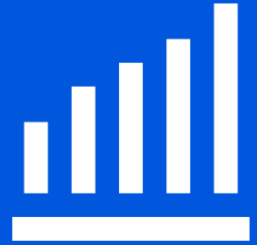


Europe 2026 Economic Outlook



Europe's economic resilience could spark a resurgence

The latest forecasts for 2026 are hardly sparking much enthusiasm: Economic growth for 2026 (fourth quarter-on-fourth quarter) is expected to land at about 1.3 percent for the European Union, 1.1 percent for the Euro area and 1.2 percent for the United Kingdom.¹ None are especially exciting numbers, so it's no wonder the economic sentiment remains muted, for the consumer and the business sector alike.

The truth is, as we look deep into the data, this pace of growth is tepid but not abysmal. Once we consider demographics, the growth in labour force, productivity and the level of capital investment in recent years, growth projections are just within a few decimals from the long-term growth estimates for the region (Fig. 1). Furthermore, the previous five years challenged the European economies with a sequence of shocks nearly unprecedented in recent decades: a global pandemic that deeply transformed the structure of the economy; a major conflict on European soil; a surge in energy prices and a resulting inflation shock. These events were followed by a cost-of-living crisis, another disruptive and divisive conflict in the nearby Middle East region; and a trade war with the United States amid a global shift in supply and value chains. No wonder the European consumer, shellshocked by these events, sits on the sidelines.

And yet, it is not all doom-and-gloom. In a previous report,² we discussed some of the macroeconomic factors that suggest how European consumers may be in better shape than we may superficially believe: consider resilient labour markets, solid growth in wages and salaries, falling inflation and rising purchasing power, declining interest rates and improving credit quality.

Adolfo Laurenti

Principal Europe Economist
laurenta@visa.com

Hannah Heeran

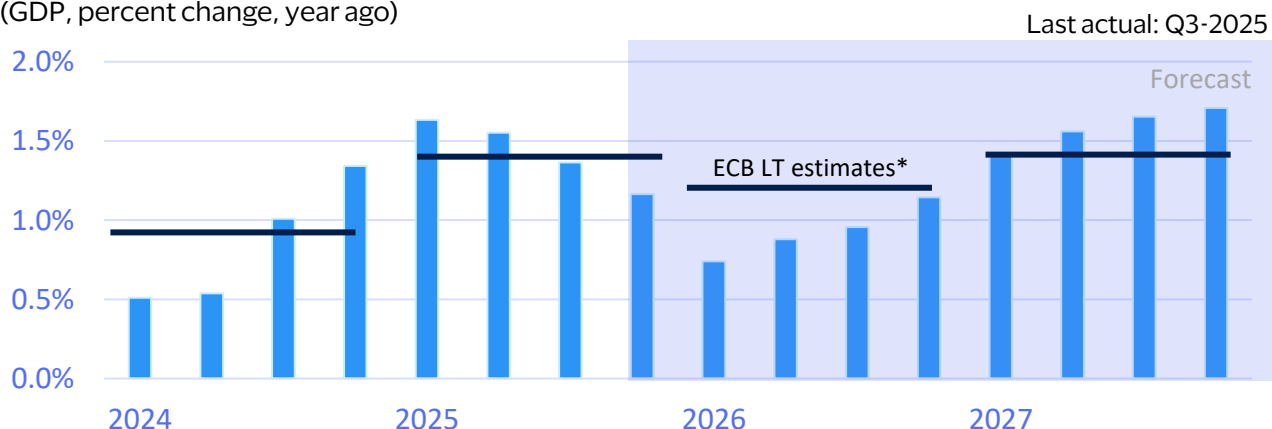
Europe Economist
heeranh@visa.com

Key Points:

- Households remain cautious, prioritizing savings over discretionary spending despite solid labour markets and rising wages.
- Elevated savings and strong employment create a reservoir of potential demand that could fuel a rebound if confidence improves.
- Rapid AI adoption is reshaping consumer behaviour.

Fig. 1: Eurozone growth still below long-term potential

(GDP, percent change, year ago)



Source: Oxford Economics, European Central Bank/ Haver Analytics *European Central Bank long-term estimates



In this Annual Economic Outlook, we will focus on the opportunities that, despite the broader context, may deliver some upside surprises in 2026: a rotation between essential and discretionary spending; the build-up in savings; further acceleration in e-commerce and a renewed emphasis on protecting the integrity of the payment ecosystem.

A balancing act between caution and optimism

In 2026, European consumers are once again balancing caution with optimism. After years of economic uncertainty, spending has stabilized but not yet soared. Households remain guarded, adding to their savings as wages rise, while merchants stay vigilant against economic and fraud risks that persist in every phase of the economic cycle. At the same time, new avenues for growth are emerging: Digital payments and e-commerce still have room to expand in many European markets, and a wave of AI-driven change is beginning to shape consumer behaviour, driving more transactions online. Together, these forces create a narrative of resilience and unrealized potential in Europe's economy.

Visa's proprietary spending gauge, the Spending Momentum Index (SMI), has stabilized (Figs. 2 and 3), halting the declines seen in 2024 and early 2025, yet still falling short of signalling a strong recovery. In recent months, the SMI painted a picture of moderate activity, but for most of the year, the index hovered around the neutral 100 mark, indicating no broad-based surge in spending. In the Euro Area, momentum flatlined. The U.K. saw a similar trajectory of modest growth, albeit with greater volatility. There were flickers of expansion, a strong month here and there, but nothing sustained. Essentially, European consumers are spending, but with restraint.

Fig. 2: Visa Spending Momentum Index, Eurozone
(Index, 3mmav)

Last actual: November 2025



Source: Visa Spending Momentum Index

Fig. 3: Visa Spending Momentum Index, U.K.
(Index, 3mmav)

Last actual: November 2025



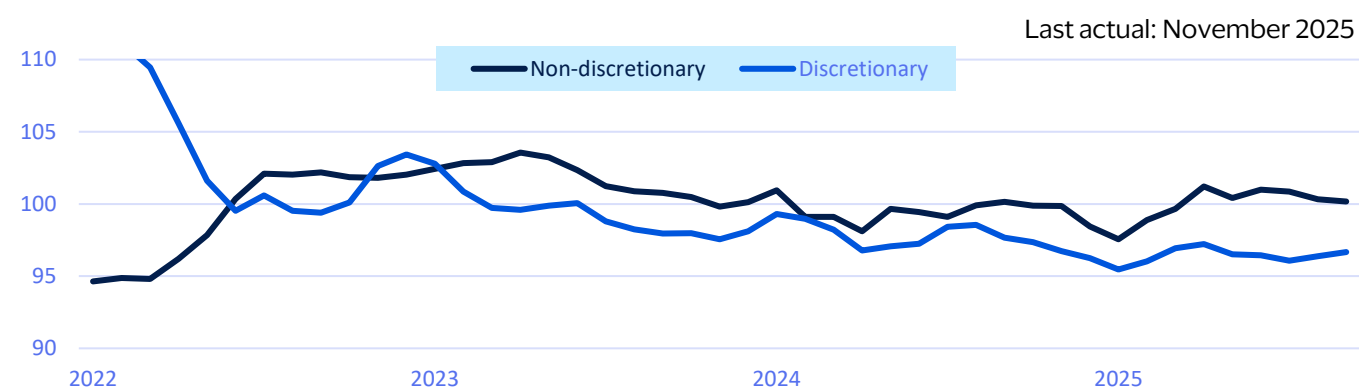
Source: Visa Spending Momentum Index

Households prioritise needs over wants

One notable pattern in 2025 was that essential (non-discretionary) spending held up better than discretionary spending (Fig. 4). The Euro Area SMI showed an increase in the number of consumers spending more on essential goods, such as groceries, utilities and healthcare, compared to a year ago, providing a solid underpinning for consumption. In contrast, the headline SMI and the discretionary spending component remained in mild contraction for most of the year. The U.K. mirrored this split: Essentials drove what little momentum there was, while non-essentials lagged. This divergence underscores how households have been prioritizing needs over wants, likely a reflection of cautious sentiment.

This context does offer hope for 2026. Uncertainty dominated the consumer outlook over the past year.³ High inflation, global risks and memories of recent purse-tightening all made consumers hesitant to spend freely. Yet, the foundation is in place to unleash stronger consumer spending if conditions improve. The biggest reasons for optimism stem from consumer health indicators: robust labour markets, rising incomes and a steady build-up in private savings.

Fig. 4: Non-discretionary spending has rebounded as discretionary spending lags
(Visa Spending Momentum Index: Eurozone (3mmav))



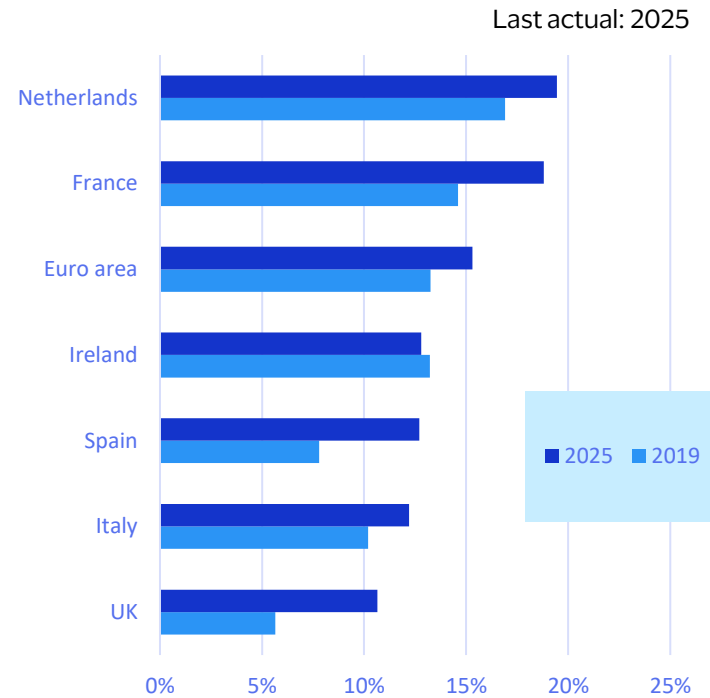
Source: Visa Spending Momentum Index

Savings rise is short-term headwind, medium-term tailwind

Across Europe, wages and salaries have been growing above their long-term averages, and labour markets remain resilient (even if there has been some softening at the margins).⁴ In fact, wage growth has been outpacing consumption growth, meaning many consumers are pocketing their pay increases instead of accelerating spending.⁵ This behaviour is a clear sign of caution: People have money, but they're choosing to save it. Consequently, savings rates have climbed in virtually every major European economy. In the U.K., for example, the gross household savings rate nearly doubled from its pre-pandemic level in 2019. Similarly, elevated saving trends are seen across the Euro Area (Fig. 5).

This surge in savings is largely driven by uncertainty and prudence. After a few years of compounded economic headwinds, many Europeans feel safer keeping a financial buffer when possible. Notably, debt service ratios (the share of income spent on debt repayments) have remained relatively stable or even fallen in some cases, despite higher interest rates (France being the notable exception).⁶ That stability suggests households aren't being forced to deleverage (pay down debt), rather they're choosing to set aside extra cash as a cushion.

Fig. 5: Savings across Europe have increased
Gross household savings rate (SA, percent)



Source: Eurostat, Office for National Statistics, Central Statistics Office, National Institute of Statistics and Economic Studies, Statistics Netherlands, Italian National Institute of Statistics, / Haver Analytics

The flip side of this cautious behaviour is latent spending power. Europeans have amassed significant savings, which gives Europe a reservoir of potential demand. If confidence in the economy strengthens, those funds could flow back into consumption. In other words, European consumers in 2026 are financially better positioned than headlines might suggest: Employment is solid, wages are up and many families have healthier savings accounts. The challenge ahead is turning that financial capacity into actual spending. Overcoming the cautious mindset of recent years will be key. In this sense, the outlook hinges on sentiment as much as on income. If consumers feel more secure about the future, supported by easing inflation and positive economic news, they will have both the reason and the means to spend more. That shift could transform the current steady state into genuine expansion.

An untapped opportunity in e-commerce

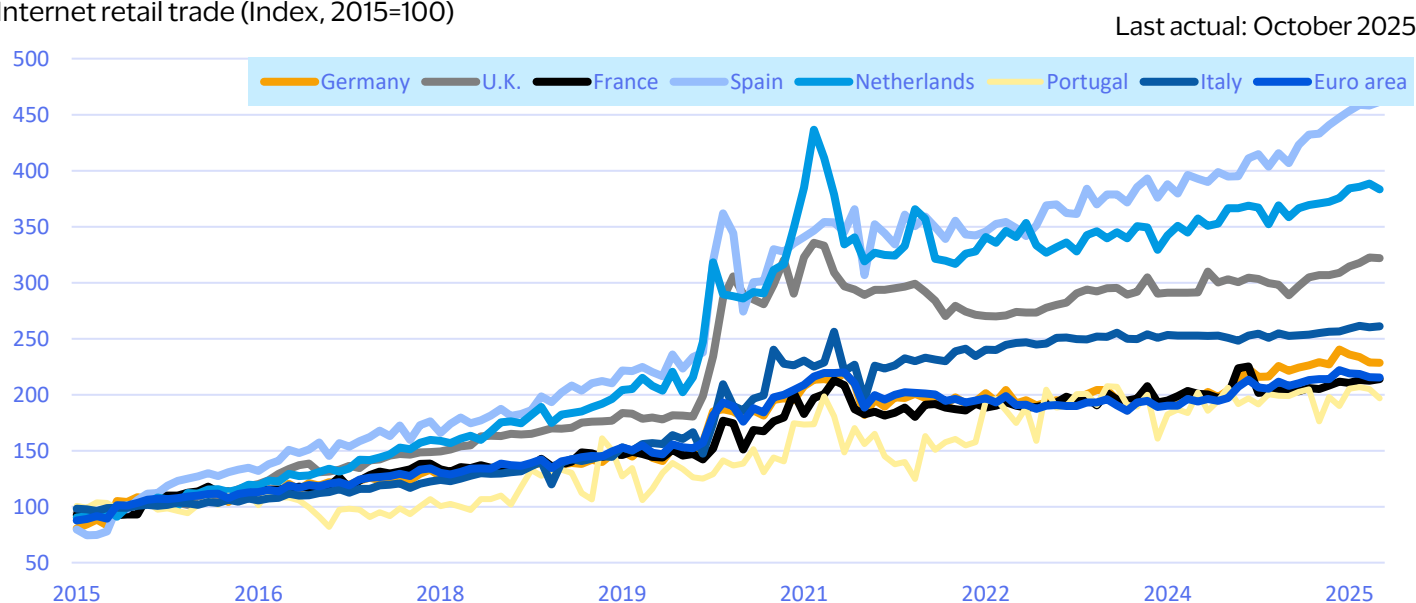
One structural trend continues unabated: the shift toward digital payments and e-commerce. The pandemic years accelerated this shift, but Europe still hasn't fully tapped the potential of online commerce. This is good news for future growth. In 2026, the expansion of digital payments stands out as a prime opportunity for the region.

The U.K. embraced e-commerce earlier and more fully than its continental peers (see Fig. 6). By 2019, the U.K.'s online retail market had surged well above its 2015 baseline, and it remains far more elevated today than in many other European countries.⁷ British consumers' early adoption of online shopping, from grocery delivery to digital subscriptions, means the U.K. is a more mature e-commerce market. By contrast, many countries in the Euro Area lag, and this digital gap presents a clear opportunity for catch up.

With Europe's economy on a stabilizing path, 2026 could see a rebound in e-commerce growth, especially in markets with significant room to expand such as Germany, France and Italy, the major economies of the Euro area. Consumers who were compelled to try online services during lockdown might deepen those habits now that services have improved and trust in digital payments has grown. The share of cash transactions continues to decline, giving way to cards, contactless payments and mobile wallets.⁸ As the digital ecosystem expands, it can create a positive feedback loop for growth: Businesses gain better data on spending patterns, commerce becomes more efficient and even fraud detection can improve through advanced analytics.

Fig. 6: Opportunity for digital payment growth in some markets

Internet retail trade (Index, 2015=100)



Source: Office for National Statistics, Eurostat, French National Institute of Statistics and Economic Studies, Federal Statistical Office of Germany/ Haver Analytics

Artificial intelligence is the game changer

No outlook would be complete without addressing the tech wave of the moment: artificial intelligence (AI). What might have seemed like a niche or futuristic topic a few years ago is now front and centre in consumer and business trends. In 2026, AI's influence on the economy and on consumers will be increasingly visible in Europe.

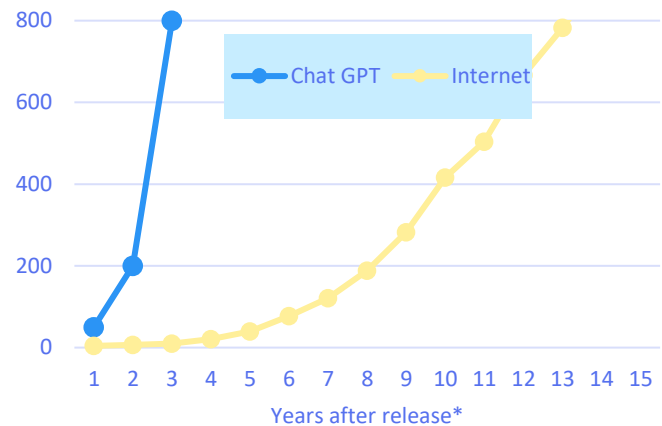
European consumers are rapidly embracing AI. Where previous technologies took years to reach mass adoption, AI has surged into everyday use at an exponential rate (see Fig. 7). The growth in AI usage over the past three years has been faster than the adoption rate of the internet over its first 14 years of existence.⁹ AI is no longer an abstract concept for most people; it's already reshaping consumer behaviour and ingrained in daily life.

The rise of AI also makes the digital shift even more critical for businesses. As consumers increasingly use AI to compare products and shop smarter, having a strong online presence becomes essential to compete for those AI-assisted purchases. Put simply, if consumers are asking digital assistants for recommendations, only businesses with a robust online profile will be in the running.

Recent surveys¹⁰ show that generative AI usage in Europe is only slightly behind the U.S. About 30 percent of British consumers report using AI tools like chatbots or image generators, while over 20 percent in France say the same. Driving this rapid uptake is the younger generation, the digital natives. More than half of consumers aged 18–35 have engaged with generative AI in some form, whether for fun, education or work. These younger consumers are now bringing their comfort with AI into shopping and financial decisions. In 2026, AI will underpin much of the customer experience: younger shoppers will rely on AI to guide purchase decisions and increasingly expect smart, personalized, tech-enabled services as the norm.

For businesses and the payments industry, this means AI is becoming a key factor in how consumers discover and choose products. Recommendation algorithms, virtual assistants and personalized marketing driven by AI can all influence consumer spending patterns. At the same time, AI offers powerful tools to combat fraud and streamline operations, reinforcing the critical importance of security in today's digital age.

Fig. 7: An unprecedented rate of adoption
Users (millions)



Source: International Telecommunication Union (via World Bank), Chat GPT. *Release of the internet set as 1991 and release of Chat GPT set at 2023.

Countering the threat of fraud

Fraud risks remain a constant undercurrent. Whether economic times are good or bad, fraud attempts don't disappear—they change and adapt. History shows that fraud is pervasive and occurs whether the economy is expanding or contracting. During good times, when consumer spending is high, businesses can become complacent about risk amid the transaction boom. Consumers and firms, spending freely, may pay less attention to security. Innovation runs high in these periods, but there's often less familiarity with new tech solutions, creating openings for sophisticated scams. In downturns, a different vulnerability emerges. Financially stressed consumers can be more emotionally vulnerable and susceptible to fraud schemes, while companies under cost pressure might cut back on security investments. High staff turnover, or even disgruntled employees, can further weaken corporate defences.

Europe in 2026 sits somewhere between these extremes. The economy is improving but not roaring, which means neither the careless optimism of a boom nor the desperation of a bust fully applies. Yet elements of both scenarios linger. The lesson going into 2026 is clear: Continued vigilance is crucial. Europe's hard-won resilience could falter if fraud undermines consumer and business trust just as spending is poised to expand. In other words, even as optimism rises, security and trust must remain top of mind to support the recovery.

From a defensive crouch to a more confident stance?

Europe's economic outlook for 2026 is guarded but with some unsung bright spots—and the consumer is central in this story. They are still employed, earning more and sitting on a pile of savings, yet remain hesitant, scarred by recent uncertainty. This caution is evident in the tepid spending momentum and high precautionary savings that have kept growth steady but not spectacular.

However, the narrative is far from pessimistic. The very factors causing caution could become catalysts for growth if conditions turn favourable. The extra savings accumulated by households could fuel a consumption rebound if confidence builds, especially if labour markets stay resilient and inflation remains under control. Europe's opportunities for expansion are within reach. Digital payments and e-commerce form a frontier, where pushing further can boost economic activity. Because some major markets are behind the curve, widely available technologies can be adopted more broadly without requiring brand-new innovations, potentially boosting growth in 2026 as adoption accelerates. AI can act as an accelerant, propelling growth beyond the ordinary by opening new efficiencies and channels for businesses and consumers alike.

2026 holds real promise for Europe. While it may not be a year of exuberant excess, it could mark a shift from resilience to resurgence—a time when consumers move from a defensive crouch to a more confident stance. After years of playing it safe, households may cautiously begin to spend from a position of strength. If uncertainty continues to fade, Europe could turn the page from caution to opportunity, with consumers leading the way.

Table: Macroeconomic forecasts for 2026
(Percent change, year average (except GDP, 4th Q on 4th Q); data as December 22, 2025)

	GDP			Consumer Prices			Personal Consumption (nominal)		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
United States	2.4	2.0	2.6	2.9	2.9	2.7	5.6	5.3	5.2
United Kingdom	1.1	1.4	1.0	2.5	3.4	2.7	2.7	4.8	3.8
Eurozone	0.8	1.4	0.9	2.4	2.1	1.6	3.6	3.4	3.1
Germany	-0.5	0.2	0.7	2.3	2.2	1.6	2.9	3.6	3.0
France	1.1	0.9	0.8	2.0	1.0	1.2	3.2	1.1	2.4
Italy	0.5	0.6	0.6	1.0	1.6	1.5	2.1	2.5	2.5
Spain	3.5	2.9	2.4	2.8	2.7	2.3	6.3	6.1	4.7
Poland	3.0	3.5	3.8	3.8	3.8	2.4	6.6	7.1	5.6
Romania	0.9	1.4	1.3	5.6	7.4	6.5	12.4	7.9	9.5
Sweden	0.9	1.9	2.4	2.8	0.8	0.8	3.4	4.4	3.9

Source: Visa Business and Economic Insights and Oxford Economics

Footnotes

1. European Commission [latest business and consumer surveys](#)
2. Visa Business and Economic Insights Europe Economic Outlook, November 2025, [A slow recovery hides a split in consumer behaviour.](#)
3. European Commission [latest business and consumer surveys](#)
4. European Central Bank [Economic Bulletin Issue 7, 2025](#)
5. European Central Bank [projections](#)
6. European Central Bank, [Euro area economic and financial developments by institutional sector: Second quarter of 2025](#)
7. Forrester: [Global online retail sales to grow 8.9% annually, reaching \\$6.8 trillion in 2028](#)
8. EY: [Why payments data is the key to unlocking new customer value](#)
9. Visa Press Release, December 2025: [Visa survey finds AI and crypto poised to transform U.S. holiday spending](#)
10. OECD, [Who uses digital technology, why they use it, and how it shapes well-being](#)

Spending Categories

Discretionary (airlines, lodging, auto rental, appliance retail, computer retail, fashion retail, florist, general department store, home goods retail, leisure goods retail, luxury goods retail, repurposed goods retail, sporting goods retail, attractions & amusements, duty free, entertainment, gambling, marina services, sport & recreation, transportation, travel agencies, construction services, electric goods repair, home repair services, personal services, professional services, spa/beauty services, telecommunication, charity, direct marketing, membership clubs).

Non-discretionary (medical/health services, pharmacy, food retail, supermarkets, postal/courier, utilities, education, tolls/fees, wholesale).

The discretionary and non-discretionary categories exclude restaurant and gas spending; both restaurant and gas are included in the total SMI.

Methodology

The Visa Spending Momentum Index (SMI) measures the breadth of year-over-year change in household spending within an economy, including the share of households with increased spending compared with those where spending was stable or declined. The index is generated using proprietary techniques that extract economic signals from business-related noise inherent in VisaNet transaction data, such as portfolio flips, routing changes, or evolving acceptance across geographies or merchant segments. Regional and national aggregates are population-weighted averages.

The resulting sample data is then aggregated using a diffusion index framework in which index values are scored from 0 to 200. Values above 100 indicate broad-based net acceleration in economic momentum. Values below 100 indicate contraction on an annual basis.

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Visa Business and Economic Insights Staff

Wayne Best, Chief Economist
wbest@visa.com

Simon Baptist, Principal
Asia Pacific Economist
sbaptist@visa.com

Mohamed Bardastani, Principal
CEMEA Economist
mbardast@visa.com

Michael Brown, Principal U.S.
Economist
michael.brown@visa.com

Adolfo Laurenti, Principal
European Economist
laurenta@visa.com

Richard Lung, Principal Global
Economist
rlung@visa.com

Dulguun Batbold, Senior Global
Economist
dbatbold@visa.com

Weiwen Ng, Senior Global
Economist
weiweng@visa.com

Joel Virgen Rojano, Senior LAC
Economist
jvirgenr@visa.com

Jennifer Doettling, Director,
Content and Editorial
jdoettli@visa.com

Michael Nevski, Director,
Consumer Insights
mnevski@visa.com

Travis Clark, U.S. Economist
wiclark@visa.com

Hannah Heeran, European
Economist
heeranh@visa.com

Sean Windle, U.S. Economist
swindle@visa.com

Jen Petosky, Analyst,
Content and Editorial
jepetosk@visa.com

Ashton Sein, Associate U.S.
Economist
asein@visa.com

Juliana Tang, Project Coordinator
jultang@visa.com

For more information, please visit us at Visa.com/Economicinsights
or VisaEconomicInsights@visa.com.