

Snap | 3 February 2022

ECB chooses copy-paste

No changes from the ECB. Just a copy-paste of the December decisions. Now let's wait for the press conference to see whether ECB president Lagarde opens the door to faster tapering and an earlier rate hike



ECB President, Christine Lagarde, pictured last month

The ECB just hit the copy-paste keys and kept everything unchanged. As expected, all monetary policy instruments were left unchanged and even the wording was a verbatim copy of the December decisions. No one could have seriously expected the ECB to act today as there is simply nothing the ECB can do to bring down inflation immediately. In fact, there is nothing the ECB can or could do to bring down energy prices. Only governments could act by, for example, lowering taxes and by providing financial support to compensate for households' high energy bills. Maybe this is also another conundrum of the pandemic: governments are needed to bring down energy inflation, while central banks (and low interest rates) are needed to support fiscal stimulus.

Anyway, all eyes will now be on the ECB press conference starting at 2.30pm CET. We expect the ECB to buy more time and to push any changes in monetary policy to the March meeting when a fresh set of macroeconomic forecasts will be available. Today, it will be all about the tone and words. If ECB president Christine Lagarde confirms previous statements that "it is very unlikely that we will raise interest rates in the year 2022", she would unnecessarily paint the ECB into a corner. Instead, keeping the doors open for a faster reduction of asset purchases and even a rate hike this year would be a wiser strategy to take.

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.