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CO EUR-PREP 11  
POLGEN 54  
ECOFIN 282  
EMPL 53  
SOC 128  
COMPET 265  
MI 201  
ENV 186  
IND 159

**NOTE**

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From: General Secretariat of the Council  
To: Delegations  
Subject: European Semester 2026 - Synthesis report

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Delegations will find attached the Synthesis report prepared by the Presidency on conclusions adopted by the Council on the Alert Mechanism Report, the Joint Employment Report and the Recommendation on the economic policy of the euro area. Related discussions held in different Council configurations regarding the 2026 European Semester, during the first phase of the cycle, are also reflected in the document.

## Background

On 25 November, the Commission published the European Semester Autumn Package for 2026, including:

- the Alert Mechanism Report 2026<sup>1</sup>, which aims at facilitating the early identification and the monitoring of imbalances, initiated the annual round of the macroeconomic imbalance procedure;
- the recommendation for a Council Recommendation on the economic policy of the euro area<sup>2</sup> (euro area recommendation) for 2026, which recommended that euro area Member States should act, individually and collectively, within the Eurogroup, with a focus on ensuring **fiscal sustainability** while creating space for **key investments**, including on defence and competitiveness, alongside improving the efficiency of public finances and completing Recovery and Resilience Plans;
- a Recommendation on human capital in the European Union<sup>3</sup> calling upon Member States to address skills shortages in strategic sectors, strengthen basic skills, vocational education and training (VET), improve tertiary education outcomes in science, technology, engineering and mathematics (STEM) fields, invest in education, training and skills to create a solid foundation for higher productivity, competitiveness and digital sovereignty. Member States are also called to improve and better use skills intelligence to facilitate labour market transitions. This was the first time this Recommendation was submitted by the Commission. Member States should take these actions in the period 2026-2027;
- the draft Joint Employment Report<sup>4</sup> which provides, every year, an overview of the main employment and social developments in the EU, as well as of Member States' actions to implement Employment Guidelines.

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<sup>1</sup> 16141/25

<sup>2</sup> 16145/25

<sup>3</sup> 15278/25

<sup>4</sup> 15277/25

For the 2026 cycle, the Commission, as was the case in 2025, did not publish the Annual Sustainable Growth Survey (ASGS).

In the absence of an ASGS, and to comply with Article 148(1) TFEU, which requires that the European Council shall each year consider the employment situation in the Union and adopt conclusions thereof, the Council is set to adopt conclusions on the Joint Employment Report.

On 20 January 2026, the ECOFIN Council approved **conclusions on the Alert Mechanism Report 2026**<sup>5</sup>, stating its agreement with the overall assessment of the document regarding the evolution of macroeconomic imbalances and emerging risks.

The conclusions underlined the continued importance of the implementation of the Macroeconomic Imbalance Procedure 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 economic and monetary union, or of the EU as a whole.

The Council called for continued effective and efficient implementation of the Macroeconomic Imbalance Procedure, alongside the reformed economic governance framework, embedded in the European Semester. Member States are requested to undertake timely policy action aimed at reducing macroeconomic vulnerabilities, including by implementing reforms and investments to address country-specific recommendations, under the European Semester, in particular those related to the Macroeconomic Imbalance Procedure.

The Council also took note of the Commission's intention to prepare in-depth reviews for the seven Member States that were identified as experiencing imbalances or excessive imbalances in spring 2025. For four other Member States, the Commission concluded that several developments also merit attention, even if they do not warrant an in-depth review at this juncture. This includes, in particular, cumulated price increases over the past years and the continued strong increase of unit labour costs that weigh on cost competitiveness. Additionally, fast increases of house prices and credit growth require close monitoring.

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<sup>5</sup> 5239/26

On 17 February 2026, the ECOFIN Council approved the 2026 draft **Council Recommendation on the economic policy of the euro area**<sup>6</sup>.

These 2026 recommendations focus on **ensuring fiscal sustainability while creating space for key investments**, including on **defence and competitiveness**, alongside improving the efficiency of public finances and completing Recovery and Resilience Plans.

The recommendations also highlight the **need to prioritise public and private investment** in research and innovation, industrial decarbonisation, clean energy and digital transition, economic security and the reduction of strategic dependencies across value chains, emphasising the importance of removing barriers in the Single Market, including through **regulatory simplification**.

The recommendations call for **strengthening labour markets** by boosting skills, improving education outcomes, increasing participation, supporting job quality and **addressing poverty and housing affordability**, while ensuring wage growth remains aligned with productivity.

Finally, they promote the **creation of a European Savings and Investment Union** and underline the need to **advance the digital euro project**, reinforce the international role of the euro, and monitor macro-financial risks.

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<sup>6</sup> 5732/26

On 9 March, the EPSCO Council adopted the **2026 Joint Employment Report** and approved the Conclusions based thereupon, adopted the **Recommendation on human capital in the European Union** and approved the employment and social aspects of the draft **Council Recommendation on the economic policy of the euro area**.

On the employment and social aspects of the draft **Council Recommendation on the economic policy of the euro area**, Member States extended the underrepresented groups to include low skilled, migrants, and persons with disabilities. Furthermore, Member States stressed that children should be specifically mentioned when it comes to reducing poverty as children are affected differently and specific measures are required to tackle their situation. The underlying issue is the risk of transmission of poverty and disempowerment across generations. Gender stereotypes should be addressed when focusing on STEM (science, technology, engineering and mathematics) to sustain competitiveness.

The adoption of the **Council Recommendation on the economic policy of the euro area** should take place after the endorsement by the European Council of 19-20 March 2026.

## Exchange of views

On 1 December 2025, the **EPSCO** Council held an exchange of views under the European Semester which was dedicated to “Promoting social inclusion and cohesion through coherent social and housing policies”. Almost all ministers stressed the need for EPSCO to play a strong role in the Semester process, and that the right balance must be found in the coordination between economic, employment and social aspects. They requested a predictable and realistic Semester roadmap allowing for proper preparation and involvement of EPSCO.

Housing was seen as an essential element of any welfare policy. Effective housing policies need to be complemented by the provision of basic services, social protection, education and employment. Providing a home is a prerequisite for the social inclusion of particular groups of people, such as youth, homeless people and persons in vulnerable situation.

On 11 December 2025 the **Eurogroup** took stock of the latest macroeconomic developments and exchanged views with the International Monetary Fund (IMF) on euro area policies.

During the **ECOFIN** Council meeting on 12 December, ministers discussed the **alert mechanism report 2026**. They also exchanged views on the **draft euro area recommendation**, issued on the same day. This recommendation addresses key issues for the functioning of the euro area.

On 9 March 2026, the **EPSCO** Council held an exchange of views focusing on the path from innovation to quality jobs and how AI can be used to strengthen quality employment and workers’ rights.

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Acknowledging the Parliamentary dimension of the European Semester, the Presidency co-organised with the European Parliament the European Semester Parliamentary Week 2026 (23-24 February 2026) on the Union's economic direction, budgetary choices and social priorities.