



Atlantic Council – 15 April 2026

**“One year on:
why the transatlantic partnership remains of mutual interest”**

Speech by François Villeroy de Galhau

Governor of the Banque de France

Ladies and Gentlemen,

I am honoured to take the floor again at the Atlantic Council, one year after my first speechⁱ here. Back in April 2025, we already found ourselves in an exceptionally uncertain environment. One year on, two observations stand out for me. First, the economy has held up better than expected, including in Europe (I). Second, despite the tensions, we need each other, and we need predictability (II).

I. One year on: resilience amid uncertainty

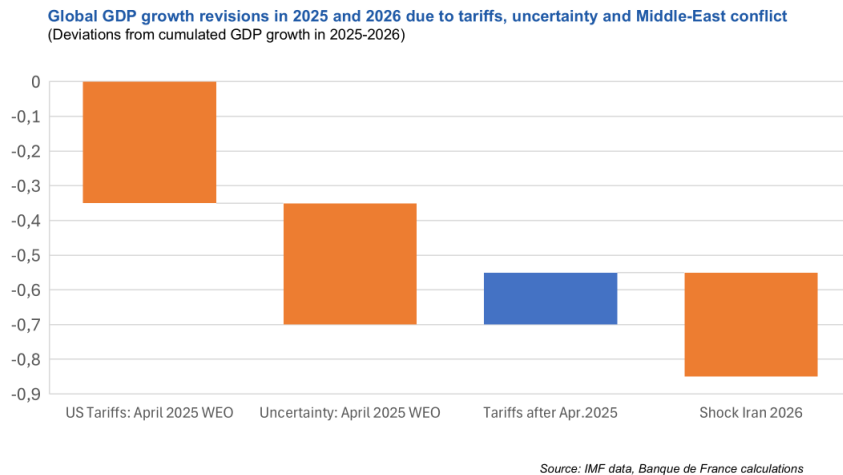
1. The economy and trade have held up better than expected

Despite rising trade barriers, policy uncertainty, and geopolitical tensions, the world economy proved more resilient than feared one year ago: global growth reached 3.4%,ⁱⁱ compared to a 2.8% forecast in April 2025. The euro area experienced a positive growth of 1.5%, with an inflation of 2.1% in 2025, which constitutes a “good starting position”ⁱⁱⁱ for 2026. On this side of the Atlantic, the sharp slowdown in US growth we feared a year ago – some analysts were even hinting at a recession – has fortunately not materialised. Why so? US growth has been driven by the AI investment boom – notably in data centres and technology equipment – but also by a sizeable wealth effect from dynamic equity markets (+16% on the S&P500 over the year) and still supportive fiscal policy. This has supported consumption, but unevenly: the top 20% richest households in terms of income make close to 60% of aggregated consumption.^{iv}

Surprisingly, although the 2025 tariffs pushed the average US import tariff close to 17% (up 13 pp since January 2025), the trade impact also proved less severe than initially feared. World trade volumes in goods and services rose by 5.1% in 2025, against a forecast of only 1.7% in April 2025 at the height of the trade war.^v This resilience was supported by frontloading ahead of tariffs, by the expansion of AI-related trade, and by sustained consumer demand. European trade also proved resilient: imports of euro area goods still increased by 1.3% in 2025, while exports declined by only 0.5%.

But this should not hide the essential point: the counterfactual would have been better.

THE COUNTERFACTUAL WOULD HAVE BEEN BETTER



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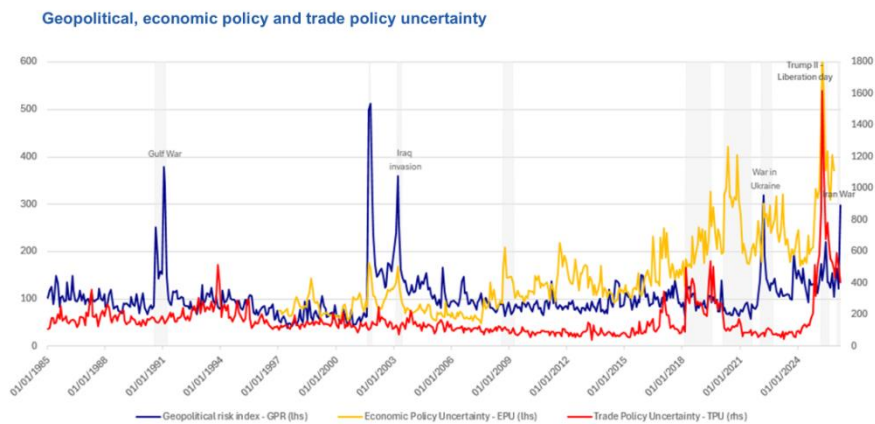
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According to the IMF's April 2026 WEO, US trade policy reduced global GDP growth by roughly 0.6 GDP points in 2025, if we also account for the rise of uncertainty. And both uncertainty and tariffs come at a cost to the global economy – starting with the United States. US tariffs were borne primarily by the US itself: a 10% increase in tariffs translated into roughly a 9.5% rise in US import prices, with American consumers already bearing around one third of the burden.^{vi}

2. The outlook remains deeply uncertain

Our environment remains extraordinarily uncertain: the ongoing conflict in the Middle East adds upward pressure on inflation and downward pressure on growth worldwide.

OUR ENVIRONMENT REMAINS DEEPLY UNCERTAIN



2

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In the IMF's April 2026 WEO, the reference forecast for global GDP growth was revised downward by 0.2pp (to 3.1%), and global inflation upward by +0.6pp to 4.4% in 2026. However, the exact scenario remains unclear, and highly dependent on the magnitude and duration of the conflict – and thus on the lasting success of the announced ceasefire. This is also true for Europe. Our ECB macroeconomic projections^{vii} now explicitly rely on alternative scenarios – ranging from baseline to severe – and all point to the same conclusion: lower growth and higher inflation than in our December 2025 projections. Let me stress one important nuance: today's macroeconomic environment is very different from that of 2022. The euro area is no longer facing the post-pandemic imbalances: inflation has fallen sharply, supply bottlenecks have disappeared, and monetary policy is no longer constrained by the unconventional commitments made at that time.

II. We need each other, and we need predictability

This brings me to my second observation: the lesson of the past year is that we need each other – and we need predictability. And let me here speak candidly, as friends must speak when there are tensions.

1. We need each other

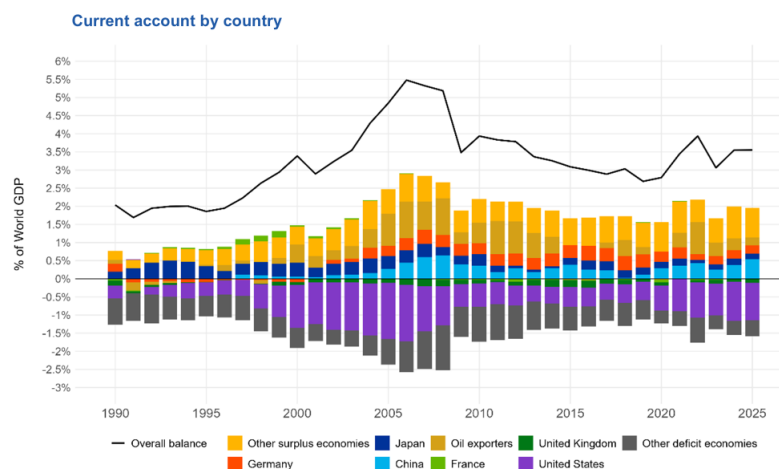
We need each other because the world we face is one of common shocks, common risks. Whether we like it or not, global shocks hitting interdependent economies indeed call for well-coordinated policy responses.

First, the war in the Middle East is a concrete reminder that some shocks are common from the outset. The US is a net oil exporter, and Europe a net importer. But there is a single global oil price, gasoline prices and inflation expectations increase on both sides of the Atlantic – and still more here –, and confidence effects and financial markets dynamics are global by nature.

Second, US's European allies simply get it right when they say that energy transition is the best way out of the oil and Middle East dependency: decarbonised energy power has expanded in Europe since 2022 and wholesale electricity prices have decreased by about 70%.^{viii} And when Europeans stress that might alone – might without right – can be misleading, it's sometimes worth listening to them.

Third, we need each other because due to trade and financial integration, a couple of structural issues binds our economic interests together: global imbalances and financial stability.

GLOBAL IMBALANCES ARE WIDENING AFTER YEARS OF NARROWING



Global imbalances are widening after years of narrowing.^{ix} In 2025, as a percentage of global GDP, the US current account deficit reached -0.9%; while the euro area still posted a surplus of 0.2%; and China's surplus rose to 0.6%.^x These figures point to domestic challenges that no self-centered expedient (name it protectionism) can address, and that need to be addressed together: too little consumption in China, too little productive investment in Europe, and too much fiscal deficit in the United States. This also applies to our dependencies on critical raw materials, including rare earths: economic security requires coordination rather than fragmentation. Finally, the same is true of financial stability. The rapid growth of private credit, sovereign debt, elevated AI-related valuations and the rise of crypto-assets are creating new fault lines in the financial system.

Therefore, under its G7 presidency, France will contribute to addressing these common challenges, in coordination with the US G20 presidency, to the extent possible. Our key priorities include reducing excessive macroeconomic imbalances, with an emphasis on economic security and critical mineral supply chains; and hence supporting a sustainable growth. That one should preserve financial stability, facing new financial vulnerabilities such as cyber risk, private credit, quantum technologies or extreme weather events. It also includes combating financial crime through better-enforced anti-money laundering and counter-terrorist financing (AML/CFT) standards, but also fostering cross border payments, implementing Basel 3 and better monitoring NBFIs.

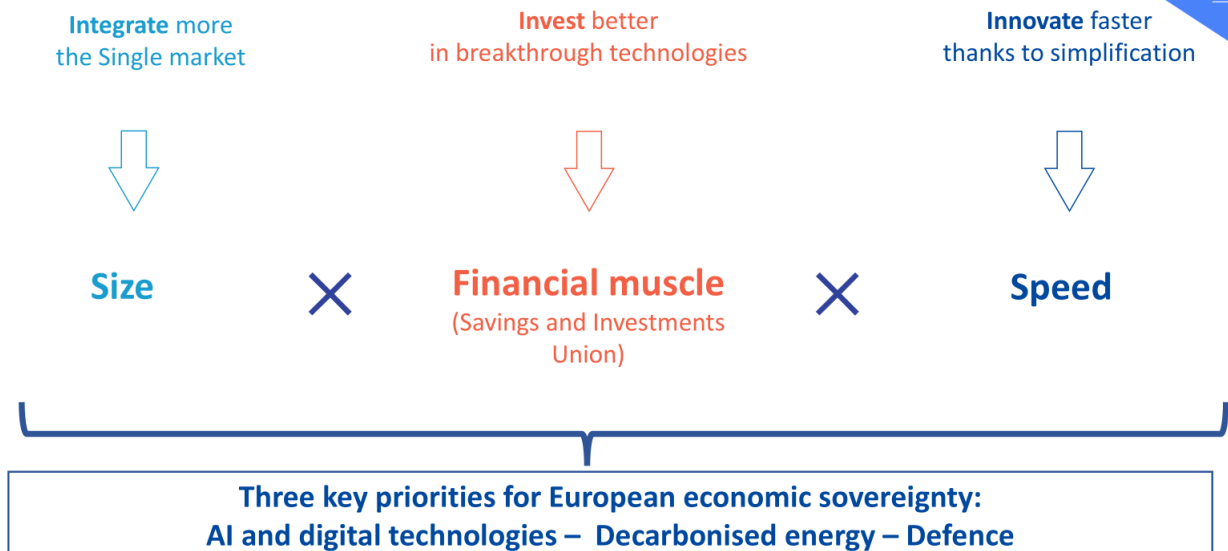
2. We need predictability

Yet interdependence alone does not create trust. Our economies now need predictability. On the US side, beyond the best possible resolution of the Iran conflict initiated on February 28, this calls for a soft landing on trade; on the European side, for an acceleration on growth and innovation.

The recent US Supreme Court decision on the IEEPA tariffs^{xi} reminds us that American checks and balances might well be alive. But by invalidating the 2025 tariffs, it has also reopened legal uncertainty – with possible substitution under

other statutes, unsettled trade agreements, and uneven effects across trade partners, including Europe. How could it be that the main relative winner of a new trade regime would be China, and the main relative losers would be US allies like the EU, the UK or Japan? We now need a soft landing on US trade, with a return to a more predictable environment. But to build a more balanced transatlantic partnership, we also need a stronger Europe. With the Letta^{xii} and Draghi^{xiii} reports, we have a compelling blueprint and we have started implementing it. Let me remind you of our three imperatives, *three i's*.

THREE IMPERATIVES FOR BEEFING UP THE EUROPEAN ECONOMY



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First, *integrate more* the single market, notably with the creation of an optional 28th regime by 2028.^{xiv} Second, *invest better*: this is the Savings and Investments Union,^{xv} aimed at fostering equity and innovation financing, to deliver on three key priorities: AI, energy and defence. Third, *innovate faster*, and, for that, dare to simplify. We must still accelerate our speed,^{xvi} by beefing up implementation.

This is a decisive moment for the transatlantic partnership. We should have no illusions: in a world of common shocks and common risks, Europe and America will either win together or fail together. I am fond of this quotation by Benjamin

Franklin, as he warned at the signing of the Declaration of Independence, “We must all hang together, or, most assuredly, we shall all hang separately.” His warning still resonates today. Our responsibilities remain shared; so must our resolve.

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- ⁱ Villeroy de Galhau (F.) (2025), [“Markets and minds: upholding the transatlantic partnership”](#), Atlantic Council speech, Washington DC, 23 April.
- ⁱⁱ International Monetary Fund (2026), World Economic Outlook. April.
- ⁱⁱⁱ Villeroy de Galhau (F.) (2025), [About our monetary policy: A good position but not a comfortable, nor a fixed one | Banque de France](#), CEPR Paris Symposium, 5 December.
- ^{iv} Hoham (B.) and Yang (F.) (2025), [“Consumption concentration may be up, adding slightly to economic fragility”](#), Dallas Fed Economics, Federal Reserve Bank of Dallas, 25 November.
- ^v For goods only, absent of the AI-related trade.
- ^{vi} European Central Bank (2026), [“Where do the costs of higher US tariffs fall?”](#), Economic Bulletin, Issue 2, box, February.
- ^{vii} European Central Bank (ECB). (2026). [ECB staff macroeconomic projections for the euro area](#). March.
- ^{viii} ECB data portal (2026), macroeconomic projection database, [Price and cost developments - Wholesale electricity price](#), March.
- ^{ix} Gourinchas (P-O). Mumssen (C.). (2026). [Global Imbalances: Old Questions, New Answers?](#). International Monetary Fund (IMF). April 6.
- ^x v International Monetary Fund (2026), [“Global Economy in the shadow of war”](#), World Economic Outlook, April.
- ^{xi} On February 20, 2026, the U.S. Supreme Court ruled that the International Emergency Economic Powers Act (IEEPA) does not confer tariff-making authority on the President, striking down the broad emergency tariffs imposed under that statute by the Trump administration.
- ^{xii} Letta (E.) (2024), [Much more than a market](#), April.
- ^{xiii} Draghi (M.) (2024), [The future of European competitiveness](#), September.
- ^{xiv} Coste (O.), Coatanlem (Y.) (2024), [“The Cost of Failure and the Quest for Competitiveness: Disruptive Innovation as a Catalyst”](#). IEP Policy Brief n 24, IEP Bocconi.
- ^{xv} European Commission (2025), [“SIU strategy to enhance financial opportunities for EU citizens and businesses”](#), 19 March.
- ^{xvi} Villeroy de Galhau (F.) (2026), [“Little time left to wake up: Can we reconcile Europe with speed?” | Banque de France](#), Eurofi speech, 27 March.