

Competitiveness for Sustainable Growth

Europe at a crossroad: from headwinds to action

Pierre Gramegna

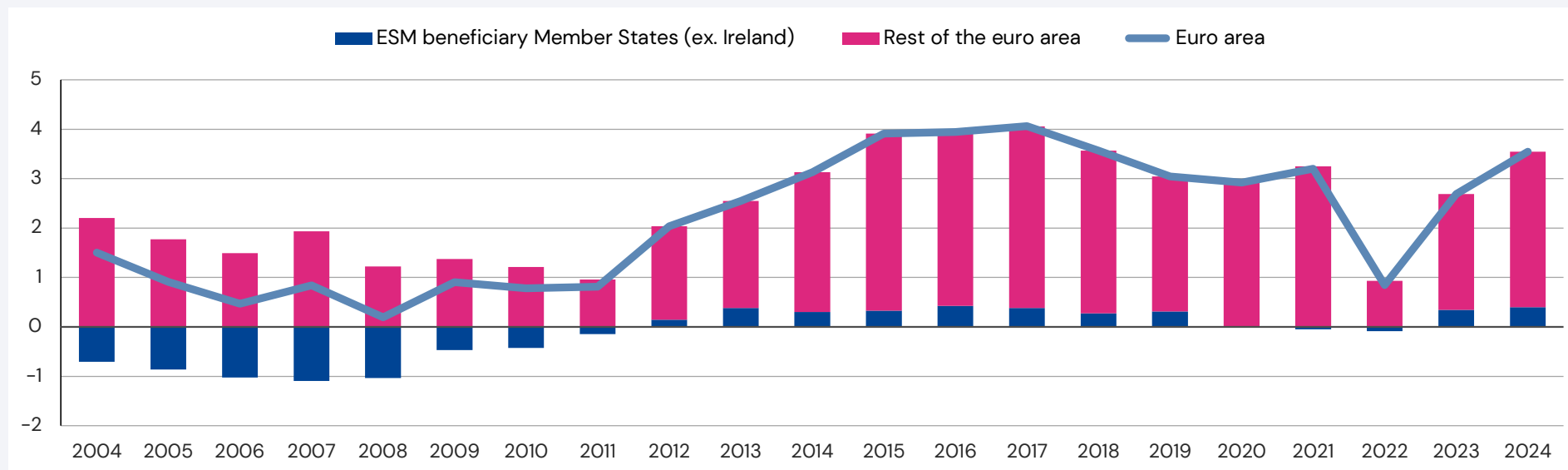
Informal meeting of economic and financial affairs ministers, 22 May 2026

European Stability Mechanism



Since the sovereign crisis, euro area external performance strengthened by reforms and global tailwinds

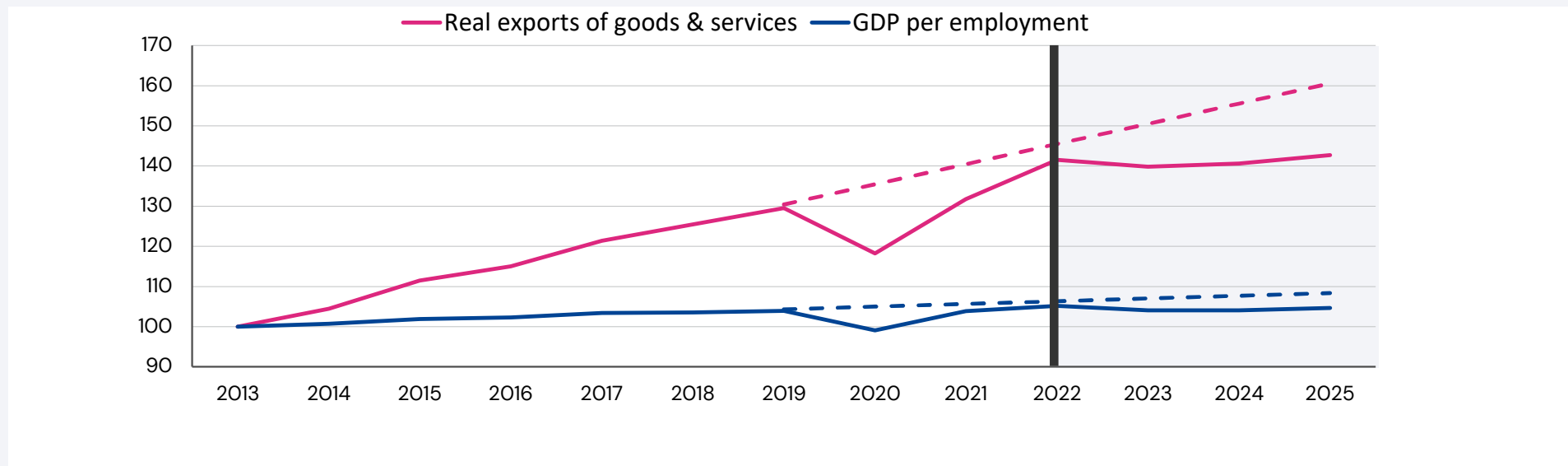
Trade balance of goods and services
(% of GDP)



Source: ESM calculations based on ECB and Eurostat

The post-2022 “wake up call”: Europe is falling behind

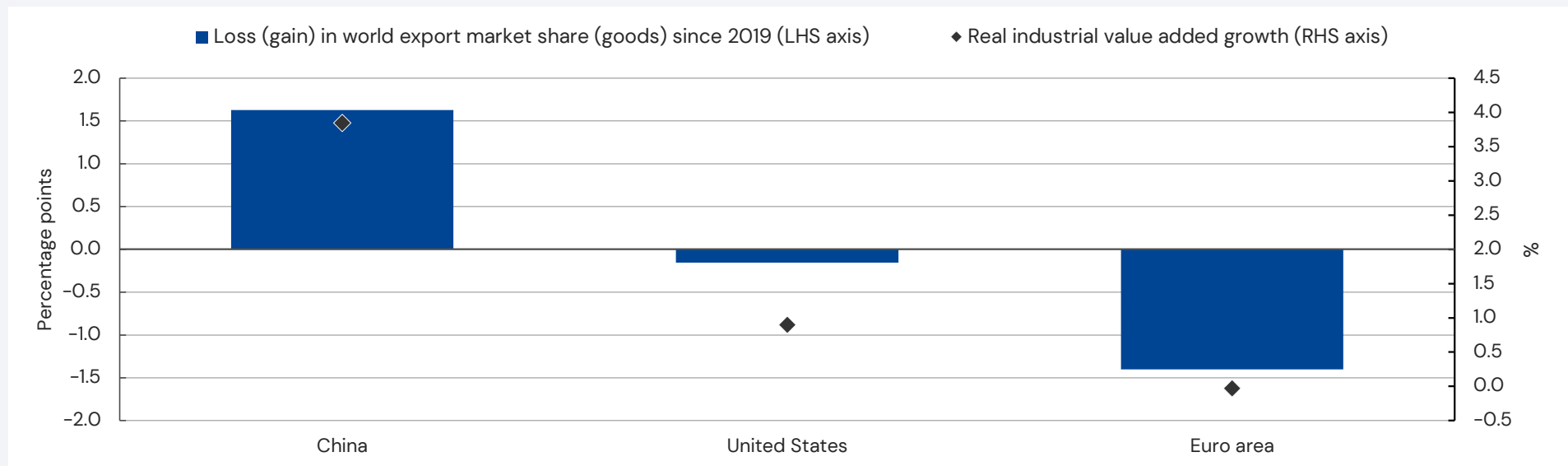
Euro area real exports and real GDP per employment (2013=100)



Source: ESM calculations based on European Commission
Note: Dashed line shows a linear trend estimated over 2013–2019.

The cost of inaction: erosion of competitiveness

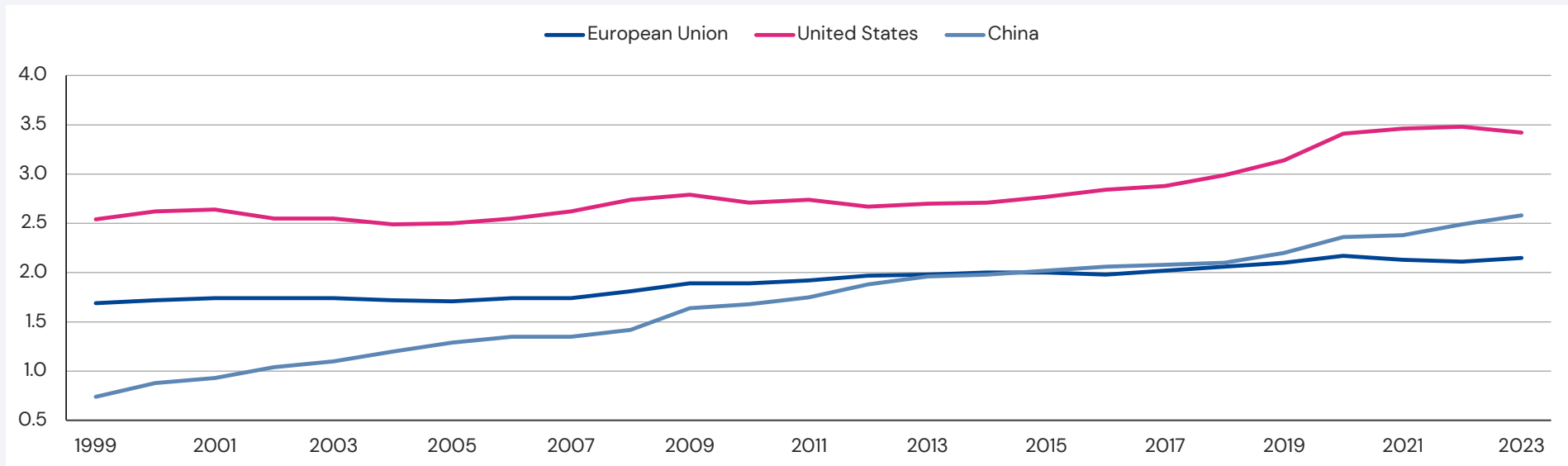
Gain (loss) in world export market share and industrial production since 2019



Source: ESM calculations based on Haver, China National Bureau of Statistics, Eurostat, US Bureau of Economic Analysis and IMF

Closing the innovation gap: Europe saves, US innovates

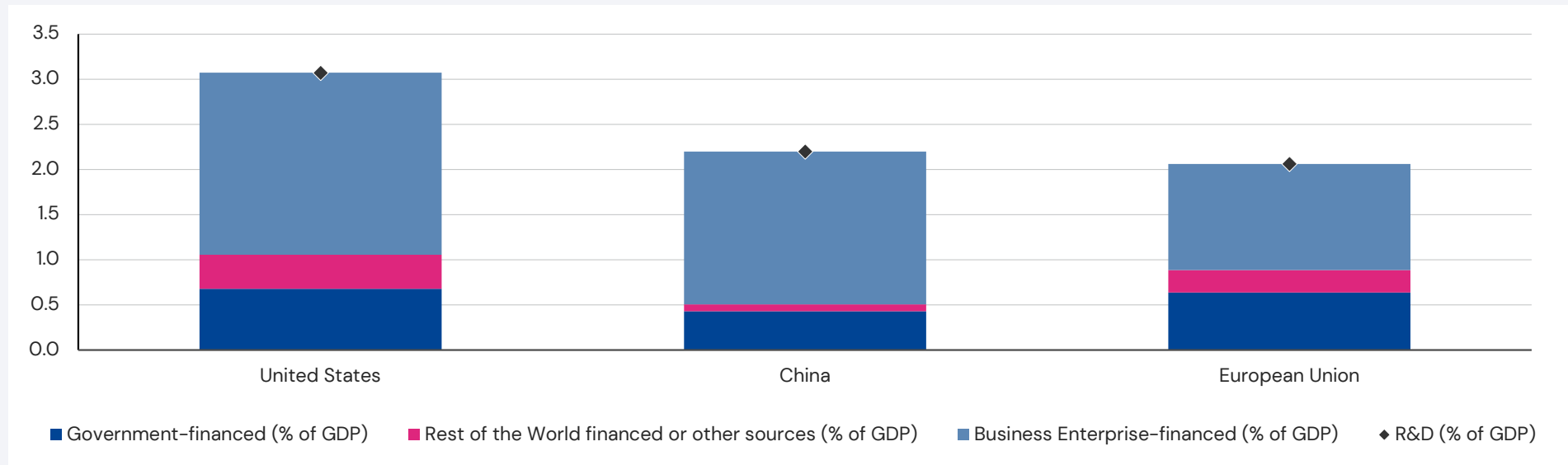
Total R&D spending
(% of GDP)



Source: ESM calculations based on OECD Science and Technology Indicators
Note: R&D spending is defined as Gross Domestic Expenditure on R&D.

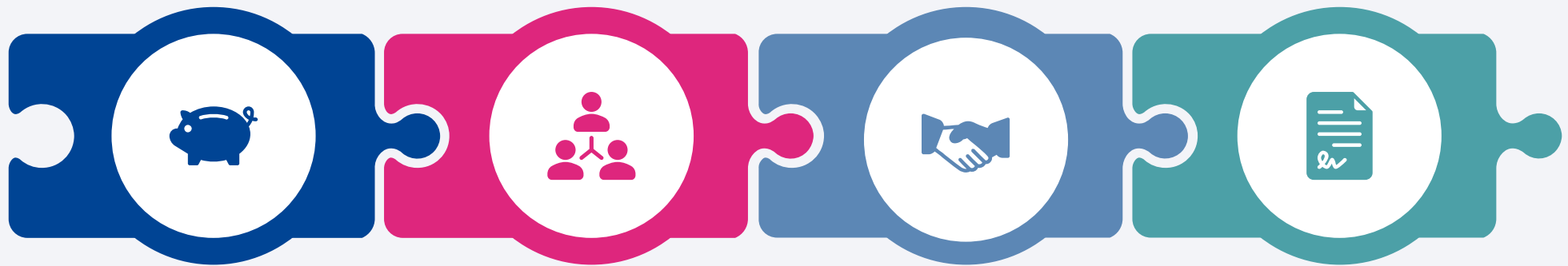
Financing R&D: similar public effort than peers, but more limited private engagement

Total R&D spending
(% of GDP, average 2013–2023)



Source: ESM calculations based on OECD Science and Technology Indicators
Note: R&D spending is defined as Gross Domestic Expenditure on R&D.

From headwinds to action: private capital to raise innovation and productivity



Savings and
Investments Union

Single Market

Business Environment

Digital and Green
Transitions

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