

# EUROPEAN PRODUCTIVITY CHALLENGES AND FINANCING SOLUTIONS

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European Stability Mechanism



Keynote speech at Danmarks Nationalbank Risk Capital Symposium

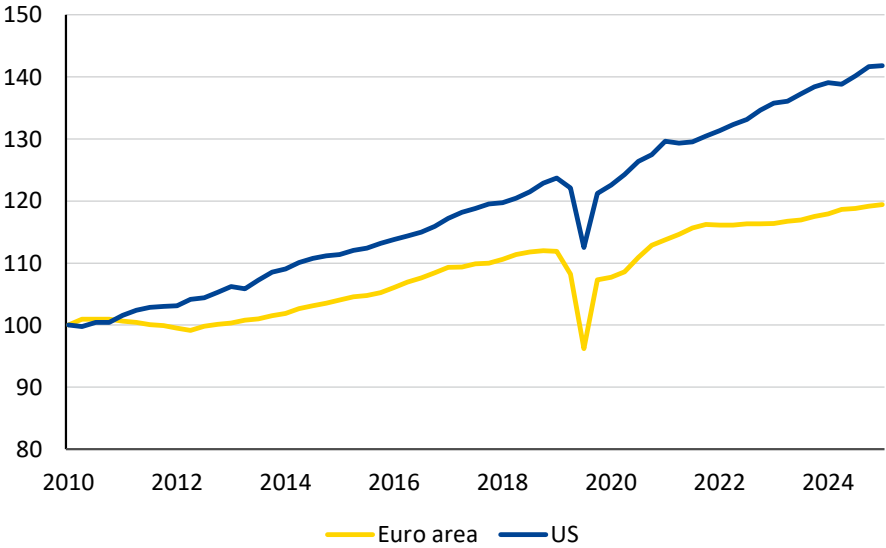
Rolf Strauch, ESM Chief Economist and Management Board Member

Copenhagen, 21 May 2026



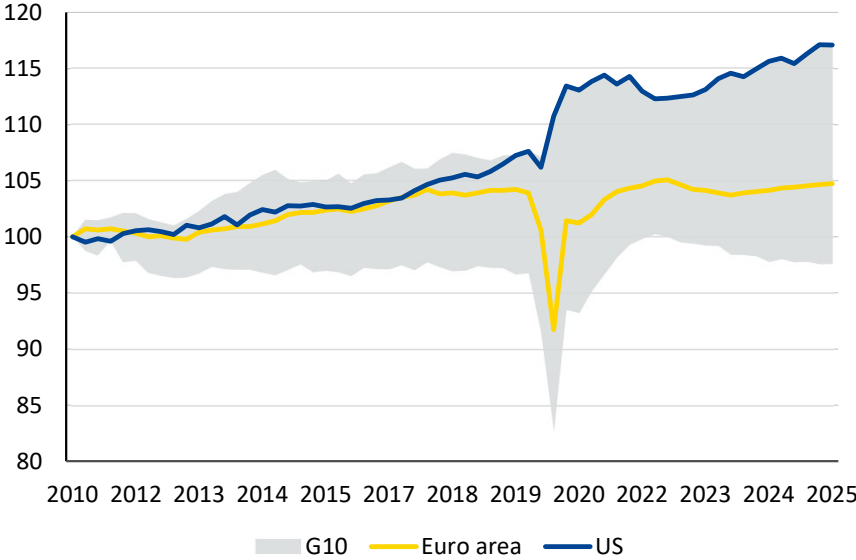
# EUROPE HAS UNDERPERFORMED THE US ...

### Real GDP (2010Q4=100)



Source: OECD

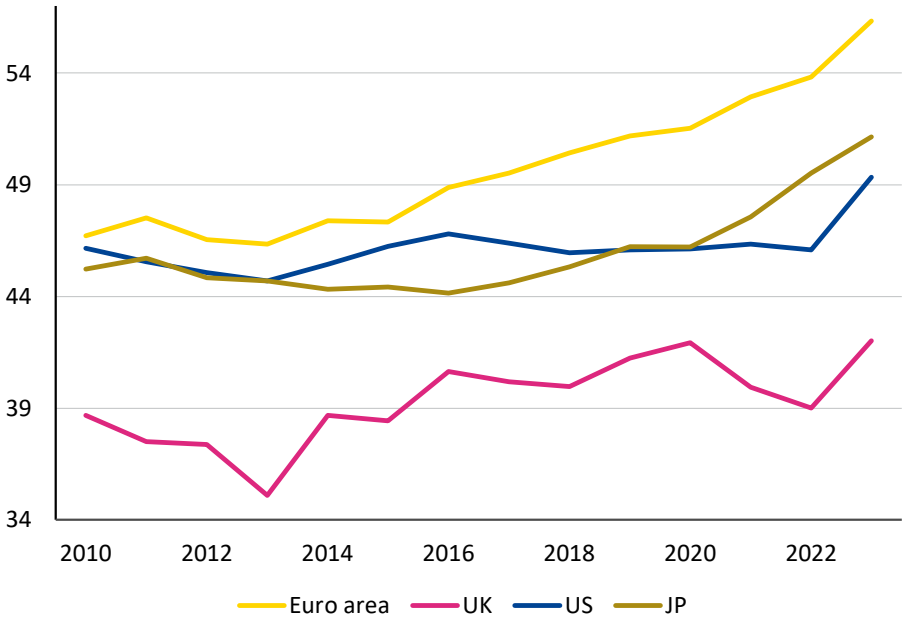
### Labor productivity of the total economy (2010Q4=100)



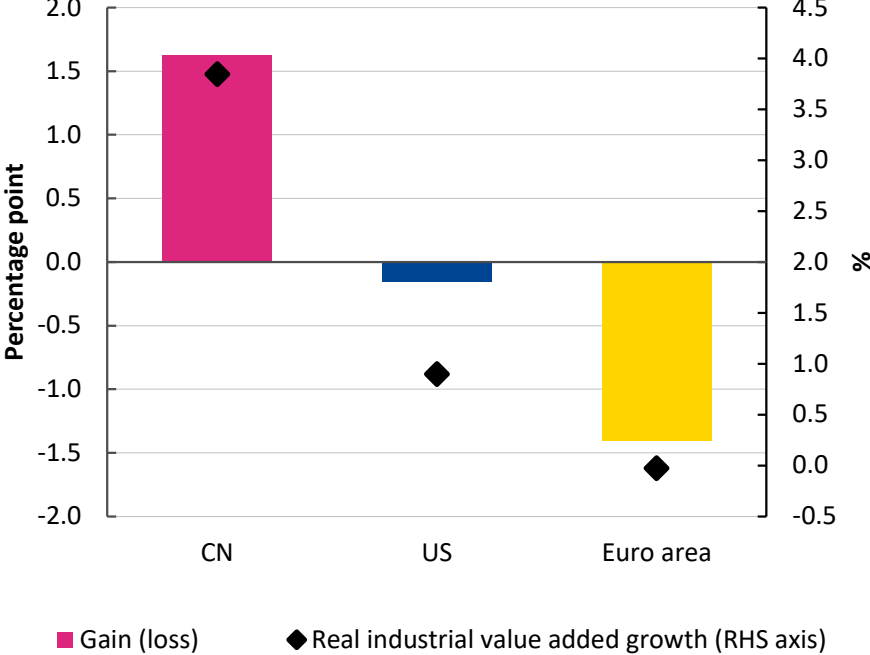
Note: G10 countries, including Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom, and the United States (excluding Switzerland), plus the euro area.  
Source: OECD

# ... WHILE COMPETITION FROM CHINA HAS INCREASED

### Export Similarity Index between China and advanced economies (%)



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



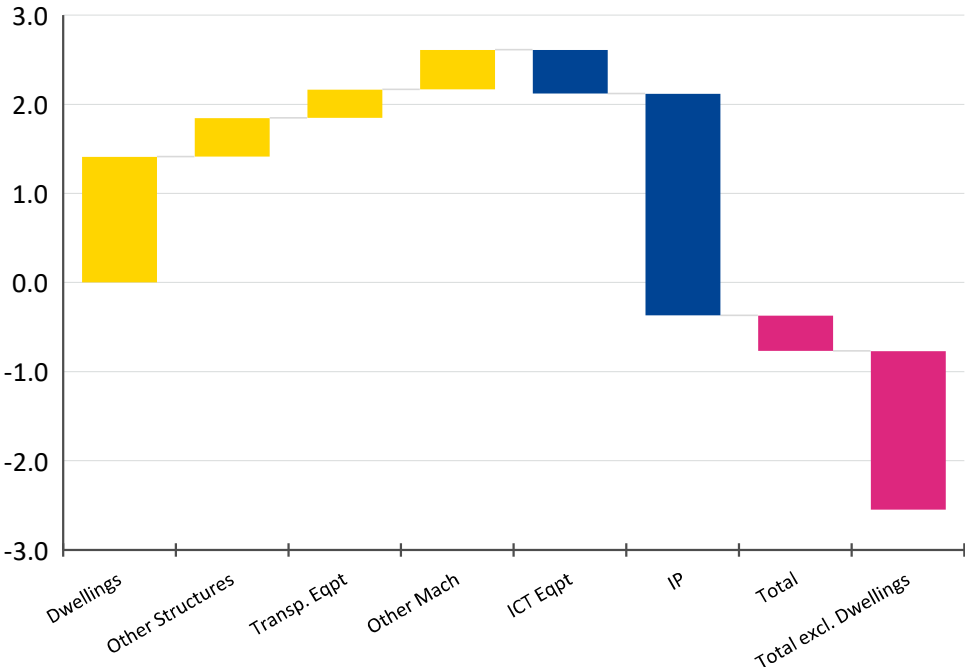
Note: data are the 3-digit level.  
Source: UN Comtrade

Source: Haver, China National Bureau of Statistics, Eurostat, US Bureau of Economic Analysis and IMF.



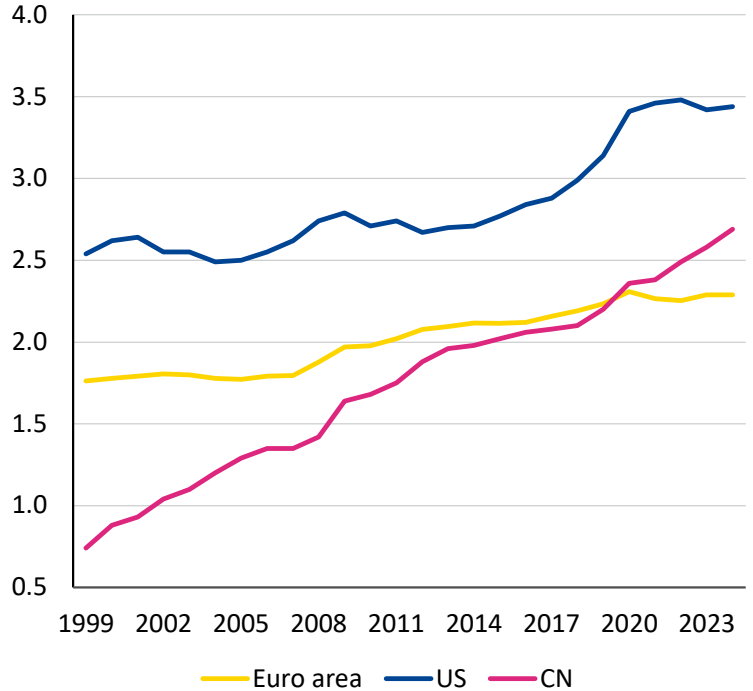
# THE REASON: UNDERINVESTMENT IN TECHNOLOGY AND R&D

### Decomposition of the euro area-US investment gap (percentage points, 2024)



Notes: decomposition of the gap in the investment share of GDP, by type of investment. yellow bars: euro area spends more than US, blue bars: euro area spends less than US, and pink bars: total.  
Source: OECD

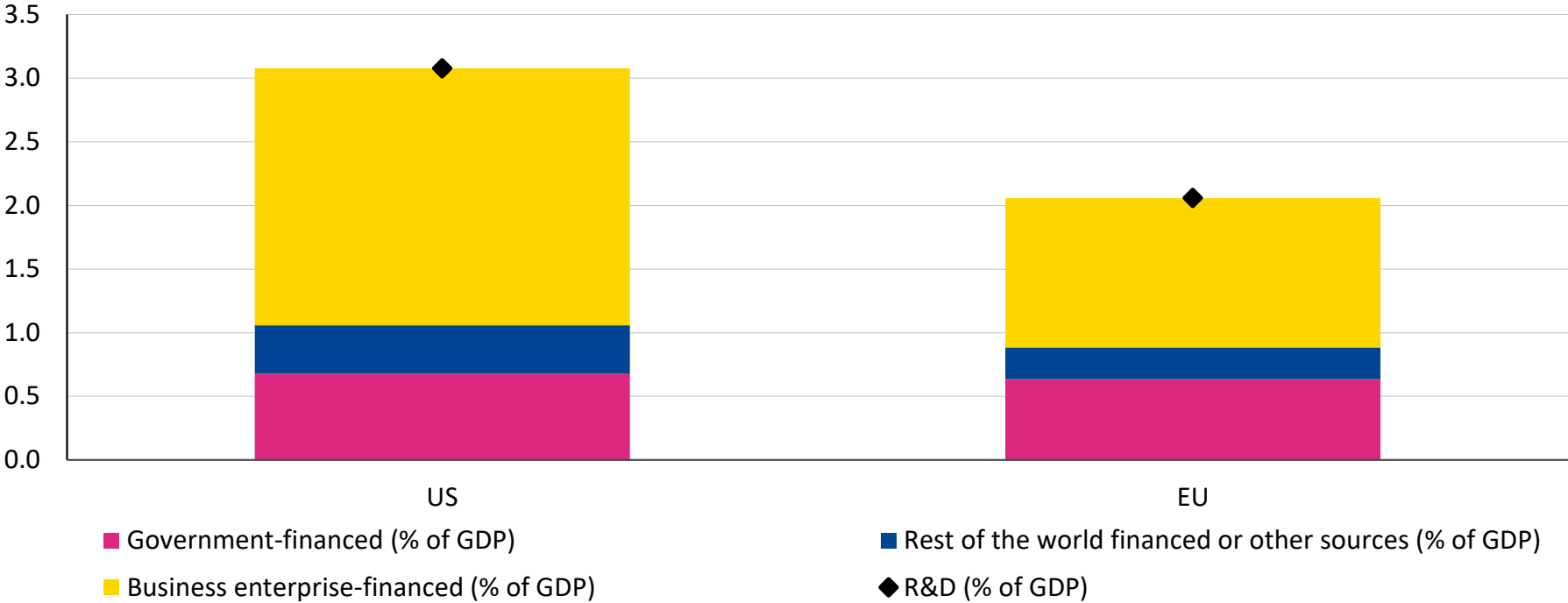
### R&D Spending (% of GDP)



Note: R&D spending is defined as Gross Domestic Expenditure on R&D.  
Source: Eurostat and OECD databases

# FINANCING R&D: GAP DRIVEN BY LOWER PRIVATE SECTOR INVESTMENTS

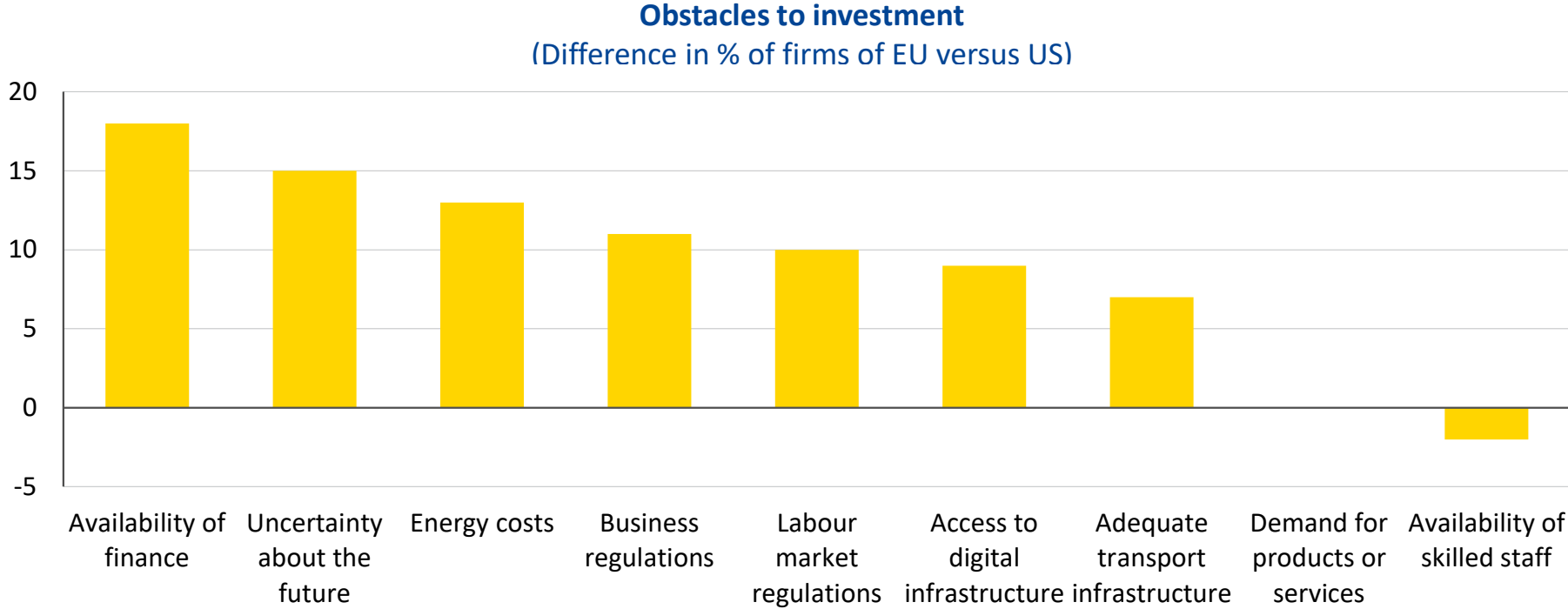
**Total R&D spending**  
(% of GDP, average 2013-2023)



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

# AVAILABILITY OF FINANCE SEEN AS A KEY INVESTMENT BARRIER

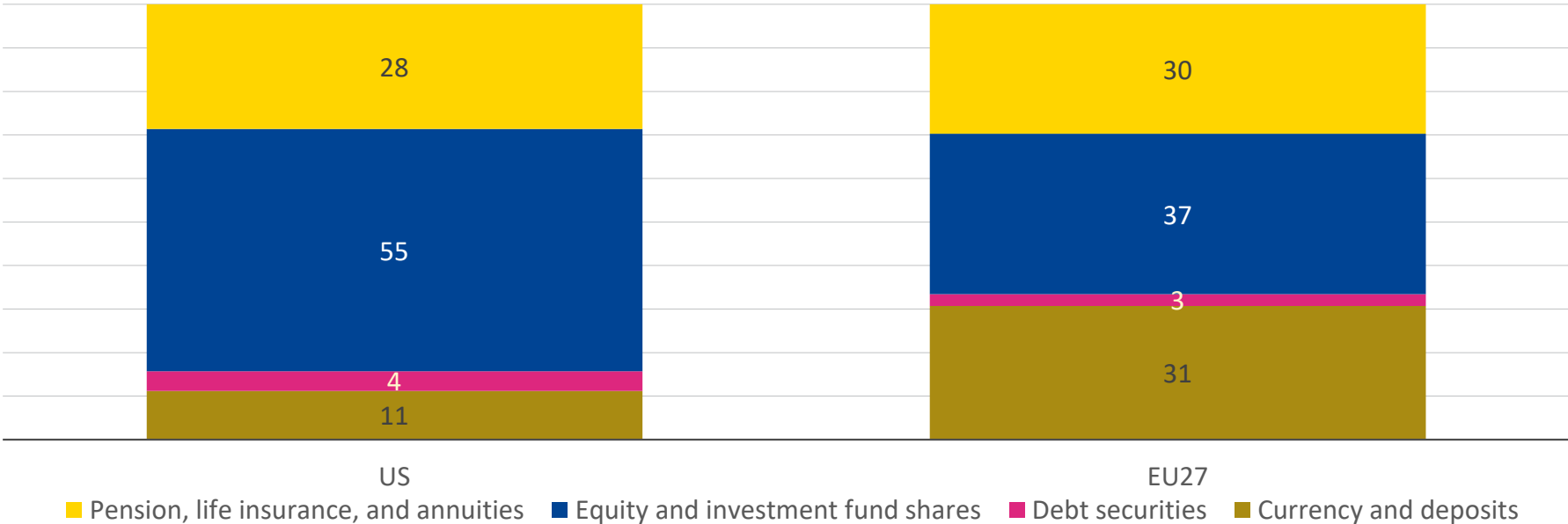
Among various investment barriers, the availability of finance and energy costs remain a major constraint for EU firms, higher than in the US.



Note: Data accounts only for responses to major and minor obstacles.  
Source: ESM calculations based on EIB Investment Survey 2025: European Union overview (2025)

# ... PARTLY DUE TO A BANK-CENTRIC MODEL OF FINANCIAL INTERMEDIATION AND PRUDENT SAVINGS ALLOCATION

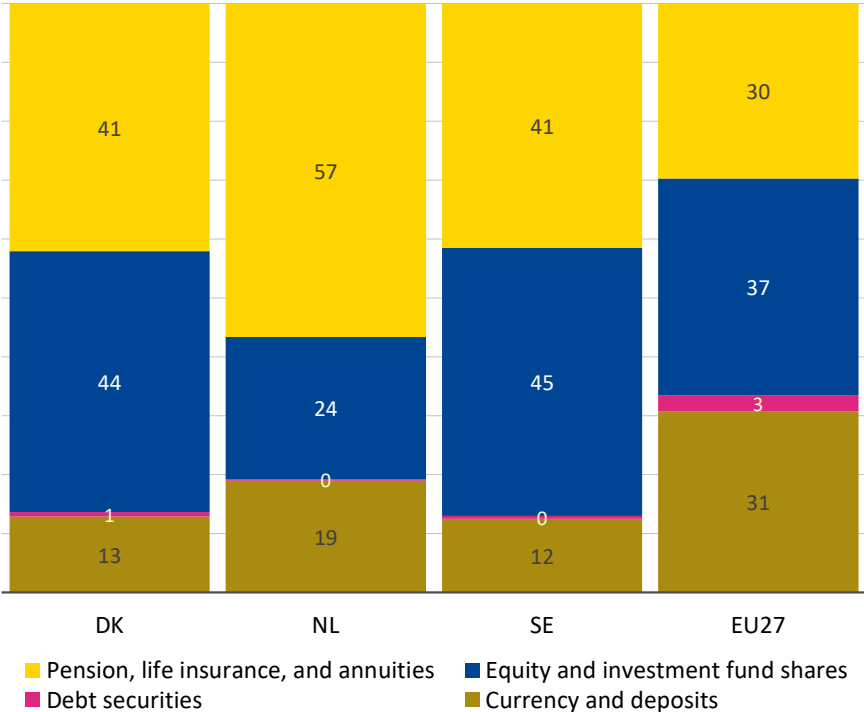
**Household savings allocation**  
(% of total financial assets, 2024)



Sources: Eurostat and US Federal Reserve

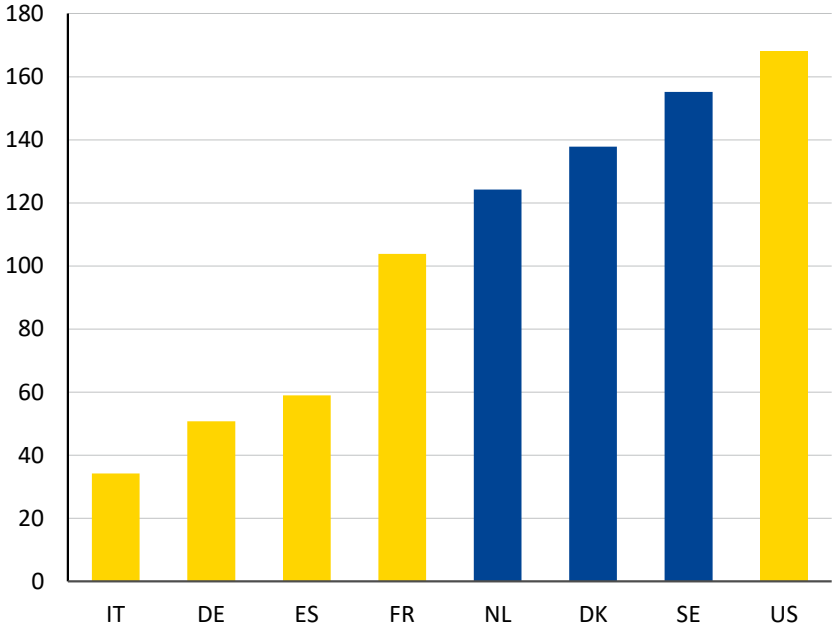
# THE GOOD NEWS: WE HAVE EXAMPLES OF WELL-FUNCTIONING CAPITAL MARKETS DRIVEN BY BROAD RETAIL PARTICIPATION ...

### Household savings allocation (% of total financial assets, 2024)



Source: Eurostat

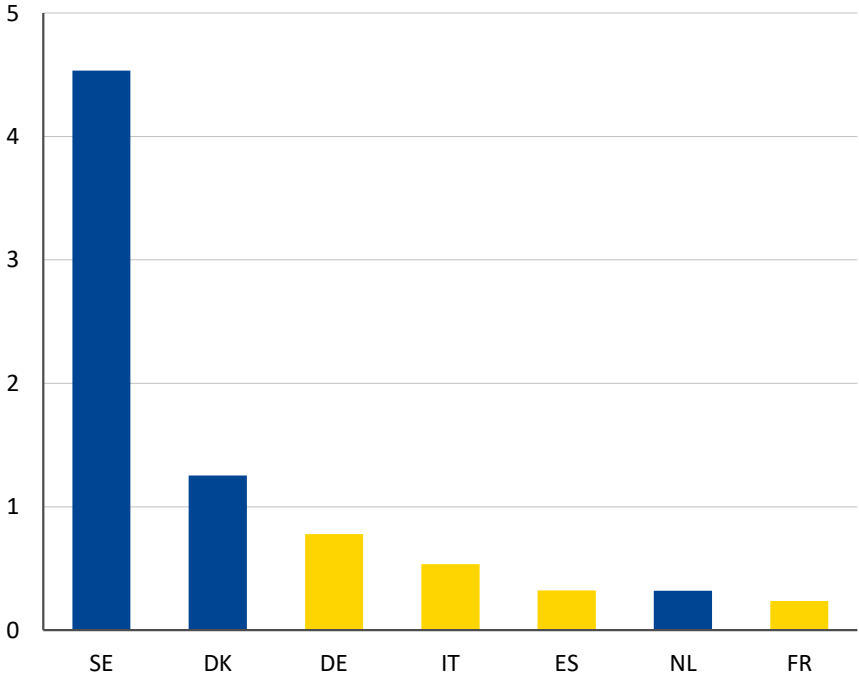
### Stock market capitalisation (% of GDP, average 2014-2024)



Note: average for IT is 2014-2022.  
Source: World Bank and CEIC

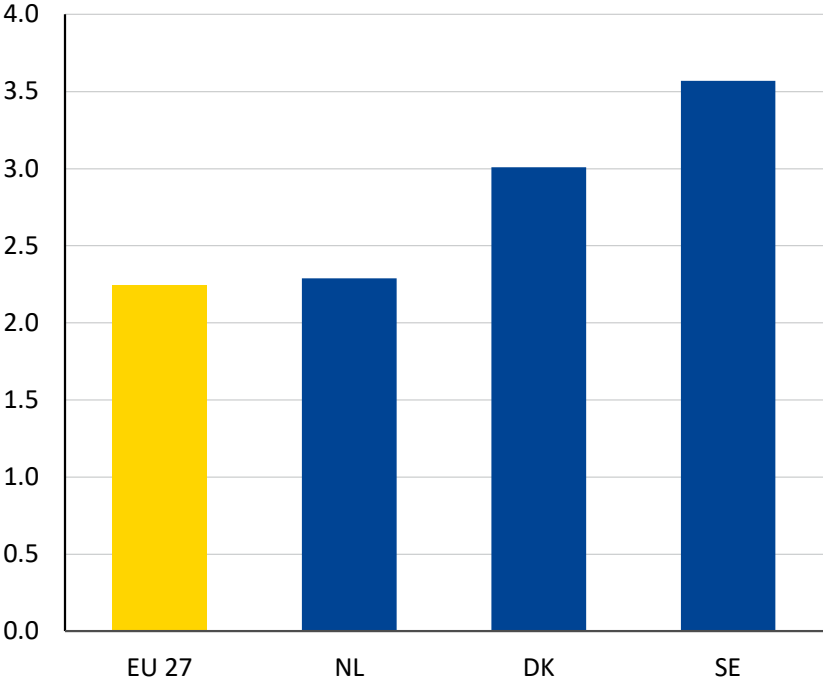
# ... WITH STRONG IPO ACTIVITY SUPPORTING R&D INVESTMENT

### Annual IPOs per million inhabitants (average, 2020-2024)



Source: FESE and Haver Analytics

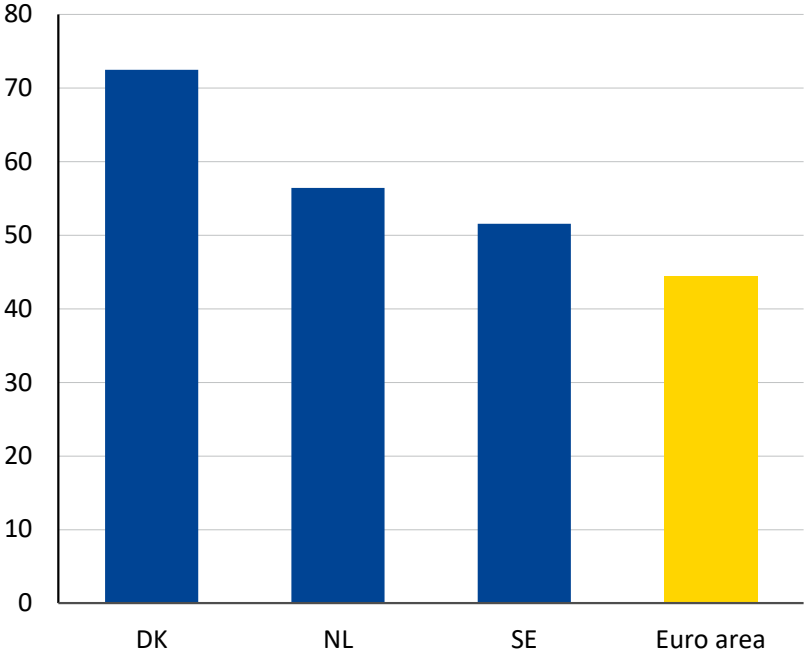
### R&D investment (% of GDP, 2024)



Source: Eurostat

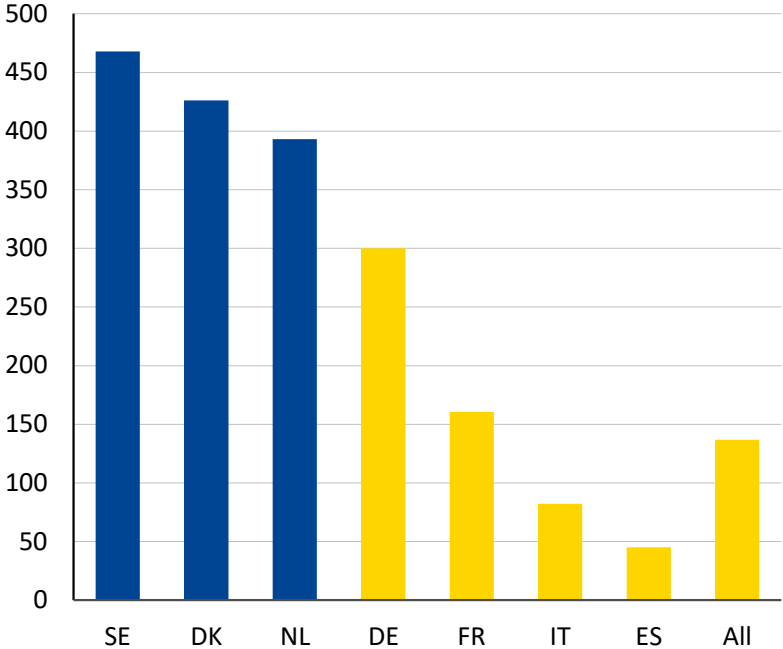
# ... HELPING TO BOOST INNOVATION AND PRODUCTIVITY

### Labour productivity (EUR per hours worked, 2025)



Source: European Commission

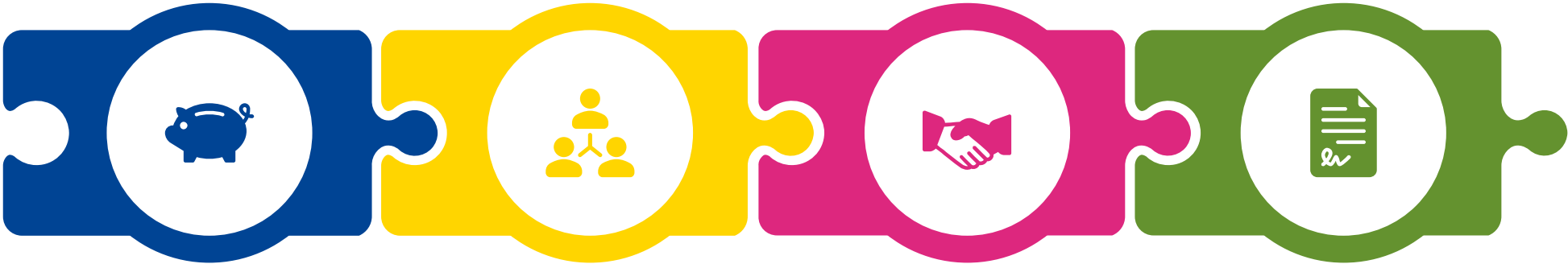
### Annual patents granted per million inhabitants (2024)



Source: European Patent Office

# FROM HEADWINDS TO ACTION: PRIVATE CAPITAL TO RAISE INNOVATION AND PRODUCTIVITY

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**Savings and Investments Union**

**Single market**

**Business environment Digital and green transitions**



# CONTACT

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