

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

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Abstract

The launch of the 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. According to our econometric estimates, the gap in terms of annual potential growth pace between the USA and the Euroland widened to 1.4pps in 2024, a record high level since the launch of the euro. This was mainly determined by the fact that the Euroland economy was significantly more affected than the US economy by the shocks (endogenous and exogenous) that occurred since 1999, including the Great Financial Crisis, the coronavirus pandemic, and the intensification of the geo-political tensions. These shocks have had a negative impact on the investment climate in the Euroland, given the consequences for the international competitiveness of the region and the weaknesses and challenges in terms of economic policy decisions, in the context of the incomplete structure of the European Monetary Union (EMU).

Keywords: Euroland economy, potential output, investments

JEL Classification: C22, E22, F10

1. Introduction

Since the launch of the euro (on 1st of January 1999) 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).

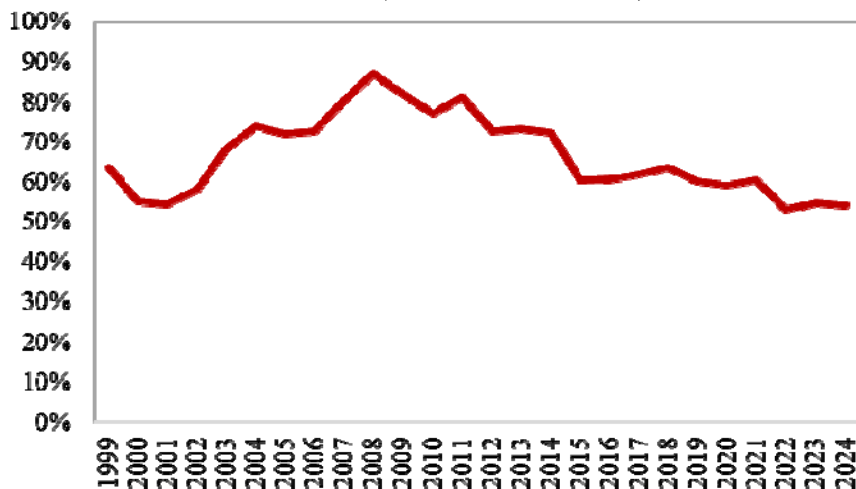
During the same period 1999 – 2024 the economic activity in the USA, the largest economy in the world (with a nominal GDP of USD 29.2tn in 2024, according to the estimates of the Bureau of Economic Analysis (2025)), advanced by an average annual pace of 2.2%.

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. The GDP/capita (expressed in nominal US dollars) in the Euroland represented 54.3% of the level in the USA in 2024, down from 63.8% in 1999 (the year when the euro was launched), if we consider the database of Federal Reserve St. Louis (FED) (2025), as reflected in the Figure 1. In fact, at present, the GDP/capita in the

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countries that today compose the Euroland as a percentage of the GDP/capita in the USA (expressed in nominal US dollars) is very close to the lowest level since 1985.

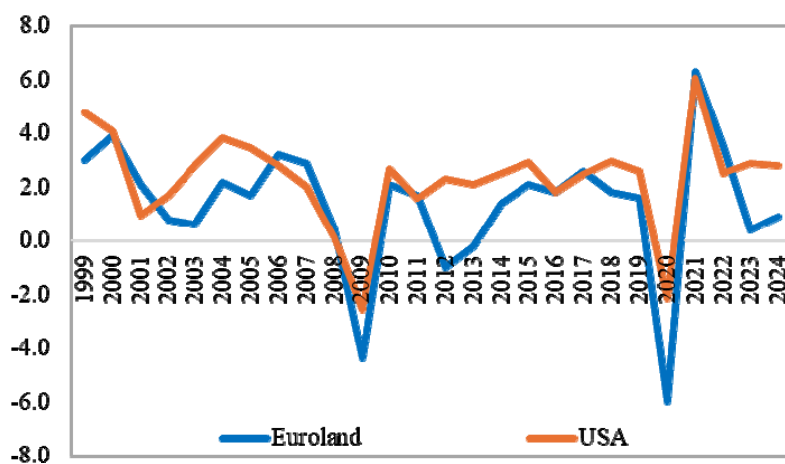
Figure 1. GDP/capita in the Euroland as % of GDP/capita in the USA (nominal US dollars)



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

We point out that only in 8 years out of the 26 years under analysis the annual rate of the GDP was higher in the Euro Area than in the USA, according to the databases of Eurostat (2025) and BEA (2025), as can be noticed from the following figure.

Figure 2. GDP pace in the USA and the Euro Area during 1999 – 2024 (% YoY)



Source: representation of the author considering the statistics of Eurostat (2025) and Bureau of Economic Analysis (2025)

The main objective of the paper is to compare the performance of the GDP in the Euroland and the USA during the period 1999 – 2024 by applying standard econometric tools, while using the databases of Eurostat (2025), and Bureau of Economic Analysis (2025).

2. Methodology

In this paper we use standard macroeconomic analysis tools and the databases of Eurostat (2025) and of the Bureau of Economic Analysis (2025) in order to assess the macroeconomic performance of the USA and of Euroland during the period 1999 – 2024. On the one hand, we analyse the evolution of the components of the GDP from the demand side perspective, with a focus on the gross fixed capital formation.

We estimated the CAGR indicator (compound annual growth pace) for these macroeconomic indicators for a broad comparative analysis of the performance over the past 25 years.

On the other hand, the Hodrick-Prescott filter was implemented in order to distinguish between the structural and the cyclical components for the annual pace of the GDP and of the gross fixed capital formation in these economic blocks (working with annual data), but also for the annual pace of the exports in the Euroland (quarterly observations).

This filter has been widely used in macroeconomic analysis over the past decades, being a simple and transparent method.

The method is based on the following relation:

$$\text{Min} \sum_{t=1}^T (\ln Y_t - \ln Y_t^*)^2 + \lambda \sum_{t=2}^{T-1} ((\ln Y_{t+1}^* - \ln Y_t^*) - (\ln Y_t^* - \ln Y_{t-1}^*))^2 \quad (1)$$

where Y_t , Y_t^* and λ represent the macroeconomic variable (GDP, gross fixed capital formation, exports), its trend, and a smoothness parameter.

In this paper we used a value of 100 for this smoothness parameter, as recommended by Hodrick-Prescott (1997), as we worked with annual observations – GDP and gross fixed capital formation.

However, we used a value of 1 600 for this smoothness parameter when estimating the trend of the exports in the Euroland, as in this case we worked with quarterly data.

Afterwards, we compared the performance of the annual potential growth pace of GDP, and gross fixed capital formation (the USA and Euroland).

The econometric software E-Views was used in this analysis.

3. Euroland – USA – the GDP performance gap during 1999 - 2024

From 1999 to 2024 the economy of the Eurozone increased by an average annual pace of 1.3%, taking into account the database of Eurostat (2025). This

was a weaker performance than in the USA, where the economic activity advanced by an average annual pace of 2.2% during the same period, if we consider the database of the Bureau for Economic Analysis (2025).

There can be noticed the strong divergence in terms of GDP pace 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).

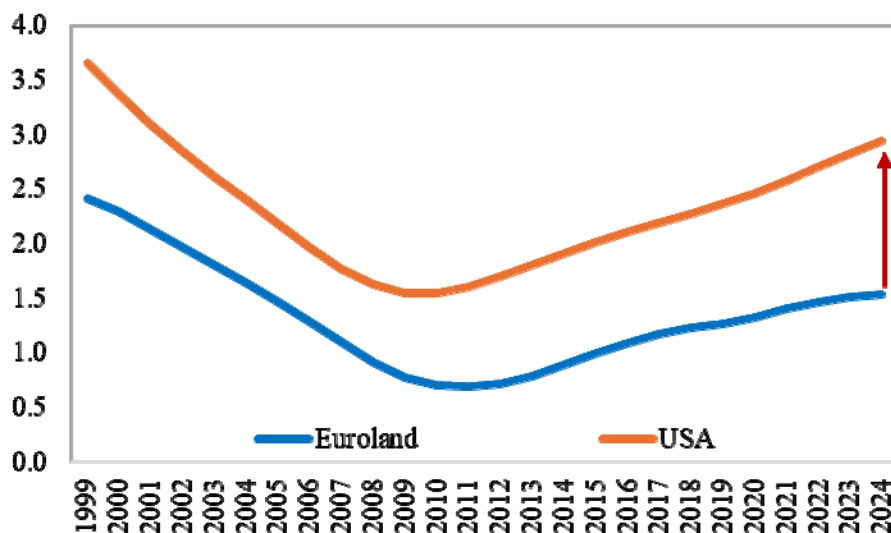
For instance, the GDP of the Euroland contracted by annual rates of 4.4% in 2009, and 6.0% in the pandemic year 2020, a severe adjustment than in the USA (decline by annual paces of 2.6%, and 2.2%, respectively), according to the database of Eurostat (2025).

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) was confronted with unprecedented challenges.

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 Figure 3.

Figure 3. 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 (2025) and Bureau of Economic Policy Analysis (2025)

We 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.

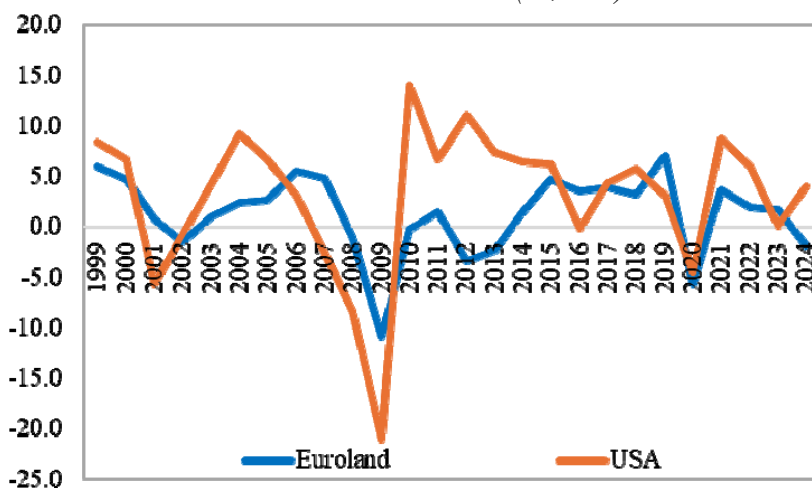
The annual potential growth rate gradually improved starting 2013 (when the economy of the region initiated the post-crisis cycle) to 1.3% in 2019, the year before the outbreak of the coronavirus pandemic, according to the results of the econometric estimates, presented in the Figure 3.

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 in Euroland 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.

In this context, we 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 Figure 4.

Figure 4. Gross fixed capital formation in the Euroland vs. gross private investments in the USA (% , YoY)



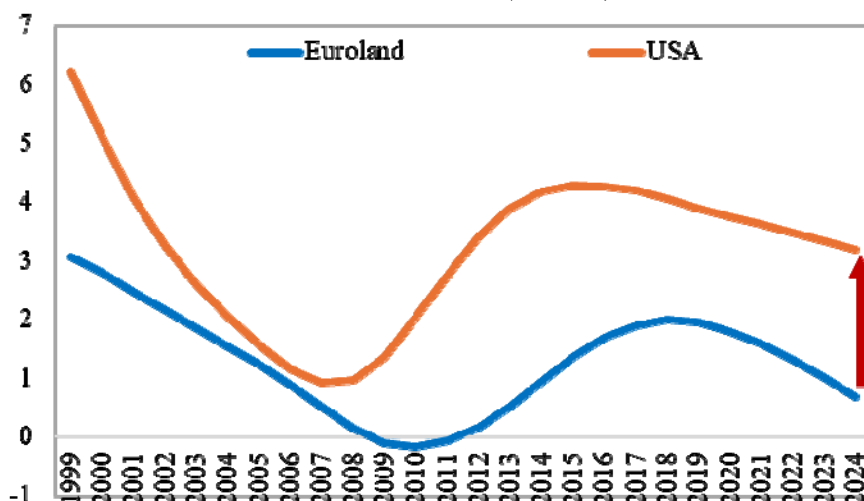
Source: representation of the author based on the databases of Eurostat (2025) and Bureau of Economic Policy Analysis (2025)

It can be noticed from Figure 4 that the impact of the global shocks was significantly higher for the investments in 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 Figure 5.

Figure 5. 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 (2025) 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.

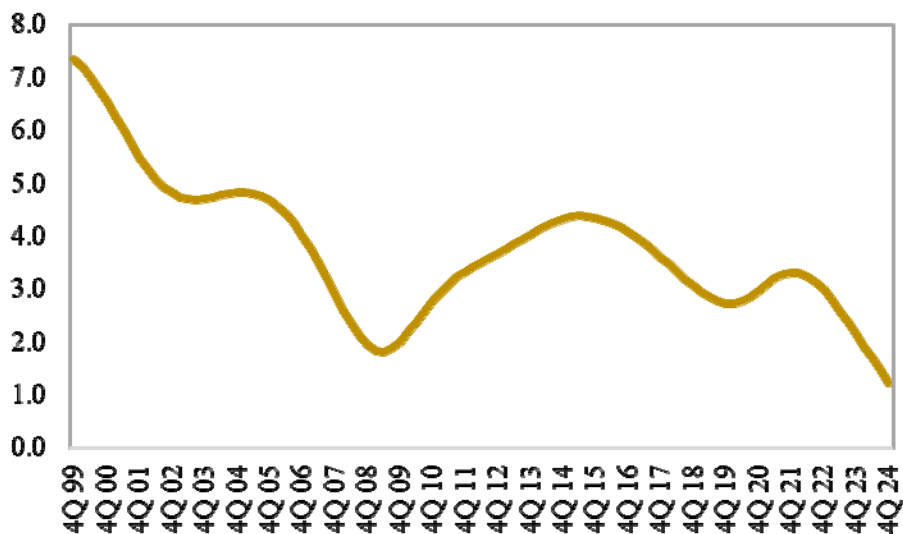
There can be noticed the significant deterioration of the annual potential growth pace of the gross fixed capital formation in the Euro Area, from around 2.0% in 2019 (the year before the outbreak of the coronavirus pandemic, the worst health crisis in the world in more than one century) to 1.8% in 2020, 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 Figure 5.

In our view 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, we point out 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.

We estimated the annual potential growth pace for the total exports (goods and services) in the region by considering the Eurostat database (quarterly observations) and applying the Hodrick-Prescott filter. According to the results of the 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 Figure 6.

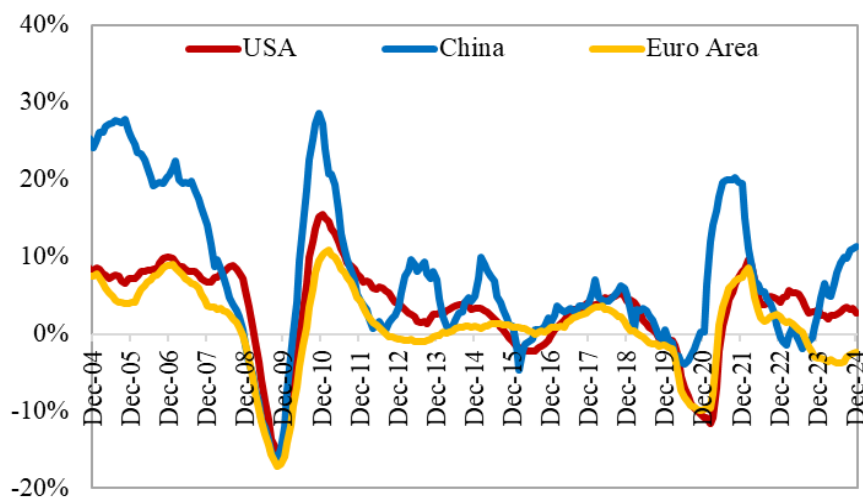
Figure 6. The annual potential pace of the total exports in Euroland (%)



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, 2025) 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 Figure 7.

Figure 7. The volume of exports of goods (MA12, YoY)



Source: representation of the author based on the data of Netherlands Bureau for Economic Policy Analysis (CPB, 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 the estimates of Eurostat (2025)) presented a higher level than in USA, with an average gap of over 2pps for the period 2002 – 2024, according to the estimates of MarketRiskPremia (2025).

4. Conclusions

The results of our 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.

In this context, measures are needed more than ever 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 (2025) is very important.

Last, but not least, we 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 (IMD, 2025). 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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