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Across Europe, working households are caught in a squeeze. Housing costs rise faster than wages, while the share of value added going to labour keeps shrinking. What cannot be bought cannot be produced — and without purchasing power, there can be no recovery. Our *Macroeconomic Outlook 2025*, titled *“The EU Squeeze,”* offers a much-needed corrective to the return of fiscal orthodoxy. It looks at the economy over the scale of a worker’s life, not the lifespan of a stock share.

Since 2015, housing prices have risen by **almost 20%**, while real wages have stagnated. More than **40 million Europeans — 9.2% of the population — cannot keep their homes adequately warm**. For **nine out of ten households**, the cost of a deep energy renovation — between **€20,000 and €40,000** — remains out of reach without public support. The green transition cannot be financed through low wages and private debt.

At the same time, the **labour share of GDP has fallen to 63%**, down from 66% in the 1990s — a **€3 trillion transfer from wages to profits** since 2015 - roughly the size of Germany’s GDP. And **at no time since the 1990s have wages outpaced productivity**. Labour productivity per hour has increased by **34%**, but real compensation by only **25%**. This is not a technological trend — it is institutional: decades of wage restraint, weakened collective bargaining, and the financialisation of firms that reward shareholders instead of reinvesting in workers and production.

Only one third of profits is reinvested. Private investment of firms stagnates around **12–13% of GDP**, while two thirds of profits feed financial markets. Europe has become a net exporter of savings, while workers see their paychecks eroded by **profit-driven inflation** (including in the food sector). According to the ECB and IMF, rising corporate markups explained **about half of inflation in 2022–2023**. That is why the ETUC calls on the **European Central Bank and national authorities to track and monitor profit margins**. Transparency and margin control must become part of Europe’s anti-inflation toolkit.

And yet, despite **moderate debt levels — 81% of GDP for the EU27 — and low interest burdens**, fiscal policy remains restrictive. In 2024, the EU’s deficit was only **–3.2% of GDP**, compared with **–7% in the US**, **–7.4% in China**, and **–5% in Japan**. While others use fiscal policy to drive industrial transformation and technological sovereignty, Europe treats it as a constraint.

Reaching the EU’s net-zero target by 2050 requires **€40 trillion in cumulative investment** — around **2% of GDP per year**. But **at the current pace, Europe would reach its climate goals in 2133**. That’s not a timeline — it’s a warning.

The ETUC calls for suspending and reforming EU fiscal rules, and creating a **permanent public investment facility worth 2–3% of EU GDP**, financed through common debt and new own resources.

Because macroeconomic policy must finally serve working people — not the other way around.