

ECB Warns Tariff Risks Threaten Eurozone Financial Stability



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FRANKFURT—The European Central Bank (ECB) has warned that tariff uncertainties and other growing challenges could heighten financial stability risks across the eurozone. In its November 2025 Financial Stability Review, the bank emphasized that trade-related uncertainties will continue to shape the region's financial landscape.

ECB Vice President Luis de Guindos noted that while tariff risks had eased since April, they could resurface and intensify, posing renewed threats to markets and investor confidence. The central bank highlighted potential sharp price adjustments in asset markets and stressed that equity markets are particularly vulnerable due to elevated valuations following a strong bullish trend since April.

Despite these concerns, the ECB said the eurozone banking sector remains well-positioned, supported by robust profitability, ample capital, and strong liquidity buffers. To safeguard financial stability, the bank recommended maintaining existing capital buffer requirements and adhering to sound lending standards.

The ECB's review underscores the need for vigilance as the eurozone navigates trade uncertainties and fiscal pressures in some advanced economies. Policymakers and investors are urged to monitor market developments closely to ensure continued resilience and stability in the financial system.