

ECB: Dovish minutes from the April meeting

The minutes from the ECB's April meeting confirm the bank's in no hurry to change its current monetary stance



ECB President, Mario Draghi

Source: Shutterstock

Remember that we called the ECB's April meeting a meeting that many [ECB officials would like to have skipped](#)? The just-released minutes of that meeting give the impression that many ECB governors agreed with our view. Still, there were a couple of interesting details:

- In the discussion on the downswing versus soft patch of the Eurozone economy, the ECB is clearly sticking to the "soft patch" side. According to the minutes, the underlying strength of the economy *"remained broadly intact"*. As already hinted at during the April meeting's news conference, the ECB has become somewhat more cautious about the economic outlook for the Eurozone, mainly on the back of trade tensions.
- Regarding inflation, it is still more wish than reality. The minutes stress there are first signs of wage increases in some countries. The ECB still hopes these increases will eventually lead to higher inflation. At the same time, the fact that underlying inflation measures remained subdued and had *"moved mostly sideways"* since the March meeting illustrates that the ECB's job is not done, yet.

- Interestingly, some members of the Governing Council (guess who) saw an almost “*sustained adjustment in the path of inflation*”, the broad majority disagreed with this view, stressing that “*the evidence remained insufficient at the current stage*”.
- The ECB is in no rush to change its monetary policy stance, nicely illustrated by the statement that “*members broadly agreed that an ample degree of monetary policy accommodation remained necessary to accompany the economic expansion and secure the gradual convergence of inflation to levels below, but close to, 2%. The remaining uncertainties and the still muted underlying inflation pressures continued to justify caution and underlined the need to maintain patience, persistence and prudence with regard to monetary policy.*”

With latest developments, the last ECB meeting all of a sudden looks like very distant history, even though it was only one month ago. Since then, the discussion on whether the Eurozone only experienced a soft patch at the start of the year or whether this was as good as it gets for the recovery has not taken any clear direction. The surge in oil prices and Italian politics will further complicate the ECB's road to taper.

Against this background, doing nothing at the June meeting looks like the best and most risk-free option for the ECB. The only thing Draghi could do is to reconfirm his earlier statement that he does not expect an abrupt end to QE in September, opening the door for an extension. The discussions behind closed doors will clearly be about how long QE should be extended for, at which amounts and whether or not an end date should be communicated, but not on the “if”. This discussion is very likely to continue until the July meeting. Then, we expect an extension of QE at a reduced amount at least until December 2018. Until then, buying time looks like the best option.

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security

discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.