The Conference Board Measure of CEO Confidence™ for Europe by ERT

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H1 2025 RESULTS

by Konstantinos Panitsas

CEO Confidence Plummets: Single Market Needed Across Sectors, Including Defense

The Conference Board Measure of CEO Confidence™ for Europe by the European Round Table for Industry (ERT) drops further into negative territory in H1 2025. The measure stood at an already bearish 47 six months ago, driven by pessimism about the then-current and forward-looking economic conditions. Now, at 27, the measure is the second-lowest reading in the survey's five-year history. It stands below the levels seen at the onset of the COVID-19 pandemic (34) and is only slightly above the all-time low of 24 amid the autumn-2022 energy supply shock due to Russia's war in Ukraine. However, it is CEOs' assessment of international developments, rather than what they see internally in Europe, that drives this notable increase in pessimism. CEOs urge European policymakers to accelerate completion of the Single Market, including for the defense sector. In line with the objectives of the European Commission's ReArm Europe Plan/Readiness 2030 framework, for Europe's defense industry to deliver on scale and innovation CEOs highlight that more supporting policy groundwork will be needed. Moreover, a strategic European approach to strengthening the defense industry would also benefit Europe's industrial base more broadly and enable the creation of European Champions in key sectors.

The current survey was conducted between April 8 to April 25, 2025. A reading above 50 reflects more positive than negative responses.

Trusted Insights for What's Ahead

- **The Conference Board Measure of CEO Confidence™ for Europe by ERT dropped to 27, down from what was already a pessimistic level of 47 six months ago.** Pessimism is likely driven by ongoing geopolitical tensions and elevated levels of uncertainty related to trade and global cooperation.

- **All three subcomponents of the confidence measure drop substantially.** The three subcomponents measure CEOs' assessment of current and future economic conditions and expectations on conditions for their own industries six months ahead. It stands out that the current economic outlook deteriorated compared to six months ago and is worse than expected in the forward projections of the survey's November 2024 edition. These are the main drivers behind the decline of the overall measure.

- **CEOs' views on business conditions outside Europe deteriorate faster than their views on those inside Europe.** In all previous editions of the survey, Europe-based CEOs were more optimistic about business prospects abroad, which in part compensated for sluggishness in Europe. However, this confidence gap is closing as sentiment about general business conditions outside the continent drops from a robust 60 six months ago to a borderline positive, at 52. Inside Europe, perceptions of the market continued to decline for the fifth consecutive time, although mildly from 49 in H2 2024 to 47 in H1 2025.

- **Global CEO confidence drops significantly, with the US and Europe seeing the largest declines**. In the US, confidence fell to its lowest level since Q4 2022, driven by worsening views on economic conditions and industry prospects. China-based CEOs also expressed pessimism, particularly about future economic and industry conditions.

- **European CEOs see 2025 as a year of a worsening global investment climate , likely due to geopolitical tensions and trade uncertainty.** A deteriorating investment climate in the US is observed by the majority of CEOs (65%). Fewer than half of CEOs share this assessment for Europe and China (48% and 46%, respectively). For all three regions, only a minority expects a brighter outlook.

- **CEOs' experience shows that Europe's single market is far from fully integrated, with significant barriers remaining.** On a scale from zero to 100, where zero means fragmentation and 100 means completely integrated and barrier-free markets, CEOs' average rating stood at 43 across eight key sectors of the economy.

- **The degree of market integration achieved differs strongly across the eight focus sectors, with fragmentation most pronounced in defense and security.** The health sector is the second-least integrated. By contrast, transport and research and innovation (R&I) were viewed as more integrated, yet with significant room for improvement.

- **A European single market for defense will be a key enabler for Europe's defense industrial base to deliver on scale and innovation.** When asked which policy groundwork is needed for Europe's defense industry to become strong enough to deliver, 62% of CEOs recommend that policymakers accelerate efforts to deepen the single market for defense goods and services. Other important enablers include greater investment in digital and energy infrastructure to meet the industry's growing needs and a European preference in procurement. European financing to support the creation of European champions by far tops national efforts focused on national champions. Dual-use R&I investment needs to take a strategic approach and be rewarded by faster commercialization across sectors.

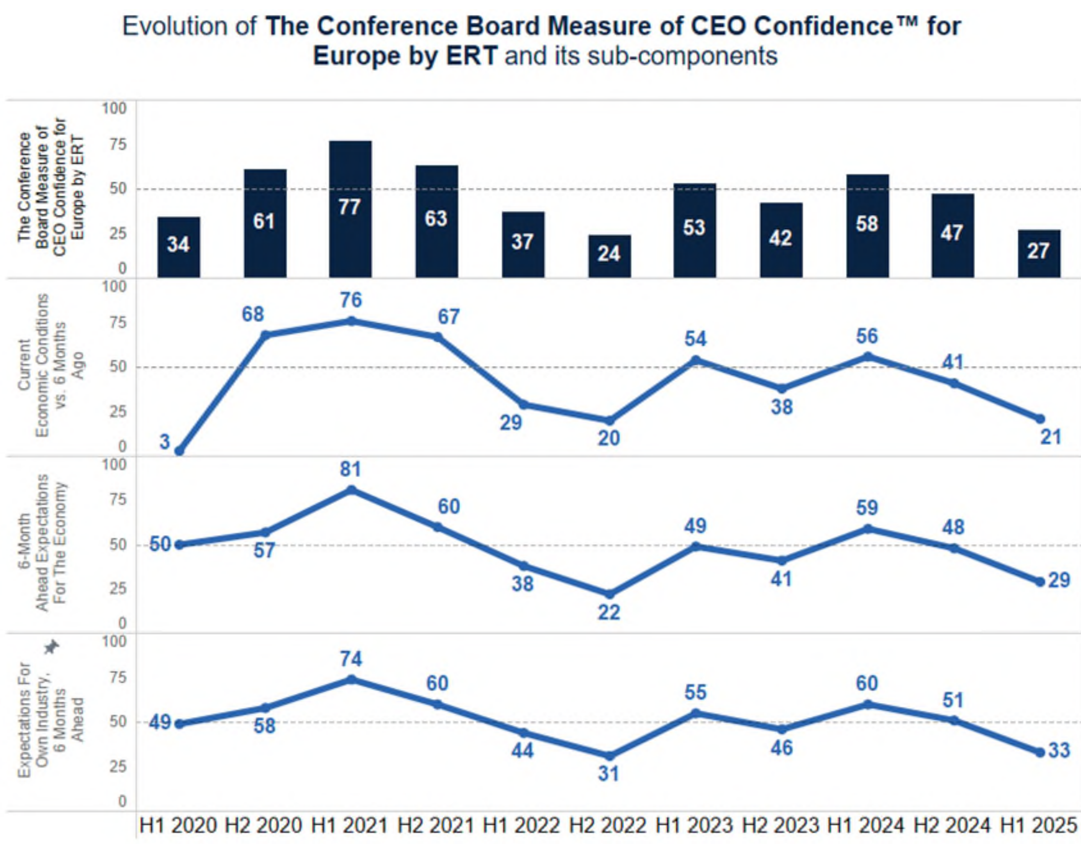
- **Europe's ReArm Europe Plan/Readiness 2030 initiative is set to be a critical booster for the competitiveness of continental industries at large.** 60% of CEOs are confident that the EU's competitiveness policies will help create European champions. Four out of 10 executives also expect that a strategic approach to dual-use innovation will accelerate technological advancement in key industries. Competitiveness is also expected to be enhanced by the accelerated adoption of AI and robotics production technologies across industries, leading to economy-wide productivity gains.

CEO Confidence in Europe Falls to a Second All-Time Low

Fielded from April 8 to April 25, 2025, the CEO Confidence Survey results were drawn from the input of 54 CEOs and chairs of some of Europe's largest companies, resulting in a 92% response rate. The Conference Board Measure of CEO Confidence™ for Europe by ERT drops to 27 from an already pessimistic level of 47 just six months ago. The overall measure is based on responses to questions around three categories: current economic conditions, six-month expectations for the economy, and six-month expectations for the respondent's own industry. All three subcomponents of the measure have fallen steeply below the sentiment-neutral level of 50, suggesting CEOs' views about both current and future economic conditions, as well as conditions about their own industry, have deteriorated substantially since the last iteration of the survey.

Figure 1

CEOs' sentiment falls steeply from six months ago amid worsened economic conditions and short-term expectations



Note: A reading above 50 indicates more positive than negative responses. 54 CEOs responded to the survey.
Source: The Conference Board Measure of CEO Confidence™ for Europe by ERT, 2025 H1

Economic conditions deteriorate the most over a six-month period. This subcomponent drops to 21 from an already downbeat 41 in H2 2024, becoming the third-lowest reading in the measure's five-year history and the biggest drag on this iteration's overall index. A stark 91% of CEOs rate the economy to have either moderately or substantially worsened during the last six months.

No improvement in sight: economic conditions will likely deteriorate over the next six months. Almost eight out of 10 CEOs expect the economy to worsen moderately or substantially by the end of the year. Economic expectations now stand at 29, the second-lowest point since the launch of the CEO Confidence Survey in H1 2020. Only a handful of CEOs (9%) anticipate the short-term economic outlook to somewhat improve and the remaining 15% expect the economic outlook six months out to remain unchanged.

Little relief expected for CEOs' own industries. Regarding the outlook for their respective industries, the sub-measure stands at a markedly pessimistic 33, only a few points higher than the all-time low of 31 recorded in H2 2022. Almost one-third of CEOs (65%) expect business conditions in their industry to deteriorate over the next six months, while 22% of them expect their industry outlook will remain unchanged. The remaining 11% assess that industry conditions will improve over the next six months.

CEO Confidence Declines More Steeply in China and the US

In parallel with The Conference Board Measure of CEO Confidence™ for Europe, The Conference Board Measure of CEO Confidence™ for China, conducted on a biannual basis, and The Conference Board Measure of CEO Confidence™ for the US, conducted quarterly in collaboration with The Business Council, also show declining confidence. Completed in late April to early May 2025, all three measures of CEO confidence drop from six months prior. However, the fall is most pronounced in Europe and the US, and less so in China.

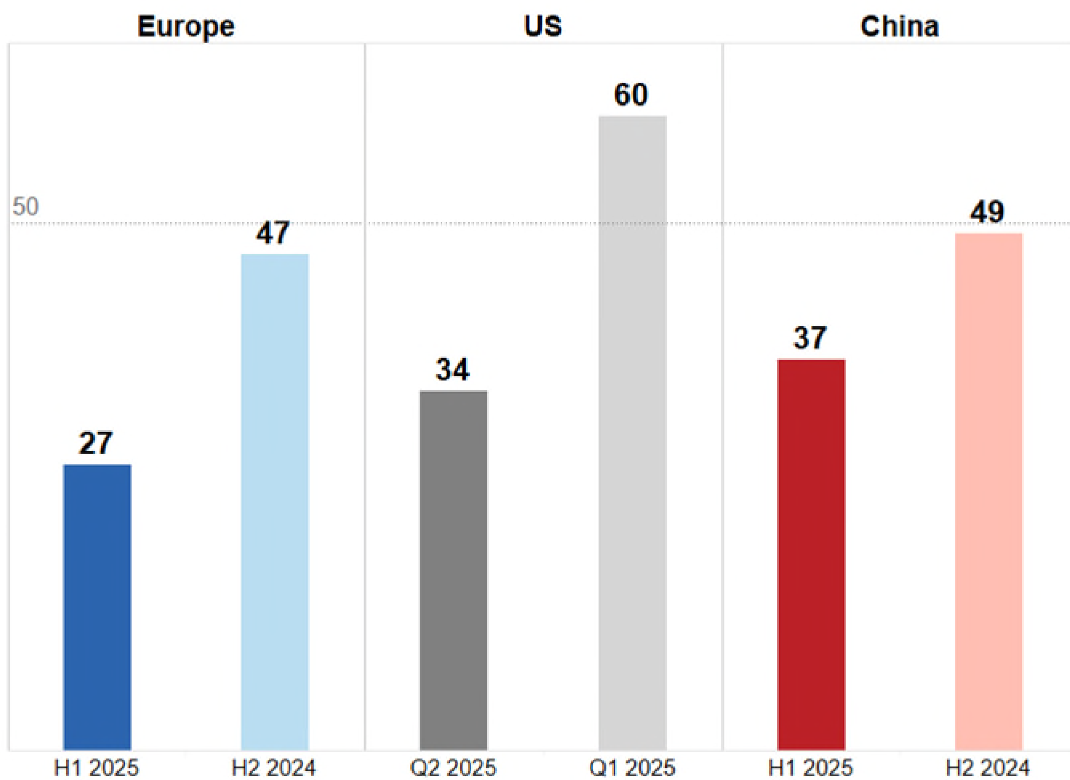
Confidence among US-based CEOs drops to the lowest level since Q4 2022. CEO confidence in the US collapses in Q2 2025, falling from 60 in Q1 2025 to a much more pessimistic 33. All three components of the measure weaken into pessimism territory. This was especially the case regarding current economic conditions, registering the largest quarter-on-quarter decline in almost 50 years. Expectations for the future also plummet, with more than half of US-based CEOs expecting conditions to worsen over the next six months, both for the economy overall and in their own industries. The US–China trade deal announced on May 12 seems to have eased but not eliminated concerns. CEOs responding before and after May 12 report similarly very negative views about the current state of the economy and their own industries. However, the CEOs who responded after that date tended to be somewhat less pessimistic about the future. The vast majority of US CEOS—more than 80%—said they expect a recession in the next 12 to 18 months.

In tandem with their peers in Europe and the US, confidence among China-based CEOs of US and European multinational companies falls further into pessimism. Overall, the composite measure in China fell from an already weak 49 six months ago to an even more pessimistic 37 as tariffs take a toll on China-based CEOs sentiment. A significant drop in sentiment around future conditions regarding the economy as a whole and the industry in which they operate is the main drag on overall confidence.

Figure 2

CEO Confidence declines globally, amid heightened trade uncertainty

The Conference Board Measure of CEO Confidence™



Note: A reading above 50 denotes more positive than negative responses. In the United States, 133 CEOs participated in the survey, which was fielded from 5/5 through 5/19. In Europe 54 CEOs participated in the survey, which was on the field from 4/8 through 4/25. Finally, 30 CEOs in China participated in the Chinese edition of the CEO Confidence measure, with the survey open from 4/14 to 5/9.

Source: The Conference Board Measure of CEO Confidence™

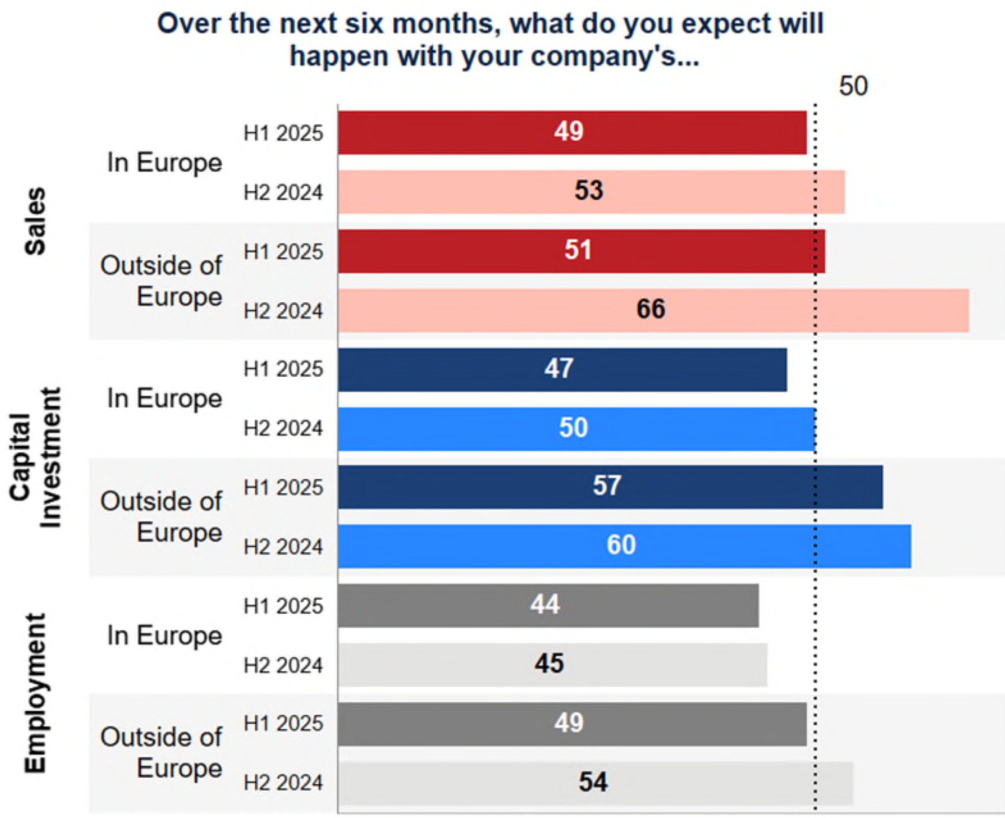
Business Prospects Deteriorate Globally, Especially Outside Europe

CEOs' aggregate views on their companies' sales, investment, and employment expectations weaken globally. CEOs viewed business conditions outside of Europe more favorably than inside Europe in all previous iterations of the survey. This confidence gap has narrowed significantly in this round and is the smallest since the survey's launch in H1 2017. The convergence is driven by a sharp deterioration in CEOs' views regarding business conditions outside the continent. More specifically, while the assessment remains positive for the 16th

consecutive time, the measure of confidence for business outside Europe declines from a healthy 60 in H2 2024 to a borderline stagnation 52. This drop is driven mostly by a sharp deterioration in the sales outlook on global markets. Meanwhile, in Europe the aggregate measure drops from a borderline pessimist 49 six months ago to 47. This is the fifth consecutive survey in which business prospects in Europe have deteriorated, albeit slightly.

Figure 3

Business sentiment outside of Europe falls sharply, while turning more negative inside the continent



Note: A reading below 50 points reflects more negative than positive responses. 54 CEOs responded in the survey.
Source: The Conference Board Measure of CEO Confidence™ *for Europe by ERT, H1 2025*

CEOs expect sales to drop—and substantially so outside Europe. The measure on sales expectations outside Europe falls from a robust 66 in H2 2024 to a borderline positive 51, with CEOs appearing more concerned about their company's sales outlook abroad. While a majority of respondents (59%) still expect sales outside Europe to either grow or stabilize, 41% of executives foresee declining sales abroad in the next six months. This measure also fell in Europe but by much less, from 53 to 49, with less than one-third of executives anticipating sales in Europe to improve in the short term.

Sentiments for capital investment turn negative for European business and lose steam abroad. This portion of the measure declines in both geographies compared to H2 2024. CEO's sentiment about investing outside of Europe falls from 60 in H2 2024 to a less upbeat 57. Most CEOs (54%) intend to make no changes to their investment plans in the next six months, 33% plan an increase, and the remaining 13% expect to invest less. Within Europe, the investment sentiment declined for a fifth consecutive time. The measure turned negative, falling from a neutral 50 in H2 2024 to a more pessimistic 47. 61% of respondents plan to maintain current investment over the next six months, 24% expect to lower investment, and only a small share of CEOs (15%) see their company's investments grow in the near term.

Hiring intentions in Europe remain negative and turn cautious abroad. Hiring intentions for European business remained pessimistic but relatively unchanged, dropping from 45 to 44, signaling ongoing unfavorable employment expectations among CEOs. Only 15% of respondents plan to expand their workforce in the second half of 2025, while 48% expect to make no changes to their company's workforce size and 37% anticipate a moderate decrease of their company's employment in Europe. Regarding their intentions abroad, the employment outlook remained marginally better, with the sub-measure falling from a lukewarm 54 in H2 2024 to 49. Most CEOs (57%) see their company's employment remaining as-is in the short run, 22% anticipate it will fall, and 20% expect to increase their hiring in the next six months.

CEOs See the Investment Climate Deteriorating Globally—Particularly in the US

The world economy in 2025 is marked by uncertainty and geopolitical tensions. Tariff announcements by the US have brought its economy to the cusp of recession. In China, these trade tensions and internal structural challenges put the country's growth prospects at risk. Meanwhile, in Europe recent rifts in the transatlantic relationship, combined with the ongoing war in Ukraine and complex relations with China, weigh on the region's economic prospects.

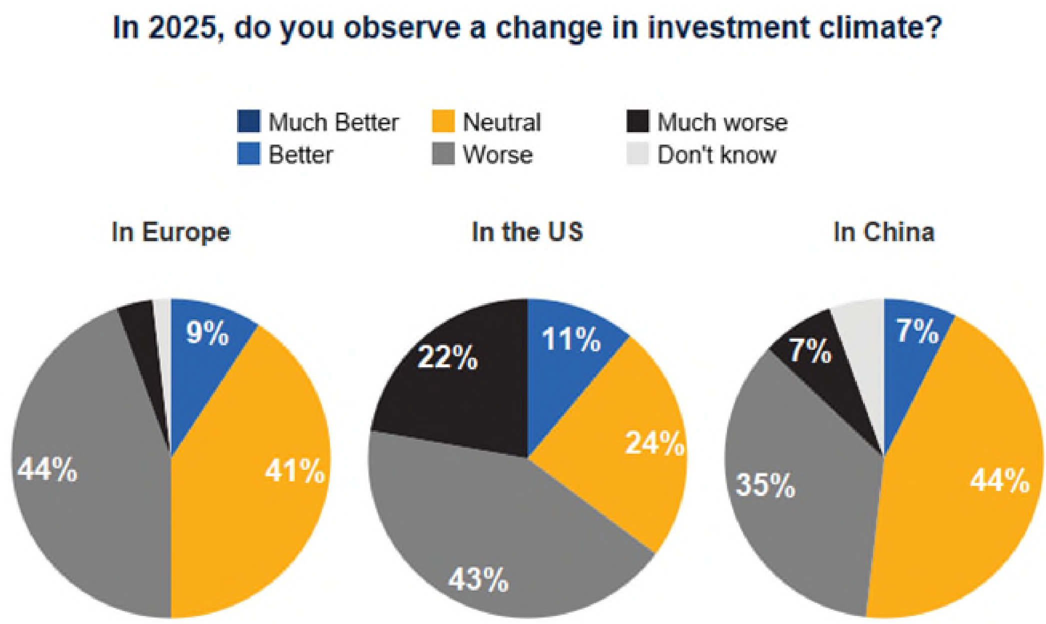
These difficult conditions in the three-most-prominent markets are reflected in CEOs' perceptions of a less favorable investment climate globally:

- **The investment outlook deteriorates considerably in the US.** More than 60% of respondents foresee the investment outlook in the world's largest economy will weaken in 2025, with 22% anticipating a considerable worsening over the coming year. Among the remaining respondents, 24% see investment climate to be unchanged, while 11% see investment climate to improve.
- **In Europe, half of CEOs observe a worsening investment climate, and the remainder mostly expect a continuation of the status quo.** Compared to the US, a smaller share of business leaders (48%) find that the investment climate will weaken in Europe. Another 41% of respondents expect no change, while only 9% take a brighter outlook for the course of the year.

- **China's investment climate evolves similarly to Europe's.** 46% of EU executives see China's investment climate weakening, 44% appear do not perceive a change, and only 7% see China's investment climate brightening.

Figure 4

CEOs see the investment climate in the US turning considerably gloomier



Source: The Conference Board Measure of CEO Confidence™ for Europe by ERT, H1 2025

CEOs Raise Concerns Over Europe's Fragmented Single Market

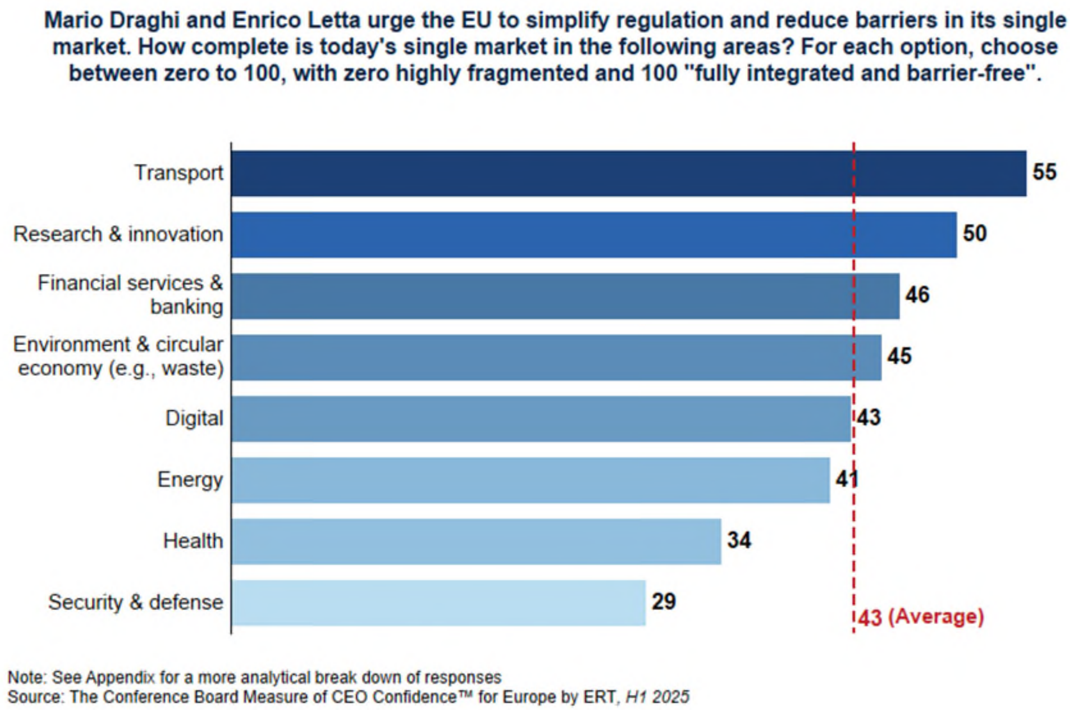
In the H1 2024 edition of the CEO Confidence Survey, CEOs unanimously highlighted that, alongside simpler, more innovation-friendly regulations, a less fragmented single market would deliver the greatest boost for Europe's lost competitiveness.[1] In the subsequent iteration,[2] CEOs highlighted that simplification of regulation and single market integration—as proposed by Mario Draghi, former President of the European Central Bank, [3] and Enrico Letta, former Prime Minister of Italy[4]—would strongly incentivize industry in Europe to invest here rather than elsewhere. These findings need to be seen against the background that, 32 years since its creation in 1993, the EU single market remains fragmented – the removal of remaining obstacles can therefore contribute to the region's future productivity, growth, and strategic autonomy.

We asked CEOs to evaluate the completeness of the EU's single market across eight critical economic sectors. A value of zero implies the specific sector or industry is highly fragmented, while 100 implies full integration and a sector that is barrier free.

- **Overall, CEOs assess that single market integration is not even halfway there.** Averaging CEOs' input across all eight sectors and/or areas, we obtain a value of 43. The reading implies moderate levels of integration while significant barriers remain.
- **Transport and R&I stand out as areas where the EU has made the most progress, yet rankings imply more effort is needed.** The average rating is 55 for transport and 50 for R&I, making them the two most integrated within the EU's single market, according to CEOs. That said even in these sectors there is substantial room for greater integration.
- **The digital, financial services, environment, and energy markets are viewed as highly fragmented.** With average values ranging from 46 for financial services to as low as 41 for energy, CEOs assess that the EU's single market for these areas, as well as digital services and the environment and circular economy, are far from complete.
- **CEOs unanimously agree that security and defense and health are the most fragmented industries in the EU's single market.** Both sectors received the lowest rating in the survey, with scores of 34 for health and an even smaller 29 for security and defense. More than half (57%) of CEOs rated the EU's single market for defense completeness in the zero to 25 range, with only 16% of respondents finding it moderately or deeply integrated (a score above 50).

Figure 5

Europe's business leaders send warning signals that single market integration remains largely incomplete and fragmented



How to Scale Up Europe's Defense Industry as Part of ReArm Europe Plan/Readiness 2030: A Deeper Single Market for Defense Products and Services Is Key

CEOs' assessment of a deeply fragmented defense industry aligns with the European Commission's own analysis.[4] We asked CEOs to identify which policies EU lawmakers should prioritize as groundwork to enable Europe's defense industrial base to deliver in both scale and innovation.

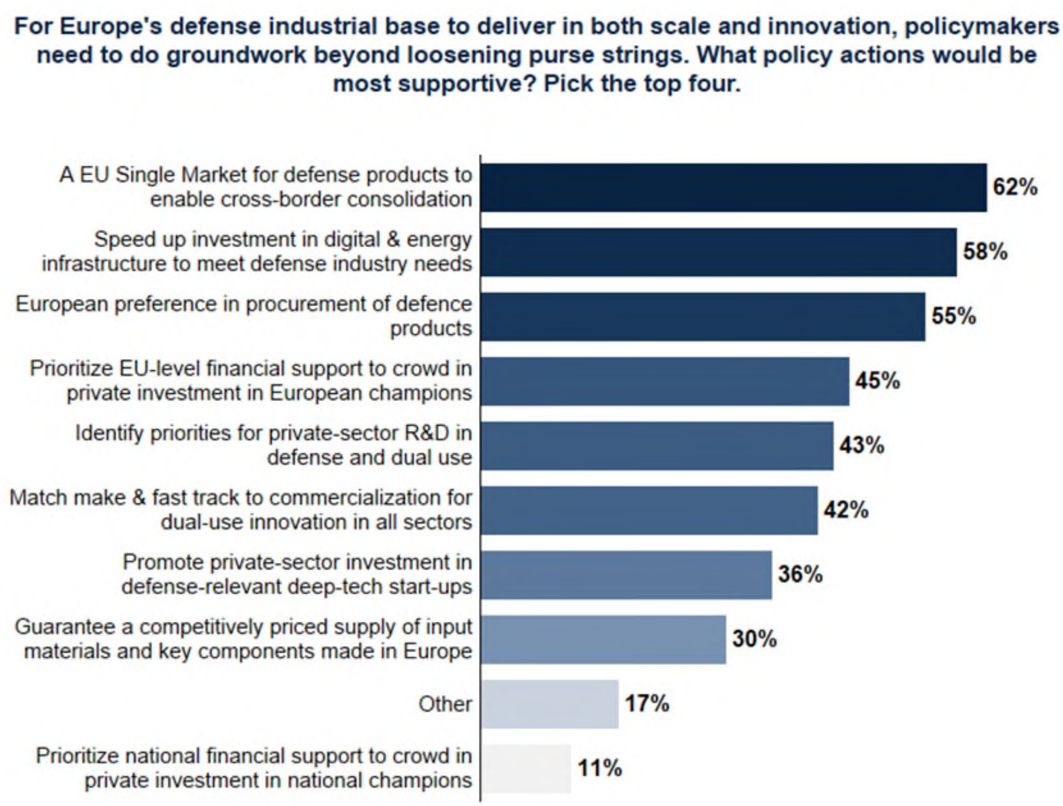
- **The three policies recommended by most CEOs are (1) deepening the EU single market for defense products, (2) greater investment in underlying infrastructure, and (3) buying European.** More than 60% of respondents urge policymakers to strengthen the EU single market for defense products to enable cross-border consolidation and production scaleup, while 58% of CEOs highlight the need to speed up investment in digital and green infrastructure to meet the defense sector's growing needs. Moreover, 55% of executives call on policymakers to prioritize European players when procuring defense products.
- **Policies that enable technology leadership at scale and reward R&I investment will also be key: CEOs highlight the potential of using EU funds to support European champions, prioritize dual-use R&I, and accelerate the commercialization of dual-use innovation.** 45% of respondents rank EU financial support to crowd in private investment in

European champions as a top-four policy to create a more competitive defense sector. In comparison, only 11% of CEOs support strategies that prioritize national financial support to more local (national) defense industries. Meanwhile, 43% of CEOs call for policies that can help identify priorities for private sector R&I in defense and dual use, while another 42% support strategies that can rapidly and efficiently introduce dual-use innovations to the market.

- **A significant share of CEOs see targeted investment in defense start-ups and policies that can guarantee the supply of EU-made components as promising strategies to enable scale and innovation in the EU's defense sector.** 36% of respondents rank the promotion of private sector investment in defense-relevant deep-tech start-ups a top-four policy action to help EU's defense industry scale up and compete. Finally, policies that can guarantee a competitively priced supply of input materials and key components made in Europe is identified by 30% of CEOs as a powerful enabler for a growing European defense sector.

Figure 6

A deeper single market for defense is CEOs' top recommendation to help the sector grow and innovate



Source: The Conference Board Measure of CEO Confidence™ for Europe by ERT, H1 2025

CEOs Believe That ReArm Europe Plan/Readiness 2030 Can Benefit Industrial Competitiveness Across Sectors

Will ReArm Europe Plan/Readiness 2030 shift EU lawmakers' approach to industrial policy and create better conditions for competitiveness across sectors (i.e., beyond the defense industry)? CEOs were asked to assess which competitiveness boosters the European Commission's framework is more likely to deliver for industry at large in the foreseeable future.

- **The most likely benefit is a shift in EU competition policy to encourage the creation of European champions.** This observation reflects a realization by policymakers of the importance of scale to compete on the global stage. 57% of business leaders see Europe's rearmament efforts accelerating the establishment of competition policies fit for creating EU champions.

- **A large share of CEOs expect ReArm Europe Plan/Readiness 2030 to be a robust accelerator of technological advancements in key industries.** Close to 40% of respondents expect the EU's defense plans to bolster technology leaps in key industries resulting from dual-use R&I investment.

- **Tangible productivity gains are viewed as the third-most-likely competitiveness driver to materialize in the near term.** 30% of CEOs expect Europe's scale up of defense production to trigger a wider modernization of production equipment and uptake of innovative technologies across sectors—in other words, higher productivity gains, primarily due to an accelerated adoption of AI and robotics across all sectors of the economy.

- **More than one-quarter of respondents are optimistic that Europe's rearmament efforts will accelerate overall single market integration.** 27% of CEOs expect that the plan will help create the dynamics needed for a massive surge in single market integration over the next three years.

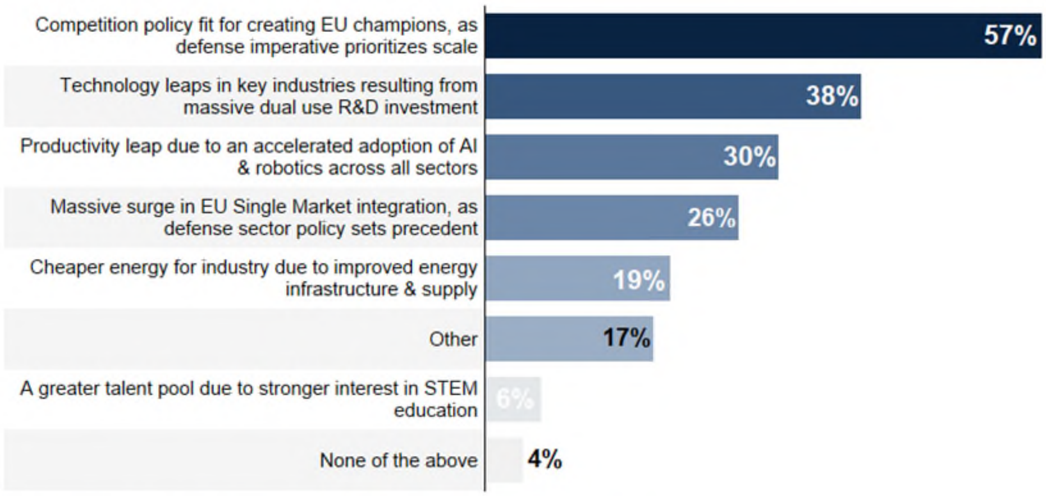
- **Only one-fifth of business leaders are optimistic that the plan will contribute to lower energy prices in the short term.** 19% of respondents expect Europe's growing efforts to strengthen its defense capabilities will be trigger sufficient infrastructure investment to lower energy prices on the continent.

- **Few respondents are confident that ReArm Europe Plan/Readiness 2030 will help strengthen Europe's talent base.** Though advanced science, technology, engineering, and math (STEM) skills will be more essential than ever to develop the technologies needed for meeting Europe's defense objectives, only 6% of respondents are optimistic that the framework will lead to greater interest in STEM subjects among students.

Figure 7

CEOs are optimistic ReArm Europe Plan/Readiness 2030 will benefit Europe's overall industrial competitiveness

'ReArm by 2030' promises upsides for Europe's industry at large. Which competitiveness boosters will most likely materialize over the next three years? Pick your top two.

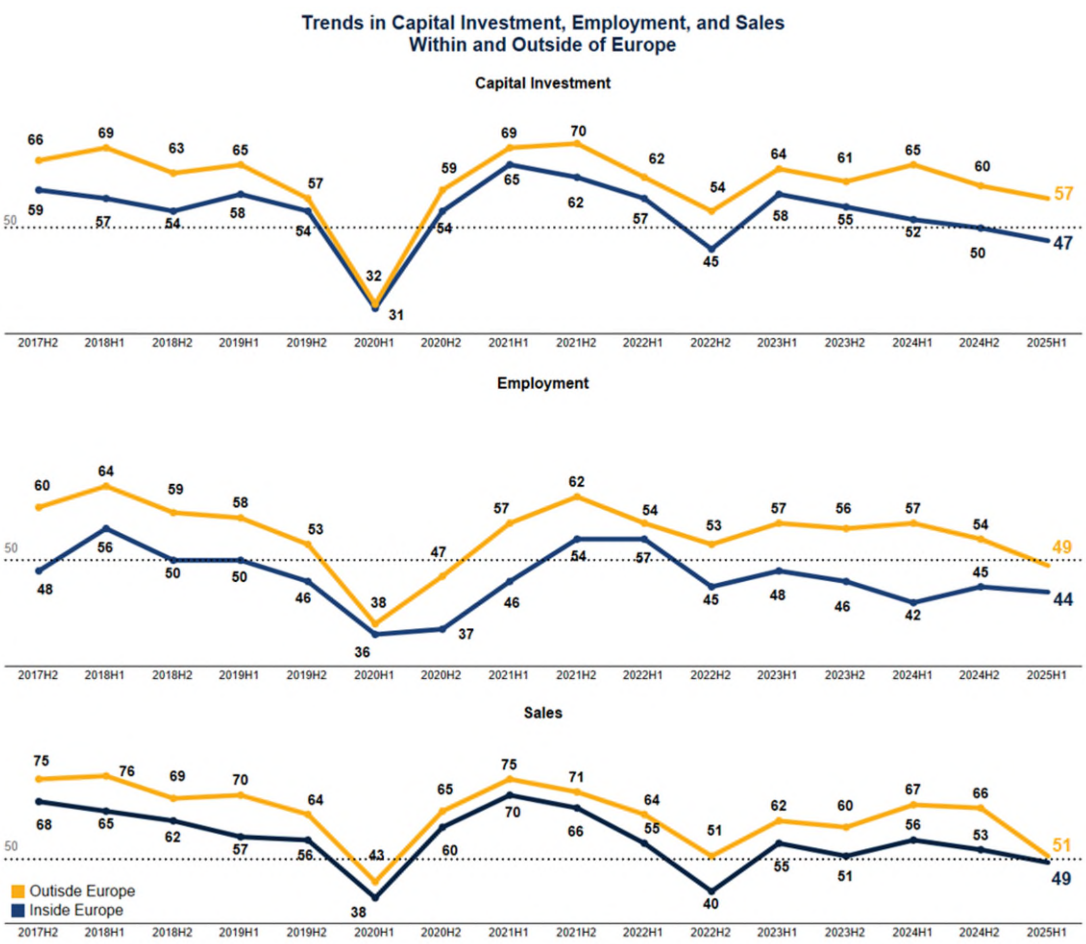


Source: The Conference Board Measure of CEO Confidence™ for Europe by ERT, H1 2025

Appendix 1: Details on Expectations for Capital Investment, Sales, and Employment

Figure 8

Trends in capital investment, employment, and sales within and outside Europe



Note: A reading below 50 denotes more negative than positive responses
Source: The Conference Board Measure of CEO Confidence™ for Europe by ERT, H1 2025

Appendix 2: Detailed Answers to Figure 5

Figure 9

Mario Draghi and Enrico Letta urge the EU to simplify regulation and reduce barriers in its Single Market. How complete is today's single market in the following areas? For each option, choose between 0 and 100, with zero highly fragmented and 100 "fully integrated and barrier-free".

	(Rating)			
	0-25	26-50	51-75	76+
Digital	29%	35%	24%	12%
Energy	20%	53%	24%	4%
Environment & circular economy (e.g., waste)	20%	41%	35%	4%
Financial services & banking	18%	47%	29%	6%
Health	41%	39%	16%	4%
Research & innovation	6%	49%	39%	6%
Security & defense	57%	27%	14%	2%
Transport	10%	31%	47%	12%

Note: Detailed breakdown of responses for Figure 5.
Source: The Conference Board Measure of CEO Confidence for Europe, by ERT, H1 2025

About The Conference Board Measure of CEO Confidence™ for Europe by ERT

The Conference Board and ERT established a collaboration to create a measure of CEO Confidence for Europe since 2020. The measure ranges from zero to 100. A reading of less than 50 reflects more negative than positive responses.

The measure is based on results from three survey questions about: 1) current business and economic conditions; 2) projected business and economic conditions in six months; and 3) prospects for respondents' own industries. These questions have been conducted by The Conference Board in the US on a quarterly basis since 1976. The survey is conducted twice a year in Europe.

In addition to the confidence measure, CEOs and chairs assess the outlook for their own company through questions about employment, sales, and capital investment, both inside and outside Europe. ERT has fielded these survey questions since the second half of 2017. Special questions of current significance are included in each survey.

This iteration of the survey was fielded between April 8 and April 25, 2025, to 59 ERT members; 54 replied to the regular questions, resulting in a response rate of 92%.

For additional information regarding the methodology for The Conference Board Measure of CEO Confidence™ for Europe by ERT, see *Surging Confidence Among European Business Leaders Despite Strains on Supply Chains*. To access and download historical data, please visit Data Central from The Conference Board.

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About the European Round Table for Industry (ERT)

The European Round Table for Industry (ERT) is a forum that brings together around 60 Chief Executives and Chairs of leading multinational companies of European parentage, covering a wide range of industrial and technological sectors. ERT strives for a strong, open and competitive Europe, with the EU and its Single Market as a driver for inclusive growth and sustainable prosperity. Companies of ERT Members have combined revenues exceeding €2 trillion, providing direct jobs to around five million people worldwide—of which half are in Europe—and sustaining millions of indirect jobs. They invest more than €60 billion annually in R&D, largely in Europe. For more info, visit https://ert.eu/.

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The Conference Board is the member-driven think tank that delivers trusted insights for what's ahead. Its membership includes over 1,200 companies in both the established and emerging markets of the world. Its global community of leadership experts, which includes representatives from The Conference Board and a number of prominent companies, works to ensure members receive the practical knowledge they need to navigate the biggest issues impacting business and better serve society. Founded in 1916, we are a nonpartisan, not-for-profit entity holding 501(c)(3) tax-exempt status in the US. For more info, visit https://conference-board.org/eu/.

Endnotes

[1] Konstantinos Panitsas, *CEO Confidence Improves Globally, But Little Pain Relief Is Expected For Europe*, The Conference Board, May 2024.

[2] Konstantinos Panitsas, *Confidence Drops, CEOs Urge Europe To Follow Mario Draghi's Recommendations*, The Conference Board, November 2024.

[3] Mario Draghi, *The Draghi Report: A Competitiveness Strategy for Europe (Part A & B)*, European Commission, September 2024.

[4] Enrico Letta, *Empowering the Single Market to Deliver a Sustainable Future and Prosperity for all EU Citizens*, European Commission, April 2024.

[4] The European Commission, *White Paper for European Defense–Readiness 2030*, March 2025.