1. **Introduction**

**In recent years, the EU has undergone profound adaptations, adjusting its policy priorities to respond to emerging challenges.** Through collective efforts the EU has successfully navigated multiple crises and enhanced the resilience of its Member States. Economic activity is set to gradually pick up, with employment remaining at a record high level and purchasing power improving as inflation returns to target. However, to ensure our continued sustainable prosperity, the EU urgently needs to tackle the obstacles to growth and competitiveness. This calls for a consistent and ambitious policy agenda.

**The EU is determined to ensure its sustainable prosperity and competitiveness while strengthening its social market economy and safeguarding its sovereignty, economic security and global influence**, as highlighted by EU Leaders in the Budapest Declaration and in President von der Leyen’s Political Guidelines[[1]](#footnote-2).The reports *Much more than a market* by Enrico Letta[[2]](#footnote-3) and *The future of European competitiveness* by Mario Draghi[[3]](#footnote-4) have highlighted the structural barriers that hold back the EU’s economic growth and productivity and put at risk our future prosperity. One of the first major initiatives of the new European Commission to be published in January will be a competitiveness compass, built on the three pillars of the Draghi report: (i) closing the innovation gap with the US and China; (ii) a joint plan for decarbonisation and competitiveness to accelerate the transition and lower the cost of energy; and (iii) increasing security and reducing dependencies. Progress on these pillars will also depend on cross-cutting and interlinked enablers of competitiveness and inclusive growth – the deepening of the Single Market, simplification, skills development and quality jobs, financing investments and improving coordination.

**As central mechanism for the coordination of Member States’ economic and employment policies, the European Semester provides the framework to move forward the necessary investments and reforms**. The European Semester will continue to identify socio-economic challenges and provide guidance on the policy action needed to address them, with the aim to improve the EU’s competitiveness, sustainability and social fairness.

**2. 2025 European Semester**

**The 2025 European Semester cycle has been launched with the publication of the Autumn Package.** On 26 November, the Commission published the first part of the package, launching the first implementation cycle of the new economic governance framework. It consisted of the assessment of the medium-term fiscal-structural plans for 21 Member States, the Commission opinion on the draft budgetary plans for 2025 of 17 euro-area Member States, as well as steps in the implementation of the excessive deficit procedures for 8 Member States. Once adopted by the Council, the recommendations on the medium-term plans will offer a coherent policy anchor for Member States’ economic and fiscal conduct for the coming years**,** helping to make the EU more competitive and better prepared for future challenges by supporting progress towards a green, digital, inclusive and resilient economy. The implementation of medium-term plans will be monitored through the European Semester – starting already in spring 2025 with the submission of the first annual progress reports by Member States.

**Today’s package completes the start of the 2025 cycle of the European Semester.** It contains the Commission recommendation for Council recommendation on the economic policy of the euro area, the Alert Mechanism Report under the macroeconomic imbalances procedure and the Joint Employment Report.

**The recommendation on the economic policy of the euro area calls on euro area Member States to act individually and collectively within the Eurogroup to improve competitiveness and** **foster productivity**. This requires strengthening innovation, including in critical technologies, strengthening access to funding for businesses including SMEs, improving the business environment by reducing administrative burden and regulatory complexity, removing investment obstacles and supporting public and private investment in areas of common priorities, such as the green and digital transitions and the build-up of defence capabilities, and further developing skills in the workforce. The recommendation also puts the emphasis on the need to increase labour market participation, promoting quality jobs, strengthen incentives to work and avoid divergences in competitiveness. Finally, euro area Member States should ensure compliance with the new fiscal framework, to improve debt sustainability and to monitor risks to macro-financial stability. The Recommendation is supported by a staff working document that analyses economic challenges related to competitiveness, resilience and macroeconomic stability.

**The Alert Mechanism Report identifies 10 Member States for which in-depth reviews should be carried out to assess whether they are affected by imbalances**. The report initiates the annual round of implementation of the macroeconomic imbalance procedure,whichaims to detect, prevent and correct imbalances which are adversely affecting, or have the potential to adversely affect, the proper functioning of the economy of a Member State, or of the EU as a whole. Based on the economic reading of the scoreboard, the report identifies Member States that it considers may be affected by, or may be at risk of being affected by, imbalances. In-depth reviews will be prepared for these Member States next spring. That is the case for Greece, Cyprus, Italy, Hungary, Slovakia, Romania, the Netherlands, Sweden and Germany as a follow-up to imbalances or excessive imbalances identified on 19 June 2024[[4]](#footnote-5), while for Estonia the in-depth review will assess the risk of newly emerging imbalances.

**The Joint Employment Report monitors the implementation of the employment guidelines, and of the European Pillar of Social Rights**. The report provides an update on progress in achieving the 2030 EU headline and national targets on (i) employment, (ii) strengthening skills and (iii) reducing poverty. The report shows that the EU is well on track to reach the first, while significant further efforts are needed on the latter two. As in the past cycle, the report also analyses potential risks to upward social convergence based on the principles of the Social Convergence Framework[[5]](#footnote-6). Despite some improvements, risks to upward convergence persist at EU level regarding skills development. This may exacerbate challenges related to competitiveness and labour and skills shortages. While labour markets continue to perform robustly with record employment levels and historically low unemployment, the labour market participation of certain population groups still lags behind. The proportion of people who are at risk of poverty or social exclusion decreased slightly in 2023, but remained above pre-crisis levels.

**The European Semester will continue to drive the EU’s economic and social policy coordination, ensuring consistency between the EU, national and regional dimensions.** To achieve the economic and social policy priorities of the EU and to address national challenges, significant action will be needed by Member States – at national and regional level. The Spring Package of the European Semester will provide country-specific recommendations (CSRs), based on the identification of the main country-specific challenges in the Country Reports. Ownership will be strengthened through improved use of structured dialogues with Member States, social partners and other stakeholders, including local and regional authorities and relevant civil society organisations. These will include discussions on the implementation of existing recommendations, on current or future policy action to address identified challenges, as well as on opportunities for further economic growth and social progress. To this end, the Commission services will conduct European Semester missions early in the process and follow up with exchanges ahead of the finalisation of the Country Reports to enrich its analysis. Inter-institutional dialogue with the European Parliament and the Council will remain key to ensuring democratic accountability, transparency and collaboration throughout the Semester process.

**The 2025 CSRs will provide comprehensive and coherent policy guidance.** With the Recovery and Resilience Facility (RRF) coming to an end in 2026, the 2025 European Semester cycle will see a gradual move to a more comprehensive set of CSRs, phasing out the approach to CSRs introduced during the earlier phases of RRF implementation. The progressive development of such comprehensive policy guidance for each Member State will help deliver on commonly agreed objectives, in light of the preparation of the next Multiannual Financial Framework, while taking into account national specificities. As such, the 2025 Semester will act as a bridge, based on an improved analysis to identify the relevant structural challenges and provide guidance on reform and investment priorities in each Member State.

1. [Political guidelines for the next European Commission 2024-2029](https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648_en?filename=Political%20Guidelines%202024-2029_EN.pdf). [↑](#footnote-ref-2)
2. [Enrico Letta, *Much more than a market* (April 2024)](https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf). [↑](#footnote-ref-3)
3. [EU competitiveness: Looking ahead - European Commission](https://commission.europa.eu/topics/strengthening-european-competitiveness/eu-competitiveness-looking-ahead_en). [↑](#footnote-ref-4)
4. [2024 European Semester: Spring Package Communication](https://commission.europa.eu/document/download/a73a05d4-8afd-4d92-a748-3248ee00e170_en?filename=COM_2024_600_1_EN.pdf) [↑](#footnote-ref-5)
5. In line with Regulation (EU) 2024/1263. [↑](#footnote-ref-6)