

MACROFINANCIAL ASYMMETRY OF EU MEMBER STATES AS A FACTOR IN THE DIFFERENTIATED EFFECT OF FISCAL RULES

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Abstract. The *subject* of this research is the macrofinancial asymmetry of European Union Member States and its role in the differential impact of supranational fiscal rules. This paper views supranational fiscal regulation as an institutional mechanism for coordinating fiscal policy. The effectiveness of this mechanism is determined by the structural characteristics of public finances, the state of the external sector, and the country's status within the Economic and Monetary Union. The research is based on the principle of multilevel economic governance, which states that fiscal rules operate within a framework of both national sovereignty and supranational control. The research *aims* to substantiate the institutional and macrofinancial factors that determine the varying intensity of the Stability and Growth Pact's and the Excessive Deficit Procedure's disciplinary impact on EU Member States. It also aims to identify the key channels through which this impact is realised, taking into account debt burden, external imbalances and market financing constraints. The *research methodology* is based on systemic, institutional and structural-functional approaches, supplemented by a comparative analysis of Member States' macrofinancial indicators. Analytical and synthetic methods were employed to develop a comprehensive conceptual framework combining the flow (current account) and stock (net international investment position) dimensions of external balance. The *results* obtained prove that fiscal differentiation is determined by a combination of debt dynamics, financing structure and external sector performance. Countries with a surplus external position and creditor status have greater fiscal space, while those with deficits and a negative net international investment position are more dependent on external financing conditions. The *conclusions* demonstrate that macrofinancial asymmetry is a key structural factor in determining the effectiveness of supranational fiscal regulation, and must be considered when enhancing the EU's medium-term budgetary framework. The research's practical value lies in its ability to inform the adaptation of fiscal strategies to conditions of external vulnerability, thereby ensuring long-term debt sustainability.

Keywords: macrofinancial asymmetry, fiscal rules, EU, net international investment position, debt sustainability.

JEL Classification: H61, E62, H87

1. Introduction

The way the European Union functions as a multi-level system of economic governance creates a particular way in which national budgetary autonomy interacts with supranational coordination rules. Within the Economic and Monetary Union, a common monetary policy is combined with the fiscal policies of the Member States, which are regulated by the Stability and Growth Pact, the Excessive Deficit Procedure and the European Semester mechanisms (European Commission, 2011; Vierke & Masselink, 2017). This institutional model is designed to ensure budgetary discipline and macroeconomic stability. However, its

effectiveness varies. Recent economic practice has shown that the impact of fiscal rules can vary significantly depending on the structural characteristics of national economies and their macrofinancial situation.

Following the transformation of the fiscal restraint regime after 2020, the issue of fiscal space limits came to the fore. In response to the pandemic crisis and subsequent geo-economic challenges, the temporary relaxation of budgetary rules shifted the focus from strict adherence to numerical deficit and debt targets to supporting macroeconomic stabilisation and investment activity (OECD, 2025; Tymoshenko, 2026). In these conditions, market factors such as the

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cost of government borrowing, risk premiums and refinancing terms have become real constraints on budgetary expansion. This means that the effectiveness of supranational fiscal regulation depends not only on formal norms, but also on the macrofinancial conditions necessary for their implementation.

The study focuses on analysing the macrofinancial asymmetry of EU Member States and its impact on the differential effect of fiscal rules. This involves examining differences in current account balances, the structure of international financial flows and the size of the net international investment position, all of which influence the initial conditions for fiscal policy. Balance of payments indicators reflect the ratio of national savings to investment, while IIP characterises the accumulated volume of external assets and liabilities, as well as the level of long-term external solvency (Eurostat, 2026). Accordingly, countries in a surplus and creditor position enjoy a greater degree of financial autonomy. In contrast, economies with a negative international position are more vulnerable to fluctuations in the global financial landscape (Jędrzejowicz, 2011; Herwartz & Theilen, 2024).

The research is based on a combination of institutional and macrofinancial approaches, enabling the analysis of fiscal surveillance regulatory architecture to be integrated with the assessment of external sector constraints on fiscal policy. Analytical and comparative methods are used to systematise supranational regulatory instruments and to quantitatively assess the external position of Member States, based on quarterly balance of payments and international investment position data. This approach enables the formation of a comprehensive interpretative framework in which fiscal rules are viewed as an institutional mechanism that responds to the structural heterogeneity of economies.

The article aims to substantiate the thesis that the macrofinancial asymmetry of EU Member States is a key determinant of the differential impact of supranational fiscal rules. The research is structured sequentially, transitioning from an analysis of the institutional architecture of fiscal regulation, to an assessment of external sector indicators, and finally forming an integral matrix of macrofinancial position types. This allows the different economic sensitivities of countries to budgetary constraints within the EU to be explained.

2. Institutional Asymmetry and Transformation of Supranational Fiscal Regulation Mechanisms in the EU

The efficiency and effectiveness of fiscal policy instruments within the European Union depend on a country's status within the Economic and Monetary Union and the regime for applying the Stability and

Growth Pact and the Excessive Deficit Procedure. They also depend on the country's obligations under the Fiscal Compact. This differentiation stems from the uneven pace of integration and the disparate fiscal positions of Member States, creating varying degrees of sensitivity to the corrective mechanisms and sanctions framework (Bedogni & Meaney, 2017; Vierke & Masselink, 2017; Council of the European Union, 2009; European Commission, 2009). Accordingly, supranational influence is exercised not only through formal deficit and debt criteria, but also through an integrated system of economic policy coordination within the European Semester. This system combines budgetary surveillance with macroeconomic monitoring and structural recommendations (European Commission, 2011; European Parliament, 2025; Fasois, 2016).

For Eurozone countries, the Pact's corrective arm provides for the potential application of financial sanctions in the event of non-compliance with decisions under the Excessive Deficit Procedure. This increases the level of formalised budgetary discipline. Meanwhile, for countries outside the Eurozone, the key channel of influence is the macroeconomic conditionality financing mechanism, whereby access to cohesion policy resources and structural funds depends on compliance with supranational recommendations on fiscal stability (Vità, 2018; Postula & Raczkowski, 2020; Eurostat, n.d. – Government finance statistics). This structure creates economic incentives to correct deficits, even in the absence of direct pressure from sanctions, particularly for recipient countries where EU transfers account for a significant proportion of public investment (Postula et al., 2025; Bobro et al., 2025).

The scientific works of T. Jędrzejowicz, H. Herwartz and B. Theilen suggest that the effectiveness of fiscal consolidation within a framework of supranational regulatory supervision hinges on the phase of the economic cycle and the structure of public finances (Jędrzejowicz, 2011; Herwartz & Theilen, 2024; Matolsy & Palotai, 2016). In particular, it should be noted that during periods of economic downturn, strict adherence to numerical fiscal targets can have a negative impact on the economy and exacerbate macroeconomic instability. Conversely, during periods of economic growth, fiscal discipline can create conditions that allow for the accumulation of fiscal space, the reduction of debt and the improvement of the sustainability of public finances (Lobont et al., 2023; Rudenko et al., 2022). In this context, the efficiency of the Excessive Deficit Procedure should be evaluated based not only on formal compliance with established numerical targets, but also on its capacity to ensure fiscal policy consistency throughout the economic cycle and guarantee long-term debt sustainability.

The current macroeconomic situation has significantly altered the application of supranational

fiscal rules within the European Union. The temporary suspension of the Stability and Growth Pact during the pandemic, followed by the maintenance of increased fiscal flexibility amid the war in Ukraine, has led to a shift in regulatory focus. Rather than adhering strictly to quantitative deficit and debt parameters, the priority is now to ensure macrofinancial stability and support economic activity (Gortsos, 2023; Tymoshenko, 2026). Consequently, Member States were able to significantly increase government borrowing and budget expenditure in order to finance anti-crisis programmes, investments in recovery and structural modernisation. However, this strategy has also led to an increase in public debt indicators and heightened debt risks. This highlights the need to review approaches to assessing fiscal sustainability in the medium term (Safarli et al., 2024; Tymoshenko et al., 2025; Yahodzinskyi et al., 2025).

3. Macrofinancial Constraints on Fiscal Policy in the EU: the Role of the Current Account and IIP

It is only when these institutional differences are related to the macroeconomic constraints within which the fiscal policies of Member States are implemented that they acquire practical significance. While supranational fiscal rules, including the Excessive Deficit Procedure, formally focus on budget aggregates (deficit/debt), a country's ability to comply with corrective requirements is also determined by external balance parameters, such as the current account balance, the structure of international financial flows, and the size of the net international investment position. These characteristics define the real limits of fiscal space by way of the cost of government borrowing, sensitivity to changes in global financial conditions and refinancing risks. The latter two factors are particularly

important during periods of increased fiscal flexibility, such as that which occurred after 2020 (Tymoshenko, 2026). Accordingly, the differentiated effect of the EDP should be interpreted as the result of the interaction between supranational budgetary surveillance and the varying macro-financial conditions of the Eurozone's core and peripheral countries, as well as those of Central and Eastern Europe.

To provide a quantitative justification of the above logic, quarterly data on the balance of payments and the international investment position from Q3 2024 to Q3 2025 was used. This allows the analysis of external flow dynamics to be combined with an assessment of countries' structural external positions. Current account indicators reflect the ratio of national savings to investments, characterising the short-term need for external financing. In contrast, the net international investment position serves as an indicator of accumulated external assets and liabilities, as well as long-term debt vulnerability. Table 1 shows the current account balance and its components for the V4 countries and the leading Eurozone economies in Q3 2024 and Q3 2025. It also calculates the relative CA/TS credit ratio, which provides an assessment of the scale of external imbalances in both absolute and relative terms, in relation to the volume of foreign trade turnover.

The dynamics of current account indicators between Q3 2024 and Q3 2025 demonstrate significant heterogeneity in the external balance of EU Member States. This directly affects their fiscal space within supranational regulation. Although Germany retains the largest absolute surplus, its volume has decreased by 15.2 billion EUR, from 56.2 billion EUR to 41.0 billion EUR. At the same time, the CA/TS credit ratio fell from 12.66% to 9.19%, indicating a reduction in the size of the external surplus compared to export turnover. Nevertheless, the positive balance of

Table 1
Current account and its components (balances) in 2024-2025, billion EUR

Country	CA balance Q3'24	Q3'24 products	Q3'24 services	Primary income Q3'24	Secondary income Q3'24	CA/TS credit Q3'24, %	CA balance Q3'25	Q3'25 products	Q3'25 services	Primary income Q3'25	Secondary income Q3'25	CA/TS credit Q3'25, %	Δ CA (Q3'25-Q3'24)
Czechia	-0,071	2,891	1,010	-3,419	-0,553	-0,132	-0,572	3,114	0,878	-3,734	-0,829	-1,014	-0,500
Germany	56,212	56,481	-25,155	40,186	-15,301	12,660	41,016	42,933	-26,544	42,511	-17,885	9,187	-15,196
Spain	15,273	-10,362	31,566	-1,759	-4,171	10,097	15,388	-14,844	34,479	-0,503	-3,745	9,818	0,115
France	1,661	-17,290	16,560	15,245	-12,854	0,685	-4,845	-14,180	13,971	9,462	-14,098	-1,956	-6,506
Italy	9,520	10,486	3,325	0,201	-4,492	5,338	14,440	13,685	2,253	4,156	-5,655	7,851	4,920
Hungary	0,528	-1,248	3,201	-0,911	-0,513	1,343	0,940	-1,006	3,648	-1,239	-0,463	2,394	0,412
Poland	-3,068	-3,826	10,226	-8,637	-0,831	-2,807	-4,220	-4,004	9,960	-10,450	0,274	-3,719	-1,151
Slovakia	-1,612	-0,444	0,234	-1,082	-0,320	-5,955	-1,055	-0,010	0,101	-0,803	-0,342	-3,781	0,558

Source: compiled by the authors based on (Eurostat, 2026)

trade and primary income provides significant external financial resources, thereby reducing fiscal policy's dependence on external financing.

In contrast, Italy showed an opposite trend: the current account surplus increased by 4.9 billion EUR, rising from 9.5 billion EUR to 14.4 billion EUR, and the relative indicator rose from 5.34% to 7.85%. This positive trend is primarily due to a rise in the trade balance, which increased from 10.5 billion EUR to 13.7 billion EUR, and a rise in primary income, which increased from 0.2 billion EUR to 4.2 billion EUR. This strengthens the country's external position and creates greater opportunities to finance public needs without increasing the debt burden.

Spain maintains a stable surplus of over 15 billion EUR, with a service-oriented structure. The positive services balance increased from 31.6 billion EUR to 34.5 billion EUR, while the goods deficit widened from 10.4 billion EUR to 14.8 billion EUR. Despite structural imbalances in goods trade, the relative CA/TS credit ratio remains close to 10%, reflecting the stability of the external position.

A deficit or near-zero position prevails among the V4 countries. In Poland, for example, the current account deficit increased from 3.1 billion EUR to 4.2 billion EUR, while the relative indicator worsened from -2.81% to -3.72%. The primary income balance remains the decisive factor, having increased from -8.6 billion EUR to -10.5 billion EUR and indicating a significant outflow of income to foreign investors.

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Slovakia reduced its deficit from 1.6 billion EUR to 1.1 billion EUR, but still has a negative CA/TS credit ratio of -3.78%, indicating a structural imbalance. Meanwhile, Hungary maintains a moderate surplus of 0.94 billion EUR, formed by a positive services balance of 3.6 billion EUR. However, a negative primary income limits the scope for improvement.

Overall, this means that, for some V4 countries, fiscal consolidation under supranational supervision occurs in circumstances of restricted access to external financial resources. This reinforces its stabilising effect while simultaneously increasing the risk of procyclicality during periods of economic slowdown (Jędrzejowicz, 2011; Herwartz & Theilen, 2024).

However, analysing current flows alone does not allow for a full assessment of the extent of macrofinancial imbalances. This is because the short-term current account balance can mask either significant accumulated external liabilities or substantial net external assets. It is therefore advisable to assess the net international investment position instead, as this reflects the ratio of a state's external assets to its external liabilities on a given date, and serves as an integral indicator of its external solvency. This indicator determines long-term resilience to changes in global financial conditions and increases in borrowing costs and portfolio capital fluctuations (see Table 2).

The dynamics of the net international investment position between Q3 2024 and Q3 2025 reveal an intensification of macrofinancial polarisation between EU Member States, resulting in different initial conditions for fiscal policy implementation. Germany has the largest net creditor position, with its net IIP rising by 256.9 billion EUR, from 3,252.9 billion EUR to 3,509.8 billion EUR. This structurally positive position is due to the significant net assets in the direct investment (880.7 billion EUR), portfolio investment (994.6 billion EUR) and other investment (1,128.1 billion EUR) segments. The scale of these external assets ensures a high level of financial autonomy and reduces the organisation's sensitivity to fluctuations in the cost of government borrowing.

Table 2

Net international investment position (net IIP) and structure in 2024-2025, billion EUR

Country	Indicators					
	IIP net Q3'24	IIP net Q3'25	Δ IIP (Q3'25–Q3'24)	Direct inv net Q3'25	Portfolio net Q3'25	Other inv net Q3'25
Czechia	-31,934	-33,209	-1,275	-149,749	-14,469	-14,992
Germany	3,252,863	3,509,825	256,962	880,665	994,628	1,128,136
Spain	-716,251	-736,863	-20,612	-225,884	-327,955	-291,367
France	-816,793	-827,573	-10,780	495,534	-1,071,923	-397,563
Italy	271,047	297,635	26,588	95,599	462,353	-610,064
Hungary	-70,242	-69,821	0,422	-58,634	-44,959	-12,931
Poland	-251,031	-262,207	-11,176	-308,410	-98,970	-83,981
Slovakia	-70,895	-72,269	-1,374	-57,397	10,623	-39,787

Source: compiled by the authors based on (Eurostat, 2026)

Italy maintains a positive net position, showing improvement from 271.0 billion EUR to 297.6 billion EUR (an increase of 26.6 billion EUR). However, the structure is more vulnerable: the positive balance of portfolio investments is 462.4 billion EUR, while the 'other investment' component is negative at -610.1 billion EUR. Therefore, although the country is formally a net creditor, its position depends partly on the dynamics of short-term financial flows.

In contrast, France and Spain represent the other end of the spectrum. France worsened its net position from -816.8 billion EUR to -827.6 billion EUR, i.e., by 10.8 billion EUR. The most substantial negative contribution originates from the portfolio segment, where the net position stands at -1,071.9 billion EUR, denoting a considerable amount of liabilities to external investors. Spain also maintains a markedly negative position, declining from -716.3 billion EUR to -736.9 billion EUR, i.e., by 20.6 billion EUR. The negative values for the portfolio (-328.0 billion EUR) and other investments (-291.4 billion EUR) indicate a structural dependence on external financing.

The V4 countries have exhibited a consistently negative position. Poland's net IIP deteriorated from -251.0 billion EUR to -262.2 billion EUR, i.e., by 11.2 billion EUR. The primary negative contribution is attributable to direct investment, which stands at -308.4 billion EUR, reflecting the substantial accumulated liabilities owed to non-residents. The Czech Republic reduced its net position from -31.9 billion EUR to -33.2 billion EUR, and Slovakia from -70.9 billion EUR to -72.3 billion EUR, thus confirming their stable status as net debtors. Although Hungary shows relative stabilisation, with an improvement of about 0.4 billion EUR from -70.2 billion EUR to -69.8 billion EUR, the structure remains negative in all key segments.

This suggests that countries with a negative net international investment position are objectively limited in their ability to maintain high budget deficits during periods of relaxed fiscal rules due to the conditions of international financial markets and the

scale of their accumulated external liabilities. Unlike creditor countries, which have significant external assets and a higher level of financial autonomy, economies with negative net IIP are more dependent on external capital. This makes them more sensitive to changes in risk premiums, borrowing costs and fluctuations in portfolio flows. In these circumstances, fiscal surveillance by supranational bodies becomes more important for these economies, as it not only performs a formal control function, but also a coordination and stabilisation function. This is aimed at aligning fiscal policy with external solvency constraints and long-term debt sustainability (Postula & Raczkowski, 2020; Postula et al., 2025).

4. Integrated Assessment of the External Sustainability of Member States in the Context of Supranational Fiscal Regulation

To integrate the flow dimension of external balance (current account) and the stock dimension of accumulated assets and liabilities (IIP) into an analytical framework, a matrix of external position types must be formed based on a combination of current account balance signs and net international investment position by Q3 2025. This approach allows countries to be classified according to their degree of macrofinancial sustainability, enabling the differentiated effects of supranational fiscal regulation to be assessed depending on the structural characteristics of the external sector (see Table 3).

To improve analytical clarity and visualise cross-country asymmetries in external balance, it is advisable to graphically represent the differentiation of EU countries' current account balances using the CA/TS credit indicator in Q3 2025 (see Figure 1).

The analysis classifies countries according to a combination of two key parameters: current account balance and net international investment position. This determines their structural macrofinancial status within the framework of supranational fiscal regulation. In Q3 2025, Germany and Italy are the only countries

Table 3

External position matrix as a factor of differentiated effect of fiscal rules (Q3 2025)

Country	Indicator		
	CA balance Q3'25, billion EUR	CA/TS credit Q3'25, %	IIP net Q3'25, billion EUR
Spain	15,388	9,818	-736,863
France	-4,845	-1,956	-827,573
Slovakia	-1,055	-3,781	-72,269
Poland	-4,220	-3,719	-262,207
Hungary	0,940	2,394	-69,821
Czechia	-0,572	-1,014	-33,209
Germany	41,016	9,187	3,509,825
Italy	14,440	7,851	297,635

Source: compiled by the authors based on (Eurostat, 2026)

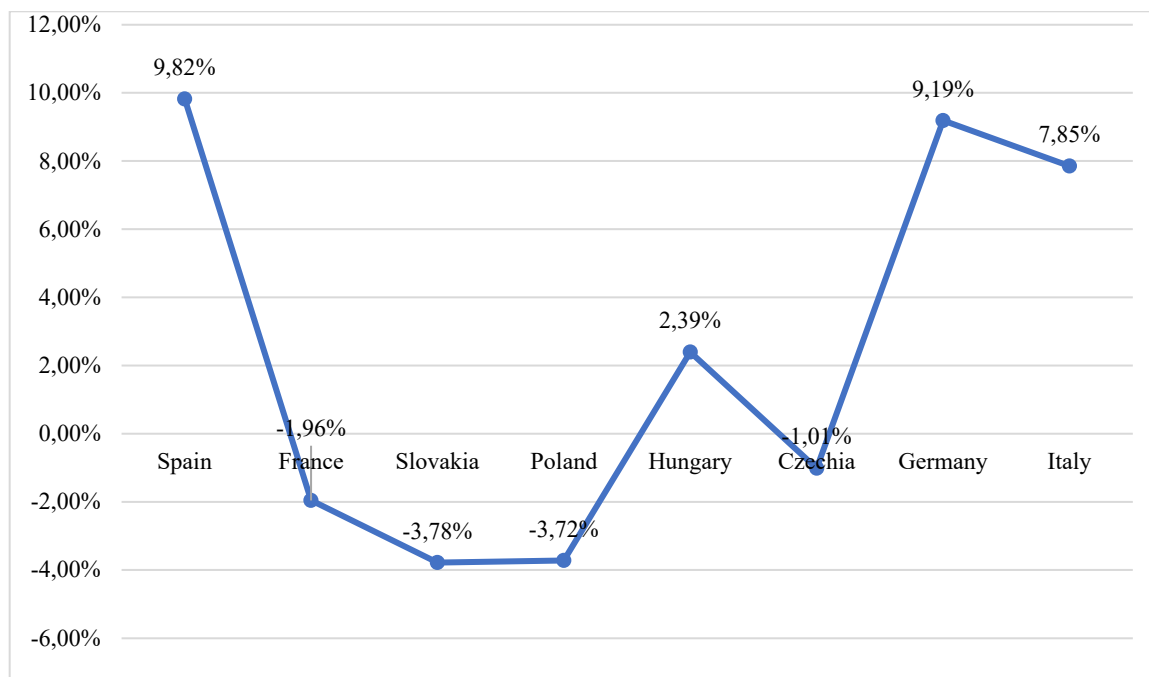


Figure 1. Differentiation of EU countries' current account balances (CA/TS credit, %, Q3 2025)

Source: compiled by the authors based on (Eurostat, 2026)

in the 'surplus-creditor' quadrant, with positive current account balances of 41.0 billion EUR and 14.4 billion EUR respectively, and positive net international investment positions of 3,509.8 billion EUR and 297.6 billion EUR respectively. This configuration creates a double external buffer in terms of both flow and stock dimensions. This reduces dependence on external financing and creates opportunities for flexible fiscal policy without immediately increasing market pressure.

Spain and Hungary form another category: the 'surplus-debtor'. Despite having positive current account balances of 15.4 billion EUR and 0.94 billion EUR respectively, their net international investment position (IIP) remains negative at -736.9 billion EUR and -69.8 billion EUR respectively. This means that the short-term balance of external flows does not offset the accumulated external debt. Therefore, a country's ability to sustain high budget deficits over a long period is determined not only by its current balance, but also by the scale and structure of its external liabilities.

The most vulnerable type is the 'deficit-debtor', which in Q3 2025 includes France, Poland, the Czech Republic and Slovakia. France's current account deficit is 4.8 billion EUR, with a negative net IIP of 827.6 billion EUR. For Poland, the respective figures are 4.2 billion EUR and 262.2 billion EUR. Although the deficit is less significant in absolute terms in the Czech Republic and Slovakia, the combination of a negative current account and a negative international position creates a structural external constraint. In this context, fiscal expansion is more likely to lead to an

increase in the need for external financing, making the economy more sensitive to changes in risk premiums and refinancing conditions.

Figure 1 shows the differentiation of CA/TS credit in Q3 2025, which confirms this asymmetry in relative terms. Spain (9.82%), Germany (9.19%) and Italy (7.85%) demonstrate the highest values, indicating a significant surplus in terms of export volume. Meanwhile, Hungary has a moderate positive indicator of 2.39%, and the Czech Republic is close to zero (-1.01%). On the other hand, Poland (-3.72%) and Slovakia (-3.78%) are characterised by a persistent deficit relative to export turnover, while France shows a negative value of -1.96%. This means that countries with relatively high surpluses have greater short-term macrofinancial space, while those with negative CA/TS credit indicators must combine fiscal policy with correcting external imbalances.

Thus, it can be concluded that the impact of fiscal rules in the EU is determined not only by formal institutional parameters, but also by structural differences in external positions. Countries with a current account surplus and net creditor status have greater fiscal space under supranational supervision, as their fiscal policy is less dependent on external financing and risk premium fluctuations. By contrast, countries with current account deficits and negative net international investment positions are highly sensitive to external financing conditions. In such circumstances, fiscal constraints become both formal-institutional and market-disciplinary, as aligning fiscal policy

with solvency requirements is necessary to maintain macrofinancial stability.

4. Conclusions

The European Union has developed a unique model of economic governance, based on dividing powers between supranational and national levels. The Economic and Monetary Union is the most complex and indicative area of such interaction. The fiscal component is the key mechanism for coordinating the fiscal policies of Member States with union-wide macroeconomic objectives. Within the EU, a synthetic fiscal regulation system has been formed, combining supranational budgetary discipline rules with national fiscal policy autonomy. This model reflects the incomplete institutional architecture of economic and monetary unions. It also ensures the real influence of supranational mechanisms on the budgetary and macroeconomic parameters of Member States, forming a special configuration of responsibility, coordination and market discipline.

A quantitative analysis of indicators for the current account and net international investment position for the period from Q3 2024 to Q3 2025 revealed significant macrofinancial asymmetry between Member States. Germany and Italy have current account surpluses of 41.0 billion EUR and 14.4 billion EUR respectively, as well as positive net international investment positions of 3,509.8 billion EUR and 297.6 billion EUR. This forms a double external buffer that expands their fiscal space. By contrast,

France (-4.8 billion EUR; -827.6 billion EUR) and Poland (-4.2 billion EUR; -262.2 billion EUR) have deficit regimes and negative international positions, which limits their ability to sustain elevated budget deficits without an increase in risk premiums. Spain has a current account surplus of 15.4 billion EUR, but a deeply negative net international investment position of -736.9 billion EUR, indicating a discrepancy between short-term flow equilibrium and accumulated external liabilities.

The results obtained enable the differentiated effect of the Excessive Deficit Procedure to be interpreted as a function of the interaction between institutional surveillance and heterogeneous external solvency conditions. For net creditor countries, fiscal rules predominantly play a coordinating and preventive role. However, for economies with negative net IIP, fiscal rules take on a greater market-disciplinary significance as fiscal expansion directly translates into an increase in external financing needs. Therefore, the real limits of fiscal space in the EU are determined by both institutional norms and the structure of the external sector, as well as sensitivity to global financial conditions.

Further research could focus on developing integrated indicators of fiscal sustainability that combine budgetary and external sector indicators. Another area of research could be modelling the impact of different types of external positions on the efficiency of supranational regulatory adjustment mechanisms in the context of changes in the global financial environment.

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