EUROPEAN CENTRAL BANK
EUROSYSTEM

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Summary of the Non-Financial Business Sector Dialogue on 19 November 2025 in Frankfurt am Main

Participants

- Members of the Governing Council of the ECB or their alternates
- Representatives of Acerinox Group, Andritz Group, Aurubis AG, CAF S.A., CMA CGM, Condor Flugdienst GmbH, Danieli & C. Officine Meccaniche S.p.A, Doka GmbH, Duisburger Hafen AG, Dürr Group, ebm-papst Mulfingen GmbH & Co. KGaA & Co. KG, Engel & Völkers Group, Etex Group, Disneyland Paris, Ferrovial S.E., Festo SE & Co. KG, Grimaldi Group, Gruppo PAM S.p.A, Hays PLC, Infineon Technologies AG, Inter IKEA Group, Köninklijke Ahold Delhaize N.V., Logwin AG, ManpowerGroup, MSC Mediterranean Shipping Co.S.A, Mercedes-Benz Group AG, Miele & Cie. KG, Nestle S.A., Porr AG, Repsol S.A, Rewe Group, Riu Hotels & Resorts, Rohde & Schwarz GmbH & Co. KG, Roland Berger Holding, Sanoma Corporation, SAP SE, Sopra Steria SE, Südzucker AG, Titan S.A, UPM-Kymmene Corporation.
- Senior ECB officials from the Directorate General Economics, Directorate General Monetary Policy, Directorate General Communications and Directorate General Secretariat, as well as from the Counsel to the Executive Board, and the ECB's Chief Compliance and Governance Officer

The ECB President welcomed the representatives of the participating companies and recalled the nature of the Non-Financial Business Sector Dialogue, namely, a forum that enabled the ECB and non-financial companies to interact at the highest level. The objective of the dialogue was to give the ECB an insight into the view of the non-financial business sector on the economic situation and thereby deepen its understanding of economic developments and issues relevant to policymakers. In line with established practice, the agenda, list of participating companies and summary minutes would be published on the ECB's website.

Philip Lane gave a short introductory presentation highlighting the following points. The ECB's contacts with non-financial companies had tracked developments in the euro area economy rather well so far in 2025, including the weakening of growth in the second quarter, and modest improvement in the second half of the year. Production data pointed to services (and especially information and communication services) being the driver of euro area GDP growth over the past year, while manufacturing and construction activity were more subdued. The euro area labour market remained strong, with rising and historically high employment and participation rates, but demand for labour had softened over the past year. HICP inflation had been relatively stable and close to the ECB's objective in recent months, with low or negative contributions from energy and industrial goods helping to offset higher food and services inflation. Going forward, moderating wage growth was expected to help bring services inflation down. Over the past year, investment in the euro area had been driven by investment in intangible assets and non-residential construction, while investment in housing and in machinery and equipment were taking longer to recover. Finally, euro area exports were struggling in the face of higher tariffs while import growth was robust amid particularly strong growth in imports from China along with falling import prices.

In accordance with the agenda, the discussion was focused on the outlook for business activity, employment and prices across different sectors, the implications of the EU-US trade deal and global trade/geo-political developments, as well as drivers of – and barriers to – investment. In this context, attention was devoted to some questions of particular interest, including diverging trends in residential and non-residential construction, the importance of investment in Artificial Intelligence (AI) and its impact on productivity and employment, and the implications for Europe of an increasingly challenging global political and economic landscape.

With respect to residential construction activity, it was observed that while demand for housing had recovered, in most euro area countries there was a lack of growth caused by supply constraints. This reflected several factors, including cumbersome authorisation procedures, labour shortages, and high material costs, which raised building costs and made real estate investment unattractive. Resolving this required action to reduce costs, in part on the financing side and in part by raising productivity in the construction sector by adopting less labour-intensive production methods. By contrast, developments in – and the outlook for – commercial real estate was much more positive with particularly strong growth in building for logistics linked to the growth of e-commerce and data centres required for AI.

Turning to the impact of AI, participants reported widespread adoption. There was a broad consensus that AI was likely to be a game changer in many industries but that the AI revolution was still in its infancy. AI was seen as a tool for raising labour productivity, shortening the research and development cycle and developing new consumer applications. AI was also expected to change the way consumer goods and services were distributed and marketed. One notable change already observed was the shift in online consumer searches away from traditional browsers to chatbots, a trend with implications that still needed to be worked through, including how AI firms would monetise this change in behaviour. In tech-related sectors a focus on software development was critical in order to remain relevant. While current investment in AI in the euro area clearly lagged that in the United States, several participants nonetheless saw AI as an important opportunity for the euro area economy. There were already thousands of startups, and the building of numerous data centres had been announced in recent months. Moreover, the share of graduates in STEM[1] subjects was higher at universities in Europe than in the United States. Business-to-business AI

[1] Science, technology, engineering and mathematics.

was also a key European asset, which needed to be developed and protected, recognising the importance of digital sovereignty. In terms of the implications for the labour market, AI was expected to result in further bifurcation between those who had the right skills and those who did not, which required the public and private sectors to work together on improving skills to preserve Europe's social model. Not only AI but automation generally presented opportunities to reduce labour costs and therefore bring production back to Europe.

As far as the effects of rising US tariffs and the global trade war were concerned, it was observed that the impact on overall global trade had been so far less than feared. There were, however, notable shifts in trade flows, with much lower exports from China to the United States and higher exports from China to the EU and to "connector" countries in Southeast Asia, where goods could be transformed for further export. Meanwhile the EU was suffering a decline in exports. As to who was bearing the cost of US tariffs, reports varied depending on the particular circumstances of different firms and industries. The impact crucially depended on whether there was existing competition from US producers or whether global competitors were facing similar or higher tariffs. While some reported increasing investment in the US to mitigate the impact of tariffs, the potential to do so was limited as avoiding tariffs required not only establishing assembly but also building a local supply chain. Hence, many EU exporting firms had to accept either an erosion of margins or a loss in market share, but US consumers would eventually bear much of the burden in the form of higher prices. Of even greater concern for many was how the global trade war had accelerated the increasingly intense competition from Chinese firms with goods that were both very competitively priced and increasingly innovative. In this regard, Chinese firms' pricing strategies were often more aggressive in their export markets than in the Chinese domestic market.

Against the above background, much discussion focused on how the EU could reassert its competitiveness in global markets. This led – as in previous dialogue meetings – for calls for more action to reduce the high energy, labour and regulatory costs faced by European firms. In this regard, some participants argued that, by raising costs for European firms and causing production to move outside the EU where it was less carbon efficient, the EU's approach to carbon pricing increased rather than reduced the global carbon footprint. According to this view, it was no longer reasonable to think that the EU could take the lead in climate regulation and that others would follow; instead, a global approach was required. Some cited recent IMF estimates that intra-EU non-tariff barriers amounted to an effective tariff on intra-EU trade of around 40% and called for more urgent action to complete the EU single market, including the capital market union to increase liquidity. Some stressed the need to avoid regulating when there was no obvious need for it, which included pleas to avoid overregulating AI. It was pointed out that EU exporting firms also found themselves at a disadvantage in tenders for public contracts in other countries because government financing instruments available to e.g. Chinese, Korean and Japanese competitors were more generous and these countries also linked their development aid to contracts for their own firms. Others welcomed recent announcements and initiatives, on defence spending for example, as well as efforts to reduce and simplify regulation with the Omnibus package, while lamenting slow execution resulting in lack of clarity regarding details. Several participants compared slow decision-making processes in Europe (whether at EU, national or local level) with much more rapid decision making in China and the US, calling for European authorities to learn to act with more speed.