

ECB Meeting – No further cuts

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At today's press conference, ECB President Christine Lagarde dampened any remaining rate cut hopes by pointing to the surprisingly strong economic growth or downplaying the long-term inflation forecast below 2%. All in all, the scenario of an unchanged deposit rate of 2.0% remains the more likely outcome.

It was a foregone conclusion that the ECB would not cut its key interest rates at today's meeting. However, with a view to the coming months, there is some hope in the futures markets for one final rate cut. ECB President Lagarde has dampened such hopes:

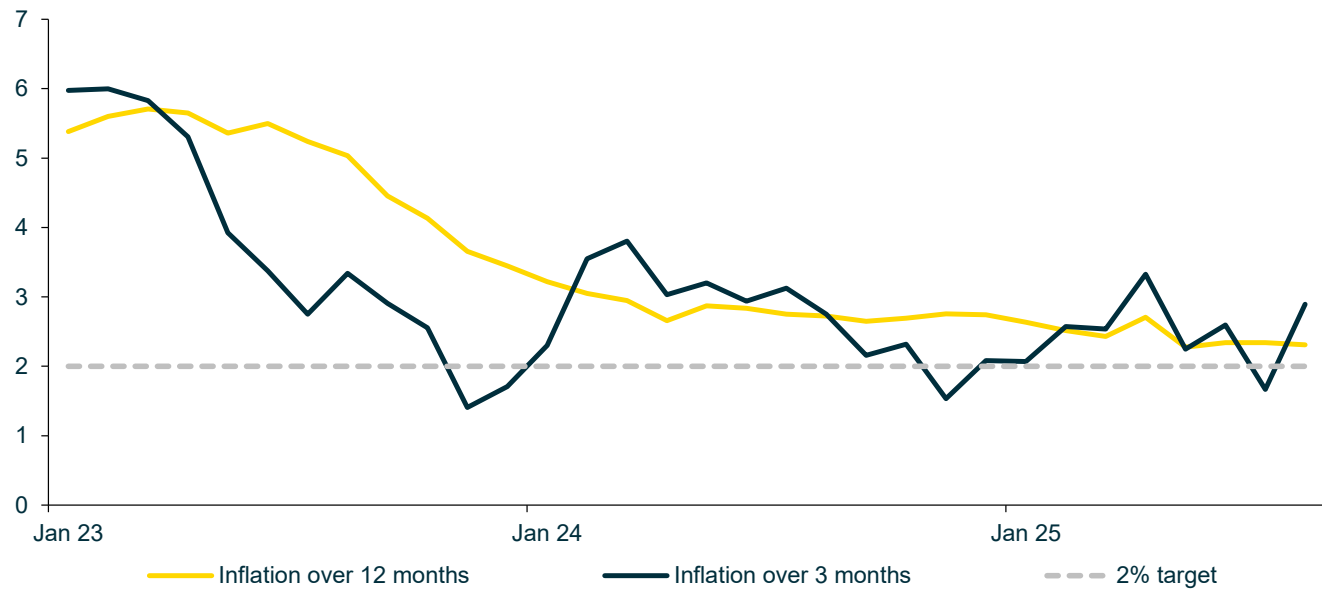
- The ECB no longer talks about "downside risks" to growth but instead refers to "more balanced" risks. Lagarde attributed this, among other things, to a significant decrease in uncertainty around U.S. tariffs. She highlighted the unexpectedly strong growth in the first half of the year. Accordingly, the ECB has significantly raised its growth forecast for this year from 0.9% to 1.2% (see table).
- Lagarde played down the downward revision of the inflation forecast for 2027 from 2.0% to 1.9%. She called it a "minimal deviation" from the inflation target, which was mainly due to the euro's appreciation and therefore not relevant for monetary policy. In addition, she pointed out that the ECB had raised its inflation forecast for 2026 from 1.6% to 1.7%.
- Lagarde reiterated that the ECB is "well positioned," meaning it feels comfortable with the current key interest rates.

We see additional arguments against a further rate cut. For instance, core inflation has recently proven to be more persistent (see chart). Additionally, the deposit rate at 2.0% remains significantly below the neutral rate, which in the long term supports an inflation rate of 2%. All in all, the scenario of an unchanged deposit rate of 2.0% remains the more likely outcome.



Stubborn core inflation

Consumer price index, eurozone, excluding energy, food, alcohol, tobacco, change in % p.a.



Source: Eurostat

Table 1 - ECB slightly lifts inflation projection for 2025/26

ECB experts' September projections; in parentheses: ECB June projection; growth and inflation rates in percent

	2025	2026	2027
GDP growth	1.2 (0.9)	1.0 (1.1)	1.3 (1.3)
Inflation	2.1 (2.0)	1.7 (1.6)	1.9 (2.0)
Core rate	2.4 (2.4)	1.9 (1.9)	1.8 (1.9)

Source: ECB, Commerzbank Research



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