Fragile return to growth expected for Europe's tech industries in 2026 after three years of decline

Executive Summary

After three years of decline and amidst high levels of uncertainty, Europe's technology industries expect a fragile return to growth in 2026.

Early indicators suggest aggregate turnover could grow by up to +0.9% in 2026 provided broader economic conditions stabilise and policymakers ensure the right framework that supports European technology and manufacturing industries.

	Turnover	Investment	Employment
2025	-1.3%	-1.3%	-1.7%
2026	+0.9%	+1.2%	-0.5%

Investor confidence has been shattered by a multitude of factors including trade tensions with the United States, Russia's invasion of Ukraine, increased competition from Chinese imports, as well as complex and costly EU regulation and permitting processes.

As a result, 2025 is set to mark the third consecutive year of decline across Orgalim sectors. Real turnover is on track to fall by -1.3%, exceeding the more optimist earlier forecast of -0.7% for the year. Employment is expected to decline by -1.7%, with investment subdued at -1.3%.

Over the past three years, the turnover drop in Europe's technology industries amounts to a staggering -7.8%. This is more severe than the one experienced during the financial crisis in 2009 or the Covid crisis in 2020. The duration of the downturn points to structural decline rather than a natural business cycle.

Over the past three years, the turnover in Europe's technology industries has declined cumulatively by a staggering 7.8%. Unlike during the financial crisis in 2009 or the Covid crisis in 2020 - when output fell more sharply but rebounded quickly - the current downturn has persisted for three consecutive years. This prolonged deterioration, combined with its cumulative scale, points to a structural decline rather than a natural business cycle and makes the present situation more serious than those earlier shocks.

- Petteri Rautaporras, Chief Economist at Technology Industries Finland and Chair of the Orgalim Economics and Statistics Group

Companies in the industry have named uncertainty as a major reason for delays in purchasing and investment decisions.

While there are hopes for new industrial projects and defence-related production, these have not yet materialised in tangible output or order growth. Some companies also report increased import pressure from China, raising renewed concerns about cost competitiveness. At the same time, the period of labour hoarding has effectively ended, with employment levels now adjusting to lower production volumes.

Key Findings and Policy Recommendations

In 2025, real turnover is set to decline by -1.3% across all Orgalim industries, surpassing earlier predictions. Employment will fall by -1.7% in 2025 and investment by -1.3%, following a more severe drop of -3.9% in 2024.

Looking ahead, recovery prospects remain constrained by several persistent challenges.

The cautious return to growth is far from certain and will not make up for the massive losses of the past years. Europe's technology industries still urgently need recognition and support from policymakers. A recovery of 0.9% does not put us back on an even keel after a 7.8% loss.

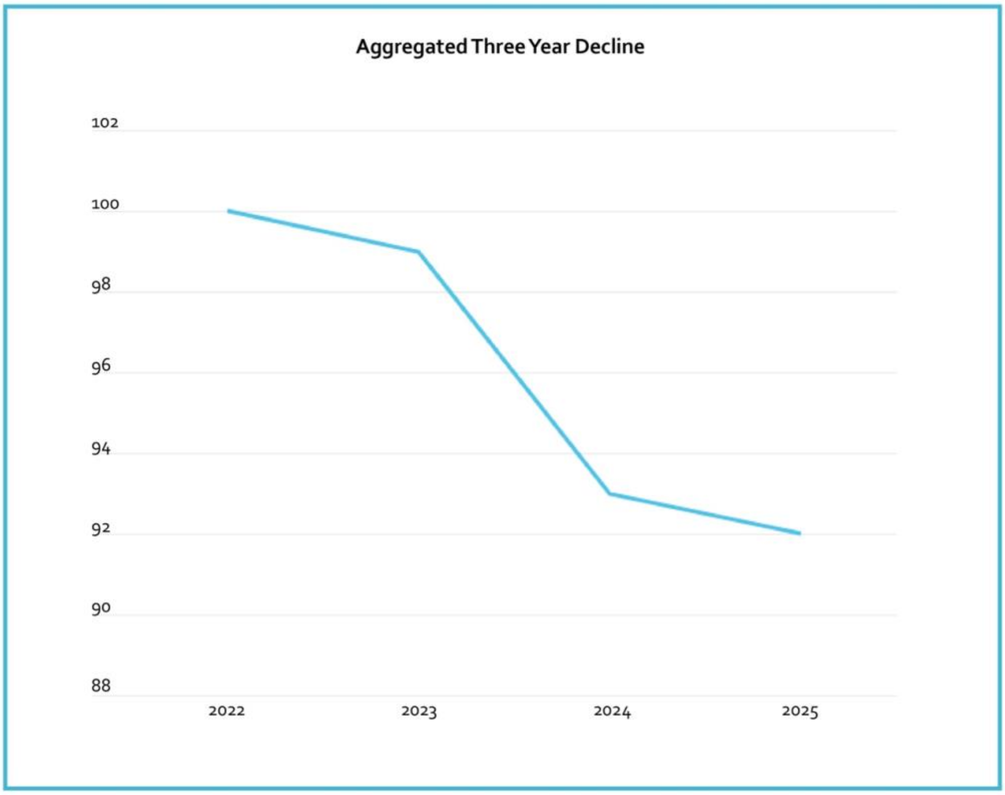
Our industries are resilient and it is good to see a return to growth, yet it is far from certain and will not make up for the massive losses of the past years. Europe's technology industries still urgently need better recognition and support from policymakers. A recovery of 0.9% does not make up for a 7.8% loss.

- Ulrich Adam, Director General Orgalim

Economic uncertainty continues to weigh down on investment decisions, resulting in a slow pace of new project initiation even in sectors where long-term demand potential is strong. Weak demand in key downstream customer industries is further limiting order volumes, while companies report a growing loss of cost competitiveness, particularly in relation to Chinese producers, who are increasingly active in both European and global markets.

To support a sustainable recovery, Europe must take decisive steps to improve the business environment for its technology industries. This includes simplifying regulation and reducing administrative burden, which currently absorbs resources that could otherwise be directed toward growth and innovation. At the same time, increasing both public and private investment in research, innovation and industrial transformation will be essential to ensure competitiveness in future technologies. In addition, the EU should continue to take steps to secure trade agreements with new markets.

Securing an affordable and reliable energy supply (particularly for energy-intensive industries) remains a critical precondition for maintaining industrial capacity within Europe. These measures are essential to restoring confidence that will encourage the much-needed investment that will help European companies to compete globally.



> *Orgalim's ask from policymakers is to decrease the overall regulatory burden being placed on companies in the EU that stifles innovation. In addition, we would like to focus public spending on research & innovation and to increase access to new markets through trade agreements.*
>
> \- *Daniel Wennick, Policy Director Orgalim*

Macroeconomic and Geopolitical Context

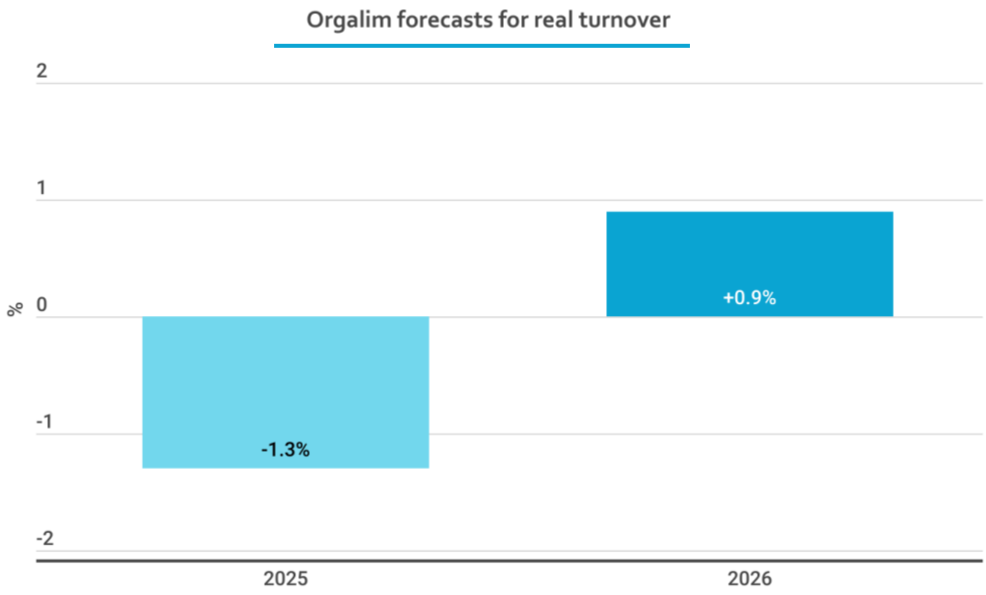
Trade policy uncertainty and the ongoing war in Ukraine continue to weigh heavily on business confidence and investment decisions. Despite the customs agreement reached in July, the United States' tariffs on steel and aluminium still generate significant administrative burden and added costs for European companies.

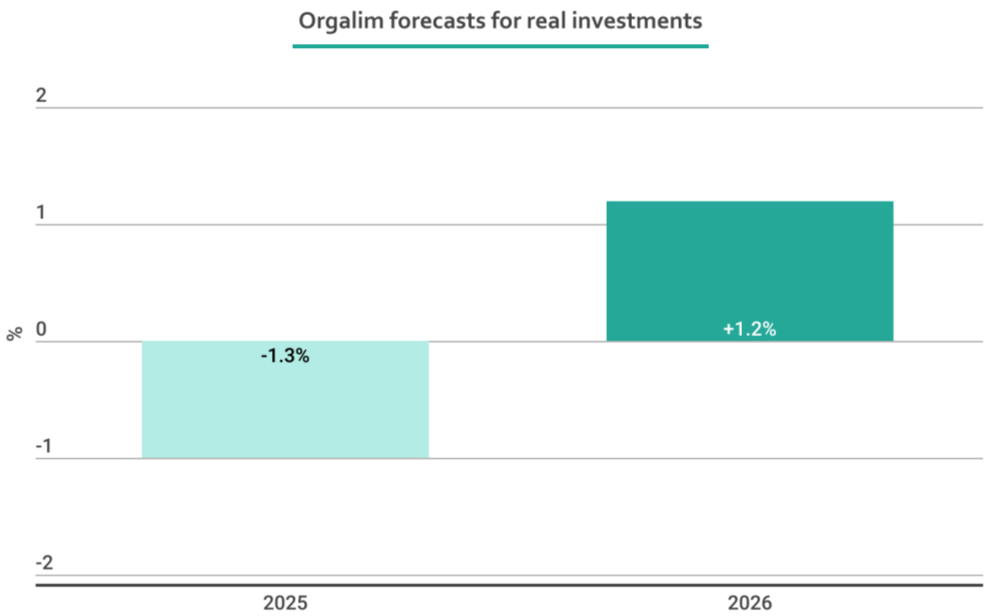
In response, the EU has proposed matching steel tariffs, in an attempt to encourage renewed bilateral negotiation.

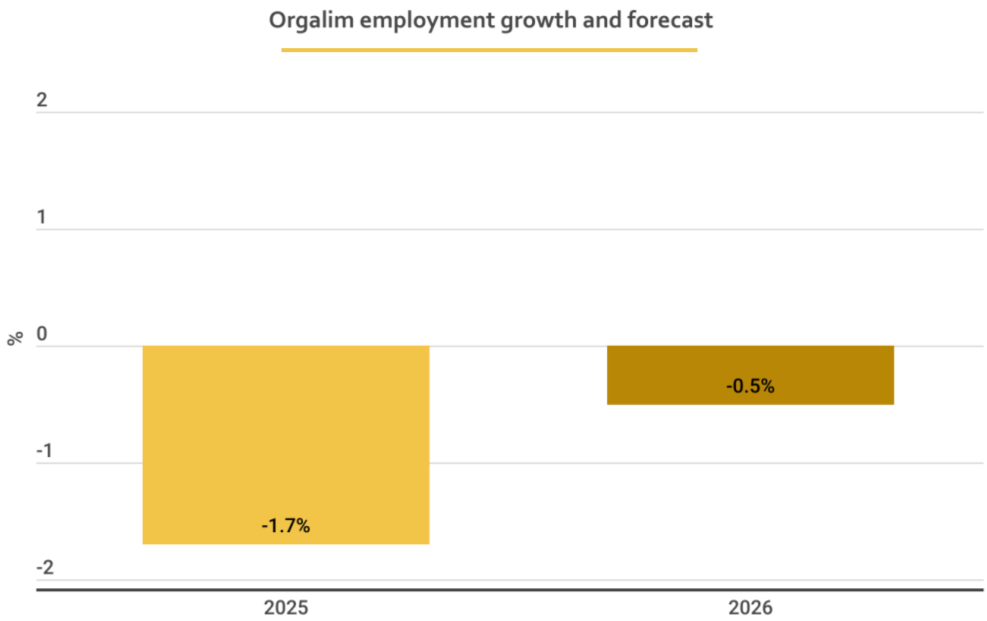
More broadly, the interplay of tariff uncertainty, rising input and energy costs, regulatory complexity, and intensified global competition, most notable vis-a-vis increased imports from China, has created a challenging environment for investment and expansion.

While there are expectations that defence-related procurement may eventually stimulate activity in general, this shift has not yet appeared in turnover or production data except in the metal technology sector. For the moment, investment and hiring decisions remain cautious.

This hesitancy continues to slow the pace of recovery across Orgalim industries.


Orgalim forecasts for real turnover
2
1
% 0
-1
-2
-1.3%
+0.9%
2025
2026


Orgalim forecasts for real investments
2
1
% 0
-1
-2
-1.3%
+1.2%
2025
2026


Orgalim employment growth and forecast
2
1
% 0
-1
-2
-1.7%
-0.5%
2025
2026

Sector Performance Overview

Metal technology

Turnover 2025	Forecasted turnover 2026	Employment 2025	Forecasted employment 2026
-1.3%	0.5%	-2.3%	-0.7%

Electrical engineering, electronics, and ICT

Turnover 2025	Forecasted turnover 2026	Employment 2025	Forecasted employment 2026
-0.4%	0.8%	-1.7%	0.1%

Mechanical engineering

Turnover 2025	Forecasted turnover 2026	Employment 2025	Forecasted employment 2026
-2.1%	1.3%	-1.1%	-0.8%

Summary of metal technology trends:

Metal technology companies are affected by weak downstream demand from automotive, construction and mechanical engineering sectors. Capital-intensive operations face high interest and energy costs, while geopolitical uncertainty limits investment. Investment in the defence sector is slightly improving the overall outlook of the metal technological sector.

Summary Electrical engineering, electronics and ICT trends:

High labour, energy and regulatory costs, combined with postponed capital expenditure, continue to depress growth. Electronics and ICT are particularly sensitive to global competition and fragmented supply chains.

Summary of mechanical engineering trends:

Weak downstream demand and delayed modernisation investments continue to affect the sector, although turnover is expected to stabilise modestly in 2026.

Investment trends

Investment across all Orgalim industries fell by 1.3% in 2025, following a 3.9% decline in 2024. A modest recovery of 1.2% is forecast for 2026, but sustainability will depend on improvements in confidence and geopolitical stability.

Employment trends

Employment continues to contract, falling 1.7% in 2025 and projected to decline by 0.5% in 2026. Trends generally lag behind production growth, reflecting cautious hiring and the end of labour hoarding.

Our Outlook as Orgalim, Europe's Technology Industries

Europe's technology industries may see modest growth in 2026, but overall conditions remain weak. Investment and new projects have yet to fully materialise and geopolitical, regulatory, and competitiveness challenges continue to suppress confidence.

Careful policy action is needed to maintain the fragile recovery, including regulatory simplification, research and innovation investment, trade liberalisation and ensuring affordable energy and critical raw materials.

Orgalim represents Europe's technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Together they represent the EU's largest manufacturing sector, generating annual turnover of over €2,750 billion, manufacturing one-third of all European exports and providing over 11 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

Orgalim aisbl
Arts 56
Avenue des Arts 56,
1000 Brussels, Belgium

+32 2 206 68 83
secretariat@orgalim.eu
www.orgalim.eu
VAT BE 0414 341 438