

Pierre Gramegna at Eurogroup press conference, April 2025

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Press conferences

Remarks by ESM Managing Director Pierre Gramegna Press conference following Eurogroup meeting Warsaw, 11 April 2025



Thank you very much to the Polish Presidency for a warm welcome here in Warsaw. It's a pleasure for me to be back. I will just focus on market developments in these turbulent times, and I obviously subscribe to all the things that have been said by the President of the Eurogroup and Commissioner Valdis Dombrovskis just now.

Let me start with the positive news, which is very difficult to find in these times of turbulence: that the European financial system has shown substantive resilience in weathering drastic price movements. Despite market stress, euro area assets outperformed not only US peers, but also those of other major economies. The announcement of a 90-day pause in reciprocal tariffs provided some relief to markets after the turbulence caused by the initial announcement of 2 April. The tariffs announced initially were higher than expected by markets. They kept uncertainty elevated and spread doubt about the growth orientation of the government of the United States. In response, US equity markets fell significantly and ultimately long-term Treasury prices as well, with the dollar depreciating. This is highly unusual in historical pattern. Usually, when US equities decline, US treasuries

and the dollar trigger safe haven inflows.

No surprise that markets showed a positive reaction after the moratorium was announced. From the perspective of markets, the pause of tariffs of 2 April is a welcome respite. But as was mentioned by Commissioner Dombrovskis, the damage that has been done cannot be denied and uncertainty remains high. This will slow down investment decisions and overall growth. Market participants remain concerned about the economic impact of the tariff barriers in place even after the pause. The additional tariffs on China and the open trade war between economies will have a meaningful cost for global growth, including for Europe. While tariffs generally harm global trade, markets expect the US economy to suffer most, and also more than Europe, as the models explained by Commissioner Dombrovskis show.

A trade war between the US and China will impact growth in general, for all of us around the globe. It is too soon to tell the longer-term implications for the European economy and sovereign bond markets. Despite the good news of the 90 days' tariff pause, uncertainty remains high. Some tariffs affecting Europe are meant to stay, even with the moratorium. First, tariffs on steel, aluminium, and cars, and second, the 10% tariff across the board for all countries.

For now, spillovers from US yields to euro area yields have been contained. In this uncertain environment, one thing is clear: Europe should seize the shift in the global economic order as an opportunity. We know in Europe what we have to do - this has been also highlighted by the two reports of Letta and Draghi. So Europe needs to deepen its single market and reduce its own barriers. Let's not forget that the most important share of our trade is amongst ourselves. It is good that Europe was resilient in these times, but what we really need to do is to boost our productivity. In these times of uncertainty and unpredictability, what we need is more unity. What we've seen in the last couple of months is exactly that, unity. I think the markets have recognised the very prudent approach of the Commission, and I think that has proved to be the right strategy.

Response to question on whether diversification away from U.S. dollar-denominated assets is more structural than in the past.

I'm not going to predict the future. I have just described the past. That's all I can say.

Author



[Pierre Gramegna](#)

Managing Director

Contacts



[Cédric Crelo](#)

Head of Communications and Chief Spokesperson

+352 260 962 205

c.crelo@esm.europa.eu



[Anabela Reis](#)

Deputy Head of Communications and Deputy Chief Spokesperson

+352 260 962 551

a.reis@esm.europa.eu



[Juliana Dahl](#)

Principal Speechwriter and Principal Spokesperson

+352 260 962 654

j.dahl@esm.europa.eu