

EU COMPETITIVENESS ECONOMIC SECURITY A GERMAN PERSPECTIVE


SACHVERSTÄNDIGENRAT
zur Begutachtung der
gesamtwirtschaftlichen Entwicklung

UTN Technische
Universität
Nürnberg

Veronika Grimm

Nuremberg University of Technology and German Council of
Economic Experts

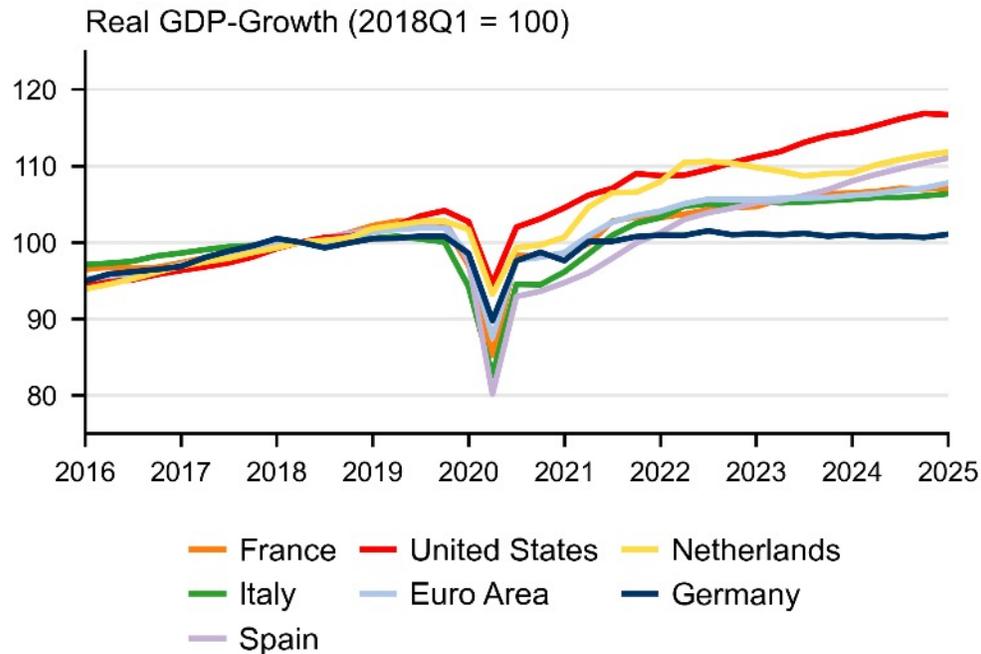
AHK Budapest

January 22, 2026

The presentation reflects the personal opinion of the authors and not necessarily that of the German Council of Economic Experts.

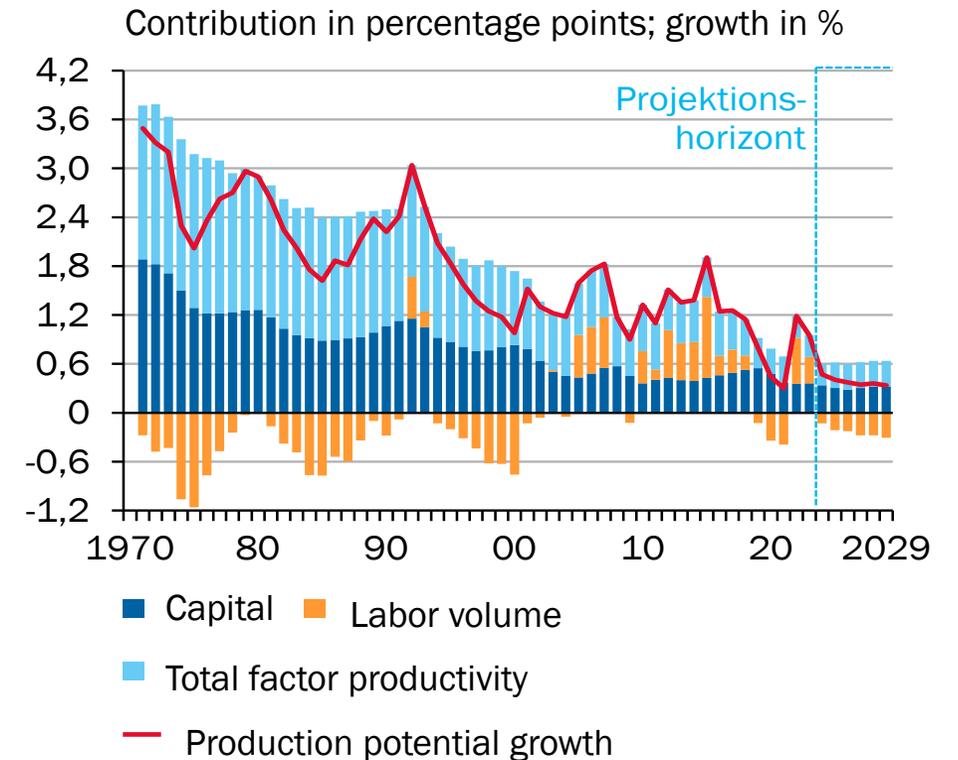
LOW GROWTH POTENTIAL IN EUROPE

Stagnation in Germany,
EU grows 8% since 2018, USA 17%



Quellen: OECD: Quarterly real GDP growth - OECD countries

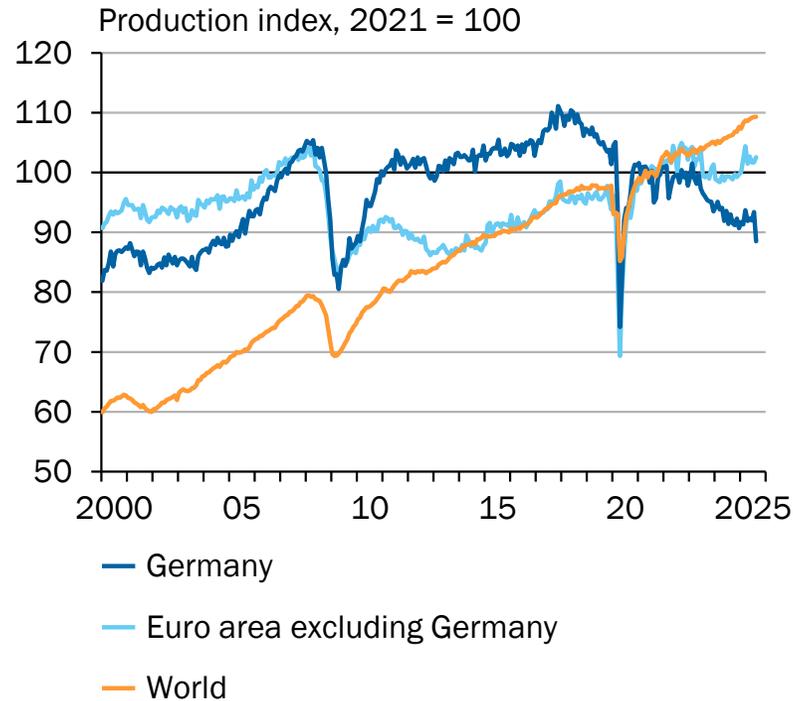
Declining potential growth



Sources: IAB, OECD, Federal Statistical Office, own calculations
German Council of Economic Experts | 24-253-01

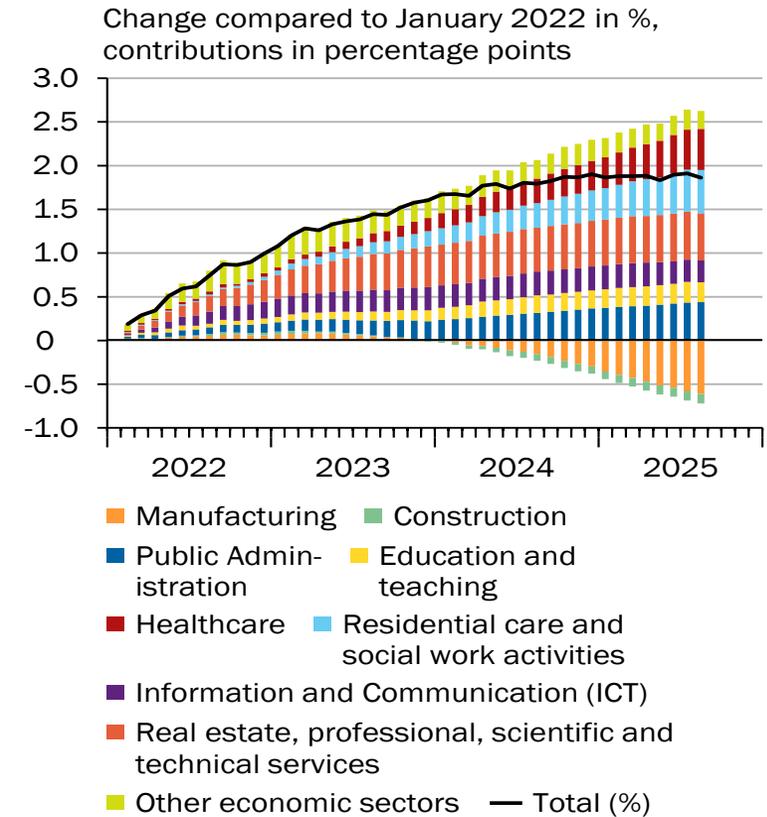
STRUCTURAL CHANGE CHALLENGES THE GERMAN ECONOMY

Industrial production in Germany declines
against the global trend



Sources: Federal Statistical Office, CPB, Eurostat, own calculations
© German Council of Economic Experts | 25-221-03

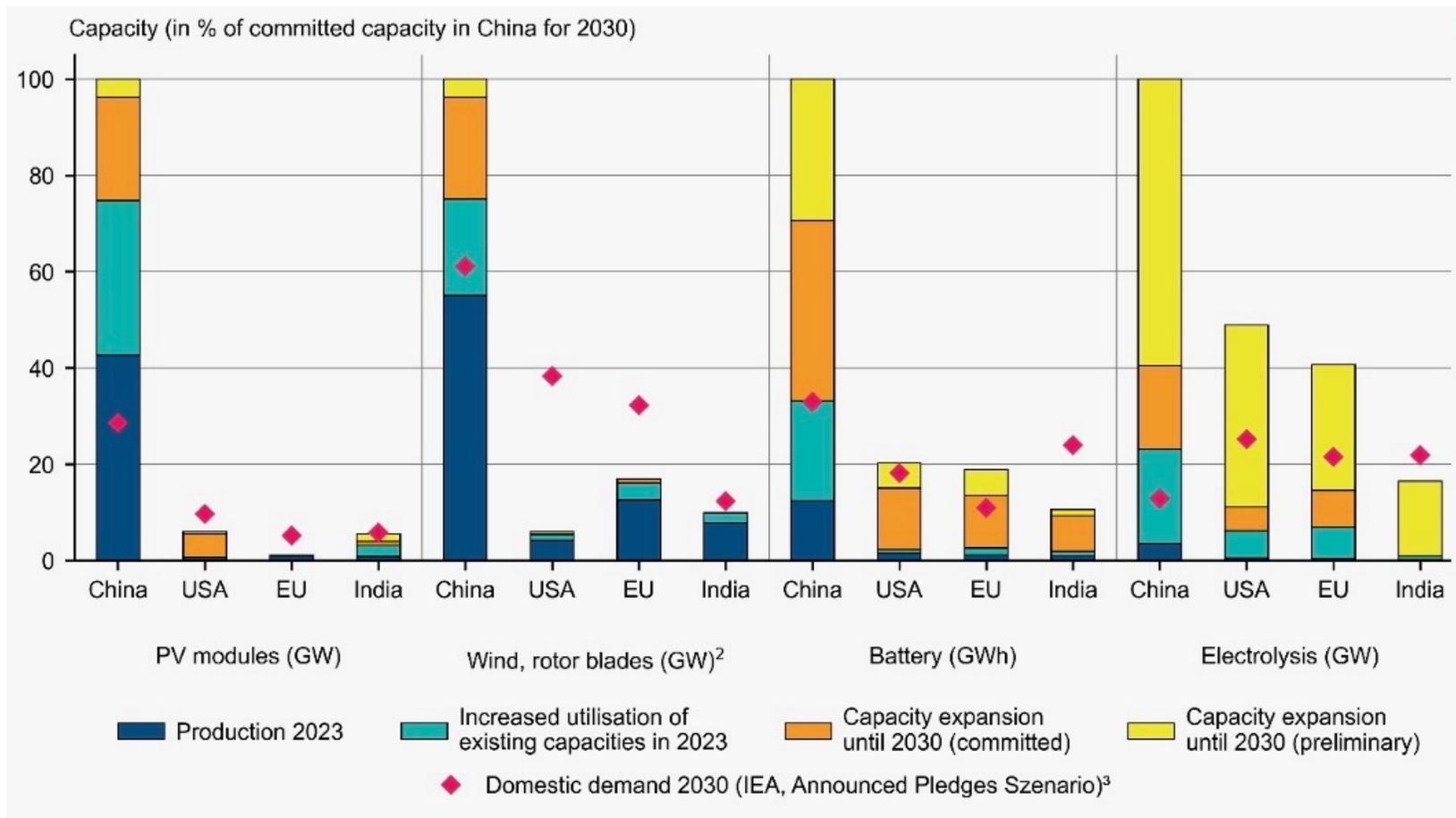
Jobs are being cut in the manufacturing sector -
government-related services continue to add jobs



Sources: Federal Employment Agency, own calculations
© German Council of Economic Experts | 25-224-02

COMPETITION FROM CHINA

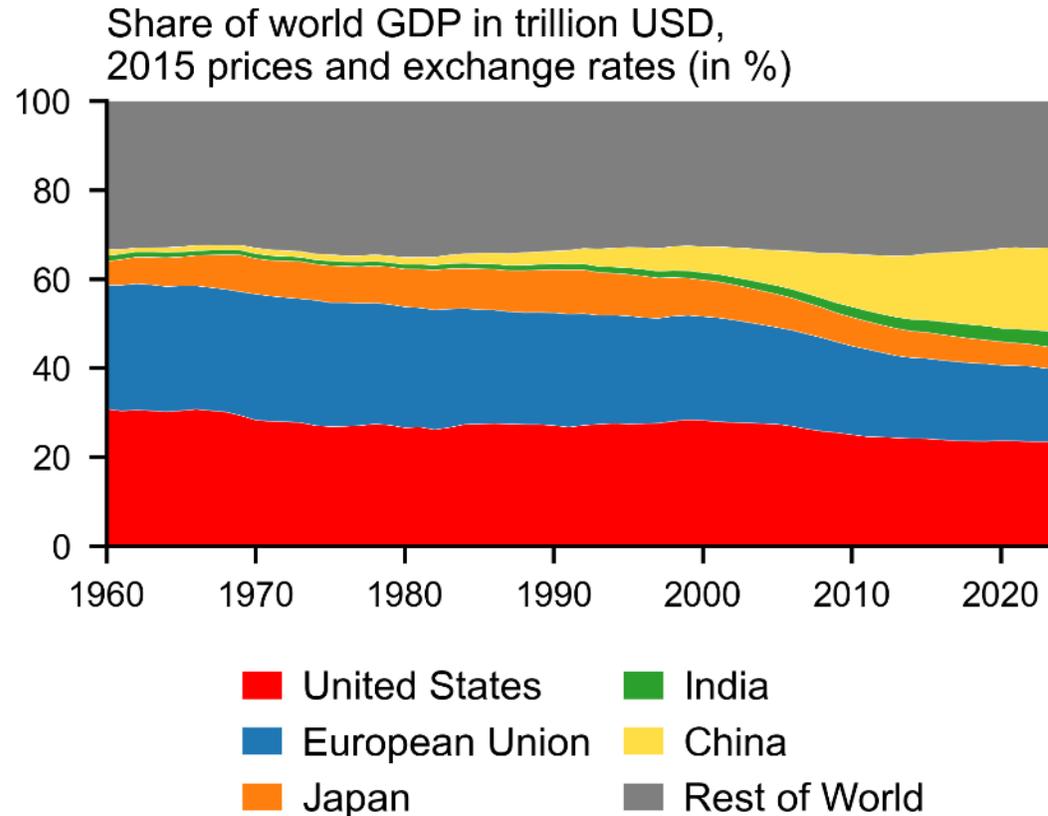
ALIGNING GROWTH AND CLIMATE PROTECTION



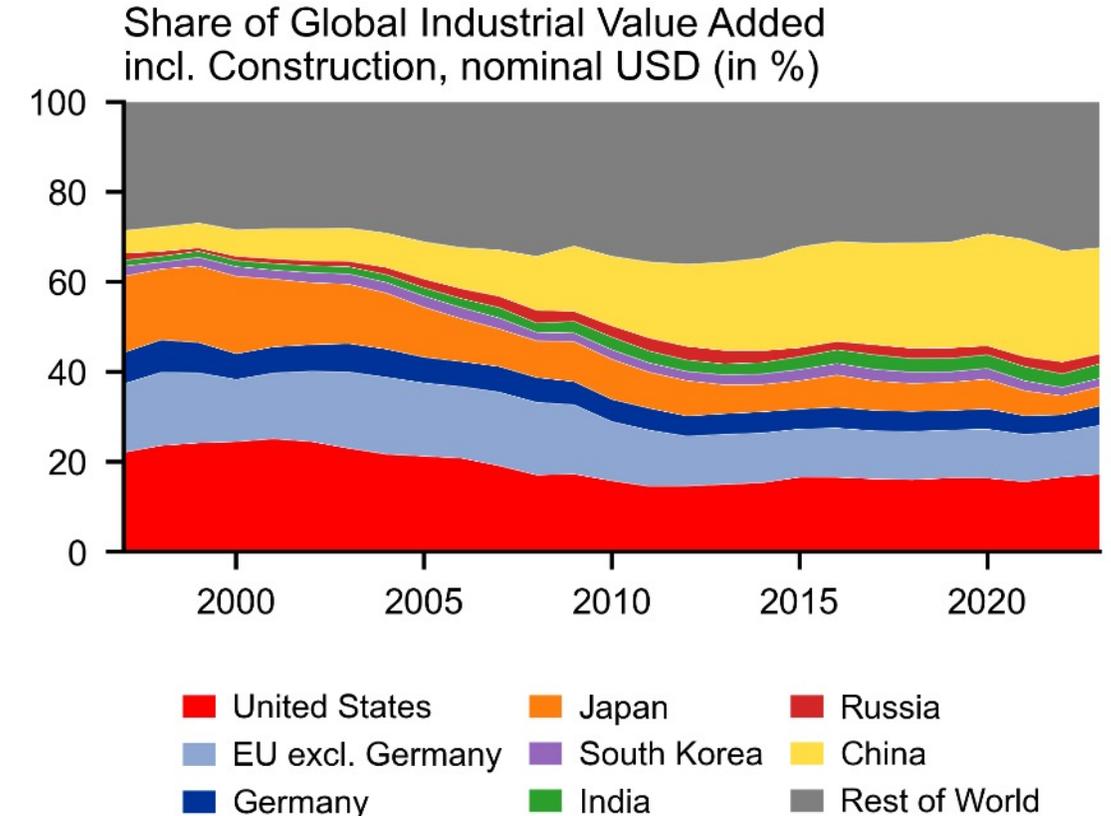
<https://www.kas.de/en/single-title/-/content/combining-economic-growth-and-climate-protection>

BIGGER PICTURE

TRANSFORMATION OF WORLD ORDER INEVITABLE



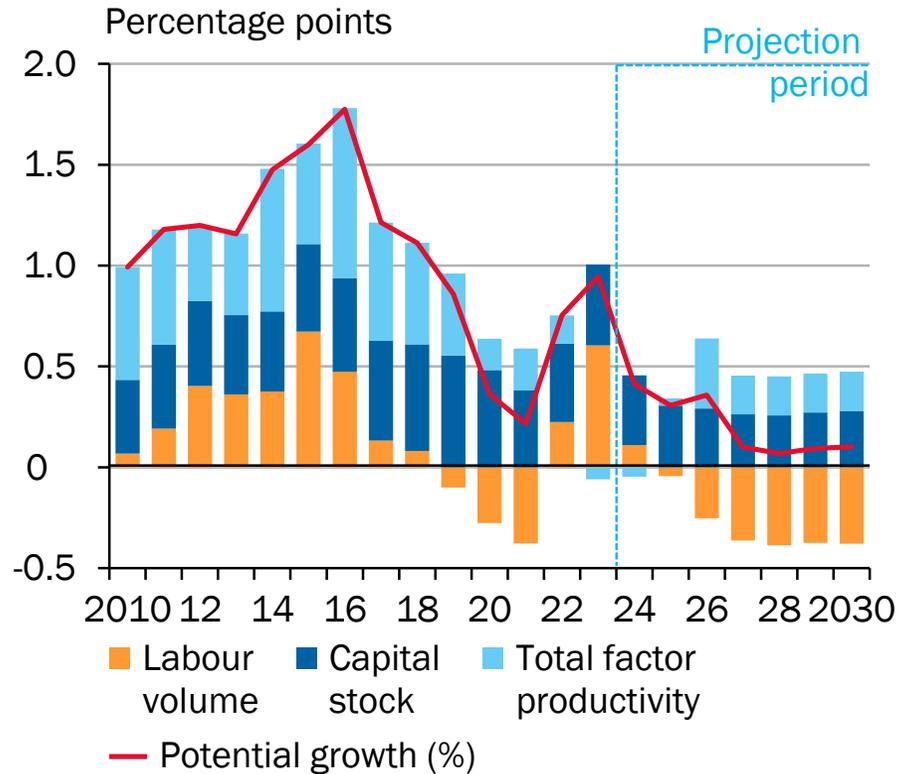
Quelle: Eigene Darstellung auf Basis von Weltbank



Quelle: Eigene Darstellung auf Basis von Weltbank

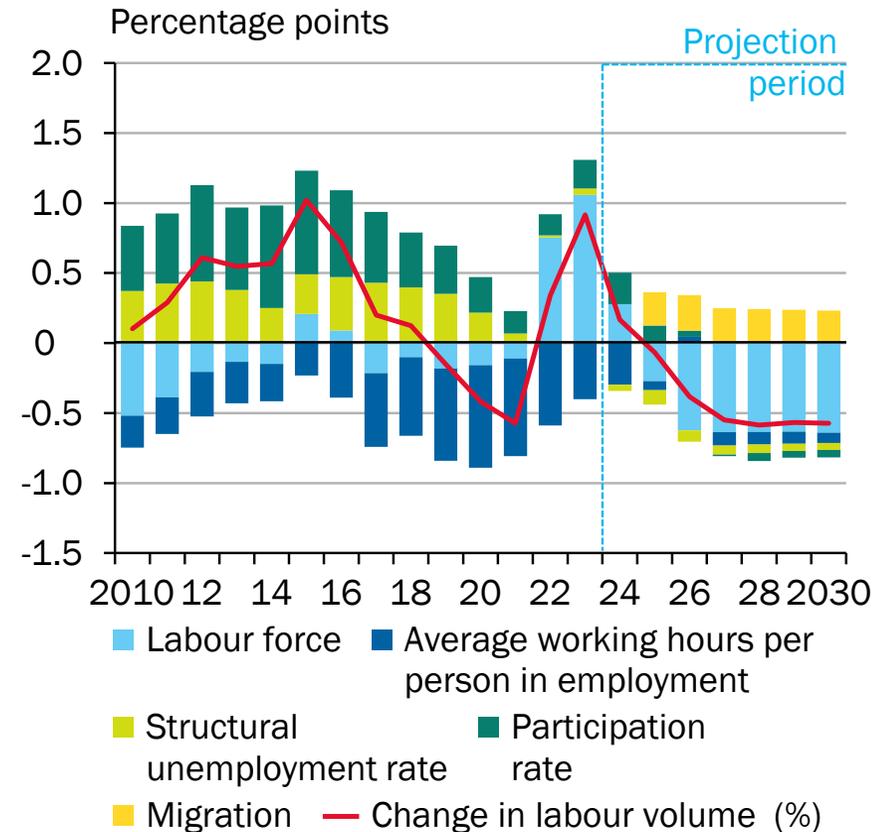
INCREASING LABOR VOLUME CAN CONTRIBUTE, BUT....

Growth in potential output will continue to decline due to demographics



Source: Federal Statistical Office, own calculations
© German Council of Economic Experts | 25-124-03

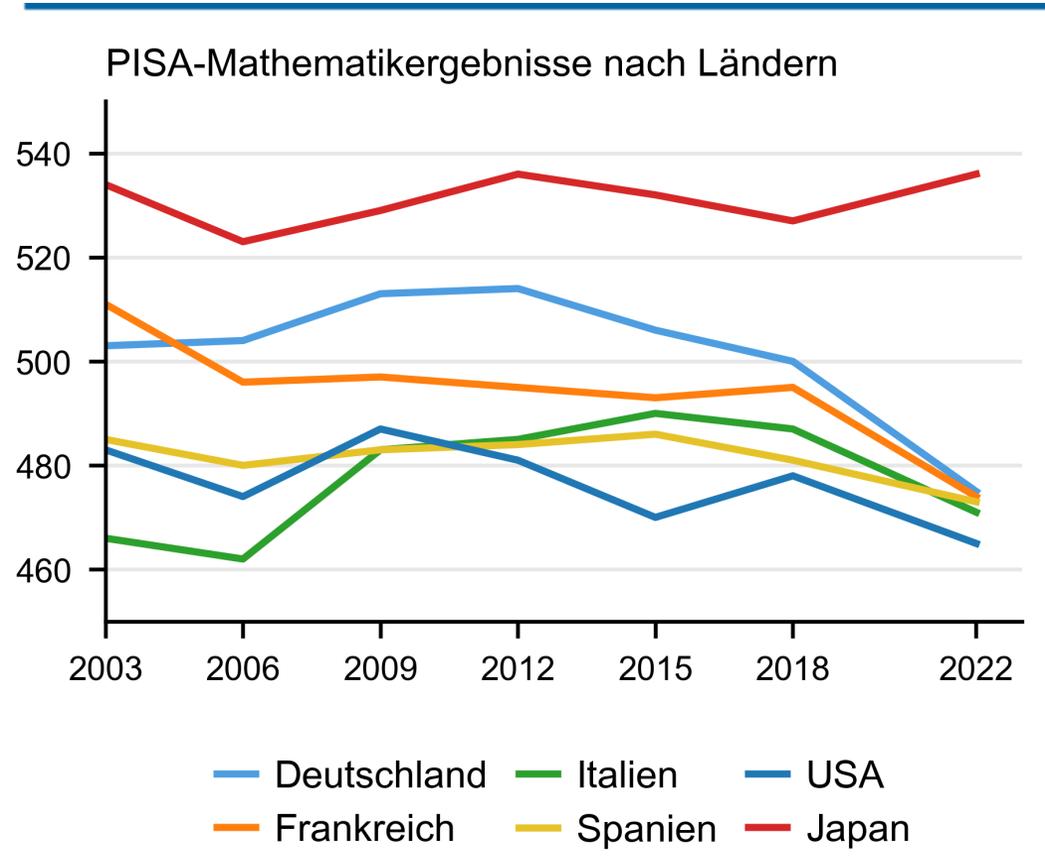
Low expected net immigration cannot compensate for demographic ageing



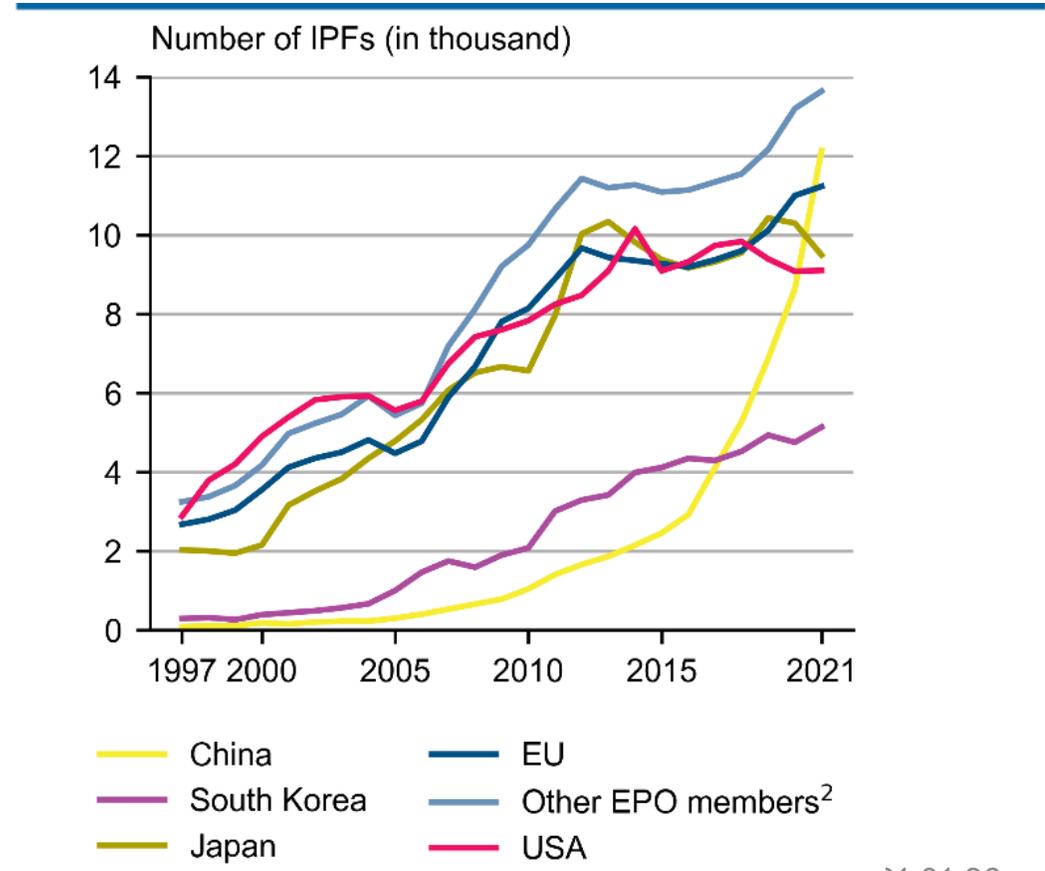
Source: Federal Statistical Office, own calculations
© German Council of Economic Experts | 25-124-03

TECHNOLOGY IS KEY: EDUCATION AND SCIENCE NEED ATTENTION

Results: PISA mathematics

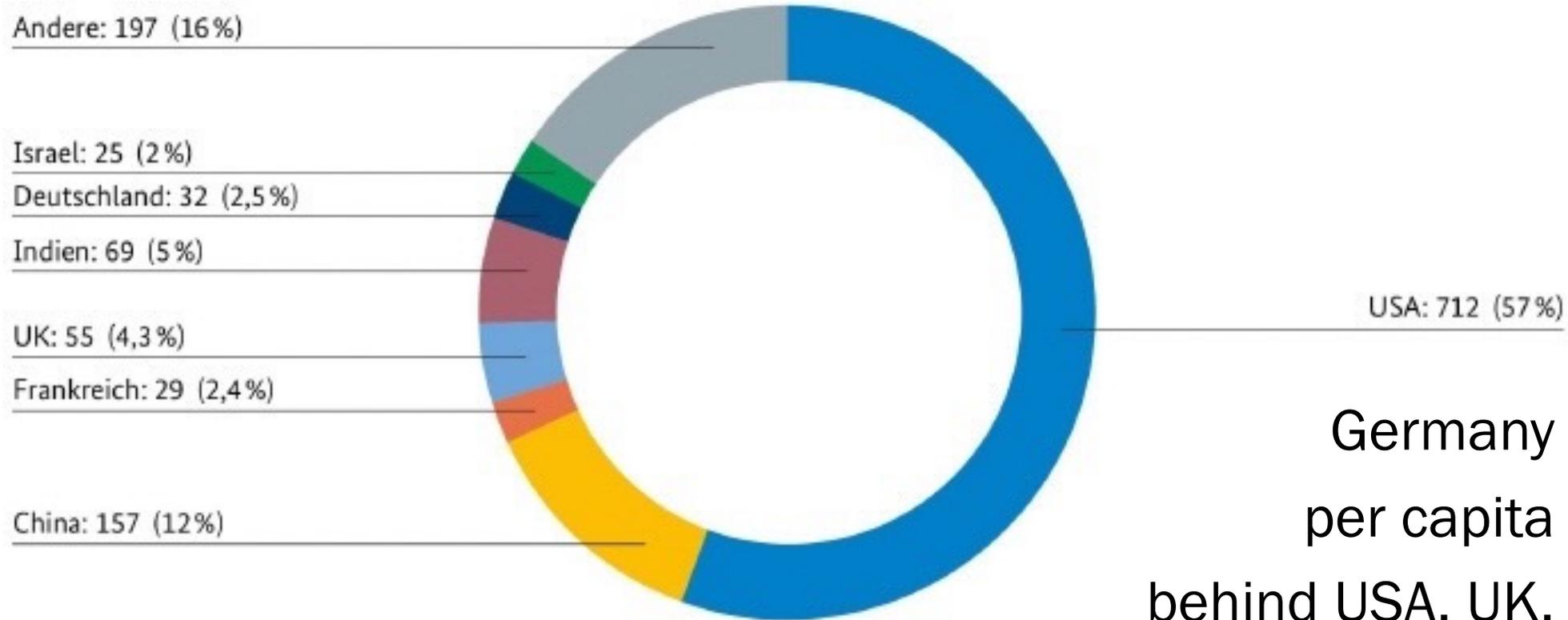


Trends of international patent families in the CleanTech sector, 1997-2021



INNOVATIVE CAPACITY IS WEAK

Distribution of worldwide 1.276 unicorns



Germany
per capita
behind USA, UK,
France and Israel

Quelle: CB Insights Global Unicorn Club (Stand: 3. Juli 2025).

OPPORTUNITIES GROWTH POTENTIAL OF AI

VALUE CHAIN

- Infrastructure, models and tools, applications

DATA

- Text, image, video, audio, code, sensor data, ...

GOVERNMENTAL ISSUES

- Regulation, administration, education, containment of risks, ...

INDUSTRIES

- Healthcare, legal, financial, retail, energy, defence, aviation, space, automotive, manufacturing

GENERAL PURPOSE

- Digital twins for simulation, machine translation, visual inspection, logistics optimization, negotiation optimization, ...

Opportunities

SOCIAL REFORMS AND DEREGULATION

Social spending has increased more than GDP

Germany, index 1991=100

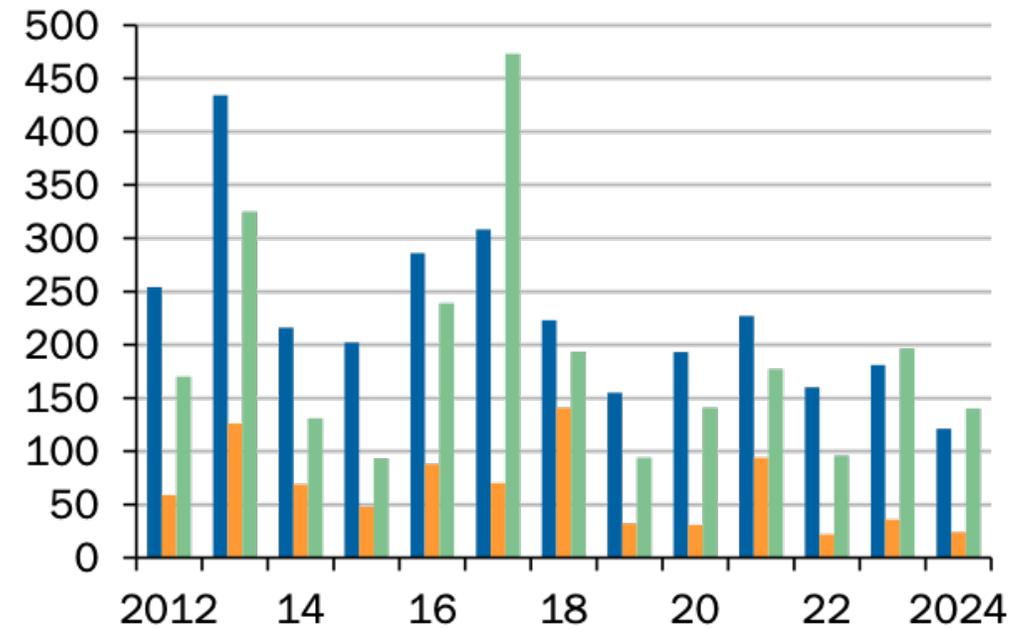


■ defense ■ social ■ GDP

Quelle: Grimm (2025) basierend auf Sachverständigenrat, BEA, OECD, Statistisches Bundesamt.

Frequent introduction and adaption of regulation creates business uncertainty

Regulatory items

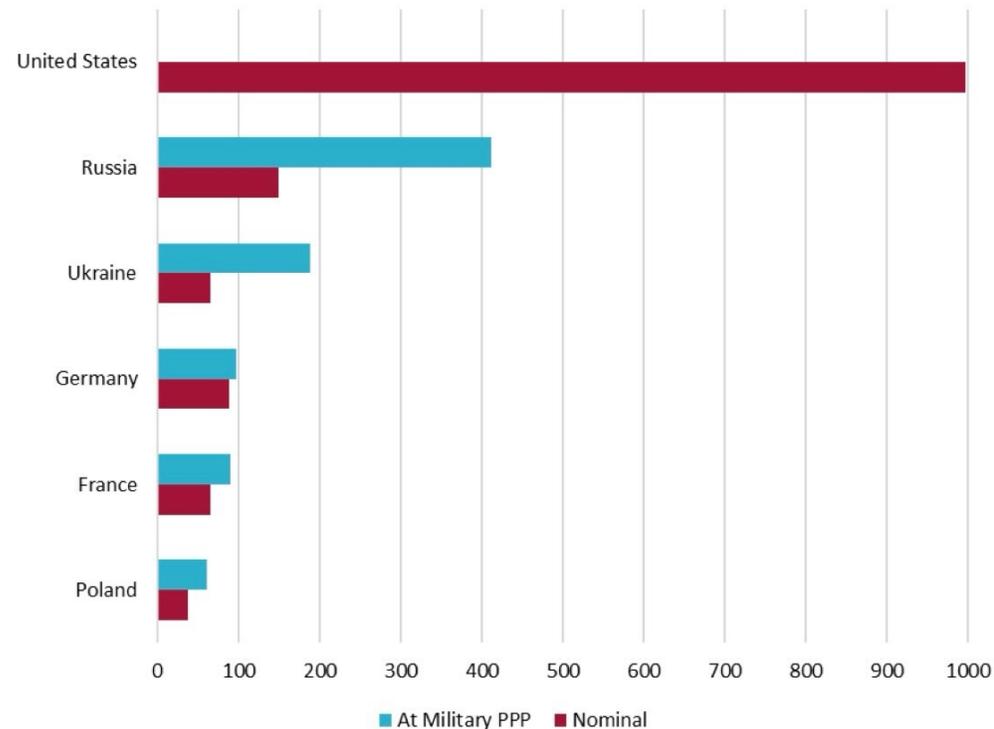


■ introduction ■ removal

■ Change of existing regulation

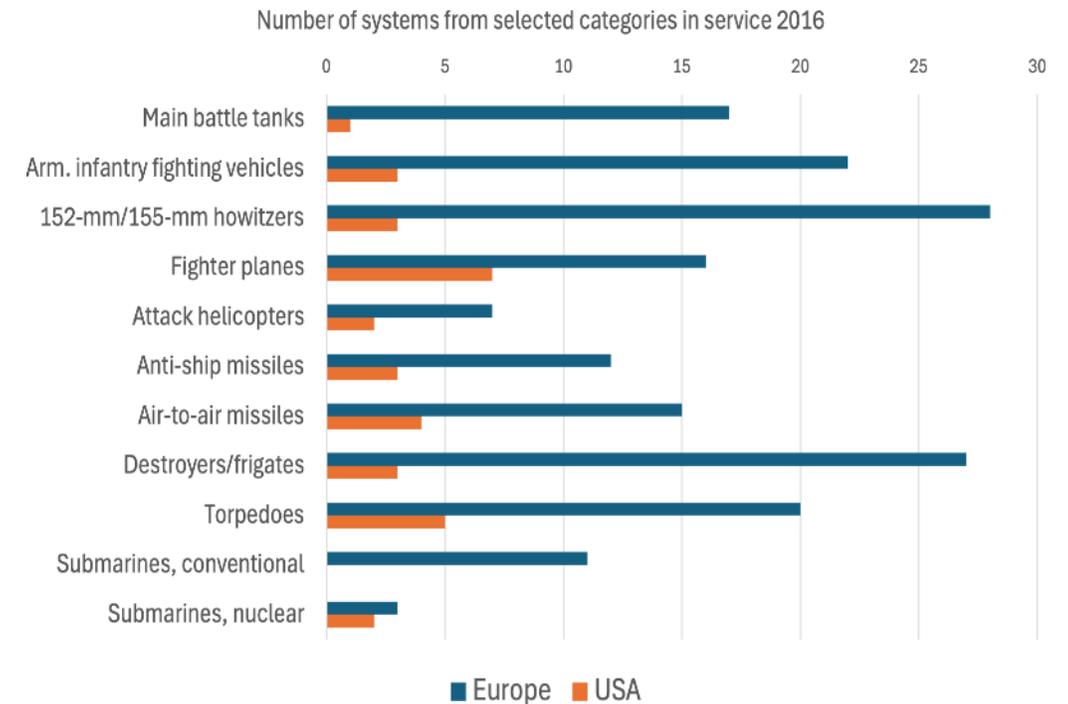
ENHANCING SECURITY

Defence Spending in 2024
(Military PPP USD billion)



Quellen: Burilkov et al. (2025) basierend auf Robertson (2022)

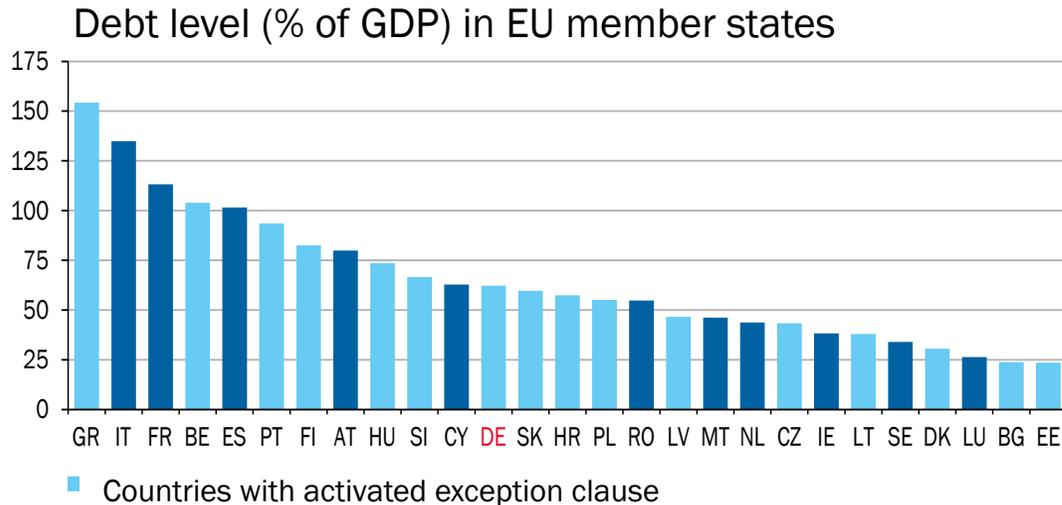
Number of Weapon Systems
Europe versus USA



https://securityconference.org/assets/user_upload/MunichSecurityReport2017.pdf

FISCAL SUSTAINABILITY & DEFENSE BUDGETS

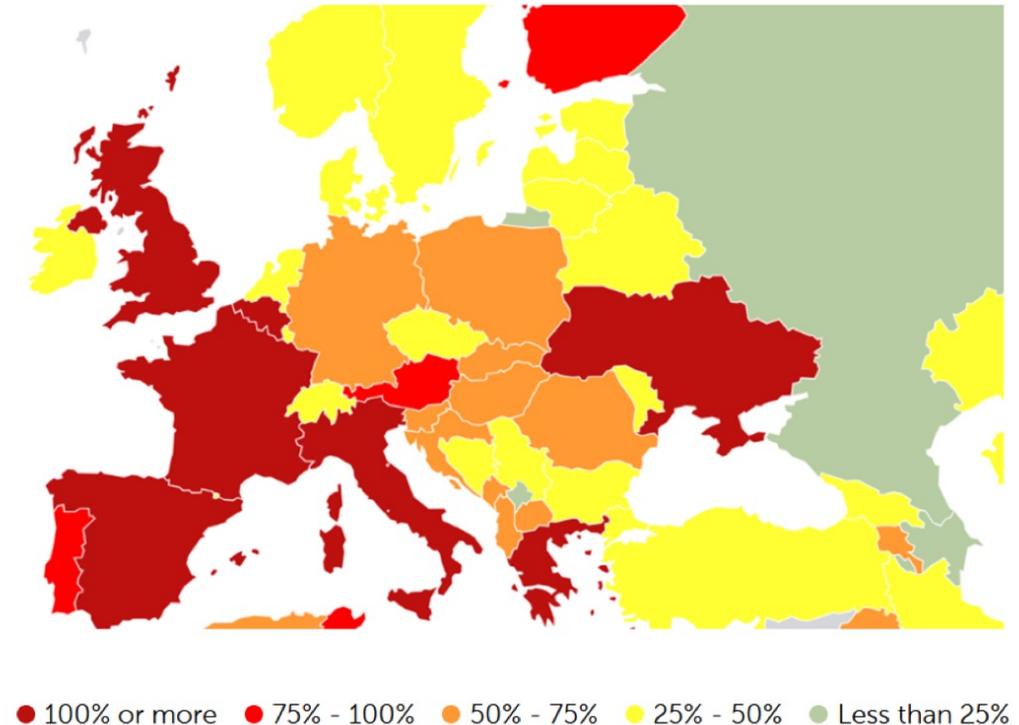
Debt levels of EU 27 and activation of exception clause from European fiscal rules



1 - GR-Griechenland, IT-Italien, FR-Frankreich, BE-Belgien, ES-Spanien, PT-Portugal, FI-Finnland, AT-Österreich, HU-Ungarn, SI-Slowenien, CY-Zypern, DE-Deutschland, SK-Slowakei, HR-Kroatien, PL-Polen, RO-Rumänien, LV-Lettland, MT-Malta, NL-Niederlande, CZ-Tschechien, IE-Irland, LT-Litauen, SE-Schweden, DK-Dänemark, LU-Luxemburg, BG-Bulgarien, EE-Estland.
2 - Aktivierung der Ausnahmeklausel durch den Europäischen Rat: für Belgien, Bulgarien, Dänemark, Estland, Finnland, Griechenland, Kroatien, Lettland, Litauen, Polen, Portugal, Slowakei, Slowenien, Tschechien und Ungarn am 8. Juli 2025; für Deutschland am 10. Oktober 2025.

Quellen: Europäischer Rat, Eurostat
© Sachverständigenrat | 25-275-01

Debt levels of EU 27 and neighbors

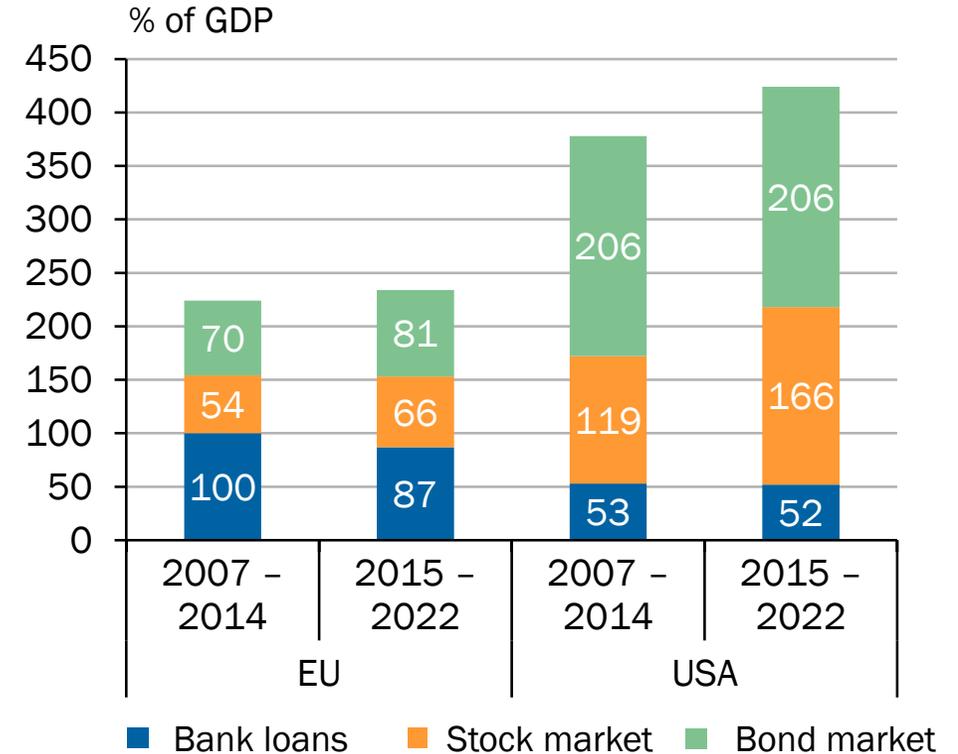
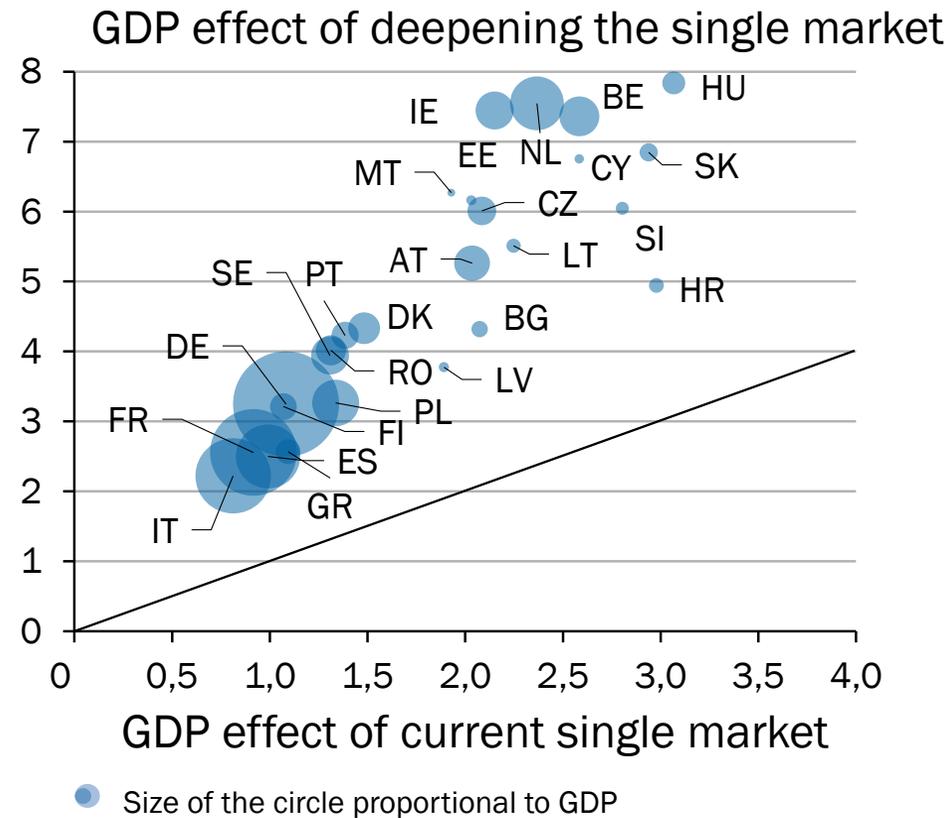


Quellen: Europäischer Rat, Eurostat
© Sachverständigenrat | 25-275-01

DEEPER EUROPEAN SINGLE MARKET AND CAPITAL MARKET UNION

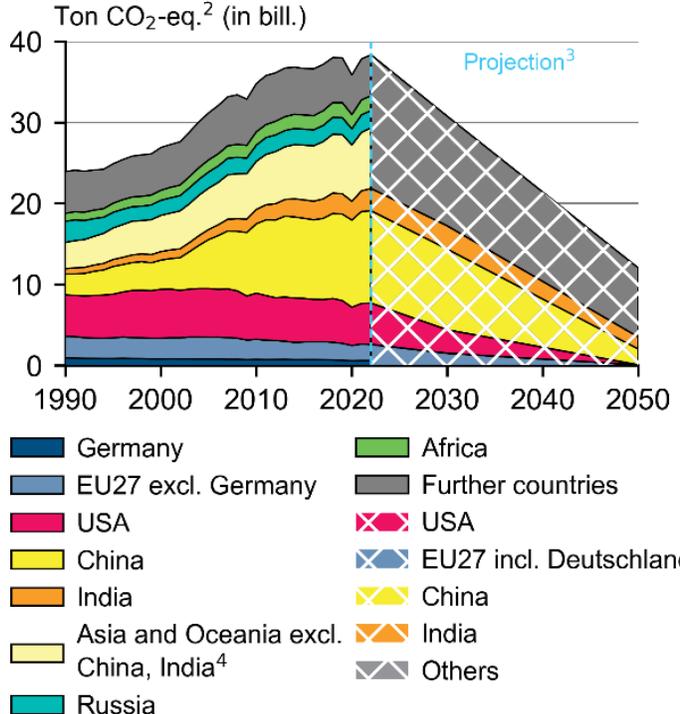
Potential of the single market is not yet fully used

European financial markets are still fragmented

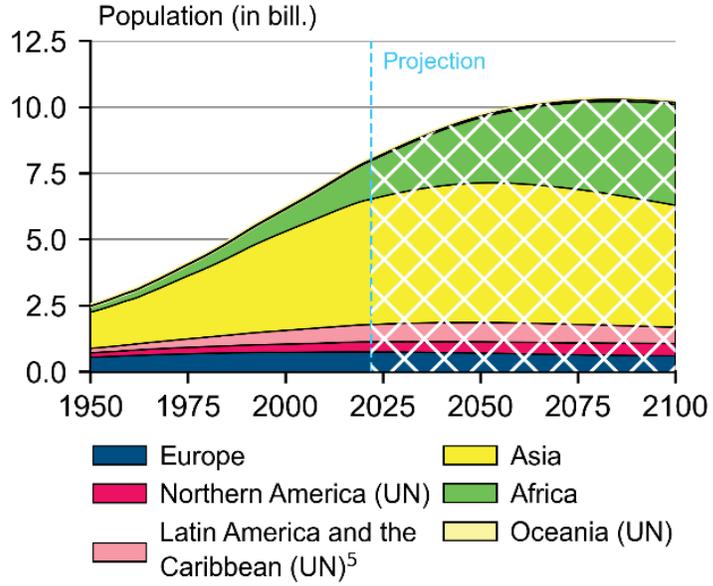


GLOBAL COOPERATION IN CLIMATE PROTECTION

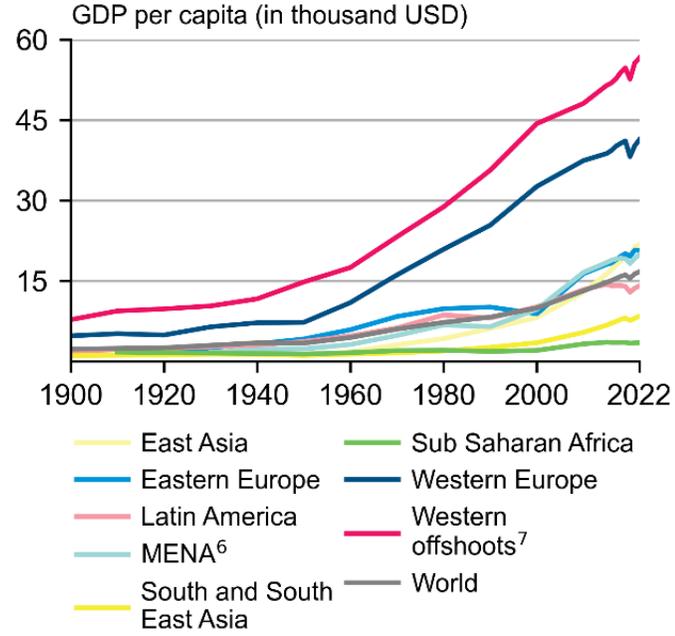
Emissions



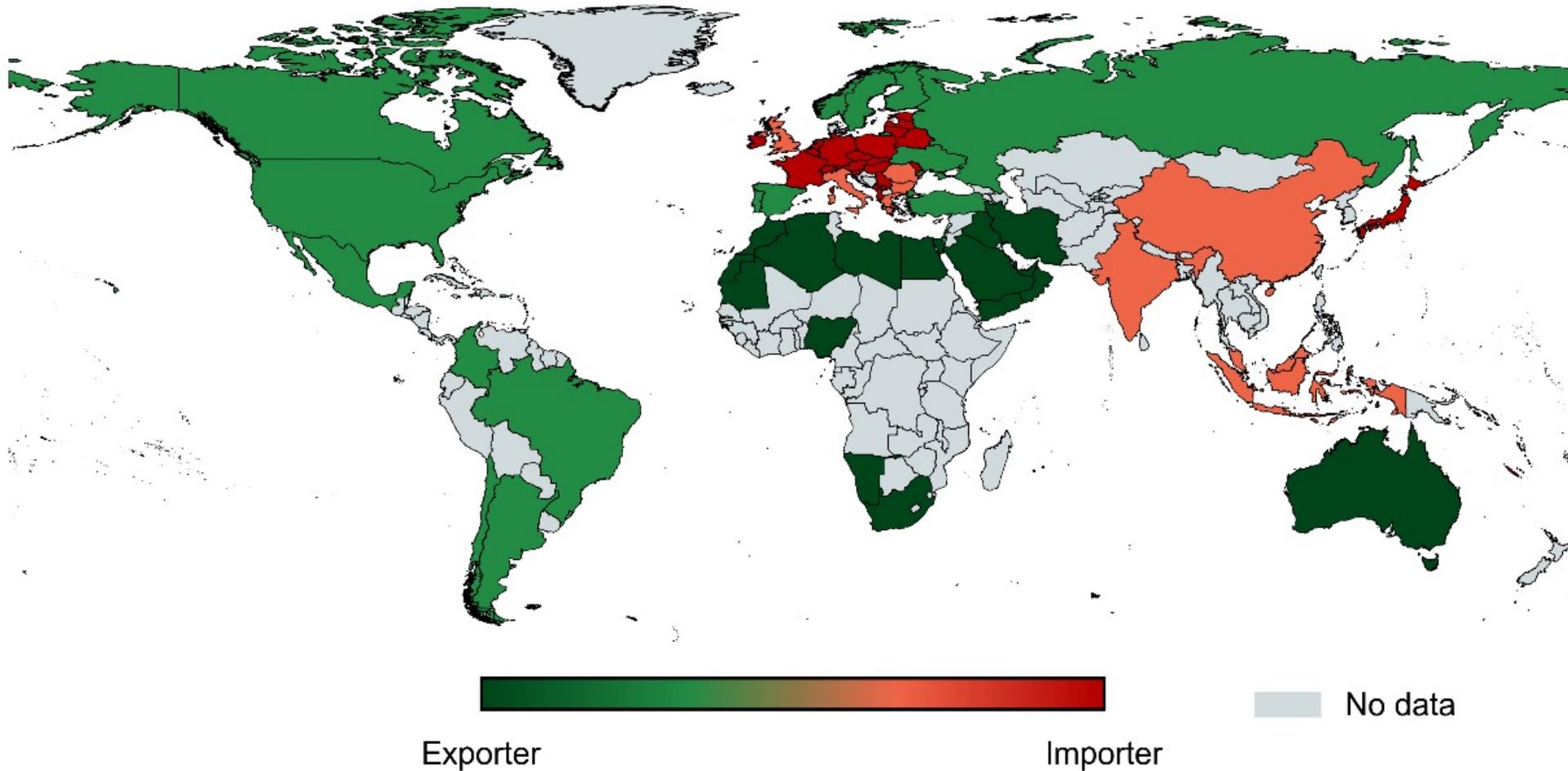
Population



Growth

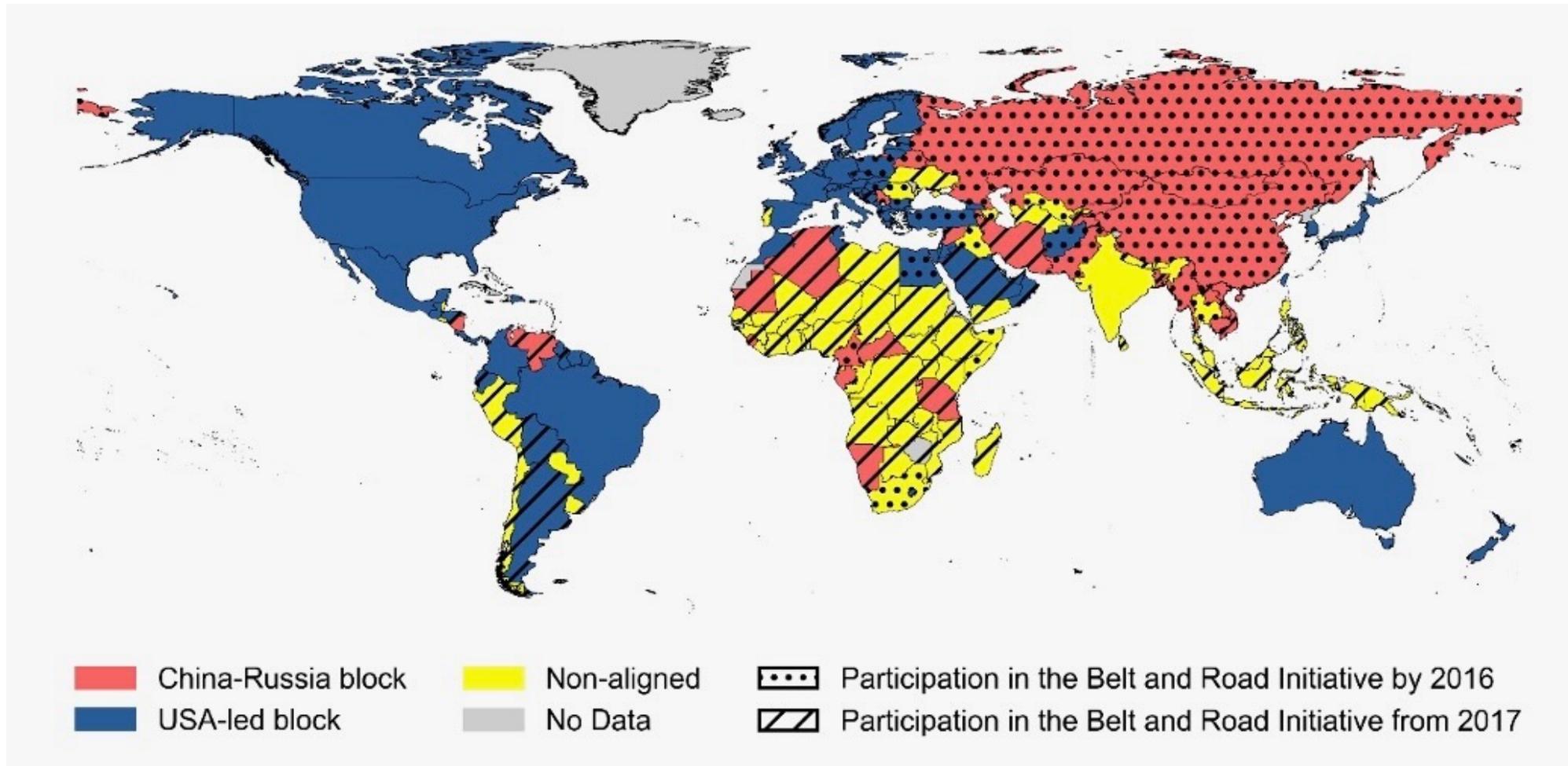


JOINT INTEREST REORGANIZATION OF ENERGY IMPORTS



IMPROVING TRADE RELATIONS

Block alignment of countries and participation in the Chinese Belt & Road Initiative (BRI)



KEY EUROPEAN (AND WORLDWIDE) CHALLENGES

- Growth through innovation
- Contribute to a balance of power
- Fiscal sustainability
- Cooperation on global public goods

THANK YOU

Prof. Dr. Veronika Grimm

Email: veronika.grimm@utn.de

Web: <https://www.utn.de/person/prof-veronika-grimm/>

Twitter: @GrimmVeronika

LinkedIn: Veronika Grimm

YouTube: www.youtube.com/@GrimmVeronika



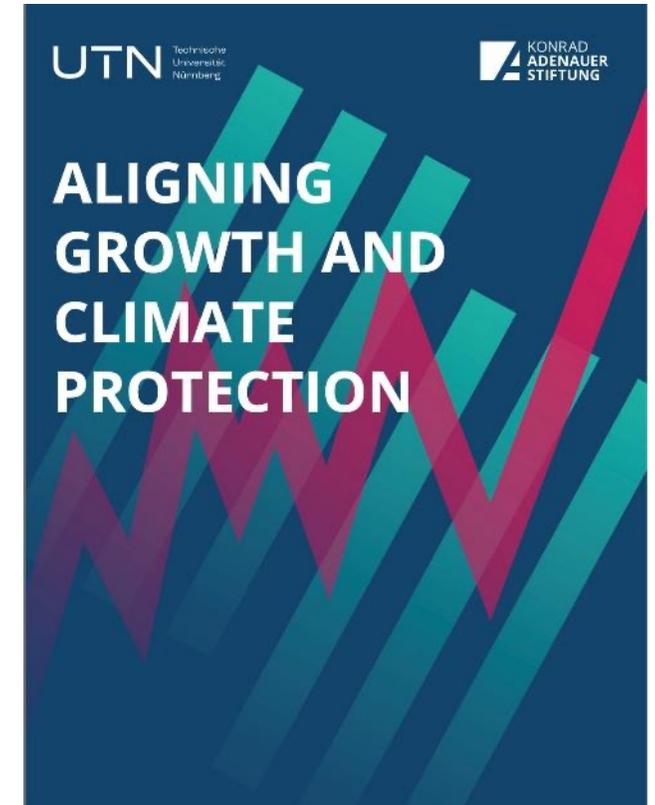
SOURCES



<https://www.sachverstaendigenrat-wirtschaft.de/en/annualreport-2025.html>



https://files.insm.de/uploads/2025/02/2025-02-13-INSM_Gutachten-fuer-eine-echte-Wirtschaftswende_nicht-lektorierte-Fassung.pdf



<https://www.kas.de/en/single-title/-/content/combining-economic-growth-and-climate-protection>