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PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE
EUROPEAN ECONOMIC AND SOCIAL COMMITTEE, THE COMMITTEE OF
REGIONS AND THE EUROPEAN INVESTMENT BANK**

2026 European Semester - Autumn Package
**Delivering on the Competitiveness Compass: pushing forward with reforms and
investments**

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Delivering on the Competitiveness Compass: pushing forward with reforms and investments

Boosting the EU's competitiveness to secure sustainable prosperity remains the European Commission's main priority. Last year's Draghi report¹ provided a clear diagnosis of the structural challenges facing European competitiveness and proposed a new industrial strategy for Europe. The Competitiveness Compass² built on this foundation to define strategic priorities for the next five years, around three priority areas — closing the innovation gap, decarbonising the economy, and reducing strategic dependencies and five horizontal enablers³. Since then, the EU has engaged a number of broad-ranging policy initiatives to support competitiveness, including the Clean Industrial Deal⁴, the Single Market Strategy⁵, the AI Continent Action Plan⁶, the Union of Skills⁷, the Savings and Investments Union⁸, or the Vision for Agriculture and Food⁹. Significant opportunities have also been introduced with the mid-term review of Cohesion Policy¹⁰.

The past months have only added to the sense of urgency with which the EU has to tackle its structural challenges, strategic vulnerabilities and dependencies, and protect its social model. Unless the EU boosts investment, productivity and innovation it will not keep pace in an increasingly challenging geo-political environment and will not be able to secure its (economic) security and prosperity, including for future generations. While this European Semester Autumn Package shows that the EU can build on a robust economic and labour market performance and support social achievements, we must enter a new phase of work, where the Commission, together with Member States, will concentrate decisively on implementation to further reinforce its competitiveness and resilience, with a strong emphasis on delivering concrete results and driving meaningful change across the EU.

Delivering on the priorities identified in the Competitiveness Compass requires urgent action at the EU, national and regional level. The European Semester continues to support the EU's efforts to better coordinate economic and employment policies. It also ensures sustained convergence of the economic and social performance of Member States and regions, also via the long-term EU budget, as outlined in the Commission's proposal for the Multiannual Financial Framework (MFF)¹¹. Guided by the Competitiveness Compass, the European Semester will continue to provide country-specific guidance to identify actions at national and sub-national level in an operational and transparent manner. This European Semester cycle will further strengthen the analysis in various areas that are important to deliver on the Competitiveness Compass agenda and to promote upward social convergence, in line with the European Pillar of Social Rights. The Annual Single Market and Competitiveness Report, to be published in January, will report on the progress on the Competitiveness Compass.

¹ [The Draghi report on EU competitiveness.](#)

² [A Competitiveness Compass for the EU](#), COM(2025) 30 final.

³ Cutting red tape, removing barriers in the single market, enabling more efficient financing, promoting skills and quality jobs and ensuring better coordination

⁴ [Clean Industrial Deal - European Commission](#)

⁵ [Single market strategy](#)

⁶ [The AI Continent Action Plan | Shaping Europe's digital future](#)

⁷ [Union of skills - European Commission](#)

⁸ [Savings and investments union - Finance - European Commission](#)

⁹ [Vision for Agriculture and Food - Agriculture and rural development](#)

¹⁰ [Inforegio - A modernised Cohesion policy: The mid-term review](#)

¹¹ [EU budget 2028-2034](#)

The Commission has proposed to channel a significant part of funding under the next MFF through the national and regional partnership plans (NRPPs) and the European Competitiveness Fund (ECF). The plans would inter alia have to effectively address all, or a significant subset of challenges identified in the context of the European Semester. This concerns, in particular, relevant country-specific recommendations. The 2026 cycle of the European Semester will therefore serve as a bridge to the next MFF.

Launching the 2026 European Semester – key priorities

The EU economy has shown resilience but requires further action to boost sustainable and fair economic growth amid strong headwinds. By 2024, the EU's real GDP per capita was 4.1% higher than in 2019¹² and most Member States had recouped the income losses caused by the pandemic. EU employment has reached historic highs, with a 76.2% employment rate in the second quarter of 2025¹³. Still, the conjunction of a tight labour market, persistent skill and labour shortages, and a high share of workers in low wage jobs in sectors with limited productivity, hinders growth and aggregate productivity. In the medium-term, the EU economy is expected to continue growing at a moderate pace, with GDP growth forecast to reach 1.4 % in 2025 and 2026 and increase further to 1.5 % in 2027 and employment is expected to continue expanding and to decelerate in 2027. Furthermore, the heightened security threat and increasing trade barriers, which already hamper potential growth, represent a risk to the growth outlook.

Confronted with an adverse international economic environment, demographic trends and weak labour productivity growth, the EU must take decisive action to foster economic growth, bolster its economic security and support competitiveness. This includes ensuring a stable macroeconomic environment, further promoting research and innovation in line with the EU's 3% R&D investment target and supporting the uptake of advanced technologies, investing in climate resilience, environmental sustainability and human capital including in health. It is also crucial to further improve the functioning of labour markets, enhancing the flow of savings to productive investment, accelerating decarbonisation and bringing down energy prices, reducing strategic dependencies on third countries, strengthening Europe's industrial capacity, enhancing the business environment including the rule of law and reducing administrative burdens. It will be equally important to remove barriers to the single market, developing transport and clean energy infrastructure, boosting the digitalisation of our economy, tackling poverty, ensuring upward social convergence and boosting affordable sustainable housing and improving the competitiveness of EU regions.

Against this background, today's Autumn Package launches the 2026 European Semester cycle. The package contains the Commission Recommendation for a Council recommendation on the economic policy of the euro area, the Commission recommendation for a Council recommendation on human capital in the Union, the Alert Mechanism Report under the macroeconomic imbalances procedure, the Commission proposal for a Joint Employment Report, an assessment of the fiscal situation in EU Member States, and the autumn communication on post-programme surveillance assessments¹⁴.

¹² Based on Eurostat data - [\[nama_10_pc\] Gross domestic product \(GDP\) and main components per capita](#)

¹³ Eurostat - [EU labour market - quarterly statistics - Statistics Explained - Eurostat](#)

¹⁴ Autumn 2025 Communication from the Commission on Post-Programme Surveillance Assessments C(2025)9069final. Twice per year, under post-programme surveillance, the Commission carries out assessments of euro-area Member States that have had a financial assistance programme. The objective is to assess the Member State's economic, fiscal and financial situation to ensure that it maintains its capacity to service its debt. The Communication indicates that all five assessed Member States retain the capacity to service their debt.

The 2026 draft recommendation on the economic policy of the euro area calls on euro area Member States to act individually and collectively within the Eurogroup to boost productivity and strengthen economic security, while maintaining the sustainability of public finances. On fiscal policy, it recommends maintaining a neutral fiscal stance in 2026 while allowing differentiation and temporary flexibility for defence spending, in line with the targets in the medium-term fiscal structural plans and the national escape clause¹⁵. Medium-term fiscal strategies should safeguard sustainability, while also making room for renewed spending pressures, notably in relation to defence and competitiveness. Increased defence spending should be accompanied by efforts to remove industrial and labour bottlenecks and to foster an integrated EU market for defence equipment. Member States should complete the implementation of their recovery and resilience plans by August 2026, ensuring absorption of available EU funds, taking advantage of the opportunities introduced with the mid-term review of cohesion policy. To boost productivity, the recommendation calls for promoting upskilling and reskilling, for strengthening education and training policies as well as for reforms to improve labour market participation and job quality. Further efforts are also needed to fight poverty, and to improve access to affordable and sustainable housing. The recommendation also urges stronger investment in research and innovation, in the transition towards a decarbonised and digital economy and to reduce strategic dependencies. Member States should also take action to deepen the single market by eliminating internal barriers, reduce administrative burden and simplifying regulation, and advance a European Savings and Investments Union to enable a more efficient channelling of private capital into long-term growth. Finally, the recommendation calls for completing the work on the digital euro, strengthening the euro's international role, and preserving financial stability through close monitoring of risks in the banking and non-bank sectors.

The Commission proposes for the first time a Council recommendation on human capital in the Union, as announced in the Union of Skills¹⁶. It calls on Member States to urgently steer actions to address skills shortages, with a focus on strategic sectors for the EU economy. This includes, strengthening basic skills, Vocational Education and Training and higher education, in particular in some science, technology, engineering, and mathematics (STEM) fields to build a solid foundation for higher productivity, competitiveness and digital sovereignty, including financial, digital and AI literacy. It recognises digital skills as part of the essential skill set for modern life and further calls on Member States to make better use of skills intelligence, reduce barriers to entry to professions and ensure faster recognition of qualifications in strategic sectors for EU and third country nationals. The Recommendation is based on an assessment of current labour shortages and future projections of skills gaps, taking into account currently available skills and the capacity of our education and training systems to cope with EU labour market needs.

The Alert Mechanism Report identifies seven 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 (MIP), which aims to detect, prevent and correct imbalances that 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 MIP scoreboard, the report identifies Member States that 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. This is the case for Greece, Italy,

¹⁵ The Commission has proposed to activate the national escape clause as part of the ReArm Europe plan / Readiness 2030 proposed by the European Commission in March 2025 to boost defence spending in the EU.

¹⁶ Communication from the Commission of 5 March 2025, The Union of Skills (COM(2025) 90 final). The proposed Treaty basis is Article 148 of the Treaty on the Functioning of the European Union.

Hungary, Slovakia, Romania, the Netherlands and Sweden as a follow-up to imbalances or excessive imbalances identified on 4 June 2025¹⁷.

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 towards the 2030 EU headline and national targets on employment, skills and poverty reduction. It shows that the EU is well on track to reach the employment target of 78%. At the same time, the increase in employment is expected to slow down while unemployment is stabilising. Still, significant regional disparities persist both between and within countries. The EU's productivity gap vis-à-vis many advanced economies is an additional concern. Almost one in twelve workers experienced poverty risks in 2024. Labour shortages persist, in part due to poor working conditions in some sectors, and are expected to increase on the back of demographic change and new skill needs. Substantial further efforts are needed to reach the targets of having 60% of adults participating in training every year and of reducing the number of people at risk of poverty and social exclusion by at least 15 million. The report also analyses potential risks to upward social convergence based on the Social Convergence Framework¹⁸. This shows that Member States have mostly converged upwards in labour market participation, though employment outcomes of certain population groups are still lagging behind, including young people, persons with disabilities, and Roma. In the areas of skills and education, as well as in the social domain, risks to upward convergence persist despite slight improvements. Without intensifying policy efforts, including by promoting quality jobs, investing in human capital, and relying on effective social dialogue, these developments may exacerbate existing challenges and hinder EU competitiveness.

The Commission also presents its assessment of the fiscal situation of Member States. This assessment consists of: (i) a Communication analysing fiscal developments in all Member States, and assessing whether the nine Member States currently subject to the excessive deficit procedure¹⁹ have taken effective action in addressing their excessive deficit (ii) the Commission opinions on the draft budgetary plans for 2026 of 17 euro-area Member States; and (iii) a report under Article 126(3) of the Treaty on the Functioning of the European Union on compliance with the deficit and debt criteria. The Commission will re-assess Member States' fiscal situation, including the state of play of implementation of medium-term plans and the actions taken under the excessive deficit procedure, in spring 2026, based on the annual progress reports to be submitted by Member States by 30 April 2026.

Way forward and orientations for the 2026 European Semester cycle

The European Semester remains the key framework for coordinating economic, employment and social policies across the EU. In spring 2026, the Commission will provide country-specific recommendations (CSRs) based on the challenges identified in the country reports. The 2026 cycle will be the first to look beyond the Recovery and Resilience Facility's operational period. The 2026 CSRs will build on the comprehensive set of CSRs addressed to Member States in 2025 and remain focused on the delivery of the priorities identified in the Competitiveness Compass. They will take into account progress with the implementation of the 2025 CSRs, in particular as part of the execution of the recovery and resilience plans, while also reflecting emerging challenges and needs. The analysis of priority areas that are essential to improve competitiveness, in line with the Competitiveness Compass, will be deepened and expanded to enable more actionable recommendations. The country reports will contain a

¹⁷ [2025 European Semester: Spring Package Communication](#).

¹⁸ In line with Regulation (EU) 2024/1263.

¹⁹ Austria, Belgium, France, Malta, Italy, Romania, Hungary, Poland and Slovakia.

deeper analysis of regional competitiveness. This will ensure a robust foundation for identifying reform and investment needs at national and regional level, also serving as a bridge to steer EU funding under the next MFF.

The Commission will deepen the dialogue with stakeholders to strengthen public engagement and national ownership. The Commission will base its analysis and recommendations on an improved structured dialogue with governments, regional and local authorities, social partners, and civil society organisations. These exchanges will take place at key stages of the process and focus on how Member States are addressing the 2025 CSRs, on identifying emerging challenges and on current or future policy action to address identified challenges. Close cooperation with the European Parliament and the Council will continue to guarantee transparency, democratic accountability, and effective collaboration throughout the Semester cycle.