

ECONOMIC OUTLOOK QUARTERLY

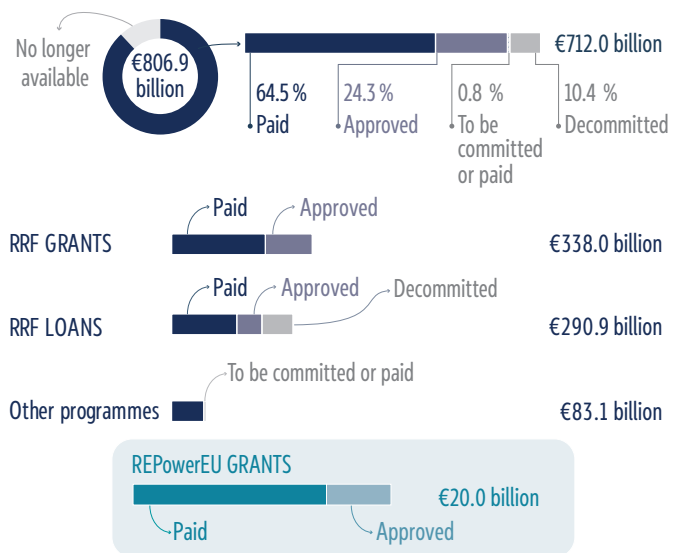
The last mile for recovery plans amid geopolitical and market tensions

In 2026, disbursements from the Recovery and Resilience Facility (RRF) could amount to some €180 billion in the best-case scenario, more than twice the level of 2025. This support could help EU Member States mitigate the challenges they face in an increasingly uncertain global outlook. However, they need to make efforts to ensure full implementation of their national recovery and resilience plans and absorption of RRF resources, since the deadline to meet investment and reform objectives is 31 August 2026. Meanwhile, the military escalation in the Middle East is weighing on growth prospects, and higher energy prices are adding new pressure on inflation.

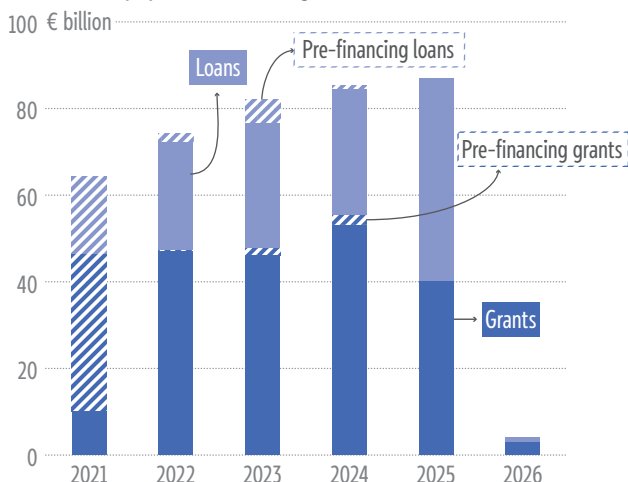
Roll-out of Next Generation EU (NGEU) and the Recovery and Resilience Facility (RRF)

Since its launch, overall payments from the NGEU recovery instrument have reached around €460 billion. While created as a response to the socio-economic impact of the COVID-19 pandemic, NGEU can also help Member States in the context of the highly uncertain economic outlook during its final year of implementation. If the investment and reform measures that are still to be completed are fully implemented and paid out by December 2026, NGEU and its centrepiece – the RRF – are expected to inject into the EU economy resources worth around 1 % of the EU's gross domestic product (GDP) this year. The [revision](#) of the recovery and resilience plans has reduced their total financial envelope by €74.2 billion to €576.7 billion, since eight Member States decided to decommit part of the loans initially requested (ES, RO, PL, SI, CZ, PT, CY, BE – in descending order according to the amount of their decommitments). NGEU grants are still projected to be used almost entirely. The European Commission [expects](#) the economic impact of RRF grants and loans to differ significantly, with the former being [stronger](#) than the latter. In 2025, annual RRF payments grew slightly on the previous year, due to an increase in loan payments (+€18.7 billion) and a decrease in grant payments (–€13.4 billion).

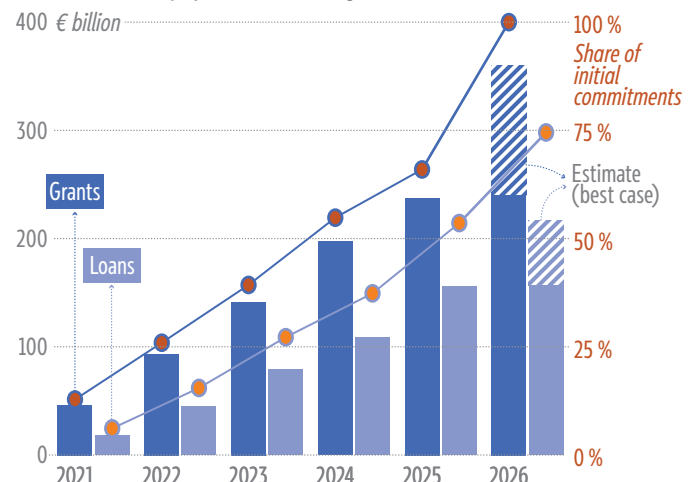
Next Generation EU (NGEU)



Annual RRF payments, including REPowerEU, as of 24 March 2026



Cumulative RRF payments, including REPowerEU



RRF implementation in the Member States

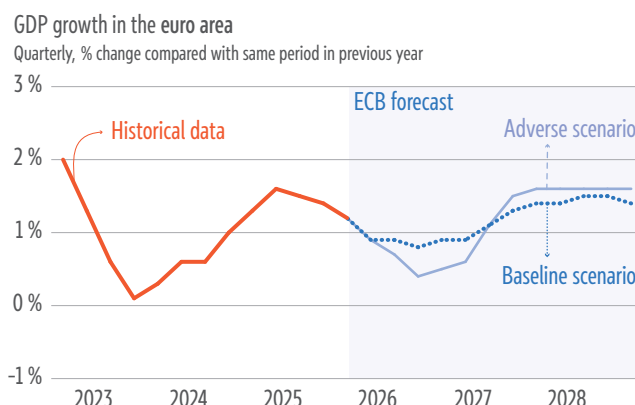
As of 24 March 2026, RRF payments amounted to €396.8 billion, including those for the energy-related REPowerEU grants that are not financed by NGEU. This represents an €18.9 billion increase over the [last quarter](#), following payments to 10 Member States (BG, CZ, DK, HR, IT, CY, LT, NL, PT, FI). The 8 % rise in the share of reform and investment objectives assessed as having been achieved, which now stands at 53 %, depends both on those payments and on new revisions of the plans that have further reduced the total number of milestones and targets to be met from 6 714 to 6 261. One trigger for this reduction is the fact that some Member States decommitted part of the loan component. At the same time, following the backloading of resources to the final implementing year due

to implementation delays, previously separate milestones and targets for intermediary steps may have been merged into single final objectives to streamline and simplify the plans while keeping their original ambition. Almost all the Member States have now received at least half of their RRF allocation, but the pace of implementation varies across the EU. Member States must meet milestones and targets by 31 August 2026 and submit payment requests by 30 September, while the Commission can make payments until 31 December 2026. Therefore, Member States need to make efforts to ensure full implementation and absorption of RRF resources. Hungary is the only country that has not yet received any result-based payments.

	Disbursements as share of total plan %	Total EU resources € million	Prefinancing € million	Result-based payments € million	Milestones & targets
FR	85 %	40 270	5 682	28 448	83 % of 180
AT	84 %	3 961	492	2 838	79 % of 166
IT	79 %	194 381	25 443	127 727	64 % of 575
DK	78 %	1 626	241	1 029	75 % of 84
CZ	77 %	8 753	1 062	5 708	70 % of 307
SI	72 %	2 139	255	1 285	50 % of 181
LT	70 %	3 849	439	2 251	56 % of 197
ES	70 %	102 560	10 420	60 950	54 % of 487
PT	68 %	21 906	2 330	12 580	62 % of 389
MT	67 %	328	55	165	59 % of 129
EE	66 %	953	144	486	58 % of 113
EL	65 %	35 948	4 123	19 323	47 % of 382
DE	65 %	30 325	2 250	17 510	61 % of 127
HR	64 %	10 041	1 403	4 987	58 % of 407
SK	62 %	6 408	904	3 056	44 % of 212
IE	59 %	1 154	0	680	73 % of 97
BE	58 %	5 264	915	2 155	46 % of 216
FI	57 %	1 949	296	824	50 % of 137
NL	56 %	5 441	0	3 070	60 % of 124
LV	55 %	1 969	264	826	48 % of 189
CY	55 %	1 020	152	408	49 % of 222
BG	53 %	6 174	0	3 270	60 % of 212
RO	50 %	21 411	4 081	6 639	36 % of 385
PL	49 %	54 718	5 055	21 875	45 % of 273
SE	48 %	3 446	0	1 650	55 % of 49
LU	37 %	241	12	78	68 % of 53
HU	9 %	10 430	920	0	0 % of 368
EU-27	69 %	576 665	66 938	329 818	53 % of 6261

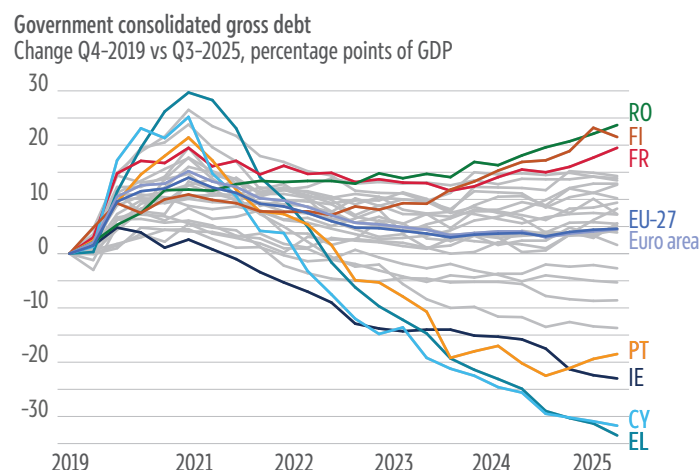
Gross domestic product (GDP)

The European economy [expanded](#) by 1.4 % in the final quarter of 2025. However, given the subsequent conflict in the Middle East and the rapid shifts in market data, the economic outlook is now exceptionally uncertain. In its latest [macroeconomic projections](#), the ECB has employed scenario analysis to assess potential risks. The adverse scenario – assuming oil prices peak at US\$119 per barrel and gas at €87/MWh in the second quarter of 2026 (levels almost reached in the first days of the conflict) – stands in stark contrast to the pre-conflict stability of roughly US\$70 and €31. The baseline forecast for 2026 euro-area GDP growth has been revised down to 0.9 %, a 0.3 percentage point drop from December projections, as the energy shock and geopolitical risks erode business and consumer confidence.

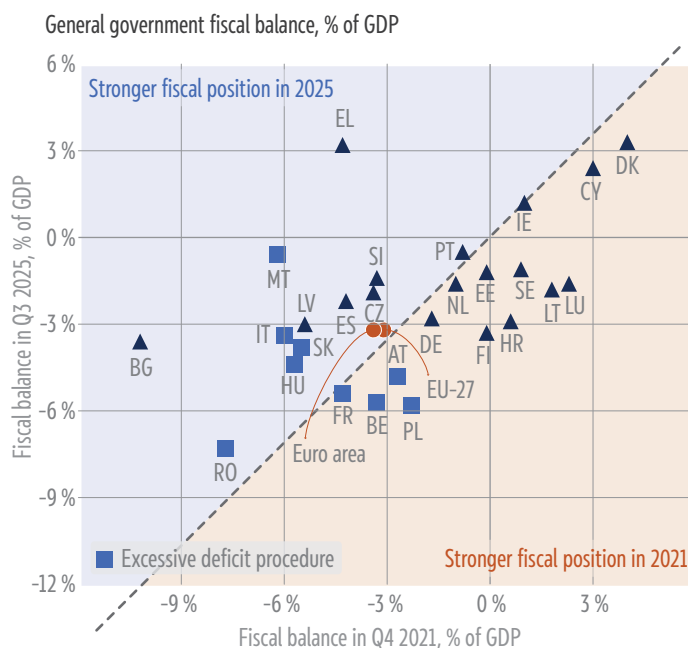


Deficit vs debt

[Fiscal balances](#) across the EU-27 are widening as structural pressures mount. By Q3 2025, the aggregate EU deficit stood at 3.2 % of GDP, with debt reaching 82.1 %. Since before the pandemic, debt has fallen markedly in several Member States, most notably in Greece (-33.5 pp), Cyprus (-31.7 pp), and Ireland (23 pp), reflecting strong growth and sustained fiscal discipline. Others, however, saw sharp rises, including Romania (+23.7 pp), Finland (+21.5 pp) and France (+19.5 pp), underscoring persistent fiscal strains.



Comparing fiscal balances in Q3 2025 with those in Q4 2021, on aggregate, the EU's fiscal position remains broadly similar to the period before the 2022 energy shock, with the EU average lying close to the 45-degree line that separates countries whose fiscal balance improved (above) and countries where it worsened (below). However, the country composition has shifted significantly: in many Member States (those above the 45-degree line in the chart) fiscal balances have improved since 2021, whereas others now record substantially larger deficits. Notably, a number of countries that are currently in [weaker fiscal positions](#) also carry higher debt levels than before the energy shock, pointing to increased fiscal vulnerabilities despite the broadly unchanged aggregate stance.

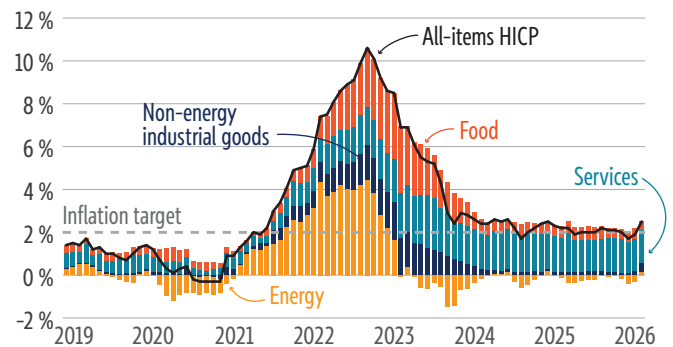


In addition, to bolster security, 17 EU Member States have asked for application of the [national escape clause](#) to accommodate higher military spending. However, the European Fiscal Board [warns](#) of procyclical tendencies, as some states have interpreted the clause expansively to increase non-defence spending during periods of nominal growth. These vulnerabilities are most acute in high-debt nations, where rising interest payments are affecting fiscal balances.

Inflation

Headline inflation in both the EU and euro area [edged up](#), standing at 2.1 % in the EU in February 2026, while the rate in the euro area rose to 2.5 % in March 2026, up from 1.9 % in February. Despite inflation settling recently around the ECB target of 2 %, the Middle East conflict has triggered a sharp upward revision in price projections. Euro area headline inflation is now [expected](#) to average 2.6 % in 2026, a 0.7 percentage point increase compared to the December 2025 forecast, with a peak of 3.1 % in the second quarter. Following its March 2026 decision to keep rates unchanged, Christine Lagarde [signalled](#) that the ECB is, for now, looking through the energy-driven inflation spike, noting its historically limited pass-through to core inflation. However, she cautioned that the outlook remains non-linear, as a more persistent shock or a de-anchoring of inflation expectations could require a different policy response.

Euro area inflation
Harmonised index of consumer prices (HICP) monthly data, annual rate of change %

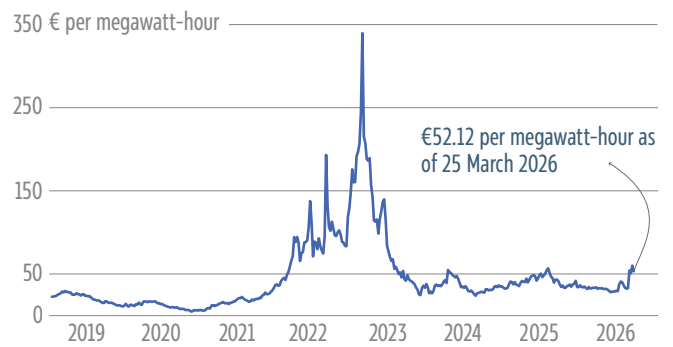


Energy prices

Military escalation acts as a powerful direct supply-side shock, primarily affecting the economy through reduced purchasing power and industrial cost pressures. The military escalation in the Middle East has introduced a major supply-side shock to global energy markets. Hostilities near the Strait of Hormuz, the transit point for 20 % of global oil and liquified natural gas (LNG) trade, have triggered significant price increases, with Brent crude and natural gas reaching US\$102.2 per barrel and €52.12 per MWh respectively.

According to [Ember](#), an energy think tank, the surge in energy prices added €2.5 billion to the EU's fossil fuel import bill in the first 10 days of hostilities, worsening the bloc's terms of trade. As EU governments reintroduce, or discuss reintroducing, energy support measures, the resulting fiscal loosening would strain debt sustainability without fixing the underlying reliance on fossil fuels. The impact of surging gas prices on electricity markets is highly uneven across Member States due to differing generation mixes. Under the [marginal pricing system](#), gas-fired plants often set the market price, creating a direct link between commodity volatility and power bills. Italy remains the most exposed, with gas-fired plants setting the electricity price in 89 % of hours in 2026 so far. By contrast, Spain has achieved structural decoupling, with gas influencing prices in only 15 % of hours due to high renewable penetration. This divergence highlights that vulnerability stems from gas-dependency rather than market design. High price spikes in morning and evening peak hours have hit interconnected central markets hardest, while renewable-heavy regions remain more insulated.

Gas price in the EU
Title Transfer Facility (€ per megawatt-hour)



Oil price in the EU
Brent crude oil (US\$ per barrel)



Data sources: [European Commission](#), [ECB](#), Eurostat ([prc_hicp_ctr](#), [prc_hicp_minir](#), [gov_10q_ggnfa](#), [gov_10q_ggdebt](#)) and Trading Economics ([gas](#) and [oil](#)). Extraction date: March 2026.

Country codes: Belgium (BE), Bulgaria (BG), Czechia (CZ), Denmark (DK), Germany (DE), Estonia (EE), Ireland (IE), Greece (EL), Spain (ES), France (FR), Croatia (HR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE).

The [previous edition](#) of this quarterly infographic was published in December 2025. To access the whole series, go to <https://eprthinktank.eu/eoq>.

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