



Economics and Statistics report

Spring 2026

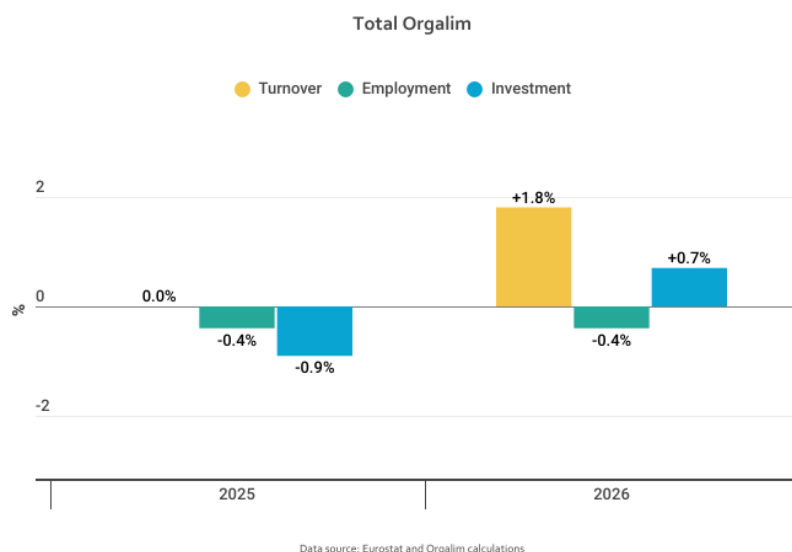
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EUROPE'S TECHNOLOGY INDUSTRIES

After a robust 2025, Europe's tech industries' uneven return to growth under threat of geopolitics

Orgalim Economics and Statistics Report, Spring 2026

Europe's metal technology, electrical engineering, and manufacturing (MET) sectors expect a return to growth in 2026 of +1.8% turnover in an extraordinary show of resilience following years of turmoil. This is accompanied by an uptick in investment of +0.7%, while employment is forecast to drop marginally by -0.4%.

However, this is now under severe threat from heightened geopolitical uncertainty and in particular the conflict in Iran. The longer this continues and the more critical energy infrastructure is destroyed, the greater the risk of a global energy crisis, which could trigger a broad industrial recession and rapid inflation, affecting Orgalim's industries severely.



While 2025 saw a continued decline in employment (-0.4%), and investment (-0.9%) Orgalim's industries showed a robust performance against the backdrop of the multiple, coinciding challenges over the past decade. This includes high energy prices, a significant increase in competition from China, disruption to supply chains following the global pandemic, labour shortages, and volatility with traditional trading partners – and the cumulative effect on investor confidence.

At the end of 2025 and the start of 2026 however, production gained gentle momentum, demonstrated by an increase in orders, stabilising investment, and positive expectations for production in 2026. Investor confidence was higher at the end of 2025 and the beginning of 2026 than it had been for some time with fragile recovery and tentative growth in several industrial segments. Nonetheless, the industry's overall recovery remains fragile and heavily dependent on external economic and geopolitical developments.

Positive momentum can be found but remains uneven across the Orgalim industries. The strongest performance is concentrated in areas such as the electrification value chain, AI-related sectors (including data centres and various digital technologies), as well as defence.

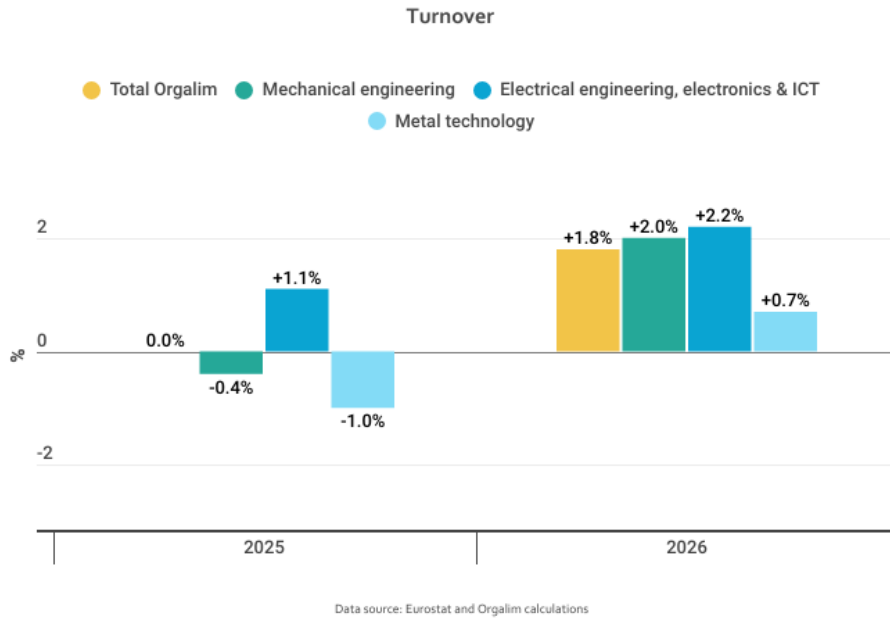
Cautious, yet uneven return to growth expected in 2026

In terms of sectoral growth, the **electrical engineering, electronics & ICT sector** leads the way, having grown by +1.1% in 2025 and is expected to rise further to +2.2% in 2026. Strong growth drivers are the rapid advancements in Artificial Intelligence (AI) and the broader switch to electrification.

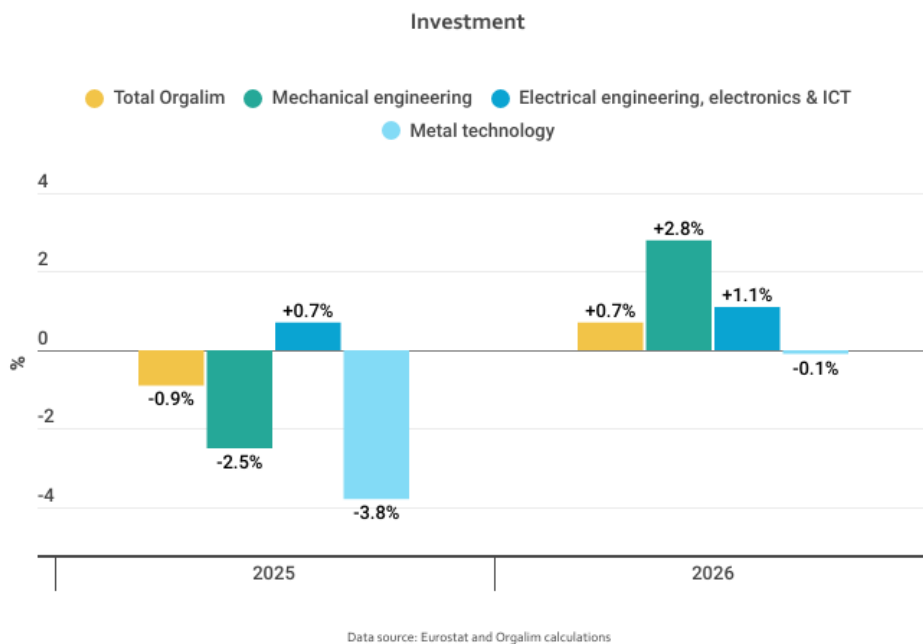
After a decline of -1.0% in 2025, the **metal technology sector** is expected to recover and achieve a +0.7% turnover in 2026 despite the highly challenging market environment. The European automotive market remains in a downward trend that suggests a structural decline, rather than an ebb in a normal business cycle. Of course, the health of the automotive industry is of major importance for the metal technology sector.

Interestingly, the market for non-automotive vehicles saw an uptick of 3.2%, which could be attributed to greater defence spending and preparedness towards the end of 2025. This would also correlate with the increased orders in machinery compared to the previous two or three years.

Following a decline of -0.4% in 2025, the **mechanical engineering and machinery sector** is expected to return to a +2.0% growth this year. Within the sector, Advanced Manufacturing technologies are seeing a strong upward surge, especially when compared to classical manufacturing sectors. In Europe, these technologies could benefit from increased political attention, with Advanced Manufacturing emerging as a central component of the European Industrial Accelerator Act (IAA), proposed by the European Commission in March 2026. The Act aims to accelerate the adoption of clean, future-ready, and advanced technologies to strengthen industrial capacity and meet climate neutrality goals.



Advanced Manufacturing exports to the United States surged following the signature of the Inflation Reduction Act (IRA) and the CHIPS and Science Act in 2022 by then US President Joe Biden. For companies providing the technology and services needed to run data centres, manufacture chips, and produce semiconductors or other equipment required for automation, the business situation is currently thriving.



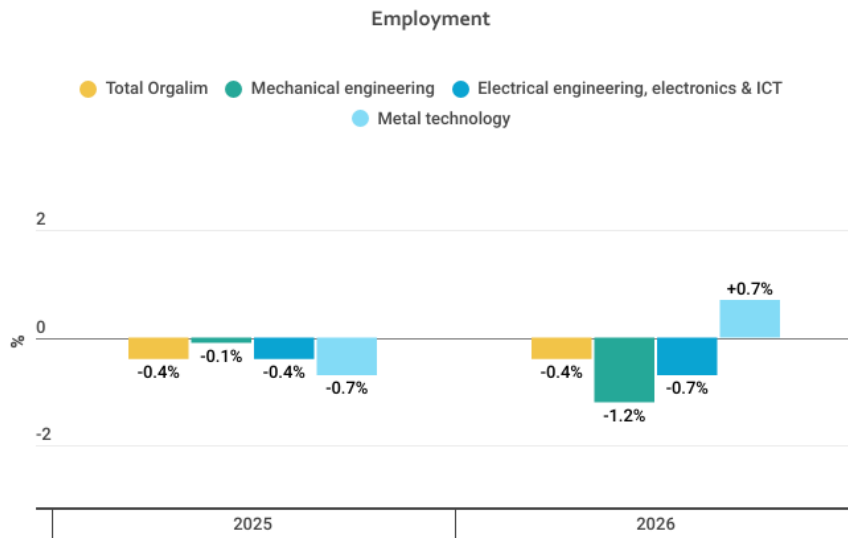
US exports decline; intra-regional trade up

After significant growth rates between 2020 and 2024, overall exports to the US declined in 2025 as a result of the imposition of tariffs. Heavy frontloading – i.e., accelerated sales ahead of the US tariff deadline – continued to drive up exports still during Q1 and Q2. These tailed off significantly thereafter, causing an overall decline for the year. More than half of all industry exports are now happening within the Eurozone. This is expected to increase, reflecting a shift towards more regionalised trade patterns. Within the EU, Poland emerged as a notable buyer. Non-EU neighbouring countries such as Switzerland and Turkey also accounted for sales growth.

A more stable employment landscape

Overall employment in the Orgalim industries continues to fall, but the pace of contraction has slowed. In 2025, employment dropped by -0.4% in 2025. For 2026, a further decline of -0.4% is expected. Workforce developments within the different industrial sub-sectors show marked differences: some subsectors even expected to return to limited job growth. Taken together, these results in a broadly stabilising labour market perspective for Orgalim’s industries.

Wage increases were seen as manageable at the beginning of 2026, but this could change significantly if energy infrastructure in the Middle East is further disrupted. The extent and duration of the global energy crisis and rising inflation levels will determine how far labour costs continue to rise, with companies keeping a close eye on this.



Data source: Eurostat and Orgalim calculations

Addressing the challenge of an ageing workforce

Europe's ageing workforce presents a major challenge for the Metal, Engineering and Technology (MET) industries. While specifics vary by country, broader demographic trends point toward an ageing workforce with fewer younger employees entering the sector. As such, greater efforts will be needed to:

- attract skilled workers from abroad;
- bring newcomers to the industry;
- retain older employees.

Ensuring a continuous and effective transfer of knowledge and skills will be key to successfully address the challenge in the years ahead.

Policy support: improve market access, ease electricity prices

EU and national policies can make a major difference in helping to improve the business and regulatory environment for Europe's technology industries.

Trade policy, particularly the successful conclusion of future EU Free Trade Agreements (EU-FTAs), will help to improve market abroad, boost export opportunities and drive up resilience via the diversification of trade partnerships and supply chains.

Energy prices remain a major concern for Europe's technology industries. EU and Member States' efforts to reduce taxes and levies on electricity prices, together with reforms to the electricity market design legislation, could act as a structural support for the fragile return to growth we have been seeing. These efforts are also important to limit the effect of rising oil and gas prices on both electricity costs and inflation. Member States should also align on energy price relieves to avoid negative impacts on the EU's Internal Market.

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 €2,972 billion, manufacturing one-third of all European exports and providing over 11,9 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



orgalim

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Avenue des Arts 56,
1000 Brussels, Belgium
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