

ECONOMIC RESEARCH – JUNE 2025

INVESTMENT INSIGHT EUROPE



- ✓ **Economic conditions continue to improve in Europe**
- ✓ **Positive momentum continues in 2nd half**

CONFIDENCE GROWS STRONGER

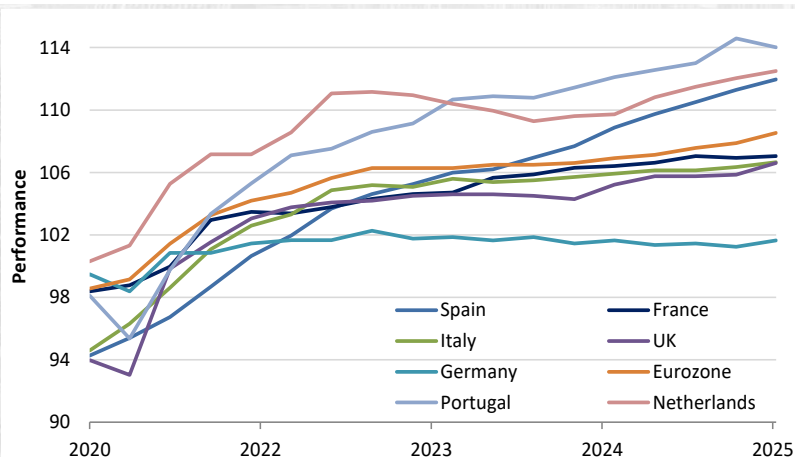
Economic recovery continues in Europe

The Eurozone started 2025 on a better-than-expected note, with GDP growth of +0.3% in Q1. While modest, this figure marks a slight acceleration from the previous quarter, largely driven by inventory changes and a surprising recovery in Germany. This growth performance stands in contrast to the contraction seen in the U.S. economy during the same period.

Domestic demand remains subdued

A closer look at the data reveals that the recovery is not yet fully broad-based. Household consumption and fixed investment have shown signs of stagnation or decline, indicating that domestic demand has not yet picked up momentum. This suggests that businesses and consumers remain cautious in the face of persistent inflation and geopolitical uncertainty, leading to a 'wait-and-see' approach. Tighter credit conditions are also contributing to a reluctance to invest.

Quarterly GDP growth - Europe



Sources : Bloomberg, BBGI Group

External factors drive uneven growth

Growth in the first quarter was primarily driven by external trade, particularly in countries like Spain and Germany. However, the overall contribution of foreign trade to Eurozone GDP was negative due to an increase in imports and a slowdown in global exports. This highlights the vulnerability of the European economy to international trade tensions, such as those caused by US tariffs.

Revisions to the 2025 growth outlook

Following the moderate start to the year, both the European Central Bank (ECB) and the European Commission have revised their 2025 GDP growth forecasts downward, now expecting a modest +0.9%. This reflects a cautious consensus among economists who anticipate that growth will remain moderate in the second quarter, likely within a range of +0.2% to +0.4%. The revisions are a direct response to the various uncertainties facing the region and a recognition that a strong, broad-based recovery may take longer to materialize than initially hoped.

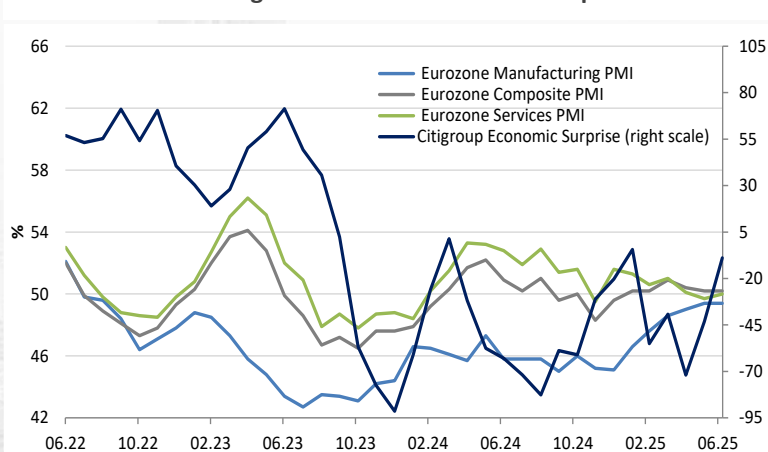
International trade tensions loom large

A significant headwind to the Eurozone's economic prospects is the ongoing risk of a trade war, particularly concerning US tariffs. The threat of new, higher duties has weighed on business outlook and activity, leading to a negative contribution of foreign trade to overall GDP despite rising exports in some countries. This international uncertainty forces the Eurozone to rely on non-US trade partners to offset potential shocks to bilateral transactions. The unpredictable nature of these tensions makes it particularly difficult to forecast the true impact on export-driven economies within the bloc.

A potential paradigm shift for the second half

Despite the cautious short-term outlook, certain factors suggest a potential for renewed dynamism in the second half of 2025. The ECB's accommodative monetary policy continues to facilitate access to credit, and more importantly, a new fiscal paradigm is emerging in the Eurozone. This is exemplified by Germany's recent move to increase its budget and investment, which could serve as a powerful catalyst for a broader regional recovery. This shift could significantly boost industrial production and consumer sentiment, offsetting external headwinds and leading to a more favorable performance than currently projected by the ECB.

PMI leading indicators and economic surprises



Sources : Bloomberg, BBGI Group

This communication is being issued by BearBull Global Investments Group (DIFC) which is located on Unit 02 Level 7, Building 1 Currency House, Dubai International Financial Centre, PO Box 506612, Dubai, United Arab Emirates. A CAT3C regulated by the Dubai Financial Services Authority (DFSA). The information contained in this communication/document is intended for Professional investors only as defined by the DFSA rules which can be accessed from their website www.dfsa.ae and no other person should act upon it. The views expressed in this material are the views of BearBull Global Investments Group (DIFC). The information in the communication is not intended as financial advice and is only for the purpose of knowledge. The DFSA has no responsibility for reviewing or verifying of any information material or other document in connection with BearBull Global Investments Group (DIFC). If you do not understand the contents of this document, you should consult an authorized financial adviser. This document is confidential and intended exclusively for its recipient and may not be transmitted or reproduced, even in part, without our express written consent.