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COUNCIL RECOMMENDATION

of 21 January 2025

endorsing the national medium-term fiscal-structural plan of Estonia

(C/2025/655)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121 thereof,

Having regard to Regulation (EU) 2024/1263, and in particular Article 17 thereof,

Having regard to the recommendation from the Commission,

Whereas:

GENERAL CONSIDERATIONS

(1) A reformed EU economic governance framework entered into force on 30 April 2024. Regulation (EU) 2024/1263 of the European Parliament and of the Council on the effective coordination of economic policies and on multilateral budgetary surveillance ([1]), together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure ([2]), and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States ([3]) are the core elements of the reformed EU economic governance framework. The framework aims at promoting sound and sustainable public finances, and sustainable and inclusive growth and resilience through reforms and investments, and preventing excessive government deficits. It also promotes national ownership and has a greater medium-term focus, combined with more effective and coherent enforcement of the rules.

(2) The national medium-term fiscal-structural plans that Member States submit to the Council and to the Commission are at the centre of the new economic governance framework. The plans are to deliver on two objectives: i) ensuring that, inter alia by the end of the adjustment period, general government debt is on a plausibly downward trajectory, or stays at prudent levels, and that the government deficit is brought and maintained below the reference value of 3 % of GDP over the medium term, and ii) ensuring the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the EU. To that end, each plan is to present a medium-term commitment to a net expenditure ([4]) path, which effectively establishes a budgetary constraint for the duration of the plan, covering 4 or 5 years (depending on the regular term of legislature in a Member State). In addition, the plan is to explain how the Member State will ensure the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations (including those pertaining to the macroeconomic imbalances procedure (MIP), if applicable), and how the Member State will address the common priorities of the Union. The period for fiscal adjustment covers a period of four years, which may be extended by up to three years if the Member State commits to delivering a set of relevant reforms and investments that satisfies the criteria set out in Regulation (EU) 2024/1263.

(3) Following the submission of the plan, the Commission is to assess whether it complies with the requirements of Regulation (EU) 2024/1263.

([1]) 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).

([2]) Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1264/oj).

([3]) Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: http://data.europa.eu/eli/dir/2024/1265/oj).

([4]) Net expenditure as defined in Article 2 of Regulation (EU) 2024/1263, namely government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on Union programmes fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure and (vi) one-offs and other temporary measures.

(4) Upon a recommendation from the Commission, the Council is to adopt a recommendation to set the net expenditure path of the Member State concerned and, where applicable, endorses the set of reform and investment commitments underpinning an extension of the fiscal adjustment period.

CONSIDERATIONS CONCERNING THE NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLAN OF ESTONIA

(5) On 11 October 2024, Estonia submitted its national medium-term fiscal-structural plan to the Council and to the Commission. The submission took place following an extension of the deadline set out in Article 36 of Regulation (EU) 2024/1263, as agreed with the Commission in view of the reasons provided by Estonia.

Process prior to the submission of the plan

(6) To frame the dialogue leading to the submission of national medium-term fiscal-structural plans, on 21 June 2024 the Commission sent, according to Article 9 of Regulation (EU) 2024/1263, the reference trajectory ([5]) to Estonia. The Commission published the reference trajectory on 11 October ([6]). The reference trajectory is risk-based and ensures that, by the end of the fiscal adjustment period and in the absence of further budgetary measures beyond the adjustment period, general government debt is on a plausibly downward trajectory or stays at prudent levels over the medium term, and the general government deficit is brought below 3 % of GDP over the adjustment period and is maintained below that reference value over the medium term. The medium term is defined as the ten-year period after the end of the adjustment period. In accordance with Article 7 and 8 of Regulation (EU) 2024/1263, the reference trajectory is also consistent with the debt sustainability safeguard and the deficit resilience safeguard. The reference trajectory of Estonia sets out that, based on the Commission's assumptions underpinning the prior guidance transmitted in June 2024 and assuming a 4-year adjustment period, net expenditure should not grow by more than the values provided in Table 1. This corresponds to an average net expenditure growth of 3,1 % over the adjustment period (2025–2028).

Table 1: Reference trajectory provided by the Commission to Estonia on 21 June 2024

	2025	2026	2027	2028	Average 2025–2028
Maximum net expenditure growth (annual, %)	3,3	3,3	2,9	2,9	3,1

Source: Commission's calculations.

(7) In line with Article 12 of Regulation (EU) 2024/1263, Estonia and the Commission engaged in a technical dialogue in September and October 2024. The dialogue centred on the net expenditure path envisaged by Estonia (including the availability of fiscal space) and its underlying assumptions (in particular a different fiscal starting point, GDP projections and the GDP deflator), as well as the envisaged delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and the common priorities of the Union in fair green and digital transition, social and economic resilience, energy security and the build-up of defence capabilities.

(8) The plan submitted by Estonia does not report on a consultation process with relevant national stakeholders (including social partners) prior to submission.

Other related processes

(9) On 15 October 2024, Estonia submitted its Draft Budgetary Plan for the year 2025. The Commission adopted an opinion on this Draft Budgetary Plan on 26 November 2024 ([7]).

([5]) Prior guidance transmitted to the Member States and Economic and Financial Committee includes trajectories with and without an extension of the adjustment period (covering 4 and 7 years, respectively). It also includes the main initial conditions and underlying assumptions used in the Commission's medium-term government debt projection framework. The reference trajectory was calculated on the basis of the methodology described in the Commission's *Debt Sustainability Monitor 2023* (https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023_en). It is based on the Commission 2024 spring forecast and its medium-term extension up to 2033, and long-term GDP growth and ageing costs are in line with the joint Commission-Council *2024 Ageing Report* (https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en).

([6]) https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/national-medium-term-fiscal-structural-plans_en#estonia.

([7]) Commission Opinion on the Draft Budgetary Plan of Estonia, 26.11.2024, C(2024) 9052 final.

(10) On 21 October 2024, the Council addressed to Estonia a series of country-specific recommendations (CSRs) in the context of the European Semester ([8]).

SUMMARY OF THE PLAN AND THE COMMISSION'S ASSESSMENT OF THEREOF

(11) In line with Article 16 of Regulation (EU) 2024/1263, the Commission assessed the plan as follows:

Context: macroeconomic and fiscal situation and outlook

(12) Economic activity in Estonia contracted by 3,0 % in 2023, driven by a sharp fall in exports and a decline in private consumption. According to the European Commission Autumn 2024 Forecast, the economy is expected to further decline by 1,0 % in 2024, on the back of falling consumption and investment as well as weak exports. In 2025, real GDP is set to increase by 1,1 %, as foreign demand for Estonian exports is slowly recovering, although domestic demand is set to remain rather weak. In 2026, real GDP is forecast to increase by 2,6 %, as domestic demand is expected to rebound, particularly private consumption and investment. Over the forecast horizon (i.e., 2024-2026), potential GDP growth in Estonia is expected to progressively increase from 0,1 % in 2024 to 0,3 % in 2026, mainly driven by an improvement in real GDP. The unemployment rate stood at 6,4 % in 2023 and is projected by the Commission to amount to 7,5 % in 2024, 7,7 % in 2025 and 7,2 % in 2026. Inflation (GDP deflator) is projected to decrease from 8,1 % in 2023 to 5,1 % in 2024, and is projected to remain at 4,0 % in 2025 before falling to 3,3 % in 2026.

(13) (13) Regarding fiscal developments, in 2023 Estonia's general government deficit amounted to 2,8 % of GDP. According to the European Commission Autumn 2024 Forecast, it is set to reach 3,0 % of GDP in 2024 and to stabilise at 3,0 % of GDP in 2025 and, on a no-policy change basis, also in 2026. The European Commission Autumn 2024 Forecast includes Estonia's draft budget for 2025 that the government proposed to the national parliament in September. General government debt was 20,2 % of GDP at end-2023. According to the European Commission Autumn 2024 Forecast, the debt ratio is expected to increase to 23,2 % of GDP at end-2024. It is projected to increase to 24,2 % of GDP at end-2025 and 25,5 % at end-2026. The fiscal projections by the Commission do not consider the policy commitments in the medium-term plans as such until they are underpinned by credibly announced and sufficiently specified concrete policy measures.

Net expenditure path and main macroeconomic assumptions in the plan

(14) Estonia's national medium-term fiscal-structural plan covers the period 2025–2028 and presents a fiscal adjustment over four years.

(15) The plan contains the information required by Article 13 of Regulation (EU) 2024/1263, with the exception of the information on the consultation of domestic stakeholders prior to submission' (required by Art. 13 (g)(vi) of Regulation (EU) 2024/1263).

(16) The plan commits to the net expenditure path indicated in Table 2, corresponding to an average net expenditure growth of 4,7 % over the years 2025-2028. The average net expenditure growth reported in the plan over the adjustment period (2025–2028) is higher than the reference trajectory transmitted by the Commission on 21 June 2024. The net expenditure growth path in the plan exploits the fact that Estonia has some space for fiscal deconsolidation, which was not reflected in the Commission's prior guidance transmitted to Estonia on 21 June 2024. The fiscal space originates from the low level of debt in Estonia in combination with the expected narrowing of the primary deficit at unchanged policy. It increases the maximum net expenditure growth rate that would ensure that general government debt stays at prudent levels over the medium term, and that the general government deficit is maintained below the reference value over the medium term, as shown in table 3. The plan assumes potential GDP growth to increase to 1 % in 2025 (from 0,7 % in 2024), before decreasing to 0,5 % in 2027 and 2028. In addition, the plan expects the growth rate of the GDP deflator to increase to 4,0 % in 2025 (from 3,7 % in 2024), before gradually declining to 2,8 % in 2028.

Table 2: Net expenditure path and main assumptions in Estonia's plan

	2024	2025	2026	2027	2028	Average over the period of validity of the plan 2025–2028
Net expenditure growth (annual, %)	1,9	7,1	5,1	3,6	3,2	4,7

([8]) Council Recommendation of 21 October 2024 on economic, budgetary, employment and structural policies of Estonia.

	2024	2025	2026	2027	2028	Average over the period of validity of the plan 2025–2028
Net expenditure growth (cumulative, from base year 2023, %)	1,9	9,2	14,8	18,9	22,6	n.a.
Potential GDP growth (%)	0,7	1,0	0,9	0,5	0,5	0,7
Inflation (GDP deflator growth) (%)	3,7	4,0	3,6	3,2	2,8	3,4

Source: Medium-term fiscal-structural plan of Estonia and Commission calculations

Implications of the plan's net expenditure commitments for general government debt

(17) If the net expenditure path committed to in the plan and the underlying assumptions materialise, general government debt would, according to the plan, gradually increase from 23,7 % in 2024 to 28,6 % of GDP at the end of the adjustment period (2028), as per the following table. After the adjustment, over the medium term (i.e. until 2038), the debt ratio is projected to continue to grow according to the plan, albeit at a slower pace, reaching 32,6 % by 2038.

Table 3: General government debt and balance developments in Estonia's plan

	2023	2024	2025	2026	2027	2028	2038
Government debt (% of GDP)	20,0	23,7	25,2	26,4	27,6	28,6	32,6
Government balance (% of GDP)	- 2,4	- 2,7	- 3,0	- 2,7	- 2,3	- 2,1	- 1,5

Source: Medium-term fiscal-structural plan of Estonia

Thus, according to the plan, general government debt would remain well below the Treaty reference value of 60 % of GDP over the medium term. This is plausible based on the plan's assumptions, as debt would be projected to stand below 60 % of GDP by 2038 under all deterministic stress tests of the Commission's Debt Sustainability Analysis. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for debt set out in Articles 6(a) and 16(2) of Regulation (EU) 2024/1263.

Implications of the plan's net expenditure commitments for the general government balance

(18) Based on the plan's net expenditure path and assumptions, the general government deficit would reach 3 % of GDP in 2025 and then gradually improve to 2,1 % in 2028. Thus, according to the plan, the general government balance would not exceed the 3 % of GDP reference value at the end of the adjustment period (2028). In addition, in the ten years following the adjustment period (i.e. until 2038), the government deficit would not exceed 3 % of GDP. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for the deficit set out in Articles 6 point (b), and 16(2) of Regulation (EU) 2024/1263.

Consistency of the plan with the deficit resilience safeguard

(19) If the plan's assumptions and commitments materialise, the structural deficit would remain below 1,5 % of GDP throughout the adjustment period. Therefore, based on the plan's policy commitments and macroeconomic

assumptions, the common resilience margin referred to in Article 8(1) of Regulation (EU) 2024/1263 will continue to be respected, and therefore the additional improvement in the structural primary balance referred to in Article 8(2) of Regulation (EU) 2024/1263 is not required.

Consistency of the plan with the debt sustainability safeguard

(20) According to the plan, general government debt is set to remain below 60 % of GDP throughout the adjustment period. Therefore, the debt sustainability safeguard does not apply.

Macroeconomic assumptions of the plan

(21) The plan is based on a set of assumptions which differ from the Commission's assumptions transmitted to Estonia on 21 June. In particular, the plan uses different assumptions for the initial fiscal position (including debt, primary expenditure growth and structural primary balance for 2024), real GDP growth and GDP deflator growth. A careful assessment of these differences in assumptions is necessary to ensure they are underpinned by sound and data-driven economic arguments, especially as average net expenditure growth in the plan is higher than in the reference trajectory.

The differences in assumptions with the most significant impact on average net expenditure growth are listed below, together with an assessment of each difference considered in isolation.

— The plan assumes a more favorable initial fiscal position than assumed by the Commission. For 2023 and 2024, the plan reflects updated outturn data and national forecasts for debt, primary expenditure growth and the structural primary balance. This contributes to higher average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. Based on the data available at the time of the Commission's assessment of the plan, the Commission deems the starting point to be realistic in view of the updated structural primary balance and output gap calculations. Consequently, this assumption is deemed to be duly justified.

— The plan assumes a different real GDP growth path from the Commission's assumptions for the period 2021–2028. This contributes to a somewhat different average net expenditure growth path over the adjustment period in the plan. Based on more recent national forecasts, compared to the Commission assumption, growth is expected to be stronger in 2025 but weaker from 2026 onwards. Overall, on average, the GDP growth remains similar to the Commission assumption and therefore this assumption in the plan is deemed to be duly justified.

— The plan assumes a GDP deflator growth that is 0,8 percentage points higher on average in 2024 and 2025 compared with the Commission's assumptions. This contributes to a higher average net expenditure growth path over the adjustment period in the plan than according to the Commission's assumptions. The higher GDP deflator growth is based on more recent national forecasts and is in line with the Commission Autumn 2024 Forecast. Consequently, this assumption is deemed to be duly justified.

Overall, all the differences in assumptions taken together, and added to the fiscal space, lead to an average net expenditure growth in the plan that is higher than the reference trajectory. The Commission will take into account the above assessment of the plan's assumptions in future assessments of compliance with the net expenditure path.

Fiscal strategy of the plan

(22) According to the indicative fiscal strategy in the plan, the commitments on net expenditure will be delivered through both expenditure restraint and discretionary revenue increases. The various revenue measures listed in the plan include changes to the Income Tax Act and increases in excise duty rates, the introduction of a motor vehicle tax as well as the introduction of a fixed-term security surcharge (which will be collected through a VAT increase as of mid-2025 and through an increase in taxation of all incomes of natural persons and of corporate profits as of 2026). On the expenditure side, Estonia intends to carry out a budget revision for 2023–2027 to increase the efficiency of the use of state budget funds and the provision of relevant services and activities at optimal costs based on the state's goals. At the same time, Estonia also intends to increase defence spending and defence investments. The specification of the policy measures to be adopted is to be confirmed or adjusted and quantified in the annual budgets. At the same time, there are risks to the implementation of the indicative fiscal strategy in the plan, which stem from the fiscal adjustment being partly based on discretionary revenue increases. Given the slow forecasted recovery in growth, the tax revenue collection risks being lower than assumed in the plan. In addition, the Draft Budgetary Plan for 2025 specifies the policy measures through which the net expenditure commitment for 2025 will be achieved.

Reform and investment intentions in the plan responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the Union

(23) The plan describes policy intentions concerning reforms and investments to respond to the main challenges identified in the context of the European Semester, especially the CSRs and to address the common priorities of the EU. The plan includes eleven reforms and investments, of which six are financially supported by the RRF and four by the Cohesion policy funds.

(24) Concerning the common priority of a fair green and digital transition, including the climate objectives set out in Regulation (EU) 2021/1119, the plan includes several reforms, in addition to implementing the measures in the Estonian recovery and resilience plan (RRP). Firstly, the plan includes the Renewable Electricity 100 reform, which calls for a transition to renewable electricity consumption by 2030. Secondly, the plan includes the adoption of the Climate Resilient Economy Law. The law to be adopted will lay the foundations for a climate-proof economy by setting Greenhouse gas emissions targets, encouraging the uptake of clean technologies and greater resource valorisation. These two measures intend to address the 2024 CSR (and the earlier year CSRs from 2023, 2022 and 2020), that calls Estonia to take action to reduce the share of oil shale in the energy mix and raise resource productivity through bio-based innovation.

(25) Concerning the common priority of social and economic resilience, including the European Pillar of Social Rights, in addition to implementing the measures in the Estonian RRP, the plan includes several reforms. Firstly, the plan includes measures improving the quality and availability of special care, by reorganising agencies and service locations to ensure modern living conditions for people with mental disorders. Secondly, the rehabilitation system will be reorganised to ensure that people in need of rehabilitation receive services according to their own needs, that services are easy to access and supported, and that services are delivered in an integrated way through multidisciplinary cooperation. Thirdly, various improvements in the healthcare system will be developed and implemented. Fourth, the plan includes further reform of long-term care. The organisation and funding of the 24/7 nursing service will be transferred to the Health Insurance Fund as of 2025. Fifth, the plan includes the reform of unemployment benefits and unemployment insurance, and the extension of unemployment insurance coverage to new forms of work is being deliberated. These five measures intend to address a 2024 CSR (and implicitly the CSRs from 2023, 2022 and 2020) that calls Estonia to take action to strengthen social protection, inter alia to address old-age poverty and by extending the coverage of unemployment benefits, in particular to those with short work spells and in non-standard forms of work. They also intend to address the 2024 CSR (and implicitly the earlier year CSRs from 2023, 2022 and 2020), that calls on Estonia to improve access to and financing of healthcare and long-term care. The plan also includes a vocational education reform. This measure concerns the 2024 CSR (and implicitly subpart of the earlier year CSR from 2019), that calls on Estonia to improve the skills supply through reskilling and upskilling and by better attracting and retaining talent.

(26) Concerning the common priority of energy security, the plan includes the Renewable Electricity 100 reform, which calls for a transition to renewable electricity consumption by 2030, in addition to implementing the measures in the Estonian RRP. This measure intends to address the 2024 CSR (and the earlier year CSRs from 2023, 2022 and 2020), that calls Estonia to take action to reduce the share of oil shale in the energy mix and raise resource productivity through bio-based innovation.

(27) Concerning the common priority of defence capabilities, the plan includes a list of tax reforms under the umbrella term 'security surcharge'. While the tax revenue raised with new or modified taxes is fungible, the justification used by the government implies that it is a measure to increase defence capabilities. However, beyond the aforementioned 'security surcharge,' the plan does not include explicit deliberation of defence-related reforms and investments.

(28) The plan provides information on the consistency and, where appropriate, complementarity with the cohesion policy funds and the Estonian RRP. The plan mentions that improving the quality and accessibility of special care, reorganising the rehabilitation system, and reforming long-term care all contribute to the Cohesion Policy's Partnership Agreement's target P04 (Social Estonia) and to the RRF's component 6 (healthcare and social protection). The reform of unemployment allowance and unemployment insurance, and the extension of unemployment insurance coverage to new forms of work, also contribute to the RRF's component 6 (healthcare and social protection). The renewable electricity 100 reform contributes to the RRF's components 4 (energy and energy efficiency) and 8 (REPowerEU).

(29) The plan provides an overview of the public investment needs of Estonia regarding the common priorities of the EU. Regarding the common priority of a fair green and digital transition, the plan identifies the need for additional investments related to the implementation of the Climate-resilient Economy Act. Regarding the common priority of social and economic resilience, the plan identifies the need for additional investments related to the integration of the social and health sector. Regarding the energy security common priority, the plan identifies the need for additional investments needed for the synchronisation with the European electricity system and to increase the share of renewable energy. Regarding the common priority of defence capabilities, the plan identifies the need for additional investments related to the enhancement of defence capabilities.

Conclusion of the Commission's assessment

(30) Overall, the Commission is of the view that Estonia's plan fulfils the requirements of Regulation (EU) 2024/1263.

OVERALL CONCLUSION OF THE COUNCIL

(31) The Council welcomes the medium-term fiscal-structural plan of Estonia and considers that its full implementation would be conducive to ensuring sound public finances and supporting public debt sustainability as well as sustainable and inclusive growth.

(32) The Council takes note the Commission's assessment of the plan. However, the Council invites the Commission to present its assessment of future plans in a separate document from the Commission recommendations for Council recommendations.

(33) The Council takes note of the Commission assessment of the net-expenditure path and the main macroeconomic assumptions in the plan, including in relation to the prior guidance by the Commission, as well as the implications of the plan's net expenditure path for government deficit and debt. The Council takes note of the Commission assessment that the macroeconomic and fiscal assumptions, while differing in some instances from the Commission's assumptions, including to cater for updated macroeconomic and fiscal data, are overall duly justified and underpinned by sound economic arguments. The Council takes note of the broad fiscal strategy of the plan and the risks to the outlook, which could affect the materialisation of the macroeconomic scenario and the underlying assumptions and the delivery of the plan's net expenditure path. In particular, the Council also welcomes that relevant stakeholders were consulted prior to the submission of the plan though this was not reported in the plan. The Council also notes that geopolitical risks may put pressure on defence expenditures.

(34) The Council expects Estonia to stand ready to adjust its fiscal strategy as needed to ensure delivery of its net expenditure path. The Council resolves to monitor closely economic and fiscal developments, including those underlying the scenario of the plan.

(35) The Council considers that further discussions to find a common understanding on the annual surveillance implications of the cumulative net-expenditure growth rates is warranted in time for the next round of fiscal surveillance.

(36) The Council takes note of the Commission description of the reforms and investment needs and intentions, responding to the main challenges identified in the context of the European Semester, and stresses the importance of ensuring the delivery of such reforms and investments. The Council will, on the basis of reports submitted by the Commission, assess such reforms and investments and monitor their implementation within the framework of the European Semester.

(37) The Council looks forward to the annual progress reports from Estonia that shall contain, in particular, information about the progress in the implementation of the net expenditure path as set by the Council, and the implementation of broader reforms and investments in the context of the European Semester.

(38) In accordance with Article 17 of Regulation (EU) 2024/1263, the net expenditure path as set in the plan should be recommended by the Council to Estonia.

HEREBY RECOMMENDS that Estonia:

1. Ensure that net expenditure growth does not exceed the maxima established in Annex I to this Recommendation.

Done at Brussels, 21 January 2025.

For the Council

The President

A. DOMAŃSKI

ANNEX I

Maximum growth rates of net expenditure
(annual and cumulative growth rates, in nominal terms)

Estonia

Years		2025	2026	2027	2028
Growth rates (%)	Annual	7,1	5,1	3,6	3,2
	Cumulative (*)	9,2	14,8	18,9	22,6

(*) The cumulative growth rates are calculated by reference to the base year of 2023. The cumulative growth rates are used in the annual monitoring of ex-post compliance in the control account.