Goldman Sachs Outlooks

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European economies should perform better in 2026 than last year, even though a number of structural headwinds are going to limit that growth improvement. We expect 1.3% growth for the Euro area in 2026. The first and most important driver is the shift in German fiscal policy. We expect public spending to rise by 2% of GDP over the next couple of years, driven by defense spending and infrastructure. The second driver is receding trade tensions. And third, we think the backdrop for consumption is encouraging. But at the same time, Europe hasn't done enough in terms of reforms to boost its competitiveness. And we believe this leaves Europe vulnerable to rising export competition with China, which is doubling down on its export led growth strategy. Taken together, this leaves us cautiously optimistic for Europe for the year ahead.

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