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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE, THE COMMITTEE OF REGIONS AND THE EUROPEAN INVESTMENT BANK

2027 European Semester - Autumn Package

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Europe is facing a period of profound economic, geopolitical and technological change. Russia's war of aggression against Ukraine, the conflict in the Middle East, global strategic competition, climate and environmental challenges and the race for frontier technologies and their industrial deployment are reshaping the EU's operating environment. The EU must retain the ability to forge its own path and secure its autonomy by investing in its strengths and addressing its strategic vulnerabilities. As set out in the 2026 State of the European Union address ([1]), to help safeguard Europe's prosperity, security and economic, social and territorial cohesion, the EU is making an unprecedented effort to strengthen its competitiveness and uphold its strong social model. Crucially, these measures are being taken while maintaining macro-financial stability and fiscal sustainability.

Accelerating the implementation of reforms and investments in Member States and regions will be instrumental to underpin the strength of the EU economy. Complementing EU-level policies, the European Semester provides a framework for delivering on agreed priorities and common objectives within Member States, addressing country-specific socio-economic challenges. Supporting stronger productivity growth and strengthening competitiveness in a fast-changing environment requires Member States and their regions to step up policy efforts to promote innovation, and decarbonisation, while addressing the structural challenges to the business environment at national and regional level. To that avail, the Semester will also serve as a vehicle for the joint efforts of Member States and the European Commission to tackle gold-plating of EU rules by national, regional and local authorities.

Addressing Member States' key challenges requires a coherent package of reforms and investments covering a range of policy areas. To reinforce competitiveness, the EU needs to strengthen research and innovation, improve the business environment, including by accelerating permitting, reducing the administrative burden and upholding the rule of law. It also needs to boost human capital development and the creation of quality jobs while ensuring social fairness. It further requires removing single market bottlenecks, including in financial markets through advancing the Savings and Investments Union. Furthermore, boosting competitiveness requires reducing energy prices and dependence on fossil fuel imports by accelerating electrification and transitioning to homegrown, affordable clean energy, while supporting water, environmental and climate resilience and adaptation. This will also contribute to strengthening resilience and economic security. Additionally, enhanced transport, tourism and digital infrastructure, and affordable housing, are key growth enablers.

Launching the 2027 European Semester

The EU economy has proved resilient to successive shocks, but stronger action is needed to structurally improve its dynamism. In recent years, the EU economy managed to weather major disruptions, with labour markets remaining robust and firms continuing to create jobs. However, growth momentum remains modest. The EU economy is expected to grow moderately, helped in part by stronger-than-expected net exports, with GDP growth expected to reach 1.4 % in 2026 and1.4 % 2027, despite rising inflation and a difficult international environment. The outlook is clouded by uncertainty and subject to risks related to fossil fuel costs, tighter financing conditions, uncertainty around trade tariffs and elevated global external imbalances. Therefore, urgent action is needed to transition from resilience to dynamism, by structurally lifting the long-term growth potential of the EU economy.

([1]) State of the Union 2026 - Address

Against this backdrop, today's Autumn Package launches the 2027 European Semester cycle. The package contains the Commission's recommendation for a Council recommendation on the economic policy of the euro area, and the Alert Mechanism Report under the macroeconomic imbalance procedure. The European Macroeconomic Report, which underpins the euro area recommendation and the Alert Mechanism Report, analyses the economic challenges in the EU, including the recent challenges to macroeconomic stability and balanced growth, the potential risks related to international financial exposure and the macroeconomic impact of artificial intelligence (AI). The Joint Employment Report and the Commission proposal for a Council recommendation on human capital analyse risks to upward social convergence, set strategic priorities in the employment and social domains and inform education and skills policy choices respectively. The Commission also presents its assessment of the fiscal situation in Member States. The 10th Cohesion Report and a comprehensive assessment of tax gaps in the EU via the Mind the Gap report are also published today together with the Autumn Package.

The 2027 draft recommendation on the economic policy of the euro area calls on euro area Member States to act individually and collectively to safeguard macro-financial stability, strengthen competitiveness and resilience, and reduce strategic vulnerabilities. The recommendations call for safeguarding fiscal sustainability while improving the composition and the efficiency and effectiveness of public spending. The recommendation also insists on the need to strengthen competitiveness, by boosting investment in research and innovation, decarbonisation and in the development and uptake of AI. In parallel, it calls for further efforts to boost defence capabilities and defence readiness, foster economic security, to complete the Energy Union, considering also the temporary flexibility provided under the national escape clause for defence ([2]) as well as for energy security expenditure. The euro area, and the EU as a whole, must also enhance the single market, advance the Savings and Investments Union, complete the Banking Union and strengthen the competitiveness and cross-border integration of banks. Advancing pro-competitive reforms and moving forward with the simplification, implementation and enforcement agendas help reduce barriers, improve the business environment, and support Europe's long-term growth potential. Boosting education, skills and job quality and supporting real wages contributes to productivity and economic transformation while fostering social cohesion and inclusion. The recommendations also highlight the need to advance the digital euro and the international role of the euro.

The Commission also presents its assessment of the fiscal situation in EU Member States. It calls for fiscal prudence in light of the uncertainty surrounding the economic and global environment, amid higher geopolitical tensions, market risks related to inflation, rising debt financing costs and the significant public debt in several Member States. The assessment consists of: (i) a communication analysing fiscal developments in EU Member States, and assessing whether the ten Member States currently subject to the excessive deficit procedure ([3]) have taken effective action in addressing their excessive deficit, (ii) the Commission opinions on the draft budgetary plans for 2027 of 17 euro-area Member States; (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, and (iv) Commission recommendations under Article 126(8) for Bulgaria and Hungary establishing no effective action under the excessive deficit procedure.

([2]) Following the adoption of the White Paper for European Defence – Readiness 2030, JOIN(2025) 120 final, and the ReArm Europe Plan - Readiness 2030

([3]) Austria, Belgium, Bulgaria, Finland, France, Hungary, Italy, Poland, Romania and Slovakia.

The Alert Mechanism Report identifies five 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 those Member States next spring. This is the case for Italy, Hungary, Slovakia and Romania as a follow-up to imbalances or excessive imbalances identified on 3 June 2026 ([4]), while for Bulgaria, the in-depth review will assess the risk of newly emerging imbalances.

The Joint Employment Report provides an annual overview of key employment and social developments in the EU and progress in the implementation of the employment guidelines and of the European Pillar of Social Rights. The report shows that labour productivity growth has steadily decelerated over the past two and a half decades while average hours worked per employee continued their long-term decline. In this context, equipping workers at all levels with the skills needed to maximise the opportunities presented by AI could boost labour productivity. However, skills shortages in key strategic sectors remain a constraint and substantial additional efforts are required to reach the target of having 60% of adults participating in learning every year. At the same time, the results of the 2025 OECD PISA survey show the continued and widespread decline in reading, mathematics and science ([5]) among young people. In terms of labour market trends, despite the employment rate reaching its peak at 76.1% (close to the 2030 target of 78%), employment growth is slowing, notably in manufacturing, including due to energy shocks and structural trends. The gender employment gap has continued its steady decline but remains high. Unemployment remains stable at historic low 6.2% ([6]) but significant regional and territorial disparities persist. Further action is thus needed to accelerate progress towards the target of reducing the number of people at risk of poverty or social exclusion by at least 15 million, including tackling in-work poverty. The Joint Employment Report finally assesses potential risks to upward social convergence based on the Social Convergence Framework and identifies nine Member States that will be subject to the second-stage analysis.

The recommendation on human capital calls for urgent action to boost investments in education and skills to support the EU's competitiveness, strategic autonomy, resilience and sustainable prosperity. This year's recommendation focuses on skills shortages in the clean energy, digital and defence (including space) sectors in light of their importance for the EU's strategic autonomy. It also calls on Member States to enable successful and fair clean and digital transitions from declining industries into high-demand occupations through career guidance, job matching services and skills guarantee type of schemes. It further emphasises the need for urgent action to improve education and training systems, stepping up efforts to strengthen basic skills, quality teaching and training, AI literacy and STEM. The recommendation calls on Member States to use the Youth Guarantee and other appropriate tools to facilitate access to quality jobs for young people and equip them with high-quality AI literacy, for effective and safe use of technology.

Today the Commission also adopts the 10th Cohesion Report. It assesses how the EU and its Member States are reducing disparities between and within regions and strengthening

([4]) 2026 European Semester: Spring Package Communication, COM(2026) 200 final
([5]) PISA 2025 Results (Volume I) | OECD
([6]) Source: Eurostat

economic, social and territorial cohesion, thus helping to identify investment and reform priorities at EU, national and sub-national levels ([7]) relevant to the Semester. It also highlights how geopolitical shifts and tensions, slowing productivity growth, unequal access to services and connectivity and demographic pressures are creating diverse challenges across Europe: many regions are struggling with sluggish growth, also due to industrial transformation; Eastern border regions are directly impacted by Russia's war against Ukraine; islands, remote and rural areas, outermost regions, mountainous and northern sparsely populated areas are facing structural disadvantages compounded by demographic and climate related pressures; many cities are experiencing housing affordability problems and congestion. Left unaddressed, these regional and territorial disparities contribute to the misallocation of resources and undermine competitiveness, single market integration and the conditions that allow people to choose to stay in their home region ("Right to stay"). The report also summarises the reprogramming of resources under the mid-term review of the 2021-27 cohesion policy, notably towards competitiveness and defence.

With today's "Mind the Gap" Communication, the Commission aims to support governments to address tax gaps, rationalise tax expenditures, and modernise how tax systems work to enhance their future-readiness through concerted actions across the EU. Such efforts are essential to strengthen public finances, make tax systems fairer and more efficient, and create fiscal space for strategic investment without raising tax rates. While tax expenditures can help advance strategic priorities, their effectiveness and efficiency should be regularly monitored to ensure the measures deliver value for money. In addition, every year more than EUR 200 billion in tax revenue is lost in the EU through compliance tax gaps. With a focus on implementation, the Communication outlines a range of actions to strengthen the monitoring of tax gaps, tighten the governance and oversight of tax expenditures, and accelerate the transition to more modern tax administrations for improved compliance.

Way forward and orientations for the 2027 European Semester cycle

The European Semester is the framework for coordinating fiscal, economic, employment, social and structural policies throughout the EU. In June 2027, the Commission will issue a comprehensive set of country-specific recommendations (CSRs) that draw on the challenges identified in the country reports. Those CSRs will consider progress made with the implementation of the CSRs addressed to Member States in 2026, supporting continued policy action, with scope to amend and supplement them to respond to evolving strategic objectives where needed. Complementing the previous Semester cycle, it will provide a solid basis for identifying reform and investment needs at national and regional level, while also helping to guide EU funding under the next Multiannual Financial Framework.

Throughout the European Semester, the Commission will maintain a strong dialogue with stakeholders at national and regional level to strengthen public engagement and ownership. Its analysis and recommendations will continue to be based on structured dialogues with governments, regional and local authorities, social partners, and civil society organisations. These exchanges will take place at key points in the process and will focus on how Member States are implementing the 2026 CSRs, on identifying emerging challenges, and on current or future policy measures to address those challenges. The Commission will continue to work closely with the European Parliament and the Council to ensure

([7]) See Articles 174 and 175 of the Treaty on the Function of the European Union, OJ C 202, 7.6.2016

transparency, democratic accountability, and effective collaboration throughout the Semester cycle.