

European Semester for economic policy coordination 2026

2025/2214(INI) - 11/03/2026 - Text adopted by Parliament, single reading

The European Parliament adopted, by 392 votes to 219, with 18 abstentions, a resolution on the European Semester for economic policy coordination 2026.

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.

Economic prospects the EU

Parliament noted that, according to the Commission's autumn 2025 economic forecast, the **EU's GDP** is projected to grow by 1.4% in 2025 compared to 2024, and by 1.4% in 2026. The EU continues to lag behind the United States and China in terms of growth expectations. However, the **euro area** and the EU have demonstrated resilience despite significant challenges. Potential growth is projected to decrease from 1.5% in 2024 to 1.3% in 2027 in the EU, and from 1.4% to 1.2% in the euro area.

The aggregate euro area **deficit** is projected to increase from 3.1% of GDP in 2024 to 3.2% of GDP in 2025. Based on current policies, the deficit is expected to rise to **3.3%** of GDP in 2026. Twelve Member States are projected to have deficits exceeding 3% of GDP in 2027, and ten Member States are subject to excessive deficit procedures. Parliament called on Member States to pursue **prudent fiscal policies** to preserve the sustainability of public debt.

Inflation in the euro area has been brought down to the European Central Bank's target level after reaching its peak of 10.6% in October 2022. However, it remains uneven across Member States, particularly in countries with energy-intensive industries. Core inflation and inflation expectations still remain above target level. Rising energy and food prices continue to affect European households, especially lower-income ones.

Members are concerned about **the lack of sufficient public and private investment** and called on Member States to redouble their efforts to mobilise more private investment. There is an urgent need to invest in areas such as research and development, infrastructure, and innovation.

The issue of **affordable housing** is identified as a major economic and social challenge. A coherent industrial policy is considered essential to strengthen technology and the resilience of supply chains. Lastly, despite record **employment rates**, significant disparities persist between countries, particularly regarding youth unemployment. Measures must also be taken to deepen the **single market** by removing internal barriers.

Application of the revised EU economic governance framework

Parliament emphasised that, under the reformed economic governance framework, the **growth in net expenditure** is the sole operational indicator for monitoring Member States' compliance with the respective Council's recommendations. Many Member States still face insufficient fiscal capacity to meet the necessary investments. The **national escape clause** has already been activated for defence expenditure as a short-term response to extraordinary events beyond a country's control. However, this clause is intended for temporary, country-specific emergencies and is not suitable for addressing long-term

structural needs. Members stressed that the 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.

The resolution noted that public investment has risen noticeably in recent years, mainly through the Recovery and Resilience Facility (RRF), which will end in 2026. Member States are invited to **finalise their recovery plans before August 2026**.

Country-specific recommendations

Parliament took note of the Commission's commitments to use the European Semester to promote competitiveness, stability, economic growth, sustainability and social fairness, and to integrate the United Nations Sustainable Development Goals and the European Pillar of Social Rights into the European Semester.

While stressing the importance of country-specific recommendations as a cornerstone of coordinating European economic policies, Members noted **the lack of progress** in their effective implementation (between 2019 and 2023, 25.1% of country-specific recommendations saw no or limited progress). Parliament called on the Commission to rethink how country-specific recommendations are developed and monitored, particularly regarding their future role in accessing EU funds. It reiterated its call for fewer and more targeted country-specific recommendations.

Closing the investment gap

Parliament recalled that the Draghi report forcefully demonstrated the need to increase public and private investment and pursue ambitious reforms to boost EU competitiveness. In this regard, it called on the Commission and the Member States to present a **strategy** to meet investment needs beyond 2026.

Members believe 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.

Parliament noted that the evolving geopolitical environment requires even **more unity and solidarity among Member States**, particularly when it comes to addressing the EU's security concerns. It therefore supports the Commission's efforts to move towards **a more coordinated approach to defence**.

Parliament cautioned, however, 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. Greater coherence and cooperation in defence investment is needed across Member States.