Shuffling chairs at the ECB

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The ECB is currently perceived as hawkish. But be warned: By the end of next year at the latest, the ECB could look very different. Director Schnabel will leave the ECB as early as January, and President Lagarde also appears to be on her way out. Chief Economist Lane's term will end in May. We expect the ECB—which we already classify as dovish—to become even more dovish.

The staff wheel is spinning merrily

The past year and a half has already been turbulent for the ECB in terms of personnel. There were a total of eight new members joining the 27-member Governing Council. Leaders changed at a total of seven national central banks, and in January, another central bank governor was added with Bulgaria's accession to the eurozone.

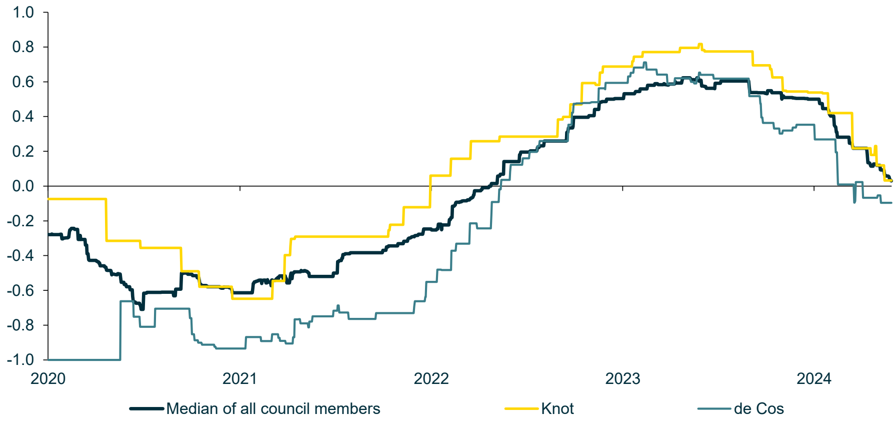
In the coming months through the end of 2027, it will be the ECB Executive Board's turn. The terms of three of the six directors will end, although President Lagarde and Director Schnabel could step down before the official end of their terms. It was reported and **confirmed by the ECB** yesterday that Schnabel will join the International Monetary Fund (IMF) in early January to head the Department of Monetary and Capital Markets. This raises the question of which fundamental monetary policy tilt—more dovish or more hawkish—the ECB will take under new leadership. The three positions that will become vacant are of particular interest to member countries because they can decisively steer the Governing Council and, thus, monetary policy. After the president, the position for market operations—currently held by Schnabel—is considered, alongside that of the chief economist, to be the most powerful and operationally influential department within the European Central Bank.[1]

Who will succeed Lagarde?

It remains highly uncertain who will fill the soon-to-be-vacant positions. A majority of economists surveyed by Bloomberg view Spain's former central bank governor, Pablo Hernández de Cos, as the favorite to succeed Lagarde, followed by the former president of the Dutch central bank, Klaas Knot. Bundesbank President Nagel, on the other hand, is considered to have virtually no chance. The German government has so far shown no inclination to support his candidacy, presumably because Germany already holds the presidencies of the European Commission (with Ursula von der Leyen) and the European Banking Authority (with Claudia Buch). In fact, there are several arguments in de Cos's favor:

- Unlike Knot, he has remained involved in monetary policy following his term as governor of the Spanish central bank and, consequently, as a member of the ECB Governing Council (June 2018 to June 2024). Since July 2025, the Spaniard has served as Director General of the Bank for International Settlements (BIS). In contrast, Knot has not held any official office since stepping down as central bank governor in July 2025, which has reduced his public visibility. However, he continues to maintain a public presence and participates in high-level discussions on monetary policy issues and financial stability matters.
- Since the ECB's inception, there has never been a president from Spain, whereas the Netherlands provided the first ECB president, Wim Duisenberg, who served from June 1998 to May 2003.
- The fundamental monetary policy stance also tends to favor de Cos. According to our AI-based analysis of speeches, interviews, and comments, de Cos's statements during his tenure on the ECB Governing Council were almost consistently noticeably more "dovish" than those of his Dutch counterpart (Chart 1). For this analysis, we use a large language model to classify the statements of ECB Governing Council members on a scale from "dovish" to "hawkish" as an index ranging from -1 to +1 (for details on the model, see **Economic Insight "ChatECB model indicates readiness to hike rates"**) and use this to generate a separate time series for each council member. A comparison with the median across all ECB Governing Council members suggests that de Cos is among the monetary policy doves, even though his communication at times even hovered slightly above the median during the high-inflation phase of 2022–23. In contrast, Knot was considered a monetary policy hawk for many years. It appears that it was only with his emerging ambitions to succeed Lagarde that his communication shifted toward the neutral camp. Especially against the backdrop of rising government debt in numerous countries—and bearing in mind the vehemence with which the dovish Draghi fought the sovereign debt crisis—many governments are likely to prefer a dovish ECB president.

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



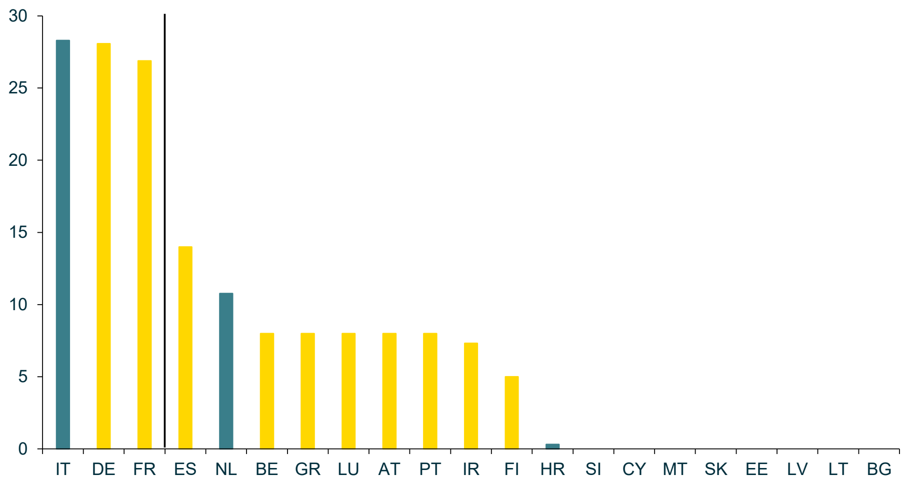
Source: Commerzbank-Research

Who else might join the board of directors?

How the other two positions on the Executive Board will be filled is even more uncertain than the identity of the next ECB president. The most helpful approach would likely be to use a process of elimination:

- ***No dual appointments:*** With the departure of Lagarde, Schnabel, and Lane, Italy, the Netherlands, and Croatia would be represented on the ECB Executive Board (Chart 2, blue bars). According to an unwritten rule, dual appointments are prohibited, so additional representatives from these countries are unlikely to be considered.
- ***"Permanent seats" for the three largest countries***: Another unwritten rule to date has been that Germany, Italy, and France have more or less always each held one seat on the ECB Executive Board, while the smaller countries share the remaining three seats (Chart 2, left side). If the eurozone countries stick to this practice and de Cos becomes ECB President, the other two ECB Executive Board members are likely to come from Germany and France. Even months ago, when Lagarde's potential successor was being discussed, two female economics professors in France—Agnès Bénassy-Quéré and Hélène Rey—were being considered for appointment to the male-dominated board. According to press reports, France appears to harbor ambitions for the position of chief economist—an influential role in which the holder assesses the macroeconomic situation at the start of each monetary policy meeting and ultimately submits a monetary policy proposal.

Chart 2 - Italy, Germany, and France hold "permanent seats" on the ECB Executive Board
Tenure of eurozone countries' representatives on the ECB Executive Board, in years



Source: ECB, Commerzbank Research

Is there an alternative cast?

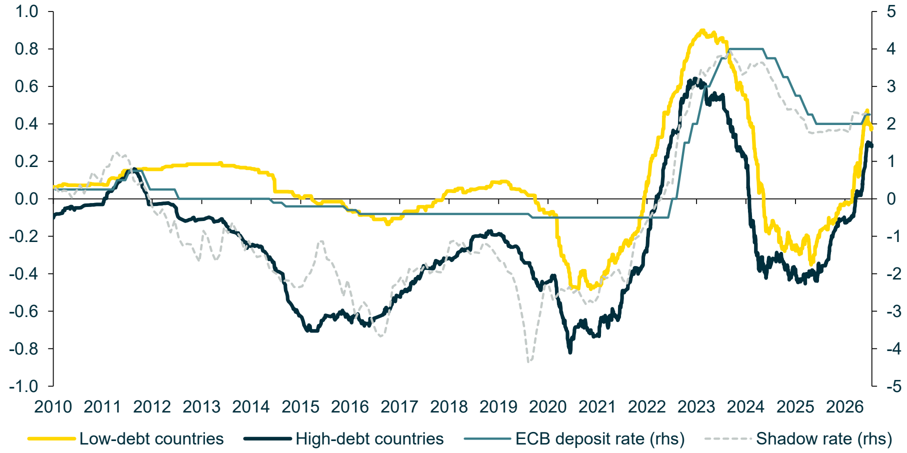
An alternative to this scenario would be a presidency led by Klaas Knot (for whom his compatriot Elderson would have to step aside), especially since France recently pledged its support for Knot, provided that France could appoint the chief economist. This could open up opportunities for the "smaller" eurozone countries: If the favorite, de Cos, were not to settle for a "mere" directorship, the smaller countries—alongside the Netherlands (which would then be represented by Knot) and Croatia—could send a representative to the ECB's Executive Board. Some of these countries have already served as directors in the past. The countries that joined the EU in 2007 as part of the eastern enlargement have not yet had their turn. In this regard, Slovenia, Cyprus, Malta, Slovakia, Estonia, Latvia, Lithuania, and the newcomer Bulgaria are likely to have good chances.

New executive board tends to be more dovish

All in all, the new ECB Executive Board is likely to lean more toward the dovish side. Should de Cos indeed succeed Lagarde, a monetary policy dove would replace a largely neutral president. In keeping with tradition, potential representatives from France are also likely to lean toward the dovish side. For example, former central bank governor Villeroy de Galhau was a typical representative of the dovish camp, as is his successor and current governor, Moulin. Furthermore, our analysis suggests that representatives from countries that have had a debt-to-GDP ratio above 90% for extended periods tend, on average, to adopt a noticeably more dovish stance (Chart 3).

Chart 3 - Countries with high debt tend to be dovish

ChatECB Indicator: Interpretation of ECB Governing Council members' statements on a scale from hawkish (+1) to dovish (-1), based on the average of 20 speeches; median across all Governing Council members from countries with debt-to-GDP ratios that are hi

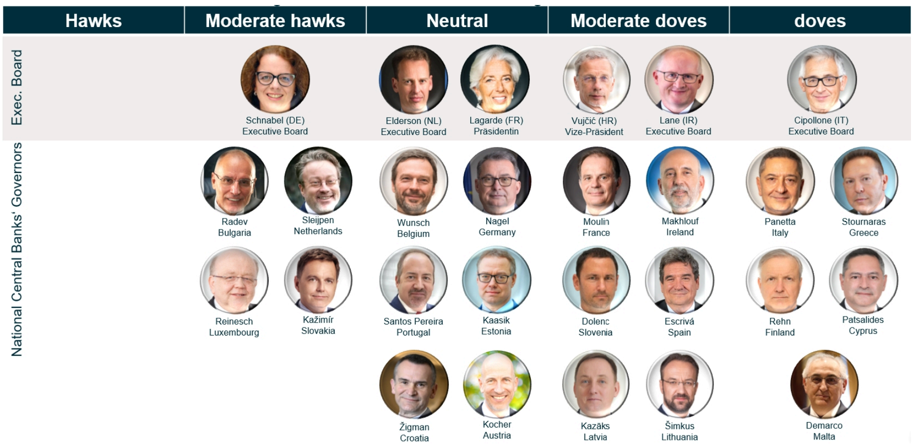


Source: Commerzbank Research

The new German representative could—provided Schnabel and Nagel set an example or reflect German preferences—take a stance ranging from moderately hawkish to neutral. In any case, Germany is unlikely to send a clear-cut hawk, given the experience with Weidmann, who, with his decidedly hawkish arguments, was barely able to get through to his colleagues in the council. According to our Hawkometer, with a few exceptions, the Eastern European countries seem to have a preference for representatives who advocate a dovish monetary policy (Chart 4).

Chart 4 - Majority of monetary policy doves in the ECB Governing Council

Commerzbank's assessment of the ECB Governing Council members' fundamental stance on monetary policy



Source: Commerzbank Research

No More Interest Rate Hikes?

In our context, dovish or hawkish monetary policy refers to the fundamental stance on monetary policy. In our forecasts, this basic understanding of the ECB Governing Council is reflected, for example, in the fact that the Council generally struggles with interest rate hikes but is quick to favor rate cuts. Even if the ECB Governing Council is likely to become an even more dovish body, this does not mean that interest rate hikes are ruled out in the future. Given that inflation remains elevated, we forecast another interest rate hike in December.

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[1] For example, during periods of extreme market panic (such as at the onset of the COVID-19 pandemic or when there is speculation against individual eurozone countries), this department proposes emergency measures to the ECB Governing Council. When it comes to unorthodox monetary policy measures, such as the bond-purchase program, it plays a key role in determining the operational design, pace, and execution of these purchases. (Back to the text.)

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