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Re-engaging European savings: a strategic imperative for resilient growth

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Europe is entering a critical phase. As it contends with far-reaching industrial, energy and technological transitions – set against a shifting geopolitical backdrop – it must reconsider the foundations of its growth model, restore its capacity for decisive action, and reinforce its economic sovereignty.

In this context, private savings represent more than a reservoir of capital: they are a strategic resource whose potential remains largely untapped. Channelling these funds towards private markets and the real economy is no longer simply desirable; it is increasingly necessary. And yet, amid today's climate, geopolitical and social challenges, there is also real opportunity: to build a development model that is more self-sufficient, resilient and sustainable.

Europe at a time of transitions

For decades, European growth was predicated on what appeared to be a virtuous globalisation, along with outsourced production chains, abundant and inexpensive energy supplies, and a relatively stable world order. This model, which long supported the continent's competitiveness, is now coming under significant pressure and faces the prospect of a profound paradigm shift.

Recent crises — the pandemic, the Suez Canal blockage, the war in Ukraine, rising US protectionism, China's strategic pivot, and escalating tensions in the Middle East — have exposed the vulnerabilities of Europe's economic fabric: energy dependence, de-industrialisation, fragile supply chains, mounting cost pressures, and technological fragmentation.

Compounding these shocks are longer-term structural dynamics:

— **Demographic trends** marked by an ageing population and a shrinking workforce;

— **Increasing environmental constraints**, water stress, soil degradation, and the decline of ecosystems, against a backdrop of rising energy demand;

— **High levels of public debt and persistent budget deficits**, limiting the scope for economic policy throughout Europe;

— **Barriers to innovation and scaling**, due to fragmented markets and limited funding, despite a strong bedrock of proven know-how and capabilities.

The message is clear: Europe's competitive position is eroding. In technology, only four of the world's fifty largest companies are European. R&D spend remains well below US and Asian levels.[1] On the energy front, European businesses pay up to twice as much for electricity as their international peers, undermining their ability to invest and expand.[2] The investment requirements are immense, yet public resources are reaching their limits.

Given these pressures, the response cannot be purely defensive. What is needed is a renewed commitment to Europe's economic, environmental, and social future: to rebuild productive capacity, reshore key industries, accelerate the ecological and digital transitions, and restore the value of skills and expertise.

Mobilising savings: from latent potential to real-economy impact

"We consider it our responsibility to design solutions that are both robust and accessible, - not only clearly understood, but executed with discipline. That is what underpins investor confidence and supports the sustainable transformation of the economy."

Johnny el Hachem

Europe holds a vast reservoir of private savings, estimated at over €33 trillion — a significant share of which remains under-invested. Nearly 30% are held in cash or low-yield instruments, far from the long-term financing needs of the real economy.

With public resources increasingly constrained, private savings represent a vital strategic lever. Redirecting them towards private markets offers a crucial opportunity to strengthen Europe's economic sovereignty, support its transition efforts, and enable savers to build long-term capital. This approach also responds to growing investor demand for purpose and impact.

The chronic under-allocation to private markets is not due to a lack of interest, but to persistent frictions: limited access, low visibility, fragmented tax regimes, and gaps in financial education. These barriers now need to be addressed in a coordinated and structured way.

Recent changes to the European regulatory framework, advances in digital distribution, and growing expectations around impact investing may well mark a turning point.

Unlocking this potential, however, will require a coherent and coordinated approach, anchored in four essential conditions:

1. Institutional standards for retail access:

Products offered to individual investors should meet the same standards as those designed for institutional clients: robust investment theses, disciplined management, and transparency on both fees and performance.

2. Clear alignment of interests:

Expanding access to private markets for retail investors must not create asymmetries. Value creation should be shared fairly, backed by performance-based remuneration and clearly structured co-investment mechanisms.

3. Ethical and signposted distribution:

Allocation and the matching of product to investor profile should be a primary concern. Distribution channels must avoid implicit segmentation or defaulting to lower-quality assets.

4. Investor guidance and fiscal alignment:

Wider investor engagement calls for a more harmonised European approach, including common product labels, aligned tax incentives, and improved financial literacy, all of which are foundational to prudent, sustainable, and responsible participation in the market.

1. Source: OECD (2025). "R&D spending growth slows in OECD, surges in China – government support for energy and defence R&D rises sharply."

2. Source: IMF, Europe Report (2023).

Channelling capital into Europe’s economic core

The challenge is not simply to mobilise capital, but to ensure it is allocated meaningfully, to sectors that are structurally important and where returns, economic utility, and impact converge. Two areas stand out as strategic priorities for building a resilient and competitive Europe:

— **Essential infrastructure**, which includes energy, transport, digital networks, and public services, and where modernisation responds to long-term structural needs. A recent study by Oxera for ICE estimates that each euro invested in these sectors generates between 1.5 and 2.7 euros in additional value for the economy, a significant multiplier effect that also serves the public interest.

— **Private companies**, which play a central role in re-industrialisation, the energy transition, and business succession. They are at the forefront of innovation, act as employers rooted in their local communities, and strengthen the resilience of value chains. Investing in these companies enables them to continue innovating, scale new growth drivers, and forge strategic partnerships.

In both these areas, private equity and infrastructure provide targeted, transformative, and enduring solutions. Their strength lies in the combination of three essential ingredients: a long-term outlook; active involvement by investment teams in governance and development planning; and the ability to remain engaged over time, close to real-world needs.

Investing in these assets is not a trade-off between financial returns and the public good. It is where the two align. It is about restoring the true purpose of investment: to channel capital into the real economy, support productive transformation, and help build lasting prosperity rooted in Europe.

Conviction

Private savings are more than a store of value, they are a reserve of potential, waiting to be activated. A strategic lever to turn Europe’s current constraints into long-term opportunities for growth and economic sovereignty. At Edmond de Rothschild Private Equity, we do not see savings as passive capital, but as a dynamic force. One that must be deployed with rigour, through selective investment in projects capable of delivering meaningful, lasting outcomes. We support the businesses we choose with patient, committed capital, aligned with the scale of the challenges and the ambition of the solutions they require.

We are convinced that the small and mid-sized enterprise segment, often underestimated, offers fertile ground for tangible value creation. These are the businesses where deep local roots, innovation, operational transformation, and infrastructure development come together to reinforce economic resilience. From this perspective, Africa also emerges as a long-term strategic partner. As regional value chains are redrawn, the continent provides a favourable environment for the international expansion of European SMEs, both as a supply base and as a growing market.

Re-engaging private savings towards these areas is a choice for capital that is useful, pragmatic, and focused on lasting impact, in a stronger, more self-reliant, and forward-looking European economy. This sense of purpose, coupled with a deep conviction, guides our actions every day, true to the heritage and commitment that have always defined our firm.