EUROPEAN CENTRAL BANK

EUROSYSTEM

How to foster growth and resilience in Europe

Isabel Schnabel

Member of the Executive Board of the ECB

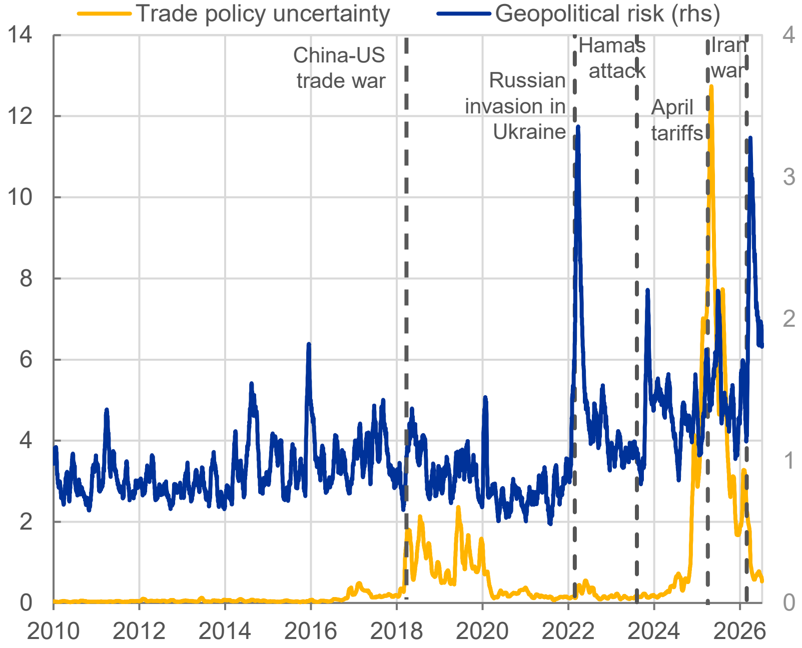
Jahreswirtschaftsempfang NRW 2026

Münster, 13 July 2026

Challenge 1: Geopolitical shifts threaten competitiveness

Geopolitical risk and trade policy uncertainty

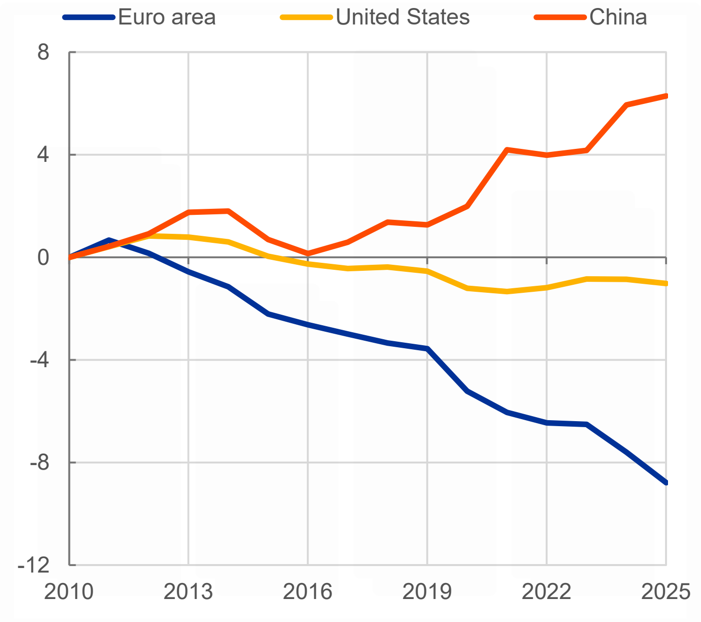
(indices)



Sources: Bloomberg and ECB staff calculations.
Notes: Yellow line denotes the 30-day moving average of the trade policy uncertainty index, whereas the blue line represents the 30-day moving average of the global geopolitical risk index. China-US trade war refers to 2 April 2018, Russian invasion refers to 22 February 2022, Hamas attack refers to 7 October 2023, April tariffs refers to 2 April 2025; Iran war refers to 27 February 2026.
Latest observation: 5 July 2026.

Global export market shares

(non-energy goods volumes, percentage point change since 2010)



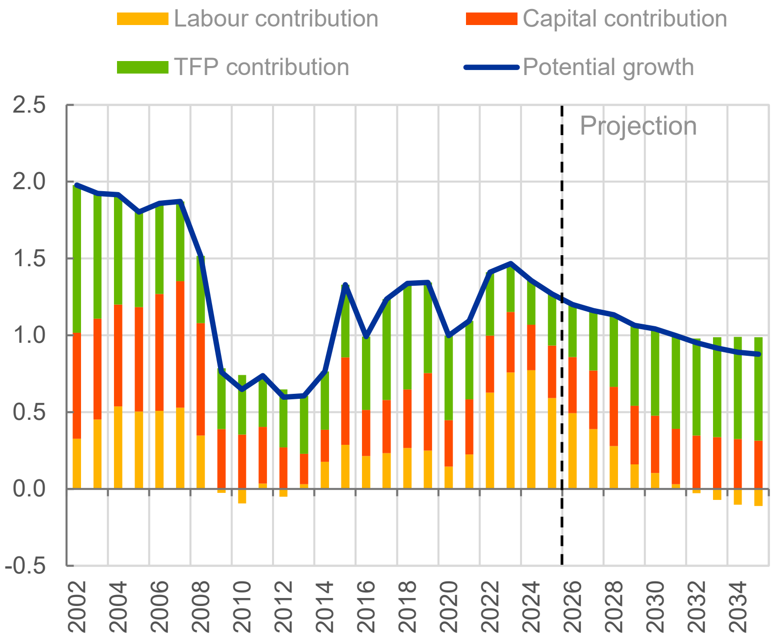
Sources: CPB, TDM and ECB staff calculations.
Notes: Long-run trends in export market shares in volume terms should be interpreted with caution. Euro area export volumes and world import volumes are not fully consistent, as each statistical office employs specific methodologies for deflating and outlier cleaning. Methodologies may differ in terms of outlier detection, replacement and quality adjustment. Based on this, volumes (excluding energy) series used to compute export market shares shown are calculated by taking 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: 2025.

www.ecb.europa.eu©

Challenge 2: Demographic ageing and climate change dampen growth

Potential GDP growth in the euro area

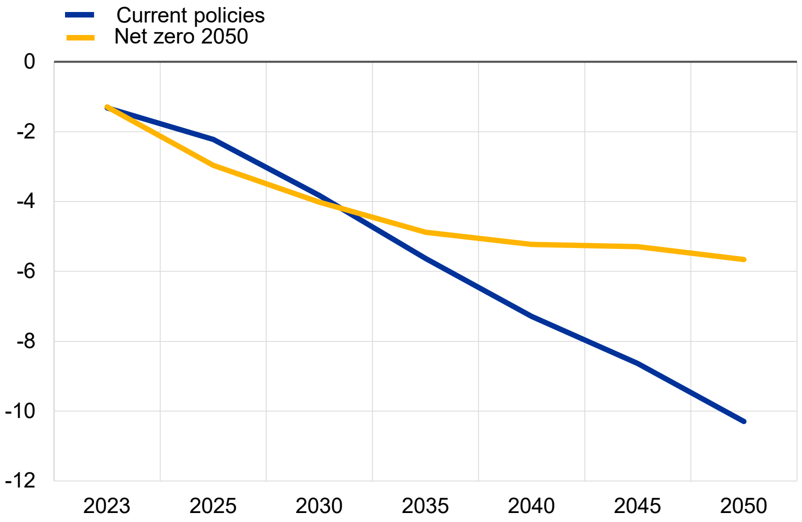
(annual change in % and percentage point contributions)



Source: European Commission Spring 2026 Forecast.
Notes: The projections start in 2026, with a cut-off date of April 2026.

Global GDP losses due to climate change

(% of global GDP)

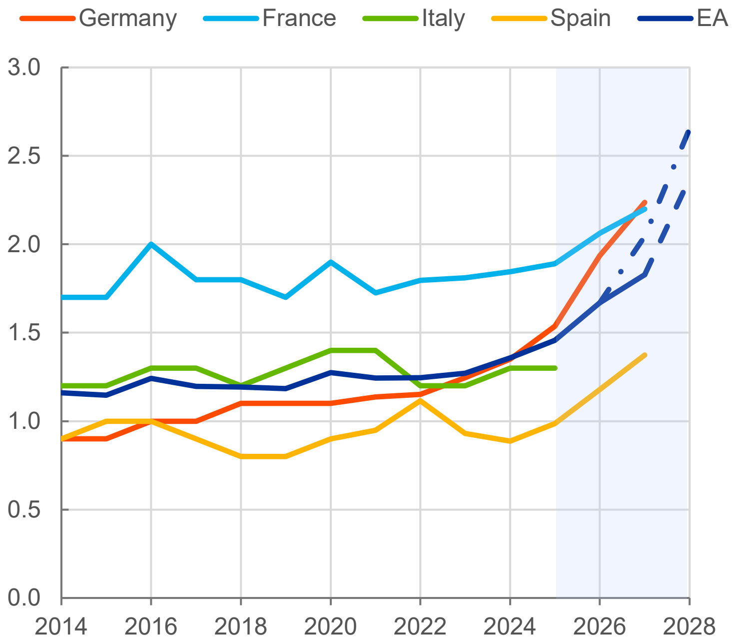


Sources: IIASA NGFS Climate Scenarios Database, NiGEM model with REMIND inputs (Phase V publication).
Notes: The chart shows NGFS long-term scenarios. The euro area is most likely to be hit less severely than the global average, which is mainly since its national climate action plans are slightly more ambitious than most of the other countries, thus the additional transition risk weighs less strongly.

Challenge 3: Fiscal sustainability requires higher potential growth

Defence spending

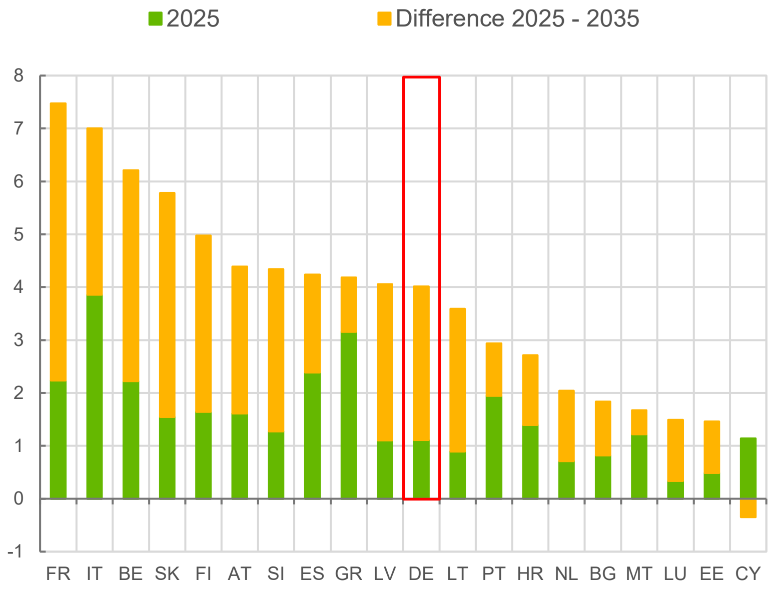
(% of GDP)



Sources: COFOG, European Commission Spring 2026 Forecast and ECB staff calculations.
Notes: The dashed line represents the flexibility allowed under an activated national escape clause (NEC), equivalent to 1.5% of GDP. This flexibility can be applied if a Member State requests activation, based on their selected base year, and is added to the 2027 spending path for 2028. For most of the 14 countries using the NEC, 2021 serves as the base year, while ES, BG and GR use 2024. The dotted line assumes that all EA countries activate their NEC in 2026 and increase spending linearly until 2028. The shaded blue area marks the projection period.
Latest observation: Preliminary 2027 data is available for all countries except IE, IT, CY, LV, LT and MT. Data through 2025 is available for all euro area countries.

Government interest expenditures

(% of GDP)



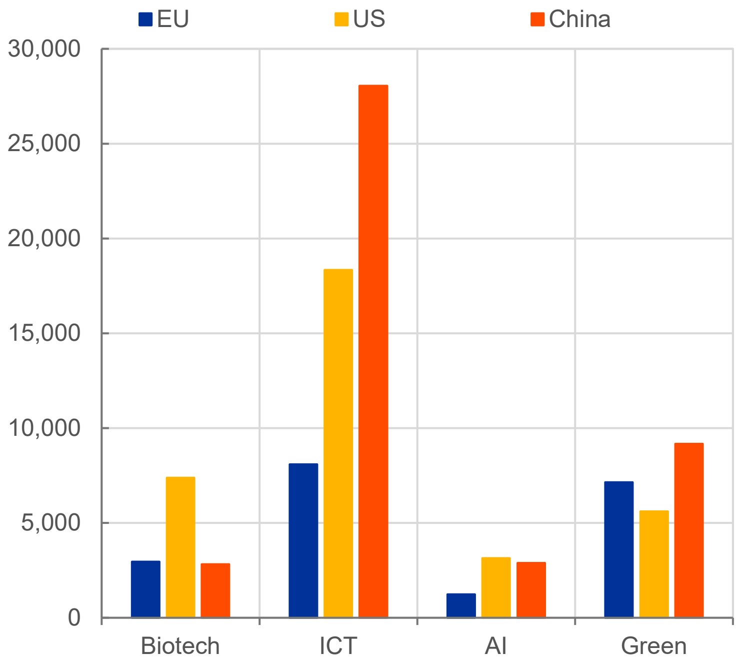
Source: ESCB DSA based on European Commission Spring 2026 Forecast.
Notes: The figures refer to a hypothetical *no fiscal policy change* scenario, where the structural primary fiscal balance (i.e. excluding the cyclical impact of macroeconomic developments) remains constant at 2025 level except for the expected change in ageing cost.

www.ecb.europa.eu©

Challenge 4: Europe is falling behind on patents and venture capital investment

Patents by technology

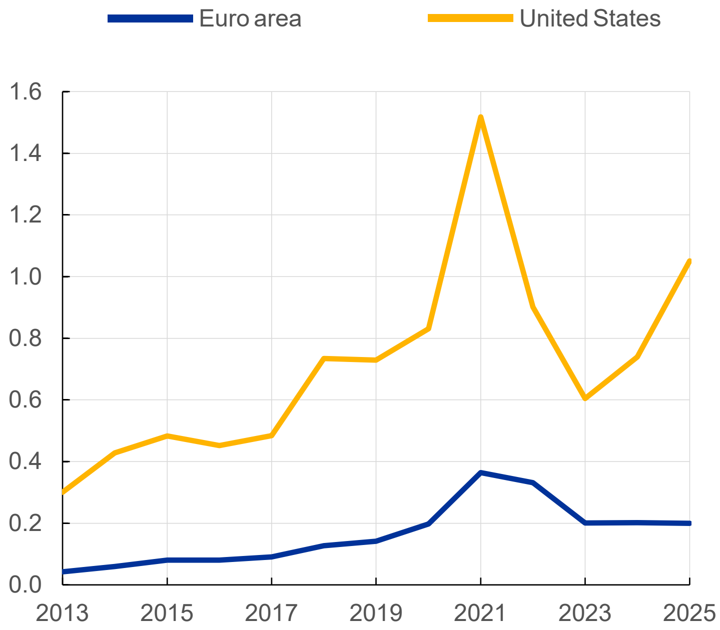
(number of patent applications in 2021)



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

Venture capital investment

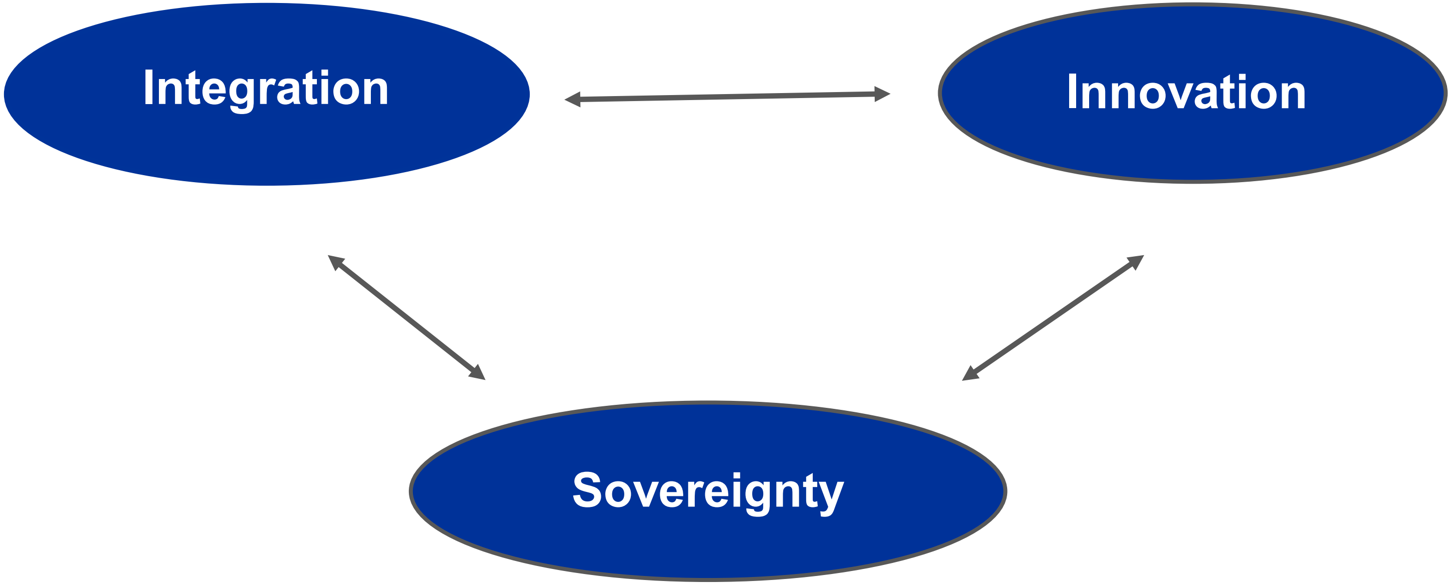
(% of GDP)



Source: ECB calculations based on Pitchbook data.
Latest observation: 2025.

www.ecb.europa.eu©

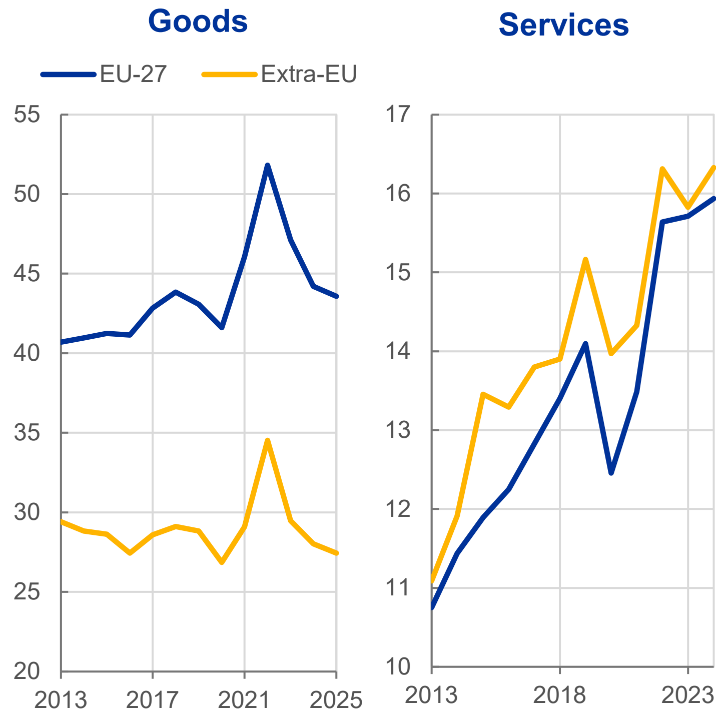
Key pillars of reviving growth in Europe are closely intertwined



www.ecb.europa.eu ©

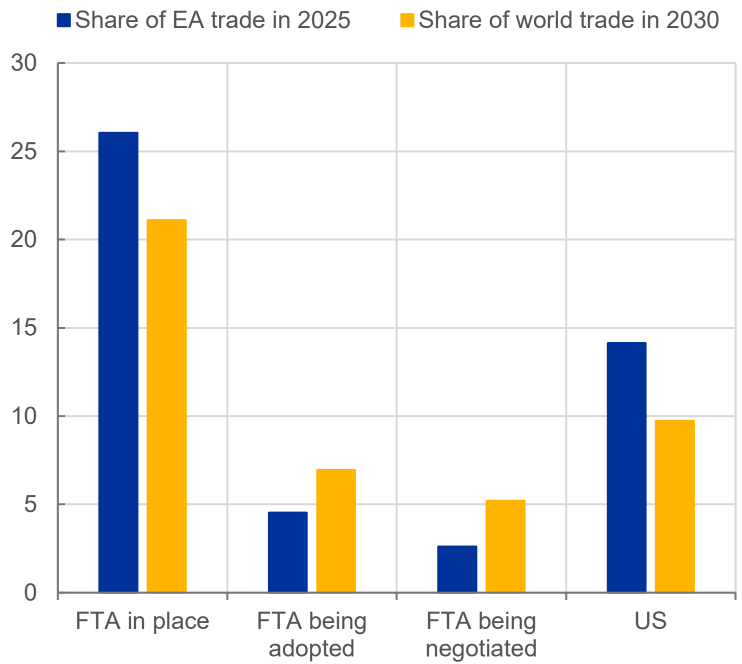
Integration: Reducing internal and external trade barriers carries great potential

Intra-EU and extra-EU trade
(% of GDP)



Source: Eurostat
Latest observation: 2025 for goods, 2024 for services.

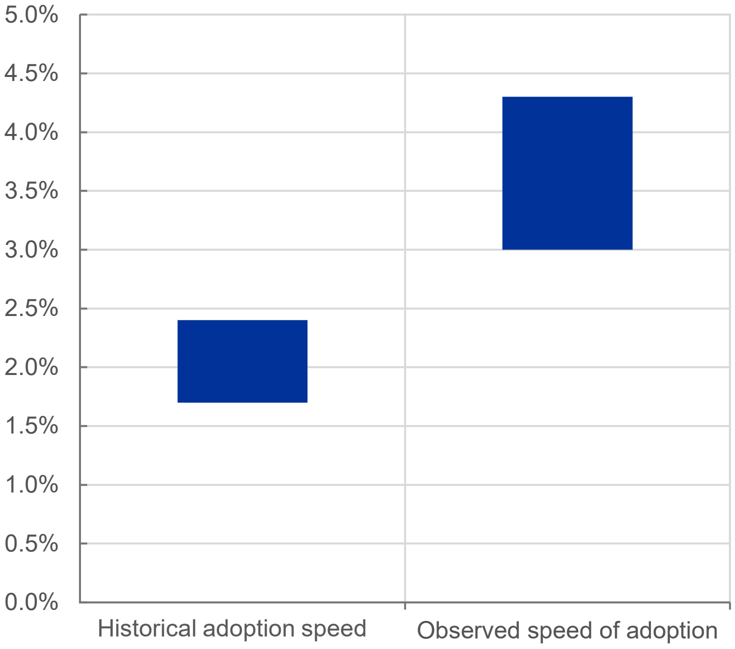
EU free trade agreements and share of trade
(percent)



Sources: European Commission , IMF WEO and Trade Data Monitor.
Notes: Trade includes exports and imports of goods. “FTA in place” includes Albania, Andorra, Bosnia and Herzegovina, Canada, Switzerland, Chile, Colombia, Costa Rica, Ecuador, United Kingdom, Georgia, Guatemala, Honduras, Iceland, Japan, South Korea, Moldova, Mexico, North Macedonia, Montenegro, Nicaragua, Norway, New Zealand, Panama, Peru, Singapore, El Salvador, Serbia, Turkey, Ukraine, Vietnam and Kosovo. “FTA being adopted” includes Australia, MERCOSUR, India and Indonesia. “FTA being negotiated” includes Malaysia, Philippines, Thailand and the UAE.

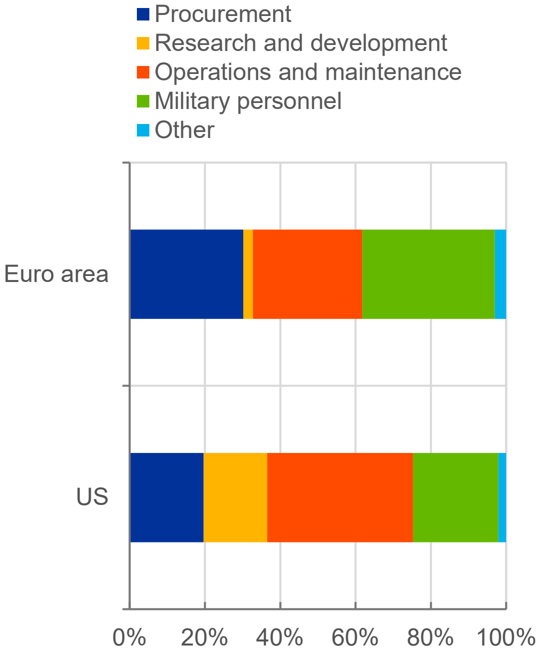
Innovation: AI adoption and R&D spending in defence can raise productivity growth

TFP impact of AI
(increase in % over 10 years)



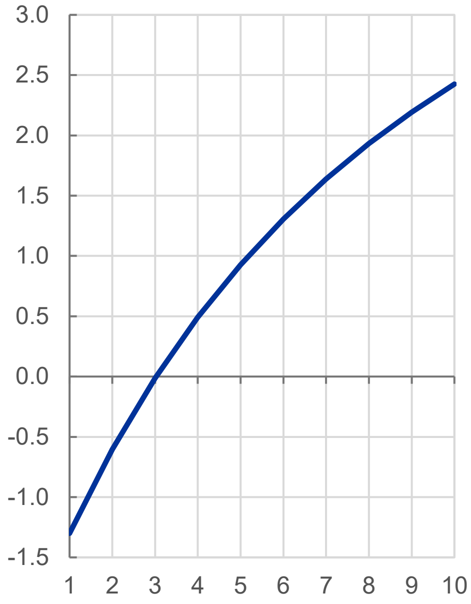
Source: ECB calculations on CES data.
Notes: The blue bars indicate the range of estimates across scenarios reflecting different assumptions about the share of the economy exposed to AI, which may remain constant over time (at either a low or high level) or increase as AI capabilities improve.

Composition of defence spending
(% of total military spending 2015-2023)



Sources: JANES and ECB staff calculations.
Notes: The euro area figure is based on 18 countries, with no data available for Cyprus and Malta.

Cumulative public R&D multipliers
(y-axis: EUR of GDP increase per EUR of public R&D invested; x-axis: years)

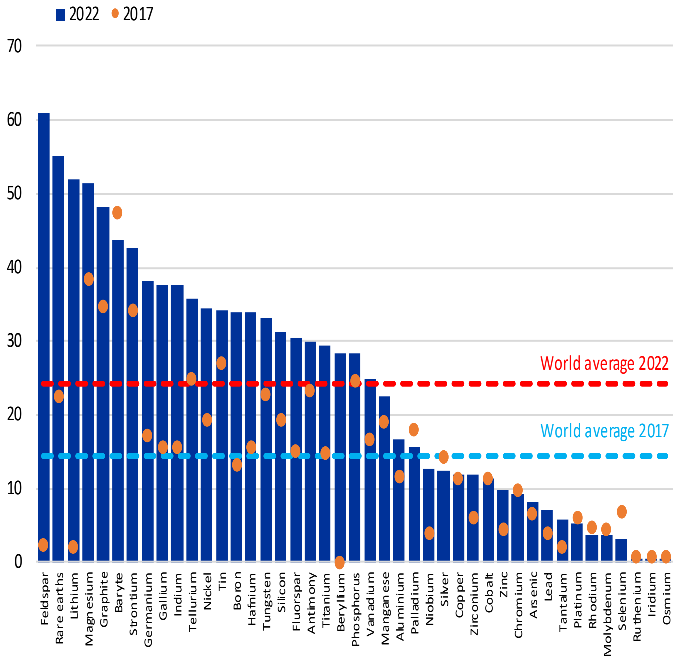


Source: Eurosystem estimates.

www.ecb.europa.eu©

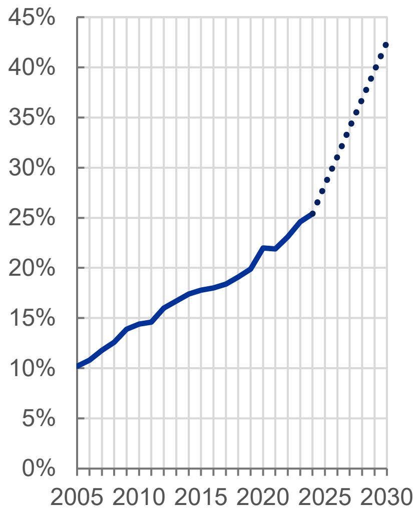
Sovereignty: Strengthening autonomy requires reduction of dependencies

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



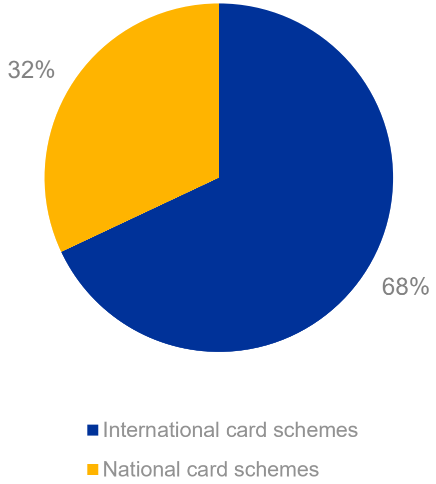
Source: EBRD Transition Report 2023-24.

Share of energy consumption from renewables in EU
(in %)



Source: European Environment Agency.
Notes: The dotted line presents a linear trajectory to the minimum EU target for renewable sources of 42.5% by 2030.
Latest observation: 2024

Role of international card schemes in card transactions
(in %)



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.

www.ecb.europa.eu©

Thank you very much for your attention!