ECB minutes confirm more cautious take on growth

The just released minutes of the ECB's October meeting show a more concerned central bank regarding growth and a clear attempt to stick to 'high for longer'

The European Central Bank (ECB) is back to releasing minutes of its meetings three and not two weeks ahead of the next meeting. With this development, the minutes will have less lasting impact on financial markets. They are rather a reflection of the mood during the meeting and not so much an indicator of what will happen next.

Main messages from the minutes

The minutes confirmed the more cautious tone ECB President Christine Lagarde had already shown during the press conference in October. Risks to the growth outlook were clearly to the downside, and a disinflationary process had set in.

The ECB seemed happy with markets expecting rates to remain high for a longer period than predicted ahead of the Governing Council's September meeting. The phrase "it was deemed important for the Governing Council to avoid an unwarranted loosening of financial conditions" shows why ECB officials tried to talk up market expectations again after the meeting.

In fact, ECB officials did what they agreed during the meeting; the minutes state that “members agreed that the Governing Council should continue to stress its determination to set policy rates, through its future decisions, at sufficiently restrictive levels for as long as necessary to bring inflation back to target in a timely manner.”

End of rate hikes

In short, the minutes underline the ECB’s more cautious take on the economy and, in fact, mark the next phase of monetary policy tightening: ending rate hikes and focusing on ‘high for longer’. Obviously, it was and is too early for the central bank to close the door to further rate hikes entirely. However, ongoing growth disappointments combined with a disinflationary process that is likely to gather more traction, it will be hard to justify any further rate hikes. On the contrary, while the central bank may not want to talk about it – or even spell it out – rate cuts could enter the ECB’s vocabulary faster than many currently think.

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.