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## TEXTS ADOPTED

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### **P10\_TA(2026)0075**

### **European Semester for economic policy coordination 2026**

### **European Parliament resolution of 11 March 2026 on European Semester for economic policy coordination 2026 (2025/2214(INI))**

*The European Parliament,*

- having regard to the Treaty on the Functioning of the European Union (TFEU), in particular Articles 121, 126 and 136 thereof,
- having regard to Protocol No 1 to the Treaty on European Union (TEU) and the TFEU on the role of national parliaments in the European Union,
- having regard to Protocol No 2 to the TEU and the TFEU on the application of the principles of subsidiarity and proportionality,
- having regard to the Paris Agreement of the Conference of the Parties to the UN Framework Convention on Climate Change of 12 December 2015 and the UN Sustainable Development Goals,
- having regard to Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law')<sup>1</sup>,
- having regard to Protocol No 12 to the TEU and the TFEU on the excessive deficit procedure,
- having regard to the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union,
- having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective

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<sup>1</sup> OJ L 243, 9.7.2021, ELI: <http://data.europa.eu/eli/reg/2021/1119/oj>.

- coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97<sup>2</sup>,
- having regard to 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<sup>3</sup>,
  - having regard to Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States<sup>4</sup>,
  - having regard to Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area<sup>5</sup>,
  - having regard to Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area<sup>6</sup>,
  - having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances<sup>7</sup>,
  - having regard to Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability<sup>8</sup>,
  - having regard to 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

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<sup>2</sup> OJ L, 2024/1263, 30.4.2024, ELI:  
<http://data.europa.eu/eli/reg/2024/1263/oj>.

<sup>3</sup> OJ L, 2024/1264, 30.4.2024, ELI:  
<http://data.europa.eu/eli/reg/2024/1264/oj>.

<sup>4</sup> OJ L, 2024/1265, 30.4.2024, ELI:  
<http://data.europa.eu/eli/dir/2024/1265/oj>.

<sup>5</sup> OJ L 306, 23.11.2011, p. 1, ELI:  
<http://data.europa.eu/eli/reg/2011/1173/oj>.

<sup>6</sup> OJ L 306, 23.11.2011, p. 8, ELI:  
<http://data.europa.eu/eli/reg/2011/1174/oj>.

<sup>7</sup> OJ L 306, 23.11.2011, p. 25, ELI:  
<http://data.europa.eu/eli/reg/2011/1176/oj>.

<sup>8</sup> OJ L 140, 27.5.2013, p. 1, ELI:  
<http://data.europa.eu/eli/reg/2013/472/oj>.

correction of excessive deficit of the Member States in the euro area<sup>9</sup>,

- having regard to the Commission's Spring 2025 Economic Forecast of 19 May 2025,
- having regard to the Commission's Autumn 2025 Economic Forecast of 17 November 2025,
- having regard to the Commission's 2026 European Semester Autumn package of 25 November 2025,
- having regard to the Commission's Debt Sustainability Monitor 2024 of 17 March 2025,
- having regard to the Commission communication of 19 March 2025 entitled 'Accommodating increased defence expenditure within the Stability and Growth Pact' (C(2025)2000),
- having regard to the European Fiscal Board's 2025 annual report, published on 22 October 2025,
- having regard to the report of 9 September 2024 by Mario Draghi entitled 'The future of European competitiveness' (the Draghi report),
- having regard to the joint communication by the Commission and the High Representative of the Union for Foreign Affairs and Security Policy of 19 March 2025 entitled 'White Paper for European Defence – Readiness 2030' (JOIN(2025)0120),
- having regard to the Joint Research Centre's report entitled 'Measuring sustainable and inclusive well-being: a multidimensional dashboard approach', published on 28 January 2025,
- having regard to the Interinstitutional Proclamation on the European Pillar of Social Rights of 13 December 2017,
- having regard to the La Hulpe Declaration on the Future of the European Pillar of Social Rights of 16 April 2024,
- having regard to the Porto Social Commitment of 7 May 2021 of the Council, the Commission, Parliament and social partners,
- having regard to Rule 55 of its Rules of Procedure,
- having regard to the opinion of the Committee on Budgets,

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<sup>9</sup> OJ L 140, 27.5.2013, p. 11, ELI:  
<http://data.europa.eu/eli/reg/2013/473/oj>.

- having regard to the report of the Committee on Economic and Monetary Affairs (A10-0036/2026),
- A. whereas the European Semester plays an essential role in coordinating and aligning economic and budgetary policies in the Member States, with a view to safeguarding the macroeconomic stability of the Economic and Monetary Union and achieving a socially just transition towards a sustainable economy;
- B. whereas the European Semester recommendations in 2026 will play an essential role in the design of the national and regional partnership plans to be prepared by the Member States;
- C. whereas country-specific recommendations (CSRs) in the framework of the European Semester regularly include cuts in social spending, while barely addressing revenue increases;
- D. whereas the economic outlook remains uncertain, notably due to Russia's invasion of Ukraine and the uncertainty generated by protectionist policies, tariffs and trade tensions, all of which have a negative effect on the economy;
- E. whereas according to the Commission's autumn 2025 economic forecast, GDP growth in the EU is expected to be close to potential growth, with full employment and inflation close to the target level, although inflation remains elevated in some Member States;
- F. whereas for the EU as a whole, the Commission forecasts growth of 1,4 % to 1,5 % between 2025 and 2027, while in the euro area the dynamics are expected to be lower (1,2 % to 1,4 %); whereas potential growth in the EU is expected to decline from approximately 1,5 % in 2024 to 1,3 % in 2027 (in the euro area from 1,4 % to 1,2 %), mainly due to unfavourable demographic trends;
- G. whereas the EU has daunting investment needs, including additional annual investments of EUR 800 billion that the Draghi report deems necessary to boost Europe's competitiveness and productivity, including EUR 450 billion for the energy transition alone – of which EUR 260 billion should come from the public sector according to Institut Rousseau; whereas a further EUR 800 billion in additional investments is envisaged for defence spending under the ReArm Europe Plan/Readiness 2030; whereas these investment targets lack corresponding new own resources, leaving the Union without the fiscal capacity needed to meet its stated objectives; whereas these needs cannot be met by public financing alone;
- H. whereas the EU is facing major challenges, ranging from persistent threats at its eastern borders linked to Russia's war of aggression against Ukraine to geopolitical instability and trade uncertainty, while long-term challenges such as the green and digital transitions remain;

- I. whereas the TFEU establishes reference values of up to 3 % for government deficit and 60 % for the debt-to-GDP ratio; whereas the EU's headline deficit and government debt-to-GDP ratio remain above the reference values; whereas both the headline deficit and government debt-to-GDP ratio vary across the EU, with significantly divergent situations across Member States;
- J. whereas the Council has not launched any procedures concerning excessive macroeconomic imbalances since the establishment of this procedure in 2011;
- K. whereas the current Commission is committed to being an 'investment Commission' and relies on Parliament's support, as co-legislator, to take significant action to boost EU investment to a level commensurate with the needs of the green and digital transitions; whereas the Commission has yet to put forward an adequate response to the Union's massive investment requirements, particularly given that the Recovery and Resilience Facility (RRF) will be terminated at the end of 2026;
- L. whereas past crises, including the COVID-19 pandemic, have shown that a common and coordinated European response strengthens the Union; whereas, in a competitive geoeconomic environment, Europe can safeguard its interests and values only through unity, highlighting the need for a robust macroeconomic policy framework and even closer coordination of economic and social policies through the European Semester;

### ***Economic prospects for the EU***

- 1. Notes that over the last five years, the EU has faced major challenges, including the outbreak of the COVID-19 pandemic and Russia's illegal and unjustified war in Ukraine, which have had major economic impacts; takes note of the swiftness and impact of EU-wide initiatives and instruments to address the economic and social consequences of external shocks, in particular the RRF and the European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE);
- 2. Notes that, according to the Commission's autumn 2025 economic forecast published on 17 November 2025, the EU's GDP is expected to increase by 1,4 % in 2025 compared to 2024 and by 1,4 % in 2026; observes that, based on this forecast, the EU is still lagging behind the United States and China in terms of growth expectations; highlights that, despite significant challenges, the euro area and the EU have demonstrated resilience;
- 3. Notes that potential growth, which marks the growth rate an economy can sustain without excess inflation, is set to decline from 1,5 % in 2024 to 1,3 % in 2027 in the EU, and from 1,4 % to 1,2 % in the euro area, as growth in the working-age population slows;

considers these potential growth levels to be too low to master the challenges facing the European economy in the years to come;

4. Notes that according to the Commission's autumn 2025 economic forecast, the aggregate euro area deficit is projected to increase from 3,1 % of GDP in 2024 to 3,2 % of GDP in 2025; notes that on the basis of current policies, the deficit is expected to rise to 3,3 % of GDP in 2026;
5. Notes that 12 Member States are set to have deficits exceeding 3 % of GDP in 2027 and that 10 Member States are under excessive deficit procedures;
6. Notes that the general government gross debt-to-GDP ratio in the EU is expected to reach 82,8 % in 2025 and is projected to increase to 83,8 % in 2026 and 84,5 % in 2027, above the 60 % reference value for individual Member States enshrined in the Treaties; notes that the general government debt in the euro area is projected to increase to 89,8 % in 2026 and to 90,4 % in 2027; notes that debt levels vary significantly among Member States;
7. Calls on the Member States to pursue prudent fiscal policies with a view to safeguarding the sustainability of public debt;
8. Recalls that extreme weather events have a material impact on public finance; is aware that the impact and frequency of extreme weather events will only increase in the coming years;
9. Welcomes the fact that inflation in the euro area has been brought down to the European Central Bank target level after reaching its peak of 10,6 % in October 2022; notes, however, that inflation remains at different levels across the Member States, with some having higher levels, including those with energy-intensive industries; notes that both core inflation and inflation expectations still remain above target level; underlines the continued impact of food and energy inflation on European households; notes that inflation affects income groups unevenly, with low-income households being hit the hardest;
10. Expresses concern that insufficient private and public investment is likely to hinder sustainable growth and competitiveness in Europe and prevent the EU from meeting the common priorities set out in the EU strategic agenda 2024-2029; stresses that the Member States must step up efforts to remove barriers and mobilise greater private investment in line with the Commission's savings and investments union strategy; recognises the Commission's political objective of simplifying the regulatory framework and significantly reducing administrative burdens to foster private investment; highlights that investments in areas such as research and development, infrastructure and innovation are urgently needed to increase the EU's potential growth; insists on the crucial role of the next

multiannual financial framework not only in providing public investment, but also in helping mobilise private investment and underlines, in this context, that financial instruments and budgetary guarantees are powerful and effective tools for achieving critical EU policy goals as well as ready-to-use EU-wide financial instruments;

11. Notes that the Commission's European macroeconomic report acknowledges that housing affordability is a macroeconomic and social issue, in particular by imposing potential restrictions on labour mobility and weakening productivity growth over the long-term;
12. Highlights that a consistent and targeted industrial policy is vital for supporting the EU's technological transformation and secure, resilient supply chains, while preserving competitive and undistorted markets;
13. Notes that, on average, the employment rate in the EU has reached a record-high level, reflecting a dynamic labour market in most Member States; highlights the integration of the social convergence framework into the European Semester; highlights that the model of vocational education and training has proven successful in the Member States that have opted for it; regrets that large differences exist among Member States in terms of unemployment rates, particularly with regard to young people;
14. Reiterates the importance of safeguarding a level playing field in the single market and calls on the Member States to take action to deepen the single market by eliminating internal barriers;

#### ***Application of the revised EU economic governance framework***

15. Recalls that the purpose of the reform of the economic governance framework is to make it simpler, more transparent and more effective with greater national ownership and better enforcement, and to improve its ability to accommodate the heterogeneity of fiscal positions, public debt and economic challenges, and to help address the medium- and long-term challenges that the EU and its Member States are facing, including by promoting countercyclical fiscal policies;
16. Highlights that, under the reformed economic governance framework, the growth in net expenditure is the single operational indicator to monitor Member States' compliance with the respective Council recommendations; highlights that many Member States will still face insufficient fiscal capacity to meet substantial investment needs; notes that the national escape clause (NEC) has already been activated for defence expenditure only one year after the entry into force of the revised rules as a short-term response to extraordinary events beyond a country's control; underlines that the NEC is intended for temporary, country-specific emergencies and is not suited for addressing long-term structural needs;

17. Stresses that the Commission has expanded its discretionary powers under the reformed economic governance framework, notably through the process underpinning the medium-term fiscal-structural plans; notes the European Fiscal Board's finding that the Commission used some discretion when delaying or deciding not to open excessive deficit procedures; stresses that an even application of the EU's fiscal rules is paramount in order to maintain the credibility of the economic governance framework, ensure equal treatment of Member States and uphold a coherent and genuinely European approach;
18. Takes note of the targeted amendments to the EU's economic governance framework published by the Commission on 2 October 2025, aimed at establishing consistency following the most recent update to the economic governance framework;
19. Notes, with concern, the European Fiscal Board's findings that roughly half of independent fiscal institutions did not formally participate in the preparation of the medium-term fiscal-structural plans; is of the opinion that greater participation of independent fiscal institutions would increase transparency and external oversight at a key moment of transition;

### ***Fiscal stance***

20. Highlights that public investment has risen noticeably in recent years, with around half of the increase between 2019 and 2025 financed by the EU, primarily through the RRF; notes that these benefits are expected to continue beyond 2026, with important spillover effects across Member States and that the long-term impact of structural reforms could raise the potential output of the euro area by up to 1,3 % of GDP over the period 2020 to 2033 compared to a scenario without the RRF; expresses concern over the fact that the RRF is coming to an end in 2026 and at the impact that this might have on the EU's overall fiscal stance; urges the Member States to complete the implementation of their recovery and resilience plans by August 2026; recalls that the debt issued to finance the RRF is to be repaid by 2058 in a manner that ensures the steady and predictable reduction of liabilities;
21. Notes the Commission's recommendation that the overall fiscal stance of the Member States remain broadly neutral in 2026, despite significant disparities across the Member States;
22. Stresses that public revenue and public expenditure are essential to ensure the sustainability of national budgets; recalls the Council recommendation on the economic policy of the euro area of 17 February 2026, which calls for tax gaps to be reduced by improving tax compliance, including by addressing tax avoidance and evasion, and combating aggressive tax planning; stresses that

weak enforcement in tax administration and in the fight against tax evasion and avoidance undermines fiscal sustainability and contributes to macroeconomic imbalances;

23. Takes note of the Commission's programmatic policy shift in the current European Semester cycle, whereby the Competitiveness Compass provides guidance for the Semester package in place of the Annual Sustainable Growth Survey; highlights that this change strengthens the focus of the Semester framework; highlights the importance of continuity with regard to CSRs designed as multiannual and long-term reform commitments and to Member States' efforts to deliver on long-term objectives; calls on the Commission to ensure a holistic vision of European competitiveness and to ensure that long-term transition priorities continue to be consistently and coherently reflected in CSRs across successive Semester cycles;

### ***Country-specific recommendations***

24. Notes that the CSRs for each Member State contain a recommendation on fiscal policy, including fiscal-structural reforms, where relevant; notes the Commission's commitment to use the European Semester to promote competitiveness, stability, economic growth, sustainability and social fairness, and to integrate the UN Sustainable Development Goals and the European Pillar of Social Rights into the European Semester; highlights that the Semester is a key tool for coordinating sound macroeconomic and budgetary policies in the Member States, thereby safeguarding the macroeconomic stability of the Economic and Monetary Union; highlights the importance of CSRs as the cornerstone of European economic policy coordination; recalls that CSRs are policy actions that are also an integral part of the medium-term fiscal-structural plans, the national recovery and resilience plans and the announced proposal for the national and regional partnership plans;
25. Recalls the role of CSRs in coordinating EU priorities; notes the lack of progress in the effective implementation of the CSRs; notes that between 2019 and 2023, 25,1 % of CSRs showed no or limited progress; calls on the Commission to rethink the way in which CSRs are developed and followed up, in particular with regard to their future role in access to EU funds; recalls its demand for fewer and more targeted CSRs;
26. Takes note of the Commission's ambition to further reflect in the CSRs the actions that are instrumental to the savings and

investments union, as announced in its communication of 19 March 2025<sup>10</sup>;

27. Notes that CSRs are set to play a greater role in the next multiannual financial framework in guiding investment and reform at national and regional level; is of the opinion that the selection of reforms and investments should be guided by their effectiveness in addressing the relevant CSRs for achieving a just transition towards a green and competitive European economy; underlines that this process must be accompanied by stronger democratic scrutiny and greater ownership by Member States;
28. Stresses the growing importance of CSRs linked to the national and regional partnership plans; draws attention to the fact that there is currently no transparent or traceable methodology for developing and selecting CSRs, nor clarity on why some are proposed and others are not, which raises concerns regarding accountability and equal treatment of Member States; calls on the Commission to clarify the underlying procedures and selection criteria; underlines that any overall increase in the Commission's discretionary power must be accompanied by corresponding ex post accountability mechanisms and a substantial improvement in the flow of information towards Parliament;
29. Notes that the 2025 CSRs focused more on competitiveness and simplification, in line with priorities identified in the Competitiveness Compass, while also highlighting the need to boost scientific excellence, research and innovation, and technology development as key drivers of long-term productivity and resilience; underlines that fewer CSRs are being dedicated to social and climate policies; notes that for some Member States, the CSRs include a recommendation to phase out fossil fuel subsidies;
30. Notes that the Commission considers the euro area recommendation to be first and foremost a steering tool for Eurogroup discussions; invites the Commission, however, to follow up on euro area recommendations, including by taking them into consideration when developing CSRs; regrets that in 2025, the Commission did not publish an overview of the implementation of euro area recommendations, as it used to do as part of its euro area reports; notes that in 2025, CSRs did not directly include any climate-change-related recommendations;

### ***Closing the investment gap***

31. Recalls that the Draghi report forcefully demonstrated the need to increase public and private investment and pursue ambitious reforms

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<sup>10</sup> Commission communication of 19 March 2025 entitled 'Savings and Investments Union – A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU' (COM(2025)0124).

to boost EU competitiveness; calls on the Commission and the Member States to present a strategy to meet investment needs beyond 2026;

32. Believes that the EU economic governance framework should be complemented by EU-level instruments and tools, where appropriate, in order to minimise the costs for EU taxpayers and maximise efficiency in the provision of European public goods and to respond to Union-wide crises, such as the ongoing crisis in the area of security and defence; notes that EU debt securities could serve as a benchmark, thereby strengthening the integration of EU financial markets; calls for the introduction of new own resources to finance the Union's policies; supports the creation of the European Competitiveness Fund and the Scaleup Europe Fund;
33. Underlines the European Council's agreement to provide an EUR 90 billion loan to Ukraine for 2026 and 2027, based on EU borrowing on the capital markets backed by the EU budget's headroom;
34. Notes that the evolving geopolitical environment requires even more unity and solidarity among the Member States, especially when taking into account the security concerns of the EU and its Member States; considers that strengthening Europe's security by reducing strategic dependencies remains essential to safeguarding the Union's long-term resilience; supports the Commission's efforts to move towards a more coordinated approach to defence; notes that the Security Action For Europe (SAFE) instrument establishes a loan facility of EUR 150 billion to support Member State investments in defence; regrets the fact, however, that the SAFE instrument was based on Article 122 TFEU, limiting parliamentary oversight; welcomes the fact that the net expenditure indicator excludes all national co-financing of EU-funded programmes, providing increased fiscal space for Member States to invest in the EU's common priorities, as laid down in Regulation (EU) 2024/1263<sup>11</sup>, thus helping to strengthen synergies between the EU budget and national budgets, thereby reducing fragmentation and increasing the overall efficiency of public spending in some areas, such as defence; stresses that Member States' commitment to increase defence spending should not come at the expense of other EU common priorities;
35. Notes that 16 Member States have activated the NEC for defence spending; underlines that this provides Member States with flexibility to increase defence expenditure without an immediate need to finance such increases through spending cuts or revenue-

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<sup>11</sup> 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>).

raising measures; notes that this flexibility thus gives Member States the necessary time to accommodate higher defence expenditure within national budgets; highlights that the partial participation significantly reduces the projected additional defence expenditure from EUR 650 billion to approximately EUR 297-337 billion;

36. Cautions that defence spending is consumptive investment by nature and does not per se increase an economy's potential output; considers that defence spending should therefore not be financed through increased debt issuance in the long-term;
37. Stresses the importance of increasing coherence and cooperation in defence investment across Member States, particularly as regards strategic enablers or strategic weapons systems that are too expensive for individual Member States, in the light of the pressing need to scale up the European defence sector and ensure long-term security and strategic autonomy;
38. Recalls that the Commission has never launched an excessive imbalance procedure, despite the fact that some Member States have recurrent imbalances in their current accounts; notes that the Commission will assess the existence of macroeconomic imbalances for the seven Member States selected for in-depth reviews in its 2026 alert mechanism report;
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39. Instructs its President to forward this resolution to the Council and the Commission.