

## ECB Communication: The Detail

By Emil Lundh, September 4

**September meeting and rate outlook:** There appears to be little to no appetite for a September rate cut. While some Governing Council members are still keeping the door open to one more cut this cycle, further easing will need to be motivated by dovish data developments.

- **Nagel (Aug 22)** believes the “*the bar is high*” for another rate cut, with **Muller (Sep 2)**, **Dolenc (Sep 1 and Sep 3)**, **Kazaks (Aug 24)**, **Makhlof (Jul 29)** and **Kocher (Sep 2)** also content with the current policy stance at this stage. On the Executive Board, **de Guindos (Aug 29)** thinks “*the current level of interest rates is appropriate given the main factors of the direction of monetary policy*”.
- Echoing the July Accounts, **de Guindos** also said that “*uncertainty remains high. That is why the European Central Bank is very cautious in its communication*.”
- Somewhat more dovish views have been presented by **Rehn (several)**, **Villeroy (Sep 2)** and **Simkus (Sep 2)**. Simkus specifically noted that he “*would not be surprised if Santa Claus comes with scissors - but just for snipping, not for slashing*”, suggesting a cut before year-end is still on the cards. **Rehn** has repeatedly called on policymakers to avoid complacency with respect to downside inflation risks, but even he suggested on Aug 23 that “*any insurance cut just for its own sake wouldn't be necessary*”.
- On the hawkish end of the spectrum, **Schnabel (Sep 2)** suggested that there is “*no reason to adjust the policy stance in either direction*”. She continues to believe that rates are currently in “*mildly accommodative*” territory, meaning there is little reason to deliver further cuts. Notable, she thinks “*the point where central banks around the world start to hike interest rates again may come earlier than many people currently think*”.
- Recent sources pieces from Bloomberg and Reuters have also solidified consensus for a September hold. On the outlook going forward:
  - **Bloomberg** sources pushed back on the insurance cut idea and said that another cut would require a “*serious blow to the economy or a steep downgrade in the inflation outlook*”. They suggested the ECB is happy to move at non-projection meetings if needed.
  - **Reuters** sources similarly suggested “*discussions about further cuts may well resume in the autumn if the economy weakens*”

**EU-US Trade Agreement:** The EU-US trade agreement includes a baseline reciprocal tariff rate of 15%, essentially the mid-point of the ECB’s baseline (10% tariff rate) and severe (20% tariff rate) scenarios from the June projection round. Despite this, both **Lagarde (Aug 20)** and **Schnabel (Sep 2)** have emphasised that the agreement is “*well below*” the severe scenario assumptions and “*somewhat higher – but still close to*” the baseline assumptions. As such, Executive Board members appear to be viewing the deal in an optimistic light.

- Despite this, **Lagarde (Aug 20)** still noted that the deal has “*alleviated, but certainly not eliminated, global uncertainty*”
- The likes of **de Guindos (Aug 29)** and **Villeroy (Aug 26)** have instead highlighted that the agreement “*cannot be considered positive*”, given the sizeable increase in the effective tariff rate.
- **Dolenc (Sep 3)** provided a balanced view, noting that the deal “*might slightly affect economic activity because higher tariffs might mean less exports*,” ... “*But there is also a positive factor now compared to June. The trade deal reduced uncertainty, which could affect economic activity positively*.”

**September Projections, Growth and Inflation Outlook:** **Lagarde (Sep 1, Aug 25)** has expressed confidence in the outlook, noting that inflation is at target and that “*growth is relatively modest, but resilient and on its way up*”.

- **Nagel (Aug 12)** similarly believes that inflation can be removed “*from the list of major challenges*”, while **Villeroy (Sep 2)** sees inflation as “*well under control*”.
- Meanwhile, **Rehn (several)** appears very cognizant of downside inflation risks in the medium term, with **Simkus (Sep 2)** also viewing growth and inflation risks as tilted to the downside. Speaking on next year’s inflation outlook, **Kazaks (Aug 24)** is aware that “*we will somewhat undershoot but of course the question is, how it'll start to rebound*”.
- Elsewhere, the hawkish **Schnabel (Sep 2)** has highlighted the recent resilience (and improving outlook) of the Eurozone economy, while providing arguments why inflation risks are tilted to the upside.
- On the September projections, both **Muller (Sep 2)** and **Dolenc (Sep 3)** have suggested they don’t expect major deviations from the June iteration.

For a full summary of ECB speak since the September decision, see the table below:

Member	Role	Topic	Monetary Policy Comments
Christine Lagarde	President	Rate Outlook	<p>1 Sep - "We will continue to take necessary measures to ensure inflation is under control and prices are stable"....The trade deal between the European Union and the US has "considerably reduced" uncertainty...."All risks of governments failing in all euro area countries are worrying,"..."Markets evaluate risks and we've seen the country risk increase in recent days," (Interview with Radio Classique)</p> <p>20 Aug - "Recent trade deals have alleviated, but certainly not eliminated, global uncertainty, which persists on account of the unpredictable policy environment." (Panel remarks at the International Business Council of the World Economic Forum)</p>
		Economic Growth	<p>25 Aug - "Growth is relatively modest, but resilient and on its way up with the fundamentals such as consumption and investment looking good at the moment." (Comments to Fox Business)</p> <p>20 Aug - " The trade deal establishes an effective average tariff estimated to lie between 12% and 16% for US imports of euro area goods. This effective average tariff is somewhat higher than – but still close to – the assumptions used in our baseline projections last June."..."It is worth noting that the outcome of the trade deal is well below the severe scenario for US tariffs of over 20% for euro area goods envisaged in the June projections. At the same time, uncertainty persists as sector-specific tariffs on pharmaceuticals and semiconductors remain unclear". (Panel remarks at the International Business Council of the World Economic Forum)</p>
		Inflation	25 Aug - "There will be more shocks, we know that, but we are in a good position"..."The ECB expects only "a very minor impact on inflation" from the trade deal (Comments to Fox Business)
Luis de Guindos	Vice President	Rate Outlook	29 Aug - * "The current level of interest rates is appropriate given the main factors of the direction of monetary policy."..."Uncertainty remains high. That is why the European Central Bank is very cautious in its communication," (Speech at the Cursos Europeos de Verano)
		Economic Growth	29 Aug - "On the less positive side, the U.S. will ultimately increase its average effective tariff on European products to just over 14%, up from a much more favorable situation previously, when tariffs were below 3%," (Speech at the Cursos Europeos de Verano)

Isabel Schnabel	Exec Board	Rate Outlook	2 Sep - "At the current juncture, I see no reason to adjust the policy stance in either direction. Interest rates are in a good place"...."I believe that we may be already mildly accommodative and therefore I do not see a reason for a further rate cut in the current situation."...."I think the point where central banks around the world start to hike interest rates again may come earlier than many people currently think." (Interview with Reuters)
		Economic Growth	2 Sep - "Incoming data have confirmed the resilience of the euro area economy. Over the past one and a half years, the euro area economy has grown by around 0.3% per quarter, which is broadly in line with potential growth. This is quite remarkable given all the economic and trade policy uncertainty that we've seen. It underlines that the euro area economy has been more resilient than expected"...."Going forward, some of the factors that may have been holding back economic growth are going to turn more supportive." (Interview with Reuters)
		Inflation	2 Sep - "Inflation is developing broadly as expected. It's hovering around 2%"...."I continue to see the balance of risk as being tilted to the upside" (Interview with Reuters)
		Exchange Rate/ Balance Sheet	2 Sep - "Excess liquidity has come down somewhat more slowly than expected as a result of some autonomous factors. For example, there has been weaker growth in the demand for banknotes. There has also been a stronger decline in government deposits"...."That means that we have more time to think about whether we need to adjust any of the parameters of the operational framework, and to think about the design of the structural operations". (Interview with Reuters)
Pierro Cipollone	Exec Board	Economic Growth	26 Jul - "We continue to see risks to economic growth as tilted to the downside" (Interview with Delo)
		Inflation	26 Jul - "The outlook for inflation is more uncertain than usual. In particular, we will need to see how prices in the euro area are affected by trade disruptions – including their impact on supply chains as well as on trade diversion that is already resulting in higher euro area imports from China." (Interview with Delo)

Joachim Nagel	Germany	Rate Outlook	<p>22 Aug - I think the bar is high [for another rate cut]"..."So it needs a lot to convince me to change monetary policy." Comments to Bloomberg TV)</p> <p>12 Aug - "Key interest rates are currently at a very good level," ... "From here, we can monitor how the economy develops. And we can react flexibly if necessary.". ""American tariffs are significantly higher than before,"..."Many details still need to be clarified. What's important is that in the end, there's no room for interpretation. And we've seen with the US government: What applies today may no longer apply tomorrow." (Comments in emailed remarks to BBG)</p> <p>25 Jul - "The inflation outlook has remained unchanged since the last projection, and the economic outlook has improved slightly,"..."A steady-hand in monetary policy is therefore appropriate, not least because a lot can happen between now and the next monetary policy meeting."(Emailed statement to press, via Bloomberg)</p>
		Inflation	12 Aug - * "We can currently remove inflation from the list of major challenges." (Comments in emailed remarks to BBG)
Francois Villeroy	France	Rate Outlook	25 Jul - "It is therefore important to remain completely open about future monetary policy decisions. More than ever, in a volatile environment, agile pragmatism in light of data and forecasts is of the essence" (Statement on BdF website)
		Economic Growth	<p>26 Aug - "Europe has signed an agreement that may have been inevitable but cannot be considered positive" (Interview with Sud Ouest)</p> <p>25 Jul - "The (ECB) Governing Council considered that the risks to growth were still tilted to the downside, with uncertainty remaining very high. " (Statement on BdF Website)</p>
		Inflation	<p>2 Sep - "Inflation remains well under control as of the end of August, at 2.1% in the euro area and 0.8% in France. This allows for favourable interest rates and supports the recovery of purchasing power." (Comments in blog post)</p> <p>25 Jul - Inflation - and relatedly wages - remains well under control: it is at our 2% target in the euro area and stands lower at 0.9% in France"..." The increases in US tariffs, the extent of which is still uncertain, are not expected to cause inflation to rise, while the appreciation of the euro is having a significant disinflationary effect". (Statement on BdF website)</p>

Olli Rehn	Finland	Rate Outlook	<p>31 Aug - "Rate decisions are taken meeting by meeting, based on the latest available data,"...."even as economic growth has held up and inflation stabilized, there's no reason to be complacent in the euro area." (Interview with Helsingin Sanomat)</p> <p>23 Aug - "Inflation is for now in a good place,"....."Any insurance cut just for its own sake wouldn't be necessary" though "the ECB must of course be mindful of the risks."...." "there's no reason for complacency,"..."We have to be alert and mindful of downside risks." (Interview with BBG)</p> <p>25 Jul - ."The ECB Governing Council will next decide on interest rates in September, and new information available by then should shed further light on the extent to which the early-year growth spurt will be temporary. Allowing extra time for decision-making is particularly useful now – the option value of waiting is exceptionally high."...."Of course, we are also constantly monitoring the development of the inflation and growth outlook and are ready to react if the situation requires it. Given the prevailing inflation and growth outlook, market forces are pricing in a slightly looser monetary policy than currently."...."The ECB Governing Council is not committed to any interest rate path, but will retain full discretion regarding interest rate decisions at all its future meetings, both in September and beyond." (Blog post on BoF Website)</p>
		Economic Growth	<p>25 Jul - "I am increasingly concerned about economic growth in the euro area."...."the risks to eurozone growth are on the downside if Trump's tariffs on Europe remain at the high level reported at the end of the week, as expected. They would significantly weaken eurozone growth, further dampening inflation." (Blog post on BoF website)</p>

		<p>Inflation</p> <p>1 Sep - * "We have to be mindful of the downside risks to inflation,"... pointing to "cheaper energy, a stronger euro, and contained service inflation" ...."There is simply no room for complacency" (Interview with the FT)</p> <p>31 Aug - * "There are more downside risks to inflation stemming from a stronger euro, cheaper energy and easing of core inflation, together with the damage trade-policy has caused to the global economy,"...."Economic shocks in the euro area are now more complicated than before and there's great uncertainty over inflation, which calls for flexibility in reacting to shifts in the economy." (Interview with Helsingin Sanomat)</p> <p>28 Aug - * The ECB "are closely monitoring [inflation]".....and "remain alert to act if the need arises."</p> <p>* "Uncertainty about the effects of geopolitics and the trade war nevertheless clouds the economic outlook,".... Inflation "is in the short term slowing below the 2% target as a result of cheaper energy, a stronger euro, and the slowdown in services inflation." (Speech in Finland)</p> <p>23 Aug - "The economy has been showing resilience and inflation is for now within the target," .... "That means we have space to reflect on the next steps."..."Geopolitical tensions and the ongoing tariff war are having an impact" (Interview with BBG)</p> <p>25 Jul - "Inflation is expected to slow down to well below 2 percent by the end of the year before it is forecast to return to the target level by the end of 2026. The drop is primarily due to lower energy prices than the previous year, so it is expected to be only temporary, but we are monitoring this development particularly closely"..."So the inflation situation is good right now, but vigilance is required in the future to ensure it stays on target. ".(Blog post on BOF website)</p>
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Robert Holzmann / Martin Kocher	Austria	Rate Outlook	<p>2 Sep (Kocher) - "There are differing opinions on the current interest rate level," ...."But some members of the Council have advocated this caution in the coming weeks, and I certainly share that view." (Interview with APA Newswire)</p> <p>6 Aug (Holzmann) - ""I won't be attending the next meeting, but in my view there is no longer any reason to lower interest rates further,".... "In my opinion, the ECB should wait and see what economic developments arise, particularly outside Europe, and how we respond to them. Interest rates are currently where the markets expect them to be" (Interview with OOeN)</p> <p>5 Aug (Holzmann) - "After so many interest rate cuts, we are at a level that is expansionary. For Europe and the world, <math>r^*</math> has quite likely gone up again, so we would be well-advised to keep interest rates where they are and await further economic developments, without trying to satisfy market expectations. We are not in restrictive territory, and we mustn't react to short-term developments." (Interview with Econostream)</p>
		Economic Growth	<p>5 Aug (Holzmann) - "We will have a period in which growth is not as high as we had hoped. When you destroy an existing trade pattern, then you have adjustment costs, implying more expenditures but less value added. So, we'll have to deal with lower growth than anticipated, in Europe as well as in the US. Depending on various aspects, the adjustment is likely to create inflationary pressure. Or we may have a period in which lower growth requires further policy support. Which scenario we get is open, but the next couple of years will be difficult. I'm not optimistic about growth, because even if German infrastructure investment is €100 billion and defence spending several times as much, it won't make a huge difference, given that other countries face fiscal struggles". (Interview with Econostream)</p>
Gabriel Makhlouf	Ireland	Rate Outlook	<p>29 Jul - "I think we have reached a point in our easing cycle where we can wait and see whether the data and evidence indicates the need for a change in our monetary policy stance. We are not committing to a particular rate path, and will continue to take account of new information when it arrives (our next monetary policy meeting is in September, when we will have an updated set of forecasts and associated set of risks surrounding the projections). But we also recognise that we have to remain humble in the face of a rapidly evolving geopolitical and geoeconomic environment. " (Blog post on CBI website)</p>

		Economic Growth	29 Jul - "There is insufficient detail to provide any considered analysis of Sunday's news of a 15 per cent tariff "deal" (other than to say that headlines such as "EU agrees to pay 15% tariff on most exports to US" show a misunderstanding of tariffs). These tariffs will require a mix of absorption by firms (reducing their profits) or, as analysis of previous tariff increases shows, increasing the cost of these goods for US consumers. Overall, compared to 6 months ago, US tariffs of 15 per cent on EU goods will dampen economic growth, although it will be partially offset by reducing uncertainty and the likelihood of more damaging trade war that has dominated the economic environment since the start of the year" (Blog post on CBI website)
Mārtiņš Kazāks	Latvia	Rate Outlook	24 Aug - ""We've seen good news, we've seen bad news, but not sufficiently big news to lead to a rethink of what we would need to do"..."I think we are still in a good place."..."Another 25 basis-point cut won't shift the economy massively,"..."It's more like an insurance story in my view." (Interview with BBG) 25 Jul - "There is value in holding rates at the current levels and the time of no-brainer moves to hike or cut is over,"...."At the current juncture, a steady-hand policy is appropriate."...."There is no need to be jumpy — there's no urgent need to move rates,"..."Given our sizeable and continued cuts over the last year, there's still a lot of monetary easing to work through the economy" (Interview with Bloomberg)
		Economic Growth	25 Jul - "If the trade dispute is resolved quickly and excessive uncertainty is removed, some improvement in confidence may support investment and consumption thereby reducing the clearly negative impact from the tariffs "(Interview with Bloomberg)
		Inflation	24 Aug - * "We are at the target, we have delivered — now we need to ensure that we remain at around target,".... "We know that at the beginning of next year, we will somewhat undershoot but of course the question is, how it'll start to rebound." (Interview with BBG)
		Exchange Rate/ Balance Sheet	25 Jul - "The euro moved a lot and quite quickly, but the level is still around historical averages — and do not forget its weakening late last year,"...."However, we will monitor this closely." (Interview with Bloomberg)
Gediminas Šimkus	Lithuania	Rate Outlook	2 Sep - * "Our monetary policy stance fits the moment well in September, but I would not be surprised if Santa Claus comes with scissors - but just for snipping, not for slashing". (Interview with Econostream) 25 Jul - Now is a good time to "see how the economic ship is sailing." (Interview with LRT Radio)

		Economic Growth	25 Jul - "Trade escalation adds considerable uncertainty both to the overall economic environment and to the forecasts" (Interview with LRT Radio)
		Inflation	2 Sep - * There are "many forces now at work that point to lower future inflation," ...."Risks to the economy and to inflation are still tilted to the downside." (Interview with Econostream) 25 Jul - "[Inflation] is expected to remain around 2 percent in the short to medium term, with some fluctuations, of course," (Interview with LRT Radio)
Primož Dolenc (acting Governor of Bank of Slovenia)	Slovenia	Rate Outlook	3 Sep - ""Beyond September, we should wait and see how monetary policy works — what are the data, what are the projections — and then decide," ...."And that could go in either direction"...."I don't see any reasons for major revisions to the projections — at least not on inflation,".... Underlying pressures are also heading toward 2%, "so from this point, we are optimistic," (Interview with BBG) 1 Sep - "From July to today, there have been no new circumstances to change this view, and we can leave the interest rate at its current level as it ensures that we'll achieve our inflation target"...."Uncertainty has been "the biggest problem,"...."The agreement has removed this uncertainty. This is crucial"...."Tariffs will be slightly higher than projected in the June projections. "But this doesn't significantly change our estimates for future economic activity and even less so for inflation," (Interview with Delo)
		Economic Growth	3 Sep - The EU-US trade deal "might slightly affect economic activity because higher tariffs might mean less exports," ... "But there is also a positive factor now compared to June. The trade deal reduced uncertainty, which could affect economic activity positively." (Interview with BBG)
Madis Muller	Estonia	Rate Outlook	2 Sep - "It's reasonable right now to take the time and monitor the economic data as it comes in the following months and take any different decisions if necessary,"....As was the case ahead of the July ECB decision, he again sees a hold in September as one that "makes sense"..."In light of all of this turmoil that we have seen in the recent past, starting with the trade policy in the US, also the impact of war in Ukraine that we have now for a number of years, the economy has held up quite well in Europe,"...."we could still assume that we are more or less on the path that was already there during the last round of projections for the ECB." (Interview with Bloomberg Adria) 25 Jul - "It is appropriate to leave interest rates unchanged for the time being when shaping monetary policy and to assess whether and when interest rates need to be adjusted again based on data in the coming months and quarters". (Blog post on Estonian Central Bank Website)

		Exchange Rate/ Balance Sheet	25 Jul - "It is also interesting to note that the euro exchange rate, which has appreciated significantly over the past six months, has not had a negative impact on euro area exports". (Blog post on Estonian Central Bank Website)
Peter Kažimír	Slovakia	September Decision	28 Jul - "I don't expect anything fundamental from the incoming economic data that would motivate me to act in September. I mean changing the level of key interest rates.....To do that, I would need to see fundamental problems in the labor market. " (Blog post on NBS Website)
		Inflation	28 Jul - "There are those who fear that inflation risks are only and only to the downside. This is not the case. There are still risks that could push inflation higher, and we need to remain vigilant. These pressures could arise, for example, if global supply chains are disrupted. Personally, I see no signs that inflation will settle permanently below our 2% target. Its expected decline below target next year should be temporary. It is driven by energy prices and the exchange rate, not underlying problems in the eurozone economy. " (Blog post on NBS Website)
Christodoulos Patsalides	Cyprus	Economic Growth	3 Aug - "Thanks also to previous interest rate cuts, the euro area economy appears resilient, despite the difficulties that exist internationally. Nevertheless, the environment remains uncertain, mainly due to trade tensions"..."This [EU-US tariff] agreement removes a source of uncertainty, negatively affecting EU exports to the US, slowing down the growth of the European economy, although I do not see a risk of recession". (Interview with Politis)

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