



**ECO/ESG**

Brussels, 30 June 2026

To the members of the  
**European Semester Group**

The secretary-general of the European Economic and Social Committee is pleased to enclose the

**MINUTES**  
of the 40th meeting  
of the  
**European Semester Group,**  
held at the Committee building in Brussels  
on  
**30 June 2026**

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The European Semester Group (ESG) held its 40th meeting in the EESC's JDE building in Brussels, from **14:30 to 17:30 on Thursday 30 June 2026**. The hybrid meeting was chaired by the ESG president, **Gonçalo Lobo Xavier**.

1. Adoption of the draft agenda

The draft agenda was adopted.

2. Approval of the minutes of the 39th meeting held on 12 March 2026 (EESC-2026-01664-00-00-PV-REF)

The minutes were approved.

3. **Introduction** by the ESG president, **Gonçalo Lobo Xavier**.

- Mr Lobo Xavier said that the discussions held during the morning conference had highlighted the need to move from policy discussions to tangible actions. While participants had approached the issues from different perspectives, they had converged on the common objective of promoting competitiveness, sustainable growth and a strong social dimension for the European Semester.

4. **Follow-up discussion** after the ESG Annual Conference<sup>1</sup>. The ESG president opened the floor for comments: **Judith Vorbach, Luca Jahier** and **Cinzia Del Rio** took the floor and raised the following points:

- The social partners and civil society organisations should be consulted effectively throughout the preparation of the National Regional Partnership Plans (NRPPs). The consultation processes should be strengthened by ensuring timelier, meaningful and systematic involvement of organised civil society.
- Building on the discussions during the morning conference and despite what European Commission said about the slightly higher figures, it was evident that the new Multiannual Financial Framework (MFF) had limits regarding its volume. Despite the limitations, the new MFF represented a fundamental shift in logic, being designed to leverage structural reforms and investments, especially given the links between it and the European Semester and the Country-Specific Recommendations (CSRs). However, political choices still had to be taken regarding the priorities and areas of investment.
- This new approach could deliver positive results if implemented through incentives rather than through punitive macroeconomic conditionalities. Broad political ownership would require genuine dialogue and partnerships, as well as involving the European Parliament, national parliaments, regional and local authorities, social partners and civil society organisations.
- There was a risk that the implementation framework would not be simplified, but instead become more complex due to performance indicators and further binding rules, such as compliance with the rule of law. Such complexity could undermine effective implementation and result in fragmented delivery across Member States rather than a coherent European approach.
- Competitiveness could not be understood solely in economic terms, as it also embraced different aspects, like the social dimension. Financing and investing in social policies was a shared responsibility of the European Union and the Member States, requiring complementarity

<sup>1</sup>

Refer to Annex 1 to the minutes (EESC-2026-02172-00-00-ANN-REF) for a detailed report on the 2026 ESG Annual Conference. The full [video recording](#), the [presentations](#) and the [photos](#) are available on the [event webpage](#).

between EU and national funds and resources. A socially divided society could not remain competitive in the long term.

5. Presentation of the **Spring 2026 Economic Forecast** by Carmen Martinez-Carrascal, DG ECFIN, European Commission.

- **Key messages from the Spring 2026 Forecast** included: i) **new energy shock was dampening the global and EU economic outlook**; ii) **the EU economy was expected to still expand but at a slower pace**; iii) **price pressures were on the rise again**; iv) **government deficit and debt ratios were expected to edge up**; v) **risks included energy supply disruptions** and warranted a scenario analysis.
- It was noted that the **macroeconomic outlook had been significantly affected by the outbreak of the conflict in the Middle East**. Before the start of this conflict, the EU economy had been on a path of strengthening growth, declining inflation and relatively good labour market performance. The conflict had triggered one of the most significant energy shocks in recent years, negatively affecting growth prospects and putting renewed upward pressure on inflation.
- Comparing the Spring 2026 Economic Forecast with the previous autumn forecast, it was noted that **EU growth perspectives had been revised downwards** by 0.3% for 2026 and by 0.1% for 2027, while **inflation projections had been revised upwards** for both the euro area and the EU. This combination had led to tighter financing conditions and an **upward revision of government deficit and debt ratios**. The situation remained highly volatile and uncertain, and an alternative scenario involving more prolonged tensions linked to the Middle East would result in even lower growth and higher inflation.
- The outbreak of the conflict in Iran had triggered a **significant spike and increase in energy commodity prices**, particularly Brent oil and gas prices. Although a partial correction in oil prices was expected over time, projections for 2027 still showed oil prices remaining around 20% above pre-conflict levels, with a similar trend observed for gas prices.
- The surge in energy prices had **increased inflation prospects**, around 1% for 2026, while **weakening domestic demand**. GDP growth was expected to moderate in 2026, followed by a slight recovery in 2027.
- **The labour market would remain relatively resilient** despite the energy shock. **Unemployment was projected to remain stable** at around 6%, **employment** was expected to **continue growing at a moderate pace**, and **wage growth** was expected to remain positive and above inflation, thereby preserving purchasing power.
- **Government deficit and debt ratios had been revised upwards**, with a deterioration in the budget balance in the EU, where the deficit was expected to increase from 3.1% in 2025 to 3.6% in 2027.
- The **main risks** were linked to the evolution of the conflict in the Middle East and its **impact on energy prices**. Additional risks identified included **shortages of specific inputs**, notably fertilisers affecting agriculture and certain industries, **trade policy and geopolitical tensions**, a potential **softening in labour demand**, **accelerating AI adoption**, and **faster implementation of structural reforms, including energy transition**.

**Discussion with ESG members**

The ESG president opened the floor for questions and comments. **Cinzia Del Rio, Judith Vorbach and Grzegorz Trefon** took the floor and raised the following points:

- The European Central Bank had warned that inflation could remain above 3% by the end of the year. This should be taken into account not only in relation to food prices, but also housing costs and broader cost-of-living pressures.
- The macroeconomic outlook remained highly uncertain and forecasting developments for 2027 was particularly difficult given the volatile geopolitical environment. The impact of international tensions on investment and economic activity was considered to be significant.
- Employment figures showed stability but did not fully capture the quality of employment. In Italy, for example, employment growth had been concentrated on adults below the age of 55 and in low-skilled jobs, while young and highly educated people had migrated to other EU countries. The quality of jobs, wage levels and investment in young people were crucial for long-term growth, public revenues and the sustainability of welfare systems.
- Labour market resilience should not be assessed solely through employment rates. Attention should also be paid to working conditions and the difficulties facing young people in accessing stable and adequately paid employment. Employment that did not provide sufficient income to cover living costs could not be considered a satisfactory outcome.
- The transition towards green energy had reduced investment in fossil fuel infrastructure, including refinery capacity, which had increased Europe's vulnerability to energy price shocks. The need to better identify and address the structural problems of the economy and of the industrial sector in the context of the energy transition was emphasised. *Do you see these structural problems and how do you identify them?*

The ESG president then gave the floor to **Carmen Martinez-Carrascal**.

- The recent correction in oil prices had led to some stabilisation in financial markets, including in negotiating interest rates. As inflation prospects moderated due to lower energy prices, expectations regarding monetary policy had become more positive.
- Regarding employment, labour market conditions varied across Member States. However, at EU level, youth unemployment had remained relatively low and increased only slightly in the second half of 2025. Migration of young people seeking better employment opportunities abroad was not captured by unemployment statistics. While concerns about job quality were recognised, available EU-level data did not indicate a widespread deterioration in employment quality and it depended on the growth dynamics of each country. Wage growth had recently remained above inflation, contributing to a recovery in purchasing power after the losses experienced following the outbreak of the war in Ukraine, although some population groups might still have faced difficulties.
- On energy resilience, it was argued that the EU had become more energy efficient, consuming less energy while producing the same output. This was done by focusing more on green energy and depending less on fossil fuel. This development was considered to be positive and a strength rather than a weakness, as the impact in oil price increases had been smaller than during the initial phase of the war in Ukraine due to reduced dependence on oil. Continued investment in green energy was therefore viewed as a positive and necessary long-term strategy.

6. Presentation of the **2026 European Semester Spring Package** by Mara Correia, Anne Van Felius, Goutham Jorgen Surendran and Henk Van Noten from DG ECFIN, Stratis Kastrissianakis from SG REFORM and Emil Dimitrov from DG EMPL, European Commission.

- The Commission presented the **2026 European Semester Spring Package**, which was structured around **three pillars: (i) economic, social and employment policy coordination,**

including the **country reports**, identifying Member States' main competitiveness challenges and the **Country-Specific Recommendations (CSRs)** for reforms and investments; (ii) **fiscal policy coordination**, including several strategic documents, such as the **2026 fiscal CSRs** (net expenditure path, defence, energy measures, reforms and investments underpinning an extension of the adjustment period in the context of their medium-term plans), the Excessive Deficit Procedure (EDP) report under Article 126(3) TFEU, **other fiscal deliverables** (e.g. assessment of compliance with the EU fiscal framework, assessment of the Dutch Medium-Term Fiscal-Structural Plan), **macroeconomic imbalance procedures** (seven in-depth reviews) and the communication of **post-programme surveillance assessments**; and (iii) **employment policy coordination**, including the proposal for an update of the guidelines for the employment policies of the Member States.

- It was explained that the chapeau communication set out the **objectives** of the 2026 European Semester Spring Package, such as **responding to emerging threats, ensuring macroeconomic stability and strengthening the EU's competitiveness**. The focus was on addressing the **energy crisis** and bolstering **economic security**.
- The **Competitiveness Compass** remained the guiding framework of the Spring package. An update on **surveillance under the Stability and Growth Pact** and decisions on **macroeconomic imbalances** were also included, along with the outcome of the analysis on **upward social convergence**.
- It was also noted that progress had been made on the **implementation of the 2025 CSRs** and that significant **progress** had been **achieved in implementing the CSRs through the Recovery and Resilience Facility (RRF)**.
- The **country reports** provided a thorough **analysis of economic, structural, employment and social developments** within Member States and **underpinned the 2026 CSRs**. The reports identified key country-specific vulnerabilities, priority reform and investment challenges, as well as challenges to competitiveness. They covered five sections: **economic developments and key policy challenges; innovation, business environment and productivity; decarbonisation, energy affordability and sustainability; skills, quality jobs and social fairness; key findings**. They were complemented by 19 thematic annexes providing analytical underpinning.
- It was explained that the **CSRs** built on the comprehensive **set of 2025 CSRs**, taking into account progress in their implementation. They contained **targeted amendments and new CSRs** based on new policy developments and reinforced the analytical basis (e.g. housing, territorial dimension, single market barriers). **The main thematic areas covered by the CSRs** included: **fiscal surveillance**, defence and energy measures; **RRF and cohesion policy** (ensuring continuity of reforms and investments implemented under the RRF together with recommendations reflecting the implementation pace of cohesion policy programmes); **eastern border regions** (addressing the unique socio-economic, security and civil preparedness challenges affecting regions on the EU's external eastern border); **competitiveness**, including innovation and access to finance, digitalisation, simplification and the institutional framework, single market, affordable clean energy transition and decarbonisation, affordable housing, skills, quality jobs and social fairness. **These recommendations combined fiscal responsibility with investments, resilience, competitiveness and fairness**. They were expected to be adopted by the Council on 10 July.
- It was noted that, as in previous cycles, **the European Semester integrated policy objectives** related to the Sustainable Development Goals (SDGs) and that the **CSRs covered a broad**

**range of SDGs.** The SDG objectives were incorporated across the 2026 Spring Package: (i) the analysis was based on the latest **Eurostat data**, updated in April 2026; (ii) each **country report** included an analysis on SDGs supported by an **annex tracking progress made in the past five years**, as well as references to relevant SDGs in **all other annexes**, (iii) Council Implementing Decisions on the RRP included an analysis of the expected contribution to SDGs; (iv) the **chapeau communication** highlighted the progress made at EU level, with significant progress in reducing inequality (SDG 10), ensuring decent work and economic growth (SDG 8) and quality education (SDG 4), while facing deterioration on clean water and sanitation (SDG 6) and life on land (SDG 15).

- Regarding **fiscal policy coordination**, the Commission said that **EU real GDP was expected to continue expanding after 2025, albeit at a slower pace** due to the impact of the conflict in the Middle East. Government deficits were projected to increase from 3.1% of GDP in 2025 to 3.5% in 2026, mainly as a result of weaker growth, higher interest expenditure and increased defence spending. Government **debt in the Member States was also expected to rise**, reflecting higher deficits and the differential between GDP growth and interest rates.
- The Commission explained that the **fiscal Country-Specific Recommendations (CSRs) included net expenditure requirements** for all Member States, recommendations related to **defence spending** and measures taken to **mitigate the hike in energy prices**, as well as a recommendation to implement **reform and investment commitments underpinning an extension of the adjustment period** for BE, DE, ES, FR, IT, AT, RO and FI. Additional **fiscal-structural recommendations** addressed issues for specific Member States, such as pension sustainability and the efficiency of tax systems.
- It was further explained that **the scope of the National Escape Clause (NEC) would be broadened in a limited manner to support energy security**. Only measures introduced since February 2026 that strengthened the structural resilience of the European energy system and accelerated the transition away from fossil fuels would benefit from this additional flexibility under EU fiscal rules. Fiscal sustainability safeguards would include: (i) the 1.5% of GDP cap for additional expenditure remained in place; (ii) flexibility for energy security measures would be subject to dedicated annual cap of 0.3% of GDP and cumulated cap of 0.6% of GDP, and (iii) the flexibility mechanism would only be available for 2026–2028.
- Regarding the Macroeconomic Imbalance Procedure (MIP), it was mentioned that **seven Member States (EL, HU, IT, NL, SE, SK, RO) had been subject to in-depth reviews in this cycle**. The Commission concluded that EL, NL and SE were no longer experiencing imbalances, while HU, IT and SK were still experiencing imbalances, and RO remained classified as experiencing excessive imbalances.
- **The labour market** was still robust, with the **employment rate** increasing to 76.3% in the fourth quarter of 2025, the **gender employment gap** falling to its lowest level, and the **unemployment rate** remaining **broadly stable** at 6%. **Youth unemployment** had increased to 15.4%, while the young NEET rate remained high, at 11%. **Employment growth** was projected to slow to 0.3% in 2026 and 0.4% in 2027, while the **unemployment rate** was expected to remain stable.
- Regarding labour and skills shortages, it was noted that **job vacancy rates** had declined, but structural factors, including demographic change, skills demands from the green and digital transition and poor working conditions, are likely to sustain shortages in some sectors. **Labour market tightness** was easing but shortages persisted, especially in areas such as services, care and construction. It was highlighted that **46% of medium-sized companies reported**

**difficulties in finding skilled staff** in the last 24 months and that adult participation in learning remained below the headline target, underlining the need to step up upskilling and reskilling efforts.

- The Commission explained that the 2026 Semester Package placed **stronger emphasis on job quality**. It was noted that in 2025, **1 in 12** workers in the EU **experienced poverty risks**, with higher risks among workers on part-time and temporary contracts. Involuntary part-time and temporary jobs were still significantly higher among women and young people. Labour market segmentation was improving but continued to remain a problem in many Member States.
- **Social outcomes had remained broadly stable in 2025**, with the risk of poverty or social exclusion (AROE) rate steady at **20.8%**. Although the number of people at risk had declined since 2019, to around 3.5 million, the EU was far from achieving its 2030 headline target. **Housing costs** were more than a third of the income of people at risk of poverty.
- Against this background, it was stressed that **more progress was needed towards the 2030 skills and poverty reduction targets**. The main recommendations on employment, skills and social priorities of the 2026 Semester included **addressing skills and education challenges** in line with the Human Capital Recommendation, **tackling labour and skills shortages**, **supporting social dialogue and collective bargaining**, **promoting quality jobs**, and delivering on the **Anti-Poverty Strategy**.
- The **Social Convergence Framework** is fully embedded into the European Semester and entails a two-stage analysis of risks and challenges to upward social convergence in Member States: (i) the first-stage analysis was presented in the Joint Employment Report (JER) 2026 and a deeper analysis was needed for nine Member States; (ii) the second-stage analysis showed that six Member States had overall challenges to upward social convergence. These findings fed into the multilateral country reviews in the EPSCO committees and had subsequently been reflected in the country reports and the CSRs.
- The **employment guidelines for 2026** presented EU-wide priorities for employment in the Member States and continued to provide the legal basis for employment, social and skills-related CSRs. While the overall structure remained unchanged, there were new elements linked to **job quality**, **human capital recommendation**, the **Anti-Poverty Strategy** and **housing and its affordability**.

### Discussion with ESG members

The ESG president opened the floor for questions and comments. **Cinzia Del Rio, Adelina Dabu, Grzegorz Trefon, Judith Vorbach and Luka Bogdan** took the floor and raised the following points:

- *Has the link between the CSRs and the RRP encouraged Member States, particularly those lagging behind in implementation, to accelerate reforms and investments, and has it strengthened the implementation of the CSRs?*
- Concerns were raised about the long-term sustainability of welfare systems, including healthcare, pensions and social protection, due to demographic changes, the crises and many other reasons. It was important to explore different ways of keeping these systems sustainable and alternatives such as insurance. It was noted that, while many reforms remained the responsibility of Member States, EU funding and the link between the RRP and the CSRs played an important role in supporting reforms. It was stressed that sustainable public finances also depended on stronger labour market participation, quality employment, higher wages, skills development, research, innovation and the ability to attract talent and investment. *Where do you*

*see the urgency of these structural reforms across Member States, and in which countries are such reforms more necessary and urgent in comparison to others?*

- *Has the Commission envisaged capacity-building mechanisms to support labour market reforms and facilitate the exchange of good practices among Member States? How was productivity assessed and how has it interacted with other policy areas, including digitalisation and innovation?* The question referred in general to labour market policies, including active labour market policies (ALMPs), the activation of strategies for various groups in the labour market (such as NEETs, women and others), lifelong learning and the work of Public Employment Services (PES).
- *Which long-term strategic document would guide the European Semester towards 2040 following the Europe 2020 Strategy and the current policy agenda?*
- The CSRs relied on comparisons between Member States, which could overlook countries where social indicators remained comparatively favourable but had nevertheless started to deteriorate, for example in Austria there were no CSRs on the fight against poverty.
- Concerns were expressed about youth unemployment rates that had changed by less than 8.5%. It was stressed that active labour market policies needed to be better targeted and more effective in supporting young people with gaining quality employment. Experience from Croatia showed that despite substantial investment, certain measures had not been adequately targeted to achieve the desired results. Concerns were also expressed about the potential long-term impact of digitalisation and artificial intelligence on employment and labour market developments.

The ESG president then gave the floor to Stratis Kastrissianakis, Emil Dimitrov and Henk Van Noten to respond.

- The implementation of the RRP was referenced in the country reports. In the previous year, CSRs had differed according to the level of RRP implementation per Member State. This year, however, a horizontal recommendation had been adopted, given that the RRF was approaching its conclusion. The RRF had significantly strengthened the implementation of the CSRs by linking reforms to EU financial support. A similar approach had been proposed under the next MFF through the link between the CSRs and the NRPPs, with the expectation that this would continue to sustain a robust rate of CSR implementation.
- In response to questions on labour shortages, attracting low skilled workers and pension sustainability, it was noted that labour and skills shortages coexisted with a significant underutilisation of skills, particularly among mobile workers and third-country nationals, who were often overqualified for the jobs they performed. Ongoing initiatives on skills portability and the recognition of qualifications were intended to address mismatches. Regarding pension sustainability, it was explained that the European Semester stressed both fiscal sustainability and pension adequacy. The credibility of the Semester rested on comparing agreed indicators between Member States. It remained a coordination tool, proposing recommendations for countries, taking into account the country-specific circumstances, and ensuring that national reforms were aligned with common EU priorities while respecting Member States' responsibilities.
- On capacity building, the Technical Support Instrument (TSI) had supported Member States in implementing structural reforms, including measures to strengthen the capacity of social partners at national level and improve social dialogue for countries facing challenges.

- Regarding Austria, it was explained that the analysis was based on the latest available Eurostat data. The data showed a significant deterioration in a number of social indicators for 2025 (reflecting 2024 incomes).
- Active labour market policies should be better targeted. It was noted that the CSRs already encouraged Member States facing particular challenges with labour market integration of specific disadvantaged groups to strengthen targeted activation measures.
- Productivity growth remained weak. It was influenced not only by labour market developments but also by a broad range of structural factors, including innovation, digitalisation and investment.
- Regarding pension sustainability: the Commission made regularly projections for the costs of ageing, including long-term projections for pension costs, based on demographic assumptions, and published every 3 years in the Ageing Report; second, the sustainability of the pension system was not assessed as such but rather the overall sustainability of public finances and public debt; third, under the new economic governance framework, these long-term projections were used as a basis for setting fiscal requirements for Member States; fourth, EU legislation remained neutral regarding the choice between increasing revenues or curbing expenditure, to ensure the sustainability of pension systems; fifth, the new framework placed greater emphasis on reforms, investment and long-term growth as key drivers of sustainable public finances.

**7. Comparison of the recommendations/observations set out in the EESC ECO/691 Information Report and ECO/692 Resolution (on the reform and investment proposals in the Member States, arising from the 2025 CSRs) and the 2026 Spring Package – by the ESG president and the ESG secretariat**

- The agenda item was postponed to the 41st ESG meeting on 16 September 2026.

8. Any other business

9. Confirmation of the date of the next (41st) ESG meeting: **Wednesday 16 September 2026** (9:30 – 13:00)

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## APPENDIX

### ATTENDANCE LIST

| List of members                                            |         |        |        |           |
|------------------------------------------------------------|---------|--------|--------|-----------|
| Mr/Ms                                                      | Present | Remote | Absent | Apologies |
| ANDERSSON Krister (SE–I)                                   |         | X      |        |           |
| ANTONIOU Michalis (CY–I) replaced by ROBYNS Wautier (BE–I) |         | X      |        |           |
| BARRERA CHAMORRO Maria del Carmen (ES–II)                  |         | X      |        |           |
| BIEGON Dominika (DE–II)                                    |         | X      |        |           |
| BOGDAN Luka (HR–III)                                       | X       |        |        |           |
| CALISTRU Elena-Alexandra (RO–III) (ECO section president)  |         | X      |        |           |
| COHEUR Alain (BE–III) (CCMI president)                     |         |        | X      |           |
| DABU Adelina (RO–I)                                        | X       |        |        |           |
| DEL RIO Cinzia (IT–II) (SOC section president)             | X       |        |        |           |
| GOBIŅŠ Andris (LV–III)                                     |         |        | X      |           |
| HAKEN Roman (CZ–III)                                       |         | X      |        |           |
| HIDVÉGHINÉ PULAY Brigitta (HU–III)                         |         |        | X      |           |
| IOANNIDIS Athanasios (EL–III)                              |         |        | X      |           |
| JAHER Luca (IT–III) (ESG vice-president)                   | X       |        |        |           |
| KRUPAVIČIENĖ Kristina (LT–II)                              | X       |        |        |           |
| LOBO XAVIER Gonçalo (PT–II) (ESG president)                | X       |        |        |           |
| MARKKULA-KIVISILTA Hanna (FI–III)                          |         |        | X      |           |
| MÁRQUEZ DE LA CALLEJA María Lourdes (ES–III)               |         |        |        | X         |
| MEDINA Felipe (ES–I)                                       |         | X      |        |           |
| MISSLBECK-WINBERG Christiane (DK– I)                       |         |        | X      |           |
| NOWACKI Marcin (PL–I) (TEN section president)              |         | X      |        |           |
| PALMIERI Stefano (IT–II) (REX section president)           |         |        | X      |           |
| POČIVAVŠEK Jakob Krištof (SI–II)                           |         | X      |        |           |
| PROUZET Emilie (FR–I) (INT section president)              |         |        | X      |           |
| REHSE Sebastian (AT– I)                                    |         | X      |        |           |
| SIPKO Juraj (SK–III)                                       |         |        | X      |           |
| TCHOUKANOV Stoyan (BG–III) (NAT section president)         |         |        | X      |           |
| TIMMERMANS Theo (NL–I)                                     |         | X      |        |           |
| TREFON Grzegorz (PL–II)                                    | X       |        |        |           |
| VASK Kaia (EE–II)                                          | X       |        |        |           |
| VON BROCKDORFF Philip (MT–II)                              | X       |        |        |           |
| VORBACH Judith (AT–II) (ESG vice-president)                | X       |        |        |           |
| WAGENER Marco (LU–II)                                      |         | X      |        |           |
| WALKER Neil (IE–I)                                         |         | X      |        |           |