

Snap | 11 September 2025

ECB keeps rates on hold

Not leaving the good place, yet. The European Central Bank just decided to keep interest rates on hold



No change on macro assessment

Never disappoint market expectations. This might have been one of the ECB's considerations in keeping interest rates on hold today. But not the only one. The ECB majority appears to be emphasising several encouraging summer developments that support a wait-and-see approach: the 'it-could-have-been-worse' trade deal between the US and EU, solid second quarter GDP growth, improving business sentiment indicators, and a modest uptick in August inflation.

The more benign take on downside risks to the economy was also confirmed in the ECB's latest macro economic forecasts. The Bank's staff currently expects GDP growth to come in at 1.2% in 2025, 1.0% in 2026 and 1.3% in 2027. Regarding inflation, the ECB has not changed its view, with inflation coming in at 2.1% in 2025, 1.7% in 2026 and 1.9% in 2027.

Door to one more rate cut still open

We have stressed before that the bar for yet another rate cut from the ECB remains high. Still, there are some valid dovish arguments that could still force the central bank to cut further over

the coming months. Just think of the following: a growing awareness among eurozone policymakers in general that the trade framework agreement between the US and the EU is anything but set in stone. The built-in conditionality on many aspects has left sufficient room for new escalations. But also think of the stronger euro exchange rate and a core inflation forecast of below 2% for 2026 and 2027.

All in all, we are now looking forward to the press conference and particularly what ECB President Christine Lagarde has to say about France and the possible use of the Transmission Protection Instrument (TPI). Lagarde needs to avoid repeating her 2020 mistake of casting doubt on her 'whatever it takes' resolve, while still making clear that ECB support cannot be taken for granted. In fact, Lagarde will have to stress that the TPI can only be activated for countries that actually comply with European fiscal rules or are at least following the given adjustment paths – a condition France currently does not fulfil. As regards the monetary policy outlook, today's policy announcement shows that the door to yet another rate cut is still open.

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.