

## The ECB cuts rates as its voyage to neutrality continues

The European Central Bank has cut interest rates again by 25bp and looks set to continue the current rate cut cycle



For now, it looks as if the ECB's journey to neutrality will continue and more rate cuts will follow. We'll wait to hear more from President Christine Lagarde in today's press conference at 2:45pm CET

Even without having it fully telegraphed in recent weeks, today's ECB decision to cut policy interest rates by 25bp is no surprise. Despite somewhat stickier headline inflation, the [sluggishness of the eurozone economy](#) as well as the ECB's strong conviction that inflation will return to target were strong arguments for today's rate cut. The ECB's press statement was almost a verbatim copy of the December statement in the key paragraphs. So, judging from the policy statement, there are no changes to forward guidance. The ECB sticks to its meeting-by-meeting approach.

However, at 2.75%, the deposit interest rate is still restrictive – too restrictive for the eurozone economy's current weak state. The recent surge in bond yields has also worsened financial conditions in the eurozone. Even if some argue that monetary policy can do very little to solve structural issues, political instability and uncertainty in many countries will force the ECB to continue doing the heavy lifting.

Also, as long as the current inflationary pressure is anticipated to diminish over the year, the Bank is likely to overlook the present inflation resurgence. While the experience of being slow to address rising inflation will deter the ECB from adopting ultra-low rates, the desire to stay ahead of the curve remains a compelling reason to return interest rates to neutral as swiftly as possible. Let's wait for ECB President Christine Lagarde's comments at the press conference, starting at 2:45pm CET, but for now it looks as if the ECB's journey to neutrality will continue and more rate cuts will

follow.

## 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).