

Alona Lebedieva: Europe Avoided a Tariff War with the U.S., But Internal Economic Problems Have Not Disappeared

KYIV, UKRAINE, August 26, 2025

/EINPresswire.com/ -- The eurozone economy is slowing down. Eurostat data for the second quarter revealed just how fragile the situation is: after a decent start in the first quarter, growth has nearly stalled, while industry is increasingly signaling crisis trends. The EU has managed to avoid a trade war with the U.S., but internal challenges remain a serious test for the region.



Alona Lebedieva

In Q2, the eurozone lost much of its growth momentum and barely moved forward. Between April and June, GDP grew by only 0.1% compared to the previous quarter—a sharp deceleration after a fairly solid 0.6% expansion in the first quarter.

“That the economy managed to maintain even minimal positive growth is largely thanks to France and Spain. In Q2, France recorded GDP growth of 0.3%, and Spain of 0.7%. At the same time, the economies of Germany and Italy, the two largest industrial hubs of the region, contracted by 0.1%. Particularly worrying is the slowdown in Germany—the economic ‘locomotive’ of Europe,” said Alona Lebedieva, owner of the Ukrainian diversified industrial and investment group Aurum Group.

The most alarming signals are coming from the industrial sector. In June, eurozone industrial output fell by 1.3% compared to the previous month—worse than economists had expected. This stands in sharp contrast with May, when production grew by 1.1% compared to April. On a year-over-year basis, the figures look somewhat better: in June, output was 0.2% higher than a year earlier. However, this is far from enough to suggest a stable trend.

“The European Union managed to avoid a major external shock: in July, EU and U.S. leaders reached a framework agreement on lifting increased tariffs, which was formalized on August 21. The U.S. agreed to reduce the tariff on car imports from the EU from 27.5% to 15% (retroactively

applied from August 1), and to keep the general tariff on most European goods at 15% instead of the threatened 30%. In return, the European Commission will cancel tariffs on American industrial goods and provide flexibility on environmental regulations, CO₂ emissions, and digital platforms,” Lebedieva noted.

Some of the leaders’ statements also included political commitments: a pledge to invest up to \$600 billion in the U.S. economy and to purchase \$750 billion worth of energy resources. Although these steps are largely symbolic, they highlight Brussels’ willingness to make concessions to de-escalate tensions.

“Overcoming this uncertainty gives a chance for a positive effect in the second half of the year. Businesses and investors are extremely sensitive to risks: even the anticipation of new tariff barriers had already cooled investment activity. Now that this threat has been averted, the economy may receive some impetus for recovery—although internal weaknesses, especially in industry, remain a critical challenge,” Lebedieva believes.

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