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COMMISSION OPINION

of 25.11.2025

on the Draft Budgetary Plan of Italy

(only the Italian text is authentic)

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GENERAL CONSIDERATIONS

1. Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area[1] lays down provisions for enhanced monitoring of budgetary policies in the euro-area, to ensure that national budgets are consistent with the Stability and Growth Pact and the fiscal policy guidance issued in the context of the EU economic governance framework.
2. Article 6 of Regulation (EU) No 473/2013 requires euro-area Member States to submit a Draft Budgetary Plan to the Commission and to the Eurogroup, by 15 October each year, setting out the main budgetary objectives and projections for the forthcoming year, and outlining the main aspects underlying the budgetary outlook for the general government and its subsectors.
3. On 30 April 2024, the reformed economic governance framework entered into force[2]. The main objectives of the framework are to promote sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments. The framework helps to make the EU more competitive and better prepared for future challenges by supporting progress towards a green, digital, inclusive, and resilient economy.
4. In the context of the Union fiscal framework, and to increase transparency, a single operational indicator, anchored in debt sustainability, serves as a basis for setting the fiscal path and for carrying out annual fiscal surveillance for each Member State. That single operational indicator is the nominal growth rate of net expenditure[3].

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[1] OJ L 140, 27.5.2013, pp. 11–23, ELI: http://data.europa.eu/eli/reg/2013/473/oj.

[2] Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj), Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 209, 2.8.1997, ELI: http://data.europa.eu/eli/reg/1997/1467/2024-04-30) and Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States (OJ L, 306, 23.11.2011, ELI: http://data.europa.eu/eli/dir/2011/85/2024-04-30) are the core elements of the reformed EU economic governance framework.

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

5. On 2 October 2025, the Commission proposed amendments to Regulations (EU) No 473/2013 and No 1173/2011[4]. These proposed amendments aim to ensure consistency across all elements of the EU economic governance framework, while also simplifying it further, including by reducing the reporting burden on euro-area Member States.

6. Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility[5] (RRF) provides time-bound financial support for the implementation of reforms and investments, notably to promote the green and digital transitions. The RRF also aims to increase the resilience of the Union's energy system by reducing dependence on fossil fuels and diversifying energy supply at Union level ('REPowerEU objectives'). The RRF is strengthening the resilience and potential growth of Member States' economies, which contributes to job creation and sustainable public finances. Part of this support takes the form of non-repayable financial support ("grants"), entailing a fiscal impulse financed by the Union. Together with cohesion policy funds and the Just Transition Mechanism, the RRF is supporting a fair and inclusive recovery in the EU in line with the European Pillar of Social Rights. The RRF is a temporary instrument, lasting until end-2026. On 4 June 2025 the Commission adopted a Communication[6] with guidance to Member States on how to further streamline their Recovery and Resilience Plans, which options to consider when revising them, and how to plan ahead for the submission of the last payment requests in 2026.

7. Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the EU. The Commission recommended[7] to activate the national escape clause of the Stability and Growth Pact in a coordinated manner to support the EU's efforts to achieve a rapid and significant increase in defence spending. The European Council welcomed this proposal on 6 March 2025.

CONSIDERATIONS CONCERNING ITALY

8. On 15 October 2025, Italy submitted its Draft Budgetary Plan for 2026 to the Commission and the Eurogroup. The Commission makes an overall assessment of the budgetary situation and adopts this opinion in accordance with Article 7 of Regulation (EU) No 473/2013, taking into account the Council Recommendation under Article 126(7) of the Treaty on the Functioning of the European Union (TFEU) with a view to bringing an end to the situation of an excessive deficit in Italy[8], the Council Recommendation endorsing the national medium-term fiscal-structural plan

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[4] Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 1173/2011 and (EU) No 473/2013 as regards alignment with the EU economic governance framework and further simplification of that framework, Brussels, 2.10.2025, COM(2025) 591 final.

[5] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17–75, ELI: http://data.europa.eu/eli/reg/2021/241/oj).

[6] Communication from the Commission to the European Parliament and the Council, NextGenerationEU - The road to 2026, Brussels, 4.6.2025, COM(2025) 310 final/2.

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

[8] Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Italy, adopted on 21 January 2025.

(hereinafter: “medium-term plan”) of Italy[9] and the Council Recommendation on the economic, social, employment, structural and budgetary policies of Italy[10]. This opinion is prepared on the basis of the Commission Autumn 2025 Forecast, which takes into account the information contained in Italy’s Draft Budgetary Plan. The figures presented in this opinion may therefore in some cases differ from those reported in the Draft Budgetary Plan.

9. On 26 July 2024 the Council established that an excessive deficit exists in Italy due to non-compliance with the deficit criterion[11]. On 21 January 2025, the Council adopted a Recommendation under Article 126(7) TFEU with a view to bringing an end to the situation of an excessive deficit in Italy by 2026. According to that Recommendation, Italy should ensure that net expenditure growth does not exceed 1.3% in 2025 and 1.6% in 2026. This corresponds to the maximum cumulative growth rates calculated with reference to 2023 of -0.7% in 2025 and 0.9% in 2026. The Draft Budgetary Plan also serves as a report on action taken to address the excessive deficit.

10. On 21 January 2025, the Council adopted a Recommendation endorsing the medium-term plan of Italy. The Recommendation indicates that net expenditure growth should not exceed 1.3% in 2025, 1.6% in 2026, 1.9% in 2027, 1.7% in 2028 and 1.5% in 2029. This corresponds to the maximum cumulative growth rates calculated with reference to 2023 of -0.7% in 2025, 0.9% in 2026, 2.8% in 2027, 4.6% in 2028 and 6.2% in 2029. These are the same growth rates as those set out in the above-mentioned Council Recommendation of 26 July 2024 under Article 126(7) TFEU, for the years during which the excessive deficit situation should be brought to an end. Moreover, Italy was recommended to implement the set of reforms and investments that underpins the extension of the fiscal adjustment period to 7 years by the indicated deadlines.

11. On 8 July 2025 the Council recommended Italy to take action in 2025 and 2026 to reinforce overall defence and security spending and readiness in line with the European Council conclusions of 6 March 2025. The Council also recommended Italy to adhere to the maximum growth rates of net expenditure recommended by the Council on 21 January with a view to bringing an end to the situation of an excessive deficit.

12. According to the Draft Budgetary Plan, Italy’s real GDP is projected to grow by 0.7% in 2026 (0.5% in 2025), while HICP inflation is forecast at 1.7% in 2026 (1.8% in 2025). According to the Commission Autumn 2025 Forecast, Italy’s real GDP is projected to grow by 0.8% in 2026 (0.4% in 2025), while HICP inflation is forecast at 1.3% in 2026 (1.7% in 2025). Overall, the macroeconomic scenario underpinning the budgetary projections in the Draft Budgetary Plan appears to be in line with the Commission forecast for 2026 (and 2025). Italy complies with the requirement of Article 4(4) of Regulation (EU) No 473/2013, since the Draft Budgetary Plan is based on an independently endorsed macroeconomic forecast.

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[9] Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Italy (OJ C, C/2025/651, 10.02.2025, ELI: EUR-Lex - 32025H00651 - EN - EUR-Lex).

[10] Council Recommendation of 8 July 2025 on the economic, social, employment, structural and budgetary policies of Italy (OJ C, C/2025/3986, 20.8.2025, ELI: EUR-Lex - 32025H03986 - EN - EUR-Lex).

[11] Council Decision of 26 July 2024 on the existence of an excessive deficit in Italy (OJ L, 2024/2124, 1.8.2024, ELI: Decision - EU - 2024/2124 - EN - EUR-Lex).

13. Based on the Commission's estimates, the fiscal stance[12] is projected to be neutral in 2026, following a contractionary fiscal stance by 0.6% in 2025. The fiscal stance appropriately considers the impact on aggregate demand of expenditure financed by non-repayable support ("grants") from the RRF and other EU funds.

14. According to the Draft Budgetary Plan, Italy's general government deficit is projected to decrease to 2.8% of GDP in 2026 (3.0% in 2025)[13], while the general government debt-to-GDP ratio is set to increase to 137.4% at the end of 2026 (136.2% at the end of 2025). In turn, according to the Commission Autumn 2025 Forecast, Italy's general government deficit is projected to decrease to 2.8% of GDP in 2026 (3.0% in 2025), while the general government debt-to-GDP ratio is set to increase to 137.9% at the end of 2026 (136.4% at the end of 2025). The decrease in the deficit is driven by an improvement in the primary surplus by 0.3 pps of GDP, with revenue increasing above nominal GDP growth, while interest expenditure as a share of GDP is expected to increase marginally.

15. Public expenditure financed by EU funds, including non-repayable support ("grants") from the RRF, is projected in the Commission Autumn 2025 Forecast to increase to 0.7% of GDP in 2026 (from 0.4% of GDP in 2025)[14]. The Draft Budgetary Plan expects that expenditure amounting to 0.7% of GDP will be financed by RRF grants in 2026, compared with 0.4% of GDP in 2025. Expenditure financed by RRF grants enables high-quality investment and productivity-enhancing reforms without a direct impact on the general government balance and debt of Italy. The Draft Budgetary Plan also expects that expenditure amounting to 1.0% of GDP will be supported by loans from the RRF in both 2025 and 2026.

16. According to the Commission Autumn 2025 Forecast, nationally financed public investment is projected to remain stable at 3.5% of GDP in 2026.

17. The Draft Budgetary Plan includes several discretionary fiscal policy measures. On the revenue side, these include a permanent tax relief for middle income households, via a two percentage point reduction of the tax rate for the second personal income tax bracket (from 35% to 33%), a temporary flat personal income tax at 5% on salary increases related to contractual renewals in the private sector signed in 2025 and 2026 for low income earners (i.e. below EUR 28 000), a temporary reduction from 5% to 1% of the withholding tax rate on productivity bonuses together with an increase in the eligible income limit from EUR 3 000 to EUR 5 000, a temporary flat personal income tax at 15% on overtime pay for low and middle income earners (i.e.

[12] The fiscal stance is measured as the change in general government primary expenditure, net of the incremental budgetary impact of discretionary revenue measures, excluding one-off and cyclical unemployment expenditure, but including expenditure financed by non-repayable support ("grants") from the RRF and other EU funds, relative to the medium-term (10-year) average potential GDP growth rate, expressed as a ratio to nominal GDP.

[13] According to the Draft Budgetary Plan, one-off measures are expected to have a balance-neutral impact in 2026 (0.1% of GDP in 2025). These one-off measures relate to various withholding taxes and revenues related to taxpayers voluntarily regularising their past tax position (so-called "tregua fiscale") with reduced sanctions and fines compensated by interventions related to the floods which hit Italy in May 2023 and outlays related to Court rulings (among which the European Court of Justice). This is in line with the Commission 2025 autumn forecast.

[14] For the purposes of fiscal surveillance, these figures refer to government expenditures financed by RRF grants and other EU funds, which are recorded at the time when that expenditure reaches the national economy. The figures usually differ from those for the flow of disbursements from the EU budget to the Member States, which might lag or lead that expenditure.

below EUR 40 000) and the introduction of a simplified and more favourable debt settlement for tax collection. These interventions are financed by higher tax contributions from financial and insurance companies, the earlier closure of the petrol-diesel tax differential and measures to improve tax collection. According to Commission estimates, the overall additional impact of the discretionary revenue measures increases net expenditure (and the general government deficit) by less than 0.1% of GDP in 2026[15]. On the expenditure side, the measures include interventions aimed at supporting families, strengthened family benefits and childcare support, a partial freeze of the pension age increase, additional funds – compared to those already budgeted – for the health sector in order to reduce waiting times and hire additional medical staff, and measures for firms which include a new tax deduction scheme for investments (with higher rates for green technologies) and renewed tax credits for the South (Special Economic Zones). These interventions are financed with reprogramming of RRP expenditure together with additional savings on both current and capital spending.

18. Italy's government expenditure on defence[16] amounted to 1.4% of GDP in 2021 and 1.3% of GDP in 2024. According to the Commission Autumn 2025 Forecast, it is projected to amount to 1.3% of GDP in 2025 and 1.2% of GDP in 2026.

19. According to the Commission Autumn 2025 Forecast, Italy's net expenditure is projected to increase by 1.2% in 2025, which is within the maximum growth rate of 1.3% recommended by the Council. For 2026, net expenditure is projected to increase by 1.5%, which is within the maximum growth rate of 1.6% recommended by the Council. In cumulative terms, *i.e.* compared to the base year of 2023, Italy's net expenditure is projected by the Commission to increase by 0.5% in 2026, which is within the maximum cumulative growth rate of 0.9% recommended by the Council.

20. In conclusion, according to the Commission Autumn 2025 Forecast, which takes into account the Draft Budgetary Plan, Italy's net expenditure growth rate in 2026 is within the maximum growth rate recommended by the Council in annual terms and in cumulative terms.

Overall, the Commission is of the opinion that the Draft Budgetary Plan of Italy complies with the maximum growth of net expenditure in the Council Recommendation with a view to bringing an end to the situation of an excessive deficit.

The assessment of the implementation of the relevant Council recommendations - including of the set of reforms and investments that underpins the extension of the fiscal adjustment period - will continue in the context of the European Semester Spring Package, which is expected to be adopted by the Commission at the beginning of June 2026.

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[15] This estimate includes all the discretionary revenue measures with an incremental fiscal impact in 2026, whether they are introduced in the 2026 draft budget or were introduced previously.

[16] Nationally-financed defence expenditure as defined in the Classification of the functions of government (COFOG) in the framework of the European System of National Accounts (ESA2010).

Table 1: Key macroeconomic and fiscal figures

#	Variables		2024	2025		2026	
			Outturn	DBP	COM	DBP	COM
1	Real GDP	% change	0.7	0.5	0.4	0.7	0.8
2	HICP	% change	1.1	1.8	1.7	1.7	1.3
3	General government balance	% GDP	-3.4	-3.0	-3.0	-2.8	-2.8
4	Primary balance	% GDP	0.5	0.9	0.9	1.2	1.2
5	General government gross debt	% GDP	134.9	136.2	136.4	137.4	137.9
6	Fiscal stance (*)	% GDP	3.1	n.a.	0.6	n.a.	0.0

Notes:

(*) A negative (positive) sign indicates an excess (a shortfall) of net primary expenditure growth over medium-term potential GDP growth, corresponding to an expansionary (a contractionary) fiscal stance.

Source : Commission Autumn 2025 Forecast (COM) and Draft Budgetary Plan for 2026 (DBP)

Table 2: Net expenditure (outturn and forecast), annual and cumulated deviations relative to the Recommendation

	Variables		2023	2024	2025	2026
			Outturn	Outturn	COM	COM
1	Total expenditure	bn EUR	1149.2	1109.2	1144.4	1178.4
2	Interest expenditure	bn EUR	77.8	85.6	87.9	91.6
3	Cyclical unemployment expenditure	bn EUR	-1.4	-3.3	-4.1	-4.2
4	Expenditure funded by transfers from the EU	bn EUR	24.7	8.6	12.7	22.4
5	National co-financing of EU programmes	bn EUR	3.0	3.0	5.8	7.7
6	One-off expenditure (levels, excl. EU funded)	bn EUR	0.7	0.7	0.6	3.4
7=1-2-3-4-5-6	**Net nationally financed primary expenditure (before discretionary revenue measures, DRM)**	**bn EUR**	**1044.4**	**1014.6**	**1041.4**	**1057.5**
8	Change in net nationally financed primary expenditure (before DRM)	bn EUR		-29.8	26.9	16.1
9	DRM (excl. one-off revenue, incremental impact)	bn EUR		-7.8	15.1	0.5
10=8-9	**Change in net nationally financed primary expenditure (after DRM)**	**bn EUR**		**-22.1**	**11.8**	**15.6**
11	Outturn / forecast net expenditure growth	% change		-2.11%	1.2%	1.5%
12	Recommended net expenditure growth*	% change		-1.9%	1.3%	1.6%
13=(11-12) x 7	Annual deviation	bn EUR		-2.2	-1.4	-1.1
14 (cumulated from 13)	Cumulated deviation**	bn EUR		-2.2	-3.6	-4.7
15=13/17	**Annual balance**	**% GDP**		**-0.1**	**-0.1**	**0.0**
16=14/17	**Cumulated balance**	**% GDP**		**-0.1**	**-0.2**	**-0.2**
17	p.m. Nominal GDP	bn EUR	2142.6	2199.6	2256.9	2315.2

Notes:

(*) The Council Recommendation does not include an annual growth rate for 2024. The figure for 2024 in this table is implicit in the recommended maximum cumulative growth rate.

(**) The cumulative net expenditure growth rates are calculated with reference to the base year 2023.

Source : Commission Autumn 2025 Forecast and Commission calculations

Done at Brussels, 25.11.2025

For the Commission
Valdis DOMBROVSKIS
Member of the Commission