

The New Economic Reality in Europe: **From Market Predictability to Survival**

Tariffs. Conflicts. Disruptions in the value chain

Most companies think that these are the only reasons for the decline in their sales. They are right, but here's the truth: chaos only affects businesses that rely on luck.

Over the past six years (2020—2026), Europe has been undergoing a transformation, which it has not seen since the middle of the last century. The pandemic, the war in Ukraine, the energy crisis and the rise of artificial intelligence have transformed the economy from “predictable and globalized” to “uncertain and fragmented.”

Today, with modest GDP growth in the EU projected at around 1.2% - 1.4% for 2026, manufacturing leaders are facing a new reality: survival is no longer a matter of chasing volume, but of the ability to structure security.

The Historical Parallel: Lessons from the Past

If we are looking for an analogue to the current multifaceted crisis, the period of World War I and the subsequent Spanish Flu pandemic (1914—1920) is the most suitable candidate. Then, as after 2020, the world experienced both a mass disease and a large-scale military conflict.

In both cases, we saw the end of an era of globalization and a transition to protectionism, accompanied by an inflationary shock due to huge government debts. This historical parallel reminds us that after every “shock”, the world does not return to the old “normal”, but builds a new economic order.

The foundations of the modern European community were laid in 1951 with the idea that by jointly managing strategic resources, conflict would become economically impossible. The war in Ukraine put an end to this, bringing to the fore the EU's greatest weakness - energy dependence. More dependencies followed - on important raw materials, on markets, on exported production capacities.

Today we are faced with the need for the most rapid transformation in history. The concept of “open strategic autonomy” is now at the heart of European industrial policy, with the aim of reducing critical dependencies. The EU aims to produce 20% of semiconductors and at least 50% of active ingredients for critical medicines by 2030.

The green transition is no longer just a question of climate goals, but of economic security.

But here lies a new paradox: The green transformation, conceived as a way out of energy dependence, is becoming an additional brake on the competitiveness of European industry compared to the US and China. This double pressure — on the one hand, expensive resources, and on the other, the regulatory burden of the transition — requires a radical rethinking of business models.

The Labor Market Paradox: From Home Office to Chronic Shortage

Digitalization and technological progress between 2020 and 2026 have fundamentally changed the psychology of employees. The transformation of the labor market has given rise to an unexpected paradox: the massive shift to flexible employment, combined with the retirement of “baby boomers”, has left key industrial sectors in the EU without physical labor.

Artificial intelligence has already begun to optimize the needs of specialists in the service sector, but whether a “reverse industrialization” and a return to manufacturing is possible remains to be seen. For now, industry in the EU is experiencing a chronic shortage of personnel, and automation has become the most current, but with reservations, means of filling vacant jobs.

In this environment, companies are torn by a dual investment burden: the need to retain people through ever-increasing payroll costs and the need to invest in technology in the hope that it will generate the missing efficiencies. In most cases, however, the costs of both outweigh the final financial results.

Transformation of Values: When Old Chains Break

In 2026, the values of “globalism” and “low cost” in the EU have been replaced by a quest for strategic autonomy, security and sovereignty. Old value chains are being disrupted. For too long, business in the European Union has relied on market predictability, but today this is pure gambling. The current picture and the historical parallel show a reordering of markets and the approach to them, not their disappearance.

The EU is investing in local extraction of rare earth elements to ensure that the “green revolution” does not create a new form of dependency. Supply chains are being hit by new tariffs and geopolitical tensions, with over 70% of European companies reporting disruptions. This is forcing companies to put long-term sustainability ahead of short-term profits. This new framework allows countries to support the modernisation of strategic sectors, linking decarbonisation to the continent’s technological sovereignty.

In times of crisis, many companies cling to their current customers because they create an illusion of security. In reality, however, these partners are subject to the same external pressures and restrictions, which turns loyalty into a source of shared inefficiency.

In business, the difference between a successful and a surviving manufacturer is the ability to convert production capacity into a constant and growing cash flow, capital efficiency, minimizing risks and optimizing resources. This is a complex task. While the traditional

approach works in calm times, today success depends on strategic planning, selection of appropriate partners and construction of complementarity and security.

In 2026, leading companies will not be aiming for the lowest unit price, but for the lowest “total cost of risk.” Security of supply and environmental sustainability will be prioritized, even if this means increasing prices by 20% to 40%. The fact that over 69% of procurement directors now prioritize risk management over cost optimization is the clearest evidence of this. Instead of just the lowest price, 74% cite finding alternative sources as the most effective risk mitigation strategy.

The European Union is waking up from the dream of unlimited expansion with cheap resources. The new values and economic reality for business are harsher!