

# How EU and US Firms Adjust to Tariff Shocks in Times of Uncertainty

In 2025, geopolitical uncertainty has cast a long shadow over global markets, prompting firms on both sides of the Atlantic to re-evaluate their strategies and investment plans. The reverberations of tariff shocks and persistent doubts regarding the permanence of new geopolitical realities have forced companies to adapt their supply chains. Yet the responses of European and American firms have diverged, reflecting different priorities and approaches.

The 2025 edition of the European Investment Bank Investment Survey (EIBIS) “EIB Investment Survey 2025: EU Overview” sheds some light on these questions (EIB, 2025a). Conducted annually since 2016, the EIBIS is a unique survey of approximately 13,000 firms across all 27 EU members, with an additional sample from the United States. The survey collects data on the characteristics and performance of firms, past investment activities and future plans, sources of finance, financing issues and other challenges, such as climate change and digital transformation. Interviews for the 2025 edition of the survey were carried out from late spring to early summer.

The tariff shock was particularly strong for US firms. In 2025, the share of US firms concerned about tariffs substantially increased compared to the previous year, with 77% of US firms affected, as opposed to 48% in Europe. Compliance with new regulations, standards or certifications was instead more binding for European firms, with 59% affected, compared to 50% of US firms.

Being the most exposed to the escalating tariff environment, US companies reacted forcefully. In the short term, tariffs were slow to pass through. As shown by macroeconomic data, importers frontloaded demand, piled up inventories and partly absorbed the cost of the import tariffs. But survey-based firm-level evidence emphasises long-lasting ongoing changes. American companies deployed pronounced efforts to restructure supply chains, seeking greater import substitution and increased diversification in order to dampen the negative effect of the tariff shock on their activities. The latest EIBIS data reveals that US firms have tried to build a more self-resilient supply chain at all costs. Looking forward, 37% of US firms plan to focus their investment activities on operations expansion, 29% plan to reduce imports, and 39% of US firms plan to diversify import sources.

European firms responded differently to the tariff shock. The European economy is generally more exposed to trade. It was subject to the tariff shock coming from the US but indeed remained more committed to open strategic autonomy. Rather than retreating from global engagement, EU firms focused on building resilience and balancing efficiency and security. This requires a nuanced approach: adjusting supply chains to enhance efficiency and robustness while maintaining openness to international opportunities. The move is supported by European policymakers who seek new alliances and develop new international trade agreements. EIBIS shows that European firms have been working on resilient supply chains already in the past years. In 2025, only 7% of EU firms engaged in import substitution, and 19% invested in diversification.

Despite market turbulence, both EU and US firms have shown resilience in their investment activity. The share of firms investing remains high on both sides of the Atlantic. While the share of firms expecting to increase rather than decrease investment has been contracting in both the US and Europe, it remains mildly positive. This indicates no major change in the investment outlook.

EU firms remain climate-aware and future-oriented in their strategies. They are more aware of the consequences of the net zero transition than their American counterparts, in line with the policy priorities in each jurisdiction. EU firms are familiar with transition risks (particularly in Eastern Europe and in some of the Central European countries) and slightly more aware of the opportunities the transition presents (particularly in Northern Europe). As a result, 92% of EU firms have taken action to reduce greenhouse gas emissions, a much higher share than in the United States across various investment categories. Consistently with US policy incentives, the share of US firms that see the transition to a net-zero emission economy as a risk has significantly declined since 2024.

Firms remain aware of the physical risks associated with climate change and are slowly starting to act on climate adaptation (EIB, 2025b). On both sides of the Atlantic, the share of firms faced with costs from extreme climate-related events is high: 68% in Europe and 64% in the United States. The share of firms that have taken action to deal with physical risks has increased steadily and is relatively similar (55% in the United States, 53% in the European Union). The number of firms investing in adaptation is increasing over time.

In the US, 2025 marks the year of the AI boom, with investments in AI and data centres picking up sharply. With a strong industrial base and an increasingly enabling environment, EU firms have accelerated their adoption of advanced digital technologies to the extent that their adoption rate now matches that of US firms. Moreover, firms' responses to a new question included in EIBIS indicate the adoption rate of generative AI technology is roughly the same on both sides of the Atlantic: 37% in the European Union and 36% in the United States. However, US firms that use big data or AI technologies tend to apply them across more business areas than their European counterparts. This finding highlights the potential upside of more widespread and integrated use of these technologies across European corporates.

Finally, the 2025 survey underlines the importance of simplifying regulation, procedures and market access in the European Union. Time spent meeting regulatory requirements is sizable for EU firms, with the cost estimated at 1.8% among small and medium-sized enterprises. Deepening the Single Market remains equally vital to enhancing the European Union's competitiveness: 62% of EU firms perceive the EU market as fragmented for their main product, a share unchanged from 2024. Many barriers remain a drag on investment by firms. Uncertainty is the most frequently cited barrier, weighing even more on EU than on US firms (83% of EU firms are concerned, compared with 68% of US firms). Availability of skills comes second for EU firms (79%), followed by energy costs (75%) and business regulation (69%). Energy costs remain much more of an impediment for firms in the EU than in the US. Tackling these impediments is at the top of the European policy agenda, with several initiatives aimed at simplifying regulatory reporting, accelerating decision processes and further integrating the European energy market to deliver lower energy costs to European corporates.

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## References

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