

ECB preview: Farewell party on the shrink's couch

This week's European Central Bank meeting, Mario Draghi's last as President, should be short and brief on facts and decisions but rather long on emotions



Mario Draghi's term as ECB President ends on October 31st

The shockwaves of the September decisions are still echoing through the floors of the ECB building and many media headlines, particularly in core eurozone countries. While data releases since that meeting have given very little reason to change the ECB's growth and inflation assessment, the quarrels on whether or not the economic outlook fully justifies the September package continue. At the same time, Thursday's meeting will be the last one with Mario Draghi as ECB president. There might not be another confetti shower during the press conference... you'll remember a protester threw paper and confetti at him in 2015... but some retrospective comments should be expected.

What do we expect?

- **Confirmation of the economic assessment.** The macro data released since the September meeting as well as recent speeches and statements from ECB officials provide very little reason for changes to the macro assessment. Instead, the ECB will very likely confirm the

view of a longer-than-expected economic slowdown with no signs of a bottoming out of the manufacturing slump but tentative signs of contagion to the domestic economy. Against the background of continued external risks and increased economic uncertainties, the inflation outlook should remain weak as well.

- **Reiteration of September decisions.** With no changes to the economic assessment, the ECB's monetary policy stance should also remain unchanged.
- **Downplaying of internal divergence.** This will be the most interesting part of the press conference. Will Draghi address the growing criticism and voiced opposition from within the ECB's Governing Council or will he simply downplay it? We expect Draghi to come up with a strong (emotional) plea in support of the September package, probably combined with a broader attempt to safeguard the legacy of all measures taken under his leadership. Draghi will probably also stress the fact that the ECB's unconventional measures did have a significant impact on growth and inflation over the last few years, thereby justifying the September package.
- **No hints at additional measures.** As this will be Mario Draghi's last meeting at the ECB and as there have been no significant changes to the economic situation, we don't expect any hints at future measures. Instead, Draghi will try to stress the ECB's determination to act in the future.

While the ECB under Mario Draghi has often tried its best to be ahead of the curve and forward-looking, this week's meeting will probably be mainly backwards-looking, not only on the September meeting but on Mario Draghi's entire legacy. The only disturbing factor of Draghi's farewell party is the ongoing 'war of the roses'. Therefore, Thursday's meeting will not only be a party but expect it to have some therapeutical moments too.

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