MNI ECB Preview: April 2026

Decision date: Thursday, 30th April 2026
Rate Announcement: 1315GMT/1415CET, **Press Conf.:** 1345GMT/1445CET

MNI Review of Prior Meeting: A Good Starting Base To Watch War Impact

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MNI POV: We Want To Hike, Just Not Yet

Apr 27, 2026 - By Chris Harrison and Emil Lundh

- The ECB is again expected to leave its three key rates on hold on Thursday, including a 2% deposit rate, but with the view that it's getting much closer to hiking in response to the ongoing Middle East conflict.
- Indications on the likelihood of a June hike will be key.
- Ceasefires and more patient ECB speak have seen April hike pricing drift to marginal levels but a 25bp hike in June is 80% priced and with a second 25bp hike in September near enough fully priced.
- See our in-depth review of ECB speak including market-moving Lagarde appearances below.
- Open-ended commentary from ECB's Lagarde is likely to keep June hike expectations firmly alive with investors working off ECB baseline forecasts factoring in hikes.
- There have been mixed developments across the ECB's checklist for monitoring second round effects, with PMIs for instance seeing a three-year high for selling prices but the SAFE survey looking more contained. The weight Lagarde puts on different areas will have an important bearing on the press conference as will attention given to growing downside growth risks as evidenced by the services PMI hitting a 62-month low.
- Note that we publish this preview before Tuesday's Bank Lending Survey, Wednesday's business and consumer surveys from the European Commission and Thursday's flash April HICP and Q1 GDP reports.

The ECB is widely expected to leave its three key interest rates on hold on Thursday, including the deposit rate at 2.00% in neutral setting. That certainly hasn't been the case throughout the intermeeting period, with the current 1-2bp of hikes priced compared to 17bp shortly after the March 19 ECB press conference. In March, rates at 2%, comfortably within neutral territory, were painted as a good starting point to watch the inflation impact from the Middle East conflict. The market at one point fully priced a 25bp hike on Mar 23 as the Middle East conflict escalated before an announcement of the US pausing strikes on Iranian energy infrastructure sparked relief rallies.

MNI sources reporting on Apr 9 had a dovish angle noting that the ceasefire in the Gulf reduces the urgency for an ECB hike in April. Eurosystem officials added that while the situation is highly volatile, more information will be available in June, when there will be a new round of projections and hopefully more clarity on the conflict and its consequences. While many policymakers left the ECB's March meeting with a sense that a hike in April was a clear possibility, not all were convinced of its necessity even then, while the recent truce "removes the sense of urgency," in the words of one official. Another source said that the ceasefire has strengthened the position of those who initially favoured a pause in April.

President Lagarde then followed with measured remarks on Apr 14 that cemented the drift away from April hike expectations, including that "We are in between the baseline and the adverse" scenarios […] the ECB does not have a tightening bias, but a "compass which indicates price stability predicated on financial stability". Even a usually hawkish Schnabel then added on Apr 15 that "we can afford to take the time that is needed to analyze the character of this shock, and we don't need to rush into action."

We wouldn't be surprised to see non-committal commentary from Lagarde not having a meaningful impact on ECB-dated OIS currently showing 20bp of hikes for June, especially considering there is now a better understanding of the ECB's reaction function after last month's projections and scenarios. Indeed, with latest developments generally seen as sitting between the baseline and adverse scenarios (currently closer to the baseline), which were both based off a rate profile with ~40bp of hikes priced, the market is likely to see a clear skew to rate hikes ahead at some point in the summer. That said, we suspect there is asymmetrical risk to a dovish shift to June pricing if there is indication that initial second round effects look to be on the smaller side.

What to watch at various stages of communication releases:

1315GMT decision statement:

- Any colour related to “the implications for medium-term inflation depend crucially on the magnitude of indirect and second-round effects of a stronger and more persistent energy shock”.
- We’d be surprised if it doesn’t repeat that the “Governing Council is not pre-committing to a particular rate path” whilst following “a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance.”

1345GMT press conference opening statement:

- The balance of risks. The March statement noted that growth risks were tilted to the downside and inflation risks to the upside, with both more pronounced in the near-term. That’s likely to remain the same but we watch for any tweaks whilst the broad arguments are likely as Lagarde laid out last week: “Two forces pulling in opposite directions are likely to influence the inflation response this time....."On one side, households and firms have just lived through a large inflation shock and may be more sensitive to rising costs. "...."On the other side, higher energy prices and weaker consumer sentiment will weigh on demand, particularly given that growth, while recovering, was moderate before the conflict began."
- In this light, watch for any updates to the ECB’s scenarios, or whether prior guidance that we are between the baseline and adverse scenarios holds.

~1350GMT Q&A

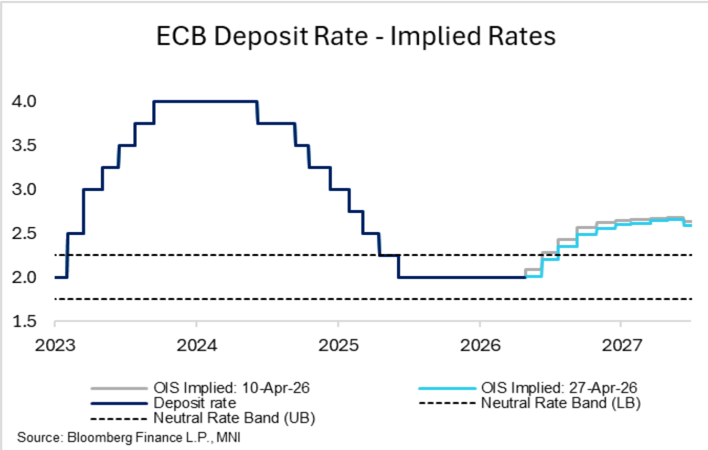
- Any hawkish dissents to the decision (not our base case)
- The extent of discussions around the likelihood of a hike in June
- Further colour on the balance of risks, in particular around second round effects
- Discussions on findings from the Corporate Telephone Survey and latest ECB wage tracker

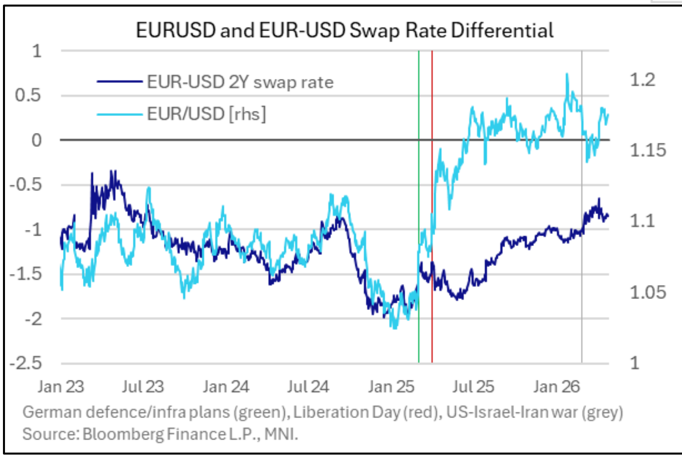
Markets: Heavily Leaning Towards June and September Hikes

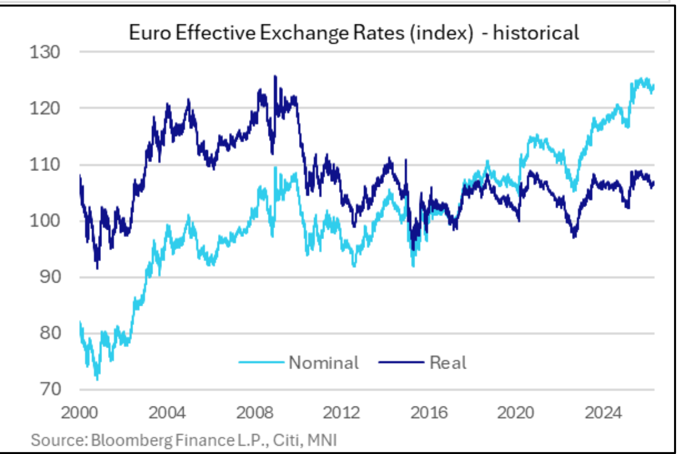
ECB Dated OIS

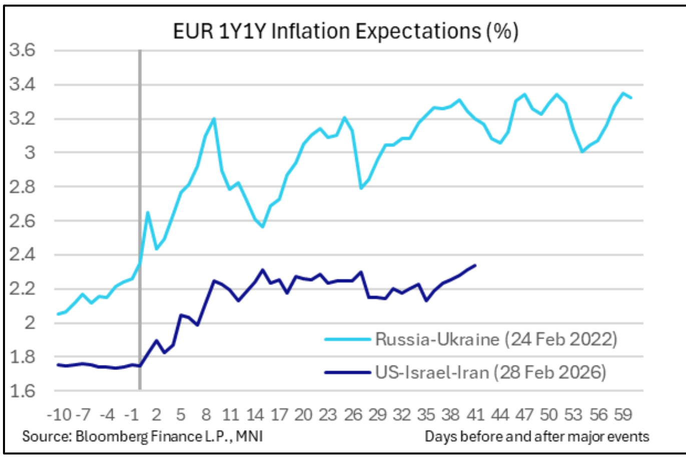
Meeting Date	ESTR ECB-Dated OIS (%)	Difference Vs. Current Effective ESTR Rate (bp)
Apr-26	1.946	1.3
Jun-26	2.139	20.6
Jul-26	2.282	34.9
Sep-26	2.425	49.2
Oct-26	2.491	55.8
Dec-26	2.540	60.7
Jan-27	2.550	61.7
Mar-27	2.576	64.3
Apr-27	2.588	65.5

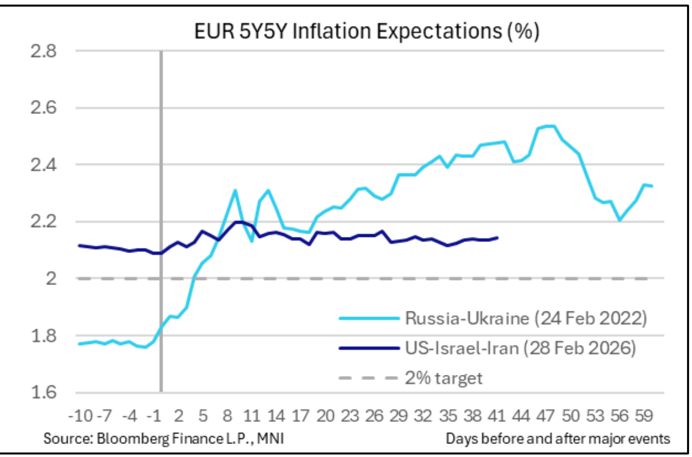
Source: MNI/Bloomberg Finance L.P.









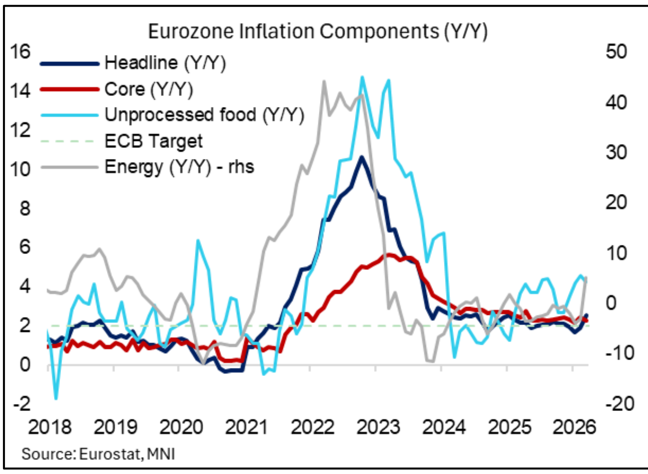


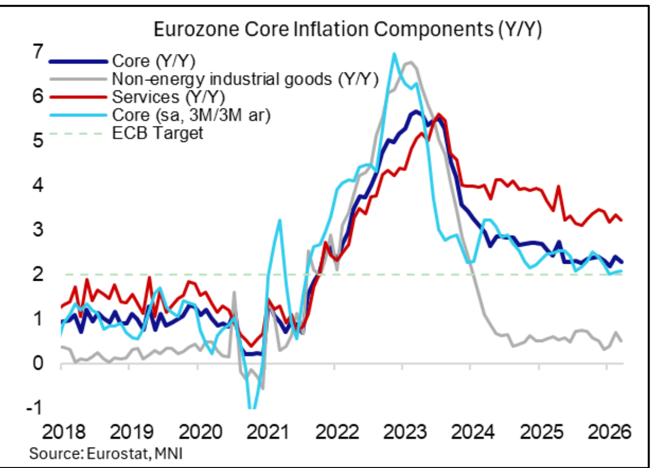
Macro Since Last ECB Decision: Limited Initial Energy Shock Spillover

March Full HICP Release Confirms Limited Initial Energy Spillover, April Flash Released Mid-Meeting

The final March HICP inflation saw marginal upward revisions to confirm a marked increase in headline inflation on the back of the surge in energy but limited feedthrough elsewhere. Headline HICP inflation accelerated to 2.55% Y/Y from 1.89% in February whilst core eased to 2.29% Y/Y from 2.41% in February. Note that the preliminary April release will only be published on Thursday, day two of the Governing Council's meeting (see MNI's preview **here**).

- The energy aggregate accelerated to 5.10% Y/Y in March for its fastest since Feb 2023 (for reference, it peaked at 44.3% in Mar 2022), with the acceleration from February's -3.12% contributing +0.77pp to the change in headline HICP in March.
- Core goods moderated from 0.70% to 0.52% Y/Y in March although will remain a key area to watch to track whether higher resource and logistics costs filter through more widely. The moderation came as clothing and footwear decelerated to 0.65% vs 1.43% Feb in moves linked to seasonal sales.
- Services also softened to 3.24% Y/Y from 3.36% in Feb, despite airfares accelerating to 4.93% Y/Y vs 2.34% in Feb for its highest since April 2025. Note that airfare HICP refers to the time of delivery and not time of booking (as is the case more broadly for services), meaning the March figure refers to flights occurring last month and not bookings made last month. This makes it a little less clear to what extent the March upside came on the back of the Iran war or other drivers.
- Food, alcohol and tobacco inflation was unrevised from the flash release at 2.35% Y/Y (2.51% February). As with core goods, indirect effects from higher energy prices and perhaps more crucially sharply higher fertilizer prices will be watched closely in the coming months.

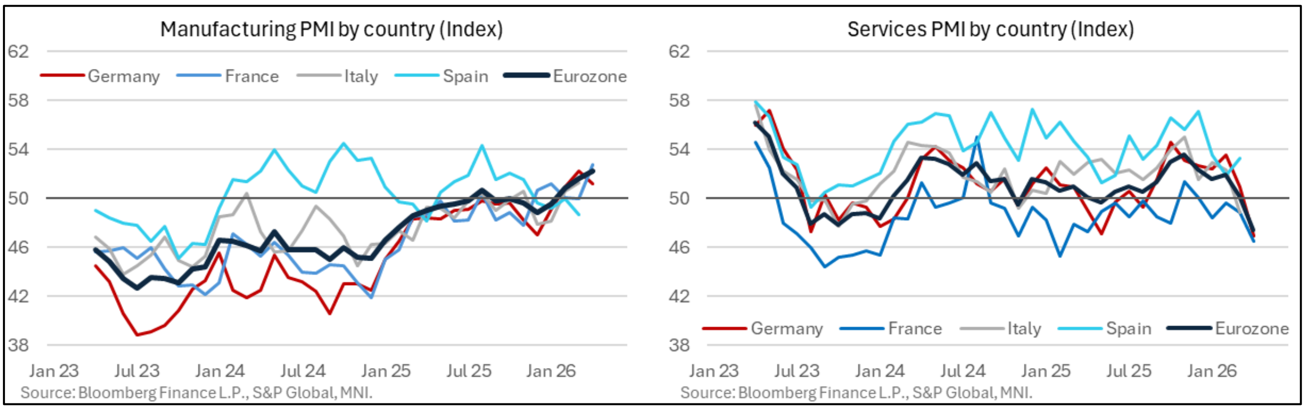




Running through the latest indicators from Lagarde's checklist noted at the March press conference:

Demand indicators – PMIs: Recent highs for manufacturing vs recent lows for services

- The flash April PMIs told a story of significant divergence between improved manufacturing activity, boosted in part by stock-building, and a further souring in services activity.
- Eurozone manufacturing: 52.2 in Apr flash (cons 50.9) after 51.6 in Mar – 47-month high
- Eurozone services: 47.4 in Apr flash (cons 49.8) after 50.2 in Mar – 62-month low
- Eurozone composite: 48.6 in Apr flash (cons 50.1) after 50.7 in Mar – 17-month low
- "The fall in [overall] output was broad-based across the region. In Germany, business activity decreased for the first time in 11 months, while output in France fell at the sharpest pace since February 2025. Meanwhile, the rest of the euro area as a whole registered a slight drop in output, ending a sequence of growth stretching back to January 2024."

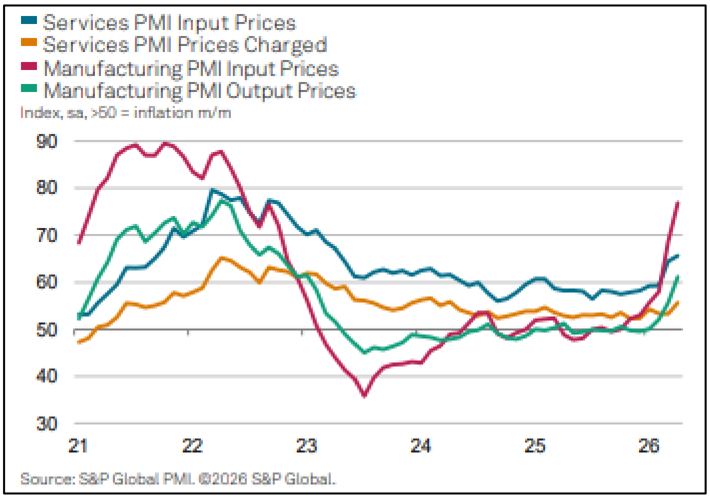


Supply bottlenecks: Longest delivery times since mid-2022

- The flash April PMI noted that: "The war also caused severe supply-chain disruption, with manufacturers seeing suppliers' delivery times lengthen to the greatest extent since mid-2022."

Selling price expectations of firms:

- April flash PMI (Apr 23): "Inflationary pressures continued to strengthen, with both input costs and output prices rising at the sharpest rates in more than three years amid the impacts of the war in the Middle East."
- "Input costs increased at the fastest pace since the end of 2022. Rates of cost inflation quickened across both goods and services, but manufacturers registered the sharper rise. In turn, output price inflation hit a 37-month high. Selling prices increased particularly sharply in Germany, but stronger inflation was also seen in France and across the rest of the single currency bloc as a whole."



Source: S&P Global April press release (link)

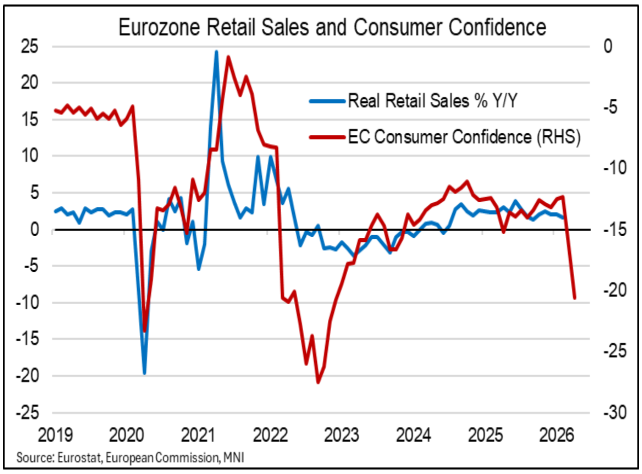
- SAFE survey (Apr 27): On average, firms expected stronger increases in selling prices and non-labour input costs over the next 12 months, though wage expectations moderated slightly. Firms expected selling prices to increase by 3.5% (up from 2.9%), whereas input costs, including energy, were projected to rise by 5.8% (up from 3.6%).

<u>Frequency of price revisions</u> ("through the corporate telephone survey in particular and other surveys that we hold of good value"):

- No publicly known indicators have been released – Lagarde may hint at telephone survey results

<u>Demand indicators – Consumer confidence</u>: Lowest Since Dec 2022

- Eurozone consumer confidence fell by more than expected in the flash April reading to its lowest value since December 2022, at -20.6 (cons -17.2) after -16.4 seen in March. The series low remains the -27.5 from Sep 2022. The ECB acknowledged in their March macroeconomic projections that the "shock to energy prices and rising uncertainty are likely to hit households' purchasing power and consumer and business confidence", especially with already high levels of household saving rates.



<u>Demand indicators – Wage trackers</u>:

- SAFE survey: "[E]xpectations for wage increases moderated slightly, to 2.8%, down from 3.1% in the previous quarter."
- The March Indeed wage tracker has not yet been released. Lagarde may hint at results from the ECB's forward looking negotiated wages tracker in the Q&A.

SAFE Survey Points to Limited 2nd Round Effect Risks - For Now (published Apr 27)

The lack of increase in wage and long-term inflation expectations in the Q1 SAFE survey (link) will be reassuring to ECB Governing Council members. All else equal, it supports arguments suggesting the risks of second round effects are lower than in 2022, reducing the need for an aggressive, front-loaded, hiking cycle. One caveat is that the SAFE survey started in 2023, so we don't have data from 2022 to serve as a comparison to today.

- It's not too surprising to see firms intending to pass on higher input costs to selling prices (as was also noted in the PMI data). More important is whether these increases get entrenched into medium-term price setting processes.
- That said, the survey noted that "the balance of risks around firms' long-term inflation outlooks is tilted more to the upside than in the previous round "In total, 65% of firms perceived upside risks to their own inflation outlook five years ahead (up from 56%), while 27% perceived risks to be balanced and 8% saw risks to the downside. For both large firms and SMEs, risks remain generally tilted to the upside."
- That suggests ECB vigilance - and market pricing for just over 2x25bp hikes this year - is still warranted. There was little reaction in front-end EUR rates to the survey.
- On the credit front, the survey noted that "firms observed a net tightening in bank loan interest rates and a continued tightening in other loan conditions ". Tuesday's Bank Lending Survey will provide similar insights from the perspective of banks - rather than firms.

Details from the SAFE survey:

- Eurozone firms saw a modest tightening of credit conditions in Q1 2026, with selling price expectations edging higher and wage pressures moderating, the ECB Survey on the Access to Finance of Enterprises showed on Monday.
- Firms reported a net increase in interest rates on bank loans, observed by both small and medium-sized enterprises and large firms. More organisations also observed increases both in other financing costs, including charges, fees and commissions, and in collateral requirements.

- On average, firms expected stronger increases in selling prices and non-labour input costs over the next 12 months, though wage expectations moderated slightly. Firms expected selling prices to increase by 3.5% (up from 2.9%), whereas input costs, including energy, were projected to rise by 5.8% (up from 3.6%).
- In contrast, expectations for wage increases moderated slightly, to 2.8%, down from 3.1% in the previous quarter.
- The war in the Middle East significantly increased firms' selling price and input cost expectations, without affecting wage expectations. Daily survey responses collected before and after Feb 28 revealed that firms questioned later in the fieldwork period had reported higher cost and price expectations. Expectations for wage and employment growth remained broadly stable throughout the survey period.
- Firms' inflation expectations increased markedly for the one-year horizon but remained stable for the three- and five-year horizons. Median one-year ahead inflation expectations stood at 3.0% (up from 2.6%). Three- and five-year ahead median inflation expectations were unchanged at 3.0%.
- The SAFE survey period was 19 February to 1 April - so captures a good proportion of the Iran war before any ceasefire hopes entered the picture. Some analysts thought it might have only run up to mid-March.

Average expectations for selling prices, wages and input costs one year ahead, by sector

(percentage changes over the next 12 months)

Base: All firms. The figures refer to rounds 29 to 38 (September 2023 to March 2026) of the survey, with firms' replies collected in the last month of the respective survey waves.
Notes: Mean euro area firm expectations of changes in selling prices, wages of current employees, non-labour input costs and number of employees for the next 12 months, along with interquartile ranges, using survey weights. The statistics are computed after trimming the data at the country-specific 1st and 99th percentiles. The data included in the chart refer to Question 34 of the survey.

Key Inter-Meeting ECB Commentary

By Emil Lundh (Apr 24, 2026)

Governing Council officials have collectively pushed back on the case for an April hike in recent weeks, citing a lack of firm data on which to act. However, there has not necessarily been a pushback against overall tightening expectations. Although there are signs of an offramp in the Iran war, headline flow remains mixed, energy prices are still elevated relative to pre-war levels and ongoing disruption in the Strait of Hormuz alongside infrastructure damage keeps inflation risks tilted to the upside.

These developments have been consistent with the MNI Policy Team's latest ECB sources piece on April 9. "The ceasefire in the Gulf reduces the urgency for a European Central Bank rate hike in April, Eurosystem officials told MNI, adding that while the situation is highly volatile, more information will be available in June, when there will be a new round of projections and hopefully more clarity on the conflict and its consequences." Subsequent sources pieces from Bloomberg and Reuters echoed the conclusions of MNI's story.

Given high uncertainty around the ECB's reaction function in response to this latest supply shock (particularly with the economic backdrop heading into the war very different to 2022**), Executive Board commentary has increased in importance**, specifically from President Lagarde.

Lagarde's speech on March 25 provides an insight into the three possible reactions ECB officials are considering:

1. "First, if the energy shock is seen to be limited in size and short-lived, the classical prescription of looking through should apply. Transmission lags mean that a monetary policy response would arrive too late and risk being counterproductive".
2. "Second, if the shock gives rise to a large though not-too-persistent overshoot of our target, some measured adjustment of policy could be warranted. The optimal response to such a deviation is smaller when the cause is exogenous supply disruptions rather than strong demand, but it is not necessarily zero*…." Moreover, to leave such an overshoot entirely unaddressed could pose a communication risk: the public may find it difficult to understand a reaction function that does not react."
3. "Third, if we expect inflation to deviate significantly and persistently from target, the response must be appropriately forceful or persistent. Otherwise, self-reinforcing mechanisms would kick in and the risk of de-anchoring would become acute."

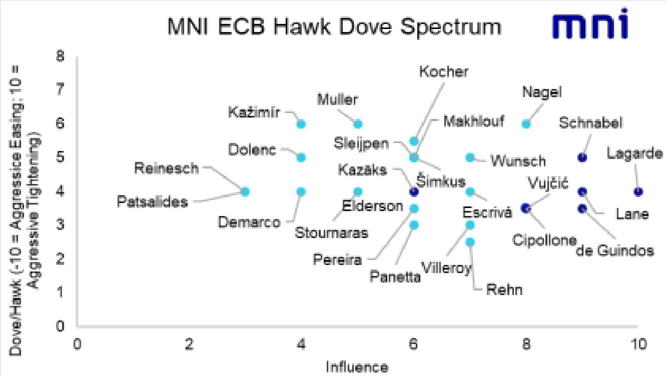
These reactions do not map perfectly onto the baseline, adverse and severe scenarios outlined in the March macroeconomic projections (ECB officials have noted that the current situation is currently between the baseline and adverse scenarios). The "measured adjustment" reaction may be appropriate even in the baseline scenario, since the March projections were calibrated on a market path pricing 40bps of hikes. **We currently view the "measured adjustment" response as consistent with 1-3 hikes this year.** Although Lagarde prompted a dovish market reaction on April 14 when noting that the ECB does not have a tightening bias, **we still think her comments cemented "measured adjustment" as the most likely response at this stage**. Executive Board pushback against an April hike came from **Lagarde (April 14), Schnabel (April 15) and Lane (April 16)**.

Looking across the Governing Council, we note that **Muller (April 17)** suggested that April would be too early for a hike – towards the end of March he was more clearly keeping his options open. On the other hand, **Nagel (April 17)** and **Kocher (April 22)** have remained non-committal in recent commentary.

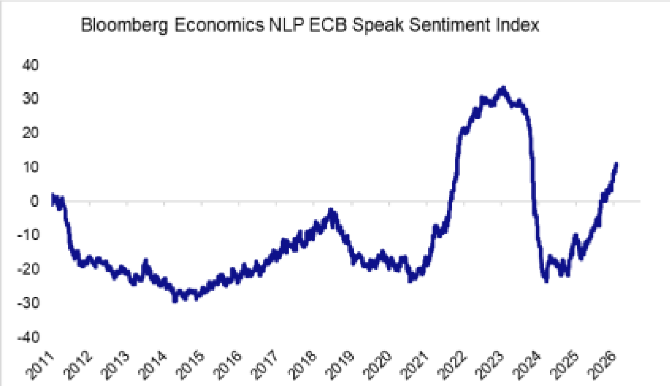
On the dovish side, **Rehn** has most vocally stressed that hikes are not guaranteed, noting that the ECB has the Spring to assess second round effect risks. **Villeroy** had previously noted that rate hike debates were premature, but he walked this tone back as the conflict persisted. We now consider him to be a little less dovish than Rehn on our hawk-dove scale.

A reminder that April will be **Villeroy's last meeting** on the Governing Council, while Vice President **de Guindos' term ends at the end of May**. He will be replaced by current Croatian Central Bank Governor **Vujcic**.

Our latest **ECB Speak Wrap** contains a comprehensive overview of post-war commentary.



Hawkish/Dovish: Scores indicate MNI's subjective assessment of each member's stance on monetary policy. -10 implies member believes aggressive easing warranted; +10 is most hawkish, implies member believes aggressive tightening warranted. Scores around -2 to +2 considered relatively neutral. Influence: The x-axis runs from 0 ('least influential') to 10 ('most influential'). Executive Board members (dark blue dot) receive minimum score of 6; the President receives a 10. Updated Dec 15, 2025



Source: Bloomberg Economics

Mar 19 Rate Decision Statement

The Governing Council today decided to keep the three key ECB interest rates unchanged. It is determined to ensure that inflation stabilises at the 2% target in the medium term. The war in the Middle East has made the outlook significantly more uncertain, creating upside risks for inflation and downside risks for economic growth. It will have a material impact on near-term inflation through higher energy prices. Its medium-term implications will depend both on the intensity and duration of the conflict and on how energy prices affect consumer prices and the economy.

The Governing Council is well positioned to navigate this uncertainty. Inflation has been at around the 2% target, longer-term inflation expectations are well anchored, and the economy has shown resilience over recent quarters. The incoming information in the period ahead will help the Governing Council assess how the war will affect the inflation outlook and the risks surrounding it. The Governing Council is closely monitoring the situation, and its data-dependent approach will help it set monetary policy as appropriate.

The new ECB staff projections exceptionally incorporate information up to 11 March, a later cut-off date than usual. In the baseline, headline inflation is seen to average 2.6% in 2026, 2.0% in 2027 and 2.1% in 2028. Inflation has been revised up compared with the December projections, especially for 2026. This is because energy prices will be higher owing to the war in the Middle East. For inflation excluding energy and food, staff project an average of 2.3% in 2026, 2.2% in 2027 and 2.1% in 2028. This is also higher than the path in the December projections, mainly owing to higher energy prices feeding into inflation excluding energy and food. Staff expect economic growth to average 0.9% in 2026, 1.3% in 2027 and 1.4% in 2028. This implies a downward revision, especially for 2026, reflecting the global effects of the war on commodity markets, real incomes and confidence. At the same time, low unemployment, solid private sector balance sheets, and public spending on defence and infrastructure should continue to underpin growth.

In line with the Governing Council's monetary policy strategy commitment to incorporate risks and uncertainty into its decision-making, staff also assessed how the war in the Middle East could affect economic growth and inflation under some alternative illustrative scenarios. These scenarios will be published with the staff projections on the ECB's website. The scenario analysis suggests that a prolonged disruption in the supply of oil and gas would result in inflation being above, and growth being below, the baseline projections. The implications for medium-term inflation depend crucially on the magnitude of indirect and second-round effects of a stronger and more persistent energy shock.

The Governing Council will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, its interest rate decisions will be based on its assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council is not pre-committing to a particular rate path.

Key ECB interest rates
The interest rates on the deposit facility, the main refinancing operations and the marginal lending facility will remain unchanged at 2.00%, 2.15% and 2.40% respectively.

Asset purchase programme (APP) and pandemic emergency purchase programme (PEPP)
The APP and PEPP portfolios are declining at a measured and predictable pace, as the Eurosystem no longer reinvests the principal payments from maturing securities.

***
The Governing Council stands ready to adjust all of its instruments within its mandate to ensure that inflation stabilises at its 2% target in the medium term and to preserve the smooth functioning of monetary policy transmission. Moreover, the Transmission Protection Instrument is available to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy across all euro area countries, thus allowing the Governing Council to more effectively deliver on its price stability mandate.

The President of the ECB will comment on the considerations underlying these decisions at a press conference starting at 14:45 CET today.

Monetary Policy Statement Highlights

Downside risks to growth and upside risks to inflation, both especially so in the near-term, compared to previously just noting higher volatility/uncertainty. MNI emphasis below.

<u>"The risks to the growth outlook are tilted to the downside, especially in the near term. The war in the Middle East is a downside risk to the euro area economy, adding to the volatile global policy environment. A prolonged war could increase energy prices further and for longer than currently expected, and also weigh on confidence</u>. These factors would erode incomes and make firms and households more reluctant to invest and spend. A worsening of global financial market sentiment could further dampen demand. Additional frictions in international trade could disrupt supply chains, reduce exports and weaken consumption and investment. Other geopolitical tensions, in particular Russia's unjustified war against Ukraine, remain a major source of uncertainty. By contrast, growth could turn out to be higher if the economic repercussions of the war in the Middle East proved to be more short-lived than currently expected. Moreover, planned defence and infrastructure spending, reforms to enhance productivity, and euro area firms adopting new technologies may drive up growth by more than expected. New trade agreements and a deeper integration of the Single Market could also boost growth beyond current expectations."

<u>"The risks to the inflation outlook are tilted to the upside, especially in the near term. A prolonged war in the Middle East could lead to a larger and longer-lasting upward shift in energy prices than currently expected, raising euro area inflation further.</u> This could be reinforced and become more persistent if inflation expectations and wage growth were to rise in response, if the energy price increase were to spill over to non-energy inflation to a larger extent than assumed in the baseline, or if the war disrupted global supply chains more broadly. Ongoing trade tensions could also give rise to more fragmented global supply chains, curtail the supply of critical raw materials and tighten capacity constraints in the euro area economy. By contrast, inflation could turn out to be lower if the economic repercussions of the war in the Middle East proved to be more short-lived or if indirect and second-round effects proved less pronounced than currently expected. Inflation could also be lower if tariffs reduced demand for euro area exports by more than expected and if countries with overcapacity increased further their exports to the euro area. More volatile and risk-averse financial markets could weigh on demand and thereby lower inflation as well."

Press Conference Q&A

Highlights (from MNI real-time coverage):

- Lagarde won't say policy is in a good place but ECB starting from a good base
- Policy well positioned with 2% inflation near target, 2% medium term inflation expectations and 2% interest rates
- ECB will be attentive to all usual indicators including liaison surveys and wage tracking
- It's a different situation to 2022 but inflation expectations could be faster to change
- Core inflation at 2.1% in 2028 projection somewhat downplayed

See the full official transcript from the press conference here (link).

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All Signal, No Noise

MARKET ANALYSIS

Central Bank Watch - ECB

27 April 2026

MNI ECB Data Watch List

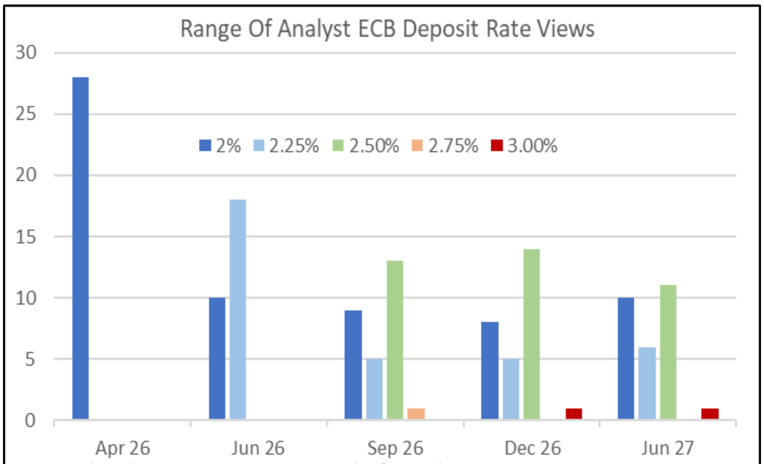
Inflation		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
HICP	% y/y	2.5	2.0	↑	2.2	↑					1.20
Core Inflation	% y/y	2.3	2.3	→	2.4	↓					-0.50
Oil Prices	$	118.4	60.9	↑	67.0	↑					2.42
5y/5y Inflation Swap	%	2.15	2.07	↑	2.09	↑					1.29
Economic Activity		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Eurozone PMI (Comp)	Index	48.6	51.3	↓	52.5	↓					-1.93
Industrial Production	% y/y	-0.6	2.1	↓	1.2	↓					-1.54
Business Climate Indicator	Index	-0.27	-0.47	↑	-0.70	↑					1.34
Consumer Confidence	Index	-20.6	-12.5	↓	-12.6	↓					-2.21
Monetary Analysis		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Narrow Money (M1)	% y/y	4.8	5.0	↓	5.0	↓					0.77
Broad Money (M3)	% y/y	3.0	3.0	→	2.9	↑					0.13
Loans to Non-Fin Corps	% y/y	2.9	3.0	↓	2.7	↑					0.79
Loans to Households	% y/y	2.8	2.7	↑	2.3	↑					0.90
Consumer / Labour Market		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Retail Sales	% y/y	1.7	2.5	↓	1.8	↓					-0.32
Unemployment Rate	%	6.2	6.3	↓	6.3	↓					-0.66
Labour Costs (Quarterly)	% y/y	3.3	3.5	↓	5.0	↓					-1.01
Employment (Quarterly)	% y/y	0.7	0.9	↓	0.9	↓					-1.15
Markets		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Equity Market	Index	5860	5791	↑	5530	↑					0.74
Bund Yield	%	3.03	2.86	↑	2.71	↑					1.89
10y BTP Spreads	%	79.6	69.6	↑	82.3	↓					-1.45
EUR TWI	Index	128.62	128.83	↓	128.02	↑					-0.13

Source: MNI, Bloomberg Finance L.P. Daily series showing as of end previous full month

Analyst Expectations And Key Comments

Some See Short-Lived Rate Hikes

The median analyst in the below table looks for a 25bp hike in June. It's then seen to be a close call between another 25bp hike in September with the median then only fully reflecting a 25bp hike in December. However, whilst not a widespread view, enough then look for cuts again in 2027 to tilt the median back to 2.25% in Mar 2027 where it's seen remaining to mid-2027. On the flip side, Nordea have the standout hawkish view, eyeing a deposit rate of 3% with the October meeting.



Source: Bloomberg News, MNI. Using a sample of 28 analysts

Analyst Forecasts for ECB Deposit Rate

Institution	Apr-30 2026	Jun-11 2026	Jul-23 2026	Sept. 10 2026	Oct. 29 2026	Dec. 17 2026	Jan. 2027	March 2027	April 2027	June 2027
Median	**2.00%**	**2.25%**	**2.25%**	**2.38%**	**2.38%**	**2.50%**	**2.50%**	**2.25%**	**2.25%**	**2.25%**
ANZ	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Berenberg Bank	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Citigroup	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Commerzbank	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
HSBC	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Julius Baer	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
MUFG	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Nomura	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TD Securities	2.00%	2.00%	2.00%	2.00%	2.00%	2.25%	2.25%	2.25%	2.25%	2.25%
RBC Capital Markets	2.00%	2.00%	2.00%	2.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%
Natixis	2.00%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
SEB	2.00%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Rabobank	2.00%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.50%
Nord/LB	2.00%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Goldman Sachs	2.00%	2.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.25%	2.25%	2.00%
ABN Amro	2.00%	2.25%	2.50%	2.50%	2.50%	2.50%	n/a	2.25%	n/a	2.00%
Bank of America ML	2.00%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.25%
Morgan Stanley	2.00%	2.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.25%
Danske Bank	2.00%	2.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Deutsche Bank	2.00%	2.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
DNB Markets	2.00%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
J.P. Morgan Chase	2.00%	2.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Societe Generale	2.00%	2.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
UBS	2.00%	2.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
UniCredit	2.00%	2.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Wells Fargo	2.00%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Barclays	2.00%	2.25%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Nordea	2.00%	2.25%	2.50%	2.75%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

Based on a combination of the Bloomberg survey collected Apr 9-15, 2026 and multiple view changes seen by MNI since then

Source: Bloomberg News, MNI. Sorted by Jun 2026, Sep 2026, Dec 2026 and then Jun 2027

Analyst views of what to expect at this meeting (sorted A-Z):

ABN Amro

- "With risks of a very negative scenario for energy prices looking to have abated in recent weeks, even hawkish Governing Council member Isabel Schnabel said last week "the ECB can afford to take time to analyse the Iran shock." This essentially takes an April rate hike off the table."
- "Aside from ceasefire optimism, what may also be giving the ECB and markets some comfort is that the labour market is dramatically looser than it was four years ago, with the job vacancy rate hovering close to a 5 year low of 2.2% in Q4 25. This lowers the chance of the same wage-price spiral dynamics of 2022-23 taking hold this time around."
- "Still, even in positive scenario where energy prices more quickly normalise, inflation would likely stay above the ECB's target for at least six months. While central banks typically look through energy price spikes, the risk to inflation expectations – so soon after the last shock – remains substantial. Though a rate hike at the 30 April meeting now looks unlikely, we still think the Governing Council will want to get ahead of a de-anchoring of inflation expectations by hiking at the June and July meetings."

ANZ

- "One aspect of the ECB's reaction function of which we are mindful is concern over non-linear transmission of higher energy prices to underlying inflation under a significant shock. Movements in benchmark European oil and gas futures suggest the size of the energy-price shock is not currently markedly different to the baseline scenario in the ECB's March projections. We judge that the size of the shock would need to be closer to the ECB's adverse scenario to drive a pre-emptive policy response."
- "Our view is that the ECB will remain on hold this year. Financial markets, in contrast, are pricing-in around two hikes in 2026. With policy settings broadly neutral, some policymakers may judge that one or two hikes would send a strong signal of the ECB's commitment to meeting its inflation target without undermining the performance of the real economy."
- "We, however, do not believe tightening policy is necessary to maintain credibility or that it would be as low-risk as some policymakers may think. The ECB has a long history of undershooting its inflation target, and we judge that tightening into a negative supply shock would exacerbate the risk of an inflation undershoot in the medium term, once the impacts of the energy shock dissipate. Nonetheless, amid current uncertainty, ECB guidance next week will leave all options on the table."

Barclays

- Recent view change: "ECB speakers have increasingly coalesced around the need to gain further clarity on the evolution of the inflation shock before recalibrating monetary policy, thereby reducing the case for a move at the April meeting. We revise our call and now expect the ECB to raise rates in June and September."
- Meeting itself: The decision to leave rates on hold "would be justified on considerations that there is value in waiting for more information before drawing policy conclusions."
- "While we do not expect the GC to signal a June hike, it should preserve maximum optionality while emphasising its readiness to act, if needed."
- "We expect communication to emphasise the GC's readiness to act, while stopping short of signalling a June hike explicitly, as doing so would undermine the very message that there is value in waiting to preserve optionality."
- "During the press conference, beyond emphasising the role of commodity prices for the policy outlook, we believe the president is likely to stress vigilance on two fronts: (i) evidence of a faster pass-through from energy inputs into other final prices; and (ii) signs that firms' and households' behaviour are shifting in a way that could make the shock more persistent."

Berenberg

- The ECB "will leave the deposit rate at 2.0% and provide no firm guidance on the future path of rates. Instead, the ECB will emphasise once again that the outlook depends on the situation around the Strait of Hormuz and the impact of higher energy prices on inflation expectations."
- "We anticipate that mounting domestic political pressure will prompt Donald Trump to de-escalate the conflict and that Iran will also want to strike a deal in next few weeks. If so, this would allow the ECB to look through the temporary, supply-driven spike in inflation."
- "While we agree with the market that the next interest rate move will be an increase, we do not expect this to happen until the second half of 2027. By then, rising inflation driven by higher wage growth will force the ECB to gradually raise its deposit rate to 3.0% by mid-2028. However, at next week's press conference, ECB President Christine Lagarde will almost certainly stress once again that, in the current exceptionally uncertain times, the ECB will keep all options open."

Commerzbank

- "The ECB is expected to keep interest rates unchanged next week. However, a rate hike is not entirely off the table, especially if second-round effects continue to drive inflation over the long term."
- "[S]ince the talks between the U.S. and Iran, there is a real chance of an early end to the war. Already, crude oil and gas prices have shown a slight downward trend, which is also becoming noticeable at the gas pumps. This has made the ECB's baseline scenario more likely, in which ECB economists project only a temporary rise in inflation and no lasting effects on core inflation."
- "However, we still consider an interest rate hike in June to be likely, especially if the stalemate around the Strait of Hormuz continues, which yet remains completely blocked. After all, memories of the 2022 surge in inflation are still fresh. Some of the indicators cited by ECB President Lagarde at the last press conference also point to increased inflation risks."
- "The manufacturing PMI, in particular, bears a striking resemblance to its rise a few years ago. At the same time, more companies, especially in the manufacturing sector, report having raised their selling prices as well. In addition, the quarterly telephone survey of companies mentioned by ECB President Lagarde was conducted in early April. Plans for price increases will play a decisive role in this. Lagarde is expected to comment on the results at next week's press conference."
- "Given the inflation risks mentioned above, we expect the ECB to raise interest rates in June, provided the Strait of Hormuz is not fully and permanently reopened by then. However, we do not go as far as the financial markets, which expect not just one but roughly two and a half rate hikes by the end of the year. This is because other indicators cited by President Lagarde point to certain downside risks for inflation. For instance, leading economic indicators such as the Purchasing Managers' Index point to a significant slowdown in economic growth in the coming months, which could dampen inflation in the medium term."

Danske Bank

- "Recent communication from the ECB's GC members has indicated that they are in no rush to increase policy rates." Danske expect "the ECB to raise policy rates by 25bp at the June and July meetings, bringing the deposit rate to 2.50%".
- "With an unchanged decision in April all focus during the meeting will be on signals, and we expect Lagarde to leave the door open for summer hikes in order to keep inflation expectations anchored. The ECB is likely broadly satisfied with the current market pricing of 65bp worth of hikes this year. Although we do see room for market pricing falling slightly as most recent communication from the ECB's GC members has increasingly mentioned deteriorating growth prospects from higher energy prices."
- "For this reason and given the extraordinary uncertainty about the economic outlook we do not expect any pre-commitments to summer hikes. Lagarde will likely state that the ECB remains data-dependent and will look at incoming data on a meeting-by-meeting basis before making decisions. At the same time, we expect her to communicate a full commitment to price stability and say that the ECB is ready to act if data warrants it."
- "On the strategy side, we favour playing the move for lower shortend swap rates highlighting the negative growth effects from the negative supply shock. While timing is tricky, we monitor the 2Y1Y ESTR swap for re-entry after taking 9bp profit last Friday, as we still like the strategic nature of the trade."

Deutsche Bank

- "There is too much uncertainty about the status of the conflict in the Middle East and what it means for energy prices on the one hand and about whether and how the energy price shock will propagate into inflation on the other. The ECB will wait and gather more information before deciding in June if it should tighten monetary policy or not."
- "We expect the ECB to maintain the graduated reaction function recently presented by President Lagarde: 'look through', 'measured' tightening and 'forceful or persistent' tightening depending on the size and persistence of the inflation shock. Broadly speaking, rates market pricing is consistent with a 'measured' tightening and an inflation shock that is large but not-too-persistent. We think this is fair. Energy prices are above the ECB baseline scenario, but "not squarely" in the adverse scenario. Survey and proprietary data show risk of inflation passthrough."
- "The ECB says it is "well positioned and well equipped" to deal with this shock. It will continue to talk tough to signal a preparedness to hike as soon as required."
- "Our baseline remains 50bp of hikes to 2.50%. Uncertainty is high and hiking to 2.50%, the upper end of the range of neutral, feels like good risk management. It would signal the commitment to price stability when there are risks of inflation persistence. At the same time, keeping rates within the range of neutral would also avoid overly burdening economic growth. We have pencilled in 25bp hikes for June and September."

Goldman Sachs

- “The incoming information suggests that we are tracking in between the ECB staff’s March baseline and adverse scenario.”
- “Governing Council members have signalled that they do not need to rush into a decision, and a hold at next week’s meeting is therefore highly likely. That said, the communication has consistently flagged that inflation risks remain to the upside and that the ECB needs to act if signs of inflation persistence emerge.”
- “We expect the Governing Council to stress that it will closely monitor the incoming data and reiterate the existing guidance language (pledging a data-dependent and meeting-by-meeting approach). The tone of the press conference is likely to mirror the recent communication, with President Lagarde noting that the Governing Council will watch for second-round effects and stands ready to act to ensure inflation returns to 2% over the medium term.”
- “Looking ahead, we maintain our baseline of 25bp hikes in June and September to a peak deposit rate of 2.5%. That said, we still see a low hurdle for the Governing Council to hold rates rather than deliver hikes as we only expect modest and temporary pass-through into core inflation. Moreover, we expect any hikes to be unwound again in 2027. As a result, our probability-weighted policy path remains notably below market pricing, especially for next year.”

HSBC

- “We expect the ECB to keep its key deposit rate at 2.0% on 30 April, given recent data and comments from Governing Council (GC) members.”
- “The usually hawkish Isabel Schnabel said at the IMF that with policy entering the turbulence from a broadly neutral stance, the ECB “can afford to take the time needed” and that it did “not need to rush into” policy changes. Christine Lagarde also dampened rate hike expectations by saying policymakers did not have a “tightening bias”. Madis Müller said the ECB needs to remain “vigilant” and that it may be “difficult to conclude by 30 April” if a hike is needed (Reuters, 16 April). This echoes the tone from the account of the March meeting, which noted value in waiting.”
- “Energy prices have fallen back recently, particularly following a statement from Iran on 17 April that the Strait of Hormuz would be open to all commercial vessels for the remainder of the ceasefire in Lebanon. This takes some pressure off the ECB to act quickly. With policymakers inclined to stay on hold, less than 2bp of tightening is priced in for April (as of 17 April), down from a peak of 22bp on 24 March.”

ING

- “Markets have two convictions: that the ECB will hold in April, and it will hike in June. We don’t expect either of them to be challenged at next week’s meeting. The rates market may also have little reason to revise expectations for two hikes in 2026. It’s a supporting argument for the euro, but not enough to edge out global equities and oil as the main drivers”
- “We expect the ECB to stay on hold next week and to stress full optionality. The ECB shouldn’t be in any rush or panic to hike rates but will definitely want to come across as fully determined to act if needed.”
- “The big surprise would be the ECB over-delivering compared to market expectations by hiking already at this meeting. The pass-through to longer-dated rates could, however, be limited in this tail risk scenario. If the move were to be packaged in a dovish way, markets would likely interpret the hikes as a front-loading of future tightening and not a radical change in reaction function. In this case, we would see a mild bear flattening of the curve.”
- “If, on the other hand, the hike is complemented with a hawkish narrative, we do see the risk of a perceived policy error. The ECB could be seen as pressing the brakes too hard, which could damage market sentiment, weighing on longer-dated rates.”
- “In a contrasting scenario where the ECB turns overly dovish, dismissing inflation risks as transitory (without actually using the word “transitory”), we might see a significant steepening of the curve. In this case, 2Y rates might edge lower on fewer rate hike expectations, but the increased long-term inflation expectations would push up rates from 5Y and beyond. Again, not our base case, but still a risk to consider.”

Jefferies

- “The ECB remains firmly in wait-and-see mode. Recent communication has clearly dialled back any sense of urgency, with even traditionally hawkish officials cautioning against moving too quickly.”
- “President Lagarde is likely to reiterate the familiar meeting-by-meeting, data-dependent framework.”
- “The key risk is not that the ECB shifts its reaction function, but that the press conference leans harder into “vigilance” and “agility”, language that would keep June firmly live.”
- “The economy remains far closer to the baseline than to the adverse tail. That should limit the case for a sustained tightening cycle, even if the ECB wants to preserve optionality. Markets continue to price around 65bp of ECB hikes this year, which we struggle to reconcile with a slowing growth backdrop.”

- "One could make a case for a precautionary hike in a high-uncertainty environment, but a series of hikes looks highly unlikely. In our view, even a single hike would carry real "policy mistake" risk — a Trichet moment — by tightening into weakness on what is ultimately an external shock. We therefore continue to favour long positions at the front end of the EUR curve."

JPM

- "[T]he ECB is very likely to remain on hold next week. That, however, hides a significant tension. Energy prices are back above the ECB staff's baseline projection from March, the Strait of Hormuz remains largely closed and there is little clarity on when it might reopen."
- "The March HICP report showed a large direct pass-through from higher oil prices, with more to come via the energy component, and the April business surveys have shown a further pickup in corporate pricing expectations that could lift core prices. At the same time, business surveys are also signaling a slowdown in the economy."
- "These uncertainties create an option value for waiting for more information, which the ECB appears minded to do in April."
- "That puts the focus at next week's meeting on what the ECB will signal for June and how it is processing the inflationary consequences of the energy shock in general."

MUFG

- "The ECB is set to leave policy unchanged at next week's meeting after dialling back the sense of urgency around the need for immediate tightening. Officials clearly judge that there is time to look for stronger evidence that the energy price shock could trigger second-round inflation pressures before adjusting rates."
- "We expect the messaging to be relatively balanced for now, but the ECB will likely leave the door open to a hike at the June meeting."
- "Our view is that it will become increasingly hard to ignore data showing rising inflation expectations over coming months. We continue to expect that the ECB will implement 50bp of rate hikes this year, with the first move in June."

NWM

- "After weeks of hawkish speculation, coordinated ECB communication has deliberately walked markets back, emphasising uncertainty, optionality and data dependence. That's what we had predicted: a talk hawkish, walk dovish strategy. April is effectively out; June is possible but far from assured."
- "Uncertainty around the Middle-East conflict remains extremely high, but in any case, we view the bar for a hike in June to be higher than what markets believe. Temporary, energy driven inflation is not sufficient for action unless expectations de anchor or persistent second round effects emerge."
- "Inflation expectations remain so far sufficiently well-anchored. Medium term financial measures of expectations as well as business surveys show only modest signs of contagion. Core inflation is subdued."
- "Growth and labour dynamics argue for caution. Weakening PMIs, downward GDP revisions, easing labour market momentum, all strengthen the case for patience."
- "Markets realigning, but structural rate pressure remains. Hike expectations have faded to ~60bp through 2026, which may support lower yields near term and steeper curves, in our view. Longer term, high issuance and rising term premia point to renewed bear steepening. We still target 10y Bund yields at ~3.2% by year end."

Nomura

- "We believe the ECB will avoid a knee-jerk reaction in response to the Iran conflict and instead wait to assess the real economy impact and the pass-through to inflation expectations."
- "Markets price around 60bp of rate hikes by December 2026. Consequently, we believe the bar is low for Mme Lagarde to disappoint markets to the dovish side but high to outhawk markets. We expect Mme Lagarde to refrain from endorsing rate hikes and instead emphasise that the ECB's policy will depend on the longevity and intensity of the Iran war, as well as how the Iran war affects HICP inflation and consumer inflation expectations."
- "For the ECB to raise rates, we believe the Governing Council will want to see that the shock is causing persistent inflation, as in 2022, or that the shock meaningfully raises inflation expectations. As a result, we believe June is the earliest meeting that the ECB could feasibly raise rates if the ECB raised rates in response to the Iran conflict."
- "In our baseline scenario, we forecast an unchanged ECB policy through Q4 2027. However, we believe that, if the spot price of Brent crude oil were to remain above $95/bbl by the ECB's June meeting, the ECB would raise rates by 25bp in June and then again in September."

Nordea

- "The PMI data were somewhat problematic for the ECB. The activity components weakened, especially in services, while the price components continued to rise. Consumer confidence has also taken a beating. Recent price data were actually a bit softer than feared, while medium-term inflation expectations remain contained for now. Energy prices remain elevated, but the magnitude of the shock still pales in comparison to what was seen in 2021–22. Overall, recent data developments still allow the ECB to wait for more information."

- "However, genuine inflation worries were already evident at the March monetary policy meeting and are unlikely to have eased since. The no-pre-commitment Governing Council is unlikely to signal any clear intention to raise rates at the June meeting, but the tone of the communication is still set to be on the hawkish side. No new staff forecasts will be available, but updated risk scenarios could be presented.
- "A 25bp rate hike in June is not fully priced in, while a total of around 2.5 rate increases are priced in by year-end. We continue to see four hikes this year, though with risks tilted to the downside, which leaves upside potential relative to current market pricing. Swings in sentiment and expectations around the situation in the Middle East retain significant potential to change market pricing rapidly."

Nord/LB

- "At their upcoming meeting on 30 April, the ECB is once again faced with a complex task: volatility on the financial markets remains elevated in view of the daily changing news situation in the Iran conflict."
- "The staff projections published at the last meeting on 19 March had only been able to reflect the effects of the price increases to a limited extent due to the topicality of the events, but nevertheless provided initial insights that the inflation outlook is clearly pointing upwards, at least in the short term."
- "Much will depend on how long the war or the inflation-driving price development for the relevant energy sources will last. Against the backdrop of uncertainties, the ECB is likely concerned with not drawing hasty conclusions – and we think it should not be driven too much by market expectations. After all, monetary policy is not an instrument for controlling energy prices and therefore not an off switch for supply-side (inflation) shocks."
- "We therefore expect the ECB to keep key interest rates stable on 30 April in order to reassess the situation in light of more recent data at the June meeting."
- "[W]e consider an interest rate hike at the following meeting in June to be likely, as central bankers have little alternative in an environment of elevated inflation in accordance with their primary mandate. Otherwise, the ECB will put its credibility at risk in the long term. Against this backdrop, a June hike is likely to be the lesser of two evils, even if, as we discussed, a rate hike will not address the underlying supply shortage."

Rabobank

- "The war in the Middle East, and the closure of Hormuz, will now last longer than we had anticipated. Yet, markets are remarkably sanguine. Energy prices have come down, lessening the urgency for the ECB to intervene."
- "A hike next week now seems unlikely, unless new fighting leads to the destruction of key energy infrastructure and/or markets lose their composure. We shift our call for a hike to June, but conviction remains relatively low amidst the fog of war."
- "There may be less urgency to act, but the situation in the Middle East is far from resolved. Our own baseline is still closer to the ECB's adverse scenario than the central bank's baseline, and some inflationary forces are bound to materialise over the coming months. We therefore still see scope for measured tightening starting in June."
- "[W]e maintain our forecast of higher energy prices, with a peak close to the assumptions of the ECB's adverse scenario. A crucial difference is that our energy strategists believe that it will take months for energy flows and balances to return to 'normal' after Hormuz effectively reopens. We therefore forecast somewhat more persistence in energy prices throughout 2027."
- "So, our inflation outlook looks quite comparable to the ECB's adverse scenario. We forecast a slightly lower peak this year, but also significantly less energy disinflation in 2027. Our expectations of underlying inflation are very similar to the ECB's scenario. We believe that this matches Lagarde's description of a "large but not-too-persistent" overshoot of the target. Moreover, the passing of time makes it unlikely that a more benign scenario unfolds. Particularly, we believe that the ECB's March baseline has become unattainable, even if energy markets are not pricing for worse yet."

RBC

- "Despite the shock from the Iran War, we still think the euro area economy can achieve trend (~1%) GDP growth in 2026. Prior to the conflict our outlook was more optimistic, but households have the savings to buffer some of the impact on real incomes. There will be an inevitable strong rise in inflation in 2026, but beyond this point we think inflation will be slower to fall than the ECB is expecting."
- "As a result, we are revising our ECB call to two 25bp rate hikes in September and December bringing the deposit rate to 2.50%. We think the ECB can afford to take the time to wait until it has plenty of data to assess the medium-term impacts of inflation, at which point it will be clear there is an element of persistence."

- “Therefore, we continue to argue it is attractive to fade the hikes that are pricing for the next few meetings. In particular we continue to recommend being long June EURIBORs or receiving June ECB.”
- “We are assuming modest second-round effects from higher energy and food prices which means that a persistent overshoot of inflation remains and the 2% target is not hit in the euro area until the middle of 2028.”

SocGen

- “After the agile response at the March meeting, where the ECB made it clear it has learnt from the 2021-22 experience, we expect the focus next week to shift towards the growth impact and medium-term core inflation. This should dampen any urgency to hike, with a first hike more likely at the June meeting.”
- “We recently moved forward our two existing hikes to June and September due to rising concerns over core inflation. Our current forecasts show core inflation rising to 2.6% in 2027, from 2.4% in 2026, on the assumption that labour market tightness will allow for some wage reaction to higher headline inflation.”
- “Still, we see no urgency for the ECB to act, especially given the fluid situation in the Middle East, and don’t rule out that clearer evidence of demand destruction could make the Governing Council increasingly reluctant to act aggressively.”
- “The tightening in the yield curve since the start of the war adds to these concerns although financial conditions, including short term real rates, remain easy. For now, the ECB will need to tread carefully with a measured adjustment of rates within a neutral policy range.”

UBS

- UBS see a baseline scenario of 25bp hikes in June and September.
- “We have argued that by the time of the April meeting the ECB would not have sufficient data to justify a rate hike. That said, we felt in recent weeks that the forecast risk to our call might be skewed towards earlier (April), faster (April/June or June/July), and larger ECB hikes.”
- “However, recent comments by ECB officials, not least President Christine Lagarde and board member Isabel Schnabel, have alleviated these concerns and suggest that the ECB will take its time before deciding on rate hikes. These remarks contrast with press reports released right after the March meeting which suggested that the ECB might hike already in April. In our view, the recent ECB comments raise the bar for an April hike and lower the risk that the ECB's policy reaction will be more hawkish than our baseline entails.”
- “By the time of writing, the news had just broken that Iran might open the Straight of Hormuz; if this news were to be confirmed and prove durable, it could potentially lead to lower energy prices and grant the ECB more time before deciding on rate hikes. At the same time, we would caution that it is premature to conclude already that ECB rate hikes are off the table.”

UniCredit

- “The inflation outlook has clearly deteriorated amid escalating tensions in the Middle East and soaring energy prices. With the ECB viewing inflation risks as tilted to the upside and prospects for near-term normalisation in energy markets limited, rate increases at a later stage appear more likely than not.”
- “However, we see no urgency for the Governing Council (GC) to act, given the favourable inflation picture before the shock, only a limited rise in longer-term inflation expectations, and policy rates in broadly neutral territory. ECB rhetoric has generally supported our view.”
- “The GC will have more information about the inflation outlook at the June meeting, when the updated macroeconomic forecasts will allow for a more precise assessment of risks to price stability.”
- “We expect two rate hikes, in June and September, lifting the deposit rate by a cumulative 50bp.”

MNI Policy Team Insights

MNI SOURCES: Ceasefire Reduces Urgency Of ECB Hike Talk

By Santi Pinol (Apr 9, 2026)

LONDON - The ceasefire in the Gulf reduces the urgency for a European Central Bank rate hike in April, Eurosystem officials told MNI, adding that while the situation is highly volatile, more information will be available in June, when there will be a new round of projections and hopefully more clarity on the conflict and its consequences.

While many policymakers left the ECB's March meeting with a sense that a hike in April was a clear possibility, not all were convinced of its necessity even then, while the recent truce "removes the sense of urgency," in the words of one official. Another source said that the ceasefire has strengthened the position of those who initially favoured a pause in April.

"The ceasefire news -- assuming it holds -- has certainly solidified that position," the official said. "I can't say we are now more likely to be on hold in April, as I already thought we would be on hold in April, with June the more likely to be a point with sufficient data to act."

However, the situation remains unclear, with the truce agreement's two-week duration due to conclude before the ECB's meeting on April 30, the first official noted.

"There are benefits to acting preventively in April, but if we knew that it was the beginning of the de-escalation and that we would return to similar levels, the correct option would be to maintain rates," the official said. (See MNI INTERVIEW: Bar To ECB Hike Low, But Data Lacking-Pelagidis)

"But the situation remains uncertain," he added, I'm also not sure that this ceasefire means we won't raise rates. The price of oil is still considerably higher than at the beginning, and we've been at this level for some time now."

Waiting until June would allow the ECB to better assess the longer-term consequences of the closure of the Strait of Hormuz and damage to energy infrastructure, another official said.

"If the ceasefire holds, it's the scarring that will again be the term that comes to the fore, and there is as of now no way of seeing if the price or growth impact will be greater over the medium term," the official said.

One Eurosystem source noted that while the inflationary impact of the crisis on the eurozone was in some ways potentially more acute than that of the Ukraine war in 2022, due to memories of the price surge which followed the Russian invasion, the ECB could still end up without hiking at all this time.

"I can see a path where we can argue that the situation remains too volatile (data going all over the place) to support an action. But so many things can happen," he said.

BENEFITS AND COSTS OF PRE-EMPTIVE ACTION

A pre-emptive hike in April could turn out to be a policy mistake if energy prices soon head lower, another official said.

"I am not convinced we are in need of a pre-emptive hike and feel an early move with a forced reversal in a few months could be as bad for credibility as acting too late," the official said.

An ECB spokesperson declined to comment.

MNI INTERVIEW: Pereira Says ECB Keeps Cool Head, Data Dependent

By Greg Quinn (Apr 17, 2026)

WASHINGTON - ECB Governing Council member Alvaro Santos Pereira told MNI Friday the monetary response to the Iran conflict will be based on incoming data and decided meeting by meeting, adding that the pre-Iran war inflation backdrop is tamer than it was before the Ukraine invasion

“At this stage we just need to see what will happen, in terms of the data. Keep our cool heads, and say OK, we’ve seen supply shocks before," he said in an interview during IMF meetings in Washington. “I have a view that right now, data dependent is the right way to go, meeting by meeting.”

“It’s a bit different from '22 because in '22 we had a significant demand shock, with some choke points and bottlenecks in certain parts of the world economy, freight rates were going up," Pereira said. "Inflation was already four or five percent in many European countries, before the invasion of Ukraine by Russia.”

The Middle East conflict's intensity and second-round price effects are being closely monitored, including a potential squeeze on natural gas Europe relies on for industry and winter heating, he said. (See: MNI INTERVIEW: Energy Strikes Risk Long Rebuild- Canada FinMin)

“We’ll be paying close attention to fertilizer prices, because in six to eight months, this will have implications for food prices,” he said.

PAY ATTENTION, BE READY TO ACT

Shortages of helium from the Middle East could also slow the expansion of artificial intelligence, he said.

“Those are variables that we will pay very close attention to, and then afterwards see whether inflation expectations remain anchored,” Pereira said.

Policymakers must "closely monitor first of all the conflict and see whether there is going to be a duration that is longer than expected, or if things get worse," he said. "Afterwards you just need to see what the data tells us regarding the evolution. Then, I’m sure it will be a decision to act or not, but I think the most important thing is pay close attention to this data and be ready to act.”

Central bankers over a longer term may grapple with a widening productivity gap between the U.S. and other regions including Europe, Pereira said. “If we have a widening productivity gap, this will have significant implications for monetary policy in both countries, both regions.”

Pereira earned his doctoral degree from Canada's Simon Fraser University and praised that country's recent shift to removing internal trade barriers, improving infrastructure and diversifying trade partners in response to U.S. tariffs. “People are looking at Canada with respect and many with admiration, because basically Canada decided to roll up its sleeves and lead,” he said. “If Canada does (all) this I think this will help the Canadian economy immensely.”

THE CENTURY MARK

At a global level, consumers and firms have faced recent shocks from Covid, the Ukraine war, tariffs and the Iran conflict, challenging central bankers also dealing with a rise in disinformation, he said.

“For many decades there was almost no inflation, and so people are not used to inflation,” he said. “It was a good lesson that central banks are essential to keep price stability, and that inflation should not be underestimated.”

There are positive trends both from the major potential of AI to boost big parts of the economy and from improved public health, said Pereira.

“One of the greatest revolutions that humankind is living through is longevity. Our kids have more than a 50% chance to get to 95 or 100,” Pereira said. “We have time not only to enjoy life a bit more, but also to contribute to society.”

MNI INTERVIEW: ECB Should Hike In April - IWH's Holtemoeller

By Luke Heighton (Apr 22, 2026)

LONDON - Germany's economy is likely to be shielded from strong second-round inflation effects from the Middle-East crisis by a combination of longer-term wage contracts and firms' tendency to pass profits from higher prices on to their employees only after a significant delay, a leading economist told MNI.

But with monetary policy still slightly expansionary, the European Central Bank should raise interest rates this month to show it has learned from past mistakes, having been slow to react to upward price pressures following Covid and the Russian energy crisis, said Oliver Holtemoeller, vice-president of the Halle Institute for Economic Research (IWH) and a contributor to the twice-yearly forecast jointly produced by Germany's leading economic institutes.

"We already have longer-lasting wage contracts in effect, and we do not expect to see any major wage negotiations for the rest of the year," Holtemoeller said.

"Inflation expectations should also depend on wage developments, and we don't think that wages will increase as strongly as they did in 2022."
German national accounts data is currently only available up to the fourth quarter to 2025, which Holtemoeller said made it difficult to get a precise sense of firms' pricing behaviour since the U.S.-Israeli attack on Iran.

Evidence from 2022 - when prices increased more strongly than marginal costs - indicates that so-called "profit inflation" is short lived, with wages rising only afterwards, he said. (See MNI INTERVIEW: German Firms Up Prices More Quickly - Wise Man)
With some exceptions, German firms pass these profits on to their employees in most sectors, but not immediately, Holtemoeller said.

"If they did not then pass on declines in marginal costs, that would imply a decline in labour share. I know there is a debate about that in the U.S., but in Germany the labour share has increased recently and is relatively high."

JOINT FORECAST

The German government expects inflation to average 2.7% this year and 2.8% in 2027, in line with the institutes' Spring Joint Economic Forecast, which put it at 2.8% and 2.9%. Growth estimates for 2026 were slashed to 0.5% by the government and to 0.6% by the institutes, with both expecting 0.9% in 2027.

Data from the European Commission's monthly survey suggest Germans are "really negative about the economic situation of the country, but when it comes to their personal situation, their views are more balanced. So there is a huge discrepancy between the two," Holtemoeller said.

A longer-lasting interruption in global supply chains than is baked into the Joint exercise, which used market assumptions for gas and oil prices, would amplify inflationary pressures and hit consumption demand more strongly, he said, with companies already sceptical about the future development of the economy, particularly in energy-intensive sectors.

"This has piled up from the pandemic, the Russian aggression towards Ukraine, and now the latest shock. It's one shock after another in a relatively short time, and this has an effect on their investment decisions. It's not just a real economic problem, it seems also to be a psychological problem."

ECB HIKES

Holtemoeller said market expectations for two ECB rate hikes this year are broadly in line with Joint Economic Forecast assumptions, though with the neutral rate of interest likely to be slightly higher than the level implied by current money market rates of around 2% and a medium-term inflation target of 2%, it would make sense to tighten sooner, rather than later.

"It's absolutely important that the central bank makes clear that it will fight against inflation, so communication is key. In the end, it could come down to how credible is ECB communication in the light of recent experience," he said.

"I would lean towards acting fast, just to give a signal. Inflation expectations have been rising, so if monetary policy does nothing then that is expansionary. For that reason I would be in favour of an April hike."

MNI INTERVIEW: Easing EU Fiscal Rules Now Dangerous - EFB Member

By David Thomas (Apr 15, 2026)

BRUSSELS - The European Commission will continue to oppose Italian-led calls for a suspension of the General Escape Clause from the EU's fiscal rules so long as growth remains even marginally positive, European Fiscal Board member Eckhard Janeba told MNI, adding that to act otherwise would endanger the bloc's fiscal government framework.

"If we respond to crises like this already then the fiscal rules can just be thrown out of the window," Janeba said in an interview, noting that a proviso in the rules specifies that implementation of the GEC should not pose a risk to fiscal sustainability over the medium run.

"Certainly, there is an issue with fiscal sustainability, in particular given higher defence spending and the expiration of the National Escape Clauses for defence spending in 2028."

Some EU states – among them France – did not even apply for the national escape clause for increased defence spending – apparently because of the already dire state of their public finances, he added. (See MNI: Further EU Measures Depend On Crisis Duration - Officials)

Turning to the energy support measures announced by Germany's governing coalition on Monday in response to the Iran conflict's impact on oil and gas prices, Janeba lamented that they are "not very targeted," despite the "temporary and targeted" advice from the Commission and the European Central Bank.

"By lowering taxes on energy, they tend to increase demand if they are passed through to consumers. That is exactly what you don't want to do in a situation with a negative supply shock," Janeba said.

ECONOMICALLY PROBLEMATIC

Such responses to the crisis might be "politically understandable but are economically problematic," he said, adding that it is "not out of the question" that Germany could fall into an Excessive Deficit Procedure this year, depending on reform and consolidation measures Berlin has promised for the coming months. (See MNI INTERVIEW: Germany Still Risks Excessive Deficit Procedure)

"Before the crisis Germany's budget deficit would have been slightly over 3% of GDP after taking the NEC into account - not by very much – but now, with the crisis, and with a negative impact on growth and additional measures, that could very well push the deficit higher."

The German government has promised the reform and consolidation measures before the summer break. These will be key to whether the country can get back on a higher growth path and tackle structural problems such as ageing, according to Janeba.

The European Fiscal Board will present its annual report on the EU's fiscal stance in June, the conclusions of which will feed into the Commission's assessment of EU states' 2027 fiscal plans.