

Florence or Frankfurt, every place in Europe is currently a 'good place' for the ECB

The ECB keeps interest rates on hold and is very unlikely to give any hints at the press conference.



The ECB's Christine Lagarde is in Florence for the October meeting

Even a change of scenery has done nothing to change the ECB's current wait-and-see stance. Florence, where the ECB met today for its only annual meeting outside of Frankfurt, is apparently also this 'good place', the ECB's well-known pseudonym for comfortably keeping interest rates on hold. At least the ECB didn't see any reason to change rates or its communication and just kept everything unchanged.

Developments over the last few weeks have done nothing to change the view that the bar for yet another rate cut from the ECB is high. In fact, the Bank currently feels very comfortable in what it calls a 'good place'. With the ECB's own growth forecasts indicating that the eurozone economy will grow by slightly more than 1% each year and inflation will settle down to 2% over the next few

years, there is indeed very little reason to change its monetary policy stance.

At the same time, there are still valid dovish arguments that could force the central bank to cut again at the December meeting. Just think of the delayed adverse impact of US tariffs, the stronger euro exchange rate, French politics or a delay in Germany's fiscal stimulus. If any of these downside risks materialise, we can expect the ECB to engage in one or two more rate cuts. In this regard, it remains important to note that the current ECB inflation forecast for 2027 includes a 0.2pp impact from the introduction of the ETS2 system. Needless to say, any delay in the implementation could have implications for the ECB as it would increase the risk of inflation undershooting. Watch out for the 2028 inflation forecasts, also released at the December meeting. Anything sub-1.7% would increase the likelihood of yet another rate cut.

Let's see whether ECB president Christine Lagarde at the press conference starting at 2.45pm CET is willing to give away any hints regarding the above considerations or is rather keeping it short to enjoy her afternoon on a terrace in Florence.

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