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Keeping Up with the US: Why Europe's Productivity Is Falling Behind

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Brussels, 16 May 2024 -The EU's economy is falling behind the US. While short-term factors like US fiscal expansion have widened the gap in nominal GDP growth in recent years, the reality is that Europe's productivity has lagged behind the US for decades. In 1990, EU and US productivity were neck and neck, but by 2022, US productivity was 20 percent higher.

Low productivity growth is at the heart of Europe's declining competitiveness. Any economic strategy aiming to revitalise Europe's competitiveness should start by tackling the economic issues dragging Europe's productivity: R&D expenditure, intangible assets, digital infrastructure and market competition should be the main priorities.

By implementing these recommendations, European policymakers can propel the EU towards a more competitive and prosperous future.

"Reflecting the sentiments of Jay-Z's, "Empire State of Mind," Europe should embrace policies to make it the most thriving economy in the world so if a company can make it in the EU Single Market, it can make it anywhere", remarks Oscar Guinea, co-author of the report.

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