European Semester for economic policy coordination 2025

2024/2112(INI) - 12/03/2025 - Text adopted by Parliament, single reading

The European Parliament adopted by 469 votes to 162, with 54 abstentions, a resolution on the European Semester for economic policy coordination 2025.

Recalling that economic policy coordination is fundamentally necessary for a successful economic and monetary union, Parliament highlighted the fact that an integrated, coordinated, targeted and horizontal industrial policy is vital to increase investments in the EU's innovation capacity. Members stressed that **public and private investments are crucial** for the EU's ability to cope with existing challenges, including developing the EU's innovation capacity and implementing the just green and digital transitions, and that they will increase the EU's resilience, long-term competitiveness and open strategic autonomy.

The resolution called attention to the need for strategic investments in energy interconnections, low-carbon energies (such as renewables) and energy efficiency to, among other things, (i) make the EU independent from imported fossil fuels and prevent the possible inflationary effects of dependence on these, (ii) modernise production systems and (iii) promote social cohesion. It recalled that the materialisation of climate-change-related physical risks can greatly affect public finances, as demonstrated by the floods in Valencia in October 2024 and the cyclone in Mayotte in December 2024. Member States are called on to make the necessary investments to improve **climate change** mitigation and adaptation and enhance the resilience of the EU economy.

Members highlighted the need to create **fiscal buffers** to address fiscal sustainability challenges, ensuring sufficient resources for investment and for dealing with potential future shocks and crises.

Economic prospects for the EU

EU GDP is expected to grow by 0.9% in 2024, by 1.5% in 2025 and by 1.8% in 2026, which reflects a gradual recovery, but also limited economic expansion compared to previous economic cycles. The **public debt ratio** is projected to increase to 83% in the EU in 2025 and to 83.4% in 2026, when the output gap will be virtually closed both in the EU and in the euro area. Policy uncertainty and geopolitical risks can contribute significantly to increasing the cost of borrowing on the financial markets for the Member States.

In 2024 and 2025, 11 euro area Member States are expected to have debt ratios above the Treaty reference value of 60%, with 5 remaining above 100%. The **general government deficit** in the euro area is expected to decline but 10 EU Member States are expected to post a deficit above the Treaty reference value of 3% of GDP in 2024. Eight Member States have excessive deficits.

Members underlined that **housing** is directly interconnected with the macroeconomic imbalances in the euro area, with damaging implications for economic resilience, dynamism and social progress and for regional and intra-EU mobility. In some Member States, **house prices** are likely to increase and may become hard to curb in the absence of a holistic strategy.

Revision and implementation of the Union's economic governance framework

Members recalled that the reform aims to make the framework simpler, more transparent, and more efficient, while distinguishing between Member States based on their individual starting points. It aims to strengthen fiscal sustainability and promote countercyclical fiscal policies. The new fiscal rules provide

greater flexibility and incentives for national investments and reforms needed to address the economic, social, and geopolitical challenges facing the Union. The resolution called on the Commission to improve its **debt sustainability analyses** for each Member State, a key element of the proper functioning of the economic governance framework. It stressed the importance of ensuring equal treatment among Member States under the new framework and emphasised the need for **greater Parliamentary scrutiny of the Commission** to ensure effective oversight.

National medium-term fiscal-structural and budgetary plans

Parliament noted that not all Member States were able to submit their **national medium-term fiscal and structural plans** and their draft budgetary plans on time.

21 of the 22 national medium-term fiscal-structural plans that have been reviewed so far received a positive evaluation. However, Parliament observed that in the plans submitted by five Member States, the Commission found insufficiently justified inconsistencies. Only seven Member States have sought an opinion from their relevant independent fiscal institution, nine Member States did not meet their obligation to conduct political consultations with civil society and social partners. Five countries requested an extension of the adjustment period, and only eight of the 17 draft budgetary plans comply with the budgetary recommendations stemming from the respective national medium-term budgetary and structural plan.

Fiscal stance and the role of fiscal policy in the provision of European public goods

Parliament called for **fiscal policies** that restore stability while boosting innovation, industrial competitiveness, and long-term economic growth. It is important to create additional fiscal space to address future challenges and potential crises, while preserving a sufficient level of investment to support sustainable and inclusive growth, industrialisation, and prosperity for all.

The Commission is invited to initiate discussions on how to **address the significant investment gap in the Union** and reduce borrowing costs, strengthen financial stability, and enable strategic investments in line with Union objectives, as well as for the provision of European public goods, such as defence capabilities. Members called for the efficiency gains that could arise from the provision of European public goods at Union level to be fully exploited through effective coordination of investment priorities among Member States.

Country-specific recommendations

The rate of ‘fully implemented’ country-specific recommendations decreased from 18.1% (during the period 2011-2018) to 13.9% (during the period 2019-2023). Parliament called for **more effective implementation** of country-specific recommendations, which is essential for ensuring fiscal sustainability and addressing macroeconomic imbalances. It emphasised the importance of country-specific recommendations in addressing longer-term factors of fiscal sustainability, including the sustainability and proper provision of public pension, healthcare, and long-term care systems in the face of demographic challenges such as ageing populations.