

## ECB Minutes: Modified optimism

The minutes of the January meeting put initial optimism into perspective. When the European Central Bank meets again in three weeks, the macro environment will be even more challenging



President of European Central Bank Christine Lagarde

Source: Shutterstock

The just-released minutes of the ECB's meeting in January illustrate the well-known phenomenon that ECB members have several rounds to alter the draft and often indirectly start factoring in developments since the actual meeting. While the introductory statement and the press conference after the January meeting tried to present a somewhat more upbeat tone, the details of the minutes modify this optimism.

Back in January, subtle changes to the official communication stressed the ECB's more optimistic take. The risk assessment to growth had become somewhat less "tilted to the downside" and the ECB acknowledged an increase in measures of underlying inflation. In today's minutes, these already subtle changes were weakened by adding attributes like "some caution was also expressed about becoming too optimistic", "the outlook for price developments remained below the Governing Council's medium-term aim and risks to the outlook were still elevated" and "inflation was still far away from the Governing Council's objective and a robust convergence of inflation towards the Governing Council's aim was not yet assured, notwithstanding a slight uptick in underlying inflation".

It looks as if the ECB is trying to caution financial markets against too much optimism and prepare them for the new reality. In fact, data releases since the January meeting have been rather disappointing. Manufacturing – at least temporarily – worsened instead of improving and the outbreak of the coronavirus will not only negatively affect the Chinese economy but also the eurozone; at least temporarily. Even though we would expect the ECB to look through the short-term impact from any adverse external developments, January's optimism will be hard to maintain at the March meeting. It has happened too often in the recent past that initial short-term or one-off factors quickly morphed into more structural problems for the eurozone economy.

All in all, the minutes of the January meeting not only put the subtle more optimistic changes into perspective, they also seem to be preparing market participants and the ECB itself for a more challenging March meeting.

## 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 [www.ing.com](http://www.ing.com).