



# Agnostic or preaching the gospel

What the state of the world implies for ECB  
monetary policy and the role of the euro

Klaas Knot, 23 April 2025, Peterson Institute for International Economics

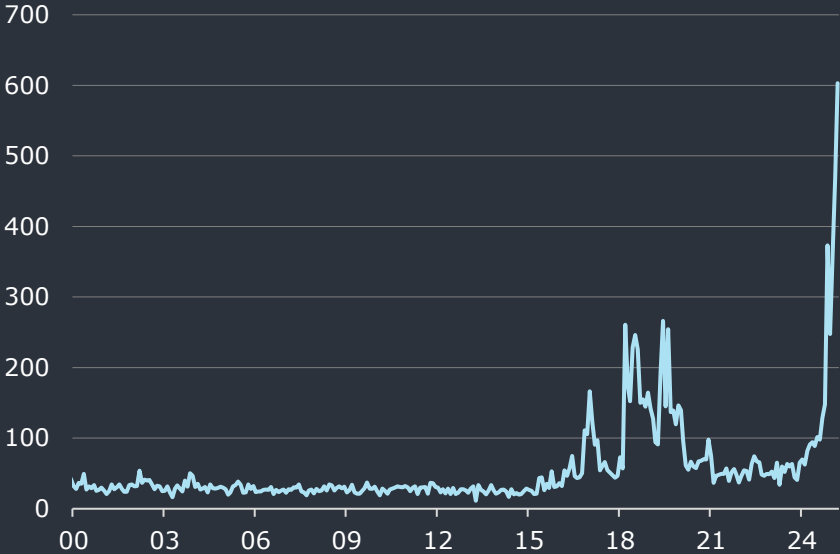
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# Tariffs have clear downward effect on growth

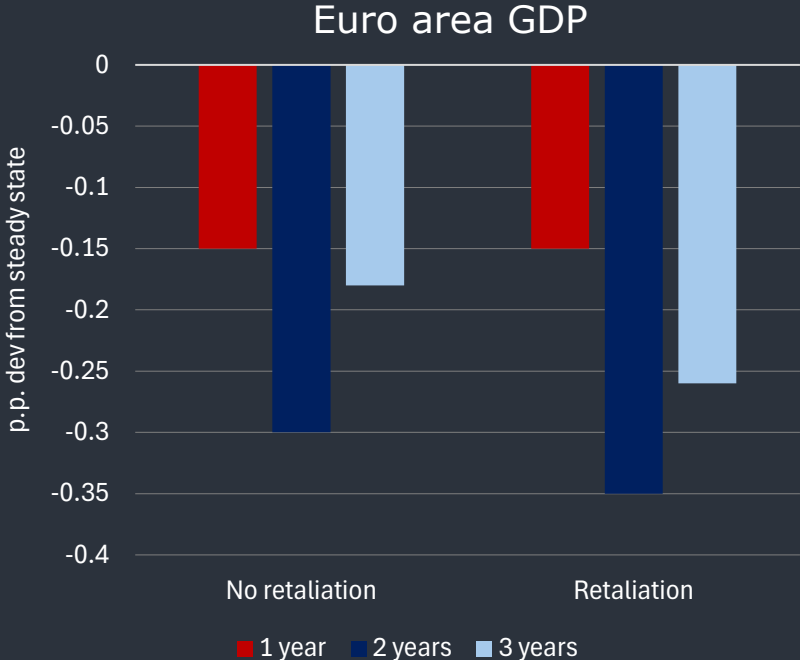
## Trade policy uncertainty

Index, monthly



Source: Caldara et al (2020)

## Tariff simulations



Note: model simulations with the DNB version of the multi-region general equilibrium model, EAGLE. Tariffs are 25% from the US on the EA and the rest of the world. Retaliation from the EA is 25% import tariffs on US.

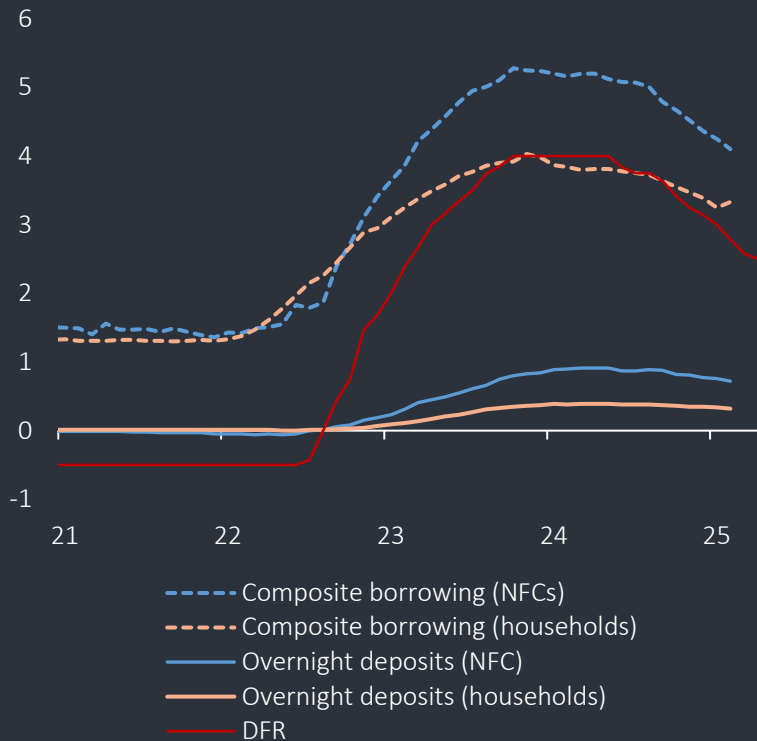
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# Decreasing degree of tightening passing through

## Cost of borrowing and deposit rates

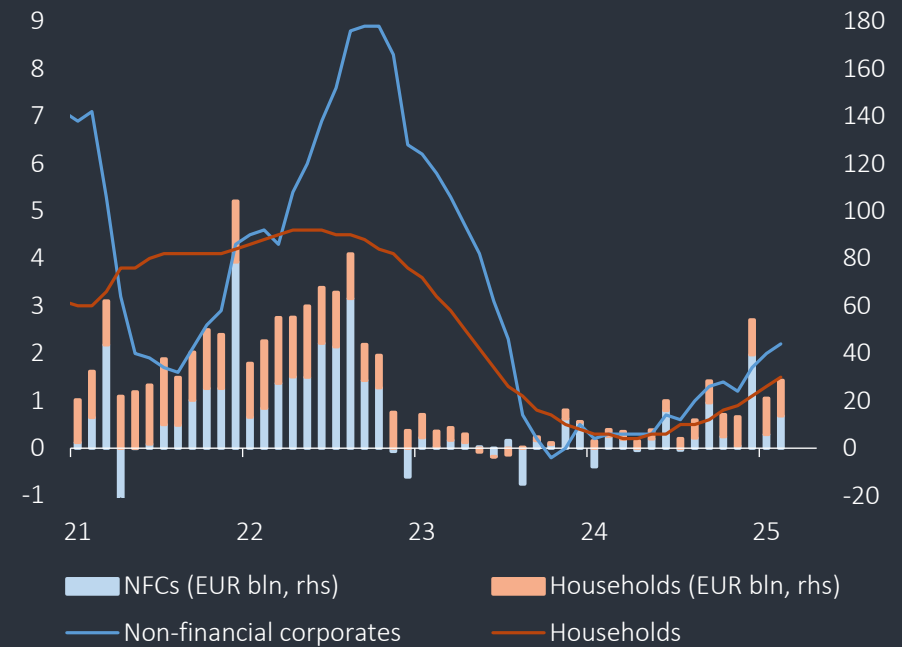
Bank loans, percentages



Source: ECB (MIR)

## Loans to households and NFCs

Y-o-y % growth, corrected for securitization and cash pooling



Source: ECB (BSI)

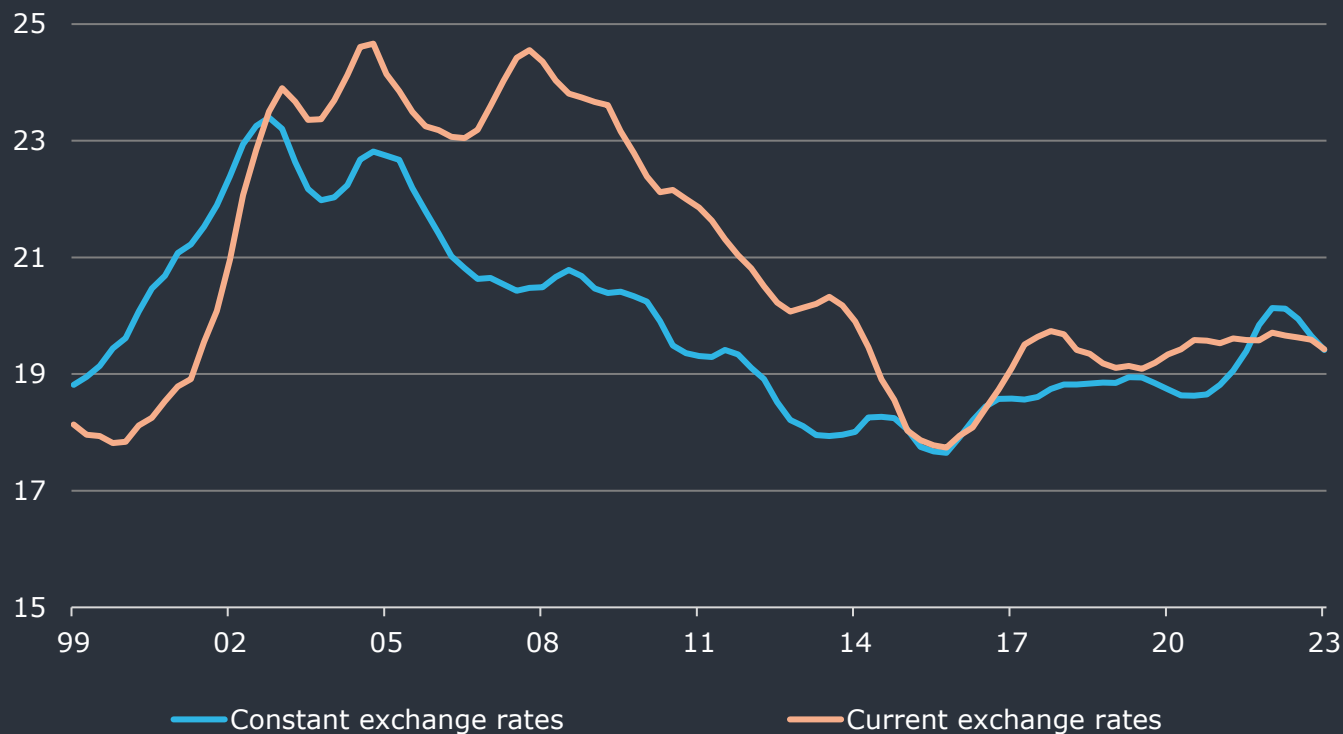
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# International role of the euro has been muted

## International role of the euro

Percentage (23Q4 exchange rates)



Note: Composite index based on use of euro in international bonds, loans and deposits by non-EA banks to/from non-EA borrowers, global foreign exchange settlements/reserves/regimes.  
Source: ECB (2024)

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