Key economic and financial indicators, Croatia**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				3.1	3.5	3.8	3.8	3.2	2.9
Real GDP per capita (1 year % change)				4.4	4.3	3.7	3.5	3.0	2.9
GDP deflator (1 year % change)				1.7	3.6	12.9	4.5	4.6	3.6
Harmonised index of consumer prices (1 year % change)				1.2	4.4	8.4	4.0	4.3	2.8
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.9	3.1	8.8	4.8	4.1	2.7
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**2.3**	**-0.4**	**-1.0**	**-1.9**	**-1.7**	**-2.8**
Current account balance, balance of payments (% of GDP)		-1.3 (1)	-2.6 (2)	2.1	-1.7	0.1	-2.2	-3.0	-3.2
of which: trade balance (% GDP)				-0.2	-5.4	-2.1	-4.6		
of which: income balance (% GDP)				2.4	3.6	2.2	2.4		
Net international investment position (% of GDP)	**-35%**	-57.4 (3)	-26.8 (4)	**-60.0**	**-42.5**	**-26.8**	**-29.6**	**-28.7**	**-26.7**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-9.8	9.3	20.1	21.4		
Net lending-borrowing (% of GDP)				3.4	0.6	2.9	-0.8		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**1.6**	**9.5**	**13.8**	**31.8**	**34.2**	**25.7**
Nominal unit labour cost index per hour worked (1 year % change)				1.5	3.6	11.6	10.8	8.5	4.5
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**2.0**	**-0.5**	**4.3**	**5.4**	**4.8**	**3.7**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.6	-0.2	4.5	1.5	1.6	0.5
Export performance against advanced economies (3y % change)	**-3%**			**11.9**	**-0.2**	**36.7**	**17.5**	**9.5**	**6.2**
Export performance against advanced economies (1 year % change)				3.0	3.0	5.5	1.0	1.5	0.6
Core inflation differential vis-à-vis the euro area (pps.)				-0.1	1.1	3.9	1.9	1.7	0.5
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	71.3 (5)	40.4 (6)	**58.6**	**53.0**	**42.2**	**41.8**	**41.1**	**40.9**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			-2.9	2.9	6.0	5.3	8.2	7.9
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	47.8 (5)	18.8 (6)	**34.8**	**35.1**	**29.6**	**30.2**	**31.9**	**34.0**
Household debt, consolidated (% of GHDI)				48.7	46.2	42.1	41.4		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**5.9**	**4.0**	**9.5**	**10.9**	**14.2**	**13.5**
House price index, nominal (1 year % change)	**+9%**			**6.3**	**9.9**	**11.9**	**10.4**	**13.0**	**8.0**
House prices over/undervaluation gap (7)				-7.2	2.9	10.4	13.6		
Standardized price-to-income ratio				89.5	93.3	92.9	91.6		
Building permits (m^2 per 1000 inh)				342.7	438.6	544.4	568.6		
Government									
General government gross debt (% of GDP)	**60%**			**73.3**	**77.7**	**60.9**	**57.4**	**56.2**	**56.1**
General government balance (% of GDP)				0.2	-3.2	-0.8	-1.9	-2.8	-2.9
Banking sector									
Return on equity of banks (%)				7.9	7.3	15.7	15.0		
Tier-1 capital ratio banking sector (% risk-weighted assets)				20.7	23.0	21.7	20.5		
Gross non-performing loans, domestic and foreign entities (% gross loans)				7.1	4.2	2.5	2.3	2.4	
Cost of borrowing for households for house purchase (%)				3.5	2.8	3.2	3.7	3.0	
Cost of borrowing for NFCs (%)				2.7	2.1	4.6	4.9	3.7	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	6.2 (8)		**8.7**	**7.2**	**6.1**	**5.0**	**4.7**	**4.5**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.1**	**2.5**	**2.9**	**2.9**	**3.0**	**3.9**

Notes: See Annex 1.
Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

ITALY

In Italy, concerns about high government debt remain alongside weak productivity growth. Despite narrowing markedly in 2024, the government deficit, together with the impact of the debt-increasing interest-growth-rate differentials and stock-flow adjustment, continues to contribute to further increases in the government debt ratio. Domestic banks continue to hold a significant share of government debt, which increases the risk of feedback loops. At the same time, muted inflation developments and ULC increases that are in line with the euro area average have contributed to strengthening external sustainability.

Real GDP growth declined slightly to 0.7% in 2024 and is forecast to decrease mildly to 0.4% in 2025 before reaching 0.8% in 2026. Headline inflation decreased to 1.1% in 2024. It rebounded slightly and is set to reach 1.7% in 2025. Core inflation decreased to 2.2% in 2024 and has remained stable, with the forecast for 2025 standing at 2.0%, below the euro area average. The unemployment rate stood at 6.5% in 2024 and is expected to decrease to 6.2% in 2025.

The scoreboard reading for Italy shows that one indicator was beyond its indicative threshold in 2024, namely government debt. Relevant developments worth highlighting:

- **External sustainability** indicators continue to strengthen, with a current account surplus of 1.1% of GDP in 2024, up from 0.2% in 2023. The current account surplus is forecast to remain stable in 2025. The NIIP also increased from 8.9% of GDP in 2023 to 14.9% in 2024, and is forecast to remain stable.

- **Competitiveness** developments remain subdued. Last year, inflation was among the lowest in the EU. The REER depreciated, pushed by the negative inflation differential and despite the strong NEER gain, but appreciated by mid-2025 following the euro strengthening since April. For 2024, ULC growth evolved broadly in line with the EA and is expected to follow closely in 2025 as well, with productivity per hour worked evolving negatively since 2023, and adding to ULC growth. The 3-year change in export market share against advanced economies was slightly negative (-0.8%) in 2024, marked by a drop within the year.

- The **non-financial corporate sector** is characterised by low leverage and a solid debt service capacity. In 2024, NFC debt decreased slightly to 56% of GDP and is expected to remain broadly stable over the coming years. Credit growth stayed in negative territory at -1.6%, but bank loan flows to NFCs show a clear upward trend pointing to a recovery in credit growth. The interest coverage ratio fell in 2024 but is still comparatively high and has started to increase again in recent quarters. The profit share continued to fall as did unit profit growth, and activity indicators such as gross value-added growth or the change in accounts receivable turnover remained muted.

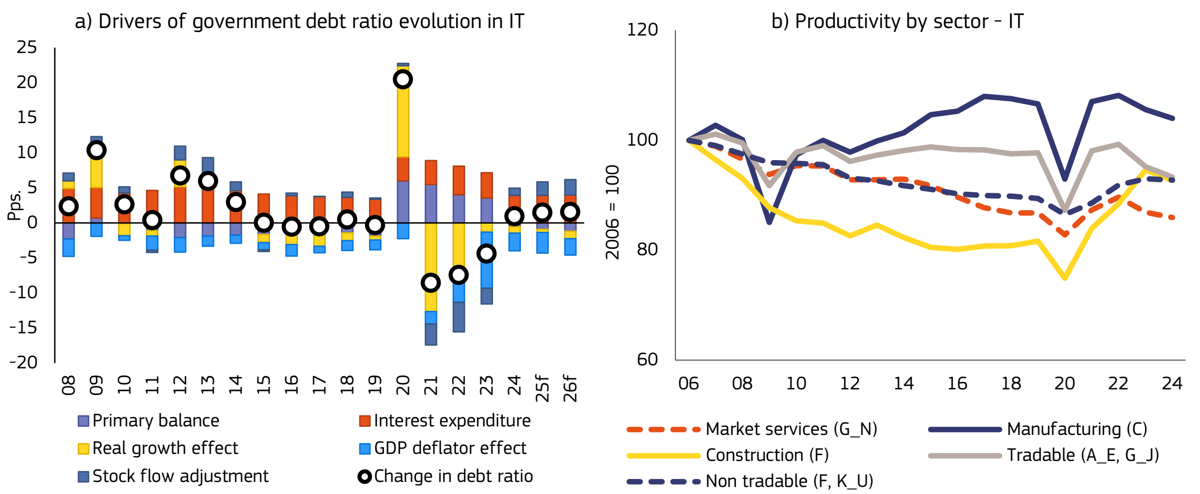
- The **household debt ratio** continued to decline in 2024 to a moderate 36% of GDP (48% of GHDI), as borrowing remained subdued. In-year data suggest a recovery of net credit flows in 2025 and 2026, with the debt-to-GDP ratio remaining broadly stable. The saving rate remains around 2 pps. of GHDI above its pre-pandemic level. This is reflected in investment in gross (and net) fixed capital formation, which was also boosted by government support (in the form of net capital transfers) through the superbonus programme over recent years. Financial savings have in contrast shrunk significantly in 2024.

- **House prices** rose by 3.2% in 2024 and continued to grow moderately into 2025. The price-to-income ratio was 15 pps. below the long-term average, suggesting house prices are moderate relative to income. House prices are estimated to be undervalued by 7%. However, building permits were critically low (81 m^2 per 1000 persons), indicating low supply ([41]). The recent evolution in average house prices has been supported by the decrease in interest rates combined with rising incomes that led to a 11.5% increase in borrowing capacity in 2024.

- **Government debt** is high and increasing. Government debt edged up to 134.9% of GDP in 2024, which is around its pre-COVID-19 level. The government deficit declined markedly to 3.4% of GDP in 2024 and it is expected to decline this year and next. Debt is forecast to increase further in 2025 and 2026, reflecting also debt-increasing stock-flow adjustments owed to the lagged impact on cash borrowing of the housing renovation tax credits in previous years – the superbonus programme – on top of the deficits and against a backdrop of low GDP growth. Gross financing needs are the highest in the euro area and not declining much. Spreads on Italian long-term sovereign bonds compared with the best rated euro area sovereign debt have narrowed further in 2025. Besides, some of the major credit rating agencies improved their ratings of Italy's sovereign debt in 2025. Government guarantees have been among the largest in the EU. An excessive deficit procedure for Italy is in place since July 2024. The fiscal sustainability risks remain high in the medium term ([42]).

- **Financial sector** vulnerabilities remain despite substantial improvements over recent years. The Tier 1 capital ratio remained broadly stable, although below the EU median. Bank profitability remained strong in 2024 and was close to the EU median. The non-performing loans ratio stagnated in 2024 and at 2.7% remained above the EU median. Bank lending volumes remained muted in 2024, with some signs of recovery for the household segment amid decreasing borrowing cost. Strong exposure to the domestic sovereign, which is one of the most indebted in the EU, remains a risk for banks in Italy.

Graph 3.12: **Selected graphs, Italy**



Source: Eurostat and European Commission forecasts and calculations.

([41]) EU last decade average stands at around 450 m^2 per 1000 persons.

([42]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Table 3.12: **Key economic and financial indicators, Italy**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				0.9	1.3	1.0	0.7	0.4	0.8
Real GDP per capita (1 year % change)				1.2	1.7	1.0	0.7	0.5	0.9
GDP deflator (1 year % change)				0.9	2.1	6.2	2.0	2.2	1.8
Harmonised index of consumer prices (1 year % change)				1.0	3.4	5.9	1.1	1.7	1.3
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.6	1.5	4.5	2.2	2.0	2.0
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**2.4**	**2.5**	**0.1**	**-0.2**	**0.8**	**1.0**
Current account balance, balance of payments (% of GDP)		1.4 (1)	1.2 (2)	2.7	1.3	0.2	1.1	1.0	0.9
of which: trade balance (% GDP)				2.8	1.2	1.6	2.3		
of which: income balance (% GDP)				-0.1	0.1	-1.4	-1.2		
Net international investment position (% of GDP)	**-35%**	-71.7 (3)	22.3 (4)	**-6.1**	**4.4**	**8.9**	**14.9**	**11.2**	**12.3**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-5.9	2.0	6.7	13.5		
Net lending-borrowing (% of GDP)				2.7	1.5	1.0	1.1		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**1.6**	**3.8**	**4.2**	**8.5**	**11.6**	**10.7**
Nominal unit labour cost index per hour worked (1 year % change)				1.0	0.9	3.3	4.3	3.6	2.4
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**0.3**	**-1.0**	**0.7**	**0.0**	**-2.7**	**-3.5**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.1	-0.6	3.4	-1.2	-0.9	-0.9
Export performance against advanced economies (3y % change)	**-3%**			**-1.0**	**-4.3**	**2.7**	**-0.8**	**4.3**	**0.8**
Export performance against advanced economies (1 year % change)				-0.6	-1.4	4.2	-2.3	0.9	0.4
Core inflation differential vis-à-vis the euro area (pps.)				-0.4	-0.5	-0.4	-0.6	-0.4	-0.2
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	62.4 (5)	31.3 (6)	**65.6**	**67.2**	**57.9**	**56.0**	**55.6**	**56.0**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			-0.1	3.1	-1.4	-1.6	2.2	3.6
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	36.3 (5)	29.9 (6)	**40.9**	**42.3**	**36.9**	**36.0**	**35.9**	**35.9**
Household debt, consolidated (% of GHDI)				52.6	53.5	49.1	47.8		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**2.5**	**2.7**	**-0.6**	**0.6**	**2.2**	**2.7**
House price index, nominal (1 year % change)	**+9%**			**-0.6**	**2.7**	**1.3**	**3.2**	**4.0**	**3.0**
House prices over/undervaluation gap (7)				-6.2	-5.0	-6.9	-6.6		
Standardized price-to-income ratio				92.0	90.8	85.2	85.3		
Building permits (m^2 per 1000 inh)				79.6	83.3	79.7	81.4		
Government									
General government gross debt (% of GDP)	**60%**			**133.9**	**146.2**	**133.9**	**134.9**	**136.4**	**137.9**
General government balance (% of GDP)				-2.1	-8.8	-7.2	-3.4	-3.0	-2.8
Banking sector									
Return on equity of banks (%)				5.9	5.3	12.7	13.2		
Tier-1 capital ratio banking sector (% risk-weighted assets)				14.4	16.7	16.9	17.2		
Gross non-performing loans, domestic and foreign entities (% gross loans)				8.8	3.6	2.7	2.7	2.7	
Cost of borrowing for households for house purchase (%)				1.9	1.7	4.2	3.8	3.2	
Cost of borrowing for NFCs (%)				1.8	1.6	4.9	5.2	3.8	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	7.8 (8)		**10.6**	**9.0**	**7.7**	**6.5**	**6.2**	**6.1**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**1.5**	**-1.0**	**3.2**	**2.1**	**1.8**	**1.1**

Notes: See Annex 1.
Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

CYPRUS

While remaining high, private debt ratios continue to decrease, driven by debt repayment and nominal GDP growth. Government debt has also been decreasing due to sustained budget surpluses. In the financial sector, NPL ratios continue to fall. However, the external deficit remains very substantial, standing at 8.2% of GDP in 2024, driven primarily by the repatriation of profits by foreign-owned companies, as well as high domestic demand.

Real GDP grew by 3.9% in 2024 and is forecast to grow by 3.4% in 2025 and 2.6% in 2026. Headline inflation decreased to 2.3% in 2024 and has decreased further in 2025, with the annual forecast standing at 0.9%. Core inflation also eased, to 2.6% in 2024, and is set to stand at 2.0% in 2025, below the euro area average. The unemployment rate stood at 4.9% in 2024 and is expected to decrease to 4.7% in 2025.

The scoreboard reading for Cyprus shows that six indicators were beyond their indicative thresholds in 2024, namely the current account deficit, the net international investment position, unit labour costs, household debt, non-financial corporations debt, and government debt. Relevant developments worth highlighting:

- **External sustainability** concerns remain. The current account deficit narrowed to 8.2% of GDP in 2024 from 9.7% in 2023. It is one of the highest deficits in the EU, and far in excess of the deficits recorded before the pandemic as well as the level suggested by fundamentals. Non-energy goods and primary income balances were the key contributors, mainly reflecting the repatriation of profits, and strong domestic demand. The current account deficit is expected to narrow somewhat but remain elevated. The NIIP improved, reaching -84.1% of GDP in 2024, on the back of strong GDP growth and valuation effects. It is forecast to further increase. The NIIP largely reflects the activities of special purpose entities (SPEs). The NIIP excluding SPEs was estimated at around -33% in 2024.

- **Competitiveness** indicators remain stable. In 2024 both headline and core inflation were below the EA values, and headline inflation continued to fall in 2025 with negative contributions from energy and non-energy industrial goods components. The REER remained flat over 2024 despite NEER gains. Last year ULC growth was 1.6% (3-year change of 13.7%) and is forecast to reach 1.8% in 2025 as nominal wage growth remains moderate and productivity gains strong, due to a growing export-oriented ICT sector. The 2024 3-year change in export market share is positive, in double digits territory.

- The **non-financial corporate debt-to-GDP** ratio has continued falling but remains elevated. NFC debt decreased to 116% of GDP in 2024, its lowest level in two decades, but is still the third highest in the EU and above the MIP threshold of 85%. Close to one-third of corporate debt is FDI debt with a high share of non-financial special purpose entities. Credit growth was muted at 0.6% in 2024. Bank loan flows increased again in recent quarters and with an expected recovery in borrowing, deleveraging is expected to slow. While the share of NPLs remains among the highest in the EU, it has continued to decrease.

- The **household debt** ratio continued falling strongly in 2024, to 57% of GDP (81% of GHDI), more than 30 pps. less than four years ago. Deleveraging was underpinned by strong real GDP growth and still elevated inflation, while net credit flows contracted further. Credit flows are expected to start recovering gradually as of 2025 and to slow down debt deleveraging. At 6% in

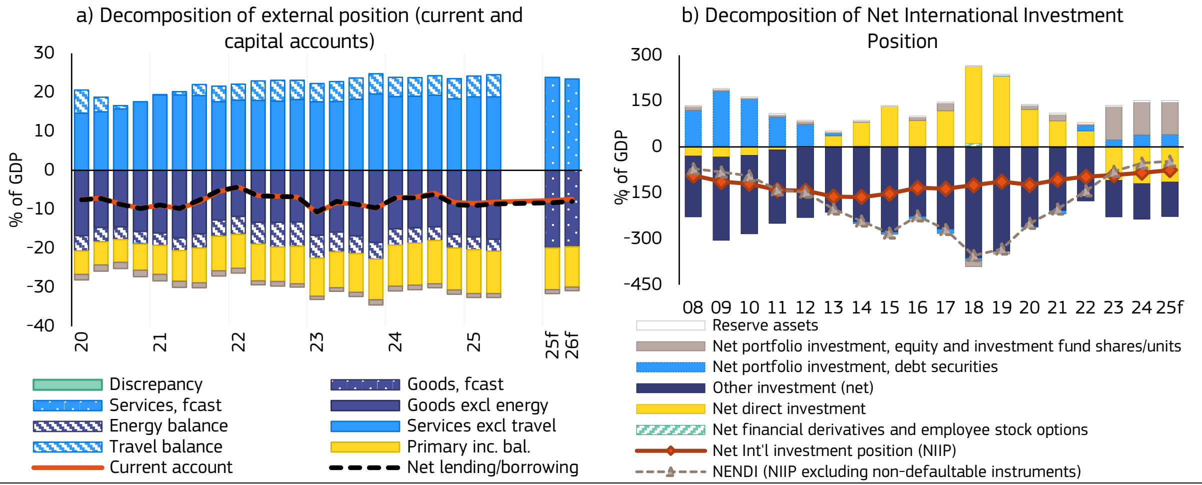
2024 ([43]), the household saving rate stands around its pre-pandemic level. It is expected to increase going forward on the back of solid disposable income growth. Non-performing loans to households in Cyprus still make up a considerable proportion (8%) of overall bank loans to households, the highest proportion among EU countries, but it continues to decrease.

- **House prices** increased by 2.1% in 2024 and remained stable in the first half of 2025. The price-to-income ratio was 25 pps. below the long-term average suggesting house prices are moderate relative to income. Building permits were abundant (1953 m² per 1000 persons), indicating no supply constraints ([44]). The recent evolution in house prices has been supported by rising incomes that led to an 8.7% increase in borrowing capacity in 2024.

- **Government debt** is moderate and has continued to decrease. It fell further to 62.8% of GDP in 2024, which is some 30 pps. below its pre-COVID-19 level. Government debt is forecast to decrease visibly again in 2025 and 2026, likely falling below 60% of GDP this year. Significant budgetary surpluses have been recorded since 2022 – 4.1% of GDP in 2024 alone – which are expected to continue, even if likely more limited, thereby helping the debt reduction. Fiscal sustainability risks remain medium in the medium term ([45]).

- The **financial sector** situation has improved over recent years, but some concerns persist. The Cypriot banking sector performed positively in 2024. Banking profitability hit record highs, and stands well above the EU median, as does the banking sector's capitalisation. Non-performing bank loans further declined to 3.1%, still above the EU median. NPLs have largely migrated to the non-bank financial sector. In addition, the Credit Acquiring Companies are in large part foreign owned, which limits the impact of these NPLs on the domestic financial sector. Credit provision remained muted in 2024, due to tight financial conditions and macroprudential tightening aimed to reinforce financial buffers. High exposure to commercial real estate represents a source of risk, related to potential valuation changes, though there are no sign of stress in the Cypriot commercial real estate market.

Graph 3.13: **Selected graphs, Cyprus**



Source: Eurostat and European Commission forecasts and calculations.

([43]) The benchmark revision implied a considerable upward revision of households' gross saving rate.

([44]) EU last decade average stands at around 450 m² per 1000 persons.

([45]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Table 3.13: **Key economic and financial indicators, Cyprus**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				6.0	5.3	3.6	3.9	3.4	2.6
Real GDP per capita (1 year % change)				4.8	3.7	1.6	2.3	2.0	1.4
GDP deflator (1 year % change)				1.1	2.8	5.6	3.1	1.6	1.7
Harmonised index of consumer prices (1 year % change)				0.7	3.0	3.9	2.3	0.9	1.5
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.5	1.8	3.8	2.6	2.0	2.1
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-4.1**	**-6.9**	**-7.4**	**-8.3**	**-8.6**	**-7.8**
Current account balance, balance of payments (% of GDP)		-2.2 (1)	0.1 (2)	-4.8	-7.4	-9.7	-8.2	-7.8	-7.4
of which: trade balance (% GDP)				0.7	2.3	2.0	3.6		
of which: income balance (% GDP)				-5.5	-9.6	-11.8	-11.8		
Net international investment position (% of GDP)	**-35%**	-66.7 (3)	-44.3 (4)	**-124.9**	**-109.6**	**-92.4**	**-84.1**	**-77.8**	**-77.5**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-319.6	-198.7	-80.1	-52.9		
Net lending-borrowing (% of GDP)				-4.5	-7.3	-9.7	-8.8		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**0.3**	**5.2**	**7.5**	**13.7**	**12.3**	**5.4**
Nominal unit labour cost index per hour worked (1 year % change)				2.3	0.9	8.6	1.6	1.8	1.9
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**-1.5**	**-1.9**	**0.3**	**1.0**	**-3.5**	**-2.5**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				-0.1	-1.0	3.7	0.4	-1.6	-0.5
Export performance against advanced economies (3y % change)	**-3%**			**14.3**	**29.6**	**20.7**	**15.0**	**12.8**	**16.6**
Export performance against advanced economies (1 year % change)				4.5	10.2	2.8	5.3	4.6	2.8
Core inflation differential vis-à-vis the euro area (pps.)				-0.6	-0.2	-1.1	-0.2	-0.4	0.0
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	62.1 (5)	124.8 (6)	**191.3**	**161.9**	**124.5**	**116.0**	**111.4**	**109.4**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			3.2	-0.1	0.1	0.6	1.4	3.6
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	36.7 (5)	89.1 (6)	**96.4**	**79.3**	**62.3**	**57.4**	**55.9**	**55.2**
Household debt, consolidated (% of GHDI)				128.7	103.1	88.9	80.9		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**1.3**	**1.8**	**0.9**	**2.1**	**2.4**	**3.1**
House price index, nominal (1 year % change)	**+9%**			**2.6**	**-0.3**	**2.9**	**2.1**	**2.0**	**1.9**
House prices over/undervaluation gap (7)				-2.5	-11.2	-16.1	-18.6		
Standardized price-to-income ratio				95.8	84.2	78.2	74.8		
Building permits (m^2 per 1000 inh)				1690.4	2058.8	2088.3	1952.5		
Government									
General government gross debt (% of GDP)	**60%**			**96.5**	**96.8**	**71.1**	**62.8**	**56.4**	**51.0**
General government balance (% of GDP)				-0.1	-1.5	1.7	4.1	3.3	3.0
Banking sector									
Return on equity of banks (%)				-0.4	0.8	21.8	18.3		
Tier-1 capital ratio banking sector (% risk-weighted assets)				16.8	19.4	23.4	25.9		
Gross non-performing loans, domestic and foreign entities (% gross loans)				23.0	7.0	3.7	3.1	3.1	
Cost of borrowing for households for house purchase (%)				2.4	2.3	4.2	4.5	3.5	
Cost of borrowing for NFCs (%)				3.6	3.2	5.5	5.4	4.2	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	6.7 (8)		**8.9**	**7.0**	**5.8**	**4.9**	**4.7**	**4.5**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**1.5**	**2.6**	**3.1**	**1.8**	**0.1**	**-0.9**

Notes: See Annex 1.
Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

LATVIA

Cost competitiveness is deteriorating amid stagnant economic activity, leading to increased macroeconomic risks. Despite a slow-down, wage growth remains high and unit labour costs are expected to continue growing faster than the euro area average in 2025. The current account deficit narrowed in 2024 against the backdrop of stagnating economic activity, but export performance continued to worsen.

Real GDP stagnated in 2024. It is forecast to rebound in 2025, growing by 1.0%, before accelerating to a 1.7% growth in 2026. Headline inflation decreased to 1.3% in 2024, but it rebounded and is set to reach 3.6% in 2025. While decreasing, core inflation reached 3.7% in 2024 and is set to stand at 3.4% in 2025 (above the euro area average). The unemployment rate stood at 6.9% in 2024 and is set to stand at 6.8% in 2025.

The scoreboard reading for Latvia shows that two indicators were beyond their indicative thresholds in 2024, namely the real effective exchange rate and nominal unit labour cost. Relevant developments worth highlighting:

- The **external sector** improved somewhat. The current account deficit narrowed from 3.8% of GDP in 2023 to 1.6% in 2024, as the economy stagnated. The deficit is forecast to widen noticeably in 2025. The net international investment position increased to around -20% of GDP in 2024 and is mostly composed of direct investment. The net position excluding non-defaultable instruments, the NENDI, was positive in 2024.

- **Competitiveness** concerns persist, driven by wage increases. In 2024, annual average headline inflation was below the euro area value, although core inflation was above. In 2024, the 3-year change in the REER was almost 10%, mostly due to high inflation in 2022 and 2023, but year-on-year it depreciated by 1% despite some nominal appreciation. It remained broadly flat in the first half of 2025. Robust nominal wage increases and stagnating productivity pushed ULC to increase by close to 9% in 2024 (cumulating to over 32% over the last 3 years), which is expected to moderate to around 5% in 2025. The 3-year change in export market share against advanced economies was negative in 2023 and 2024.

- Low indebtedness, a solid debt service capacity and a low share of NPLs underpin the robustness of the **non-financial corporate sector**. NFC debt stood at 36% of GDP in 2024, and it is expected to increase slightly in the coming years. Credit growth increased to 5.7% in 2024. The share of NPLs fell further and remains one of the lowest in the EU. Profitability and activity indicators have been weak. Real investment growth turned negative in 2024 and was among the lowest in the EU. However, as financial conditions improved, investments have surged in the first half of 2025 with real investment growth reaching 8.5% in 2025-Q2.

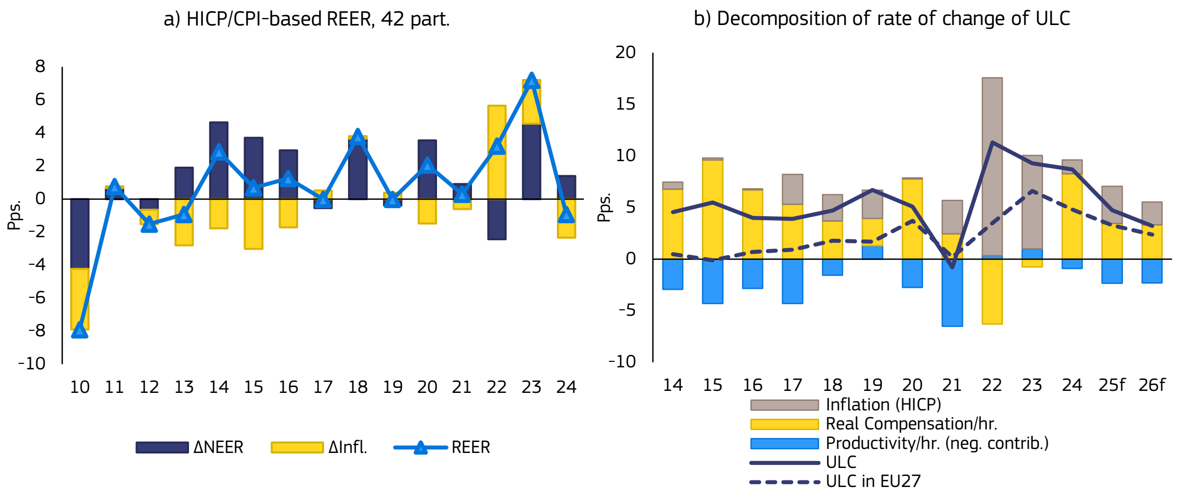
- The **household debt** ratio increased slightly to 19% of GDP (27% of GHDI) in 2024 and remains low. Credit growth is dynamic, at 8% of last year's stock, and if continued, the debt ratio is set to continue increasing over the coming years. In spite of a low debt stock, households' net interest payments increased to more than 3.6% of GHDI in 2024. The cost of borrowing on outstanding loans peaked at around 6% in 2023 and remains high at more than 4% in 2025-Q3. Households' gross saving rate took a strong hit in 2022 and 2023 as real incomes contracted on the back of high inflation, but is gradually recovering as consumption remains flat while disposable income is recovering. Savings are mainly invested in physical capital, but financial saving turned positive in 2024 after two years of negative values.

- **House prices** increased by 4.2% in 2024 and have continued to grow at a slightly faster pace into 2025. The price-to-income ratio was 13 pps. below the long-term average suggesting house prices are moderate relative to income. Overvaluation stood at 10%. Building permits were low (375 m^2 per 1000 persons), indicating potential supply constraints ([46]). The recent evolution in house prices has been supported by the decrease in interest rates, combined with rising incomes that led to a 13.2% increase in borrowing capacity in 2024.

- **Government debt** remains limited although it has increased recently. It came to 46.6% of GDP in 2024. Debt is forecast to increase further in 2025 and 2026. The government deficit declined to 1.8% of GDP in 2024 but is expected to worsen to 3.1% of GDP this year and even more next year. The fiscal sustainability risks have worsened and are now borderline between low and medium in the short term, and medium in the medium term, having previously been assessed as low in both the short and medium terms ([47]).

- **Financial sector** resilience reflects the sound and well capitalised banking sector with strong digital adoption. The Tier 1 capital ratio declined in 2024 but remains one of the highest in the EU. Profitability remained strong in 2024 and is well above the EU median. The non-performing loans ratio remained stable and is below the EU median. Stage 2 loans slightly increased in 2024. Credit dynamics were boosted by the reduction in capital requirements for commercial real estate loans. The significant exposure of lenders to real estate represents a potential risk.

Graph 3.14: **Selected graphs, Latvia**



Source: Eurostat and European Commission forecasts and calculations.

([46]) EU last decade average stands at around 450 m^2 per 1000 persons.

([47]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Table 3.14: **Key economic and financial indicators, Latvia**

				average	average			forecast	
	Thresholds	Bench. I	Bench. II	*2017-2019*	*2020-2022*	*2023*	*2024*	*2025*	*2026*
Output and Prices									
Real GDP (1 year % change)				2.8	1.7	-0.9	0.0	1.0	1.7
Real GDP per capita (1 year % change)				3.6	2.2	-0.7	0.8	2.2	2.8
GDP deflator (1 year % change)				3.6	5.1	10.7	2.1	4.8	3.6
Harmonised index of consumer prices (1 year % change)				2.7	6.6	9.1	1.3	3.6	2.2
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.9	3.4	8.4	3.7	3.4	2.7
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**0.8**	**-0.6**	**-4.5**	**-3.6**	**-3.2**	**-3.0**
Current account balance, balance of payments (% of GDP)		-1.5 (1)	-1.9 (2)	0.3	-2.2	-3.8	-1.6	-4.1	-3.3
of which: trade balance (% GDP)				-0.4	-2.2	-3.7	-1.6		
of which: income balance (% GDP)				0.7	0.0	-0.2	0.0		
Net international investment position (% of GDP)	**-35%**	-50.3 (3)	-24.3 (4)	**-47.1**	**-30.4**	**-25.5**	**-19.7**	**-22.5**	**-23.1**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				1.4	18.1	20.4	27.4		
Net lending-borrowing (% of GDP)				1.8	-0.9	-1.9	-0.3		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**14.4**	**14.9**	**20.7**	**32.2**	**24.4**	**17.5**
Nominal unit labour cost index per hour worked (1 year % change)				5.1	5.2	9.3	8.7	4.7	3.2
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**3.6**	**4.6**	**11.0**	**9.6**	**1.9**	**-0.7**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				1.3	1.9	7.2	-0.9	0.6	0.0
Export performance against advanced economies (3y % change)	**-3%**			**4.5**	**13.3**	**-1.9**	**-2.9**	**-3.5**	**2.8**
Export performance against advanced economies (1 year % change)				1.7	4.9	-4.8	-1.4	2.9	1.6
Core inflation differential vis-à-vis the euro area (pps.)				0.9	1.4	3.5	0.9	1.0	0.6
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	80.5 (5)	68.7 (6)	**50.6**	**40.8**	**35.3**	**36.0**	**36.6**	**37.2**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			1.8	0.6	1.4	5.7	9.6	9.0
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	55.3 (5)	19.8 (6)	**21.8**	**20.1**	**18.2**	**19.4**	**19.9**	**20.6**
Household debt, consolidated (% of GHDI)				31.3	28.3	27.0	27.3		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**2.0**	**5.0**	**4.3**	**8.3**	**8.9**	**9.1**
House price index, nominal (1 year % change)	**+9%**			**9.1**	**9.3**	**3.7**	**4.2**	**3.0**	**3.0**
House prices over/undervaluation gap (7)				-5.2	6.4	12.4	10.3		
Standardized price-to-income ratio				86.2	90.0	90.4	87.0		
Building permits (m^2 per 1000 inh)				294.2	370.3	372.0	375.4		
Government									
General government gross debt (% of GDP)	**60%**			**38.8**	**44.8**	**44.4**	**46.6**	**48.3**	**49.9**
General government balance (% of GDP)				-0.6	-5.4	-2.4	-1.8	-3.1	-3.5
Banking sector									
Return on equity of banks (%)				8.8	6.6	20.3	17.6		
Tier-1 capital ratio banking sector (% risk-weighted assets)				20.2	26.2	20.6	21.9		
Gross non-performing loans, domestic and foreign entities (% gross loans)				4.9	2.7	1.3	1.3	1.3	
Cost of borrowing for households for house purchase (%)				2.7	2.7	5.5	5.4	4.2	
Cost of borrowing for NFCs (%)				3.0	3.2	5.9	6.4	5.0	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	6.7 (8)		**7.5**	**7.5**	**6.5**	**6.9**	**6.8**	**6.6**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**1.8**	**-0.4**	**-1.4**	**0.9**	**-0.4**	**-0.3**

Notes: See Annex 1.
Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

LITHUANIA

Cost pressures remain but have been moderating and external sustainability indicators are favourable. Headline and core inflation have decreased markedly but core inflation is expected to remain above the euro area average in 2025 and 2026. While decelerating, unit labour costs have continued to grow significantly, adding to previous years of strong increases. House prices increased strongly in 2024 and are set to slightly moderate in 2025.

Real GDP growth rebounded to 3.0% in 2024 and is forecast to decrease slightly to 2.4% in 2025 before increasing to 3.0% in 2026. Headline inflation decreased strongly, to 0.9% in 2024, and rebounded in 2025, with the annual forecast standing at 3.4%. Core inflation also decreased significantly, reaching 3.2% in 2024. It has remained broadly stable and is set to stand at 3.1% in 2025 with the core inflation differential against the euro area increasing slightly. The unemployment rate stood at 7.1% in 2024 and is expected to remain unchanged in 2025.

The scoreboard reading for Lithuania shows that three indicators were beyond their indicative thresholds in 2024, namely real effective exchange rate, nominal unit labour costs, and house prices. Relevant developments worth highlighting:

- **External developments** remained favourable. The current account balance increased from 1.1% of GDP in 2023 to 3.2% in 2024 and is forecast to decrease somewhat. The NIIP increased and reached a close to a balanced level in 2024. As liabilities largely consist of foreign direct investment, the NIIP net of non-defaultable instruments is positive.

- **Competitiveness** concerns remain but are moderating. In 2024, annual average headline inflation was the lowest in the euro area on account of negative contributions from energy, although core inflation was 3.2%. Both headline and core inflation are expected to stay above euro area values in 2025. In 2024, the 3-year change in REER cumulated to more than 9%, but year-on-year it depreciated by 1.6% due to negative inflation differential and despite some nominal exchange gains, while for 2025 it remained broadly flat. Strong nominal wage increases have pushed ULC growth at close to 6% in 2024 (and 36% over the last 3 years), with the same growth expected in 2025. The 3-year change in exports market share against advanced economies remains positive, but a clear flattening trend is visible over time.

- Despite a deterioration in profitability measures, the **non-financial corporate sector** remains robust marked by low leverage, strong debt service capacity, and resilient activity. NFC debt-to-GDP stood at 30.5% in 2024, among the lowest values in the EU. Credit growth declined somewhat to 8.5% but bank loan flows to non-financial corporates increased in recent quarters signalling a possible pick-up in corporate credit growth ahead. The interest coverage ratio declined but remained above the EU/EA average. Bankruptcies increased somewhat, unit profit decreased, and the profit margin contracted further. Debt service capacity and activity indicators remained robust.

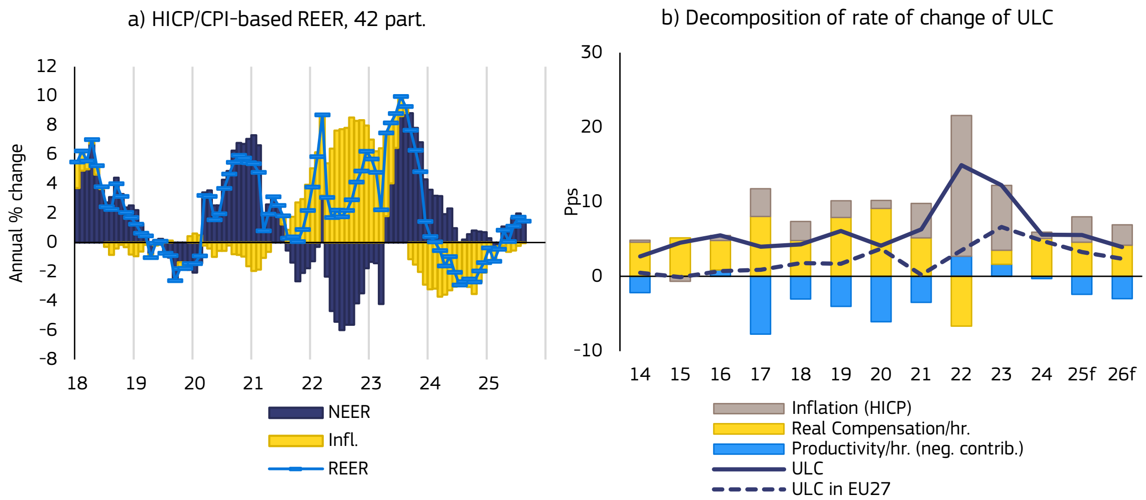
- The **household debt** ratio increased slightly to 22% of GDP (31% of GHDI) in 2024 but remains low. It has been relatively stable around that level for the last decade. Dynamic credit growth is likely to put upward pressure on the household debt ratio over the next years. Households' gross saving rate is solid, substantially above its pre-pandemic level, and forecast to strengthen going forward. Savings are used to finance investment, with the financial saving rate around zero in 2024.

- **House prices** increased by 9.7% in 2024 and continued to rise at a similar rate in the first half of 2025. The price-to-income ratio was 6 pps. below the long-term average, suggesting house prices are moderate relative to income. Overvaluation stood at 9% in 2024. Building permits were 450 m^2 per 1000 persons, indicating mild supply constraints ([48]). The recent evolution in house prices has been supported by the decrease in interest rates combined with rising incomes that led to a 11.2% increase in borrowing capacity in 2024. The recent evolution in house prices has been supported by the decrease in interest rates combined with rising incomes that led to an 11.2% increase in borrowing capacity in 2024.

- **Government debt** remains limited even if increasing recently. Government debt came in at 38% of GDP in 2024. It is forecast to increase further in 2025 and 2026. The fiscal deficit increased to 1.3% of GDP in 2024; while it is expected to increase this year, it is still forecast to be below 3% of GDP. Gross financing needs are expected to increase further but to remain below the euro area average. Fiscal sustainability risks remain medium in the medium term ([49]).

- The **financial sector** is characterised by a sound and well-capitalised banking sector with strong digital adoption. Capitalisation remains one of the highest in the EU. Profitability remained strong in 2024 and is the highest in the EU. The non-performing loans ratio is the lowest in the EU. Credit growth recovered in late 2024.

Graph 3.15: **Selected graphs, Lithuania**



Source: Eurostat and European Commission forecasts and calculations.

([48]) EU last decade average stands at around 450 m^2 per 1000 persons.

([49]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Table 3.15: **Key economic and financial indicators, Lithuania**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				4.7	2.9	0.7	3.0	2.4	3.0
Real GDP per capita (1 year % change)				5.6	2.7	-0.7	2.4	2.3	3.3
GDP deflator (1 year % change)				3.4	7.7	10.0	3.2	3.5	3.9
Harmonised index of consumer prices (1 year % change)				2.8	7.9	8.7	0.9	3.4	2.8
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				2.3	5.4	9.6	3.2	3.1	3.3
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**0.3**	**2.9**	**-1.2**	**-0.6**	**2.0**	**2.0**
Current account balance, balance of payments (% of GDP)		-1.2 (1)	-1.1 (2)	1.7	0.8	1.1	3.2	1.5	1.1
of which: trade balance (% GDP)				3.1	3.8	3.9	5.5		
of which: income balance (% GDP)				-1.4	-3.0	-2.8	-2.2		
Net international investment position (% of GDP)	**-35%**	-61.9 (3)	-11.7 (4)	**-30.4**	**-13.4**	**-4.6**	**-0.7**	**-1.6**	**0.6**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-1.6	19.3	26.5	33.6		
Net lending-borrowing (% of GDP)				3.1	2.4	2.7	4.7		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**14.7**	**20.0**	**37.1**	**36.2**	**25.2**	**15.9**
Nominal unit labour cost index per hour worked (1 year % change)				4.8	8.4	12.2	5.6	5.6	3.9
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**4.4**	**6.9**	**13.0**	**9.2**	**0.8**	**-0.9**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				1.2	3.2	6.3	-1.6	0.4	0.6
Export performance against advanced economies (3y % change)	**-3%**			**14.8**	**20.3**	**6.6**	**2.8**	**2.2**	**4.9**
Export performance against advanced economies (1 year % change)				7.5	5.8	-1.6	1.0	1.6	1.0
Core inflation differential vis-à-vis the euro area (pps.)				1.3	3.5	4.6	0.4	0.7	1.1
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	79.8 (5)	49.8 (6)	**34.2**	**30.6**	**29.7**	**30.5**	**31.2**	**31.4**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			7.3	9.2	12.0	8.5	9.6	9.0
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	56.5 (5)	17.8 (6)	**22.5**	**23.1**	**21.1**	**21.9**	**23.5**	**24.9**
Household debt, consolidated (% of GHDI)				33.3	32.1	30.5	31.2		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**8.3**	**9.9**	**6.6**	**10.5**	**13.8**	**13.5**
House price index, nominal (1 year % change)	**+9%**			**7.7**	**14.0**	**9.8**	**9.7**	**9.0**	**6.0**
House prices over/undervaluation gap (7)				-7.3	-0.7	5.4	8.9		
Standardized price-to-income ratio				86.3	86.3	91.9	94.0		
Building permits (m^2 per 1000 inh)				531.0	627.3	452.7	450.1		
Government									
General government gross debt (% of GDP)	**60%**			**36.0**	**42.5**	**37.1**	**38.0**	**39.8**	**44.7**
General government balance (% of GDP)				0.4	-2.8	-0.7	-1.3	-2.2	-2.5
Banking sector									
Return on equity of banks (%)				12.0	11.3	21.2	18.7		
Tier-1 capital ratio banking sector (% risk-weighted assets)				18.9	21.6	18.6	21.1		
Gross non-performing loans, domestic and foreign entities (% gross loans)				2.5	1.4	0.8	0.7	0.5	
Cost of borrowing for households for house purchase (%)				2.3	2.4	5.5	5.2	4.0	
Cost of borrowing for NFCs (%)				2.6	2.9	6.0	6.1	4.8	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	6.6 (8)		**6.5**	**7.2**	**6.9**	**7.1**	**7.1**	**6.8**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**2.6**	**1.4**	**0.3**	**1.3**	**0.6**	**0.3**

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

LUXEMBOURG

Private sector debt remains high, and house prices have continued to correct. The debt of the non-financial corporate sector increased further in 2024 and is the highest in the EU. Household debt remains high compared to incomes. After a further correction in 2024, house prices seem to have stabilised but continue to show signs of overvaluation.

Real GDP growth stood at 0.4% in 2024 and is forecast increase to 0.9% in 2025 and 1.9% in 2026. Headline inflation, which was below 3% in 2023, eased to 2.3% in 2024 and is set to remain at the same value for 2025. At 2.5% in 2024, core inflation was below the euro area average and remained below also in 2025, with the annual forecast standing at 1.9%. The unemployment rate stood at 6.4% in 2024 and is expected to increase in 2025 (to 6.6%).

The scoreboard reading for Luxembourg shows that four indicators are beyond their indicative thresholds in 2024, namely the export performance against advanced economies, nominal unit labour costs, and both the household and non-financial corporations debt. Relevant developments worth highlighting:

- **External sustainability** indicators remain elevated. The current account surplus decreased to 4.3% of GDP in 2024, from 6.8% of GDP in 2023. It exceeds the level explained by economic fundamentals. The current account surplus is forecast to further decrease in 2025 before increasing again. The NIIP remained positive but is forecast to decrease.

- **Competitiveness** developments remain moderate. The 2024 headline and core inflation averages were close to euro area values, while headline hovered around the target in the first months of 2025. The REER remained almost constant in 2024 and appreciated only slightly by mid-2025 on account of euro's appreciation. Last year ULC increased by 4.1% (bringing the 3-year change to 24.2%) and are expected to grow above 4% in 2025, with the 3-year increase set to remain above the Scoreboard threshold. In 2024, the 3-year change in export performance against advanced economies is still negative, with a large in-year drop.

- Robust profitability notwithstanding, the **non-financial corporate sector** remains characterised by high leverage and a weak debt service capacity. The NFC debt-to-GDP ratio hit a new record high by increasing to 271.6% in 2024, the highest level in the EU. Close to two-thirds of this debt can be attributed to FDI, with intra-group financing including with special purpose entities and multinational companies playing an important role. Credit growth was negative at -1.7% and bank loan flows to non-financial corporations declined in recent months. A fall in corporate savings in 2024 and a low interest coverage ratio strained the debt service capacity. The share of NPLs increased in 2024 albeit from comparatively low levels and is now around the EU median. Profitability remained robust, but financing conditions stayed tight by historical standards and debt serviceability continues to be weak as in other euro area countries.

- The **household debt ratio** decreased to 62% of GDP in 2024, still high and above the MIP threshold of 55%. When expressed as a % of GHDI, it remains among the highest household debt ratios observed in the EU at 125% in 2024. Deleveraging was supported by subdued borrowing activity in a context of elevated inflation. Credit flows are expected to gradually recover over the next years, slowing down the deleveraging process. At 12% in 2024, households' saving rate has returned to its longer-term average. While financial savings have been volatile, investment in GFCF has remained solid at around 10%.

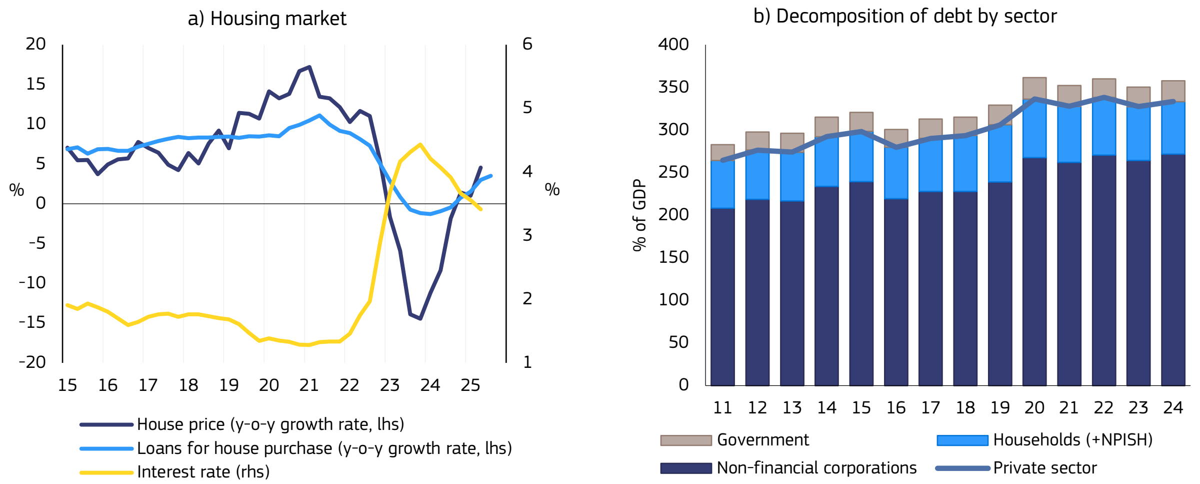
- **House prices** decreased by 5.2% in 2024, after having fallen by around 9% in 2023, but in the first half of 2025 hey show signs of moderated growth. The price-to-income ratio was 19 pps.

above the long-term average. suggesting house prices are still elevated relative to income. Overvaluation stood at 10%. Building permits were reduced to 737 m² per 1000 persons, indicating that housing supply remains dynamic ([50]).

- **Government debt** remains low. Debt edged up to 26.3% of GDP in 2024 and is forecast to stay close to that level in 2025 and 2026. The government balance turned into a surplus of 0.9% of GDP in 2024, while deficits standing below 1% of GDP are expected this year and next.

- The large **financial sector** is stable but has substantial exposures to certain sectors. The banking sector is well capitalised and liquid, and profitability has risen sharply in 2024, benefiting from higher interest rates. The ratio of non-performing loans has been very low despite a mild increase in 2024. High household indebtedness, coupled with recent adjustment of overvalued house prices, represents the main risk for the domestically oriented banking sector. The credit provision has been very muted in 2024. The financial sector is also significantly exposed to the commercial real estate sector, although mainly via large investment funds without a direct link to domestic real estate.

Graph 3.16: **Selected graphs, Luxembourg**



Source: Eurostat, ECB and European Commission calculations

([50]) EU last decade average stands at around 450 m² per 1000 persons.

Table 3.16: **Key economic and financial indicators, Luxembourg**

				average	average			forecast	
	Thresholds	Bench. I	Bench. II	*2017-2019*	*2020-2022*	*2023*	*2024*	*2025*	*2026*
Output and Prices									
Real GDP (1 year % change)				1.9	1.7	0.1	0.4	0.9	1.9
Real GDP per capita (1 year % change)				-0.2	0.0	-1.8	-1.2	-0.5	0.4
GDP deflator (1 year % change)				1.6	5.3	6.9	4.6	3.0	3.0
Harmonised index of consumer prices (1 year % change)				1.9	3.8	2.9	2.3	2.3	1.7
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.4	2.3	3.9	2.5	1.9	1.8
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**7.2**	**6.1**	**5.7**	**5.5**	**5.0**	**4.3**
Current account balance, balance of payments (% of GDP)		4.2 (1)	4.9 (2)	7.7	5.0	6.8	4.3	4.0	4.7
of which: trade balance (% GDP)				36.9	38.2	38.1	38.3		
of which: income balance (% GDP)				-29.2	-33.2	-31.3	-34.0		
Net international investment position (% of GDP)	**-35%**	-161.7 (3)	69.4 (4)	**57.1**	**46.3**	**47.6**	**39.4**	**31.8**	**28.3**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-3738.2	-4176.8	-3850.8	-4099.2		
Net lending-borrowing (% of GDP)				8.5	4.3	6.8	4.3		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**9.1**	**10.8**	**21.0**	**24.2**	**18.6**	**10.7**
Nominal unit labour cost index per hour worked (1 year % change)				4.1	4.6	9.4	4.1	4.1	2.2
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.5**	**0.6**	**-1.5**	**-2.4**	**-3.3**	**-0.9**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.7	-0.1	-0.5	-0.1	-0.1	-0.4
Export performance against advanced economies (3y % change)	**-3%**			**2.7**	**14.8**	**-6.1**	**-15.9**	**1.4**	**-2.3**
Export performance against advanced economies (1 year % change)				1.2	0.6	6.8	-8.6	3.8	2.8
Core inflation differential vis-à-vis the euro area (pps.)				0.4	0.3	-1.1	-0.3	-0.5	-0.3
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	126.6 (5)	88.0 (6)	**231.5**	**266.7**	**264.1**	**271.6**	**255.1**	**250.1**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			-7.7	1.5	-10.0	-1.7	-6.4	8.4
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	96.8 (5)	83.0 (6)	**65.1**	**67.4**	**63.2**	**61.6**	**60.5**	**59.5**
Household debt, consolidated (% of GHDI)				133.2	136.7	129.6	125.0		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**7.3**	**7.3**	**-2.8**	**1.2**	**2.2**	**3.3**
House price index, nominal (1 year % change)	**+9%**			**7.6**	**12.6**	**-9.1**	**-5.2**	**0.0**	**3.0**
House prices over/undervaluation gap (7)				1.0	28.9	20.4	10.4		
Standardized price-to-income ratio				115.4	143.3	131.6	119.4		
Building permits (m^2 per 1000 inh)				1641.1	1403.3	898.5	737.0		
Government									
General government gross debt (% of GDP)	**60%**			**21.7**	**24.5**	**24.7**	**26.3**	**26.8**	**27.1**
General government balance (% of GDP)				2.4	-0.6	-0.7	0.9	-0.8	-0.5
Banking sector									
Return on equity of banks (%)				5.5	5.0	8.3	8.9		
Tier-1 capital ratio banking sector (% risk-weighted assets)				20.6	19.0	18.5	18.4		
Gross non-performing loans, domestic and foreign entities (% gross loans)				0.7	0.7	0.8	0.9	0.9	
Cost of borrowing for households for house purchase (%)				1.7	1.6	4.1	4.0	3.4	
Cost of borrowing for NFCs (%)				1.3	1.4	3.8	4.2	3.3	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	5.9 (8)		**5.6**	**5.6**	**5.2**	**6.4**	**6.6**	**6.7**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.5**	**1.9**	**1.9**	**1.3**	**1.0**	**0.3**

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

HUNGARY

In Hungary, core inflation has remained elevated and unit labour costs have continued to increase significantly, recording one of the largest cumulative increases in the EU over the past 3 years. The current account balance recorded a surplus in 2024 against the backdrop of stagnating economic activity, but export performance has worsened recently. The government deficit narrowed in 2024 but remains significant, contributing to increases in the government debt-to-GDP ratio in the context of lower nominal GDP growth than in previous years. After a slow-down in 2023, house prices have picked-up.

Following a contraction in 2023, real GDP grew mildly by 0.6% in 2024. It is expected to grow by 0.4% in 2025 before accelerating in 2026, with real GDP growth set to reach 2.3%. Headline inflation decreased strongly, to 3.7% in 2024, but it has rebounded slightly and is set to stand at 4.5% in 2025. Core inflation also decreased significantly in 2024, to 5.9%. It has decreased marginally further and is set to stand at 5.3% in 2025, with the core inflation differential against the euro area remaining high but narrowing from 3.1 pps. in 2024 to 2.8 pps. in 2025. The unemployment rate stood at 4.5% in 2024 and is set to remain stable in 2025.

The scoreboard reading for Hungary shows that three indicators were beyond their indicative thresholds in 2024, namely nominal unit labour costs, house prices, and government debt. Relevant developments worth highlighting:

- **External sustainability** concerns continued to recede somewhat. In 2024, the current account balance further increased, reaching 1.6% of GDP, from a balanced level in the previous year, mainly driven by low domestic demand due to stagnating economic activity and an improvement in the terms of trade. The current account surplus is forecast to decrease in 2025. The NIIP remained relatively stable, reaching -34.2% of GDP in 2024, and is projected to reduce.

- **Competitiveness** concerns persist. In 2024 headline inflation was 3.7%, but an uptick to 4.5% is expected in 2025. Core inflation was close to 6% in 2024 and is expected to drop by less than 1 pp. in 2025. Last year, the REER depreciated by more than 2%, as the forint shed value in nominal terms against the main trading partners' currencies. By mid-2025, the REER continued to depreciate on account of the NEER component. The recent trend of strong nominal wage growth continued in 2024 and, together with subdued productivity growth, pushed ULCs to increase by close to 12%, pushing the 3-year growth to almost 48%. Despite moderating, annual ULC growth is still expected to remain high in 2025, at around 9%. The 3-year increase in ULCs has been above the scoreboard threshold since 2020. The 3-year change in export market share against advanced economies is flat in 2024, marked by a large in-year drop.

- Despite low levels of **non-financial corporate indebtedness,** a weak debt service capacity and low profitability point to weaknesses in the sector. NFC debt stayed broadly stable at 56% of GDP while credit growth decreased to 3.1%. Bank loan flows to NFCs have decreased further in recent months. Interest expenses have started to decline recently, however, so has gross operating surplus. The share of NPLs remained broadly stable at slightly above 3% (around the EU median), while bankruptcy filings, which had grown markedly between mid-2022 and mid-2023, declined somewhat. The profit share has fallen together with return on equity, and debt service capacity has deteriorated as savings and the interest coverage ratio decreased.

- The **household debt ratio** remained stable around 17% of GDP (24% of GHDI) in 2024, among the lowest in the EU. Credit growth accelerated to around 10% of the previous year's debt stock, which, if it continues, is likely to exert upward pressure on the debt ratio going forward. At 19% in 2024, the gross saving rate is among the highest in the EU. While investment in fixed capital is not particularly high in comparison with the EU overall, Hungary has a very high financial saving rate (13% of adjusted GHDI). The proportion of non-performing loans to households kept declining and reached around 3% in 2024.

- **House prices** increased by 13.7% in 2024 in nominal terms and maintained a strong growth in the first half of 2025. The price-to-income ratio was 1 pps. below its long-term average in 2024, but it takes 14.3 years of income to buy a 100m^2 apartment, while the long-term EU average is 8 years, suggesting house prices are elevated relative to income. Overvaluation stood at 10%. Building permits were low in 2024 (241 m^2 per 1000 persons), indicating potential supply constraints ([51]), which would fuel house price increases looking ahead. Recent growth in house prices has been supported by subsidised mortgage programmes and rising household incomes, both of which have boosted households’ borrowing capacity.

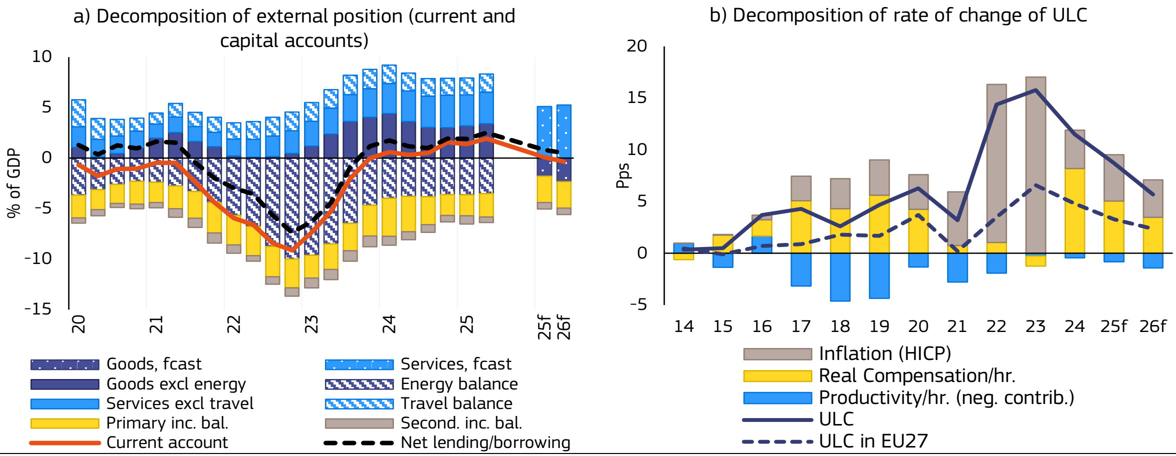
- **Government debt** is significant and not declining, as fiscal deficits remain high. Government debt edged slightly up to 73.5% of GDP in 2024, which is still above its pre-COVID-19 level by some 9 pps. The government deficit fell to 5% of GDP in 2024 but it is expected to decrease only marginally in 2025 and worsen in 2026. With lower nominal GDP growth than in previous years, the government debt ratio is forecast to increase somewhat in 2025 and 2026. Government gross financing needs continue being sizeable. Yields on Hungarian long-term sovereign bond yields remain among the highest in the EU. Interest expenditure doubled in recent years to close to 5% of GDP in 2024 and is expected to remain elevated at some 4% of GDP. A significant share of government debt is denominated in foreign currencies (around 30% in 2024). Government guarantees are significant and have been increasing in recent years. An excessive deficit procedure for Hungary has been in place since July 2024. The fiscal sustainability risks have worsened and are now high in the medium term, whereas they were previously assessed as medium ([52]).

- The **financial sector** remains sound overall, but some vulnerabilities remain. The Tier 1 capital ratio increased and is close to the EU median. The non-performing loans ratio has been declining and attained historical lows. Government policies, including specific taxes on the banking sector and interest rate caps, have had an adverse impact on profitability. Nevertheless, banks have earned high interest income, and their profitability remained strong in 2024, well above the EU median. The extensive use of caps on loans and deposits rates hampers the functioning of monetary policy. Hungarian banks’ exposure to domestic sovereign debt is among the highest in the EU and it increased in 2024 because the government is providing tax incentives for banks to hold more sovereign debt.

([51]) EU last decade average stands at around 450 m^2 per 1000 persons.

([52]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Graph 3.17: **Selected graphs, Hungary**



Source: Eurostat and European Commission forecasts and calculations.

Table 3.17: **Key economic and financial indicators, Hungary**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	forecast 2026
Output and Prices									
Real GDP (1 year % change)				4.9	2.2	-0.8	0.6	0.4	2.3
Real GDP per capita (1 year % change)				5.2	2.5	-0.7	0.9	0.6	2.5
GDP deflator (1 year % change)				4.5	8.8	15.1	7.6	6.4	4.3
Harmonised index of consumer prices (1 year % change)				2.9	7.8	17.0	3.7	4.5	3.6
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				2.0	5.6	14.0	5.9	5.3	4.4
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**1.8**	**-2.5**	**-4.5**	**-2.5**	**0.5**	**0.4**
Current account balance, balance of payments (% of GDP)		0.1 (1)	-1.8 (2)	0.5	-4.9	0.0	1.6	0.1	-0.3
of which: trade balance (% GDP)				4.3	-1.4	4.1	4.3		
of which: income balance (% GDP)				-3.8	-3.5	-4.1	-2.7		
Net international investment position (% of GDP)	**-35%**	-53.6 (3)	-10.5 (4)	**-46.5**	**-48.4**	**-39.2**	**-34.2**	**-32.2**	**-30.0**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-4.6	-2.2	-6.7	4.1		
Net lending-borrowing (% of GDP)				2.1	-2.8	1.2	1.9		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**10.5**	**18.1**	**36.6**	**47.6**	**40.3**	**28.1**
Nominal unit labour cost index per hour worked (1 year % change)				3.9	8.0	15.8	11.5	8.7	5.7
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**0.9**	**-5.7**	**10.3**	**7.3**	**10.4**	**1.6**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.2	-2.7	15.3	-2.3	0.8	3.5
Export performance against advanced economies (3y % change)	**-3%**			**2.8**	**-0.2**	**1.6**	**0.3**	**-0.1**	**-6.2**
Export performance against advanced economies (1 year % change)				0.9	-1.1	8.2	-5.4	-2.6	1.1
Core inflation differential vis-à-vis the euro area (pps.)				0.9	3.6	9.1	3.1	2.8	2.3
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	63.8 (5)	46.1 (6)	**50.3**	**60.0**	**55.6**	**56.3**	**54.1**	**53.9**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			9.1	16.7	7.5	3.1	3.7	9.3
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	43.5 (5)	33.0 (6)	**18.3**	**20.1**	**16.8**	**17.1**	**17.8**	**18.4**
Household debt, consolidated (% of GHDI)				27.2	29.1	23.8	23.5		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**7.5**	**11.9**	**3.7**	**9.9**	**11.1**	**10.6**
House price index, nominal (1 year % change)	**+9%**			**14.5**	**14.3**	**7.1**	**13.7**	**15.0**	**9.0**
House prices over/undervaluation gap (7)				-2.9	9.1	9.0	10.5		
Standardized price-to-income ratio				96.8	104.2	97.3	99.3		
Building permits (m^2 per 1000 inh)				408.5	356.5	260.6	240.5		
Government									
General government gross debt (% of GDP)	**60%**			**68.6**	**76.3**	**73.2**	**73.5**	**73.7**	**73.9**
General government balance (% of GDP)				-2.2	-6.9	-6.8	-5.0	-4.6	-5.1
Banking sector									
Return on equity of banks (%)				14.5	10.8	21.2	19.4		
Tier-1 capital ratio banking sector (% risk-weighted assets)				15.6	17.1	17.8	18.7		
Gross non-performing loans, domestic and foreign entities (% gross loans)				6.0	3.3	2.4	2.2	2.1	
Cost of borrowing for households for house purchase (%)				4.5	5.1	9.8	7.1	6.9	
Cost of borrowing for NFCs (%)				1.7	4.8	12.7	9.0	8.1	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	5.1 (8)		**3.6**	**3.9**	**4.1**	**4.5**	**4.5**	**4.4**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**3.6**	**2.2**	**3.0**	**2.3**	**1.2**	**0.8**

[+] If actual data were unavailable at the cut-off date, forecast or nowcast data are presented instead; * Denotes values above prudential thresholds;

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

MALTA

In Malta, economic activity has remained strong and price pressures have been contained, with core inflation below the euro area average and unit labour costs set to slow down. External sector developments have been favourable. House price increases have been robust, but there are no signs of overvaluation. The government deficit narrowed, and government debt is set to remain broadly stable in 2025 and 2026.

Real GDP growth reached 6.8% in 2024 and is forecast to decrease to 4.0% in 2025 and 3.8% in 2026. Headline inflation decreased to 2.4% in 2024 and is set to remain unchanged in 2025. Similarly, core inflation decreased significantly and reached 2.1% in 2024, below the euro area average. It is set to stand at 2.3% in 2025, almost in line with the euro area average. The unemployment rate stood at 3.1% in 2024 and is set to decrease to 3.0% in 2025.

The scoreboard reading for Malta shows that one indicator was beyond its indicative threshold in 2024, namely nominal unit labour costs. Relevant developments worth highlighting:

- **External sustainability** indicators remained positive. In 2024, the current account surplus increased, reaching 7.1% of GDP, while it is forecast to fall in 2025. The NIIP decreased in 2024, reaching around 84% of GDP, but remaining one of the highest within the EU. The NIIP continues to remain above levels suggested by economic fundamentals and is forecast to increase slightly, also reflecting the country's position as an international financial centre.

- **Competitiveness** pressures are contained. Headline and core inflation have been close to euro area averages in 2024 and are set to remain so in 2025 as well. Last year, the REER appreciated slightly on account of the nominal euro gains, but it depreciated by 2% by mid-2025. ULC grew close to 5% in 2024 (with the 3-year growth standing at 13.6%), despite robust productivity growth. It is expected to pick up to 6% in 2025, as productivity is expected to flatten. The 3-year change in export market share against advanced economies has been positive, in double digits territory.

- The NFC sector remained robust as the **non-financial corporate debt-to-GDP ratio** decreased somewhat to 61% in 2024. The debt-to-GDP ratio is expected to broadly stay at this level over the next years. Credit growth decreased to 4.4% and bank loan flows to NFCs have declined in recent quarters. Debt service capacity remained solid with the interest coverage ratio increasing again in 2024 after two years of decline. The share of NPLs fell further and is now close to the EU median. Similarly, bankruptcies decreased somewhat. Activity and profitability indicators remained solid and real investment turned positive again in 2024.

- The **household debt ratio** remained stable at around 47% of GDP (71% of GHDI) in 2024. Credit growth was dynamic amid low interest rates compared to the rest of the euro area, but its impact on the debt ratio was counteracted by strong nominal GDP growth. With real GDP growth decelerating, the debt ratio could start increasing again as of 2025. At 19% in 2024, the household saving rate stands above its pre-pandemic level and is among the highest in the EU.

- **House prices** increased by 6.7% in 2024 and continued to grow at a similar pace into 2025. The price-to-income ratio was 7 pps. below the long-term average, suggesting house prices are moderate relative to income. Undervaluation stood at 13%. Building permits remain high (2284 m^2 per 1000 persons), reflecting a significant reaction of supply to increased demand ([53]), which

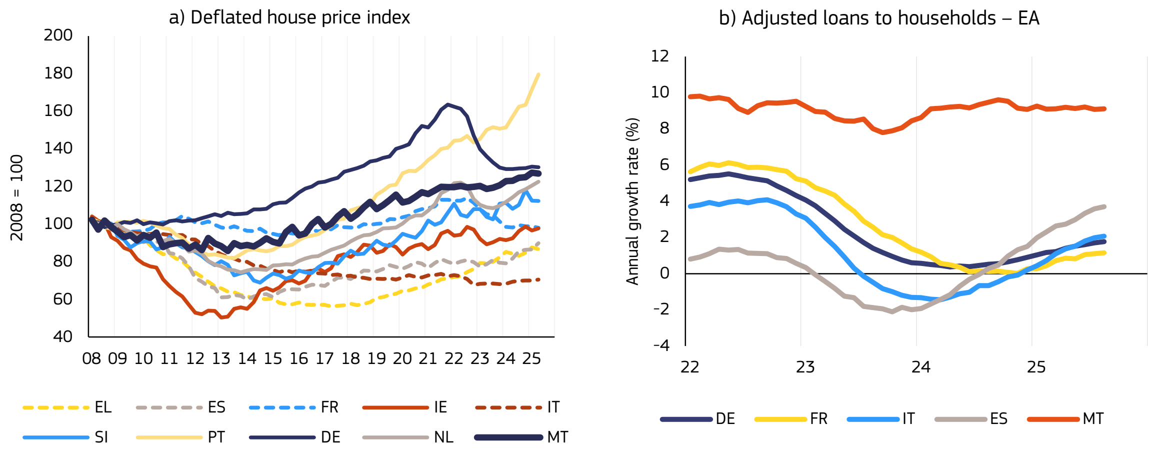
([53]) EU last decade average stands at around 450 m^2 per 1000 persons.

may also stem from the population increasing significantly in the recent years. The recent evolution in house prices has been supported by the decrease in interest rates combined with rising incomes that led to a 10.4% increase in borrowing capacity in 2024.

- **Government debt** is limited but deficits are significant, even if declining. Government debt fell marginally to 46.2% of GDP in 2024. It is forecast to increase marginally in 2025 and 2026. The government deficit receded further to 3.5% of GDP in 2024 and it is forecast to decline somewhat in 2025 and 2026. An excessive deficit procedure has been in place for Malta since July 2024.

- The **financial sector** remains sound overall. The banking sector has high levels of capitalisation, and its profitability remained strong in 2024, though below the EU median. The non-performing loans ratio has been slightly declining and in line with the EU median. The financial sector has a relatively high exposure to real estate. Sectoral systemic risk buffers introduced in 2023 target residential mortgages, enhancing banks' resilience to potential real estate shocks.

Graph 3.18: **Selected graphs, Malta**



Source: Eurostat and European Commission forecasts and calculations.

Table 3.18: **Key economic and financial indicators, Malta**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				8.0	3.9	10.6	6.8	4.0	3.8
Real GDP per capita (1 year % change)				4.3	2.1	6.3	3.9	1.1	1.4
GDP deflator (1 year % change)				2.1	3.2	5.2	3.3	2.7	2.2
Harmonised index of consumer prices (1 year % change)				1.5	2.5	5.6	2.4	2.4	2.1
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.2	2.3	4.9	2.1	2.3	2.0
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**11.4**	**12.8**	**5.0**	**4.2**	**6.1**	**5.8**
Current account balance, balance of payments (% of GDP)		-2.4 (1)	-1.6 (2)	16.7	8.2	6.3	7.1	4.9	5.4
of which: trade balance (% GDP)				20.6	18.4	17.7	18.6		
of which: income balance (% GDP)				-3.8	-10.2	-11.4	-11.5		
Net international investment position (% of GDP)	**-35%**	-81.6 (3)	-23.1 (4)	**82.6**	**106.8**	**91.8**	**83.9**	**86.0**	**86.8**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				85.6	128.6	140.8	130.2		
Net lending-borrowing (% of GDP)				18.6	9.8	7.5	8.6		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**6.1**	**14.7**	**3.8**	**13.6**	**9.1**	**15.5**
Nominal unit labour cost index per hour worked (1 year % change)				3.1	4.6	-1.7	4.9	5.8	4.0
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.4**	**-0.8**	**-0.5**	**1.5**	**-0.7**	**-0.2**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.6	-1.1	4.2	0.8	-0.1	0.0
Export performance against advanced economies (3y % change)	**-3%**			**3.7**	**8.2**	**-10.7**	**13.6**	**28.8**	**17.9**
Export performance against advanced economies (1 year % change)				2.8	-3.5	11.9	8.4	4.1	2.2
Core inflation differential vis-à-vis the euro area (pps.)				0.2	0.3	0.0	-0.7	-0.1	-0.1
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	57.8 (5)	57.0 (6)	**73.0**	**76.6**	**66.5**	**61.0**	**60.2**	**62.2**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			7.7	6.3	6.6	4.4	6.4	10.9
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	46.1 (5)	39.9 (6)	**52.0**	**54.9**	**48.1**	**46.8**	**47.0**	**47.4**
Household debt, consolidated (% of GHDI)				84.7	83.3	76.1	71.2		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**10.1**	**6.4**	**5.0**	**8.1**	**7.2**	**6.9**
House price index, nominal (1 year % change)	**+9%**			**5.7**	**5.1**	**6.2**	**6.7**	**5.0**	**3.0**
House prices over/undervaluation gap (7)				0.0	-2.8	-9.5	-12.9		
Standardized price-to-income ratio				103.2	99.9	96.9	92.6		
Building permits (m^2 per 1000 inh)				3698.5	2552.6	2167.7	2283.7		
Government									
General government gross debt (% of GDP)	**60%**			**42.1**	**49.6**	**47.0**	**46.2**	**47.0**	**47.2**
General government balance (% of GDP)				2.0	-7.0	-4.4	-3.5	-3.2	-2.8
Banking sector									
Return on equity of banks (%)				6.1	2.7	10.6	8.4		
Tier-1 capital ratio banking sector (% risk-weighted assets)				20.2	22.1	22.2	22.2		
Gross non-performing loans, domestic and foreign entities (% gross loans)				3.1	3.0	2.0	1.9	1.9	
Cost of borrowing for households for house purchase (%)				2.7	2.1	2.2	2.1	1.9	
Cost of borrowing for NFCs (%)				3.8	3.7	5.0	4.8	4.4	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	3.3 (8)		**4.0**	**4.1**	**3.5**	**3.1**	**2.9**	**2.8**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**4.6**	**3.8**	**4.7**	**5.0**	**3.0**	**1.8**

Notes: See Annex 1.
Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

THE NETHERLANDS

The current account surplus remains elevated. At the same time, competitiveness indicators reflect high wage growth. Private sector debt ratios remain high. After correcting in 2023, house prices rebounded and show signs of overvaluation while credit flows to households have picked up.

Real GDP growth rebounded to 1.1% in 2024 and is forecast to increase slightly to 1.7% in 2025 and 1.3% in 2026. Headline inflation decreased in 2024, reaching 3.2%, and is set to stand at 3.0% in 2025. Core inflation decreased significantly to 3.2% in 2024, slightly above the euro area average. It is set to decrease further to 2.8% in 2025. The unemployment rate stood at 3.7% in 2024 and is expected to increase slightly to 3.9% in 2025.

The scoreboard reading for The Netherlands shows that six indicators were beyond their indicative thresholds in 2024, namely the current account surplus, nominal unit labour cost, the real effective exchange rate, export performance against advanced economies, non-financial corporations debt, and household debt. Relevant developments worth highlighting:

- **External sustainability** concerns remained in 2024 and are related to the high and long-standing current account surplus. In 2024, the current account surplus somewhat reduced, reaching 9.1% of GDP, due to the resilient domestic demand, but still far exceeding the levels explained by economic fundamentals. The current account surplus is forecast to further increase. Following a substantial reduction from a peak of almost 90% of GDP in 2020 to 52% in 2023 due to valuation changes, the NIIP has increased to 62.1% of GDP in 2024. It is forecast to decrease in 2025, despite the high current account surpluses.

- **Competitiveness** developments reflect high inflation and exports underperformance. In 2024 core inflation was slightly higher than the euro area value, but headline was almost 1 pp. above. For 2025, the positive gap is expected to remain. Last year, the 3-year REER appreciated by 3.3%, with a year-on-year strengthening of 1% on account of nominal exchange rate gains of the euro, while the trend continued stronger by mid-2025, also pushed by a positive inflation differential. ULC increased strongly in 2024, at close to 6%, driven by robust nominal wage growth and stagnating productivity, with a growth of over 18% over the last 3 years. The 3-year change in export market share evolved negatively, dropping by almost 5% in 2024.

- Although the profitability and debt service capacity of the **non-financial corporate sector** remain robust, debt levels are elevated and bankruptcies have increased. Despite continued deleveraging, the NFC debt-to-GDP ratio stood at 108.6% in 2024, well above the MIP threshold. For the coming years, deleveraging is expected to decelerate. Credit growth remained in negative territory at -1.4%, while bank loan flows to NFCs started to pick up in recent months. Gross operating surplus increased again in 2024, but so did interest expenses (which had decreased until 2024-Q1), causing the interest coverage ratio to remain stable. Bankruptcies increased in 2024 and the gap to new business registrations widened. Despite a decline, the profit share remained high compared to its long-term average as did unit profit growth, while investment activity remained weak.

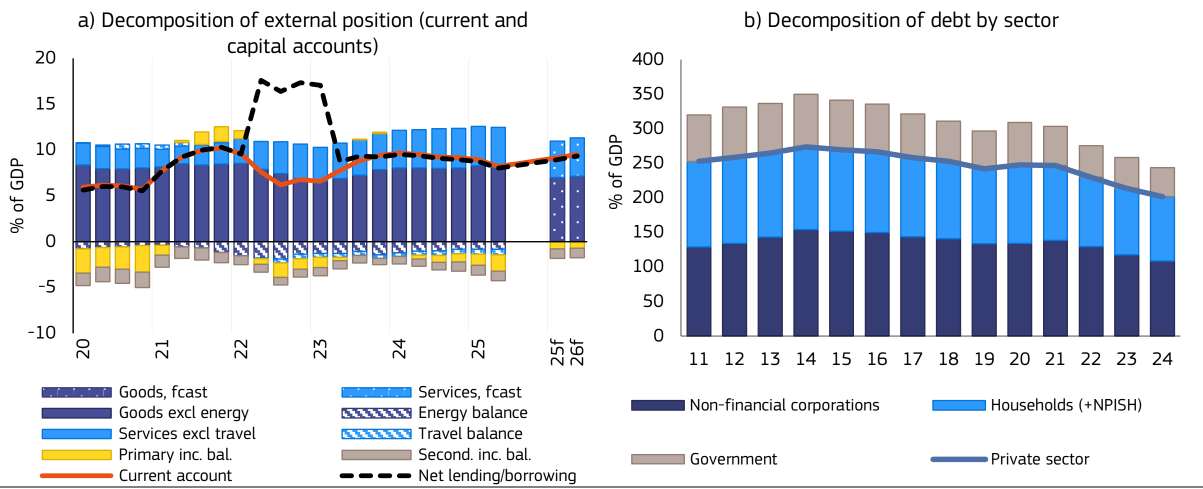
- The **household debt** ratio decreased in 2024 but remains very high at 93% of GDP (and 140% of GHDI), far above the MIP threshold of 55%. Deleveraging was supported by still elevated inflation, in spite of dynamic credit flows. Credit flows accelerated markedly in 2024 and are expected to remain solid going forward. The saving rate remains almost 1 pp. above its 2019 level. Real consumption grew in line with real compensation over 2019-24, but less than real disposable income. The increase in savings in 2024 was fully underpinned by an increase in financial savings, as investment in fixed capital remains slightly below its pre-pandemic level.

- **House prices** increased by 8.2% in 2024 but accelerated in the first half of 2025. The price-to-income ratio was 8 pps. above the long-term average, suggesting house prices are elevated relative to income. Overvaluation stood at 17%. Building permits increased (534 m^2 per 1000 persons in 2024 when it was 464 m^2 in 2023), indicating some rise in housing supply. The recent evolution in house prices has been supported by the rise in incomes that led to a 9.2% increase in borrowing capacity in 2024.

- **Government debt** remains limited. Government debt fell further to 43.7% of GDP in 2024. It is forecast to increase somewhat in 2025 and 2026. A fiscal deficit of 0.9% of GDP was recorded in 2024; the deficit is expected to worsen visibly this year and next, but to remain limited and not surpass 3% of GDP. Government guarantees are significant on account of support for players in the housing market, including social housing. Yields on Dutch long-term sovereign bonds remain one of the lowest in the euro area.

- The **financial sector** is characterised by sound banks and a complex non-banking sector. The capitalisation of banks has been stable in 2024 and attained the EU median. Profitability remained elevated by historical standards also in 2024 but still below the EU median. The non-performing loans ratio remained very low, but Stage 2 loans increased in 2024. Credit growth has been gradually recovering. High exposure of the financial sector, including non-banks, to real estate, and particularly to commercial real estate, represents a risk factor. Non-banks, including investment funds, face increasing regulatory scrutiny.

Graph 3.19: **Selected graphs: The Netherlands**



Source: Eurostat and European Commission forecasts and calculations.

Table 3.19: **Key economic and financial indicators, The Netherlands**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	forecast 2026
Output and Prices									
Real GDP (1 year % change)				2.5	2.4	-0.6	1.1	1.7	1.3
Real GDP per capita (1 year % change)				1.8	1.7	-1.6	0.4	1.2	0.8
GDP deflator (1 year % change)				2.3	3.8	6.3	5.7	3.2	3.3
Harmonised index of consumer prices (1 year % change)				1.9	5.1	4.1	3.2	3.0	2.5
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.2	2.8	6.4	3.2	2.8	2.7
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**7.5**	**7.4**	**8.8**	**8.4**	**9.2**	**9.3**
Current account balance, balance of payments (% of GDP)		1.0 (1)	-0.8 (2)	7.9	7.6	9.4	9.1	9.2	9.5
of which: trade balance (% GDP)				10.4	9.6	9.9	11.0		
of which: income balance (% GDP)				-2.5	-2.0	-0.5	-1.9		
Net international investment position (% of GDP)	**-35%**	-94.2 (3)	25.1 (4)	**53.8**	**72.1**	**52.1**	**62.1**	**55.2**	**60.5**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-9.1	7.0	13.2	17.0		
Net lending-borrowing (% of GDP)				7.3	11.1	9.2	8.9		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**3.9**	**9.9**	**9.8**	**18.3**	**20.2**	**14.4**
Nominal unit labour cost index per hour worked (1 year % change)				2.1	2.7	8.6	6.2	4.2	3.4
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.3**	**3.1**	**2.4**	**3.3**	**-0.7**	**1.5**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.8	1.1	1.0	0.9	0.5	0.4
Export performance against advanced economies (3y % change)	**-3%**			**3.2**	**4.9**	**-4.7**	**-4.6**	**-2.2**	**0.1**
Export performance against advanced economies (1 year % change)				1.5	1.1	-2.2	-1.7	0.4	0.0
Core inflation differential vis-à-vis the euro area (pps.)				0.2	0.8	1.4	0.3	0.4	0.6
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	76.7 (5)	109.0 (6)	**139.3**	**134.1**	**117.7**	**108.6**	**106.0**	**104.3**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			0.1	5.3	-0.3	-1.4	3.6	4.4
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	47.9 (5)	70.5 (6)	**111.7**	**107.3**	**96.0**	**93.2**	**92.4**	**91.9**
Household debt, consolidated (% of GHDI)				171.4	159.5	143.1	139.7		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**2.3**	**3.6**	**1.0**	**3.8**	**4.0**	**4.0**
House price index, nominal (1 year % change)	**+9%**			**8.2**	**11.9**	**-1.9**	**8.2**	**9.0**	**6.0**
House prices over/undervaluation gap (7)				-4.2	12.7	13.3	17.2		
Standardized price-to-income ratio				94.5	109.1	106.0	108.4		
Building permits (m^2 per 1000 inh)				669.4	695.0	464.3	533.5		
Government									
General government gross debt (% of GDP)	**60%**			**51.8**	**50.8**	**45.8**	**43.7**	**45.2**	**47.9**
General government balance (% of GDP)				1.6	-2.0	-0.4	-0.9	-1.9	-2.7
Banking sector									
Return on equity of banks (%)				8.2	6.4	10.9	10.6		
Tier-1 capital ratio banking sector (% risk-weighted assets)				18.9	19.2	18.6	19.3		
Gross non-performing loans, domestic and foreign entities (% gross loans)				1.9	1.5	1.3	1.4	1.3	
Cost of borrowing for households for house purchase (%)				2.4	2.0	3.8	3.9	3.4	
Cost of borrowing for NFCs (%)				1.3	1.2	4.0	4.2	3.2	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	3.6 (8)		**5.1**	**4.2**	**3.6**	**3.7**	**3.9**	**4.1**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.8**	**1.2**	**2.1**	**1.8**	**1.0**	**0.4**

Notes: See Annex 1.
Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

AUSTRIA

Against the backdrop of persistent inflationary pressures, concerns about competitiveness developments remain. While the core inflation differential against the euro area has narrowed, unit labour costs have continued to grow significantly. While the current account surplus was stable in 2024, export performance was weak. The government deficit widened in 2024, with further deficits set to contribute to increases in the government debt-to-GDP ratio in the coming years.

Real GDP contracted by 0.7% in 2024 and is forecast to broadly stagnate in 2025 (0.3%) before accelerating in 2026 by 0.9%. Headline inflation decreased strongly to 2.9% in 2024. It rebounded and is set to stand at 3.5% in 2025. Core inflation also decreased significantly to 3.9% in 2024. It decreased further and is set to stand at 3.1% in 2025, with the core inflation differential against the euro area narrowing. The unemployment rate stood at 5.2% in 2024 and is expected to increase slightly to 5.6% in 2025.

The scoreboard reading for Austria shows that three indicators were beyond their indicative thresholds in 2024, namely nominal unit labour costs, export performance against advanced economies, and government gross debt. Relevant developments worth highlighting:

- **External sustainability** indicators continue to strengthen. The current account surplus remained stable from 1.6% of GDP in 2023 to 1.5% of GDP in 2024, still mainly reflecting the weak domestic demand due to the recession. The surplus is forecast to further reduce in 2025. The NIIP increased by almost 7 pps. to 23.9% of GDP in 2024, mainly due to valuation effects and the current account surplus but is expected to decrease in 2025.

- **Competitiveness** developments are marked by high inflation and ULC growth and export underperformance. In 2024, both headline and core inflation were above the euro area values and are expected to stay there in 2025 as well. Last year, the REER appreciated slightly and continued the trend in the first half of 2025 as well, pushed mainly by nominal euro gains. The 3-year change in ULC cumulated to 20% in 2024, with an annual increase of 8% last year alone, as productivity dropped on account of subdued economic activity while nominal wage increases were robust to catch up with high past inflation. The 3-year change in export market share was negative in 2024, marked by a large in-year drop.

- The profitability of the **non-financial corporate sector** has been low and debt service capacity has weakened. In 2024, NFC debt-to-GDP remained around 70% while credit growth decreased slightly to 0.8%. For this year and next, debt-to-GDP is expected to decrease further despite a mild increase in credit growth. In 2024, economic activity has remained subdued, accompanied by low business sentiment. The interest coverage ratio continued to decline reaching its lowest level in over two decades in 2024-Q3 but has shown a slight improvement since. Profit indicators have further deteriorated from already low levels, with the profit share about 10 pps. below its long-term average and negative unit profit growth, but there have been signs of stabilisation in recent quarters. NPLs and bankruptcies increased, albeit from a low level, with the share of corporate NPLs reaching 4.4% by the end of the 2024.

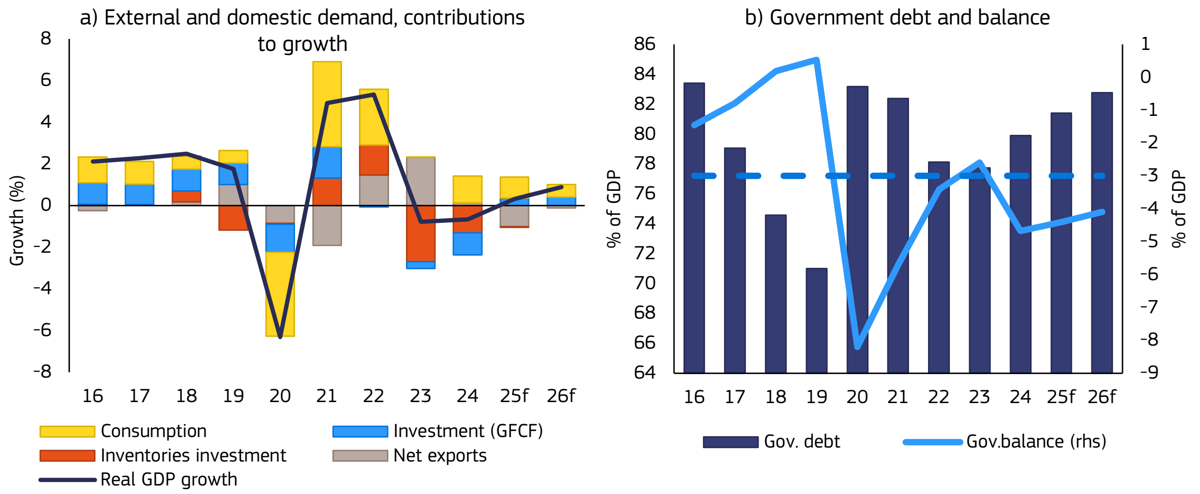
- The **household debt** ratio continued to decrease in 2024 reaching 43% of GDP (56% of GHDI), a moderate level. Household borrowing remained negative but is expected to slowly recover going forward. At 17% of adjusted GHDI in 2024, the saving rate stands solidly above its pre-pandemic level and its longer-term average since 2000. Contrary, investment in gross fixed capital formation by households remains slightly below its pre-pandemic level.

- **House prices** decreased by 0.4% in 2024 after having fallen by some 3% in 2023. In the first half of 2025, the fall in house prices appears to have ended, and house price growth restarted. The price-to-income ratio was 16 pps. above the long-term average, suggesting house prices are slightly elevated relative to income. Overvaluation stood at 17% in 2024. After a strong decline in 2023, building permits reduced further in 2024 (from 707 m^2 per 1000 persons in 2022 to 471 m^2 in 2023 and 425 m^2 in 2024), indicating potential supply constraints ([54]).

- **Government debt** is significant and is increasing with the large deficits. Government debt increased to 79.9% of GDP in 2024, which is some 9 pps. above its pre-COVID-19 level, in part reflecting the recession of the past two years. Moreover, debt is expected to increase further in 2025 and 2026. The government deficit increased to 4.7% of GDP in 2024 and is forecast to recede slightly to 4.4% in 2025 and 4.1% in 2026. Gross financing needs are sizeable despite an average debt maturity that is the highest in the euro area. Nonetheless, spreads on Austrian long-term sovereign bonds compared with the best rate euro area sovereign debt remain limited and have narrowed marginally in 2024 and further in 2025. An excessive deficit procedure for Austria has been in place since this July. Government guarantees have been among the largest in the EU. The fiscal sustainability risks have worsened and are now high in the medium term, whereas they were previously assessed as medium ([55]).

- The **financial sector** remains stable. The Tier 1 capital ratio remained stable in 2024, while profitability remained strong by historical standards, though below the EU median. The non-performing loans ratio kept mildly increasing, while the Stage 2 ratio decreased but remained well above the EU median. The provision of credit, notably mortgages, has further declined. The existing exposure of the banking sector to Russia, though decreasing, represents a source of risk.

Graph 3.20: **Selected graphs: Austria**



Source: Eurostat and European Commission forecasts and calculations.

([54]) EU last decade average stands at around 450 m^2 per 1000 persons.

([55]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Table 3.20: **Key economic and financial indicators, Austria**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				2.2	1.2	-0.8	-0.7	0.3	0.9
Real GDP per capita (1 year % change)				1.6	0.5	-1.6	-1.2	0.0	0.6
GDP deflator (1 year % change)				1.4	3.1	7.2	4.1	3.6	2.8
Harmonised index of consumer prices (1 year % change)				1.9	4.2	7.7	2.9	3.5	2.4
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.9	3.1	7.3	3.9	3.1	2.7
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**1.6**	**2.0**	**0.7**	**0.6**	**1.4**	**1.3**
Current account balance, balance of payments (% of GDP)		1.2 (1)	0.8 (2)	1.5	1.3	1.6	1.5	1.0	1.5
of which: trade balance (% GDP)				3.1	1.0	1.7	2.4		
of which: income balance (% GDP)				-1.6	0.2	0.0	-0.8		
Net international investment position (% of GDP)	**-35%**	-83.0 (3)	20.8 (4)	**7.5**	**14.1**	**17.5**	**23.9**	**21.7**	**21.9**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-4.2	-4.6	-5.7	-1.8		
Net lending-borrowing (% of GDP)				1.3	1.3	2.1	1.3		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**5.0**	**9.8**	**10.1**	**19.6**	**21.1**	**14.0**
Nominal unit labour cost index per hour worked (1 year % change)				1.8	2.9	8.4	8.0	3.5	2.0
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**2.4**	**1.5**	**1.8**	**2.4**	**2.2**	**1.3**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.7	0.0	3.8	0.7	0.8	0.1
Export performance against advanced economies (3y % change)	**-3%**			**1.3**	**-1.3**	**-1.9**	**-4.1**	**-0.4**	**-3.1**
Export performance against advanced economies (1 year % change)				0.6	-1.5	3.3	-3.9	-1.0	0.5
Core inflation differential vis-à-vis the euro area (pps.)				0.8	1.1	2.4	1.1	0.7	0.6
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	71.9 (5)	72.3 (6)	**72.7**	**76.9**	**71.3**	**69.5**	**67.8**	**67.8**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			3.7	5.4	1.3	0.8	1.6	4.2
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	49.6 (5)	70.1 (6)	**49.7**	**50.9**	**44.6**	**42.8**	**41.5**	**40.8**
Household debt, consolidated (% of GHDI)				69.6	68.8	60.6	55.9		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**2.9**	**3.4**	**-1.6**	**-0.4**	**0.8**	**1.8**
House price index, nominal (1 year % change)	**+9%**			**5.7**	**10.2**	**-2.9**	**-0.4**	**3.0**	**2.0**
House prices over/undervaluation gap (7)				9.5	27.3	24.0	16.6		
Standardized price-to-income ratio				112.8	130.8	124.5	115.9		
Building permits (m^2 per 1000 inh)				935.6	836.4	470.9	424.9		
Government									
General government gross debt (% of GDP)	**60%**			**74.9**	**81.2**	**77.8**	**79.9**	**81.4**	**82.8**
General government balance (% of GDP)				0.0	-5.8	-2.6	-4.7	-4.4	-4.1
Banking sector									
Return on equity of banks (%)				8.4	6.7	11.6	10.0		
Tier-1 capital ratio banking sector (% risk-weighted assets)				16.1	17.3	18.7	18.6		
Gross non-performing loans, domestic and foreign entities (% gross loans)				2.8	1.9	2.2	2.4	2.4	
Cost of borrowing for households for house purchase (%)				1.8	1.5	3.9	4.0	3.4	
Cost of borrowing for NFCs (%)				1.5	1.6	4.5	4.8	3.7	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	5.1 (8)		**5.3**	**5.7**	**5.1**	**5.2**	**5.6**	**5.5**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**1.0**	**0.1**	**1.8**	**1.0**	**1.0**	**0.8**

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

POLAND

While inflation has come down, concerns about competitiveness remain. The real effective exchange rate has appreciated significantly and, despite slowing down, the growth in unit labour costs has remained high. At the same time, Poland has gained export market share against advanced economies over the past years but the current account balance is worsening and set to get into a small deficit. Government debt has continued to increase due to large fiscal deficits which partly reflect defence spending.

Real GDP growth increased to 3.0% in 2024 and is forecast to increased further to 3.2% in 2025 and 3.5% in 2026. Headline and core inflation decreased strongly in 2024, reaching 3.7% and 3.9% respectively. They decreased further and are set to stand at 3.4% and 2.8% respectively in 2025, with the core inflation differential against the euro area hence narrowing from 1.1 pps. in 2024 to 0.3 pps. in 2025. The unemployment rate stood at 2.9% in 2024 and is expected to increase slightly to 3.1% in 2025.

The scoreboard reading for Poland shows that three indicators were beyond their indicative thresholds in 2024, namely the real effective exchange rate, nominal unit labour costs, and house prices. Relevant developments worth highlighting:

- **External sustainability** indicators remained close to balance in 2024. The current account was balanced in 2024, decreasing from a surplus of 1.6% in 2023 and is expected to be in deficit in 2025 and 2026. The NIIP increased in 2024, reaching -28.3% of GDP, mainly due to nominal growth and valuation effects, and remains close to these levels. The NIIP excluding non-defaultable instruments (NENDI) remained positive at 7% of GDP in 2024.

- **Competitiveness** concerns remain. In 2024, headline and core inflation were close to 4%, and while in 2025 the core inflation is expected to decelerate, headline inflation is not set to change substantially. The REER appreciated by almost 18% over 2021-2024 cumulatively, with a gain of 7% in 2024 alone. It was pushed mainly by a strong zloty, marking the highest appreciation in the EU. By mid-2025, the REER continued appreciating, albeit at a slower pace. Despite robust productivity gains, ULC increased by 6% in 2024, on account of the double digits nominal wage growth. ULC change reached 31% over 2021-2024 cumulatively. As productivity is set to remain strong and nominal wage increases to moderate sightly, ULC are projected to grow by 5% in 2025. In terms of export market share against advanced economies, Poland continues to perform strongly.

- A high and increasing share of NPLs points to some weakness in the **non-financial corporate sector** despite low indebtedness and sound profitability. The NFC debt-to-GDP ratio decreased slightly to 31.2% and is expected to hover around 30% over the next 1-2 years. Credit growth stood at 5.6% and bank loan flows to NFCs have been increasing since mid-2023. The interest coverage ratio decreased further in 2024 but remained high compared to other EU countries. The share of NPLs to the NFC sector increased considerably in 2024 from 5% in 2024-Q1 to 6.2% in 2024-Q4 and is now among the highest in the EU while bankruptcies stayed broadly unchanged. The profit share dropped sharply in 2023 but was back to about its pre-pandemic level by the end of 2024. Activity and sentiment indicators remained muted.

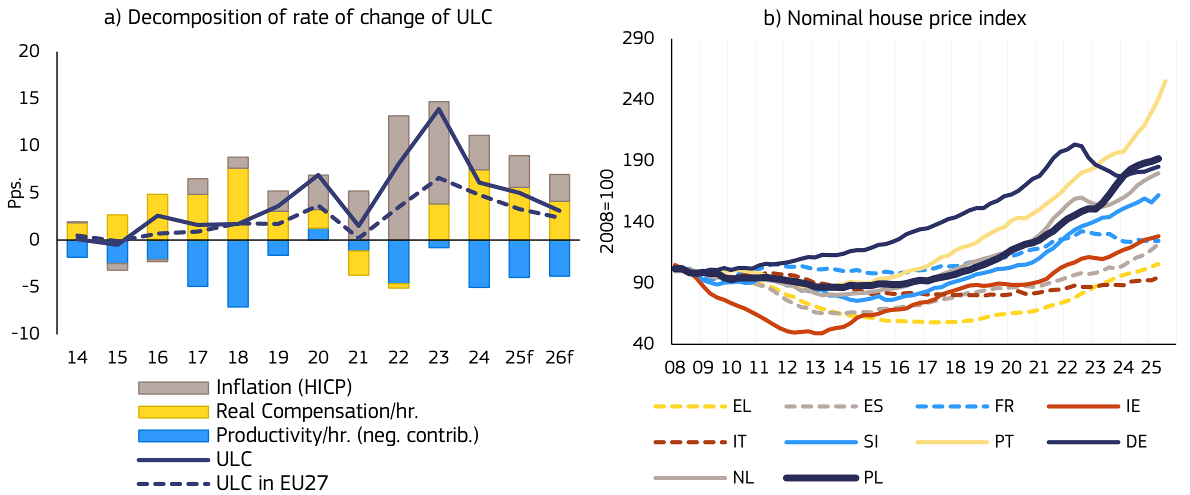
- The already low **household debt** ratio continued to decline in 2024, though at a slower speed, and reached 23% of GDP (31% of GHDI). Net credit flows remained sluggish in a context of still high borrowing costs. After a substantial drop over 2022-23 associated with high inflation, the saving rate rebounded strongly in 2024. NPLs to households continue to decline but are still significant at around 3.5% of all bank loans to households in 2024.

- **House prices** increased by 15.0% in 2024 but were decelerating in the first half of 2025. The price-to-income ratio was 11 pps. below its long-term average, but it takes 11.8 years of income to buy a 100m² apartment, while the long-term EU median is 8 years, suggesting house prices are high relative to average income. Overvaluation stood at 2%. Building permits were relatively high (637 m² per 1000 persons, compared to the long-term EU average of around 450 m² per 1000 persons), indicating a dynamic housing supply. The recent evolution in house prices has been supported by the decrease in interest rates combined with rising incomes that led to a strong increase in borrowing capacity in 2024 (+20.8%).

- **Government debt** remains moderate but is increasing fast, driven by continued high deficits. Debt increased to 55.1% of GDP in 2024, which is some 10 pps. above its pre-COVID-19 level. Moreover, it is forecast to increase again in 2025 and 2026. The fiscal deficit increased to 6.5% of GDP in 2024 and is forecast to remain high this year and next. Gross financing needs have been rising and have become sizeable, and above the EU average, on account of those large deficits and an average debt maturity that is one of the lowest in the EU. Yields on Polish sovereign long-term bonds declined in comparison with the best rated sovereign debt in the course of 2025. Interest expenditure has been clearly rising. A significant, albeit stable, share of government debt is denominated in foreign currencies. An excessive deficit procedure for Poland has been in place since July 2024. The fiscal sustainability risks have worsened and are now high in the medium term, whereas they were previously assessed to be medium ([56]).

- The **financial sector** remains stable. Profitability and capital ratio of banks remained strong in 2024 and are close the EU median. The future profitability of banks is still subject to legal risks related to previously granted foreign currency mortgages. The NPLs ratio slightly decreased in 2024 but at 3.9% is the highest in the EU. Credit dynamics showed signs of recovery in 2024, especially for the corporate sector. Polish banks' exposure to domestic sovereign debt is significant and among the highest in the EU, which represents a potential source of risk.

Graph 3.21: **Selected graphs, Poland**



Source: Eurostat and European Commission forecasts and calculations.

([56]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Table 3.21: **Key economic and financial indicators, Poland**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				5.3	3.3	0.2	3.0	3.2	3.5
Real GDP per capita (1 year % change)				5.3	3.5	0.6	3.3	3.5	3.7
GDP deflator (1 year % change)				2.0	6.7	9.9	3.8	3.6	3.1
Harmonised index of consumer prices (1 year % change)				1.6	7.3	10.9	3.7	3.4	2.9
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.9	6.3	9.3	3.9	2.8	2.6
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-1.2**	**0.0**	**-0.7**	**-0.1**	**0.6**	**-0.1**
Current account balance, balance of payments (% of GDP)		0.1 (1)	0.3 (2)	-1.2	-0.4	1.6	0.3	-0.1	-0.5
of which: trade balance (% GDP)				2.8	3.6	5.9	4.0		
of which: income balance (% GDP)				-4.0	-4.0	-4.3	-3.7		
Net international investment position (% of GDP)	**-35%**	-59.4 (3)	-4.3 (4)	**-55.0**	**-39.9**	**-31.8**	**-28.3**	**-30.0**	**-28.5**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-14.7	-0.5	6.1	7.0		
Net lending-borrowing (% of GDP)				0.3	0.5	1.7	0.6		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**5.7**	**14.1**	**25.1**	**30.7**	**26.9**	**14.9**
Nominal unit labour cost index per hour worked (1 year % change)				2.3	5.5	13.9	6.1	5.0	3.1
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**-0.2**	**0.2**	**9.3**	**17.5**	**17.9**	**9.9**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.9	0.0	10.6	7.0	2.2	0.6
Export performance against advanced economies (3y % change)	**-3%**			**13.8**	**15.9**	**7.7**	**5.8**	**7.1**	**1.4**
Export performance against advanced economies (1 year % change)				4.6	3.8	7.2	-1.0	1.0	0.1
Core inflation differential vis-à-vis the euro area (pps.)				-0.1	4.2	4.3	1.1	0.4	0.5
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	68.4 (5)	31.7 (6)	**40.3**	**37.6**	**32.3**	**31.2**	**30.8**	**30.5**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			4.8	5.6	3.1	5.6	8.1	7.8
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	45.1 (5)	21.7 (6)	**34.5**	**30.8**	**23.6**	**22.7**	**21.9**	**21.2**
Household debt, consolidated (% of GHDI)				48.1	43.3	33.6	31.0		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**5.7**	**0.9**	**-0.2**	**3.3**	**3.3**	**3.3**
House price index, nominal (1 year % change)	**+9%**			**6.4**	**10.5**	**8.8**	**15.0**	**6.0**	**5.0**
House prices over/undervaluation gap (7)				-11.4	-3.4	-4.6	1.9		
Standardized price-to-income ratio				86.2	89.7	86.7	89.3		
Building permits (m^2 per 1000 inh)				621.8	743.0	539.5	636.9		
Government									
General government gross debt (% of GDP)	**60%**			**47.9**	**52.8**	**49.5**	**55.1**	**59.5**	**64.9**
General government balance (% of GDP)				-0.8	-4.0	-5.2	-6.5	-6.8	-6.3
Banking sector									
Return on equity of banks (%)				6.9	5.1	11.6	14.6		
Tier-1 capital ratio banking sector (% risk-weighted assets)				16.1	16.6	18.1	18.1		
Gross non-performing loans, domestic and foreign entities (% gross loans)				6.3	5.1	4.1	3.9	3.9	
Cost of borrowing for households for house purchase (%)				4.4	4.8	8.3	7.7	7.1	
Cost of borrowing for NFCs (%)				3.6	4.2	8.7	7.7	7.4	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	2.9 (8)		**4.1**	**3.2**	**2.8**	**2.9**	**3.1**	**3.1**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**2.4**	**2.8**	**4.3**	**1.8**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

PORTUGAL

External sustainability has improved further while public and private debt ratios have continued to decrease. Following a rebound in 2023, the current account has strengthened further in 2024, and external indebtedness has declined. The government debt-to-GDP ratio has fallen further and is set to continue decreasing, with the government budget recording a surplus in 2024, and expected to remain close to balance in the coming years. House prices remain overvalued as house price growth accelerated in nominal and real terms.

Real GDP growth stood at 2.1% in 2024 and is forecast at 1.9% in 2025, before increasing to 2.2% in 2026. Headline and core inflation decreased in 2024, both reaching 2.7%. They have decreased further since and are set to reach 2.2% and 2.3% in 2025 respectively, almost in line with the euro area averages. The unemployment rate stood at 6.5% in 2024 and is expected to marginally decrease in 2025, to 6.3%.

The scoreboard reading for Portugal shows that four indicators were beyond their indicative thresholds in 2024, namely the net international investment position, nominal unit labour cost growth, house prices, and government debt. Relevant developments worth highlighting:

- **External sustainability** continues to improve. The current account surplus further increased from 0.5% of GDP in 2023 to 2.1% in 2024, mainly due to larger net exports of services and a reduction in the primary income deficit. The surplus is forecast to somewhat reduce in 2025. The NIIP continued to increase from -72.3% in 2023 to -58.3% in 2024, mainly due to valuation effects and nominal growth, and a further increase is expected for 2025.

- **Competitiveness** challenges remain contained. The REER stayed flat in 2024 and was broadly stable by mid-2025, despite the strong euro. In spite of sizeable productivity gains, ULC rose by close to 6% in 2024 as nominal wage growth was strong, but they are set to decelerate in 2025. Over the last three years, nominal ULC per hour grew by almost 18%, exceeding the MIP threshold of 9%. At 17% in 2024, the 3-year change in export market share is one of the highest in the EU.

- The **non-financial corporate debt**-to-GDP ratio continued to fall reaching 66.3% in 2024 and is expected to stay around 65% in the coming years. Credit growth increased but, at 1.9%, remained subdued. Bank loan flows to NFCs been have increasing since the beginning of 2025 suggesting that credit growth will pick up in 2025. Debt service capacity declined in 2024 as savings fell and the interest coverage ratio decreased further. Despite comparatively weak activity and a slight deterioration in profit indicators, real investment growth turned positive again in 2024.

- The **household debt ratio** continued to decline in 2024, though at a slower speed than in previous years, and reached 53% of GDP (66% of GHDI), just below the MIP threshold of 55% of GDP, and 16 pps. less than four years ago. Net credit flows recovered dynamically but their impact on the debt ratio was cushioned by still elevated inflation. With inflation coming down and net credit flows continuing to grow, the debt ratio is likely to rebound somewhat as of 2025.

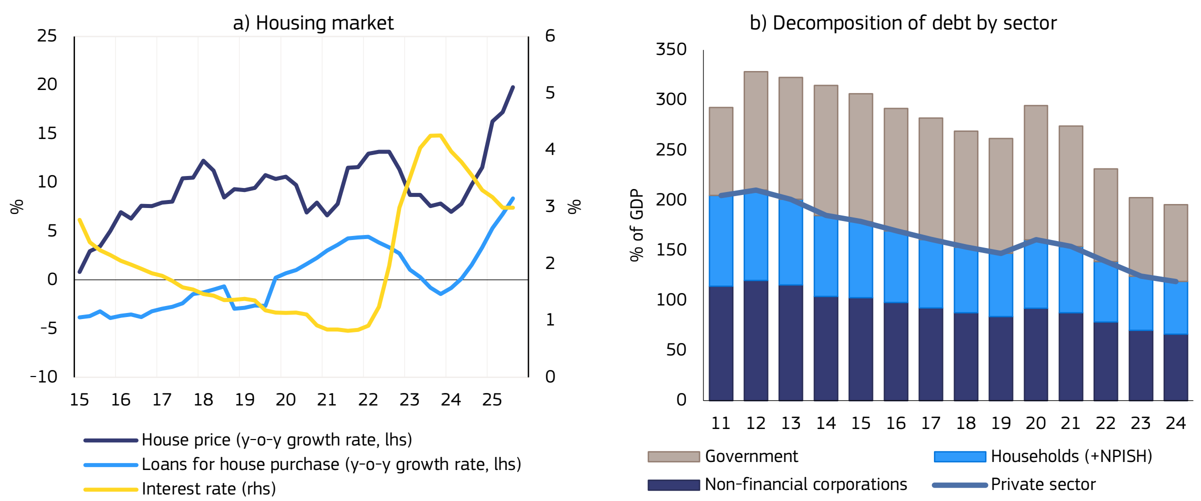
- **House prices** increased by 9.1% in 2024 and accelerated further in the first half of 2025. The price-to-income ratio was 25 pps. above the long-term average, suggesting house prices are becoming elevated relative to income. Overvaluation stood at 23%. Building permits were high

(655 m^2 per 1000 persons), indicating that housing supply is dynamic ([57]). The recent evolution in house prices has been supported by the decrease in interest rates combined with rising incomes that led to a 11.6% increase in borrowing capacity in 2024, as well as tourism-related demand for short-term rents. Looking ahead, as interest rates decline and incomes are expected to rise, borrowing capacity is likely to strengthen, making credit-financed home purchases more accessible and potentially supporting further house price growth.

- **Government debt** is high but declining. Government debt fell further to 93.6% of GDP in 2024, which is some 23 pps. below its pre-COVID-19 level. Government debt is forecast to continue declining in 2025 and 2026. A budget surplus of 0.5% of GDP was recorded in 2024 and a balanced budget is forecast for 2025. Spreads on Portuguese long-term sovereign bonds compared with the best rated euro area sovereign debt have been overall stable and contained in 2025, after declining in previous years amid a series of upgrades by major credit rating agencies. Gross financing needs are limited. Fiscal sustainability risks are now medium in the medium term, whereas they were previously assessed to be high ([58]).

- The **financial sector** developed positively in 2024, while some moderate vulnerabilities remain. Banks' capital ratio and profitability attained the EU median in 2024. The non-performing loans ratio keeps declining but remains slightly above the EU median, as do Stage 2 loans. Credit dynamics remained moderate in 2024 while growth picked up in the first half of 2025. Risks associated with financial and public sector feedback loops have further decreased.

Graph 3.22: **Selected graphs, Portugal**



Source: Eurostat, ECB and European Commission calculations

([57]) EU last decade average stands at around 450 m^2 per 1000 persons.

([58]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Table 3.22: **Key economic and financial indicators, Portugal**

				average	average			forecast	
	Thresholds	Bench. I	Bench. II	*2017-2019*	*2020-2022*	*2023*	*2024*	*2025*	*2026*
Output and Prices									
Real GDP (1 year % change)				3.0	1.2	3.1	2.1	1.9	2.2
Real GDP per capita (1 year % change)				3.0	0.8	2.0	1.0	1.2	1.6
GDP deflator (1 year % change)				1.7	3.1	7.5	4.8	3.2	2.8
Harmonised index of consumer prices (1 year % change)				1.0	2.9	5.3	2.7	2.2	2.0
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.8	1.6	5.4	2.7	2.3	2.1
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**1.1**	**-0.3**	**-0.7**	**0.2**	**1.3**	**1.5**
Current account balance, balance of payments (% of GDP)		-1.2 (1)	1.1 (2)	1.0	-1.1	0.5	2.1	1.2	1.2
of which: trade balance (% GDP)				1.2	-2.1	1.5	2.3		
of which: income balance (% GDP)				-0.2	1.0	-1.0	-0.2		
Net international investment position (% of GDP)	**-35%**	-56.9 (3)	-14.4 (4)	**-105.5**	**-92.9**	**-72.3**	**-58.3**	**-54.9**	**-50.3**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-52.9	-35.6	-18.7	-9.1		
Net lending-borrowing (% of GDP)				2.0	0.1	2.0	3.1		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**6.5**	**13.2**	**12.5**	**17.8**	**20.5**	**13.9**
Nominal unit labour cost index per hour worked (1 year % change)				2.9	3.8	8.6	5.8	4.9	2.6
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**0.8**	**-1.9**	**-1.4**	**0.6**	**-0.3**	**-0.2**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.0	-0.9	2.2	0.3	-0.3	0.0
Export performance against advanced economies (3y % change)	**-3%**			**6.5**	**-5.8**	**17.0**	**17.3**	**11.3**	**5.4**
Export performance against advanced economies (1 year % change)				2.3	-0.6	7.8	1.7	0.8	0.7
Core inflation differential vis-à-vis the euro area (pps.)				-0.2	-0.4	0.4	-0.1	-0.2	0.0
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	53.8 (5)	58.8 (6)	**88.1**	**86.3**	**70.0**	**66.3**	**65.4**	**64.8**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			-0.8	3.3	0.2	1.9	4.5	4.9
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	33.6 (5)	31.0 (6)	**65.6**	**64.9**	**54.1**	**52.5**	**53.7**	**55.2**
Household debt, consolidated (% of GHDI)				84.0	79.7	69.9	65.9		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**0.9**	**2.9**	**-0.4**	**4.0**	**7.4**	**8.1**
House price index, nominal (1 year % change)	**+9%**			**9.8**	**10.3**	**8.2**	**9.1**	**16.0**	**9.0**
House prices over/undervaluation gap (7)				-5.2	12.8	21.5	23.0		
Standardized price-to-income ratio				100.0	119.1	124.6	124.6		
Building permits (m^2 per 1000 inh)				438.3	588.4	633.4	654.5		
Government									
General government gross debt (% of GDP)	**60%**			**121.1**	**123.1**	**96.9**	**93.6**	**91.3**	**89.2**
General government balance (% of GDP)				-1.1	-3.0	1.3	0.5	0.0	-0.3
Banking sector									
Return on equity of banks (%)				2.1	4.5	13.8	14.4		
Tier-1 capital ratio banking sector (% risk-weighted assets)				14.5	16.4	17.9	19.0		
Gross non-performing loans, domestic and foreign entities (% gross loans)				9.6	3.8	2.7	2.4	2.3	
Cost of borrowing for households for house purchase (%)				1.5	1.2	4.1	3.9	3.0	
Cost of borrowing for NFCs (%)				2.6	2.3	5.4	5.3	4.0	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	5.9 (8)		**7.7**	**6.7**	**6.5**	**6.5**	**6.3**	**6.2**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**2.1**	**0.5**	**4.0**	**3.2**	**2.6**	**1.7**

Notes: See Annex 1.
Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

ROMANIA

Risks related to external sustainability and competitiveness remain. Large fiscal deficits have fuelled domestic demand and contributed to large current account deficits. Core inflation has remained elevated, and the real effective exchange rate has appreciated further. With high wage increases, Romania recorded the highest increase in unit labour costs in the EU in 2024. At the same time, external indebtedness has remained stable against the backdrop of strong nominal GDP growth.

Real GDP growth stood at 0.9% in 2024 and is forecast to remain subdued, at 0.7% in 2025 and 1.1% in 2026. Headline inflation decreased to 5.8% in 2024. It has rebounded and is set to stand at 6.7% in 2025. While decreasing, core inflation remained elevated in 2024, at 8.4%. It has decreased further and is forecast to stand at 6.5% in 2025, with the core inflation differential against the euro area remaining high but narrowing from 5.5 pps. in 2024 to 4.1 pps. in 2025. The unemployment rate stood at 5.4% in 2024 and is expected to increase moderately to 6.1% in 2025.

The scoreboard reading for Romania shows that three indicators were beyond their indicative thresholds in 2024, namely the net international investment position, the current account deficit, and nominal unit labour costs. Relevant developments worth highlighting:

- Large current account deficits raise concerns about **external sustainability**. Large fiscal deficits have fuelled domestic demand growth in recent years, resulting in sizeable current account deficits, which markedly exceeded estimated current account benchmarks. The current account deficit remained substantial and increased to 8.2% in 2024, up from 6.7% in 2023. The deficit is forecast to improve as import-heavy private consumption is set to decelerate significantly in 2025 and 2026 due to sizeable fiscal consolidation measures. A growing cost of government debt adds to the primary income deficit. Large fiscal deficits keep the economy heavily reliant on external financing. Capital transfers from the EU, including the RRF, and foreign direct investment covered slightly more than half of external financing needs in 2024. Substantial foreign exchange reserves and EU funds inflows mitigate the immediate risks of liquidity drying out. The net international investment position (NIIP), which stood at close to -41% of GDP in 2024, remains broadly stable, owing to strong nominal growth. The NIIP seems unlikely to improve substantially, as nominal growth is slowing down and external financing needs remain substantial. The composition of the NIIP is dominated by non-defaultable instruments, notably FDI.

- **Competitiveness** concerns persist due to significant inflation differentials and high wage increases, which are however moderating markedly. In 2024 both headline and core inflation were the highest in the EU. In 2025 they are set to remain high, on account of the phasing-out of energy support measures and VAT and excise duty increases. Last year, the REER appreciated by close to 3%; both the nominal appreciation of the Romanian leu and positive inflation differentials contributed. By mid-2025 the REER continued to appreciate, albeit at a slower pace. ULC increased by 18% in 2024 (the highest annual increase in the EU), as nominal wage increases were strong and productivity decreased, pushing the 3-year increase to more than 50%. The 3-year change in export market share remained positive in 2024, although in-year losses were registered.

- Despite some weaknesses in economic activity, the **non-financial corporate sector** remained robust with low leverage and comparatively favourable financing conditions. NFC debt stayed relatively constant at close to 28% of GDP, the lowest level in the EU and is expected to mildly decrease in the next years. In 2024 credit growth decreased slightly to 10.1%. Although bank loan flows to NFCs have decelerated in recent months, they have remained strong, indicating that credit growth is likely to remain robust in 2025. The share of NPLs increased mildly throughout 2024, while bankruptcies stayed broadly unchanged. Activity indicators have remained below their long-term averages.

- The **household debt** ratio remained stable at around 13% of GDP (19% of GHDI) in 2024, the lowest level in the EU. Net credit flows recovered strongly to 11% of the previous year's debt stock in 2024, not far away from the MIP threshold of 14%. As a proportion of GDP, however, their magnitude remains small and for the time being insufficient to push the debt ratio upward in a context of still high inflation. According to the non-financial sectoral accounts data, the gross saving rate has been negative for the last 18 years (with the exception of 2020 due to forced saving) ([59]). It improved to -1% in 2024 after two years of high inflation, but remains a concern for the resilience of the household sector. While non-financial saving (mostly investment in homes) is around the EU average, at around 10% of GHDI, financial savings are consistently and significantly negative. Non-performing loans to households continue to decline but are still significant at around 3.5% of all bank loans to households in 2024.

- **House prices** increased by 5% in 2024 and continued to grow at a similar pace into 2025. The price-to-income ratio was 53 pps. below the long-term average. Undervaluation stood at 26%. Building permits were low (462 m^2 per 1000 persons), indicating limited increases in supply. The recent evolution in house prices has been supported by the decrease in interest rates combined with rising incomes that led to a strong increase in borrowing capacity in 2024 (+28%).

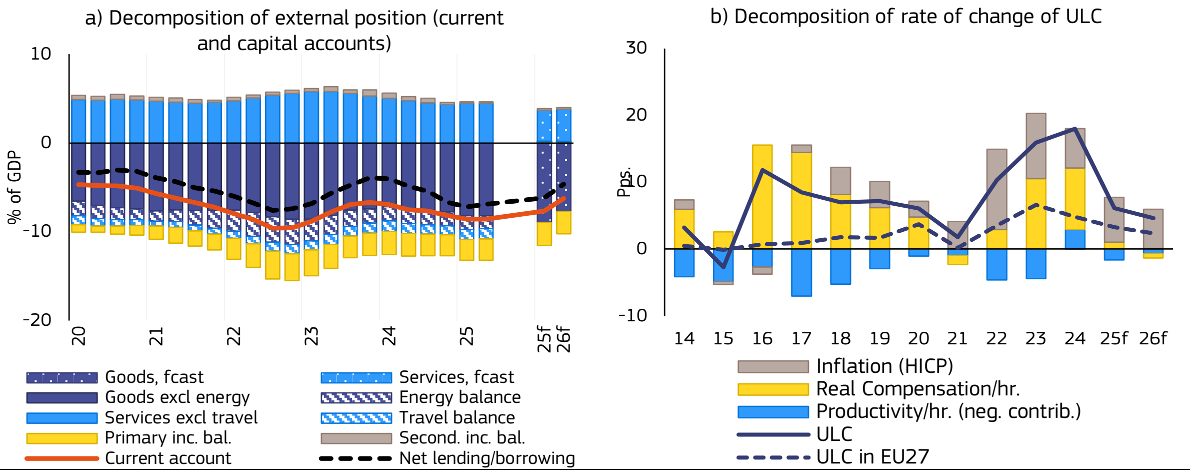
- **Government debt** remains moderate but is increasing fast as fiscal deficits have been very high recently. Debt increased further to 54.8% of GDP in 2024, which is some 20 pps. above its pre-COVID-19 level, and government debt is forecast to increase further in 2025 and 2026. The government deficit rose to 9.3% of GDP in 2024 and is forecast to decline gradually to about 6% in 2026 due to several fiscal adjustment packages. Gross financing needs continue being sizeable and above the EU average. Romanian long-term sovereign bond yields are the highest in the EU and spreads against the best rated sovereign debt of the EU increased in 2025, especially around the election period. Interest expenditure has been rising too, doubling to around 3% of GDP in 2025 from a few years ago. A very significant share of government debt is denominated in foreign currencies (over half of it in recent years). An excessive deficit procedure for Romania has been ongoing since 2020. Short-term fiscal sustainability risks have worsened and are now high, whereas they were previously assessed as being low, and remain high in the medium term ([60]).

- The **financial sector** is stable but subject to moderate risks in specific asset categories. The Tier 1 capital ratio and profitability remained strong in 2024, well above the EU median. The non-performing loans ratio of the banking sector remained stable in 2024, and 2.7% above the EU median. Credit growth rates remained high in 2024 but decelerated in 2025. Romanian banks' exposure to domestic sovereign debt is rather significant and the highest in the EU, partly due to shallow financial markets, and has increased in recent years. This represents a risk factor in face of increasing government indebtedness.

([59]) Household statistics might be distorted by measurement issues, as data from the financial transactions accounts imply a positive gross savings ratio since 2009.

([60]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Graph 3.23: **Selected graphs, Romania**



Source: Eurostat and European Commission forecasts and calculations.

Table 3.23: **Key economic and financial indicators, Romania**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				5.9	2.0	2.3	0.9	0.7	1.1
Real GDP per capita (1 year % change)				6.4	2.6	2.2	1.0	0.9	1.2
GDP deflator (1 year % change)				6.0	7.2	12.4	9.6	7.8	6.8
Harmonised index of consumer prices (1 year % change)				3.0	6.1	9.7	5.8	6.7	5.9
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.8	3.7	9.7	8.4	6.5	5.6
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-3.2**	**-6.0**	**-7.8**	**-8.1**	**-7.5**	**-7.4**
Current account balance, balance of payments (% of GDP)		-0.2 (1)	-1.3 (2)	-4.2	-7.3	-6.7	-8.2	-7.7	-6.2
of which: trade balance (% GDP)				-3.4	-5.7	-4.9	-6.0		
of which: income balance (% GDP)				-0.8	-1.6	-1.8	-2.2		
Net international investment position (% of GDP)	**-35%**	-54.3 (3)	-8.0 (4)	**-46.7**	**-46.2**	**-41.6**	**-41.3**	**-45.7**	**-47.3**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-6.2	-7.1	-6.5	-8.4		
Net lending-borrowing (% of GDP)				-3.0	-5.3	-3.9	-6.7		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**24.1**	**18.9**	**30.2**	**51.0**	**45.2**	**31.1**
Nominal unit labour cost index per hour worked (1 year % change)				7.6	6.1	15.9	18.0	6.1	4.6
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**-2.0**	**2.4**	**6.8**	**9.7**	**8.2**	**8.2**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.1	0.9	5.5	2.7	2.6	2.8
Export performance against advanced economies (3y % change)	**-3%**			**11.5**	**5.3**	**6.8**	**2.0**	**4.2**	**3.0**
Export performance against advanced economies (1 year % change)				3.0	1.2	5.4	-2.6	3.8	3.6
Core inflation differential vis-à-vis the euro area (pps.)				0.7	1.7	4.7	5.5	4.1	3.4
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	66.0 (5)	26.1 (6)	**32.7**	**31.4**	**28.4**	**27.7**	**27.0**	**26.4**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			2.1	10.2	11.6	10.1	9.2	8.7
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	51.3 (5)	15.9 (6)	**15.8**	**15.3**	**12.7**	**12.5**	**12.8**	**13.1**
Household debt, consolidated (% of GHDI)				24.3	22.8	19.5	18.5		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**7.7**	**5.8**	**4.3**	**10.9**	**11.0**	**10.6**
House price index, nominal (1 year % change)	**+9%**			**5.0**	**5.4**	**3.3**	**5.0**	**5.0**	**5.0**
House prices over/undervaluation gap (7)				-7.7	-12.9	-20.9	-25.9		
Standardized price-to-income ratio				69.9	60.3	51.4	47.1		
Building permits (m^2 per 1000 inh)				542.3	591.6	456.3	461.8		
Government									
General government gross debt (% of GDP)	**60%**			**35.0**	**47.9**	**49.3**	**54.8**	**59.1**	**61.1**
General government balance (% of GDP)				-3.2	-7.7	-6.7	-9.3	-8.4	-6.2
Banking sector									
Return on equity of banks (%)				12.5	12.6	16.8	17.7		
Tier-1 capital ratio banking sector (% risk-weighted assets)				18.1	20.5	19.9	20.9		
Gross non-performing loans, domestic and foreign entities (% gross loans)				5.3	3.4	2.5	2.6	2.7	
Cost of borrowing for households for house purchase (%)				4.9	4.8	7.3	6.4	5.9	
Cost of borrowing for NFCs (%)				5.4	5.7	9.0	8.2	9.0	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	5.7 (8)		**5.4**	**5.8**	**5.6**	**5.4**	**6.1**	**5.8**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**2.9**	**3.0**	**2.7**	**1.8**	**0.2**	**0.1**

Notes: See Annex 1.
Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

SLOVENIA

With inflation coming down, competitiveness concerns have reduced. The real effective exchange rate depreciated slightly in 2024, and unit labour costs slowed down despite still high nominal wage increases. External sustainability remains strong, with the current account recording a surplus of 4.5% of GDP in 2024. The government deficit narrowed in 2024, and government debt is set to decrease in the next years.

Real GDP growth stood at 1.7% in 2024 and is forecast to decrease to 1.0% in 2025 before rebounding to 2.4% in 2026. Headline and core inflation decreased significantly in 2024, to 2.0% and 2.9% respectively. Headline inflation rebounded slightly and is forecast to stand at 2.5% in 2025 while core inflation is set to stand at 2.4%, in line with the euro area average. The unemployment rate stood at 3.7% in 2024 and is expected to decrease to 3.4% in 2025.

The scoreboard reading for Slovenia shows that two indicators were beyond their indicative thresholds in 2024, namely nominal unit labour costs and government debt. Relevant developments worth highlighting:

- **External sustainability** continues to be strong. The current account surplus reached 4.5% of GDP in 2024, from 4.8% in 2023, and is forecast to somewhat reduce. The NIIP further improved, reaching 9.9% of GDP in 2024, from 3.6% in 2023, mainly due to the current account surplus. The NIIP excluding non-defaultable instruments (NENDI) remains positive, reaching 23% of GDP in 2024.

- **Competitiveness** indicators remain contained. In 2024, both average headline and core inflation rates evolved broadly in line with those in the euro area and are expected to do so in 2025 as well. Last year, the REER depreciated slightly, as the inflation differential more than offset the nominal exchange rate gains. By mid-2025 the REER continued to depreciate, mainly on account of negative inflation differentials against main trading partners. ULC increased by 5.3% last year, driven by marginal productivity losses and robust nominal wage increases, and by more than 20% over the last 3 years. In 2025, nominal wages growth is expected to accelerate and despite a pick-up in productivity, ULC is set to increase by 6%. The 3-year change in export market performance against advanced economies turned slightly negative in 2024.

- The **non-financial corporate sector** has stayed solid with little change from the previous year, featuring low leverage and robust debt service capacity, though borrowing and investment have been lacklustre. The debt-to-GDP ratio declined slightly to 32.3% where it is expected to remain over the coming years. Credit growth stood at -2.7% in 2024. Bank loan flows to NFCs increased modestly and turned positive in the beginning of 2025. The interest coverage ratio fell further in 2024 but remained high compared to other EU countries. The share of NPLs stayed at below 3% in 2024, while real investment growth turned negative.

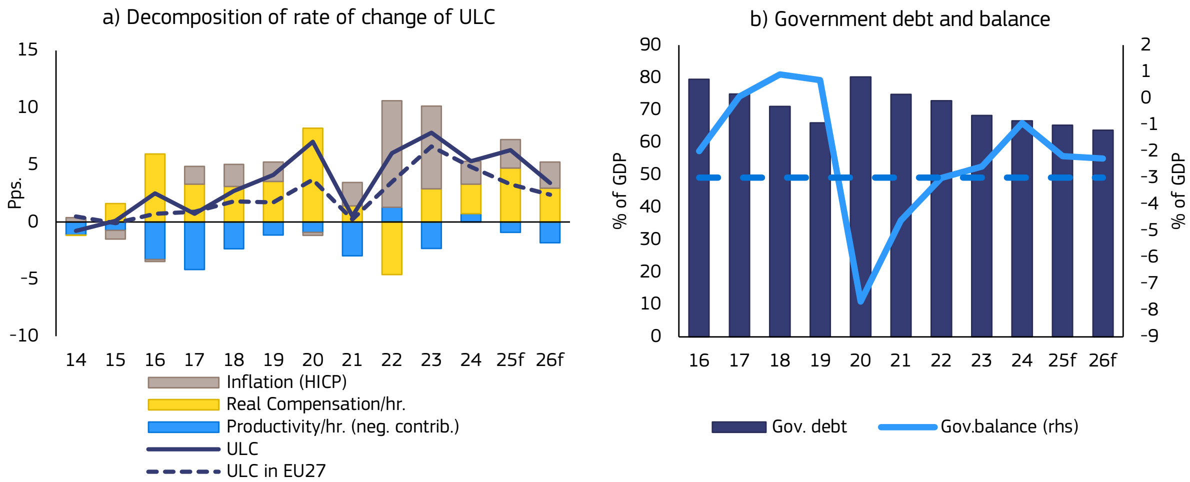
- Household balance sheets look healthy overall. The **household debt** ratio rebounded slightly in 2024 to just above 24% of GDP (34% of GHDI), still a low level. Credit flows recovered dynamically after a mild deceleration on the back of high borrowing costs. If continued at a similar rate, they might gradually push up the household debt ratio over the coming years. Households' saving rate is solid at around 13%, in line with its pre-pandemic level, and more or less equally split between financial and non-financial savings.

- **House prices** increased by 7.5% in 2024, but showed signs of deceleration in the first half of 2025. The price-to-income ratio was 7 pps. above the long-term average, suggesting house prices are slightly elevated relative to income and overvaluation stood at 6%. Building permits were relatively low (423 m² per 1000 persons), indicating potential supply constraints ([61]). The recent evolution in house prices has been supported by the decrease in interest rates that led to a 13.6% increase in borrowing capacity in 2024.

- **Government debt** is moderate and is declining. Government debt decreased to 66.6% of GDP in 2024, which is around its pre-COVID-19 level. Debt is forecast to continue decreasing in 2025 and 2026. The government deficit fell further to 0.9% of GDP in 2024 and it is forecast to widen marginally this year and next but to be just over 2% of GDP. Spreads on Slovenian long-term sovereign bonds compared with the best rated euro area sovereign debt have narrowed further in 2024 and 2025. Fiscal sustainability risks remain medium in the medium term ([62]).

- The soundness of the **financial sector** reflects high banking sector capitalisation and profitability in 2024, which are close to the EU median. The non-performing loans ratio slightly increased in 2024 but at 1.7% is below the EU median. There has been also a mild increase in Stage 2 loans. After a previous strong decline, credit started to recover in late in 2024. The increase in house prices in recent years that represents a source of risk seems to have some to an end in 2024.

Graph 3.24: **Selected graphs, Slovenia**



Source: Eurostat and European Commission forecasts and calculations.

([61]) EU last decade average stands at around 450 m² per 1000 persons.

([62]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Table 3.24: **Key economic and financial indicators, Slovenia**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				4.4	2.2	2.4	1.7	1.0	2.4
Real GDP per capita (1 year % change)				4.0	1.9	1.8	1.4	0.7	2.2
GDP deflator (1 year % change)				1.9	3.4	10.0	3.5	3.8	2.7
Harmonised index of consumer prices (1 year % change)				1.7	3.6	7.2	2.0	2.5	2.3
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.2	2.5	6.7	2.9	2.4	2.2
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**6.1**	**5.3**	**2.4**	**2.8**	**4.0**	**3.4**
Current account balance, balance of payments (% of GDP)		0.5 (1)	0.8 (2)	6.6	3.3	4.8	4.5	2.9	2.8
of which: trade balance (% GDP)				8.8	5.5	6.6	6.1		
of which: income balance (% GDP)				-2.2	-2.2	-1.8	-1.6		
Net international investment position (% of GDP)	**-35%**	-65.1 (3)	4.3 (4)	**-20.0**	**-7.5**	**3.6**	**9.9**	**11.0**	**11.0**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-3.3	9.5	19.3	23.0		
Net lending-borrowing (% of GDP)				6.0	3.2	4.8	4.6		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**5.6**	**13.5**	**14.8**	**20.4**	**20.7**	**15.7**
Nominal unit labour cost index per hour worked (1 year % change)				2.5	4.5	7.8	5.3	6.3	3.4
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**0.4**	**0.0**	**1.1**	**1.1**	**-0.6**	**-1.0**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.4	-0.4	2.9	-0.4	-0.3	0.0
Export performance against advanced economies (3y % change)	**-3%**			**12.2**	**3.2**	**1.0**	**-0.4**	**7.1**	**7.2**
Export performance against advanced economies (1 year % change)				3.7	0.3	1.7	-0.3	2.0	1.8
Core inflation differential vis-à-vis the euro area (pps.)				0.2	0.5	1.7	0.0	0.0	0.1
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	60.5 (5)	53.1 (6)	**44.0**	**39.8**	**34.7**	**32.3**	**32.5**	**32.5**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			-1.2	4.1	-2.9	-2.7	6.5	6.2
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	40.6 (5)	34.3 (6)	**27.1**	**26.7**	**23.9**	**24.2**	**24.7**	**25.3**
Household debt, consolidated (% of GHDI)				38.4	35.5	33.3	33.5		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**6.1**	**4.8**	**3.9**	**6.8**	**7.2**	**7.4**
House price index, nominal (1 year % change)	**+9%**			**7.9**	**10.2**	**7.2**	**7.5**	**5.0**	**4.0**
House prices over/undervaluation gap (7)				-6.1	1.9	3.6	5.5		
Standardized price-to-income ratio				95.6	101.0	105.2	106.9		
Building permits (m^2 per 1000 inh)				353.3	443.0	471.6	423.2		
Government									
General government gross debt (% of GDP)	**60%**			**70.6**	**75.9**	**68.3**	**66.6**	**65.2**	**63.7**
General government balance (% of GDP)				0.5	-5.1	-2.6	-0.9	-2.2	-2.3
Banking sector									
Return on equity of banks (%)				10.0	11.4	16.8	14.9		
Tier-1 capital ratio banking sector (% risk-weighted assets)				17.7	16.6	18.0	17.8		
Gross non-performing loans, domestic and foreign entities (% gross loans)				6.2	2.3	1.5	1.6	1.7	
Cost of borrowing for households for house purchase (%)				2.4	2.1	4.1	3.6	2.9	
Cost of borrowing for NFCs (%)				2.1	2.0	4.9	5.1	4.0	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	5.5 (8)		**5.4**	**4.6**	**3.7**	**3.7**	**3.4**	**3.5**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**3.3**	**0.8**	**1.4**	**0.9**	**-0.6**	**0.7**

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

SLOVAKIA

Concerns about competitiveness, external sector developments, government debt and the housing market persist. Despite a decrease in 2024, inflation rates remain high, with core inflation set to stand well above the euro area average in 2025. Export performance worsened and the current account deficit widened in 2024. The current account is set to widen further, fuelled by fiscal deficits which also contribute to increases in government debt. House prices have accelerated and show signs of overvaluation.

Real GDP grew by 1.9% in 2024, and real GDP growth is forecast to slow down, to 0.8% in 2025 and 1.0% in 2026. Headline and core inflation decreased significantly in 2024 (at 3.2% and 4.3% respectively), but they rebounded in 2025, due to increases in VAT and other taxes and effects of adjustments in energy subsidies, with headline inflation forecast to reach 4.2% and core inflation 5.4%, implying a widening of the core inflation differential against the euro area from 1.4 pps. in 2024 to 3.0 pps. in 2025. The unemployment rate stood at 5.3% in 2024 and is expected to increase to 5.4% in 2025.

The scoreboard reading for Slovakia shows that five indicators were beyond their indicative thresholds in 2024, namely the current account deficit, the net international investment position, real effective exchange rate, export performance, and nominal unit labour costs. Relevant developments worth highlighting:

- Concerns about **external sector developments** persist. The current account deficit widened from 3% of GDP in 2023 to 4.6% in 2024, significantly exceeding pre-pandemic levels, and is largely driven by the fiscal deficit. The current account deficit is forecast to increase further in the coming years. Strong nominal growth and valuation effects contributed to the NIIP rising to -55% of GDP in 2024. The NENDI, which accounts for instruments that are subject to lower default risks, also experienced a slight increase, reaching around –12% of GDP.

- **Competitiveness** concerns persist, despite some moderation. In 2024, headline and core inflation rates remained high at 3.2% and 4.3% respectively. Both rates are expected to increase in 2025, further widening the gap with the euro area. Last year, the 3-year change in REER cumulated to over 8%, while year-on-year it appreciated slightly. By mid-2025, the strong euro and positive inflation differentials pushed the REER higher. Despite sizeable nominal wage increases, ULC growth moderated substantially last year due to strong productivity gains, but cumulated to 23% over the last 3 years. The three-year change in export market share was -4.5% in 2024, marked by a considerable in-year drop.

- In spite of a solid **non-financial corporate sector**, borrowing and investment have remained subdued. The NFC debt-to-GDP ratio decreased further to 39.2% in 2024 and is expected to remain roughly at this level in the coming years. Credit growth remained muted in 2024 at -1.1% but since the beginning of 2025, bank loan flows to NFCs have started to pick up strongly amid signs of easing credit standards. Debt service capacity has remained robust, as the interest coverage ratio increased in 2024 and is one of the highest in the EU. The share of NPLs for NFCs remained broadly unchanged at around 2.5% in 2024. Real investment grew by 1.8% in 2024.

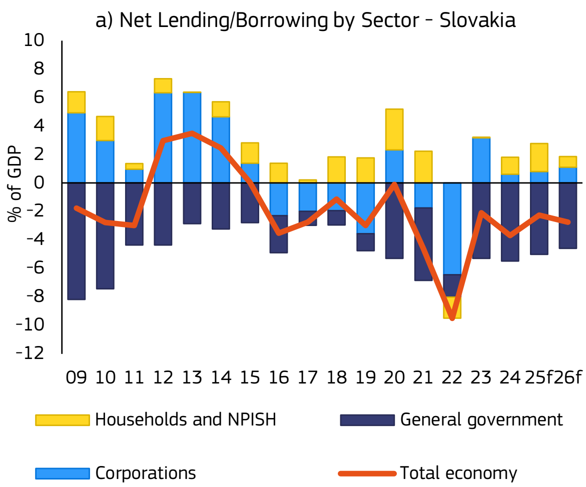
- The **household debt** ratio decreased slightly in 2024 and stands just above 43% of GDP (59% of GHDI in 2024), a moderate level. Net credit flows remained subdued in 2024 but are expected to recover in 2025, potentially putting upward pressure on the debt ratio. In 2022, the gross saving rate declined as real consumption continued to grow while real disposable income contracted, but it is gradually recovering. In 2024, the gross saving rate stood at 8%, still somewhat below its pre-pandemic level of 10%.

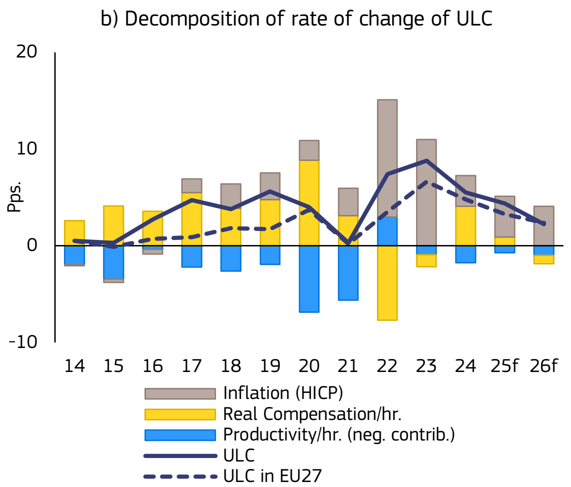
- **House prices** increased by 3.8% in 2024 and are showing signs of strong acceleration in 2025. The price-to-income ratio was 6 pps. below the long-term average, but it takes 14.3 years of income to buy a 100m^2 apartment, while the long-term EU median is 8 years, suggesting house prices are high relative to income. Overvaluation stood at 8%. in 2024 Building permits were low, at 293.1 m^2 per 1000 persons, suggesting limited supply increases ([63]). The recent evolution in house prices has been supported by the rise in incomes that led to a 6.0% increase in borrowing capacity in 2024.

- **Government debt** level is still moderate but is increasing as deficits continue to be high. Debt increased to 59.7% of GDP in 2024, which is approximately 12 pps. above its pre-COVID-19 level. It is forecast to increase further in 2025 and 2026. The government deficit increased slightly to 5.5% of GDP in 2024 and is forecast to only marginally improve this year and next, continuing to add to debt. Spreads on Slovak long-term sovereign bonds compared to the highest-rated euro area sovereign debt have narrowed slightly in 2024 and 2025 but remain among the highest in the euro area. An excessive deficit procedure for Slovakia has been in place since July 2024. Short-term fiscal sustainability risks have worsened and are now high, whereas they were previously assessed to be low, and remain high in the medium term ([64]).

- The **financial sector's** remained resilientas banking sector capitalisation has remained stable in 2024 but below the EU median. While bank profitability decreased in 2024, it remained high compared to historical levels and but below the EU median. The non-performing loans ratio, which had been steadily decreasing from 2016 to 2022, increased slightly in 2023 and 2024, reaching 1.9%. Credit continued to slow down, with credit to NFCs contracting slightly in 2024.

Graph 3.25: **Selected graphs, Slovakia**





Source: Eurostat and European Commission forecasts and calculations.

([63]) EU last decade average stands at around 450 m^2 per 1000 persons.

([64]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Table 3.25: **Key economic and financial indicators, Slovakia**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				3.1	1.1	2.1	1.9	0.8	1.0
Real GDP per capita (1 year % change)				2.9	1.1	2.1	1.9	1.0	1.2
GDP deflator (1 year % change)				1.9	3.9	10.0	3.4	3.8	3.6
Harmonised index of consumer prices (1 year % change)				2.2	5.5	11.0	3.2	4.2	4.1
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.8	4.6	9.5	4.3	5.4	2.6
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-1.9**	**-3.3**	**-5.8**	**-5.8**	**-4.5**	**-5.5**
Current account balance, balance of payments (% of GDP)		0.3 (1)	1.9 (2)	-2.3	-5.0	-3.0	-4.6	-5.9	-6.0
of which: trade balance (% GDP)				0.7	-1.9	1.5	-0.3		
of which: income balance (% GDP)				-3.0	-3.1	-4.5	-4.3		
Net international investment position (% of GDP)	**-35%**	-51.6 (3)	-1.0 (4)	**-67.5**	**-62.3**	**-57.8**	**-55.0**	**-54.6**	**-55.2**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-15.2	-15.8	-15.0	-12.4		
Net lending-borrowing (% of GDP)				-1.7	-4.0	-2.6	-3.6		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**11.5**	**12.1**	**17.3**	**23.3**	**19.8**	**12.5**
Nominal unit labour cost index per hour worked (1 year % change)				4.7	3.9	8.8	5.5	4.4	2.2
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.0**	**4.1**	**7.5**	**8.3**	**5.4**	**3.5**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.9	1.3	6.1	0.7	1.4	1.7
Export performance against advanced economies (3y % change)	**-3%**			**2.4**	**-0.5**	**-2.3**	**-4.5**	**7.4**	**4.0**
Export performance against advanced economies (1 year % change)				-0.2	-1.4	5.8	-3.9	3.8	2.4
Core inflation differential vis-à-vis the euro area (pps.)				0.8	2.6	4.5	1.4	3.0	0.4
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	72.0 (5)	45.2 (6)	**48.4**	**47.2**	**41.0**	**39.2**	**39.2**	**39.2**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			1.7	7.1	-3.6	-1.1	5.9	5.7
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	47.7 (5)	29.9 (6)	**42.1**	**46.5**	**43.8**	**43.3**	**44.4**	**46.0**
Household debt, consolidated (% of GHDI)				60.7	63.3	61.0	59.2		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**9.8**	**8.0**	**4.6**	**4.3**	**7.3**	**8.3**
House price index, nominal (1 year % change)	**+9%**			**7.5**	**9.8**	**-0.2**	**3.8**	**9.0**	**6.0**
House prices over/undervaluation gap (7)				-1.4	12.8	11.0	7.8		
Standardized price-to-income ratio				95.9	103.5	97.0	93.6		
Building permits (m^2 per 1000 inh)				428.4	434.1	366.5	293.1		
Government									
General government gross debt (% of GDP)	**60%**			**49.6**	**58.8**	**55.8**	**59.7**	**61.9**	**64.0**
General government balance (% of GDP)				-1.1	-4.0	-5.3	-5.5	-5.0	-4.6
Banking sector									
Return on equity of banks (%)				9.0	7.7	11.5	10.2		
Tier-1 capital ratio banking sector (% risk-weighted assets)				16.4	17.9	18.6	18.7		
Gross non-performing loans, domestic and foreign entities (% gross loans)				3.3	2.1	1.8	1.9	2.0	
Cost of borrowing for households for house purchase (%)				1.6	1.4	3.8	4.1	3.7	
Cost of borrowing for NFCs (%)				2.2	2.2	5.3	5.7	4.4	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	5.9 (8)		**6.8**	**6.5**	**5.8**	**5.3**	**5.5**	**5.7**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**1.4**	**0.7**	**2.0**	**2.0**		

Notes: See Annex 1.
Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

FINLAND

Cost pressures have been very limited in the context of low inflation and stagnating economic activity. At the same time, export performance has been weak in recent years. While remaining high, household debt has decreased against the backdrop of contracting credit flows. The government deficit widened in 2024 and is set to remain substantial in the next years, contributing to increases in government debt in a context of low nominal GDP growth.

Real GDP growth stood at 0.4% in 2024 and is set to decrease to 0.1% in 2025 before rebounding to 0.9% in 2026. Headline inflation decreased to 1.0% in 2024 but has accelerated and is forecast to stand at 1.9% in 2025. Core inflation was below the euro area average in 2024, at 2.2%. It has increased mildly and is set to stand at 2.4% in 2025, in line with the euro area average. The unemployment rate stood at 8.4% in 2024 and is expected to increase to 9.5% in 2025.

The scoreboard reading for Finland shows that four indicators were beyond their indicative thresholds in 2024, namely export performance, nominal unit labour costs, household debt, and government debt. Relevant developments worth highlighting:

- **External sustainability** is marked by a slight current account deficit at 0.7% of GDP in 2024, which is forecast to widen somewhat. The NIIP increased from 12.9% of GDP in 2023 to 24.7% in 2024, mainly on the back of valuation effects, and is forecast to decrease but remain close to this level in 2025.

- **Competitiveness** developments are marked by low price growth on the back of long-term subdued activity. In 2024, the REER depreciated by 1% on account of negative inflation differentials against trading partners and despite a strong euro. However, by mid-2025 it appreciated slightly. In 2024, ULC growth was the lowest in the EU, marked by low nominal wage increases, but the 3-year change cumulated to almost 11%. Export performance against advanced economies was among the weakest in the EU, dropping by close to 8% in the 3 years up to 2024.

- The **non-financial corporate debt** service capacity has remained weak, and borrowing and investment subdued**.** NFC debt-to-GDP stayed at 78.3% and is expected to slightly decrease in the next years. Credit growth fell to 0.9% in 2024 and bank loan flows to NFCs have remained subdued. The interest coverage ratio fell to its lowest value in over two decades in 2024-Q1 and has since remained among the lowest in the EU. At the same time, corporate savings have decreased considerably. However, borrowing costs have started to fall and with interest expenses likely having peaked, debt service capacity is expected to improve in 2025. During 2024, the share of NPLs has increased, albeit from very low levels. After a deterioration in 2023, profit indicators improved in 2024, whereas real investment growth remained negative.

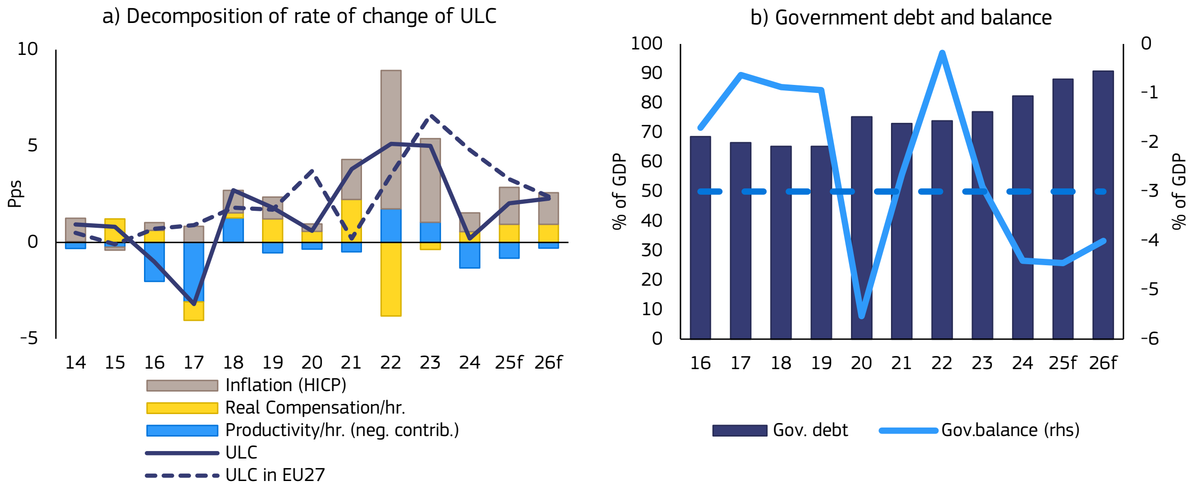
- The **household debt ratio** decreased to 64% of GDP (and 83% of GHDI) in 2024, and remains high. Net credit flows continued to be negative in 2024, implying that the volume of reimbursements exceeded the volume of new loans given out. A contributing factor was that, due to the high proportion of flexible rate mortgages, the cost of borrowing on outstanding loans had risen from less than 1% in 2021 to 4% early 2024. By 2025-Q3, it has come down again to below 3%. Households' net interest payments were around 1.5 pps. of GHDI higher in 2024 than in 2021. Credit growth is expected to recover slowly going forward. As real disposable income recovered in 2024 while real consumption remained flat, the saving rate increased to 12%, around 1 pp. above its 2019 level.

- **House prices** decreased by 3.1% in 2024 and shows signs of stabilisation in the first half of 2025. The price-to-income ratio was 21 pps. below the long-term average, suggesting house prices are moderate relative to income. House prices are estimated to be undervalued by 15%. Building permits were low (302 m^2 per 1000 persons), indicating a limited increase in supply°([65]).

- **Government debt** is significant and is increasing, while deficits are substantial. Debt increased to 82.5% of GDP in 2024, which is some 17 pps. above its pre-COVID-19 level, in part reflecting the recession and low growth in recent years. Moreover, debt is forecast to increase further in 2025 and 2026. The government deficit increased to 4.4% of GDP in 2024 and it is forecast to stay essentially unchanged this year before receding somewhat next year ([66]). Recurrent debt-increasing stock-flow adjustments also contribute to the rising debt, much on the accumulation of financial assets by the public pension funds. Gross financing needs have been increasing and are high and interest expenditure has been clearly rising. Nonetheless, spreads on Finnish long-term sovereign bonds compared with the best rate euro area sovereign debt remain limited and have receded very slightly. Government guarantees have been among the largest in the EU. Fiscal sustainability risks remain high in the medium term ([67]).

- The **financial sector** faces limited risks. The capitalisation and profitability of the banking sector have remained broadly unchanged and close to the respective EU medians. The non-performing loans ratio continued to increase, from 1.1% in 2023 to 1.4% in 2024, while remaining below the EU median. At the same time, the high share of mortgage debt with variable interest rates represents a risk and the housing market has experienced a price correction despite house prices showing signs of undervaluation.

Graph 3.26: **Selected graphs, Finland**



Source: Eurostat and European Commission forecasts and calculations.

([65]) EU last decade average stands at around 450 m^2 per 1000 persons.

([66]) In June 2025, the Commission decided not to initiate an excessive deficit procedure for Finland in view of the excess over 3% of GDP in 2025 and 2026 being due to additional defence expenditure in accordance with Article 2(5) of Regulation (EU) No 1467/97, which establishes that if the national escape clause is activated, the Commission and the Council may decide not to reach a conclusion regarding the existence of an excessive deficit. Finland has requested the activation of the national escape clause on 30 April 2025, and the Commission recommended to the Council in line with such a request and the Council recommended accordingly in July 2025. See Report prepared in accordance with Article 126(3) of the Treaty on the Functioning of the European Union, COM(2025) 615 final.

([67]) European Commission (2025), Debt Sustainability Monitor 2024, European Economy Institutional Paper 306.

Table 3.26: **Key economic and financial indicators, Finland**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				1.9	0.3	-0.9	0.4	0.1	0.9
Real GDP per capita (1 year % change)				1.8	0.1	-1.3	-0.4	-0.3	0.7
GDP deflator (1 year % change)				1.4	3.4	3.5	0.7	0.9	1.7
Harmonised index of consumer prices (1 year % change)				1.0	3.2	4.3	1.0	1.9	1.6
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.5	1.8	4.1	2.2	2.4	1.4
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-1.1**	**-0.3**	**-1.0**	**-1.3**	**-0.8**	**-1.0**
Current account balance, balance of payments (% of GDP)		-0.8 (1)	-0.6 (2)	-0.8	-0.6	-0.9	-0.7	-0.9	-1.5
of which: trade balance (% GDP)				0.1	-0.6	0.0	0.4		
of which: income balance (% GDP)				-0.9	0.0	-0.9	-1.0		
Net international investment position (% of GDP)	**-35%**	-77.9 (3)	2.4 (4)	**-1.5**	**-0.4**	**12.9**	**24.7**	**20.9**	**20.0**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				3.6	10.6	6.5	3.6		
Net lending-borrowing (% of GDP)				-0.7	-0.5	-0.9	-0.6		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**-1.4**	**7.1**	**14.6**	**10.7**	**7.4**	**4.6**
Nominal unit labour cost index per hour worked (1 year % change)				0.4	3.2	5.0	0.2	2.0	2.3
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**0.3**	**-0.5**	**-1.8**	**-1.9**	**-3.6**	**-3.0**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.1	-1.0	3.0	-0.9	-0.9	-0.4
Export performance against advanced economies (3y % change)	**-3%**			**5.2**	**0.5**	**-6.2**	**-7.5**	**-2.6**	**2.0**
Export performance against advanced economies (1 year % change)				3.1	-1.0	-3.3	-3.3	2.7	1.1
Core inflation differential vis-à-vis the euro area (pps.)				-0.5	-0.3	-0.9	-0.7	0.0	-0.7
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	64.1 (5)	89.2 (6)	**81.3**	**82.3**	**77.9**	**78.3**	**77.8**	**76.8**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			4.3	4.0	4.1	0.9	0.4	1.6
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	49.5 (5)	62.6 (6)	**65.5**	**68.4**	**64.7**	**63.9**	**63.3**	**62.1**
Household debt, consolidated (% of GHDI)				89.4	92.1	84.8	82.6		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**4.1**	**4.0**	**-0.4**	**-0.3**	**0.1**	**0.6**
House price index, nominal (1 year % change)	**+9%**			**0.8**	**2.5**	**-6.2**	**-3.1**	**-1.0**	**0.0**
House prices over/undervaluation gap (7)				-1.3	-1.2	-10.0	-14.9		
Standardized price-to-income ratio				98.6	95.8	82.5	78.5		
Building permits (m^2 per 1000 inh)				677.0	655.5	358.6	302.4		
Government									
General government gross debt (% of GDP)	**60%**			**65.8**	**74.1**	**77.1**	**82.5**	**88.1**	**90.9**
General government balance (% of GDP)				-0.8	-2.8	-2.9	-4.4	-4.5	-4.0
Banking sector									
Return on equity of banks (%)				7.3	8.2	13.5	13.2		
Tier-1 capital ratio banking sector (% risk-weighted assets)				19.8	19.1	19.7	19.9		
Gross non-performing loans, domestic and foreign entities (% gross loans)				1.4	1.2	1.1	1.4	1.3	
Cost of borrowing for households for house purchase (%)				0.9	1.1	3.9	3.9	2.9	
Cost of borrowing for NFCs (%)				1.5	1.7	4.9	5.0	3.8	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	7.6 (8)		**7.7**	**7.4**	**7.2**	**8.4**	**9.5**	**9.3**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**1.9**	**1.9**	**2.6**	**0.6**	**-0.5**	**-0.5**

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

SWEDEN

House prices, household debt, and corporate debt levels remain elevated. Credit flows to corporates contracted in 2024 and lending to households remained muted but corporate and household debt ratios remain elevated. The interest coverage ratio of corporates is among the lowest in the EU. House prices stagnated in 2024 but show early signs of a rebound while remaining overvalued.

After contracting in 2023, real GDP grew by 0.8% in 2024 and is forecast to expand by 1.5% in 2025 and 2.6% in 2026. Headline and core inflation decreased in 2024, with headline inflation reaching 2.0% and core inflation 3.2%. Headline inflation rebounded slightly and is forecast to stand at 2.5% in 2025 while core inflation continued to ease and is forecast to stand at 2.4%, in line with the euro area average. The unemployment rate stood at 8.4% in 2024 and is expected to increase slightly to 9.0% in 2025.

The scoreboard reading for Sweden shows that four indicators were beyond their indicative thresholds in 2024, namely export performance, nominal unit labour costs, household debt, and non-financial corporations debt. Relevant developments worth highlighting:

- **External sustainability** indicators continued to increase, with a current account surplus reaching 5.9% of GDP in 2024, close to the level recorded in 2023. The current account surplus is forecast to fall slightly but remain high in 2025 and 2026. The NIIP increased strongly, reaching 67.4% of GDP in 2024, mainly on the back of valuation effects and the current account surplus.

- **Competitiveness** developments remain relatively stable, despite weak export performance. Both headline and core inflation rates were moderate in 2024 and are set to remain so in 2025 as well. Last year, the REER appreciated only slightly, but the first half of 2025 was marked by strong gains, particularly due to the strengthening krona. ULC growth was 4% in 2024, driven by robust wage increases and despite productivity gains, and cumulated to almost 16% over the last 3 years. In 2025, ULC are set to moderate further. The 2024 3-year change in export market share stood at -4.8%.

- **Non-financial corporate debt** has remained high and debt service capacity deteriorated further. The NFC debt-to-GDP ratio decreased marginally to 116.9% and is expected to keep declining gradually over the next two years. Credit growth decreased further to -1.6% in 2024, but bank loan flows to NFCs have started to increase in recent quarters, suggesting a rebound in credit growth in 2025. The interest coverage ratio, which is among the lowest in the EU, fell further in 2024 but showed first signs of recovery after mid-2024. Debt service capacity deteriorated also due to savings reaching a historical low and revenue generation remaining weak. Despite an increase in the share of NPLs in 2024, the share remains the lowest in the EU.

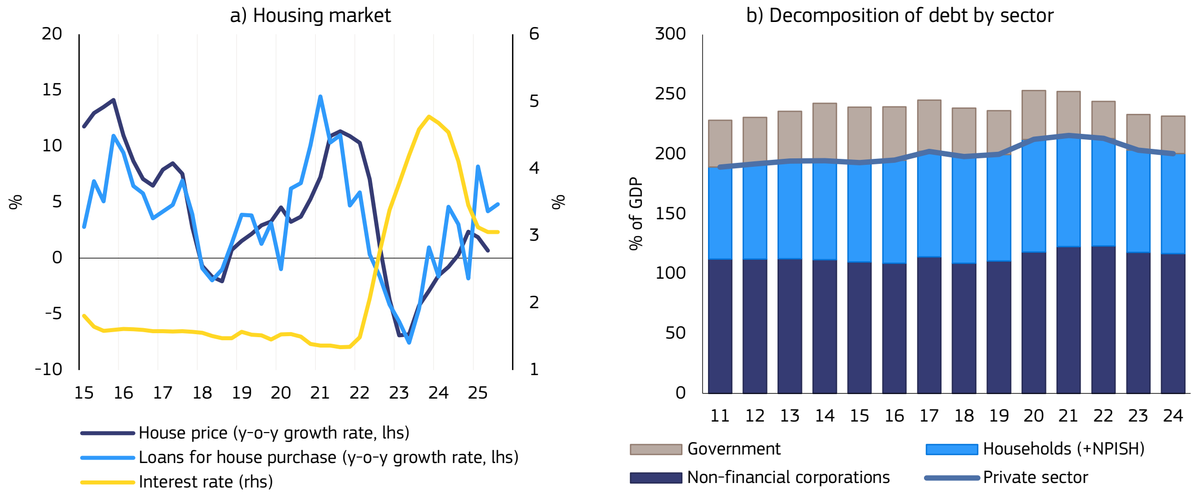
- The **household debt** ratio decreased by 2 pps. to 84% of GDP (121% of GHDI) in 2024, but remains high. Net credit flows remained subdued in 2024. With inflation coming down and credit growth expected to increase in 2025, the deleveraging process is expected to slow down going forward. Due to the high proportion of variable rate mortgages, the cost of borrowing on outstanding loans climbed up from around 1.5% in 2021 to more than 4% by mid-2024. By 2025-Q3, it has come down again to below 3%. As a result, households' net interest payments were more than 1 pps. of GHDI higher in 2024 than in 2021. The household saving rate is high, at 18% in 2024, and above its 2019 level. Savings mostly reflect financial saving, as investment in fixed capital is relatively weak, around 5% of GHDI.

- **House prices** were relatively stable in 2024, but began to grow modestly in the first half of 2025. The price-to-income ratio was 9 pps. above the long-term average suggesting house prices are slightly elevated relative to income. Overvaluation stood at 20% in 2024. Building permits were low (320 m² per 1000 persons), indicating potential supply constraints in the near future ([68]). The recent evolution in house prices has been supported by the decrease in interest rates combined with rising incomes that led to an 8.9% increase in the borrowing capacity in 2024.

- **Government debt** is low even if increasing somewhat recently. Debt increased to 34% of GDP in 2024 and is forecast to edge up slightly in 2025 and 2026. A budget deficit of 1.6% of GDP was recorded in 2024 and only marginally higher readings are expected for this year and next. Since mid-2024, yields on Swedish long-term government bonds have been among the lowest in the EU and slightly below the best rated sovereign debt of the euro area.

- The **financial sector** is stable, but characterized by high exposure to real estate, both directly and indirectly, while household indebtedness remains elevated. The banks' Tier 1 capital ratio has remained high and above the EU median while profitability has decreased somewhat while remaining close to the EU median. The non-performing loans ratio mildly increased in 2024 but is among the lowest in the EU (1.1%). Credit provision to households rebounded in 2024 but credit to corporates contracted. Exposure to CRE remains a source of risk.

Graph 3.27: **Selected graphs, Sweden**



Source: Eurostat, ECB and European Commission calculations

([68]) EU's last decade average stands at around 450 m² per 1000 persons.

Table 3.27: **Key economic and financial indicators, Sweden**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	forecast 2025	2026
Output and Prices									
Real GDP (1 year % change)				2.1	1.5	-0.2	0.8	1.5	2.6
Real GDP per capita (1 year % change)				0.8	0.7	-0.9	0.5	1.2	2.4
GDP deflator (1 year % change)				2.4	3.5	5.8	3.0	1.6	1.4
Harmonised index of consumer prices (1 year % change)				1.9	3.8	5.9	2.0	2.5	0.6
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.2	2.7	6.6	3.2	2.4	1.8
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**2.5**	**5.1**	**5.3**	**5.2**	**5.7**	**5.6**
Current account balance, balance of payments (% of GDP)		0.5 (1)	-1.0 (2)	3.2	5.3	5.8	5.9	5.5	5.3
of which: trade balance (% GDP)				2.8	3.4	3.1	3.3		
of which: income balance (% GDP)				0.4	1.9	2.7	2.6		
Net international investment position (% of GDP)	**-35%**	-86.5 (3)	11.7 (4)	**7.1**	**21.0**	**39.0**	**67.4**	**53.5**	**55.8**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-11.7	-6.9	-6.4	2.0		
Net lending-borrowing (% of GDP)				3.2	5.3	5.8	6.0		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**7.1**	**6.8**	**11.8**	**15.6**	**13.7**	**8.0**
Nominal unit labour cost index per hour worked (1 year % change)				2.5	2.6	6.7	3.9	2.6	1.3
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**-5.9**	**-1.3**	**-7.5**	**-9.7**	**-4.6**	**2.6**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				-2.8	-0.4	-3.4	0.5	3.3	-0.5
Export performance against advanced economies (3y % change)	**-3%**			**-3.3**	**4.0**	**-3.8**	**-4.8**	**4.6**	**3.1**
Export performance against advanced economies (1 year % change)				-0.6	-0.4	1.5	0.3	0.3	-0.2
Core inflation differential vis-à-vis the euro area (pps.)				0.2	0.6	1.6	0.4	0.0	-0.3
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**	64.6 (5)	66.0 (6)	**111.3**	**121.3**	**117.9**	**116.9**	**115.0**	**112.9**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			6.9	7.0	0.0	-1.6	1.9	2.8
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**	52.7 (5)	73.1 (6)	**88.7**	**92.3**	**85.5**	**83.6**	**83.1**	**82.8**
Household debt, consolidated (% of GHDI)				127.0	133.0	123.2	120.8		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**5.7**	**5.5**	**0.6**	**1.6**	**2.6**	**3.7**
House price index, nominal (1 year % change)	**+9%**			**2.7**	**5.9**	**-5.3**	**0.1**	**1.0**	**6.0**
House prices over/undervaluation gap (7)				28.3	34.5	24.4	19.7		
Standardized price-to-income ratio				120.0	124.9	112.0	108.5		
Building permits (m^2 per 1000 inh)				711.9	754.3	330.2	319.8		
Government									
General government gross debt (% of GDP)	**60%**			**39.4**	**37.2**	**32.0**	**34.0**	**34.5**	**35.3**
General government balance (% of GDP)				0.8	-0.8	-0.9	-1.6	-1.7	-2.4
Banking sector									
Return on equity of banks (%)				11.3	9.4	13.1	12.6		
Tier-1 capital ratio banking sector (% risk-weighted assets)				20.4	20.4	20.4	20.7		
Gross non-performing loans, domestic and foreign entities (% gross loans)				1.1	0.9	1.0	1.1	1.1	
Cost of borrowing for households for house purchase (%)				1.5	1.8	4.4	4.2	3.0	
Cost of borrowing for NFCs (%)				1.1	1.8	5.1	4.8	3.6	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	7.0 (8)		**6.7**	**8.3**	**7.7**	**8.4**	**9.0**	**8.4**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.9**	**0.2**	**1.9**	**1.2**		

Notes: See Annex 1.
Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

EURO AREA

The euro area current account increased further in 2024, partly due to subdued domestic demand, but is set to decrease in 2025. Inflation has decreased and stabilised, mitigating the euro's nominal appreciation, with the real effective exchange rate increasing only marginally in 2024. Unit labour costs are gradually easing following increases due to the catching-up of nominal wages amid stagnant productivity. Private debt ratios have decreased further amid still muted credit and favourable nominal GDP growth.

Real GDP increased by 0.9% in 2024 and is forecast grow at a slightly higher pace in 2025 and 2026, with GDP growth forecast at 1.2% each year. Headline and core inflation decreased in 2024, to 2.4% and 2.8% respectively, and have decreased further in 2025, with headline inflation forecast to stand at 2.1% and core inflation at 2.4%. The unemployment rate stood at 6.4% in 2024 and is expected to remain stable in 2025.

The scoreboard reading for the euro area shows that three indicators were beyond their indicative thresholds in 2024, namely the export performance against advanced economies, nominal unit labour costs, and general government debt. Relevant developments worth highlighting:

- **External sector** developments remained contained. In 2024, the current account surplus further increased to 2.7% from 1.7% of GDP in 2023, reaching pre-pandemic levels well above benchmarks. Subdued domestic demand and the normalisation in terms-of-trade were the key factors in this increase in 2024. Despite disposable income growth exceeding inflation, private consumption remained sluggish in real terms, while corporate investments remained muted, and the net position of governments remained stable. The current account surplus is forecast to fall slightly in 2025. The NIIP increased strongly from 3.9% in 2023 to 12.2% of GDP in 2024, on the back of the current account surplus and valuation effects.

- **Competitiveness** concerns remain, stemming from exchange rate dynamics, subdued productivity, and export underperformance. In 2024, average headline and core inflation rates moderated gradually after the strong inflationary shock, standing at 2.4% and 2.8%, respectively. In 2025, headline inflation is set to come back close to the 2% target, and core inflation is expected to follow with a slight positive gap. Last year, the REER appreciated only marginally, as the NEER gains of the euro were almost offset by a negative inflation differential against main trading partners. Despite maintaining a negative inflation differential, the REER appreciated in the first half of 2025, as the euro rallied, particularly after the policy measures announced in the US since April. The 2024 3-year change in ULCs cumulated to almost 15%, surging by close to 5% within the year, as productivity stayed flat on account of the subdued economic activity, and nominal wage increases were robust to catch up with the high past inflation. Export performance against advanced economies was weak, marked by a 3-year drop of more than 3%.

- **Non-financial corporate debt** declined further in 2024, to 72.9% of GDP in the euro area and is expected to broadly stay at this level over the next years. Despite a modest recovery in real growth in 2024, lower inflation rates together with a slight pickup in borrowing, slowed the pace of deleveraging. Credit growth remained muted at around 1.0% in the euro area and bank loan flows to NFCs have started to pick up again in the first half of 2025 in line with the European Commission Autumn Forecast which expects a recovery in demand, lower interest rates and increased investment. Although elevated borrowing costs and high interest burdens have further weakened debt service capacity, recent data and easing financial conditions suggest an impending recovery. While profit indicators such as profit shares, unit profit growth or profit margins deteriorated further early in 2024, they have since stabilised, and activity measures have started to modestly improve. However, an increase in NPLs and bankruptcies points to weaknesses in the sector and persistent elevated trade policy uncertainty and geopolitical tensions pose a downside risk to the borrowing and investment activity of NFCs.

- The **household debt ratio** decreased to 51% of GDP (68% of GHDI) in 2024, 10 pps. lower than 4 years ago. Net credit flows are recovering gradually, slowing down the deleveraging process. At 15%, the gross saving rate remains around 2 pps. above its pre-pandemic level, mostly on account of increased financial saving, underpinned by strong real disposable income growth in recent years.

- The euro area **housing market** shows early signs of a moderate recovery. House prices rose by 2% in 2024 after a 1.2% drop in 2023. Mortgage rates fell gradually during 2024 from their late-2023 peak but have stabilized since early 2025 at levels still well above those seen before 2022. Credit and housing transactions are recovering but remain below pre-2022 levels. The price-to-income ratio improved again in 2024—though less than in 2023—and now stands about 2% below its long-term average.

- **Government debt** stopped declining in 2024 and risks going up for the euro area. In 2024, government debt was essentially unchanged at 87.1% of GDP in the euro area. Those readings are below the peaks recorded in 2020 at the worst of the pandemic crisis, but are still more than 3 pps. above pre-COVID-19 levels. Moreover, debt is forecast to edge up in 2025 and again in 2026 by about 1 pp. of GDP in each year°([69]). That is the result of the continuation of high deficits and sometimes significant debt-increasing stock-flow adjustments, and with lower inflation yielding less relief to the debt ratios. In 2024, the average government deficits fell to 3.1% of GDP in the euro area. Deficits are forecast to increase slightly in 2025 and, on unchanged policies, again in 2026. Interest rates on long-term government bonds for euro area members have increased somewhat in 2025, including for the best rated issuers. However, spreads across the euro area have narrowed though as yields for the least well rated debt increased less or even fell marginally. Yields on short- and medium-term debt often declined, leading to rising term premia.

- The euro area **financial sector** remains sound. The Tier 1 capital ratio of the banking sector increased slightly further in 2024. Bank profitability also increased mildly, with the growth in non-interest income compensating tighter interest margins in the context of lower interest rates and subdued lending activity. The non-performing loans ratio remained unchanged, at 1.9%, but the Stage 2 loan ratio increased. Lending to firms and households rebounded from the 2023 trough while remaining below historical averages but the pick-up in bank lending continued in 2025.

([69]) Based on data for euro area aggregates for government debt on a non-consolidated basis (i.e. not corrected for intergovernmental loans, including those made through the European Financial Stability Facility).

Table 3.28: **Key economic and financial indicators, Euro Area**

				average	average			forecast	
	Thresholds	Bench. I	Bench. II	*2017-2019*	*2020-2022*	*2023*	*2024*	*2025*	*2026*
Output and Prices									
Real GDP (1 year % change)				2.0	1.2	0.4	0.9	1.2	1.2
Real GDP per capita (1 year % change)				1.8	1.0	-0.2	0.5	0.9	1.0
GDP deflator (1 year % change)				1.4	3.0	6.1	3.0	2.5	2.3
Harmonised index of consumer prices (1 year % change)				1.5	3.7	5.4	2.4	2.1	1.9
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.0	2.1	5.0	2.8	2.4	2.1
External position									
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**3.1**	**2.1**	**1.4**	**1.4**	**2.1**	**2.2**
Current account balance, balance of payments (% of GDP)				2.9	1.4	1.7	2.7	2.0	1.9
of which: trade balance (% GDP)									
of which: income balance (% GDP)									
Net international investment position (% of GDP)	**-35%**			**-10.8**	**-0.8**	**3.9**	**12.2**	**15.6**	**15.6**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-29.2	-29.7	-24.4	-23.7		
Net lending-borrowing (% of GDP)				2.7	2.0	2.0	2.8		
Competitiveness									
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**3.1**	**6.7**	**9.7**	**14.6**	**14.3**	**10.1**
Nominal unit labour cost index per hour worked (1 year % change)				1.5	2.3	6.2	4.5	3.1	2.3
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**2.7**	**0.9**	**1.5**	**1.7**	**-5.8**	**-3.5**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				1.1	-0.3	4.8	0.5	-1.9	-0.8
Export performance against advanced economies (3y % change)	**-3%**			**1.9**	**0.3**	**-3.8**	**-3.3**		
Export performance against advanced economies (1 year % change)				0.3	-1.0	2.0	-0.5		
Core inflation differential vis-à-vis the euro area (pps.)				0.0	0.0	0.0	0.0	0.0	0.0
Corporations									
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**81.0**	**84.6**	**75.3**	**72.9**	**71.8**	**71.7**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			2.3	5.1	1.7	1.0	2.9	4.5
Households and housing market									
Household debt, consolidated (% of GDP)	**+55%**			**57.1**	**58.5**	**52.6**	**51.1**	**50.5**	**50.2**
Household debt, consolidated (% of GHDI)				77.3	77.2	70.7	68.1		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**3.2**	**3.7**	**0.5**	**1.2**	**2.4**	**3.1**
House price index, nominal (1 year % change)	**+9%**			**4.5**	**6.8**	**-1.2**	**2.0**	**4.7**	**3.8**
House prices over/undervaluation gap (7)									
Standardized price-to-income ratio				98.4	106.1	99.9	97.5		
Building permits (m^2 per 1000 inh)				438.2	440.7	349.3	328.0		
Government									
General government gross debt (% of GDP)	**60%**			**85.5**	**93.2**	**87.0**	**87.1**		
General government balance (% of GDP)				-0.6	-5.2	-3.5	-3.1	-3.2	-3.3
Banking sector									
Return on equity of banks (%)				5.5	5.0	8.5	8.8		
Tier-1 capital ratio banking sector (% risk-weighted assets)				15.9	16.9	17.4	17.8		
Gross non-performing loans, domestic and foreign entities (% gross loans)				3.8	2.1	1.9	1.9		
Cost of borrowing for households for house purchase (%)				1.8	1.6	3.7	3.7	3.3	
Cost of borrowing for NFCs (%)				1.7	1.7	4.7	4.9	3.8	
Labour market									
Unemployment rate (% labour force Y15-74)	**+10%**	6.7 (8)		**8.3**	**7.5**	**6.6**	**6.4**	**6.4**	**6.3**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.9**	**0.2**	**2.5**	**1.7**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2025).

Table A1.1: **Notes to the tables of the Country sections**

Figures highlighted are the ones at or beyond the threshold.

(1) Current accounts in line with fundamentals (current account norms): derived from reduced form regressions capturing the main determinants of the saving-investment balance, including fundamental determinants, policy factors and global financial conditions. See Coutinho, Turrini, and Zeugner (2018), "Methodologies for the Assessment of Current Account Benchmarks", European Economy, Discussion Paper 86, DG ECFIN, European Commission.

(2) Current account required for a specific NIIP target: calculations make use of Commission's T+10 projections. See Coutinho, Turrini, and Zeugner (2018), "Methodologies for the Assessment of Current Account Benchmarks", European Economy, Discussion Paper 86, DG ECFIN, European Commission.

(3) Prudential NIIP/NENDI benchmark: the prudential benchmark is the country-specific NIIP beyond which estimates suggest that a balance of payments crisis is more likely. Turrini and Zeugner (2019), "Benchmarks for Net International Investment Positions", European Economy, Discussion Paper 97, DG ECFIN, European Commission.

(4) Fundamentals-explained NIIP benchmark (NIIP norm): the NIIP achieved if the country had run a current account balance in line with fundamentals since 1994. It thus represents the part of the NIIP that can be explained by fundamentals. Turrini and Zeugner (2019), "Benchmarks for Net International Investment Positions", European Economy, Discussion Paper 97, DG ECFIN, European Commission.

(5) Prudential threshold for non-financial corporate and household debt-to-GDP ratio: corresponds to the level above which banking crises become more likely. It is derived from regressions minimising the probability of missed crises and that of false alerts. Bricongne et al. (2019), "Is Private Debt Excessive?", Open Economies Review, 1-42.

(6) Fundamentals-based benchmarks for non-financial corporate and household debt-to-GDP ratios: assesses private debt from regressions capturing the main determinants of credit growth and taking into account a given initial stock of debt. Bricongne et al. (2019), "Is Private Debt Excessive?", Open Economies Review, 1-42.

(7) House prices over/undervaluation gap: is the simple average of the price-to-income, price-to-rent and model valuation gaps. The model valuation gap is estimated in a cointegration framework using a system of five fundamental variables: total population, real housing stock, real disposable income per capita, real long-term interest rate and price deflator of final consumption expenditure. Based on Philiponnet and Turrini (2017), "Assessing House Price Developments in the EU", European Economy, Discussion Papers 48, DG ECFIN, European Commission.

(8) Non-accelerating wage rate of unemployment

Source: European Commission

Table 1: MIP Scoreboard 2024

2024	External imbalances and competitiveness					Internal imbalances						Employment indicators[1]	
	Current account balance - % of GDP (3 year average)	**Net international investment position** (% of GDP)	**Real effective exchange rate - 42 trading partners, HICP deflator** (3 year % change)	**Export performance against advanced economies** (3 year % change)	**Nominal unit labour cost index (per hour worked)** (3 year % change)	**General government gross debt** (% of GDP)	**Household (incl. NPISH) debt, consolidated** (% of GDP)	**NFC debt, consolidated** (% of GDP)	**Household (incl. NPISH) credit flow, consolidated** (% debt stock t-1)	**NFC (excl. FDI) credit flow, consolidated** (% debt stock t-1 excl. FDI)	**House price index, nominal** (1 year % change)	**Unemployment rate** (% labour force Y15-74)	**Labour force participation rate** (3 year change in pps) (% pop Y15-64)
Thresholds	-4%/+6%	-35%	±3% (EA) ±10% (Non-EA)	-3%	9% (EA) 12% (Non-EA)	60%	55%	85%	14%	13%	9%	10%	-0.2 %
EU	1.5	10.3e	3.7	-2.5	15.7	80.7	49.9p	71.5p	1.4p	1.4p	3.4	5.9	1.7
EA	1.4	12.2	1.7	-3.3	14.6	87.1	51.1p	72.9p	1.2p	1.0p	2.0	6.4	1.7
BE	-0.7	58.6	1.6	-13.9	15.1p	103.9	56.3p	94.8p	2.4	5.0	3.2	5.7	1.1
BG	-1.7	-4.4	7.3	6.3	37.7	23.8	25.6	45.9	21.1	7.5	16.5	4.2b	1.7b
CZ	-1.0	-7.1	14.4	1.3	20.3	43.3	30.6	47.2	3.7p	9.5	5.0	2.6	0.9
DK	11.5	69.0	-0.9	8.9	11.6	30.5	85.8	115.5	0.6	5.8	3.5	6.2	2.8
DE	5.0	79.7	1.6	-9.3	17.9p	62.2	49.7p	58.9p	0.6	1.4	-1.5	3.4	1.5
EE	-1.9	-9.7	16.0	-4.3	40.4	23.5	38.1	58.3	8.0	9.2	6.1	7.6	3.1
IE	10.7	-81.4	-1.8	5.2	20.6	38.3	23.8	90.9	1.8	-0.8	8.5	4.3	3.3b
EL	-8.2	-137.5	0.8	6.9	7.6p	154.2	39.0p	55.5p	0.2	10.4	9.0ep	10.1	3.2
ES	2.1	-41.0	-0.7	12.5	11.4p	101.6	43.7p	63.4p	1.3	2.3	8.5	11.4d	0.9d
FR	-0.8	-23.0	-1.1	0.2	11.4p	113.2	60.5p	90.7p	0.2p	1.5p	-3.7	7.4d	1.5d
HR	-1.9	-29.6	5.4	17.5	31.8p	57.4	30.2p	41.8p	10.9	5.3	10.4	5.0	2.9
IT	-0.2	14.9	0.0	-0.8	8.5	134.9	36.0	56.0	0.6	-1.6	3.2	6.5	2.1
CY	-8.3	-84.1	1.0	15.0	13.7p	62.8	57.4p	116.0p	2.1	0.6	2.1	4.9	1.8
LV	-3.6	-19.7	9.6	-2.9	32.2	46.6	19.4	36.0	8.3	5.7	4.2	6.9	0.9
LT	-0.6	-0.7	9.2	2.8	36.2	38.0	21.9	30.5	10.5	8.5	9.7	7.1	1.3
LU	5.5	39.4	-2.4	-15.9	24.2p	26.3	61.6	271.6	1.2	-1.7	-5.2	6.4	1.3
HU	-2.5	-34.2	7.3	0.3	47.6p	73.5	17.1p	56.3p	9.9	3.1	13.7p	4.5	2.3
MT	4.2	83.9	1.5	13.6	13.6	46.2	46.8	61.0	8.1	4.4	6.7p	3.1	5.0
NL	8.4	62.1	3.3	-4.6	18.3p	43.7	93.2p	108.6p	3.8p	-1.4p	8.2	3.7	1.8
AT	0.6	23.9	2.4	-4.1	19.6	79.9	42.8	69.5	-0.4	0.8p	-0.4	5.2	1.0
PL	-0.1	-28.3	17.5	5.8	30.7p	55.1	22.7	31.2	3.3	5.6	15.0	2.9	1.8
PT	0.2	-58.3	0.6	17.3	17.8p	93.6	52.5p	66.3p	4.0	1.9	9.1	6.5	3.2
RO	-8.1	-41.3	9.7	2.0	51.0p	54.8	12.5p	27.7p	10.9	10.1	5.0	5.4	1.8
SI	2.8	9.9	1.1	-0.4	20.4	66.6	24.2	32.3	6.8	-2.7	7.5	3.7	0.9
SK	-5.8	-55.0	8.3	-4.5	23.3	59.7	43.3	39.2	4.3	-1.1	3.8	5.3	2.0
FI	-1.3	24.7	-1.9	-7.5	10.7	82.5	63.9	78.3	-0.3	0.9	-3.1	8.4	0.6
SE	5.2	67.4	-9.7	-4.8	15.6	34.0	83.6	116.9	1.6	-1.6	0.1	8.4	1.2

Figures highlighted are the ones at or beyond the threshold. Flags:b:Break in series. d:Definition differs. e:Estimated. p:Provisional.

1) For employment indicators, see page 2 of the AMR 2016. 2) House price index: e = estimate by NCB for EL. 3) Unemployment rate and labour force participation rate: b = Change of survey mode (all CAPI) for BG; d = ES and FR have assessed the attachment to the job and included in employment those who had an unknown duration of absence from work, but are expected to return to the same job. 4) Labour force participation rate: b = for IE, the flag is referring to a break in its t-3 counterpart as part of the three-year difference calculation.
Source: Eurostat, Directorate General for Economic and Financial Affairs (for real effective exchange rate), OECD (for data on non-EU countries) and the European Central Bank (for data on FDI).

Table 2: Auxiliary indicators, 2024

2024	Net international investment position (excl. Non-defaultable instruments)	Current plus capital account (Net lending-borrowing)	Net trade balance of energy products	Real GDP per capita	Gross fixed capital formation	Gross domestic expenditure on R&D	Export market share (% world exports)	Labour productivity (per hour worked)	Core inflation differential vis-à-vis the euro area
	(% of GDP)	(% of GDP)	(% of GDP)	(2015 EUR)	(% of GDP)	(% of GDP)	(3 year % change)	(1 year % change)	(pps)
EU	-19.1e	2.4	-1.9	31380.0	21.2	na	-1.9	0.2	0.3
EA	-23.7	2.8	-1.9	34480.0	21.1	na	-2.8	-0.2	0.0
BE	28.6	-0.5	-2.9p	40650.0p	24.2p	3.4p	-13.8	1.3p	0.5
BG	43.9	0.1	-2.6	9140.0	18.3	0.8p	6.5	4.4	0.3
CZ	33.8	3.5	-2.4	18450.0	26.5	1.8p	1.4	-0.6	1.2
DK	36.6	11.8	-0.4	54820.0	23.3	3.0p	9.0	3.0	-1.6
DE	62.8	5.2	-1.7p	39680.0p	20.5p	3.1p	-9.2	-0.3p	0.4
EE	28.3	0.4	-1.7	18070.0	23.9	na	-4.2	-0.6	2.3
IE	-332.1	15.7	-1.2	85320.0	17.3	1.4p	5.4	0.5	-0.6
EL	-105.7	-7.2	-2.8p	19140.0p	16.0p	1.5p	7.0	0.8p	0.7
ES	-16.6	4.3	-1.8p	26350.0p	20.3p	na	12.7	1.2p	0.0
FR	-29.9	0.3	-1.9p	35770.0p	22.1p	2.2p	0.4	0.0p	-0.5
HR	21.4	-0.8	-3.9p	15910.0p	25.2p	1.4	17.7	-0.7p	1.9
IT	13.5	1.1	-2.1	31090.0p	22.2	1.4p	-0.7	-1.4	-0.6
CY	-52.9	-8.8	-3.5p	29400.0p	20.5p	0.7p	15.1	1.6p	-0.2
LV	27.4	-0.3	-2.6	14770.0	22.4	0.9	-2.7	0.9	0.9
LT	33.6	4.7	-2.7	17310.0	22.4	1.0p	2.9	0.3	0.4
LU	-4099.2	4.3	-3.0	93670.0p	15.4	1.0p	-15.8	-0.7p	-0.3
HU	4.1	1.9	-3.6p	14880.0p	23.1p	1.3d	0.4	0.4p	3.1
MT	130.2	8.6	-6.5	31230.0	18.5	0.5	13.7	3.2	-0.7
NL	17.0	8.9	-0.7	46130.0p	19.8	2.3p	-4.5	-0.2p	0.3
AT	-1.8	1.3	-1.7	41420.0	23.5	3.3p	-3.9	-0.8	1.1
PL	7.0	0.6	-2.0	15800.0	17.0	1.4p	5.9	5.0p	1.1
PT	-9.1	3.1	-2.1p	20410.0p	20.4p	1.7p	17.5	1.3p	-0.1
RO	-8.4	-6.7	-1.6p	11220.0p	25.3p	0.5p	2.1	-2.9p	5.5
SI	23.0	4.6	-2.2	23560.0	20.9	na	-0.3	-0.7	0.0
SK	-12.4	-3.6	-2.5	17700.0	20.4	1.0	-4.3	1.7	1.4
FI	3.6	-0.6	-1.7	40780.0	22.0	3.2	-7.4	1.3	-0.7
SE	2.0	6.0	-0.7	48600.0	25.1	3.6	-4.7	1.1	0.4

Flags:d:Definition differs. e:Estimated. p:Provisional.

1) Gross domestic expenditure on R&D: For EU, EA, EE, ES and SI, the data for 2024 were not available on 31 October 2025. 2) By definition, the core inflation differential vis-à-vis the EA will always be 0 for the EA itself.
Source: Eurostat and the International Monetary Fund (World Economic Outlook, for world exports of goods and services).

Table 2 (continued): Auxiliary indicators, 2024

2024	Household (incl. NPISH) debt, consolidated	Gross non-performing loans, domestic and foreign entities	Tier-1 capital ratio banking sector	Return on equity of banks	Standardised house price-to-income ratio	Building permits	Long-term unemployment rate - % labour force Y15-74	Youth unemployment rate - % labour force Y15-24	Employment rate % pop Y20-64	Young people neither in employment nor in education or training- % pop Y15-29	People at risk of poverty or social exclusion - % of total population	People at risk of poverty after social transfers - % of total population	Severely materially and socially deprived people - % of total population	People living in households with very low work intensity - % pop Y0-64
	(% of GDI)	(% gross loan)	(% risk-weighted assets)	(%)	(ratio vs the average, since 2000)	(m² per 1000 inh)	(%)	(%)	(%)	(%)	(%)	%	%	%
EU	67.1	1.9p	18.0p	9.1p	98.9	364.3	1.9	14.9	75.8	11.1	21.0	16.2	6.4	7.9
EA	68.1	1.9p	17.8p	8.8p	97.5	328.0	2.1	14.6	75.3	11.0	21.4	16.6	6.1	8.6
BE	75.0	1.8p	17.6p	10.4p	102.5	582.6p	2.0	17.4	72.3	9.9	18.3	11.4	6.2	11.4
BG	na	2.7p	21.7p	15.2p	66.9dp	714.1	2.2b	12.3b	76.8b	12.7b	30.3	21.7	16.6	7.9
CZ	43.3	1.2p	19.2p	15.1p	112.7	330.4	0.8	9.1	82.3	8.6	11.3	9.5	2.6	5.2
DK	134.8	1.3p	20.5p	12.6p	104.2	418.3p	0.8	14.6	80.2	8.0	18.0	11.6	4.0	10.6
DE	63.6	1.5p	18.4p	5.6p	97.6	240.7p	0.9	6.5	81.3	8.7	21.1	15.5	6.2	10.0
EE	54.5	1.2p	19.3p	16.4p	103.4	363.7	1.8	19.1	81.8	11.0	22.2	20.2	3.1	5.3
IE	60.8	1.1p	21.5p	9.2p	97.4	742.8	1.0	10.6	79.8	7.5	17.1	12.7	4.5	7.4
EL	51.2	3.0p	16.7p	11.7p	107.6ep	341.8p	5.4	22.5	69.3	14.2	26.9	19.6	14.0	7.5
ES	58.2	2.5p	15.0p	13.7p	99.2	354.1ip	3.8d	26.5d	71.4d	12.0d	25.8	19.7	8.3	8.0
FR	73.8	2.0p	17.5p	6.6p	95.3	370.5p	1.7d	18.7d	75.1d	12.5d	20.5	15.9	6.6	8.7
HR	41.4	2.3p	20.5p	15.0p	91.6	568.6p	1.8	16.8	73.6	10.6	21.7b	20.3b	2.0	4.7
IT	47.8	2.7p	17.2p	13.2p	85.3	81.4p	3.3	20.3	67.1	15.2	23.1	18.9	4.6	9.2
CY	80.9	3.1p	25.9p	18.3p	74.8	1952.5p	1.3	13.0	79.8	12.9	17.1	14.6	2.5	4.2
LV	27.3	1.3p	21.9p	17.6p	87.0	375.4	2.2	13.6	77.4	10.7	24.3	21.6	5.3	6.5
LT	31.2	0.7p	21.1p	18.7p	94.0	450.1	2.3	16.2	79.2	14.7	25.8p	21.5p	6.1p	9.4p
LU	125.0	0.9p	18.4p	8.9p	119.4	737.0p	1.6	21.6	74.2	9.8	20.0	18.1	2.3	3.9
HU	23.5	2.2p	18.7p	19.4p	99.3p	240.5p	1.5	15.2	81.1	10.9	19.3	14.3	9.3	4.7
MT	71.2	1.9p	22.2p	8.4p	92.6p	2283.7	0.7	9.1	83.0	7.2	19.7	16.8	4.0	4.5
NL	139.7	1.4p	19.3p	10.6p	108.4	533.5p	0.5	8.7	83.5	4.9	15.4	12.1	3.1	8.0
AT	55.9	2.4p	18.6p	10.0p	115.9	424.9e	1.1	10.3	77.4	9.2	16.9	14.3	3.7	6.0
PL	31.0	3.9p	18.1p	14.6p	89.3	636.9	0.8	10.8	78.4	9.4	16.0	13.8	2.3	3.9
PT	65.9	2.4p	19.0p	14.4p	124.6	654.5p	2.4	21.6	78.5	8.7	19.7	16.6	4.3	4.8
RO	18.5	2.6p	20.9p	17.7p	47.1	461.8	1.8	23.9	69.5	19.4	27.9	19.0	17.2	4.3
SI	33.5	1.6p	17.8p	14.9p	106.9	423.2	1.1	10.9	78.3	7.6	14.4	13.2	1.8	3.5
SK	59.2	1.9p	18.7p	10.2p	93.6	293.1	3.5	19.2	78.1	10.7	18.3	14.5	7.6	5.0
FI	82.6	1.4p	19.9p	13.2p	78.5	302.4	1.8	18.8	77.0	9.8	16.8	12.6	3.7	9.3
SE	120.8	1.1p	20.7p	12.6p	108.5	319.8	1.7	24.3	81.9	6.3	17.5	14.8	3.0	7.7

Flags:b:Break in series. d:Definition differs. p:Provisional. e:Estimated. i:Value imputed by Eurostat or other receiving agencies.

1) Household debt (incl. NPISH): Gross adjusted disposable income data were not available on 31 October 2025 for BG. 2) Standardised house price-to-income ratio: d = due to missing adjusted gross disposable income, compensation of employees used instead for BG; e = estimate by NCB for EL. 3) Labour Force Survey indicators: b = Change of survey mode (all CAPI) for BG; d= ES and FR have assessed the attachment to the job and included in employment those who had an unknown duration of absence from work, but are expected to return to the same job. 4) People at risk of poverty or social exclusion & people at risk of poverty after social transfers: b = administrative sources used for income data for HR.
Source: Eurostat and the European Central Bank (for gross non-performing loans - domestic and foreign entities, tier-1 capital banking sector and return on equity of banks).