

Snap | 25 January 2024

## No hints on future direction as ECB keeps everything on hold

No changes from the European Central Bank. And the policy statement gives no hints of possible next steps



Keeping tight-lipped about future direction, the ECB's Christine Lagarde.

The European Central Bank just announced its rate decisions and surprise, surprise, all policy interest rates remain on hold. In the press release, the ECB didn't give away any new hints on future policy shifts; it's almost a verbatim copy of the December statement.

Today's meeting is mainly an intermediate one, waiting for the bank's next round of economic forecasts in March. If anything, it could give somewhat more guidance about potential next steps. Financial markets have been pricing in the first rate cuts for April. In the inner logic of the ECB's macro models, these market prices make the need for actual policy rate cuts less urgent. Financing conditions have eased since early December, doing the work actual rate cuts should do: supporting growth but also pushing up inflation risks. Consequently, the more aggressive the market prices future rate cuts, the less needed and likely those cuts will be.

As long as actual inflation remains closer to 3% than 2%, the ECB will not look into possible rate cuts. It would require a severe recession or a sharp drop in longer-term inflation forecasts to clearly below 2% to see a rate cut in the coming months. We continue seeing a first rate cut not before the summer.

Let's see whether ECB president Christine Lagarde will add even more flavour to the ECB's current inflation assessment and discussions about next steps. Don't forget that at the last meeting in December, the ECB didn't even discuss rate cuts. The press conference will start at 2.45pm CET.

## Author

### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto: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 <http://www.ing.com>.