



# EUROPEAN VENTURE SENTIMENT INDEX

Quarterly Report  
Q2/2025

June 25, 2025

## SLOWER OUTPUT AND TRADE UNCERTAINTIES RECAST THE Q2 ECONOMIC LANDSCAPE.

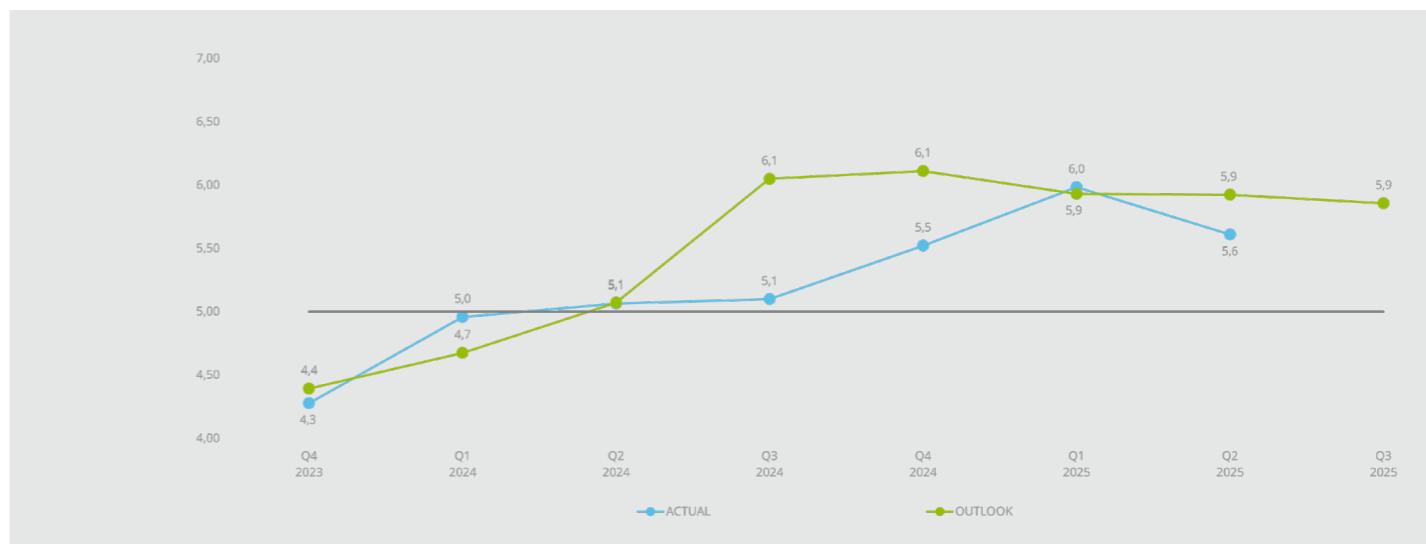
After the optimistic start to the year, the global economy slowed in the second quarter. World output, which had expanded by roughly 0.8% in Q1, is now estimated to have grown by only about 0.5-0.6% QoQ in Q2, a pace that translates to almost 2% annualised growth and is the weakest since mid-2023 (S&P Global, 2025). Even so, baseline annual projections for advanced economies are broadly unchanged. Euromonitor continues to see real GDP rising 1.7% in 2025, with global activity holding near 3.2% (Euromonitor International, 2025). Disinflation has gathered pace: the OECD consumer-price index rose just 0.3% over the quarter, keeping the YoY rate at 4.2%, its lowest since 2021 (OECD, 2025). Lower energy costs and flat goods prices drove the improvement, though service-sector inflation remains sticky.

The United States remains the chief source of upside surprise. The job market is easing rather than weakening, unemployment held at 4.2% in April and May, just 0.3pp above a year earlier (BLS, 2025). Inflation, however, is proving stubbornly slow to reach the Federal Reserve's 2% goal: headline CPI increased 0.1% in April and May, leaving annual inflation at 2.3% and core inflation at 2.8% (BLS, 2025). With price risks from new tariffs looming, the Fed left its policy rate unchanged at 4.25-4.50% on 18 June; however, a likelihood of further cuts before 2026 still remains (Federal Reserve, 2025).

The ECB's June 2025 projections remained unchanged from

March, depicting a euro-area recovery being fragile but gradually firming: real GDP is expected to grow 0.9% in 2025, 1.1% in 2026 and 1.3% in 2027. Considering the 2025 estimations, the impact of future potential economic disruptions associated with US tariffs and lingering trade uncertainty on eurozone economic development should be mostly absorbed by unexpectedly strong momentum carried over from the first quarter, projected to leave net trade subtracting roughly 0.6pp from next year's growth. Domestic demand remains the main engine - staff see rising real wages, robust employment and gradually easier financing conditions sustaining private-consumption growth near 1.2% a year, while stepped-up defence and infrastructure spending support investment. On prices, the ECB now foresees headline HICP at 2.0% in 2025 (revised down 0.3pp), dipping to 1.6% in 2026 before returning to the 2% target in 2027; core inflation is projected to ease from 2.8% this year to 2.4% in 2025 and 1.9% thereafter as unit-labour-cost growth slows sharply (ECB, 2025).

The euro-area unemployment rate slipped back to a record-low 6.2% in April, matching December's trough and down from 6.3% in March. Such a positive trajectory in the employment landscape is driven by the hiring in services that continue to offset factory weakness (Euronews, 2025). However, despite the overall optimistic development of eurozone employment situation, Germany, on contrary, experiences challenges: new 34,000 initial jobless claims were filed in May, leaving the rate at 6.3%, its highest level outside the pandemic since 2015, as new layoffs at Siemens and Volkswagen coincided with a sharp fall in vacancies. These labour market concerns reflected a wider slowdown in manufacturing. Eurostat's first estimates show industrial production contracting 2.4% m/m in April after a 2.4% surge in March, while the euro-area trade surplus shrank to EUR



9.9b as exports to non-EU markets dropped 8%. Germany felt the tariff reversal most acutely: exports fell 1.7% on the month, including a 10.5% slide in shipments to the United States, and factory output dropped 1.4%, wiping out much of Q1's front-loaded gains (Reuters, 2025).

In Q2 2025, a succession of macroeconomic disturbances significantly altered the European venture-capital landscape. First, the United States introduced a "reciprocal-tariff" package in early April, imposing duties of 25-50% on selected goods alongside a universal 10% levy, while a further 50% tariff on European exports remained under consideration. Second, the European Parliament elections in June delivered sizeable gains for far-right parties, complicating Brussels' trade posture at a delicate juncture. Third, U.S. strikes on Iranian nuclear facilities on 13 June briefly lifted Brent crude above USD 80 per barrel and embedded a persistent oil-risk premium. These developments collectively heightened uncertainty: one in four U.K. exporters cited U.S. tariffs as a principal risk, and 30% of global corporates postponed or renegotiated transactions. European venture rounds led by U.S. investors declined by approximately 20% QoQ. Firms in need of late-stage financing increasingly turned to direct-lending providers as syndicated-loan markets weakened, whereas the spike in energy-security concerns channelled new capital into climate-technology, grid modernisation and industrial-AI ventures (Hedgefundalpha, 2025).

## INDEX ACTUAL BELOW OUTLOOK AMID GLOBAL ECONOMIC SLOWDOWN.

In Q2 2025, the index actual came in slightly below expectations at 5.6, compared to the projected 5.9. This represents a 6.3% QoQ decline but still marks a solid 10.8% YoY increase. The drop in the index actual reflects the global economic slowdown, largely driven by a fading momentum after a robust Q1 2025.

Trade-related uncertainty and slower global output weighed on investor sentiment in Europe, despite the region's resilient labour market and solid domestic demand. However, gradually improving financing conditions and easing inflation in the euro area helped cushion the impact, preventing a sharper decline in the index actual during Q2 2025.

Despite falling short of expectations, the Q2 2025 index actual remained above the neutral line for the sixth consecutive quarter. The Q3 2025 outlook, standing at 5.9, reflects a modest projected decline of 1.1% QoQ and 3.2% YoY, indicating a weakening trend in index performance. These patterns suggest growing caution

within the European VC ecosystem as it responds to anticipated economic headwinds.

The development of the index's actual components in Q2 2025 was mostly negative. Especially, the perception of the current fundraising environment declined significantly by 28.5% QoQ and the current valuation dropped by a notable 12.6%. Also, the investor activity decreased by 3.4% QoQ alongside the 1.2% drop in competition for deals. However, Q2 2025 still had some positive developments with the current deal flow quality improving by a solid 13.3% QoQ.

### “ TARIFF TURBULENCE MEETS RECORD LIQUIDITY: EUROPE'S VC INFLECTION POINT .

Europe's venture landscape is pivoting rather than pausing. Tariffs have trimmed U.S.-led deal flow and kept exit channels tight, yet the combination of record-low euro-area interest rates, a deep pool of undeployed capital and surging demand for energy-security solutions is sparking a new wave of opportunity.

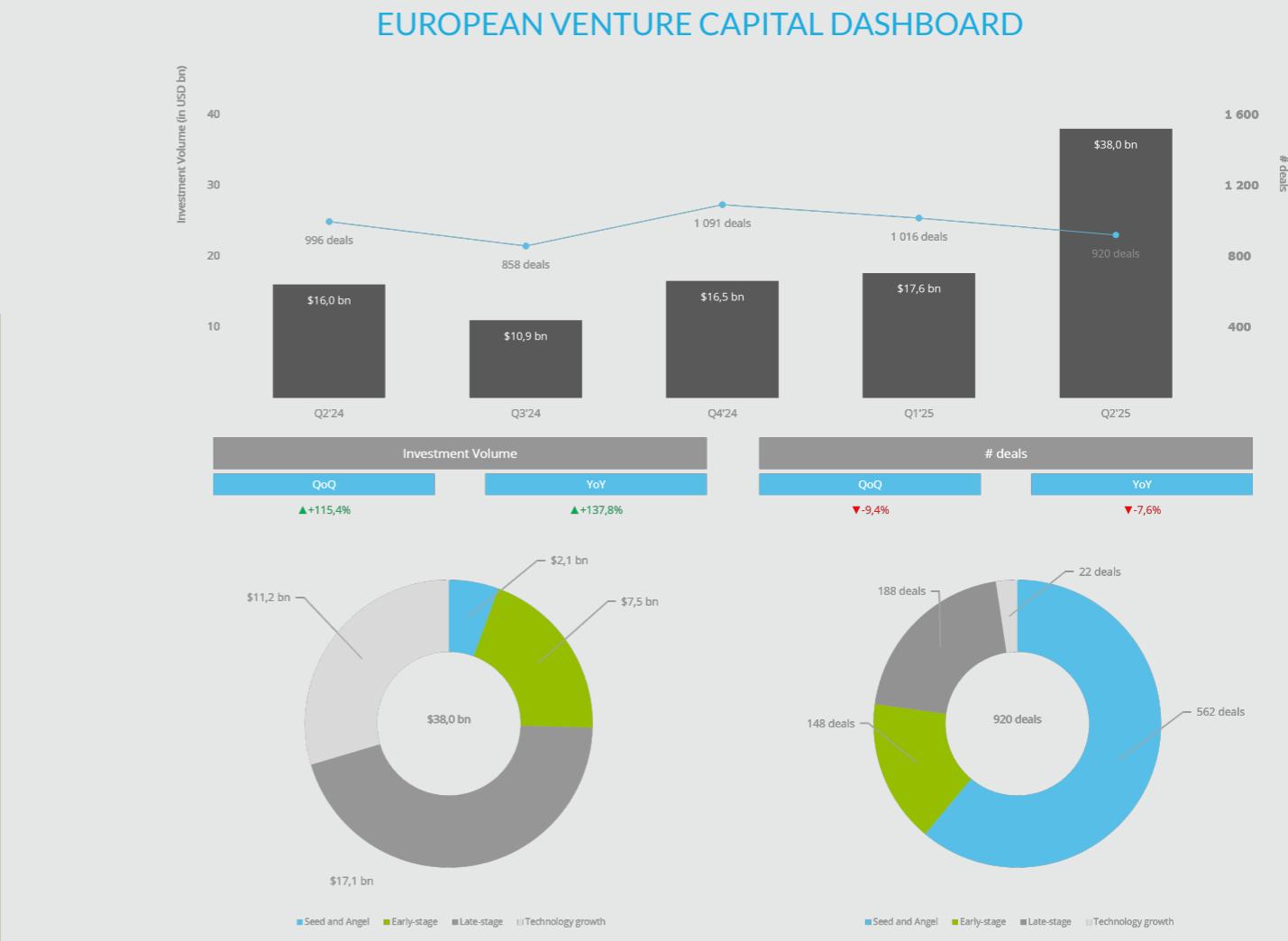
Investors are shifting focus toward sectors that turn today's geopolitical frictions into competitive industrial modernisation, climate hardware, vertical AI, and supply-chain automation - while late-stage companies bridge the gap with private credit until exit windows reopen. If trade hostilities ease later this summer, the continent could move from caution to catch-up with surprising speed.

Markets entered a stage of severe compression, which is an indication of major movements in the near future. While the probability for a market surprise for upside is limited, any peace agreement could favour such dynamics very fast. A drastic downturn of markets - across the board - is the obvious elephant in the room, yet markets have been anticipating this for a while and stayed surprisingly stable. We remain cautious.

Sentiment towards defense tech (dual use) and deep-tech seems to be much better than other sectors, which indicates good news at least for some leading European tech deals. Every crisis is an open invitation for exponential opportunities - funds starting in this current environment (vintage 2025/2026) will likely outperform previous vintages.

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## EUROPEAN VENTURE CAPITAL DASHBOARD

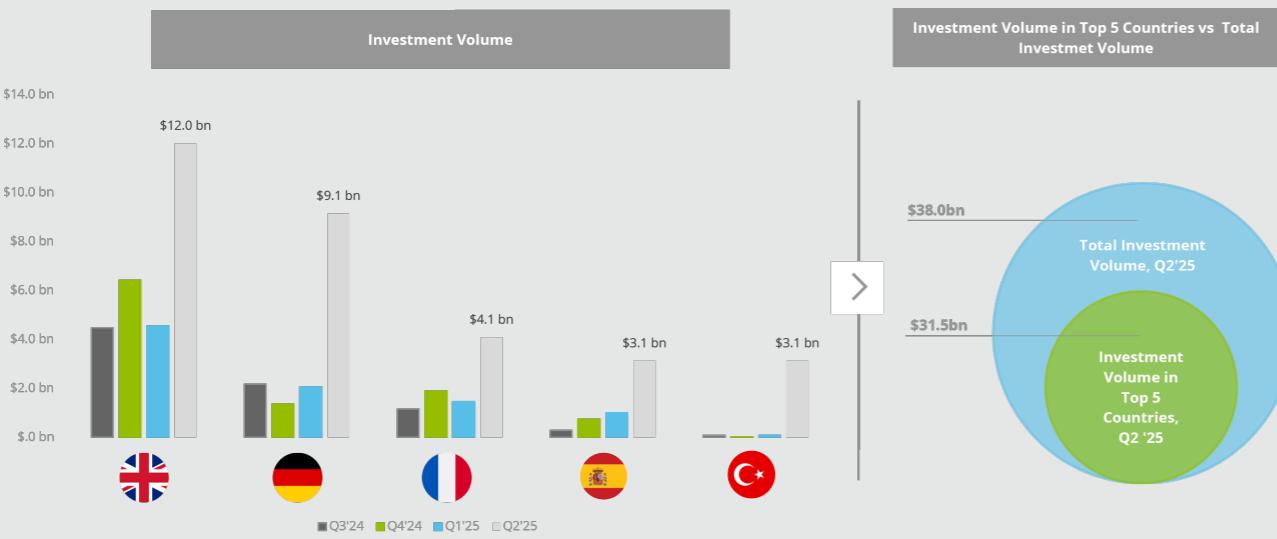


Looking ahead to Q3 2025, respondents expect a positive development by a significant 15.8% QoQ increase in startup valuations. The deals competition is also projected to improve by 1.8% QoQ. At the same time, the activity of investors is projected to decrease by a further 8.4% QoQ, as well as the fundraising activity, which is expected to decline by 18.8%. The quality of the deal flow in Q3 2025 is expected to slightly decrease by 0.6% QoQ. The primary concerns identified in the in-depth interviews changed from the previous quarter, with rising trade tensions for the global economy leading, followed by geopolitical tensions, a challenging exit environment, and fundraising difficulties. In addition to the mentioned concerns, respondents also expressed concerns over competition with AI-driven ventures, limited

differentiation in valuation, and the pressure on early-stage companies to show traction and meet clear milestones amid broader economic uncertainty.

Although Q3 2025 is expected to bring further declines in investor activity and fundraising, the projected rise in startup valuations and deal competition suggests some cautious optimism. Despite ongoing economic challenges, the European VC market seems to be adjusting rather than slowing down completely, with selective and steady investment activity likely to persist.

## INVESTMENT VOLUME ACROSS THE EUROPEAN VC ECOSYSTEM



All of the regions reported a significant surge in investment volume in Q2 2025, with quarter-over-quarter funding growth ranging from about 3x in the UK and Germany to more than 6x in Spain and Turkey, underscoring a broad-based rebound across the continent.

## EUROPEAN VC FUNDING SURGES AMID STRATEGIC SHIFT TO LARGER ROUNDS.

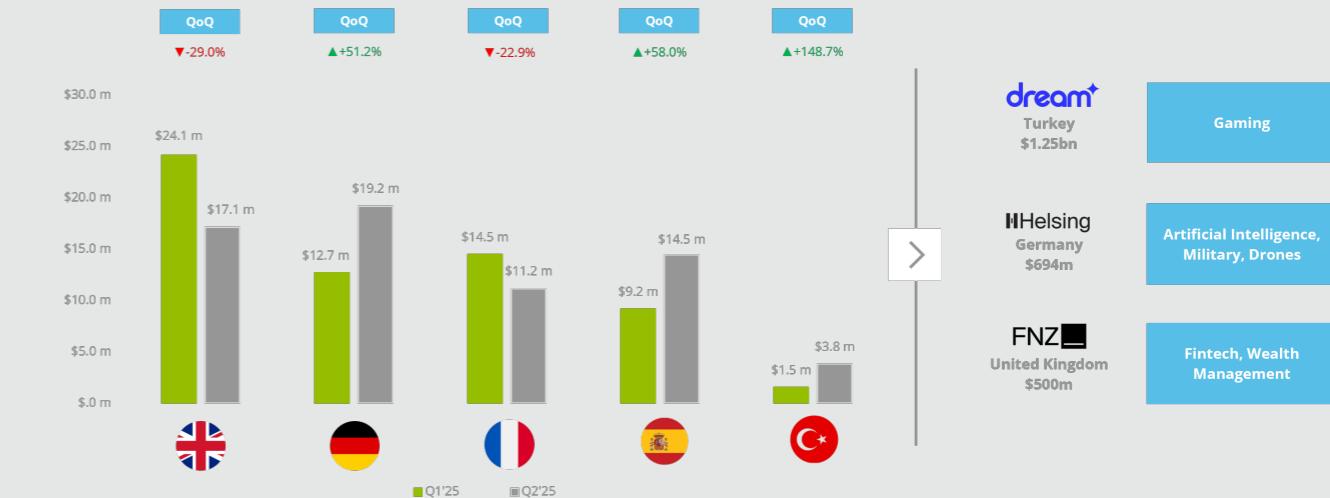
In the second quarter of 2025, the European venture capital ecosystem continued to grow, building on its strong performance in Q1. Total investment volume rose to USD 38.0b, reflecting impressive increases of 115.9% QoQ and 137.5% YoY. While investment volume surged, the number of deals fell further from the previous quarter to 920, reflecting a 9.4% decrease QoQ and 7.6% YoY. Accelerated funding volume signals the investors' objective to leverage the undeployed capital left from the successful fund closures in 2020 and 2021, yet the continued decline in the number of deals indicates that investors are becoming more and more selective, seeking already-proven business models and product-market fits.

Seed and angel investments totalled USD 2.1b, amounting to

5.5% of total funding. With 562 deals, this stage represented 61.1% of the total number of deals. The average deal size at this stage was USD 3.7m. Early-stage investments stood at USD 7.5b, which is 19.7% of the total funding, across 148 deals, marking 16.1% of all deals, with an average deal size of USD 50.7m. Late-stage investments reached USD 17.1b, representing 45% of total funding, with 188 deals comprising 20.4% of the total deal count. The average deal size at this stage was USD 91.0m. Technology growth investments volumes peaked at astonishing USD 11.2b, up 286.2% from the previous quarter. This characterised 29.5% of the total funding across 22 deals, accounting for 2.4% of the total number of deals. The average deal size at this stage was USD 509.1m.

The average deal size across all stages stood at USD 41.3m, rising by 137.9% from USD 17.4m in Q1 2025 and by 157.5% from USD 16.0m in Q2 2025. This reflects a major shift towards larger, more capital-intensive rounds. Overall, Q2 2025 saw exceptionally strong results, with total funding rising sharply despite the continued decline in the number of deals. This

## AVERAGE DEAL SIZE PER COUNTRY AND BIGGEST DEALS ACROSS THE EUROPEAN VC ECOSYSTEM



suggests an investment landscape where, due to ongoing economic and geopolitical uncertainty, investors are trying to avoid many small risks and instead concentrate capital into larger rounds for proven companies.

## TOP VC ECOSYSTEMS CONSOLIDATE THEIR LEAD AS EUROPEAN INVESTMENT RISES.

In the second quarter of 2025, the United Kingdom retained its position as Europe's leading venture capital ecosystem. Germany and France remained in second and third position, respectively. Together, these three countries accounted for a total investment volume of USD 25.2b, representing 66.4% of Europe's total VC funding. Total investment by these three key players increased by 213.0% QoQ, raising their share of the total investment volume to 66.3%. Compared to Q1 2025, they increased their share of the total investment volume by 45.3%,

reflecting a narrowing of capital into fewer regions.

The three leading ecosystems recorded 492 deals during the quarter, reflecting a 2.2% decline from Q1 2025. Their combined share of total deal activity increased to 53.5%, up 8.0% QoQ. This upward shift offsets the opposite trend seen in the previous quarter. The United Kingdom rebounded from a drop in investment volume in the last quarter to a sharp increase of 163.4% QoQ, maintaining its lead. The number of deals also increased slightly to 275, representing a 3.4% increase from the previous quarter. Germany surged in investment volume, rising to USD 9.1b, a 344.7% increase QoQ. This was achieved despite a decline in the number of deals to 95, down 11.2% compared to Q1 2025. France saw an increase in investment volume of 182.4% to USD 4.1b. The deal count decreased by 6.2% to 122. Additionally, Turkey and Spain emerged as this quarter's highlights, both raising a total of USD 3.1b in investment volumes.

During Q2 2025, the European Venture Capital ecosystem saw three major investment rounds that drew impressive attention.

Dream Games, a mobile gaming company based in Istanbul, led Q1 2025 by raising USD 1.3b in May 2025. The second-largest funding round came from Helsing, a Berlin-based AI-powered defence technology company focusing on drones and software that secured USD 693m in June 2025. Finally, a London-based FNZ, a financial services platform, raised USD 500m, accelerating its mission of transforming, simplifying, and improving wealth management through technology. Major transactions in AI & deep tech, fintech, and defence defined the investment landscape of Q2 2025, highlighting key sectoral momentum and signalling a clear alignment with investor priorities across Europe.

## METHODOLOGY

Over 4000 highly experienced investors (business angels, (corporate) venture fund managers and family offices) from 8 European countries were invited to participate in April, May & June 2025 in the European Venture Sentiment Survey, conducted by Venionaire Capital. Venionaire Capital collects answers from a focus group in computer-assisted personal interviews and a much smaller control group to assess the indices based on a quarterly recurring survey.

Those datasets are collected in two waves and finally merged. In both groups, Venionaire has aligned similar sets of investors, ranging from business angels to large corporate venture units as well as early- to later-stage venture capital funds from all over Europe (incl. Switzerland and the UK).

The indices for current sentiment and projected outlook are weighted indices, with emphasis on the ability/willingness of investors to invest, the perception of startup valuations and the quality of deal flow.

## COMPARABILITY

Sentiment surveys and indices are nothing new. They have been around for decades to quantify how a specific group of people feel about a market or economy. One of the most notable examples is the Consumer Confidence Index (CCI), which provides an indication of future consumption and saving of households. There are also surveys that focus on a specific market, or even an individual security. How can the results of these market sentiment surveys help market participants?

Let's look at the venture capital industry. This general economic information can greatly benefit both the investor and start-ups within a market. Investors can compare their own views and opinions to those of the general market or across different geographical regions and industry verticals. This will help them to adjust their investment behavior. Start-ups can use this information when growing their business internationally, when they prepare for fundraising or to slow down their business (return to bootstrapping – ahead of time) if the economic environment worsens. Market sentiment indicators are important for us in all industries and markets. Nevertheless, there is a limited number of market sentiment indices for the venture capital or start-up market available, which we found useful to work with.

Most indices available focus on a specific region, investors group or industry. Take EIF's VC Survey, which targets a highly professional group of regulated investors across Europe, but does not take accelerators or business angels into account. Our partners of Deutsche Börse Venture Network conducted a great

report on market sentiment during the COVID-19 pandemic. It offers great insights, but it was a onetime publication. We have developed our own "European Venture Sentiment Index", which shows in one simple number the general state of sentiment today and shows the current outlook in a second number.

## THE EUROPEAN INVESTOR SENTIMENT INDEX

The index is based on feedback from different economic regions, as well as start-up sectors and reflects the general European Venture Sentiment. The methodology of the index was designed by Venionaire Capital in mid-2019. The project was led by its founder and managing partner, Berthold Baurek-Karlic, a serial entrepreneur and leading venture capital expert from Vienna, Austria. Berthold started his career in the statistics department of the Austrian Central Bank (OeNB).

"We attach great importance to providing our investors with an actual overview of the current investment climate in the European start-up sector. After this index has proven to be an important tool for our clients - including start-ups as well as investors - we have decided to make the results available to the public for the first time during the COVID-19 pandemic in the first quarter of 2020. Our aim was to draw public attention to the threatening situation of innovative young companies in Europe", explains Berthold Baurek-Karlic.

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Berthold is the founder and CEO of Venionaire Capital, which specializes in M&A and venture capital. The Venionaire Group also includes the software provider DEALMATRIX ([dealmatrix.com](http://dealmatrix.com)). He is also founder and secretary general of the Business Angel Institute ([businessangelinstitute.org](http://businessangelinstitute.org)), board member of the European Super Angels Club ([superangels.club](http://superangels.club)), former board member of Homepl (homepl.com), Flotec ([floytec.com](http://floytec.com)), Unmanned Life ([unmanned.life](http://unmanned.life)) and chairman of the supervisory board of Blockpit (blockpit.io). Furthermore, he is an expert partner of various accelerators and consultants of various venture funds, as well as external consultant in the EU programs Horizon2020 (today Horizon Europe) and Innovation Radar.



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Denis manages the dealflow, analyses intricate business models, and prepares investment decisions. He is accountable for spotting, screening, and evaluating startups, with an added focus on financial modelling, aiding Venionaire's clients with financial engineering and valuations. Additionally, Denis is responsible for evaluating the development of portfolio startups. He has gained professional experience working on international projects between Russia and China. Holding an undergraduate degree in International Business Administration with a finance major from Lauder Business School, he currently pursues a graduate degree in Strategic Finance & Business Analytics from the same institution.



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Sofiya is responsible for the preparation of information for reports and manages various dealflow tasks, which encompass fundraising efforts and the ongoing updating of startup information. She is also actively involved in assisting with the identification, evaluation, and consideration of potential startups. Sofiya earned her Bachelor of Arts degree in the "Ethics Politics Economics" program from the Ukrainian Catholic University in Lviv, Ukraine, achieving the distinction of magna cum laude. Recently, she has achieved her Master of Arts degree in Economic Policy in Global Markets at the Central European University. Additionally, she possesses valuable experience in international cooperation, garnered during her tenure at the Economic Department of the Ukrainian Embassy in Austria.



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Makar focuses on screening and evaluating startups. He contributes to the team by preparing quarterly reports and supporting fundraising efforts. He is also responsible for conducting risk monitoring for the Venionaire Web3 fund. Makar is currently pursuing bachelor's degrees at two universities in Vienna: at Wirtschaftlicheuniversität Wien (WU) and Lauder Business School, maintaining strong academic performance. He holds the FMVA certification (Financial Modeling and Valuation Analyst). Prior to Venionaire, Makar worked as a Business Analyst, conducting business performance evaluation, legal and market research, and bearing accounting responsibilities. Outside of work, Makar enjoys coding and runs a blog where he publishes interesting reports and articles from the financial world.

# ABOUT



The European Venture Sentiment Survey is conducted with the lead of Venionaire Capital. Venionaire is a entrepreneurial partner for investors, founders and institutions. Our partners and team are specialized in venture capital and private equity investments, with an extensive over a decade-long track-record. We offer transaction and corporate advisory services – from due-diligence, valuation, deal structuring, (ghost) negotiating to alternative fund management – for investors, corporates, public entities and growth companies (startups / scaleups). Our track-record as entrepreneurs, advisors and investors shows deals in fields of corporate finance (M&A), (Corporate) venture capital, corporate startup engagement (CSE), digital transformation and high-tech innovation with a total volume of more than a billion Euros. In addition we serve as trusted partners for scouting, screening, technology-, market- and competitive analysis and valuation for bespoke investors and accelerators in Europe. We are proud of our performance within managed portfolios and increase our high-tech footprint everyday to support a future-proof economy.

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