



Structural shifts and short-term turbulence

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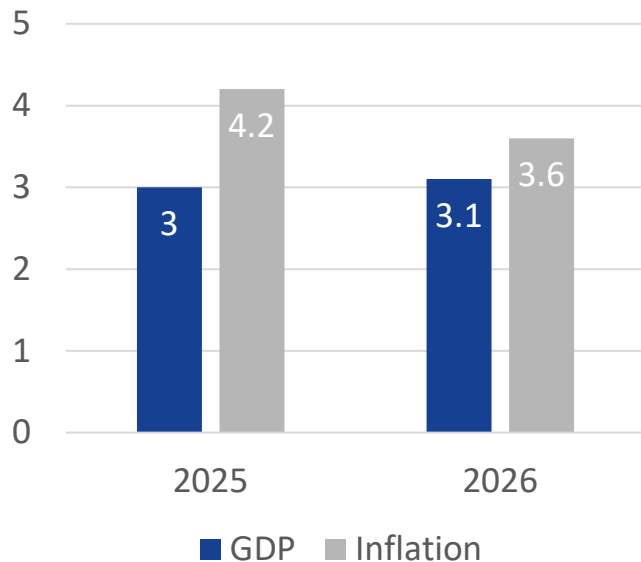


European
Investment Bank

Economic growth has been resilient despite trade shocks

The global economy is proving resilient to the tariff shock

Global outlook (GDP and inflation)



Uncertainty weighs on investment, affecting particularly riskier more innovative projects

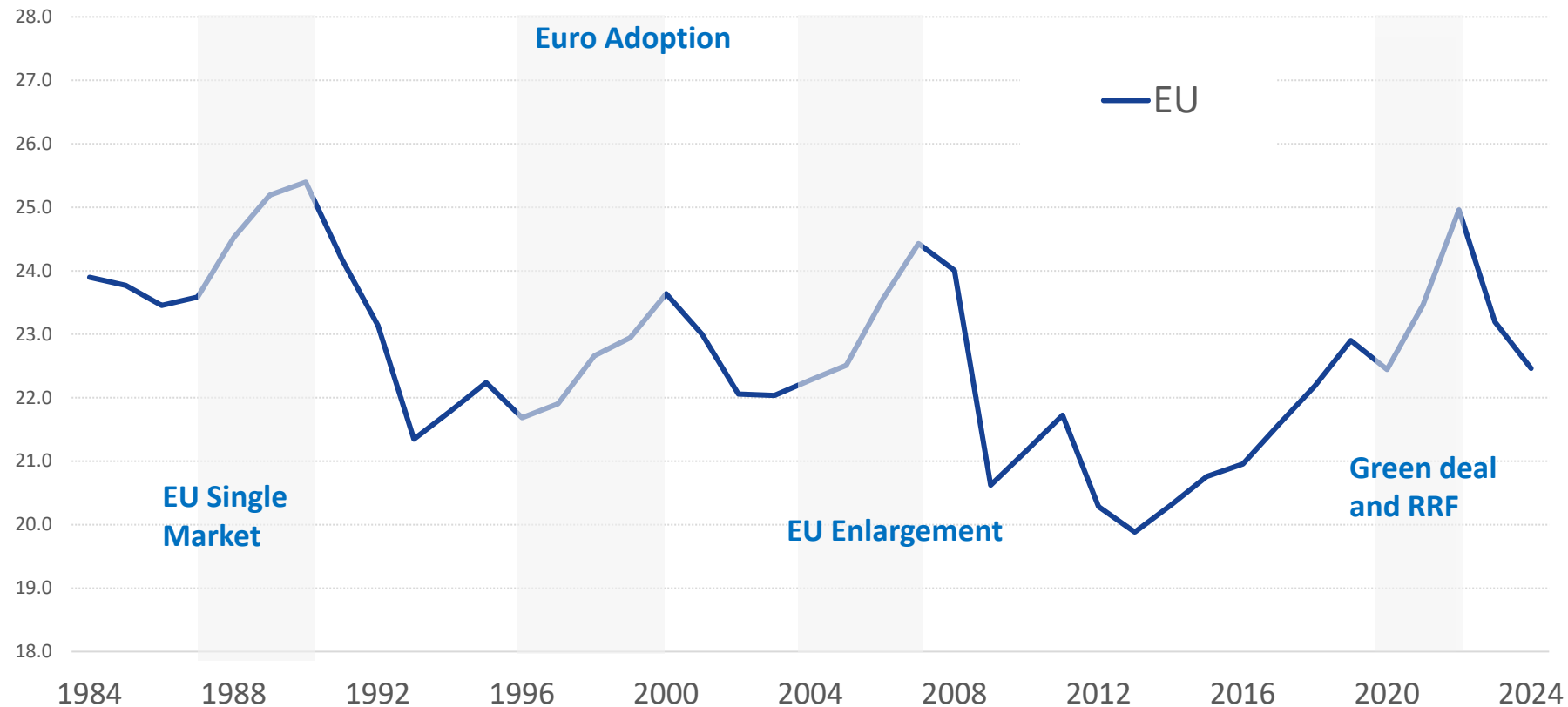
Economic policy uncertainty (Europe, 2011=100)



- Unlike in other episodes, after “liberation day,” the USD weakened, and there were outflows from US financial assets.
- The USD has depreciated 10.3% since the beginning of the year.
- **Geopolitical structural shifts** are undergoing but they will take time to materialise.

Investment accelerations come at times of structural shifts, generating new business opportunities

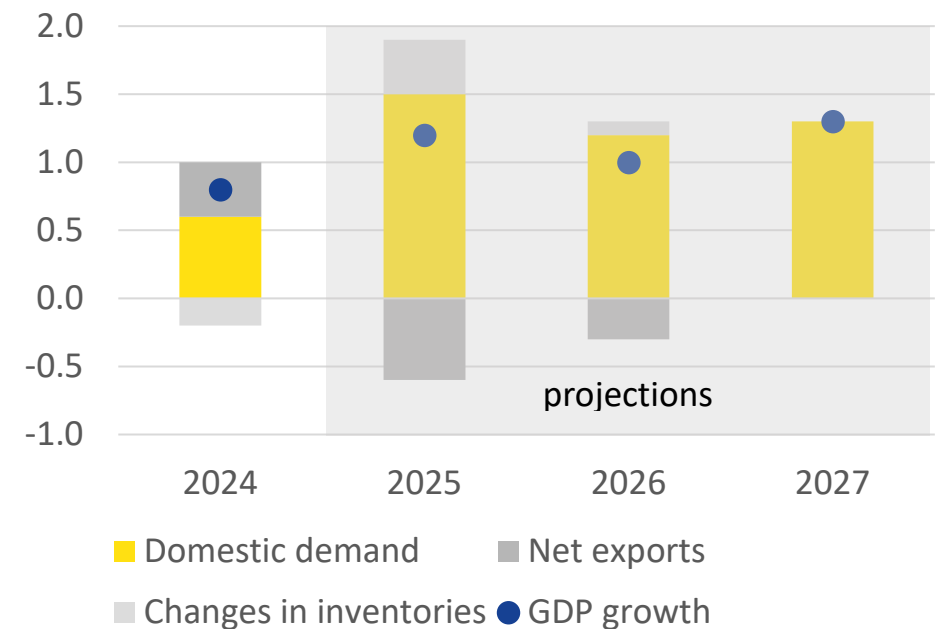
Times of structural change have driven higher investment rates in the past
Investment intensity (% of GDP)



Europe has shown surprising resilience to shocks

- **The EU remains open to trade.** Firms responded to anticipated trade disruptions by **frontloading exports** (and running down inventories), especially in Ireland.
- **ECB growth forecasts for 2025 for the Euro Area were revised upwards** to 1.2%. Growth in 2025 and 2026 will be supported by resilient domestic demand, stable labour markets, and improving consumer sentiment.
- Despite high **uncertainty**, **investment** continues to benefit from governments' focus on structural investment, the Recovery and Resilience Facility, and EU Funds. Corporate investment appetite is stabilising, as firms continue investing in critical areas, like digitalisation, AI and the green transition.
- **Risks to growth are now more balanced**, with potential upsides from infrastructure and defence spending, and productivity-enhancing reforms.

Euro area real GDP growth – decomposition into the main expenditure components

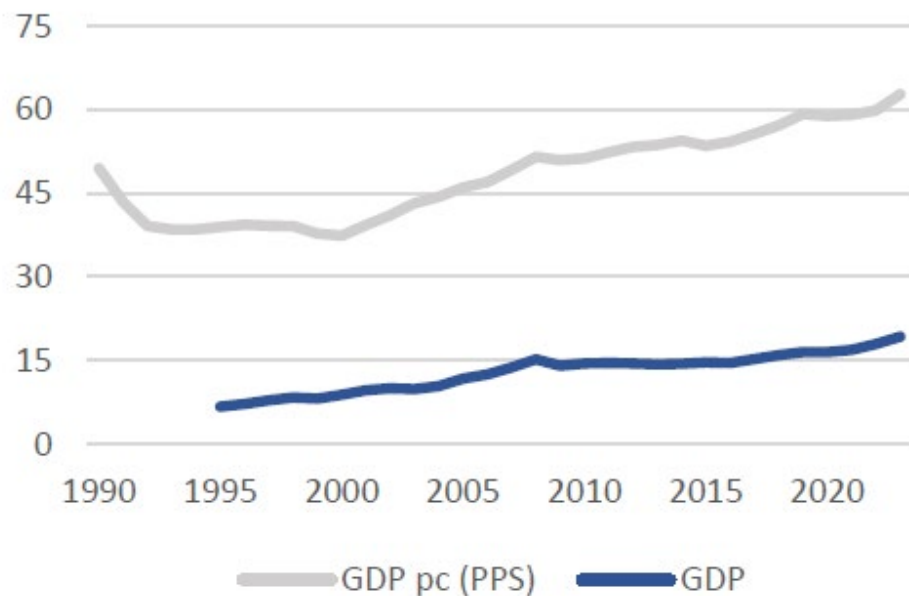


Source: ECB, September 2025 projections.

Significant progress in CEESE countries in the past twenty years, but must build on the momentum

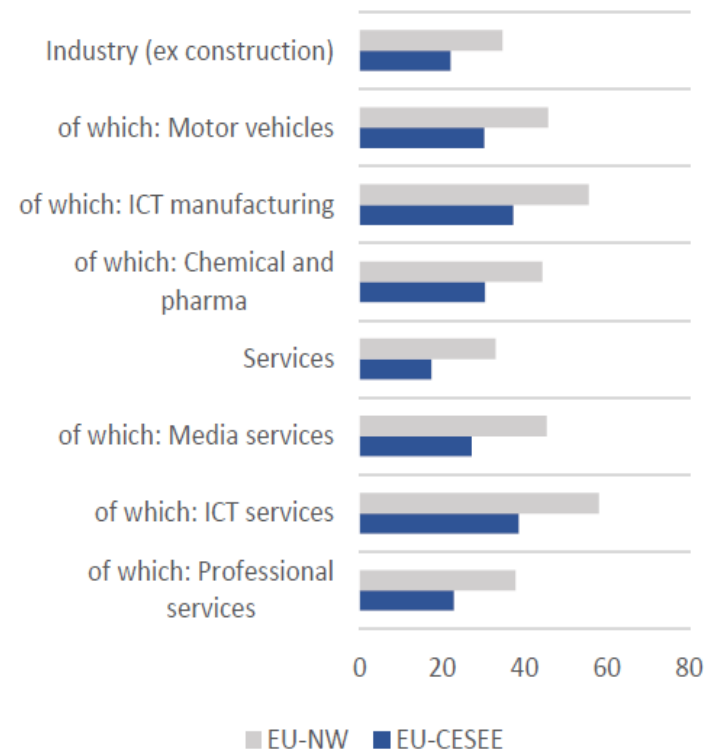
CEESE countries experienced a significant improvement in quality of life

Economic convergence of EU-CEESE towards the North and West of the EU (% of EU-NW)



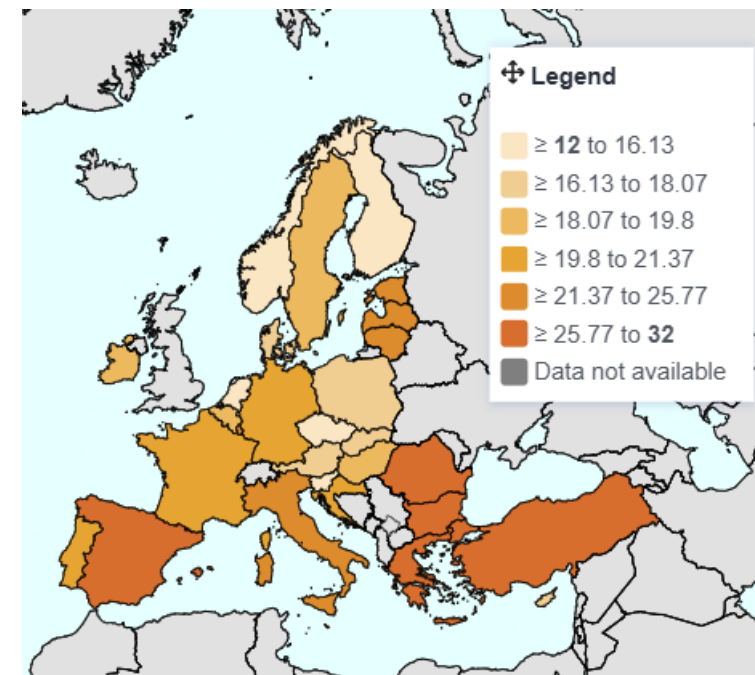
Lags remain in innovation

Share of firms investing in innovation



... and social outcomes

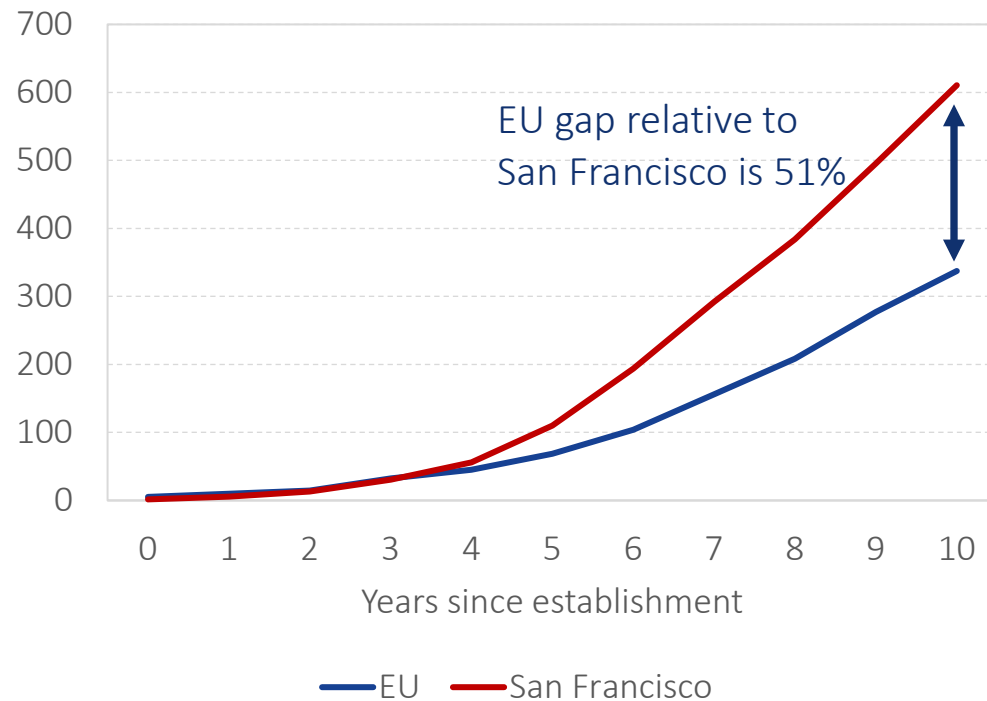
Share of people at risk of poverty



Young innovative firms lack opportunities: gaps in scale-up finance, exit options and appropriate risk taking for critical technologies

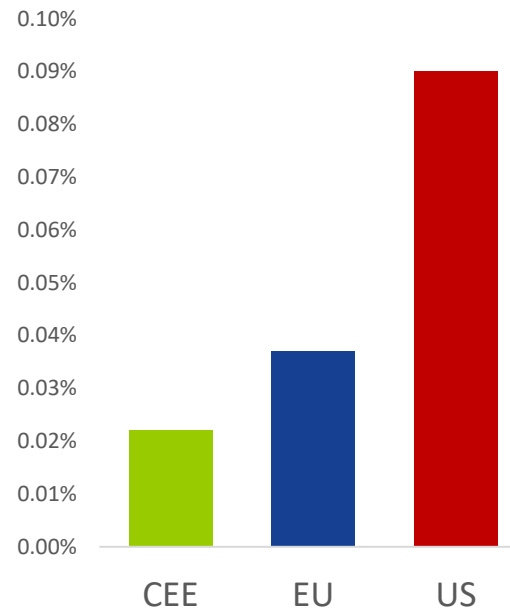
EU scale-ups raise less capital than peers in San Francisco

Cumulative capital raised since establishment by scale-ups
(average, current \$m)

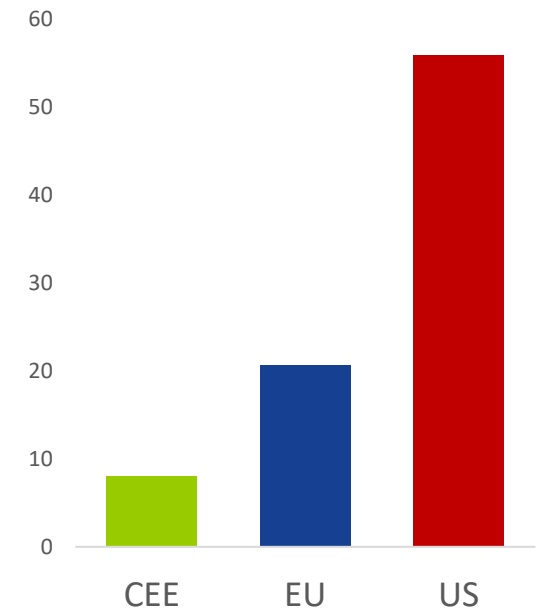


Venture Capital based companies

VC investment
(2024, as share of GDP %)



VC investment
(2024, companies per mn people)



Source: Fratto et al. (2024) based on PitchBook Data, Inc.

Note: The sample consists of companies that between 2013 and 2023 had market valuation between USD 500mn and 10bn.

Source: EIB staff calculations and PitchBook Data, Inc.

Cyclical developments: support to innovative firms is more important now than ever

EIF VC/PE Barometer Survey

Q1 2025

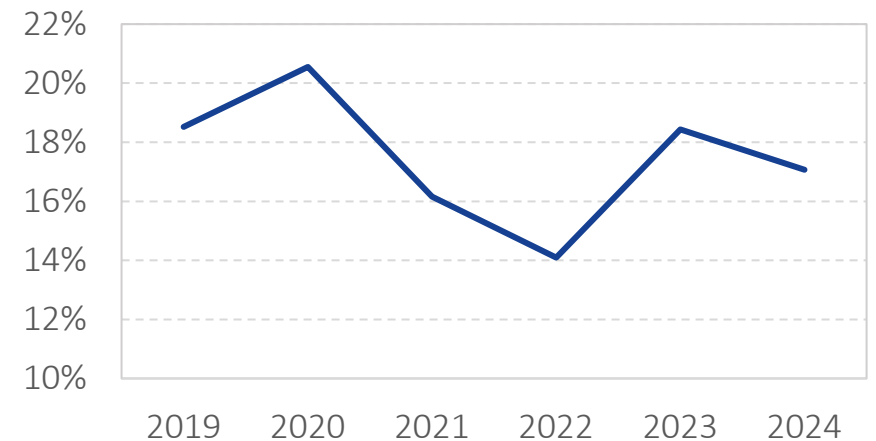
Geopolitical uncertainty undermining investor confidence, cross-border M&A, exits, and valuations – particularly for scale-ups.

As a result of Trump's policies, GPs expect:

- **Less cross-Atlantic VC/PE investment**
- **Fewer companies relocating across the Atlantic**
both from the US to Europe and from Europe to US

Alternative financing instruments (e.g. venture debt) key in contexts of persistent volatility and uncertainty to avoid capital dilution

Financing rounds where the company's valuation decreased relative to previous round (% of total)



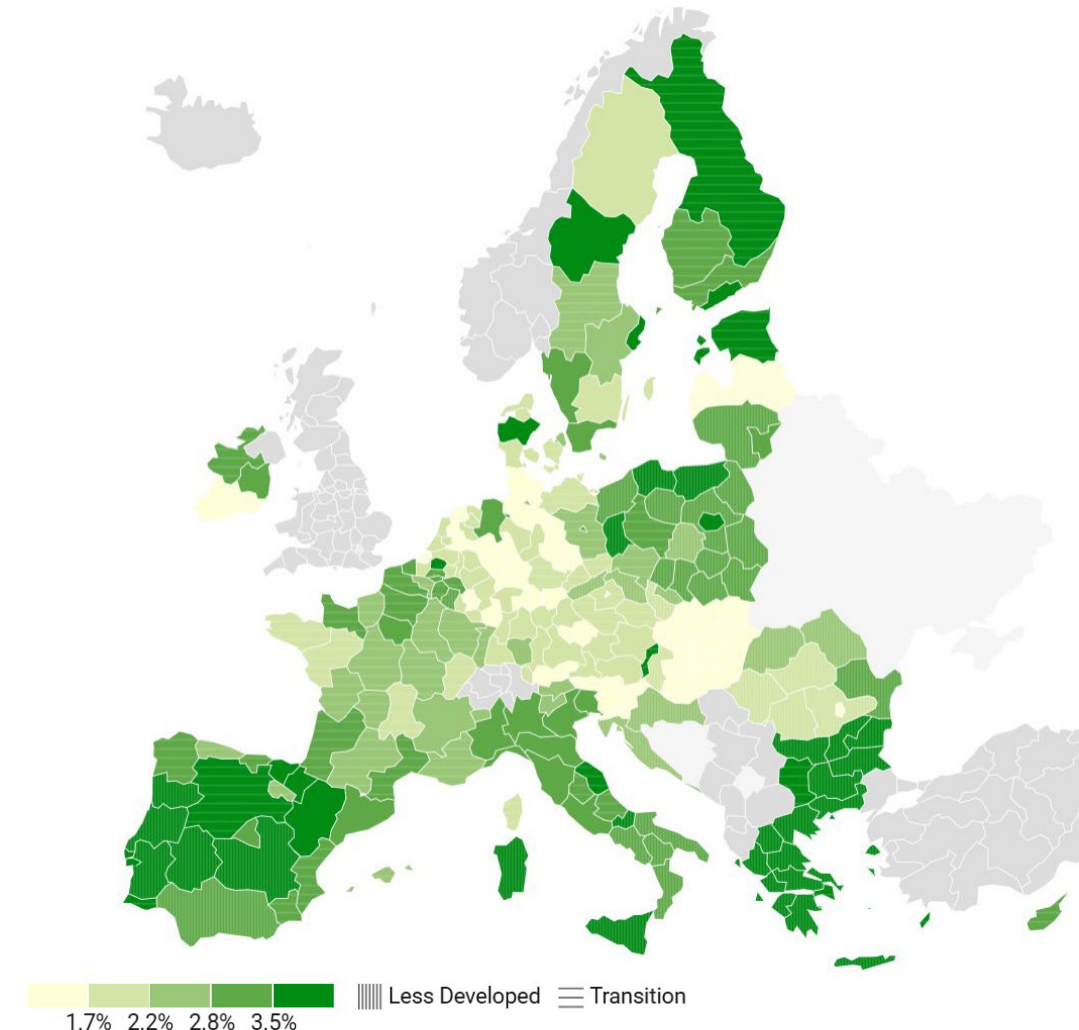
Source: PitchBook Data, Inc.

The EIBG is intensifying its support for critical initiatives, with tangible results

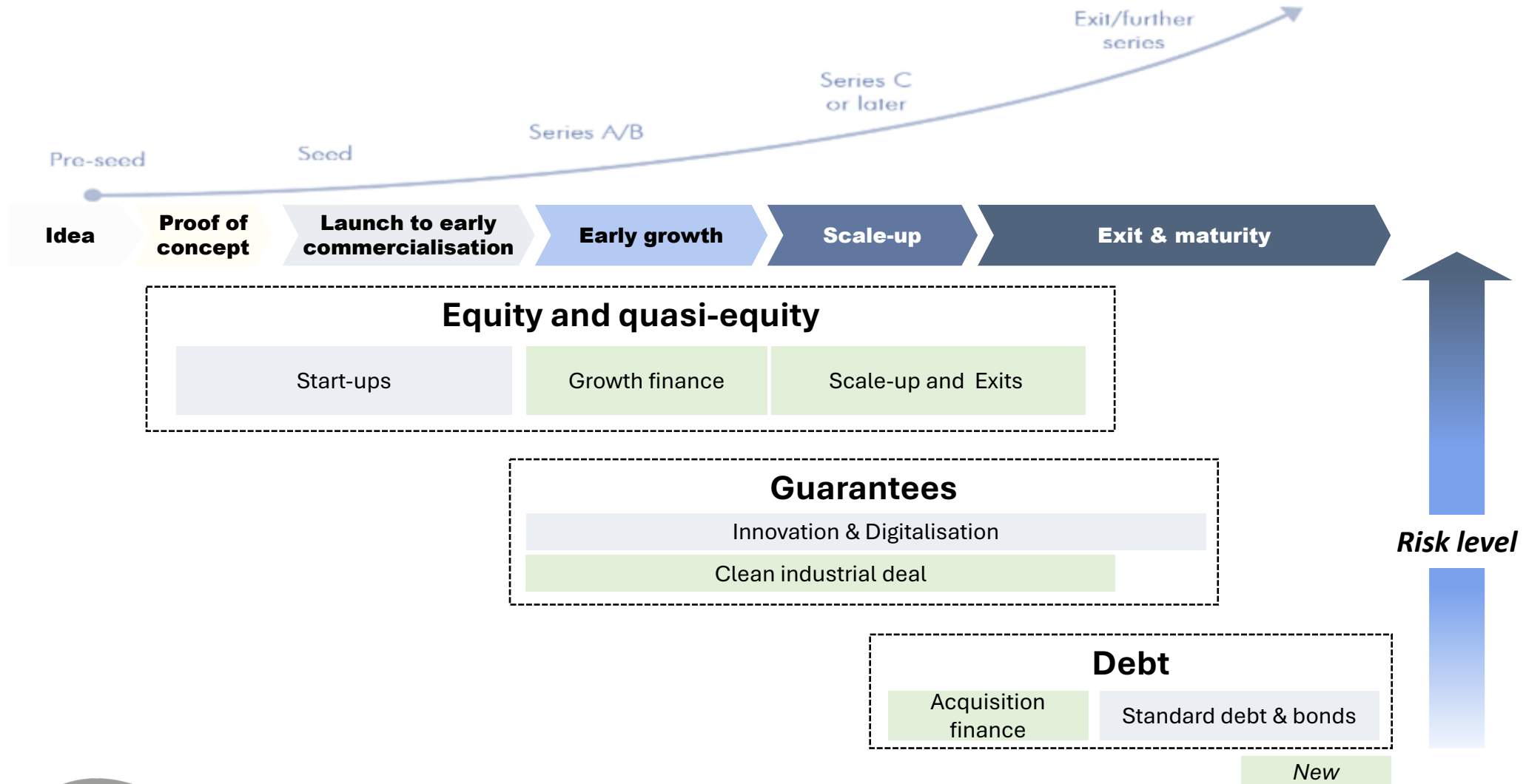
- The new geopolitical environment has made it even more urgent for the EU to implement its agenda based on restoring competitiveness and safeguarding the European social model.
- During the year, the EIBG has advanced several key flagship programs, successfully mobilising private capital and contributing to the prosperity and security of all EU countries and its citizens.
- The EIBG is the only institution that is pan-European by design. The EIBG builds on partnerships with many other institutions to contribute to the cohesion and unity of the EU.

The EIBG has a pervasive impact on the economy

Impact of the EIBG EU signatures in 2024 on GDP by 2028



EIBG and the EC are expected to launch the largest ever EU financing programme to support Europe's technological leadership



A plan for the future

- Opportunities arise in a changing global order. How can Europe carve its role?
- Leverage on European strengths:
 - **Green leadership**
 - Stability
- And ultimately, EU Member States can exploit opportunities to **maximise impact of available resources**, make progress on investment needs and reforms.