

SPEECH

Panel remarks at the International Business Council of the World Economic Forum

Panel remarks by Christine Lagarde, President of the ECB, at the International Business Council of the World Economic Forum

Geneva, 20 August 2025

The global economy is at a challenging juncture. But despite recent trade tensions and substantial uncertainty, global growth has remained broadly steady so far.

This resilience has been mainly driven by tariff-induced distortions of economic activity. In the first quarter of the year, for example, we saw strong global frontloading as importers boosted their inventories in anticipation of higher tariffs.

That has led to stronger than expected growth. The International Monetary Fund finds that global growth for the first quarter of 2025 was 0.3 percentage points higher than it had projected back in April – with international trade and investment driving activity.^[1]

Recent trade deals have alleviated, but certainly not eliminated, global uncertainty, which persists on account of the unpredictable policy environment. One index of global trade policy uncertainty has fallen by roughly half from its peak in April, but remains well above its historical average.^[2]

The euro area economy proved resilient earlier this year in the face of a challenging global environment. This has largely been due to two factors.

First, Europe's export-oriented economy has benefited from the global frontloading, growing by more than expected in the first quarter of the year.

Sectors with higher export exposure to the United States – such as pharmaceuticals, which account for over one-fifth of euro area exports to the United States – recorded strong output growth during this time.

Of course, with tariff hikes now being implemented, this effect is now reversing and the expected slowdown in euro area growth was already evident in the second quarter of this year.

The second factor underpinning the economy has been stronger private consumption and investment, which have contributed positively to growth. Moreover, the labour market remains robust. The unemployment rate – standing at 6.2% in June – has changed little over the past year, while the labour force has continued to grow.

Looking ahead, according to the Eurosystem's June projections, growth is expected to slow in the third quarter as frontloading unwinds. The recent trade deal agreed between the European Union and the United States imposes higher tariffs on euro area goods relative to the US tariff regime before April.

The trade deal establishes an effective average tariff estimated to lie between 12% and 16% for US imports of euro area goods. This effective average tariff is somewhat higher than – but still close to – the assumptions used in our baseline projections last June.^[3]

It is worth noting that the outcome of the trade deal is well below the severe scenario for US tariffs of over 20% for euro area goods envisaged in the June projections. At the same time, uncertainty persists as sector-specific tariffs on pharmaceuticals and semiconductors remain unclear.

ECB staff will factor the implications of the EU-US trade deal for the euro area economy into the upcoming September projections, which will guide our decisions over the coming months.

While the United States is – and will remain – an important trading partner, Europe should also aim to deepen its trade ties with other jurisdictions, leveraging the strengths of its export-oriented economy.

Europe has a strong track record to build on. As the number one trading partner for 72 countries, the EU already has the largest network of trade agreements in the world.^[4]

1.

The IMF projects global growth to be 3.0% for 2025 as a whole, which is 0.2 percentage points higher than in the reference forecast of its April World Economic Outlook. See IMF (2025), "[Global Economy: Tenuous Resilience amid Persistent Uncertainty](#)", *World Economic Outlook*, July.

2.

As at 11 August 2025. See "Daily Trade Policy Uncertainty (7-day Moving Average)" in [Economic Policy Uncertainty](#).

3.

See the "[Eurosystem staff macroeconomic projections for the euro area, June 2025](#)".

4.

European Commission, “[EU competitiveness](#)”.

CONTACTO

Banco Central Europeu

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Direção-Geral de Comunicação

- > Sonnemannstrasse 20
- > 60314 Frankfurt am Main, Alemanha
- > [+49 69 1344 7455](tel:+496913447455)
- > media@ecb.europa.eu

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