

A macroeconomic overview: new global challenges and the European economies

Nikos Vettas

General Director, Foundation for Economic and Industrial Research -
IOBE

Professor, Athens University of Economics and Business

nvettas@aueb.gr

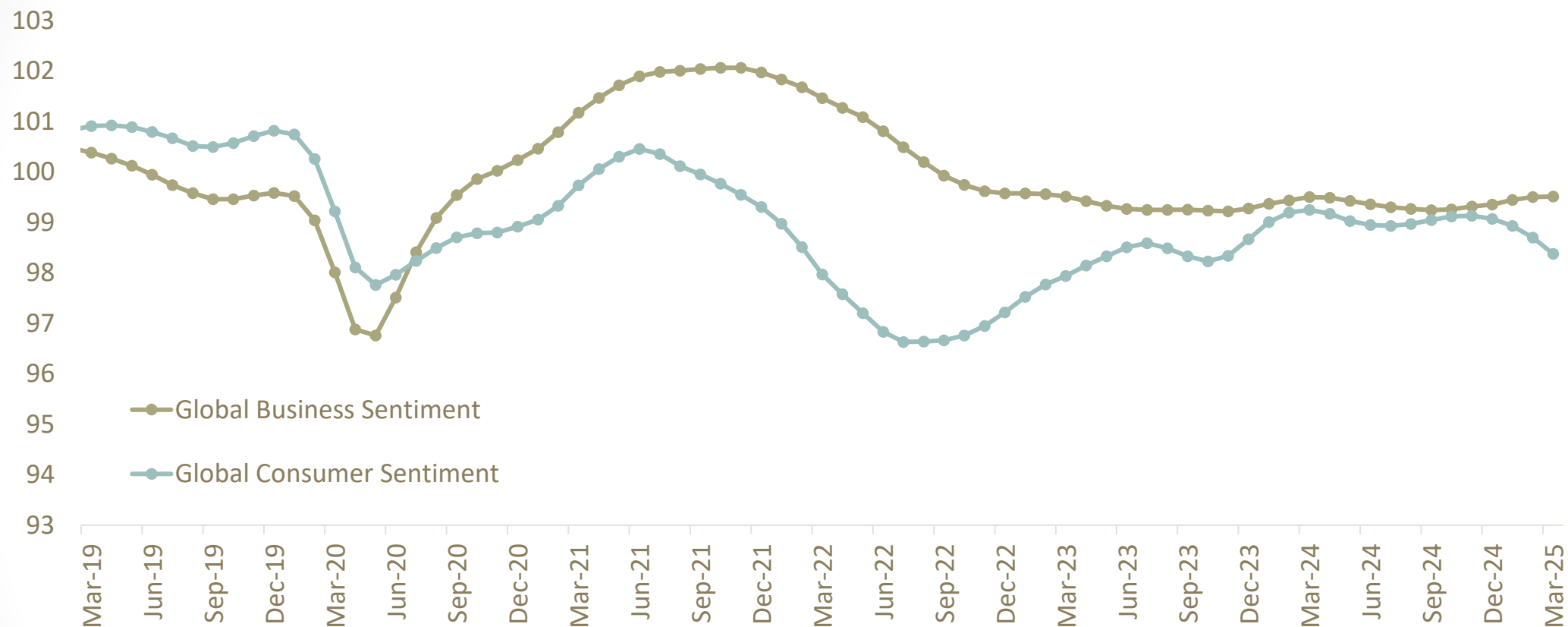
92nd IREPAS meeting,
Athens, 28 April 2025

Some themes

- Protectionism and global trade flows.
- Reversing globalization? Will geo-political tensions increase?
- Demographic dynamics and the role of immigration
- Technology and labor markets

GLOBAL SENTIMENT AND MACRO TRENDS

Global sentiment trends

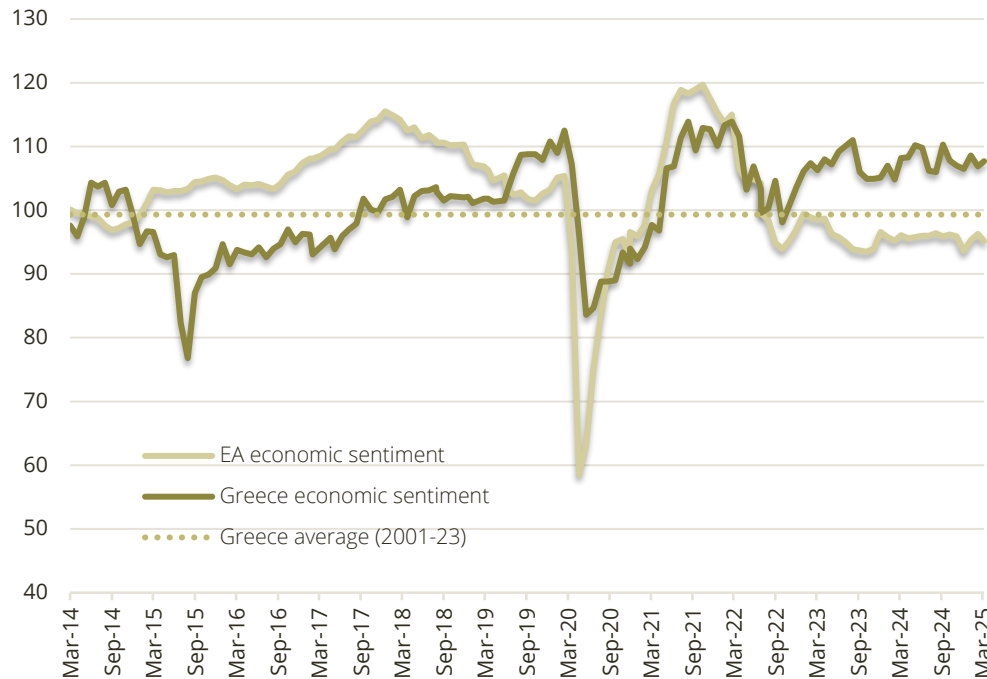


Source: OECD

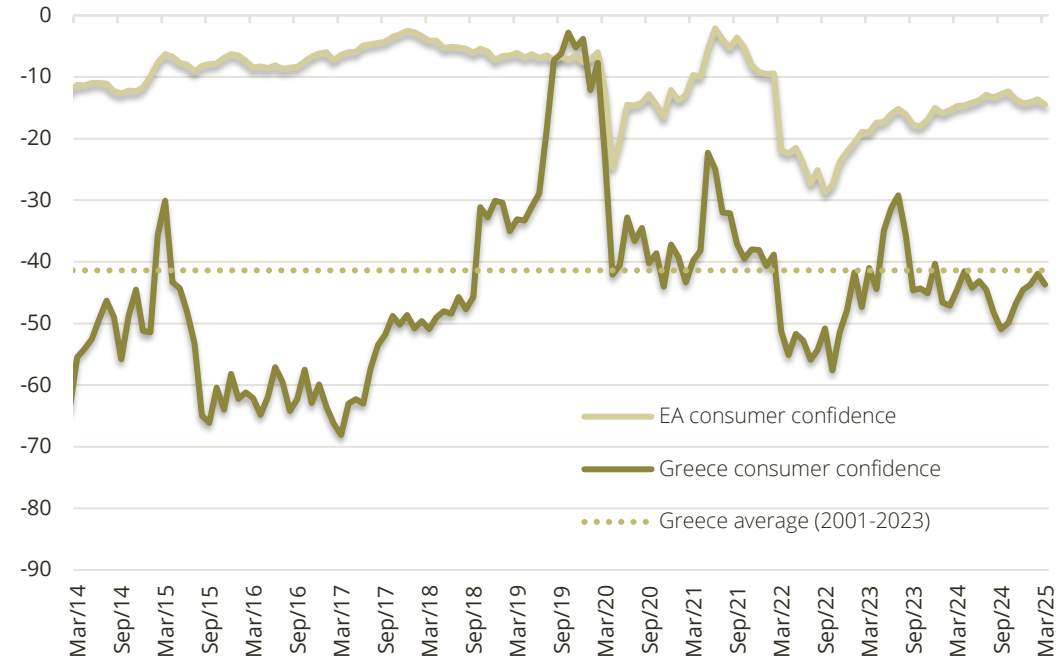
Consumer sentiment has been weakening since late 2024, largely driven by the US market.
Business sentiment shows resistance amid increasing uncertainty.

Economic sentiment has been stagnant in Europe in 2024 (slightly improved in Greece)

Economic Sentiment Index



Consumer Confidence Index

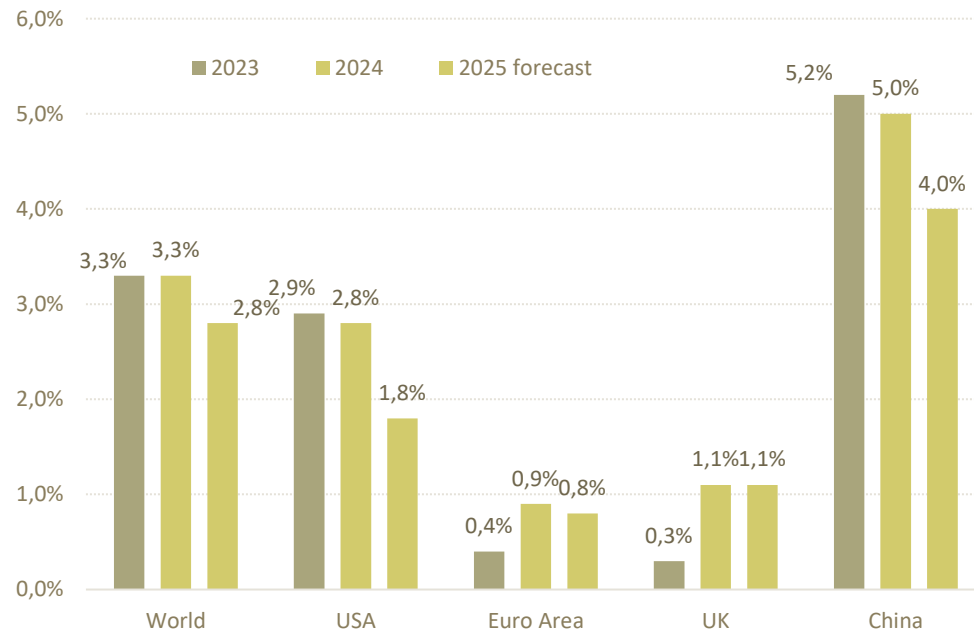


Sources: European Commission, IOBE

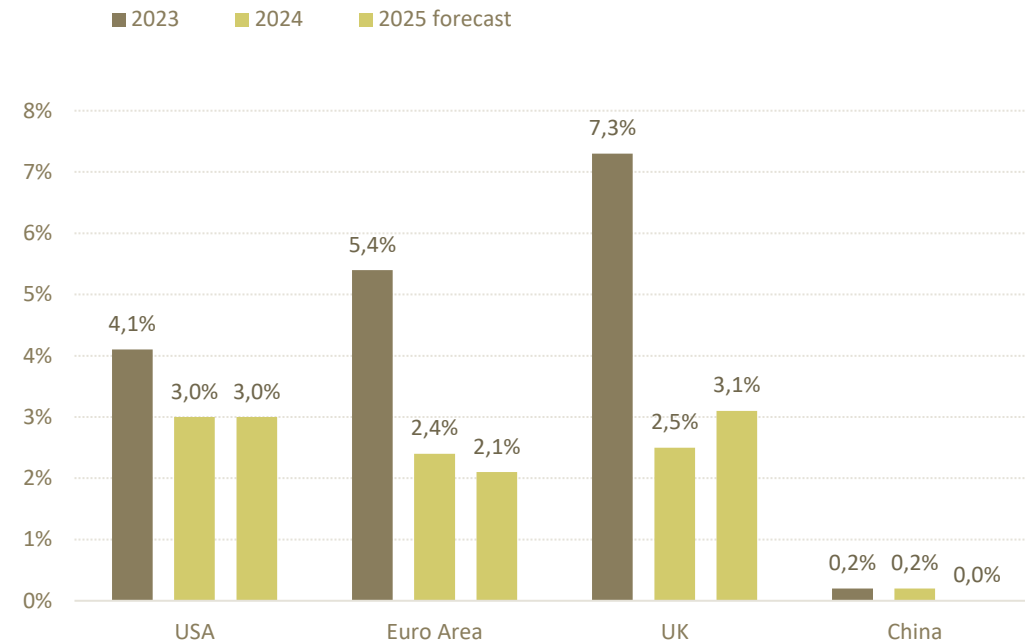
Recovery of consumer confidence in Greece during late 2024. Diverging trend in the Euro Area where confidence has been weakening.

European growth rates have been lagging, global inflation has eased in 2024, new pressures appear in 2025

Real annual GDP growth rate



Annual inflation rate



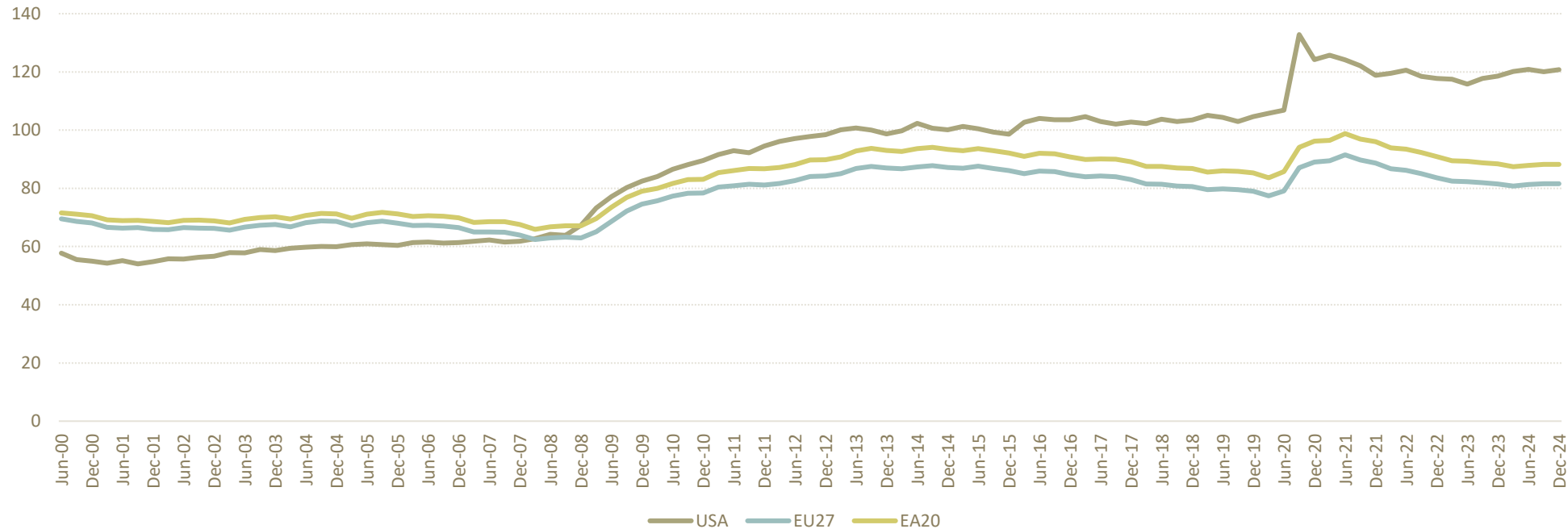
Source: IMF WEO, April 2025

International institutions have recently been revising their growth forecasts (downwards) and inflation forecasts (upwards for the US, downwards for China). The magnitude of revisions is yet moderate.

GLOBAL MARKET TRENDS

Public debt in advanced economies has risen significantly...

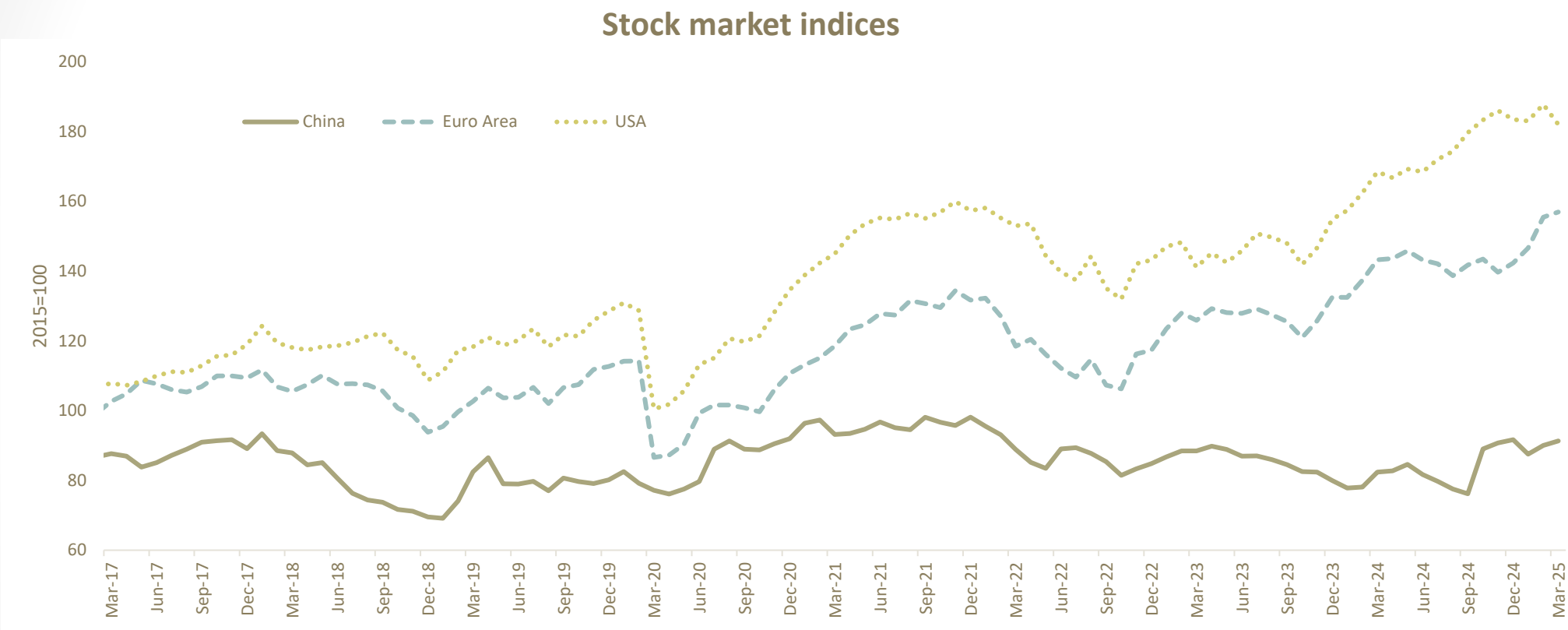
General Government Debt, in % of GDP



Source: FED St.Louis, Eurostat

...following the Global Financial Crisis and the subsequent abundant fiscal and monetary stimuli

Markets' rally in advanced economies during 2022-2024 has stalled in 2025

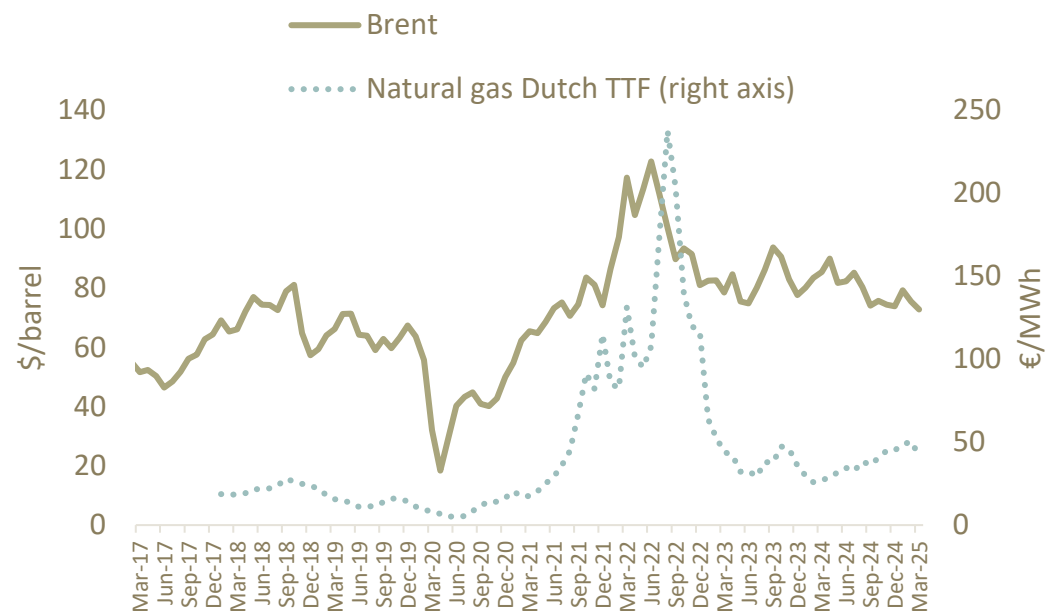


Source: IMF

Markets exhibit intense volatility during the latest few weeks, amid increased policy uncertainty.

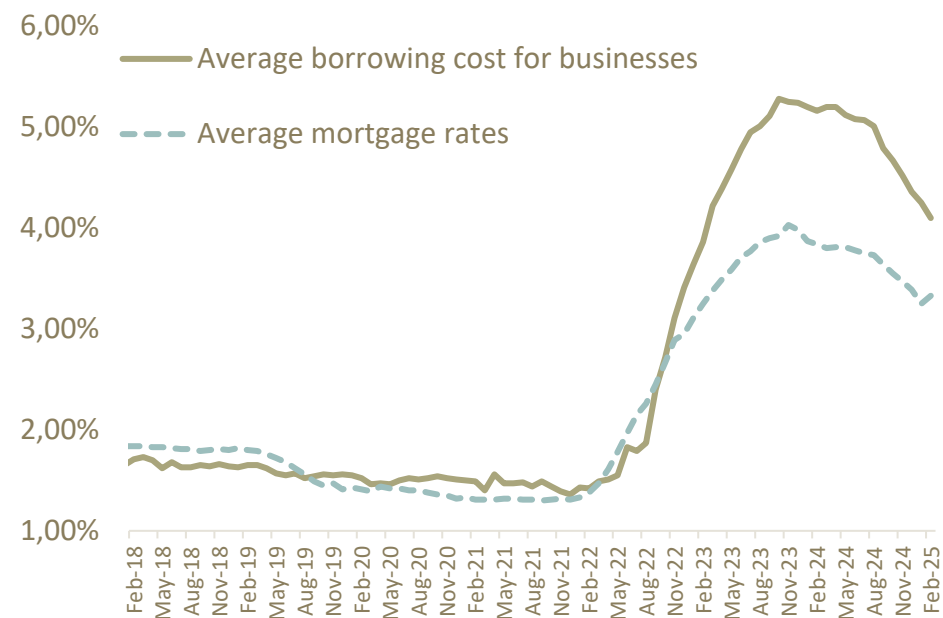
Energy prices and monetary stance

Oil and gas prices



Source: EIA, NYMEX and ECB

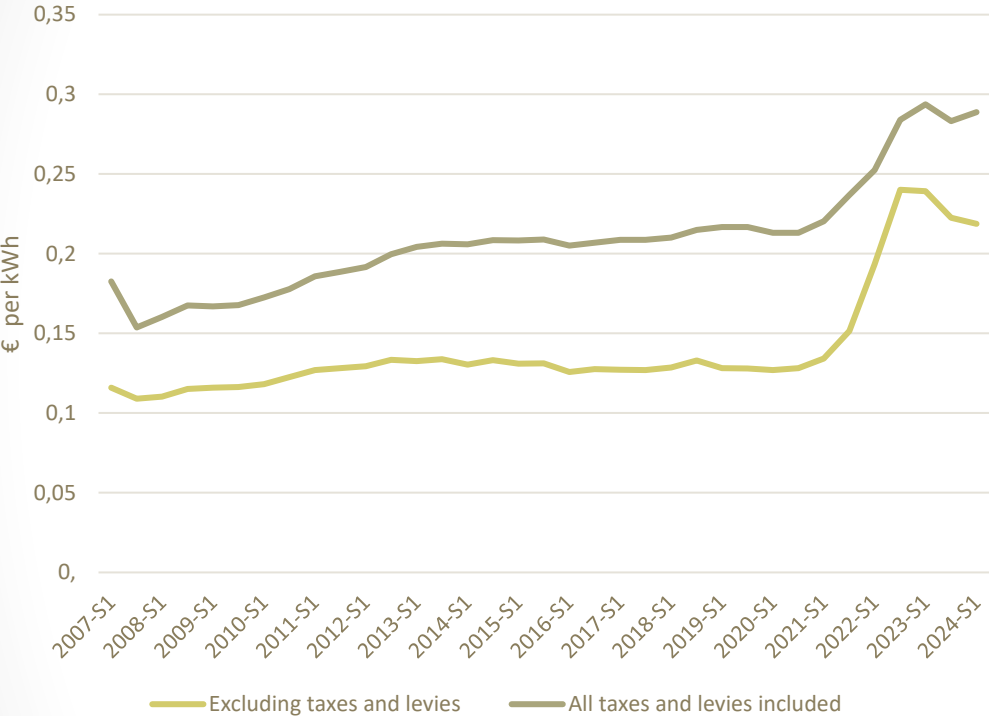
Euro area interest rates



Oil prices have dropped in early 2025. ECB's monetary stance has been easing since 2024, through systematic, gradual interest rate cuts, while further decreases are anticipated, albeit at a decelerated pace.

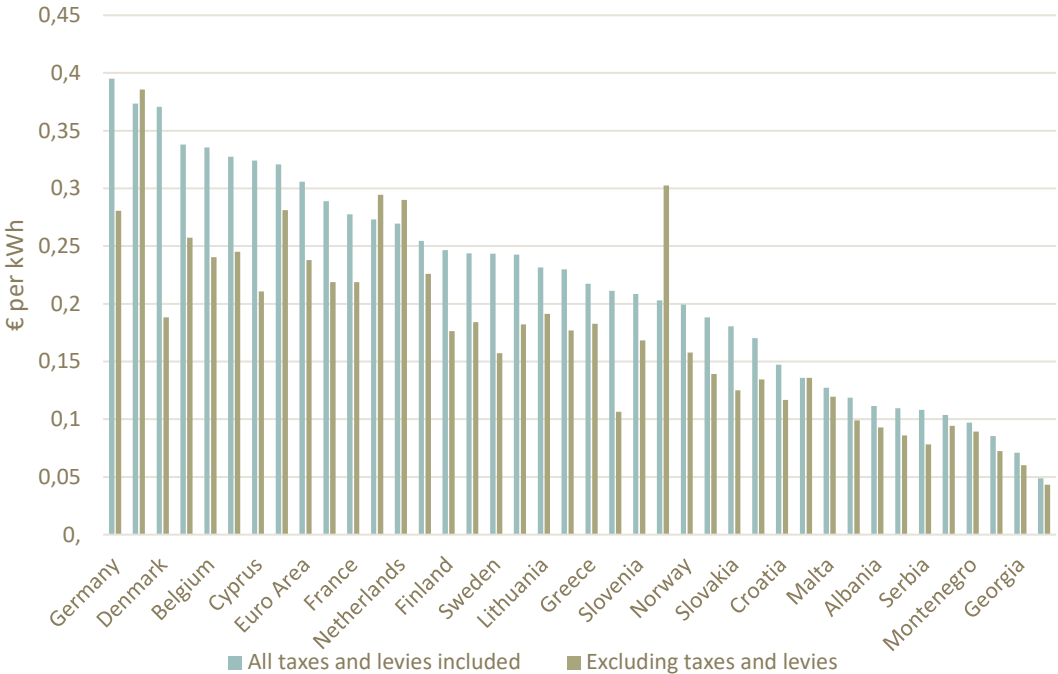
Electricity prices

Electricity prices for household consumers - European Union



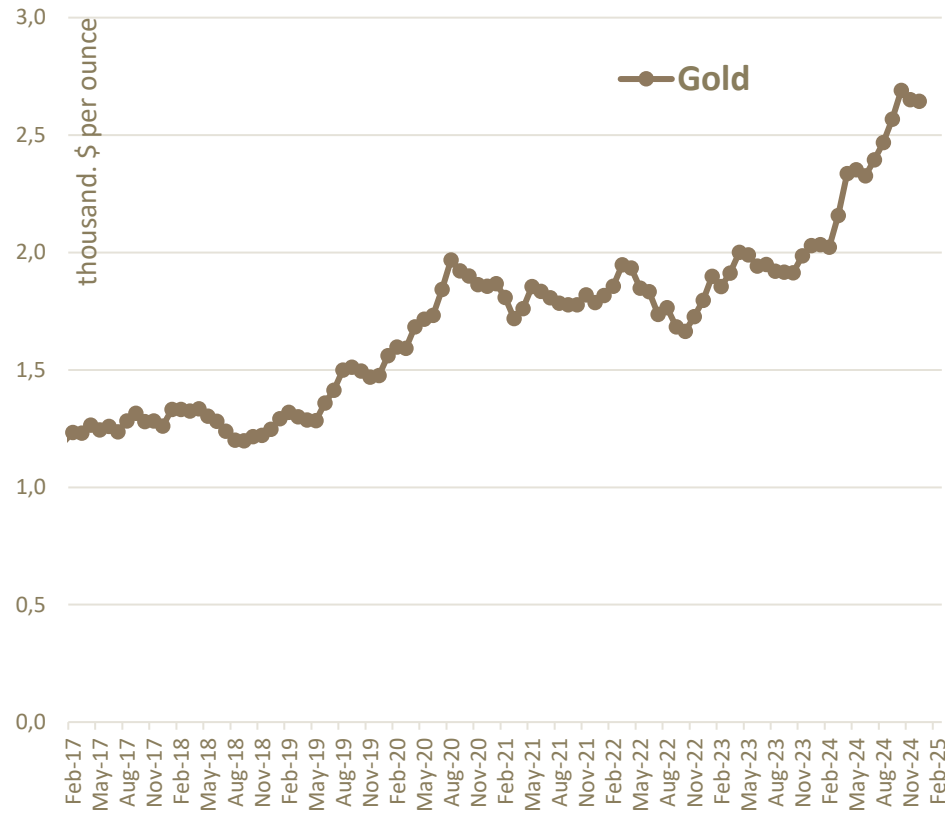
Source: Eurostat

Electricity prices for household consumers, first half 2024

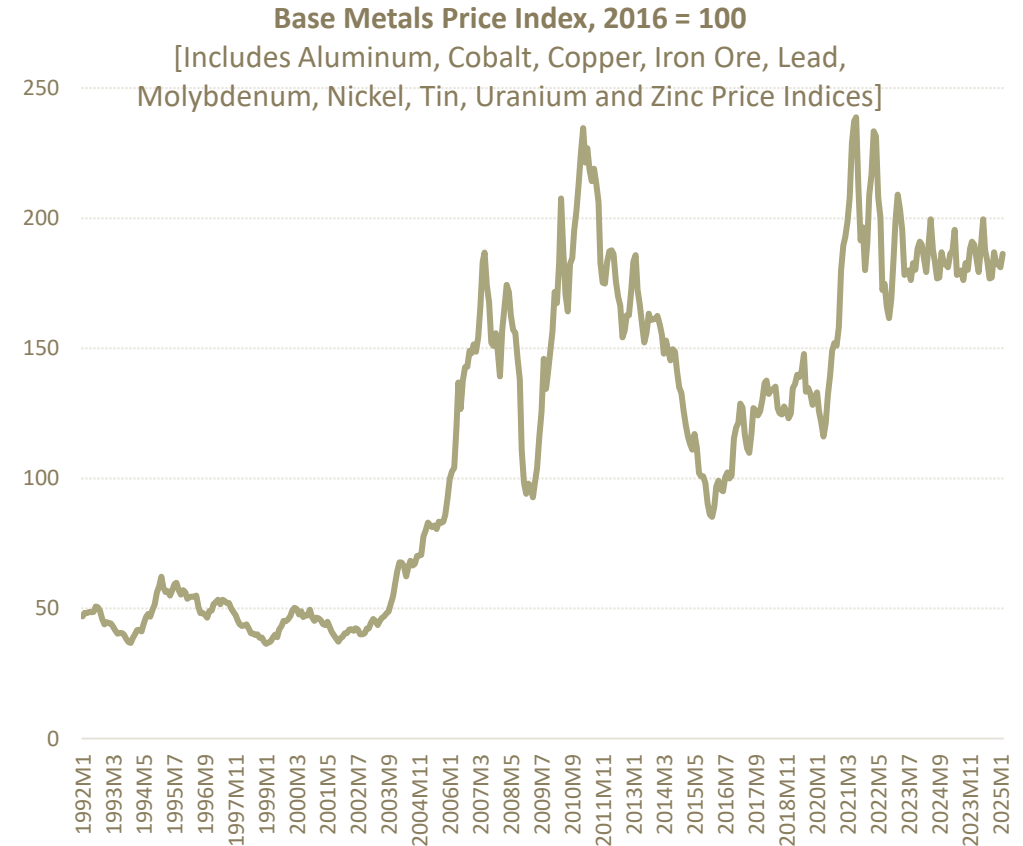


Electricity prices soared in Europe in 2022 after Russia's invasion of Ukraine. They have stabilized more recently. There is significant dispersion across EU-member states, especially when including taxes and levies.

Global commodity prices (metals)



Source: LBMA, IMF

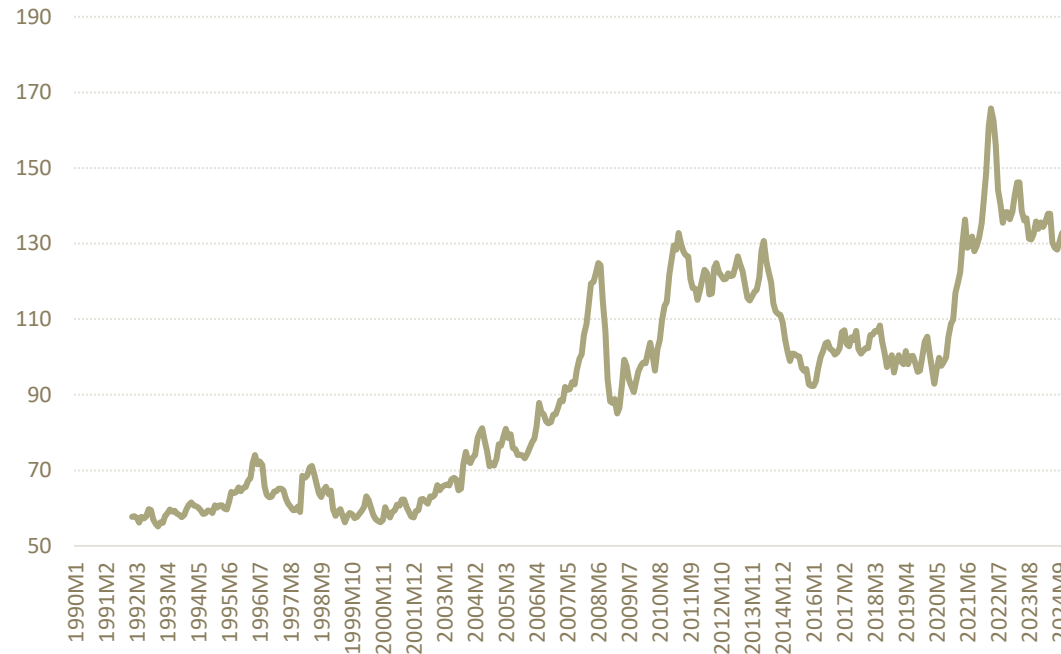


Gold price has reached historical highs, other metals have eased since their peak in 2022.

Global commodity prices (food)

Food Commodities Price Index (2016=100)

[Includes Cereal, Vegetable Oils, Meat, Seafood, Sugar, and Other Food (Apple (non-citrus fruit), Bananas, Chana (legumes), Fishmeal, Groundnuts, Milk (dairy), Tomato (veg)) Price Indices]



Source: IMF

Wheat Price (US\$ per metric ton)

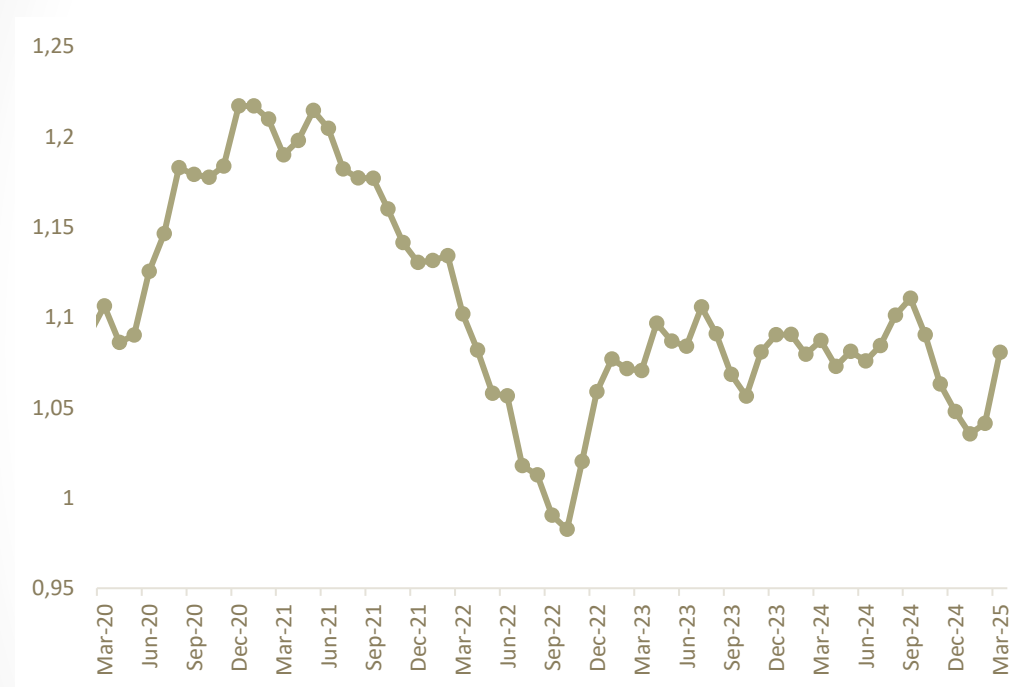
[Wheat, No.1 Hard Red Winter, ordinary protein, Kansas City]



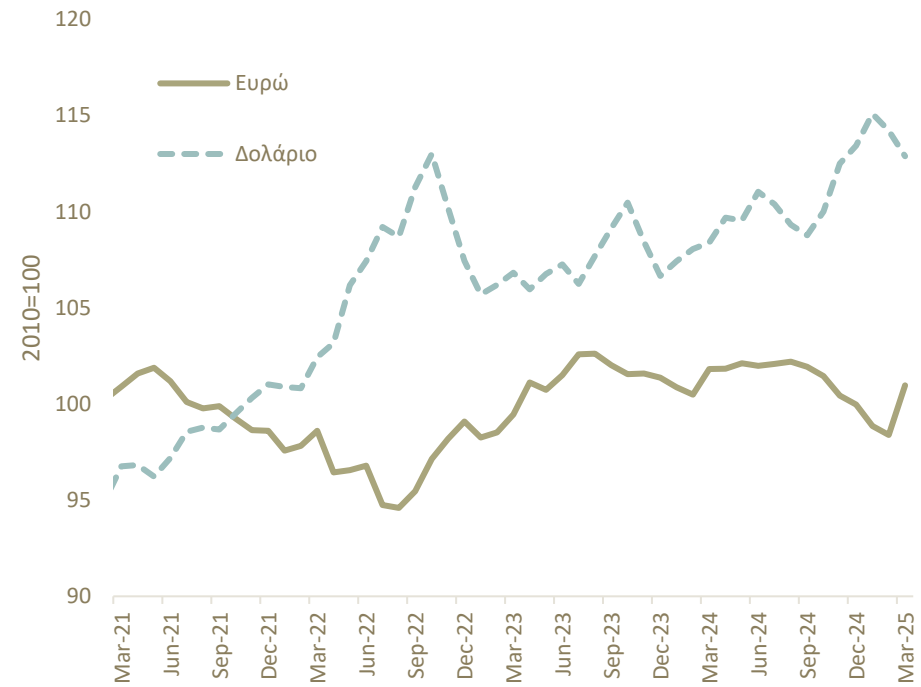
Global food commodity prices have peaked following the war in Ukraine, only partially eased thereafter.

Exchange rates

EUR vs USD



REER in the USA and the EU



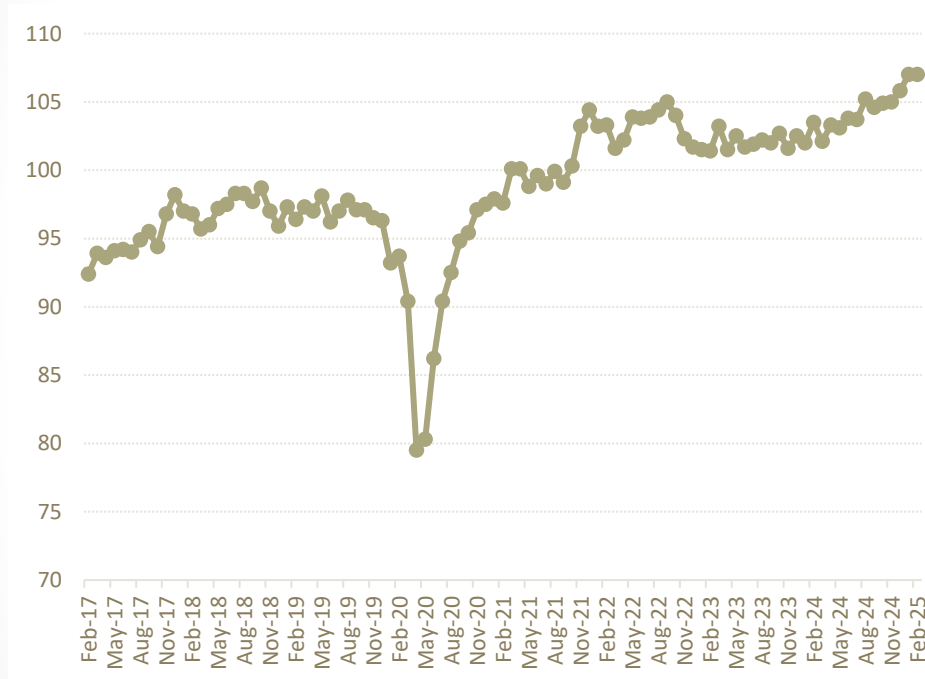
Source: IMF

The euro-dollar exchange rate had been converging to parity during late 2024, followed by strong dollar depreciation in early 2025.

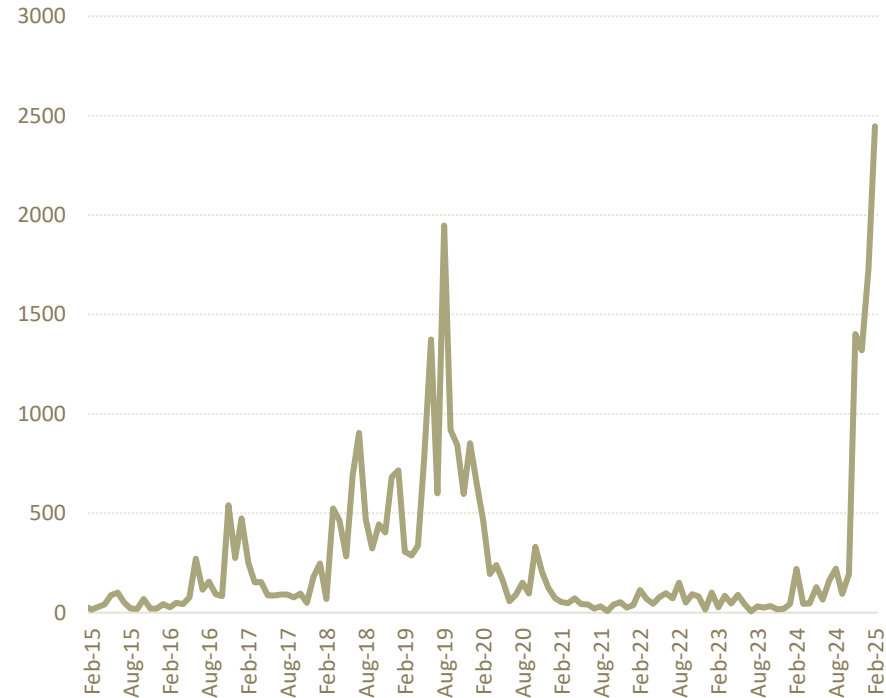
INTERNATIONAL TRADE ('WARS')

The volume of global trade has not (yet) decelerated, while trade policy uncertainty has skyrocketed

Volume Indicator of Global Trade
(seasonally adjusted data, 2021=100)



Trade policy uncertainty index

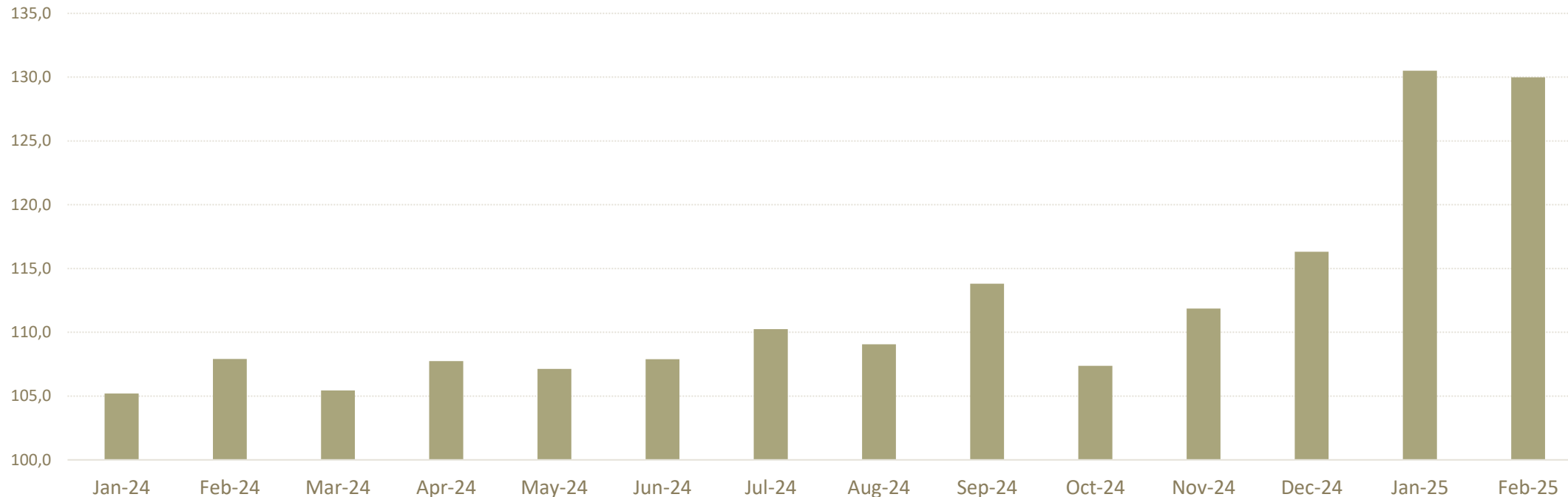


Sources: CPB, US Economic Policy Uncertainty

International trade volume has fully recovered from the pandemic crisis shock, albeit forward looking prospects face risks stemming from the protectionist policy put forward by the new US administration.

US imports have accelerated rapidly in the past few months...

US goods' import volume (Index 2021=100)



Source: CPB

...reflecting a likely stockpiling strategy of businesses ahead of anticipated tariffs on a broader range of imported goods.

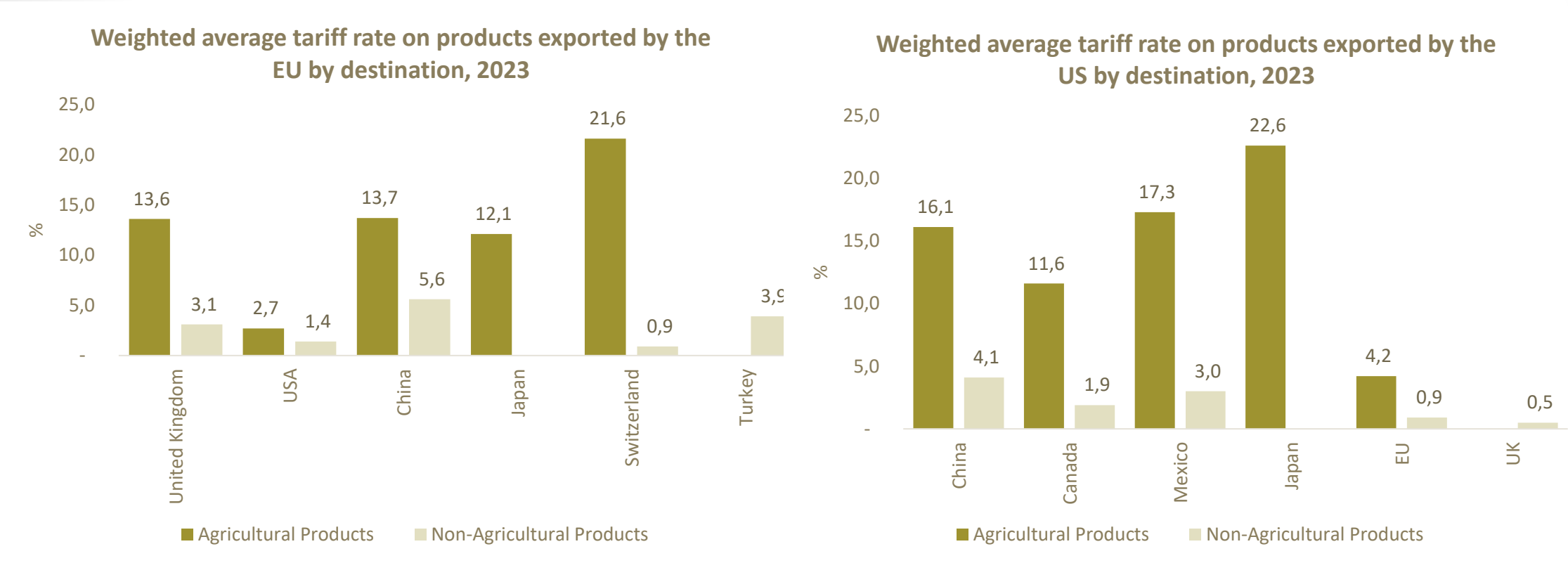
Bilateral international trade flows (EU-US)



Source: Eurostat

In 2024, the United States was the largest partner for EU exports of goods (20.6%) and the second largest partner for EU imports of goods (13.7%). Among EU countries, the Netherlands was the largest importer of goods from the United States and Germany was the largest exporter of goods to the United States in 2024.

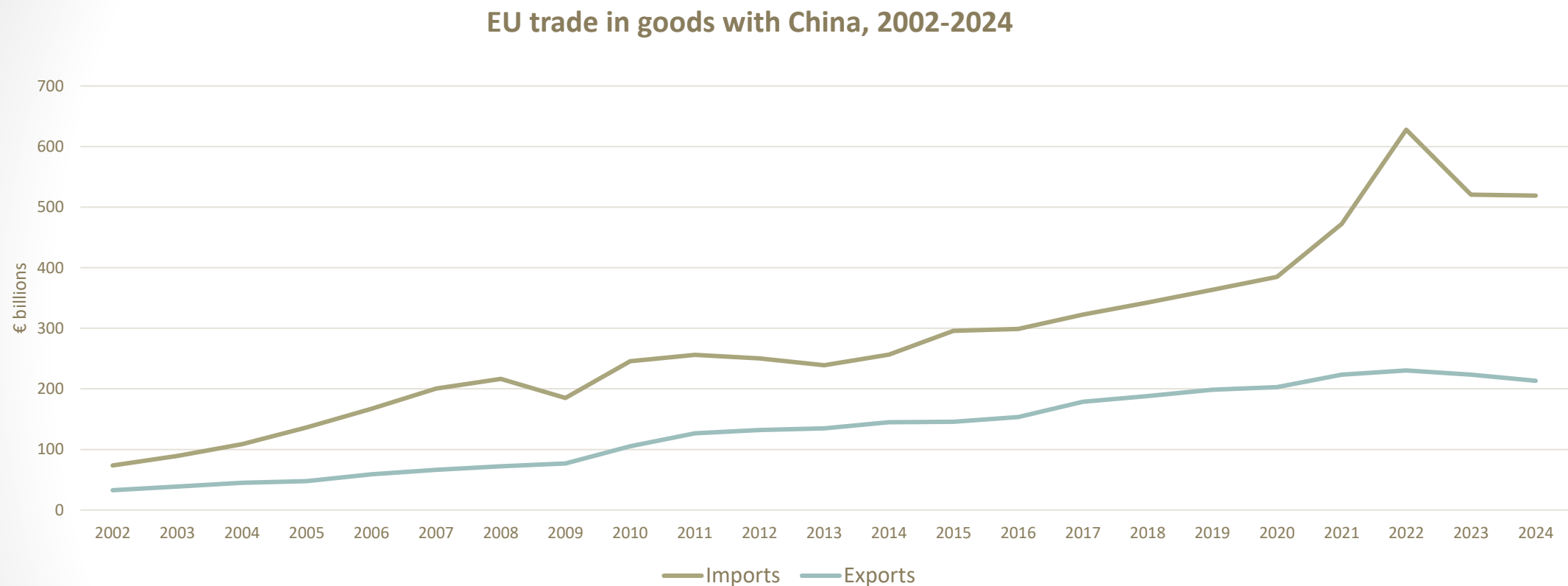
Until recently, the tariffs imposed by the EU and the US on each other's imports were among the lowest among their main trading partners



Source: World Trade Organization (WTO)

The average tariff rate imposed by the EU on imported products was 2.7%.
The average tariff rate imposed by the US on imported products was 2.2%, until recently.

Bilateral international trade flows (EU-CN)



Source: Eurostat

China is the EU's second largest trading partner for goods after the United States, with bilateral trade reaching €858 billion in 2022. China is the EU's third-largest partner for exports and the biggest for imports. The EU-China trade balance has been persistently in favor of China

SELECTED POLICY AREAS

EU policy at a crucial juncture of the global environment

Challenges faced by Europe

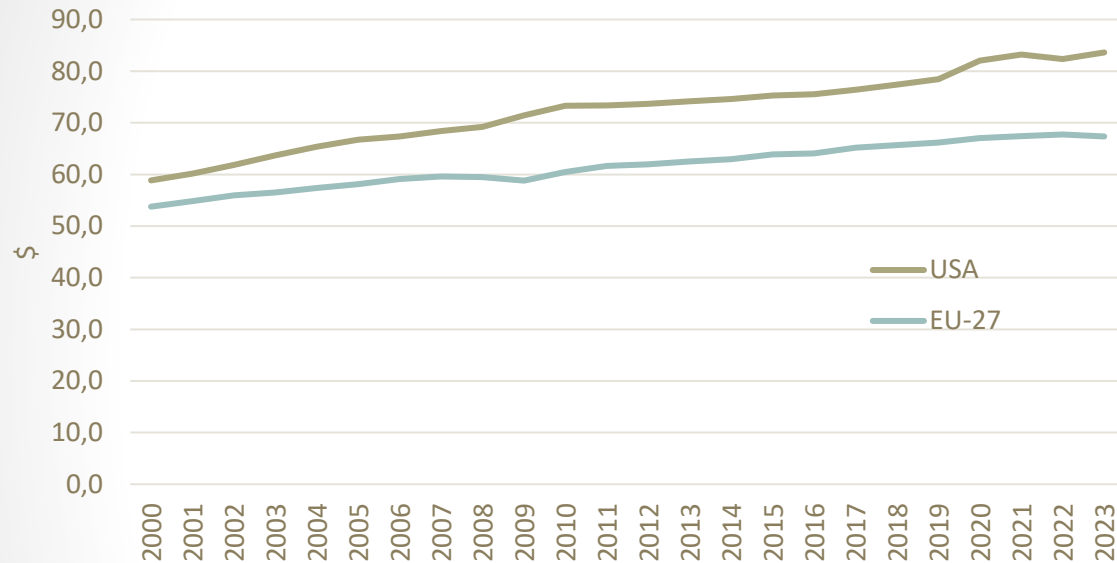
- Geopolitical: in proximity of war zones
- Demographic: ageing and shrinking
- Economic: innovation and technology gaps
 - Green transition: balance with affordable energy cost
 - Competitiveness: balance between EU competition policy in the single market and industrial policy

EU policy priorities – recent initiatives and strategy papers

- Next Gen EU - Recovery and Resilience Facility (2021-2026)
- Leta [report](#) (2024)
- Draghi [report](#) (2024)
- EU Competitiveness [Compass](#) (2025)
- EU Clean Industrial [Deal](#) (2025)
- ReArm Europe [Plan](#) (2025)

The European economy is faced with a number of challenges

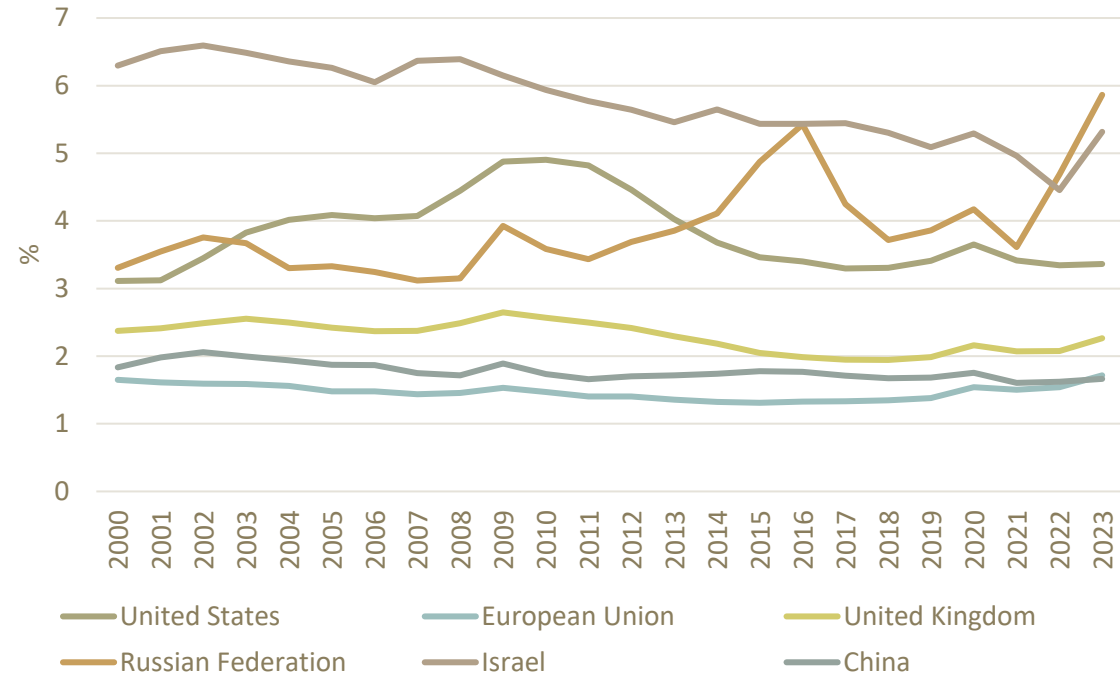
Labor productivity (GDP per hour worked), US & EU-27, 2000-2023



Sources: OECD, World Bank

Note: Productivity is measured in US dollars per hour, in purchasing power parity terms, at constant prices (2015)

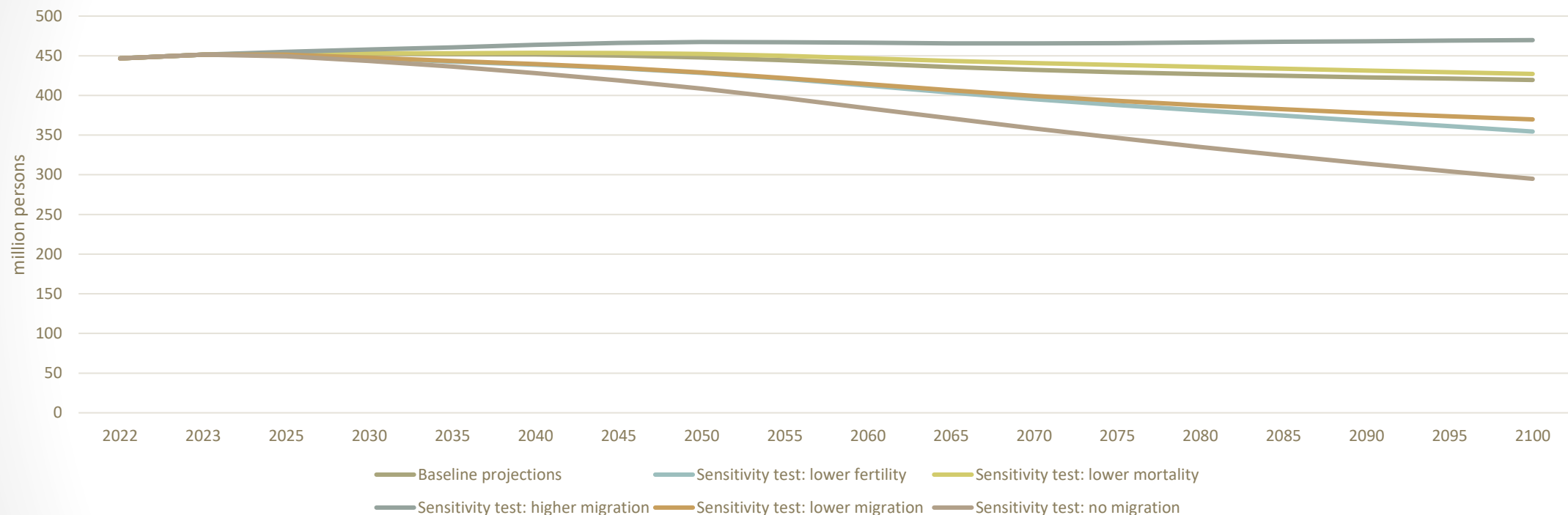
Defense spending (% of GDP), 2000-2023



- The **productivity gap** between the EU and the US, measured by GDP per hour worked, has widened from 15% in 2002 to 30% in 2023.
- Only ten EU member states spend at least 2% of GDP on **defense**, in line with NATO commitments.
- Publications with strategies to enhance EU competitiveness (Draghi report (2024), EU competitiveness compass (2025), Clean Industrial Deal (2025), ReArm Europe Plan/Readiness 2030 (2025)).

The EU's population is shrinking and ageing

EU population projection

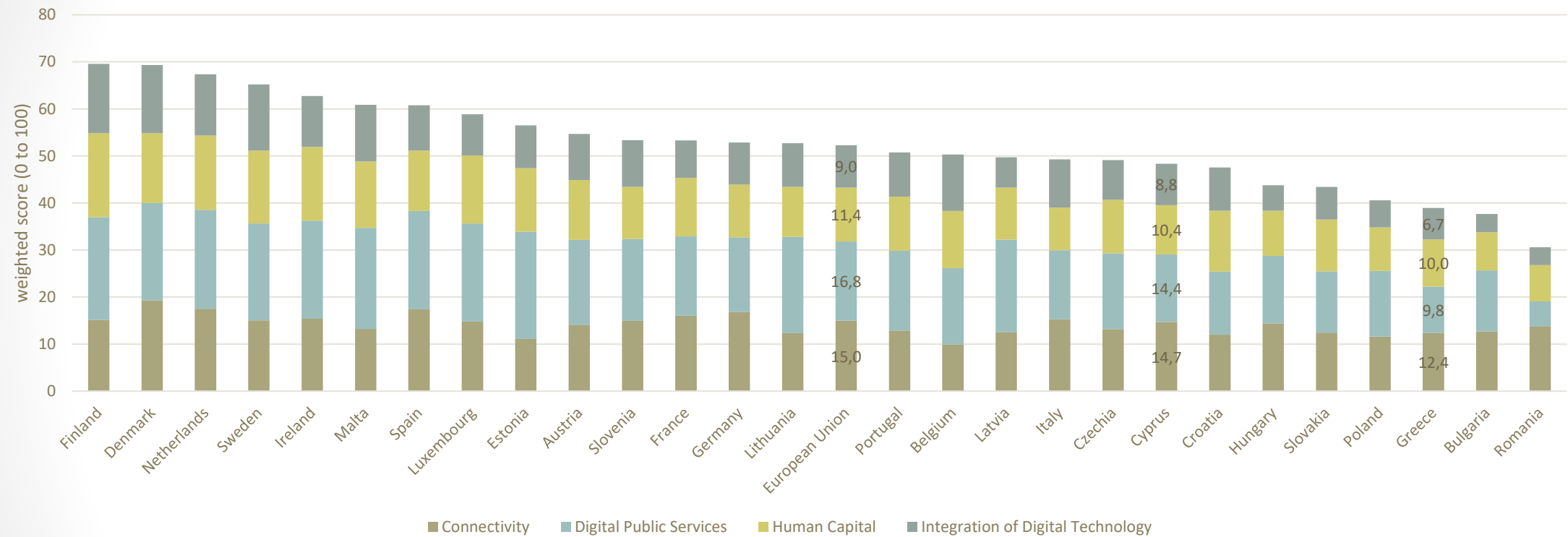


Source: Eurostat

The EU population is projected to gradually decrease to 447.9 million in 2050 and to 419.5 million in 2100, in the baseline scenario. The median age of the EU population is expected to increase by 5.8 years between 2022 and 2100, while the number of people aged 80 years and over is projected to rise to 64.0 million by 2100.

44% of EU citizens lack basic digital skills

Digital Society and Economy Index (DESI), 2022

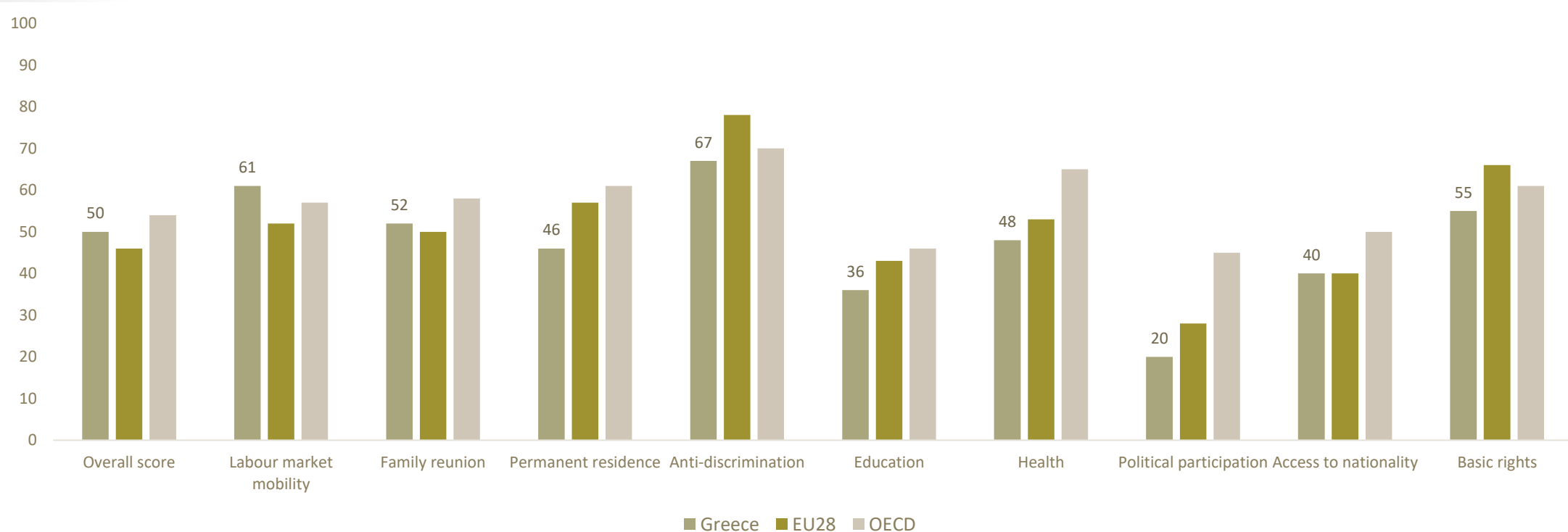


Source: European Commission

Across EU countries, the share of people with basic or above basic digital skills in 2023 was highest in the Netherlands (83%) and Finland (82%), ahead of Ireland (73%), Denmark (70%), and Czechia (69%).

There is significant room for improvement regarding the integration of existing migrants and refugees...

Migrant integration policy index (max=100), 2019

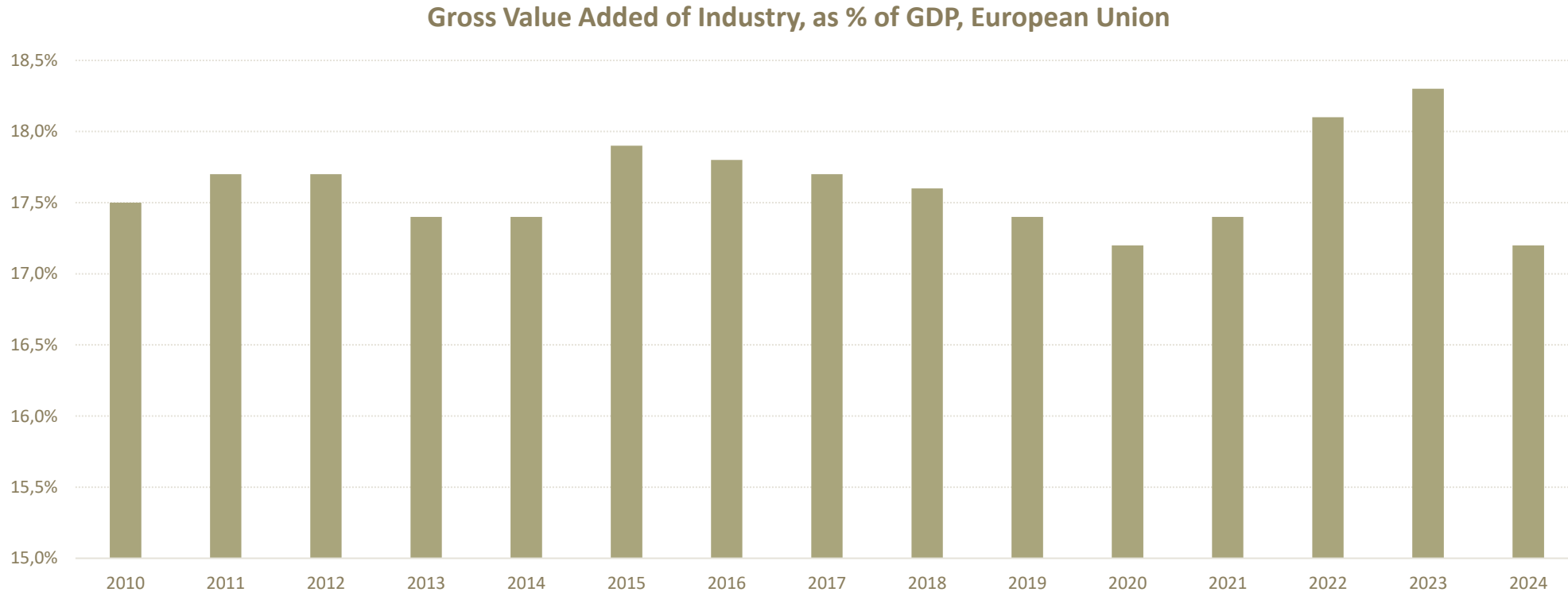


Source: MIPEX

...in areas such as education, political participation, rules on permanent residence and citizenship, basic rights and discrimination. Better integration promotes economic growth, social cohesion, and prosperity.

MANUFACTURING SECTOR

The share of the industrial sector in the EU economy has been oscillating slightly above 1/6 of EU GDP...

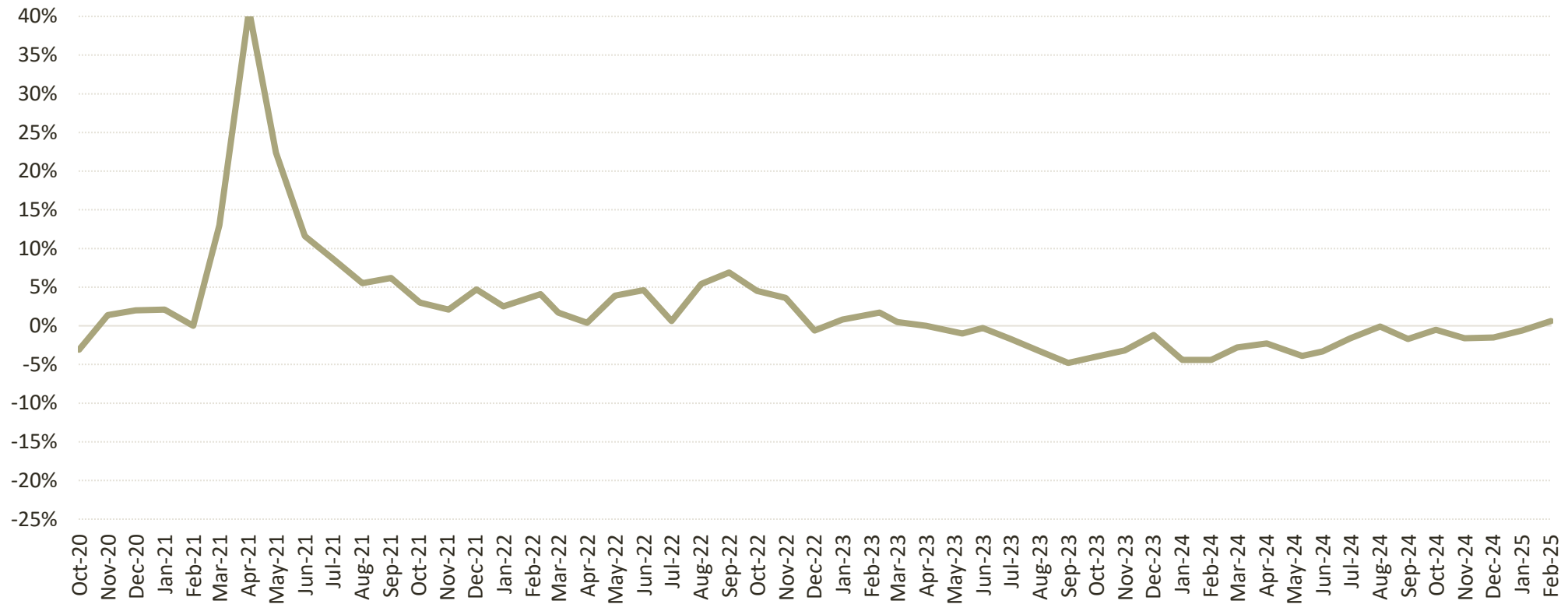


Source: Eurostat

...landing to a 15-year low share in 2024

The y/y momentum of EU industrial production volume has weakened since 2023

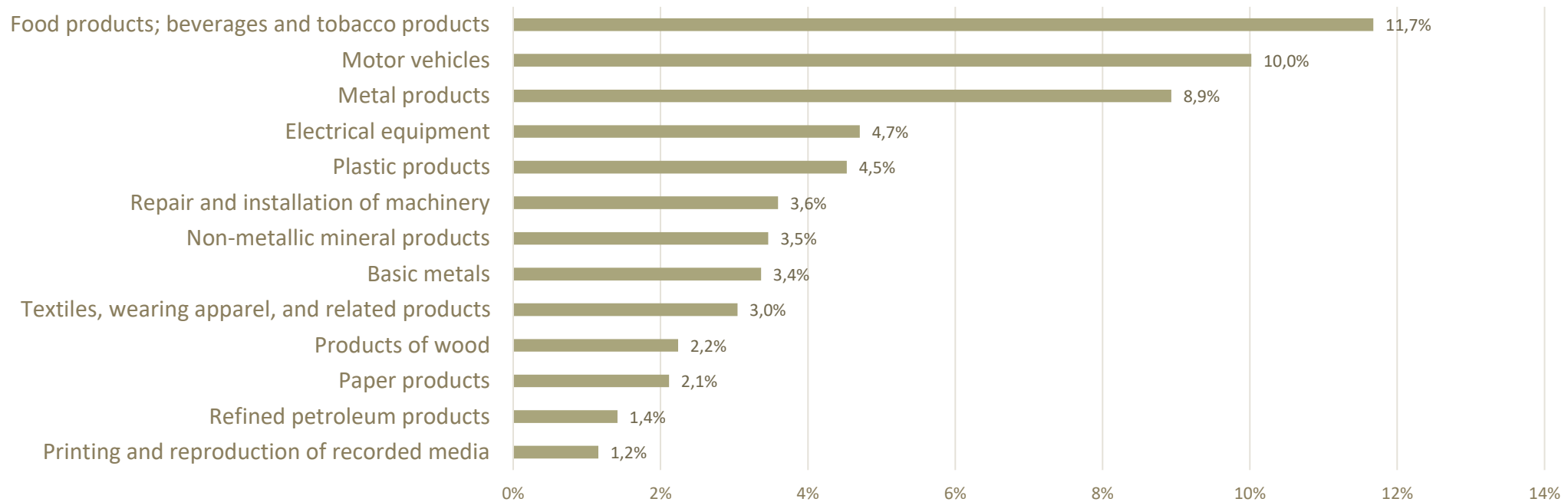
Industrial Production Index (y-o-y), European Union



Source: Eurostat

European manufacturing covers a wide range of sectors...

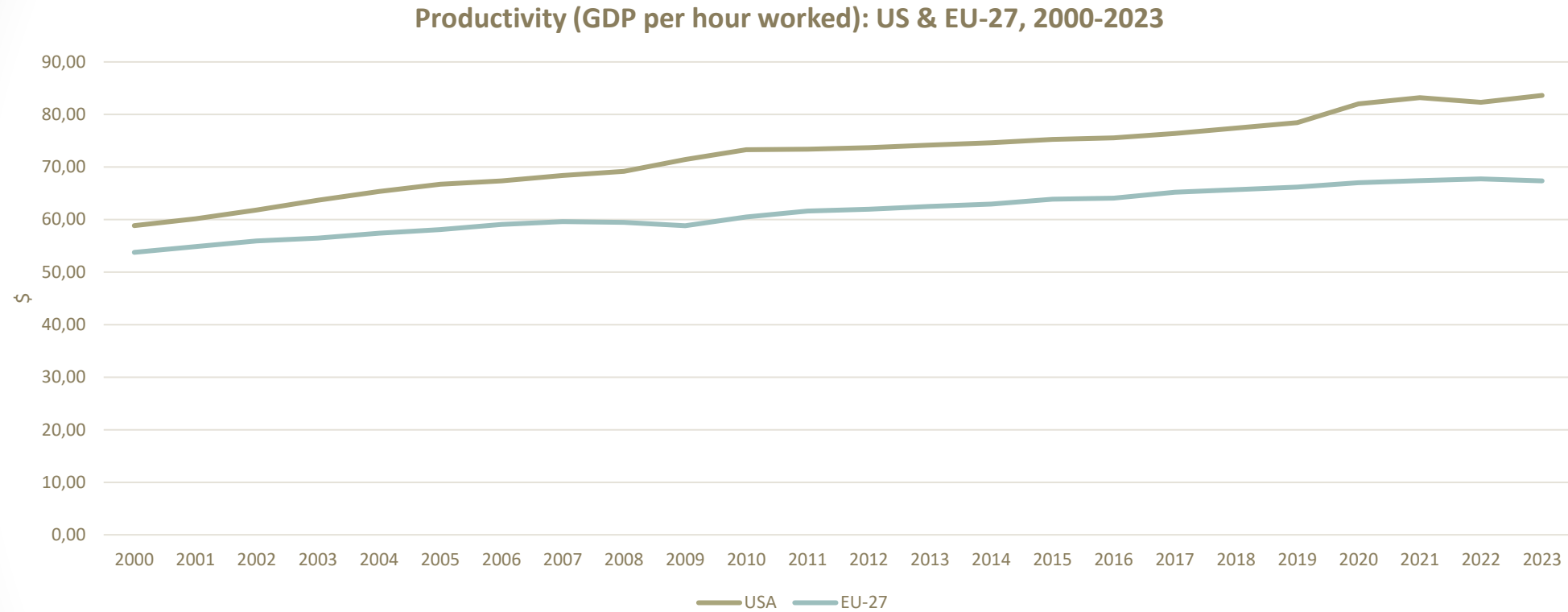
Gross value added per selected EU manufacturing sectors,
as % of Total EU Manufacturing, 2021



Source: Eurostat

Note: The graph shows the allocation of around 60% of EU manufacturing across selected sectors. Due to non-reporting, around 40% of manufacturing is allocated to other sectors, such as pharmaceuticals, chemicals, electronics, machinery and other manufacturing, for which the breakdown is not available and hence not included in the graph.

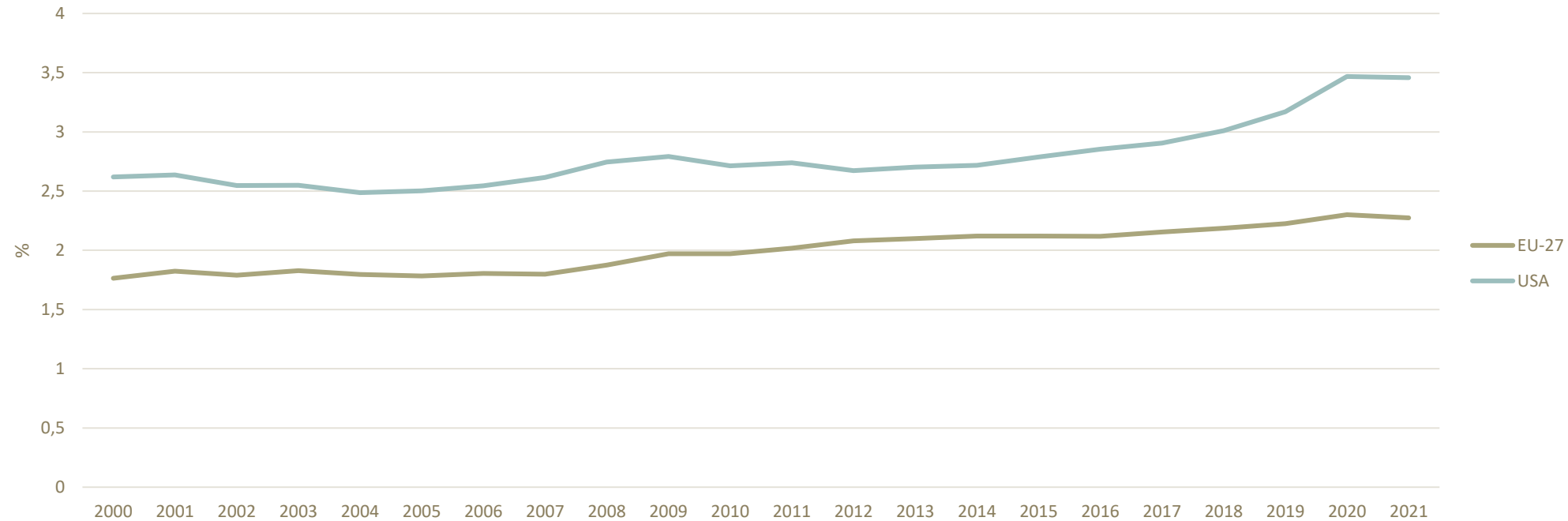
European industry lags US industry in terms of competitiveness



First and foremost, Europe needs to focus on bridging the innovation gap with the US and China, especially in advanced technologies.

Europe is stuck in a static industrial structure, with low growth rates of new companies

Gross domestic expenditures on research and development (R&D), expressed as a percent of GDP, US & EU-27, 2000-2021

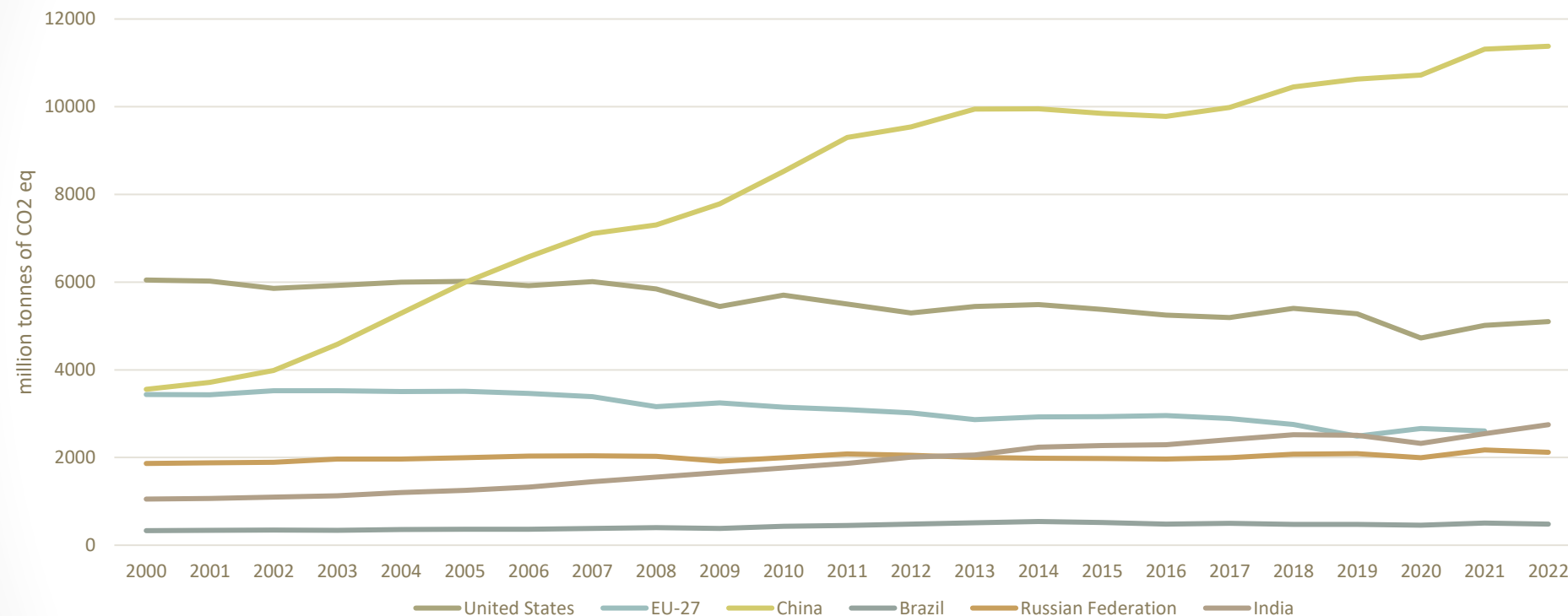


About 70% of fundamental AI models have been developed in the US as of 2017, and just three US companies account for over 65% of the global and European cloud computing market.

GREEN TRANSITION

China, the United States, India, the EU27, Russia and Brazil were the world's largest GHG emitters in 2022

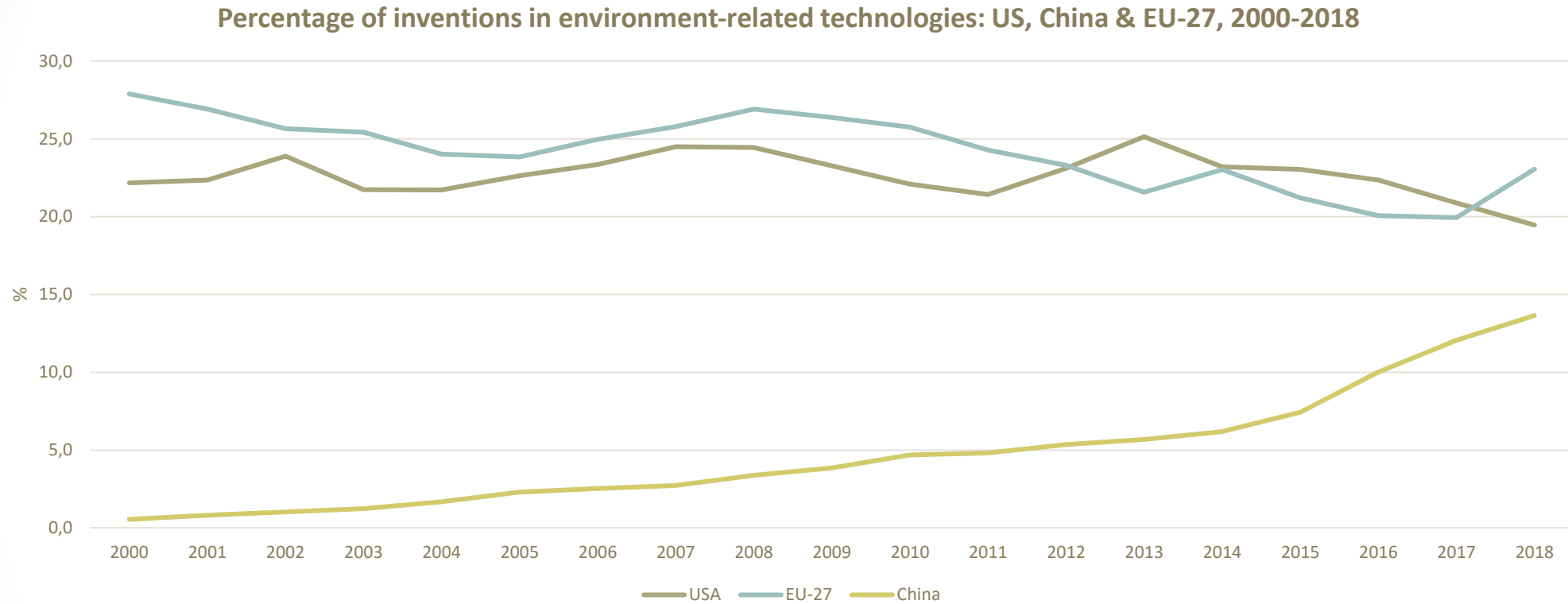
Greenhouse gas emissions from energy, 2000-2022



Source: International Energy Agency

The EU's climate neutrality targets are more ambitious than its competitors, creating additional short-term costs for European industry

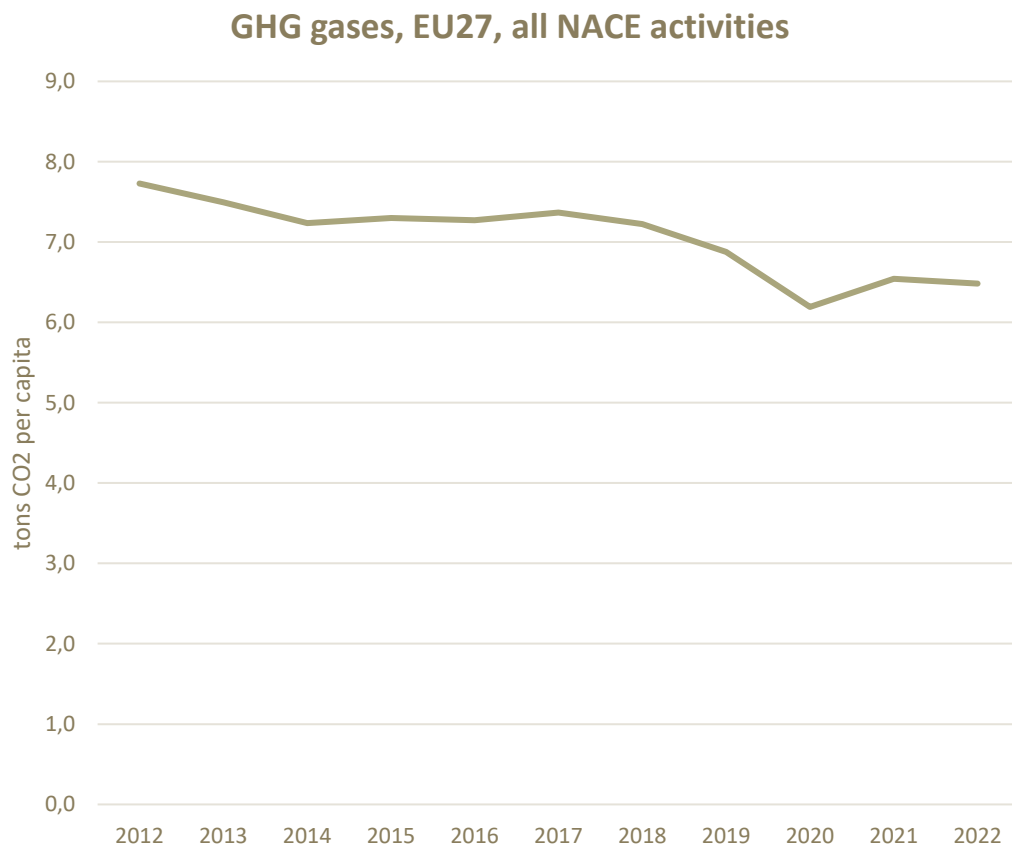
Achieving carbon neutrality as an opportunity to reduce energy costs, assume a leading role in clean technologies, and enhance energy security



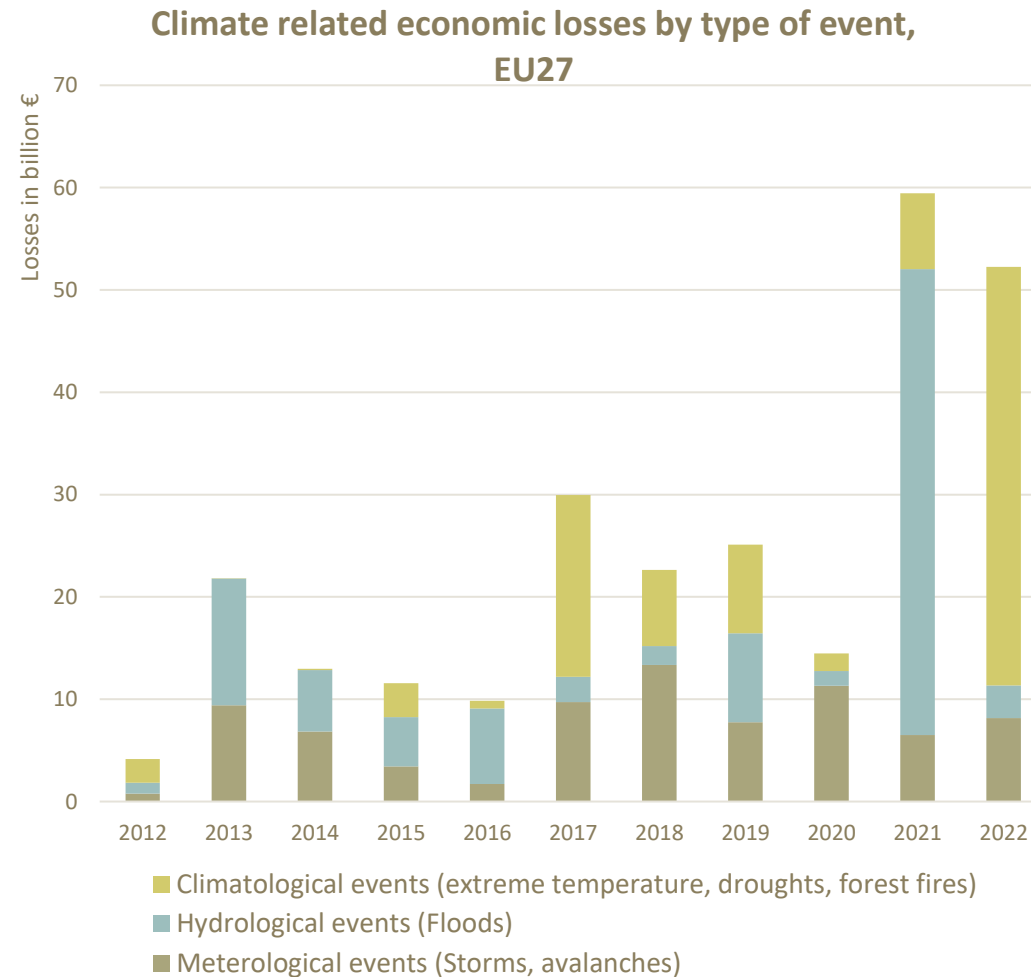
Europe's innovation capabilities do not translate into manufacturing superiority for clean technology, despite the size of its domestic market

Climate change mitigation targets drive policy actions and investments.

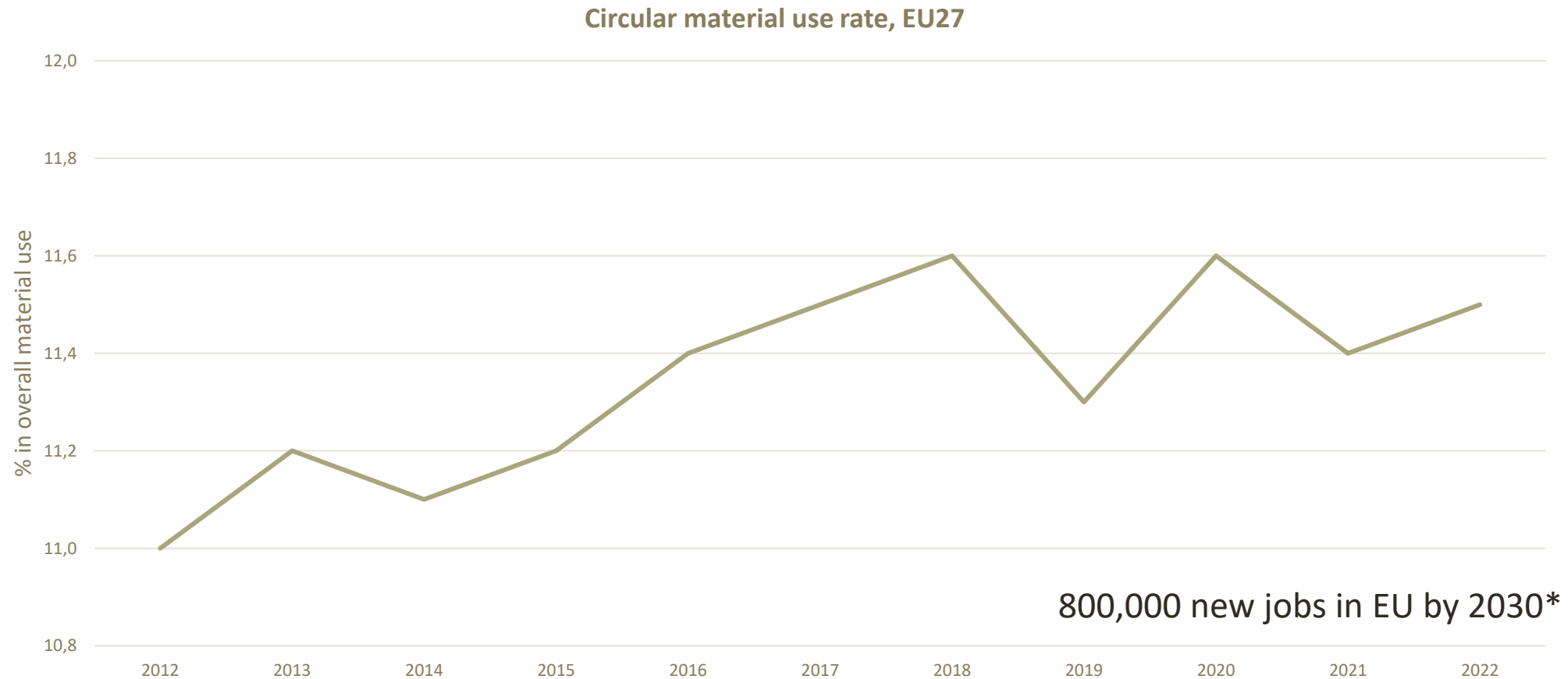
Besides, there are increased and imminent spending needs for climate adaptation



Source: Eurostat



Circular economy: a challenge for EU manufacturing albeit with significant prospects



Source: Eurostat

*Impacts of circular economy policies on the labour market, 2018, European Commission

GREEK ECONOMIC OUTLOOK

GDP dynamics in 2024 Q4

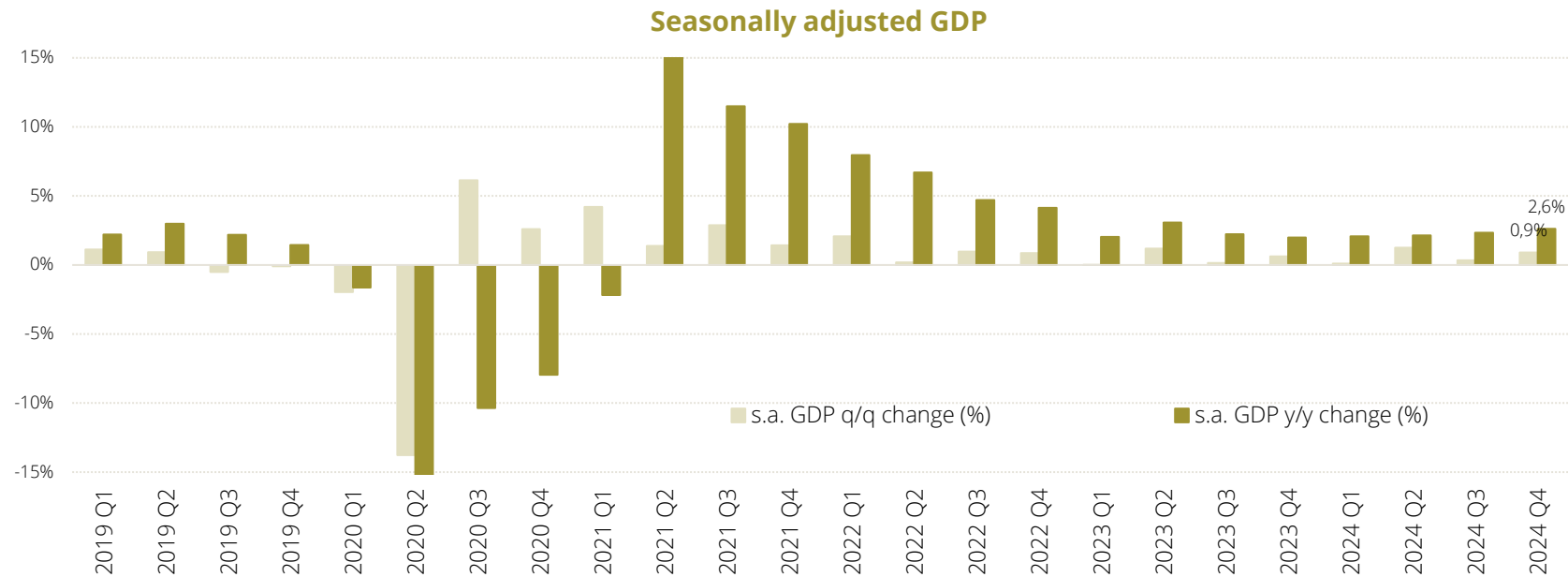
Diverging trends within consumption
(private +0.8% y/y, public -3.4% y/y)

Investments increased, mainly inventories
(total +24.4% y/y, fixed +9.0% y/y)

Exports increased
(goods +1.6% y/y, services +5.9% y/y)

Imports rose
(goods +2.0% y/y, services +4.8% y/y)

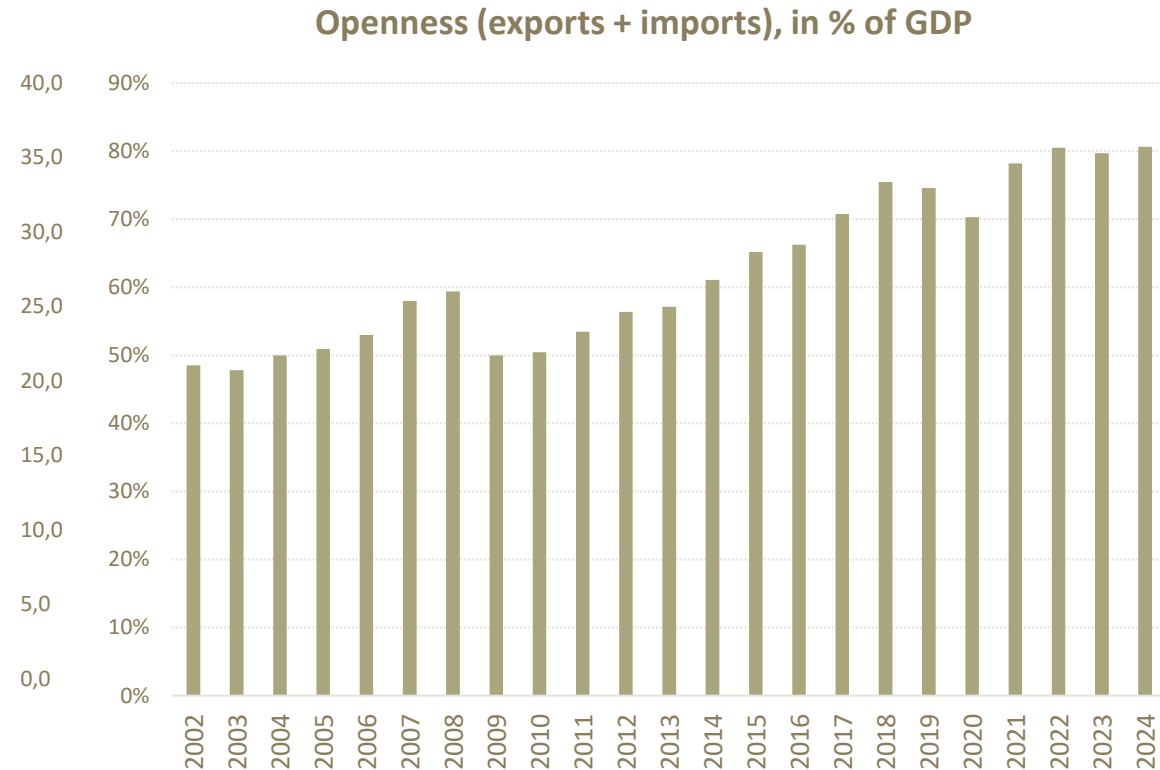
Extroversion remains high
(80% of GDP)



Source: Quarterly National Accounts, Eurostat

- Real GDP y/y growth of 2.6% in 2024 Q4, stronger than 2.4% in the previous quarter.
- GR growth rate remains significantly above EZ average.

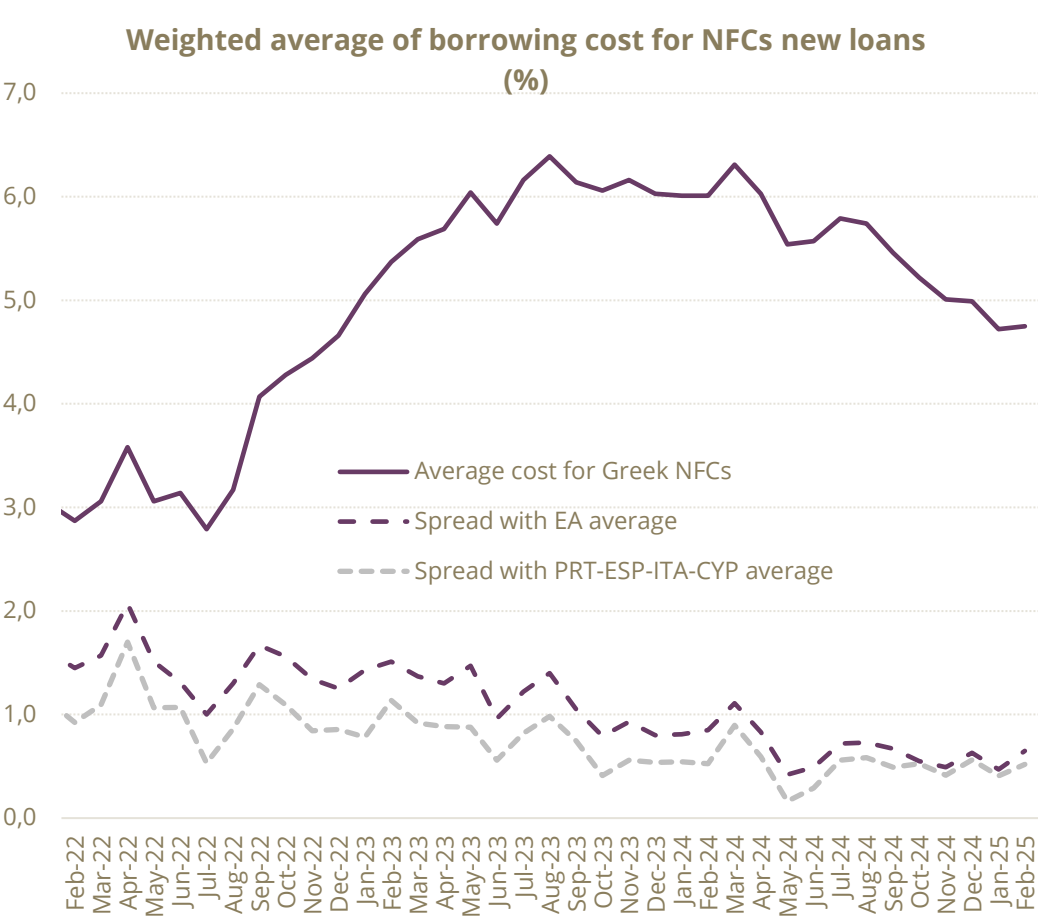
The case of (for?) Greece



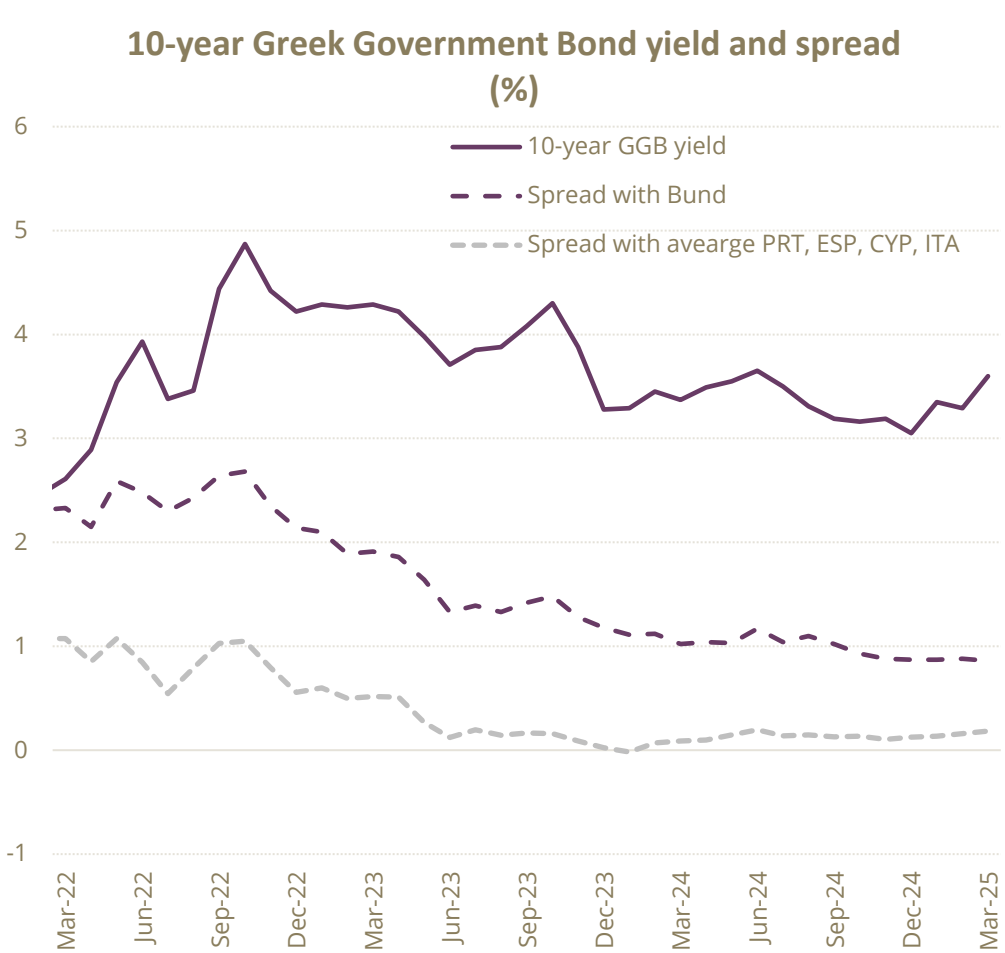
Source: ELSTAT, National Accounts at constant prices 2015, Data Processing: IOBE

**A small open economy in the Euro Area which suffered a crisis due to severe imbalances...
...which has now become more extrovert, exports of goods have doubled during the last decade.**

The cost of new funding for the public and the private sectors has eased in 2024, while the spread with EU peers has narrowed

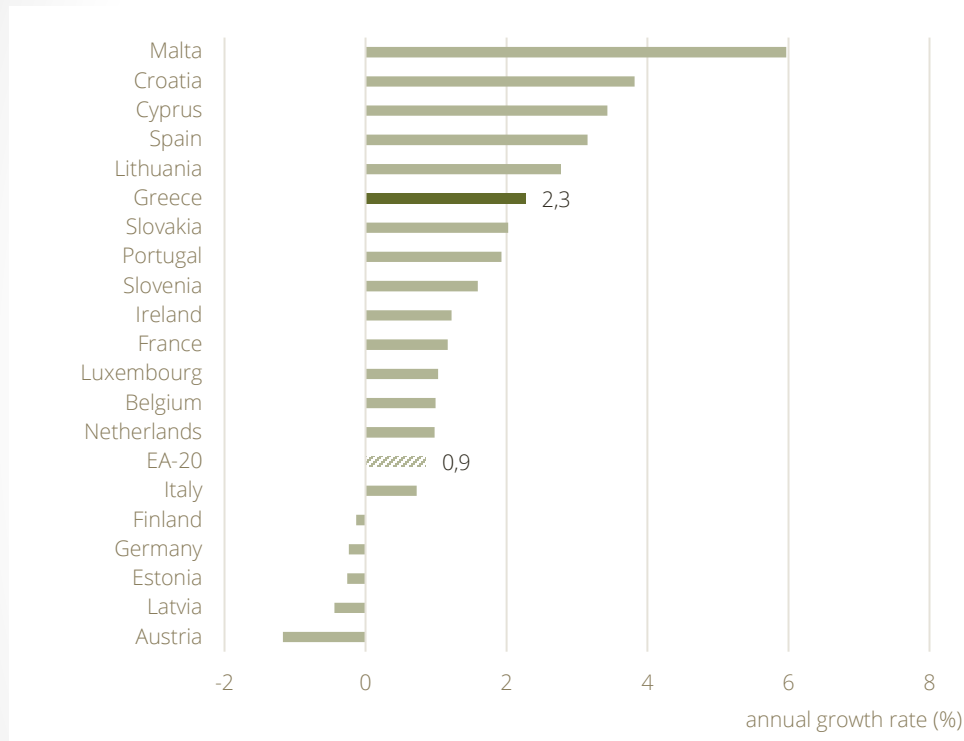


Source: ECB

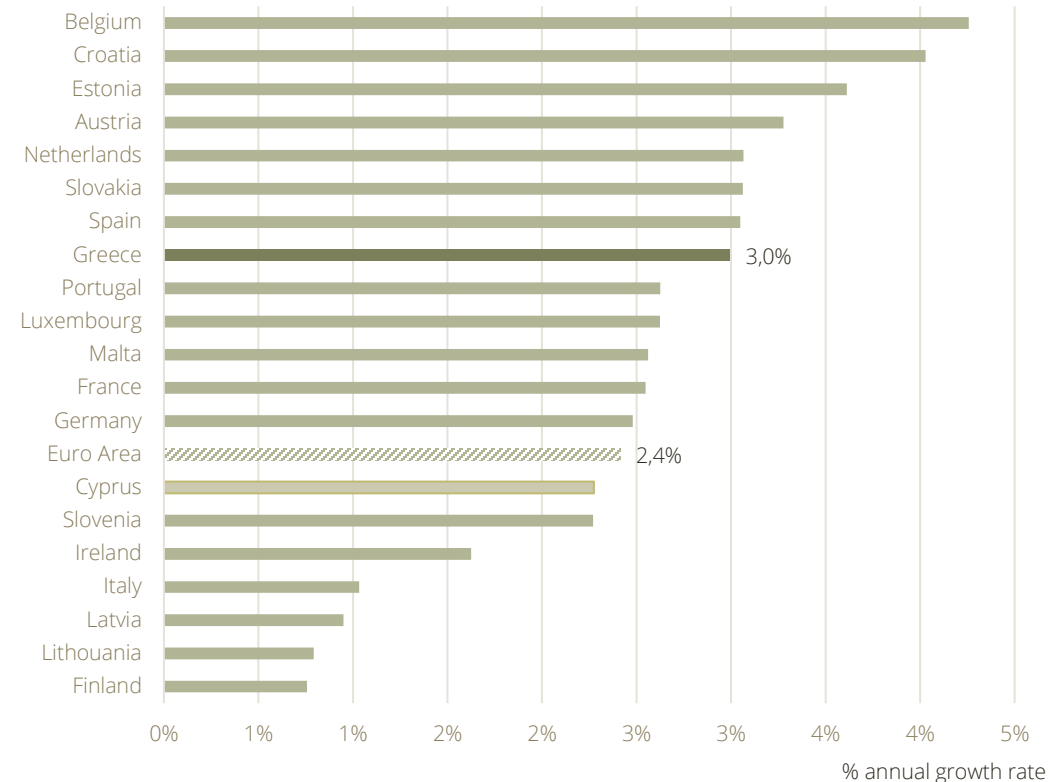


Greece has been outperforming the Euro Area average growth rate in 2024...

Annual GDP real growth rate, 2024



Annual inflation rate, 2024
Harmonised Consumer Price Index (HICP)

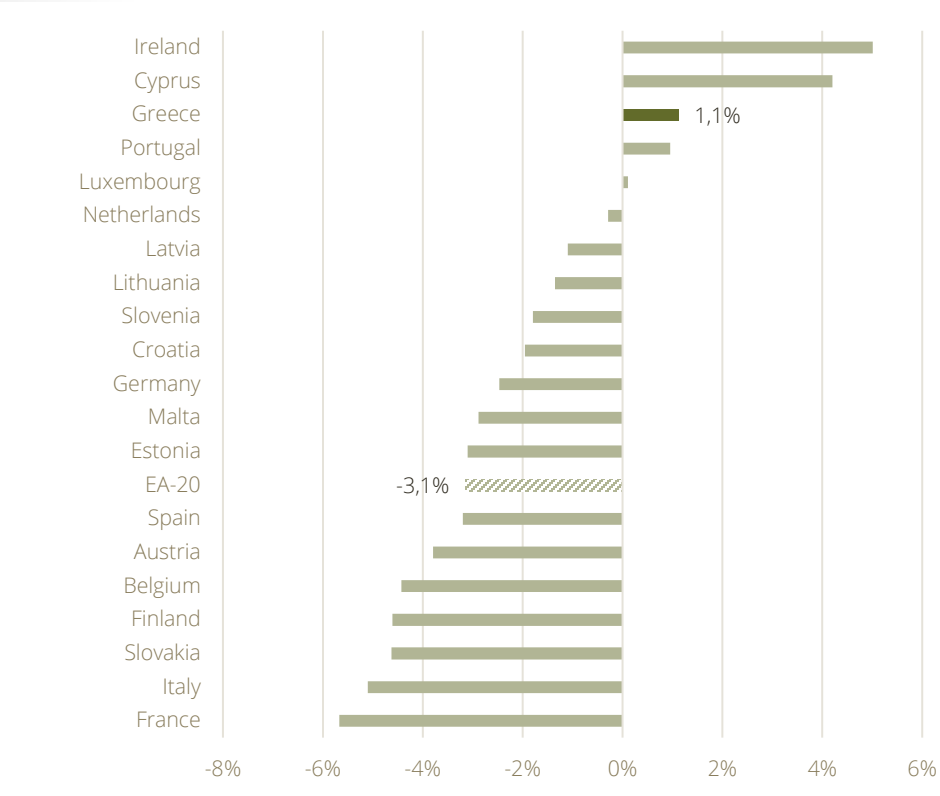


Source: Eurostat

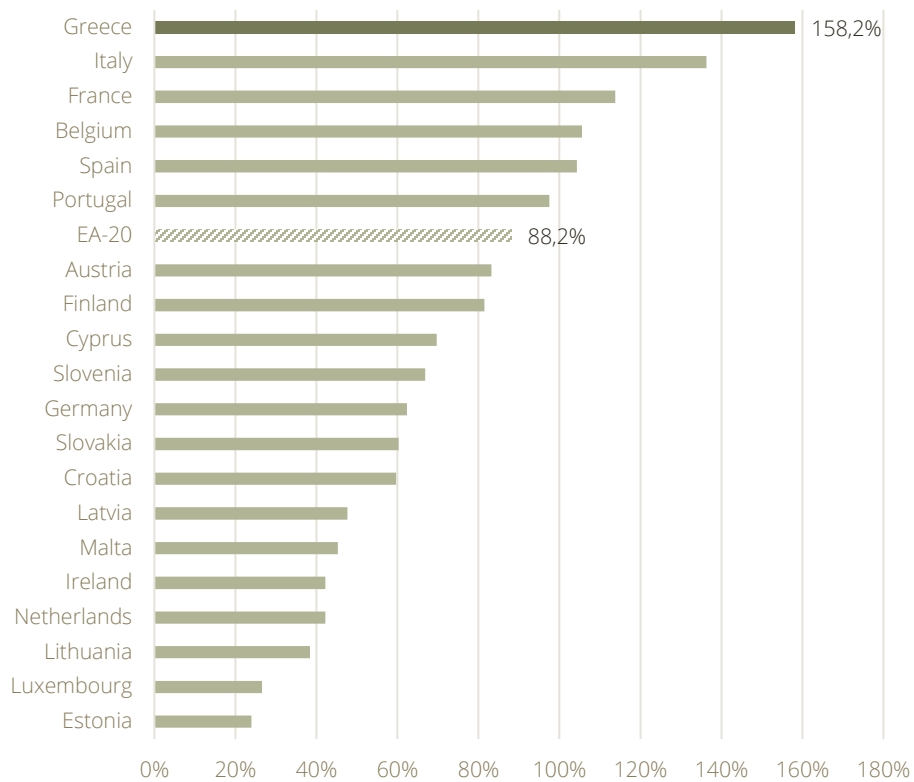
...while inflation rate exceeds the EA average, mainly due to high core inflation stemming from the services sectors.

Greece has recently been outperforming on the fiscal balance...

General government balance, in % of GDP, 3rd quarter 2024



General government debt, as % of GDP, 3rd quarter 2024



Source: Eurostat

...albeit continues to record by far the highest level of public debt, as a percentage of GDP.

WRAP UP

Europe – broader challenges

1. Lagging in productivity and high tech
2. Adverse demographic dynamics
3. Looking for direction: the ‘political economy’ of reforms is a major challenge - Draghi Report etc.

Global economy

- Accumulation and absorption of successive crises
- Investing in higher-risk assets
- Geopolitics: The West vs China
- Green transition: high upfront and finance costs

www.iobe.gr

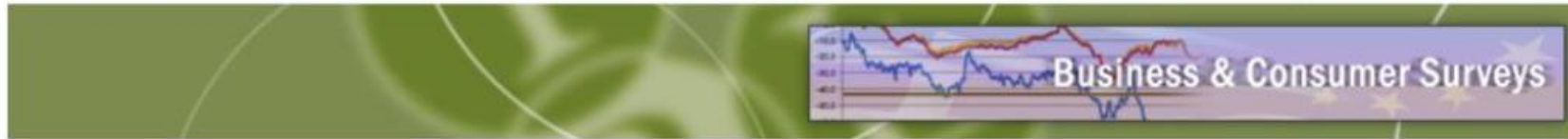
iobe.gr/default_en.asp



FOUNDATION FOR ECONOMIC & INDUSTRIAL RESEARCH



[IOBE](#) | [Research Activities](#) | [Press Office](#) | [Supporters Club](#) | [Contact](#)



Manufacturing of maritime equipment. Trends, prospects, and contribution to the Greek economy

The study examines trends, prospects, and the contribution of Greek maritime equipment manufacturers to the economy. From 2014 to 2022, HEMEXPO companies achieved remarkable growth in turnover, exports, and employment. Their contribution to the Greek economy in 2022 reached €2 billion (GDP) and supported 13,400 full-time jobs, highlighting their strategic role in both domestic and international markets. However, the companies face signi...

[Read more...](#)

About I.O.B.E.



The Foundation for Economic & Industrial Research (IOBE) is a private, non-profit, public-benefit research organisation.

It was established in 1975 with the dual purpose of promoting research on current problems and prospects of the Greek economy and its sectors and of generating reliable info... [Read More](#)



Press Office

JANUARY

23

Press conference: The Greek Economy 4o/2024

FEBRUARY

Business and Consumer Surveys



Growth 'plan' for Greece

- [Pissarides report](#) (committee Chaired by Sir Christopher Pissarides).

