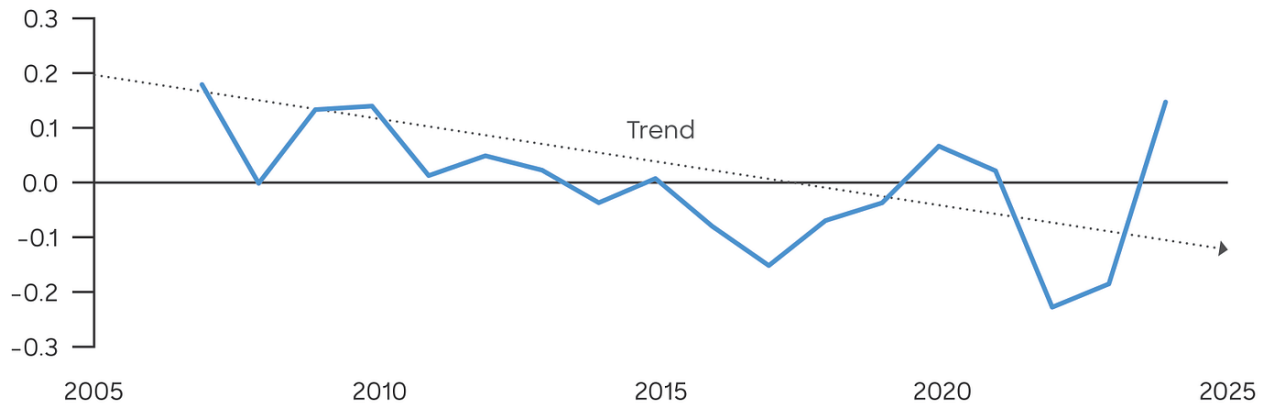


# Has the turning point arrived?

Roland Berger Europe Future Readiness Index

Europe<sup>1</sup>



<sup>1</sup> The index shows an aggregation of z-scores of the depicted economic pillars. Z-scores standardize data by expressing how many standard deviations a value is above or below the mean. Positive values indicate above-average performance, while negative values indicate below-average performance.

Source Roland Berger

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## Roland Berger study: Europe's competitiveness shows first signs of a turnaround

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- The European Future Readiness Index assesses long-term competitiveness across six dimensions
- After years of decline, five of the six sub-indices are now improving – including human capital, sustainability, digitalization, resilience and infrastructure
- Roland Berger identifies four key levers to sustain the

turnaround: reducing regulatory complexity, strengthening innovation, building a more independent European financial system, and making better use of industrial data through AI.

Davos, January 2026: Structural barriers, regulatory complexity and high cost pressures have long weighed on Europe's competitiveness. But after years of decline, the data now points to a potential slight turning point. These findings are reflected in Roland Berger's European Future Readiness Index, released today on the occasion of the World Economic Forum Annual Meeting in Davos.

The index tracks the evolution of Europe's competitiveness (European Union plus Norway, Switzerland and the United Kingdom) over the past 20 years. It is based on six the sub-indices human capital, sustainability, digitalization/innovation, resilience, infrastructure as well as institutions, drawing on 24 indicators. According to the latest data, five of the six sub-indices have now moved above their long-term average for the first time in years.

"Europe has the economic size, the industrial base and the institutional capacities to restore its competitiveness," says Stefan Schaible, Global Managing Partner at Roland Berger. "Our analysis shows that Europe's competitiveness has declined over many years. However, it is encouraging that the index is now clearly above its long-term trend – albeit from a level that is still far too low. Europe must continue to make major efforts."

### **Positive developments in key areas**

In the sub-index human capital, there has been a clear upward trend since 2018, driven primarily by higher public spending on education. This is reflected, for example, in a rising share of women in leadership roles as well as a growing rate of university graduates.

The sub-index sustainability, on the other hand, fell between 2014 and 2021, before returning to growth more recently.

In the sub-index resilience, there has also been a clear recovery since 2020: rising defence spending and steadily declining corporate debt have strengthened Europe's resilience.

The infrastructure index, previously weighed down by sharply higher energy prices, shows a slight recovery in 2024.

## Challenges remain

When it comes to digitalization and innovation, Europe has a real Achilles' heel. Since 2021, the sub-index has been declining, with a slight recovery in 2024 at a low level. Europe must significantly improve in AI, digitalization, and patents, otherwise the gap with the US and China will continue to grow. This segment will determine the continent's future viability.

Institutions remain the key area of concern. After starting from a strong level in 2006, this sub-index fell sharply following the global financial crisis and has continued to weaken since 2018. This is driven by rising public debt and an increasingly complex regulatory environment.

“Europe’s competitiveness is still under considerable pressure despite the recent positive signals. The challenges are significant, but they are surmountable, if we act decisively and in a coordinated way. There must be a clear focus on Artificial Intelligence, where we have a great opportunity to make better use of company data. This opportunity must be seized,” says Schaible.

For this, the Roland Berger experts recommend measures in four central fields of action:

- **Bureaucracy/Regulation:** Targeted simplification and clearer division of responsibilities between EU and national institutions to reduce regulatory complexity, shorten approval processes and promote investments, innovations and growth.
- **Closing innovation gaps faster:** Accelerating the commercialisation of research through simpler financing structures and streamlined processes; sustainable increase in research and development spending in the private sector as well as improved framework conditions for start-ups and scale-ups.
- **Completion of the capital markets union:** Removal of barriers for cross-border capital mobilization to unlock private investments and improve access to growth capital throughout Europe; strengthening the euro as a global reserve currency and continued progress on the digital euro.

- **Leveraging industrial data to accelerate AI innovation:** effective structuring and structured access to high-quality industrial data from industry as a central success factor for an increasingly data-driven economy.

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Roland Berger is one of the world's leading strategy consultancies with a wide-ranging service portfolio for all relevant industries and business functions. Founded in 1967, Roland Berger is headquartered in Munich. Renowned for its expertise in transformation, innovation across all industries and performance improvement, the consultancy has set itself the goal of embedding sustainability in all its projects. Roland Berger generated revenues of around 1 billion euros in 2024.

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