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Eurogroup statement on the fiscal stance for the euro area in 2025

The conditions for a gradual acceleration of economic activity in 2024 and 2025 remain in place in the euro area. Based on the Commission spring forecast, consumption is emerging as a key driver, on the back of a further deceleration in inflation and a resilient labour market. Investment is expected to benefit from improving credit conditions and the continued deployment of the Recovery and Resilience Facility (RRF). Risks to the economic outlook remain tilted to the downside, amid a still challenging external environment.

After the period of extensive fiscal support over 2020-2022, when it was overall important to address the negative consequences of major economic shocks and to protect the most vulnerable, the euro area fiscal stance turned neutral in 2023. Fiscal developments have varied across countries in recent years, in some cases leading to underlying weakening of public finances. According to the latest Commission forecast and in line with the Eurogroup’s agreement outlined last December, the fiscal stance is set to turn contractionary in 2024, also as energy support measures are being unwound. At the same time investment is expected to be preserved, contrary to developments in the aftermath of the financial crisis. In 2025, the public deficit in the euro area is projected to decline to 2.8% of GDP. Euro area public debt is projected at around 90% of GDP over 2023-2025.

A gradual and sustained fiscal consolidation in the euro area continues to be necessary going forward, given the need to reduce the high levels of deficit and debt. At the same time, this should be carried out in a way that minimizes the impact on growth, while continuing to enhance productivity and to maintain or increase investment, which remains essential for a competitive, dynamic, and resilient economy. We are committed to strengthening our efforts to improve the effectiveness, quality and composition of public spending.

Following the entry into force of the reformed economic governance framework on 30 April 2024, we need to ensure its swift and consistent implementation, to promote sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments and prevent excessive government deficits. We are currently preparing national medium-term fiscal-structural plans in line with the revised framework, building on guidance from the Commission. The plans, expected to be submitted in autumn 2024, will be assessed by the Commission and have to be endorsed by the Council. They integrate country-specific net expenditure paths with a set of reforms and investments that meet the criteria set out in the legislation. Where applicable, the plans endorsed by the Council will ensure consistency with the Excessive Deficit Procedure.

The draft budgetary plans process will continue to contribute to the coordination of economic policies within the euro area. National fiscal policies will respect the requirements of the revised framework starting with the 2025 budgets. The implementation of the revised governance framework is expected to lead to a contractionary fiscal stance for the euro area as a whole in 2025. This is appropriate in light of the macroeconomic outlook, the need to continue to enhance fiscal sustainability, and to support the ongoing disinflationary process. The framework allows fiscal policies to address uncertainty.

The Eurogroup will continue to closely monitor economic and fiscal developments and reinforce its policy coordination. We will review euro area budgetary policies in December, informed by the Commission opinions on the draft budgetary plans for 2025.

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