

The Euroland vs. the USA – comparative macroeconomic performance since the launch of the euro

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The introduction of EURO in 1999 was one of the most important macroeconomic events in the history of the world, and the most relevant in Europe in the past century, especially in the context of the World Wars.

However, the macroeconomic performance of the Euroland since its inception was significantly weaker when compared to the USA, the largest economy in the world.

Since the launch of the euro the economy of the Euro Area (with a nominal dimension of EUR 15.2tn in 2024, representing around 85% of the GDP of the European Union) grew by an average annual pace of 1.3%, according to the database of Eurostat (2025).

During the same period 1999 – 2024 the economic activity in the USA (the largest economy in the world, with a nominal GDP of USD 29.2tn in 2024, according to the estimates of the Bureau of Economic Analysis) advanced by an average annual pace of 2.2%.

There can be noticed the strong divergence in terms of GDP pace (Euroland vs. USA) following the outbreak of the shocks (either endogenous, such as the Great Financial Crisis, or exogenous, such as the coronavirus pandemic, or the geo-political tensions).

For instance, the GDP of the Euroland contracted by annual rates of 4.4% in 2009, and 6.0% in the pandemic year 2020, a severe adjustment than in the USA (decline by annual paces of 2.6%, and 2.2%, respectively).

Furthermore, since the outbreak of the geo-political tensions in Ukraine (in February 2022) the economy of the Euroland merely increased, as the European growth model over the past decades (dependent on the imports of cheap energy from Russia and exports to China) turned outdated.

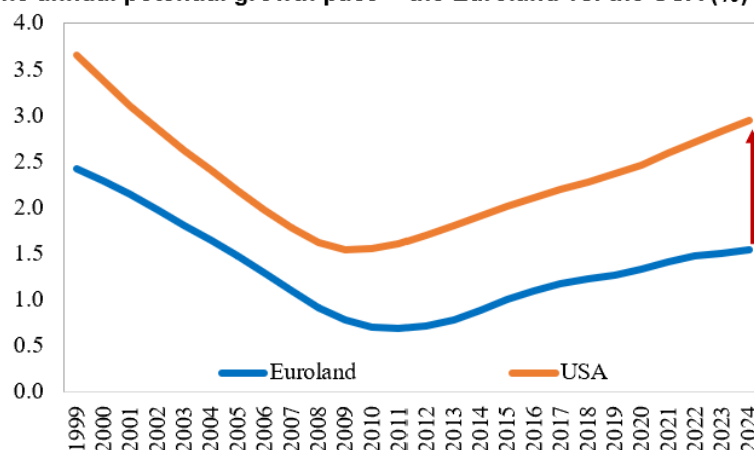
The GDP climbed by annual rates of 0.4% in 2023, and 0.9% in 2024 in the Euroland, lower than in the USA (2.9%, and 2.8%, respectively).

In this context, the gap in terms of annual potential growth pace between the USA and the Euroland widened to 1.4pps in 2024, the highest level for the period under analysis, as can be noticed in the following chart.

I point out that the annual potential growth rate in the Euroland presented a downward trend since 1999, from 2.4% to a record low level of 0.7% during 2010-2012, when the region was confronted with the waves of the Great Financial Crisis – the private debt crisis, followed by the public debt crisis. The annual potential growth rate gradually improved starting 2013 (when the economy of the region initiated the post-crisis cycle) to 1.3% in 2019, the year before the outbreak of the coronavirus pandemic, according to the results of the econometric estimates. Afterwards, it consolidated at 1.3% in 2020, and improved to 1.4% in 2021, and 1.5% in 2022, 2023, and respectively 2024, as the region was severely affected by the consequences of the intensifying geo-political tensions, in the context of the outbreak of the crisis in Ukraine, including the severe increase of the energy prices. In other words, from the structural point of

view, the annual potential growth pace never returned to the level of 1999, given the severe impact of the global shocks and their consequences for the investment climate in the region.

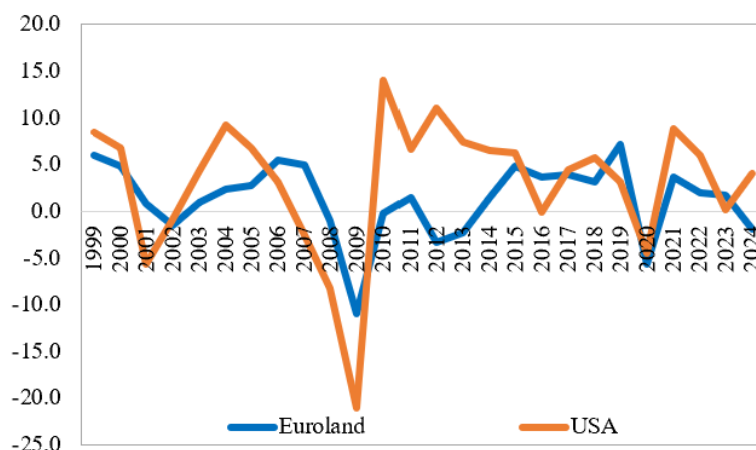
Figure 1. The annual potential growth pace – the Euroland vs. the USA (%)



Source: representation of the author based on the estimates of the econometric analysis, considering the databases of Eurostat and Bureau of Economic Policy Analysis, 2025

In this context, I point out that the gross fixed capital formation in the Eurozone advanced by an average annual growth pace of only 1.1% during 1999 – 2024. It is a significantly slower pace than the average annual dynamic of the gross private investments in the USA, of 2.6% for the period 1999 – 2024, as reflected in the following chart.

Figure 2. Gross fixed capital formation in the Euroland vs. gross private investments in the USA (% YoY)

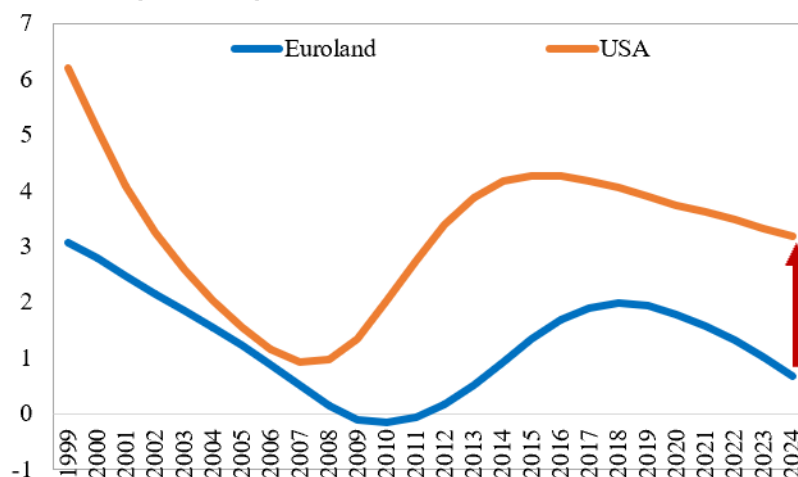


Source: representation of the author based on the databases of Eurostat and Bureau of Economic Policy Analysis, 2025

It can be noticed from the previous chart that the impact of the global shocks was significantly higher for the investments in the Euroland, than for the investments in the USA. Furthermore, in 2024 the gross fixed capital formation in the Eurozone contracted by the most severe annual pace since the pandemic year 2020, 1.9%. On the other hand, the annual pace of investments in the USA accelerated to 4.0% in 2024, the best performance since 2022.

If we estimate the annual potential growth pace for the investments, the results emphasize the widening gap between the USA and the Euroland to 2.5pps in 2024, the highest level since 2016, as reflected in the following chart.

Figure 3. The annual potential pace of the investments – Euroland vs. USA (% YoY)



Source: representation of the author based on the estimates of the econometric analysis, considering the databases of Eurostat and Bureau of Economic Policy Analysis, 2025

According to the results of the econometric estimates, the annual potential growth pace of the gross fixed capital formation in the Euroland decelerated to 0.7% in 2024, the weakest dynamic since 2013.

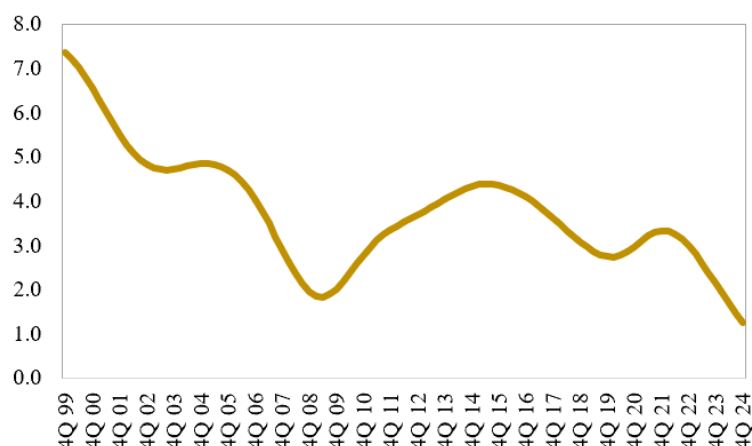
There can be noticed the significant deterioration of the annual potential growth pace of the gross fixed capital formation in the Euro Area, from around 2.0% in 2019 (the year before the outbreak of the coronavirus pandemic, the worst health crisis in the world in more than one century) to 1.8% in 2020, 1.6% in 2021, 1.3% in 2022, 1.0% in 2023, and 0.7% in 2024. These are very low levels when we compare to an estimated dynamic of over 3.0% in 1999, as can be noticed in the previous chart.

This unfavourable evolution of the investments in the Euroland over the past years was determined by several factors, including the deterioration of the international competitiveness of the region, and the high level of the risk perception, as reflected by the evolution of the market risk premium.

In this respect, there can be noticed the severe deterioration of the annual potential growth pace for the volume of the exports of the Euroland after the outbreak of the crisis in Ukraine, an evolution also influenced by the increase of the prices of energy.

According to the econometric estimates the annual potential growth pace of the total exports in Euroland decelerated from around 3.3% at the end of 2021 to only 1.2% in the last quarter of 2024, a record low level, as can be noticed from the following chart.

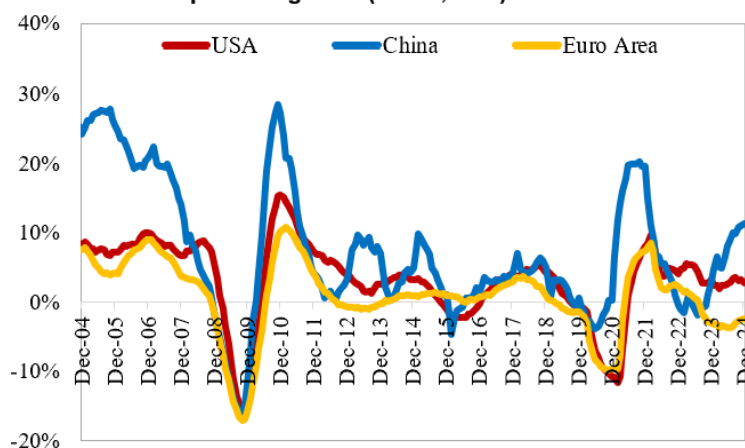
Figure 4. The annual potential pace of the total exports in Euroland (%)



Source: representation of the author based on the estimates of the econometric analysis, considering the database of Eurostat, 2025

This evolution was mainly determined by the deterioration of the volume of exports of goods. According to the figures of the Netherlands Bureau for Economic Policy Analysis (CPB) the volume of exports of goods contracted for the second year in a row in 2024 in Euroland, by an average annual pace of 2.4%, as can be noticed in the following chart.

Figure 5. The volume of exports of goods (MA12, YoY)



Source: representation of the author based on the data of Netherlands Bureau for Economic Policy Analysis, 2025

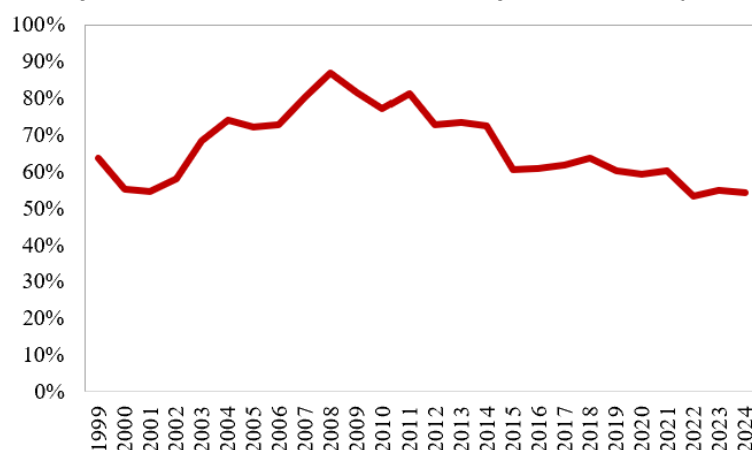
Furthermore, the market risk premium in Germany (the largest economy in the Euroland, with a nominal GDP of over EUR 4.3tn in 2024, according to Eurostat estimates) presented a higher level than in USA, with an average gap of over 2pps for the period 2002 – 2024, according to the estimates of Market Risk Premia.]

The results of the econometric analysis pointed out the widening gap in terms of the annual potential growth pace, between the USA and the Euroland, to a record high level for the period 1999 – 2024. This evolution was mainly determined by the severe impact of the shocks on the

investment climate in Euroland, in a context also influenced by the weaknesses in terms of economic policy reaction, given the incomplete structure of the European Monetary Union.

This important gap in terms of the growth pace from 1999 to 2024 determined a divergence of the Euroland from the USA in terms of GDP/capita. Considering the database of Federal Reserve St. Louis (FED) the GDP/capita (expressed in US dollars) in the Euroland represented 54.3% of the level in the USA in 2024, down from 63.8% in 1999, when the euro was launched, as reflected in the following chart. In fact, at present, the GDP/capita in the countries that today compose the Euroland as a percentage of the GDP/capita in the USA (expressed in US dollars) is very close to the lowest level since 1985.

Figure 6. GDP/capita in the Euroland as % of GDP/capita in the USA (US dollars)



Source: representation of the author considering the statistics of the Federal Reserve St. Louis (FED), 2025

In this context, there are needed more than ever measures in order to support the investment climate in Euroland, a very important aspect in order to contribute to the improvement of the potential growth pace in the region and to the resumption of the convergence process towards the level of the development in the USA.

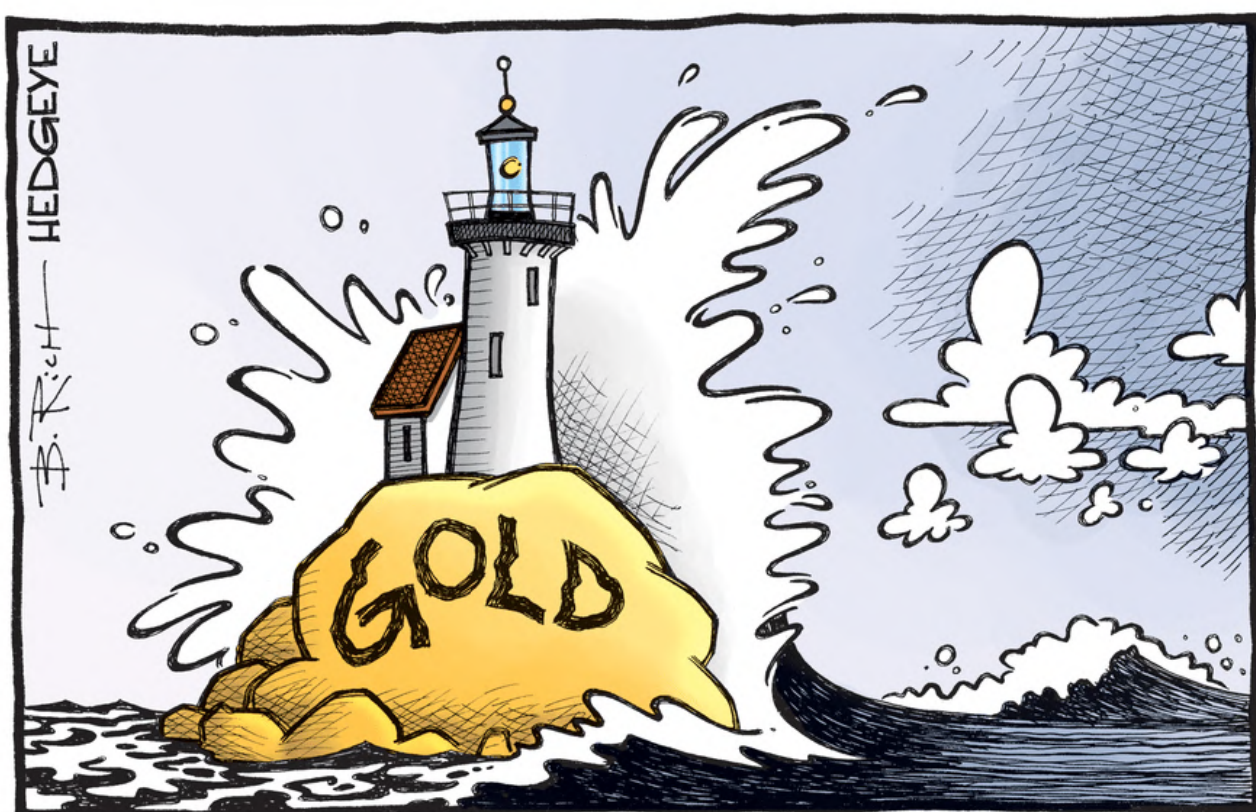
On the one hand, the economic policy measures should focus on the improvement of several fundamental indicators: labour productivity, incorporation of the technological progress, R&D expenditure, capital markets, circular economy, promoting Europe in the world, and communication with stakeholders, as emphasized in the article published by the Bretton Woods Committee (2024).

On the other hand, the efforts to accelerate the green transition and to cut the regulatory burden should be intensified. In this respect, the launch of the Competitiveness Compass by the European Commission at the end of January 2025 is welcome.

Last, but not least, I point out that there are positive examples in the Euroland, of countries that are very competitive in the world, according to the IMD Annual Competitiveness Report. In this context, several measures are needed in order to reduce the performance gaps among the member countries of the region in terms of the fundamental indicators that impact international competitiveness.

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