

Snap | 22 May 2025

Minutes of the ECB's April meeting show dovish unity

The just-released minutes of the European Central Bank's April meeting show a dovish unity as the US tariff announcements added to disinflationary pressures in the eurozone



The just-released minutes of the ECB's April meeting illustrate that the central bank, just like everyone else, tried to digest the impact of 'Liberation Day' and considered a rate cut as the natural option to tackle uncertainty and disinflationary pressures. Given the wide range of opinions voiced during the meeting, the minutes give very little indication on next steps for the ECB. Even if the imminent tariff fears have eased, we still think that ongoing disinflationary pressures will be enough for the ECB to cut rates again at the next meeting in June.

Some highlights from the minutes

Here are some highlights from the minutes:

- Triggered by 'Liberation Day', the ECB had become much more pessimistic on the eurozone growth outlook. "With regard to economic activity in the euro area, members concurred that the economic outlook was clouded by exceptional uncertainty...Overall, members assessed that downside risks to economic growth had increased."
- While acknowledging the longer-term positive impact of Germany's announced fiscal U-

turn, some ECB members remained sceptical about the positive growth impact from higher defence spending. “At the same time, the view was expressed that even in the medium term defence spending would not be a clear game changer, because it would not only materialise with a delay, but would likely lift euro area GDP growth by at most a couple of tenths of a percentage point. In any case, the fiscal stimulus was still uncertain in terms of its scale and modalities of implementation.”

- Still the ECB said, “a silver lining in the turbulent situation that Europe was facing was a strong impetus for European policymakers to swiftly implement the structural reforms set out in the reports by Mario Draghi and Enrico Letta.”
- Regarding inflation, the ECB saw that “inflation would likely be lower in 2025 than foreseen in the March projections if the exchange rate and energy prices remained around their current levels”.
- Interestingly, “some members indicated that, before the US tariff announcement on 2 April, they had considered a pause to rate cuts at the current meeting to be appropriate.” At the same time, “a few members noted that they could have felt comfortable with a 50 basis point rate cut.”

Summing up, the ECB’s April meeting was clearly shaped by 'Liberation Day' and the possible implications for the eurozone economy. Back in April, the disinflationary impact clearly dominated.

We continue to see a next rate cut at the June meeting

Looking ahead, and even with the current 90-day pause for 'reciprocal' tariffs, we think that the ECB’s work is not yet done. On the contrary, lower energy prices and the stronger euro exchange rate have actually increased disinflationary pressures in the eurozone, probably leading to a downward revision of the ECB’s own inflation forecasts. As headline inflation is now likely to drop below 2% much earlier than the ECB had envisaged previously, there is more room for the ECB to continue cutting rates.

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