



EUROPEAN CENTRAL BANK
EUROSYSTEM

How to foster growth in Europe

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Frankfurt, 28 January 2026

Staff projections confirm medium-term price stability as economy grows close to potential

Real GDP growth in the euro area

(quarter-on-quarter percentage changes)

— December 2025 staff projections

— Actual



Sources: Eurostat and Eurosystem staff projections (December 2025).

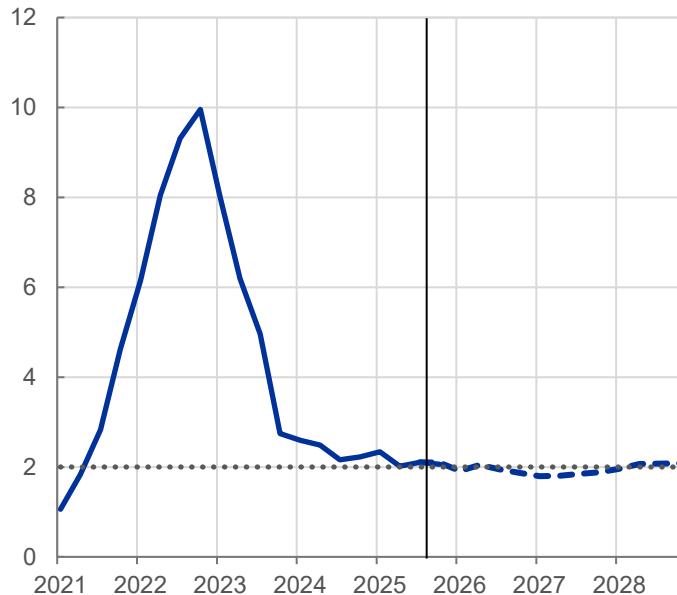
Notes: The vertical line indicates the start of the December 2025 projection horizon. The solid line indicates published data, while the dashed line indicates projections. The latest available data for the December projections was the Q3 2025 flash. The latest observations are for the third quarter of 2025 (second estimate).

HICP inflation in the euro area

(annual percentage changes)

— December 2025 staff projections

— Actual



Sources: Eurostat and Eurosystem staff projections (December 2025).

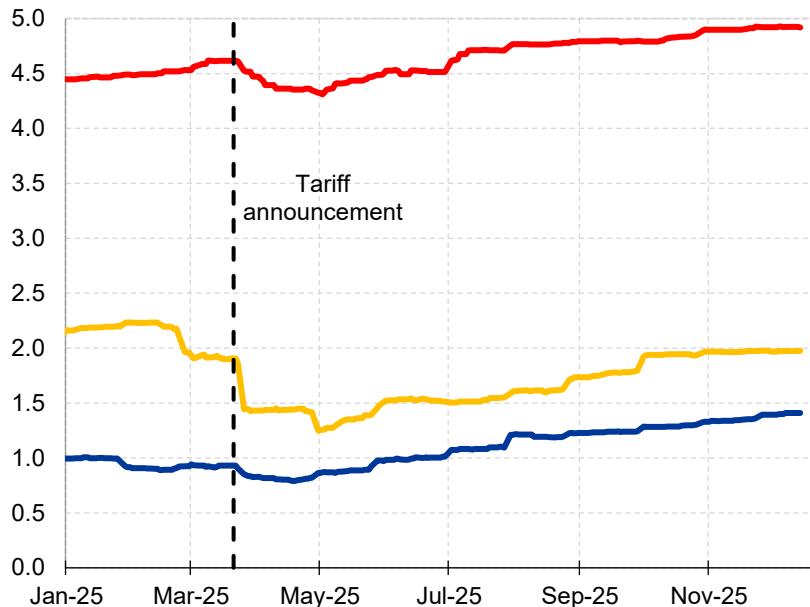
Notes: The vertical line indicates the start of the December 2025 projection horizon. The horizontal dotted line indicates the 2% medium-term inflation target. The solid line indicates published data, while the dashed line indicates projections. The latest observations are for the fourth quarter of 2025.

Euro area economy proves resilient despite tariffs, driven by services sector

Consensus growth forecasts for 2025

(percentages per annum)

EA US China



Source: Continuous Consensus Forecasts (CCF).

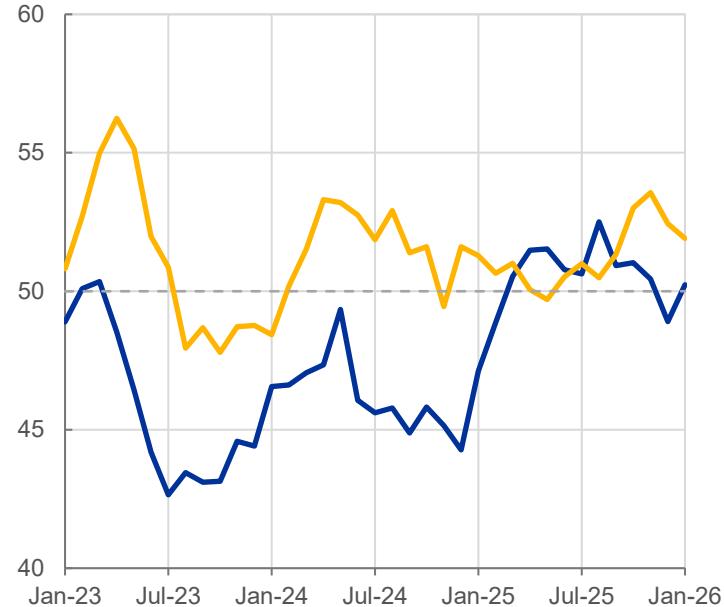
Notes: Chart displays CCF Replacement Basis (continuous consensus forecasts calculated each business day between monthly survey dates on a replacement basis) for euro area, United States of America and China's gross domestic product in 2025.

Latest observation: 31 December 2025 (weekly data).

Purchasing Managers' Index by sectors in the euro area

(balances)

Manufacturing Services

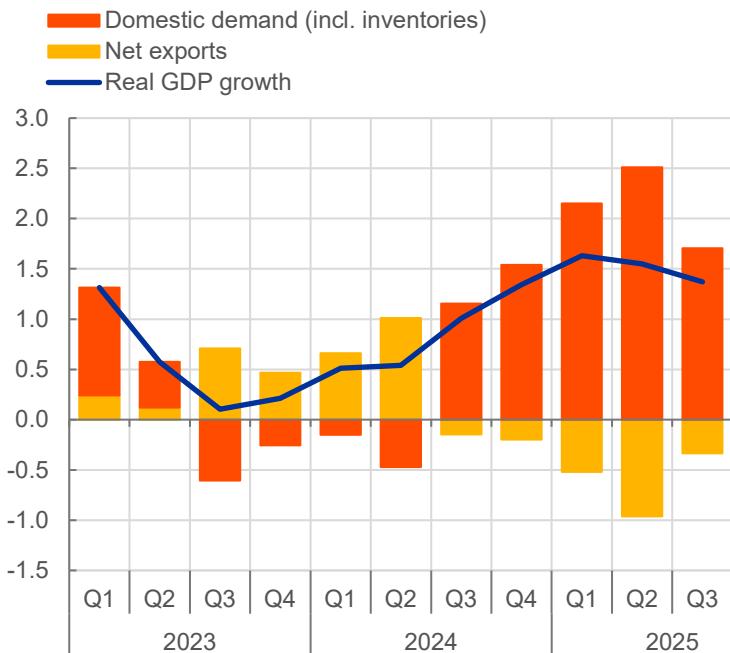


Source: S&P Global.

Latest observation: January 2026.

Real GDP and components

(year-on-year percentage changes; percentage point contributions)

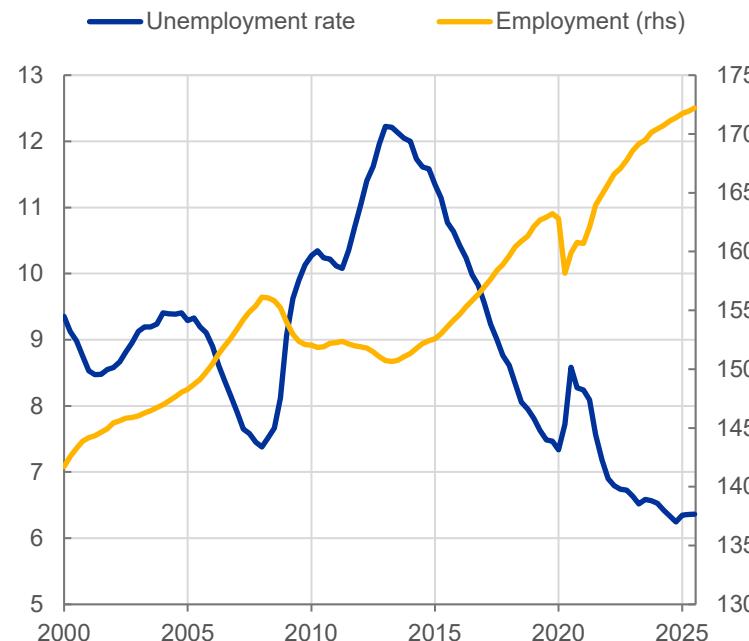


Source: Eurostat.

Latest observations: 2025Q3.

Unemployment rate and employment

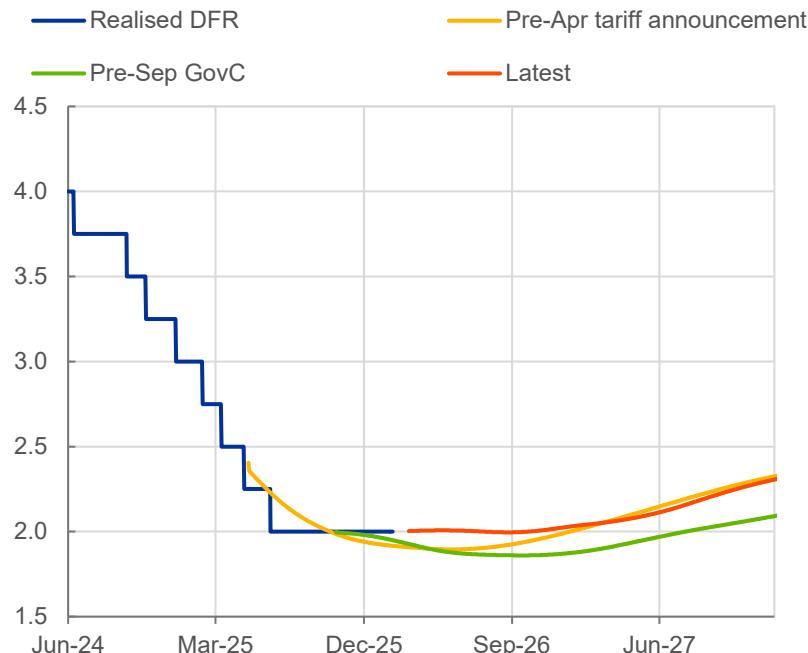
(LHS: percentages, RHS: millions of persons)



Source: Eurostat and ECB staff calculation.

Last observation: 2025Q3.

Realised and implied ECB deposit facility rate (percentages)

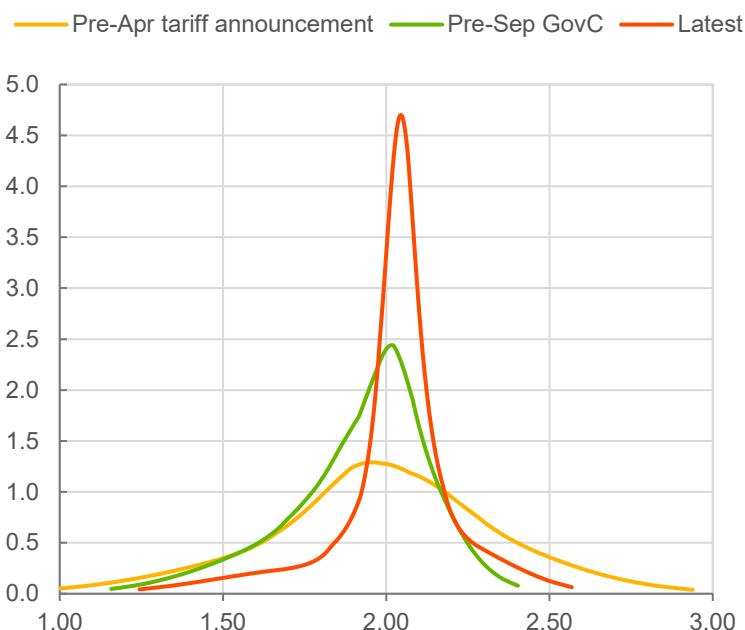


Sources: Bloomberg and ECB calculations.

Notes: Pre-Apr tariff announcement refers to 1 April 2025, whereas Pre-Sep GovC refers to 10 September 2025.

Latest observation: 22 January 2026.

Euribor-implied probability densities (densities)



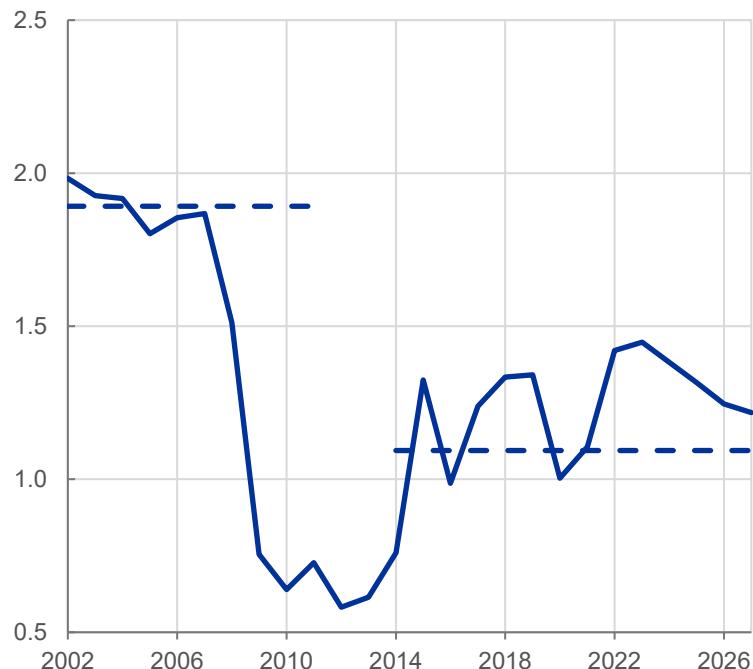
Sources: Bloomberg and ECB calculations.

Notes: Implied density of 3-month EURIBOR in 6-month time. Pre-Apr tariff announcement refers to 1 April 2025, whereas Pre-Sep GovC refers to 10 September 2025.

Latest observation: 22 January 2026.

Need to revive growth as fiscal burden from government expenditures rises

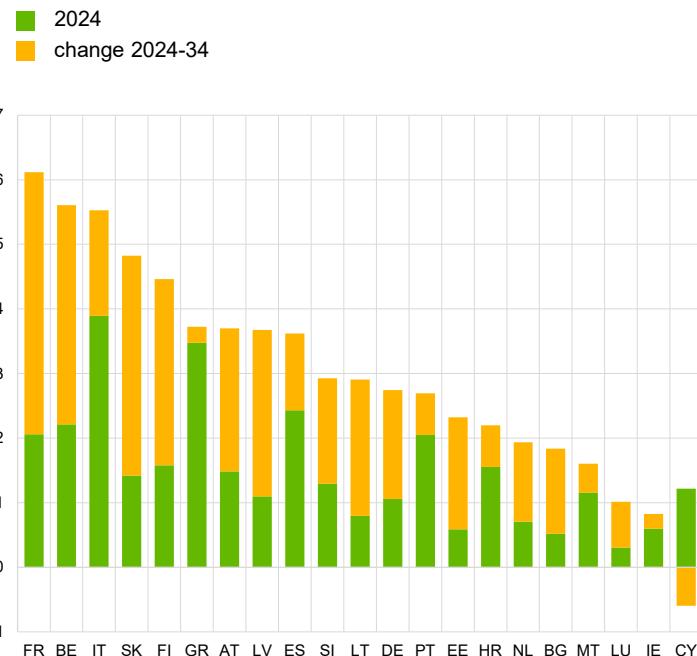
Potential GDP growth in the euro area (annual percentage change)



Source: European Commission's Autumn Forecast (November 2025).

Notes: Euro area aggregate contains 21 EA countries. The solid line represents the annual percentage change, the first dashed line represents the average annual growth from 2002 to 2007, and the second dashed line represents the average annual growth from 2010 to 2027. Latest observation: 2027.

Government interest expenditures (percent of GDP)

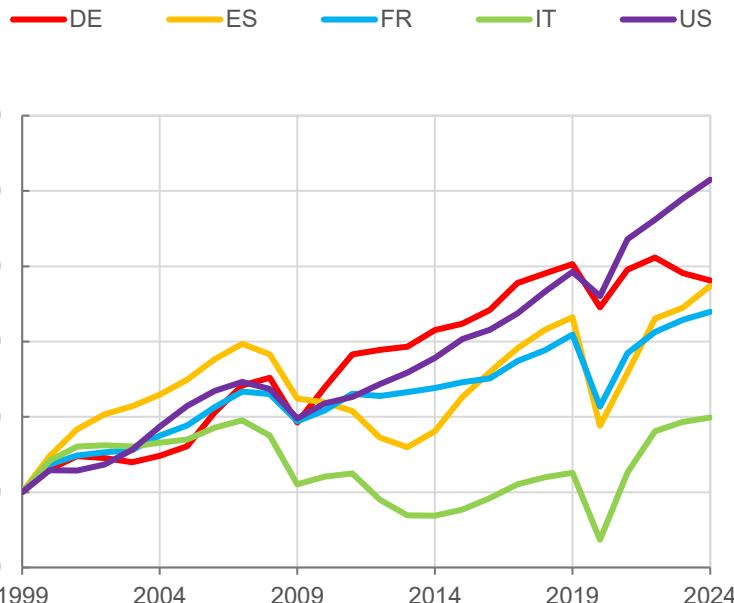


Source: ESCB DSA based on Autumn 2025 European Commission's forecasts.

Growth in the euro area has fallen behind, partly due to missed digital revolution

Real GDP per capita

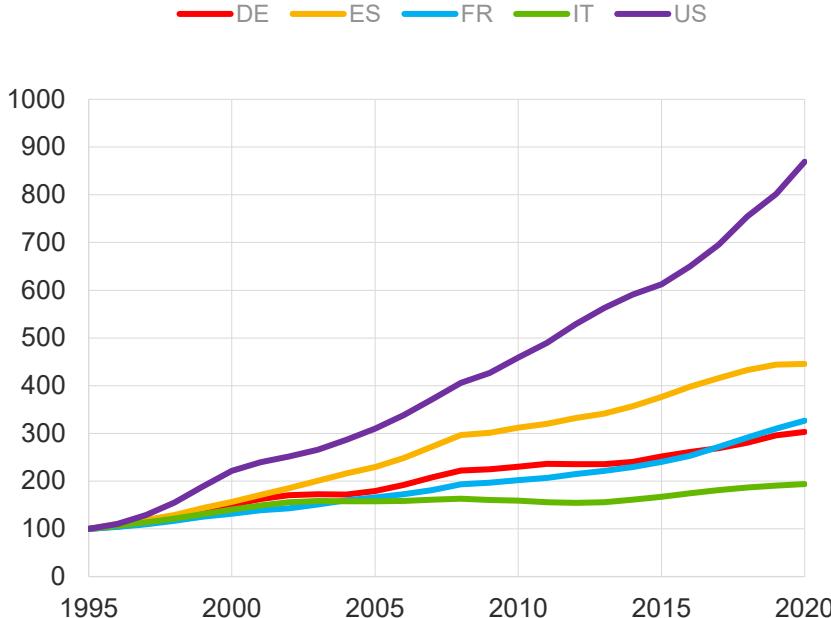
(index: 1999 = 100)



Sources: Eurostat and US Bureau of Labor Statistics.
Notes: GDP per capita at 2010 prices and exchange rates.
Latest observation: 2024.

Real IT-related capital stock

(index: 1995 = 100)

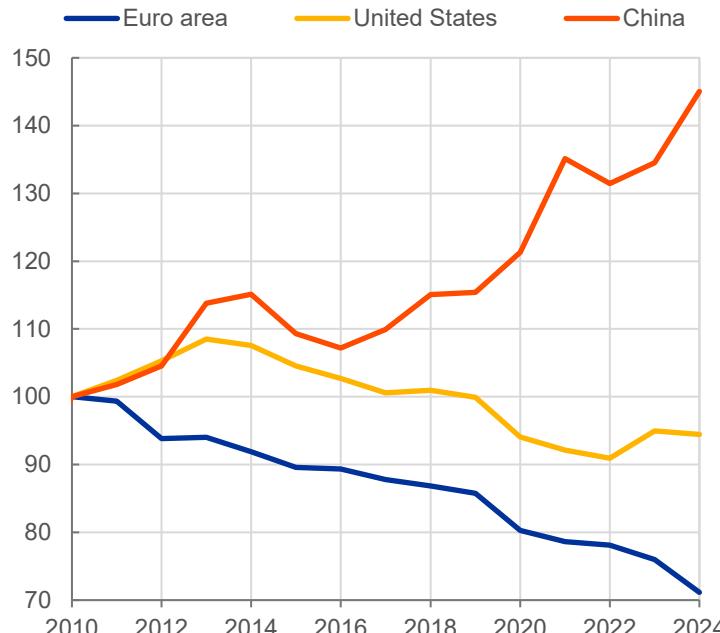


Source: EUKLEMS.
Note: IT-related capital stock is the sum of computing equipment and computer software & databases for all NACE industries. See Schivardi, F. and Schmitz, T. (2020), "The IT Revolution and Southern Europe's Two Lost Decades", Journal of the European Economic Association, Vol. 18(5), pp. 2441–2486.

EA global export market shares have fallen sharply, with China becoming key competitor

Global export market shares of non-energy goods volumes

(index: 2010 = 100)

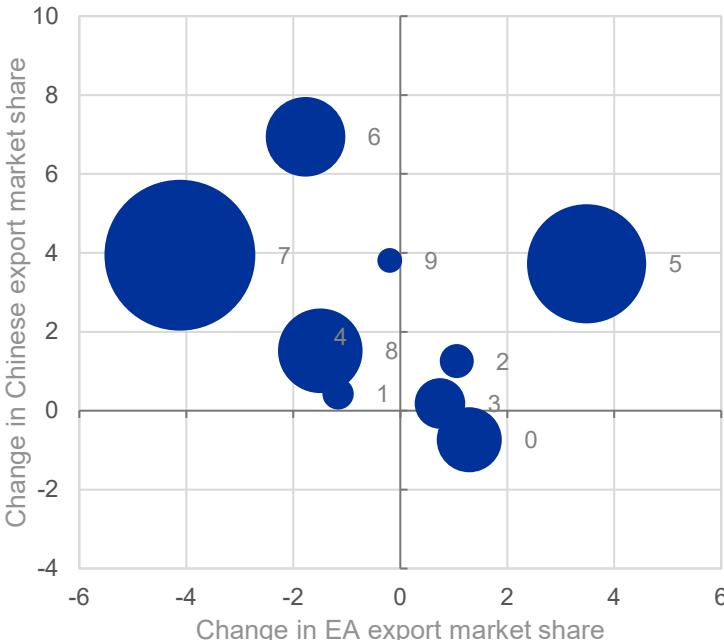


Sources: CPB, TDM and ECB staff calculations.

Notes: Long-run trends in export market shares in volume terms should be interpreted with caution. Euro area export volumes and world import volumes are not fully consistent, as each statistical office employs specific methodologies for deflating and outlier cleaning. These methodologies may differ in terms of outlier detection and replacement and quality adjustment. Based on this, the volumes (excluding energy) series used to compute the export market shares shown in the chart are calculated by taking CPB (CPB Netherlands Bureau for Economic Policy Analysis) volumes (in 2005 chain linked billion euros) and subtracting the share of energy exports. This share of energy exports is based on TDM (Trade Data Monitor) values and includes HS2 sectors 25, 26, 27, 97, 98, 99. Latest observation: 2024.

Changes in euro area goods export market shares

(percentage change between 2019 and 2025)

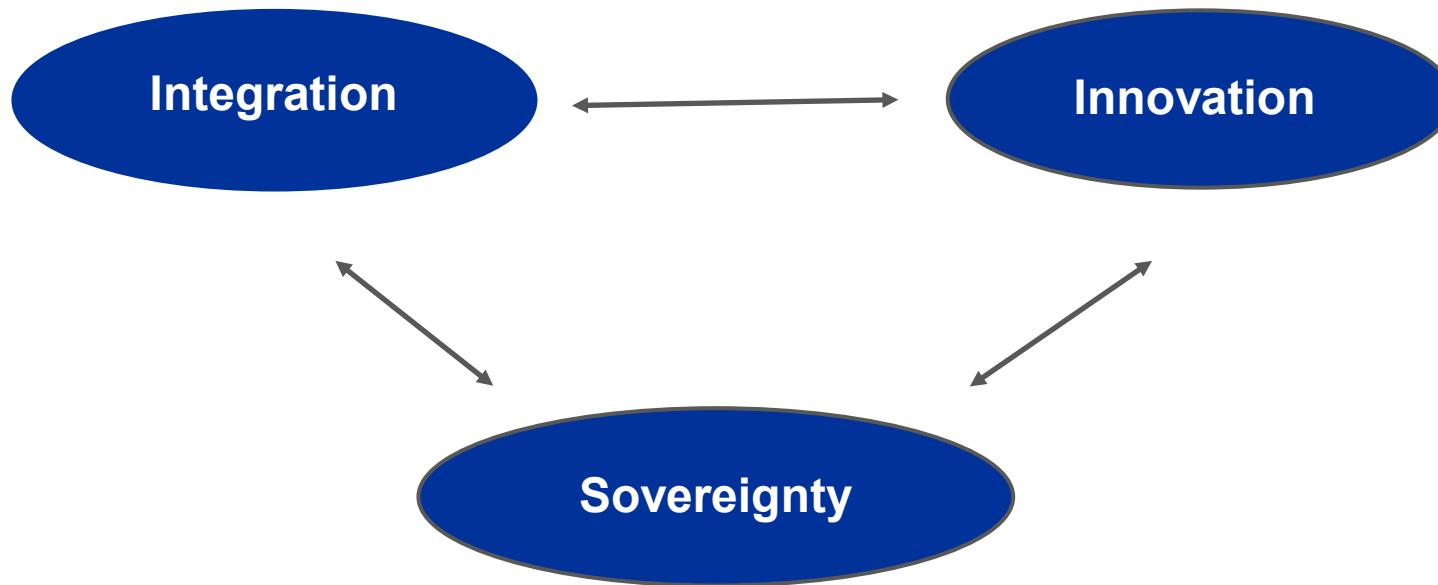


Sources: TDM and ECB staff calculations.

Notes: The axes represent changes in EA and Chinese export market shares for the Rest of World, which excludes the EA and Chinese export markets themselves. The size of the bubbles represents the share of the SITC sector in EA exports to Rest of World. SITC 1-Digit Sector Categories: 0: Food and live animals 1: Beverages and tobacco; 2: Crude materials, inedible, except fuels; 3: Mineral fuels, lubricants, and related materials; 4: Animal and vegetable oils, fats, and waxes; 5: Chemicals and related products, n.e.s. (not elsewhere specified); 6: Manufactured goods classified chiefly by material; 7: Machinery and transport equipment; 8: Miscellaneous manufactured articles; 9: Commodities and transactions not classified elsewhere in the SITC

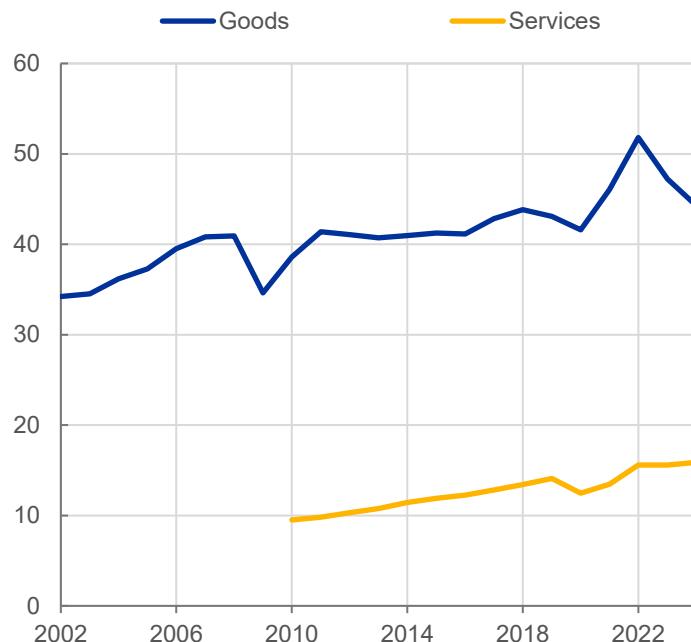
Latest observation: 2025.

Key pillars of reviving growth in the euro area are closely intertwined



Intra-EU trade in goods and services

(annual, in percent of GDP)



Sources: Eurostat and ECB staff calculations.

Notes: Intra-EU trade is obtained by summing intra-exports and imports as a ratio of GDP, measured in euros.

Latest observation: 2024.

Price- and quantity-based indicators of financial integration in the euro area

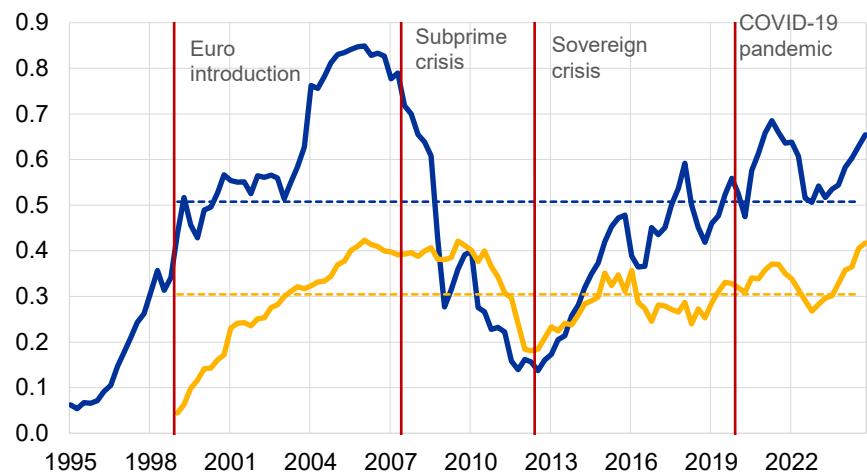
(index)

Price-based indicator

Quantity-based indicator

Price-based indicator long-term average

Quantity-based indicator long-term average



Source: ECB staff calculations.

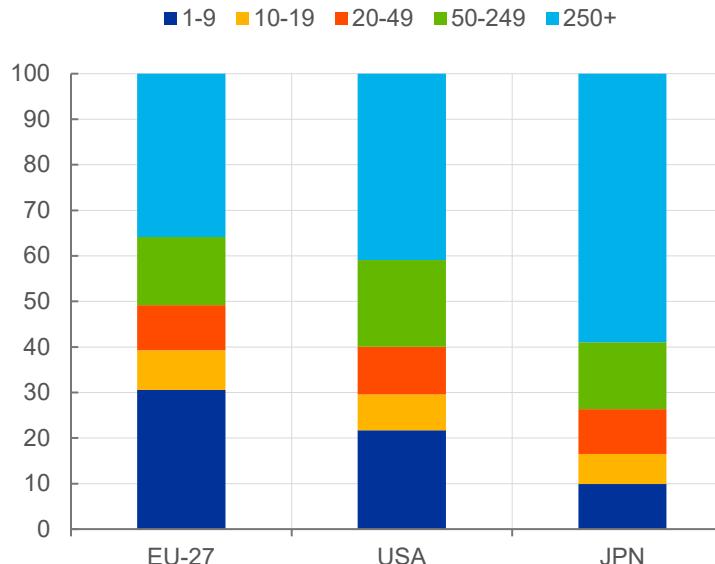
Notes: The price-based composite indicator aggregates ten indicators for money, bond, equity and retail banking markets; the quantity-based composite indicator aggregates five indicators for the same market segments except retail banking. The indicators are bounded between zero (full fragmentation) and one (full integration). Increases in the indicators signal greater financial integration.

Latest observation: 2024.

Scaling up firms could measurably increase productivity growth

Employment by enterprise size

(percentage of total employment)



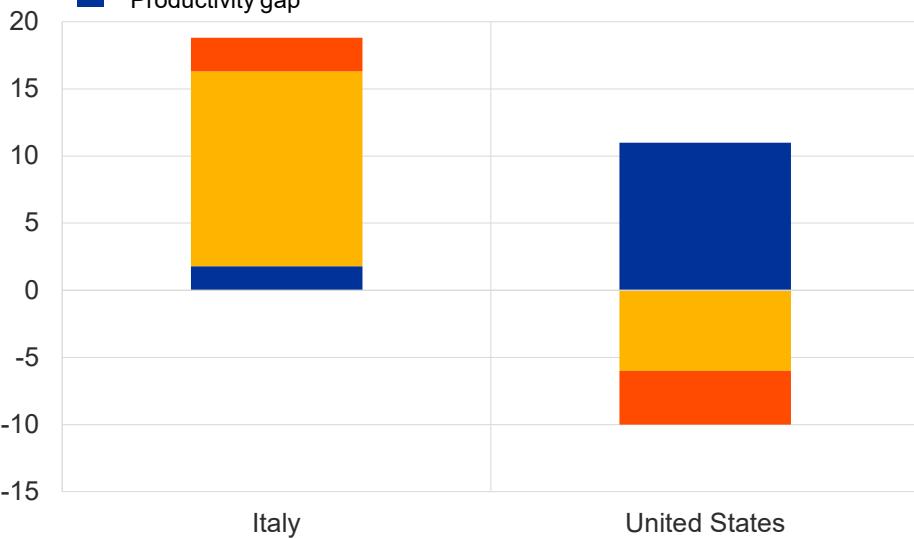
Sources: OECD, Eurostat.

Notes: EU-27 refer to the number persons employed, while the USA and Japan refer to the number of employees.

Latest observation for EU is 2023, for the USA 2015 and for Japan 2016.

Rise in manufacturing sector productivity if firms were as productive and large as firms at the global frontier? (percentages)

■ Cross term (productivity & size gap)
■ Size gap
■ Productivity gap



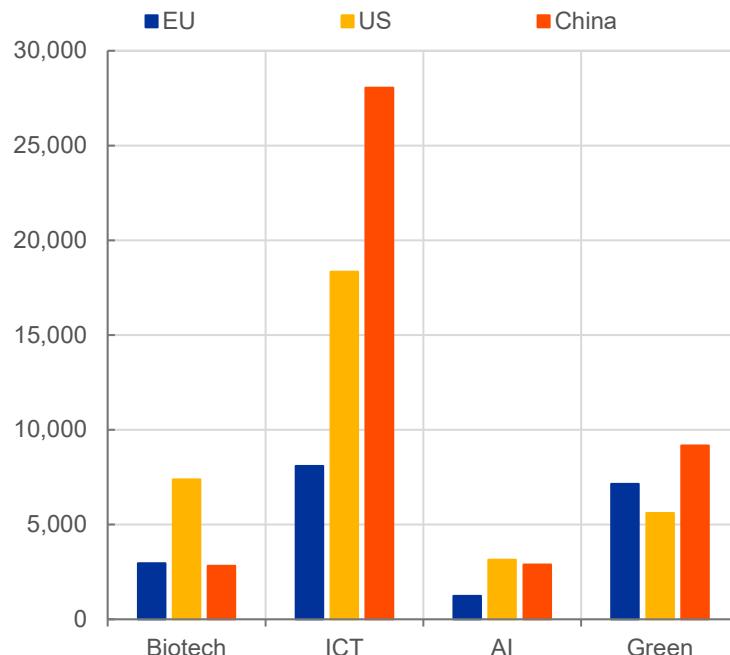
Source: Andrews, D., Criscuolo, C. and Gal, P. (2015), "Frontier Firms, Technology Diffusion and Public Policy: Micro Evidence from OECD Countries," OECD Productivity Working Papers. Notes: The productivity (size) gap shows how much higher manufacturing productivity would be relative to baseline if the national frontier firms (NF) were as productive (large) as the global frontier (GF) benchmark. The cross-term shows the impact on aggregate productivity of simultaneously closing the productivity and size gaps. The estimates are constructed by taking the difference between counterfactual labour productivity and actual labour productivity. The counterfactual gaps are estimated by replacing the labour productivity (employment) of the top 10 NF firms with the labour productivity (employment) of the 10th most globally productive firm in each two-digit sector. The industry estimates are aggregated using US employment weights.

- **Idea:** **EU-wide legal form** for businesses that allows firms to easily scale up across the EU
- **Critical aspects:**
 - Focus on corporate law, not labour law, social security systems, tax law
 - Open to all companies
 - Ideally implemented via regulation
- **Main advantages:**
 - Lower regulatory and administrative burdens
 - Easier to attract (global) capital
 - Higher legal certainty

Innovation is essential to foster potential growth and requires risk capital

Patents by technology domain

(number of patent applications in 2021)

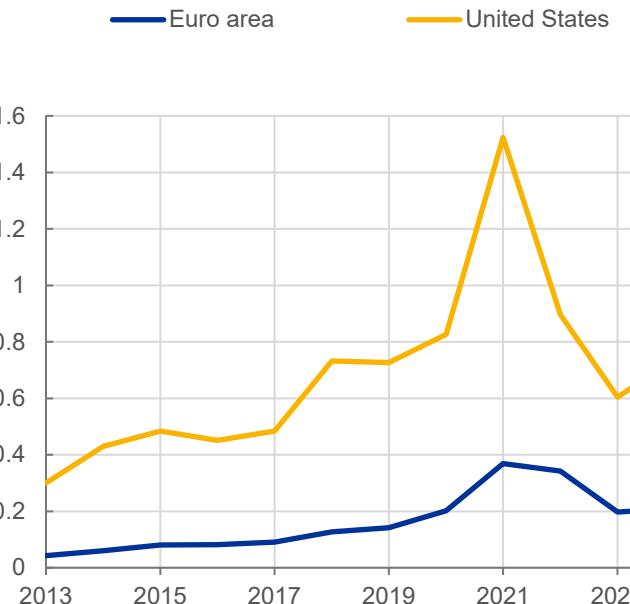


Sources: OECD.

Notes: The chart reports the number of patent applications submitted to the World Intellectual Property Organization.

Venture capital investment

(percent of nominal GDP)



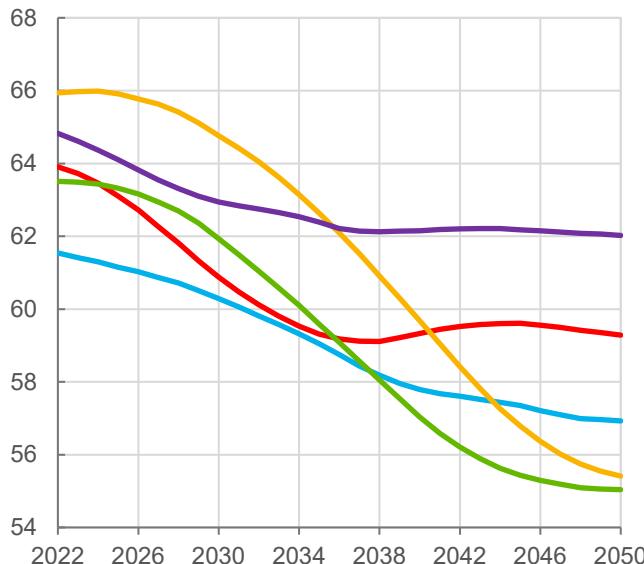
Sources: ECB calculations on Pitchbook data.

Latest observation: 2024.

Working-age population projections

(as % of total population)

Germany France Italy
Spain United States

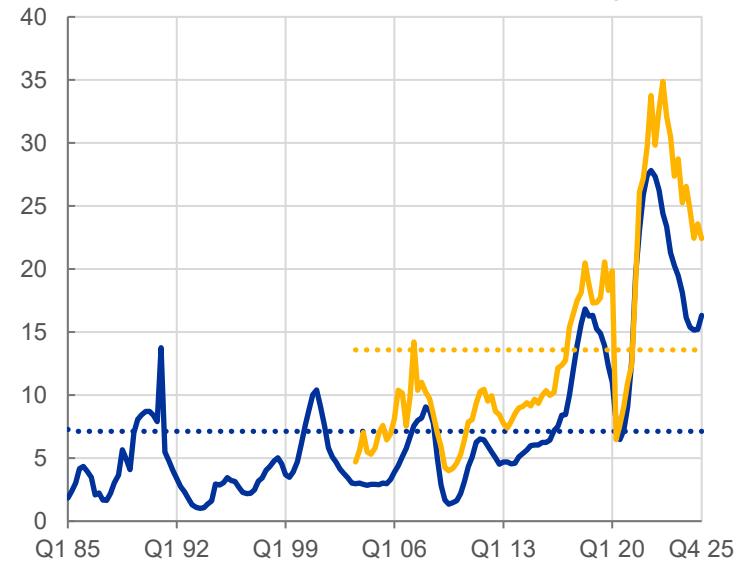


Sources: European Commission Europop 2023 and US Census Bureau.
Notes: Baseline scenario. Projections start in 2022.

Labour as factor limiting business

(survey replies, percentage balances)

Manufacturing Services
LT average LT average



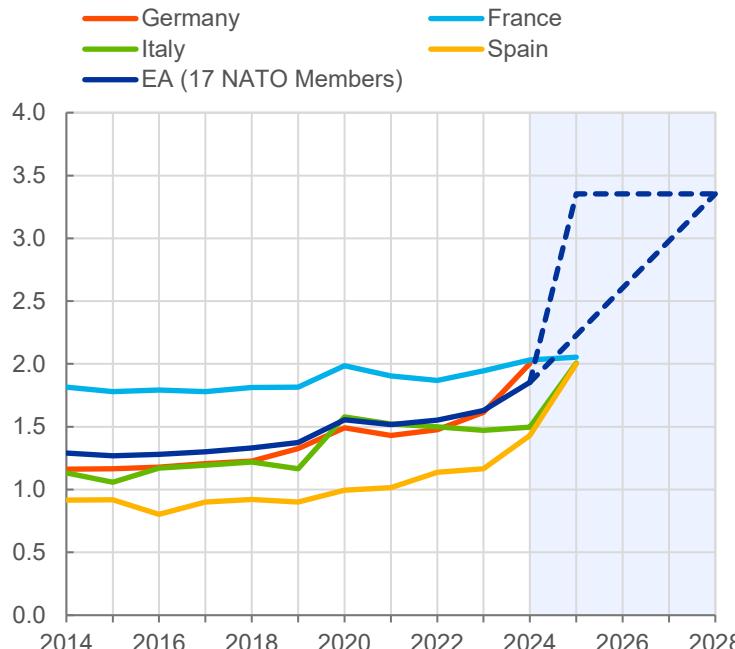
Sources: European Commission and ECB staff calculations.

Notes: The long-term (LT) average for the manufacturing sector is calculated on data between 1985 Q1 and 2025 Q4. The LT average for the services sector is calculated on data between 2003 Q3 and 2025 Q4.
Latest observation: 2025 Q4.

European strategic autonomy requires a step-up in defence and technology

Defence spending

(share of GDP)



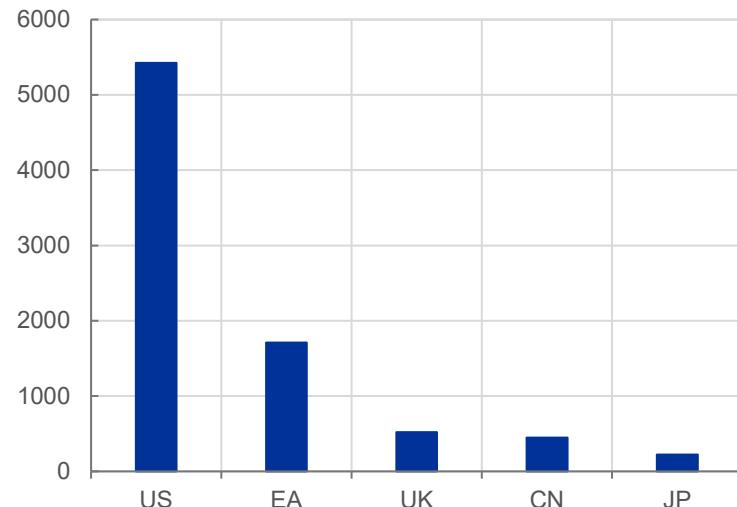
Source: NATO.

Notes: 2025-2028 shows the flexibility under an activated national escape clause, which is 1.5% of GDP; if a Member State requests activation, the time profile of the increase of up to 1.5% of GDP is flexible over the four years. EA aggregate does not include the four non-NATO euro area Member States AT, CY, IE and MT.

Latest observation: preliminary 2025 data for France, Italy and Spain, 2024 for the rest.

Data centres

(number)

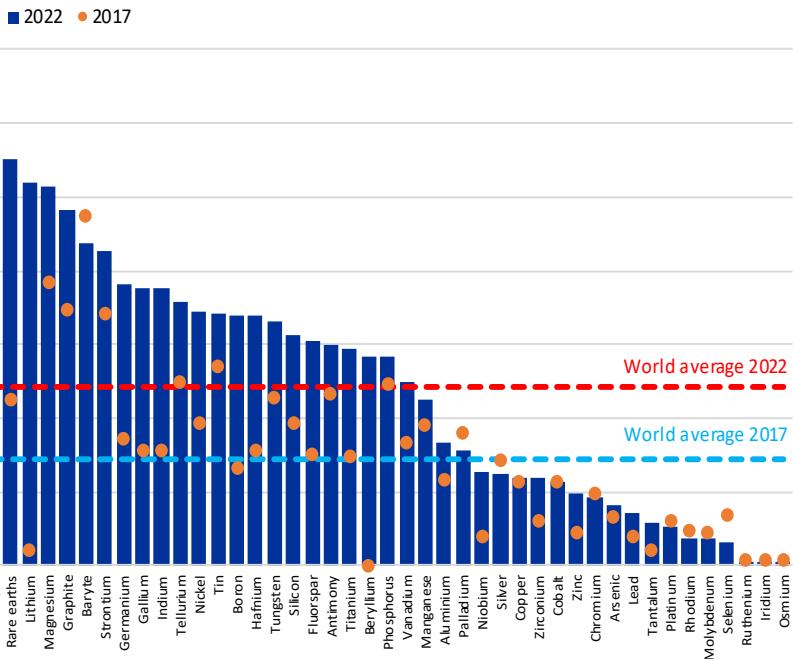


Source: Statista.

Notes: Euro area includes data centres in DE, FR, NL, IT, ES, BE, AU, IE, FN. Latest observation: 2025.

Firms must de-risk to escape weaponisation of critical raw materials

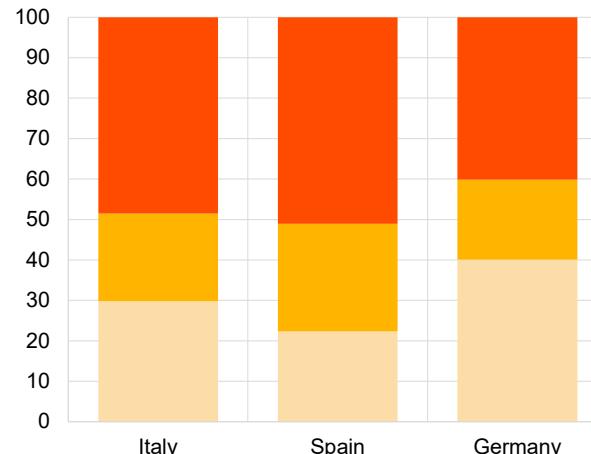
Critical raw materials subject to export restrictions (% of exports)



Source: EBRD Transition Report 2023-24.

Actions taken to reduce exposure to China (percentage of firms relying on critical Chinese inputs)

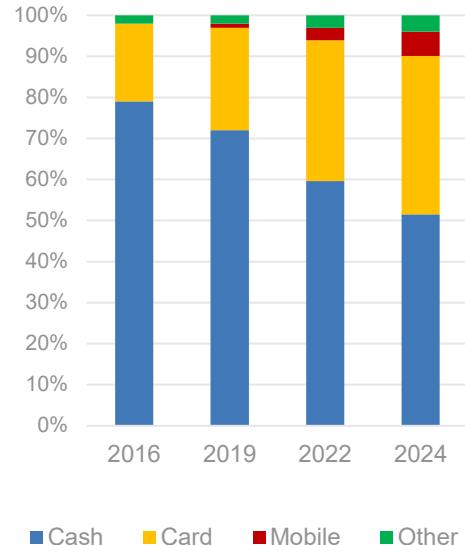
De-risking action
Considering de-risking action
No de-risking on the way



Sources: Banca d'Italia, Deutsche Bundesbank and Banco de España.
Manufacturing firms only. See Balteanu et al. (2024) and Bottone et al. (2024).

Digital € as public anchor, preserving sovereignty and reducing fragmentation

Share of payment instruments in shops (percent of number of payments)

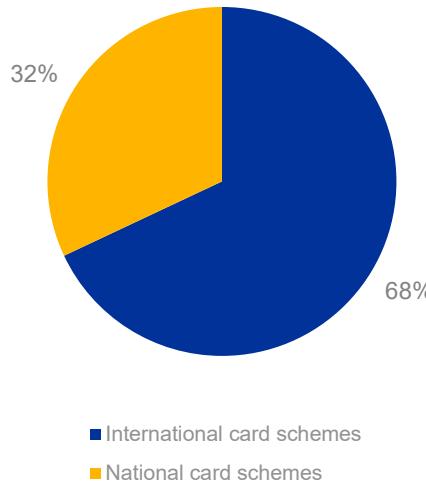


Source: Study on the payment attitudes of consumers in the euro area (SPACE), ECB, December 2024.

Notes: Shares are presented as a proportion of all day-to-day payments in the euro area, in number terms. In the questionnaire, mobile payments are defined as payments made with a mobile phone, smartwatch or fitness armband, or another smart device.

Latest observation: 2024.

Role of international card schemes in card transactions (percent)

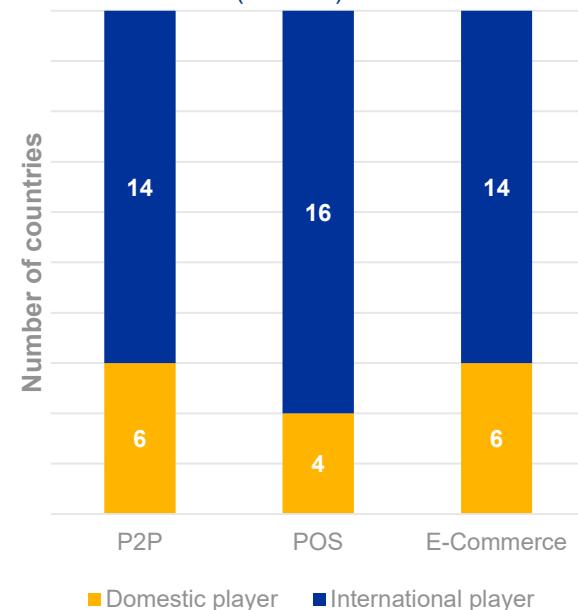


Source: ECB.

Notes: Share of international card schemes by volume in total electronically initiated card payments with cards issued in the euro area and transactions acquired worldwide, i.e. in any non-euro area country.

Latest observation: 2024.

Market leadership in payment options across euro area countries (number)



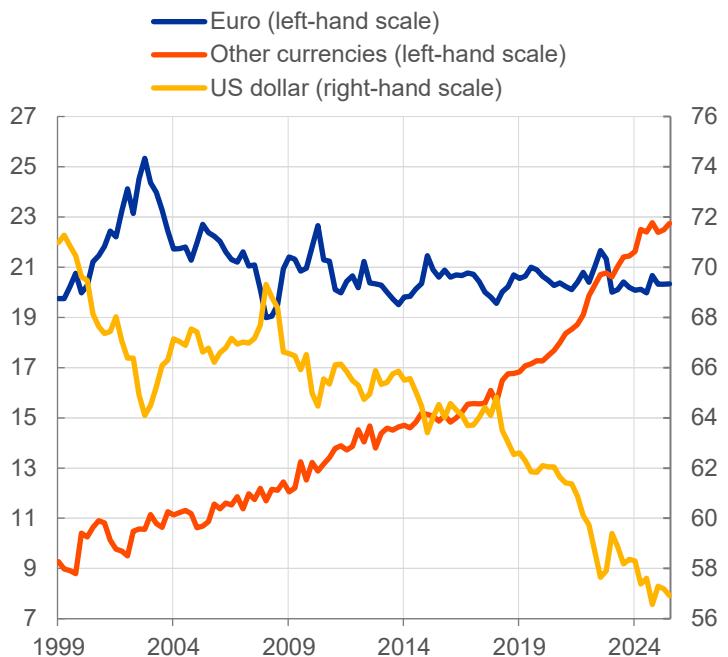
Sources: ECB based on ECB SPACE report; Euromonitor; Global Payments Report (FIS Worldpay); Key players in the EU payments landscape (The Payments Association EU).

Notes: "P2P" refers to alias-based P2P payments, which are not available everywhere.

Latest observation: November 2025.

Share in global foreign exchange reserves

(percentages; at constant Q3 2025 exchange rates)



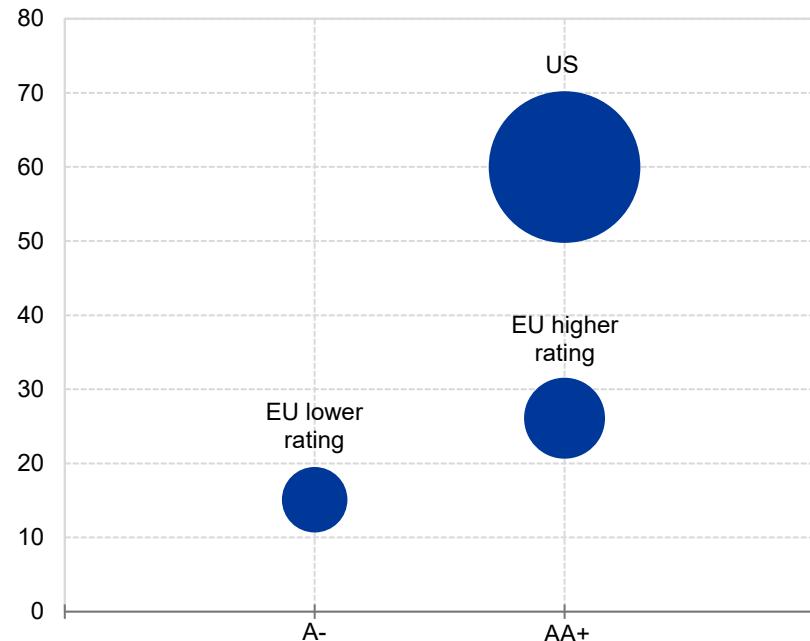
Source: IMF and ECB staff calculations.

Notes: other currencies include Pound sterling, Swiss franc, Japanese yen, Australian dollar, Canadian dollar, Chinese renminbi.

Latest observation: Q3 2025.

Government bond average issue size

(EUR billion)



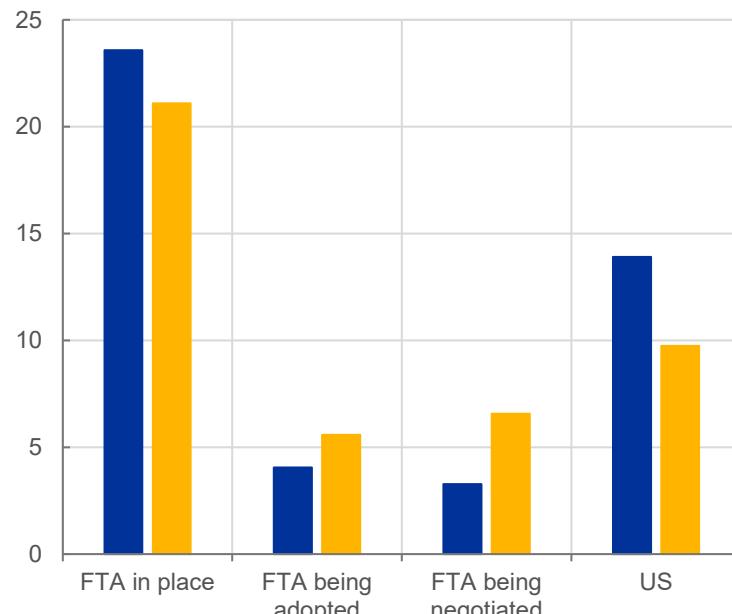
Source: Bloomberg, ECB calculations.

Notes: The chart shows the average issue size of Central Government bonds for EU and US (y-axis) with respective ratings (x-axis). The bubble area shows the bond market size. Green and inflation-linked bonds are excluded.

Latest observation: January 2026.

EU free trade agreements and their potential (percent)

■ Share of EA trade in 2024 ■ Share of world trade in 2030



- FTA being adopted with MERCOSUR, India and Indonesia
- FTA being negotiated with Australia, Malaysia, Philippines, Thailand and the UAE

Sources: European Commission, IMF WEO and Trade Data Monitor.

Notes: Trade includes exports and imports of goods. "FTA in place" includes Canada, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru, Japan, Mexico, New Zealand, Singapore, South Korea, UK, Vietnam, Switzerland, Albania, North Macedonia, Montenegro, Serbia, Bosnia and Herzegovina, Kosovo. "FTA being adopted" includes MERCOSUR, India and Indonesia. "FTA being negotiated" includes Australia, Malaysia, Philippines, Thailand and the UAE.



Thank you very much for your attention!