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Alert Mechanism Report 2027

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

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1. INTRODUCTION

This staff working document provides the technical analysis of the Alert Mechanism Report (AMR) 2027. It provides background information and accompanies the Commission Communication on the AMR 2027, which highlights the main concerns at the current juncture and identifies Member States for which In-Depth Reviews 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 for each Member State. 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 2026, and forecasts, largely based on the Commission autumn 2026 economic forecast ([2]) ([3]). This staff working document focuses on country-specific considerations around risks of imbalances. It should be read together with the European Macroeconomic Report 2027 ([4]), particularly chapter 2, which conveys a narrative about the cross-cut risks to the macro-financial stability of the EU economy at the current juncture, and with the Commission Communication on the AMR 2027 ([5]).

Taking due account of the discussions on the AMR within the Council, the Commission will then undertake 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 the first half of 2027 and will provide the basis for the Commission assessment of the existence and the severity of macroeconomic imbalances, and for the identification of policy gaps. The conclusions on the existence of imbalances and their severity are to be published with the 2027 spring package of the European Semester.

([1]) Commission communication, Alert Mechanism Report 2027, COM(2026) 956.
([2]) 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 3 November 2026. For any other data, the cut-off date was also 3 November 2026.
([3]) European Commission, European Economic Forecast, Autumn 2026, Institutional Paper 348, November 2026.
([4]) European Macroeconomic Report, SWD(2026) 958.
([5]) 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 2027, SWD(2026) 957.

2. COUNTRY SECTIONS

BELGIUM

Belgium's external sector weakened, with the current account turning into a small deficit and the positive net international investment position receding somewhat. Government debt is high and increasing due to persistent large deficits. Unit labour cost increases have been in line with those in the euro area, while real effective exchange rate appreciated slightly, but export performance against advanced economies worsened.

Real GDP growth remained broadly unchanged at 0.9% in 2025 and is forecast at 0.7% in 2026 and 0.8% in 2027. Headline inflation decreased to 3.0% in 2025 and is expected to rise to 3.6% in 2026. Core inflation dropped to 2.4% in 2025 and is forecast to increase to 2.8% in 2026. The unemployment rate rose to 6.2% in 2025 and is forecast to climb to 6.4% in 2026.

The scoreboard reading for Belgium shows that six indicators were beyond their indicative thresholds in 2025, namely nominal unit labour costs, the upper threshold of the real effective exchange rate, export performance against advanced economies, non-financial corporations debt, household debt and government debt. Relevant developments worth highlighting:

- **External sector** developments show some deterioration**.** The current account recorded a deficit of 0.2% of GDP in 2025, after a surplus of 0.7% of GDP in 2024, and is expected to reach a deficit of 0.8% of GDP in 2026. The NIIP stood at 53.7% of GDP in 2025, down from 56.3% of GDP in 2024, and is set to decline further.

- **Competitiveness** developments are reflected in weak export performance. In 2025, the headline inflation differential vis-à-vis the euro area was 0.9 pps., while the core inflation differential was close to zero. In 2026, inflation differentials are expected to remain slightly positive. In 2025, the unit labour costs rose by 3% cumulating an increase of some 12 .7% over the past three years. For 2026, it is set to grow by 2%. The HICP-based real effective exchange rate appreciated by 1.8 % in 2025, mainly driven by nominal effective exchange rate gain of 1.6 %. Belgium's export market shares against advanced economies decreased by almost 11% from 2022 to 2025.

- **Non-financial corporate** debt including foreign direct investments (FDI) despite falling from 96.1 % of GDP in 2024 to 91.1% in 2025, remains high. Credit growth (excluding FDI in % of debt stock of previous year) slowed to 2.5 % in 2025 after picking up to 2.8 % in 2024 and is forecast to further slowdown in 2026. Borrowing costs fell to 3.7 % in 2025 from 4.9 % in 2024, but are trending up in 2026, despite remaining broadly stable for the year on average. In 2026, corporate indebtedness is expected to decline further as credit expansion lags nominal GDP growth. Non-performing loans (NPLs) have ticked up slightly in 2025, and bankruptcies rose to their highest level in the past decade.

- **Household** indebtedness in 2025 remains high at 56.5% of GDP and somewhat elevated relative to household gross disposable income, though both ratios are below their pre-pandemic peaks. Credit flow in 2025, at close to 4% of the 2024 debt stock, have strengthened compared with 2024, although it is expected to slow down in 2026, amid decelerating real gross

disposable income. Borrowing costs on new loans remained on average broadly stable in 2025 but they are on an upward trend in 2026. As a result, the household debt ratio is expected to remain broadly stable in 2026, with nominal GDP growth helping to contain indebtedness. The gross saving rate in 2025 is lower than in 2024 but slightly higher than in 2019, while remaining below its longer-term average since 2000.

- **House prices** increased by 3.2% in 2025, broadly in line with household income growth, and price growth moderated to 2.1% year-on-year in 2026-Q2. House prices are estimated to have been overvalued by around 11% in 2025, but the valuation gap is unlikely to be widening at present. Borrowing capacity ([6]) increased by 4% in 2025 as mortgage rates declined, although the decline in mortgage rates appears to have levelled off in early 2026. The price-to-income ratio was only around 3 pps. above its long-term benchmark in 2025. Residential building permits declined by 6% in 2025, to 546 m^2 per 1,000 inhabitants.

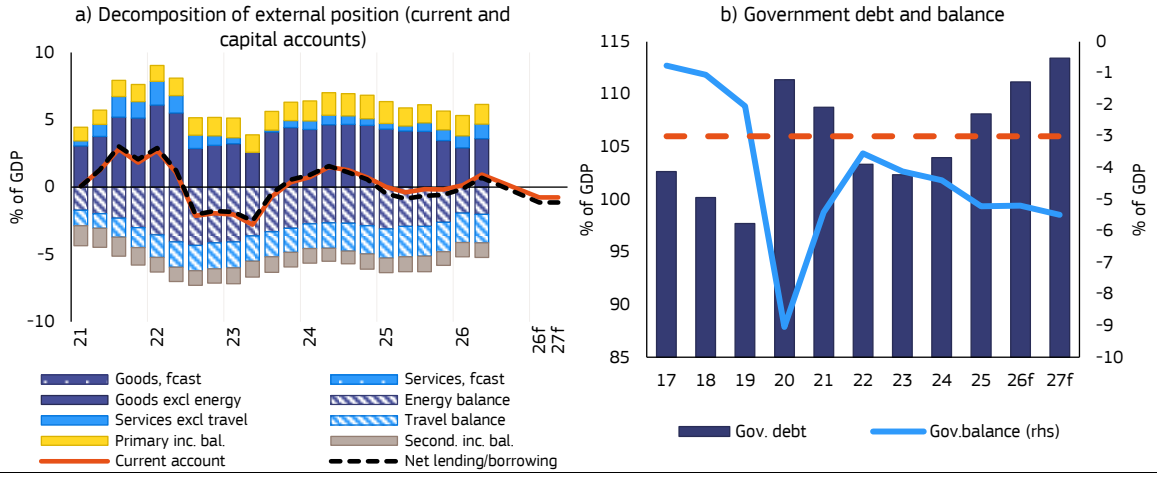
- **Government** debt is high, at 108.1% of GDP in 2025, and is rising against a backdrop of high deficits. Debt is about 10 pps. above its pre-COVID-19-pandemic level. Debt increased from 104% of GDP in 2024 and is forecast to rise further to 111.2% of GDP in 2026 and to over 113% in 2027. The fiscal deficit widened to 5.2% of GDP in 2025, up from 4.4 % in 2024, and is expected to stay unchanged this year and to worsen slightly to 5.5% of GDP next year; interest expenditure is rising visibly. Sizeable stock-flow adjustments in 2025 added to the debt too. Gross financing needs are high and projected at around 20% of GDP in 2027. Long-term sovereign bond yields have edged up recently, while spreads over the best-rated euro area sovereign debt have widened modestly. An excessive deficit procedure is in place for Belgium. Fiscal sustainability risks are assessed as high in the medium-term ([7]).

- The **financial sector** remains sound. In 2025, the Tier-1 capital ratio of banks stabilised at 17.8 %, the return on equity slightly declined to 9.4 % in 2025. The gross non-performing loan ratio held steady at 1.7 % in 2025, in line with the EU median, while the Stage-2 loan ratio remained at 8.7 %. Credit dynamics to the private sector showed signs of recovery in 2025, with lending to non-financial corporations strengthening and household credit growing at a moderate pace.

([6]) Borrowing capacity as defined for the purpose of this document is the largest mortgage a household could service by spending 40% of its income on repayments, at the average interest rate on new loans for house purchase in each year. Income is household adjusted gross disposable income (B7G) per household. The calculation assumes a 25-year maturity (300 monthly instalments), repayments of 40% of income and a loan that finances the whole purchase (100% loan-to-value). These parameters are the same for all countries, so that the results are comparable across countries; they are a benchmark, not the lending conditions or rules in force. Changes refer to the % change between 2024 and 2025, in national currency; it reflects both the change in household income and the change in mortgage rates. Source: European Commission services calculations based on Eurostat and ECB data.

([7]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Graph 2.1: **Selected graphs, Belgium**



Source: Eurostat and European Commission forecasts and calculations.

Table 2.1: **Key economic and financial indicators, Belgium**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	2027
Output and Prices										
Real GDP (1 year % change)				1.9	1.7	1.6	0.9	0.9	0.7	0.8
Real GDP per capita (1 year % change)				1.5	1.2	0.7	0.3	0.5	0.3	0.5
GDP deflator (1 year % change)				1.9	3.6	5.7	1.8	2.5	2.2	2.6
Harmonised index of consumer prices (1 year % change)				1.9	4.6	2.3	4.3	3.0	3.6	3.2
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.4	2.2	6.0	3.4	2.4	2.8	2.7
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**0.3**	**0.4**	**0.1**	**-0.3**	**0.3**	**-0.1**	**-0.6**
Current account balance, balance of payments (% of GDP)		0.5 (1)	-0.9 (2)	0.0	0.3	0.4	0.7	-0.2	-0.8	-0.8
of which: trade balance (% GDP)				0.4	0.4	0.1	0.1	-0.5		
of which: income balance (% GDP)				-0.4	-0.1	0.3	0.6	0.4		
Current account norm (% of GDP) (1)				0.7	0.8	0.6	0.5	0.5	0.5	0.4
Current account req. to reach fund. NIIP (% of GDP) (2)				-0.5	-0.8	-1.0	-0.9	-0.9		
Net international investment position (% of GDP)	**-35%**	-85.9 (3)	17.0 (4)	**45.6**	**53.9**	**57.3**	**56.3**	**53.7**	**50.6**	**47.0**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				38.9	32.7	30.2	30.7	32.6		
Net lending-borrowing (% of GDP)				0.1	0.4	0.6	0.6	-0.6		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**3.2**	**6.2**	**15.1**	**15.4**	**12.7**	**7.7**	**7.7**
Nominal unit labour cost index per hour worked (1 year % change)				1.5	3.1	6.7	2.5	3.0	2.0	2.6
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**3.6**	**1.6**	**0.1**	**1.6**	**3.4**	**2.8**	**1.3**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.9	0.6	-0.4	2.0	1.8	0.5	0.2
Export performance against advanced economies (3y % change)	**-3%**			**1.3**	**4.7**	**-7.5**	**-15.2**	**-10.7**		
Export performance against advanced economies (1 year % change)				0.2	0.6	-4.9	-4.3	-1.9		
Core inflation differential vis-à-vis the euro area (pps.)				0.4	0.2	1.0	0.5	-0.1	0.3	0.1
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**123.0**	**112.9**	**97.7***	**96.1**	**91.1**	**89.6**	**87.4**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			0.0	2.6	2.4	2.8	2.5	1.8	1.3
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**59.6**	**62.3**	**56.5***	**56.4**	**56.5**	**56.6**	**56.7**
Household debt, consolidated (% of GHDI)				81.2	82.6	75.8	74.9	75.4		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**5.3**	**4.8**	**2.3**	**2.4**	**3.7**	**3.1**	**3.7**
Household gross saving rate (&)				11.4	16.2	14.5	14.0	13.5		
House price index, nominal (1 year % change)	**+9%**			**3.4**	**5.5**	**2.3**	**3.2**	**3.2**	**1.0**	**3.0**
House prices over/undervaluation gap (5)				12.3	16.7	13.0	11.8	11.2	7.5	5.5
Standardized price-to-income ratio				106.0	108.8	102.1	102.3	102.8		
Building permits (m^2 per 1000 inh)				790.2	781.6	670.6	582.3	546.1		
Government										
General government gross debt (% of GDP)	**60%**			**100.2**	**107.8**	**102.3**	**104.0**	**108.1**	**111.2**	**113.4**
General government balance (% of GDP)				-1.3	-6.0	-4.1	-4.4	-5.2	-5.2	-5.5
Banking sector										
Return on equity of banks (%)				8.5	8.6	11.4	10.4	9.4		
Tier-1 capital ratio banking sector (% risk-weighted assets)				16.7	18.5	17.9	17.6	17.8		
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	3.6	
Cost of borrowing for NFCs (%)				1.6	1.7	4.7	4.9	3.7	3.7	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	5.8 (6)		**6.2**	**5.9**	**5.5**	**5.7**	**6.2**	**6.4**	**6.5**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.8**	**1.0**	**2.1**	**1.1**	**1.4**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

BULGARIA

In Bulgaria, price and cost pressures are elevated and visibly stronger than in the rest of the euro area. Inflation ticked up in 2025 and currently exceeds the euro area average by a significant margin. Unit labour costs keep rising and pose risks to competitiveness, while export market shares against advanced economies fell recently. House prices continue to increase very strongly. Household borrowing has been growing in recent years amid supportive financing conditions. The current account deficit widened markedly in 2025, which is expected to remain in 2026. Public finances showed strain, with high government deficits and debt rising although from low levels.

Real GDP growth reached 3.0% in 2025 and is forecast to ease to 2.7% in 2026 and 2.1% in 2027. Headline inflation rose to 3.5% in 2025 and is expected to accelerate to 4.6% in 2026. Core inflation declined to 2.9% in 2025 and is forecast to reach 3.5% in 2026. The unemployment rate fell to 3.5% in 2025 and is projected to decrease slightly to 3.4% in 2026.

The scoreboard reading for Bulgaria shows that five indicators were beyond their indicative thresholds in 2025, namely nominal unit labour costs, export performance against advanced economies, household credit flow, house prices and labour force participation rate. Relevant developments worth highlighting:

- The **current account** has markedly deteriorated. The current account recorded a deficit of 6.1% of GDP in 2025, compared with a deficit of 0.7% of GDP in 2024, and is set to remain close to this level, reaching 5.8% of GDP in 2026. In 2025, all components of the current account except secondary income showed some worsening. The large deficit pushed the NIIP back to negative territory at -4% of GDP in 2025, after having closed the long-standing negative position. In 2025, the NIIP excluding non-defaultable instruments remained strongly positive at 37.9% of GDP.

- **Competitiveness** concerns relate to persistent strong unit labour cost increases and inflation hikes. Inflation differentials vis-à-vis the euro area were 1.4 and 0.5 pps. in 2025 for headline and core inflation respectively; they are set to reach 1.5 and 1.1 pps. in 2026. Unit labour costs continue to increase markedly, albeit at a slower pace compared to previous years. In 2025, they grew by 5.2% (cumulating 30.6% over the last three years), with labour productivity advancing by 1.8% and compensation per hour increasing by 7%. Unit labour cost growth is expected to decelerate visibly in 2026. The real effective exchange rate moved up by 1 %. The three-year change in export market shares against advanced economies turned negative in 2025 (-5.5%), erasing the previously positive trend.

- **Non-financial corporate** debt including foreign direct investments (FDI) stood at a low level of 45.1% of GDP in 2025, down from 45.7% in 2024 but borrowing has been high. Credit growth (excluding FDI in % of debt stock of previous year) accelerated to 10.9% in 2025, broadly in line with nominal GDP growth, from 7.5% in 2024. Borrowing costs fell to 4.1% in 2025, from 4.3% in 2024, and remained rather stable in 2026 so far. In 2026, corporate indebtedness is expected to decline further as credit growth is offset by nominal GDP growth. The share of NPLs fell in 2025, while bankruptcies increased, staying above recent levels but below earlier peaks.

- **Household** indebtedness in 2025 remained low at around 28% of GDP but new household borrowing has been persistently very strong. Credit flow remained very high, reaching about 22.6% of the 2024 debt stock in 2025 and is expected to remain strong in 2026. On this basis, and with still robust nominal GDP growth forecast for 2026, the household debt ratio is expected to continue rising in 2026. The variable interest rates on household borrowing could

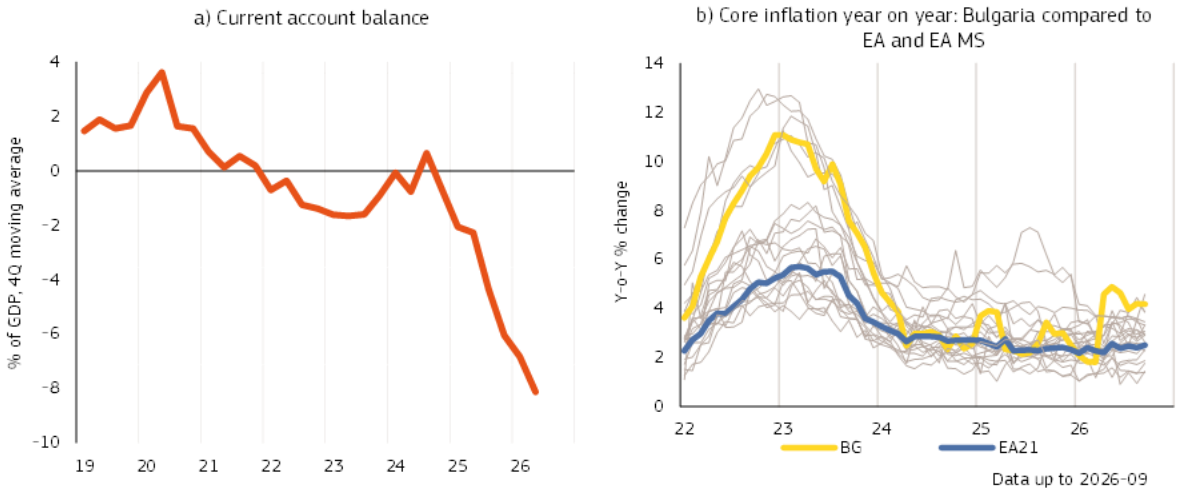
pose a risk to their debt-servicing ability if borrowing rates increase and income growth slows down.

- **House prices** rose by 14.6% in 2025 and by 15.5% year-on-year in 2026-Q2. In real terms, house prices increased by more than 6% year-on-year in 2026-Q2. Strong household income growth in recent years, reaching 11.0% in 2025 ([8]), largely explains these developments and limited the rise in the price-to-income ratio to 3.9 pps. House prices are estimated to have been overvalued by more than 11% in 2025, and developments in early 2026 point to a further widening of the valuation gap. Borrowing capacity increased by around 12% in 2025 as financing conditions improved, although the support from falling mortgage rates is becoming more limited. The mortgage market is characterised by a very high share of variable rate lending. Residential building permits increased by 29% in 2025.

- **Government** debt was at 29.9% of GDP in 2025 but is clearly rising due to high deficits. Debt increased from almost 24% of GDP in 2024 and is set to increase further to 33% of GDP in 2026 and further to 35% of GDP in 2027. The fiscal deficit widened to 4% of GDP in 2025 after standing at 3% in 2024 and is expected to worsen further to 5% of GDP in 2026 before improving to 4% in 2027; interest expenditure is rising visibly. Debt-increasing stock-flow adjustments have been sizeable too. An excessive deficit procedure was opened for Bulgaria in 2026. Fiscal sustainability risks are assessed as medium in the medium-term ([9]).

- The **financial sector** remains stable, with credit growth continuing to show strength. In 2025, with a Tier-1 ratio of 25.5% was well above the EU median. Profitability remained robust, as return on equity stood at 12.1% in 2025. The gross non-performing loans ratio fell to 2.4% in 2025, still above the EU median of 1.7%. A sizeable portion of banks' assets are in domestic government debt. Credit dynamics to the private sector continued to expand, very strongly especially for households, despite borrower-based macroprudential measures introduced in late 2024.

Graph 2.2: **Selected graphs, Bulgaria**



Source: Eurostat and European Commission forecasts and calculations.

([8]) Household income for 2023–2025 is based on Commission estimates (AMECO), as Eurostat household sector accounts for Bulgaria are not yet available for these years.

([9]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Table 2.2: **Key economic and financial indicators, Bulgaria**

	Thresholds	Bench. I	Bench. II	average *2017-2019*	average *2020-2022*	*2023*	*2024*	*2025*	forecast *2026*	*2027*
Output and Prices										
Real GDP (1 year % change)				2.9	2.2	2.0	3.3	3.0	2.7	2.1
Real GDP per capita (1 year % change)				4.3	3.0	2.3	3.4	3.2	3.1	2.5
GDP deflator (1 year % change)				4.9	9.7	8.0	7.2	7.5	7.6	4.6
Harmonised index of consumer prices (1 year % change)				2.1	5.5	8.6	2.6	3.5	4.6	3.9
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.1	3.4	8.9	3.1	2.9	3.5	3.6
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**2.1**	**0.8**	**-0.7**	**-1.0**	**-2.6**	**-4.2**	**-5.8**
Current account balance, balance of payments (% of GDP)		-0.9 (1)	-2.4 (2)	1.9	0.1	-0.9	-0.7	-6.1	-5.8	-5.4
of which: trade balance (% GDP)				3.5	2.7	4.7	3.0	-1.0		
of which: income balance (% GDP)				-1.6	-2.6	-5.6	-3.7	-5.0		
Current account norm (% of GDP) (1)				-1.2	-0.9	-1.0	-1.0	-0.9	-0.9	-0.8
Current account req. to reach fund. NIIP (% of GDP) (2)				-3.1	-2.8	-2.5	-2.4	-2.4		
Net international investment position (% of GDP)	**-35%**	-47.4 (3)	-18.2 (4)	**-36.5**	**-9.9**	**-0.8**	**0.9**	**-4.0**	**-7.9**	**-12.0**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				36.1	46.3	46.4	45.2	37.9		
Net lending-borrowing (% of GDP)				3.0	1.1	0.6	1.0	-3.6		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**18.6**	**19.6**	**29.8**	**38.5**	**30.6**	**22.0**	**12.0**
Nominal unit labour cost index per hour worked (1 year % change)				6.1	8.0	10.8	12.2	5.0	3.5	3.0
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.8**	**5.5**	**8.5**	**7.4**	**6.2**	**1.8**	**2.9**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				1.6	1.9	5.4	-0.3	1.0	1.3	0.9
Export performance against advanced economies (3y % change)	**-3%**			**10.3**	**11.1**	**15.0**	**5.4**	**-5.5**		
Export performance against advanced economies (1 year % change)				2.9	5.7	-1.0	-2.1	-2.6		
Core inflation differential vis-à-vis the euro area (pps.)				0.1	1.3	4.0	0.3	0.5	1.1	1.0
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**72.2**	**58.7**	**47.8**	**45.7**	**45.1**	**42.3**	**42.1**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			4.0	4.1	8.4	7.5	10.9	4.7	7.7
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**22.9**	**23.4**	**23.4**	**25.5**	**28.1**	**30.5**	**33.2**
Household debt, consolidated (% of GHDI)				34.3	36.7					
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**10.8**	**12.0**	**16.3**	**21.1**	**22.6**	**19.8**	**16.3**
Household gross saving rate (&)				0.4	-4.4					
House price index, nominal (1 year % change)	**+9%**			**7.1**	**9.0**	**9.9**	**16.5**	**14.6**	**15.5**	**12.5**
House prices over/undervaluation gap (5)				-8.1	-3.1	-0.2	7.1	11.5	18.2	20.9
Standardized price-to-income ratio				69.3	64.0	59.5	60.1	64.0		
Building permits (m^2 per 1000 inh)				586.8	717.8	837.7	714.1	917.5		
Government										
General government gross debt (% of GDP)	**60%**			**22.5**	**23.5**	**22.8**	**23.7**	**29.9**	**33.0**	**35.0**
General government balance (% of GDP)				1.8	-3.6	-2.0	-3.0	-4.0	-5.0	-4.0
Banking sector										
Return on equity of banks (%)				11.1	8.3	16.3	15.2	12.1		
Tier-1 capital ratio banking sector (% risk-weighted assets)				19.7	21.9	20.9	21.7	25.5		
Gross non-performing loans, domestic and foreign entities (% gross loans)				8.1	4.8	2.9	2.7	2.4		
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%**	3.6 (6)		**6.2**	**5.2**	**4.3**	**4.2**	**3.5**	**3.4**	**3.5**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**3.2**	**0.8**	**1.3**	**1.7**	**-0.2**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

CZECHIA

In Czechia, house prices continued growing, outpacing income growth and further widening the price-to-income from its long-term average. While government debt is still relatively low, it is increasing at a faster pace than economic activity. External sector developments have been favourable even if the current account surplus is narrowing. Export performance against advanced economies has been strong, despite rises in nominal unit labour costs and a modest effective exchange rate appreciation in 2025.

Real GDP growth increased to 2.6% in 2025 and is forecast to fall to 1.8% in 2026 before rising to 2.5% in 2027. Headline inflation declined to 2.3% in 2025 from 2.7% in 2024 and is expected to ease to 2.1% in 2026. Core inflation fell to 2.9% in 2025 and is forecast to reach 3.1% in 2026. The unemployment rate rose to 2.8% in 2025 and is expected to increase to 3.1% in 2026.

The scoreboard reading for Czechia shows that two indicators were beyond their indicative thresholds in 2025, namely nominal unit labour costs and house prices. Relevant developments worth highlighting:

- **External sector** developments have been favourable. The current account surplus stood at 0.7% of GDP in 2025, down from 1.7% in 2024, and is expected to shift to a deficit of 0.8% of GDP in 2026. The NIIP was negative at -9.8% of GDP in 2025. However, the NIIP excluding non-defaultable instruments remained clearly positive at 31.2% of GDP in 2025.

- **Competitiveness** indicators reflect strong export performance despite large unit labour costs growth. In 2025, headline and core inflation were 0.2 and 0.5 pps., respectively, higher than the euro area average. They are expected to reach -1.1 and 0.7 pps. in 2026. Nominal unit labour cost continued to rise by 4% in 2025 (with a 3-year increase of 17.9%) and is expected to remain around 4% in 2026. The real effective exchange rate appreciated by 2% over the year, pushed by nominal effective exchange rate gains. Export market shares against advanced economies expanded by 8.1% over the past three years.

- **Non-financial corporate** debt including foreign direct investments (FDI) was low at 45.2% of GDP in 2025, down from 46.9% in 2024. Credit growth (excluding FDI in % of debt stock of previous year) declined to 2.6% in 2025, from 8.2% the year before. The interest coverage ratio improved in 2025, yet it remains below levels observed over the past decade. Borrowing costs fell to 5.3% in 2025 from 6.5% in 2024 but have been increasing in the course of 2026. In 2026, corporate indebtedness is expected to remain broadly stable, as credit flows are in line with nominal GDP growth. NPLs fell mildly in 2025, while bankruptcies increased.

- **Household** indebtedness in 2025 remains low at 31.5% of GDP amid robust credit growth, while household debt as percentage of household gross disposable income is moderate at 45.2%, both edging up from 2024. Credit flow accelerated in 2025, translating into an 8.2% increase of the 2024 debt stock in 2025 and is expected to stay robust in 2026, in line with real gross disposable income. Borrowing costs on new housing loans fell to 4.7% in 2025 but are expected to increase slightly in 2026. The household debt ratio is forecast to increase somewhat further in 2026, supported by continued credit growth. The gross saving rate, at 19.2% in 2025, is below its 2020–2023 peak but remains above its 2019 level and close to its longer-term average since 2000.

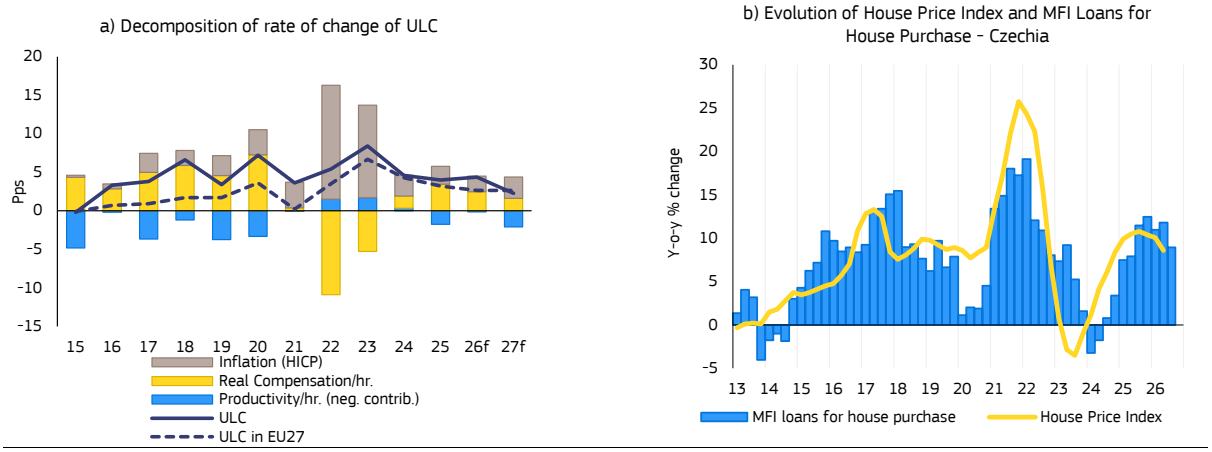
- **House prices** increased by 10.4% in 2025 and by 8.6% year-on-year in 2026-Q2, substantially faster than household income, which grew by 4.4% in 2025. The price-to-income ratio stood around 18 pps. above its long-term benchmark in 2025, with complementary affordability

indicators pointing in the same direction. House prices are estimated to have been overvalued by around 18% in 2025, and price developments in early 2026 could widen the gap further. Borrowing capacity increased by 9.6% in 2025 as mortgage rates declined. From April 2026, tighter recommended lending limits for investment mortgages may temper investor demand ([10]). Residential building permits remained virtually unchanged in 2025, at only around 331 m² per 1,000 inhabitants

- **Government** debt was at 44.2% of GDP in 2025 but is rising quickly. Debt is about 16 pps. above its pre-COVID-19-pandemic level. Government debt increased from 43.2% in 2024 and is projected to rise further to 45.9% of GDP in 2026 and to 47.5% of GDP in 2027. The fiscal deficit was little changed at 2.2% of GDP in 2025 after 2% in 2024, but it is expected to increase to 2.7% of GDP in 2026 and 3.3% of GDP in 2027. Debt-increasing stock-flow adjustments have been sizeable. Fiscal sustainability risks are assessed as medium in the medium-term ([11]).

- The **financial sector** remains resilient. In 2025, the Tier-1 ratio remained stable around 19.4 %. Profitability improved, as return on equity rose to 16.1 % in 2025, well above the EU median. The gross non-performing loans ratio fell to 1.1 % in 2025. Credit dynamics to the private sector showed moderate growth, with credit to non-financial corporations easing compared with previous years while credit to households remained robust.

Graph 2.3: **Selected graphs, Czechia**



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

([10]) International Monetary Fund (2026), *Czech Republic: 2026 Article IV Consultation*, IMF Country Report No. 26/70, and *Czech Republic: Selected Issues*, IMF Country Report No. 26/71. The CNB recommendation applying from April 2026 sets an LTV limit of 70% and a DTI limit of 7 for investment mortgages, while more accommodating limits continue to apply to owner-occupied mortgages.

([11]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Table 2.3: **Key economic and financial indicators, Czechia**

	Thresholds	Bench. I	Bench. II	average *2017-2019*	average *2020-2022*	*2023*	*2024*	*2025*	forecast *2026*	*2027*
Output and Prices										
Real GDP (1 year % change)				3.9	0.4	0.0	1.3	2.6	1.8	2.5
Real GDP per capita (1 year % change)				3.7	-0.2	-1.0	1.2	2.6	1.8	2.7
GDP deflator (1 year % change)				2.8	5.7	8.6	4.0	3.5	2.4	3.2
Harmonised index of consumer prices (1 year % change)				2.3	7.0	12.0	2.7	2.3	2.1	2.8
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.9	6.2	9.3	4.1	2.9	3.1	2.8
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**1.1**	**-0.3**	**-2.3**	**-1.0**	**0.8**	**0.5**	**-0.1**
Current account balance, balance of payments (% of GDP)		1.0 (1)	0.3 (2)	0.7	-1.7	-0.1	1.7	0.7	-0.8	-0.3
of which: trade balance (% GDP)				6.6	3.8	4.9	6.5	5.8		
of which: income balance (% GDP)				-5.8	-5.5	-5.0	-4.8	-5.1		
Current account norm (% of GDP) (1)				0.8	1.0	0.8	0.9	1.0	1.2	1.3
Current account req. to reach fund. NIIP (% of GDP) (2)				-0.5	-0.2	0.2	0.3	0.3		
Net international investment position (% of GDP)	**-35%**	-66.9 (3)	11.3 (4)	**-22.8**	**-17.0**	**-14.4**	**-7.4**	**-9.8**	**-7.2**	**-4.4**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				27.7	32.3	28.5	34.1	31.2		
Net lending-borrowing (% of GDP)				1.4	-0.5	1.0	3.3	2.2		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**11.8**	**16.6**	**18.4**	**19.5**	**17.9**	**13.6**	**11.1**
Nominal unit labour cost index per hour worked (1 year % change)				4.6	5.4	8.4	4.6	4.0	4.4	2.3
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**8.4**	**8.0**	**24.3**	**14.3**	**7.2**	**-3.0**	**1.5**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				2.8	4.4	10.2	-4.6	2.0	0.5	-0.3
Export performance against advanced economies (3y % change)	**-3%**			**4.3**	**-1.9**	**0.2**	**1.2**	**8.1**		
Export performance against advanced economies (1 year % change)				0.9	-1.6	6.6	-1.0	2.4		
Core inflation differential vis-à-vis the euro area (pps.)				0.9	4.2	4.3	1.2	0.5	0.7	0.3
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**48.4**	**46.0**	**44.8**	**46.9**	**45.2**	**45.1**	**44.6**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			5.6	4.9	7.8	8.2	2.6	3.9	4.6
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**31.2**	**33.0**	**30.7**	**30.9**	**31.5**	**32.5**	**33.8**
Household debt, consolidated (% of GHDI)				48.2	47.1	43.3	43.8	45.2		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**7.2**	**6.9**	**5.2**	**6.5**	**8.2**	**7.6**	**10.1**
Household gross saving rate (&)				11.4	18.8	20.6	19.7	19.2		
House price index, nominal (1 year % change)	**+9%**			**9.8**	**14.9**	**-1.7**	**5.0**	**10.4**	**8.5**	**6.5**
House prices over/undervaluation gap (5)				-3.0	15.6	14.0	13.1	18.2	22.2	22.9
Standardized price-to-income ratio				101.6	114.5	111.9	111.9	118.1		
Building permits (m^2 per 1000 inh)				367.0	425.1	340.1	330.7	330.5		
Government										
General government gross debt (% of GDP)	**60%**			**31.7**	**40.0**	**42.2**	**43.2**	**44.2**	**45.9**	**47.5**
General government balance (% of GDP)				0.9	-4.5	-3.7	-2.0	-2.2	-2.7	-3.3
Banking sector										
Return on equity of banks (%)				13.4	10.6	13.7	15.1	16.1		
Tier-1 capital ratio banking sector (% risk-weighted assets)				18.2	20.5	19.5	19.2	19.4		
Gross non-performing loans, domestic and foreign entities (% gross loans)				2.2	1.7	1.2	1.2	1.1		
Cost of borrowing for households for house purchase (%)				2.6	3.0	5.4	5.0	4.7	4.7	
Cost of borrowing for NFCs (%)				2.7	4.0	8.5	6.5	5.3	5.5	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	2.6 (6)		**2.4**	**2.5**	**2.6**	**2.6**	**2.8**	**3.1**	**3.2**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**2.2**	**0.3**	**0.7**	**0.9**	**0.8**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

DENMARK

Denmark's current account surplus continued to grow in 2025, becoming the largest in the EU, partly reflecting the pharmaceutical industry's success. The surplus results mainly from high and growing savings and declining investment in the past few years. Non-financial corporations' debt remains high, and credit growth was dynamic in 2025. Household debt ratios also remain high; credit increased somewhat but so did borrowing capacity. House prices growth somewhat accelerated in early 2026.

Real GDP growth decreased to 3.5% in 2025 and is forecast to increase to 4.5% in 2026 before falling to 2.0% in 2027. Headline inflation rose to 1.8% in 2025 and is expected to decrease marginally to 1.7% in 2026. Core inflation edged up to 1.6% in 2025 and is forecast to reach 2.3% in 2026. The unemployment rate rose slightly to 6.4% in 2025 and is forecast to further increase to 7.0% in 2026.

The scoreboard reading for Denmark shows that three indicators were beyond their indicative thresholds in 2025, namely the upper threshold for the current account, non-financial corporations debt and household debt. Relevant developments worth highlighting:

- Concerns relating to the high **current account** surplus persist. The current account reached 12.3% of GDP in 2025 up from 11.2% in 2024 and is forecast to narrow somewhat to 11.7% of GDP in 2026. A decline in investment amid a continued solid economic performance, supported by a strong performance of a few multinational enterprises, has resulted in Denmark having the highest current account surpluses in the EU in 2025. The surplus stems from higher saving than investment in all sectors except NFC. The surplus far exceeded the levels explained by economic fundamentals, and remaining well beyond the indicative upper scoreboard threshold. The NIIP stood at a strong 97.8% of GDP in 2025, up from 62.7% in 2024.

- **Price and cost competitiveness** developments reflect subdued inflation**.** In 2025, both headline and core inflation remained below those in the euro area; they are set to maintain a negative differential in 2026 as well. Unit labour cost growth remained modest at 0.8 % year-on-year (the three-year change cumulated 5.1%). It is set to drop by 1% in 2026. The real effective exchange rate appreciated modestly, by 0.6 % in 2025 and 1.5 % over three years, as nominal appreciation outweighed the negative inflation differential. Export market shares against advanced economies growth over the past three years was 4.3 %, still among the stronger performers in the EU.

- **Non-financial corporate** debt including foreign direct investments (FDI) increased to a high level of 115.2% of GDP in 2025 from 113.1% in 2024. Credit growth (excluding FDI in % of debt stock of previous year) increased to 8.3% in 2025 from 6.6% in 2024. The interest coverage ratio improved in 2025, moving back towards a more solid level than observed in 2024. Borrowing costs fell to 3.3% in 2025 from 4.4% in 2024, but are trending up in 2026, despite remaining broadly stable for the year on average. Corporate indebtedness is expected to edge up in 2026 backed by credit expansion outpacing nominal GDP growth. NPLs stayed low and unchanged, while bankruptcies remained broadly stable, modestly above the 2024 level but below earlier peaks.

- **Household** indebtedness, despite declining, remained elevated in 2025 at 82.6% of GDP and household debt as percentage of household gross disposable income was also high. Credit flows rose to 3.5% of the 2024 debt stock in 2025 and are set to gather further strength in 2026, supported by a solid increase in real gross disposable income. Borrowing costs for new housing loans declined in 2025 but have been increasing in the course of 2026. As a result, the

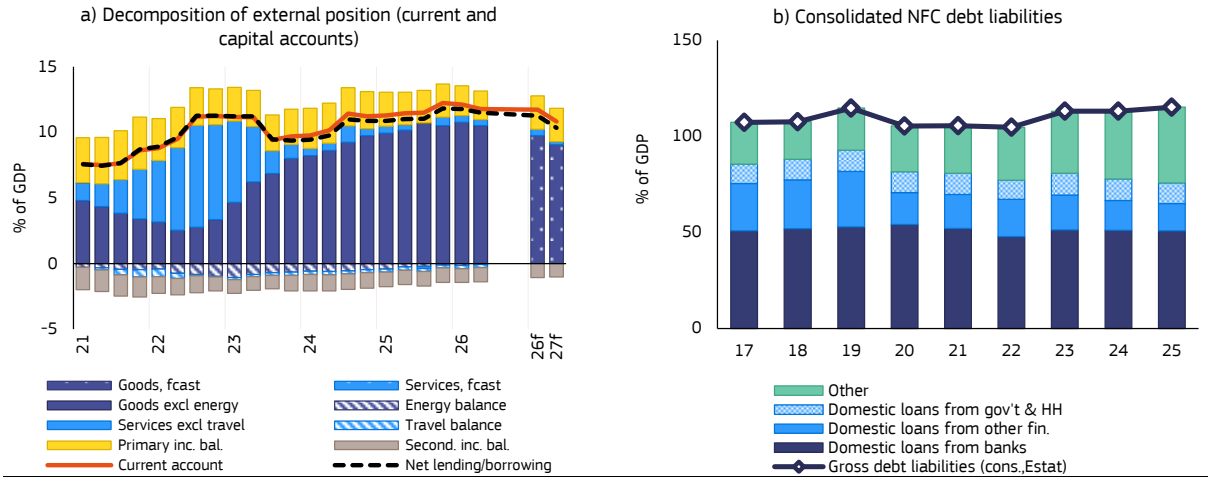
household debt ratio is expected to edge up in 2026, as credit growth is set to outpace nominal GDP growth. The household gross saving rate in 2025 was high, clearly above its 2019 level and its long-term average, and slightly above 2024.

- **House-price** growth strengthened from 7.5% in 2025 to 9.4% year-on-year in 2026-Q2. House-price are estimated to have been overvalued by around 13% in 2025, current house price developments could widen the valuation gap. Lower mortgage rates and rising incomes increased borrowing capacity by around 14% in 2025, although the decline in mortgage rates had largely levelled off by early 2026. Residential building permits increased by 12% in 2025, to 433 m^2 per 1,000 inhabitants, but remained below earlier levels.

- **Government** debt was at 27.2% of GDP in 2025 and is declining with the budget being in surplus. Debt is forecast to fall further to 26.2% of GDP in 2026 and below 26% in 2027. The fiscal surplus narrowed to 2.9% of GDP in 2025 from 4.1% in 2024; it is forecast to decline further to 1.1% of GDP in 2026 and 0.5% in 2027 but still to remain positive. Debt-increasing stock-flow adjustments have been sizeable but are not preventing reductions in the debt ratio.

- The **financial sector** remains sound. In 2025, the Tier-1 capital ratio has remained broadly stable attaining 19.2 %, while return on equity slightly decreased to 11 %. The gross non-performing loans ratio continued its downward trend to a low 1.2 % in 2025. Credit to non-financial corporations showed a resurgence in 2025, while household credit remained modest. The banking sector maintains strong exposure to real estate, which coupled with high household indebtedness remains a structural vulnerability for the financial sector. Pension funds and insurance companies warrant continued supervisory attention given their large role in domestic capital markets and substantial use of derivatives and foreign-exchange hedging, which may generate sizeable liquidity needs during periods of market stress.

Graph 2.4: **Selected graphs, Denmark**



Source: Eurostat and European Commission forecasts and calculations.

Table 2.4: **Key economic and financial indicators, Denmark**

	Thresholds	Bench. I	Bench. II	average *2017-2019*	average *2020-2022*	*2023*	*2024*	*2025*	forecast *2026*	*2027*
Output and Prices										
Real GDP (1 year % change)				2.2	1.6	1.1	3.9	3.5	4.5	2.0
Real GDP per capita (1 year % change)				1.7	1.2	0.4	3.4	2.9	4.2	1.6
GDP deflator (1 year % change)				0.9	5.3	-2.9	3.4	1.0	-1.3	1.7
Harmonised index of consumer prices (1 year % change)				0.8	3.5	3.4	1.3	1.8	1.7	2.7
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.6	1.9	4.6	1.3	1.6	2.3	2.4
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**7.1**	**8.0**	**9.9**	**10.7**	**11.1**	**11.7**	**11.6**
Current account balance, balance of payments (% of GDP)		1.0 (1)	-1.4 (2)	7.0	9.0	9.7	11.2	12.3	11.7	10.8
of which: trade balance (% GDP)				5.9	7.2	8.2	9.6	10.8		
of which: income balance (% GDP)				1.1	1.9	1.5	1.6	1.4		
Current account norm (% of GDP) (1)				0.8	1.0	0.6	0.8	1.0	1.1	1.1
Current account req. to reach fund. NIIP (% of GDP) (2)				-0.5	-0.8	-1.2	-1.4	-1.4		
Net international investment position (% of GDP)	**-35%**	-100.7 (3)	20.1 (4)	**59.3**	**56.2**	**39.1**	**62.7**	**97.8**	**106.3**	**113.5**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				17.4	28.7	37.7	36.6	33.8		
Net lending-borrowing (% of GDP)				7.0	9.1	9.4	10.9	11.8		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**1.4**	**6.1**	**9.2**	**10.8**	**5.1**	**0.8**	**1.6**
Nominal unit labour cost index per hour worked (1 year % change)				0.8	3.0	3.3	1.0	0.8	-1.0	1.8
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**0.2**	**-0.5**	**-1.0**	**-1.0**	**1.5**	**-4.0**	**-2.6**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.0	-0.4	1.8	-0.9	0.6	-1.5	-0.1
Export performance against advanced economies (3y % change)	**-3%**			**0.6**	**10.6**	**2.3**	**8.4**	**4.3**		
Export performance against advanced economies (1 year % change)				1.1	4.2	-3.1	5.9	1.7		
Core inflation differential vis-à-vis the euro area (pps.)				-0.4	-0.1	-0.4	-1.6	-0.8	-0.1	-0.2
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**109.9**	**105.2**	**113.0***	**113.1**	**115.2**	**116.3**	**116.9**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			2.7	5.6	6.1	6.6	8.3	4.2	4.3
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**112.3**	**99.9**	**88.8***	**84.0**	**82.6**	**83.5**	**83.0**
Household debt, consolidated (% of GHDI)				171.1	158.4	136.2	133.0	130.1		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**1.1**	**1.7**	**0.3**	**0.6**	**3.5**	**4.2**	**3.1**
Household gross saving rate (&)				9.0	9.0	14.8	14.3	14.9		
House price index, nominal (1 year % change)	**+9%**			**3.9**	**6.8**	**-3.8**	**3.5**	**7.5**	**9.0**	**7.0**
House prices over/undervaluation gap (5)				5.9	15.4	8.6	8.9	12.8	19.1	22.3
Standardized price-to-income ratio				102.0	110.9	102.9	102.8	105.8		
Building permits (m^2 per 1000 inh)				684.7	705.1	403.5	384.8	432.8		
Government										
General government gross debt (% of GDP)	**60%**			**39.0**	**39.4**	**33.0**	**29.9**	**27.2**	**26.2**	**25.7**
General government balance (% of GDP)				2.3	2.6	3.5	4.1	2.9	1.1	0.5
Banking sector										
Return on equity of banks (%)				9.2	5.5	11.7	12.6	11.0		
Tier-1 capital ratio banking sector (% risk-weighted assets)				19.8	20.3	21.0	20.4	19.2		
Gross non-performing loans, domestic and foreign entities (% gross loans)				2.2	1.7	1.3	1.3	1.2		
Cost of borrowing for households for house purchase (%)				2.1	2.2	5.2	4.6	3.7	3.8	
Cost of borrowing for NFCs (%)				1.0	1.2	4.4	4.4	3.3	3.3	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	4.9 (6)		**5.3**	**5.1**	**5.1**	**6.2**	**6.4**	**7.0**	**7.0**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**1.4**	**1.3**	**1.8**	**2.8**	**1.9**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

GERMANY

Germany's current account surplus, while easing, remains elevated, reflecting persistently subdued domestic demand, in particular investment. This is also reflected in low non-financial corporate credit growth. Productivity has improved somewhat, yet competitiveness has been weak and export market shares against advanced economies have been falling. Unit labour costs growth has exceeded the euro area's average, driven by higher employee compensation, and the real effective exchange rate has appreciated over the past three years. Fiscal balances are deteriorating, with government debt and deficits increasing.

Real GDP growth increased to 0.2% in 2025 and is forecast to recover somewhat, to 1.3% in 2026 and 1.0% in 2027. Headline inflation fell to 2.3% in 2025 but is expected to rise to 2.9% in 2026. Core inflation eased to 2.8% in 2025 and is forecast to reach 2.5% in 2026. Unemployment is low but has recently been rising to 3.8% in 2025 and is projected to reach 4.0% in 2026.

The scoreboard reading for Germany shows that four indicators were beyond their indicative thresholds in 2025, namely nominal unit labour costs, the upper threshold for the real effective exchange rate, export performance against advanced economies and government debt. Relevant developments worth highlighting:

- **External sector** indicators continue to moderate. The current account surplus stood at 4.4% of GDP in 2025, down from 5.8% in 2024, and is forecast to stay below the indicative scoreboard threshold going forward. The surplus mainly reflects weak domestic demand, which continued to broadly stagnate at pre-COVID-19-pandemic levels in real terms. Private investment has been particularly sluggish, declining by 10.1% in real terms between 2019 and 2025. The expansion of public investment, by 31.9% in real terms, compensated this weakness only partially. The continued external surplus contributed to a further increase in the NIIP, which reached 80.8% of GDP in 2025.

- **Competitiveness** is slipping, as shown by export underperformance. Export market shares against advanced economies fell by 3.3% over the last three years. In 2025 German core inflation marginally exceeded the euro area value but is set to be in line for 2026. Labour productivity increased by 1.1%, while compensation of employees rose by 5.4%, contributing to a cumulative increase in nominal unit labour costs by 18.1% over the past three years. The real effective exchange rate appreciated by 1.3% in 2025, with a three-year gain of 5.5%.

- **Non-financial corporate** debt including foreign direct investments (FDI) declined further, from low levels, to 58.1% of GDP in 2025. Credit growth (excluding FDI in % of debt stock of previous year) weakened further to 1.0% in 2025 from 1.6% in 2024, reflecting weak corporate investment. Corporate borrowing costs fell to 3.9% in 2025 from 5.2% in 2024, but are trending up in 2026, despite falling slightly for the year on average. Consequently, corporate indebtedness in 2026 is expected to edge down further, with credit growth being offset by nominal GDP growth. NPLs rose mildly in 2025, while bankruptcies increased significantly.

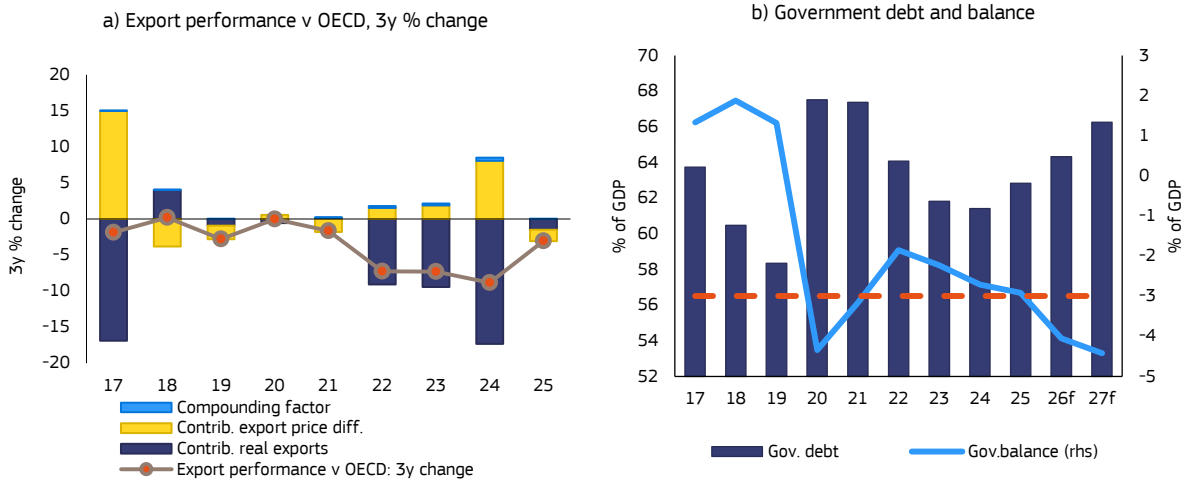
- **Household** indebtedness in 2025 remained moderate, at 48.3% of GDP, and at 61% of household gross disposable income. At 1.8%, credit to households grew more slowly than consumer prices in 2025 but is expected to strengthen somewhat in 2026. The household debt ratio is expected to continue its gradual decrease in 2026, as nominal GDP growth will more than offset the somewhat higher dynamism of credit. With household consumption remaining subdued, the gross saving rate, at close to 19% in 2025, is above its 2019 level and close to its post-2000 average.

- **House prices** increased by 3.2% in 2025 and growth slowed to 0.6% year on year in 2026-Q2. Housing prices appeared broadly aligned with fundamentals in 2025, with estimated overvaluation of around 3%. The price-to-income ratio was close to its long-term benchmark in 2025. Residential building permits increased by 11% in 2025 but remained among the lowest levels in the EU at 267 m^2 per 1,000 inhabitants. Low housing completions per capita remain at levels below the EU average and weigh on aggregate investment.

- **Government debt** stood at 62.8% of GDP in 2025, about 5 pps. above its pre-pandemic level. It increased from 61.4% in 2024 and is forecast to increase to 64.3% of GDP in 2026 and further to over 66% of GDP in 2027. The fiscal deficit stood at 2.9% of GDP in 2025 but is forecast to widen to 4.1% of GDP in 2026 and 4.4% in 2027. In 2026, long-term sovereign bond yields have risen, reflecting a broader global trend and Germany's fiscal expansion. Fiscal sustainability risks are now assessed as being high in the medium-term, while previously assessed as medium ([12]).

- The **financial sector** remains sound with some vulnerabilities that remain contained. In 2025, the Tier-1 ratio increased to 17.9% in 2025, well above the EU median, and the return on equity increased to 5.6% in 2025, still well below the EU median. The low profitability reflects high costs and a fragmented market. The gross non-performing loans ratio slightly increased to 1.7% in 2025, while the share of Stage 2 loans rose to 14.8%, one of the highest values in the EU. Loan growth to the private sector remained subdued in 2025. Despite some stabilisation, Germany's commercial real estate market continues to pose risks to highly exposed banks, as refinancing pressures and weak office and retail segments could still lead to valuation losses and developer defaults.

Graph 2.5: **Selected graphs, Germany**



Source: Eurostat and European Commission forecasts and calculations.

([12]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Table 2.5: **Key economic and financial indicators, Germany**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	forecast 2027
Output and Prices										
Real GDP (1 year % change)				1.7	0.6	-1.0	0.0	0.2	1.3	1.0
Real GDP per capita (1 year % change)				1.6	0.4	-1.9	-0.3	0.2	1.5	1.2
GDP deflator (1 year % change)				1.8	3.5	7.2	3.1	3.0	2.8	3.2
Harmonised index of consumer prices (1 year % change)				1.7	4.0	6.0	2.5	2.3	2.9	3.2
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.3	2.3	5.1	3.2	2.8	2.5	2.4
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**8.3**	**6.7**	**5.5**	**5.1**	**5.2**	**4.8**	**4.3**
Current account balance, balance of payments (% of GDP)		1.0 (1)	-0.2 (2)	8.1	5.8	5.5	5.8	4.4	4.3	4.2
of which: trade balance (% GDP)				6.2	4.3	3.9	3.8	2.4		
of which: income balance (% GDP)				1.9	1.5	1.6	2.0	2.0		
Current account norm (% of GDP) (1)				1.6	1.7	1.2	1.2	1.0	0.9	0.9
Current account req. to reach fund. NIIP (% of GDP) (2)				0.6	0.4	0.0	-0.2	-0.2		
Net international investment position (% of GDP)	**-35%**	-83.2 (3)	33.7 (4)	**51.6**	**67.6**	**68.4**	**78.6**	**80.8**	**81.3**	**81.8**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				47.3	53.8	52.6	62.6	67.9		
Net lending-borrowing (% of GDP)				7.9	5.5	4.9	5.3	3.8		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**5.5**	**7.1**	**11.1**	**17.5**	**18.1**	**12.3**	**10.1**
Nominal unit labour cost index per hour worked (1 year % change)				2.3	2.1	7.8	5.1	4.3	2.5	3.0
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.9**	**0.9**	**2.0**	**1.6**	**5.5**	**-1.2**	**-0.6**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.7	-0.1	3.8	0.3	1.3	-0.4	0.3
Export performance against advanced economies (3y % change)	**-3%**			**-1.6**	**-3.1**	**-7.5**	**-9.0**	**-3.3**		
Export performance against advanced economies (1 year % change)				-1.0	-2.5	2.0	-3.5	-1.7		
Core inflation differential vis-à-vis the euro area (pps.)				0.3	0.2	0.1	0.4	0.4	0.1	-0.1
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**55.2**	**62.6**	**58.9**	**58.3**	**58.1**	**57.3**	**56.4**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			5.4	8.1	2.6	1.6	1.0	3.9	3.6
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**51.7**	**54.3**	**50.2***	**49.0**	**48.3**	**47.5**	**47.1**
Household debt, consolidated (% of GHDI)				68.7	69.8	64.8	62.1	61.0		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**3.9**	**4.7**	**0.8**	**0.6**	**1.8**	**2.3**	**3.3**
Household gross saving rate (&)				17.7	21.0	18.9	19.6	18.9		
House price index, nominal (1 year % change)	**+9%**			**6.2**	**8.4**	**-8.4**	**-1.5**	**3.2**	**0.5**	**3.0**
House prices over/undervaluation gap (5)				3.5	19.6	8.4	3.0	3.2	1.7	1.7
Standardized price-to-income ratio				103.1	115.9	102.1	95.9	95.4		
Building permits (m^2 per 1000 inh)				465.9	490.2	302.6	240.7	267.0		
Government										
General government gross debt (% of GDP)	**60%**			**60.8**	**66.3**	**61.8**	**61.4**	**62.8**	**64.3**	**66.3**
General government balance (% of GDP)				1.5	-3.1	-2.2	-2.7	-2.9	-4.1	-4.4
Banking sector										
Return on equity of banks (%)				2.5	3.5	5.7	5.6	5.6		
Tier-1 capital ratio banking sector (% risk-weighted assets)				16.3	16.6	17.7	18.4	17.9		
Gross non-performing loans, domestic and foreign entities (% gross loans)				1.5	1.1	1.3	1.5	1.7		
Cost of borrowing for households for house purchase (%)				1.7	1.7	4.0	3.8	3.7	3.9	
Cost of borrowing for NFCs (%)				1.6	1.8	4.9	5.2	3.9	3.8	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	3.5 (6)		**3.2**	**3.4**	**3.1**	**3.5**	**3.8**	**4.0**	**4.0**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**1.1**	**0.9**	**2.3**	**1.4**	**0.8**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

ESTONIA

Estonia's competitiveness pressures persist, with unit labour costs still rising albeit more slowly, remaining above the euro area, and the real effective exchange rate appreciating strongly. External sector readings improved in 2025 with the current account near balance, but a deficit is expected to return, while the net international investment position improved substantially. Household debt is moderate and rising slightly mainly due to dynamic credit flows, while house price growth accelerated in early 2026. Government debt is low but rising as fiscal deficits widen.

Real GDP growth increased to 1.3% in 2025 and is forecast at 2.2% in 2026 and 2.1% in 2027. Headline inflation rose to 4.8% in 2025 and is expected to ease to 3.1% in 2026. Core inflation climbed to 5.9% in 2025 but is forecast to fall to 2.1% in 2026. The unemployment rate marginally decreased to 7.5% in 2025 and is forecast to decline further to 7.1% in 2026.

The scoreboard reading for Estonia shows that two indicators were beyond their indicative thresholds in 2025, namely nominal unit labour costs and the upper threshold for the real effective exchange rate. Relevant developments worth highlighting:

- **External sector** indicators have strengthened. The current account moved to a broadly balanced position in 2025, at 0.3% of GDP, from a moderate deficit of 1.7% of GDP in 2024 but is forecast to revert to a deficit of 1.4% of GDP in 2026. The NIIP increased to -3.3% of GDP in 2025, from -8.4% of GDP in 2024. The NIIP excluding non-defaultable instruments remained firmly positive at 26.1% of GDP in 2025.

- **Competitiveness** concerns persist on account of persistently high inflation differentials and appreciating real effective exchange rate. Both headline and core inflation differentials vis-à-vis the euro area continued to be elevated, coming at 2.7 and 3.4 pps. respectively in 2025. However, the gap is expected to turn slightly negative in 2026. Unit labour costs continued to rise at a slower pace, by 3.4% in 2025, but the 3-year increase reached 27.4 %, while the annual growth for 2026 is set to reach 3.3%. The 2025 real effective exchange rate appreciated the most among euro area countries, with 2.4%, pushed by both nominal effective exchange rate and positive inflation differentials. The 3-year change in export market shares against advanced economies stabilised in 2025 with a near-flat change.

- **Non-financial corporate** debt including foreign direct investments (FDI) stood at 56.1 % of GDP in 2025, a low level, down from 56.7 % in 2024. Credit growth (excluding FDI in % of debt stock of previous year) slowed to 3.7 % in 2025 after a stronger expansion in 2024. Borrowing costs fell to 4.9 % in 2025 from 6.6 % in 2024 and have slightly fallen on average in 2026. In 2026, corporate indebtedness is expected to decrease further as credit flows are to be outpaced by nominal GDP growth. NPLs stayed broadly unchanged at low levels in 2025, and bankruptcies eased slightly.

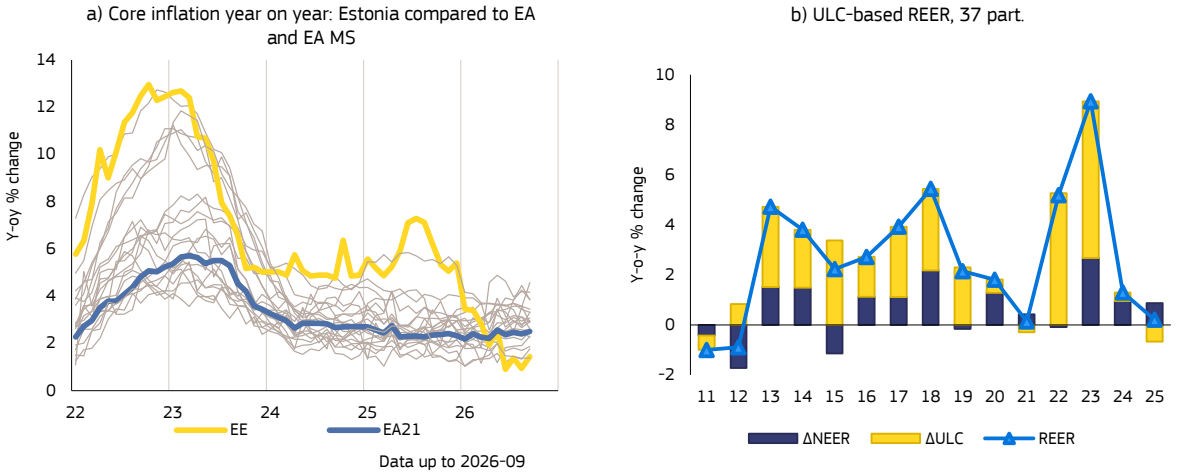
- **Household** indebtedness, at 39.3% of GDP, was moderate in 2025 (56.7% of household income) despite a moderate rise since 2024, but credit growth is vigorous. Credit flow was strong in 2025 (8.1% of the previous year's debt stock), and is expected to stay dynamic in 2026, in line with a significant rebound in real gross disposable income. Borrowing costs for new loans, despite decreasing significantly, remained elevated, at 4% in 2025, but have been increasing in the course of 2026. As a result, the household debt ratio is expected to increase slightly further in 2026, supported mainly by dynamic credit flows. The household gross saving rate in 2025 is below its 2019 level but above the 2024 outcome, and close to its longer-term average since 2000.

- **House-price** growth increased from 5.2% in 2025 to 5.8% year-on-year in 2026-Q2. House prices are estimated to have been overvalued by around 9% in 2025. Falling mortgage rates and higher incomes increased borrowing capacity by around 18% in 2025, although the decline in mortgage rates became more limited by early 2026. Variable-rate lending is predominant in the Estonian mortgage market, strengthening the transmission of financing conditions to housing demand. Residential building permits increased by 20% in 2025 to 438 m^2 per 1,000 inhabitants.

- **Government** debt was at 24% of GDP in 2025 but is clearly rising as fiscal deficits widen. Debt is 15 pps. above its pre-COVID-19-pandemic level. Debt increased from 23.5% of GDP in 2024 and is forecast to continue climbing to 26.2% of GDP in 2026 and further to over 28% in 2027. The fiscal deficit widened to 2% of GDP in 2025, after 1.6% in 2024, and deficits are expected to deteriorate further, reaching 4.4% of GDP in 2026 and 3.9% in 2027. Fiscal sustainability risks are now assessed as being medium in the medium-term, having previously been assessed as low ([13]).

- The **financial sector** remains sound. In 2025, the Tier-1 ratio increased to 21.4%, and remains well above the EU median. The return on equity remained high at 13.5 %. The gross non-performing loan ratio stayed at 1.3%, while the share of Stage 2 loans continued to fall, reaching 6.2%. Credit to non-financial corporations contracted in 2025, while household credit remained robust. Estonian banks' high concentration of lending to the real estate and construction sector represents a source of risk.

Graph 2.6: **Selected graphs, Estonia**



Source: Eurostat and European Commission forecasts and calculations.

([13]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Table 2.6: **Key economic and financial indicators, Estonia**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	forecast 2027
Output and Prices										
Real GDP (1 year % change)				4.3	1.9	-2.9	0.1	1.3	2.2	2.1
Real GDP per capita (1 year % change)				4.1	1.8	-5.4	-0.5	1.6	2.6	2.0
GDP deflator (1 year % change)				4.1	6.6	7.9	4.4	3.7	3.0	3.1
Harmonised index of consumer prices (1 year % change)				3.1	7.4	9.1	3.7	4.8	3.1	3.6
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				2.0	4.3	8.7	5.1	5.9	2.1	3.3
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**1.3**	**-1.5**	**-2.7**	**-2.0**	**-0.9**	**-0.9**	**-1.0**
Current account balance, balance of payments (% of GDP)		-1.8 (1)	-0.6 (2)	1.4	-3.0	-1.5	-1.7	0.3	-1.4	-1.9
of which: trade balance (% GDP)				3.1	-1.0	0.9	-0.1	1.1		
of which: income balance (% GDP)				-1.7	-2.0	-2.4	-1.6	-0.8		
Current account norm (% of GDP) (1)				-1.1	-0.9	-1.4	-1.7	-1.8	-1.7	-1.5
Current account req. to reach fund. NIIP (% of GDP) (2)				-2.6	-1.5	-0.7	-0.6	-0.6		
Net international investment position (% of GDP)	**-35%**	-56.6 (3)	-17.9 (4)	**-28.1**	**-19.0**	**-19.4**	**-8.4**	**-3.3**	**-3.8**	**-5.0**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				24.4	36.3	29.8	27.0	26.1		
Net lending-borrowing (% of GDP)				2.8	0.8	-0.2	0.2	2.4		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**14.8**	**15.4**	**30.1**	**37.1**	**27.4**	**14.1**	**9.6**
Nominal unit labour cost index per hour worked (1 year % change)				5.3	5.6	15.4	6.8	3.4	3.3	2.5
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**5.6**	**5.1**	**16.0**	**16.2**	**11.7**	**3.2**	**2.7**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				1.9	2.8	7.4	1.6	2.4	0.1	0.7
Export performance against advanced economies (3y % change)	**-3%**			**3.0**	**15.8**	**7.9**	**-4.9**	**0.0**		
Export performance against advanced economies (1 year % change)				1.9	5.8	-4.3	-1.8	6.5		
Core inflation differential vis-à-vis the euro area (pps.)				1.0	2.3	3.8	2.3	3.4	-0.4	0.8
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**61.9**	**57.8**	**53.8**	**56.7**	**56.1**	**54.8**	**53.5**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			1.1	5.5	2.7	8.6	3.7	3.5	3.4
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**37.9**	**38.1**	**36.9**	**38.2**	**39.3**	**40.5**	**41.4**
Household debt, consolidated (% of GHDI)				58.1	56.9	53.6	54.3	56.7		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**7.3**	**7.6**	**6.3**	**8.0**	**8.1**	**8.5**	**7.4**
Household gross saving rate (&)				9.7	8.2	5.3	8.0	8.4		
House price index, nominal (1 year % change)	**+9%**			**6.1**	**14.2**	**5.9**	**6.1**	**5.2**	**7.2**	**5.6**
House prices over/undervaluation gap (5)				-10.5	-0.2	6.3	8.4	8.7	13.0	16.3
Standardized price-to-income ratio				89.9	97.7	102.7	102.5	103.9		
Building permits (m^2 per 1000 inh)				505.1	551.3	366.1	363.7	438.0		
Government										
General government gross debt (% of GDP)	**60%**			**9.0**	**18.9**	**20.3**	**23.5**	**24.0**	**26.2**	**28.4**
General government balance (% of GDP)				-0.4	-3.0	-2.7	-1.6	-2.0	-4.4	-3.9
Banking sector										
Return on equity of banks (%)				9.1	9.3	18.5	16.4	13.5		
Tier-1 capital ratio banking sector (% risk-weighted assets)				28.8	24.0	21.4	19.3	21.4		
Gross non-performing loans, domestic and foreign entities (% gross loans)				1.6	1.2	1.1	1.2	1.3		
Cost of borrowing for households for house purchase (%)				2.5	2.5	5.6	5.5	4.0	4.1	
Cost of borrowing for NFCs (%)				2.8	3.0	6.3	6.6	4.9	4.7	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	7.0 (6)		**5.2**	**6.2**	**6.4**	**7.6**	**7.5**	**7.1**	**6.9**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**2.3**	**0.7**	**2.0**	**3.1**	**0.5**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

IRELAND

Ireland records a very large current account surplus, although external sector data are inflated and volatile due to the very sizeable impact of the activities of multinational enterprises. This also leads to very volatile GDP growth figures. Competitiveness improved; the real effective exchange rate appreciated, and export market shares against advanced economies rose sharply. House price increases, strong housing demand and persistent supply constraints continue to weigh on housing affordability, particularly for new market entrants.

Real GDP growth rose to 8.0% in 2025 and is forecast to fall to -0.4% in 2026 and to rebound to 3.9% in 2027. Headline inflation increased to 2.1% in 2025 and is expected to climb further to 3.4% in 2026. Core inflation slipped to 2.0% in 2025 and is forecast to reach 2.9% in 2026. The unemployment rate rose to 4.7% in 2025 and is projected to increase to 5.0% in 2026.

The scoreboard reading for Ireland shows that four indicators were beyond their indicative thresholds in 2025, namely the upper threshold for the current account, net international investment position, nominal unit labour costs and the upper threshold for the real effective exchange rate. Relevant developments worth highlighting:

- A high **current account** surplus persists amid a negative NIIP. The current account surplus stood at 8% of GDP in 2025, down from 17.1% in 2024, and is expected to remain high at 10% of GDP in 2026. The NIIP increased markedly from -85.9% of GDP in 2024 to -54.4% in 2025. The NIIP excluding non-defaultable instruments was substantially more negative at -368.5% of GDP in 2025. However, the external accounts data are volatile and distorted due to the activities of large multinational enterprises.

- **Competitiveness** indicators reflect Ireland's export market shares against advanced economies continued to improve, climbing 18.3% over 3 years to 2025, largely driven by multinational corporations' activity. Core and headline inflation differentials vis-à-vis the euro area were negative in 2025 and are expected to turn marginally positive in 2026. The real effective exchange rate appreciated by almost 2% in 2025 (climbing by 4.9% over three years) on account of the strengthening euro.

- **Non-financial corporate** debt including foreign direct investments (FDI) dropped to 79.1 % of GDP in 2025, from 92.8 % in 2024 due to low credit growth. The interest coverage ratio improved in 2025, reaching a level that is among the highest observed in recent decade. Borrowing costs fell in 2025 to 4.8% from 5.7% in 2024, but are trending up in 2026, despite falling for the year on average. In 2026, corporate indebtedness is expected to decline further, explained by both moderate credit growth below nominal GDP growth. NPLs fell modestly in 2025.

- **Household** indebtedness in 2025 remained low relative to GDP (25.4%) but appeared moderate when measured against household gross disposable income (64.2%). Credit flows in 2025 were modest at 1.9% of the 2024 debt stock and are expected to strengthen in 2026, amid accelerating real gross disposable income. Borrowing costs for new loans eased somewhat in 2025 (to 3.6%) but have been increasing in the course of 2026. Against the backdrop of higher credit flows and slowing nominal GDP, the household debt ratio is expected to edge up mildly in 2026. The gross saving rate in 2025 was at a high level, above its 2019 level, and similar to 2024, after a significant upward revision of the historical data in 2026.

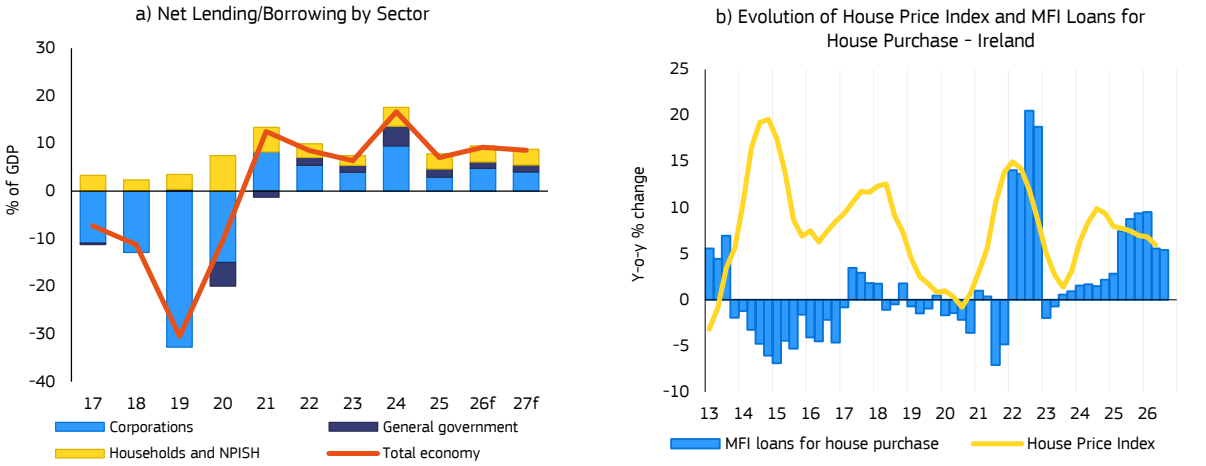
- **House prices** increased by 7.5% in 2025 and by 6.0% year-on-year in 2026-Q2 but still were estimated to be undervalued by 6% in 2025**.** While the price-to-income ratio was close to its

long-term benchmark in 2025, strong housing demand and persistent supply constraints continue to weigh on affordability, particularly for new market entrants. Borrowing capacity increased by around 6% in 2025 as financing conditions improved, although the support from further mortgage-rate declines is becoming more limited. Residential building permits increased to 768 m^2 per 1,000 inhabitants in 2025. While the additional supply has not yet removed the persistent mismatch between demand and supply, the increase in annual completions, if sustained, should help ease price pressures.

- **Government debt** was at 34.8% of GDP in 2025 and is falling with the budget being in surplus. Debt declined from 38.4% of GDP in 2024 and is projected to edge down to 33.5% of GDP in 2026 and to just over 32% in 2027. The fiscal surplus narrowed to 1.8% of GDP in 2025 after 4.2% in 2024; it is forecast to decline to 1.4% of GDP in both 2026 and 2027 but still to remain positive. Debt-increasing stock-flow adjustments are sizeable but are not preventing a decline in the debt ratio.

- The **financial sector** remains resilient. In 2025, the Tier-1 capital ratio remained stable at 21.7 %, while return on equity reached 9.1 %. The gross non-performing loans ratio fell to 0.8 % in 2025, well under the EU median, and Stage 2 loans continued to decline to 7.9 %. Credit to non-financial corporations has been volatile, while household credit remained modest. Non-banks, particularly investment funds, warrant continued supervisory attention given the size and complexity of the sector. Also, its extensive cross-border linkages and vulnerabilities related to leverage and liquidity mismatches could amplify and transmit external financial shocks.

Graph 2.7: **Selected graphs, Ireland**



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

Table 2.7: **Key economic and financial indicators, Ireland**

	Thresholds	Bench. I	Bench. II	average *2017-2019*	average *2020-2022*	*2023*	*2024*	*2025*	forecast *2026*	*2027*
Output and Prices										
Real GDP (1 year % change)				7.6	10.5	-3.3	3.6	8.0	-0.4	3.9
Real GDP per capita (1 year % change)				6.0	8.8	-5.1	1.9	6.3	-1.6	2.7
GDP deflator (1 year % change)				1.9	2.2	2.9	4.1	-0.7	2.6	2.9
Harmonised index of consumer prices (1 year % change)				0.6	3.3	5.2	1.3	2.1	3.4	3.1
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.5	2.1	4.4	2.3	2.0	2.9	2.8
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-0.6**	**-2.8**	**9.7**	**11.3**	**11.1**	**11.7**	**9.1**
Current account balance, balance of payments (% of GDP)		3.5 (1)	7.0 (2)	-5.1	4.6	8.1	17.1	8.0	10.0	9.3
of which: trade balance (% GDP)				19.3	34.6	33.3	41.6	37.5		
of which: income balance (% GDP)				-24.4	-30.0	-25.2	-24.6	-29.5		
Current account norm (% of GDP) (1)				2.7	3.4	4.4	3.6	3.5	3.6	3.7
Current account req. to reach fund. NIIP (% of GDP) (2)				3.7	4.9	6.7	7.0	7.0		
Net international investment position (% of GDP)	**-35%**	-146.6 (3)	29.7 (4)	**-180.2**	**-130.1**	**-105.6**	**-85.9**	**-54.4**	**-49.4**	**-42.3**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-261.0	-274.2	-270.7	-328.2	-368.5		
Net lending-borrowing (% of GDP)				-16.3	3.6	6.4	16.7	7.1		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**-6.4**	**-8.8**	**10.9**	**21.3**	**14.2**	**9.0**	**5.0**
Nominal unit labour cost index per hour worked (1 year % change)				-1.2	-2.9	11.1	5.6	-2.7	6.1	1.7
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**-1.6**	**-2.8**	**-1.2**	**-1.8**	**4.9**	**-1.5**	**0.0**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				-0.4	-1.5	3.7	-0.8	1.9	0.3	0.1
Export performance against advanced economies (3y % change)	**-3%**			**23.6**	**29.5**	**-7.8**	**6.4**	**18.3**		
Export performance against advanced economies (1 year % change)				4.9	5.1	0.5	11.8	5.3		
Core inflation differential vis-à-vis the euro area (pps.)				-0.5	0.1	-0.5	-0.6	-0.4	0.4	0.3
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**195.9**	**135.2**	**111.7***	**92.8**	**79.1**	**78.2**	**72.9**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			-5.5	-1.1	28.8	-0.6	0.7	2.0	-0.6
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**44.8**	**29.3**	**25.8**	**23.5**	**25.4**	**25.6**	**24.3**
Household debt, consolidated (% of GHDI)				106.6	76.2	64.9	57.9	64.2		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**-1.4**	**-0.5**	**1.1**	**-0.6**	**1.9**	**3.1**	**1.4**
Household gross saving rate (&)				13.5	22.1	15.8	20.2	19.9		
House price index, nominal (1 year % change)	**+9%**			**7.7**	**6.8**	**3.1**	**8.5**	**7.5**	**5.5**	**5.5**
House prices over/undervaluation gap (5)				-6.0	-7.0	-8.8	-8.2	-5.8	-6.1	-4.5
Standardized price-to-income ratio				97.3	96.0	94.2	94.1	98.3		
Building permits (m^2 per 1000 inh)				816.1	901.2	868.6	742.8	767.9		
Government										
General government gross debt (% of GDP)	**60%**			**60.8**	**50.8**	**42.1**	**38.4**	**34.8**	**33.5**	**32.2**
General government balance (% of GDP)				0.1	-1.5	1.5	4.2	1.8	1.4	1.4
Banking sector										
Return on equity of banks (%)				4.5	1.9	7.6	9.2	9.1		
Tier-1 capital ratio banking sector (% risk-weighted assets)				23.3	23.0	21.8	21.5	21.7		
Gross non-performing loans, domestic and foreign entities (% gross loans)				6.3	2.5	1.3	1.1	0.8		
Cost of borrowing for households for house purchase (%)				3.0	2.8	3.8	4.0	3.6	3.5	
Cost of borrowing for NFCs (%)				2.9	3.0	5.6	5.7	4.8	4.2	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	4.6 (6)		**5.8**	**5.5**	**4.3**	**4.3**	**4.7**	**5.0**	**5.0**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.7**	**1.2**	**6.7**	**3.3**	**1.6**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

GREECE

Greece's external sector remains weak with a large current account deficit, partly offset by EU grants and loans. Cost competitiveness is broadly stable. House prices continued to increase visibly even if at a slower pace than before. Government debt, though high, continues to decline. Corporate debt has risen amid dynamic borrowing, while non-performing loans have continued falling. Banks have better capitalisation and solid profitability; however, the workout of non-performing loans held by credit servicing firms continues to be slow.

Real GDP growth remained unchanged at 2.1% in 2025 but is projected to slow to 1.8% in 2026 and further to 1.5% in 2027. Headline inflation eased to 2.9% in 2025 but is forecast to rise to 4.1% in 2026. Core inflation held steady at 3.6% in 2025 and is forecast to remain at the same level in 2026. The unemployment rate fell to 8.9% in 2025 from 10.1% in 2024 and is expected to further decrease to 8.4% in 2026.

The scoreboard reading for Greece shows that six indicators were beyond their indicative thresholds in 2025, namely the lower threshold for the current account, net international investment position, nominal unit labour costs, the upper threshold for the real effective exchange rate, export performance against advanced economies and government debt. Relevant developments worth highlighting:

- **External sector** indicators remain weak. The current account balance remains well above its pre-2020 levels as well as above levels explained by economic fundamentals. In 2025, the current account deficit remained large at 5.5% of GDP, down from 7.5% in 2024, and is forecast to widen again to 6.2% of GDP in 2026. Grants and loans from the EU and debt inflow help cover the dominant part of external financing needs. The deeply negative NIIP remained largely unchanged from 2024, at -138.4% of GDP in 2025. Excluding non-defaultable instruments, the net position was also deeply negative in 2025, at -95.9% of GDP.

- **Competitiveness** indicators remain stable despite an uptick in inflation. In 2025, both headline and core inflation differentials vis-à-vis the euro area increased to 0.8 and 1.2 pps. respectively. They are set to reach 1 and 1.2 pps. in 2026. Unit labour cost rose by 2.4% (3-year gain of 11.2%) as the increase in nominal compensation was partially cancelled by strong labour productivity gains. In 2026, unit labour cost is expected to grow by 2.8%. The HICP-based real effective exchange rate appreciated by 1.1% Y-o-Y on account of nominal effective exchange rate appreciation and despite a slightly negative inflation differential. The three-year export market shares against advanced economies gain turned negative, at -6.8%, reflecting strong base effects after the pandemic.

- **Non-financial corporate** debt including foreign direct investments (FDI) stood at 59.7% of GDP in 2025, a low level but up from 56.8% in 2024, following dynamic borrowing. Credit growth (excluding FDI in % of debt stock of previous year) slowed to 8.3% in 2025 after the strong pace in 2024. The interest coverage ratio improved in 2025 and at a high historical level. Borrowing costs fell to 4.2 % in 2025 from 5.6% in 2024 but have started to increase again in 2026. In 2026, corporate indebtedness is expected to edge down due to modest credit growth below nominal GDP growth. NPLs fell further in 2025, while bankruptcies increased.

- **Household** indebtedness, at 37.8% of GDP (50.3% of household gross disposable income) in 2025, is moderate. Credit flow strengthened to 1.0% of the 2024 debt stock in 2025, but is expected to lose momentum in 2026, despite the sizeable rebound in real gross disposable income and subsidised lending programmes (My Home II). Borrowing costs for new housing loans declined in 2025 to 3.6% and are forecast to go down slightly further in 2026. The

household debt ratio is expected to keep falling in 2026 as credit flows are set to be offset by nominal GDP growth. The household gross saving rate in 2025 remained negative, falling below its 2024 and 2019 levels.

- **House price** growth moderated from 8.3% in 2025 to 5.5% year-on-year in 2026-Q2. House prices are estimated to have been overvalued by around 22% in 2025. The valuation gap may continue to widen, although somewhat less rapidly. The price-to-income ratio was around 10 pps. above its long-term benchmark in 2025. Demand has increasingly shifted towards first-time buyers, supported by subsidised housing loans, while tighter Golden Visa thresholds have recently moderated foreign investment demand ([14]). National averages may mask substantially stronger housing pressures in Athens and tourism-intensive areas. Residential building permits fell by 22% in 2025 to only 270 m^2 per 1,000 inhabitants due to temporary uncertainties around the new building regulation.

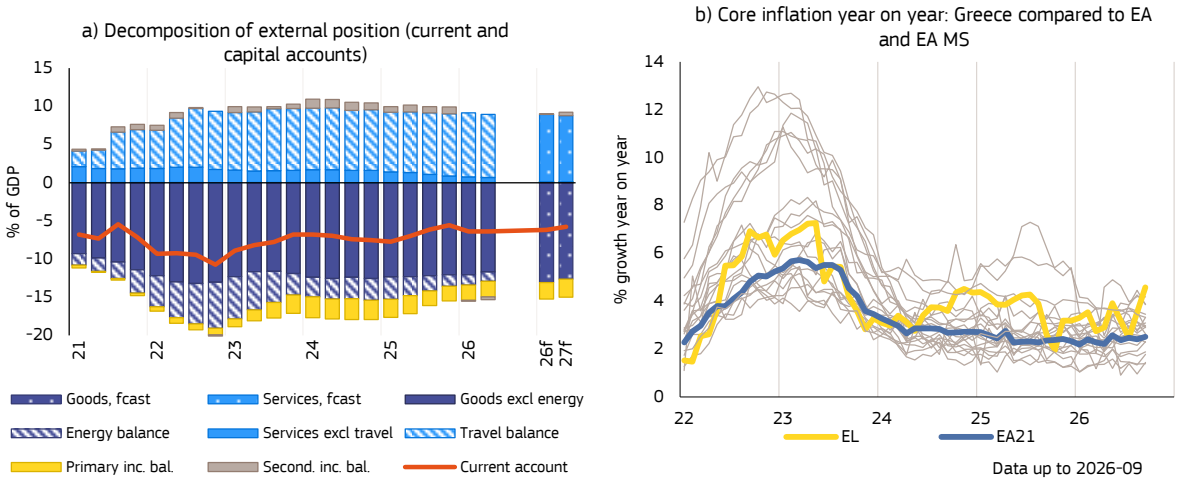
- **Government** debt remains high at 145.4% of GDP in 2025 but is clearly falling and the budget is in surplus. Debt is well below its pre-COVID-19-pandemic level by some 38 pps. of GDP. Debt declined from 153.5% in 2024 and is forecast to fall further to 135.7% of GDP in 2026 and to below 131% in 2027. The government recorded a surplus of 2% of GDP in 2025 after standing at 1.4% in 2024; the surpluses are forecast to narrow in 2026 and 2027 but still to remain positive. Gross financing needs are low despite the high debt as Greece's government debt is predominantly held by official lenders at favourable rates and long maturities. Recently, long-term sovereign bond yields have risen and spreads over the best-rated euro area sovereign debt have edged up too. Fiscal sustainability risks are assessed as high in the medium-term ([15]).

- The **financial sector** situation improved further, but some concerns remain. The capitalisation of banks improved modestly, with the Tier-1 capital ratio at 16.9% in 2025. Profitability stabilised at a robust level, with return on equity at 11.9% in 2025. The gross non-performing loans ratio fell to 2.6% in 2025 as a result of strong credit growth and portfolio sales, still above the EU median, while Stage-2 loans declined to 6.6%. Credit dynamics to the private sector showed robust growth in lending to non-financial corporations, while credit to households remained subdued. 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.

([14]) International Monetary Fund (2026), Greece: Selected Issues, IMF Country Report No. 26/109, and Greece: 2026 Article IV Consultation, IMF Country Report No. 26/108. The IMF notes that housing demand has shifted towards first-time buyers since 2023, supported by the MyHome I and II subsidised loan programmes, while foreign demand weakened following the increase in Golden Visa investment thresholds.

([15]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Graph 2.8: **Selected graphs, Greece**



Source: Eurostat and European Commission forecasts and calculations.

Table 2.8: **Key economic and financial indicators, Greece**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	forecast 2027
Output and Prices										
Real GDP (1 year % change)				2.0	1.4	2.0	2.1	2.1	1.8	1.5
Real GDP per capita (1 year % change)				2.2	1.9	2.5	2.3	2.0	1.7	1.5
GDP deflator (1 year % change)				0.1	2.4	6.5	3.4	2.9	4.2	2.9
Harmonised index of consumer prices (1 year % change)				0.8	2.8	4.2	3.0	2.9	4.1	3.2
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.5	0.7	5.3	3.6	3.6	3.6	3.9
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-1.9**	**-5.8**	**-8.2**	**-8.3**	**-6.6**	**-6.4**	**-5.8**
Current account balance, balance of payments (% of GDP)		-1.7 (1)	-0.2 (2)	-2.1	-8.4	-6.8	-7.5	-5.5	-6.2	-5.8
of which: trade balance (% GDP)				-1.2	-8.0	-5.0	-5.8	-4.5		
of which: income balance (% GDP)				-0.9	-0.4	-1.8	-1.7	-1.0		
Current account norm (% of GDP) (1)				-2.0	-1.9	-1.8	-1.7	-1.7	-1.6	-1.6
Current account req. to reach fund. NIIP (% of GDP) (2)				-1.5	-1.8	-0.4	-0.2	-0.2		
Net international investment position (% of GDP)	**-35%**	-51.5 (3)	-48.7 (4)	**-149.2**	**-167.4**	**-145.7**	**-138.0**	**-138.4**	**-133.3**	**-131.3**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-133.1	-145.8	-116.3	-105.3	-95.9		
Net lending-borrowing (% of GDP)				-1.7	-6.6	-5.6	-7.5	-4.8		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**-3.4**	**4.7**	**0.9**	**8.6**	**11.2**	**11.4**	**8.1**
Nominal unit labour cost index per hour worked (1 year % change)				-0.8	1.8	2.7	5.7	2.4	2.8	2.6
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**0.5**	**-1.8**	**-1.1**	**0.9**	**3.3**	**1.5**	**1.4**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.2	-0.8	1.7	0.5	1.1	0.8	0.2
Export performance against advanced economies (3y % change)	**-3%**			**6.0**	**-2.6**	**31.7**	**6.6**	**-6.8**		
Export performance against advanced economies (1 year % change)				4.8	2.6	-1.6	-1.4	-3.9		
Core inflation differential vis-à-vis the euro area (pps.)				-0.5	-1.3	0.3	0.7	1.2	1.2	1.4
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**59.0**	**61.7**	**53.0***	**56.8**	**59.7**	**57.8**	**57.2**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			0.4	7.0	4.6	10.8	8.3	2.9	3.6
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**57.4**	**52.8**	**40.8***	**38.8**	**37.8**	**35.9**	**34.8**
Household debt, consolidated (% of GHDI)				76.0	65.2	52.7	51.0	50.3		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**-2.2**	**-2.4**	**-1.0**	**0.2**	**1.0**	**0.7**	**1.5**
Household gross saving rate (&)				-4.4	0.2	-2.5	-2.4	-3.9		
House price index, nominal (1 year % change)	**+9%**			**2.6**	**8.0**	**13.9**	**9.1**	**8.3**	**5.0**	**4.5**
House prices over/undervaluation gap (5)				-10.3	1.9	16.0	20.4	22.1	20.1	16.9
Standardized price-to-income ratio				87.3	94.2	100.9	105.8	110.5		
Building permits (m^2 per 1000 inh)				84.5	184.2	260.0	347.1	269.9		
Government										
General government gross debt (% of GDP)	**60%**			**184.8**	**194.8**	**164.0**	**153.5**	**145.4**	**135.7**	**130.7**
General government balance (% of GDP)				0.8	-6.6	-1.5	1.4	2.0	0.9	0.7
Banking sector										
Return on equity of banks (%)				-0.3	-5.1	12.0	11.7	11.9		
Tier-1 capital ratio banking sector (% risk-weighted assets)				16.2	14.6	16.2	16.7	16.9		
Gross non-performing loans, domestic and foreign entities (% gross loans)				40.7	13.8	5.0	3.0	2.6		
Cost of borrowing for households for house purchase (%)				3.0	2.8	4.1	4.1	3.6	3.3	
Cost of borrowing for NFCs (%)				4.2	3.3	5.9	5.6	4.2	4.3	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	8.7 (6)		**19.8**	**14.9**	**11.1**	**10.1**	**8.9**	**8.4**	**8.0**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.5**	**-0.9**	**4.2**	**3.2**	**1.5**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

SPAIN

In Spain, house prices rose strongly in 2025, driven by robust demographic growth and limited new supply of housing, outpacing income growth. The government-debt-GDP ratio remains high but is edging down as the fiscal deficit has narrowed. The external sector remains strong, with a current account surplus persisting. Competitiveness pressures are contained, with a slight real effective exchange rate appreciation and unit labour cost growth just above the euro area average. The unemployment rate, while still elevated, continued its downward trend in 2025.

Real GDP growth fell to 2.6% in 2025 and is forecast at 2.6% in 2026 and 2.1% in 2027. Headline inflation slipped to 2.7% in 2025 and is expected to rise to 3.9% in 2026. Core inflation fell to 2.6% in 2025 and is forecast to reach 3.4% in 2026. Unemployment dropped to 10.5% in 2025 from 11.4% in 2024 and is forecast at 9.9% in 2026.

The scoreboard reading for Spain shows that five indicators were beyond their indicative thresholds in 2025, namely net international investment position, nominal unit labour costs, house prices, government debt and unemployment rate. Relevant developments worth highlighting:

- **External sector** indicators remain strong. The current account recorded a surplus of 3.2% of GDP in 2025, largely unchanged from 3.3% of GDP in 2024, and is expected to narrow to 2.4% of GDP in 2026. The NIIP deteriorated to -42.7% of GDP in 2025 from -39.9% of GDP in 2024, owing mostly to valuation changes. The NIIP excluding non-defaultable instruments was -9.6% of GDP in 2025, substantially less negative than the headline figure.

- **Competitiveness** challenges remain contained. In 2025 both headline and core inflation differentials vis-à-vis the euro area were marginal but are expected to pick up in 2026. Unit labour cost growth was 4.2% (13.8% cumulatively in the past three years) against productivity gains of just 0.6% and are decelerate 2026. The real effective exchange rate appreciated by 1.2% in 2025, as the stronger euro more than offset the favourable inflation differential. Export performance against advanced economies remains solid, with an almost double-digit growth over the three years up to 2025.

- **Non-financial corporate** debt including foreign direct investments (FDI) stood at 62.0 % of GDP in 2025, a moderate level, down from 65.3 % in 2024. Credit growth (excluding FDI in % of debt stock of previous year) slowed to 2.4 % in 2025 from 2.8% in 2024. The interest coverage ratio improved in 2025. Borrowing costs fell to 3.5 % in 2025 from 4.7 % in 2024 but are trending up in 2026, despite remaining broadly stable for the year on average. Corporate indebtedness is expected to decline further this year, as weak credit growth lags robust nominal GDP growth. NPLs fell slightly further in 2025, while bankruptcies continued to rise.

- **Household** indebtedness is moderate, at 42.9% of GDP and at 57.8% of household gross disposable income in 2025. Net credit flow strengthened to 4.5% of the previous year's debt stock in 2025 and is expected to remain at a similar level in 2026, broadly in line with real gross disposable income growth. Borrowing costs for new housing loans declined in 2025 to 2.7% but have been increasing in the course of 2026. The household debt ratio is expected to fall further in 2026, as new borrowing is set to be outpaced by nominal GDP growth. The household gross saving rate eased in 2025 but remains above its 2019 level and its long-term average since 2000.

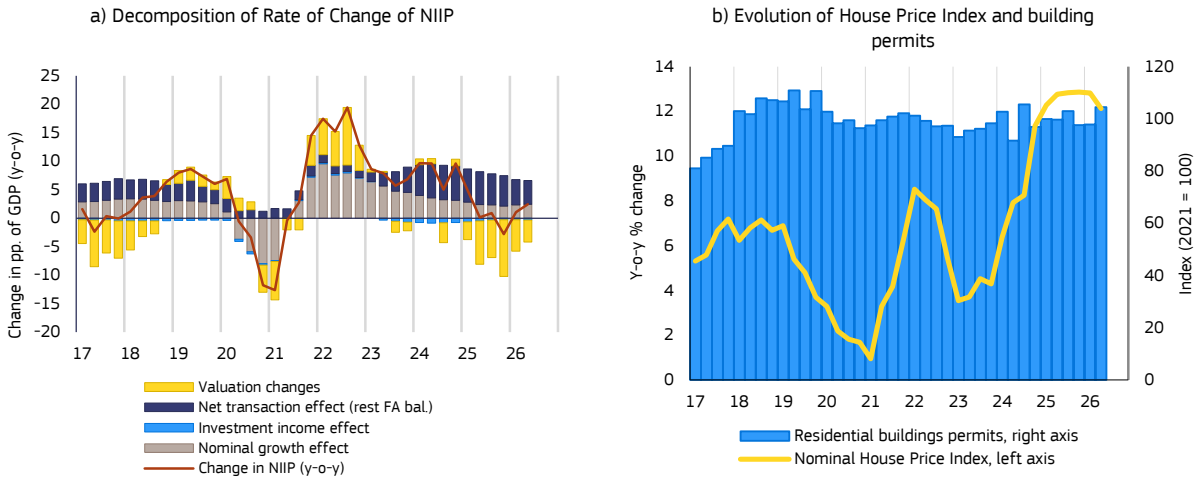
- **House prices** rose by 12.7% in 2025 and by 12.1% year-on-year in 2026-Q2, far outpacing household income growth of 4.6% in 2025. The price-to-income ratio stood around 7 pps. above its long-term benchmark in 2025. House prices are estimated to have been overvalued by

around 18% in 2025, and price developments in early 2026 point to a further widening of the valuation gap. Strong population and household growth, largely driven by net immigration have added to housing demand, particularly in urban, coastal and tourism-intensive areas ([16]). Lower mortgage rates and higher incomes raised borrowing capacity by around 10% in 2025, although the decline in mortgage rates largely levelled off by early 2026. On the supply side, residential building permits remained low at around 322 m^2 per 1,000 inhabitants in 2025.

- **Government** debt is high, at 100.5% of GDP in 2025, although it is edging down. Debt is still some 3 pps. of GDP above its pre-COVID-19-pandemic level but it fell from 101.4% in 2024 and is forecast to decline to 99.2% of GDP in 2026 and to around 98% in 2027. The fiscal deficit narrowed to 2.4% of GDP in 2025 from 3.2% in 2024 and is expected to worsen somewhat to 2.6% of GDP in 2026 before improving to 2.2% in 2027. Debt-increasing stock-flow adjustments are sizeable while gross financing needs remain high and projected at around 18% of GDP in 2027. Long-term sovereign bond yields have risen recently, but spreads vis-à-vis the best-rated euro area sovereigns have held steady. Fiscal sustainability risks are assessed as high in the medium-term ([17]).

- The **financial sector** remains stable. In 2025, the Tier-1 capital ratio remained broadly stable at 15.5%, below the EU median. Profitability continued its rebound, with banks' return on equity rising to 14%. The non-performing loans ratio fell to 2.3% in 2025, but remained higher than the EU median, while the share of Stage-2 loans declined to 6.3%. Credit to non-financial corporations remained subdued a, while household credit showed signs of recovery.

Graph 2.9: **Selected graphs, Spain**



Source: Eurostat and European Commission forecasts and calculations.

([16]) International Monetary Fund (2026), Spain: 2026 Article IV Consultation, IMF Country Report No. 26/102. The IMF identifies population growth, net immigration and lower interest rates as important drivers of strong housing demand and notes particularly strong pressures in urban and coastal markets.

([17]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332

Table 2.9: **Key economic and financial indicators, Spain**

	Thresholds	Bench. I	Bench. II	average *2017-2019*	average *2020-2022*	*2023*	*2024*	*2025*	forecast *2026*	*2027*
Output and Prices										
Real GDP (1 year % change)				2.4	0.4	2.4	3.7	2.6	2.6	2.1
Real GDP per capita (1 year % change)				1.9	-0.1	1.2	2.6	1.6	1.7	1.3
GDP deflator (1 year % change)				1.3	2.8	6.2	3.1	3.0	3.0	3.1
Harmonised index of consumer prices (1 year % change)				1.5	3.6	3.4	2.9	2.7	3.9	3.3
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.1	1.6	4.1	2.8	2.6	3.4	3.5
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**2.5**	**1.2**	**1.3**	**2.2**	**3.1**	**3.0**	**2.7**
Current account balance, balance of payments (% of GDP)		-0.1 (1)	1.2 (2)	2.3	0.7	2.7	3.3	3.2	2.4	2.5
of which: trade balance (% GDP)				3.1	1.1	3.8	4.3	3.9		
of which: income balance (% GDP)				-0.9	-0.5	-1.1	-1.0	-0.6		
Current account norm (% of GDP) (1)				0.1	0.1	-0.1	-0.1	-0.1	0.0	0.0
Current account req. to reach fund. NIIP (% of GDP) (2)				0.8	0.6	1.1	1.2	1.2		
Net international investment position (% of GDP)	**-35%**	-61.7 (3)	-16.0 (4)	**-78.1**	**-69.8**	**-49.5**	**-39.9**	**-42.7**	**-37.1**	**-31.7**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-51.6	-40.0	-23.3	-16.3	-9.6		
Net lending-borrowing (% of GDP)				2.6	1.4	3.9	4.5	4.3		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**2.3**	**12.0**	**9.4**	**11.1**	**13.8**	**11.5**	**11.5**
Nominal unit labour cost index per hour worked (1 year % change)				2.1	3.2	5.8	3.3	4.2	3.6	3.3
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.2**	**-0.1**	**-1.0**	**-1.0**	**2.1**	**1.4**	**1.5**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.6	-0.2	0.3	0.5	1.2	0.8	0.4
Export performance against advanced economies (3y % change)	**-3%**			**2.3**	**-8.6**	**12.8**	**12.6**	**9.7**		
Export performance against advanced economies (1 year % change)				-0.2	-1.4	5.6	2.2	1.7		
Core inflation differential vis-à-vis the euro area (pps.)				0.1	-0.4	-0.8	0.0	0.2	1.0	1.0
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**78.4**	**82.4**	**68.1***	**65.3**	**62.0**	**59.9**	**58.2**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			0.7	2.9	1.2	2.8	2.4	2.5	3.0
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**58.7**	**56.9**	**46.2***	**43.6**	**42.9**	**42.3**	**41.8**
Household debt, consolidated (% of GHDI)				79.9	72.8	62.0	58.2	57.8		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**-0.1**	**0.4**	**-1.9**	**1.3**	**4.5**	**4.2**	**4.1**
Household gross saving rate (&)				7.0	13.6	11.4	12.8	11.9		
House price index, nominal (1 year % change)	**+9%**			**6.0**	**4.4**	**4.0**	**8.5**	**12.7**	**12.5**	**9.5**
House prices over/undervaluation gap (5)				-1.3	4.3	5.2	8.9	18.3	27.0	31.3
Standardized price-to-income ratio				93.7	99.1	96.9	98.9	107.5		
Building permits (m^2 per 1000 inh)				339.1	327.1	310.2	335.6	322.1		
Government										
General government gross debt (% of GDP)	**60%**			**99.6**	**114.8**	**105.3**	**101.4**	**100.5**	**99.2**	**97.9**
General government balance (% of GDP)				-2.9	-7.1	-3.3	-3.2	-2.4	-2.6	-2.2
Banking sector										
Return on equity of banks (%)				7.3	5.5	11.8	13.7	14.0		
Tier-1 capital ratio banking sector (% risk-weighted assets)				13.5	14.7	14.7	15.0	15.5		
Gross non-performing loans, domestic and foreign entities (% gross loans)				3.7	2.8	2.7	2.5	2.3		
Cost of borrowing for households for house purchase (%)				1.9	1.7	3.8	3.4	2.7	2.9	
Cost of borrowing for NFCs (%)				1.8	1.7	4.5	4.7	3.5	3.5	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	12.0 (6)		**15.5**	**14.5**	**12.2**	**11.4**	**10.5**	**9.9**	**9.6**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**-0.4**	**-0.5**	**2.3**	**0.9**	**0.9**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

FRANCE

France's public finances remain strained as high government debt keeps increasing, elevated deficits persist and financing needs and borrowing costs are rising markedly. Non-financial corporations' debt stayed high and rose slightly, with credit growth increasing, while borrowing costs fell in 2025, although they are trending up in 2026. Household indebtedness remains elevated but is gradually declining, with saving rates above long-term averages. The external sector remains broadly favourable, with a mild current account deficit. While unit labour costs are decelerating, competitiveness remains stable. However, the high and increasing public debt would call for stronger labour productivity growth going forward to ensure a faster public deleveraging.

Real GDP growth fell to 0.8% in 2025 and is forecast to decelerate to 0.4% in 2026 before edging up to 0.6% in 2027. Headline inflation dropped sharply to 0.9% in 2025 and is expected to rebound to 2.6% in 2026. Core inflation decreased to 1.6% in 2025 and is forecast to reach 1.5% in 2026. The unemployment rate increased to 7.7% in 2025 and is forecast to climb further to 8.4% in 2026.

The scoreboard reading for France shows that four indicators were beyond their indicative thresholds in 2025, namely the upper threshold for the real effective exchange rate, non-financial corporations debt, household debt and government debt. Relevant developments worth highlighting:

- **External sector** developments have been favourable. The current account recorded a mild deficit of 0.4% of GDP in 2025, compared with -0.3% in 2024, and is forecast to widen slightly in 2026, to -0.6% of GDP. The NIIP stood at -29.6% of GDP in 2025, down from -24% in 2024, also due to valuation changes. The NIIP excluding non-defaultable instruments was more negative, at -30.5% of GDP in 2025.

- **Competitiveness** developments remained broadly stable. Headline and core inflation have remained well below those in euro area, a trend set to continue in 2026 as well. Nominal unit labour costs decelerated to 1.6% in 2025 (3-year change 7.7%), owing to a 1.5% gain in labour productivity. In 2026, unit labour cost is set for an increase of close to 1.7%. HICP-based real effective exchange rate stayed flat in 2025, as the inflation differential was completely offset by the appreciation of the euro. In 2025, three-year change in export market shares against advanced economies stayed positive but masks a recent two-year period of losses.

- **Non-financial corporate** debt including foreign direct investments (FDI) was high at 92.1% of GDP in 2025, up from 91.1% in 2024. Credit growth (excluding FDI in % of debt stock of previous year) increased to 3.2% in 2025 from 1.6% the year before. The interest coverage ratio slightly increased in 2025 but remains at a low level. Borrowing costs fell from 4.6% in 2024 to 3.6% in 2025, but are trending up in 2026, despite remaining broadly stable for the year on average. In 2026, corporate indebtedness is expected to decline marginally, mainly due to low credit growth. NPLs were broadly unchanged in 2025, while bankruptcies rose to their highest recent level.

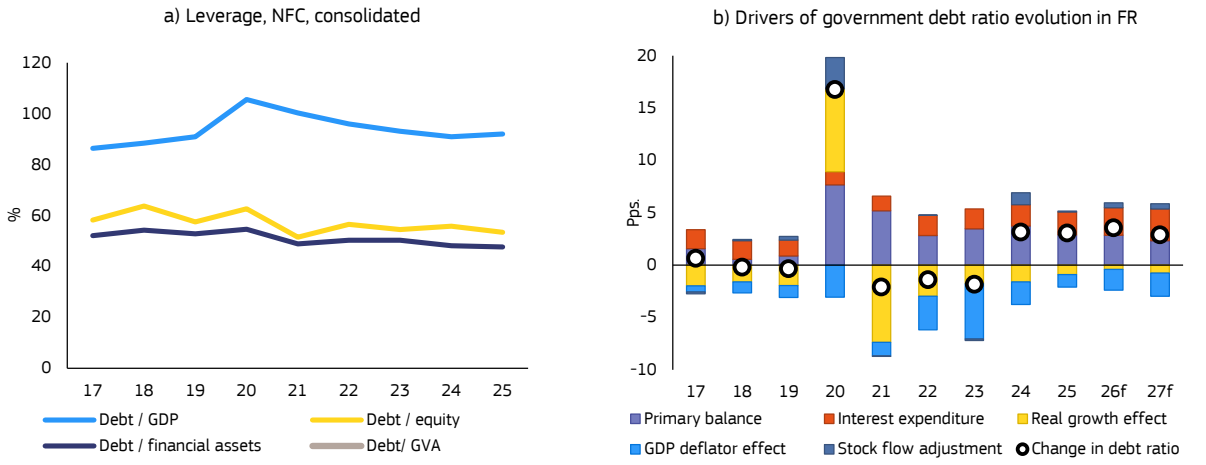
- **Household** indebtedness decreased slightly further while remaining high in 2025, with the debt ratio at 59.5% of GDP and household debt as percentage of household gross disposable income at 73.7%. Credit flow in 2025 was low at 1.0% of the 2024 debt stock and is expected to remain broadly similar in 2026. Borrowing costs for new housing loans declined to 3.0% in 2025 but have been increasing in the course of 2026. Against modest credit growth and stronger nominal GDP, the household debt ratio is expected to continue its gradual decline in 2026. The household gross saving rate in 2025 remained clearly above its 2019 level and its long-term average since 2000, while somewhat lower than in 2024.

- **House prices** increased by only 0.7% in 2025 and are decreasing by 0.8% in 2026-Q2. House prices are estimated to have been moderately overvalued, by around 7%, in 2025, but the valuation gap appears to be narrowing. The price-to-income ratio was below its long-term benchmark in 2025. National averages can nevertheless mask substantial differences in housing conditions across regions and between major metropolitan areas and less pressured markets. Residential building permits increased by 12% in 2025 to 402 m² per 1,000 inhabitants, although construction remains subdued.

- **Government** debt is high, at 115.7% of GDP in 2025, and is clearly rising. It is almost 18 pps. above its pre-COVID-19-pandemic level and up from 112.6% of GDP in 2024. The rising trend of government debt is due to persistently high deficits, which are set to fuel further increases in the debt ratio, to 119.2% of GDP in 2026 and over 122% in 2027. The fiscal deficit narrowed to 5.1% of GDP in 2025 from 5.8% in 2024, but it is projected to worsen to 5.5% in 2026 and to improve only marginally to 5.4% in 2027, with interest expenditure rising markedly. Gross financing needs are high, projected at almost 24% of GDP in 2027. Recently, long-term sovereign bond yields have risen, and spreads compared with the best-rated euro area sovereign debt have widened and become the largest in the euro area. An excessive deficit procedure is in place for France. Fiscal sustainability risks are assessed as high in the medium-term ([18]).

- The **financial sector** remained stable. In 2025, the Tier-1 capital ratio remained stable at 17.4%. Profitability declined slightly, with a return on equity of 6.4%, well under the EU median. The gross non-performing loan ratio rose modestly to 2.1% and Stage 2 loans stayed at 9.1%. French banks' commercial-real-estate exposure is large in absolute terms and material relative to capital. Risks from the sector appear contained, supported by generally conservative underwriting standards and diversified loan portfolios.

Graph 2.10: **Selected graphs, France**



Source: Eurostat and European Commission forecasts and calculations.

([18]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Table 2.10: **Key economic and financial indicators, France**

	Thresholds	Bench. I	Bench. II	average *2017-2019*	average *2020-2022*	*2023*	*2024*	*2025*	forecast *2026*	*2027*
Output and Prices										
Real GDP (1 year % change)				1.9	0.6	1.6	1.5	0.8	0.4	0.6
Real GDP per capita (1 year % change)				1.5	0.1	1.2	1.2	0.5	0.1	0.4
GDP deflator (1 year % change)				1.0	2.4	5.1	2.0	1.1	1.8	1.9
Harmonised index of consumer prices (1 year % change)				1.5	2.8	5.7	2.3	0.9	2.6	2.9
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.7	1.8	4.0	2.3	1.6	1.5	1.9
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-0.4**	**-0.7**	**-0.7**	**-0.9**	**-0.5**	**-0.4**	**-0.6**
Current account balance, balance of payments (% of GDP)		-0.3 (1)	0.8 (2)	-0.2	-1.1	-0.9	-0.3	-0.4	-0.6	-0.8
of which: trade balance (% GDP)				-0.8	-1.8	-1.4	-0.4	-0.4		
of which: income balance (% GDP)				0.6	0.7	0.4	0.0	0.0		
Current account norm (% of GDP) (1)				0.2	0.2	-0.2	-0.2	-0.3	-0.4	-0.5
Current account req. to reach fund. NIIP (% of GDP) (2)				0.6	0.7	0.8	0.8	0.8		
Net international investment position (% of GDP)	**-35%**	-76.9 (3)	7.7 (4)	**-25.7**	**-31.1**	**-32.1**	**-24.0**	**-29.6**	**-29.0**	**-28.1**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-32.3	-34.2	-31.6	-30.5	-30.5		
Net lending-borrowing (% of GDP)				-0.1	-0.8	-0.7	-0.1	-0.2		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**1.8**	**5.8**	**8.9**	**10.8**	**7.7**	**5.6**	**5.3**
Nominal unit labour cost index per hour worked (1 year % change)				0.3	3.1	3.8	2.2	1.6	1.7	1.9
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.1**	**-0.6**	**-1.9**	**-1.2**	**3.4**	**-2.7**	**-2.5**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.6	-1.3	3.5	0.2	-0.2	-0.6	-0.1
Export performance against advanced economies (3y % change)	**-3%**			**-2.0**	**-6.2**	**2.2**	**-0.2**	**0.4**		
Export performance against advanced economies (1 year % change)				-0.6	-2.1	2.1	-1.0	-0.6		
Core inflation differential vis-à-vis the euro area (pps.)				-0.3	-0.3	-1.0	-0.5	-0.8	-0.9	-0.7
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**88.6**	**100.6**	**93.1***	**91.1**	**92.1**	**91.6**	**91.0**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			5.5	6.5	2.5	1.6	3.2	1.8	2.2
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**60.9**	**66.8**	**62.4***	**60.2**	**59.5**	**58.8**	**57.9**
Household debt, consolidated (% of GHDI)				77.8	82.0	77.1	73.8	73.7		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**5.5**	**5.1**	**1.3**	**0.2**	**1.0**	**0.9**	**1.0**
Household gross saving rate (&)				13.8	18.4	16.7	18.0	17.4		
House price index, nominal (1 year % change)	**+9%**			**3.1**	**5.9**	**-0.4**	**-3.7**	**0.7**	**-1.0**	**1.5**
House prices over/undervaluation gap (5)				8.7	18.0	16.0	8.0	6.6	3.6	2.2
Standardized price-to-income ratio				103.0	109.5	103.4	95.6	95.8		
Building permits (m^2 per 1000 inh)				565.7	554.9	431.8	359.1	401.5		
Government										
General government gross debt (% of GDP)	**60%**			**98.5**	**113.0**	**109.5**	**112.6**	**115.7**	**119.2**	**122.1**
General government balance (% of GDP)				-2.7	-6.7	-5.4	-5.8	-5.1	-5.5	-5.4
Banking sector										
Return on equity of banks (%)				6.3	5.8	5.9	6.6	6.4		
Tier-1 capital ratio banking sector (% risk-weighted assets)				15.7	17.0	17.3	17.5	17.4		
Gross non-performing loans, domestic and foreign entities (% gross loans)				2.8	2.0	1.9	2.0	2.1		
Cost of borrowing for households for house purchase (%)				1.5	1.3	3.0	3.4	3.0	3.1	
Cost of borrowing for NFCs (%)				1.5	1.4	4.3	4.6	3.6	3.6	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	7.3 (6)		**9.0**	**7.8**	**7.4**	**7.4**	**7.7**	**8.4**	**9.2**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.4**	**0.4**	**2.1**	**1.4**	**1.5**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

CROATIA

In Croatia, strong cost and price pressures persist. Unit labour costs continue to grow well above the euro area average. Inflation remains among the highest in the euro area. Export growth has moderated, but the three-year change in export market shares gain against advanced economies performed well. House prices are increasing noticeably, while household borrowing for house purchase remains strong. The current account has worsened, recording a widening deficit.

Real GDP growth was 3.5% in 2025 and is forecast to be 2.1% in 2026 and 2.4% in 2027. Headline inflation rose to 4.4% in 2025 and is expected to ease to 4.2% in 2026. Core inflation eased to 4.1% in 2025 and is forecast to reach 3.5% in 2026. The unemployment rate fell marginally to 4.9% in 2025 and is expected to edge down to 4.7% in 2026.

The scoreboard reading for Croatia shows that three indicators were beyond their indicative thresholds in 2025, namely nominal unit labour costs, the upper threshold for the real effective exchange rate and house prices. Relevant developments worth highlighting:

- **External** balance has deteriorated. The current account recorded a deficit of 4.3% of GDP in 2025, widening from -2.8% of GDP in 2024, largely reflecting a lower services surplus. It is expected to reach a deficit of 4.3% of GDP in 2026. The NIIP stood at a negative 34.7% of GDP in 2025, increasing slightly from -35.9% of GDP in 2024. Excluding non-defaultable instruments, the NIIP was positive at 21% of GDP in 2025.

- **Competitiveness** concerns persist owing to high inflation differentials and strong labour cost increases. In 2025 headline and core inflation rates stood 2.2 and 1.7 pps. above the euro area, remaining among the highest in the single currency zone. Positive differentials are expected to persist, although narrowing, in 2026. Unit labour cost growth remained well above the euro area average, at 6.5%, contributing to a three-year cumulative increase of 33.7% by 2025. Its pace of growth is expected to be maintained in 2026. The real effective exchange rate appreciated by 1.6%, reflecting both the euro appreciation and the positive relative inflation differential, but the cumulated real effective exchange rate gain over the three years reached 8.1% by 2025. Export market shares against advanced economies continued to perform well over the three years to 2025, gaining 8.7%.

- **Non-financial corporate** debt including foreign direct investments (FDI) remains low, at 40.4 % of GDP in 2025, down from 41.2 % in 2024. Credit growth (excluding FDI in % of debt stock of previous year) eased in 2025 to 4.7 % from 5.4% in 2024. Borrowing costs declined to 3.7% in 2025 from 4.9% in 2024 and but have slightly increased in 2026, despite declining for the year on average. In 2026, corporate indebtedness is expected to edge down further due to credit growth below nominal GDP growth. NPLs continued its decline in 2025, while bankruptcies remained stable around-2020 levels.

- **Household** indebtedness remained low in 2025, with the debt ratio at 31.0% of GDP**.** Household debt as percentage of household gross disposable income (41.8%) remained contained, despite strong household borrowing. Credit flows strengthened further in 2025, to 12.8% of the 2024 debt stock, and are expected to stay robust in 2026, despite slower growth in real gross disposable income. Borrowing costs for new loans were moderate, at 3.0% in 2025 and are expected to remain stable in 2026. On this basis, the household debt ratio is set to increase in 2026, supported mainly by sustained credit growth. The household gross saving rate increased in 2025, remaining above its 2019 level and its longer-term average. Household non-performing loans declined further in 2025, remaining somewhat above 3% of total loans.

- **House prices** increased by 13.9% in 2025 and by 12.7% year-on-year in 2026-Q2. House prices are estimated to have been overvalued by around 15% in 2025, and strong price growth continuing into 2026 could widen that gap further. Household income increased by 9.0% in 2025, together with lower mortgage rates helped raise borrowing capacity by around 16%. Demand has also been supported by foreign buyers, tourism and recent net immigration, with housing pressures particularly pronounced in coastal and tourism-intensive areas ([19]). The price-to-income ratio was around 5 pps. below its long-term benchmark in 2025. Residential building permits increased by 4% in 2025, to 592 m^2 per 1,000 inhabitants.

- **Government** debt was at 55.7% of GDP in 2025 while edging downwards. Debt fell from 56.5% in 2024 and is projected to be unchanged in 2026 and to decline marginally to 55.5% in 2027. The fiscal deficit widened to 3% of GDP in 2025 after standing at 2.5% in 2024, and it is forecast at 2.8% of GDP in 2026 and to essentially stabilise in 2027. Recently, long-term sovereign bond yields have risen while spreads compared with the best rated euro area sovereign debt have widened. Fiscal sustainability risks are assessed as medium in the medium-term ([20]).

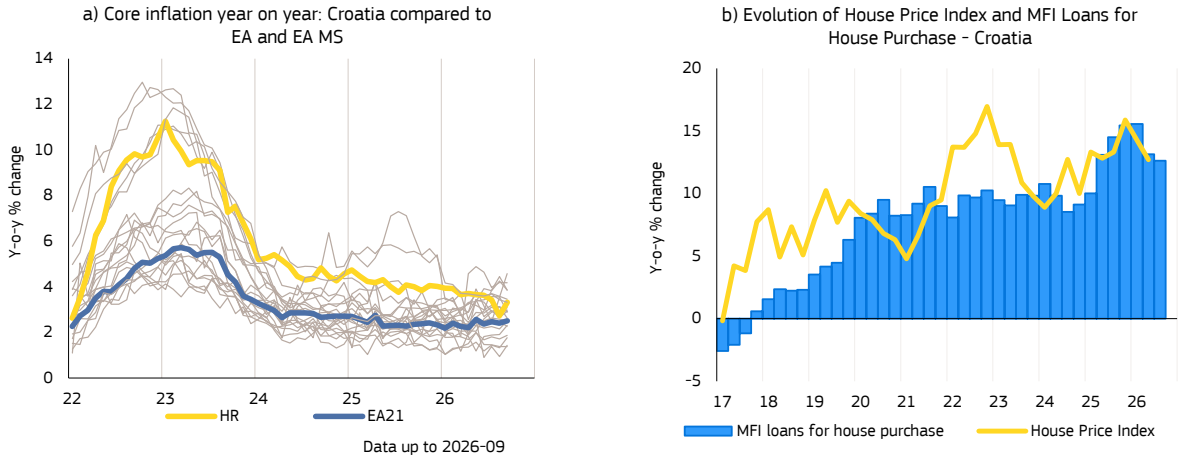
- The **financial sector** remains stable. In 2025 the Tier-1 capital ratio slightly declined to 20%. Profitability remained elevated, with return on equity at 14.1%. The gross non-performing loans ratio fell steadily to 2.2%, still above the EU median of 1.7%. Credit activity to the private sector showed continued expansion in 2025, with credit to households remaining robust ([21]). Croatian banks' exposure to domestic sovereign debt remains among the highest in the euro area in 2025, strengthening the sovereign-bank nexus.

([19]) OECD (2026), OECD Economic Surveys: Croatia 2026, Chapter 2, "Tackling housing challenges". The OECD attributes strong housing demand to a combination of rising domestic demand, foreign purchases, tourism, euro area accession and, more recently, high net immigration; foreign buyers accounted for more than one quarter of the value of housing purchases in 2022.

([20]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

([21]) From 1 July 2025, Croatia introduced borrower-based macroprudential measures limiting debt-service-to-income to 45% for housing loans and 40% for consumer loans, loan-to-value to 90%, and loan maturities to 30 years for housing and 10 years for consumer loans. Banks may exceed these limits within defined exemption quotas, primarily to preserve flexibility for borrowers purchasing or improving their primary residence. The HNB further tightened macroprudential measures in October 2026. Namely, it halved exemption quotas for housing loans (from 20% to 10%) and non-housing loans (from 10% to 5%). In addition, the countercyclical capital buffer is set to increase from 1.5% to 2% in January 2027 and 2.25% in October 2027.

Graph 2.11: **Selected graphs, Croatia**



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

Table 2.11: **Key economic and financial indicators, Croatia**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	2027
Output and Prices										
Real GDP (1 year % change)				3.3	3.6	3.8	3.9	3.5	2.1	2.4
Real GDP per capita (1 year % change)				4.6	4.4	3.8	3.6	3.2	1.8	2.3
GDP deflator (1 year % change)				1.7	3.6	12.8	5.2	4.1	4.5	3.0
Harmonised index of consumer prices (1 year % change)				1.2	4.4	8.4	4.0	4.4	4.2	3.0
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.9	3.1	8.8	4.8	4.1	3.5	3.2
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**2.7**	**-0.3**	**-1.4**	**-2.5**	**-2.6**	**-3.8**	**-4.4**
Current account balance, balance of payments (% of GDP)		-1.3 (1)	-2.6 (2)	2.5	-1.7	-0.9	-2.8	-4.3	-4.3	-4.8
of which: trade balance (% GDP)				-0.4	-5.6	-2.5	-4.6	-5.3		
of which: income balance (% GDP)				2.9	3.8	1.6	1.8	1.1		
Current account norm (% of GDP) (1)				-0.9	-0.8	-1.3	-1.3	-1.3	-1.3	-1.3
Current account req. to reach fund. NIIP (% of GDP) (2)				-3.0	-2.9	-2.6	-2.6	-2.6		
Net international investment position (% of GDP)	**-35%**	-58.8 (3)	-26.4 (4)	**-63.9**	**-47.5**	**-32.4**	**-35.9**	**-34.7**	**-33.3**	**-32.5**
NENDI – NIIP excluding non-defaultable instruments (% of GDP)				-9.8	9.4	20.3	21.0	21.0		
Net lending-borrowing (% of GDP)				3.7	0.6	1.9	-1.4	-2.4		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**1.1**	**9.2**	**12.9**	**34.2**	**33.7**	**27.3**	**17.7**
Nominal unit labour cost index per hour worked (1 year % change)				1.4	3.3	11.7	12.4	6.5	6.3	3.9
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**2.0**	**-0.5**	**4.6**	**5.7**	**8.1**	**4.0**	**2.5**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.6	-0.2	4.8	1.5	1.6	0.8	0.0
Export performance against advanced economies (3y % change)	**-3%**			**11.9**	**-0.2**	**36.1**	**16.8**	**8.7**		
Export performance against advanced economies (1 year % change)				3.1	3.0	5.1	0.8	2.7		
Core inflation differential vis-à-vis the euro area (pps.)				-0.1	1.1	3.8	1.9	1.7	1.0	0.6
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**58.7**	**52.8**	**41.8**	**41.2**	**40.4**	**39.2**	**37.9**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			-2.7	2.8	6.0	5.4	4.7	4.9	2.4
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**34.7**	**34.9**	**29.4**	**29.7**	**31.0**	**32.3**	**34.0**
Household debt, consolidated (% of GHDI)				47.7	45.8	42.5	40.8	41.8		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**5.9**	**4.0**	**9.5**	**10.9**	**12.8**	**11.3**	**10.9**
Household gross saving rate (&)				11.3	12.2	7.1	10.3	11.9		
House price index, nominal (1 year % change)	**+9%**			**6.4**	**9.8**	**12.1**	**10.4**	**13.9**	**13.0**	**10.0**
House prices over/undervaluation gap (5)				-7.6	2.4	11.0	12.9	14.7	19.0	19.2
Standardized price-to-income ratio				88.6	93.3	94.6	91.1	94.8		
Building permits (m^2 per 1000 inh)				342.7	438.6	544.4	568.6	592.4		
Government										
General government gross debt (% of GDP)	**60%**			**73.1**	**77.3**	**60.5**	**56.5**	**55.7**	**55.7**	**55.5**
General government balance (% of GDP)				0.2	-3.3	-1.2	-2.5	-3.0	-2.8	-2.8
Banking sector										
Return on equity of banks (%)				7.9	7.3	15.7	15.0	14.1		
Tier-1 capital ratio banking sector (% risk-weighted assets)				20.7	23.0	21.7	20.5	20.0		
Gross non-performing loans, domestic and foreign entities (% gross loans)				7.1	4.2	2.5	2.3	2.2		
Cost of borrowing for households for house purchase (%)				3.5	2.8	3.2	3.7	3.0	3.0	
Cost of borrowing for NFCs (%)				2.7	2.1	4.6	4.9	3.7	3.6	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	5.7 (6)		**8.7**	**7.2**	**6.1**	**5.0**	**4.9**	**4.7**	**4.6**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.1**	**2.5**	**2.9**	**2.9**	**2.3**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

ITALY

In Italy, concerns about the high and rising government debt linger alongside stagnant productivity. The fiscal deficit edged down in 2025 but remained significant and is expected to recede only marginally in 2026 before rising again in 2027, which together with sizeable stock-flow adjustments, mainly related to the Super Bonus programme, continue adding to the debt. Gross financing needs remain high. The sovereign-bank nexus has moderated but remains sizeable relative to peers, particularly for less significant banks. The external position remains favourable, and competitiveness pressures muted.

Real GDP growth fell to 0.6% in 2025. It is expected to pick up in 2026 but then revert to 0.7% in 2027. Headline inflation rose to 1.6% in 2025 and is forecast to climb sharply to 3.4% in 2026. Core inflation eased to 1.9% in 2025 and is forecast to reach 2.1% in 2026. The unemployment rate dropped to 6.1% in 2025 and is expected to fall further to 5.9% in 2026.

The scoreboard reading for Italy shows that two indicators were beyond their indicative thresholds in 2025, namely nominal unit labour costs and government debt. Relevant developments worth highlighting:

- **External sector** developments have been favourable. The current account surplus stood at 0.7% of GDP in 2025, broadly unchanged from 2024, and is forecast to narrow to be balanced in 2026. The NIIP stood at 14.5% of GDP in 2025, unchanged from 2024.

- **Competitiveness** developments remain subdued. In 2025 both headline and core inflation were some 0.5 pps. below those in the euro area. In 2026 they are expected to remain close to euro area values. Labour productivity continued to fall, by 0.5% in 2025, contributing to a unit labour cost increase of 3.4% (10.1% over 3 years). In 2026, unit labour cost is expected to decelerate to 2.2%, as productivity is set to remain broadly flat. The real effective exchange rate appreciated modestly by 0.6% in 2025, despite the negative inflation differential as the nominal effective exchange rate gained 2.4% on account of the strengthening euro. Export market shares against advanced economies improved slightly by 0.8% in the three-year period.

- **Non-financial corporate** debt including foreign direct investments (FDI) remains relatively low, at 55.9% of GDP in 2025, up from 55.7% in 2024. Credit growth (excluding FDI in % of debt stock of previous year) turned positive at 1.7% in 2025 after a contraction in 2024. Borrowing costs fell to 3.8% in 2025 from 5.2% in 2024, but are trending up in 2026, despite declining slightly for the year on average. In 2026, corporate indebtedness is expected to edge down slightly as modest credit flows are offset by nominal GDP growth. NPLs declined mildly in 2025, while bankruptcies rose from low levels.

- **Household** indebtedness in 2025 remained moderate at 36.2% of GDP and 48.2% of household gross disposable income, broadly stable around its 2024 level. Credit flow in 2025, at 3.0% of the 2024 debt stock, marks a clear strengthening from 2024 and is expected to remain broadly stable in 2026, similar to real gross disposable income. Borrowing costs for new housing loans decreased further in 2025 but have been increasing in the course of 2026. As a result, the household debt ratio is expected to stay broadly stable in 2026, as credit flows are set to be largely offset by nominal GDP growth. The household gross saving rate declined in 2025, although it remained slightly above its pre-pandemic 2019 level but below its post-2000 average.

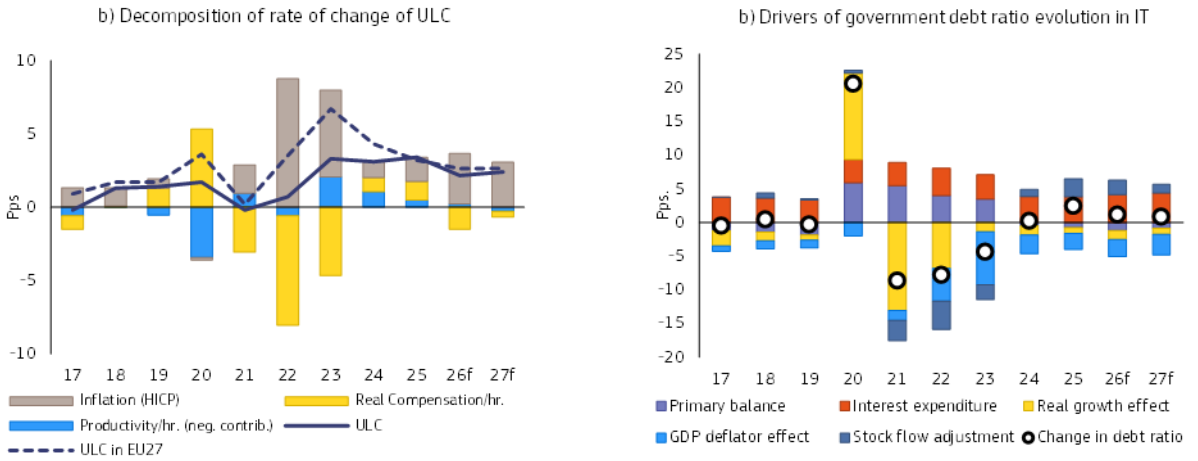
- **House prices** increased by 4.0% in 2025 and continued to grow at the same pace in 2026-Q2. House prices are estimated to have been undervalued by around 6% in 2025, and the price-to-

income ratio remained well below its long-term benchmark. National averages can, however, mask substantial regional differences in housing-market conditions, particularly between large cities and tourism-intensive areas and other parts of the country. Residential construction remains particularly weak, with building permits declining by 4% in 2025 to only 76 m^2 per 1,000 inhabitants.

- **Government** debt is high, at 136.7% of GDP in 2025, and is rising. Debt is some 3 pps. above its pre-COVID-19-pandemic level. It increased from 134.3% of GDP in 2024 and is forecast to increase further to 137.9% of GDP in 2026 and 138.8% in 2027. The fiscal deficit narrowed to 3.1% of GDP in 2025 from 3.4% in 2024 and is expected at 2.9% of GDP this year before widening to 3.5% of GDP next year; interest expenditure is rising visibly. Sizeable stock-flow adjustments, mainly due to the Super Bonus programme, continue adding to the debt, against a backdrop of low economic growth. Gross financing needs remain high, projected at almost 25% of GDP in 2027. Recently, long-term sovereign bond yields have risen significantly and spreads over the best-rated euro area sovereign debt have widened. An excessive deficit procedure is in place for Italy. Fiscal sustainability risks are assessed as high in the medium-term ([22]).

- **Financial sector** vulnerabilities remain despite substantial improvements over recent years. In 2025, the Tier-1 capital ratio remained stable at 17.1%. Profitability continued its upward trajectory, with return-on-equity reaching 13%. The gross non-performing loans ratio fell to 2.4% in 2025, still above the EU median, while Stage 2 loans declined to 8.4%. Credit dynamics to the private sector showed modest growth in 2025, with credit to non-financial corporations recovering slightly from previous contractions and credit to households expanding at a moderate pace. The sovereign-bank nexus in Italy has moderated but remains sizeable relative to peers, particularly for less significant banks. Given Italy's high public-debt ratio, banks' exposure to domestic sovereign securities remains a structural vulnerability.

Graph 2.12: **Selected graphs, Italy**



Source: Eurostat and European Commission forecasts and calculations.

([22]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Table 2.12: **Key economic and financial indicators, Italy**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	forecast 2027
Output and Prices										
Real GDP (1 year % change)				1.1	1.5	1.0	1.1	0.6	1.0	0.7
Real GDP per capita (1 year % change)				1.3	1.9	1.1	1.1	0.6	1.0	0.7
GDP deflator (1 year % change)				0.8	2.0	6.1	2.1	1.8	1.9	2.3
Harmonised index of consumer prices (1 year % change)				1.1	3.4	5.9	1.1	1.6	3.4	3.1
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.6	1.5	4.6	2.2	1.9	2.1	2.2
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**2.3**	**2.3**	**0.0**	**-0.4**	**0.5**	**0.5**	**0.2**
Current account balance, balance of payments (% of GDP)		1.3 (1)	1.2 (2)	2.5	1.2	-0.1	0.8	0.7	0.0	-0.1
of which: trade balance (% GDP)				2.6	1.0	1.4	1.8	1.5		
of which: income balance (% GDP)				-0.1	0.2	-1.5	-1.1	-0.8		
Current account norm (% of GDP) (1)				1.1	1.3	1.4	1.4	1.3	1.3	1.3
Current account req. to reach fund. NIIP (% of GDP) (2)				1.0	1.1	1.2	1.2	1.2		
Net international investment position (% of GDP)	**-35%**	-71.5 (3)	23.0 (4)	**-6.3**	**4.2**	**8.0**	**14.5**	**14.5**	**14.1**	**14.2**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-6.0	1.9	6.4	13.8	19.8		
Net lending-borrowing (% of GDP)				2.6	1.4	0.7	0.8	0.9		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**1.2**	**3.3**	**3.9**	**7.3**	**10.1**	**8.9**	**8.1**
Nominal unit labour cost index per hour worked (1 year % change)				0.8	0.7	3.3	3.1	3.4	2.2	2.4
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**0.3**	**-1.0**	**0.8**	**0.1**	**2.9**	**-2.4**	**-0.6**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.1	-0.6	3.6	-1.2	0.6	0.3	0.1
Export performance against advanced economies (3y % change)	**-3%**			**-1.8**	**-4.8**	**2.2**	**-2.1**	**0.8**		
Export performance against advanced economies (1 year % change)				-1.1	-1.3	3.6	-3.3	0.6		
Core inflation differential vis-à-vis the euro area (pps.)				-0.4	-0.6	-0.4	-0.7	-0.5	-0.4	-0.3
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**65.7**	**67.3**	**57.8**	**55.7**	**55.9**	**55.6**	**54.8**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			-0.1	3.1	-1.4	-1.4	1.7	2.7	1.6
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**41.1**	**42.6**	**37.2***	**36.1**	**36.2**	**36.2**	**36.0**
Household debt, consolidated (% of GHDI)				52.7	53.8	49.3	48.0	48.2		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**2.4**	**2.8**	**-0.6**	**0.8**	**3.0**	**2.9**	**2.6**
Household gross saving rate (&)				10.6	15.0	11.3	11.1	10.8		
House price index, nominal (1 year % change)	**+9%**			**-0.6**	**2.7**	**1.3**	**3.2**	**4.0**	**4.5**	**5.0**
House prices over/undervaluation gap (5)				-5.9	-4.9	-7.0	-6.8	-6.0	-5.0	-5.0
Standardized price-to-income ratio				92.5	91.2	85.5	85.6	86.9		
Building permits (m^2 per 1000 inh)				79.6	83.3	79.7	79.7	76.3		
Government										
General government gross debt (% of GDP)	**60%**			**134.2**	**146.4**	**134.0**	**134.3**	**136.7**	**137.9**	**138.8**
General government balance (% of GDP)				-2.1	-8.8	-7.1	-3.4	-3.1	-2.9	-3.5
Banking sector										
Return on equity of banks (%)				5.9	5.3	12.7	13.2	13.0		
Tier-1 capital ratio banking sector (% risk-weighted assets)				14.4	16.7	16.9	17.2	17.1		
Gross non-performing loans, domestic and foreign entities (% gross loans)				8.8	3.6	2.7	2.7	2.4		
Cost of borrowing for households for house purchase (%)				1.9	1.7	4.2	3.8	3.3	3.5	
Cost of borrowing for NFCs (%)				1.8	1.6	4.9	5.2	3.8	3.7	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	7.5 (6)		**10.6**	**9.0**	**7.7**	**6.5**	**6.1**	**5.9**	**5.8**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**1.5**	**-1.0**	**3.2**	**2.1**	**1.2**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

CYPRUS

The Cypriot current account deficit widened in 2025 and remains high. The overall net international investment position is negative, largely affected by special purpose entities. Non-financial corporations' debt, although still at a high level, fell noticeably in 2025. Household debt ratios are on a downward trend, amid rising house prices linked to strong demand from foreign buyers. Government debt has been clearly decreasing amid fiscal surpluses and is now at a moderate level.

Real GDP growth was 4.8% in 2025 and is forecast to be 3.4% in 2026 and 3.0% in 2027. Headline inflation fell sharply to 0.8% in 2025 and is expected to rebound to 3.9% in 2026. Core inflation dropped to 1.9% in 2025 and is forecast to reach 3.1% in 2026. The unemployment rate fell in 2025, to 4.4% from 4.8% in 2024, and is expected to decline to 3.8% in 2026.

The scoreboard reading for Cyprus shows that five indicators were beyond their indicative thresholds in 2025, namely the lower threshold of the current account, net international investment position, nominal unit labour costs, the upper threshold for the real effective exchange rate and non-financial corporations debt. Relevant developments worth highlighting:

- **External sector** indicators remain weak. The current account deficit widened, reaching 8.4% of GDP in 2025, reflecting a reduction in the trade balance surplus and to a lesser extent a widening primary income deficit due to the repatriation of profits by foreign-owned corporates. As a result, Cyprus recorded the largest current account deficit in the EU, which is forecast to widen further to 10.1% of GDP in 2026. The NIIP remained deeply negative, at -81.9% of GDP in 2025, after a noticeable improvement in 2024, despite the large current account deficit. The negative NIIP reflects mainly the activities of special purpose entities (SPEs). The NIIP excluding SPEs was estimated at around -47.4% in 2025. The NIIP excluding non-defaultable instruments was also markedly lower, at -36.4% of GDP in 2025.

- **Competitiveness** indicators remain stable. In 2025, headline and core inflation rates were 1.3 and 0.5 pps. below those in the euro area. The inflation differentials are set to turn positive in 2026. Unit labour cost grew by 1.8% in 2025 (3-year change of almost 10%), as productivity gains of 2.4% offset some of the nominal compensation gains. Unit labour cost is set for an acceleration to 2.3% in 2026. The real effective exchange rate was flat in 2025 with a 0.1% change despite a nominal effective exchange rate gain of 2.6%. The export market shares against advanced economies continued its upward trend, recording a 19.2% increase over the previous three years.

- **Non-financial corporate** debt including foreign direct investments (FDI) remained high at 105.6% of GDP in 2025, although down from 113.9% in 2024. Credit growth (excluding FDI in % of debt stock of previous year) dropped to 1.5% in 2025 from 4.7% in 2024. Borrowing costs fell to 4.2% in 2025 from 5.4% in 2024 but have increased in 2026, despite declining for the year on average. In 2026, corporate indebtedness is expected to edge down as nominal growth is set to outpace modest credit growth. The share of NPLs fell further in 2025, while bankruptcies rose sharply after bottoming out at historical lows during 2022–2024.

- **Household** indebtedness decreased to 52.1% of GDP in 2025, from 55.0% in 2024, and household debt as a percentage of household gross disposable income also remained on a downward path. Credit flow in 2025, at 3.3% of the 2024 debt stock, remains relatively weak and is expected to ease further in 2026, in line with decelerating real gross disposable income that is expected to weigh on households' borrowing capacity. Borrowing costs for new housing loans fell to 3.5% in 2025 and are expected to ease further in 2026. As a result, the household debt ratio is set to decrease further in 2026, also supported by continued nominal GDP growth

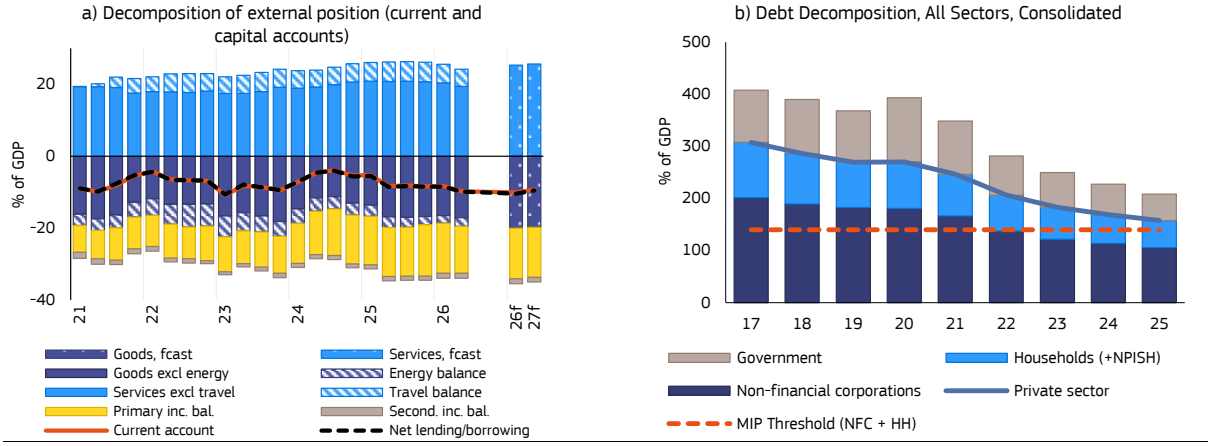
outweighing weak credit flows. The household gross saving rate increased in 2025, standing above its 2019 level and its post-2000 average.

- **House price** growth accelerated from 4.5% in 2025 to 7.9% year-on-year in 2026-Q2. House prices were estimated to be broadly in line with fundamentals in 2025. Housing demand remained strong in early 2026, driven particularly by foreign buyers ([23]). National averages may still mask significant differences across local housing markets, with stronger increases particularly in urban and tourism-intensive areas. Residential building permits rose strongly in 2025 to around 2,828 m^2 per 1,000 inhabitants.

- **Government** debt was at 52.3% of GDP in 2025 and is clearly falling against a backdrop of budget surpluses. Debt is 40 pps. below its pre-COVID-19-pandemic level. It is projected to fall further to 46.3% of GDP in 2026 and below 41% in 2027. The fiscal surplus remained high at 3.6% of GDP in 2025, after 4% in 2024. It is expected to narrow but still to remain positive at 2.9% of GDP in 2026 and 3.2% in 2027. Fiscal sustainability risks are assessed as medium in the medium-term ([24]).

- The **financial sector** situation has improved over recent years, but some concerns persist. In 2025, the Tier-1 ratio was 27.2%, well above the EU median. Profitability improved markedly with return on equity at 12.5%. The gross non-performing loans ratio fell significantly to 1.6%. Credit dynamics to the private sector showed modest growth, lending to both non-financial corporations and households recovered but remained subdued. Banks' significant direct and indirect exposure to the real-estate sector remains a source of vulnerability, as a correction in commercial-property valuations could weaken collateral values and borrowers' repayment capacity.

Graph 2.13: **Selected graphs, Cyprus**



Source: Eurostat and European Commission forecasts and calculations.

([23]) Central Bank of Cyprus (2026), Residential Property Price Index, 2026 Q1, 23 June 2026. The Central Bank attributes continued house-price increases in early 2026 partly to strong demand for residential property, mainly from foreign buyers and, to a lesser extent, domestic buyers.

([24]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Table 2.13: **Key economic and financial indicators, Cyprus**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	forecast 2027
Output and Prices										
Real GDP (1 year % change)				6.0	5.5	6.0	6.6	4.8	3.4	3.0
Real GDP per capita (1 year % change)				4.8	3.8	4.0	4.8	3.2	2.2	2.0
GDP deflator (1 year % change)				1.1	2.6	5.3	2.7	0.7	2.9	2.7
Harmonised index of consumer prices (1 year % change)				0.7	3.0	3.9	2.3	0.8	3.9	2.9
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.5	1.8	3.8	2.6	1.9	3.1	3.4
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-4.1**	**-6.9**	**-7.3**	**-7.2**	**-7.7**	**-7.9**	**-9.2**
Current account balance, balance of payments (% of GDP)		-2.1 (1)	0.1 (2)	-4.8	-7.4	-9.5	-5.3	-8.4	-10.1	-9.2
of which: trade balance (% GDP)				0.7	2.3	2.0	9.4	7.1		
of which: income balance (% GDP)				-5.5	-9.6	-11.5	-14.7	-15.5		
Current account norm (% of GDP) (1)				-2.4	-2.4	-2.3	-2.2	-2.1	-1.8	-1.6
Current account req. to reach fund. NIIP (% of GDP) (2)				-1.1	-1.1	-0.1	0.1	0.1		
Net international investment position (% of GDP)	**-35%**	-67.6 (3)	-44.0 (4)	**-124.9**	**-109.5**	**-90.4**	**-81.2**	**-81.9**	**-84.2**	**-86.2**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-319.6	-198.6	-78.3	-51.1	-36.4		
Net lending-borrowing (% of GDP)				-4.5	-7.3	-9.4	-5.6	-8.4		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**0.2**	**5.0**	**4.5**	**10.6**	**9.9**	**6.0**	**7.3**
Nominal unit labour cost index per hour worked (1 year % change)				2.3	0.6	6.1	1.7	1.8	2.3	2.9
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**-1.5**	**-1.9**	**0.9**	**1.9**	**5.2**	**-1.4**	**-1.2**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				-0.1	-1.0	4.3	0.7	0.1	0.7	-0.1
Export performance against advanced economies (3y % change)	**-3%**			**14.3**	**29.7**	**20.3**	**25.4**	**19.2**		
Export performance against advanced economies (1 year % change)				4.5	10.2	2.6	15.1	0.9		
Core inflation differential vis-à-vis the euro area (pps.)				-0.6	-0.2	-1.1	-0.2	-0.5	0.7	0.9
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**191.3**	**161.8**	**121.9***	**113.9**	**105.6**	**101.2**	**96.1**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			3.2	-0.1	0.1	4.7	1.5	2.7	0.6
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**96.4**	**79.3**	**61.0***	**55.0**	**52.1**	**49.7**	**47.7**
Household debt, consolidated (% of GHDI)				129.1	103.3	87.8	79.0	74.5		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**1.3**	**1.8**	**0.9**	**2.1**	**3.3**	**1.4**	**1.6**
Household gross saving rate (&)				4.0	11.1	4.9	6.8	8.1		
House price index, nominal (1 year % change)	**+9%**			**3.9**	**3.3**	**9.2**	**7.3**	**4.5**	**6.0**	**6.0**
House prices over/undervaluation gap (5)				-5.2	-5.7	-3.7	-2.8	-3.2	-0.8	1.6
Standardized price-to-income ratio				94.9	91.7	92.0	91.6	91.6		
Building permits (m^2 per 1000 inh)				1690.4	2058.8	2088.3	1949.4	2828.1		
Government										
General government gross debt (% of GDP)	**60%**			**96.5**	**96.7**	**69.6**	**60.1**	**52.3**	**46.3**	**40.6**
General government balance (% of GDP)				-0.1	-1.5	1.7	4.0	3.6	2.9	3.2
Banking sector										
Return on equity of banks (%)				-0.4	0.8	21.8	18.3	12.5		
Tier-1 capital ratio banking sector (% risk-weighted assets)				16.8	19.4	23.4	25.9	27.2		
Gross non-performing loans, domestic and foreign entities (% gross loans)				23.0	7.0	3.7	3.1	1.6		
Cost of borrowing for households for house purchase (%)				2.4	2.3	4.2	4.5	3.5	3.3	
Cost of borrowing for NFCs (%)				3.6	3.2	5.5	5.4	4.2	4.0	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	5.8 (6)		**8.9**	**7.0**	**5.8**	**4.8**	**4.4**	**3.8**	**3.8**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**1.5**	**2.6**	**3.3**	**2.0**	**1.2**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

LATVIA

Latvia's current account deficit deteriorated amid continued competitiveness losses. Competitiveness developments have been marked by strong wage growth amid visible productivity growth, while inflation has signalled a deceleration in price dynamics in recent months. Export market shares against advanced economies remained stable after a significant decline in earlier years. Credit to the private sector was very dynamic, as borrowing costs fell. House prices have risen rapidly. Fiscal deficits and government debt are increasing.

Real GDP growth rose to 2.2% in 2025 and is forecast at 2.6% in 2026 and 1.8% in 2027. Headline inflation jumped to 3.8% in 2025 and is expected to ease to 3.2% in 2026. Core inflation is forecast to fall slightly to 3.4% in 2026 from 3.5% in 2025. Unemployment remained broadly stable at 6.9% in 2025 and is expected to remain at that level in 2026.

The scoreboard reading for Latvia shows that five indicators were beyond their indicative thresholds in 2025, namely the lower threshold for the current account, nominal unit labour costs, the upper threshold for the real effective exchange rate, export performance against advanced economies and non-financial corporations credit flow. Relevant developments worth highlighting:

- **External sector** performance has deteriorated. The current account recorded a deficit of 5.2% of GDP in 2025, compared with 3.4% of GDP in 2024, and is forecast to widen further to 6.2% of GDP in 2026. The NIIP is expected to worsen somewhat, from -17.9% of GDP in 2025 to -22.3% in 2026. However, the NIIP excluding non-defaultable instruments was positive at 24.3% of GDP in 2025.

- **Competitiveness** concerns persist, driven by large labour cost increases and drops in export market shares against advanced economies. In 2025, headline and core HICP inflation stood 1.7 and 1.1 pp. above the euro area rates. The positive differentials have persisted in 2026. Nominal unit labour costs increased by 2.8% (18.3% over the three years) in 2025, reflecting solid wage growth amid visible productivity growth. Unit labour cost growth is set to accelerate somewhat in 2026. In 2025, the real effective exchange appreciated by 1.1% year-on-year and by 8.5% over the three-year period. Export market shares against advanced economies remained stable in 2025, but the drop of 5.9% cumulated over the three-year horizon was one of the highest in the EU.

- **Non-financial corporate** debt including foreign direct investments (FDI) stood at a low level of 37.5 % of GDP in 2025, up from 35.5 % in 2024 Credit growth (excluding FDI in % of debt stock of previous year) accelerated markedly to 15.9 % in 2025, after 5.7% in 2024. Borrowing costs fell to 4.9% in 2025 from 6.4% in 2024 but have increased again in 2026. In 2026, corporate indebtedness is expected to decline as positive credit growth is offset by nominal GDP growth. NPLs continued to decline modestly, while bankruptcies fell slightly and stayed at low historical levels.

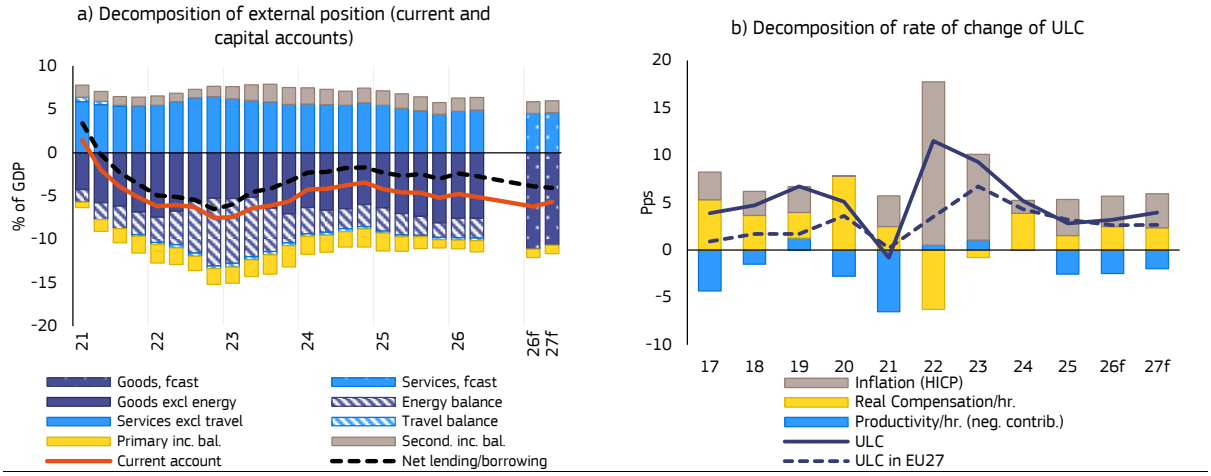
- **Household** indebtedness remained low in 2025. The household debt ratio came at 19.6% of GDP and at 28.2% of household gross disposable income. Credit flow was strong at 10.3% of the 2024 debt stock in 2025 and is expected to stay dynamic in 2026, amid accelerating real gross disposable income. Borrowing costs on new loans eased to 4.1% in 2025 and are expected to broadly stabilise in 2026. On current trends in credit growth, borrowing costs and robust nominal GDP, the household debt ratio is expected to edge up further in 2026. The households' gross saving rate rose in 2025, but stood below that in 2019, although above its long-term average since 2000.

- **House price** growth accelerated from 7.6% in 2025 to 11.4% year-on-year in 2026-Q2. House prices are estimated to have been overvalued by around 11% in 2025, and the valuation gap is likely to widen. Borrowing capacity increased by more than 20% in 2025 as mortgage rates declined and incomes rose, although the decline in mortgage rates became more limited by early 2026. Variable-rate lending is predominant in the Latvian mortgage market, strengthening the transmission of financing conditions to housing demand. Residential building permits increased by 30% in 2025 to 490 m^2 per 1,000 inhabitants.

- **Government** debt was at 46.2% of GDP in 2025 and is rising with the deficits expected to widen. Debt rose from 45.7% in 2024 and is set to increase further this year and next, climbing to 46.8% of GDP in 2026 and to almost 51% in 2027. The fiscal deficit widened to 2.5% of GDP in 2025 after 1.8% in 2024, and it is expected to deepen to 2.9% of GDP in 2026 and over 4% in 2027. Sizeable stock-flow adjustments are adding to the debt too. Gross financing needs are increasing fast but remain limited. Fiscal sustainability risks are assessed as medium in the medium-term ([25]).

- The **financial sector** remains resilient. In 2025, the Tier-1 ratio remained stable at 21.9%, while return on equity stood at 13.4%, both above the EU medians. The gross non-performing loans ratio fell to a low 1.0%. Credit to non-financial corporations expanded strongly household credit continued to grow robustly. The significant exposure of banks to real estate represents a potential risk.

Graph 2.14: **Selected graphs, Latvia**



Source: Eurostat and European Commission forecasts and calculations.

([25]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Table 2.14: **Key economic and financial indicators, Latvia**

	Thresholds	Bench. I	Bench. II	average *2017-2019*	average *2020-2022*	*2023*	*2024*	*2025*	forecast *2026*	*2027*
Output and Prices										
Real GDP (1 year % change)				2.8	1.6	-1.0	0.5	2.2	2.6	1.8
Real GDP per capita (1 year % change)				3.6	2.2	-1.2	1.5	3.1	3.7	2.6
GDP deflator (1 year % change)				3.6	5.1	10.7	3.7	3.9	3.5	3.7
Harmonised index of consumer prices (1 year % change)				2.7	6.6	9.1	1.3	3.8	3.2	3.6
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.9	3.4	8.4	3.7	3.5	3.4	3.5
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**0.5**	**-1.6**	**-6.1**	**-5.5**	**-4.7**	**-4.9**	**-5.7**
Current account balance, balance of payments (% of GDP)		-1.6 (1)	-1.9 (2)	-0.3	-3.4	-5.6	-3.4	-5.2	-6.2	-5.6
of which: trade balance (% GDP)				-0.8	-3.4	-5.2	-3.1	-5.6		
of which: income balance (% GDP)				0.6	0.0	-0.4	-0.4	0.4		
Current account norm (% of GDP) (1)				-1.5	-1.3	-1.6	-1.5	-1.6	-1.6	-1.6
Current account req. to reach fund. NIIP (% of GDP) (2)				-2.3	-2.4	-2.0	-1.9	-1.9		
Net international investment position (% of GDP)	**-35%**	-51.0 (3)	-24.9 (4)	**-47.0**	**-30.5**	**-25.7**	**-19.7**	**-17.9**	**-22.3**	**-26.0**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				1.5	18.1	20.4	26.8	24.3		
Net lending-borrowing (% of GDP)				1.4	-1.9	-3.3	-1.7	-3.0		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**14.4**	**15.0**	**20.9**	**28.2**	**18.3**	**11.6**	**10.3**
Nominal unit labour cost index per hour worked (1 year % change)				5.1	5.1	9.3	5.2	2.8	3.2	4.0
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**3.6**	**4.6**	**12.0**	**10.8**	**8.5**	**-0.6**	**1.5**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				1.3	1.9	8.3	-0.8	1.1	0.1	0.7
Export performance against advanced economies (3y % change)	**-3%**			**2.4**	**12.6**	**-2.1**	**-4.1**	**-5.9**		
Export performance against advanced economies (1 year % change)				0.7	5.1	-5.6	-2.2	2.0		
Core inflation differential vis-à-vis the euro area (pps.)				0.9	1.4	3.5	0.9	1.1	0.9	0.9
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**50.6**	**41.0**	**35.6**	**35.5**	**37.5**	**37.0**	**37.6**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			1.9	0.6	1.3	5.7	15.9	5.9	8.9
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**21.8**	**20.1**	**18.3**	**18.9**	**19.6**	**20.6**	**21.4**
Household debt, consolidated (% of GHDI)				31.8	28.8	27.4	26.9	28.2		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**2.0**	**5.0**	**4.3**	**7.6**	**10.3**	**11.7**	**9.3**
Household gross saving rate (&)				5.3	6.0	-2.4	4.3	4.6		
House price index, nominal (1 year % change)	**+9%**			**9.1**	**9.3**	**3.7**	**4.2**	**7.6**	**9.5**	**8.5**
House prices over/undervaluation gap (5)				-5.0	6.6	12.1	8.6	10.8	15.2	15.7
Standardized price-to-income ratio				87.6	91.8	92.2	86.6	87.7		
Building permits (m^2 per 1000 inh)				294.2	370.4	371.0	374.6	485.8		
Government										
General government gross debt (% of GDP)	**60%**			**38.8**	**44.8**	**44.5**	**45.7**	**46.2**	**46.8**	**50.9**
General government balance (% of GDP)				-0.6	-5.3	-2.2	-1.8	-2.5	-2.9	-4.4
Banking sector										
Return on equity of banks (%)				8.8	6.6	20.3	17.6	13.4		
Tier-1 capital ratio banking sector (% risk-weighted assets)				20.2	26.2	20.6	21.9	21.9		
Gross non-performing loans, domestic and foreign entities (% gross loans)				4.9	2.7	1.3	1.3	1.0		
Cost of borrowing for households for house purchase (%)				2.7	2.7	5.5	5.4	4.1	4.2	
Cost of borrowing for NFCs (%)				3.0	3.2	5.9	6.4	4.9	5.1	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	6.5 (6)		**7.5**	**7.5**	**6.5**	**6.9**	**6.9**	**6.9**	**6.8**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**1.8**	**-0.4**	**-1.4**	**0.9**	**0.8**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

LITHUANIA

In Lithuania, concerns regarding cost competitiveness persist as sizeable differentials of inflation and unit labour costs growth vis-à-vis the euro area remain entrenched. The current account and net international investment positions are near balance. House price growth continued to be rapid. Household borrowing has continued to accelerate, and household debt rises even if it remains comparatively low. Non-financial corporate debt remains low but corporate borrowing has been strong. While government debt is also still relatively low, it is increasing fast.

Real GDP growth was 3.0% in 2025 and is forecast to rise to 2.7% in 2026 and to drop to 2.2% in 2027. Headline inflation jumped to 3.4% in 2025 and is expected to climb to 5.1% in 2026. Core inflation was 3.0% in 2025 and is forecast to increase to 3.6%. The unemployment rate declined to 6.9% in 2025 and is expected to fall further to 6.7% in 2026.

The scoreboard reading for Lithuania shows that four indicators were beyond their indicative thresholds in 2025, namely nominal unit labour costs, the upper threshold for the real effective exchange rate, household credit flow and house prices. Relevant developments worth highlighting:

- **External sector** indicators remain broadly balanced. The current account deficit stood at 1% of GDP in 2025, down from a surplus of 1.6% in 2024, and is forecast to remain at a moderate deficit of 1.7% of GDP in 2026. The NIIP remained close to balance at -3.1% of GDP in 2025.

- **Competitiveness** concerns remain, owing to strong labour cost increases. In 2025, headline and core inflation differentials vis-à-vis the euro area stood at 1.3 and 0.6 pps. They are set to remain well above 1 pp in 2026. Unit labour costs rose by 6% year-on-year (amounting to a 23.8% increase over the past three years), despite a solid labour productivity gain, reflecting strong nominal compensation increases. In 2026, they are set for an increase of close to 6%. In 2025, the 3-year change in the real effective exchange rate was 6.4%, supported by an annual appreciation of close to 1%. The 3-year change in export market shares against advanced economies remained positive at 1.3%, with an annual advance of more than 3%.

- **Non-financial corporate** debt including foreign direct investments (FDI) remained low at 30.9 % of GDP in 2025, up from 30.1 % in 2024, although corporate borrowing continued to be strong. Credit growth (excluding FDI in % of debt stock of previous year) accelerated to 11.6 % in 2025 from 8.6% in 2024. Borrowing costs fell to 4.8% in 2025 from 6.1% in 2024, but have started to increase recently, despite remaining broadly stable for the year on average. In 2026, corporate indebtedness is expected to increase slightly as strong credit supply is partly offset by nominal GDP growth. NPLs fell mildly in 2025, while bankruptcies slightly decreased and remained at levels seen in recent years.

- **Household** indebtedness remained low in 2025, with the debt ratio at 23.6% of GDP and at 33.1% of household income, though both rose from 2024 amid strong credit growth. Credit flow strengthened markedly to 16.4% of the 2024 debt stock in 2025 and is expected to stay robust in 2026, in line with solid real gross disposable income. Borrowing costs for new housing loans eased to 3.9% in 2025 after the 2023 peak and are expected to stabilise on average in 2026. Given strong credit growth, the household debt ratio is set to increase further in 2026 despite firm nominal GDP growth. The household gross saving rate rose further in 2025, remaining high relative to both 2019 and its long-term average since 2000.

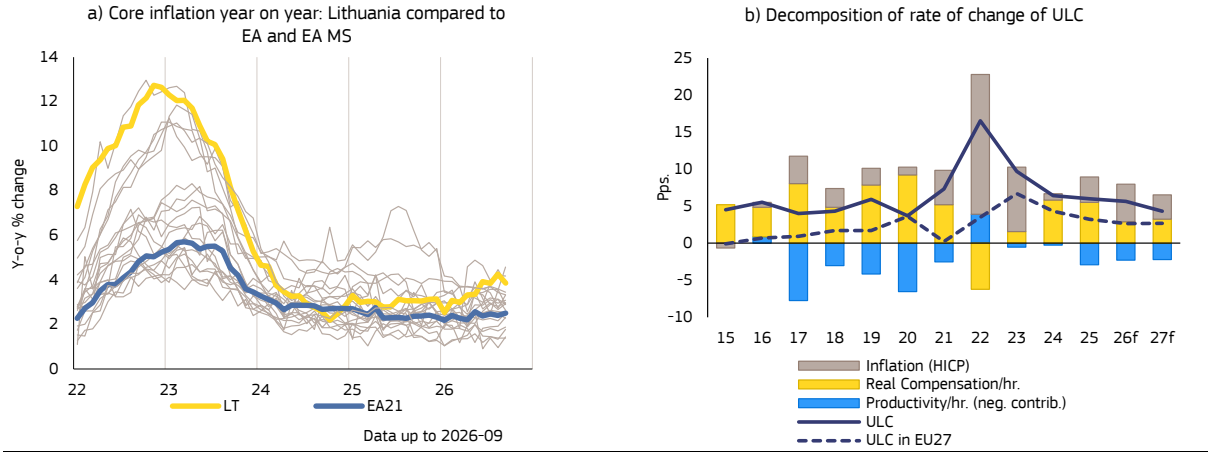
- **House prices** increased by 9.8% in 2025 and by 14.3% year-on-year in 2026-Q2, broadly in line with household income (10.7%). House prices are estimated to have been overvalued by around 12% in 2025, and price developments in early 2026 could widen the gap further.

However, the price-to-income ratio was below its long-term benchmark in 2025. Borrowing capacity increased by more than 20% in 2025 as mortgage rates declined, but the decline in financing costs stopped by early 2026. Variable-rate lending is predominant in the Lithuanian mortgage market. Residential building permits increased by 15% in 2025 to 519 m^2 per 1,000 inhabitants.

- **Government** debt was at 39.3% of GDP in 2025 but is clearly rising. It went up from 37.8% in 2024 and is projected to increase to 43.8% in 2026 and further to 48.5% in 2027. The fiscal deficit widened to 1.8% of GDP in 2025 after standing at 1.3% in 2024; it is expected to edge up to 3.5% in 2026 and 4.3% in 2027. Interest expenditure is rising visibly albeit from low levels. Debt-increasing stock-flow adjustments have been sizeable too. Gross financing needs are increasing fast but remain limited. Fiscal sustainability risks are assessed as medium in the medium-term ([26]).

- The **financial sector** remains resilient. In 2025, the Tier-1 ratio increased to 23.6%, well above the EU median. Profitability, measured by return on equity slightly fell to 15.5%, but also stayed above the EU median. The gross non-performing loans ratio declined to a low 0.5% in 2025, far below the EU median, while Stage 2 loans fell to 4.9%. Credit to non-financial corporations continued to expand, albeit at a slower pace, while household credit showed a marked increase.

Graph 2.15: **Selected graphs, Lithuania**



Source: Eurostat and European Commission forecasts and calculations.

([26]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Table 2.15: **Key economic and financial indicators, Lithuania**

	Thresholds	Bench. I	Bench. II	average *2017-2019*	average *2020-2022*	*2023*	*2024*	*2025*	forecast *2026*	*2027*
Output and Prices										
Real GDP (1 year % change)				4.8	2.3	2.9	3.0	3.0	2.7	2.2
Real GDP per capita (1 year % change)				5.6	2.1	1.5	2.4	3.0	2.8	2.3
GDP deflator (1 year % change)				3.5	7.3	11.9	2.6	3.6	5.3	3.9
Harmonised index of consumer prices (1 year % change)				2.8	7.9	8.7	0.9	3.4	5.1	3.3
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				2.3	5.4	9.6	3.2	3.0	3.6	3.2
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**0.2**	**1.8**	**-2.6**	**-2.2**	**-0.1**	**-0.4**	**-1.4**
Current account balance, balance of payments (% of GDP)		-1.2 (1)	-1.1 (2)	1.4	-0.5	-0.8	1.6	-1.0	-1.7	-1.5
of which: trade balance (% GDP)				2.8	2.6	2.1	3.9	2.8		
of which: income balance (% GDP)				-1.4	-3.0	-2.9	-2.2	-3.8		
Current account norm (% of GDP) (1)				-0.8	-0.7	-1.0	-1.2	-1.2	-1.0	-0.8
Current account req. to reach fund. NIIP (% of GDP) (2)				-1.5	-1.2	-1.1	-1.1	-1.1		
Net international investment position (% of GDP)	**-35%**	-63.2 (3)	-12.0 (4)	**-30.3**	**-13.4**	**-4.4**	**-0.6**	**-3.1**	**-1.5**	**0.3**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-1.7	19.4	26.2	33.4	32.2		
Net lending-borrowing (% of GDP)				2.8	1.1	0.8	3.1	0.8		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**14.6**	**20.5**	**37.2**	**36.0**	**23.8**	**19.2**	**16.8**
Nominal unit labour cost index per hour worked (1 year % change)				4.7	9.0	9.7	6.4	6.0	5.6	4.3
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**4.4**	**6.9**	**13.9**	**10.1**	**6.4**	**0.5**	**2.8**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				1.2	3.2	7.2	-1.6	0.9	2.0	0.4
Export performance against advanced economies (3y % change)	**-3%**			**13.2**	**20.2**	**8.5**	**2.2**	**1.3**		
Export performance against advanced economies (1 year % change)				6.6	6.4	-2.4	0.7	3.1		
Core inflation differential vis-à-vis the euro area (pps.)				1.3	3.5	4.6	0.4	0.6	1.2	0.7
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**34.2**	**30.6**	**29.0**	**30.1**	**30.9**	**31.4**	**33.2**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			7.3	9.2	12.2	8.6	11.6	11.5	13.9
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**22.5**	**23.1**	**20.7**	**21.6**	**23.6**	**25.3**	**26.9**
Household debt, consolidated (% of GHDI)				33.3	32.1	30.9	31.5	33.1		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**8.3**	**9.8**	**6.6**	**10.5**	**16.4**	**15.8**	**13.1**
Household gross saving rate (&)				0.0	10.5	7.1	8.6	11.1		
House price index, nominal (1 year % change)	**+9%**			**7.7**	**14.0**	**9.8**	**9.7**	**9.8**	**14.0**	**10.5**
House prices over/undervaluation gap (5)				-6.2	0.3	7.0	10.2	11.8	16.3	17.9
Standardized price-to-income ratio				86.3	86.4	93.2	95.0	94.3		
Building permits (m^2 per 1000 inh)				531.0	627.3	452.7	450.1	519.2		
Government										
General government gross debt (% of GDP)	**60%**			**35.9**	**42.5**	**36.7**	**37.8**	**39.3**	**43.8**	**48.5**
General government balance (% of GDP)				0.4	-2.6	-0.7	-1.3	-1.8	-3.5	-4.3
Banking sector										
Return on equity of banks (%)				12.0	11.3	21.2	18.5	15.5		
Tier-1 capital ratio banking sector (% risk-weighted assets)				18.9	21.6	18.6	20.4	23.6		
Gross non-performing loans, domestic and foreign entities (% gross loans)				2.5	1.4	0.8	0.6	0.5		
Cost of borrowing for households for house purchase (%)				2.3	2.4	5.5	5.2	3.9	3.9	
Cost of borrowing for NFCs (%)				2.6	2.9	6.0	6.1	4.8	4.8	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	6.5 (6)		**6.5**	**7.2**	**6.9**	**7.1**	**6.9**	**6.7**	**6.7**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**2.6**	**1.4**	**0.3**	**1.3**	**1.1**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

LUXEMBOURG

In Luxembourg, house prices remain high, with price-to-income ratios above long-term average, despite recently declining prices, whereas building permits have been declining. While still high, household debt ratios are expected to keep declining gradually, amid modest borrowing. Non-financial corporate indebtedness declined in recent years but remains at a very high level; while credit growth remained negative, corporate indebtedness is set to fall further. The external position remains moderate.

Real GDP growth rose to 1.4% in 2025 and is forecast to decrease marginally to 1.3% in 2026 and accelerate to 1.8% in 2027. Headline inflation increased to 2.5% in 2025 and is expected to climb further to 3.7% in 2026. Core inflation fell to 1.8% in 2025 and is forecast to remain largely stable in 2026. The unemployment rate increased slightly to 6.5% in 2025 and is forecast to rise to 6.9% in 2026.

The scoreboard reading for Luxembourg shows that three indicators were beyond their indicative thresholds in 2025, namely nominal unit labour costs, non-financial corporations debt and household debt. Relevant developments worth highlighting:

- **External sector** indicators have remained moderate. The current account surplus stood at 0.7% of GDP in 2025, slightly down from 1% in 2024, and is forecast to remain barely changed in 2026. The NIIP was 26.4% of GDP in 2025, after a sizeable decline compared with 2024. The NIIP excluding non-defaultable instruments was deeply negative at 4403% of GDP in 2025.

- **Competitiveness** developments remain moderate. In 2025, headline and core inflation evolved close to those in the euro area, whereas in 2026 they are set to drop below. Nominal unit labour costs rose by more than 4% in 2025, taking the three-year increase to close to 15%, but are set to decelerate and to grow by ca. 3% in 2026. The real effective exchange appreciated slightly, by 1% owing to a strengthening euro. The 3-year change in export market shares against advanced economies was almost 6% by 2025, despite a 4% drop within the year.

- **Non-financial corporate** debt including foreign direct investments (FDI) dropped to 255.9% of GDP in 2025, down from 275.7% in 2024, but the level remains very high, partly explained by a large share related to cross-country intra-company loans. Credit growth (excluding FDI in % of debt stock of previous year) contracted slightly by 0.3% in 2025 after larger declines in 2023 and 2024. Borrowing costs decreased to 3.3% in 2025 from 4.2% in 2024 and have increased recently despite remaining falling slightly for the year on average. In 2026, corporate indebtedness is expected to decline further mainly due to negative credit growth. NPLs rose modestly in 2025 and bankruptcies increased slightly, remaining above recent historical levels.

- **Household** debt remained elevated in 2025, with a ratio at 59.3% of GDP and household debt as percentage of household income being also high. Credit flow in 2025, at 2.1% of the 2024 debt stock, points to only modest new borrowing, and is expected to remain at broadly similar levels in 2026 against a backdrop of a moderate expansion of real gross disposable income. Borrowing costs for new loans declined in 2025 to 3.4% but are set to edge up slightly in 2026. As a result, the household debt ratio is expected to continue its gradual decline in 2026, supported by higher nominal GDP growth and subdued credit flow. The household gross saving rate rose to 18.1% in 2025, is above the 2019 rate its post-2000 average.

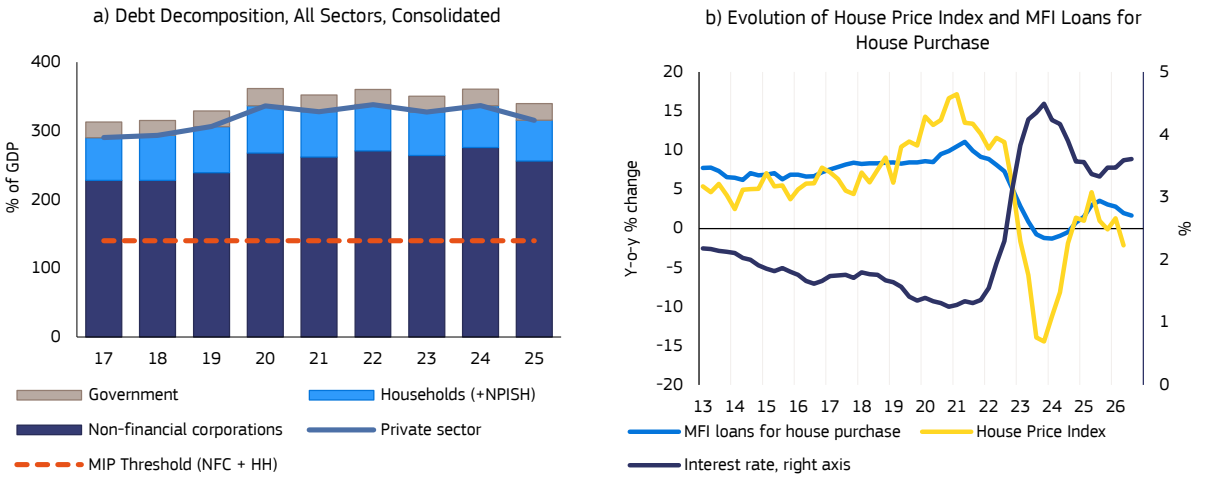
- **House prices** increased by 1.6% in 2025 and are estimated to have been overvalued by around 26% in 2025. Following the correction since 2023 and a deceleration in subsequent price growth, current developments do not suggest a rapid renewed widening. The price-to-income

ratio remained around 13 pps. above its long-term benchmark in 2025, with complementary affordability indicators pointing in the same direction. The decline in mortgage rates also appears to have largely levelled off by early 2026. Residential building permits declined slightly in 2025 to 728 m^2 per 1,000 inhabitants and remain at a very low historical level.

- **Government** debt was at 26% of GDP in 2025, broadly unchanged from 2024. The country recorded a fiscal deficit of 1.8% of GDP in 2025, after a surplus of 0.6% of GDP in 2024. The deficit is expected to narrow to 1.1% of GDP in 2026, which in combination with sizeable debt-increasing stock-flow adjustments are expected to push government debt up to 29.3% of GDP in 2026. Debt is projected to marginally increase to 29.6% of GDP in 2027.

- The **financial sector** remains sound, but domestically oriented banks have substantial exposures to certain sectors, especially real estate and construction. In 2025, the whole banking sector's Tier-1 ratio, above the euro area average, slightly increased to 19.8 % confirming that banks remain well capitalised. Profitability remained stable but with return on equity at 8.2 %, it remained still below the EU median. The gross non-performing loans ratio stayed low at 0.9 %, well below the euro area median. Banking credit to non-financial corporations expanded sharply, whereas to household grew modestly. High household indebtedness remains an important vulnerability, with a relatively high share of mortgages at variable rates. Non-bank financial institutions, in particular Luxembourg's large investment-fund sector, warrant continued supervisory attention given their extensive cross-border exposures and interconnectedness with global financial markets, as well as potential vulnerabilities related to liquidity mismatches, leverage, derivatives exposures and margin calls.

Graph 2.16: **Selected graphs, Luxembourg**



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

Table 2.16: **Key economic and financial indicators, Luxembourg**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	forecast 2027
Output and Prices										
Real GDP (1 year % change)				1.9	1.7	0.1	2.1	1.4	1.3	1.8
Real GDP per capita (1 year % change)				-0.2	0.0	-1.8	0.5	0.1	0.0	0.5
GDP deflator (1 year % change)				1.6	5.3	6.9	4.2	3.2	3.8	2.7
Harmonised index of consumer prices (1 year % change)				1.9	3.8	2.9	2.3	2.5	3.7	2.5
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.4	2.3	3.9	2.5	1.8	1.8	1.7
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**7.2**	**6.1**	**5.7**	**4.4**	**2.8**	**0.8**	**0.5**
Current account balance, balance of payments (% of GDP)		4.0 (1)	4.9 (2)	7.7	5.0	6.8	1.0	0.7	0.6	0.3
of which: trade balance (% GDP)				36.9	38.2	38.1	30.9	30.6		
of which: income balance (% GDP)				-29.2	-33.2	-31.3	-29.9	-29.9		
Current account norm (% of GDP) (1)				4.3	4.5	4.4	4.2	4.0	4.0	4.0
Current account req. to reach fund. NIIP (% of GDP) (2)				4.6	4.9	4.9	4.9	4.9		
Net international investment position (% of GDP)	**-35%**	-160.2 (3)	69.3 (4)	**57.1**	**46.3**	**47.6**	**49.9**	**26.4**	**24.3**	**22.5**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-3738.2	-4176.8	-3850.8	-4026.2	-4403.0		
Net lending-borrowing (% of GDP)				8.5	4.3	6.8	0.9	0.1		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**9.1**	**10.8**	**21.0**	**20.1**	**14.8**	**8.3**	**10.5**
Nominal unit labour cost index per hour worked (1 year % change)				4.1	4.5	9.4	0.6	4.3	3.2	2.6
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.5**	**0.6**	**-1.5**	**-2.4**	**0.2**	**0.3**	**0.3**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.7	-0.1	-0.5	-0.2	1.0	0.6	-0.4
Export performance against advanced economies (3y % change)	**-3%**			**2.8**	**14.8**	**-6.4**	**-5.1**	**5.9**		
Export performance against advanced economies (1 year % change)				1.2	0.6	6.6	3.4	-3.9		
Core inflation differential vis-à-vis the euro area (pps.)				0.4	0.3	-1.1	-0.3	-0.6	-0.7	-0.8
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**231.5**	**266.7**	**264.1***	**275.7**	**255.9**	**240.0**	**230.5**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			-7.7	1.5	-10.0	-7.5	-0.3	-3.0	1.0
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**65.1**	**67.4**	**63.2**	**60.8**	**59.3**	**57.7**	**56.5**
Household debt, consolidated (% of GHDI)				133.2	136.7	129.6	125.9	118.1		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**7.3**	**7.3**	**-2.8**	**1.2**	**2.1**	**2.4**	**2.2**
Household gross saving rate (&)				13.5	19.1	13.0	14.2	18.1		
House price index, nominal (1 year % change)	**+9%**			**7.5**	**12.6**	**-9.1**	**-5.2**	**1.6**	**1.5**	**3.5**
House prices over/undervaluation gap (5)				19.4	51.6	41.2	29.8	25.9	23.7	24.3
Standardized price-to-income ratio				114.9	142.4	130.8	119.6	113.1		
Building permits (m^2 per 1000 inh)				1641.1	1403.3	898.5	737.0	727.7		
Government										
General government gross debt (% of GDP)	**60%**			**21.7**	**24.5**	**24.7**	**25.9**	**26.0**	**29.3**	**29.6**
General government balance (% of GDP)				2.5	-0.4	-0.7	0.6	-1.8	-1.1	-1.0
Banking sector										
Return on equity of banks (%)				5.5	5.0	8.3	8.9	8.2		
Tier-1 capital ratio banking sector (% risk-weighted assets)				20.6	19.0	18.5	18.4	19.8		
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	3.5	
Cost of borrowing for NFCs (%)				1.3	1.4	3.8	4.2	3.3	3.1	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	5.9 (6)		**5.6**	**5.6**	**5.2**	**6.4**	**6.5**	**6.9**	**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**	**0.5**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

HUNGARY

In Hungary, competitiveness pressures persist as unit labour costs and inflation keep rising faster than in trading partners. House prices have been growing strongly but growth rates decelerated; household borrowing has increased strongly too, but debt remains low. The government debt is high and rising amid sizeable deficits, but borrowing costs fell over the year. Banks' capitalisation remained robust, though the high exposure to sovereign debt rose recently. Vulnerabilities related to the external position eased, with the current account moving towards balance.

Real GDP growth was 0.7% in 2025 and is expected to rise to 1.8% in 2026 and 2.8% in 2027. Headline inflation increased to 4.4% in 2025 and is expected to ease to 2.2% in 2026. Core inflation fell to 5.3% in 2025 and is forecast to reach 3.8% in 2026. The unemployment rate marginally fell to 4.4% in 2025 and is expected to rise to 4.6% in 2026.

The scoreboard reading for Hungary shows that five indicators were beyond their indicative thresholds in 2025, namely net international investment position, nominal unit labour costs, the upper threshold for the real effective exchange rate, house prices and government debt. Relevant developments worth highlighting:

- **External sector** developments have been favourable. The current account recorded a surplus of 2.3% of GDP in 2025, increasing from 1.8% in 2024, but is expected to move to a small deficit of 0.4% of GDP in 2026. Vulnerabilities eased owing to a decline in domestic investment, while household saving remained elevated. The NIIP slightly increased, reaching -35.4% of GDP in 2025. The NIIP excluding non-defaultable instruments turned slightly negative, at -1.2% of GDP in 2025.

- **Competitiveness** concerns persist on account of strong unit labour cost increases and real appreciation. In 2025, headline and core inflation stood 2.3 and almost 3 pps. above those in the euro area. In 2026, the differentials are set to reduce. Unit labour costs rose sharply, by 7.8% (with a 3-year increase of almost 40%), owing to almost flat productivity and large nominal compensation increases, keeping cost competitiveness under pressure. The strong increase in unit labour costs is set to continue in 2026 as well, rising by more than 8%. The real effective exchange rate appreciated by 14.4% over the previous three years, with an annual appreciation of 1.5% in 2025, driven by a modest nominal effective exchange rate appreciation and a positive relative inflation differential. Export market shares against advanced economies improved by 2.8% over the three-year horizon.

- **Non-financial corporate** debt including foreign direct investments (FDI) was below the EU average at 52.2% of GDP in 2025, down from 56.5% in 2024. Credit growth (excluding FDI in % of debt stock of previous year) accelerated to 5.2% in 2025 after a contraction of 2.5% in 2024. Borrowing costs fell to 8.1% in 2025 from 9.0% in 2024 and have decreased recently despite remaining broadly stable for the year on average. In 2026, corporate indebtedness is expected to fall further, as credit growth is more than offset by nominal GDP growth. NPLs fell modestly in 2025, and bankruptcies declined from the 2023 peak.

- **Household** indebtedness remained low in 2025, with the debt ratio at 18.1% of GDP, and with debt as percentage of household gross disposable income also low, but credit growth was high. Credit flow rose strongly to 13.6% of the 2024 debt stock in 2025 and is expected to moderate while remaining robust in 2026, as real gross disposable income growth is set to accelerate. Borrowing costs for new loans increased slightly to 7.2% in 2025 and are forecast to edge up again in 2026. The household debt ratio is expected to rise somewhat in 2026, due to robust

new credit flows and moderating nominal GDP growth. The gross saving rate in 2025 declined compared to 2024 but remains above that in 2019 and its long-term average since 2000.

- **House price** growth moderated from 18.3% in 2025 to 10.2% year-on-year in 2026-Q2 but remained above household income growth of 8.0% in 2025. House prices are estimated to have been overvalued by around 24% in 2025. Housing demand is also being supported by subsidised mortgage schemes for first-time buyers ([27]). The price-to-income ratio was around 5 pps. above its long-term benchmark in 2025. Mortgage rates remained high, averaging around 7.2% in 2025 and around 7.8% in 2026-Q2. Residential building permits increased strongly in 2025 but remained relatively low in an international comparison at around 326 m^2 per 1,000 inhabitants.

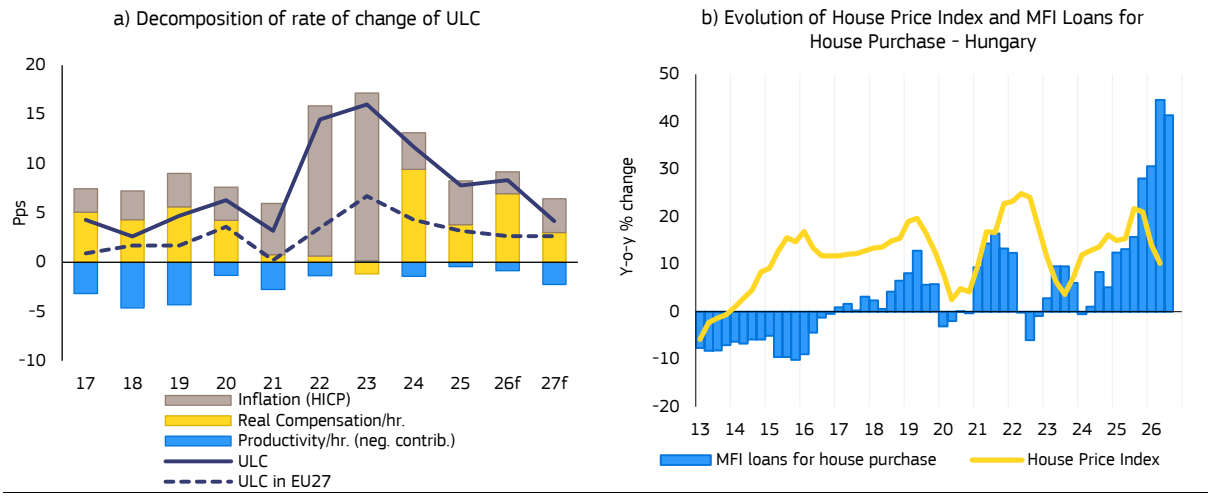
- **Government** debt is significant, at 74.4% of GDP in 2025, and is rising. It is some 9 pps. above its pre-COVID-19-pandemic level, and up from 73.5% of GDP in 2024 and is forecast to increase to 77.3% of GDP in 2026 and to 77.7% in 2027. The fiscal deficit narrowed to 4.7% of GDP in 2025 from 5.1% in 2024. However, the deficit is expected to increase markedly to 7.3% of GDP this year before falling to 5.2% in 2027. Gross financing needs stay elevated, projected at around 16% of GDP in 2027. Long-term sovereign bond yields have fallen in 2026, and the high spreads compared with the best-rated euro area sovereign debt have narrowed too. An excessive deficit procedure is in place for Hungary. Fiscal sustainability risks are assessed as high in the medium-term ([28]).

- The **financial sector** remains sound overall, but some vulnerabilities exist. The Tier-1 ratio slightly declined to 18.2% in 2025. Profitability remained high, with a return on equity of 18.2% well above the EU median. The gross non-performing loans ratio fell steadily to 2.2%, which is above the EU median. Credit dynamics to the private sector showed moderate growth in lending to non-financial corporations, while credit to households remained robust. Interest-rate caps on certain mortgage loans and subsidised lending schemes continue to hamper monetary-policy transmission. Hungarian banks' exposure to domestic sovereign debt remains high and further increased in 2025, partly reflecting tax incentives for additional government bond purchases.

([27]) OECD (2026), OECD Economic Surveys: Hungary 2026, Table 1.3, "Subsidised housing lending programmes". The Home Start (Otthon Start) programme, introduced in September 2025, provides first-time buyers with subsidised mortgages at a fixed 3% interest rate and requires a minimum 10% contribution of own funds.

([28]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Graph 2.17: **Selected graphs, Hungary**



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

Table 2.17: **Key economic and financial indicators, Hungary**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	forecast 2027
Output and Prices										
Real GDP (1 year % change)				4.9	2.2	-0.7	0.7	0.7	1.8	2.8
Real GDP per capita (1 year % change)				5.2	2.5	-0.5	1.0	1.2	2.4	3.4
GDP deflator (1 year % change)				4.5	8.8	15.1	7.5	6.4	3.9	3.4
Harmonised index of consumer prices (1 year % change)				2.9	7.8	17.0	3.7	4.4	2.2	3.4
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				2.0	5.6	14.0	5.9	5.3	3.8	3.8
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**1.8**	**-2.4**	**-4.5**	**-2.5**	**1.3**	**1.2**	**0.5**
Current account balance, balance of payments (% of GDP)		0.1 (1)	-1.8 (2)	0.5	-4.9	-0.2	1.8	2.3	-0.4	-0.5
of which: trade balance (% GDP)				4.3	-1.4	4.2	4.6	4.5		
of which: income balance (% GDP)				-3.8	-3.5	-4.3	-2.8	-2.3		
Current account norm (% of GDP) (1)				-0.3	0.0	0.0	0.1	0.1	0.2	0.3
Current account req. to reach fund. NIIP (% of GDP) (2)				-3.5	-2.9	-2.0	-1.8	-1.8		
Net international investment position (% of GDP)	**-35%**	-54.1 (3)	-9.9 (4)	**-46.5**	**-48.4**	**-38.7**	**-32.2**	**-35.4**	**-31.0**	**-26.9**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-4.6	-2.4	-7.0	3.3	-1.2		
Net lending-borrowing (% of GDP)				2.1	-2.8	1.0	2.1	2.8		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**10.5**	**18.1**	**37.1**	**48.4**	**39.7**	**30.4**	**21.6**
Nominal unit labour cost index per hour worked (1 year % change)				3.9	7.9	16.0	11.7	7.8	8.3	4.2
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**0.9**	**-5.7**	**10.4**	**7.4**	**14.4**	**5.4**	**9.5**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.2	-2.7	15.5	-2.4	1.5	7.2	1.2
Export performance against advanced economies (3y % change)	**-3%**			**2.8**	**-0.2**	**1.3**	**1.0**	**2.8**		
Export performance against advanced economies (1 year % change)				0.9	-1.1	8.0	-4.6	-0.3		
Core inflation differential vis-à-vis the euro area (pps.)				0.9	3.6	9.0	3.1	2.9	1.3	1.2
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**50.3**	**60.1**	**55.9**	**56.5**	**52.2**	**50.2**	**48.3**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			26.3	16.6	15.6	-2.5	5.2	4.0	6.0
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**18.3**	**20.1**	**16.9**	**17.2**	**18.1**	**18.8**	**20.2**
Household debt, consolidated (% of GHDI)				27.3	29.2	23.9	23.5	24.6		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**7.4**	**12.0**	**3.7**	**10.2**	**13.6**	**9.8**	**14.3**
Household gross saving rate (&)				15.0	17.1	20.7	19.8	18.7		
House price index, nominal (1 year % change)	**+9%**			**14.5**	**14.3**	**7.1**	**13.7**	**18.3**	**5.5**	**6.5**
House prices over/undervaluation gap (5)				0.7	13.5	13.9	15.5	24.2	27.5	27.7
Standardized price-to-income ratio				94.7	101.9	95.3	96.8	105.3		
Building permits (m^2 per 1000 inh)				408.5	356.5	260.6	240.5	325.8		
Government										
General government gross debt (% of GDP)	**60%**			**68.6**	**76.3**	**73.2**	**73.5**	**74.4**	**77.3**	**77.7**
General government balance (% of GDP)				-2.2	-6.9	-7.0	-5.1	-4.7	-7.3	-5.2
Banking sector										
Return on equity of banks (%)				14.5	10.8	21.2	19.4	18.2		
Tier-1 capital ratio banking sector (% risk-weighted assets)				15.6	17.1	17.8	19.1	18.2		
Gross non-performing loans, domestic and foreign entities (% gross loans)				6.0	3.3	2.4	2.2	2.2		
Cost of borrowing for households for house purchase (%)				4.5	5.1	9.8	7.1	7.2	7.6	
Cost of borrowing for NFCs (%)				1.7	4.8	12.7	9.0	8.1	8.1	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	5.4 (6)		**3.6**	**3.9**	**4.1**	**4.5**	**4.4**	**4.6**	**4.3**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**3.6**	**2.2**	**3.0**	**2.3**	**1.3**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

MALTA

Malta's external sector, reflecting strong international services activity, stays positive, with the current account surplus rising in 2025, while the net international investment position stays near 90% of GDP. Competitiveness pressures are modest; the real effective exchange rate has appreciated, and unit labour costs growth is set to slow in 2025 and 2026, while export market-share growth has been solid. The banking sector remains sound, with above average capital levels and low and falling non-performing loans, though return on equity stays below the EU median. Household debt is moderate, but credit growth remains solid.

Real GDP growth slowed to 4.7% in 2025 and is forecast to ease to 3.9% in 2026 and further to 3.5% in 2027. Headline inflation held steady at 2.4% in 2025 and is expected to rise marginally to 2.5% in 2026. Core inflation increased to 2.4% in 2025 and is forecast to reach 2.5% in 2026. The unemployment rate fell to 3.1% in 2025 and is expected to remain stable in 2026.

The scoreboard reading for Malta shows that two indicators were beyond their indicative thresholds in 2025, namely nominal unit labour costs and the upper threshold for the real effective exchange rate. Relevant developments worth highlighting:

- The **current account** turned from a deficit of 1% in 2024 to a large surplus of 6.7% in 2025, although it is forecast to ease somewhat to 5.4% in 2026. The NIIP stood at 88.6% of GDP in 2025, slightly higher than in 2024. The NIIP continues to remain above levels suggested by economic fundamentals and is forecast to increase slightly in 2026, also reflecting the country's position as an international financial centre.

- **Competitiveness** reflects strong export performance. The headline and core inflation evolved broadly in line with those in the euro area. Unit labour costs rose by 3.5% in 2025 (with a 13.3% advance over 3-year) and is projected to increase by more than 4% in 2026. The real effective exchange rate appreciated by 1.5% in 2025 (6.7% over three years). Export market shares against advanced economies continued to improve, with a three-year gain of more than 24% in 2025.

- **Non-financial corporate** debt including foreign direct investments (FDI) stood at 65.2% of GDP in 2025, up from 63.3% in 2024. Credit growth (excluding FDI in % of debt stock of previous year) accelerated to 10.0% in 2025 after a solid growth in 2024. Borrowing costs fell to 4.4% in 2025 from 4.8% in 2024 and have increased in 2026. In 2026, corporate indebtedness is expected to decline as credit growth is offset by higher nominal GDP growth. NPLs declined further in 2025, and bankruptcies fell to below recent year's average.

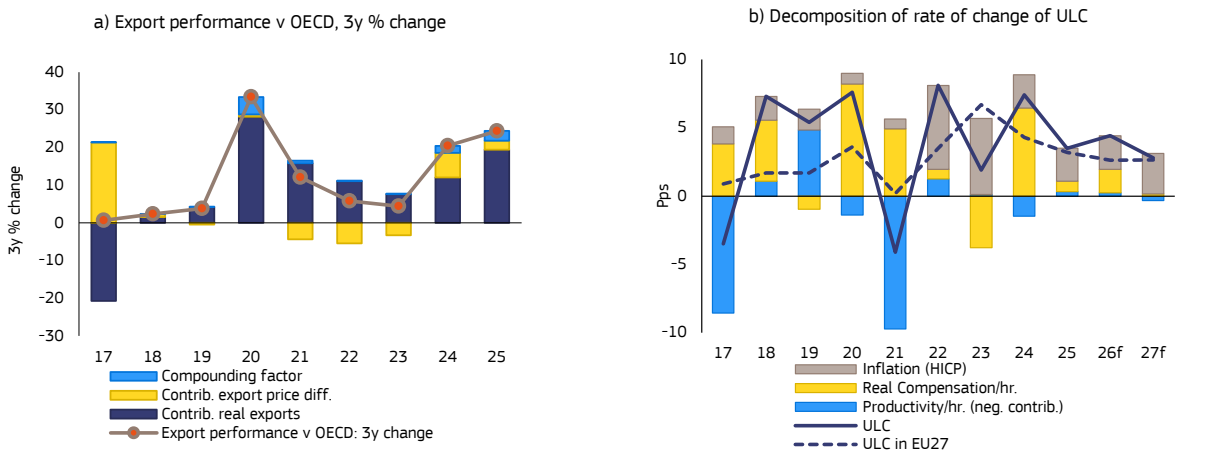
- **Household** indebtedness is moderate, with the debt ratio increasing to 49.6% of GDP in 2025, while credit growth remained dynamic. Credit flow in 2025, at 10.9% of the 2024 debt stock, was strong but it is expected to ease somewhat in 2026 in line with slightly lower real gross disposable income growth. Borrowing costs for new loans remained very low at 2% in 2025 and are expected to stay broadly stable in 2026. Against this backdrop and with nominal GDP growth forecast to moderate only slightly, the household debt ratio is expected to edge up in 2026. The household gross saving rate rose in 2025, remaining clearly above its 2019 level and its long-term average since 2000.

- **House prices** increased by 6% in 2025 and by 6.9% year-on-year in 2026-Q2, broadly supported by income developments. They are estimated to have been undervalued by around 12% in 2025. Residential building permits increased by 35% in 2025 to more than 3,000 m^2 per 1,000 inhabitants.

- **Government** debt at 46.3% of GDP in 2025 edged up from 46% in 2024 and it is forecast to edge up to 46.7% of GDP in 2026 and 47% in 2027. The fiscal deficit narrowed to 2.1% of GDP in 2025 from 3.5% in 2024 and is expected at 2.8% of GDP in 2026 and 2027.

- The **financial sector** remains sound. In 2025, the Tier-1 capital ratio at 22.3% remained above the EU median. Profitability was moderate, as return on equity stood at 8.1%, below the EU median. The gross non-performing loans ratio fell to 1.5%. Both credit to non-financial corporations and household showed solid growth in 2025. Core domestic banks' lending is increasingly concentrated in real estate-related activities. The 1.5% sectoral systemic-risk buffer was extended in June 2026 to all domestic loans secured by immovable property, including both residential and commercial real estate.

Graph 2.18: **Selected graphs, Malta**



Source: Eurostat and European Commission forecasts and calculations.

Table 2.18: **Key economic and financial indicators, Malta**

	Thresholds	Bench. I	Bench. II	average *2017-2019*	average *2020-2022*	*2023*	*2024*	*2025*	forecast *2026*	forecast *2027*
Output and Prices										
Real GDP (1 year % change)				8.0	4.4	7.1	5.3	4.7	3.9	3.5
Real GDP per capita (1 year % change)				4.3	2.6	2.9	2.4	2.4	1.7	1.4
GDP deflator (1 year % change)				2.1	2.7	8.3	4.8	2.1	2.6	3.0
Harmonised index of consumer prices (1 year % change)				1.5	2.5	5.6	2.4	2.4	2.5	3.0
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.2	2.3	4.9	2.1	2.4	2.5	3.1
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**7.9**	**5.4**	**2.0**	**0.1**	**3.0**	**3.7**	**5.6**
Current account balance, balance of payments (% of GDP)		-2.2 (1)	-1.6 (2)	10.3	3.0	3.3	-1.0	6.7	5.4	4.9
of which: trade balance (% GDP)				18.3				19.0		
of which: income balance (% GDP)				-8.0	-12.9	-14.3	-19.1	-12.3		
Current account norm (% of GDP) (1)				-3.1	-2.7	-2.5	-2.4	-2.2	-2.0	-1.8
Current account req. to reach fund. NIIP (% of GDP) (2)				-2.2	-1.6	-1.6	-1.6	-1.6		
Net international investment position (% of GDP)	**-35%**	-82.6 (3)	-23.7 (4)	**90.2**	**103.8**	**102.5**	**84.5**	**88.6**	**89.5**	**90.2**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				94.1	127.1	144.6	143.9	139.0		
Net lending-borrowing (% of GDP)				9.8	3.7	4.0	-0.5	7.1		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**6.1**	**13.8**	**5.6**	**18.3**	**13.3**	**16.0**	**11.1**
Nominal unit labour cost index per hour worked (1 year % change)				3.0	3.7	1.9	7.4	3.5	4.4	2.8
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.4**	**-0.8**	**-0.4**	**1.6**	**6.7**	**-0.9**	**-0.9**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.6	-1.1	4.3	0.9	1.5	-0.7	-0.1
Export performance against advanced economies (3y % change)	**-3%**			**2.2**	**16.4**	**4.2**	**20.2**	**24.1**		
Export performance against advanced economies (1 year % change)				1.2	1.9	14.7	7.5	0.6		
Core inflation differential vis-à-vis the euro area (pps.)				0.2	0.3	-0.1	-0.7	0.0	0.1	0.5
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**73.4**	**77.8**	**66.0***	**63.3**	**65.2**	**63.4**	**62.7**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			8.2	5.9	5.9	6.3	10.0	4.3	6.1
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**52.0**	**54.8**	**48.5***	**47.9**	**49.6**	**50.6**	**51.2**
Household debt, consolidated (% of GHDI)				84.7	83.5	76.8	72.8	75.6		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**10.3**	**6.1**	**5.6**	**8.0**	**10.9**	**8.8**	**7.7**
Household gross saving rate (&)				12.0	22.3	13.8	17.9	19.1		
House price index, nominal (1 year % change)	**+9%**			**5.7**	**5.1**	**6.2**	**6.7**	**6.0**	**7.0**	**7.0**
House prices over/undervaluation gap (5)				0.0	-2.7	-9.3	-12.6	-11.6	-7.0	-1.4
Standardized price-to-income ratio				103.4	100.3	97.1	92.8	94.2		
Building permits (m^2 per 1000 inh)				3698.5	2552.6	2167.7	2283.7	3093.7		
Government										
General government gross debt (% of GDP)	**60%**			**42.1**	**49.5**	**46.9**	**46.0**	**46.3**	**46.7**	**47.0**
General government balance (% of GDP)				2.0	-7.0	-4.4	-3.5	-2.1	-2.8	-2.8
Banking sector										
Return on equity of banks (%)				6.1	2.7	10.6	8.4	8.1		
Tier-1 capital ratio banking sector (% risk-weighted assets)				20.2	22.1	22.2	22.2	22.3		
Gross non-performing loans, domestic and foreign entities (% gross loans)				3.1	3.0	2.0	1.9	1.5		
Cost of borrowing for households for house purchase (%)				2.7	2.1	2.2	2.1	2.0	2.0	
Cost of borrowing for NFCs (%)				3.8	3.7	5.0	4.8	4.4	4.6	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	3.2 (6)		**4.0**	**4.1**	**3.5**	**3.2**	**3.1**	**3.1**	**3.1**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**4.6**	**3.8**	**4.7**	**4.7**	**3.3**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

THE NETHERLANDS

The Netherlands kept a sizeable current account surplus in 2025, driven by a trade surplus and, from a sectoral perspective, high savings of corporations. Competitiveness weakened as nominal unit labour costs surged, the real effective exchange rate appreciated, and export market shares against advanced economies fell. Household debt ratios stayed elevated but stable, supporting a housing market whose prices are still growing but at a more moderate pace. Corporate indebtedness also remains high, although declining.

Real GDP growth rose to 1.6 % in 2025 and is forecast to increase further to 1.8% in 2026, before easing to 1.5% in 2027. Headline inflation fell to 3.0% in 2025 and is expected to hold stable in 2026. Core inflation dropped to 2.8% in 2025 and is forecast to remain at the same level in 2026. The unemployment rate rose to 3.9% in 2025 and is forecast to increase marginally to 4.0% in 2026.

The scoreboard reading for Netherlands shows that six indicators were beyond their indicative thresholds in 2025, namely the upper threshold for the current account, nominal unit labour costs, the upper threshold for the real effective exchange rate, export performance against advanced economies, non-financial corporations debt and household debt. Relevant developments worth highlighting:

- The **current account surplus** persists at high levels. It stood at 7.6% of GDP in 2025, slightly down from 7.8% in 2024, and is expected to edge up to 7.7% of GDP in 2026. The current account balance still far exceeds the levels that would be implied by economic fundamentals but is primarily due to a consistently high trade surplus. The NIIP remained strong at 47.7% of GDP in 2025, although it declined noticeably from 65% in 2024 due to valuation effects.

- **Competitiveness** developments reflect inflationary pressures and export underperformance. In 2025 headline and core inflation were 0.9 pps. and 0.4 pps. above the euro area. The positive gap is set to narrow slightly in 2026. Unit labour cost growth continued to overshoot the euro area average somewhat, rising almost 4% in 2025, respectively ca. 20% since 2022. In 2026 is set to grow slightly above 3%. The real effective exchange rate appreciated by ca. 4% over three years, and by 1.6% in 2025, on account of a strong euro. In contrast to the EU average, export market shares against advanced economies continued to fall, declining by about 3% from 2022 to 2025, which may be related to subdued trade performance of neighbouring countries.

- **Non-financial corporate** debt including foreign direct investments (FDI) stood at a relatively high level of 106.3 % of GDP in 2025, although down from 110.7 % in 2024. Credit growth (excluding FDI in % of debt stock of previous year) increased to 3.8 % in 2025 after a 0.6% contraction in 2024. Corporate savings continued to increase in 2025. Borrowing costs fell to 3.2 % in 2025 from 4.2 % in 2024 and on average have declined slightly to 3.1% in 2026. In 2026, corporate indebtedness is expected to decline slightly credit flows including FDI are lagging nominal GDP growth. NPLs edged slightly lower in 2025, and bankruptcies declined yet are in line with recent years levels.

- The **household** debt ratio remained elevated at 93.5% of GDP and 138.9% of household gross disposable income in 2025. Credit growth strengthened to 4.7% of the 2024 debt stock in 2025 and is expected to stay solid in 2026, although below 2025 and broadly in line with the slowdown in real gross disposable income. Borrowing costs on new loans declined somewhat in 2025 to 3.4% but have been increasing in the course of 2026. The household debt ratio is set to

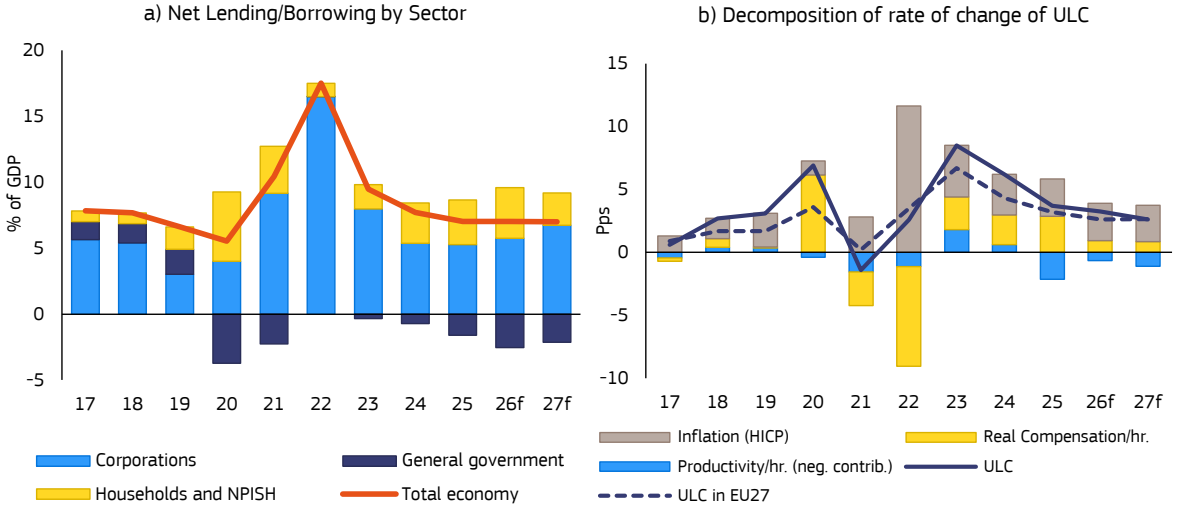
broadly stabilise in 2026, mainly fed by still strong credit flows. The household gross saving rate increased to 17.4% in 2025 and remains clearly above its 2019 level and its long-term average.

- **House price** growth moderated from 8.5% in 2025 to 4.3% year-on-year in 2026-Q2, which could slow down a further widening of the valuation gap. House prices are estimated to have been overvalued by around 21% in 2025. The price-to-income ratio was around 12 pps. above its long-term benchmark in 2025. Lower mortgage rates supported borrowing capacity in 2025, but the decline in rates appears to have ended by early 2026. Residential building permits fell by almost 15% in 2025 to 464 m^2 per 1,000 inhabitants, against persistent supply constraints, but are increasing in H1-2026.

- **Government** debt was at 44.7% of GDP in 2025 but is rising. The fiscal deficit kept widening to 1.6% of GDP in 2025 after 0.7% in 2024 and is expected to reach 2.5% of GDP in 2026. Debt-increasing stock-flow adjustments have been sizeable. Debt is forecast to increase to 46.1% of GDP in 2026 and 46.5% in 2027. Fiscal sustainability risks in the medium-term are now assessed as being medium, having previously been assessed as low ([29]).

- The **financial sector** is characterised by sound banks and a complex non-banking sector. In 2025, the Tier-1 capital ratio attained 19.8%. Banks' return on equity slightly declined to 9.3 % in 2025, while the gross non-performing loans ratio stayed low. High exposure of the financial sector, including non-banks, to the overvalued real estate sector represents a risk factor. Non-banks, including investment funds, warrant continued supervisory attention due to their large international connections, their complex corporate structures and the pension and investment funds exposure to derivatives and capital markets.

Graph 2.19: **Selected graphs, The Netherlands**



Source: Eurostat and European Commission forecasts and calculations.

([29]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Table 2.19: **Key economic and financial indicators, The Netherlands**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	forecast 2027
Output and Prices										
Real GDP (1 year % change)				2.5	2.4	-0.6	1.1	1.6	1.8	1.5
Real GDP per capita (1 year % change)				1.8	1.7	-1.6	0.4	1.0	1.4	1.2
GDP deflator (1 year % change)				2.3	3.8	6.3	5.1	3.3	3.2	3.2
Harmonised index of consumer prices (1 year % change)				1.9	5.1	4.1	3.2	3.0	3.0	2.9
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.2	2.8	6.4	3.2	2.8	2.8	2.8
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**7.6**	**7.5**	**9.0**	**8.1**	**8.4**	**7.7**	**7.7**
Current account balance, balance of payments (% of GDP)		0.9 (1)	-0.8 (2)	8.0	7.7	9.7	7.8	7.6	7.7	7.7
of which: trade balance (% GDP)				10.4	9.6	9.9	9.9	10.5		
of which: income balance (% GDP)				-2.4	-1.9	-0.3	-2.2	-2.9		
Current account norm (% of GDP) (1)				1.3	1.3	1.1	1.0	0.9	0.9	0.9
Current account req. to reach fund. NIIP (% of GDP) (2)				0.3	-0.2	-0.6	-0.8	-0.8		
Net international investment position (% of GDP)	**-35%**	-94.4 (3)	24.5 (4)	**52.7**	**72.0**	**53.9**	**65.0**	**47.7**	**52.6**	**57.3**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-10.0	6.4	14.0	18.9	12.6		
Net lending-borrowing (% of GDP)				7.4	11.1	9.5	7.5	7.0		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**3.9**	**9.9**	**9.7**	**18.1**	**19.5**	**13.7**	**9.9**
Nominal unit labour cost index per hour worked (1 year % change)				2.1	2.6	8.5	6.2	3.7	3.3	2.6
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.3**	**3.1**	**2.4**	**3.2**	**3.6**	**0.9**	**0.2**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.8	1.1	1.0	0.9	1.6	-0.2	-0.1
Export performance against advanced economies (3y % change)	**-3%**			**3.3**	**4.9**	**-5.0**	**-4.9**	**-3.2**		
Export performance against advanced economies (1 year % change)				1.6	1.1	-2.4	-1.8	1.0		
Core inflation differential vis-à-vis the euro area (pps.)				0.2	0.8	1.4	0.3	0.4	0.3	0.2
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**139.6**	**134.4**	**117.6***	**110.7**	**106.3**	**105.6**	**104.0**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			0.3	5.1	-0.5	-0.6	3.8	6.5	4.6
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**111.7**	**107.4**	**95.8***	**93.8**	**93.5**	**92.9**	**92.2**
Household debt, consolidated (% of GHDI)				171.4	159.4	142.4	139.9	138.9		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**2.3**	**3.5**	**0.7**	**3.9**	**4.7**	**4.4**	**4.0**
Household gross saving rate (&)				14.2	18.6	15.1	16.7	17.4		
House price index, nominal (1 year % change)	**+9%**			**8.2**	**11.9**	**-1.9**	**8.2**	**8.5**	**4.0**	**4.0**
House prices over/undervaluation gap (5)				-4.4	12.4	12.9	16.8	20.6	21.9	21.9
Standardized price-to-income ratio				94.0	108.5	105.2	108.2	112.0		
Building permits (m^2 per 1000 inh)				669.4	695.0	464.3	544.6	464.4		
Government										
General government gross debt (% of GDP)	**60%**			**51.8**	**50.8**	**45.9**	**44.0**	**44.7**	**46.1**	**46.5**
General government balance (% of GDP)				1.6	-2.0	-0.3	-0.7	-1.6	-2.5	-2.1
Banking sector										
Return on equity of banks (%)				8.2	6.4	10.9	10.6	9.3		
Tier-1 capital ratio banking sector (% risk-weighted assets)				18.9	19.2	18.6	19.3	19.8		
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	3.7	
Cost of borrowing for NFCs (%)				1.3	1.2	4.0	4.2	3.2	3.1	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	3.4 (6)		**5.1**	**4.2**	**3.6**	**3.7**	**3.9**	**4.0**	**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**	**0.9**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

AUSTRIA

Austria's economy is adjusting after a period of persistent inflationary pressures, but core inflation remains above euro area levels. Inflation has moderated from earlier peaks, but cost pressures remain relevant in parts of the economy and unit labour costs have continued to increase significantly. Exports have struggled recently. Fiscal pressures also remain important, with high deficits and increasing government debt.

Real GDP growth rose to 0.7% and is forecast at 0.8% in 2026 and 1.2% in 2027. Headline inflation increased to 3.6% in 2025 and is expected to ease to 3.1% in 2026. Core inflation fell to 3.1% in 2025 and is forecast to reach 3.0% in 2026. The unemployment rate rose to 5.7% in 2025 from 5.2% in 2024 and is expected to remain at 6.1% in 2026.

The scoreboard reading for Austria shows that three indicators were beyond their indicative thresholds in 2025, namely nominal unit labour costs, the upper threshold for the real effective exchange rate and government debt. Relevant developments worth highlighting:

- **External sector** indicators have remained strong. The current account surplus stood at 2.5% of GDP in 2025, down slightly from 2.8% in 2024, still mainly reflecting the weak domestic demand. It is forecast to ease to 2.3% of GDP in 2026. The NIIP stood at 28.9% of GDP in 2025.

- **Competitiveness** developments reflect inflationary pressures and export underperformance. In 2025, headline and core inflation differentials vis-à-vis the euro area were 1.5 and 0.7 pps. In 2026 they are set to remain positive. The three-year change in unit labour costs cumulated to 20.5% and the annual increase was 3% in 2025, reflecting flat productivity and robust nominal wage growth. For 2026, unit labour cost is set to advance by around 1.3%. HICP-based real effective exchange rate advanced by more than 2% in 2025 (almost 7% over three years), supported by both nominal effective exchange rate appreciation and positive inflation differential. Changes in export market shares against advanced economies were flat over the three-year period to 2025.

- **Non-financial corporate** debt including foreign direct investments (FDI) stood at 65.9% of GDP in 2025, a moderate level, down from 69.4% in 2024. Credit growth (excluding FDI in % of debt stock of previous year) increased to 1.3% in 2025 after a modest rise in 2024. Borrowing costs fell to 3.7% in 2025 from 4.8% in 2024 but have increased recently despite declining for the year on average. In 2026, corporate indebtedness is expected to remain broadly unchanged as credit and nominal GDP growth are in line. NPLs edged up in 2025, and bankruptcies increased slightly and remain at a high level compared to previous years.

- **Household** debt ratio was moderate at 40.7% of GDP in 2025, whereas household debt as percentage of household gross disposable income stayed at a relatively high 54.4%. Credit flow turned positive to 1.1% of the 2024 debt stock in 2025 and is expected to strengthen somewhat in 2026. Borrowing costs for new housing loans decreased to 3.4% in 2025 but have been increasing in the course of 2026. Against this backdrop, the household debt ratio is expected to stabilise around 40% of GDP in 2026, as slower nominal GDP growth is set to temper the impact of rising credit flows. The gross saving rate declined to 15.7% in 2025, remaining clearly above its 2019 level but close to its long-term average since 2000.

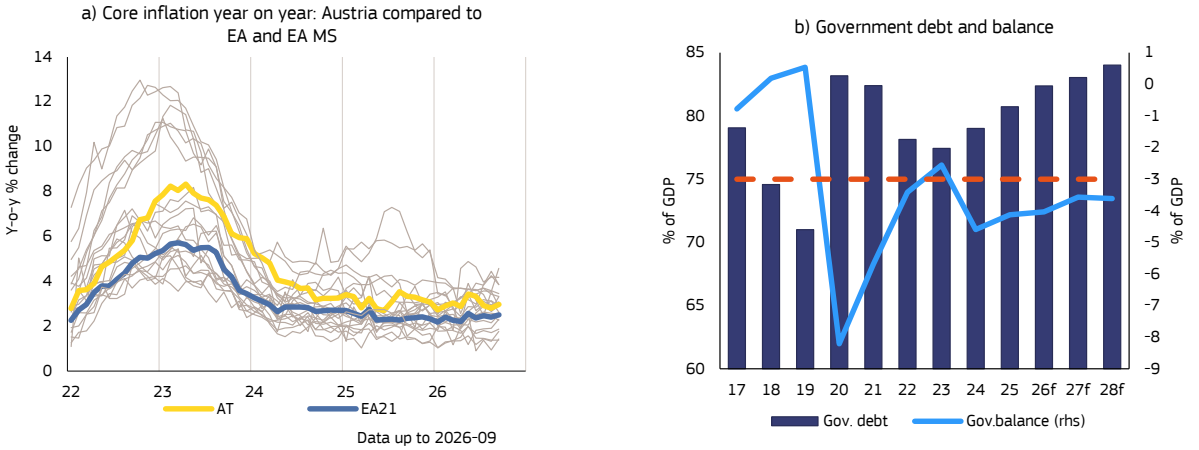
- **House prices** increased by 2.5% in 2025 and by 5.1% year-on-year in 2026-Q2 following the earlier correction. The price-to-income ratio nevertheless remained around 16 pps. above its long-term benchmark in 2025. House prices are estimated to have been overvalued by around 15% in 2025. Current developments do not point to a rapid further widening of the valuation

gap. The remaining valuation gap therefore largely reflects the earlier increase in prices relative to incomes rather than a renewed rapid price upswing. Residential building permits declined by 8% in 2025 to around 413 m^2 per 1,000 inhabitants.

- **Government** debt is significant, at 80.7% of GDP in 2025, and is rising amid large deficits. Debt is about 10 pps. above its pre-COVID-19-pandemic level. It is up from 79% of GDP in 2024 and is expected to rise further to 82.4% of GDP in 2026 and to 83% in 2027. The fiscal deficit narrowed to 4.1% of GDP in 2025 from 4.6% in 2024 but remained significant. It is expected to edge down to 4% of GDP in 2026 and 3.6% in 2027; interest expenditure is rising visibly. Recently, long-term sovereign bond yields have risen, while spreads compared with the best-rated euro area sovereign debt have remained overall stable. An excessive deficit procedure is in place for Austria. Fiscal sustainability risks are assessed as high in the medium-term ([30]).

- The **financial sector** remains sound. In 2025, the Tier-1 ratio increased to 20.2%. Return on equity, stabilised at 9.4% in 2025, below the EU median. The gross non-performing loans ratio rose modestly to 2.4% in 2025, above the EU median, while Stage-2 loans fell to 12%. Credit to non-financial corporations and household credit remained rather subdued in 2025. The existing exposure of one large bank to Russia, though decreasing, represents a source of risk.

Graph 2.20: **Selected graphs, Austria**



Source: Eurostat and European Commission forecasts and calculations.

([30]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Table 2.20: **Key economic and financial indicators, Austria**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	forecast 2027
Output and Prices										
Real GDP (1 year % change)				2.2	1.2	-0.7	-0.3	0.7	0.8	1.2
Real GDP per capita (1 year % change)				1.6	0.6	-1.5	-0.8	0.4	0.7	1.0
GDP deflator (1 year % change)				1.4	3.1	7.5	4.5	3.0	2.2	2.7
Harmonised index of consumer prices (1 year % change)				1.9	4.2	7.7	2.9	3.6	3.1	2.9
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.9	3.1	7.3	3.9	3.1	3.0	2.8
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**1.6**	**2.0**	**0.6**	**0.9**	**2.3**	**2.6**	**2.5**
Current account balance, balance of payments (% of GDP)		1.0 (1)	0.8 (2)	1.5	1.2	1.5	2.8	2.5	2.3	2.7
of which: trade balance (% GDP)				3.1	1.0	1.4	2.6	2.2		
of which: income balance (% GDP)				-1.6	0.2	0.1	0.3	0.4		
Current account norm (% of GDP) (1)				1.2	1.4	1.3	1.2	1.0	1.0	1.0
Current account req. to reach fund. NIIP (% of GDP) (2)				0.8	0.9	0.8	0.8	0.8		
Net international investment position (% of GDP)	**-35%**	-82.2 (3)	21.2 (4)	**7.5**	**14.1**	**17.9**	**25.6**	**28.9**	**30.5**	**32.2**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-4.2	-4.6	-5.9	-2.9	4.2		
Net lending-borrowing (% of GDP)				1.3	1.2	2.0	2.6	2.8		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**5.0**	**9.8**	**10.1**	**19.4**	**20.5**	**12.5**	**6.7**
Nominal unit labour cost index per hour worked (1 year % change)				1.8	2.8	8.5	7.8	3.0	1.3	2.3
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**2.4**	**1.5**	**1.9**	**2.5**	**6.8**	**1.1**	**0.7**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.7	0.0	3.9	0.7	2.1	-0.1	-0.1
Export performance against advanced economies (3y % change)	**-3%**			**1.4**	**-1.3**	**-2.1**	**-4.3**	**0.1**		
Export performance against advanced economies (1 year % change)				0.7	-1.5	3.2	-4.0	1.0		
Core inflation differential vis-à-vis the euro area (pps.)				0.8	1.1	2.3	1.1	0.7	0.6	0.3
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**72.7**	**77.1**	**71.5***	**69.4**	**65.9**	**65.8**	**64.9**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			3.7	5.4	1.8	0.9	1.3	3.2	3.0
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**49.7**	**50.7**	**43.8**	**41.8**	**40.7**	**40.2**	**39.7**
Household debt, consolidated (% of GHDI)				69.6	68.5	59.5	54.9	54.4		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**2.9**	**3.3**	**-1.5**	**-0.4**	**1.1**	**1.9**	**2.5**
Household gross saving rate (&)				13.1	17.2	15.1	17.3	15.7		
House price index, nominal (1 year % change)	**+9%**			**5.7**	**10.2**	**-2.9**	**-0.4**	**2.5**	**6.5**	**5.0**
House prices over/undervaluation gap (5)				9.5	27.0	23.2	15.7	15.1	15.9	14.2
Standardized price-to-income ratio				112.2	130.0	123.2	114.6	115.6		
Building permits (m^2 per 1000 inh)				943.1	873.4	503.8	446.7	412.8		
Government										
General government gross debt (% of GDP)	**60%**			**74.9**	**81.2**	**77.4**	**79.0**	**80.7**	**82.4**	**83.0**
General government balance (% of GDP)				0.0	-5.8	-2.6	-4.6	-4.1	-4.0	-3.6
Banking sector										
Return on equity of banks (%)				8.4	6.7	11.6	9.4	9.4		
Tier-1 capital ratio banking sector (% risk-weighted assets)				16.1	17.3	18.7	18.9	20.2		
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	3.5	
Cost of borrowing for NFCs (%)				1.5	1.6	4.5	4.8	3.7	3.6	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	5.3 (6)		**5.3**	**5.7**	**5.1**	**5.2**	**5.7**	**6.1**	**5.8**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**1.0**	**0.1**	**1.8**	**1.0**	**1.1**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

POLAND

In Poland, competitiveness pressures remain strong as the real effective exchange rate has appreciated sharply on account of relatively high inflation and nominal appreciation, while unit labour costs have risen markedly too, though slowing down. The current account shifted from a modest surplus to a small deficit, with the net international investment position staying negative. House prices have risen though less than household income. Government debt is clearly rising amid persistent large fiscal deficits.

Real GDP growth reached 3.8% in 2025, is forecast to be 3.5% in 2026 and 2.7% in 2027. Headline inflation fell to 3.3% in 2025 and is forecast to remain at this rate in 2026. Core inflation dropped to 2.8% in 2025 and is forecast at 2.6% in 2026. The unemployment rate rose to 3.1% in 2025 and is forecast to be stable in 2026.

The scoreboard reading for Poland shows that two indicators were beyond their indicative thresholds in 2025, namely nominal unit labour costs and the upper threshold for the real effective exchange rate. Relevant developments worth highlighting:

- **External sector** indicators deteriorated somewhat. The current account moved from a small surplus in 2024 to a deficit of 1% of GDP in 2025 and is expected to widen further to 1.9% of GDP in 2026. The NIIP stood at -29.7% of GDP in 2025, slightly more negative compared to 2024. The NIIP excluding non-defaultable instruments remained clearly positive, at 7.6% of GDP in 2025.

- **Competitiveness** reflects strong export performance but also strong gains in labour costs and real appreciation. In 2025, headline and core inflation stood 1.2 and 0.3 pps. above those in the euro area, trend expected to continue in 2026, but to moderate. Labour productivity grew strongly by more than 4%, but nominal compensation was high enough to push the unit labour cost growth to 4% (reaching a three-year rise of almost 29%). In 2026, the unit labour cost growth is projected at 3%. The real effective exchange rate appreciated by almost 22% in three years, with 2.8% alone in 2025, owing to a strong zloty. Poland continues to perform strongly in export market share against advanced economies, with a 3-year increase of 8% in 2025.

- **Non-financial corporate** debt including foreign direct investments (FDI) remained low at 30.8 % of GDP in 2025, slightly down from 31.3 % in 2024. Credit growth (excluding FDI in % of debt stock of previous year) accelerated to 10.2 % in 2025 from 5.9% in 2024. The interest coverage ratio improved in 2025, lifting it from the low levels seen in recent years. Borrowing costs fell to 6.9 % in 2025 from 7.7% in 2024 and declined further to 5.6% so far in 2026. In 2026, corporate indebtedness is expected to decline slightly, as credit expansion including FDI is offset by nominal GDP growth. NPLs rose modestly in 2025, while bankruptcies held steady.

- **Household** debt remained low in 2025, at 22.0% of GDP and at 29.6% of household income. Credit flow rose to 4.5% of the 2024 debt stock in 2025, but it is expected to accelerate markedly in 2026, whereas real gross disposable income is set to lose momentum. Borrowing costs for new loans eased but remained elevated in 2025 and are expected to decline further in 2026. As a result, the household debt ratio is set to remain broadly stable in 2026, as credit flow is set to be largely offset by robust nominal GDP growth. The gross saving rate in 2025 was above its 2019 level and the long-term average, as well as also slightly higher than in 2024.

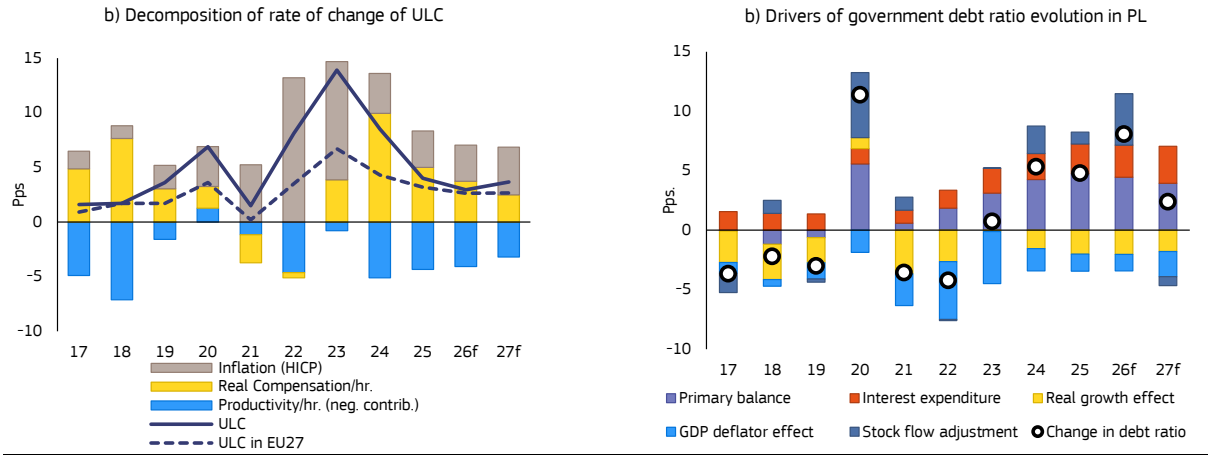
- **House prices** increased by 4.9% in 2025 and by 6.3% year-on-year in 2026-Q2, while household income increased by 7.3% in 2025. The price-to-income ratio remained below its own

long-term benchmark in 2025, indicating an improvement relative to Poland's historical position. However, price-to-income indicators expressed in levels remain high in international comparison, pointing to continued affordability constraints. House prices were estimated to be broadly in line with fundamentals in 2025. Mortgage rates continued to decline into early 2026, stabilised during the year but remain comparatively high. Residential building permits remained relatively high at 623 m^2 per 1,000 inhabitants in 2025.

- **Government** debt was at 59.6% of GDP in 2025 but is clearly rising against a backdrop of continued high deficits. It sits some 14 pps. above its pre-COVID-19-pandemic level. Debt is up from 54.8% in 2024, with further increases expected to 67.7% in 2026 and over 70% of GDP in 2027. The fiscal deficit increased to 7.2% of GDP in 2025 from 6.4% in 2024. It is expected to remain high at 7.1% of GDP in 2026 and 2027; interest expenditure is rising visibly. Sizeable stock-flow adjustments, including due to prefinancing of defence equipment, have added to the debt increase too. Recently, long-term sovereign bond yields have risen, while spreads compared with the best-rated euro area sovereign debt increased too. An excessive deficit procedure is in place for Poland. Fiscal sustainability risks are assessed as high in the medium-term ([31]).

- The **financial sector** remains sound. In 2025, the Tier-1 capital ratio remained stable at 18.3%. Profitability continued its strong rise, with return on equity at 15.4%, above the EU median. The gross non-performing loans ratio fell steadily to 3.5% in 2025, still well above the EU median. Credit to non-financial corporations expanded markedly, while household credit modestly recovered to.

Graph 2.21: **Selected graphs, Poland**



Source: Eurostat and European Commission forecasts and calculations.

([31]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Table 2.21: **Key economic and financial indicators, Poland**

	Thresholds	Bench. I	Bench. II	average *2017-2019*	average *2020-2022*	*2023*	*2024*	*2025*	forecast *2026*	*2027*
Output and Prices										
Real GDP (1 year % change)				5.3	3.3	0.2	3.2	3.8	3.5	2.7
Real GDP per capita (1 year % change)				5.3	3.5	0.6	3.5	4.3	3.9	3.0
GDP deflator (1 year % change)				2.0	6.7	9.9	4.1	2.8	2.5	3.3
Harmonised index of consumer prices (1 year % change)				1.7	7.3	10.8	3.7	3.3	3.3	4.4
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.0	6.2	9.2	3.9	2.8	2.6	3.0
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-1.2**	**0.0**	**-0.7**	**-0.1**	**0.3**	**-0.9**	**-1.6**
Current account balance, balance of payments (% of GDP)		0.2 (1)	0.3 (2)	-1.2	-0.4	1.6	0.3	-1.0	-1.9	-2.0
of which: trade balance (% GDP)				2.8	3.6	5.9	4.0	2.7		
of which: income balance (% GDP)				-4.0	-4.0	-4.3	-3.6	-3.7		
Current account norm (% of GDP) (1)				0.0	0.3	0.1	0.1	0.2	0.3	0.4
Current account req. to reach fund. NIIP (% of GDP) (2)				-1.3	-0.5	0.1	0.3	0.3		
Net international investment position (% of GDP)	**-35%**	-61.1 (3)	-3.8 (4)	**-55.0**	**-39.9**	**-31.8**	**-28.7**	**-29.7**	**-30.1**	**-30.4**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-14.7	-0.5	6.1	6.9	7.6		
Net lending-borrowing (% of GDP)				0.3	0.5	1.7	0.6	-0.1		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**5.7**	**14.1**	**25.1**	**33.6**	**28.5**	**16.1**	**11.0**
Nominal unit labour cost index per hour worked (1 year % change)				2.3	5.5	13.9	8.5	4.0	3.0	3.7
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**-0.2**	**0.2**	**9.4**	**17.6**	**21.8**	**7.8**	**0.3**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.9	0.0	10.7	7.0	2.8	-1.3	-0.6
Export performance against advanced economies (3y % change)	**-3%**			**13.9**	**15.9**	**7.3**	**5.1**	**8.0**		
Export performance against advanced economies (1 year % change)				4.6	3.8	7.0	-1.4	2.3		
Core inflation differential vis-à-vis the euro area (pps.)				-0.1	4.2	4.3	1.1	0.3	0.2	0.4
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**40.3**	**37.6**	**32.3**	**31.3**	**30.8**	**30.5**	**29.8**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			4.8	5.6	3.1	5.9	10.2	6.6	4.8
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**34.5**	**30.8**	**23.6**	**22.6**	**22.0**	**22.4**	**22.0**
Household debt, consolidated (% of GHDI)				48.1	43.3	33.6	30.7	29.6		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**5.7**	**0.9**	**-0.2**	**3.3**	**4.5**	**7.8**	**4.5**
Household gross saving rate (&)				5.6	6.4	4.8	8.9	9.0		
House price index, nominal (1 year % change)	**+9%**			**6.4**	**10.5**	**8.8**	**15.0**	**4.9**	**6.5**	**7.5**
House prices over/undervaluation gap (5)				-11.3	-3.7	-5.1	0.9	-0.6	0.0	0.3
Standardized price-to-income ratio				86.8	90.3	87.3	89.1	86.2		
Building permits (m^2 per 1000 inh)				621.8	743.0	539.5	636.9	623.5		
Government										
General government gross debt (% of GDP)	**60%**			**47.9**	**52.8**	**49.5**	**54.8**	**59.6**	**67.7**	**70.1**
General government balance (% of GDP)				-0.8	-4.0	-5.2	-6.4	-7.2	-7.1	-7.1
Banking sector										
Return on equity of banks (%)				6.9	5.1	11.6	14.6	15.4		
Tier-1 capital ratio banking sector (% risk-weighted assets)				16.1	16.6	18.1	18.1	18.3		
Gross non-performing loans, domestic and foreign entities (% gross loans)				6.3	5.1	4.1	3.9	3.5		
Cost of borrowing for households for house purchase (%)				4.4	4.8	8.3	7.7	6.9	6.0	
Cost of borrowing for NFCs (%)				3.6	4.2	8.7	7.7	6.9	5.6	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	3.0 (6)		**4.1**	**3.2**	**2.8**	**2.9**	**3.1**	**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**	**1.6**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

PORTUGAL

Portuguese house prices have continued to rise at fast pace in a context of robust housing demand, partly supported by policy measures, and persistent supply constraints. Banks' exposure to residential real estate is increasing while household debt is edging up. However, bank profitability remains strong. Competitiveness challenges remain contained but the high growth of unit labour costs stands out. The net international investment position, while still negative, has improved substantially. Government debt, although still high, continues its downward trend and the fiscal balance has recorded modest surpluses.

Real GDP growth slowed to 1.9% in 2025 but is forecast to pick up to 2.3% in 2026 before reverting to 1.9% in 2027. Headline inflation eased to 2.2% in 2025 and is expected to rise to 3.2% in 2026. Core inflation dropped to 2.3% in 2025 and is forecast to reach 2.5% in 2026. The unemployment rate fell to 6.0% in 2025 and is forecast to decline further to 5.8% in 2026.

The scoreboard reading for Portugal shows that four indicators were beyond their indicative thresholds in 2025, namely net international investment position, nominal unit labour costs, house prices and government debt. Relevant developments worth highlighting:

- **External sector** indicators remain favourable. The current account surplus stood at 1.2% of GDP in 2025, down from 2.5% in 2024, and is expected to narrow further to 0.3% of GDP in 2026. The NIIP was still relatively weak at -49.6% of GDP in 2025, though it improved compared with 2024 and is forecast to keep increasing. The NIIP excluding non-defaultable instruments was close to balance in 2025.

- **Competitiveness** challenges remain contained but productivity growth remains low. Inflation differentials vis-à-vis the euro area were marginal in 2025 and are projected to remain so in 2026 as well. By 2025, labour productivity per hour worked advanced by only 1.4% since 2019. It is set to advance marginally in 2026, which together with solid increases in nominal compensation push up unit labour costs by 5.5% and 3.9% in 2025 and 2026 respectively. Over three years by 2025, unit labour cost growth cumulated to more than 21%. The HICP-based real effective exchange rate appreciations remain contained. Export performance against advanced economies is positive over the last three years, at 8% increase, but negative in 2025 alone.

- **Non-financial corporate** debt including foreign direct investments (FDI) stood at 65.1% of GDP in 2025, down from 66.6% in 2024. Credit growth (excluding FDI in % of debt stock of previous year) rose to 3.4 % in 2025 from 2.2% in 2024. Borrowing costs fell significantly to 3.9% in 2025 from 5.3% in 2024 but have increased in 2026. Corporate indebtedness is expected to edge lower in 2026 as credit flows are set to be outpaced by nominal GDP growth. NPLs kept falling in 2025, while bankruptcies remained broadly unchanged at recent year's levels.

- **Household** indebtedness edged up in 2025 after a long period of deleveraging as credit flow was strong. The debt ratio reached 54.4% of GDP and 68.3% as percentage of household gross disposable income, both above their 2024 levels. Credit flow rose strongly to 9.0% of the 2024 debt stock in 2025, partly due to the measures facilitating homeownership for young first-time buyers, and is expected to remain robust in 2026, while real gross disposable income is set to decelerate. Borrowing costs for new loans declined to 3.0% in 2025 but have been increasing in the course of 2026. On current trends, the household debt ratio is expected to rise further in 2026, supported by sustained credit growth. The gross saving rate in 2025, at 12.3%, remained well above its 2019 level and long-term average, though slightly below the peak reached in 2024.

- **House prices** increased by 17.6% in 2025 and by 16.5% year-on-year in 2026-Q2, compared with household income growth of 5.7% in 2025. House prices are estimated to be overvalued by around 35%, the largest among EU countries. Continued strong price developments in the first half of 2026 point to a further widening of those risks. The price-to-income ratio stood around 37 pps. above its long-term benchmark in 2025. Housing demand has been reinforced by strong population growth in recent years, reflecting net immigration, and by measures facilitating homeownership for young first-time buyers, including a public guarantee that has facilitated access to high-LTV mortgages ([32]). Lower mortgage rates and rising incomes increased borrowing capacity by around 10% in 2025, although the decline in mortgage rates appears to have largely ended in 2026. Housing pressures are particularly strong in some metropolitan, coastal and tourism-intensive areas. Residential building permits increased by around 15% in 2025 to 750 m^2 per 1,000 inhabitants but the stronger supply pipeline has so far not been sufficient to moderate price growth.

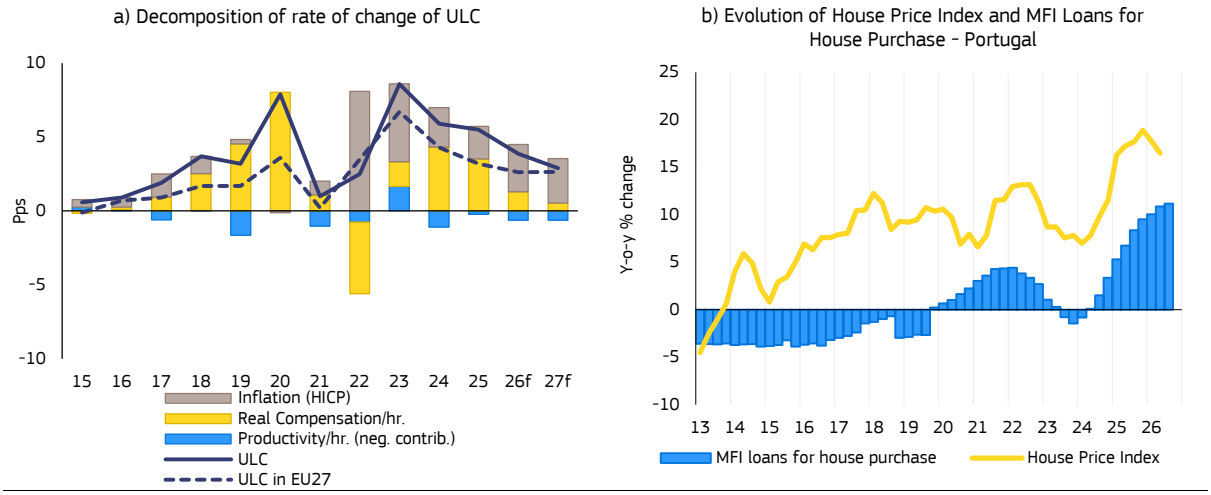
- **Government** debt is significant, at 89.2% of GDP in 2025, but has been clearly falling. Debt is some 27 pps. of GDP below its pre-COVID-19-pandemic level. It is down from 93% of GDP in 2024 and is projected to fall further to 86.5% of GDP in 2026 and just over 83% in 2027. The fiscal balance came at a surplus of 0.7% of GDP in 2024 and again in 2025. The budget is expected to be around balance in 2026 and 2027. Debt-increasing stock-flow adjustments have been sizeable. Recently, long-term sovereign bond yields have risen while spreads over the best-rated euro area debt have widened only marginally. Fiscal sustainability risks are assessed as medium in the medium-term ([33]).

- The **financial sector** developed positively in 2025, while vulnerabilities remain. In 2025, the Tier 1 capital ratio slightly increased to 19.2% in 2025. Profitability remained high, with return on equity at 13.7%. The gross non-performing loans ratio fell steadily to 2.1%, while Stage 2 loans declined to 8.8%. Credit to non-financial corporations showed overall recovering pattern, whereas household credit expanded robustly. Vulnerabilities nevertheless remain, notably from banks' increasing exposure to residential real estate, as mortgage credit has picked up alongside rapid house price growth.

([32]) INE (2026), Estimates of Resident Population 2025; IMF (2026), Portugal: 2026 Article IV Consultation, IMF Country Report No. 26/147; and Banco de Portugal, information on the public guarantee for housing loans to young first-time buyers. Portugal's resident population increased by about 825,000 between 2021 and 2025, with exceptionally large migration-driven increases in 2022-24. Measures introduced for buyers aged up to 35 including a public guarantee of up to 15% of the transaction value, allowing eligible mortgages to finance up to 100% of the transaction value. The IMF estimates that these measures have increased housing demand and contributed to higher prices; the share of new loans with LTV ratios above 90% increased from almost zero in 2024 to 19% in 2025.

([33]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Graph 2.22: **Selected graphs, Portugal**



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

Table 2.22: **Key economic and financial indicators, Portugal**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	forecast 2027
Output and Prices										
Real GDP (1 year % change)				3.0	1.2	3.1	2.7	1.9	2.3	1.9
Real GDP per capita (1 year % change)				3.0	0.8	2.0	1.6	0.9	1.5	1.3
GDP deflator (1 year % change)				1.7	3.1	7.5	4.9	4.0	3.1	3.2
Harmonised index of consumer prices (1 year % change)				1.0	2.9	5.3	2.7	2.2	3.2	3.0
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.8	1.6	5.4	2.7	2.3	2.5	2.8
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**1.1**	**-0.3**	**-0.7**	**0.4**	**1.4**	**1.3**	**0.6**
Current account balance, balance of payments (% of GDP)		-1.2 (1)	1.1 (2)	1.0	-1.1	0.6	2.5	1.2	0.3	0.4
of which: trade balance (% GDP)				1.2	-2.1	1.5	2.3	1.0		
of which: income balance (% GDP)				-0.2	1.0	-0.9	0.2	0.2		
Current account norm (% of GDP) (1)				-0.7	-0.7	-1.1	-1.2	-1.2	-1.2	-1.1
Current account req. to reach fund. NIIP (% of GDP) (2)				0.5	0.5	1.1	1.1	1.1		
Net international investment position (% of GDP)	**-35%**	-57.5 (3)	-15.0 (4)	**-105.5**	**-92.9**	**-72.3**	**-58.3**	**-49.6**	**-44.8**	**-41.1**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-52.9	-35.6	-18.8	-8.5	0.5		
Net lending-borrowing (% of GDP)				2.0	0.1	2.0	3.6	2.7		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**6.4**	**13.2**	**12.5**	**17.9**	**21.3**	**16.0**	**12.7**
Nominal unit labour cost index per hour worked (1 year % change)				2.9	3.8	8.6	5.9	5.5	3.9	2.9
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**0.8**	**-1.9**	**-1.6**	**0.4**	**2.8**	**-0.3**	**-0.4**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.0	-0.9	2.0	0.3	0.5	-0.1	-0.1
Export performance against advanced economies (3y % change)	**-3%**			**6.6**	**-5.8**	**16.6**	**17.0**	**8.0**		
Export performance against advanced economies (1 year % change)				2.3	-0.6	7.5	1.7	-1.2		
Core inflation differential vis-à-vis the euro area (pps.)				-0.2	-0.4	0.4	-0.1	-0.1	0.1	0.2
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**88.1**	**86.3**	**70.1***	**66.6**	**65.1**	**64.0**	**61.6**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			-0.8	3.3	0.3	2.2	3.4	4.5	1.4
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**65.6**	**64.9**	**54.1***	**52.3**	**54.4**	**56.5**	**55.8**
Household debt, consolidated (% of GHDI)				84.0	79.7	69.9	65.6	68.3		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**0.9**	**2.9**	**-0.4**	**4.0**	**9.0**	**9.4**	**3.9**
Household gross saving rate (&)				6.8	10.1	8.9	12.9	12.3		
House price index, nominal (1 year % change)	**+9%**			**9.8**	**10.3**	**8.2**	**9.1**	**17.6**	**15.5**	**10.0**
House prices over/undervaluation gap (5)				-5.7	12.2	20.5	21.5	34.9	46.5	49.5
Standardized price-to-income ratio				98.6	117.4	122.8	122.2	137.0		
Building permits (m^2 per 1000 inh)				438.3	588.4	633.4	654.5	749.7		
Government										
General government gross debt (% of GDP)	**60%**			**121.1**	**123.1**	**96.9**	**93.0**	**89.2**	**86.5**	**83.2**
General government balance (% of GDP)				-1.1	-3.0	1.1	0.7	0.7	0.1	-0.1
Banking sector										
Return on equity of banks (%)				2.1	4.5	13.8	14.4	13.7		
Tier-1 capital ratio banking sector (% risk-weighted assets)				14.5	16.4	17.9	19.0	19.2		
Gross non-performing loans, domestic and foreign entities (% gross loans)				9.6	3.8	2.7	2.4	2.1		
Cost of borrowing for households for house purchase (%)				1.5	1.2	4.1	3.9	3.0	2.9	
Cost of borrowing for NFCs (%)				2.6	2.3	5.4	5.3	3.9	4.0	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	5.6 (6)		**7.7**	**6.7**	**6.5**	**6.5**	**6.0**	**5.8**	**5.7**
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**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

ROMANIA

Romania's external accounts remain weak, with the second largest current account deficit as share of GDP in the EU and a deteriorating negative net international investment position, leaving the economy reliant on external financing. Domestic demand slowed down, particularly consumption, but the external deficit is kept high on account of both income and trade balances. The government deficit declined at a fast pace, due to consolidation measures, but remains high and is pushing up government debt. Competitiveness is pressured by persistently high inflation, while unit labour cost growth slowed on the back of frozen public wages and easing labour market conditions. Export market shares against advanced economies gains remain solid. Corporate and household debts remain at low levels, as high credit growth was in line with high nominal GDP growth. Non-performing loans are higher than the EU average, but so is banks' capitalisation. The banking system's high and growing exposure to domestic sovereign debt represents a vulnerability.

Real GDP growth reached 0.8% in 2025 and is forecast to slow to -0.3% in 2026 before picking up to 1.8% in 2027. Headline inflation rose to 6.8% in 2025 and is forecast to edge higher to 7.9% in 2026. Core inflation fell to 6.6% in 2025 and is forecast at 8.1% in 2026. The unemployment rate increased to 6.1% in 2025 from 5.4% in 2024 and is forecast to rise further to 6.7% in 2026.

The scoreboard reading for Romania shows that four indicators were beyond their indicative thresholds in 2025, namely the lower threshold for the current account, net international investment position, nominal unit labour costs and the upper threshold for the real effective exchange rate. Relevant developments worth highlighting:

- Concerns about **external sector** sustainability persist. The current account deficit was the second largest in the EU, at 7.4% of GDP in 2025, lower than 8.1% of GDP in 2024, and is forecast to somewhat narrow to 7.0% in 2026. Large fiscal deficits have fuelled domestic demand growth in recent years, resulting in sizeable current account deficits. Fiscal consolidation measures led to a steady decline in private consumption and fiscal deficits in 2025 and 2026. This was not accompanied by a more meaningful reduction in external deficits mainly due to lower but still significantly large trade deficits, keeping the economy reliant on external financing. The NIIP weakened to -43.7% of GDP in 2025, and seems unlikely to improve substantially, as nominal growth is slowing and external financing needs remain substantial. The composition of the NIIP is dominated by non-defaultable instruments, notably FDI. The NIIP excluding non-defaultable instruments was -11.1% of GDP in 2025.

- **Competitiveness** concerns remain due to large and persistent inflation differentials, which are partly mitigated by a strong deceleration in unit labour costs. In 2025, headline and core inflation differentials vis-à-vis the euro area were 4.7 and 4.2 pps. respectively, fuelled by tax increases and the phasing out of energy price caps. They are set to remain above 4 pps. in 2026 as well. After strong growth prior to 2025, nominal unit labour cost increases slowed to ca. 4% in 2025 and are projected to accelerate in 2026. Deflated by the high inflation, real wage growth turned negative. Labour productivity increased by 2% in 2025 and is expected to stay flat in 2026, on account of the subdued activity. The real effective exchange rate appreciated by 3.1% in 2025, driven almost completely by the positive relative inflation differential, as the nominal effective exchange rate remained stable. Export market shares against advanced economies continued to improve, posting a 3-year gain of 7.1% in 2025.

- **Non-financial corporate** debt including foreign direct investments (FDI) remained low at 27.7% of GDP in 2025, broadly stable from 27.6% in 2024. Credit growth (excluding FDI in % of debt stock of previous year) remained high at 9.1% in 2025 following 10.1% in 2024. Borrowing costs rose to 8.9% in 2025 from 8.2% in 2024 and have declined to 8.6% in 2026. In 2026,

corporate indebtedness is expected to decline as credit expansion is expected to be below nominal GDP growth. The share of NPLs rose significantly in 2025, while bankruptcies increased modestly.

- **Household** indebtedness remained low in 2025, with the household debt ratio at 12.4% of GDP and household debt as percentage of household gross disposable income at 19.6%. Credit flows continued strong, at 10.8% of the 2024 debt stock in 2025, but are expected to lose some momentum in 2026, in line with the projected decline in real gross disposable income. Borrowing costs for new loans eased somewhat to 5.9% in 2025 and are expected to broadly stabilise in 2026. In this context, the household debt ratio is expected to remain broadly stable in 2026, as strong nominal GDP growth continues to largely offset credit flows. Non-performing loans to households remain elevated but continued to decline to 3.2% of all bank loans in 2025.

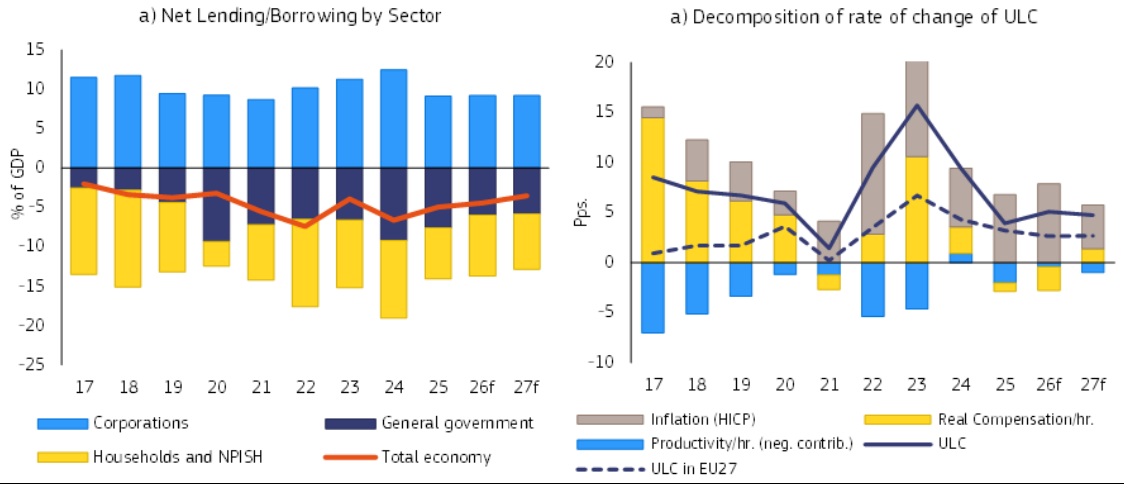
- **House prices** increased by 5.7% in 2025 while household income increased by 7.0%, and by 12.1% year-on-year in 2026-Q2, while real house prices declined slightly by 0.6%. House prices are estimated to have been undervalued in 2025. The price-to-income ratio remained far below its long-term benchmark in 2025.

- **Government** debt was at 58.9% of GDP in 2025 but is clearly rising against a backdrop of continued high deficits. Debt is some 24 pps. of GDP above its pre-COVID-19-pandemic level. It is up from 54.6% of GDP in 2024 and is forecast to continue climbing, reaching 60.7% in 2026 and close to 63% in 2027. The fiscal deficit narrowed to 7.8% of GDP in 2025 from 9.2% in 2024, reflecting consolidation from successive fiscal packages, and is expected to improve further but to remain large at 6% of GDP in 2026 and 5.8% in 2027. Interest expenditure is rising visibly. Gross financing needs remain significant, expected at around 13% of GDP in 2027. An excessive deficit procedure is in place for Romania. Recently, long-term sovereign bond yields have risen while spreads compared with the best-rated euro area sovereign debt have narrowed. Fiscal sustainability risks are high in the medium-term ([34]).

- The **financial sector** remains stable but subject to moderate risks particularly due to large government exposures. In 2025, the Tier-1 capital ratio increased to 22.6%, well above the EU median. Profitability remained strong, as return on equity reached 15.4% in 2025, well above the EU median. The gross non-performing loans ratio remained stable and at 2.8% in 2025, above the EU median. Lending to non-financial corporations stayed elevated, while household credit rebounded strongly. Romanian banks have a high and rising exposure to domestic sovereign debt, reflecting the large fiscal financing needs and the limited depth of domestic capital markets. This sovereign–bank nexus remains a vulnerability, given Romania's large fiscal deficits and increasing public debt.

([34]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Graph 2.23: **Selected graphs, Romania**



Source: Eurostat and European Commission forecasts and calculations.

Table 2.23: **Key economic and financial indicators, Romania**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	2027
Output and Prices										
Real GDP (1 year % change)				6.0	2.4	2.5	1.1	0.8	-0.3	1.8
Real GDP per capita (1 year % change)				6.5	3.0	2.4	1.1	0.8	-0.2	1.9
GDP deflator (1 year % change)				5.6	6.8	12.4	10.1	8.4	8.6	5.4
Harmonised index of consumer prices (1 year % change)				3.0	6.1	9.7	5.8	6.8	7.9	4.4
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.8	3.7	9.7	8.4	6.6	8.1	4.8
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-3.2**	**-6.0**	**-7.9**	**-8.1**	**-7.4**	**-7.5**	**-6.9**
Current account balance, balance of payments (% of GDP)		-0.2 (1)	-1.3 (2)	-4.2	-7.3	-6.7	-8.1	-7.4	-7.0	-6.3
of which: trade balance (% GDP)				-3.4	-5.7	-4.9	-6.0	-5.1		
of which: income balance (% GDP)				-0.8	-1.6	-1.8	-2.1	-2.4		
Current account norm (% of GDP) (1)				-0.4	0.0	-0.2	-0.2	-0.2	-0.2	-0.1
Current account req. to reach fund. NIIP (% of GDP) (2)				-3.0	-2.6	-1.7	-1.3	-1.3		
Net international investment position (% of GDP)	**-35%**	-55.0 (3)	-7.5 (4)	**-46.8**	**-46.5**	**-41.7**	**-41.1**	**-43.7**	**-45.7**	**-47.1**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-6.3	-7.1	-6.6	-8.3	-11.1		
Net lending-borrowing (% of GDP)				-3.0	-5.4	-3.9	-6.6	-5.0		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**23.9**	**17.8**	**28.5**	**38.7**	**31.5**	**19.4**	**14.3**
Nominal unit labour cost index per hour worked (1 year % change)				7.4	5.5	15.7	9.4	3.9	5.1	4.7
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**-2.0**	**2.4**	**6.9**	**9.7**	**11.7**	**6.3**	**2.5**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.1	0.9	5.6	2.6	3.1	0.9	-1.0
Export performance against advanced economies (3y % change)	**-3%**			**11.6**	**5.4**	**6.5**	**1.4**	**7.1**		
Export performance against advanced economies (1 year % change)				3.1	1.2	5.1	-3.0	5.0		
Core inflation differential vis-à-vis the euro area (pps.)				0.7	1.7	4.7	5.5	4.2	5.7	2.2
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**32.8**	**31.6**	**28.5**	**27.6**	**27.7**	**26.6**	**25.5**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			2.1	10.2	11.6	10.1	9.1	6.4	4.4
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**15.9**	**15.4**	**12.7**	**12.4**	**12.4**	**12.5**	**12.4**
Household debt, consolidated (% of GHDI)				24.5	22.7	19.6	19.0	19.6		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**7.7**	**5.8**	**4.3**	**10.9**	**10.8**	**9.0**	**6.4**
Household gross saving rate (&)				-6.6	-0.1	-3.2	-2.2	-0.4		
House price index, nominal (1 year % change)	**+9%**			**5.0**	**5.4**	**3.3**	**5.0**	**5.7**	**11.5**	**11.0**
House prices over/undervaluation gap (5)				-5.9	-11.5	-18.9	-23.2	-25.0	-26.8	-26.0
Standardized price-to-income ratio				68.6	58.5	50.5	47.1	47.0		
Building permits (m^2 per 1000 inh)				542.3	591.6	456.3	461.7	509.3		
Government										
General government gross debt (% of GDP)	**60%**			**35.1**	**48.1**	**49.4**	**54.6**	**58.9**	**60.7**	**62.6**
General government balance (% of GDP)				-3.2	-7.7	-6.6	-9.2	-7.8	-6.0	-5.8
Banking sector										
Return on equity of banks (%)				12.5	12.6	16.8	17.7	15.4		
Tier-1 capital ratio banking sector (% risk-weighted assets)				18.1	20.5	19.9	20.9	22.6		
Gross non-performing loans, domestic and foreign entities (% gross loans)				5.3	3.4	2.5	2.6	2.8		
Cost of borrowing for households for house purchase (%)				4.9	4.8	7.3	6.4	5.9	5.7	
Cost of borrowing for NFCs (%)				5.4	5.7	9.0	8.2	8.9	8.6	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	6.0 (6)		**5.4**	**5.8**	**5.6**	**5.4**	**6.1**	**6.7**	**6.4**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**2.9**	**3.0**	**2.7**	**1.8**	**0.3**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

SLOVENIA

In Slovenia, competitiveness indicators present a mixed picture, with a stable real effective exchange rate, rising nominal unit labour costs and a modest increase in export market shares against advanced economies. Public debt remains elevated but is on a declining path, notwithstanding a widening of the fiscal deficit.

Real GDP growth fell to 1.5% in 2025 and is expected to rise to 3.9% in 2026 and to fall again to 2.9% in 2027. Headline inflation rose to 2.5% in 2025 and is forecast to climb to 3.4% in 2026. Core inflation fell to 2.4% in 2025 and is forecast to reach 2.6% in 2026. Unemployment rose to 3.9% in 2025 after a slight uptick from 2024 and is expected to fall slightly to 3.8% in 2026.

The scoreboard reading for Slovenia shows that three indicators were beyond their indicative thresholds in 2025, namely nominal unit labour costs, government debt and labour force participation rate. Relevant developments worth highlighting:

- **External sector** developments have remained favourable. The current account surplus stood at 4.1% of GDP in 2025, slightly below the 5.2% in 2024, and is forecast to ease further to 2.8% of GDP in 2026. The NIIP increased to 14.4% of GDP in 2025. The NIIP excluding non-defaultable instruments was higher, at 27.1% of GDP in 2025.

- **Competitiveness** indicators remain contained. In 2025, headline and core inflation evolved broadly in line with those in the euro area, a trend set to continue in 2026. Unit labour costs rose by 4.8% in 2025, contributing to a cumulative 3-year increase of 18.2%. In 2026, unit labour cost is projected to grow by more than 3%. The 2025 HICP-based real effective exchange rate remained flat while export market advanced slightly, by 1% over the past three years.

- **Non-financial corporate** debt including foreign direct investments (FDI) remained low and stable, at 32.3% of GDP in 2025. Credit growth (excluding FDI in % of debt stock of previous year) turned positive in 2025, rising to 4.6% after a contraction of 2.7% in 2024. Borrowing costs fell to 3.9% in 2025 from 5.1% in 2024 and have slightly increased in 2026. In 2026, corporate indebtedness is expected to decline as credit growth is expected to be offset by stronger nominal GDP growth. The share of NPLs rose significantly in the second half of 2025, and also bankruptcies increased.

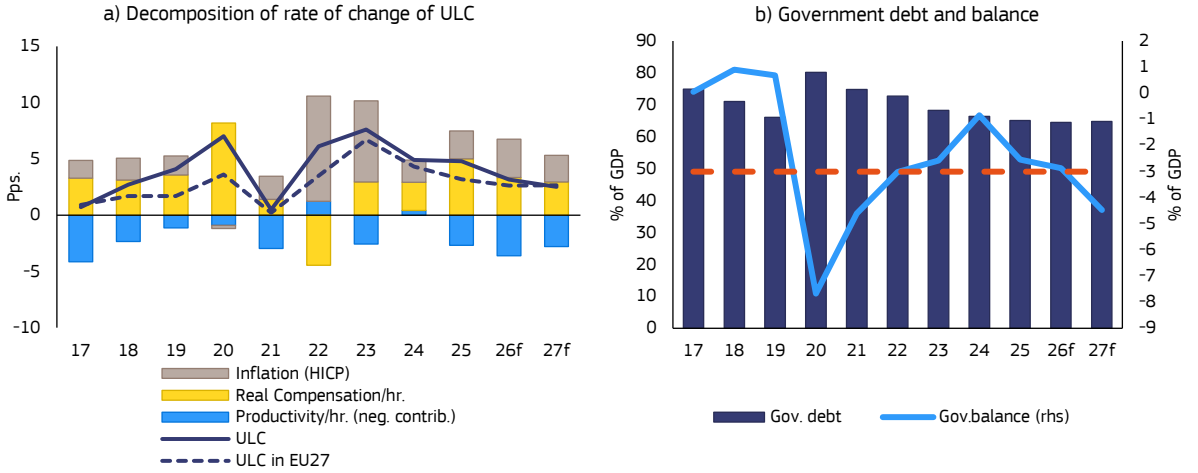
- **Household** indebtedness in 2025 remained low, at around 24.6% of GDP and at 33.8% of household gross disposable income. Credit flow in 2025, at close to 8% of the 2024 debt stock, is strong and is expected to strengthen further in 2026 alongside solid real gross disposable income growth. Borrowing costs for new loans declined in 2025 to 2.9% but have been increasing in the course of 2026. Robust credit flows are set to be largely offset by firm nominal GDP growth in 2026, thereby leaving the household debt ratio broadly stable. The household gross saving rate rose to 14.7% in 2025, clearly above its 2019 level and close to its long-term average since 2000.

- **House prices** increased by 7.3% in 2025 and by 9.1% year-on-year in 2026-Q2. House prices are estimated to have been overvalued by around 6% in 2025, and price developments in early 2026 could widen the gap further. The price-to-income ratio was around 8 pps. above its long-term benchmark in 2025, while lower interest rates and higher incomes increased borrowing capacity by around 13%. The decline in mortgage rates appears to have levelled off by early 2026. Residential building permits were broadly unchanged in 2025 at 422 m^2 per 1,000 inhabitants.

- **Government** debt was at 65.1% of GDP in 2025, while edging downwards in recent years. It is close to its pre-COVID-19-pandemic level. Debt is down from 66.3% in 2024 and is forecast to dip to 64.5% of GDP in 2026 and to increase marginally in 2027. The fiscal deficit widened to 2.5% of GDP in 2025, up from 0.8% in 2024; deficits are expected to worsen to 2.9% of GDP in 2026 and based on a no-policy-change assumption to 4.5% in 2027. Recently, long-term sovereign bond yields have edged up but spreads compared with the best rated euro area sovereign debt have narrowed. Fiscal sustainability risks are assessed as medium in the medium-term ([35]).

- The **financial sector** remains sound. The Tier-1 capital ratio increased to 19%. Profitability stayed robust, with return on equity at 12%. The gross non-performing loans ratio rose to 2.4% in 2025, above the EU median, while the share of Stage 2 loans fell to 7.4%. Credit to non-financial corporations showed a tentative recovery, whereas household credit expanded strongly.

Graph 2.24: **Selected graphs, Slovenia**



Source: Eurostat and European Commission forecasts and calculations.

([35]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Table 2.24: **Key economic and financial indicators, Slovenia**

	Thresholds	Bench. I	Bench. II	average *2017-2019*	average *2020-2022*	*2023*	*2024*	*2025*	forecast *2026*	*2027*
Output and Prices										
Real GDP (1 year % change)				4.4	2.2	2.6	2.0	1.5	3.9	2.9
Real GDP per capita (1 year % change)				4.0	1.9	2.1	1.7	1.3	3.7	2.8
GDP deflator (1 year % change)				1.9	3.5	9.8	3.1	3.9	3.4	3.1
Harmonised index of consumer prices (1 year % change)				1.7	3.6	7.2	2.0	2.5	3.4	2.4
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.2	2.5	6.7	2.8	2.4	2.6	2.9
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**6.1**	**5.3**	**2.5**	**3.1**	**4.7**	**4.0**	**3.1**
Current account balance, balance of payments (% of GDP)		0.5 (1)	0.8 (2)	6.6	3.3	4.9	5.2	4.1	2.8	2.4
of which: trade balance (% GDP)				8.8	5.5	6.6	6.5	5.6		
of which: income balance (% GDP)				-2.2	-2.2	-1.7	-1.3	-1.5		
Current account norm (% of GDP) (1)				0.3	0.5	0.3	0.5	0.5	0.5	0.5
Current account req. to reach fund. NIIP (% of GDP) (2)				0.5	0.6	0.8	0.8	0.8		
Net international investment position (% of GDP)	**-35%**	-65.7 (3)	4.5 (4)	**-20.0**	**-7.5**	**3.6**	**10.4**	**14.4**	**15.8**	**17.2**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-3.3	9.5	19.3	23.6	27.1		
Net lending-borrowing (% of GDP)				6.0	3.2	4.9	5.3	4.3		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**5.6**	**13.5**	**14.6**	**19.6**	**18.2**	**13.4**	**10.8**
Nominal unit labour cost index per hour worked (1 year % change)				2.5	4.5	7.6	4.9	4.8	3.2	2.5
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**0.4**	**0.0**	**1.2**	**1.1**	**2.4**	**-0.9**	**-0.8**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.3	-0.4	2.9	-0.4	0.0	0.1	-0.6
Export performance against advanced economies (3y % change)	**-3%**			**12.3**	**3.3**	**0.7**	**-1.1**	**1.0**		
Export performance against advanced economies (1 year % change)				3.8	0.3	1.4	-0.7	0.3		
Core inflation differential vis-à-vis the euro area (pps.)				0.2	0.4	1.7	0.0	0.0	0.1	0.3
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**44.0**	**39.8**	**34.7**	**32.3**	**32.3**	**31.5**	**31.2**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			-1.2	4.1	-2.9	-2.7	4.6	6.2	6.2
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**27.1**	**26.7**	**23.9**	**24.1**	**24.6**	**24.8**	**25.3**
Household debt, consolidated (% of GHDI)				38.4	35.5	33.3	33.4	33.8		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**6.1**	**4.8**	**3.9**	**6.8**	**7.7**	**8.4**	**7.9**
Household gross saving rate (&)				13.3	18.0	14.9	14.0	14.7		
House price index, nominal (1 year % change)	**+9%**			**7.9**	**10.2**	**7.2**	**7.5**	**7.3**	**10.0**	**8.5**
House prices over/undervaluation gap (5)				-8.0	-0.3	1.2	3.1	5.8	9.4	10.6
Standardized price-to-income ratio				95.3	100.7	104.8	106.5	107.8		
Building permits (m^2 per 1000 inh)				353.3	443.0	471.6	423.2	422.1		
Government										
General government gross debt (% of GDP)	**60%**			**70.6**	**75.9**	**68.2**	**66.3**	**65.1**	**64.5**	**64.8**
General government balance (% of GDP)				0.6	-5.1	-2.6	-0.8	-2.5	-2.9	-4.5
Banking sector										
Return on equity of banks (%)				10.0	11.4	16.8	14.9	12.0		
Tier-1 capital ratio banking sector (% risk-weighted assets)				17.7	16.6	18.0	17.8	19.0		
Gross non-performing loans, domestic and foreign entities (% gross loans)				6.2	2.3	1.5	1.6	2.4		
Cost of borrowing for households for house purchase (%)				2.4	2.1	4.1	3.6	2.9	3.1	
Cost of borrowing for NFCs (%)				2.1	2.0	4.9	5.1	3.9	4.0	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	5.7 (6)		**5.4**	**4.6**	**3.7**	**3.7**	**3.9**	**3.8**	**3.8**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**3.3**	**0.8**	**1.4**	**0.9**	**-0.4**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

SLOVAKIA

In Slovakia, competitiveness pressures endure as inflation stood well above the euro area, the real effective exchange rate appreciated, and unit labour costs rose sharply. The external sector remains weak, with the current account deficit set to remain at similar levels. Public finances are strained, with government debt rising, and fiscal deficits are staying high. House price growth was strong in 2025 and further accelerated in Q2-2026.

Real GDP growth fell to 0.9% in 2025 and is forecast to hold at 0.8% in 2026 before edging up to 1.6% in 2027. Headline inflation rose to 4.2% in 2025 and is expected to ease to 3.8% in 2026. Core inflation increased to 5.6% in 2025 and is forecast to fall to 3.7% in 2026. Unemployment increased slightly to 5.4% in 2025 and is forecast to climb to 5.7% in 2026.

The scoreboard reading for Slovakia shows that six indicators were beyond their indicative thresholds in 2025, namely the lower threshold of the current account, net international investment position, nominal unit labour costs, the upper threshold for the real effective exchange rate, house prices and government debt. Relevant developments worth highlighting:

- **External sector** indicators have slightly strengthened but remain relatively weak. The current account deficit reached 4.7% of GDP in 2025, from 4.8% in 2024, and is expected to remain at 4.8% of GDP in 2026. The NIIP remained weak at -50.8% of GDP in 2025, up from -53.7% in 2024. The NIIP excluding non-defaultable instruments was also negative at -10.3% of GDP in 2025.

- Broad-based **competitiveness** concerns persist, despite some moderation. In 2025, headline and core inflation stood more than 2 and 3 pps. above the euro area, with a positive narrowing gap expected in 2026. Unit labour cost growth advanced by more than 5% in 2025 despite a 2.1% increase in labour productivity, accumulating almost 20% over the past three years. In 2026 ULC is set to grow by close to 3%. In 2025, the three-year change in the real effective exchange rate cumulated to 9.2%, while the year-on-year real effective exchange rate appreciated by 2.1%, pushed to similar extents by a strong euro and relative inflation differential. The three-year change in export market shares against advanced economies turned positive with more than 3% gain in 2025, reversing the previous decline.

- **Non-financial corporate** debt including foreign direct investments (FDI) stood at a low level of 39.6% of GDP in 2025, down from 40.5% in 2024. Credit growth (excluding FDI in % of debt stock of previous year) accelerated to 8.7% in 2025 after a contraction of 2.6% in 2024. Borrowing costs fell to 4.3% in 2025 from 5.7% in 2024 and have increased recently despite remaining broadly stable for the year on average. In 2026, corporate indebtedness is expected to remain broadly stable as credit expansion is in line with nominal GDP growth. NPLs held steady at low historical levels in 2025, while bankruptcies rose modestly.

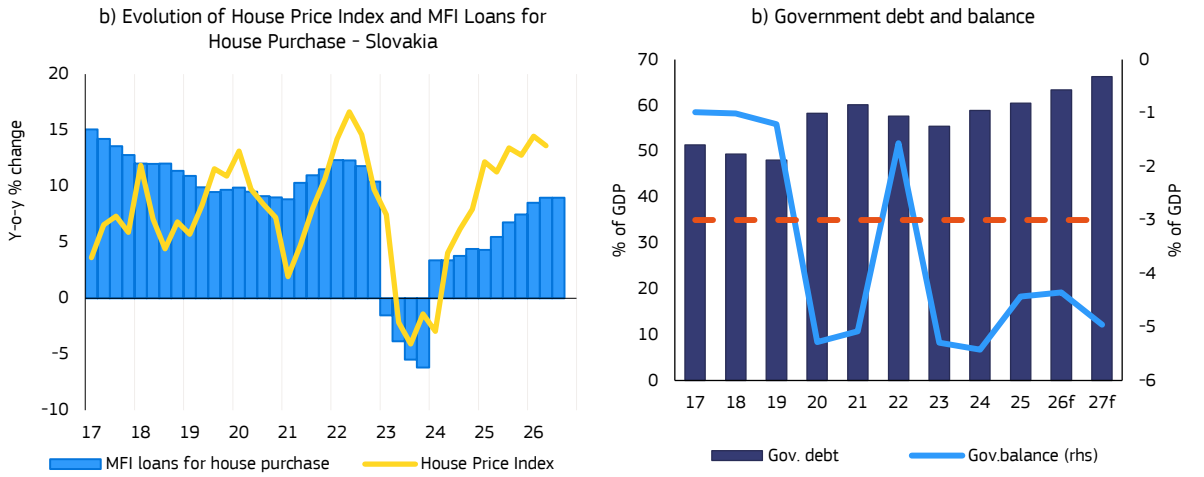
- **Household** indebtedness in 2025 remains moderate, with the debt ratio at 43.5% of GDP and somewhat higher at 60.9% of household gross disposable income, while credit growth was dynamic. In 2025, credit flows strengthened to 7.1% of the 2024 debt stock and are expected to increase further in 2026, in contrast with the forecast deceleration in real gross disposable income. Borrowing costs for new housing loans decreased somewhat, to 3.6% in 2025 but have been increasing in the course of 2026. On this basis, the household debt ratio is expected to rise moderately further in 2026, as stronger credit growth outpaces nominal GDP growth. The gross saving rate declined in 2025 and remained below its 2019 level and its long-term average since 2000.

- **House price** growth increased from 12.4% in 2025 to 13.6% year-on-year in 2026-Q2. House prices are estimated to have been overvalued by around 15% in 2025, and the acceleration in early 2026 could widen the gap further. The price-to-income ratio was close to its long-term benchmark in 2025 and therefore does not point to an additional deterioration relative to Slovakia's own historical experience. Borrowing capacity increased by around 10% in 2025 as mortgage rates declined, although the pace of decline in financing costs became more limited by early 2026. Residential building permits increased by 6% in 2025 but remained low at only around 312 m^2 per 1,000 inhabitants.

- **Government** debt was at 60.5% of GDP in 2025 and is clearly rising against a backdrop of high deficits. Debt is about 12 pps. of GDP above its pre-COVID-19-pandemic level. It increased from 58.9% in 2024 and is expected to continue to climb to 63.4% of GDP in 2026 and over 66% in 2027. The fiscal deficit narrowed to 4.4% of GDP in 2025 after standing at 5.4% in 2024 and is expected to remain at 4.4% of GDP in 2026 but to widen further to 5% in 2027. Long-term sovereign bond yields have risen recently, while spreads over the best-rated euro-area sovereign debt have remained steady. An excessive deficit procedure is in place for Slovakia. Fiscal sustainability risks are assessed as high in the medium-term ([36]).

- The **financial sector** remains sound. In 2025, the Tier-1 capital ratio increased to 19.7%. Bank profitability remained stable with a return on equity of 10.2%. Gross non-performing loans held at 1.9% of gross loans. Credit dynamics to the private sector showed signs of recovery in 2025, with credit to non-financial corporations and households both expanding at a relatively strong pace compared with recent years.

Graph 2.25: **Selected graphs, Slovakia**



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

([36]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Table 2.25: **Key economic and financial indicators, Slovakia**

	Thresholds	Bench. I	Bench. II	average *2017-2019*	average *2020-2022*	*2023*	*2024*	*2025*	forecast *2026*	*2027*
Output and Prices										
Real GDP (1 year % change)				3.0	1.3	2.5	2.6	0.9	0.8	1.6
Real GDP per capita (1 year % change)				2.9	1.2	2.5	2.6	1.1	1.0	1.9
GDP deflator (1 year % change)				1.9	4.0	10.0	3.7	4.2	4.1	3.0
Harmonised index of consumer prices (1 year % change)				2.2	5.5	11.0	3.2	4.2	3.8	3.2
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.8	4.6	9.5	4.3	5.6	3.7	3.0
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-1.9**	**-3.3**	**-5.8**	**-5.8**	**-4.2**	**-4.7**	**-4.5**
Current account balance, balance of payments (% of GDP)		0.4 (1)	1.9 (2)	-2.3	-5.0	-3.0	-4.8	-4.7	-4.8	-4.1
of which: trade balance (% GDP)				0.7	-1.9	1.5	-0.3	-0.3		
of which: income balance (% GDP)				-3.0	-3.1	-4.5	-4.5	-4.3		
Current account norm (% of GDP) (1)				0.1	0.3	0.1	0.3	0.4	0.4	0.5
Current account req. to reach fund. NIIP (% of GDP) (2)				0.3	0.8	1.6	1.9	1.9		
Net international investment position (% of GDP)	**-35%**	-52.0 (3)	-0.6 (4)	**-66.0**	**-60.5**	**-56.1**	**-53.7**	**-50.8**	**-48.6**	**-46.7**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-13.6	-14.1	-13.5	-10.8	-10.3		
Net lending-borrowing (% of GDP)				-1.7	-4.0	-2.6	-3.8	-4.6		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**11.6**	**11.8**	**17.0**	**22.0**	**19.9**	**13.8**	**11.7**
Nominal unit labour cost index per hour worked (1 year % change)				4.8	3.8	8.4	4.8	5.5	2.9	2.9
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**1.0**	**4.1**	**7.6**	**8.4**	**9.2**	**2.3**	**2.1**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.8	1.3	6.2	0.7	2.1	0.5	0.2
Export performance against advanced economies (3y % change)	**-3%**			**2.4**	**-0.5**	**-2.6**	**-5.1**	**3.4**		
Export performance against advanced economies (1 year % change)				-0.2	-1.4	5.6	-4.3	2.3		
Core inflation differential vis-à-vis the euro area (pps.)				0.8	2.6	4.5	1.4	3.1	1.3	0.5
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**48.5**	**47.1**	**42.8**	**40.5**	**39.6**	**39.5**	**40.5**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			1.4	5.8	3.8	-2.6	8.7	5.8	8.6
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**42.1**	**46.4**	**43.5**	**42.7**	**43.5**	**45.0**	**46.5**
Household debt, consolidated (% of GHDI)				60.7	63.3	60.9	59.1	60.9		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**9.8**	**7.9**	**4.8**	**4.3**	**7.1**	**8.7**	**8.0**
Household gross saving rate (&)				9.1	9.7	7.6	7.8	6.1		
House price index, nominal (1 year % change)	**+9%**			**7.5**	**9.8**	**-0.2**	**3.8**	**12.4**	**12.0**	**10.0**
House prices over/undervaluation gap (5)				-1.9	12.2	10.4	7.3	15.0	23.3	26.2
Standardized price-to-income ratio				95.9	103.5	96.9	93.6	101.0		
Building permits (m^2 per 1000 inh)				428.4	434.1	366.5	293.1	312.2		
Government										
General government gross debt (% of GDP)	**60%**			**49.6**	**58.7**	**55.5**	**58.9**	**60.5**	**63.4**	**66.3**
General government balance (% of GDP)				-1.1	-4.0	-5.3	-5.4	-4.4	-4.4	-5.0
Banking sector										
Return on equity of banks (%)				9.0	7.7	11.5	10.2	10.2		
Tier-1 capital ratio banking sector (% risk-weighted assets)				16.4	17.9	18.6	18.7	19.7		
Gross non-performing loans, domestic and foreign entities (% gross loans)				3.3	2.1	1.8	1.9	1.9		
Cost of borrowing for households for house purchase (%)				1.6	1.4	3.8	4.1	3.6	3.6	
Cost of borrowing for NFCs (%)				2.2	2.2	5.3	5.7	4.3	4.3	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	5.8 (6)		**6.8**	**6.5**	**5.8**	**5.3**	**5.4**	**5.7**	**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**	**0.4**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

FINLAND

Finland's government debt keeps rising driven by high fiscal deficits. Household indebtedness is still high but expected to decline because of low credit and improved GDP growth. Finland's external position stayed favourable in 2025, but the export market shares against advanced economies fell, while price and cost competitiveness pressures remained modest.

Real GDP growth reached 0.8 % in 2025 and is expected to rise to 1.6 % in 2026 and to hold at 1.6 % in 2027. Headline inflation increased to 1.8 % in 2025 and is forecast to climb to 2.5 % in 2026. Core inflation rose to 2.4 % in 2025; and is expected to fall to 1.5 % in 2026. Unemployment rose to 9.7 % in 2025 and is forecast to increase further to 10.6 % in 2026.

The scoreboard reading for Finland shows that three indicators were beyond their indicative thresholds in 2025, namely export performance against advanced economies, household debt and government debt. Relevant developments worth highlighting:

- **External sector** developments have remained favourable. The current account recorded a surplus of 1% of GDP in 2025, compared to a small deficit of 0.6% of GDP in 2024, and is forecast to ease to a surplus of 0.8% of GDP in 2026. The NIIP remained strong at 15.1% of GDP in 2025.

- **Competitiveness** developments are marked by subdued activity. In 2025, the headline and core inflation differentials vis-à-vis the euro area were negative, but in 2026 the gap is set to widen. Unit labour costs advanced by around 2% (cumulating 7.1% over the past three years), with a 1% increase projected for 2026. In 2025 and over three years the real effective exchange rate appreciated by 2.8%, while export market shares against advanced economies dropped by almost 5%.

- **Non-financial corporate** debt including foreign direct investments (FDI) stood at 77.7% of GDP in 2025, slightly down from 78.4% in 2024. Credit growth (excluding FDI in % of debt stock of previous year) rose to 1.6% in 2025 following already low 0.8% in 2024. The interest coverage ratio improved modestly in 2025 but remains at a low level. Borrowing costs fell to 3.7% in 2025 from 5.0% in 2024 and have slightly increased in 2026. In 2026, corporate indebtedness is expected to decline further as moderate credit expansion will be offset by higher nominal GDP growth. NPLs held steady in 2025, while bankruptcies continued to rise above levels observed in recent years.

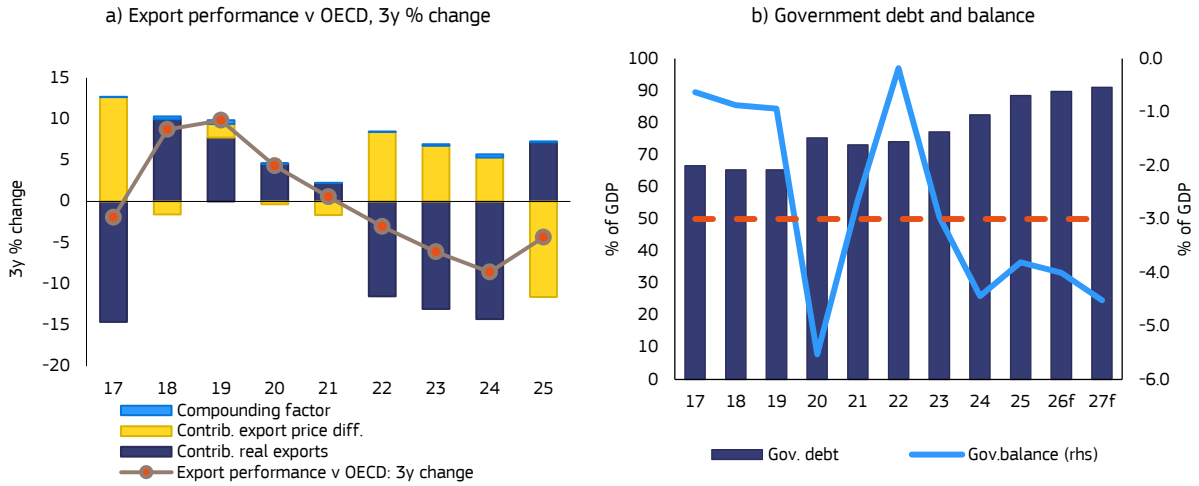
- **Household** indebtedness remains high but has eased somewhat, with the debt ratio at 62.5% of GDP and household debt as percentage of household gross disposable income at 81.4% in 2025. Credit flow turned slightly positive in 2025 at 0.2% of the 2024 debt stock and is expected to strengthen slightly in 2026, in contrast with the forecast deceleration in real gross disposable income. Borrowing costs on new loans declined in 2025 to 2.9% but have been increasing in the course of 2026. As nominal GDP growth is forecast to pick up in 2026, the household debt ratio is expected to edge down further. The household gross saving rate increased to 13.8% in 2025, clearly above its 2019 level and its long-term average since 2000.

- **House prices** declined by 2.3% in 2025 and by 2.7% year-on-year in 2026-Q2 and are estimated to have been undervalued by around 18% in 2025. Lower mortgage rates substantially increased borrowing capacity in 2025, but the decline in mortgage rates had largely levelled off by early 2026. Variable-rate lending is predominant in the Finnish mortgage market, making financing conditions particularly relevant for housing demand. Residential building permits remained very low in 2025, at around 301 m^2 per 1,000 inhabitants.

- **Government** debt is significant, at 88.4% of GDP in 2025, and is clearly rising amid significant deficits. Debt is about 23 pps. above its 2019 pre-COVID-19-pandemic level. It increased from 82.5% in 2024 and is expected to rise further to 89.8% of GDP in 2026 and 91% in 2027. The fiscal deficit narrowed to 3.8% of GDP in 2025 after 4.4% in 2024, but it is projected to widen again to 4% in 2026 and 4.5% in 2027. Sizeable stock-flow adjustments have added to the debt too. Gross financing needs remain high, expected at over 18 % of GDP in 2027. Long-term sovereign bond yields have risen recently while spreads compared with the best-rated euro area sovereign debt have held steady. An excessive deficit procedure is in place for Finland. Fiscal sustainability risks are assessed as high in the medium-term ([37]).

- The **financial sector** remains sound. In 2025, the Tier-1 ratio remained stable at 20%. Profitability, measured by return on equity slightly decreased to 11.9%. The gross non-performing loans ratio remained low at 1.4% in 2025, while Stage 2 loans declined to 6.4%. Credit dynamics to the private sector were subdued in 2025, with lending to non-financial corporations growing only modestly and household credit showing very limited growth after several years of stagnation. 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 2.26: **Selected graphs, Finland**



Source: Eurostat and European Commission forecasts and calculations.

([37]) European Commission (2026), Debt Sustainability Monitor 2025, European Economy Institutional Paper 332.

Table 2.26: **Key economic and financial indicators, Finland**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	forecast 2027
Output and Prices										
Real GDP (1 year % change)				1.9	0.2	-1.2	1.0	0.8	1.6	1.6
Real GDP per capita (1 year % change)				1.8	0.0	-1.6	0.2	0.3	1.5	1.4
GDP deflator (1 year % change)				1.4	3.4	3.9	0.3	1.2	2.6	2.2
Harmonised index of consumer prices (1 year % change)				1.0	3.2	4.3	1.0	1.8	2.5	2.3
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				0.5	1.8	4.1	2.2	2.4	1.5	1.8
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**-1.1**	**-0.3**	**-1.1**	**-1.4**	**-0.2**	**0.4**	**0.8**
Current account balance, balance of payments (% of GDP)		-1.0 (1)	-0.6 (2)	-0.8	-0.6	-1.0	-0.6	1.0	0.8	0.6
of which: trade balance (% GDP)				0.1	-0.6	-0.1	0.1	1.5		
of which: income balance (% GDP)				-0.9	0.0	-0.9	-0.7	-0.5		
Current account norm (% of GDP) (1)				-0.2	-0.4	-0.7	-0.8	-1.0	-1.1	-1.1
Current account req. to reach fund. NIIP (% of GDP) (2)				-0.5	-0.6	-0.6	-0.6	-0.6		
Net international investment position (% of GDP)	**-35%**	-77.7 (3)	1.4 (4)	**-1.5**	**-0.3**	**13.0**	**24.5**	**15.1**	**15.5**	**15.6**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				3.6	10.6	6.5	3.2	4.7		
Net lending-borrowing (% of GDP)				-0.7	-0.6	-1.0	-0.4	1.2		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**-1.4**	**7.1**	**15.1**	**10.6**	**7.1**	**2.9**	**4.7**
Nominal unit labour cost index per hour worked (1 year % change)				0.4	3.2	5.2	-0.3	2.1	1.0	1.5
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**0.3**	**-0.5**	**-1.5**	**-1.8**	**2.8**	**-3.2**	**-2.1**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				0.1	-1.0	3.3	-1.1	0.6	-0.5	-0.5
Export performance against advanced economies (3y % change)	**-3%**			**5.3**	**0.5**	**-6.4**	**-8.7**	**-4.6**		
Export performance against advanced economies (1 year % change)				3.1	-1.0	-3.2	-4.5	3.2		
Core inflation differential vis-à-vis the euro area (pps.)				-0.5	-0.3	-0.9	-0.7	-0.1	-0.9	-0.7
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**81.3**	**82.4**	**77.9***	**78.4**	**77.7**	**75.9**	**74.8**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			4.0	3.8	4.1	0.8	1.6	2.3	2.9
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**65.5**	**68.4**	**64.8***	**63.8**	**62.5**	**60.3**	**58.8**
Household debt, consolidated (% of GHDI)				89.4	92.1	85.2	82.8	81.4		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**4.1**	**4.0**	**-0.4**	**-0.3**	**0.2**	**0.6**	**1.3**
Household gross saving rate (&)				9.6	12.3	11.1	12.4	13.8		
House price index, nominal (1 year % change)	**+9%**			**0.8**	**2.5**	**-6.2**	**-3.1**	**-2.3**	**-1.5**	**1.5**
House prices over/undervaluation gap (5)				-0.3	-0.6	-9.8	-14.9	-18.3	-21.3	-21.5
Standardized price-to-income ratio				99.5	96.7	83.5	79.4	76.7		
Building permits (m^2 per 1000 inh)				652.8	649.5	358.6	302.4	300.9		
Government										
General government gross debt (% of GDP)	**60%**			**65.8**	**74.2**	**77.2**	**82.5**	**88.4**	**89.8**	**91.0**
General government balance (% of GDP)				-0.8	-2.8	-3.0	-4.4	-3.8	-4.0	-4.5
Banking sector										
Return on equity of banks (%)				7.3	8.2	13.5	13.2	11.9		
Tier-1 capital ratio banking sector (% risk-weighted assets)				19.8	19.1	19.7	19.9	20.0		
Gross non-performing loans, domestic and foreign entities (% gross loans)				1.4	1.2	1.1	1.4	1.4		
Cost of borrowing for households for house purchase (%)				0.9	1.1	3.9	3.9	2.9	3.1	
Cost of borrowing for NFCs (%)				1.5	1.7	4.9	5.0	3.7	3.8	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	8.2 (6)		**7.7**	**7.4**	**7.2**	**8.4**	**9.7**	**10.6**	**10.2**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**1.9**	**1.9**	**2.6**	**0.6**	**-0.1**		

(1) See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

SWEDEN

Sweden's household debt remains high relative to income, despite some recent deleveraging. Non-financial corporate debt also remains elevated, albeit falling slightly. Both these sectors are sensitive to changes in financing conditions and are heavily exposed to developments in the real estate market. Furthermore, the easing of borrower-based mortgage requirements in 2026 may support renewed household borrowing. The current account surplus remains large.

Real GDP growth was 1.4% in 2025 and is expected to rise to 2.8% in 2026 and reach 2.2% in 2027. Headline inflation stood at 2.6% in 2025 and is forecast to ease to 1.3% in 2026. Core inflation was 2.4% in 2025 and is expected at 1.3% in 2026. The unemployment rate is forecast to fall slightly to 8.6% in 2026, down from 8.8% in 2025.

The scoreboard reading for Sweden shows that three indicators were beyond their indicative thresholds in 2025, namely the upper threshold for the current account, non-financial corporations debt and household debt. Relevant developments worth highlighting:

- The **external sector** continues to run a large current account surplus, which stood at 6.5% of GDP in 2025. It is one of the largest within the EU, down from 7.3% in 2024, and is forecast to somewhat narrow to 6.2% of GDP in 2026. The surplus continues to remain above the levels recorded in the last decade and exceeds what can be explained by economic fundamentals. The NIIP was strong at 59.7% of GDP in 2025, having eased from 66.8% in 2024, mainly due to valuation effects.

- **Competitiveness** developments remain relatively stable. Headline and core inflation differentials were relatively small in 2025 but are set to turn negative in 2026. Unit labour cost dropped slightly in 2025 (with a 3-year change of close to 9%) but is set for a 1.2% increase in 2026. The real effective exchange rate saw a strong gain of almost 5% in 2025 as the krona strengthened. The three-year change in export market shares against advanced economies turned positive in 2025.

- **Non-financial corporate** debt including foreign direct investments (FDI) remained high, at 107.4% of GDP in 2025, although down from 114.9% in 2024. Credit growth (excluding FDI in % of debt stock of previous year) turned modestly positive at 0.7% in 2025 after a contraction of 0.9% in 2024. The interest coverage ratio improved in 2025, lifting it from the low levels seen in recent years. Borrowing costs fell to 3.6% in 2025 from 4.8% in 2024 and have edged slightly lower in 2026. In 2026, corporate indebtedness is expected to decline further as the moderate credit expansion is set to be outpaced by nominal GDP growth. NPLs held steady at low levels in 2025, while bankruptcies were stable.

- **Household** indebtedness remained high in 2025, with the debt ratio at 82.4% of GDP and household debt as percentage of household gross disposable income at 119.8%. Credit flow was 2.8% of the 2024 debt stock in 2025, up from 1.6% in 2024, and is expected to strengthen moderately in 2026, in line with real gross disposable income. The cost of borrowing for new house purchase loans declined to 2.9% in 2025 and is expected to remain broadly stable in 2026. In 2026, the household debt ratio is expected to keep declining gradually, due to moderate credit flows being outpaced by nominal GDP growth. The household gross saving rate declined to 16% in 2025, below its 2019 level but above its post-2000 average.

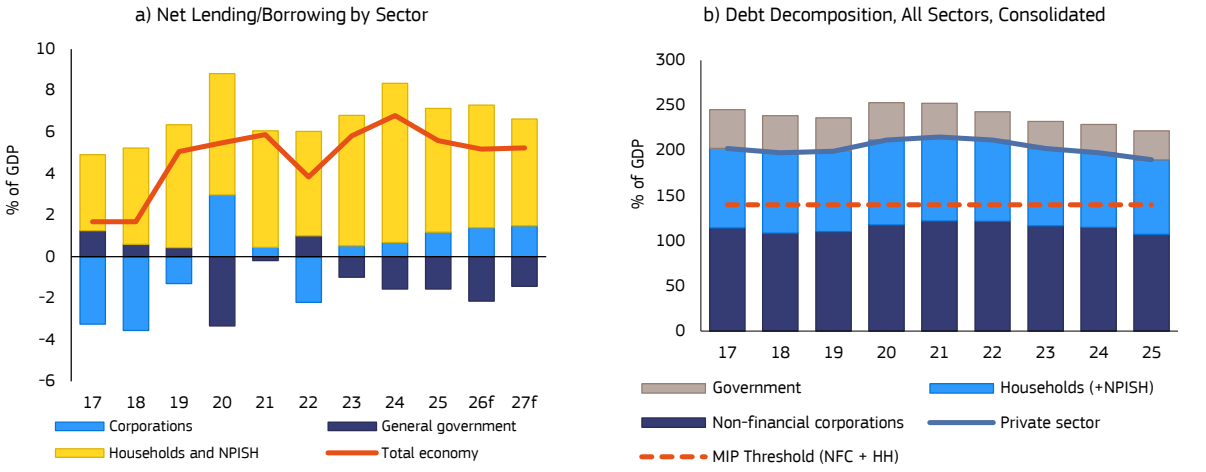
- **House price** growth picked up from 1.0% in 2025 to 4.8% year-on-year in 2026-Q2. House prices are estimated to have been overvalued by around 14% in 2025, but current price developments do not point to a rapid further widening of the valuation gap. Lower mortgage

rates increased borrowing capacity substantially in 2025, although declines in rates levelled off by early 2026. Borrower-based mortgage rules were eased in April 2026, which provided additional support to housing prices and demand ([38]). Residential building permits increased by 8% in 2025 but remained relatively low at 365 m^2 per 1,000 inhabitants.

- **Government** debt was at 35.1% of GDP in 2025, up from 34% in 2024. It is forecast to increase to 35.5% of GDP in 2026 and to stay close to that level in 2027. The fiscal deficit came at 1.6% of GDP in both 2024 and 2025, but deficits are expected to widen to 2.1% in 2026 before improving in 2027.

- The **financial sector** remains stable. In 2025, the Tier 1 capital ratio slightly decreased to 19.7%. The return on equity declined to 10.7%. The gross non-performing loans ratio stayed low at 1.3%. Credit dynamics to the private sector showed a modest recovery in 2025, with credit to non-financial corporations stabilising after previous declines and credit to households growing at a moderate pace. The high direct and indirect exposure to real estate amid elevated household indebtedness and the high dependence on external market funding, given relatively low own funding ratios, represent sources of risk. Non-bank financial institutions warrant continued supervisory attention given their sizeable exposures to global capital markets and their interconnectedness with banks, including through foreign-currency funding and hedging arrangements, which may amplify market and liquidity shocks.

Graph 2.27: **Selected graphs, Sweden**



Source: Eurostat and European Commission forecasts and calculations.

([38]) International Monetary Fund (2026), Sweden: 2026 Article IV Consultation, IMF Country Report No. 26/182. From 1 April 2026, the maximum LTV ratio for new residential mortgages was increased from 85% to 90% and the additional amortisation requirement for borrowers with high loan-to-income ratios was abolished, easing borrower-based mortgage requirements.

Table 2.27: **Key economic and financial indicators, Sweden**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	forecast 2027
Output and Prices										
Real GDP (1 year % change)				2.1	1.5	-0.2	2.0	1.4	2.8	2.2
Real GDP per capita (1 year % change)				0.8	0.7	-0.9	1.7	1.0	2.6	2.2
GDP deflator (1 year % change)				2.4	3.5	5.8	2.8	1.7	1.4	2.4
Harmonised index of consumer prices (1 year % change)				1.9	3.8	5.9	2.0	2.6	1.3	2.8
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.2	2.6	6.5	3.2	2.4	1.3	2.5
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**2.5**	**5.1**	**5.5**	**5.9**	**6.7**	**6.7**	**6.3**
Current account balance, balance of payments (% of GDP)		0.5 (1)	-1.0 (2)	3.2	5.3	6.2	7.3	6.5	6.2	6.2
of which: trade balance (% GDP)				2.8	3.4	3.1	4.3	3.5		
of which: income balance (% GDP)				0.4	1.9	3.1	3.1	3.1		
Current account norm (% of GDP) (1)				0.2	0.6	0.4	0.5	0.5	0.6	0.6
Current account req. to reach fund. NIIP (% of GDP) (2)				-0.1	-0.4	-0.9	-1.0	-1.0		
Net international investment position (% of GDP)	**-35%**	-86.3 (3)	11.8 (4)	**7.2**	**24.0**	**40.6**	**66.8**	**59.7**	**62.5**	**65.1**
NENDI - NIIP excluding non-defaultable instruments (% of GDP)				-11.7	-4.3	-4.9	2.9	5.2		
Net lending-borrowing (% of GDP)				3.2	5.3	6.2	7.4	6.5		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**7.1**	**6.8**	**11.8**	**14.1**	**8.9**	**3.3**	**2.6**
Nominal unit labour cost index per hour worked (1 year % change)				2.5	2.6	6.7	2.5	-0.4	1.2	1.8
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**-5.9**	**-1.3**	**-7.6**	**-9.8**	**1.7**	**2.6**	**1.1**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				-2.8	-0.4	-3.4	0.4	4.9	-0.7	-1.6
Export performance against advanced economies (3y % change)	**-3%**			**-3.3**	**4.1**	**-4.1**	**-4.3**	**4.3**		
Export performance against advanced economies (1 year % change)				-0.6	-0.4	1.3	1.0	1.9		
Core inflation differential vis-à-vis the euro area (pps.)				0.2	0.6	1.6	0.4	0.0	-1.1	0.0
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**111.1**	**120.5**	**116.8***	**114.9**	**107.4**	**106.0**	**104.7**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			6.8	6.7	0.0	-0.9	0.7	3.6	4.3
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**88.7**	**92.3**	**85.4***	**82.7**	**82.4**	**81.8**	**81.8**
Household debt, consolidated (% of GHDI)				127.0	132.8	123.0	119.5	119.8		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**5.7**	**5.5**	**0.5**	**1.6**	**2.8**	**3.6**	**4.6**
Household gross saving rate (&)				15.4	17.2	17.1	18.7	16.0		
House price index, nominal (1 year % change)	**+9%**			**2.7**	**5.9**	**-5.2**	**0.0**	**1.0**	**5.0**	**4.0**
House prices over/undervaluation gap (5)				27.9	33.3	22.9	17.5	13.9	16.5	17.2
Standardized price-to-income ratio				119.7	124.6	111.7	107.3	106.2		
Building permits (m^2 per 1000 inh)				711.9	757.4	330.2	338.6	365.4		
Government										
General government gross debt (% of GDP)	**60%**			**39.6**	**37.6**	**32.3**	**34.0**	**35.1**	**35.5**	**35.3**
General government balance (% of GDP)				0.8	-0.8	-1.0	-1.6	-1.6	-2.1	-1.4
Banking sector										
Return on equity of banks (%)				11.3	9.4	13.1	12.6	10.7		
Tier-1 capital ratio banking sector (% risk-weighted assets)				20.4	20.4	20.4	20.7	19.7		
Gross non-performing loans, domestic and foreign entities (% gross loans)				1.1	0.9	1.0	1.1	1.3		
Cost of borrowing for households for house purchase (%)				1.5	1.8	4.4	4.2	2.9	2.8	
Cost of borrowing for NFCs (%)				1.1	1.8	5.1	4.8	3.6	3.4	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	6.9 (6)		**6.7**	**8.3**	**7.7**	**8.4**	**8.8**	**8.6**	**8.2**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.9**	**0.2**	**1.9**	**1.2**	**0.7**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

EURO AREA

The current account surplus has narrowed, partly due to increased competition from Asia, while investment also increased slightly. The surplus is set to slightly decrease further in 2026. The euro area competitiveness pressures endure with hiked energy prices in 2026, unit labour costs rose sharply in recent years, also on the back of low productivity increases, and the real effective exchange rate appreciated. In 2024 and 2025, export performance was overall stagnant. High government debt keeps increasing as elevated deficits persist and borrowing costs are on the rise, resulting in higher financing needs. Non-financial corporations continue to deleverage following recovering but still moderate credit growth. The same trend is observed for household indebtedness that is falling slightly also on the back of increasing but relatively low credit growth. House prices continued to increase in early 2026, although somewhat less rapidly than in late 2025. The housing market conditions remain highly uneven across countries.

Real GDP growth was 1.2% in 2025 and is expected to remain stable in 2026 and 2027. Headline inflation fell to 2.1% in 2025 but is forecast at 3.2% in 2026. Core inflation dropped to 2.4% in 2025 and is forecast at the same level in 2026. Unemployment was steady at 6.4% in 2025 and is expected to increase marginally in 2026.

The scoreboard reading for Euro area shows that three indicators were beyond their indicative thresholds in 2025, namely nominal unit labour costs, real effective exchange rate (3y % change) and government debt. Relevant developments worth highlighting:

- **External sector** indicators have remained strong. The current account surplus stood at 1.7% of GDP in 2025, down from 2.5% in 2024, partly due to increased competition from Asia, while investment also increased slightly but remains weak relative to medium term needs. The surplus is forecast to ease further to 1.4% of GDP in 2026. This is the lowest surplus since 2012, except for 2022, when the balance was in deficit due to soaring energy prices following Russia's invasion of Ukraine. The NIIP stood at 10.4% of GDP in 2025, declining slightly from 12.7% in 2024. The NIIP excluding non-defaultable instruments remained firmly negative, at -23.7% of GDP in 2025.

- **Competitiveness** challenges remain, stemming from external shocks, exchange rate dynamics, subdued productivity, and export underperformance. Headline inflation over 2025 was very close to the target, amid some falls in energy prices, but the start of the conflict in Middle East put almost immediate upward pressure on prices in 2026. These are expected to continue as the shock passes through all inflation components. The 2025, 3-year change in unit labour costs cumulated to more than 14%. In 2025, labour productivity increased by just 1%, after three years of losses. In 2026, unit labour costs are set to increase 2.6% as productivity is projected to stay flat. Last year, the real effective exchange rate appreciated by 1.8% as the negative relative inflation differential could not offset the strong nominal effective exchange rate gain of more than 3% that came particularly on the back of a weak US dollar. Export performance against advanced economies increased by 2.2% over the three years to 2025, but, last year alone, export performance was stagnant.

- **Non-financial corporate** debt including foreign direct investments (FDI) continued to decline to 71.5% of GDP in 2025, from 73.0% in 2024, following modest loan growth below nominal GDP growth. Credit growth (excluding FDI in % of debt stock of previous year) recovered to 2.5% in 2025 following a low 1.1% in 2024 as both loan and debt flows have started to edge up. Borrowing costs fell to 3.7% in 2025 from 4.9% in 2024 and have increased recently on the back of higher interest rate levels despite remaining broadly stable for the year on average. In 2026, corporate indebtedness is expected to decline further as moderate credit expansion is

set to be outpaced by nominal GDP growth. NPLs held steady in 2025, while bankruptcies continued their increasing trend.

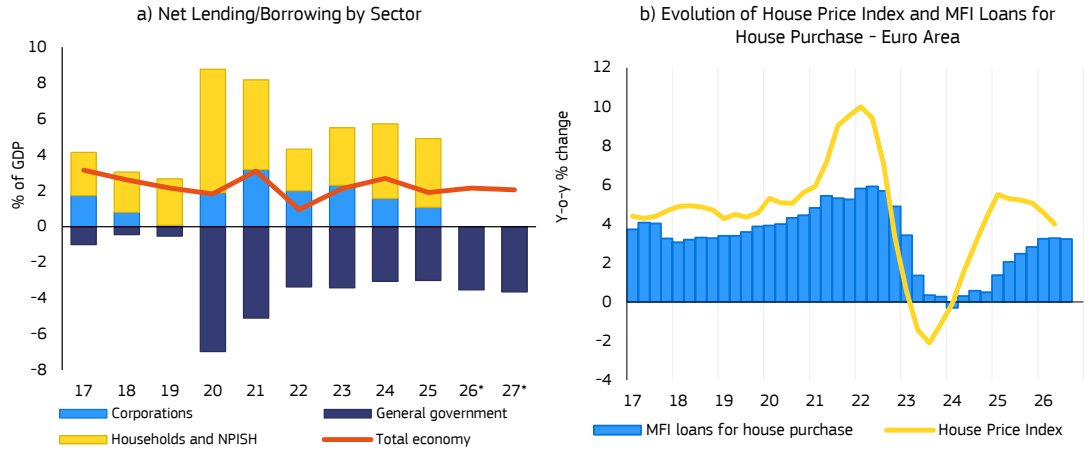
- **Household** indebtedness continued to ease, to 50.3% of GDP and to 67% of household income in 2025. Net credit flow strengthened to 2.7% of the previous year's debt stock in 2025 and is expected to accelerate only marginally in 2026, broadly in line with real gross disposable income growth. Borrowing costs for new housing loans declined in 2025 to 3.3% but have been increasing in the course of 2026. The household debt ratio is expected to keep decreasing in 2026, as weak credit flows will be more than offset by nominal GDP growth. The household gross saving rate eased in 2025 but remains above its 2019 level and its long-term average since 2000.

- Euro area **house prices** continued to increase in early 2026, rising by 4.2% year-on-year in 2026-Q2, although somewhat less rapidly than in late 2025. Housing market conditions remain highly uneven across countries, with rapid house price increases and stretched affordability in several markets contrasting with much more subdued developments in others. Housing demand benefited in 2025 from lower mortgage rates and rising incomes, but this support has faded as financing conditions have stopped improving. The weaker economic outlook and renewed increase in inflation are also likely to moderate housing demand. At the same time, the supply response remains constrained and slow, with housing investment still adjusting to the earlier period of high financing costs and residential construction activity remaining subdued. Overall, slower demand may moderate house-price growth, but persistent supply constraints are likely to limit the adjustment and keep affordability pressures elevated in several euro area housing markets.

- **Government** debt remains high, at 87.3% of GDP in 2025 and is rising. This is about 4 pps. above its pre-COVID-19-pandemic level. Debt rose from 86.1% in 2024 and is forecast to rise to 89.6% of GDP in 2026 and further to over 90% in 2027. The fiscal deficit came at 3% of GDP in both 2024 and 2025 but is expected to increase to 3.5% in 2026 and 3.6% in 2027. Debt-increasing stock-flow adjustments are sizeable too. Long-term sovereign bond yields have been on the rise and intra-euro area sovereign yield spreads have increased for some countries in the course of 2026, especially for the most indebted ones.

- The euro area **financial sector** remains sound. The capitalisation of banks marginally improved, with the Tier-1 capital ratio at 17.9% in 2025. Profitability was stable at an 8.7% return on equity in 2025. The gross non-performing loans ratio held at 1.9% in 2025, while Stage 2 loans were declining to 9.2% in Q2 2026. Euro area bank lending recovered from its 2023 trough and strengthened further in 2025 and the first half of 2026. In July 2026, annual growth in adjusted bank loans reached 4.4% for non-financial corporations and 3.1% for households, indicating a continued, albeit moderate, recovery in credit growth. In some Member States, banks' balance sheets remain significantly exposed to domestic sovereign debt.

Graph 2.28: **Selected graphs, Euro Area**



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

Table 2.28: **Key economic and financial indicators, Euro Area**

	Thresholds	Bench. I	Bench. II	average 2017-2019	average 2020-2022	2023	2024	2025	forecast 2026	forecast 2027
Output and Prices										
Real GDP (1 year % change)				2.1	1.3	0.4	1.3	1.2	1.2	1.2
Real GDP per capita (1 year % change)				1.9	1.1	-0.2	0.8	0.9	1.0	1.1
GDP deflator (1 year % change)				1.4	3.0	6.3	3.0	2.4	2.6	2.7
Harmonised index of consumer prices (1 year % change)				1.5	3.7	5.5	2.4	2.1	3.2	3.1
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)				1.0	2.1	5.0	2.8	2.4	2.4	2.6
External position										
Current account balance, balance of payments (% GDP, 3y average)	**-4%/6%**			**3.1**	**2.1**	**1.5**	**1.4**	**2.0**	**1.9**	**1.5**
Current account balance, balance of payments (% of GDP)				2.9	1.5	1.8	2.5	1.7	1.4	1.4
Net international investment position (% of GDP)	**-35%**			**-10.9**	**-0.7**	**4.2**	**12.7**	**10.4**	**17.4**	**18.9**
NIENDI - NIIP excluding non-defaultable instruments (% of GDP)				-29.9	-29.2	-23.5	-22.4	-23.7		
Net lending-borrowing (% of GDP)				2.7	2.0	2.1	2.7	1.9		
Competitiveness										
Nominal unit labour cost index per hour worked (3y % change)	**9% (EA) 12% (Non-EA)**			**3.0**	**6.6**	**9.7**	**14.3**	**14.1**	**10.2**	**8.7**
Nominal unit labour cost index per hour worked (1 year % change)				1.5	2.3	6.3	4.0	3.2	2.6	2.6
Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)	**±3% (EA) ±10% (Non-EA)**			**2.8**	**1.0**	**1.6**	**1.7**	**7.2**	**-3.0**	**-1.6**
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)				1.1	-0.3	4.9	0.4	1.9	-0.2	0.6
Export performance against advanced economies (3y % change)	**-3%**			**1.9**	**0.3**	**-3.6**	**-2.8**	**2.2**		
Export performance against advanced economies (1 year % change)				0.3	-0.9	2.2	-0.3	0.3		
Core inflation differential vis-à-vis the euro area (pps)				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporations										
Non-financial corporate (NFCs) debt, consolidated (% of GDP)	**+85%**			**80.9**	**84.3**	**75.4**	**73.0**	**71.5**	**70.5**	**69.2**
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	**+13%**			2.3	5.1	2.2	1.1	2.5	3.0	2.9
Households and housing market										
Household debt, consolidated (% of GDP)	**+55%**			**56.9**	**58.3**	**52.2**	**50.7**	**50.3**	**49.8**	**49.3**
Household debt, consolidated (% of GHDI)				77.0	76.6	70.0	67.2	67.0		
Household credit flow, consolidated (% debt stock t-1)	**+14%**			**3.3**	**3.8**	**0.5**	**1.3**	**2.7**	**2.9**	**3.0**
Household gross saving rate (%)				12.6	16.7	14.2	15.1	14.9		
House price index, nominal (1 year % change)	**+9%**			**4.6**	**6.9**	**-1.0**	**2.2**	**5.3**	**3.5**	**4.3**
House prices over/undervaluation gap (6)				1.3	11.1	7.5	5.2	7.0	7.9	9.2
Standardized price-to-income ratio				98.2	105.6	99.3	96.9	99.0		
Building permits (m^2 per 1000 inh)				439.7	456.0	359.9	331.5	347.2		
Government										
General government gross debt (% of GDP)	**60%**			**85.1**	**92.6**	**86.3**	**86.1**	**87.3**	**89.6**	**90.5**
General government balance (% of GDP)				-0.6	-5.2	-3.4	-3.0	-3.0	-3.5	-3.6
Banking sector										
Return on equity of banks (%)				5.5	5.0	9.5	9.7	9.7		
Tier-1 capital ratio banking sector (% risk-weighted assets)				15.9	16.9	17.4	17.9	17.9		
Gross non-performing loans, domestic and foreign entities (% gross loans)				3.9	2.1	1.9	1.9	1.9		
Cost of borrowing for households for house purchase (%)				1.9	1.6	3.7	3.7	3.3	3.5	
Cost of borrowing for NFCs (%)				1.7	1.7	4.7	4.9	3.7	3.7	
Labour market										
Unemployment rate (% labour force Y15-74)	**+10%**	6.5 (6)		**8.3**	**7.4**	**6.5**	**6.4**	**6.4**	**6.5**	**6.5**
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	**-0.2 pp**			**0.9**	**0.3**	**2.5**	**1.7**	**1.1**		

Notes: See Annex 1.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn forecast 2026).

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.

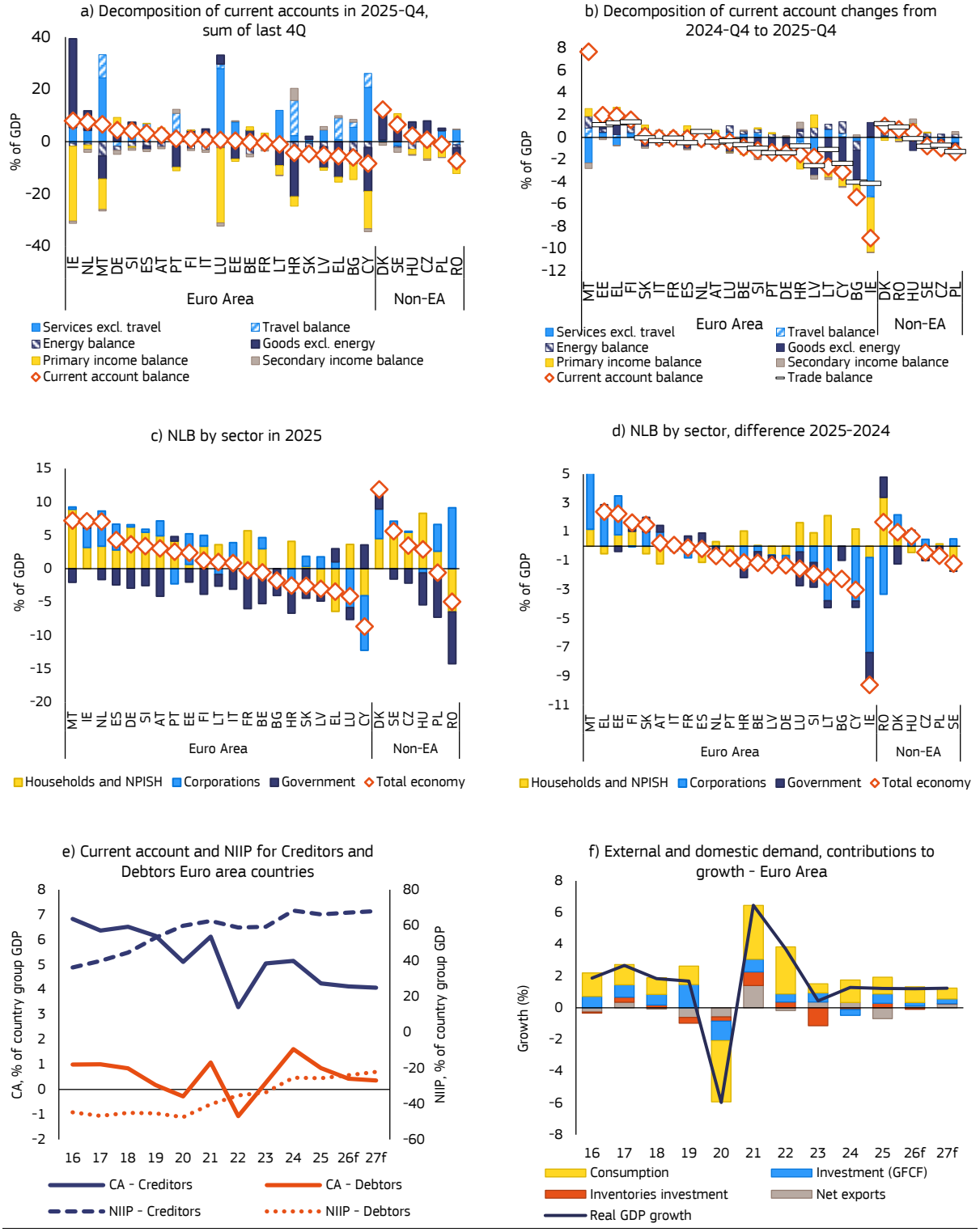
(5) House prices over/undervaluation gap: is the simple average of the price-to-income, price-to-rent and model valuation gaps. The model valuation gap is estimated in a cointegration framework using a system of five fundamental variables: total population, real housing stock, real disposable income 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.

(6) Non-accelerating wage rate of unemployment

Source: European Commission

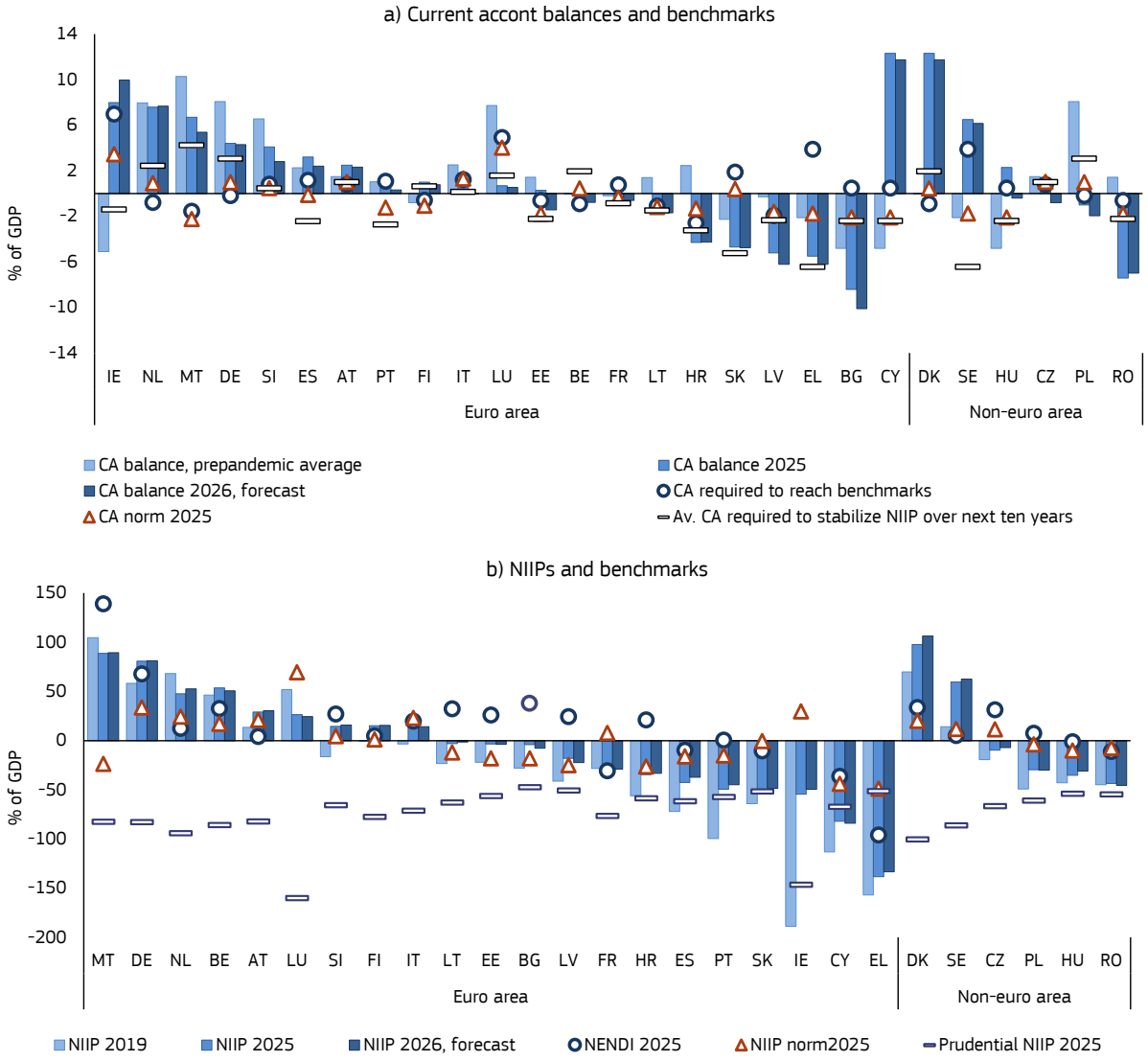
A2.1. EXTERNAL SECTOR

Graph A2.1.1: **Selected graphs for the external sector (I)**



Source: Eurostat and European Commission forecasts and calculations.

Graph A2.1.2: **Selected graphs for the external sector (II)**

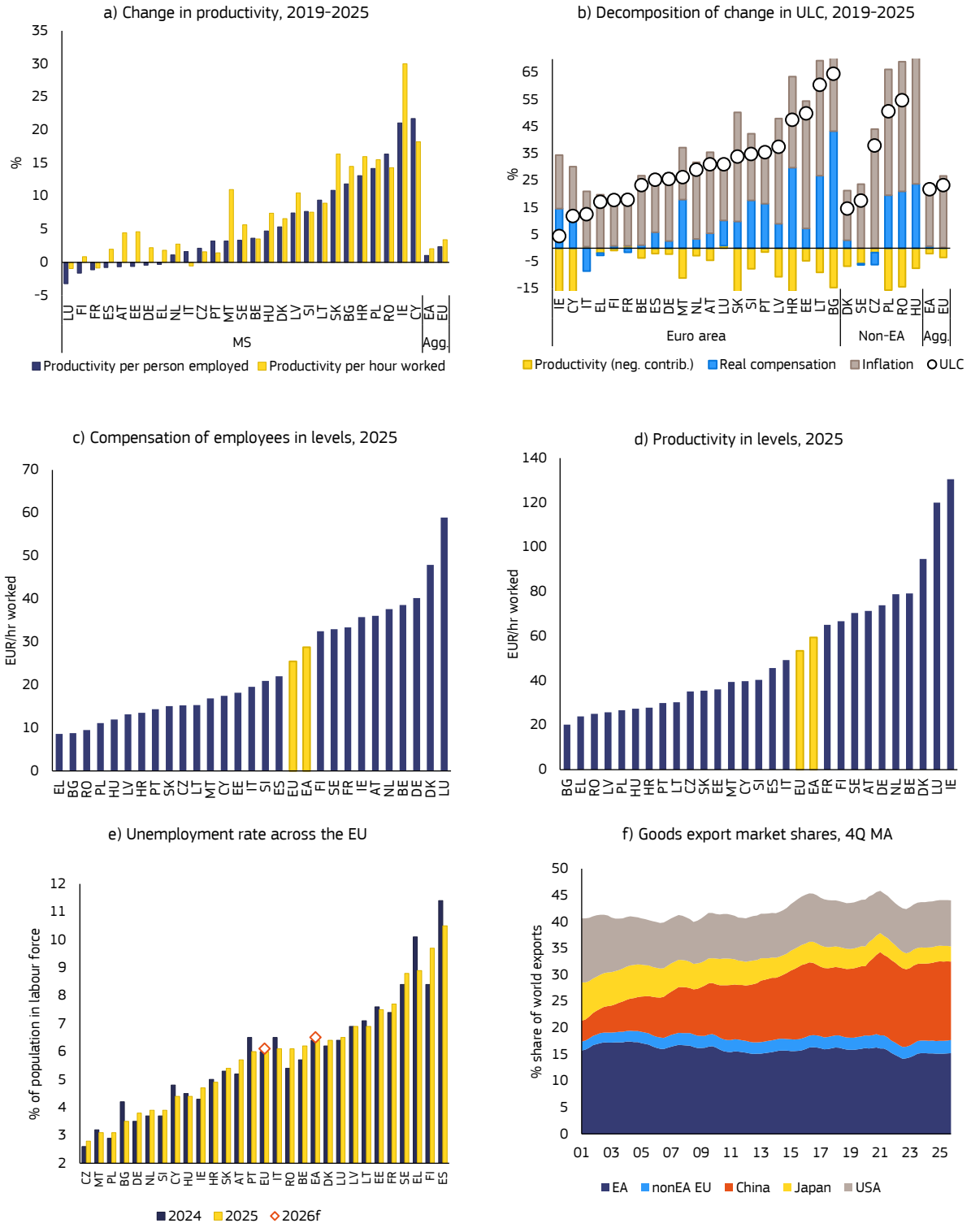


(1) Countries are ranked in increasing order of current account balances and NIIP in 2025. CA stands for current account. NENDI is the NIIP excluding non-defaultable instruments. Current account norms: see Table A1.1 footnote (1). For the concepts of NIIP norm, NIIP prudential threshold, and NIIP-stabilising current account benchmark and required CA for reaching specific NIIP target: see Table A1.1, footnotes (2)-(4).

Source: Eurostat and European Commission forecasts and calculations.

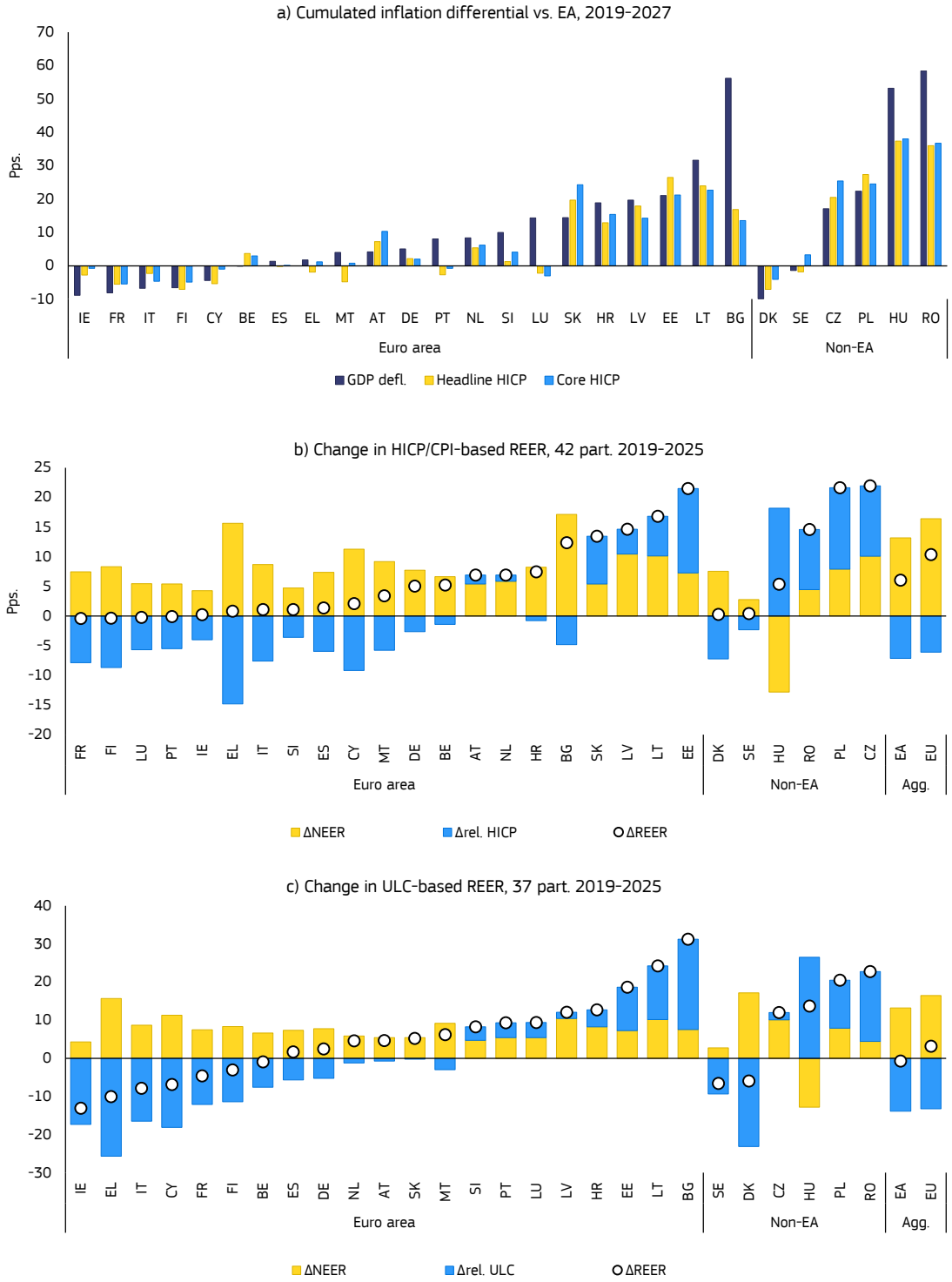
A2.2. COMPETITIVENESS

Graph A2.2.1: **Selected charts for competitiveness (I)**



Source: Eurostat and European Commission forecasts and calculations.

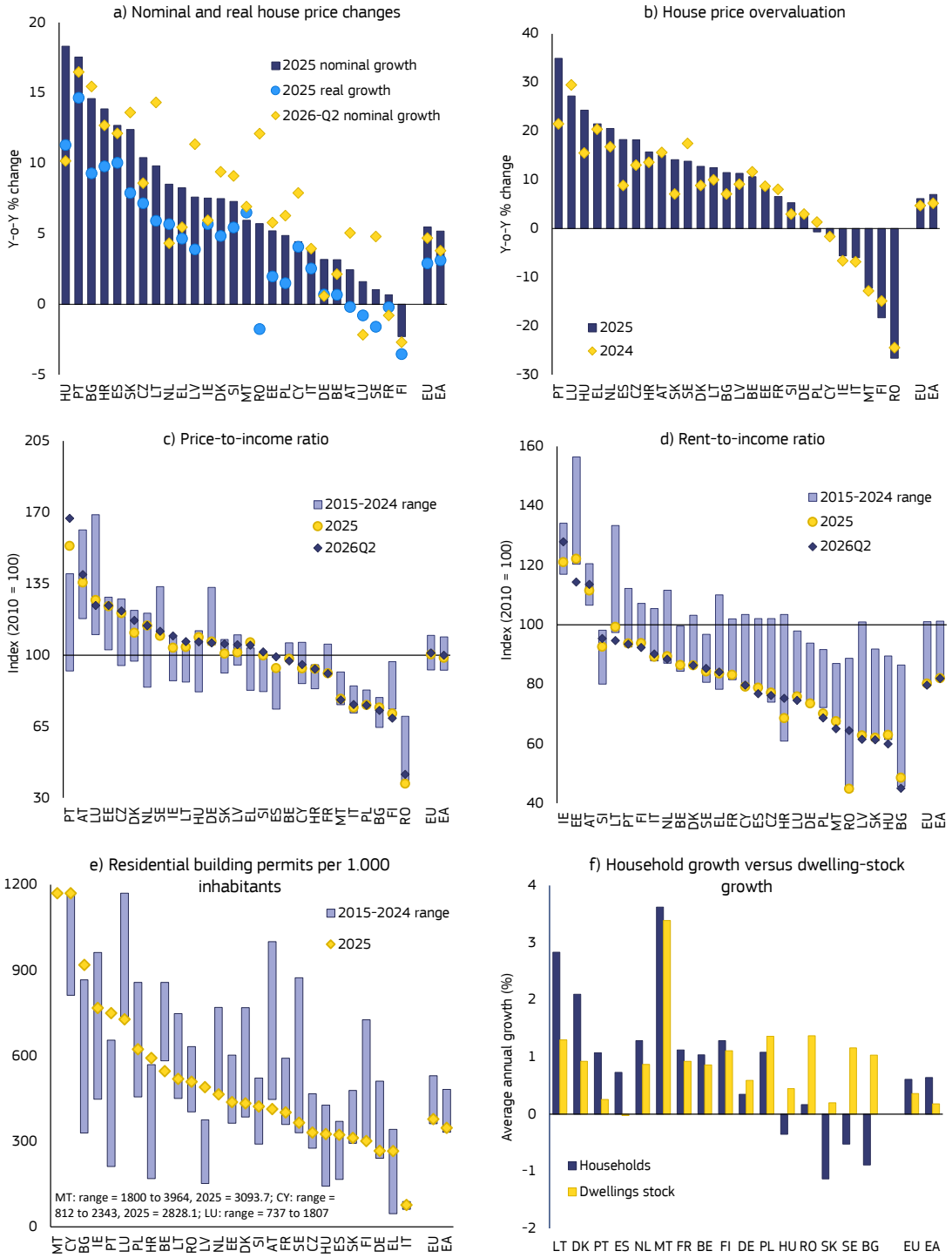
Graph A2.2.2: **Selected charts for competitiveness (II)**



Source: Eurostat and European Commission forecasts and calculations.

A2.3. HOUSING MARKETS

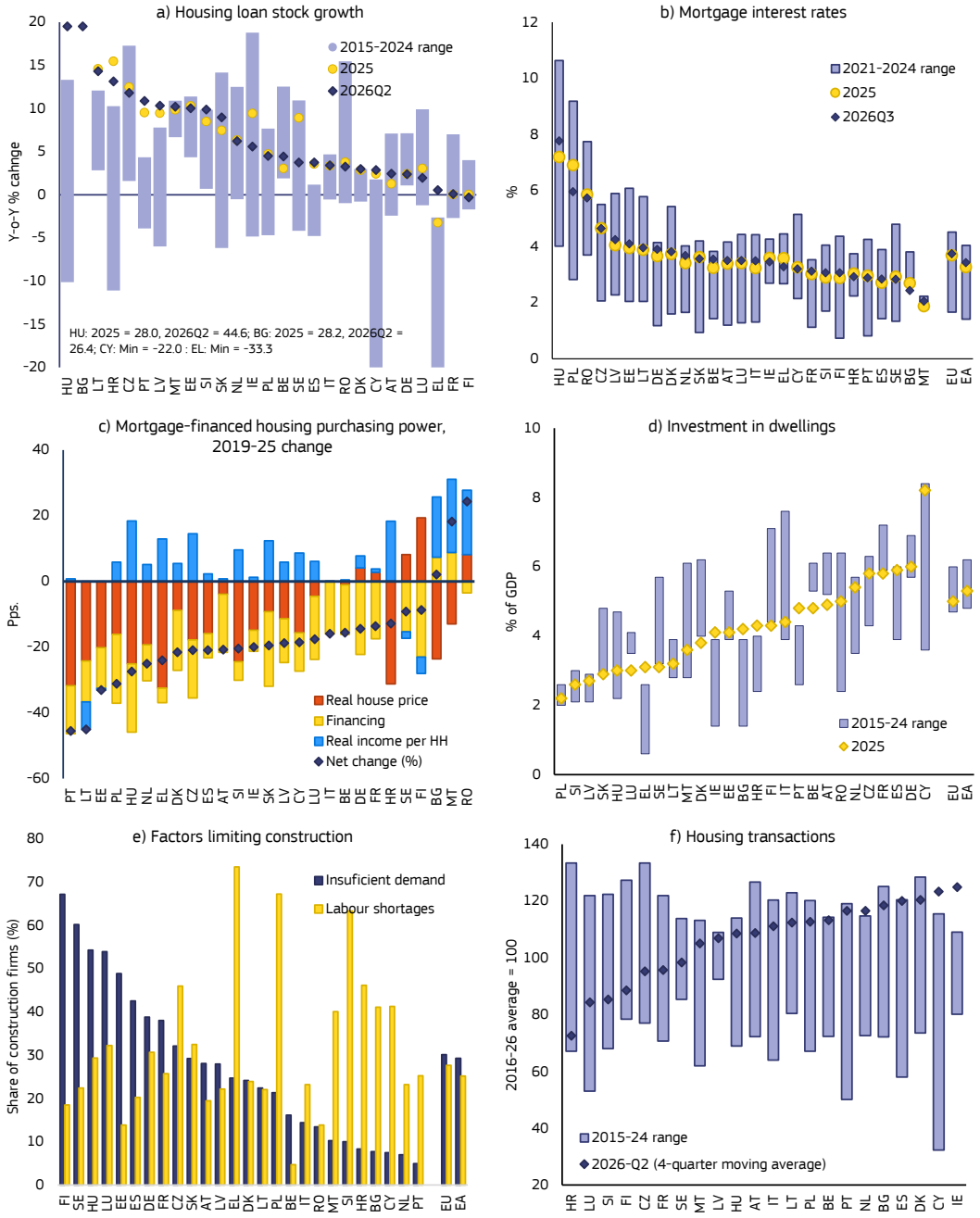
Graph A2.3.1: **Selected graphs for housing markets**



(1) (b) Overvaluation gaps are European Commission estimates. (c), (d) Income is household adjusted gross disposable income extended by gross disposable income, compensation of employees or GDP when adjusted gross disposable income is missing. (d) Rents are the respective component in HICP.

Source: Eurostat (House Price Index, national accounts, household income, construction/building permits, population and available housing statistics); ECB; European Commission calculations.

Graph A2.3.2: **Selected graphs for housing markets**

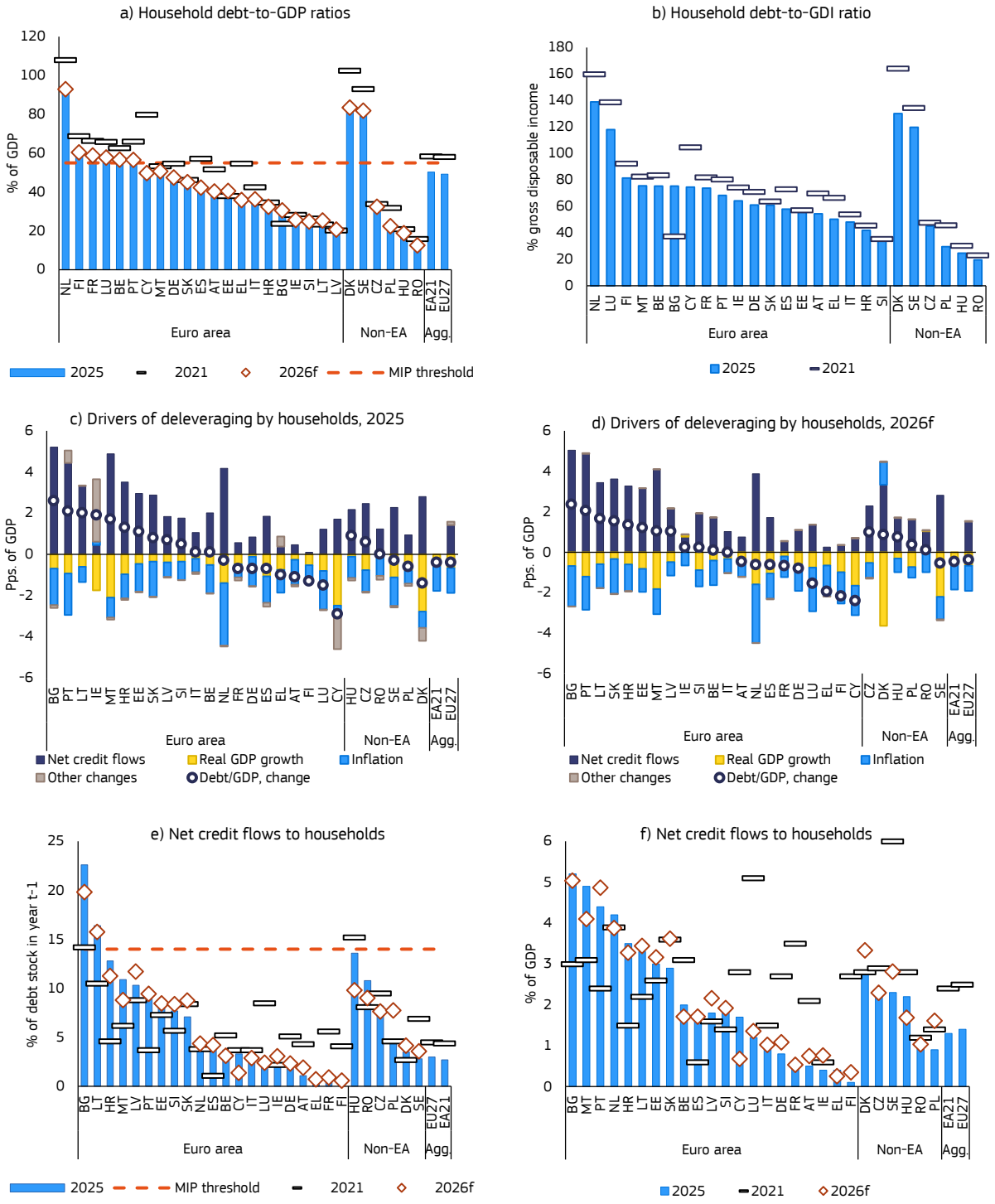


(1) Notes: (a) Extreme observations beyond the chart scale are labelled. (c) Mortgage-financed housing purchasing power is calculated as the ratio of real borrowing capacity to real house prices, and borrowing capacity is calculated considering that a fixed share of households adjusted gross disposable income per capita is used to repay a 25 year loan with a LTV equal to 100% (these values for maturity and LTV are used as reference to allow cross-country comparison). The private consumption expenditure deflator is used to calculate both real income and real house prices. Log contributions are converted proportionally to additive contributions in percentage points. (e) Percentage of construction firms identifying insufficient demand or shortages of labour as production constraints: four-quarter mean for 2025Q3–2026Q2; constraints are not mutually exclusive. (f) Country coverage is incomplete.

Source: Eurostat (house prices, household disposable income, residential gross fixed capital formation, housing transactions); ECB (mortgage lending stocks and rates); European Commission (construction business surveys); European Commission calculations.

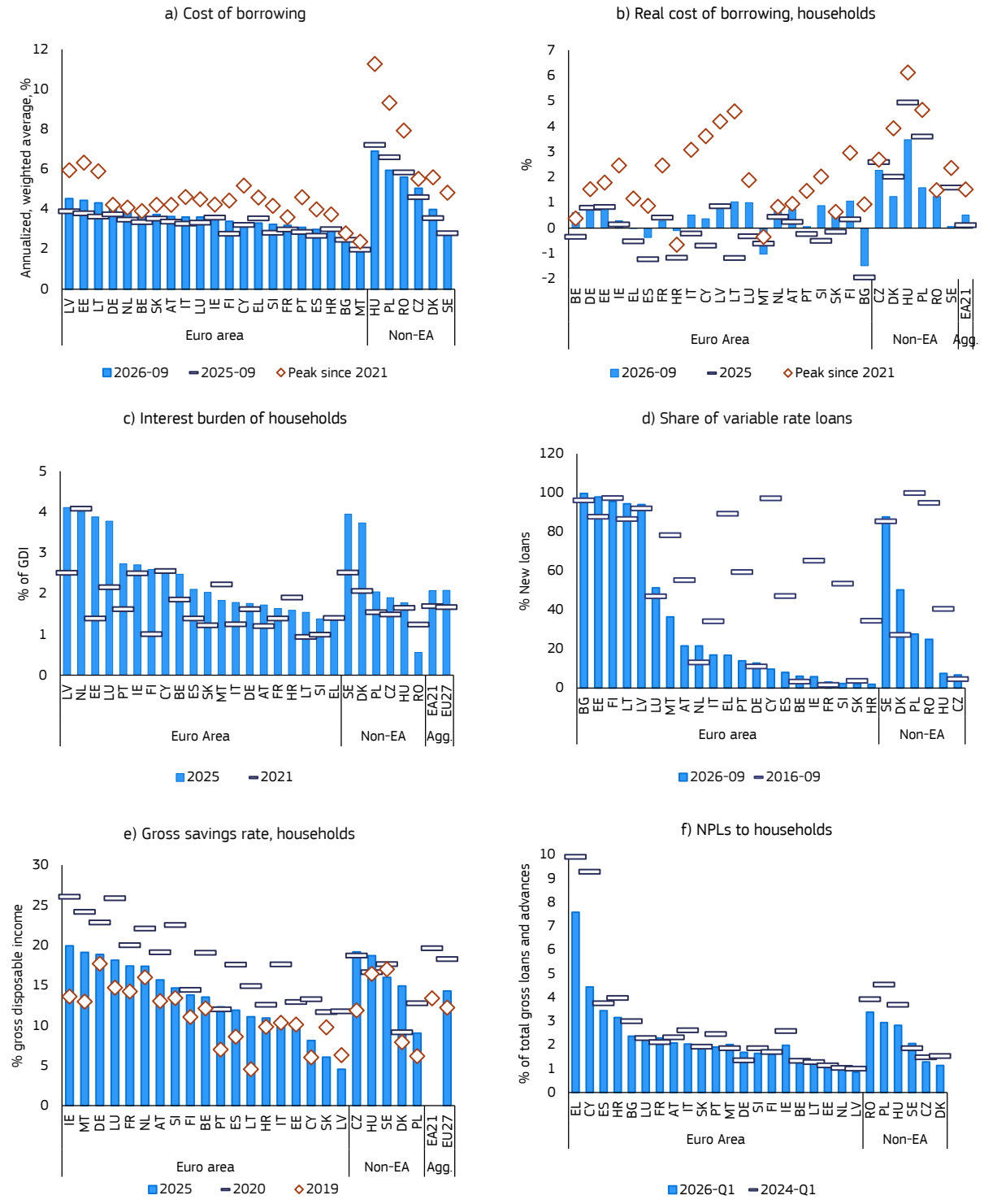
A2.4. HOUSEHOLDS

Graph A2.4.1: **Selected charts for household debt and saving (I)**



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

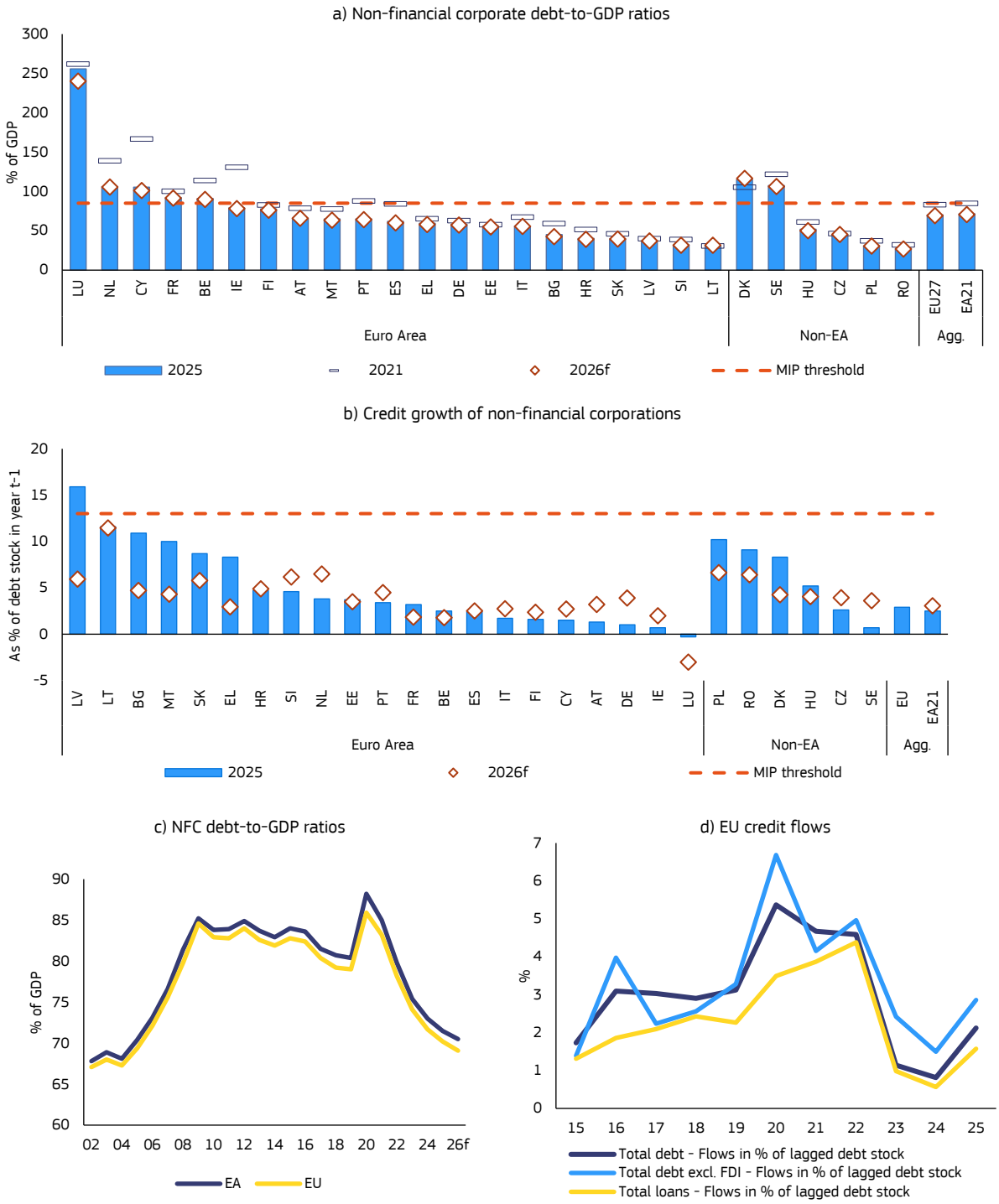
Graph A2.4.2: **Selected charts for household debt and saving (II)**



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

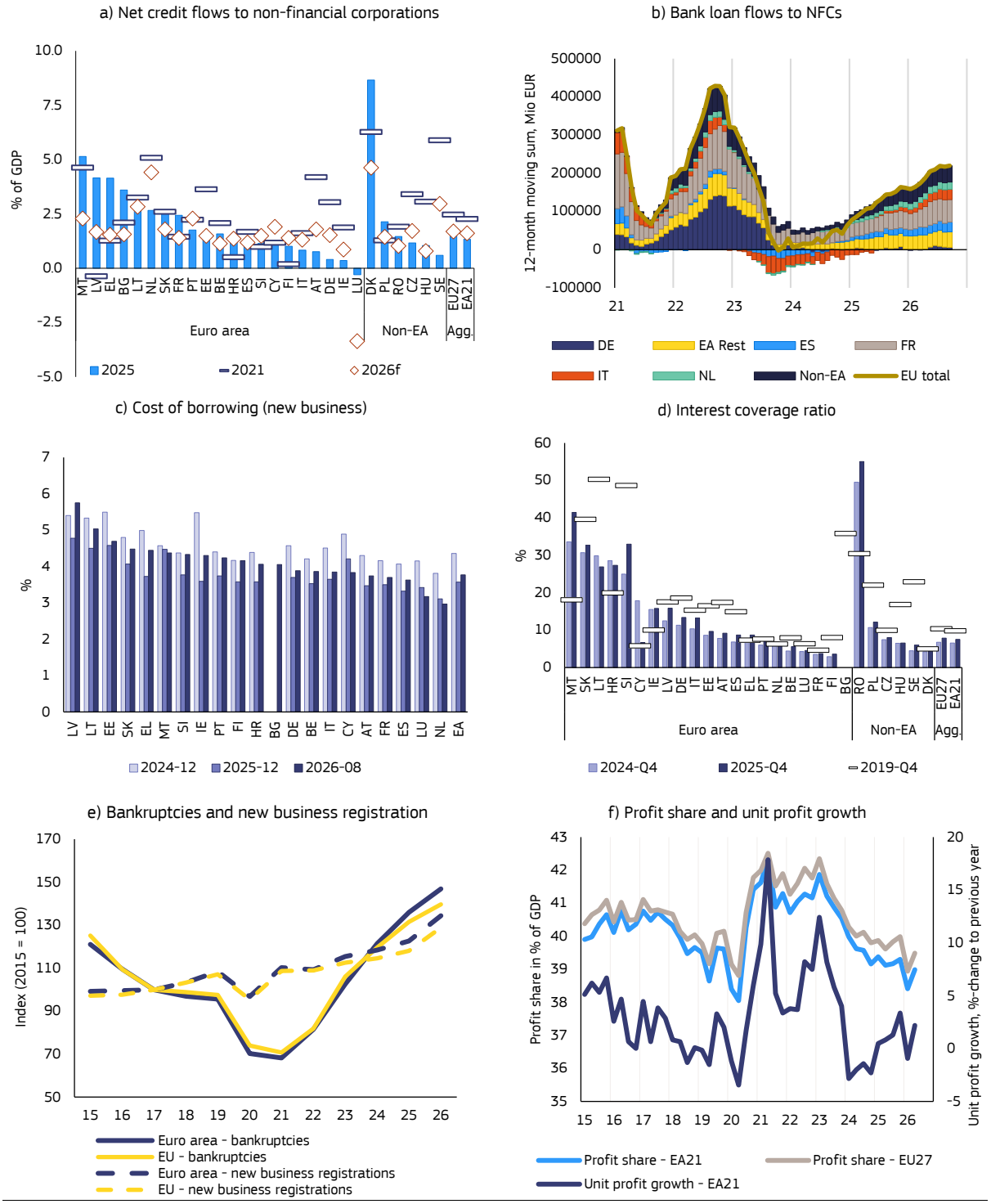
A2.5. NON-FINANCIAL CORPORATIONS

Graph A2.5.1: **Selected graphs on non-financial corporations**



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

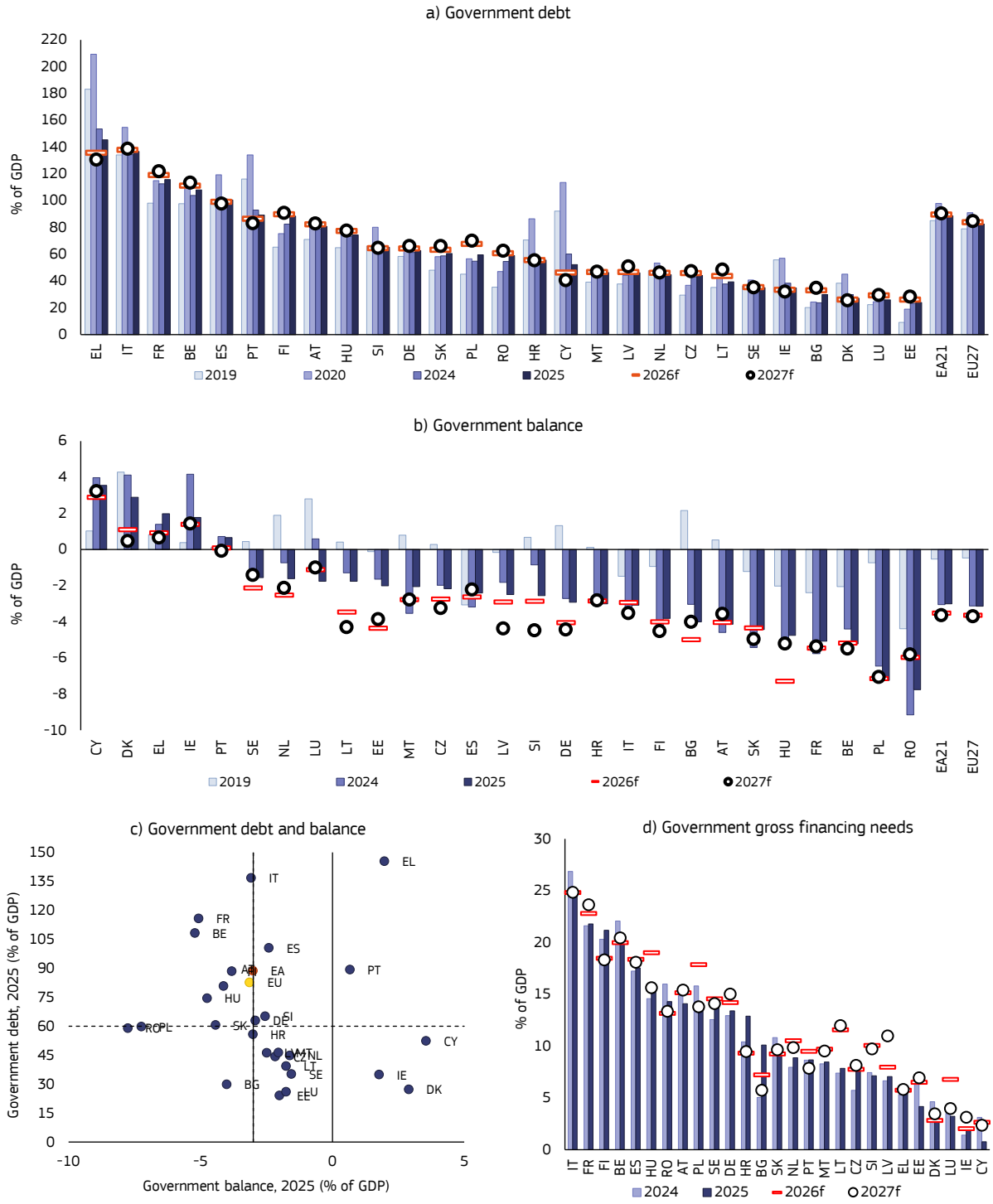
Graph A2.5.2: **Selected graphs on non-financial corporations**



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

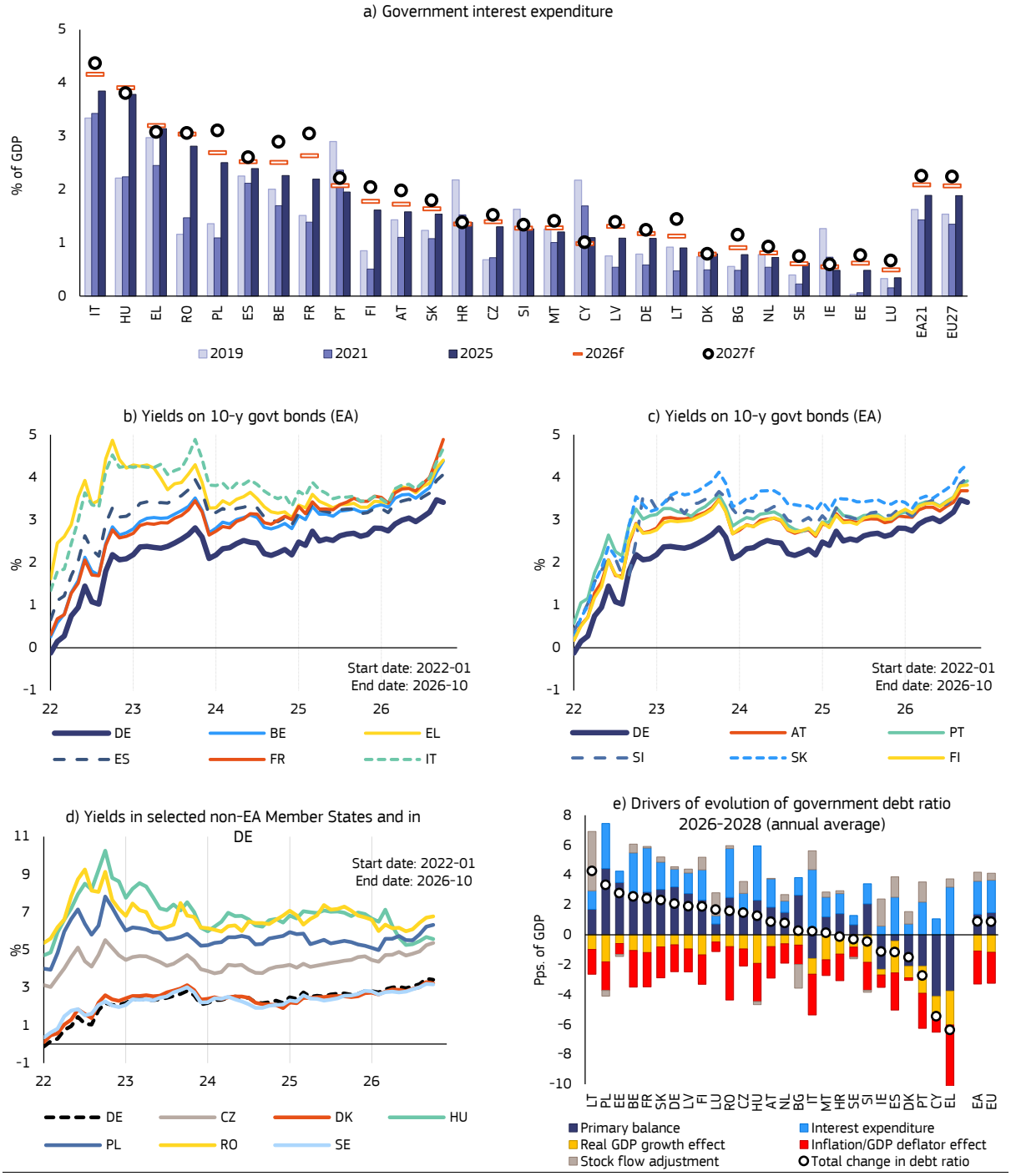
A2.6. GOVERNMENTS

Graph A2.6.1: **Selected charts for government sector (I)**



Source: Eurostat and European Commission forecasts and calculations

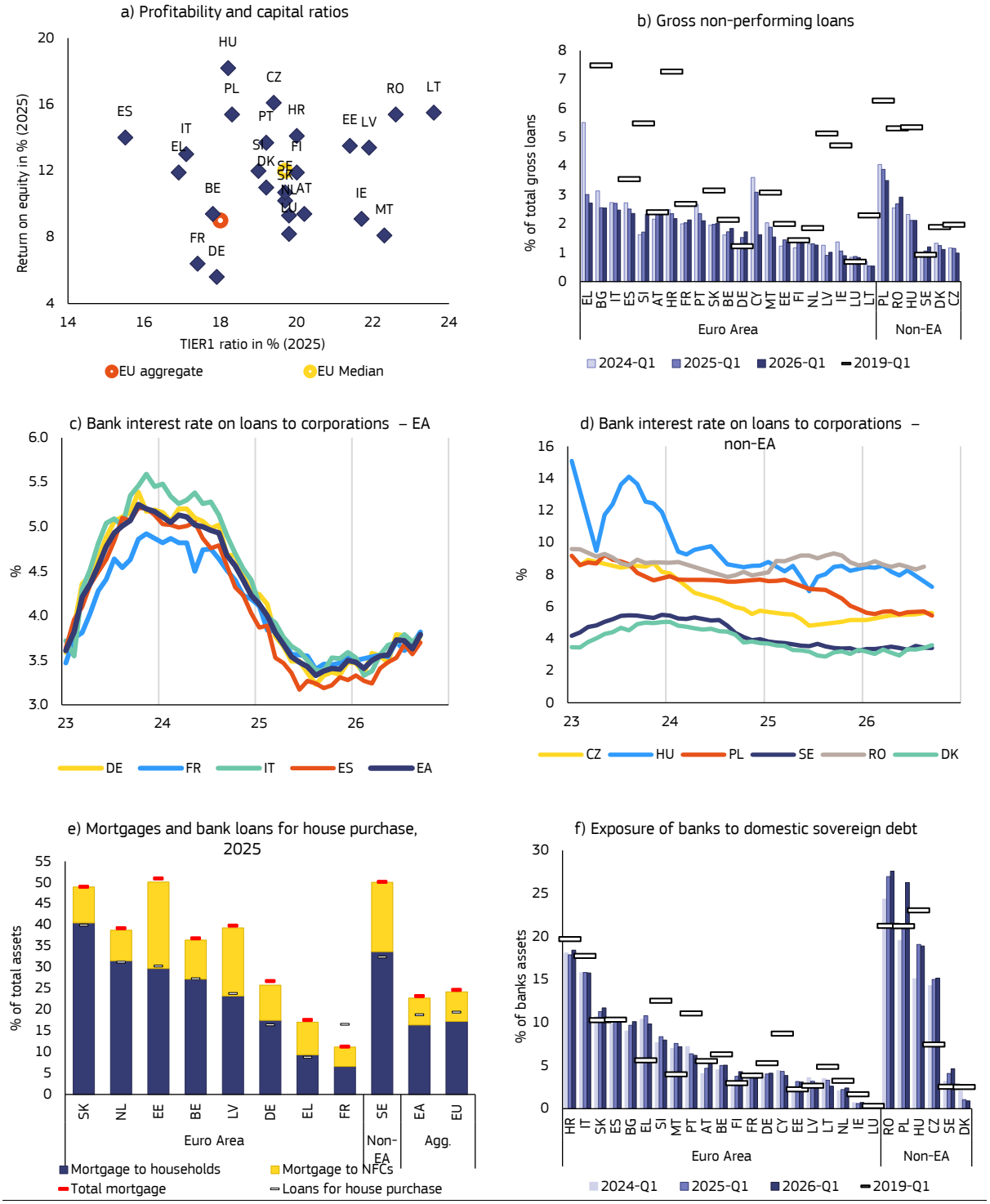
Graph A2.6.2: **Selected charts for government sector (II)**



Source: Eurostat and European Commission forecasts and calculations

A2.7. FINANCIAL SECTOR

Graph A2.7.1: **Selected charts for the financial sector**



(1) b) The gross non-performing loan ratio in 2019-Q1 was 41.6 for Greece and for 20.9 Cyprus and these excluded from the graph.

Source: ECB and European Commission calculations.

Table 1: MIP Scoreboard 2025

2025	External imbalances and competitiveness					Internal imbalances						Employment indicators	
	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	2.1	9.1e	11.3	3.2	14.8	81.5	49.2p	70.2p	3.0p	2.9p	5.5	6.0	1.1
EA	2.0	10.4	7.2	2.2	14.1	87.3	50.3p	71.5p	2.7p	2.5p	5.3	6.4	1.1
BE	0.3	53.7	3.4	-10.7	12.7p	108.1	56.5p	91.1p	3.7	2.5	3.2	6.2	1.4
BG	-2.6	-4.0	6.2	-5.5	30.6	29.9	28.1	45.1	22.6	10.9	14.6	3.5	-0.2
CZ	0.8	-9.8	7.2	8.1	17.9	44.2	31.5	45.2	8.2	2.6	10.4	2.8	0.8
DK	11.1	97.8	1.5	4.3	5.1	27.2	82.6	115.2	3.5	8.3	7.5	6.4	1.9
DE	5.2	80.8	5.5	-3.3	18.1p	62.8	48.3p	58.1p	1.8	1.0	3.2	3.8	0.8
EE	-0.9	-3.3	11.7	0.0	27.4	24.0	39.3	56.1	8.1	3.7	5.2	7.5	0.5
IE	11.1	-54.4	4.9	18.3	14.2	34.8	25.4	79.1	1.9	0.7	7.5	4.7	1.6
EL	-6.6	-138.4	3.3	-6.8	11.2p	145.4	37.8p	59.7p	1.0	8.3	8.3ep	8.9	1.5
ES	3.1	-42.7	2.1	9.7	13.8p	100.5	42.9p	62.0p	4.5	2.4	12.7	10.5d	0.9d
FR	-0.5	-29.6	3.4	0.4	7.7p	115.7	59.5p	92.1p	1.0p	3.2p	0.7	7.7d	1.5d
HR	-2.6	-34.7	8.1	8.7	33.7p	55.7	31.0p	40.4p	12.8	4.7	13.9	4.9	2.3
IT	0.5	14.5	2.9	0.8	10.1	136.7	36.2	55.9	3.0	1.7	4.0	6.1	1.2
CY	-7.7	-81.9	5.2	19.2	9.9p	52.3	52.1p	105.6p	3.3	1.5	4.5	4.4	1.2
LV	-4.7	-17.9	8.5	-5.9	18.3	46.2	19.6	37.5	10.3	15.9	7.6	6.9	0.8
LT	-0.1	-3.1	6.4	1.3	23.8	39.3	23.6	30.9	16.4	11.6	9.8	6.9	1.1
LU	2.8	26.4	0.2	5.9	14.8p	26.0	59.3p	255.9p	2.1	-0.3	1.6	6.5	0.5
HU	1.3	-35.4	14.4	2.8	39.7p	74.4	18.1p	52.2p	13.6	5.2	18.3p	4.4	1.3
MT	3.0	88.6	6.7	24.1	13.3	46.3	49.6	65.2	10.9	10.0	6.0p	3.1	3.3
NL	8.4	47.7	3.6	-3.2	19.5p	44.7	93.5p	106.3p	4.7p	3.8p	8.5	3.9	0.9
AT	2.3	28.9	6.8	0.1	20.5	80.7	40.7	65.9	1.1	1.3p	2.5	5.7	1.1
PL	0.3	-29.7	21.8	8.0	28.5p	59.6	22.0	30.8	4.5	10.2	4.9	3.1	1.6
PT	1.4	-49.6	2.8	8.0	21.3p	89.2	54.4p	65.1p	9.0	3.4	17.6	6.0	2.6
RO	-7.4	-43.7	11.7	7.1	31.5p	58.9	12.4p	27.7p	10.8	9.1	5.7	6.1	0.3
SI	4.7	14.4	2.4	1.0	18.2	65.1	24.6	32.3	7.7	4.6	7.3	3.9	-0.4
SK	-4.2	-50.8	9.2	3.4	19.9	60.5	43.5	39.6	7.1	8.7	12.4	5.4	0.4
FI	-0.2	15.1	2.8	-4.6	7.1	88.4	62.5	77.7	0.2	1.6	-2.3	9.7	-0.1
SE	6.7	59.7	1.7	4.3	8.9	35.1	82.4	107.4	2.8	0.7	1.0	8.8	0.7

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

1) House price index: e = estimate by NCB for EL. 2) Unemployment rate and labour force participation rate: 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.
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, 2025

2025	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[1]
	(% of GDP)	(% of GDP)	(% of GDP)	(2020 EUR)	(% of GDP)	(% of GDP)	(3 year % change)	(1 year % change)	(pps)
EU	-19.1e	1.8	-1.6	34250.0	21.5	na	3.4	1.3	0.2
EA	-23.7	1.9	-1.7	37080.0	21.3	na	2.6	1.0	0.0
BE	32.6	-0.6	-2.6p	44550.0p	23.9p	3.3p	-10.5	0.4p	-0.1
BG	37.9	-3.6	-3.5	11470.0	20.9	0.7p	-5.3	1.8	0.5
CZ	31.2	2.2	-2.1	22510.0	26.7	1.9p	8.3	1.8	0.5
DK	33.8	11.8	-0.1	60390.0	23.0	3.1ep	4.6	2.9	-0.8
DE	67.9	3.8	-1.5p	43750.0p	20.2p	3.1p	-3.0	1.1p	0.4
EE	26.1	2.4	-1.4	21820.0	23.6	2.1p	0.3	1.9	3.4
IE	-368.5	7.1	-1.1	94930.0	24.1	1.5p	18.6	6.2	-0.4
EL	-95.9	-4.8	-1.5p	19700.0p	18.0p	1.6p	-6.5	2.1p	1.2
ES	-9.6	4.3	-1.7p	28260.0p	21.0p	na	10.0	0.6p	0.2
FR	-30.5	-0.2	-1.5p	38360.0p	22.2p	2.2p	0.7	1.5p	-0.8
HR	21.0	-2.4	-3.3p	17770.0p	23.6p	1.4p	9.0	3.3p	1.7
IT	19.8	0.9	-1.9	33260.0p	22.0	1.4p	1.0	-0.5	-0.5
CY	-36.4	-8.4	-2.3p	32460.0p	19.6p	0.6p	19.4	2.4p	-0.5
LV	24.3	-3.0	-1.7	17450.0	24.0	1.0p	-5.6	2.5	1.1
LT	32.2	0.8	-2.2	20690.0	21.9	1.1p	1.6	2.9	0.6
LU	-4403.0	0.1	-2.4p	102840.0p	16.2p	1.0p	6.2	0.9p	-0.6
HU	-1.2	2.8	-2.9p	16410.0p	22.1p	1.3dp	3.0	0.5p	2.9
MT	139.0	7.1	-5.4	34360.0	18.2	0.5p	24.4	-0.3	0.0
NL	12.6	7.0	-0.6	51400.0p	20.1	2.4p	-3.0	2.1p	0.4
AT	4.2	2.8	-1.5	45580.0	23.6	3.4p	0.3	0.0	0.7
PL	7.6	-0.1	-1.7	17210.0	17.3	1.5p	8.3	4.3p	0.3
PT	0.5	2.7	-1.7p	22670.0p	21.0p	1.8p	8.3	0.2p	-0.1
RO	-11.1	-5.0	-1.2p	13300.0p	25.2p	0.5p	7.4	2.0p	4.2
SI	27.1	4.3	-1.9	25940.0	21.2	2.4p	1.2	2.7	0.0
SK	-10.3	-4.6	-1.7	19540.0	19.5	1.1p	3.7	2.1	3.1
FI	4.7	1.2	-1.2	43470.0	21.9	3.3p	-4.3	1.5	-0.1
SE	5.2	6.5	-0.5	49250.0	25.0	3.5p	4.6	2.4	0.0

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

1) By definition, the core inflation differential vis-à-vis the EA will always be 0 for the EA itself. 2) Gross domestic expenditure on R&D: For EA, EU and ES, the data were not available on 3 November 2026 due to an embargo for the data from ES.
Source: Eurostat and the International Monetary Fund (World Economic Outlook, for world exports of goods and services).

Table 2 (continued): Auxiliary indicators, 2025

2025	Household (incl. NPISH) debt, consolidated	Gross non-performing loans, domestic and foreign entities	Tier-1 capital ratio of banking sector	Return on equity of banking sector	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)	(%)	(% of long-term average, 2000-current)	(m² per 1000 inh)	(%)	(%)	(%)	(%)	(%)	%	%	%
EU	66.3	1.9p	18.0p	9.0p	100.0	377.6	1.9	15.2	76.1	11.0	20.9	16.3	6.3	7.9
EA	67.0	1.9p	17.9p	8.7p	99.0	347.2	2.1	14.9	75.7	11.0	21.6	16.9	6.2	8.6
BE	75.4	1.7p	17.8p	9.4p	102.8	546.1p	2.0	17.4	72.8	9.8	16.5	10.9	4.9	11.0
BG	na	2.4p	25.5p	12.1p	64.0dp	917.5	1.5	13.1	77.0	13.8	29.0	21.2	15.0	7.7
CZ	45.2	1.1p	19.4p	16.1p	118.1	330.5	0.8	10.4	82.9	8.0	11.5	9.6	2.6	4.9
DK	130.1	1.2p	19.2p	11.0p	105.8	432.8p	0.9	13.8	79.8	8.9	17.9	11.8	4.5	9.7
DE	61.0	1.7p	17.9p	5.6p	95.4	267.0p	1.1	7.1	81.1	9.5	21.2	16.1	5.6	10.3
EE	56.7	1.3p	21.4p	13.5p	103.9	438.0	1.8	20.7	81.7	11.2	21.8	19.5	3.5	6.4
IE	64.2	0.8p	21.7p	9.1p	98.3	767.9	1.1	11.8	80.2	8.1	18.8	13.0	5.2	8.8
EL	50.3	2.6p	16.9p	11.9p	110.5ep	269.9p	5.0	19.1	71.0	13.5	27.5	19.6	14.9	6.5
ES	57.8	2.3p	15.5p	14.0p	107.5	322.1p	3.4d	24.9d	72.4d	11.5d	25.7	19.5	8.1	8.0
FR	73.7	2.1p	17.4p	6.4p	95.8	401.5p	1.8d	19.8d	75.4d	12.9d	20.8	16.3	7.0	8.9
HR	41.8	2.2p	20.0p	14.1p	94.8	592.4p	1.8	18.3	74.4	10.8	20.7	19.5	2.0	4.0
IT	48.2	2.4p	17.1p	13.0p	86.9	76.3p	3.1	20.6	67.6	13.3	22.6	18.6	5.2	8.2
CY	74.5	1.6p	27.2p	12.5p	91.6	2828.1p	0.9	13.5	81.3	10.6	17.1	14.9	2.2	4.2
LV	28.2	1.0p	21.9p	13.4p	87.7	485.8	2.3	14.8	78.2	11.0	24.7	22.0	4.8	6.6
LT	33.1	0.5p	23.6p	15.5p	94.3	519.2	2.5	14.1	80.0	12.4	26.3p	22.6p	5.5p	11.4p
LU	118.1	0.9p	19.8p	8.2p	113.1	727.7p	2.0	19.4	73.6	8.8	18.2b	14.8b	3.4b	5.5b
HU	24.6	2.2p	18.2p	18.2p	105.3p	325.8p	1.5	13.9	81.1	10.6	19.5	14.0	8.5	4.1
MT	75.6	1.5p	22.3p	8.1p	94.2p	3093.7	0.6	9.6	83.6	8.5	19.4	16.9	4.1	4.2
NL	138.9	1.3p	19.8p	9.3p	112.0	464.4p	0.5	8.8	83.4	5.3	15.8	13.4	2.6	7.8
AT	54.4	2.4p	20.2p	9.4p	115.6	412.8e	1.3	11.5	77.6	10.3	18.6	15.9	2.9	6.9
PL	29.6	3.5p	18.3p	15.4p	86.2	623.5	0.8	12.2	78.8	9.2	15.0	13.2	2.0	4.1
PT	68.3	2.1p	19.2p	13.7p	137.0	749.7p	2.2	19.5	79.6	8.0	18.6	15.4	4.3	4.9
RO	19.6	2.8p	22.6p	15.4p	47.0	509.3	2.1	26.1	69.0	19.2	27.4	18.4	16.8	5.6
SI	33.8	2.4p	19.0p	12.0p	107.8	422.1	1.1	12.1	78.3	7.6	15.5	14.3	1.9	3.8
SK	60.9	1.9p	19.7p	10.2p	101.0	312.2p	3.4	15.3	78.1	11.1	16.7b	12.2b	7.0	4.0
FI	81.4	1.4p	20.0p	11.9p	76.7	300.9	2.4	21.8	76.3	11.0	17.2	13.4	3.3	10.7
SE	119.8	1.3p	19.7p	10.7p	106.2	365.4	1.8	24.3	81.8	5.9	18.6	15.6	3.9	8.0

Flags:b:Break in series. d:Definition differs. p:Provisional. e:Estimated.

1) Household debt (incl. NPISH): Gross adjusted disposable income data were not available on 3 November 2026 for BG. 2) Standardised house price-to-income ratio: d = due to missing adjusted gross disposable income, compensation of employees used instead for BG. 3) Labour Force Survey indicators: 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 = for SK administrative sources used for new weighting and imputation method. 5) Income and living conditions indicators: b = for LU, administrative sources used.
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).