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Drivers, costs, and coping: An expert view on economic uncertainty

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Volume 10

Drivers, Costs, and Coping: An Expert View on Economic Uncertainty

Agnesa Nimanaj, Daria Schaller, Klaus Wohlrabe

- Experts rate current economic uncertainty in their country as high, at 60.7 on a 0–100 scale on average
- Geopolitical tensions and conflicts are considered the primary driver of uncertainty
- Key structural vulnerabilities are weak institutional and governance frameworks, followed by high dependence on commodity imports
- On average, experts estimate that uncertainty lowers expected GDP growth by 0.8 percentage points
- Economies are seen as resilient where shocks can be buffered quickly but weak where resilience must be built over time

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Drivers, Costs, and Coping: An Expert View on Economic Uncertainty

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Daria Schaller
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We use the first wave of the Economic Experts Survey (EES) in 2026 to elicit how economists world-wide assess current economic uncertainty, its drivers, its growth effects, and the resilience of their economies. Experts rate uncertainty as high (60.7 on a 0–100 scale), with geopolitical tensions as the leading driver, and estimate that it lowers expected GDP growth by 0.7 percentage points on average. While monetary and financial systems are seen as resilient, fiscal space, institutional quality, and economic diversification emerge as the dimensions where economies are least prepared.

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Introduction

Measurements of Uncertainty and Risk in the Literature

Economic uncertainty has become one of the defining features of the current global economic environment. Geopolitical tensions, the fragmentation of global trade, rapid technological change, and ongoing monetary and fiscal policy debates have combined to produce an unusually high and persistent level of uncertainty across most major economies. Understanding how uncertainty arises, through which channels it affects economic outcomes, and how well economies are prepared to absorb its effects has therefore moved to the center of academic and policy discourse alike.

Yet for a long time, the economics profession lacked the tools to study uncertainty systematically. The conceptual foundations go back at least to Knight (1921), who drew the now-canonical distinction between risk – where the probability distribution of outcomes is known – and genuine uncertainty, where it is not. Despite the intuitive appeal of this distinction, translating it into empirically tractable measures proved difficult. For decades, uncertainty remained largely a theoretical construct. It was not until the development of high-frequency financial data and, crucially, large-scale text-based methods that researchers were able to construct reliable, cross-country comparable measures of uncertainty. This measurement breakthrough explains why the empirical literature on uncertainty – and with it the evidence on its macroeconomic consequences – only truly gained momentum in the 2000s and 2010s.

A seminal contribution was made by Bloom (2009), who used stock market volatility as a proxy for uncertainty and showed that uncertainty shocks generate sharp, temporary contractions in output and employment. The mechanism is straightforward: when uncertainty is high, firms postpone irreversible investment and hiring decisions – a "wait-and-see" behavior – leading to a rapid drop in activity followed by a rebound once uncertainty resolves. Productivity growth also falls, as uncertainty freezes the reallocation of resources across firms and sectors. This framework established uncertainty as a macroeconomically significant second-moment shock with effects comparable in magnitude to first-moment (level) shocks, building on the theory of investment under irreversibility, in which uncertainty raises the option value of waiting and thereby depresses current investment (Dixit and Pindyck 1994).

The construction of the Economic Policy Uncertainty (EPU) index by Baker, Bloom, and Davis (2016) marked another major step. By combining newspaper coverage frequency, the number of expiring tax code provisions, and disagreement among professional forecasters, the index provides a systematic and replicable measure of policy-related uncertainty for a large and growing number of countries. The EPU index spikes around elections, wars, and financial crises, and has been shown to foreshadow declines in investment, output, and employment at both the national and international level. Davis (2016) extended the approach to a GDP-weighted Global EPU index, documenting the increasingly synchronized nature of policy uncertainty across borders. The availability of these indices has in turn enabled a large body of empirical work that would previously have been infeasible.

Beyond policy uncertainty, geopolitical risk has been recognized as a distinct and empirically relevant source of economic disruption. Caldara and Iacoviello (2022) construct a news-based Geopolitical Risk (GPR) index and show that elevated geopolitical risk foreshadows lower investment and employment, higher disaster probabilities, and larger macroeconomic downside risks. Their results underscore that uncertainty does not stem from a single source: policy, financial, and geopolitical dimensions each contribute independently to the overall uncertainty environment that firms and households face.

Reviewing the accumulated evidence, Bloom (2014) documents several robust stylized facts: uncertainty rises sharply in recessions and falls in booms; it is higher in developing than in developed economies; and the exogenous shocks that often cause recessions – wars, oil price jumps, financial panics – also directly increase uncertainty. The evidence consistently points to uncertainty being harmful for short-run growth, reducing firms' willingness to invest and hire, and households' willingness to spend. Bloom estimates that the surge in uncertainty during the 2007–09 Great Recession may have accounted for roughly one third of the observed GDP decline.

Expert Perceptions of Uncertainty: A Direct Approach

The measures discussed so far share one feature: they are indirect. Stock-market volatility, the frequency of newspaper coverage, and disagreement among forecasters are all proxies from which uncertainty is inferred – none of them asks an informed observer how uncertain the economic situation actually is. A partial exception are firm-level survey measures, which elicit subjective uncertainty directly from decision-makers. The ifo Business Uncertainty, for instance, asks managers how difficult it is to predict their firm's future business development, derived from a monthly question in the ifo Business Survey (Lautenbacher, Sauer and Wohlrabe 2021). Yet such measures are micro-founded by construction: they capture the uncertainty firms perceive about their own prospects, and once aggregated they again serve as a proxy for uncertainty at the country level, rather than as an assessment of the national economy as such. A direct, expert-based assessment closes this gap, but raises an obvious question in turn: do subjective expert evaluations line up with the established, market- and text-based indicators?

We therefore pursue a dual objective. First, we elicit a direct measure of perceived economic uncertainty on a 0–100 scale and relate it to two widely used external benchmarks – the European Commission's uncertainty indicator and the Economic Policy Uncertainty index. As our survey currently provides a single cross-section, we view this less as a fully validated alternative indicator than as a first, promising step: establishing a clear and validated measure will require repeated waves over time. Second, we use the survey to go beyond what existing indices can deliver: identifying the drivers experts hold responsible for uncertainty, the structural features that make economies vulnerable to it, its quantified effect on expected GDP growth, and the dimensions along which economies are prepared – or unprepared – to absorb it.

To this end, we draw on the Economic Experts Survey (EES), conducted by the ifo Institute, which polls economic experts from around the world on a broad range of macroeconomic and policy questions. In the first quarter of 2026, the special questions of the EES focused on economic uncertainty. Experts were asked to assess the current level of uncertainty in their respective countries, identify its main drivers – including geopolitical tensions, trade fragmentation, technological disruptions, and policy uncertainty – rank the channels through which uncertainty affects their national economy, evaluate the resilience of key institutional and economic dimensions, and provide quantitative estimates of expected GDP growth both under the prevailing level of uncertainty and in a hypothetical scenario without it. The survey thus provides an internationally comparable snapshot of expert perceptions at a moment when uncertainty indicators across the globe are elevated – and directly maps onto the key dimensions that the measurement literature has identified as most consequential.

The EES Economic Uncertainty Indicator

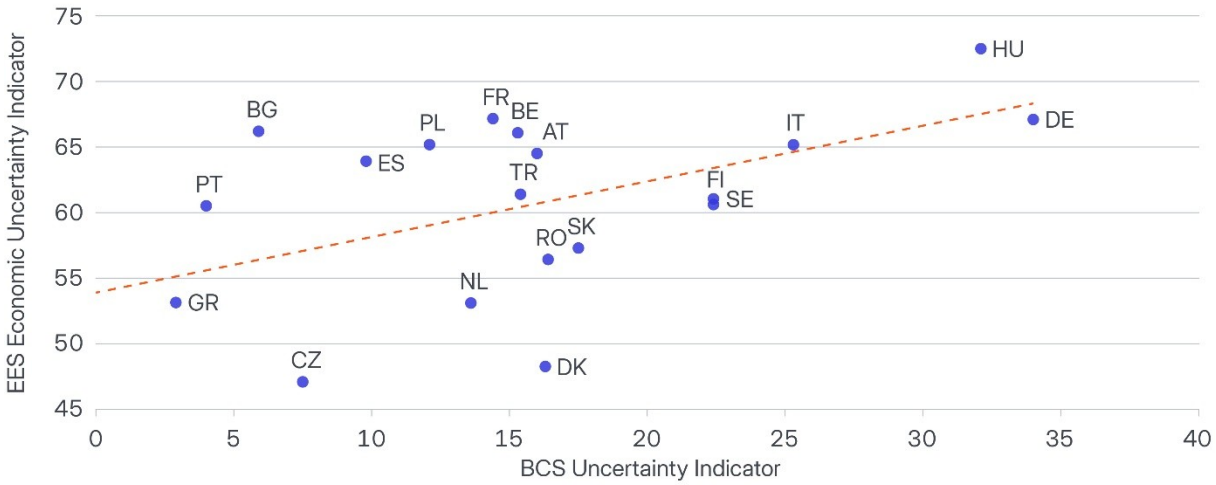
Uncertainty is a sentiment rather than a directly quantifiable variable, which makes it inherently difficult to measure. Given the current period of pronounced geopolitical and economic uncertainty, however, the

question is too important to set aside. In the EES, we therefore ask experts to assess the current level of economic uncertainty in their country on a scale from 0 to 100, which allows for direct cross-country comparison. On average, perceived economic uncertainty stands at 60.7, confirming that experts judge the current environment to be one of elevated uncertainty. To gauge how well this subjective measure captures uncertainty as conventionally understood, we compare it with two established external indicators: the European Commission's uncertainty indicator, drawn from its Business and Consumer Surveys (BCS), for European countries, and the Economic Policy Uncertainty Index (EPU) for a global sample.

For this comparison, we restrict the sample to countries for which the EES includes at least ten respondents (N ≥ 10). The fitted trend line suggests a moderate positive association between the survey-based measure of current economic uncertainty and the BCS Uncertainty Indicator across countries (r = 0.56). Countries reporting higher levels of economic uncertainty in our survey also tend to record higher values in the BCS Uncertainty Indicator. At the same time, the relationship is not uniform, and several countries deviate noticeably from the overall pattern. Bulgaria stands out with a particularly high survey-based assessment of current economic uncertainty relative to its BCS value, while Denmark and the Czech Republic show comparatively low survey-based uncertainty relative to their BCS values. Given the small number of countries and the single cross-section, these correlations should be read as suggestive rather than conclusive, but the positive association is encouraging for a first wave.

Figure 1

Survey-Based Economic Uncertainty and the BCS Uncertainty Indicator across European Countries

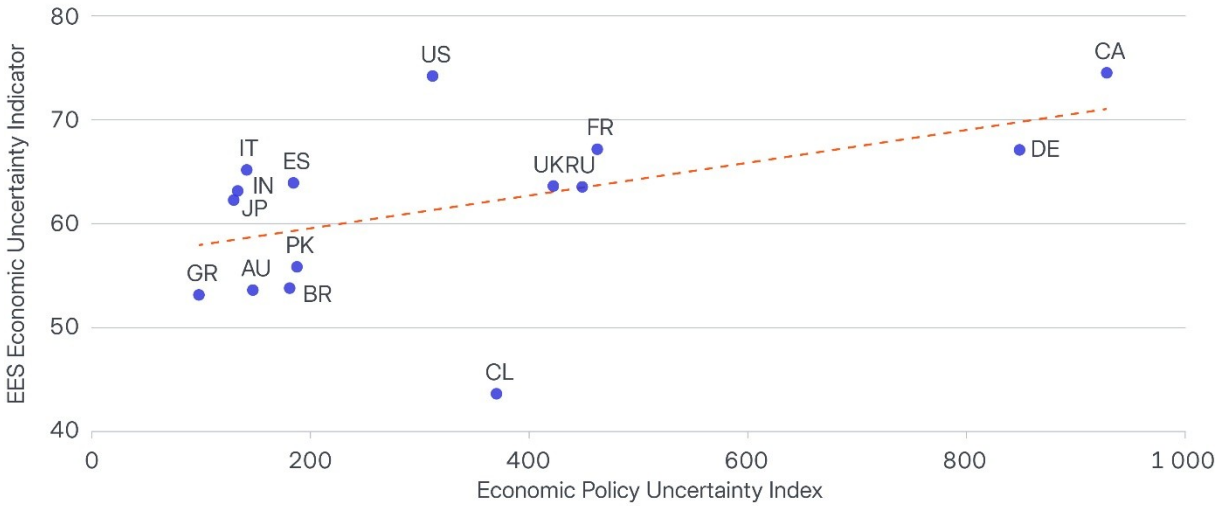


Note: The figure plots survey-based measures of perceived economic uncertainty against the European Commission's uncertainty indicator for European countries. Each dot represents one country. The dashed line indicates the linear fit. Data on perceived uncertainty stem from the Economic Expert Survey (Q1 2026); uncertainty indicator values refer to March 2026 and are taken from the European Commission's Business and Consumer Surveys time series database March 2026.
Source: Schaller and Wohlrabe (2026), Economic Expert Survey 2026Q1; European Commission (2026). © ifo Institute

We repeat the same exercise for the global sample, relating the survey-based measure to the corresponding Economic Policy Uncertainty Index (**Figure 2**). The association is again moderate and positive (r = 0.49): countries reporting higher levels of economic uncertainty in our survey also tend to record higher EPU values. As before, the relationship is not uniform. The United States stands out with a particularly high survey-based assessment of current economic uncertainty relative to its EPU value, while Chile shows comparatively low survey-based uncertainty relative to its EPU value. Canada and Germany, by contrast, record high EPU values that are not matched by correspondingly high survey assessments - a reminder that text-based and expert-based measures can diverge for individual countries.

Figure 2

Survey-Based Economic Uncertainty and the Economic Policy Uncertainty Index across Countries



Note: The figure plots survey-based measures of perceived economic uncertainty against the Economic Policy Uncertainty Index (EPU) for a global sample of countries. Each dot represents one country. The dashed line indicates the linear fit. Data on perceived uncertainty stem from the Economic Expert Survey 2026Q1; EPU index values are taken from the Economic Policy Uncertainty database.
Source: Schaller and Wohlrabe (2026), Economic Expert Survey 2026Q1; Economic Policy Uncertainty (2025). © ifo Institute

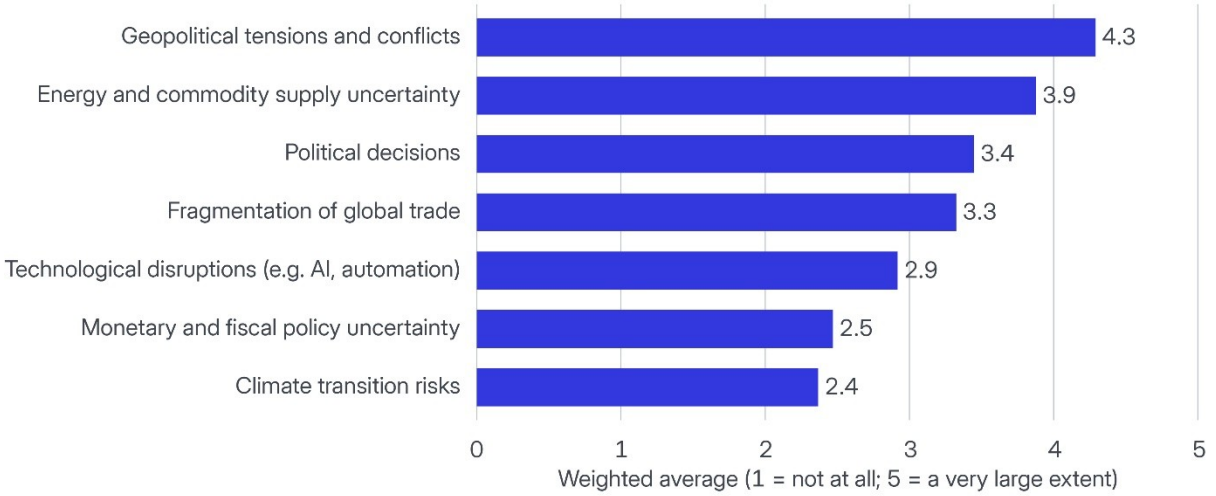
Factors Contributing to Economic Uncertainty

Knowing that economic uncertainty plays a role in most countries, it is instructive to identify the factors primarily responsible for it. We therefore asked experts which factors contribute most to the observed uncertainty. For each dimension, experts indicated whether the factor contributes to a very large extent (5) or not at all (1). **Figure 3** shows the experts' responses as a weighted average for each factor. According to the experts, geopolitical tensions and conflicts contribute most strongly to uncertainty (4.3), followed by energy and commodity supply uncertainty (3.9), political decisions (3.4), and fragmentation of global trade (3.3). Technological disruptions such as AI and automation (2.9), monetary and fiscal policy uncertainty (2.5), and climate transition risks (2.4) play a more minor role.

Regional patterns reveal some heterogeneity, although averages for smaller regional samples should be interpreted with caution given the limited number of experts [Africa: N=83; Oceania: N=25]. With a weighted average of 4.0, Africa [N=83] and Europe [N=603] share the highest regional score for energy and commodity supply uncertainty, outpacing all other regions on this dimension. This may reflect shared vulnerabilities stemming from dependence on imported energy and exposure to volatile commodity markets. In Africa, this is the single most important factor; in Europe, however, experts rate geopolitical tensions and conflicts even higher (4.5). Africa also records a comparatively elevated score of 2.8 for climate transition risks – the highest of any region on this dimension – consistent with broader concerns about the asymmetric costs of climate policy for economies heavily reliant on fossil fuel revenues or facing structural barriers to green investment. On political decisions, the Americas [N=218] lead with a weighted average of 3.9, closely followed by Africa at 3.8. Both regions thus attribute considerably more weight to political decision-making as a source of uncertainty than Asia [N=145], Europe, or Oceania.

Figure 3

Factors Contributing to Economic Uncertainty

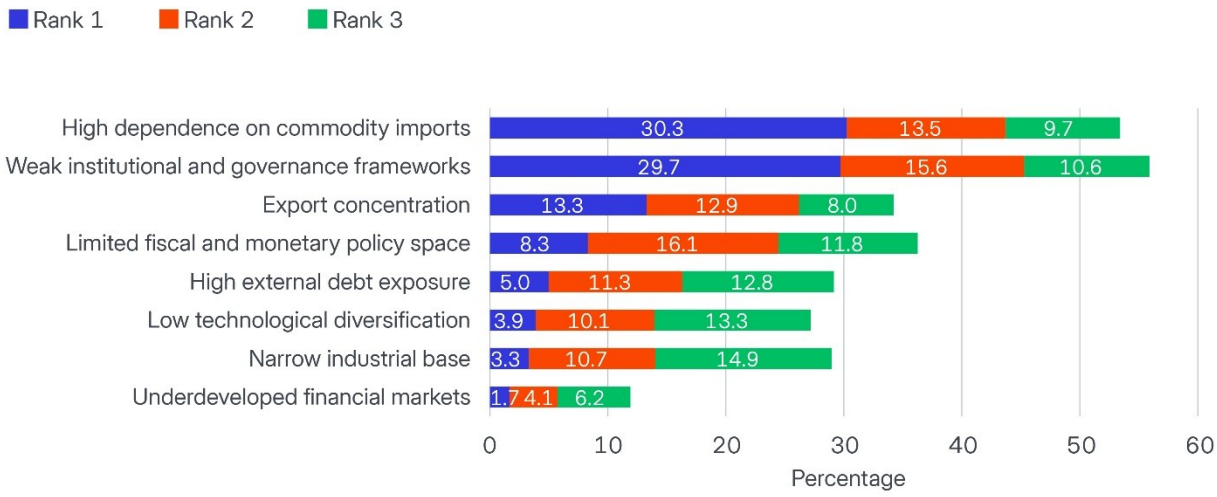


Note: The figure reports how strongly the following factors contribute to economic uncertainty, according to experts. The effect of the factors is calculated as the weighted average worldwide.
Source: Schaller and Wohlrabe (2026), Economic Expert Survey 2026Q1.
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Beyond these factors, structural characteristics also shape an economy's exposure to uncertainty. **Figure 4** ranks the characteristics that, according to experts, make their national economy most vulnerable to economic uncertainty. High dependence on commodity imports was most frequently placed first, cited as the top vulnerability by 30.3 percent of experts, narrowly ahead of weak institutional and governance frameworks (29.7 percent). The remaining characteristics were named first far less often. When the top three ranks are combined, however, the order reverses: weak institutional and governance frameworks emerge as the characteristic most often named among the three leading sources of vulnerability.

Figure 4

A Ranking of the Structural Characteristics That Make a National Economy Most Vulnerable to Economic Uncertainty



Note: The figure reports a ranking of the structural characteristics that make a national economy most vulnerable to economic uncertainty. The figure shows the percentage of how often a characteristic was ranked as 1, 2, or 3.
Source: Schaller and Wohlrabe (2026), Economic Expert Survey 2026Q1.
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Growth Effects of Uncertainty

Uncertainty does not only matter in itself – it also shapes the conditions under which economies grow. When countries face elevated levels of uncertainty, governments, firms, and households tend to delay investment and reduce innovation activity, ultimately weighing on long-run economic performance. We therefore asked experts to assess the influence of uncertainty on growth.

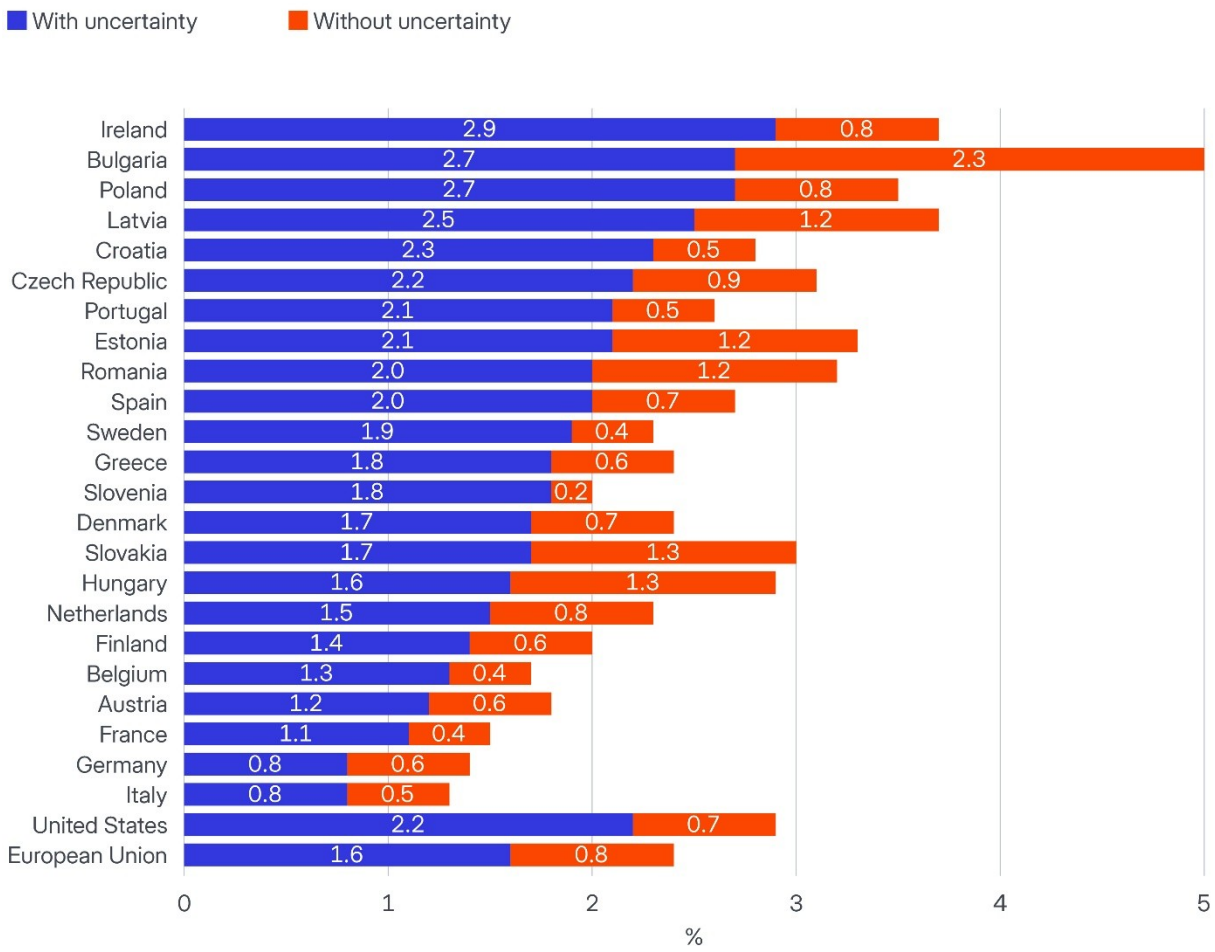
Figure 5 shows the expected average annual GDP growth rate over the next five years. Experts were asked for their assessment under the current situation and for a hypothetical scenario without uncertainty. The figure covers the EU27 countries as well as the United States and the European Union as a whole. The average expected growth rate with uncertainty across the countries shown is 1.8 percent, with a median of 1.8 percent. The United States is expected to grow noticeably faster (2.2 percent) than the European Union (1.6 percent). Germany, together with Italy, sits at the bottom of the ranking at 0.8 percent, with France just ahead at 1.1 percent and Spain at 2.0 percent. The highest growth is expected in Ireland (2.9 percent), Bulgaria (2.7 percent), and Poland (2.7 percent).

Turning to the hypothetical scenario without uncertainty, expected growth is higher than under the current situation for every country. The average growth rate without uncertainty rises to 2.6 percent (median 2.6 percent). For the United States, experts expect 2.9 percent - an increase of 0.7 percentage points - while the European Union reaches 2.4 percent, an increase of 0.8 percentage points. Germany remains at the bottom alongside Italy: without uncertainty, experts expect German growth of 1.4 percent, an increase of 0.6 percentage points. Spain rises to 2.7 percent (from 2.0 percent) and France to 1.5 percent (from 1.1 percent). On average, the absence of uncertainty raises expected growth by 0.8 percentage points. These hypothetical assessments should be understood as experts' subjective gauge of the growth cost of uncertainty rather than as precise counterfactual forecasts.

To put this figure in perspective, the 0.8-percentage-point growth penalty that experts attribute to uncertainty is sizeable but not implausible against the existing literature. Bloom (2009, 2014) estimates that the uncertainty surge during the 2007–2009 recession may have accounted for roughly one third of the observed output decline, while EPU-based studies typically find that uncertainty shocks generate temporary output losses of a similar order of magnitude. The expert assessments thus place the growth cost of the current uncertainty environment broadly in line with – though toward the upper end of – what model- and market-based approaches have documented for past episodes.

Figure 5

Expected Average Annual GDP Growth Rate over the Next Five Years with and without Uncertainty



Note: The figure reports the expected average annual GDP growth rate over the next five years with and without uncertainty. The expected GDP is calculated as the mean responses in the respective countries. The sample consists of countries in the European Union and the United States.
Source: Schaller and Wohlrabe (2026), Economic Expert Survey 2026Q1. © ifo Institute

Policy Implications

As uncertainty grows, economic performance depends on how well economies are prepared to absorb shocks. We therefore asked experts to assess their economy's resilience across six dimensions, each rated on a scale from very poorly prepared (1) to very well prepared (5). The results reveal a striking asymmetry (**Figure 6**): the dimensions that can buffer shocks quickly are seen as robust, whereas those that require long-term institutional and structural foundations are seen as weak – and these are precisely the ones that cannot be built up at short notice.

The weakest dimension is *fiscal policy space*: half of the experts rate their economy as unprepared (categories 1 and 2), with only 16.7 percent considering it rather well prepared and 7.6 percent very well prepared. *Institutional and governance quality* follows closely, with 47.5 percent rating their economy as unprepared – more than double the 23.2 percent who consider it prepared. *Economic diversification* is a third area of concern: 44.5 percent see their economy as unprepared, against just 19.5 percent who view

it as prepared. *Labor market adaptability* is judged weak by a plurality of experts (43.9 percent) rather than pronounced (22 percent).

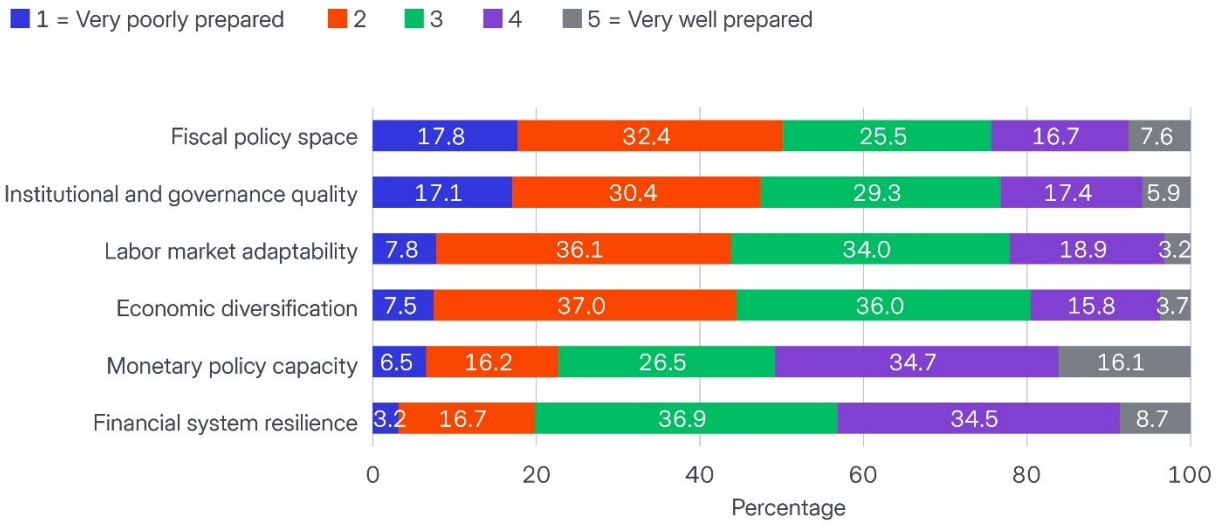
The picture is more favorable for the two dimensions that can respond to shocks at shorter horizons. On *financial system resilience*, experts are comparatively optimistic: 43.2 percent consider their economy prepared, against only 19.9 percent who see it as unprepared – suggesting that macroprudential frameworks and banking-sector oversight are broadly working. *Monetary policy capacity* receives the most positive assessment overall, with just over half of experts (50.8 percent) expressing a positive view. Even here, however, the large share of neutral responses suggest that many experts found this dimension difficult to assess.

These findings translate into a clear set of priorities. The constrained fiscal space calls for credible medium-term consolidation strategies and the rebuilding of fiscal buffers during periods of stability, while avoiding procyclical tightening in downturns. The weak assessment of institutional quality points to investment in the rule of law, regulatory quality, and public administration efficiency - foundations that are themselves a precondition for the effectiveness of all other policy levers. Concerns about diversification argue for industrial and trade policies that reduce the sectoral and geographic concentration of output and exports, particularly in commodity-dependent or export-concentrated economies. And the limited labor market adaptability calls for measures that enhance workforce flexibility without undermining social protection, including active labor market programs, reskilling, and the removal of structural barriers to mobility.

The relative strength of the financial and monetary dimensions should be preserved and leveraged, especially as a buffer during periods of fiscal or external stress. But it should not be mistaken for adequate overall resilience. With fiscal space constrained and structural weaknesses evident, monetary and financial stability alone cannot be expected to absorb major shocks - the dimensions where economies are least prepared are also the ones that take longest to strengthen.

Figure 6

Preparedness of the Economy to Cope with Sustained Economic Uncertainty in Different Dimensions



Note: The figure reports the preparedness of the economy to cope with sustained economic uncertainty regarding different dimensions. For each dimension, experts decided between very poorly prepared (1) to very well prepared (5). The figure shows the percentage of the experts' assessment.
Source: Schaller and Wohlrabe (2026), Economic Expert Survey 2026Q1.
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