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ECB's latest surveys point to rising stagflationary pressures

This morning's ECB survey results suggest that stagflationary pressures have increased in the eurozone ahead of Thursday's policy meeting



Rising stagflationary pressures in the eurozone are complicating matters for the ECB, both at its next meeting on Thursday and beyond

The European Central Bank just released the results of its very own bank lending survey as well as the consumer expectations survey. In short, the results of both surveys suggest that stagflationary pressures in the eurozone have clearly increased, complicating the ECB's life not only at its meeting on Thursday but also beyond.

The Bank Lending Survey for the first quarter of 2026 shows a net tightening of credit standards for both consumer credit and company loans, and weaker demand for new loans. At the same time, the consumer expectations survey shows an increase in inflation expectations in March across all time horizons, with inflation expectations for one year ahead moving to 4% year-on-year, from 2.5% YoY in February.

Ahead of Thursday's ECB meeting, this morning's data provides more evidence that the war in the Middle East and the rise in energy prices are not only posing an inflationary shock but rather a stagflationary shock for the eurozone economy. As much as the rise in inflation expectations will fuel the rate hike debate, growing signs of adverse growth effects will make aggressive rate hikes

less straightforward. Even though the ECB's primary policy goal is price stability, it's hard to see that it would really want to fight an exogenous supply shock at the cost of worsening an economic downturn.

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