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SOC 82
COMPET 81
MI 94
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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	European Semester 2025 - Synthesis report

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 2025 European Semester, during the first phase of the cycle, are also reflected in the document.

Background

The Commission adopted the "Autumn Package" for the 2025 European Semester in two separate parts. The first one, on 26 November 2024, delivered on key elements for the implementation of the reformed economic governance framework.

The second part was published by the Commission on 18 December, following the new College taking office. The elements included were:

- The Alert Mechanism Report 2025¹, 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 area² (euro area recommendation) for 2025 which recommended that, euro area Member States should act, individually and collectively, within the Eurogroup. This year it focuses on three areas: competitiveness; resilience; macro-economic and financial stability.
- the proposal for the 2025 Joint Employment Report³ 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 Guidelines for the Employment Policies;

¹ 17077/24

² 17075/24

³ 17045/24

For the 2025 cycle, the Commission discontinued the publication of the Annual Sustainable Growth Survey (ASGS). It indicated that the Commission's competitiveness strategy was outlined in the new “Competitiveness Compass”⁴ published by the Commission on 29 January 2025.

In the absence of an ASGS, and in order 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.

⁴ 5785

On 18 February 2025, the **ECOFIN** Council approved **conclusions on the Alert Mechanism Report 2025**⁵, stating its agreement with the overall assessment of the document regarding the evolution of macroeconomic imbalances and emerging risks.

Ministers referred to the importance of the continued 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, the economic and monetary union, or the EU as a whole.

The Council asked for the efficient implementation of the Macroeconomic Imbalance Procedure in the reformed economic governance framework, embedded in the European Semester of economic policy coordination and it underlined that timely policy response is crucial for a resilient EU, including by implementing reforms and investments to address the country-specific recommendations in the context of the European Semester.

⁵ 5712/25

On 18 of February, the **ECOFIN** Council also approved the 2025 **Council Recommendation on the economic policy of the euro area**⁶. It focuses on competitiveness, resilience and macro-economic and financial stability.

Regarding **competitiveness**: Member States are asked to foster productivity as a matter of urgency by facilitating the reallocation of resources towards high-productivity and high productivity potential sectors, through improved functioning and further integration of goods and services markets and structural reforms.

Regarding **resilience**: Member States are invited to develop and implement a comprehensive Union-wide strategy to complement and bring together national strategies for effective electrification and the green transition and to step up efforts to improve preparedness for adverse developments, including climate change and nature related and geopolitical risks, especially in regions most exposed.

Regarding **macro-economic and financial stability**: Member States are invited to ensure compliance with the new fiscal framework to improve debt sustainability and to promote sustainable economic growth, inter alia by ensuring that the annual net expenditure growth in each Member States does not exceed the maximum as recommended by the Council.

⁶ 5893/25

On the employment and social aspects of the draft **Recommendation on the economic policy of the euro area**⁷, Member States added references to demographic change, education and training initiatives through the whole life cycle. They furthermore stressed that active labour market policies, the provision of quality and affordable early childhood education and care, and long-term care could help alleviate labour shortages, and that occupational health and safety across industries should be promoted.

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 20-21 March 2025.

Exchange of views and policy debates

On 2 December 2024, the **EPSCO** Council held a policy debate dedicated to the European Semester on priorities in employment and social policy, with a view to the upcoming Commission Action Plan on the implementation of the European Pillar of Social Rights, and the experience related to the implementation of the Social Convergence Framework.

Among the priorities expressed by ministers were up- and re-skilling and lifelong learning, quality jobs, fair labour mobility, social dialogue, adequate and sustainable social protection systems, combatting poverty, and the lack of housing. The debate also revealed that the Member States' views continue to diverge on the Social Convergence Framework, especially concerning its added value and administrative burden.

On 21 January 2025, the **ECOFIN** Council held an exchange of views after the Commission presented the second batch of Autumn package documents focusing on: The Alert Mechanism Report and the draft recommendation on the economic policy for the euro area. During the meeting, the Commission announced that the in-depth reviews would be published in the course of the first half of the year.

⁷ 6274/25

On 10 March, the **EPSCO** Council held a policy debate dedicated to the silver transformation: Incentives and systemic solutions for promoting voluntary, extended professional activity of older persons. During the same meeting, the Council adopted the Joint Employment Report⁸.

The “Greening of the European Semester”, a process taking place under the **Environment Council** *filière*, has progressively explored ways to introduce environmental sustainability aspects into the European Semester, contributing to finding synergies with the green transition priority objectives. In the context of a recent exchange on the 2025 Competitiveness Compass, delegations recalled that, in addition to decarbonisation and circular economy, the European Semester should continue integrating other core environmental policies, such as biodiversity, protection of natural resources and the role of the bioeconomy, emphasizing their crucial role in ensuring European security, resilience and competitiveness.

Acknowledging the Parliamentary dimension of the European Semester, the Presidency co-organised with the European Parliament the European Semester Parliamentary Week 2025 (17-18 February 2025) on EU economic governance from a parliamentary perspective.

⁸ 6435/25