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COVER NOTE

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Recommendation for a

COUNCIL RECOMMENDATION

on the economic policy of the euro area

{SWD(2026) 958 final}

Recommendation for a

COUNCIL RECOMMENDATION

on the economic policy of the euro area

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 136 in conjunction with Article 121(2) thereof,

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[1], and in particular Article 6(1) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and 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[2], and in particular Article 3(3), point (a) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

(1) This Council Recommendation on the economic policy of the euro area is an integral part of the annual cycle of macroeconomic coordination. It offers guidance to euro area Member States, tailored to the specific challenges facing the Economic and Monetary Union.

(2) This recommendation is a tool to help set the Eurogroup policy agenda and promote policy discussions on issues of common interest, fostering coherence and convergence of the Union's and national policies. It provides a shared understanding of policy priorities, which contributes to more effective policy coordination, strengthens resilience and enhances the euro area's capacity to respond to shocks. It also pinpoints opportunities for sustainable and inclusive growth to help safeguard stability and support the transition towards a decarbonised and digital economy.

(3) The euro area and the Union continue to face a very uncertain global environment, dominated by geopolitical tensions, particularly in the context of Russia's ongoing war of aggression against Ukraine which has significant implications for the EU's eastern Member States and their regions, some of which are part of the euro area. Moreover trade-policy uncertainty, climate and environment-related challenges and the 2026 fossil fuel supply shock stemming from the conflict in the Middle East. The economy of the euro area has proved resilient to recent shocks. Yet, this resilience cannot be

[1] OJ L 306, 23.11.2011, p. 25, , ELI: http://data.europa.eu/eli/reg/2011/1176/oj.
[2] OJ L 1263, 30.4.2024, p. 1, ELI: http://data.europa.eu/eli/reg/2024/1263/oj.

taken for granted: it has mostly reflected the capacity to absorb shocks within existing economic structures, which works well for transitory shocks but is less suited to lasting structural change. The euro area has been far less successful in adapting to permanent economic and technological changes. Productivity and potential output have slowed for a number of years, and the euro area's economic weight in the world is shrinking. Weak productivity growth and the capacity to withstand future shocks are therefore closely linked, as both depend on the ability to reallocate resources towards new, more productive activities. For decades, productivity growth came from changes within existing economic structures, and from efficiency gains due to economies of scale, economies of scope and process innovation. Today's shocks – namely technological changes, China's shift toward higher-value production and the structural repricing of fossil fuels – are more lasting than transitory, and call for a greater capacity to adapt, including by reallocating resources towards new activities. Faster implementation of the policy initiatives to (i) deepen the single market, (ii) advancing the Savings and Investments Union (SIU), (iii) boost innovation as well as decarbonisation and competitiveness, including by supporting the clean transition,, and (iv) reduce strategic dependencies, is therefore key to support medium-term growth.

(4) Economic growth exceeded expectations in the first half of 2026 and evidence of a continued momentum in the third quarter suggests a smaller-than-anticipated negative impact of the conflict in the Middle East. [According to the preliminary flash estimates published by Eurostat], in the third quarter of 2026, euro area real GDP grew by 0.4%. However, as one of the world's most open large economies and highly dependent on fossil fuel imports, the euro area is exposed to high energy prices in global markets and a challenging international macroeconomic environment. Headwinds are expected to strengthen in 2027 as persistently higher energy prices and tighter financial conditions weigh on activity and households. Moreover, long-term sovereign yields have risen markedly since the start of the year in line with the global interest rates and policy-rate expectations. As a result, real GDP in the euro area is expected to grow by 1.2% in 2026 and in 2027.

(5) Inflation remains high. Annual headline (HICP) inflation in the euro area accelerated to 4% in October 2026, up from 3.8% in September 2026. Energy prices have shaped the inflation profile and are expected to continue to drive overall inflation in the months to come, peaking in late 2026 and remaining high throughout most of 2027. Looking ahead, the Commission projects annual headline inflation in the euro area to average 3.2% in 2026 and 3.1% in 2027, while medium-term inflation expectations remain anchored around the ECB's 2% medium-term inflation target.

(6) Shipping through the Strait of Hormuz and navigation in the Black Sea remain disrupted, sustaining pressure on global fossil energy markets and keeping fossil fuel prices high. Global oil, oil distillates and LNG prices have increased substantially since the start of the year . The impact of the 2026 fossil fuels supply shock has, nevertheless, been more contained than in 2022, when the energy shock hit Europe directly through its previous reliance on Russian pipeline gas. The disruption in oil, distillates and LNG markets has been partly cushioned by non-Gulf supply, rerouted flows, release of inventories and reduced global demand. In recent years, the euro area Member States have sharply reduced their dependence on Russian fossil fuels; the EU energy mix and supplier base have become more diversified, with lower shares of gas and oil and higher shares of renewables and nuclear; and the Union uses less energy, reflecting efficiency gains and lower demand from energy-intensive industries. The

energy crisis also has impact on fertilizer prices and the EU's food security, increasing food prices in the EU.

(7) The fiscal outlook points to a deterioration in the aggregate fiscal balance for the euro area, with the deficit expected to rise from 3.0% of GDP in 2025 to 3.5 % of GDP in 2027. The increase in the deficit is driven by revenue shortfalls, rising defence spending, and a continued rise in interest expenditure. The debt ratio is projected to increase from 88.6% of GDP at end-2025 to 89.6% of GDP at end-2026 and 90.5% of GDP at end-2027. The fiscal stance in the euro area as a whole (which considers the impact of several Union funds) is projected to be broadly neutral in 2026 and mildly contractionary in 2027, although with considerable variation among euro area Member States.

(8) The current economic and financial situation calls for prudent fiscal policies and a rigorous implementation of the EU fiscal framework. The increase in interest rates raises the cost of servicing debt. With debt ratios already high, this increases the fiscal adjustment needed to keep debt on a sustainable path. Respecting the net primary expenditure paths recommended by the Council, which aim to preserve debt sustainability, will need to go hand in hand with making room for spending to improve defence capabilities, especially to prepare for the end of the dedicated fiscal flexibility in 2028, strengthen competitiveness and enhance public investment on strategic priorities. The budgetary costs of increasingly frequent climate- and environment-related events, which are only to a limited extent privately insured, add to the pressure on public finances. Greater transparency and awareness of the fiscal risks from climate change and degradation of natural capital would help governments taking preventive action and anticipate and manage these costs, while greater insurance coverage of climate-related risks and investment in climate adaptation could ease the pressure on public finances over time. Also, simplifying public procurement would improve the value for money of public investment by increasing competition. Overall, meeting the significant and competing spending needs and accommodating rising financing costs requires a reprioritisation of public expenditure with a view to containing the rise in ageing costs, improving the effectiveness and efficiency of public finances and improving tax compliance, reviewing tax expenditures and removing inefficient ones as well as, in some cases, addressing aggressive tax planning and exploring the scope for mobilising additional revenue.

(9) The reshaping of Europe's security environment, notably as a result of Russia's war of aggression against Ukraine and the increasing Russian threats against Member States, including hybrid and drones incidents, has been driving a substantial increase in defence spending across the euro area; defence spending is estimated at 1.9 % of GDP in 2026.[3] NATO members have committed to an additional target of 5% of GDP for defence and security-related expenditure. The Council has supported this effort by activating national escape clauses, under the EU fiscal framework, for [14 + Italy TBC]-euro area Member States. The Commission and the High Representative for Foreign Affairs and Security Policy published a White Paper for European Defence Readiness 2030[4], alongside the ReArm Europe plan.[5] The Commission subsequently presented the Defence Readiness Roadmap 2030, which sets out milestones and

[3] *[COM forecasts; COFOG data].*

[4] White Paper for European Defence – Readiness 2030.

[5] Joint White Paper for European Defence Readiness 2030.

flagship initiatives to deliver the capabilities needed for defence, including for military mobility and a comprehensive European system of space capabilities that serve defence purposes. Those policy initiatives aim to provide financial levers for Member States to strengthen defence capabilities and infrastructure, including the Security Action for Europe (SAFE), established by Council Regulation (EU) 2025/1106[6], which provides up to EUR 150 billion in loans to Member States to support defence investments. Despite significant budgetary efforts, the build-up of Member States defence capabilities remains a challenge, as spending remains uneven across Member States. Moreover, Europe's defence industry remains fragmented, while both Member States and Ukraine continue to depend on non-European defence systems. The macroeconomic impact of higher defence spending depends on its composition: spending that is procured jointly and leverages European industrial capacity can scale up production faster and generate stronger domestic spillovers than spending directed to non-European suppliers. The Ukraine Support Loan[7] therefore represents an important opportunity to strengthen the European defence industrial base, with Ukraine becoming a major source of demand for European defence production.

(10) The euro area labour market has been robust despite recent easing labour demand. Unemployment stood at 6.4% in July 2026, and employment continued to expand. Between 2019 and 2025, 11 million jobs were created in the euro area. Employment growth was driven mainly by market services, while manufacturing employment stagnated or declined in most Member States. The outlook for 2027 points to slower employment growth and continued low unemployment, with disparities across Member States and regions. Euro area nominal wages slowed in early 2026, with employee compensation growing by 3.3% in the first half of 2026 (down from 3.9% in 2025). An uptick in inflation reduced real wage growth to 0.9%, down from 1.7% in 2025. Negotiated wage growth is expected to stabilise at moderate levels, despite a minor uptick in early 2027. A timely and meaningful involvement of the social partners in policymaking and strong social dialogue remain essential to ensure competitiveness and align wage development with productivity, strengthen economic and social resilience and facilitate the management of structural change. As inflation rates and competitiveness differ across Member States, wage developments should avoid widening these divergences taking also into account second round effects.

(11) Labour and skills shortages continue to pose important challenges to many industries in the euro area. This is of particular concern given the declining labour supply due to ageing. The digital and green transitions create opportunities while making some jobs and skills obsolete. This makes upskilling and reskilling essential. Basic skills are deteriorating markedly and widely across the euro area, as shown by PISA results from the OECD’s Programme for International Student Assessment, which risks weighing heavily on medium-term growth. The Council Recommendation on human capital in the European Union and the Education and Skills Package of 5 November 2026 support efforts to improve educational outcomes. Limited labour mobility across regions and industries constrains productivity. Faster qualification recognition, greater social security portability and legal migration paths could help address labour

[6] Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument (OJ L, 2025/1106, 28.5.2025, ELI: http://data.europa.eu/eli/reg/2025/1106/oj).

[7] Council implementing decision approving assistance to Ukraine in implementing the Ukrainian Financing Strategy.

shortages. Shifting taxes away from labour through targeted tax-and-benefit reforms, increasing incentives to work in tax-and-benefit systems, improving working conditions, and addressing the rise in working days lost to sickness absence could boost employment, participation and productivity. Better integration of women and underrepresented groups (including younger and older workers, Roma and persons with disabilities) would further strengthen labour supply and inclusion, while youth employment supports long-term prosperity. Adequate and sustainable social protection and inclusion systems, including access to care and social and affordable housing, are essential to reduce poverty, support vulnerable households and maintain social cohesion, while ensuring appropriate incentives for those who can work to enter and remain in the labour market. Initiatives under the European Affordable Housing Plan, the Union of Skills[8]the Quality Jobs Roadmap[9] and the EU anti-poverty strategy[10] help drive these efforts.

(12) Productivity growth depends on innovation. The euro area has an investment gap in intangible assets such as research and development (R&D), software and data resulting in a persistent productivity growth gap with the US and other global competitors. R&D intensity in the euro area has grown slowly in the last decade. It is now below the levels in the US and China, with private R&D concentrated in mid-tech sectors. Investment is particularly needed in high-tech sectors such as artificial intelligence, including the computing, data, data centre and energy infrastructure it requires. The Apply AI Strategy sets out the Union's approach to AI uptake, including through European Digital Innovation Hubs. Strong links between research and industry within deeper innovation ecosystems are crucial in this context. Higher innovation investment needs also call for financing that matches the nature of the innovation process and associated risks. Further development, consolidation and strengthening of the venture capital and private equity ecosystems are key, especially in scale-ups, building on the Scaleup Europe Fund launched in late 2025 and on the venture capital package planned for the second quarter of 2027 under the Savings and Investment Union strategy. New ways of combining public and private funds, including equity, can help ensure a continuum of funding instruments serving Europe's competitiveness and its own capacities in critical technologies. Productivity growth also depends on redirecting resources towards high-growth sectors and technologies that could eventually allow successful innovators' productivity gains to spread through the economy. Strengthening the governance of productivity policies through stronger national productivity boards could help create conditions conducive to a rise in productivity across euro area Member States. Higher productivity also requires affordable and secure access to key inputs such as energy and critical raw materials, secure and resilient digital technologies and infrastructure and semiconductors. Amid global turmoil and risks of access disruptions, this calls for European joint initiatives such as joint procurement, open source, stockpiling and supply diversification as well as for fostering the participation of SMEs in value chains in strategic sectors.

(13) Meeting investment needs in defence and competitiveness, including by supporting innovation and decarbonisation, as well as secure and resilient digital technologies and

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8 The Union of Skills.

9 Recommendation for a Council Recommendation on human capital in the European Union.

10 COM/2026/538 fi European Union's Anti-Poverty Strategy: addressing and preventing poverty from childhood to old age.

infrastructure, clean technologies, electrification and climate and water resilience, requires the full use of EU funding alongside national resources. The 2025 mid-term review of cohesion policy[11] highlighted defence and security, competitiveness and decarbonisation, energy transition, affordable housing and water as strategic priorities. Many of the incentives and flexibilities introduced under the mid-term review for reprogramming resources towards these priorities continue to apply until the end of the programming period. Amending programmes and mobilising available resources would allow additional investment in these areas. Special attention was paid to the eastern border regions with stronger incentives offered to them during the reprogramming. Financial support from the Recovery and Resilience Facility is coming to an end in 2026, removing a significant source of public investment financing in several Member States. Sustaining investment in 2027 therefore depends on making full use of the remaining EU funds (notably under cohesion policy) alongside national resources. Preparing early for investment under the 2028-2034 multiannual financial framework will also help ensure continuity of public investment support. A broader use of repayable funding instruments, including budgetary guarantees and financial instruments such as equity and venture capital, could ensure a continuum of funding instruments that serves Europe's competitiveness and its own capacities in critical technologies from early-stage innovation to scale-up.

(14) Energy prices remain high in the euro area and differ significantly across euro area Member States. This partly reflects differing energy mixes, industrial energy intensity, and the degree of integration with the EU energy market. Those factors in turn have an impact on euro area Member States' competitiveness and cost of living. Reducing the use of fossil fuels and therefore the Union's dependence on imported energy requires faster electrification. In June 2026 the Commission announced that, at the request of a Member State, the scope of the national escape clause could also cover certain measures aimed at strengthening the resilience of the European energy system and reducing dependence on imported fossil fuels. On 17 July 2026, the Commission published the electrification action plan[12], with the aim of turning Europe into the first electro-powered continent. Barriers to widespread electrification adoption remain significant: electricity prices are often three times higher than gas per unit of energy (also because network charges and in some Member States energy taxation favour natural gas over electricity, and because grid connections can take years). Subsidies that sustain fossil fuel use add to this distortion, weakening the price signal for electrification. Addressing these barriers is essential to accelerate electrification, reduce energy costs and strengthen Europe's energy security and competitiveness.

(15) Regulations aim to address market failures and promote equity, but they can also impose significant costs, especially when regulatory frameworks are complex or fragmented. Those costs can constrain firms' ability to invest, innovate and scale up, with implications for productivity when they prevent firms from reaching the scale at which learning curves and network effects generate efficiency gains. Fragmented regulatory frameworks across euro area Member States further limit the growth potential of EU firms by constraining economies of scale and their ability to reach the innovation frontier. Reducing regulatory complexity and market fragmentation can

[11] Regulations (EU) 2025/1913 amending ESF+ regulation and 2025/1914 amending ERDF/CF and JTF regulations.

[12] Communication - Electrification Action Plan.

therefore strengthen EU firms' growth and scale-up opportunities, supporting more dynamic and productive European businesses. As in other developed jurisdictions, Union legislation is characterised by a high degree of complexity and fragmentation. That challenge is compounded by the national implementation of Union legislation, which can further fragment the single market through gold-plating and other practices that go beyond EU requirements. Lengthy and complex permitting procedures also delay investment, notably in energy, industry, raw materials and other projects of strategic importance. Other national barriers, particularly in services, standards and the recognition of professional qualifications, continue to constrain businesses and citizens. The simplification and implementation of EU legislation, while preserving the objectives and effectiveness of Union legislation, are central to the Commission's strategy to strengthen competitiveness – alongside deeper single market integration, stronger trade by advancing Union's network of trade agreements, lower energy prices and decarbonisation, and the digital and AI transformation. Through the One Europe, One Market Roadmap[13], the Commission, the European Parliament and the Council commit to advancing a set of legislative and policy priorities to deliver on these objectives.

(16) The euro area is a net supplier of capital to the rest of the world, because of a persistent current account surplus, but investment needs at home remain substantial. The Savings and Investment Union[14] aims to give EU citizens more opportunities to build wealth through capital markets, by facilitating retail investor participation, including through savings and investment accounts[15], and by improving financial literacy, incentivising institutional investors' assets allocation to long-term investments and strengthening occupational and personal pension schemes, including through recommendations on auto-enrolment. The SIU calls for tackling capital market fragmentation, removing national tax and administrative obstacles to cross-border investment and enabling cross-border economies of scale and more efficient and harmonised supervision within the single market. The revised securitisation framework will also help banks free up capital and channel more financing to the economy. The SIU rests on progress in both the Capital Markets Union and the Banking Union, whose completion would ensure more integrated, stable and efficient financial intermediation across Member States. An ambitious agreement by co-legislators on the Market integration and supervision package proposed by the Commission in December 2025 would address many of the barriers identified in relation to capital markets. On 17 July 2026 the Commission published a communication on Banking competitiveness and the single market in banking[16], which identified market fragmentation, the uneven international playing field and regulatory complexity as key challenges. It also announced a legislative package for early 2027.

(17) The euro is the second most important currency in the international monetary system, as measured by its use in foreign exchange reserves and outstanding international debt, loans and deposits. The international monetary and financial system is marked by growing multipolarity, evolving perceptions about the US dollar's role as a safe haven

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13 One Europe, One Market Roadmap of the European Parliament, the Council of the European Union and the European Commission.

14 Savings and Investments Union: A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU.

15 OJ L, 2025/2029, 8.10.2025, ELI: http://data.europa.eu/eli/reco/2025/2029/oj.

16 Competitiveness of the Banking Sector and the Single Market in Banking.

currency and rapid technological innovation. A stronger international role of the euro – reflected in wider use abroad as well as in greater resilience and autonomy of the EU financial system – should therefore be seen as a cornerstone of a broader de-risking strategy. In this context, following up on the mandate received by the June 2025 Euro Summit, the Commission presented in February 2026, and the Eurogroup discussed a note setting out the potential elements of a comprehensive strategy to strengthen the euro's global role. Wider use of the euro in invoicing and issuance, and the inclusion of EU bonds in international sovereign bond indices, would further broaden the euro's international use and attract a wider base of international investor. The digital euro will strengthen Europe's monetary sovereignty, thereby reducing dependence on non-European financial infrastructures and enhancing the resilience and preparedness of Europe's financial and payment system. Efforts are being made to enhance the interoperability of European, domestic and regional private payment solutions and to explore the potential for issuance of euro-denominated stablecoins issued by entities authorised in the EU and the development of tokenised deposits. Working towards the tokenisation of sovereign debt instruments may also enhance the international role of the euro.

(18) The euro area financial sector has remained resilient but risks to financial stability persist and vulnerabilities remain. In the first half of 2026, the banking sector in the euro area continued to perform strongly, supported by robust capital and liquidity positions as well as sustained profitability, despite a more uncertain economic and geopolitical environment. Bank valuations have improved and asset quality has held up. Non-performing loan ratios have remained stable, though with differences among euro area Member States. At the same time, the international environment remains volatile. Geopolitical tensions, climate and environment risks, trade policy uncertainty and volatile global financial conditions raise the risk of asset-price corrections (including for valuations linked to artificial intelligence and AI-related investment) and of repricing following higher interest rates. Liquidity mismatches together with high leverage remain important sources of vulnerability for some non-bank financial intermediaries (NBFIs). Moreover, careful monitoring and assessment is needed to address the growing interconnectedness between banks and NBFIs, the significant links with non-EU NBFIs and markets, risks in the commercial real-estate sector and high cyber risks. Against this backdrop, safeguarding financial stability will demand continued vigilance, forward-looking supervision and strengthened resilience across all segments of the financial system, including through appropriate safety nets.

HEREBY RECOMMENDS that euro area Member States take action, individually, and collectively within the Eurogroup, in the period 2027-2028 to:

(1) Safeguard fiscal sustainability by respecting the recommended maximum net expenditure paths, including, where applicable, the temporary flexibility under the national escape clause for defence spending and energy security. Member States with high debt levels and fiscal sustainability risks are invited to show additional prudence, through a parsimonious use of the flexibility, while keeping net expenditure not benefiting from flexibility below the recommended maximum path. That should deliver an appropriately differentiated fiscal policy and an overall mildly contractionary fiscal stance in 2027.

(2) Reprioritise national budgets and improve the composition, effectiveness and efficiency of public expenditure, to support the fiscal adjustment and make room for higher defence spending in the medium term, and for productive investment in other strategic priorities. Improve tax compliance and address aggressive tax planning,

review tax expenditures and remove inefficient ones, and, where appropriate, mobilise additional revenue. Ensure that measures taken to mitigate the impact of the increase in energy prices are temporary, targeted at protecting vulnerable households or at addressing the needs of energy-intensive firms, preserve incentives for energy savings and that their fiscal cost is compatible with the commitments under the EU fiscal framework.

(3) Ensure that additional defence spending translates into effective build-up of the EU defence systems and capabilities in a timely manner, in line with the Defence Readiness Roadmap 2030 by (i) addressing bottlenecks in defence industries, (ii) promoting an EU-wide market for defence equipment, and joint procurement and (iii) assessing spending outcomes.

(4) Promote upskilling and reskilling of the workforce to boost competitiveness, productivity and innovation capacity and support strategic sectors. Strengthen education and training policies to improve educational outcomes with a special focus on basic and advanced skills, including digital skills and AI literacy, through the implementation of the Council Recommendation on human capital in the European Union and in line with the Education and Skills Package of 5 November 2026. Strengthen the attractiveness and labour market relevance of programmes of vocational education and training and apprenticeships. Address skills mismatches and enhance job quality and labour market participation, including for underrepresented groups, taking into account regional disparities. Facilitate cross-border mobility and managed legal migration in shortage occupations, including by reducing restrictions to access regulated professions, and by swiftly concluding negotiations on the Fair Labour Mobility Package. Increase incentives to work by shifting taxation away from labour, including through targeted reforms of tax and benefit systems. Address the loss in productivity and working days linked to health-related absence. Take measures to prevent and reduce poverty and strengthen adequate and sustainable social protection, inclusion and access to affordable, sustainable and quality housing.

(5) Strengthen – in line with national practices and respecting the role of social partners and of social dialogue – the conditions that support sustainable wage growth, especially for low- and middle-income earners, in line with productivity developments, taking due account of overall inflation developments and of divergences in inflationary pressures and in competitiveness within the euro area. Strengthen social dialogue and ensure the effective involvement of social partners in policy making.

(6) Prioritise public investment and incentivise private investment in research and innovation and industrial decarbonisation, , including by coordinating national and Union funding, ensuring absorption of available Union funds and preparing early for investment under the 2028–2034 Multiannual Financial Framework. Strengthen innovation ecosystems and improve access to funding for innovative businesses, notably start-ups and scale-ups. Support the development and wide uptake of artificial intelligence through a coordinated action on industrial capacity, public-sector adoption, safeguards and on computing, data, data centre capacity and energy infrastructure.

(7) Reduce strategic dependencies and strengthen economic security in critical raw materials, semiconductors, , and other critical inputs, including through joint

procurement, stockpiling, improving circularity, and supply diversification initiatives, in compliance with the single market.

(8) Strengthen energy security and competitiveness by completing the Energy Union supporting investment and national reforms that enable the transformation of national energy systems, including through the modernisation and expansion of domestic grids, and interconnectors and supporting the implementation of the energy acquis of the Union. Reduce the use of fossil fuels, in particular imported ones, by supporting the transition towards homegrown clean energy supply and energy-efficient electrification of end-uses and industrial processes and by phasing out subsidies for fossil fuels. Make electricity prices more competitive relative to fossil fuels, by ensuring that energy taxation always favours electricity over gas , by expanding, reinforcing and digitalising grids, interconnectors, storage and flexibility.

(9) Pursue regulatory simplification at national, regional and local level, by reducing unnecessary burdens, making effective use of impact assessments, consultations and ex-post evaluations,. Facilitate and speed up permitting procedures, notably for projects of strategic interest to the Union. Remove national barriers to the single market in line with the One Europe, One Market Roadmap. Prevent and address gold-plating in the national transposition and implementation of Union legislation.

(10) Advance the Savings and Investments Union by rapidly progressing on an ambitious Market Integration and Supervision Package, enhancing financial literacy, and broadening opportunities for retail participation in capital markets, particularly through the implementation of the Commission recommendations on savings and investment accounts, pension tracking systems, pension dashboards and auto-enrolment in supplementary pensions schemes, while also encouraging more capital to be mobilised for productive investments, including through venture capital and private equity.

(11) Strengthen the competitiveness and cross-border integration of the banking sector, in line with the Commission's July 2026 Communication, by advancing simplification of the banking regulatory framework, completing the Banking Union, ensuring that the implementation of international standards better reflects EU specificities, and making swift progress on the banking package expected in early 2027 as jointly committed under the One Europe, One Market Roadmap.

(12) Continue to advance the work on the digital euro and take the necessary preparatory steps in line with the Digital Euro Regulation, ensuring continued wide access to and usability of central bank money in a digitalising economy. Foster innovation, competition and resilience in the payments market by promoting the interoperability between European private payment solutions and the digital euro. Support the issuance of euro-denominated stablecoins by entities authorised in the EU and support the deployment of tokenised deposits.

(13) Promote a stronger international role of the euro, including by exploring options to promote euro invoicing and issuance in euro, in addition to fostering the use of the euro in international financial markets.

(14) Maintain a system-wide macroprudential approach to monitor and mitigate risks arising from interlinkages between bank and non-bank financial intermediaries. Monitor risks to macro-financial stability and enhance macro-financial resilience by addressing risks crossing institutional and sectoral boundaries, including those linked

to potential asset-price corrections and concentrated exposures in rapidly growing sectors, such as those related to AI investment.

Done at Strasbourg,

For the Council
The President