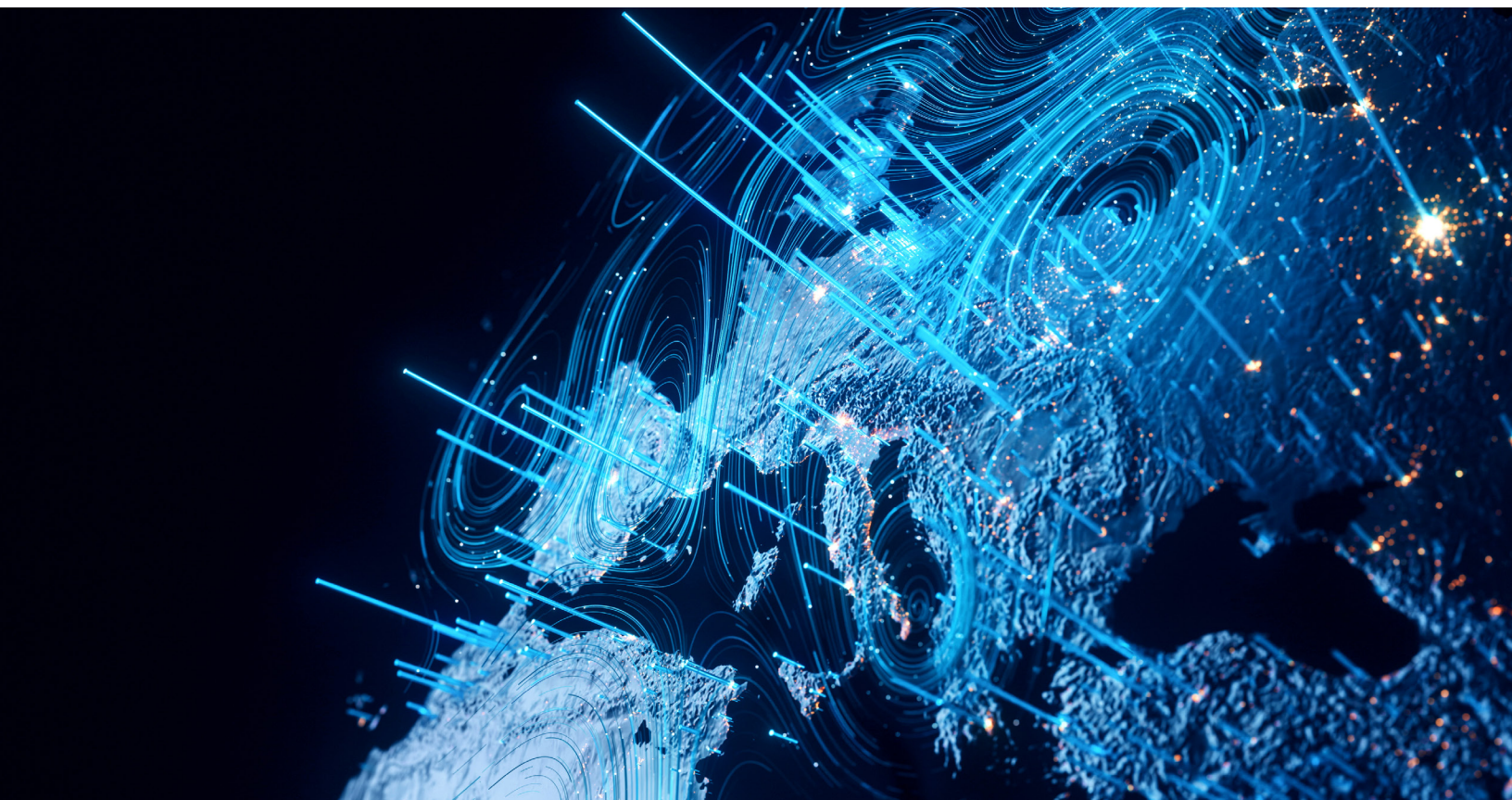


Private Capital Practice

Private capital: The key to boosting European competitiveness

Private capital can become the engine transforming Europe's economic landscape—if it invests at least €100 billion more every year. Here's how it can take the lead.

*by Fredrik Dahlqvist and Jens Riis Andersen
with Matteo Camera and Oskar Harmsen*



It is the world's third-largest economy and a leader in sustainability and social standards. Yet Europe has a competitiveness crisis. The GDP gap between the European Union and the United States nearly doubled to 30 percent between 2002 and 2023,¹ with around 70 percent of the difference attributable to slower productivity growth. That has, in turn, suppressed income growth across Europe: Real disposable incomes have increased by almost twice as much for US households since 2000.²

The necessary response seems clear: Mario Draghi's European competitiveness agenda cited the need for additional investment of about €800 billion annually between now and 2030,³ an objective further examined in the European Commission's Competitiveness Compass.⁴ The problem? Historical sources are unlikely to fill this gap. Public funding has averaged about 20 percent of total investment,⁵ and our analysis finds it is unlikely to be able to cover more than 50 percent. Europe already relies heavily on debt financing through the banking system, which is ill-suited for investments of higher risk. And public markets seem unlikely to unlock the required amounts even if capital markets become more integrated.⁶

This leaves a critical role for European private capital. While the European Union's private capital sector operates at about half the scale of the United States' when measured by assets under management (AUM) relative to GDP and investments,⁷ the European competitiveness agenda unlocks the most important opportunity for European private capital in decades. The sector has the capabilities required, and likely actions from policymakers may further open the door for private capital to play the leading role in closing the continent's investment gap. That would require increasing the level of private capital investment annually across Europe to around €250 billion, compared with about €100 billion to €150 billion today.⁸

It is an opportunity Europe's private capital sector should grasp because it would cement the sector's instrumental role in unlocking Europe's potential, in turn transforming the industry and closing the gap with global peers. This article examines how private capital can seize the day, even amid uncertainty and an evolving regulatory landscape. Private capital players can consider the following actions:

- *finding new deployment opportunities by investing in European priorities such as energy, infrastructure, and defense—areas to which governments are increasingly committing substantial funding*⁹
- *scaling portfolio companies faster through accelerated cross-EU consolidation, an opportunity bolstered by existing pushes to establish trans-European networks in selected sectors, such as telecommunications, transport, and energy*
- *tapping into new funding sources such as pension funds, which can now expand because of policy revisions allowing them to devote a greater proportion of capital to private investments*
- *supporting closing the productivity gap with the United States, helped by proposed revisions to EU policies seeking to enhance workforce upskilling*

Europe stands at a critical juncture, needing to foster autonomy and self-sufficiency in strategically critical industries in the face of rising geopolitical tension. We believe that with bold action, private capital will be uniquely positioned to reshape the continent's global competitiveness by driving innovation, creating European champions, and mobilizing the significant investments required.

¹ Mario Draghi, *The future of European competitiveness: A competitiveness strategy for Europe*, European Commission, September 9, 2024.

² Mario Draghi, *The future of European competitiveness: A competitiveness strategy for Europe*, European Commission, September 9, 2024.

³ Mario Draghi, *The future of European competitiveness: A competitiveness strategy for Europe*, European Commission, September 9, 2024.

⁴ "An EU Compass to regain competitiveness and secure sustainable prosperity," European Commission, January 28, 2025.

⁵ Mario Draghi, *The future of European competitiveness: A competitiveness strategy for Europe*, European Commission, September 9, 2024.

⁶ Mario Draghi, *The future of European competitiveness: A competitiveness strategy for Europe*, European Commission, September 9, 2024.

⁷ "Investment: Taking the pulse of European competitiveness," McKinsey Global Institute, June 20, 2024.

⁸ "Investment: Taking the pulse of European competitiveness," McKinsey Global Institute, June 20, 2024.

⁹ Mario Draghi, *The future of European competitiveness: A competitiveness strategy for Europe*, European Commission, September 9, 2024.

Europe's new growth and investment agenda

EU countries are home to 440 million people, with societies that often stand out as global leaders in terms of living standards and income equality as well as education, healthcare, sustainability, and environmental standards. And the region's economy is about the same size as China's, generating 17 percent of global GDP, compared with the United States at 26 percent.

Yet Europe's economic engine has sputtered in recent decades, creating a widening gap with global peers and putting future prosperity at risk. Real GDP grew by about 1.4 percent annually from 2002 to 2024—0.8 percentage points lower than the United States.¹⁰ Europe's sluggish growth has had significant and widespread impact, translating into lower living standards and reduced access to quality public services while threatening its ambitions for climate leadership, defense investments, and social commitments.

A major factor behind Europe's economic performance is a consistently lower level of investment in assets that propel productivity growth. Despite having similar average investment levels—20.6 percent for Europe and 20.7 percent for the United States as a percentage of GDP from 2010 to 2022—the United States invested more than twice as much per capita in the most productive assets (such as machinery and equipment, intellectual property, and intangibles).¹¹ At the same time, US corporations with more than €1 billion in annual revenue invested about €700 billion—or €3,000 per capita—more in capital expenditure and R&D than their European counterparts.¹² One result: European public companies' ROIC was four percentage points lower than US peers' between 2015 and 2022.¹³

Yet a response to Europe's growth challenge is taking shape. For years, McKinsey has explored

this issue and investigated the key areas Europe should address to maintain its competitiveness, from investing in innovation and talent to structural and regulatory enablers.¹⁴ In September 2024, the Draghi report advanced the agenda, highlighting the need to mobilize additional investment from both private and public sources in four key areas to support Europe's effort to bridge the competitiveness gap with the United States and secure the European Union's economic future (Exhibit 1).¹⁵ This effort was further advanced by the release in January 2025 of the European Commission's Competitiveness Compass.¹⁶

Historically, about 80 percent of investments in assets driving growth have come from the private sector.¹⁷ Increasing the level of investment has been difficult given numerous structural challenges. These include high barriers to consolidation among larger players (including from fragmented regulation and national competition rules) and barriers to scaling for younger firms (such as limited early-stage funding and regulatory obstacles). High energy costs and resource constraints also pose challenges, as do the technology sector's growth difficulties, limited adoption of advanced technologies, and potential deregulation in the United States.

Other challenges affect all investment, including that of Europe's public sector. The continent's working-age population is declining, and trade barriers may emerge that affect key export-led industries such as automotive and aerospace. Expanding investment in AI may intensify competition in innovation-driven sectors. Some investment capacity may shift toward defense spending within NATO countries. And decarbonization efforts face bureaucratic hurdles, prohibitive costs, and reliance on foreign technologies, posing a difficult trade-off between green ambitions and industrial competitiveness.

¹⁰ Mario Draghi, *The future of European competitiveness: A competitiveness strategy for Europe*, European Commission, September 9, 2024.

¹¹ "Investment: Taking the pulse of European competitiveness," McKinsey Global Institute, June 20, 2024.

¹² "Investment: Taking the pulse of European competitiveness," McKinsey Global Institute, June 20, 2024.

¹³ Based on data from the McKinsey Value Intelligence Platform.

¹⁴ Jan Mischke, Massimo Giordano, Solveigh Hieronimus, and Sven Smit, *Europe in the intelligent age: From ideas to action*, McKinsey, January 17, 2025; "Time to place our bets: Europe's AI opportunity," McKinsey Global Institute, October 1, 2024; "Investment: Taking the pulse of European competitiveness," McKinsey Global Institute, June 20, 2024; "Accelerating Europe: Competitiveness for a new era," McKinsey Global Institute, January 16, 2024.

¹⁵ Mario Draghi, *The future of European competitiveness: A competitiveness strategy for Europe*, European Commission, September 9, 2024.

¹⁶ "An EU Compass to regain competitiveness and secure sustainable prosperity," European Commission, January 28, 2025.

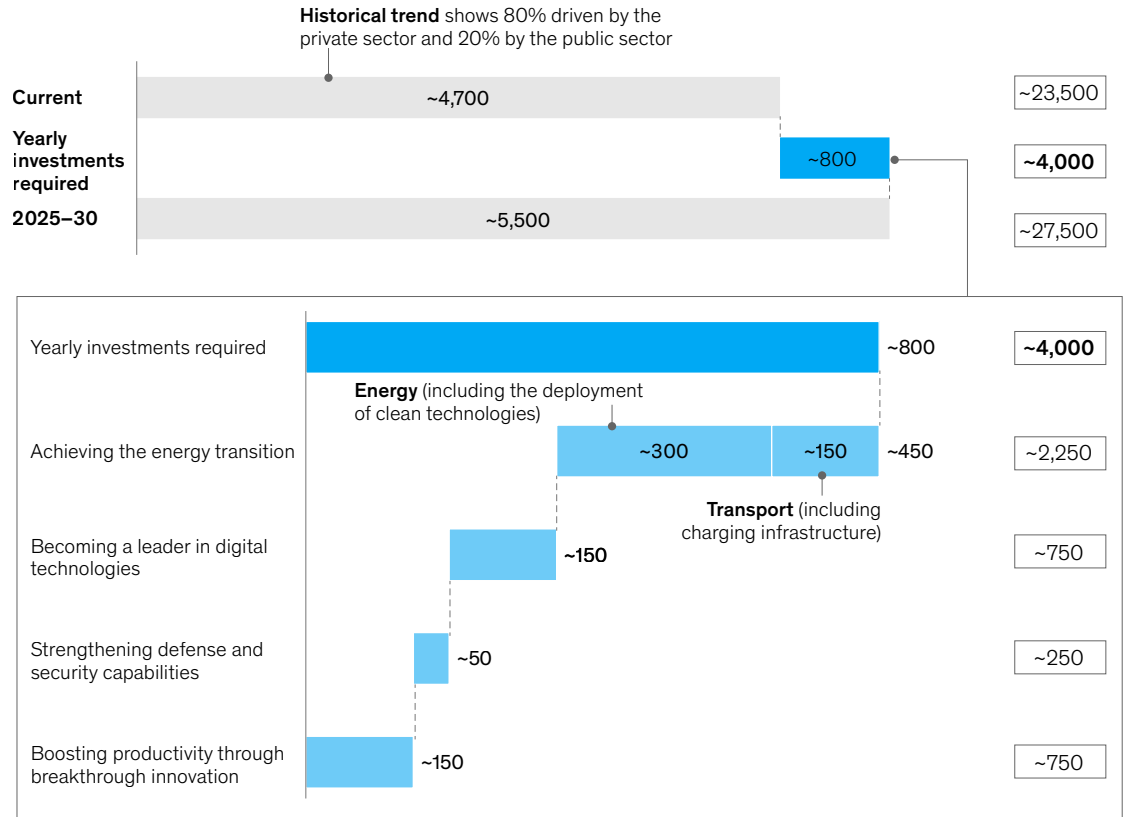
¹⁷ Mario Draghi, *The future of European competitiveness: A competitiveness strategy for Europe*, European Commission, September 9, 2024.

Exhibit 1

Closing the competitiveness gap requires Europe to invest an additional approximately \$4 trillion by 2030.

Total European investments,¹ € billion

xxx Estimated cumulative investment expenditure assuming constant per annum expenditure from 2025 to 2030, € billion



¹Investments (gross fixed capital formation) calculated as 22% of the 2023 GDP of the EU-27 plus Norway, Switzerland, and the United Kingdom.
Source: Eurostat; Mario Draghi, *The future of European competitiveness: A competitiveness strategy for Europe*, European Commission, September 9, 2024

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Understanding the private capital opportunity

European private equity (PE) and venture capital (VC) investors have about €1.5 trillion in AUM, excluding credit and infrastructure.¹⁸ Annual equity investments have averaged about €130 billion for the past three years, spanning all sectors, with notable growth during the past decade in energy (a CAGR of about 14 percent); digital technologies, biotech, and healthcare (10 percent); business services and materials (8 percent); and finance and insurance (7 percent).¹⁹

European PE outperforms European public markets at a rate even wider than the equivalent gap in the United States.²⁰ Yet the European private capital

sector is dwarfed by its US peers. Across several significant measures, the United States is more than double the size: Deal volumes and annual investments in Europe are about half those of the United States,²¹ while PE and VC AUM equate to about 8 percent of GDP in Europe compared with 17 percent in the United States (Exhibit 2).²²

In addition, while European private capital has seen positive internal rates of return across sectors during the past 20 years, US funds have generally outperformed them by an average of around five percentage points annually.²³ Around 57 percent of top PE players are headquartered in the United States, investing an average of about 2.8 times more capital than European peers and having conducted an average of around 1.8

¹⁸ "Investment: Taking the pulse of European competitiveness," McKinsey Global Institute, June 20, 2024.

¹⁹ Based on McKinsey analysis of data from MSCI Burgiss.

²⁰ Based on McKinsey analysis of data from MSCI Burgiss.

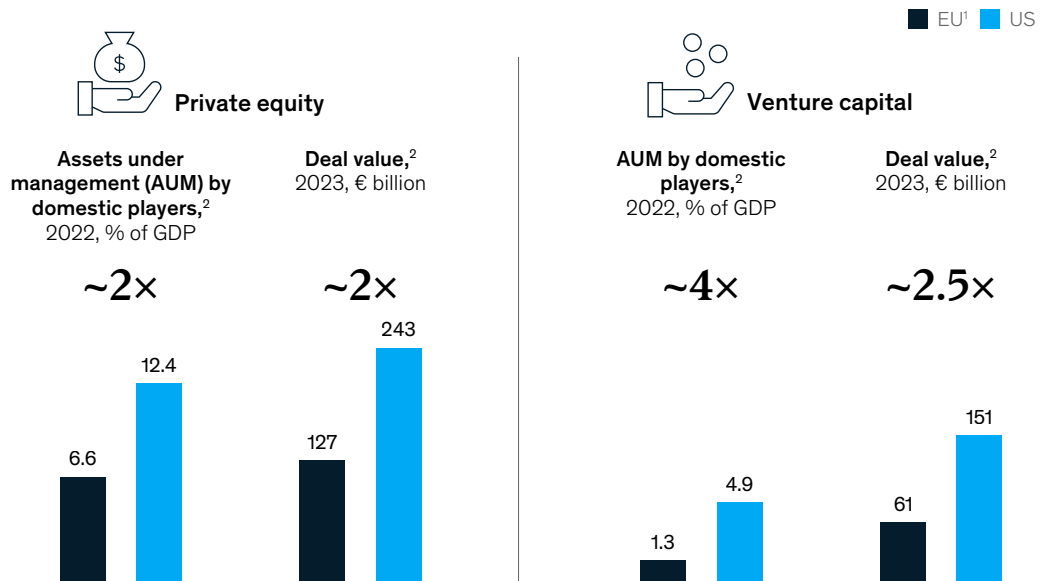
²¹ "Investment: Taking the pulse of European competitiveness," McKinsey Global Institute, June 20, 2024.

²² "Investment: Taking the pulse of European competitiveness," McKinsey Global Institute, June 20, 2024.

²³ Based on McKinsey analysis of data from MSCI Burgiss.

Exhibit 2

Europe's private capital sector is about half the size of the United States' across key metrics.



Note: Calculations use an exchange rate of \$1 = €0.905, as of the end of 2023.

¹EU-27 plus Norway, Switzerland, and the United Kingdom.

²Includes buyout and growth PE funds and VC equity.

Source: Invest Europe; McKinsey Value Intelligence Platform; OECD; PitchBook; Preqin; S&P Global Market Intelligence; World Bank

times more deals per player in the past five years.²⁴ In VC, the gap is even more pronounced: US players represent around 90 percent of top VC firms and, during the same period, invested an average of 16 times more capital than those in Europe and completed an average of about ten times more deals per player.²⁵

Private capital drives disproportionate growth, returns, employment, and value

There is a simple reason private capital is so critical to closing the competitiveness gap: It creates more value than its public market equivalents—especially in Europe (Exhibit 3). Private capital funds have returned about 1.2 times the value of their public market equivalents in Europe during the past 20

years, compared with around 1.1 times in the United States (from 2018 to 2024, EU value creation was as high as 1.4 times that of its public market equivalents).²⁶

The Draghi report estimates that an additional €800 billion of annual investment is needed. The public sector is likely to fund only €160 billion to €400 billion of that need, leaving substantial room for private capital to fill the gap.²⁷

Opportunities for private capital

The push to make Europe more competitive will open four areas of opportunity for private capital

²⁴ Based on McKinsey analysis of data from PitchBook.

²⁵ Based on McKinsey analysis of data from PitchBook.

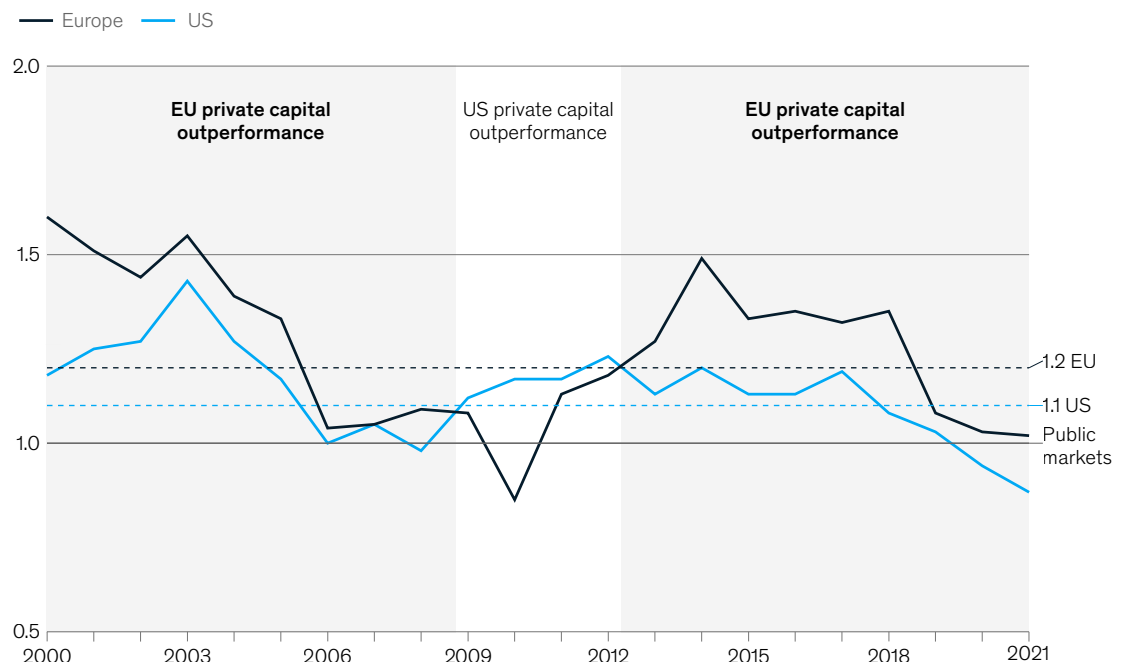
²⁶ Based on McKinsey analysis of data from MSCI Burgiss.

²⁷ Based on McKinsey analysis of Mario Draghi, *The future of European competitiveness: A competitiveness strategy for Europe*, European Commission, September 9, 2024.

Exhibit 3

Private capital has consistently outperformed public market equivalents for the past 20 years.

Relative performance of private funds to public markets by fund vintage, PME¹



¹Public market equivalents. US compared to S&P 500 (average TSR ~13% per annum, 2000–21); EU compared to MSCI Europe (average TSR ~7% per annum, 2000–21). Source: MSCI Burgiss

players: finding new deployment opportunities in strategically important sectors (such as energy, AI, defense and aerospace, and quantum and life sciences), scaling portfolio companies faster to create pan-European leaders, tapping into new funding sources, and supporting the closing of productivity gaps. These opportunities are enabled by evolving the regulatory landscape and implementing strategic policy shifts (table).





Proposed policy revisions could enable critical investment opportunities.

1. Finding new deployment opportunities

Select industries are at the forefront of policy agendas across European nations, including the energy transition to AI, digitalization and advanced technologies, quantum technologies, aerospace and defense, space, automotive, transport, and

Table

Policy proposals from the Draghi report could enable critical investment opportunities.

Theme	Topic	Selected policy proposals from the Draghi report
 Finding new deployment opportunities	Incentives for early-stage investment	Expansion of incentives for disruptive firms through ARPA-type ¹ agencies; expanded incentives for business angels and venture capital investors; favoring of co-investments and public–private funds through the European Investment Bank
	Regulation simplification	Simplification of regulations for innovative firms (eg, harmonization of tax policies, adoption of the unitary patent system, and new EU-wide statutes for innovative ventures)
	Innovation infrastructure	Increased public attention and funding dedicated to research and innovation (eg, increased investments in world-leading research and tech infrastructure, scaled European Research Council budget, and creation of an EU innovation hub)
	IPO easing	Encouragement for start-up and scale-up founders to list within the EU via reduced regulatory complexity for IPOs (eg, harmonized stock markets across Europe)
 Scaling portfolio companies faster	Push for Capital Markets Union (CMU)	Greater push for CMU, with a view to reduce barriers to cross-border investments (eg, simplifying tax obstacles, addressing the currently fragmented regulatory environment, creating a single common regulator for all security markets [the European Securities and Markets Authority], and reducing compliance costs)
	Merger simplification	Streamlining of EU merger control practices (eg, clear and consistent threshold for mandatory notifications), with a view to reduce ambiguity and facilitate scaled-up M&A activities
 Tapping into new funding sources	Solvency II revision	Revision of Solvency II framework to reduce regulatory requirements and promote long-term investments, encouraging institutional asset-management investors to reallocate capital toward alternative investments
 Supporting closing productivity gaps	Skill policy revision	Revision of skill policies to accelerate workforce upskilling via, eg, additional funding or talent attraction programs for highly skilled workers; target key areas (eg, digital, cleantech, advanced tech, automotive, and sustainability); and strengthen managerial skills within small and medium-size enterprises

¹Advanced Research Projects Agency.

Source: Mario Draghi, *The future of European competitiveness: A competitiveness strategy for Europe*, European Commission, September 9, 2024

pharmaceuticals. Governments are increasingly committing substantial funding to these areas,²⁸ indicating strong tailwinds for scaling and the longevity of potential investments. Private capital has a historic opportunity because these industries offer high-growth, scalable investment opportunities that align with Europe's strategic, economic, and societal ambitions.

- The energy transition is central to Europe's ambition to lead the global decarbonization effort, accelerating demand for private investment in cleantech innovation and infrastructure such as hydrogen; carbon capture, usage, and storage; and nuclear fission technology. Production capacity for key renewable segments—including solar photovoltaics, long-duration energy storage, and smart grids—will be scaled, leveraging European strengths and synergies in other sectors such as automotive, hydrogen for e-fuels, and fuel cells.
- AI innovations are increasingly critical for boosting European productivity and maintaining competitiveness in the global economy. There are significant opportunities for private capital to help build out Europe's AI ecosystem, from scaling computing infrastructure and establishing cutting-edge AI labs to leading AI adoption in mature industries (such as transforming white-collar service sectors with AI-enabled workflows).²⁹
- In digitalization and advanced technologies, proposed policies and initiatives (and public and private financing) prioritize high-speed broadband, computing, and semiconductors.³⁰ We believe additional priority areas should include connectivity technologies—defending value chain positions in R&D and manufacturing for communication networks and fostering innovation in connectivity services and software development—as well as quantum technologies, with a focus on hardware manufacturing for

computing and sensing, application software, and next-generation control components.

- Rising geopolitical tensions and increasing defense budgets are creating significant investment opportunities in aerospace and defense, particularly in space-related technologies and services. This growth will be driven by consolidating European capabilities into tech clusters to achieve scale and reduce overlapping investment requirements.
- The priority in automotive is retaining competitiveness in next-generation vehicles, with investment emphasizing early-stage R&D, complex equipment, new materials, and automotive chip designs to avoid market displacement due to overseas production. In transport, the agenda emphasizes infrastructure development, rules harmonization, resilience, and efforts toward decarbonization and automation solutions.
- In pharmaceuticals, private capital can facilitate the expansion of R&D and manufacturing capacity, the expediting of market access, and increased R&D spending on novel solutions. Targeted investments in quantum technology could enhance drug discovery and medical innovations, particularly in fast-growing segments such as obesity drugs, cardiovascular health, digital health devices, neuromodulation, advanced imaging, microelectronics, miniaturization, and new treatment modalities such as renal denervation.

Start-ups and scale-ups could play a key role, with several policy initiatives expected to accelerate innovation. These include expanded financing, support from agencies such as the Advanced Research Projects Agency for disruptive innovation, additional incentives for angel investors and VCs, and public-private co-investments through the European Investment Bank. These efforts are also supported by greater public investment

²⁸ Mario Draghi, *The future of European competitiveness: A competitiveness strategy for Europe*, European Commission, September 9, 2024.

²⁹ "EU launches InvestAI initiative to mobilise €200 billion of investment in artificial intelligence," European Commission, February 10, 2025.

³⁰ *An ambitious agenda for European AI*, General Catalyst, February 2025.

Private capital is one of the few sectors capable of deploying transformational capital to drive complex and large-scale mergers and integrations.

in R&D; enhanced budgets for research and tech infrastructure; the creation of an EU innovation hub; and simplified regulations, such as harmonized tax policies, the unitary patent system, and an EU-wide statute for innovative ventures. Reduced regulatory complexity for IPOs and harmonized stock markets across Europe could encourage start-up and scale-up founders to list within Europe, maintain control post-IPO, and effectively raise early-stage capital. These initiatives aim to strengthen the financial ecosystem, reduce bureaucratic hurdles, and foster a self-sustaining cycle of innovation.

2. Scaling portfolio companies faster through accelerated cross-EU consolidation

Private capital can play a pivotal role in shaping the next generation of pan-European leaders and in driving both in-country and cross-border consolidation in critical sectors. This opportunity is bolstered by the existing push to establish trans-European networks in selected sectors such as telecommunications, transport, and energy, with positive transformations already visible in countries such as Italy.³¹

Potential revisions to EU control and competition regulations could reduce uncertainty and foster a more predictable environment for large-scale M&A. Both the Draghi report and the EU Competitiveness Compass suggest streamlining merger control practices across Europe and implementing clear and consistent thresholds for mandatory notifications—as seen in Austria and

Germany—to reduce ambiguity and encourage greater activity. In addition, a stronger push toward the Capital Markets Union could create more-integrated and efficient capital markets in Europe and reduce barriers to cross-border investments. Furthermore, harmonized regulations and a unified EU security market regulator, such as the European Securities and Markets Authority, could lower compliance costs and simplify large-scale investments.

Private capital may also benefit from Europe's fragmented sectors, which offer significant value creation potential compared with the more consolidated US market (Exhibit 4). With Europe's deep reservoir of expertise and talent, private capital is one of the few sectors capable of deploying transformational capital to drive complex and large-scale mergers and integrations, creating value through consolidation.

3. Tapping into new funding sources

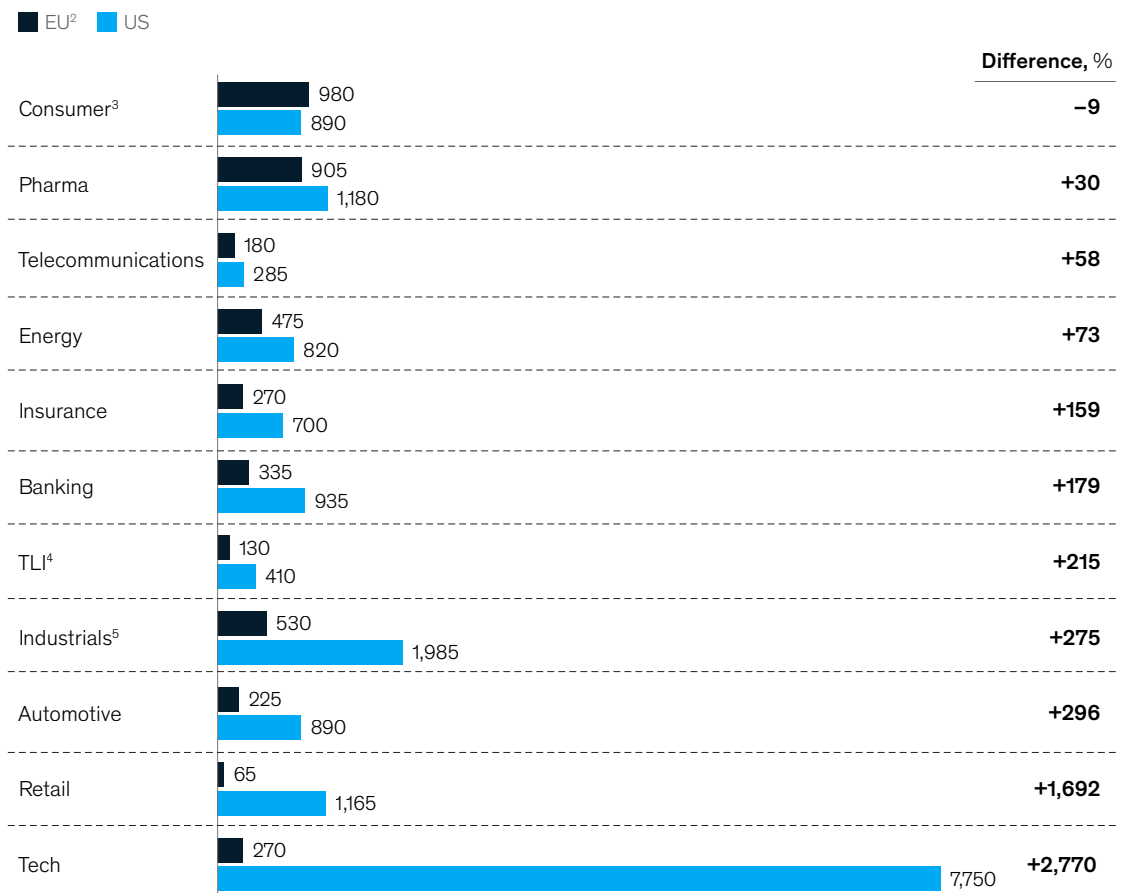
As private capital firms develop deeper and increasingly sophisticated expertise in areas such as healthcare, renewable energy, AI, and technology, they may unlock significant opportunities for collaboration with governments and public entities through large-scale financing programs. Private capital brings strategic insights, operational expertise, and financial resources, while new public-private partnerships and large-scale public financing programs provide the private sector with access to long-term and stable investment opportunities in

³¹ Based on data from the McKinsey Value Intelligence Platform.

Exhibit 4

European industries are far less concentrated than their US peers, highlighting the opportunity for sector consolidation.

Total market capitalization of top three companies in 2023, in order of difference between Europe and the US, \$ billion¹



¹All numbers are approximate.

²EU-27 plus Norway, Switzerland, and the United Kingdom.

³Excluding retail.

⁴Transport, logistics, and infrastructure.

⁵Excluding automotive manufacturers.

Source: McKinsey Value Intelligence Platform

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high-growth sectors. The increasing complexity, size, and capital intensity of these strategically critical opportunities will require private investors to think bigger in terms of capital raised. They will also require more sophisticated operational support for underlying portfolio companies.

Pan-European policy revisions may also enable players to raise larger funds, meaning a greater share of total capital deployed will go to private investments. These revisions are likely to accelerate the trend of institutional investors expanding their alternative investments, with the share of total AUM projected to rise to about 16 percent by 2027 compared with 11 percent in 2015 as PE, VC, private debt, infrastructure, and real estate AUM top €2.7 trillion (an €800 billion increase since 2023).³² This shift will help unlock the substantial capital needed to back the most promising ventures in strategic and innovation-heavy sectors currently undergoing rapid transformation. Also, the “originate to share” model increasingly adopted by financial institutions in the current regulatory environment—in which stricter capital requirements and risk-weighted asset constraints limit banks’ ability to hold large exposures on their balance sheets—enables private capital firms to access a steady pipeline of alternative funding structures and prescreened investment opportunities across diverse sectors.³³

We anticipate private capital players will need to raise more at-scale specialized funds to generate adequate internal specialization, optimally accelerate value creation in innovation-heavy sectors, and address the unique dynamics of strategically critical areas. Raising specialized funds offers a structured way to navigate complex markets and sectors. This caters to investor demands for focus and precision, and it positions private capital firms as vertical leaders capable of unlocking the full economic potential of industries critical for growth.

Similarly, consolidation efforts will require significant capital to acquire and integrate companies, support their expansion, and optimize operations to create globally competitive players. By deepening partnerships with banks and financial institutions, private capital can enhance portfolio diversification and efficiently scale investments, further solidifying its role as a key driver of innovation and economic development.

4. Supporting closing productivity gaps

The urgent need to close Europe’s productivity gap with the United States is a key driver of long-term growth, making it a core focus of the European competitiveness agenda. Approximately 70 percent of the GDP per capita gap between Europe and the United States is attributable to lower productivity,³⁴ and the lower penetration of cutting-edge digital technologies in the European economy threatens to widen the divide. Today, sectors that have long been the region’s strength—such as automotive and heavy industry—face challenges ranging from limited technology integration to supply chain readiness. For example, demand in the automotive sector is shifting to new markets amid an increasing need for value chain reconfiguration toward green mobility, digital and software-based vehicles, and circular-economy chains. Amid this shift, the evolving regulatory environment and focus on sustainability and decarbonization create fertile ground for modernization through automation, AI, and next-generation manufacturing. There is a clear need for these foundational industries to close their global competitiveness gap via improved productivity.

Private capital’s proven ability to generate higher-than-expected returns and drive productivity in the sectors in which it invests makes it a highly credible partner to address the productivity gap. The sector has a clear opportunity to lead tech-driven transformations focused on value creation through

³² McKinsey Performance Lens Global Growth Cube; based on McKinsey analysis of data from Preqin.

³³ Clarissa Dann, “ITFA Abu Dhabi 2023: The new distribution landscape,” ITFA, February 2024; Dimitrios Ntalianis, “Distribution: Overcoming challenges with Basel IV,” LIQUIDX, February 8, 2024; G20 roadmap towards better, bigger and more effective MDBS, G20 Brazil 2024, October 2024; *Evaluation of the effects of the G20 financial regulatory reforms on securitization*, Financial Stability Board, January 22, 2025; *Journal of Securities Operations & Custody*, 2023–24, Volume 16; Greg Buchak et al., *The secular decline of bank balance sheet lending*, NBER working paper number 32176, revised October 2024.

³⁴ Mario Draghi, *The future of European competitiveness: A competitiveness strategy for Europe*, European Commission, September 9, 2024.

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productivity growth, enabled by its active role and long-term ownership model. Private capital also has a long tradition of boosting productivity by bringing in and retaining top talent and enhancing workers' skills and performance.

This may be made easier by proposed revisions to EU policies aimed at closing the productivity gap through workforce upskilling. Initiatives such as revised funding, EU-level visa programs, and new programs for developing tech skills will support the attraction of highly skilled workers from outside Europe and the improvement of managerial skills within small and medium-size enterprises. This is critical in key sectors such as digital, cleantech, advanced technology, automotive, and sustainability, where talent gaps may be more pronounced. Private capital can also enhance senior managerial skills through targeted retraining programs, mitigate talent migration to the United States, and invest in robust upskilling and reskilling initiatives to ensure the workforce is equipped for the human capital demands of future industries.

Through their active ownership and role, private capital players can accelerate this transition by providing financial resources and operational expertise, driving innovation, and adopting cutting-edge technologies such as AI and advanced robotics. Private capital players' global experience and proven recipe for fostering cross-industry

synergies will be key components in paving the way for European productivity uplift and tech leadership. By leveraging their expertise and long-term investment horizon, private capital players can help modernize foundational industries, close the productivity gap, and position Europe as a leader in the next wave of technological advancements.

The path ahead

Playing their role in improving Europe's competitiveness will require private capital players to raise larger and more sophisticated funds to drive pan-European operations in critical industries; capture new funding sources, such as partnerships with banks; build new capabilities; and increasingly solve for intracontinental value creation with an outside focus on operationally driven performance boosts.

While Europe stands at a critical and challenging juncture, it has the opportunity to reshape its competitiveness on the global stage. We believe private capital holds the key to unlocking this potential by driving innovation, scaling businesses, and mobilizing the significant investments required to close the region's gap with global peers. By aligning with the European Commission's Competitiveness Compass and capitalizing on potential new favorable market dynamics, private capital can become a transformative force that fosters growth, sustainability, and resilience across the continent.

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