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Economic Briefing

ECB – What will change under the new leadership?

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With Spaniard Pablo Hernández de Cos as ECB President and Markus Brunnermeier as Chief Economist, the contours of the ECB's new leadership team are emerging. Meanwhile, three French female candidates remain in the running for the market operations department. The ECB President is therefore likely to continue to belong more to the dovish camp. While we do not consider Brunnermeier to be as dovish as the outgoing office holder Philip Lane, a likely dovish French candidate would replace the recently rather hawkish Isabel Schnabel. Overall, little is likely to change in the predominance of doves on the ECB Governing Council.

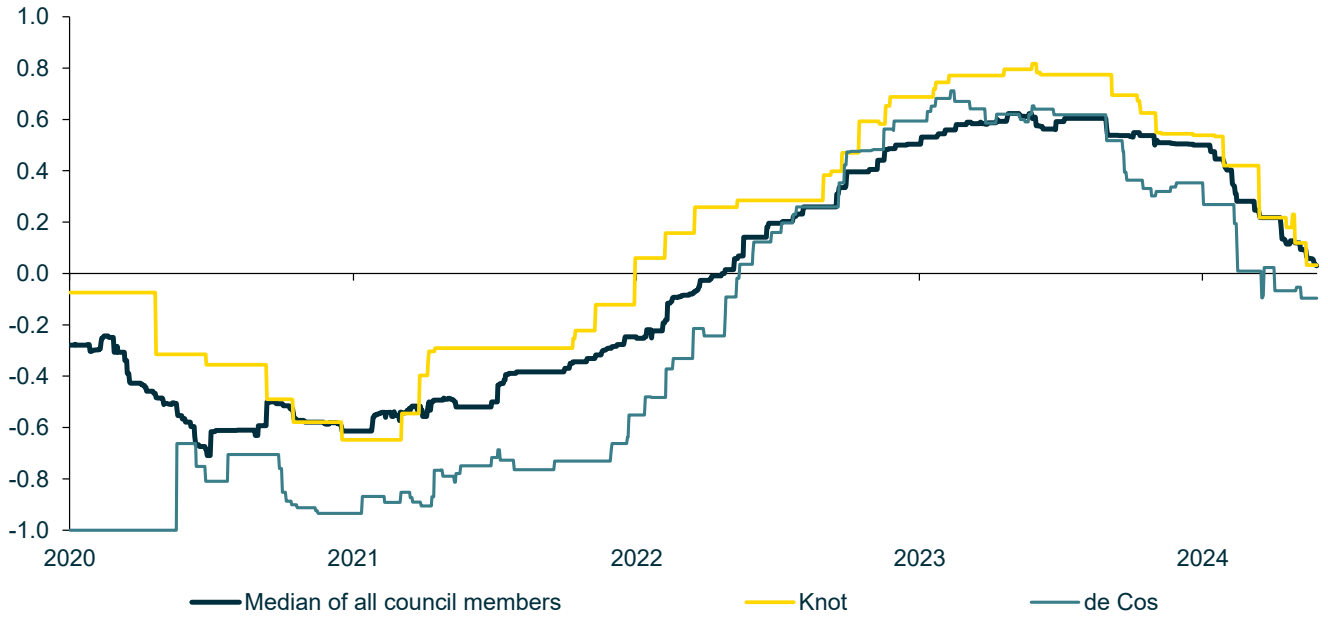
Reports are mounting that Germany and France have agreed on a new leadership for the ECB. Pablo Hernández de Cos (from Spain) is likely to become the new ECB President, while German Princeton economist Markus Brunnermeier is expected to become Chief Economist. One of the three French economists – Agnès Bénassy-Quéré, Laurence Boone, or Hélène Rey – is likely to take over the Executive Board position responsible for market operations.

What the individual candidates stand for

Pablo Hernández de Cos headed the Spanish central bank from 2018 to 2024. According to our AI-based analysis, his speeches during this period suggest that he is more likely to belong to the dovish camp – unlike former Dutch central bank president Klaas Knot, who was also in the race for the ECB presidency (Chart 1). This view is also supported by de Cos's work as President of the Bank for International Settlements (BIS, since June 2025), where he realigned the research department. In the past, BIS Research repeatedly published analyses critically examining the side effects of bond purchases and other unconventional monetary policy instruments.

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Chart 1 - De Cos is more dovish than Knot
Interpretation of ECB Governing Council members' statements on a scale from hawkish (+1) to dovish (-1), based on a moving average of 20 speeches by each Governing Council member; median across all Governing Council members



Source: Commerzbank-Research

German economist **Markus Brunnermeier** conducts research at Princeton University, focusing primarily on international financial markets, macroeconomics and monetary theory, and is highly regarded internationally. During the euro-area sovereign debt crisis, Brunnermeier developed the widely noted concept of European Safe Bonds (ESBies) together with other economists, including Philip Lane. They were intended to provide an alternative to traditional eurobonds and avoid requiring countries to assume liability for one another's debts. This concept demonstrates both his openness to pragmatic solutions and his endorsement of the TPI bond-purchase programme aimed at stabilising highly indebted euro-area countries.

Despite his pragmatism, Brunnermeier is likely to lean towards hawkish positions. Following the COVID-19 pandemic and during the energy crisis of 2021/2022, he advocated significant interest-rate hikes at an early stage and criticised the ECB's cautious stance at the time.

On the French side, the names under consideration are the three economists **Agnès Bénassy-Quéré**, **Laurence Boone** and **Hélène Rey**, although France has not yet settled on one of them. Agnès Bénassy-Quéré is currently Deputy Governor of the Banque de France. Previously, she headed, among other institutions, the French Treasury and the French government's Council of Economic Advisers. Laurence Boone formerly served as Chief Economist of the Organisation for Economic Co-operation and Development (OECD) and as France's Secretary of State for European Affairs. Hélène Rey is a professor of economics – among other positions, at London Business School – whose research focuses primarily on international financial markets and capital flows; since September, she has headed the BIS Research Department.

So far, it is difficult to classify the three candidates with respect to their basic monetary policy stance. However, French representatives have traditionally tended to belong more to the dovish camp. In addition, our analyses show that representatives from countries with high public debt – France's public-debt-to-GDP ratio is, after all, around 120% – generally tend to adopt more dovish positions.

What Does This Mean for the ECB?

The current President, Christine Lagarde, is generally regarded as dovish, although she has refrained from expressing strong personal monetary policy views during her term in office and has preferred the role of moderator. Overall, we see no significant change in the future direction of monetary policy, as de Cos is considered a monetary policy dove.

As regards the position of the influential ECB Chief Economist, we would classify Markus Brunnermeier – despite his pragmatism – as belonging more to the camp of moderate hawks, whereas Philip Lane clearly belongs to the camp of moderate doves. However,

the French candidates for Market Operations, who tend to be dovish, would replace Isabel Schnabel, who has recently been rather hawkish. Schnabel, owing to her professional expertise and communication skills, has often effectively taken on functions normally associated with the Chief Economist. Overall, the monetary policy orientation of the ECB's inner leadership circle would not change significantly. Looking at the Governing Council as a whole, we have long held the view that the dovish camp is dominant in any case.

Interest-rate policy: de Cos is unlikely to call off the rate-hiking process immediately …

Naturally, none of this means that the ECB would not raise its key interest rates further if inflation risks continue to prevail, as they currently do. Following the widely expected rate increase in December, we expect a further rate move in March. By then, inflation is likely still to stand at just under 4%, not least due to the knock-on effects of very high gas prices, while core inflation is likely to continue rising. In this environment, the new ECB President Pablo Hernández de Cos would probably not halt the rate hiking process, not least in order to avoid immediately revealing himself as a monetary policy dove.

… and activate the TPI if necessary

If, in a risk scenario, France's fiscal crisis were to escalate and begin to resemble the onset of a new sovereign debt crisis, the ECB under de Cos's leadership would probably activate the TPI bond-purchase programme, even though it is formally intended only for countries whose bonds have come under pressure through no fault of their own. In such an emergency, however, any other conceivable candidate for the ECB presidency would also activate the TPI. The Rubicon was already crossed in 2012, when then-President Draghi had the OMT bond-purchase programme adopted.

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