

Press Release 17/2025

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Uncertainty Holds Back European Economy – Report by AIECE, a Network of European Economic Research Institutes

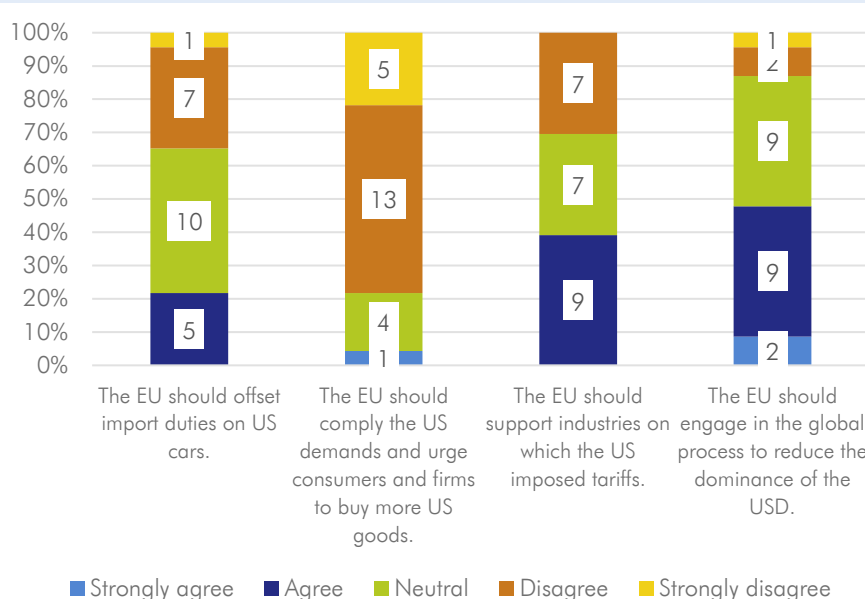
The AIECE Association of European Economic Research Institutes has today published its bi-annual General Report, following the Spring 2025 Meeting held in Oslo hosted by Statistics Norway. The Halle Institute for Economic Research (IWH) is a long-time member of this network and regularly contributes its economic expertise to the joint analyses and forecasts. On average, AIECE member institutes forecast EU GDP to grow by of 1.2% in 2025 and 1.5% in 2026. The average forecast for Euro Area GDP growth is 1.0% and 1.3%. These forecasts are a bit more optimistic than those presented in the OECD's March 2025 Interim Report and the IMF's Spring 2025 World Economic Outlook.

The AIECE General Report for Spring 2025 highlights **weak global growth** amid substantial **uncertainty** driven by geopolitical conflicts and unpredictable US trade policies. **Enhancing European competitiveness** through investments in sustainability, digital infrastructure, and strategic sectors is seen as essential.

No press embargo:

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Figure 1
Potential reactions to the US trade war



Notes: The figure presents AIECE members' assessments of select proposals regarding how the EU should respond to current US trade policy. Example of how to read the figure: For the proposal that the EU should offset import duties on US cars, 5 economists expressed agreement, 10 were neutral, 7 disagreed, and 1 strongly disagreed.
Quellen: AIECE.

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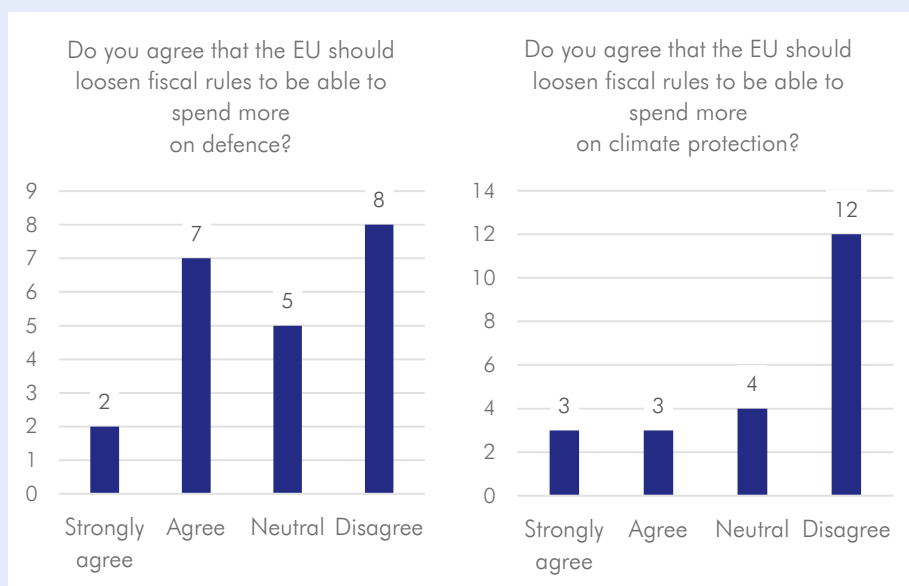
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Concerning proposed reactions to US trade policy, nearly half of the respondents support the idea that the EU should join initiatives to **reduce the dominance of the US dollar** (see Figure 1). Additionally, 40% of respondents recommend that the EU **provide targeted support** for industries most affected. In contrast, a majority of the surveyed economists oppose proposals to increase market access for American products and to encourage their consumption within the EU.

In light of fiscal expansion plans in Germany and other EU countries, the recent AIECE Questionnaire asked member institutes whether the EU's fiscal rules should be relaxed, and whether increasing public debt is advisable. As shown in Figure 2, a majority of respondents **oppose loosening fiscal rules** for the purpose of increasing spending on **climate protection**. However, **opinions are divided** on whether the rules should be relaxed to allow for **greater defense spending**.

Figure 2



Note: This figure shows whether AIECE members recommend loosening EU fiscal rules for specific policy purposes. Example: For the proposal to relax fiscal rules in order to increase spending on climate protection, 3 economists strongly recommend the measure, 3 recommend it, 4 are neutral, and 12 oppose the proposal. Quelle: AIECE.

The **Spring 2025 AIECE General Report**, authored by Katalin Nagy and Péter Vakhal of Kopint-Tárki Institute (Hungary), offers a comprehensive macroeconomic outlook for the European economy. It also includes detailed assessments from member institutes on key cyclical, policy, and structural issues.

Link to the report: www.aiece.org/general-meetings

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The Halle Institute for Economic Research (IWH) – Member of the Leibniz Association was founded in 1992. With its four research departments – Financial Markets; Laws, Regulations and Factor Markets; Macroeconomics; Structural Change and Productivity –, IWH conducts economic research and provides economic policy recommendations, which are founded on evidence-based research. With the IWH's guiding theme "From Transition to European Integration", the institute's research concentrates on the determinants of economic growth processes with a focus on efficient capital allocation in a national and European context. Particular areas of interest for the institute are macroeconomic dynamics and stability, microeconomic innovation processes, productivity and labour markets, the dynamics of structural adjustment processes, financial stability and growth and the role of financial markets for the real economy.

The Leibniz Association connects 97 independent research institutions that range from the natural, engineering and environmental sciences via economics, spatial and social sciences to the humanities. Leibniz institutes address issues of social, economic and ecological relevance. They conduct knowledge-driven and applied basic research, maintain scientific infrastructure and provide research-based services. For further information, see <https://www.leibniz-gemeinschaft.de/en/>.

About the AIECE: The AIECE Association of European Economic Research Institutes, founded in 1957, brings together 40 member institutes and observers from 19 countries and 5 international organizations. The association convenes twice a year to exchange views on the economic outlook for European economies and discuss economic policy as well as structural economic developments. The AIECE serves as one of the few independent forums where the economic prospects of Europe are regularly and systematically assessed. More information is available at: www.aiece.org/about-aiece.