Economic Research

Economic Briefing

ECB meeting – another hike in December

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At today's press conference, the ECB significantly raised its inflation forecasts. In addition, it has indicated for the first time that inflation will remain above the 2% target for an "extended period." In light of this hawkish tone, we are revising our forecast for December and now expect another 25-basis-point rate hike.

At first glance, Lagarde is keeping all options open…

At first glance, the ECB is keeping all options open regarding future interest rate policy. According to ECB President Christine Lagarde, the Governing Council has not at all discussed the future interest rate path. Uncertainty is very high, and the ECB is not pre-committing to anything in advance.

…which is normal on the day of an interest rate hike

But the ECB today raised its deposit rate (by 25 basis points to 2.5%). On such days, the ECB has in the past avoided giving the impression that the next rate hike would follow soon. Raising rates too quickly would likely unintentionally signal too much urgency, which does not sit well with the many doves on the ECB Governing Council.

But the ECB expects inflation to remain well above 2% for an extended period

Nevertheless, the ECB sounded more concerned about inflation than before. First, it raised both its growth and inflation forecasts, especially for 2027 (table). Second—and this is even more important—right at the beginning of its **statement**, and for the first time, it stated that inflation would remain above its 2% target for an "extended period."

Forecast revision: ECB likely to raise rates in December

We are taking this important signal as an opportunity to revise our forecast and now expect a 25-basis-point key rate hike at the December meeting. Unlike the futures markets, however, we do not anticipate two further rate hikes next year. This is because, ultimately, the conflict between the US and Iran is likely to de-escalate gradually over the course of the winter months, which should cause inflation to fall again after the turn of the year.

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Table 1 - ECB sees "inflation well above target for an extended period"

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

	2026	2027	2028
GDP growth	0.9 (0.8)	1.4 (1.2)	1.5 (1.5)
Inflation	3.0 (3.0)	2.5 (2.3)	2.1 (2.0)
Core rate	2.5 (2.5)	2.6 (2.5)	2.3 (2.2)

Source: ECB, Commerzbank Research

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