THE TRANSATLANTIC ECONOMY PULSE Fall 2026

How Businesses Are Navigating Stormy Seas

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AmCham EU
SPEAKING FOR AMERICAN BUSINESS IN EUROPE

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About this Brief

This Pulse is an interim update to the annual *Transatlantic Economy* publication series. It identifies trade and investment trends between Europe and the United States in the first half of 2026 and discusses how businesses are navigating stormy transatlantic seas. It also offers a preview of the 24th edition of *The Transatlantic Economy*, to be published in March 2027.

Key Takeaways

01.

Trade

The U.S. is on track to either balance or record a surplus in its goods and services trade with the EU and with Europe as a whole in 2026. Traditionally, the U.S. runs a deficit in goods trade and a smaller surplus in services trade with Europe, as well as with the EU. During the first half of 2026, however, the U.S. goods trade deficits with Europe overall and with the EU in particular declined dramatically while its services trade surpluses continued strong. Plummeting U.S. imports of European goods reflected less a collapse in U.S. demand and more the unwinding of unusually large import flows in 2025, which had surged in anticipation of tariff disruption.

- U.S.-EU trade in goods and services (January-June): $795.8 billion (-3.0%*)
- U.S. surplus (January-June): $13.6 billion

Goods (January-August)
- U.S. exports to EU: $304.9 billion (+12.3%*)
- U.S. imports from EU: $368.3 billion (-15.9%*)
- U.S. deficit: $63.4 billion (-62%*)

Services (January - June)
- U.S. exports to EU: $176.8 billion (+11.5%*)
- U.S. imports from EU: $114.4 billion (+6.8%*)
- U.S. surplus: $62.4 billion (+21.1%*)

U.S.-Europe Goods Trade (January – August)
- U.S. exports to Europe: $459.7 billion (+18%*)
- U.S. imports from Europe: $468.2 billion (-21.8%*)
- U.S. trade deficit: $8.4 billion (-96%*)

*Change versus same period in 2025. Source: U.S. Bureau of Economic Analysis.

02. **Investment** (January – June)

European FDI to the U.S. jumped significantly, spurred by U.S. investment demands and policy shifts. U.S. FDI to Europe fell precipitously, driven by outflows from Ireland.

- European FDI to U.S.: $134.8 billion (+70.1%*)
- U.S. FDI to Europe: $73.6 billion (-20.8%*)

03. **Affiliate Earnings** (January – June)

A stronger dollar boosted European earnings in the U.S., while U.S. affiliate income earned in Europe remained solid.

- EU affiliates in U.S.: $113.3 billion (+18.3%*)
- U.S. affiliates in EU: $203.8 billion (+10%*)
- 56.1% of U.S. firms' total overseas earnings made in Europe

04. Corporate Strategies

No single playbook: depending on their unique risk factors, companies are deploying a range of strategies to deal with uncertainty.

- Cost absorption
- Price increases
- Stockpiling
- Supply chain shifts

*Change versus same period in 2025. Source: U.S. Bureau of Economic Analysis.

The State of Play: A Year of Many Moving Parts

2026 continues to be a challenging year for the transatlantic economy. U.S.-EU trade understandings reached in July and August 2025 entered into force on July 1, 2026, but remain fragile. The EU eliminated tariffs on imports of U.S. industrial goods and improved market access for certain non-sensitive agri-food products. The U.S. set a tariff ceiling of 15% on most industrial imports from the EU. The EU set an end-2026 deadline for the U.S. to bring its steel and aluminum derivative tariffs — currently as high as 50% — into line with the 15% ceiling, or face suspension of EU concessions. Tensions continue over various issues, including EU regulations governing U.S. tech companies, potential introduction of "European preference" provisions across a range of EU initiatives, sporadic U.S. tariff threats against individual EU member states, and U.S. trade investigations into global and European supply chains regarding forced labor.

Transatlantic trade and investment flows remain strong despite some one-off adjustments and cyclical weakness in several metrics.

At the same time, companies and countries have had to navigate additional uncertainties triggered by geopolitical tensions, a Middle East energy shock, shifting global supply chains, disruptive trade policies, and the transformational effects of artificial intelligence (AI). The rules-based international order of the past eighty years continues to fracture. This leaves Europe, the most open and trade-dependent region of the world, exposed to several global crosscurrents. An expansionist Russia, a mercantilist China, and a protectionist United States pose key challenges to Europe in particular and the transatlantic economy in general.

Despite many uncertainties, business is getting done. Transatlantic trade and investment flows remain strong despite some one-off adjustments and cyclical weakness in several metrics. U.S.-European linkages are the deepest in the world. The ties that bind two of the world's largest economies have proven their resilience again. They remain strong.

Uneven Growth

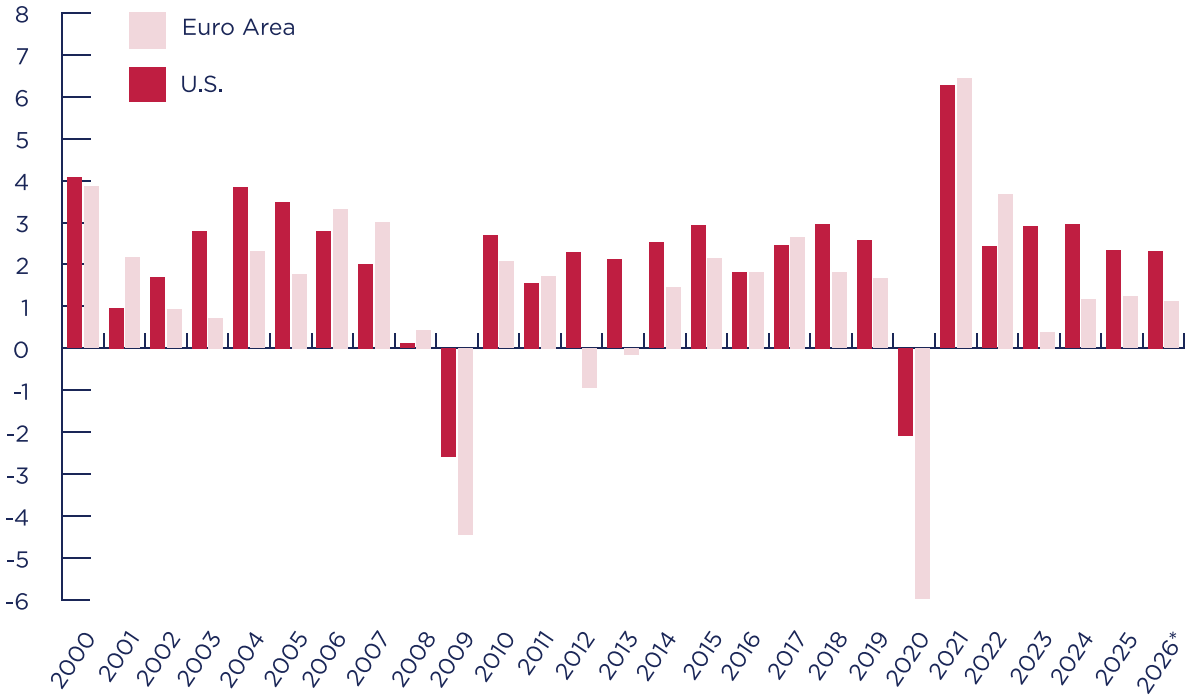
Economic growth has continued on both sides of the Atlantic, although the transatlantic economy shows a split screen. The U.S. economy, led by strong capital investment in artificial intelligence, is expanding much faster than most of Europe. AI-related capex spending in the U.S. and resilient consumer demand remain twin engines of domestic growth. The U.S. economy grew by over 2% in the first half of 2026. Adjusted for trade, a drag on growth, real final domestic demand in the U.S. was closer to 4% in the first six months of this year. Overall, the U.S. heads into 2027 on solid economic footing, although concerns remain about stubbornly high inflation, rising living costs, widening income inequalities, high 10-year Treasury yields, and America's fiscal deficits.

The economic outlook in Europe is mixed. According to the IMF, growth rates this year for Poland (3.4%), Spain (2.5%), and smaller European economies such as Denmark (3.7%), Bulgaria (2.6%), and Sweden (2.5%)

are expected to exceed that of the United States. Fiscal expansion supports growth in Germany (1.3% expected), while France, Italy, and the United Kingdom face tighter fiscal positions. Europe's trade sector remains vulnerable to soaring Chinese imports, which will result in China running a global merchandise trade surplus of more than $1 trillion this year. China is diverting more trade towards Europe due to higher U.S. tariffs. The EU's merchandise trade deficit with China reached $407 billion last year and accelerated to $231 billion in the first half of this year. European manufacturers are squeezed by U.S. tariffs on one hand and the pressure of increasing Chinese exports on the other. China's restrictions on rare earth exports have been another blow.

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U.S. vs. Euro Area Real GDP, Annual Percent Change



*Estimate. Source: International Monetary Fund. Data as of October 2026.

Looking ahead, after a resilient start, global economic activity is expected to moderate into 2027 as fiscal vulnerabilities raise borrowing costs for the U.S. and many European states, notably France and the United Kingdom. The massive buildout of AI infrastructure – and the associated effects on jobs – is being carefully watched. Concerns in Europe focus on structural impediments to growth, including an aging labor force, unsustainable fiscal positions, lagging industry productivity, problems with technological adoption and scaling, higher energy prices, regulatory differences between EU member states, and the absence of pan-European capital markets. Enrico Letta's report on completing the Single Market and Mario Draghi's report on EU competitiveness, both released in 2024, addressed many of these factors, but only marginal progress has been made on Letta's proposals, and, according to the Joint European Disruptive Initiative's Draghi Tracker, only 26% of Draghi's 383 recommendations had been adopted by September 2026.

Emerging Trends in 2026

Transatlantic Trade: Adapting to Uncertainty

Implementation of the U.S.-EU trade arrangement and the prospect of rebalanced U.S.-EU trade this year could take some of the sting out of recent bilateral tensions. Yet it is too early to know whether Washington and Brussels will be able to resolve other ongoing disputes, and how companies will adjust to the new tariff regimes now in place.

Transatlantic merchandise trade flows have been volatile this year. U.S. exports to Europe rose 15.3% in the first eight months, to $459.7 billion, while U.S. imports from Europe fell 21.8%, to $468.2 billion. The U.S. merchandise trade deficit with Europe fell by a whopping 96% from the same period last year, to $8.4 billion.

Europe remains one of America's largest and most important export markets despite uncertainties from transatlantic political tensions, tariffs, and concerns about the continent's sluggish economic growth. U.S. energy and defense exports have stayed robust this year, as have pharmaceutical exports. Services exports to Europe rose 11.5% in the first half of this year compared to a year ago, reflecting strong European demand for U.S. digital platforms, software, financial services, intellectual property, and professional services.

U.S. imports from Europe plunged in the first eight months of 2026. However, this sharp decline reflects not a collapse in U.S. demand for European goods but one-off factors, especially the unwinding of unusually large import flows in 2025. Last year, U.S. demand surged as companies stockpiled inventories anticipating tariff disruptions. They are winding down those inventories this year. For example, U.S. imports from Ireland dropped by 62% in the first eight months as firms that had accumulated drug inventories last year scaled back their imports. U.S. imports from the Netherlands showed a similar reversal. In both countries, last year's tariff-driven buying spree makes this year's trade flows look unusually weak.

Partly because of front-loading European shipments to the U.S., Europe's trade surplus with the U.S. widened significantly in 2025. In 2026, the opposite is happening, with U.S.-European goods trade much less unbalanced in the first eight months.

Focusing on U.S.-EU goods trade, U.S. exports to the EU totaled $304.9 billion in the first eight months of 2026, an 11% rise over the same period in 2025. The U.S. imported $368.3 billion from the EU in the first eight months of 2026, a 16.1% decline from 2025. The U.S. trade deficit in goods with the EU fell to $63.4 billion between January and August 2026, a 62% decline from 2025.

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While goods trade dominates headlines, services trade between the U.S. and the EU posted strong gains in the first half of 2026. U.S. exports of services to the EU rose over 11% year-on-year to $176.8 billion. Imports increased nearly 7% to $114.4 billion. This widened the U.S. services surplus with the EU to $62.4 billion, a 21% increase from the same period in 2025. The U.S. and the EU remain each other's most important services trading partners, even on stormy transatlantic seas.

U.S. Goods Trade with Europe, 2026 Year-to-Date*

$Billions

Partner	U.S. Goods Exports	YoY (%)	U.S. Goods Imports	YoY (%)	Balance	YoY (%)
Europe	**459.7**	**18.0%**	**468.2**	**-21.8%**	**-8.4**	**-96.0%**
European Union	**304.9**	**12.3%**	**368.3**	**-15.9%**	**-63.4**	**-62.0%**
Austria	3.1	-13.4%	11.7	8.6%	-8.6	19.6%
Belgium	27.1	13.2%	19.1	-0.2%	8.0	66.0%
Czech Republic	4.4	52.0%	6.4	13.3%	-2.0	-27.4%
Finland	2.5	31.7%	6.4	15.8%	-3.9	7.5%
France	32.2	-5.3%	46.1	4.2%	-13.9	36.0%
Germany	57.9	6.0%	100.6	-2.6%	-42.7	-12.3%
Hungary	4.4	96.4%	8.0	-5.1%	-3.5	-42.5%
Ireland	14.8	20.7%	38.8	-61.2%	-24.1	-72.6%
Italy	29.6	12.8%	51.5	0.7%	-22.0	-11.9%
Netherlands	78.0	24.2%	17.0	-32.8%	60.9	62.7%
Poland	11.8	25.0%	10.1	6.5%	1.7	-405.6%
Spain	16.7	-10.2%	14.2	-4.9%	2.5	-31.6%
Sweden	6.6	6.8%	11.3	4.6%	-4.7	1.7%
Other**	15.7	24.7%	26.9	-7.5%	-11.2	-32.0%
Non-EU Europe						
Norway	3.1	-4.7%	4.2	-10.0%	-1.2	-21.5%
Switzerland	52.4	44.6%	33.8	-62.4%	18.6	-134.7%
United Kingdom	75.6	23.3%	44.1	-0.5%	31.5	85.3%

*Data through August 2026. **YoY data through August 2026 not available for all individual countries. Source: U.S. Bureau of Economic Analysis.

Transatlantic Foreign Direct Inflows (FDI): Mounting Signs of Strain

Given the current uncertainty around U.S. trade and investment policies, transatlantic FDI flows have been volatile and unpredictable this year. America's shift in trade has caused much caution among multinationals trying to understand the rules of transatlantic commerce.

In general, however, U.S. tariffs have prompted more and more European firms to invest and produce in the U.S. as a way to reduce their exposure to trade uncertainty. European firms also remain attracted to the U.S. for several other reasons: the large and wealthy consumer market, a skilled labor force, and a technology-led ecosystem that attracts high-tech investment from around the world. The result was a 70% surge in FDI flows from Europe to the U.S. in the first half of 2026. Leading investors by country include France, Germany, the Netherlands, and the United Kingdom.

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U.S. outflows to Europe totaled $73.6 billion in the first half of this year, down nearly 21% from last year. The decline was largely due to a $74.3 billion drop in U.S. investment in Ireland and a falloff in pharmaceutical investment. U.S. FDI flows rose to countries like the Netherlands and France but declined generally elsewhere.

Transatlantic Foreign Capital Flows, 1H 2026

$Billions

	U.S. FDI Flows to Europe	YoY (%)	European FDI Flows to the U.S.	YoY (%)
2020	145.0	-	35.0	-
2021	168.9	16.5%	254.2	626.3%
2022	114.0	-32.5%	213.3	-16.1%
2023	118.3	3.8%	134.1	-37.1%
2024	69.6	-41.2%	162.5	21.2%
2025	268.4	285.7%	160.2	-1.4%
1H 2026	**73.6**	**-20.8%**	**134.8**	**70.1%**
2026*	**147.2**	**-45.1%**	**269.6**	**68.4%**

*Annualized using 1H 2026 data. Source: U.S. Bureau of Economic Analysis.

Transatlantic Foreign Affiliate Income is Rising

The transatlantic economy remains a key source of profits for firms on both sides of the ocean. After soaring by 21% in 2025, U.S. foreign affiliate income earned in Europe rose another 10% in the first half of 2026 to $203.8 billion. Annualized income from Europe, estimated at $408 billion, could outpace the previous record high of $394 billion earned last year. In the first half of this year, Europe accounted for 56.1% of the total income earned by U.S. affiliates worldwide. European firms operating in the United States are also enjoying robust earnings, partly because the U.S. dollar has grown stronger this year while the euro, pound, and Swiss franc have weakened. European foreign affiliate income earned in the U.S. rose by 18% in the first half of the year and is on pace to hit a record $230 billion this year.

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Transatlantic Foreign Affiliate Income, 1H 2026

$Billions

	U.S. Income Earned in Europe	YoY (%)	European Income Earned in the U.S.	YoY (%)
2020	250.7	-	98.3	-
2021	303.5	21.0%	180.9	84.1%
2022	311.9	2.8%	185.4	2.5%
2023	321.9	3.2%	184.1	-0.7%
2024	326.0	1.3%	203.9	10.7%
2025	394.1	20.9%	198.1	-2.8%
1H 2026	**203.8**	**10.0%**	**113.3**	**18.3%**
2026*	**407.7**	**3.4%**	**226.6**	**14.4%**

*Annualized using 1H 2026 data. Source: U.S. Bureau of Economic Analysis.

The Mad Scramble Continues: How Companies Are Adapting to the New Era of Turbulence

Over most of this decade, U.S. and European multinationals have deployed various tactical and strategic responses to rising trade tensions, geopolitical stress points, higher energy costs, and the effects of AI. Many firms have adopted multiple strategies, such as absorbing some of the cost of tariffs themselves, while passing on some costs to end users or customers.

Other strategies include increasing stockpiling, delaying shipments, accelerating import deliveries, reconfiguring logistic and supply chain connection points, renegotiating with suppliers to reduce input costs, and reengineering products to reduce materials subject to tariffs. In the longer term, firms are diversifying supply chains, postponing or cancelling planned investments, or localizing production.

Each company faces unique risks in protecting profits and market share.

In the end, there is no "one-size-fits-all" strategy for adapting to the new transatlantic business climate because each company faces unique risks in protecting profits and market share. The mad scramble to adapt will continue for the foreseeable future.

The Bottom Line

The transatlantic partnership faces several cyclical and structural headwinds. As we outlined in our annual report, *The Transatlantic Economy 2026*, this year of stormy seas is forcing firms to navigate crosscurrents in economics and geopolitics. The near-term outlook indicates more volatility and choppiness in trade and investment flows amid heightened policy uncertainty. For example, it is unclear whether the U.S.-EU trade framework will hold as tensions continue over tech issues and steel and aluminum tariffs.

As a new global economic order unfolds, transatlantic business remains robust. U.S.-European linkages are deep and mutually beneficial, and trade and investment flows are growing. No bilateral economic relationship is as important to both the United States and Europe. Yet these factors do not guarantee stability. To preserve these benefits, the two sides must stay vigilant and work together to prevent transatlantic turbulence from escalating.

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Notes

The views expressed in this publication belong to Daniel S. Hamilton and Joseph P. Quinlan, President and Senior Fellow, respectively, at the Transatlantic Leadership Network, and do not necessarily represent those of AmCham EU. Most data used in this publication are from the U.S. Bureau of Economic Analysis and are therefore presented in U.S. dollars. Throughout this publication, the term "EU" refers to all 27 member states of the European Union. The term "Europe" in this report refers to the following: all 27 members of the European Union plus Albania, Andorra, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Gibraltar, Greenland, Iceland, Kazakhstan, Kosovo, Kyrgyzstan, Moldova, Monaco, Montenegro, North Macedonia, Norway, Russia, San Marino, Serbia, Switzerland, Türkiye, Tajikistan, Turkmenistan, Ukraine, the United Kingdom, Uzbekistan, and Vatican City.

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