



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Escaping stagnation

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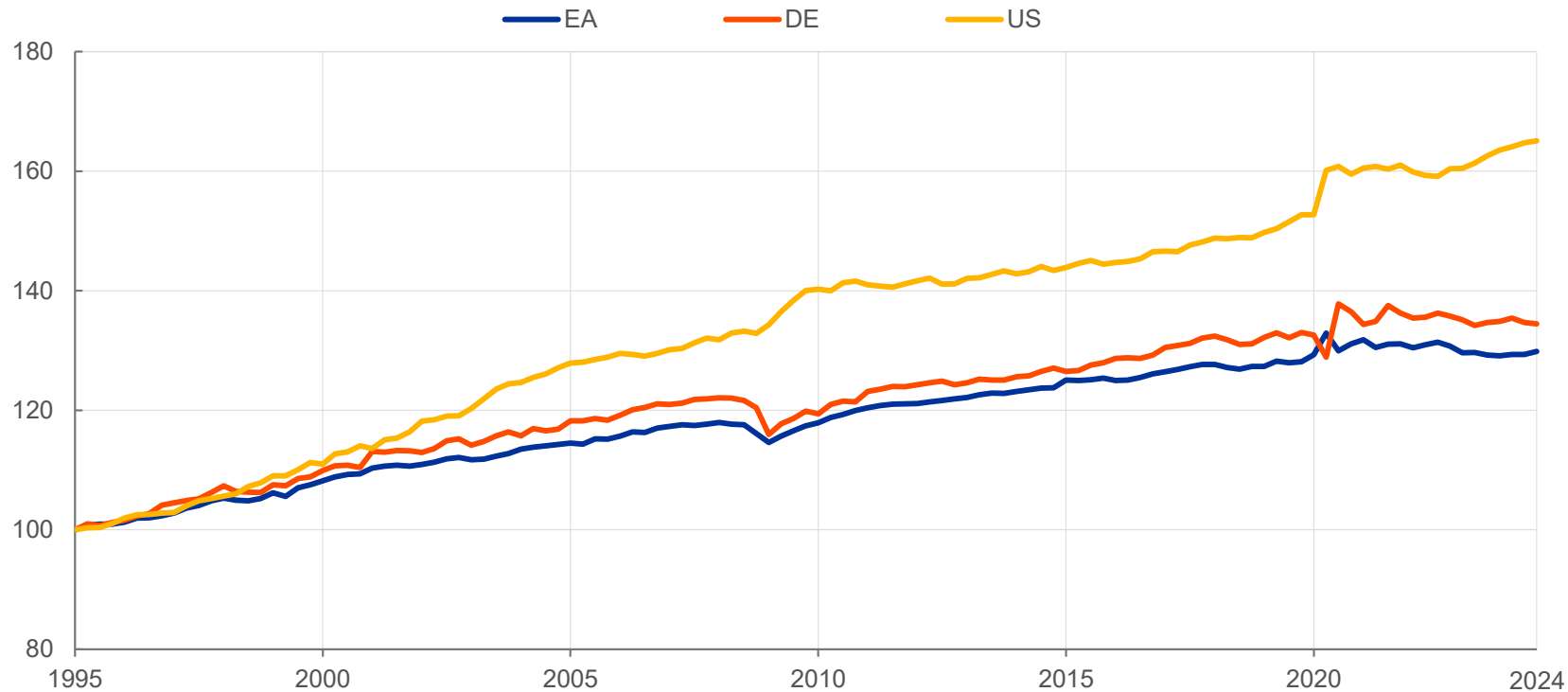


Nuremberg Talks  
Institute for employment research, 11 February 2025

# Euro area has fallen behind as it failed to reap the benefits of the digital revolution

## Productivity per hour worked

(index: Q1 1995 = 100)

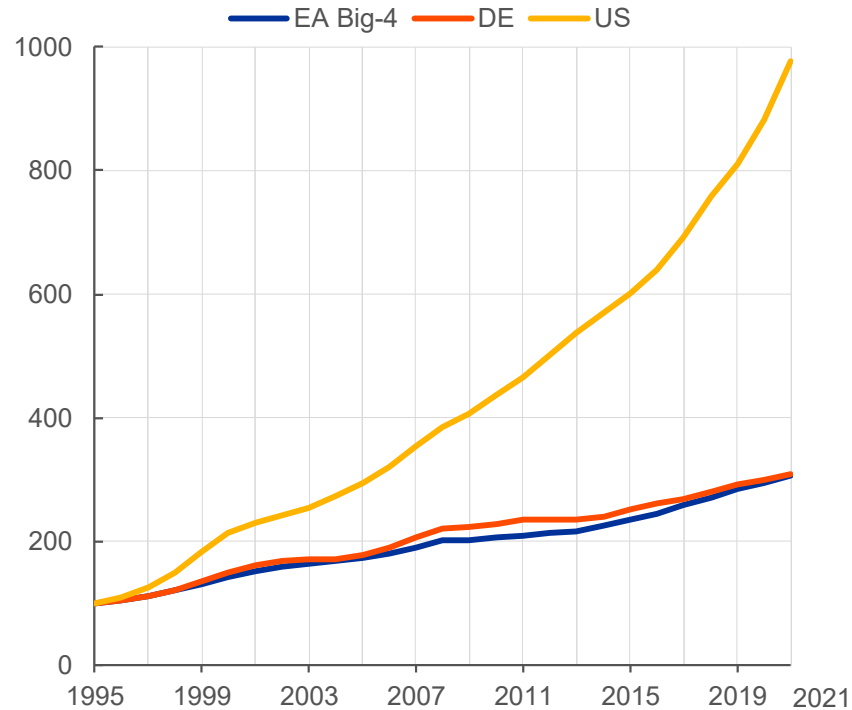


Sources: ECB and Haver Analytics.  
Latest observation: Q3 2024.

# Rising gap in IT-related capital stock, with few firms benefiting from digitalisation

## Real IT-related net capital stock

(index: 1995 = 100)

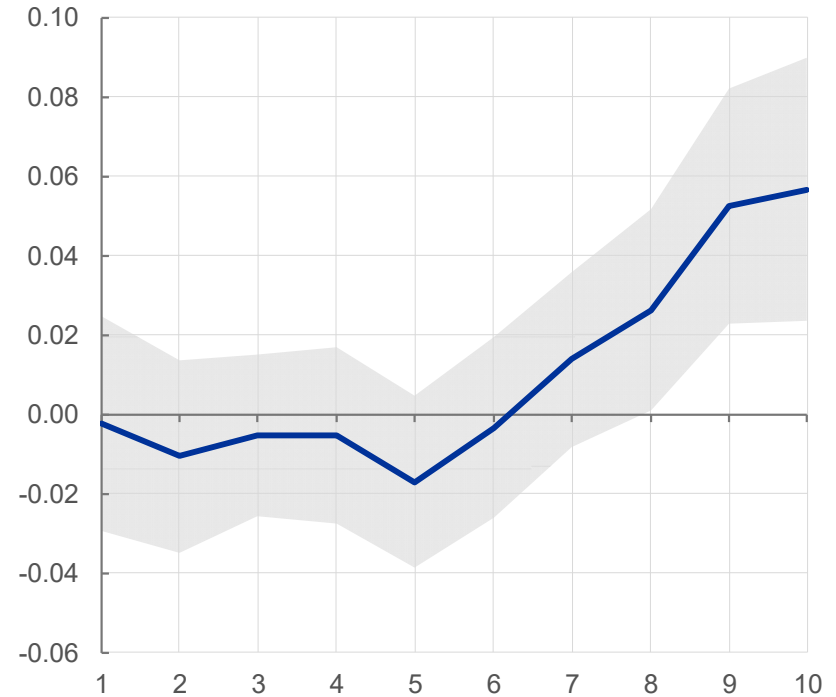


Source: EUKLEMS.

Note: IT-related net capital stock is the sum of computing equipment and computer software & databases for all NACE industries at 2020 prices. "EA Big-4" includes Germany, France, Italy and Spain. 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.

## Impact of digitalisation on TFP growth of firms with different initial levels

(digital investment intensity)



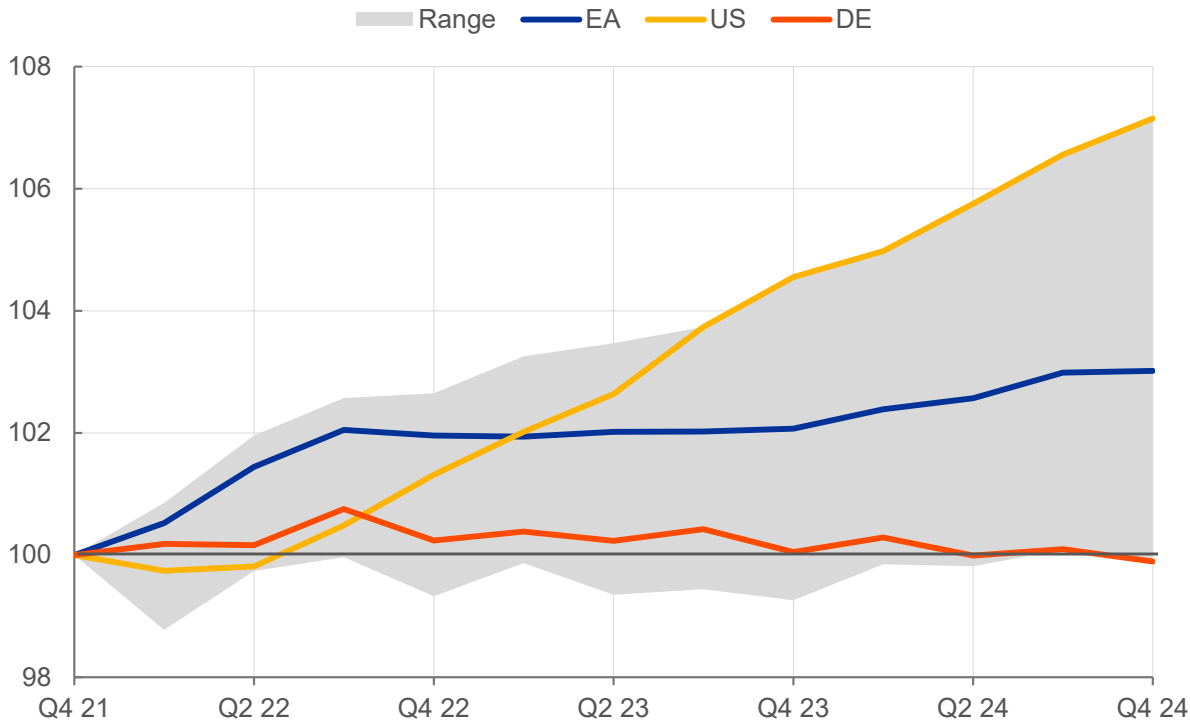
Source: Anderton, R., Botelho, V. and Reimers, P., "Digitalisation and productivity: gamechanger or sideshow?", Working Paper Series, No 2794, ECB, March 2023.

Note: x-axis: proximity to frontier (deciles, lowest-highest). Shaded area refers to confidence intervals.

# Recent weak euro area growth is driven by small set of countries including Germany

## Real GDP in selected advanced economies

(index: Q4 2021 = 100)



Sources: Eurostat, national sources (Haver Analytics) and ECB staff calculations.

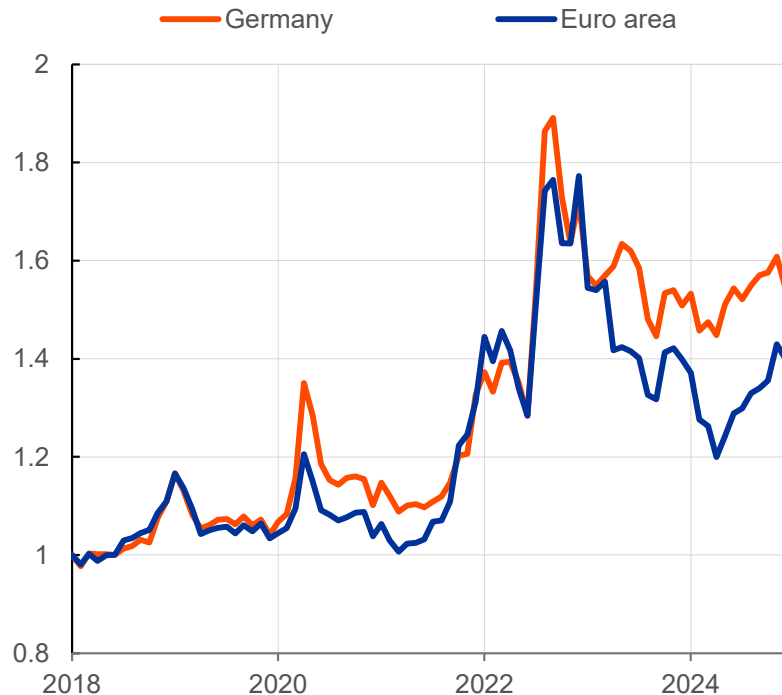
Note: The grey area marks the range between the minimum and maximum values of real GDP for each quarter among US, UK, JP, CA, SE, EA and DE.

Latest observation: Q3 2024 for UK, JP, CA; Q4 2024 otherwise.

# Energy prices and China moving up the value chain weigh on euro area's competitiveness

## Energy prices relative to United States

(ratio, index: Jan 2018 = 1)



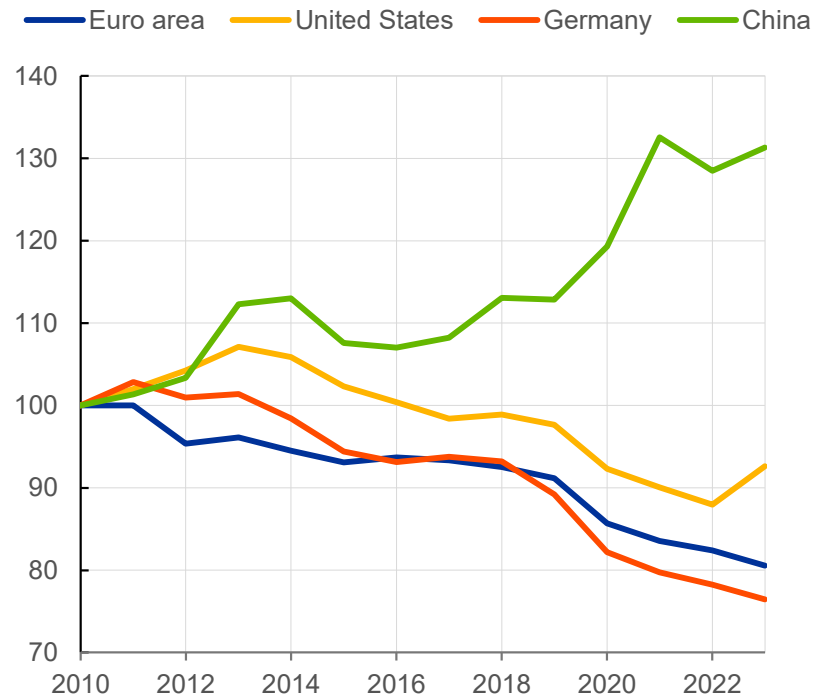
Sources: Haver analytics and Eurostat.

Notes: Energy prices are producer prices indices (PPI) for energy.

Latest observation: December 2024.

## Global export market shares of non-energy goods volumes

(index: 2010 = 100)



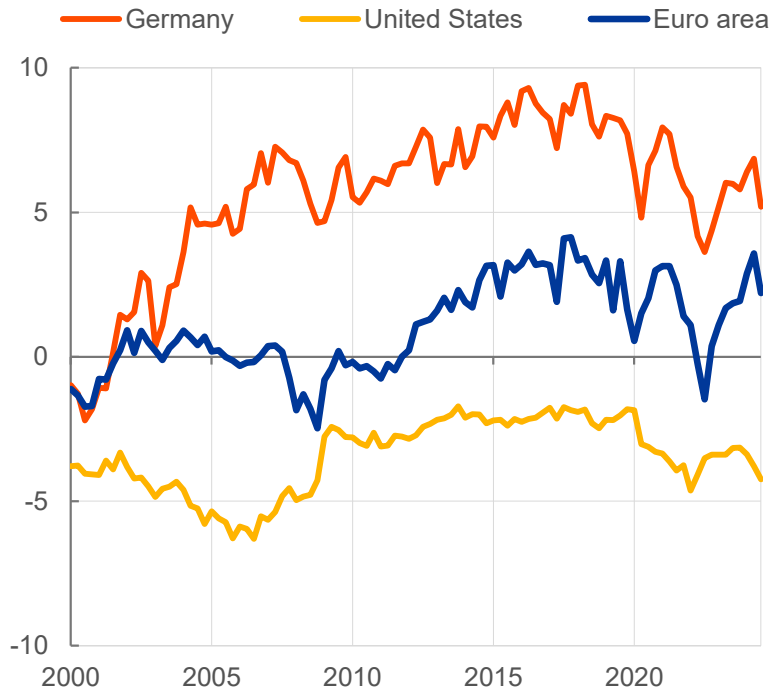
Sources: CPB, TDM and ECB staff calculations.

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 volumes (in 2005 chain linked billion euros) and subtracting the share of energy exports. This share of energy exports is based on TDM values and includes HS2 sectors 25, 26, 27, 97, 98, 99.

Latest observation: 2023.

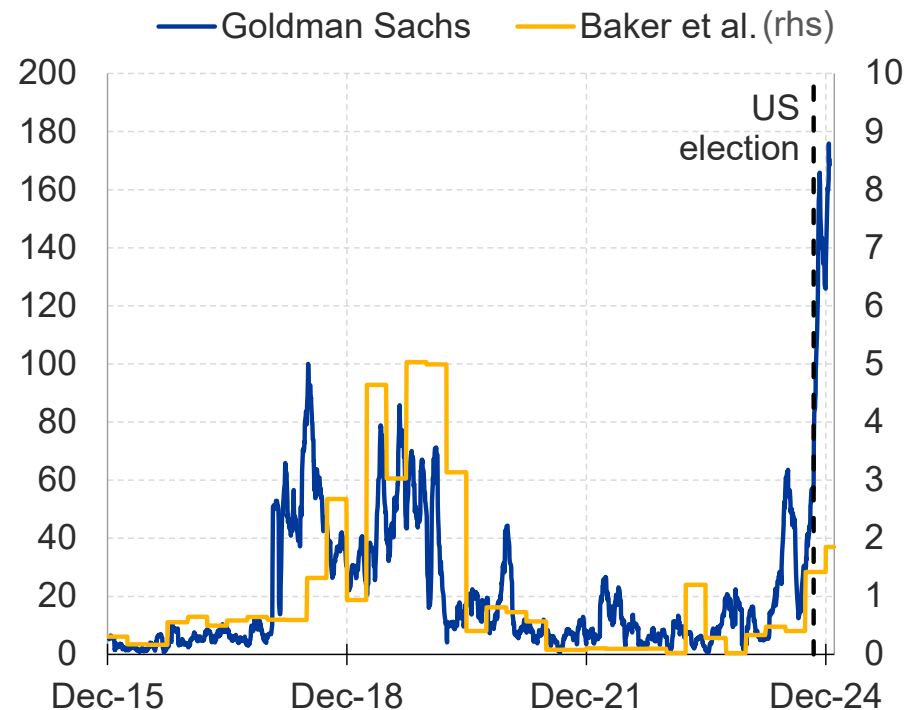
# Export-led growth model is facing structural headwinds amplified by looming trade war

## Current account balance (percentage of GDP)



Sources: Haver Analytics and Eurostat.  
Latest observation: 2024 Q3.

## Trade policy uncertainty (lhs: percent of 2018 peak; rhs: index points)

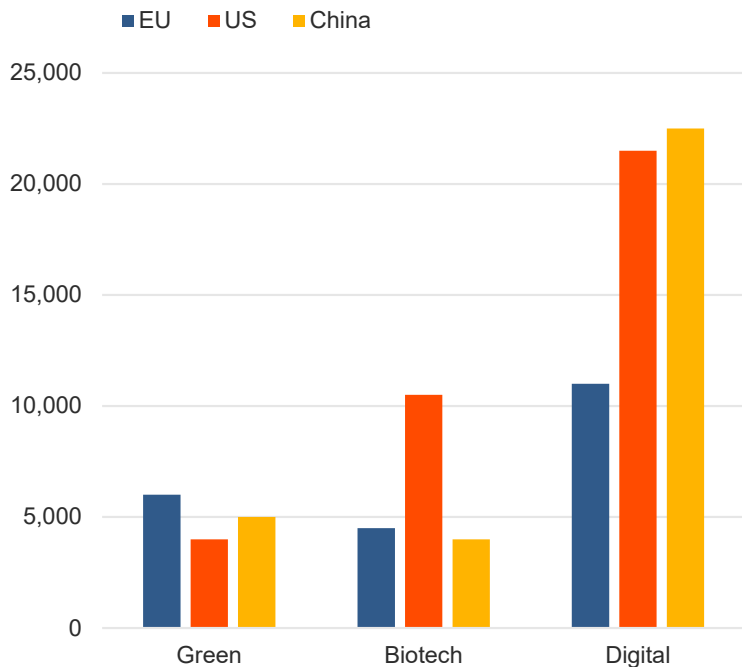


Sources: Baker et al. (2016) via Bloomberg, Goldman Sachs research.  
Notes: The trade policy uncertainty (TPU) index by Goldman Sachs (left-hand side axis) counts the number of articles that contain key TPU words scaled by the total number of articles. The world trade uncertainty (WUI) index is the equally weighted average from Baker, Bloom & Davis (right-hand side axis).  
Latest observation: January for TPU, February for WUI.

# Green innovation and technological leadership can be an engine of growth

## Patents by technology domain

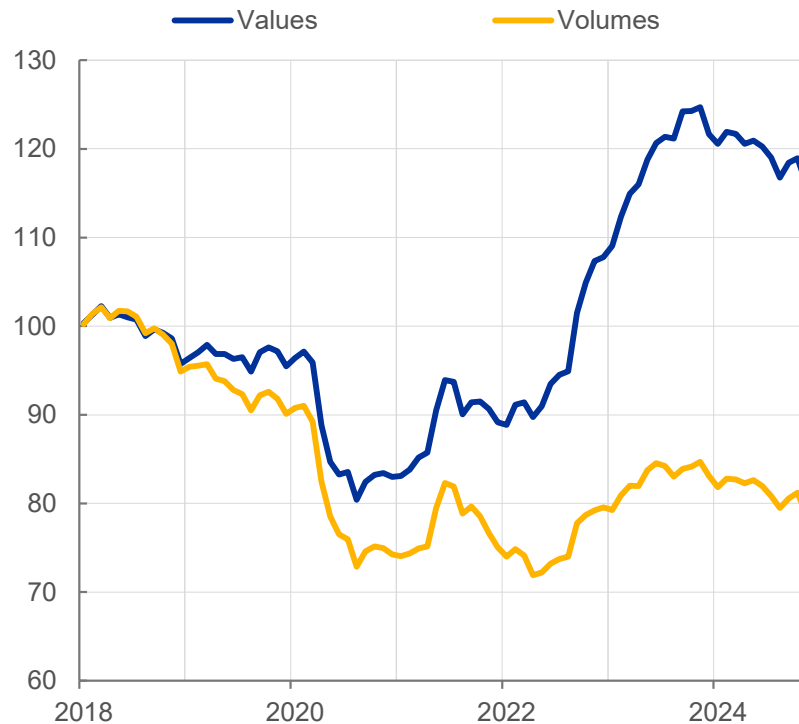
(number of patents issued in 2020)



Sources: EU Industrial R&D Investment Scoreboard and Patstat.

## Euro area export of cars

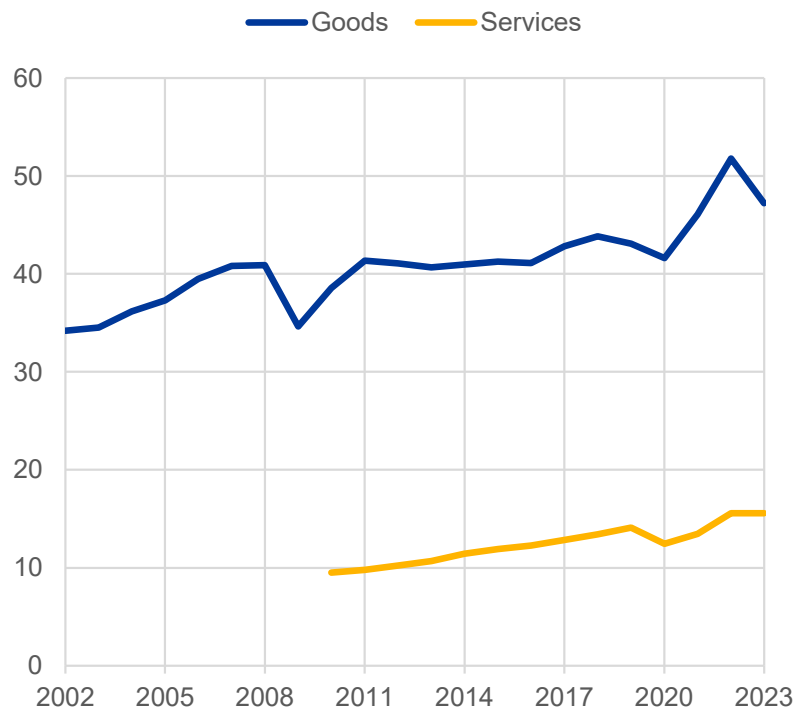
(12-month moving average; index: 2018 = 100)



Sources: Trade Data Monitor and ECB staff calculations.  
Latest observation: November 2024.

## Intra-EU trade in goods and services

(annual, in percentage of GDP)

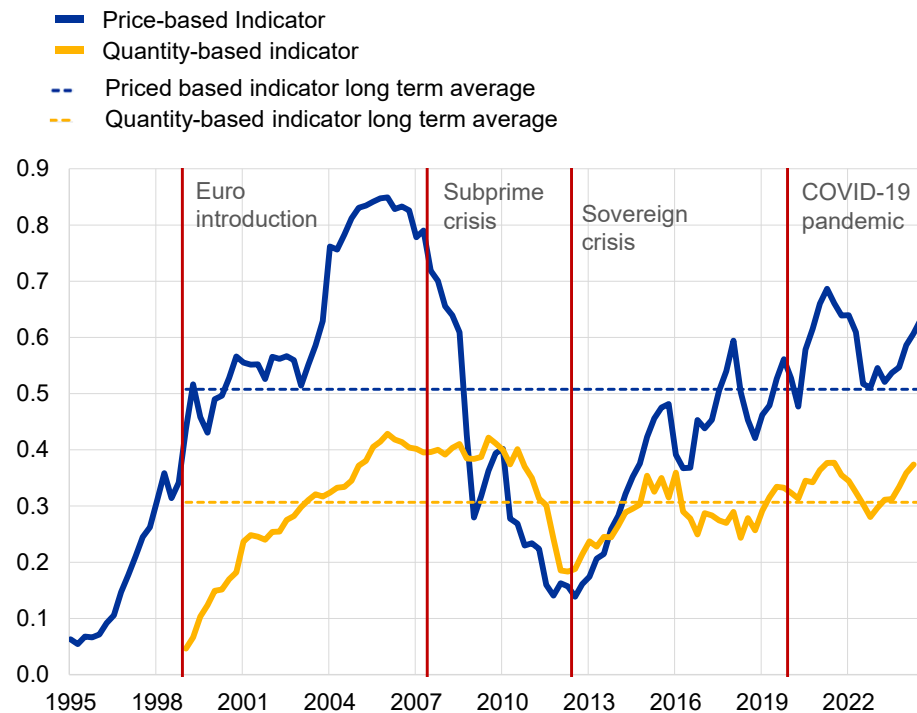


Sources: Eurostat and ECB staff calculations.

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

Latest observation: 2023.

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



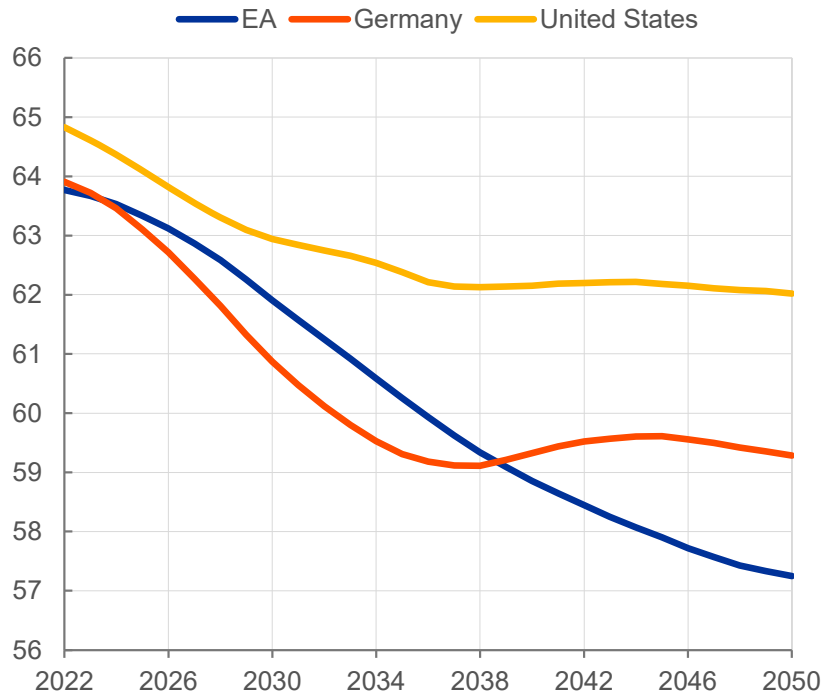
Source: ECB staff calculations.

Latest observation: November 2024



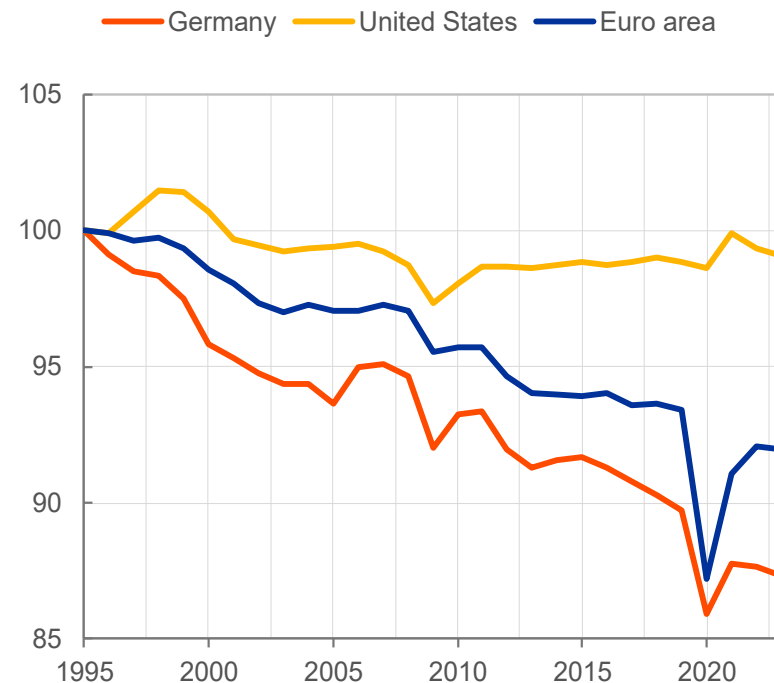
# Need to address labour scarcity from demographic and preference changes

## Working-age population projections (as % of total population)



Sources: European Commission Europop 2023 and US Census Bureau.  
Notes: Baseline scenario. Projections start in 2022.  
Latest observation: 2050.

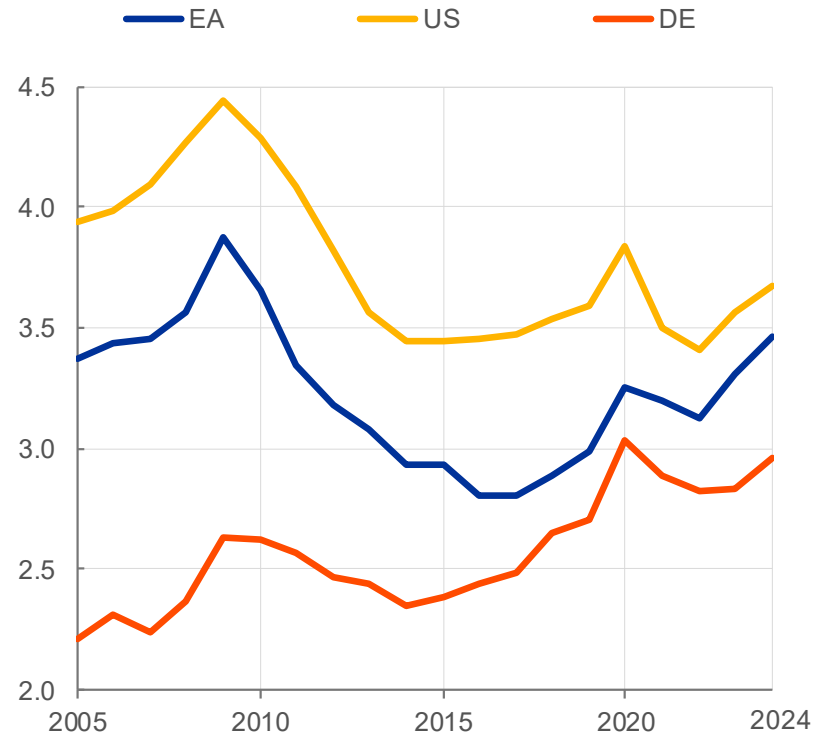
## Average hours worked per person employed (index: 1995=100)



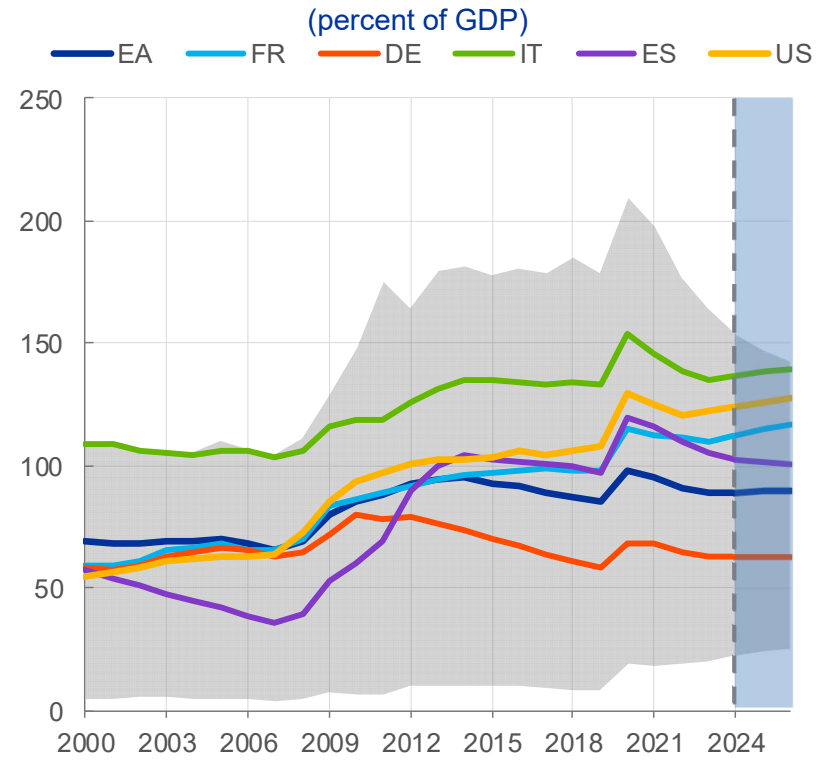
Source: European Commission (AMECO).

# Public investment can boost productivity growth, while keeping public debt sustainable

## Public investment (share of GDP)



## Government debt in the euro area and the US



Sources: European Commission (AMECO) and ECB staff calculations.  
Latest observations: 2024.

Source: European Commission.  
Notes: The range shows the minimum and maximum of all euro area countries. Figures for 2024, 2025 and 2026 refer to the European Commission 2024 Autumn forecast. Government debt is defined as in ESA 2010. The borrowing on the markets to finance the RRF grants and loans is considered as debt of the EU. The RRF loans to Member States are recorded as Member States' debt towards the EU. Latest observation: 2026 (projection).

**Thank you very much for your attention!**