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REPORT FROM THE COMMISSION

Germany and Lithuania

Report prepared in accordance with Article 126(3) of the Treaty on the Functioning of the European Union

1. INTRODUCTION

Article 126 of the Treaty on the Functioning of the European Union (TFEU) lays down the excessive deficit procedure. That procedure is further set out in Council Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure ([1]), which is part of the Stability and Growth Pact.

In accordance with Article 126(3) TFEU, the purpose of this report by the Commission is to identify the Member States for which compliance with the deficit criterion and/or the debt criterion has to be examined and to provide this assessment. ([2])

The previous report under Article 126(3) TFEU was adopted on 3 June 2026 ([3]). In that report, the Commission considered that an excessive deficit procedure should be proposed for Bulgaria on the grounds of non-compliance with the deficit criterion. The report of 3 June 2026 also discussed the cases of Germany, Estonia, Latvia, and Slovenia. As regards Latvia, the Commission considered that the deficit criterion was fulfilled. As regards Germany, Estonia, and Slovenia, the Commission assessed the deficit criterion as not fulfilled but was of the view not to open an excessive deficit procedure at that time in accordance with Article 2(5) of Regulation (EC) No 1467/97.

The present report examines the situation of the Member States for which the government deficit and debt levels reported under Council Regulation (EU) No 479/2009[4], and the Commission Autumn 2026 Forecast ([5]), indicate relevant changes compared to the figures that were discussed in the report of 3 June 2026. This is the case for **Germany** and **Lithuania**.

The report is structured as follows. **Section 2** identifies the Member States for which compliance with the deficit criterion must be examined in this report and provides an assessment before the consideration of relevant factors. **Section 3** establishes that there are no Member States for which compliance with the debt criterion must be examined. **Section 4** reviews relevant factors. The final section formulates the overall conclusions. The format of this report – covering all concerned Member States together, as in previous vintages – helps in the comparability of the different cases, while the case of each Member State is considered on its own merits.

2. DEFICIT CRITERION

The deficit criterion is fulfilled if the *actual* general government deficit for the previous year (2025) and *planned* deficit for the current year (2026) do not exceed the 3% of GDP reference

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([1]) OJ L 209, 2.8.1997 (ELI: http://data.europa.eu/eli/reg/1997/1467/2024-04-30) as last amended by Council Regulation (EU) 2024/1264 of 29 April 2024 (OJ L, 2024/1264, 30.4.2024). The report also takes into account the "Specifications on the implementation of the Stability and Growth Pact and guidelines on the format and content of stability and convergence programmes", adopted by the Economic and Financial Committee on 1 December 2025, available at: https://economy-finance.ec.europa.eu/economic-governance-framework/stability-and-growth-pact/legal-basis-stability-and-growth-pact_en.

([2]) Member States subject to a Council Decision establishing an excessive deficit under Article 126(6) TFEU are not concerned by this report. The following Member States are in excessive deficit procedure: since April 2020: Romania; since July 2024: Belgium, France, Hungary, Italy, Poland, Slovakia; since June 2025: Austria, since January 2026: Finland and since July 2026: Bulgaria.

([3]) COM(2025) 950 final.

([4]) Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, (OJ L 145, 10.6.2009, pp. 1–9, OJ C, ELI: http://data.europa.eu/eli/reg/2009/479/2014-09-01)

([5]) European Commission Autumn 2026 Forecast (European Economy Institutional Paper 348, 17.11. 2026).

value. If either does, the Commission examines whether the deficit ratio has declined substantially and continuously, and comes close to the reference value. The Commission also examines whether the deficit in excess over the reference value is exceptional and temporary, and remains close to the reference value. Relevant factors are to be considered by the Commission and the Council in the steps leading to the decision on the existence of an excessive deficit based on the deficit criterion, if either *i)* the government debt does not exceed 60% of GDP, or *ii)* if the debt exceeds 60% of GDP, the deficit is close to 3% of GDP and the excess over it is temporary.

For the purpose of assessing compliance with the deficit criterion, this report concerns those Member States (not currently in excessive deficit) for which the *actual* 2025 deficit ratio provided by Eurostat ([6]) and/or the *planned* deficit ratio for 2026 reported to Eurostat in the autumn 2026 fiscal notification ([7]) or in the Member State's Draft Budgetary Plan exceeds the reference value of 3% of GDP.

While Germany, Estonia and Lithuania had general government deficits below the 3% of GDP reference value in 2025, the planned deficits for 2026 exceed 3% of GDP (see Table 1). However, this report does not elaborate on the case of Estonia, which was already discussed in detail in the report of 3 June 2026 and for which there have not been relevant changes in the meantime that would justify revisiting the conclusion. ([8])

On that basis, this report assesses compliance with the deficit criterion in **Germany** and **Lithuania**. For each of these two Member States in turn, the following paragraphs analyse the deficits in excess of the reference value in terms of closeness, temporariness and exceptionality. For this, the assessment also considers the Commission Autumn 2026 Forecast, with a cut-off date of 3 November 2026.

For **Germany**, the planned deficit for 2026 is 4.8% of GDP according to the autumn 2026 fiscal notification. The Commission Autumn 2026 Forecast projects the deficit at 4.1%. The gap between the deficit projections is largely due to different assumptions concerning the increase in public investment spending. However, they also illustrate the considerable uncertainty underlying the projections. ([9]) The planned deficit in 2026 is therefore assessed as *above and not close* to the reference value. Based on the Commission Autumn 2026 Forecast,

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([6]) See Eurostat Euro indicators of 21 October 2026 https://ec.europa.eu/eurostat/web/products-euro-indicators/w/2-21102026-AP, in accordance with Article 14 of Council Regulation (EC) No 479/2009.

([7]) The complete set of tables reported to Eurostat by Member States is available at: http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables. Planned figures are reported by Member States to Eurostat, based on their most recent official forecasts, taking account of budgetary decisions and economic developments and prospects.

([8]) In spring 2026, Estonia notified a deficit of 2.0% of GDP for 2025 and a planned deficit of 4.5% for 2026. The relevant factors were assessed as presenting a mixed picture. Taking into account all relevant factors as appropriate, the deficit criterion was assessed as not fulfilled in Estonia. However, the Council has activated the national escape clause for higher defence expenditure for Estonia, and without the increase in defence expenditure since 2021 – capped at 1.5% of GDP – the deficit in 2026 was projected by the Commission at 3.0% of GDP and thus not exceeding the reference value. The Commission was thus of the view at that stage not to open an excessive deficit procedure for Estonia. According to the autumn 2026 notification, Estonia's deficit in 2025 stood at 2.0% of GDP, while the planned deficit for 2026 is slightly revised down to 4.4% of GDP. The Commission Autumn 2026 Forecast projects the same deficit ratio. According to the Autumn forecasts, without the increase in defence expenditure since 2021 – capped at 1.5% of GDP – the deficit in 2026 is projected at 2.9% of GDP, and therefore, as had been the case already in spring, not exceeding the reference value.

([9]) An analysis by Commission services of the forecasts for the German general government balance by different forecasting entities, including the Commission, shows a tendency to overestimate the current year's deficit for Germany, especially in recent times of fiscal expansion.

the government deficit in Germany is projected to continue exceeding the reference value in 2027 and 2028. Therefore, the planned deficit in excess of the reference value is assessed to be *not temporary*. On 10 October 2025, the Council adopted a Recommendation ([10]) under Article 26 of Regulation (EU) 2024/1263 (national escape clause) for Germany ([11]). This Recommendation allows Germany to temporarily deviate from the maximum growth rates of net expenditure ([12]) as set by the Council, by up to 1.5% of GDP over the period 2025 to 2028, to accommodate the increase in defence spending ([13]) compared to the reference year 2021. On the basis of the latest Commission forecasts, the deficit in excess of the reference value in 2026 is not fully explained by an increase in defence spending compared to the reference year ([14]). In view of this, the planned excess over the reference value in 2026 is assessed as *not exceptional*.

For **Lithuania**, the planned deficit for 2026 according to its 2027 Draft Budgetary Plan is 3.3% of GDP. ([15]) The Commission Autumn 2026 Forecast projects the deficit at 3.5%, where the differences in the deficit projections are largely due to a different accounting treatment of certain military expenditure. ([16]) The planned deficit in 2026 is therefore assessed as *above but close* to the reference value. Based on the Commission Autumn 2026 Forecast, the government deficit in Lithuania is projected to continue exceeding the reference value in 2027 and 2028. Therefore, the planned deficit in excess of the reference value is assessed to be *not temporary*. On 8 July 2025, the Council adopted a Recommendation ([17]) under Article 26 of Regulation 2024/1263 (national escape clause) for Lithuania. This Recommendation allows Lithuania to temporarily deviate from the maximum growth rates of net expenditure as set by the Council, by up to 1.5% of GDP over the period 2025 to 2028, to accommodate the increase in defence spending compared to the reference year 2021. The planned deficit in excess of the reference

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([10]) Council Recommendation of 10 October 2025 endorsing the national medium-term fiscal-structural plan of Germany and allowing Germany to deviate from the maximum growth rates of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause), (OJ C, C/2025/5635, 22.10.2025, ELI: http://data.europa.eu/eli/C/2025/5635/oj).

([11]) According to Article 2(1) of Regulation (EC) No 1467/97, the excess of the government deficit over the reference value shall be considered exceptional, in accordance with the second indent of point (a) of Article 126(2) TFEU, if it results from the existence of a severe economic downturn in the euro area or the Union as a whole established by the Council in accordance with Article 25 (*General escape clause*) of Regulation (EU) 2024/1263 or from exceptional circumstances outside the control of the government with a major impact on the public finances of the Member State concerned, in accordance with Article 26 (*National escape clauses*) of that Regulation.

([12]) Article 2(2) of Regulation (EU) 2024/1263 defines 'net expenditure' as government expenditure net of interest expenditure, discretionary revenue measures, expenditure on programmes of the Union fully matched by revenue from Union funds, national expenditure on co-financing of programmes funded by the Union, cyclical elements of unemployment benefit expenditure, and one-off and other temporary measures.

([13]) The defence spending relevant to the assessment of compliance is the nationally financed defence expenditure as defined in the Classification of the functions of government (COFOG 02).

([14]) According to the Commission Autumn 2026 Forecast, defence spending in Germany is projected at 1.9% in 2026. This is an increase by 0.8 pps. of GDP compared to 2021.

([15]) In the context of the October 2026 fiscal notification, Lithuania reported a planned deficit for 2026 of 2.3% of GDP to Eurostat. However, Lithuania later submitted its Draft Budgetary Plan for 2027, according to which the deficit for 2026 was revised upwards to 3.3% of GDP. The upward revision was due to unforeseen early deliverables of defence equipment.

([16]) Specifically, military expenditure related to public-private partnerships: the Commission records that expenditure within general government, in line with Eurostat's advice of 28 July 2026 on the statistical treatment of PPP contracts used for the construction and maintenance of military bases (link), whereas Lithuania records it outside general government.

([17]) Council Recommendation of 8 July 2025 allowing Lithuania to deviate from the maximum growth rates of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause), (*OJ C, C/2025/3969, 20.8.2025, ELI: http://data.europa.eu/eli/C/2025/3969/oj*).

value in 2026 is fully explained by an increase in defence spending (capped at 1.5% of GDP in line with the maximum flexibility under the national escape clause) compared to the reference year ([18]). In view of this, the planned excess over the reference value in 2026 is assessed as *exceptional*.

In sum, this analysis of the three conditions – namely, whether the deficit remains (i) close to the reference value and whether the deficit in excess of the reference value is (ii) exceptional as well as (iii) temporary − suggests that the deficit criterion is not fulfilled, before the consideration of the relevant factors, by **Germany** or **Lithuania**.

Table 1 - General government deficit

Percentage of GDP	**Data provided by Eurostat**	**October 2026 EDP notification**	**Commission Autumn 2026 Forecast**		
	2025	**2026**	**2026**	**2027**	**2028**
Member States for which compliance with the deficit criterion has to be further discussed					
Germany	-2.9	**-4.8**	**-4.1**	**-4.4**	**-4.5**
Lithuania	-1.8	**-3.3**[1]	**-3.5**	**-4.3**	**-5.1**
Member States for which compliance with the deficit criterion is not discussed in this report					
Czechia	-2.2	-2.7	-2.7	**-3.3**	**-3.3**
Denmark	2.9	1.2	1.1	0.5	0.3
Estonia	-2.0	**-4.4**	**-4.4**	**-3.9**	**-3.9**
Ireland	1.8	1.1	1.4	1.4	0.6
Greece	2.0	0.2	0.9	0.7	0.2
Spain	-2.4	-2.1	-2.6	-2.2	-2.2
Croatia	-3.0	-2.9	-2.8	-2.8	-2.9
Cyprus	3.6	2.7	2.9	3.2	3.3
Latvia	-2.5	-2.9	-2.9	**-4.4**	**-5.4**
Luxembourg	-1.8	-0.8	-1.1	-1.0	-1.7
Malta	-2.1	-1.6	-2.8	-2.8	-2.8
Netherlands	-1.6	-2.3	-2.5	-2.1	-2.3
Portugal	0.7	0.0	0.1	-0.1	-0.3
Slovenia	-2.5	-2.9	-2.9	**-4.5**	**-4.3**
Sweden	-1.6	-2.6	-2.1	-1.4	-0.9

Source: Eurostat (data for 2025), October 2026 EDP notification, Draft Budgeray Plans and Commission Autumn 2026 Forecast (data for 2026, 2027 and 2028).

Notes: **Bold** indicates that a deficit figure exceeds the reference value of 3% of GDP.
The following Member States are subject to an excessive deficit procedure and are therefore not covered in the table: since April 2020: Romania; since July 2024: Belgium, France, Hungary, Italy, Poland, Slovakia; since June 2025: Austria; since January 2026: Finland; and since July 2026: Bulgaria.
(1) Lithuania submitted a planned deficit for 2026 of 2.3% of GDP to Eurostat in the context of the October 2026 EDP notification. However, Lithuania later submitted its Draft Budgetary Plan, according to which the deficit for 2026 was revised to 3.3% of GDP.

([18]) According to the Commission Autumn 2026 Forecast, defence spending in Lithuania is projected at 3.6% in 2026. This is an increase by 2.2 pps. of GDP compared to 2021.

3. DEBT CRITERION

The debt criterion is fulfilled if the general government gross debt at the end of the previous year does not exceed the 60% of GDP reference value. If it does, the Commission examines whether the debt ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace. In Regulation (EC) No 1467/97, the latter is operationalised, for a Member State with a debt ratio exceeding 60% of GDP, through the respect of the maximum growth rates of net expenditure recommended by the Council, ([19]) with upward and downward deviations tracked in a control account. ([20]) If general government debt exceeds 60% of GDP, the fiscal position is not 'close to balance or in surplus' ([21]) and the debits in the Member State's control account exceed 0.3% of GDP annually or 0.6% of GDP cumulatively, the Commission should prepare a report under Article 126(3) TFEU to examine compliance and prepare a decision whether a procedure should be initiated. Relevant factors are to be considered by the Commission and the Council in the steps leading to the decision on the existence of an excessive deficit based on the debt criterion for all concerned Member States.

For the purpose of assessing compliance with the debt criterion, a report under Article 126(3) TFEU should therefore discuss those Member States that are not currently subject to an excessive deficit procedure and where:

- the *actual* general government gross debt ratio-to-GDP, as provided by Eurostat, ([22]) exceeded the reference value of 60% of GDP at the end of 2025, *and*
- the *actual* deficit in 2025, as also provided by Eurostat, exceeded 0.5% of GDP, which corresponds to a budgetary position that cannot be considered as 'close to balance or in surplus', *and*
- based on the Commission's calculations ([23]), the control account for 2025 shows a debit exceeding the threshold of 0.3% of GDP annually and/or the threshold of 0.6% of GDP cumulatively.

The corresponding data are shown in Table 2. At end of 2025, the general government gross debt ratio *exceeded* the reference value in Germany, Greece, Spain, Portugal and Slovenia.

Greece and Portugal had budgetary surpluses in 2025. Therefore, the debt criterion for these two Member States is considered as fulfilled and does not require further elaboration.

Based on the Commission's calculations, for Germany, the control account for 2025 recorded credits, in annual and cumulative terms. Therefore, the debt criterion for Germany is considered as fulfilled and does not require further elaboration.

([19]) In accordance with Articles 17, 19 or 20 of Regulation (EU) 2024/1263 of the Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

([20]) The control account set up by the Commission in accordance with Article 22(2) of Regulation (EU) 2024/1263 records deviations of the observed net expenditure in a Member State from the recommended maximum net expenditure growth rates set by the Council. Upward deviations from the recommended net expenditure path are registered as debits, after taking into account escape clauses that may have been activated.

([21]) A fiscal position 'close to balance or in surplus' is defined as a general government deficit not exceeding 0.5% of GDP, according to recital 14 in Council Regulation (EU) 2024/1264 of 29 April 2024.

([22]) See Eurostat Euro indicators of 21 October 2026 https://ec.europa.eu/eurostat/web/products-euro-indicators/w/2-21102026-ap.

([23]) Commission Staff Working Document SWD(2026)1050, 'Fiscal statistical tables providing background data relevant for the assessment of the budgetary policies of the Member States', 24.11.2026.

For Slovenia and Spain, the control account for 2025 shows deviations from the recommended net expenditure growth that exceed the annual threshold. However, both Member States benefit from the national escape clause to accommodate higher defence expenditure. Taking into account the national escape clause, the *augmented* control accounts ([24]) recorded debits for Slovenia (0.1% of GDP) and for Spain (less than 0.1% of GDP), therefore within the 0.6% of GDP threshold. Therefore, the debt criterion for these two Member States is considered as fulfilled and does not require further elaboration.

In sum, there are no Member States for which compliance with the debt criterion has to be examined in this report.

([24]) For 2025, the *augmented* control account excludes the deviations due to increases in defence spending that benefit from flexibility under the national escape clause, and the remaining deviation is assessed against the threshold of 0.6% of GDP cumulatively (or 0.3% of GDP, for a deviation in the first year following the base year).

Table 2 – Identification of Member States for further assessment of the debt criterion

Percentage of GDP	**General government debt at end-2025**	**General government balance in 2025**	**Recorded deviations[1] of net expenditure growth in 2025 in the control account[2]**		
			Annual deviation	*Cumulated deviation*	*Cumulated deviation (augmented control account)*
Member States with debt ratios exceeding 60% of GDP but for which compliance with the debt criterion does not need to be discussed in this report					
Germany[3]	**62.8**	**-2.9**	-0.1	-0.1	-0.5
Greece[3]	**145.4**	2.0	-0.5	-1.7	-1.9
Spain[3]	**100.5**	**-2.4**	0.5	0.1	0.0
Portugal[3]	**89.2**	0.7	-0.2	0.0	0.0
Slovenia[3]	**65.1**	**-2.5**	1.1	0.3	0.1
Member States with debt ratios below 60% of GDP					
Czechia[3]	44.2	-2.2	0.3	-1.2	-1.5
Denmark[3]	27.2	2.9	1.0	-0.5	-1.5
Estonia[3]	24.0	-2.0	-2.1	-1.1	-2.6
Ireland[4]	34.8	1.8	*n.a.*	*n.a.*	*n.a.*[5]
Croatia[3]	55.7	-3.0	1.6	1.2	0.8
Cyprus	52.3	3.6	1.0	0.7	*n.a.*[5]
Latvia[3]	46.2	-2.5	-0.5	-1.8	-2.6
Lithuania[3]	39.3	-1.8	1.3	1.3	0.1
Luxembourg	26.0	-1.8	1.3	0.2	*n.a.*[5]
Malta	46.3	-2.1	0.0	2.5	*n.a.*[5]
Netherlands[4]	44.7	-1.6	*n.a.*	*n.a.*	*n.a.*[5]
Sweden	35.1	-1.6	-0.7	-1.1	*n.a.*[5]

Source: Eurostat and Fiscal Statistical Tables providing background data relevant for the assessment of the budgetary policies of the Member States, SWD(2026)1050 final, Brussels 24.11.2026.

Notes: **Bold** figures denote that the relevant condition for the examination of compliance with the debt criterion in the present report as described in Section 3 is met. The following Member States are subject to an excessive deficit procedure and are therefore not covered in the table: since April 2020: Romania; since July 2024: Belgium, France, Hungary, Italy, Poland, Slovakia; since June 2025: Austria, since January 2026: Finland; and since July 2026: Bulgaria.

(1) A positive (negative) deviation indicates net expenditure growth above (below) the maximum net expenditure path recommended by the Council.

(2) See the Fiscal Statistical Tables (SWD(2026)1050final) for a detailed explanation of the control account and the augmented control account.

(3) Member State benefitting from flexibility provided by the national escape clause.

(4) See the Fiscal Statistical Tables (SWD(2026)1050 final). In the first half of 2026, the net expenditure paths have been superseded by new recommended paths for Ireland and the Netherlands in view of their new medium-term plans which were assessed by the Commission and endorsed by the Council. In spring 2026, tables assessing compliance with the previous paths (until 2025) were included for these two Member States in the Fiscal Statistical Tables providing background data relevant for the assessment of the budgetary policies of the Member States, SWD(2026)200, 3.6.2026.

(5) Not applicable for Member States for which the national escape clause has not been activated.

4. RELEVANT FACTORS WHEN ASSESSING COMPLIANCE WITH THE DEFICIT AND DEBT CRITERIA

Article 126(3) TFEU provides that, for each Member State, this report shall "*take into account whether the government deficit exceeds government investment expenditure and take into account all other relevant factors, including the medium-term economic and budgetary position of the Member State*". Those factors are further clarified in Article 2(3) of Regulation (EC) No 1467/97 and refer to:

a) *the medium-term debt position, i.e., "the degree of public debt challenges […], the evolution of the government debt position and its financing, and the related risk factors, in particular the maturity structure, the currency denomination of the debt and contingent liabilities, including any implicit liabilities related to ageing and private debt";*

b) *"the developments in the medium-term budgetary position, including, in particular, the size of the actual deviation from the net expenditure path as set by the Council, in annual and cumulative terms as measured by the control account";*

c) *"the developments in the medium-term economic position, including potential growth, inflation developments and cyclical developments compared to the assumptions underlying the net expenditure path as set by the Council";*

d) *"the progress in the implementation of reforms and investments, including in particular policies to prevent and correct macroeconomic imbalances and policies to implement the common growth and employment strategy of the Union, including those supported by the Recovery and Resilience Facility […], and the overall quality of public finances, in particular the effectiveness of national budgetary frameworks";* ([25]) and

e) *"the increase of government investment in defence, where applicable, considering also the time of recording of military equipment expenditure."* ([26])

Article 2(3) of Regulation (EC) No 1467/97 also provides that "*any other factors which, in the opinion of the Member State concerned, are relevant in order to comprehensively assess compliance with the deficit and debt criteria and which the Member State has put forward to the Council and the Commission*" need to be given due consideration in this report.

Furthermore, in accordance with Article 2(4) of Regulation (EC) No 1467/97, the presence of substantial public debt challenges is a key aggravating factor. Favourable cyclical economic, budgetary and financial developments shall not be considered as mitigating factors, while unfavourable developments may be considered as mitigating factors.

In line with the spirit of the EU economic governance framework, the Commission considers that deviations from the maximum recommended growth rates of net expenditure (point *b* above), especially when exceeding at least one of the thresholds (of 0.3% and 0.6% of GDP in annual and cumulative terms, respectively), constitute a particularly important relevant factor.

([25]) The implementation of the set of reforms and investments that underpins an extension of the adjustment period for some Member States, as specified in the Council Recommendations endorsing the medium-term fiscal-structural plans, will be assessed in the context of the European Semester Spring Package, which is scheduled to be published by the Commission at the beginning of June 2027. For the countries covered in this report, there is an extension of the adjustment period for Germany.

([26]) More specifically, the increase in government investment in defence has been included among the relevant factors, as a result of the reform of the economic governance framework.

Article 2(4) of Council Regulation (EC) No 1467/97 further provides that the relevant factors can be taken into account by the Council and the Commission in the steps leading to the decision on the existence of an excessive deficit based on the **deficit criterion** (i.e. under Articles 126(5) and 126(6) TFEU) *only* when:

a) the government debt-to-GDP ratio does not exceed the reference value, *or*
b) if the government debt-to-GDP ratio exceeds the reference value, a double condition is met – *i.e.* that the deficit remains close to the reference value *and* that the excess over the reference value is temporary.

By contrast, relevant factors should *always* be taken into account in the steps leading to the decision on the existence of an excessive deficit based on the **debt criterion** (i.e. under Articles 126(5) and 126(6) TFEU) for all concerned Member States.

Considering the Member States covered by this report's examination of the deficit criterion, the 2025 debt-to-GDP ratio, as shown in Table 2, does not exceed the reference value in **Lithuania**. Therefore, for Lithuania, relevant factors **can be taken into account** by the Council and the Commission in the steps leading to the decision on the existence of an excessive deficit based on the deficit criterion.

For **Germany**, the 2025 debt-to-GDP ratio exceeds the reference value and the double condition necessary for relevant factors to be taken into account (closeness and temporariness) is not met. Therefore, for Germany, relevant factors **cannot be taken into account** by the Council and the Commission in the steps leading to the decision on the existence of an excessive deficit based on the deficit criterion. In line with established practice, the relevant factors are, however, presented below even for the Member States where they cannot be taken into account by the Council and the Commission in the steps leading to the decision on the existence of an excessive deficit on the basis of the deficit criterion. It should be noted in this regard that Article 2(6) of Regulation (EC) No 1467/97 states that, if the Council decides that an excessive deficit exists in a Member State under Article 126(6) TFEU, the relevant factors referred to in Article 126(3) TFEU shall be taken into account in the subsequent steps under the excessive deficit procedure ([27]), for all concerned Member States.

The country-specific sections below refer to key information on the medium-term macroeconomic position, including on the contributions to growth, and on the medium-term budgetary and debt positions. Further details on the macroeconomic and fiscal outlook can be found in the Commission Autumn 2026 Forecast, which also outlines the risk to the outlook, such as evolution of the conflict in the Middle East and elevated geopolitical tensions. ([28])

([27]) But not for a decision under Article 126(12) TFEU to abrogate decisions under the excessive deficit procedure.

([28]) See Section 10, "Risks" in the European Commission Autumn 2026 Forecast (European Economy Institutional Paper 348, 17.11. 2026).

4.1. Germany

For Germany, relevant factors cannot be considered by the Council and the Commission in the steps leading to the decision on the existence of an excessive deficit based on the deficit criterion.

Medium-term macroeconomic position. Real GDP remained flat in 2024 and then increased by 0.2% in 2025, mainly driven by public and private consumption. Economic growth is projected at 1.3% in 2026, 1.0% in 2027 and 0.7% in 2028. Growth in 2026 is projected to be mainly driven by net exports, public investment and public consumption. HICP inflation decreased from 2.5% in 2024 to 2.3% in 2025 and is projected at 2.9% in 2026, 3.2% in 2027 and 2.0% in 2028, mainly driven in 2026 by strong energy inflation due to the war in the Middle East.

Medium-term budgetary position, including investment. Germany's general government deficit increased from 2.7% of GDP in 2024 to 2.9% in 2025, which mainly reflects an increase in social expenditure and, to a lesser extent, also in nationally financed public investment. Government investment stood at 3.2% of GDP in 2024, of which 3.1% of GDP was nationally financed, and increased to 3.5% in 2025, with nationally financed investment accounting for 3.4% of GDP.

Based on Commission estimates ([29]), the fiscal stance ([30]), which includes both nationally and EU financed expenditure, was broadly neutral in 2025. The growth in nationally financed primary expenditure (net of discretionary revenue measures) in 2025 provided a broadly neutral contribution to the fiscal stance.

The Commission Autumn 2026 Forecast projects a general government deficit of 4.1% of GDP in 2026, 4.4% in 2027 and 4.5% in 2028. Government investment is projected to decrease to 3.3% of GDP in 2026 and then increase to 3.5% in 2027 and 3.7% in 2028 (of which 3.3%, 3.4% and 3.6% of GDP, respectively, nationally financed). Based on Commission estimates, the fiscal stance is projected to be expansionary in 2026, by 1.0% of GDP. The growth in nationally financed primary expenditure in 2026 is projected to provide an expansionary contribution to the fiscal stance, amounting to 1.0% of GDP.

Based on the Commission's calculations ([31]), net expenditure grew by 4.3% in 2025, which is within the maximum growth rate of 4.4% recommended by the Council on 10 October 2025 ([32]). For 2026, net expenditure in Germany is projected to grow by 5.5%, which is above the maximum growth rate of 4.5% recommended by the Council. This corresponds to an annual deviation of 0.5% of GDP. In cumulative terms, i.e. compared to the base year of 2024, the cumulative deviation is projected at 0.4% of GDP in 2026. However, the projected cumulative

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([29]) Fiscal Statistical Tables providing background data relevant for the assessment of the budgetary policies of the Member States, SWD(2026)1050 final, Brussels 24.11.2026.

([30]) The fiscal stance is a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

([31]) Fiscal Statistical Tables providing background data relevant for the assessment of the budgetary policies of the Member States, SWD(2026)1050 final, Brussels, 24.11.2026.

([32]) Council Recommendation of 10 October 2025 endorsing the medium-term fiscal-structural plan of Germany and allowing Germany to deviate from the maximum growth rates of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause), (OJ C, C/2025/5635, 22.10.2025, ELI: http://data.europa.eu/eli/C/2025/5635/oj).

deviation in 2026 is within the flexibility provided by the national escape clause based on current projections for defence spending ([33]).

Debt challenges and medium-term debt position. General government debt increased from 61.4% of GDP at the end of 2024 to 62.8% of GDP at the end of 2025. The debt-to-GDP ratio is projected to increase further to 64.3% of GDP at the end of 2026, 66.3% at the end of 2027, and 68.9% at the end of 2028.

Overall, the debt sustainability analysis indicates high risks over the medium term. ([34]) The debt ratio in the baseline of the sustainability analysis under unchanged policies is projected to increase steadily, and the debt trajectory is sensitive to adverse macroeconomic shocks. According to the stochastic projections, which simulate a large range of possible temporary shocks to macroeconomic variables, there is a high likelihood that the debt ratio in 2030 will be higher than in 2025.

Other factors need to be taken into account for an overall assessment of debt sustainability. On the one hand, risk-increasing factors include a potential additional debt uptake (beyond the one included in the DSA baseline) allowed by (i) the reform of the debt brake and (ii) the creation of the special fund for infrastructure and climate neutrality. On the other hand, risk-mitigating factors include the lengthening of debt maturity in recent years, relatively stable financing sources with a diversified and large investor base, a low share of public debt held in foreign currency, and Germany's positive net international investment position.

As mentioned above, the presence of substantial public debt challenges is a key aggravating relevant factor.

Implementation of reforms and investments. Structural reforms and investments implemented under the Recovery and Resilience Facility (RRF) are expected to continue having a positive impact on GDP growth in the coming years. Germany has taken measures to implement outstanding reforms and investments included in the RRP by the deadline of 31 August 2026 for the completion of milestones and targets. According to the Commission's preliminary assessment of 21 October 2026, Germany has satisfactorily fulfilled all milestones and targets related to the final payment request submitted on 25 September 2026.

National budgetary framework. The German fiscal framework is based on a number of fiscal rules at different levels of government. In 2025, the strength of Germany's fiscal rules was above the EU average level, as measured by data collected in the Fiscal Governance Database of the European Commission ([35]). However, the strength of German fiscal rules slightly decreased in 2025 due to the replacement of the general government budget balance rule by a general government expenditure rule with a weaker legal base and no correction mechanism. Additionally, some exceptions were introduced reducing the coverage of the so-called debt brake. Spending reviews are an established practice in Germany, but the country could benefit from further institutionalisation of the review processes. Germany lags behind the EU average when it comes to accrual accounting, which can improve transparency over a public body's financial position and performance. The German independent fiscal institution (the Advisory

([33]) According to point 4 of the Council Recommendation of 10 October 2025 activating the national escape clause, actual deviations from the maximum growth rates of net expenditure as set by the Council that are allowed under the national escape clause will not be recorded as debits in the control account of Country.

([34]) Debt Sustainability Monitor 2025 (European Economy Institutional Paper 332, February 2026) based on the Commission Autumn 2025 Forecast.

([35]) The FRSI methodology was reviewed in 2026 which led to a decreased strength index for most countries but not for Germany.

Board to the Stability Council) is very small and has a narrow mandate. It is only involved in monitoring compliance with the net expenditure path ([36]).

Increase in government investment in defence. Based on data collected by Eurostat, nationally financed government expenditure on defence ([37]) in Germany amounted to 1.5% of GDP in 2025. Of this, government investment in defence represented 0.3% of GDP in 2025, which was 0.1 percentage point higher than in 2024.

The Commission Autumn 2026 Forecast projects government expenditure on defence in Germany to amount to 1.9% of GDP in 2026, 2.3% of GDP in 2027 and 2.5% of GDP in 2028. Of this, government investment in defence is projected to represent 0.4% of GDP in 2026, which was 0.1 percentage point higher than in 2025. Government investment in defence is then projected to increase by 0.1 percentage point to 0.5% in 2027 and by 0.1 percentage point to 0.7% of GDP in 2028.

Other factors put forward by the Member State. On 4 November 2026, Germany put forward additional factors not entirely covered above.

Germany claims that the projected 2026 deficit is substantially driven by a strong increase in defence and investment expenditure (including investment grants). Germany also argues that the higher expenditures are being accompanied by reforms to strengthen growth and support fiscal sustainability, including measures to boost private investment, reduce bureaucracy, speed up planning and permitting, increase labour supply, modernise the statutory pension and health system, and support digitalisation.

Overall, the measures put forward by Germany are plausible but ambitious in terms of their implementation. While major health care and long-term care reforms have been credibly announced or adopted, other initiatives such as the reform of the statutory pension system are uncertain by the time of the cut-off date of the Commission Autumn 2026 forecast (3 November 2026) and are therefore not included in the Commission's projections. In addition, in the Commission's view, the deficit in 2026 has been driven significantly more by social expenditure than by the sum of public gross fixed capital formation and investment grants. In fact, public investment activity has been modest in 2026 (until the cut-off date of the forecast).

The German authorities point out that macroeconomic and fiscal data have improved compared to the data included in the EDP notification. According to Germany, the 2026 deficit could consequently be slightly lower than projected in the EDP notification, at around 4.7% of GDP (instead of 4.8%). This statement is plausible. The Commission Autumn 2026 Forecast includes the improved macroeconomic and fiscal data that Germany refers to.

Germany also emphasises that the projection for 2026 is subject to unusually high uncertainty in the context of macroeconomic conditions and due to the ongoing federal budget negotiations. In addition, the German authorities are currently assessing the potential eligibility of energy security measures under the national escape clause.

([36]) The German IFI considers monitoring the 3% reference value to be within the scope of that mandate.

([37]) Nationally-financed defence expenditure as defined in the International Classification of the Functions of Government (COFOG) in the framework of the European System of National Accounts (ESA2010).

4.2. Lithuania

For Lithuania, relevant factors can be considered by the Council and the Commission in the steps leading to the decision on the existence of an excessive deficit based on the deficit criterion.

Medium-term macroeconomic position. Real GDP increased by 3.0% in both 2024 and 2025. The expansion was broad-based with an outstanding growth in the exports of services. Economic growth is projected at 2.7% in 2026, 2.2% in 2027 and 2.3% in 2028. Growth in 2026 is projected to be mainly driven by a boost to private consumption induced by the release of the second pillar pension funds. HICP inflation increased from 0.9% in 2024 to 3.4% in 2025 and is projected at 5.1% in 2026, 3.3% in 2027 and 2.9% in 2028, mainly driven in 2026 by increases in energy and services prices.

Medium-term budgetary position, including investment. Lithuania's general government deficit increased from 1.3% of GDP in 2024 to 1.8% in 2025, which mainly reflects higher spending on social benefits, public wages and interest payments, only partly offset by increased revenue from social security contributions, higher excise rates on polluting fuels, higher corporate income tax rates, reductions to personal income tax exemptions, and a one-off dividend from the central bank due to extraordinary profits. Government investment stood at 4.5% of GDP in 2024, of which 3.7% of GDP was nationally financed, and decreased to 4.4% in 2025, with nationally financed investment accounting for 3.4% of GDP.

Based on Commission estimates ([38]), the fiscal stance, which includes both nationally and EU financed expenditure, was expansionary, by 1.4% of GDP, in 2025. The growth in nationally financed primary expenditure (net of discretionary revenue measures) in 2025 provided an expansionary contribution to the fiscal stance, amounting to 1.1% of GDP.

The Commission Autumn 2026 Forecast projects a general government deficit of 3.5% of GDP in 2026, 4.3% in 2027 and 5.1% in 2028. Government investment is projected to increase to 5.7% of GDP in 2026 and then decrease to 5.6% in 2027 and to 5.5% in 2028 (of which 4.6%, 4.8% and 4.8% of GDP, respectively, nationally financed). Based on Commission estimates, the fiscal stance is projected to be expansionary, by 2.0% of GDP, in 2026. The growth in nationally financed primary expenditure in 2026 is projected to provide an expansionary contribution to the fiscal stance, amounting to 1.8% of GDP.

Based on the Commission's calculations ([39]), net expenditure of Lithuania grew by 9.9% in 2025, which is above the maximum growth rate of 6.1% recommended by the Council on 10 October 2025 ([40]). This corresponds to a deviation of 1.3% of GDP in 2025. After taking into account the flexibility provided by the national escape clause, the deviation in 2025 is 0.1% of GDP, which is within the threshold of 0.3% of GDP. ([41]) In 2026, net expenditure in Lithuania

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([38]) Fiscal Statistical Tables providing background data relevant for the assessment of the budgetary policies of the Member States, SWD(2026)1050 final, Brussels 24.11.2026.

([39]) Fiscal Statistical Tables providing background data relevant for the assessment of the budgetary policies of the Member States, SWD(2026)1050 final, Brussels, 24.11.2026.

([40]) Council Recommendation of 8 July 2025 endorsing the medium-term fiscal-structural plan of Lithuania, (OJ C, C/2025/3959, 20.8.2025, ELI: http://data.europa.eu/eli/C/2025/3959/oj).

([41]) Deviations from the recommended maximum annual and cumulative growth rates of net expenditure are recorded in annual and cumulated terms since the base year of the relevant recommendation. According to point 3 of the Council Recommendation of 8 July 2025 activating the national escape clause, actual deviations from the maximum growth rates of net expenditure as set by the Council that are allowed under the national escape clause will not be recorded as debits in the control account of Lithuania. Positive deviations not allowed by the national escape clause are compared to the threshold of 0.6% of GDP in cumulated terms in line with Article 2(2) of Regulation (EC) No 1467/97.

is projected to grow by 13.5%, which is above the recommended maximum growth rate of 5.2%. This corresponds to an annual deviation of 2.9% of GDP in 2026. In cumulative terms, i.e. compared to the base year of 2024, the cumulative deviation is projected at 4.2% of GDP in 2026. After taking into account the flexibility provided by the national escape clause, the projected cumulative deviation in 2026 (based on current projections for defence spending) is 2.7% of GDP, which is above the threshold of 0.6% of GDP.

As mentioned above, the Commission regards deviations from the maximum recommended net expenditure growth (after considering the national escape clause) above the threshold as a particularly important relevant factor.

Debt challenges and medium-term debt position. General government debt increased from 37.8% of GDP at the end of 2024 to 39.3% of GDP at the end of 2025. The debt-to-GDP ratio is projected to increase further to 43.8% of GDP at the end of 2026, 48.5% at the end of 2027 and 51.5% at the end of 2028.

Overall, the debt sustainability analysis indicates medium risks over the medium term. ([42]) The debt ratio in the baseline under unchanged policies is projected to increase, and the debt trajectory is sensitive to adverse macroeconomic shocks. According to the stochastic projections, which simulate a large range of possible temporary shocks to macroeconomic variables, there is a medium likelihood that the debt ratio in 2030 will be higher than in 2025.

Other factors need to be taken into account for an overall assessment of debt sustainability. On the one hand, the relatively large share of public debt held by non-residents can constitute a risk-increasing factor. On the other hand, risk-mitigating factors include (i) the low share of short-term debt in total debt, and (ii) the fact that debt is fully denominated in euro.

Implementation of reforms and investments. Structural reforms and investments implemented under the Recovery and Resilience Facility (RRF) are expected to continue having a positive impact on GDP growth in the coming years. Lithuania has taken measures to implement outstanding reforms and investments included in the RRP by the deadline of 31 August 2026 for the completion of milestones and targets. According to the Commission's preliminary assessment of 17 November 2026, Lithuania has satisfactorily fulfilled all milestones and targets related to the final payment request submitted on 24 September 2026.

National budgetary framework. Lithuania's fiscal framework is based on a number of rules with complementary coverages. For this, it has the highest Fiscal Rule Strength score in the EU, according to the Fiscal Governance Database (FGD). Its IFI, the National Audit Office of Lithuania (NAO), monitors compliance with the fiscal rules and is assessed as above the average of EU IFIs in both the scope of its tasks and its independence. Since 2023, NAO also produces and publishes its own forecast to support the assessment and endorsement of macroeconomic forecasts for fiscal planning that are produced by the Ministry of Finance.

Increase in government investment in defence. Based on data collected by Eurostat, nationally financed government expenditure on defence ([43]) in Lithuania amounted to 2.7% of GDP in 2025. Of this, government investment in defence represented 1.0% of GDP in 2025, which was 0.1 percentage point higher than in 2024.

([42]) Debt Sustainability Monitor 2025 (European Economy Institutional Paper 332, February 2026) based on the Commission Autumn 2025 Forecast.

([43]) Nationally-financed defence expenditure as defined in the International Classification of the Functions of Government (COFOG) in the framework of the European System of National Accounts (ESA2010).

The Commission Autumn 2026 Forecast projects government expenditure on defence in Lithuania to amount to 3.6% of GDP in 2026, 4.1% of GDP in 2027 and 4.5% of GDP in 2028. Of this, government investment in defence is projected to represent 1.1% of GDP in 2026, which was 0.1 percentage point higher than in 2025. Government investment in defence is then projected to increase by 0.2 percentage point to 1.3% in 2027 and by 0.2 percentage point to 1.5% in 2028.

Other factors put forward by the Member State. The analysis presented in the previous sections already covers the key factors put forward by Lithuania on 4 November 2026. Lithuania highlighted expected savings of 0.1% of GDP from a reduction in budget appropriations, and discretionary revenue measures with an estimated yield of around 0.6% of GDP. These measures are reflected in the Commission Autumn 2026 Forecast and hence are taken into account in the preceding analysis.

5. CONCLUSIONS

Based on the preceding analysis, the conclusions on compliance with the deficit criterion for the Member States covered by this report, after considering relevant factors as appropriate, are as follows.

Germany had a government deficit not exceeding the reference value of 3% of GDP in 2025 but has reported a planned deficit above the reference value in 2026. Based on the Commission Autumn 2026 Forecast, the planned deficit for 2026 is assessed as *above and not close* to 3% of GDP. Germany's planned deficit in excess of the reference value is assessed as *not temporary* – based on the Commission forecast – and as *not exceptional*.

For Germany, relevant factors cannot be taken into account in the assessment of compliance with the deficit criterion, as government debt was above 60% of GDP in 2025 and the double condition (*i.e.* that the deficit remains close to the reference value and that the excess over the reference value is temporary) is not met. **Therefore, the deficit criterion is assessed as not fulfilled in Germany.**

On 10 October 2025, the Council activated the national escape clause for Germany to facilitate an increase in defence expenditure during the period 2025-2028. Defence expenditure increased from 1.1% of GDP in 2021 to 1.5% in 2025 and is projected to be 1.9% of GDP in 2026, based on the Commission forecast. Without the increase in defence expenditure since 2021, the deficit in 2026 as projected by the Commission would be 3.3% of GDP.

This is only slightly above the reference value and the deficit projections for 2026 are at this stage subject to considerable uncertainty. Whereas the deficit for 2026 is projected at 4.8% of GDP according to Germany's 2027 Draft Budgetary Plan, the Commission Autumn 2026 Forecast projects it at 4.1% of GDP. This uncertainty is reinforced by current economic risks, including the effects of the evolution of the conflict in the Middle East and elevated geopolitical tensions on inflation and GDP growth.

Against this background, there is at this stage uncertainty about the fiscal outturn for 2026, including on the projected deficit in excess of 3% of GDP. As such, there is not a sufficiently clear case to open an excessive deficit procedure for Germany at this stage.

In light of this assessment, the Commission is of the view that, given the considerable uncertainty surrounding the current projections for 2026, an excessive deficit procedure for Germany based on planned data is not warranted at this stage. The Commission will continue to monitor budgetary developments in Germany and reassess the situation in spring 2027 based on outturn data for 2026. At that stage, if the current Commission forecast materialises, this may warrant the opening of an excessive deficit procedure.

Lithuania had a government deficit not exceeding the reference value of 3% of GDP in 2025 but has reported a planned deficit above it in 2026. Based on the Commission Autumn 2026 Forecast, the 2026 planned deficit is assessed as *above but close* to 3% of GDP. Lithuania's planned deficit in excess of the reference value is assessed as *not temporary* – based on the Commission forecast – but as *exceptional*.

For Lithuania, relevant factors can be taken into account in the assessment of compliance with the deficit criterion, as government debt was below 60% of GDP in 2025. The relevant factors examined in this report for Lithuania are assessed as, on balance, aggravating. **Therefore, taking into account all relevant factors as appropriate, the deficit criterion is assessed as not fulfilled in Lithuania.**

On 8 July 2025, the Council activated the national escape clause for Lithuania to facilitate an increase in defence expenditure during the period 2025-2028. Defence expenditure increased from 1.4% of GDP in 2021 to 2.7% in 2025 and is projected to be 3.6% of GDP in 2026, based on the Commission forecast. Without the increase in defence expenditure since 2021− capped at 1.5% of GDP in line with the maximum flexibility under the national escape clause − the deficit in 2026 as projected by the Commission would be 2.0% of GDP, thus not exceeding the reference value. In the light of this, the Commission considers that Article 2(5) of Regulation (EC) No 1467/97 can be applied to Lithuania at this stage, which states: "*Where Member States are allowed to deviate from their net expenditure path [under the national escape clause] (…), the Commission and the Council, in their assessment, may decide not to reach a conclusion regarding the existence of an excessive deficit*".

In light of this assessment, the Commission is of the view that an excessive deficit procedure for Lithuania is not warranted at this stage. The Commission will continue to monitor budgetary developments in Lithuania and reassess the situation in spring 2027.