



EUROPEAN CENTRAL BANK

EUROSYSTEM

Contribution to Policy Panel: A World in Transition: Are We Ready to Adapt?

IMF 26th Jacques Polak Annual
Research Conference
Washington, D.C.

6 November 2025



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Member of the Executive Board

- Structural trends: shifting role of euro area in global economy
- Global configuration of trade policies, industrial policies, FDI policies
- “Local” adjustments; major adjustments (ECB OP365)

Diagnostics

- Export and import dynamics; current account; exchange rate

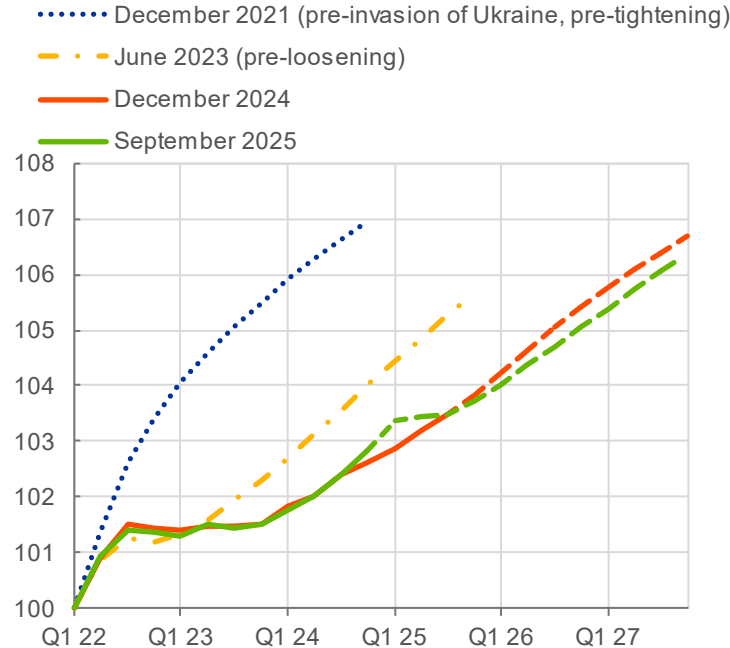
The policy agenda

- Draghi/Letta; pro-growth policies; fiscal
- Savings and investments union; banking union; digital euro
- Monetary policy and structural trends: 2025 update of monetary policy strategy

GDP and exports across different projection exercises

Real GDP

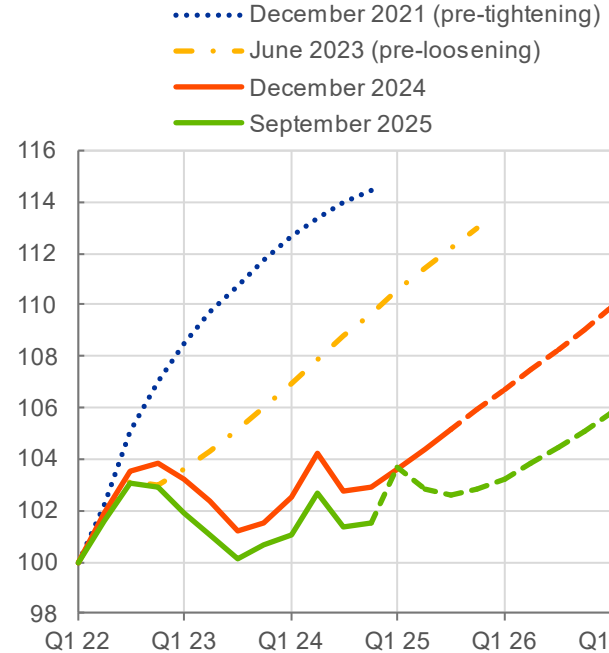
(index: Q1 2022 = 100)



Sources: December 2021, June 2023, December 2024 and September 2025
ECB/Eurosystem staff projections.

Real exports

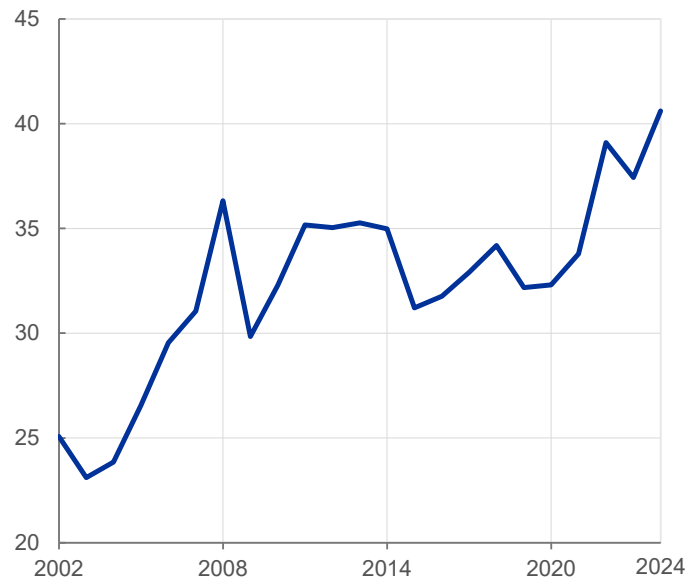
(index: Q1 2022 = 100)



Sources: December 2021, June 2023, December 2024 and September 2025
ECB/Eurosystem staff projections.

Euro area export similarity with China

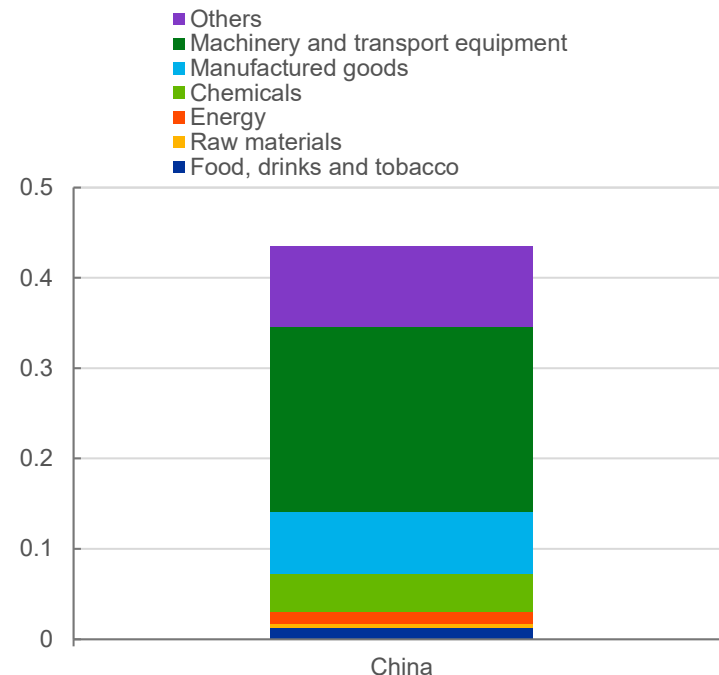
Share of sectors where euro area and China display a high comparative advantage (index)



Sources: UN Trade and Development and ECB staff calculations.

Notes: The chart displays the percentage of sectors with a revealed comparative advantage (RCA) of greater than one in both the euro area and China as a share of the number of sectors in which the euro area has an RCA of greater than one. A total of 259 sectors are considered for each year. Euro area aggregate computed as a weighted average based on export value weights. The latest observations are for 2024.

Export similarity index of euro area with China (index)



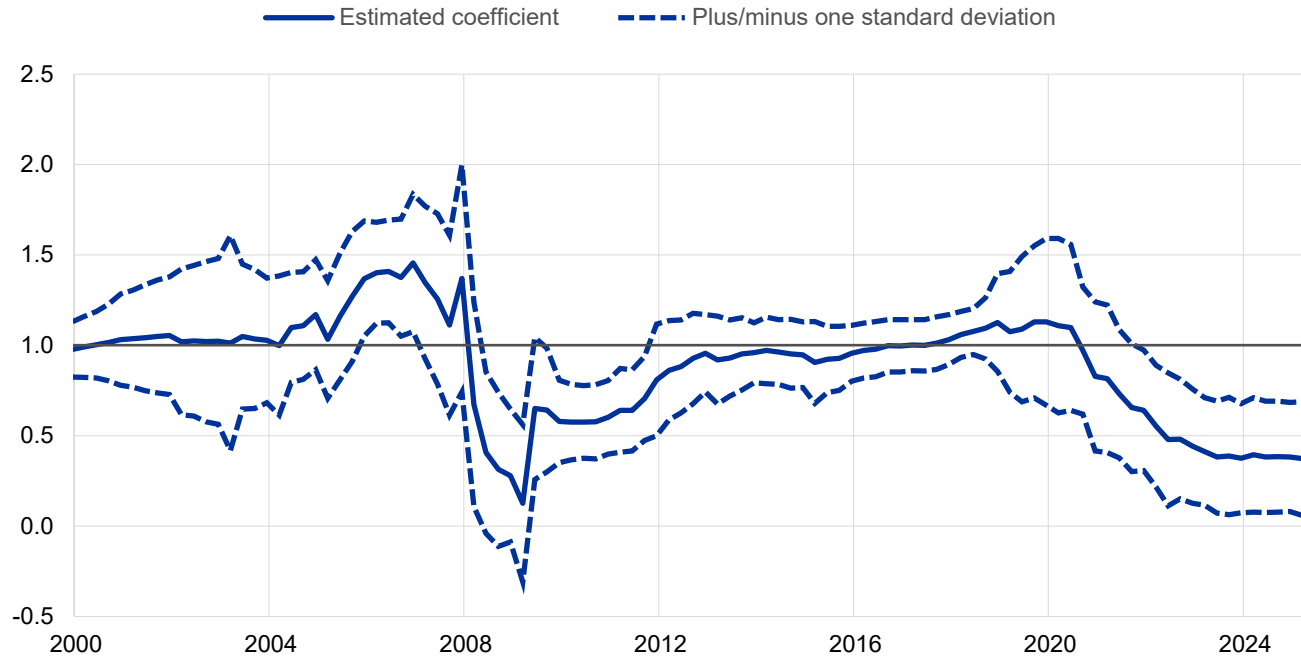
Sources: Trade Data Monitor, [Xue \(2024\)](#) and ECB staff calculations.

Notes: The index combines information on the degree of export specialisation of the euro area in each sector. The reference year is 2024.

Evidence indicates diminishing import intensity of China's economic activity

Long-run elasticity of imports to GDP – rolling window estimate over 40 quarters

(coefficient estimates)



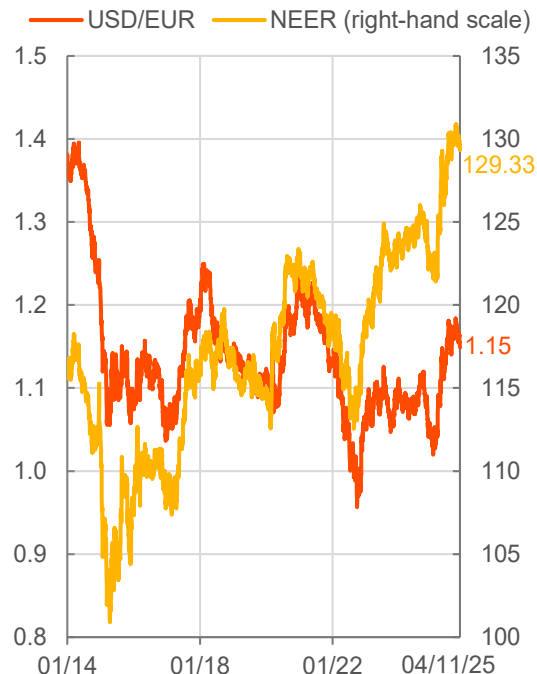
Sources: Haver Analytics and ECB staff calculations.

Notes: Estimates, based on a rolling window over 40 quarters, of the long-run coefficient of an error correction model containing an index of domestic demand. The point estimate reported at date t corresponds to an estimation over the period from $t-40$ to t . The latest observations are for the second quarter of 2025.

Euro: exchange rate patterns

USD/EUR and NEER

(left-hand scale: USD per EUR; right-hand scale: index: 1999 = 100)

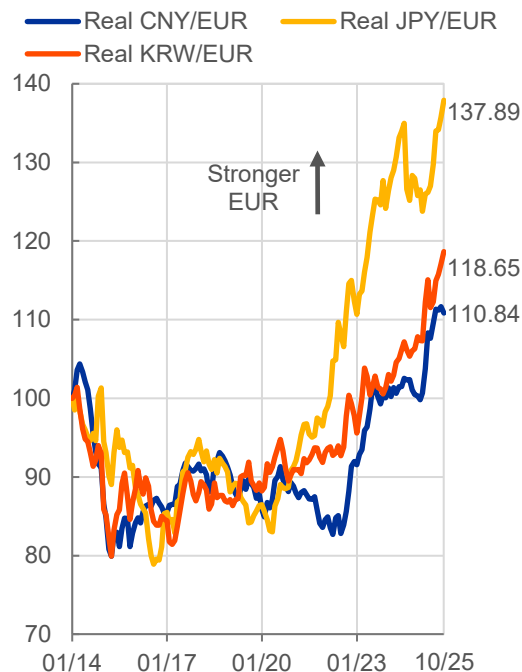


Sources: ECB and ECB staff calculations.

Notes: Nominal effective exchange rate denoted in euro for 41 trading partners (NEER 41). The latest observations are for 4 November 2025.

Real EUR vs CNY, JPY and KRW

(CNY per EUR, JPY per EUR and KRW per EUR)

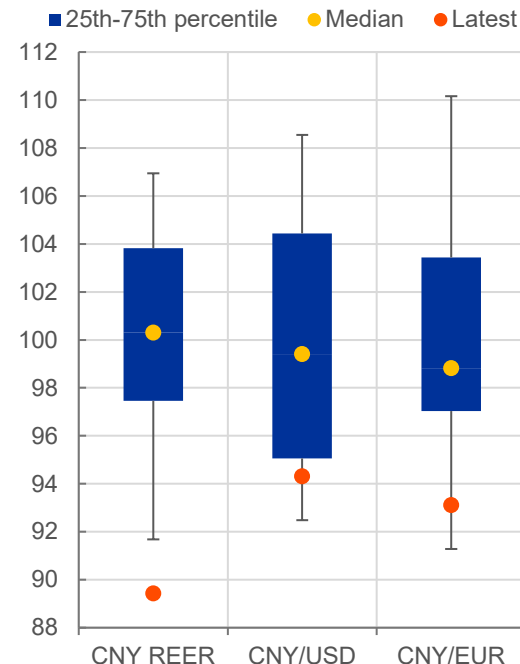


Sources: ECB and ECB staff calculations.

Notes: Real CNY/EUR, real JPY/EUR and real KRW/EUR refer to consumer price index (CPI)-deflated bilateral exchange rates, such that an increase denotes an appreciation of the euro. The latest observations are for October 2025.

Chinese renminbi ranges since 2014

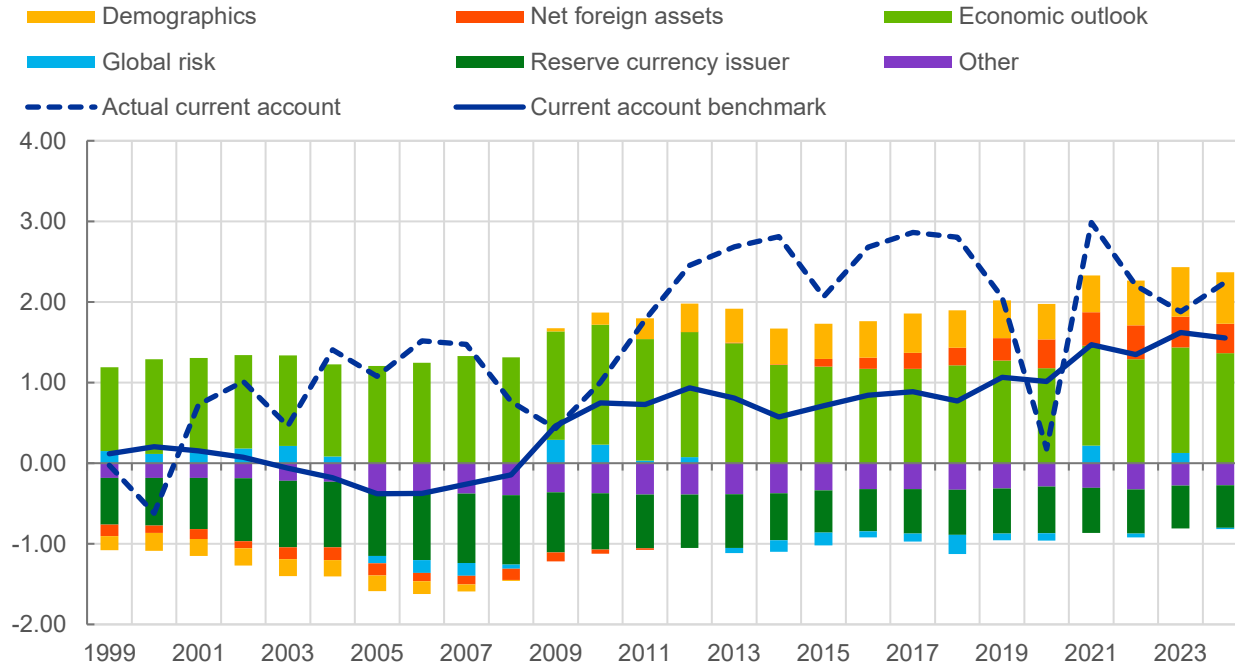
(index: average since 2014 = 100)



Sources: ECB and ECB staff calculations.

Notes: Range and average calculated from 2014 to present. Average since 2014 normalised to 100. Rates are quoted such that lower means weaker. CNY real effective exchange rate (REER) is calculated using CPI. The latest observations are for October 2025 for the REER and 4 November for bilateral exchange rates.

Current account benchmark (percentage of GDP)



Sources: ECB and ECB staff calculations.
Note: The latest observations are for 2024.

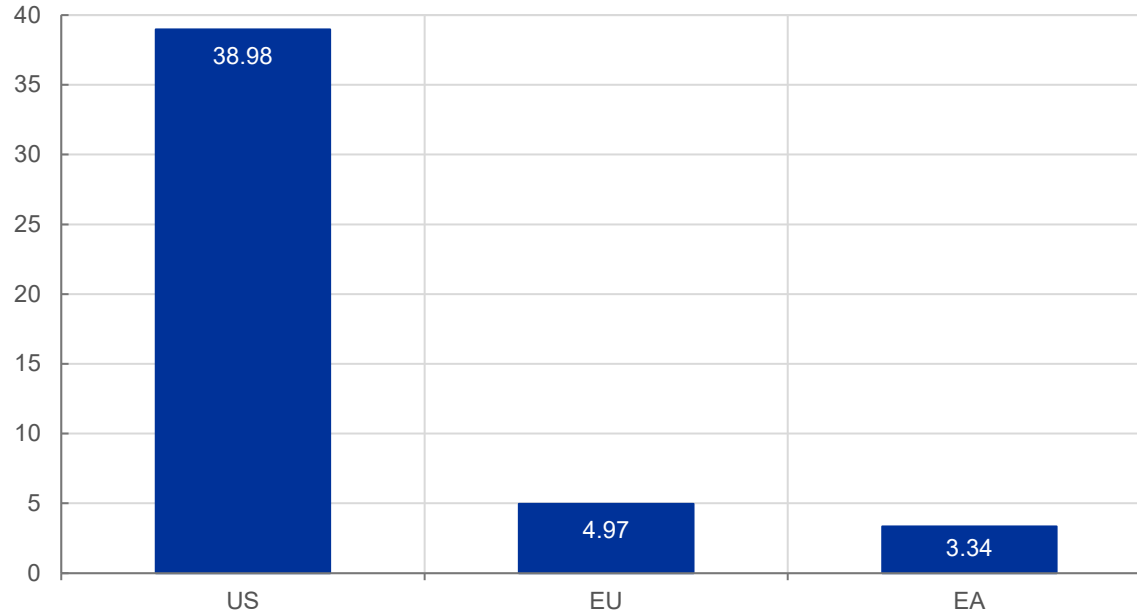
- Draghi and Letta reports: there is much scope to boost the aggregate growth rate of the European economy, including by deepening the Single Market
- Faster growth implies an increase in asset supply: needs a matching increase in asset demand
- Rising public debt also boosts asset supply: needs an additional increase in asset demand
- Boost household asset demand; boost foreign investor demand for European assets
- Savings and investments union; banking union; EU-level bond supply; international role of the euro: in combination with pro-growth economic reforms

- Sustainable improvement in economic performance
- Stronger wealth accumulation by European households
- Greater resilience to country-level shocks
- Greater resilience to external shocks

- Encouraging retail participation (SIAs; financial literacy)
- Developing supplementary pensions (auto enrolment; IORP Directive; PEPP Regulation)
- Market integration and supervision
- Promoting equity investment by institutional investors; EuVECA Regulation
- Banking sector
- [28th Regime]

Background slides

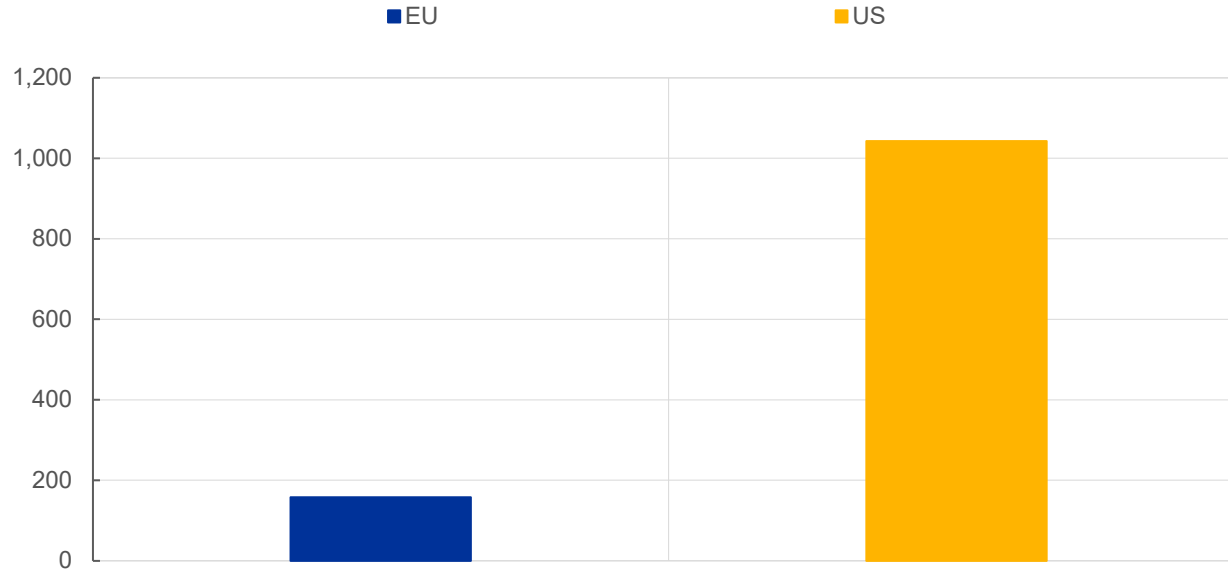
Private pension assets (USD trillions)



Source: OECD, [Private pension assets](#).

Notes: OECD data are for 2023 and amounts for European Union (EU) and euro area (EA) are based respectively on a subset of 25 and 18 available countries. Data for Belgium and Cyprus are unavailable. Private pension assets are all forms of private investment with a value associated to a pension plan.

Total funds raised by venture capital (EUR billions)

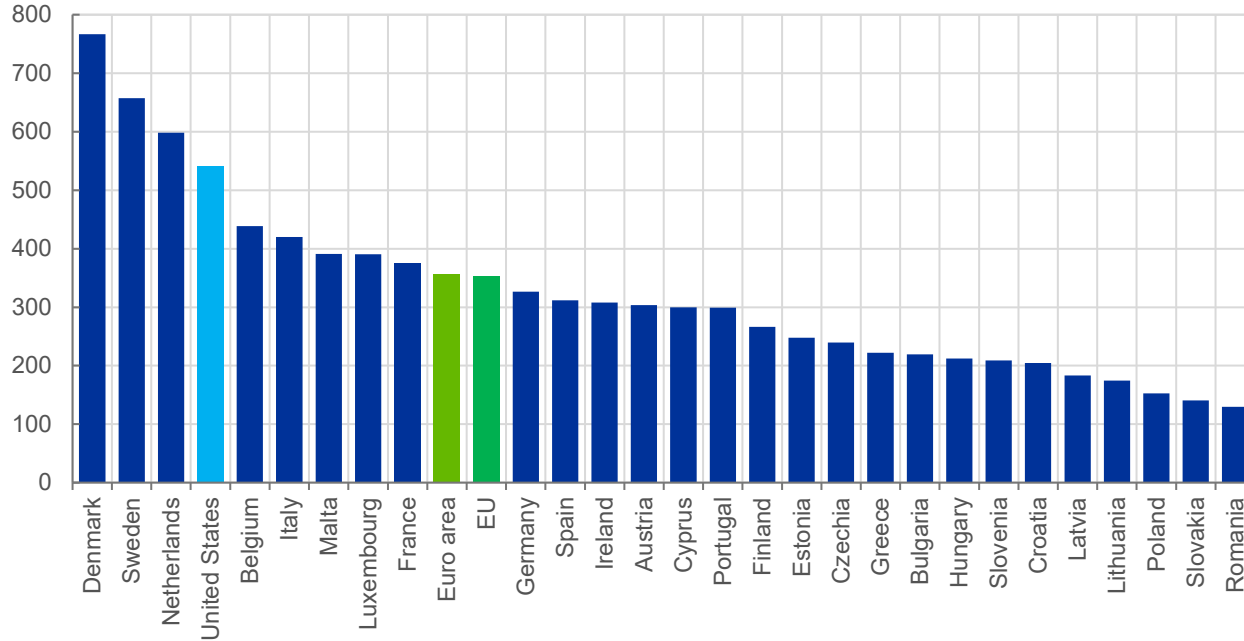


Sources: PitchBook Data Inc., ECB calculations.

Notes: The data include funds classified as venture capital funds and located in either the United States or one of the 27 EU countries. The chart covers the period from 1 January 2013 to 5 November 2025.

Household holdings of financial assets

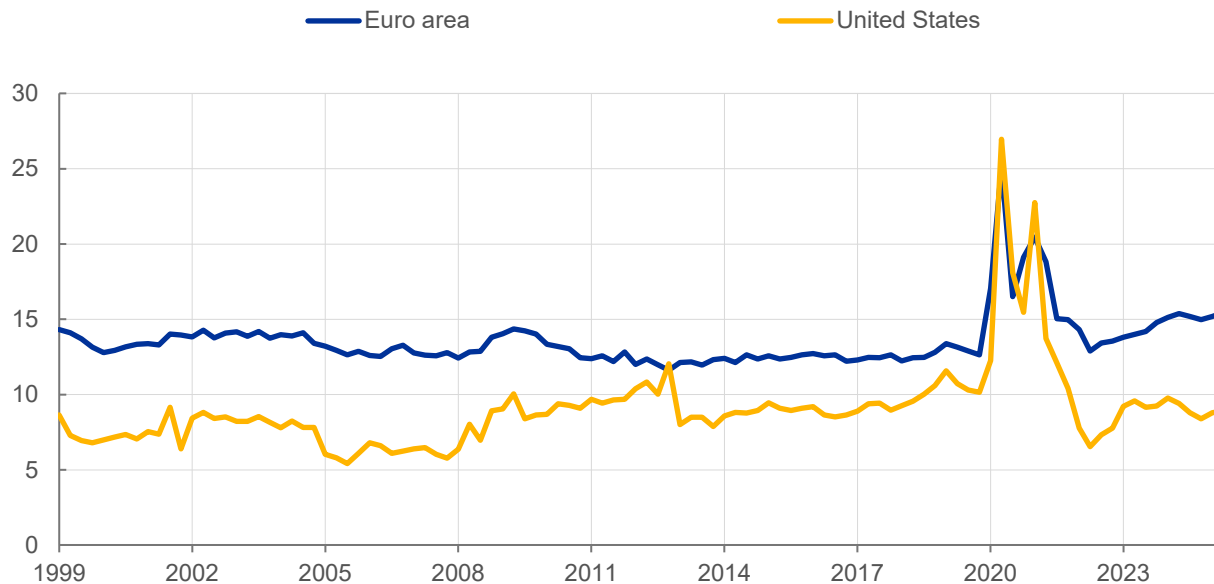
(percentages of household gross disposable income in 2024)



Sources: ECB (quarterly sector accounts, annual sector accounts, exchange rate), Bureau of Economic Analysis and Federal Reserve Board.

Note: The latest observations are for December 2024.

Household savings in the euro area and the United States (percentages)



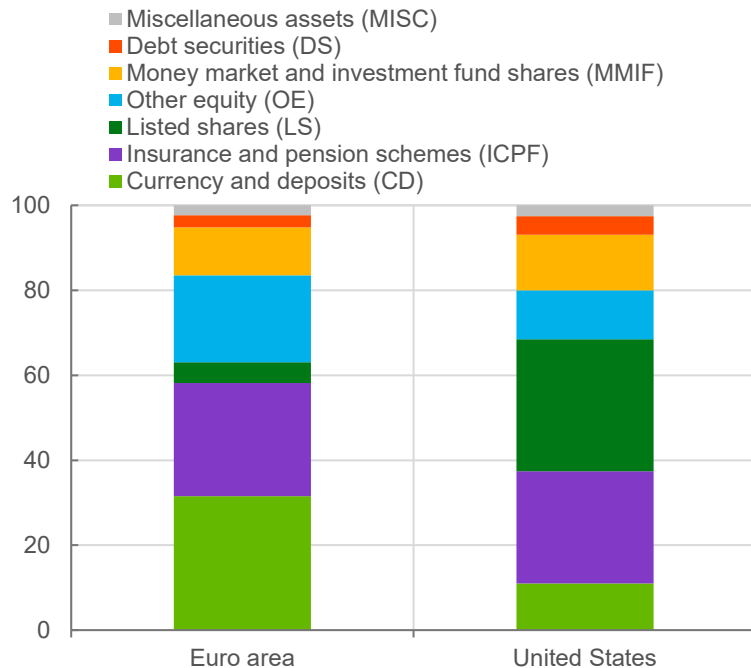
Sources: Eurostat, Federal Reserve Board and Haver Analytics.

Notes: Defined as household gross savings rate in the euro area and the United States. For the United States, the savings rate is measured by gross savings (net savings plus consumption of fixed capital by households and institutions) divided by gross disposable income, as also computed in this [FEDS note](#). The latest observations are for the second quarter of 2025.

Asset holdings broken down by instrument

Household holdings of financial assets

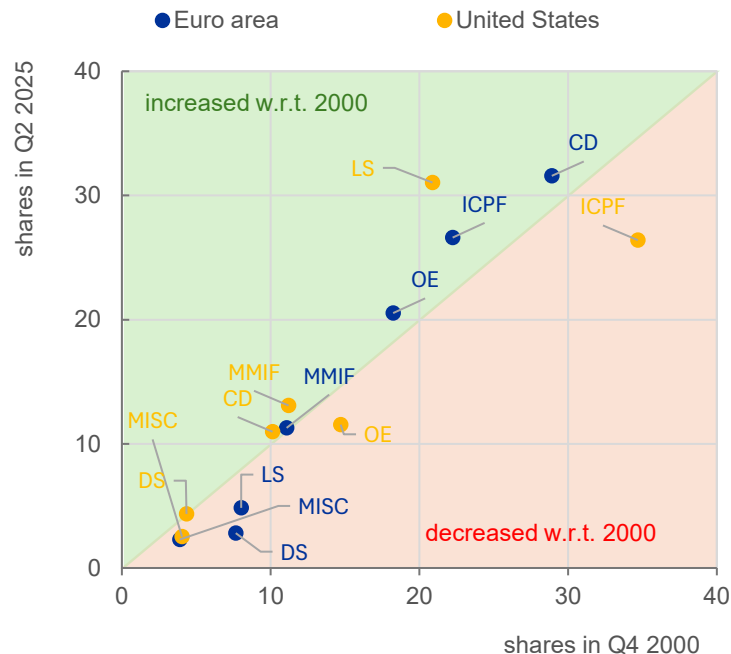
(percentages of total financial assets in Q2 2025)



Sources: ECB (quarterly sector accounts), US financial accounts and ECB calculations.
Notes: "Miscellaneous assets" is the difference between total financial assets and the instruments shown in the chart. The latest observations are for the second quarter of 2025.

Household holdings of financial assets

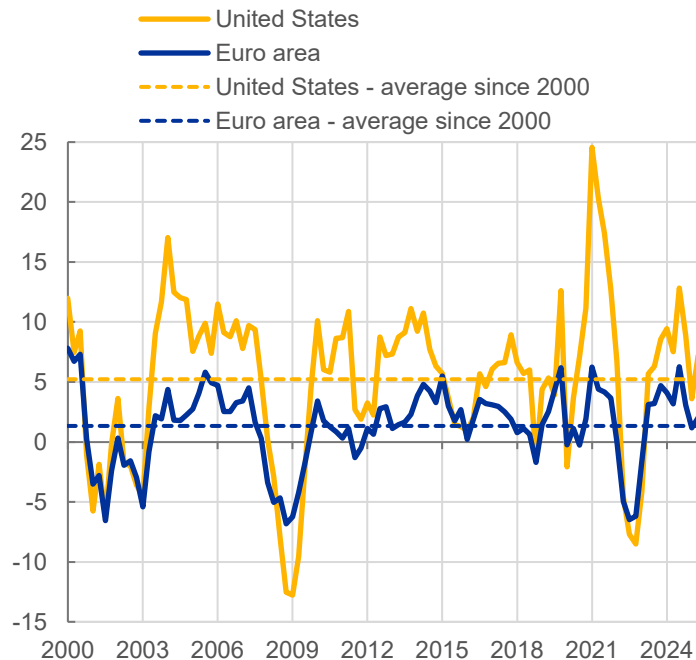
(percentages of total financial assets in Q2 2025 and Q4 2000)



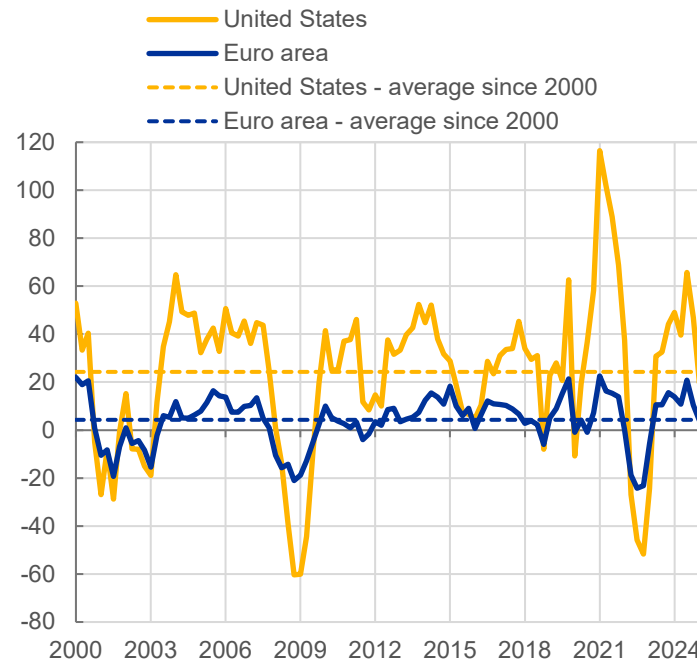
Sources: ECB (quarterly sector accounts), US financial accounts and ECB calculations.
Note: "Miscellaneous assets" is the difference between total financial assets and the instruments shown in the chart.

Capital gains on household financial assets in the euro area and the United States

(annual gains as percentage of the stock of the year before)



(annual gains as percentages of household annual gross disposable income)



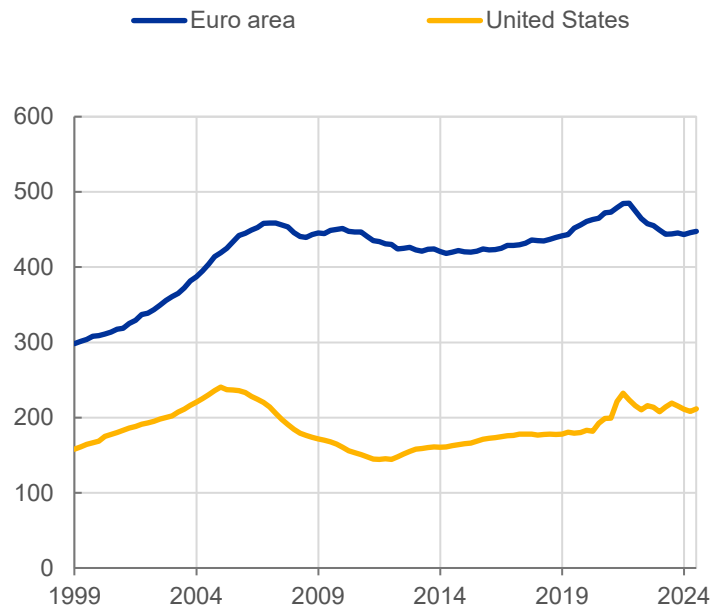
Sources: ECB and Eurostat (quarterly sector accounts), US financial accounts and ECB calculations.

Notes: Capital gains are proxied as the difference between the change in the stocks and the flow of the quarter, which closely matches valuation changes for the period where direct information on these is available. The average since 2000 of the annual gains, expressed as a percentage of the stock from the previous year, is 5.2% for the United States and 1.3% for the euro area. The average since 2000 of the annual gains, expressed as percentage of household annual gross disposable income is 24.0% for the United States and 4.2% for the euro area. The latest observations are for the second quarter of 2025.

Household holdings of non-financial assets

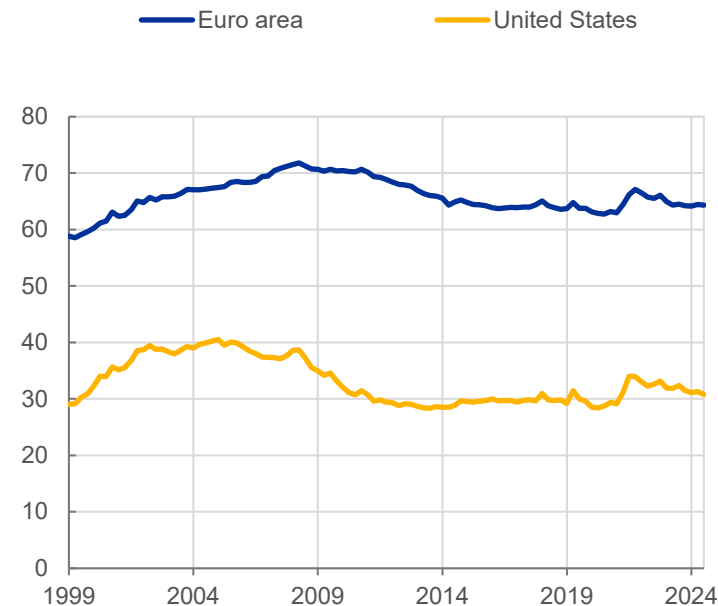
Euro area and United States housing wealth

(percentages of household gross disposable income)



Euro area and United States non-financial assets

(percentages of household net worth)



Sources: ECB (Quarterly Sectoral Accounts), Federal Reserve Board, Bureau of Economic Analysis and ECB calculations.

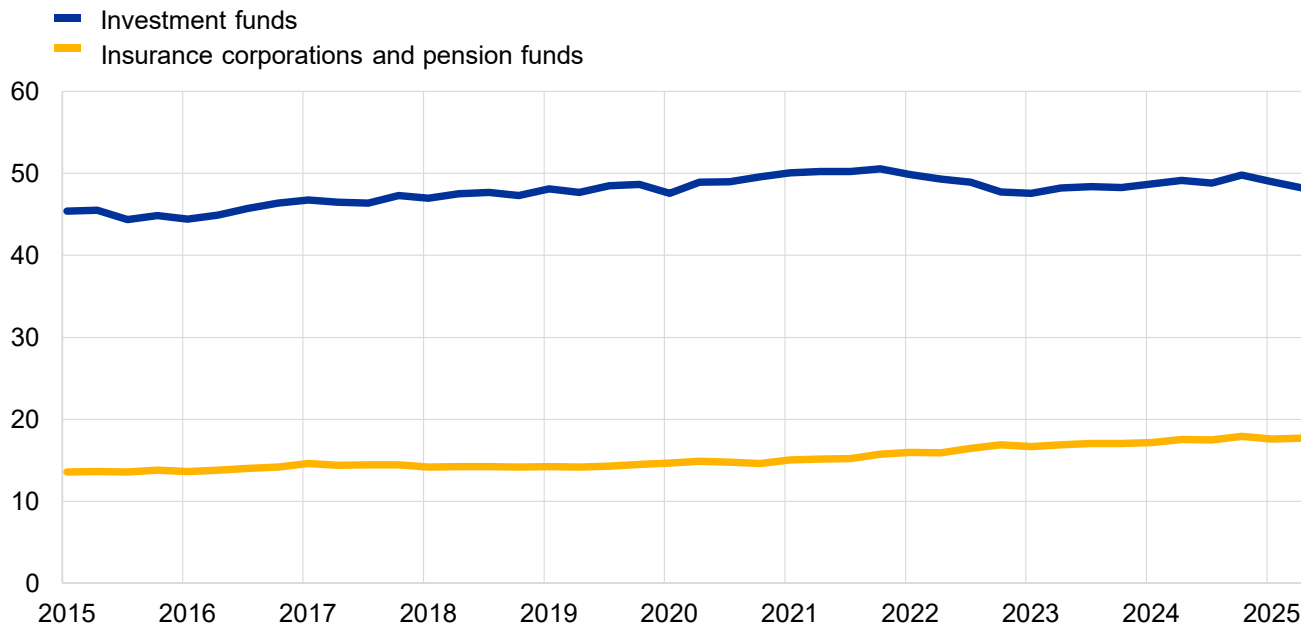
Notes: The chart shows the ratio of household real estate assets to gross annual disposable income. The latest observations are for the second quarter of 2025.

Sources: ECB (Quarterly Sectoral Accounts), Federal Reserve Board, Bureau of Economic Analysis and ECB calculations.

Notes: The chart shows the ratio of household and nonprofit organisations non-financial assets (excluding consumer durables) to their net wealth (United States). The latest observations are for the second quarter of 2025.

Extra-euro area share of financial assets

(percentages of total financial assets)

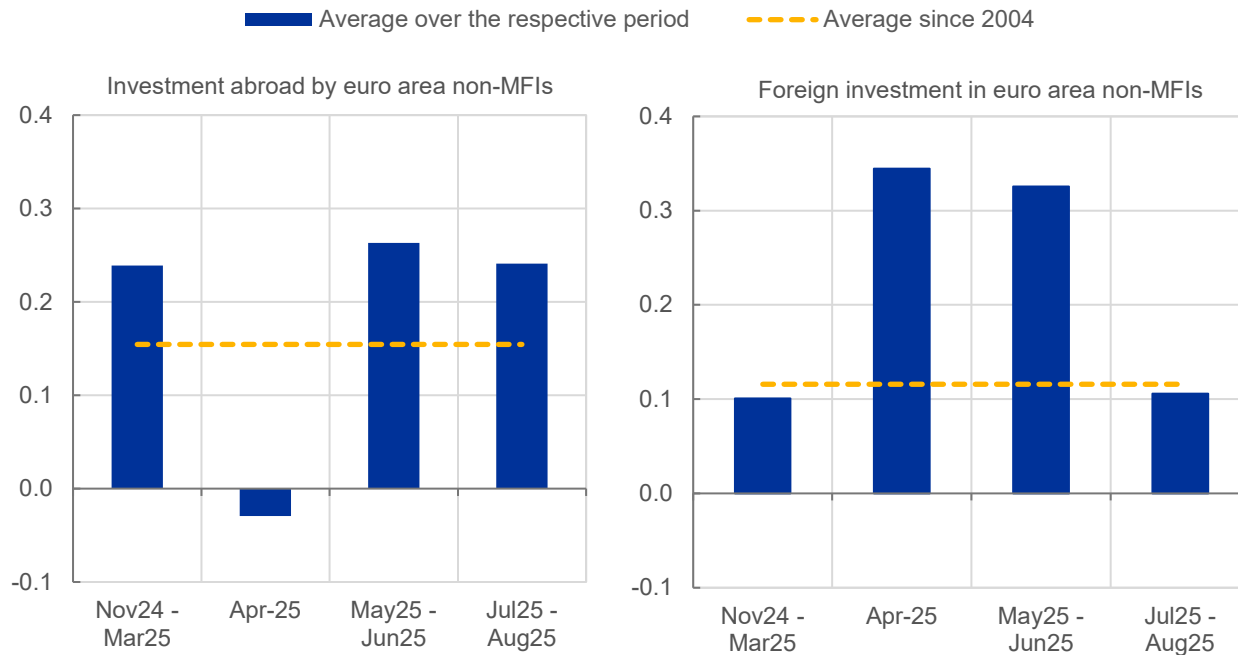


Sources: ECB (balance of payments and international investment position, quarterly sector accounts) and ECB calculations.

Notes: Investment funds excluding money market funds. The latest observations are for the second quarter of 2025.

Net portfolio investment in debt securities

(flows as percentage of the previous year's annual GDP)

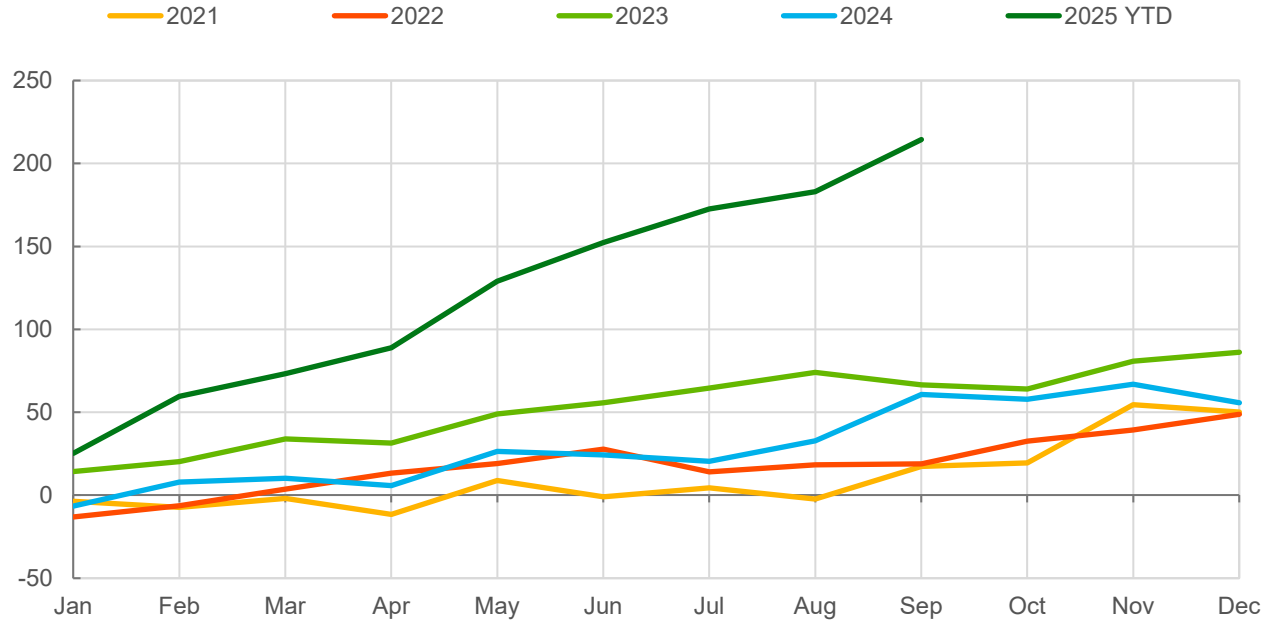


Sources: ECB (balance of payments and international investment positions), Eurostat and ECB calculations.

Notes: "Nov24-Mar25" is the period from the election of President Trump until the April tariff announcement. The latest observations are for August 2025.

Euro-denominated bonds by non-euro area corporations

Net issuance of euro-denominated bonds by non-euro area corporations (accumulated flows in EUR billions since the beginning of every year)



Sources: ECB (centralised securities database) and ECB calculations.

Notes: Figures are not seasonally adjusted. The latest observations are for September 2025.

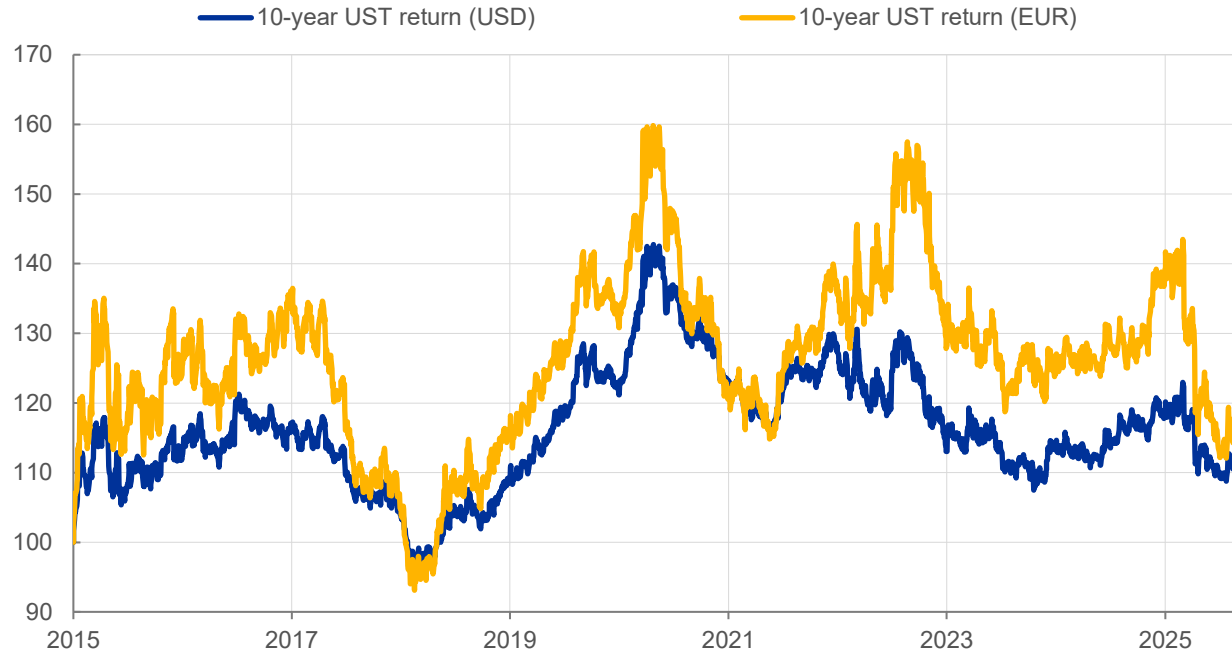
S&P 500 returns (index, 1 January 2015 = 100)



Sources: LSEG and ECB calculations.

Note: The latest observations are for 4 November 2025.

10-year US Treasury returns (index, 1 January 2015 = 100)



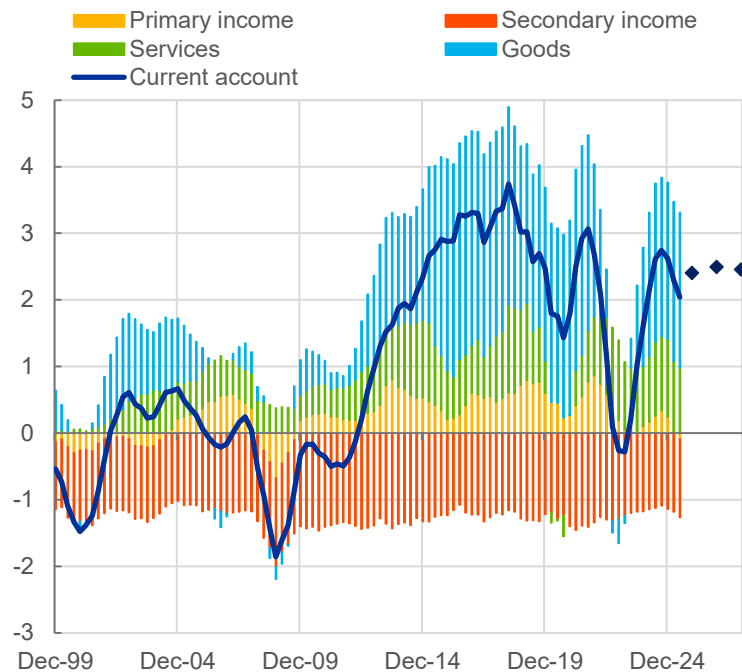
Sources: Bloomberg and ECB calculations.

Note: The latest observations are for 4 November 2025.

Euro area external balance

Euro area current account balance

(percentage of GDP, 4 quarters cumulated)

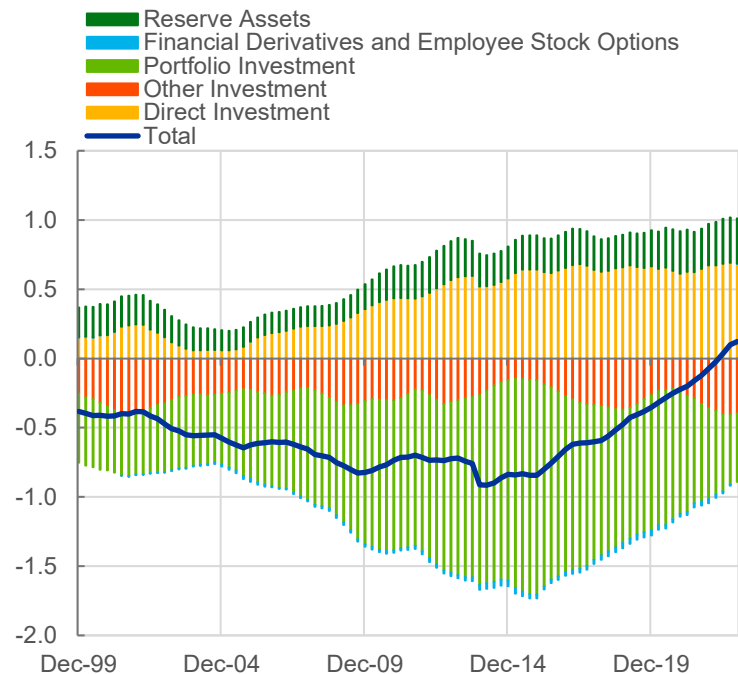


Source: ECB.

Notes: The last three data points are ECB projections. The latest historical observations are for the third quarter of 2025.

Euro area net international investment position

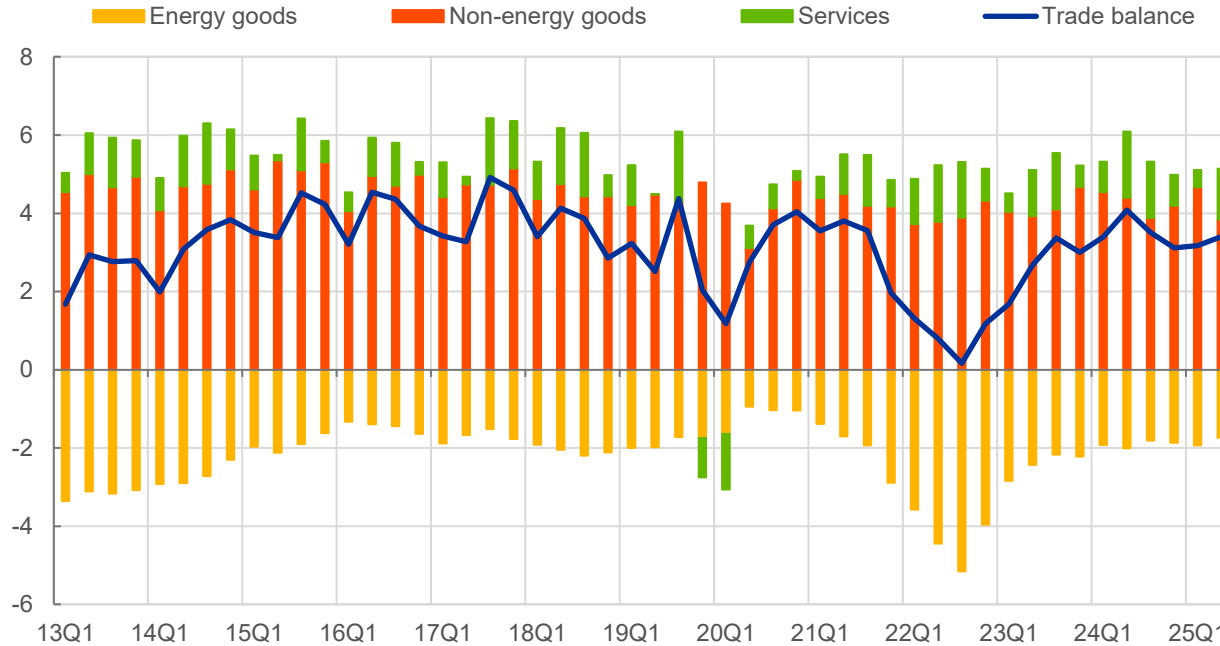
(percentage of GDP)



Source: ECB.

Note: The latest observations are for the second quarter of 2025.

Euro area trade balance (percentage of GDP)



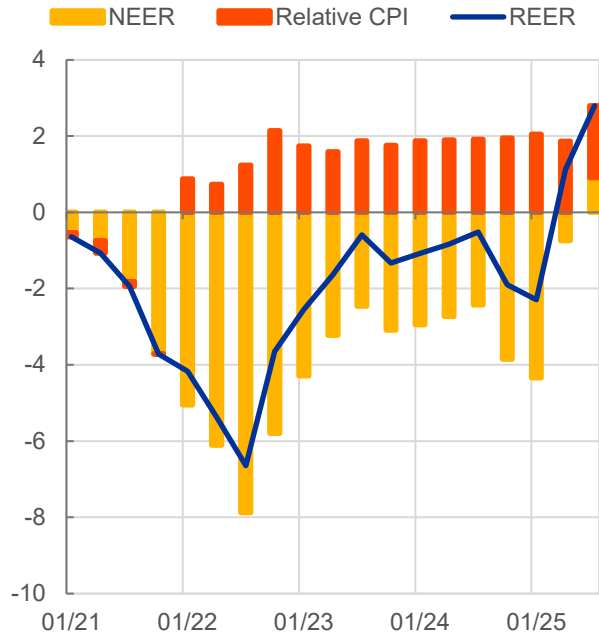
Source: ECB and Eurostat

Note: The latest observations are for the second quarter of 2025.

Euro area exchange rate and imports

REER developments

(cumulative percentage change vs January 2021)

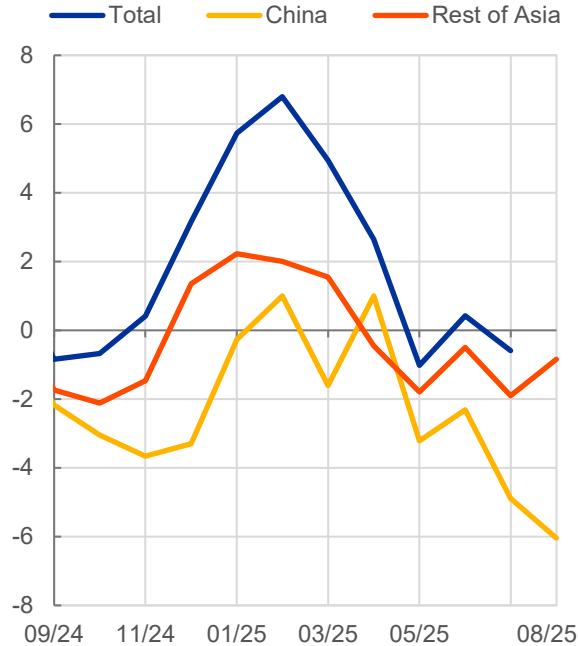


Sources: Eurostat and ECB staff calculations.

Notes: Euro REER vis-à-vis 18 main trading partners (3-month averages). Relative CPI changes are implied from REER and NEER changes. The latest observations are for September 2025.

Euro area import prices

(year-on-year percentage changes)

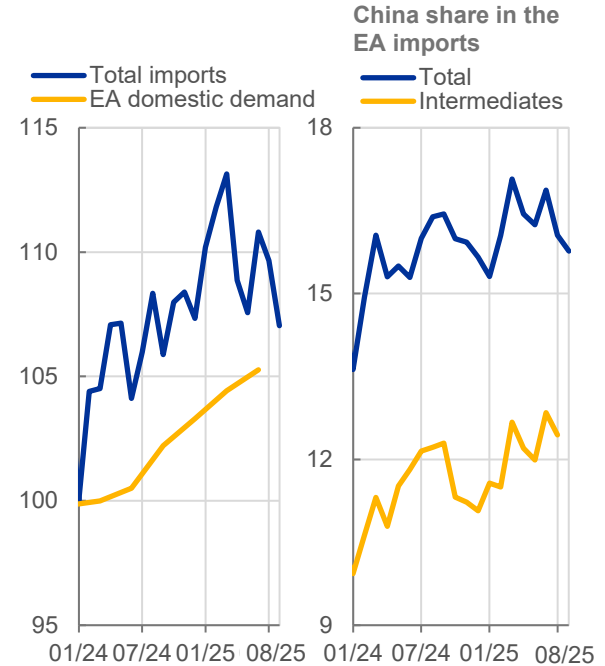


Sources: Eurostat, Haver analytics and ECB staff calculations.

Note: The latest observations are for July 2025 for Extra-EA and August 2025 for China and rest of Asia.

Euro area imports

(left-hand side: index, January 2024 = 100; right-hand side: percentage)



Sources: Eurostat and ECB staff calculations.

Note: The latest observations are for June 2025 for domestic demand, July 2025 for import share of China in EA imports of intermediate goods, August 2025 for rest.