

# MNI ECB Preview: December 2025

**Decision date:** Thursday, 18<sup>th</sup> December 2025

**Rate Announcement:** 1315GMT/1415CET, **Press Conf.:** 1345GMT/1445CET

**MNI Review of Prior Meeting:** [Market Maintains Mildest Of Easing Biases](#)

## CONTENTS

[MNI POV \(Point of View\)](#) | [Macro Developments](#) | [Prior Statement + Q&A Highlights](#)  
[Intermeeting Commentary](#) | [Data Watch](#) | [Analyst Summary and Detailed Views](#) | [MNI Policy Team Insights](#)

## MNI POV: Relative Resilience Confirms In A Good Place

*Dec 16, 2025 - By Chris Harrison and Emil Lundh*

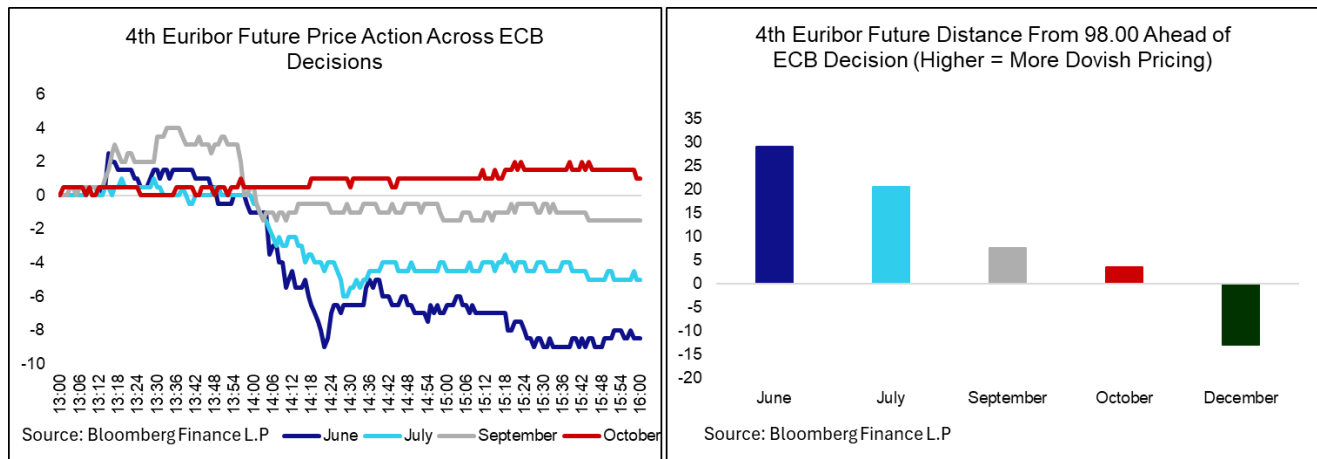
- The ECB is again fully expected to leave its three key rates on hold on Thursday, including a 2% deposit rate nicely within the 1.75-2.25% neutral rate range estimated by ECB staff.
- This time though the meeting comes against a backdrop of a very mild hiking bias to end-2026, helped by recent rhetoric from Schnabel, which despite having been pared fairly notably in recent days is still a change from a modest easing bias ahead of recent meetings.
- We expect primary focus on the updated macroeconomic projections and the balance of risks to inflation and growth. Analysts expect upward revisions to both GDP and core HICP projections.
- We expect a repeat of a data-dependent and meeting-by-meeting approach, with no pre-determined path.
- OIS price 2bps of easing through June 2026, before the implied curve steepens into year-end. There are just under 5bps of hikes priced through end-2026, down from a hawkish extreme of 10bps on Dec 10.
- The euro has been pushing back towards recent highs after a sizeable push higher since late November, although increases are milder when comparing with ahead of the Oct meeting or less so again ahead of the cut-off for the September projections. Effective exchange rates remain elevated which could see some sensitivity to any dovish surprises.
- We're still to receive the final November HICP report on Wednesday, day one of the two-day ECB meeting, with its potentially important details of drivers of stronger services inflation.

We again approach an ECB meeting with very little expectation of any change to the three key rates, including keeping the deposit rate at 2.00%. Since returning the deposit rate to the middle of its 1.75-2.25% estimated neutral rate range in June, ECB President Lagarde has characterised policy as well-positioned or in a "good place" and eschewed forward guidance. What is different this time, although it has been pared somewhat in recent days, is that we now face it with the mildest of hiking biases across 2026 (just under 5bp of hikes priced to end-2026) compared to the modest easing bias ahead of recent meetings (e.g. about half a cut priced ahead of the October meeting). That could see similar guidance taken in slightly different light this time around although it could be at the margin considering the magnitude of changes in pricing. We expect a repeat of a data-dependent and meeting-by-meeting approach, with no pre-determined path. The accounts of the Oct 29-30 meeting confirmed a Governing Council that isn't in a rush to adjust monetary policy, whilst there were two-sided views to policy r.e both being at the end of the rate cutting cycle but also the importance of remaining entirely open-minded to the possibility of a further cut. Indeed, the accounts noted that "Overall, there continued to be a high option value to waiting for more information" and "Communication should therefore remain non-committal about future interest rate decisions."

We expect primary focus on the updated macroeconomic projections and the balance of risks to inflation and growth. Relative to the September projection round, both growth and inflation outcomes have been higher than expected. As such, analysts expect upward revisions to both GDP and core HICP projections. Headline HICP projections are expected to be broadly steady due to weaker energy prices and the delay to the EU's ETS2 carbon pricing scheme. Projections for 2028 will be presented for the first time, but Governing Council speakers have played down their relevance, owing to still elevated uncertainty.

The main intrigue heading into Thursday's decision is how the ECB responds to the recent wave of hawkish front-end repricing. ECB-dated OIS now price an immaterial implied probability of another cut this year, with just under 5bps of hikes priced through end-2026, although this had reached as high as 10bps after Schnabel's hawkish rhetoric last Monday. Pricing likely hasn't strayed far enough from the ECB's base case to warrant explicit commentary/ pushback from President Lagarde, but we think a re-iteration that policy is in a "good place" could

temper hike expectations a little - in contrast to meetings earlier this year. The “good place” guidance was first introduced in June and provided markets a signal that the ECB’s base case – notwithstanding risks in either direction – was for the deposit rate to remain steady at 2% going forward. In the June, July and September press conferences, use of the “good place” line drove hawkish reactions in ECB implied rates. The largest repricing was seen in June, with markets heading into that meeting with greater confidence of another cut this cycle compared to subsequent decisions. With markets currently pricing a modest probability of a hike over the next year, use of a “good place” at next Thursday’s press conference could encourage prices to gravitate back towards 2%.



Another area of interest will be how Lagarde describes growth risks after last month switching to highlighting that some downside growth risks had abated rather than describing risks as “balanced” compared to “more balanced” previously. The change to this risk assessment was acknowledged as preventing the ECB from repeating “more balanced” ad nauseum, despite it only having been introduced at the September when growth risks were tilted to the downside. Whilst it did make for a somewhat odd justification in October, it at least helps give the ECB a little more optionality when it comes to describing risks this week. As we discuss in the macro section below, realized growth has been stronger than admittedly tepid expectations although Tuesday’s preliminary December PMIs disappointed as they reversed decent progress seen since the late October meeting.

Lagarde also noted some additional upside risks to inflation, including supply chain pressures, which didn’t make it to the written statement (with its multiple two-sided risks), although she noted that these have not yet materialised. The meeting accounts subsequently showed there continued to be relatively narrow support for those who viewed the balance of risks to medium-term inflation as being tilted to the upside, with “a few” matching that of September. There were some tweaks to the extent of those who saw downside risks, although they’re hard to read too much into. Specifically, “some” members viewed risks tilted to the downside in a chance compared to “several” members at both the September and July meetings. Considering the abatement of some downside growth risks and some additional upside inflation risks that Lagarde noted in the press conference, we suspect this also reflected a hawkish development with some seen as fewer than several but we can’t say for sure (it would also go against old Fed parlance which sees some as more than several, not that this has any sway here).

Our Policy Team’s latest sources piece noted that December meeting communication will seek to reinforce two-way risks around the 2.0% policy rate. Although the bar to another cut has clearly been raised, dovish members of the Governing Council remain cognizant of downside inflation risks, with under-delivery of Germany’s anticipated fiscal expansion still a risk to monitor.

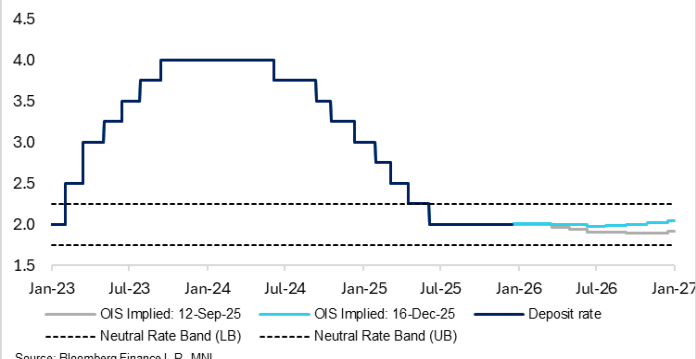
## Markets: A Very Mild Hiking Bias, Nominal Exchange Rate Near Record Highs

ECB Dated OIS

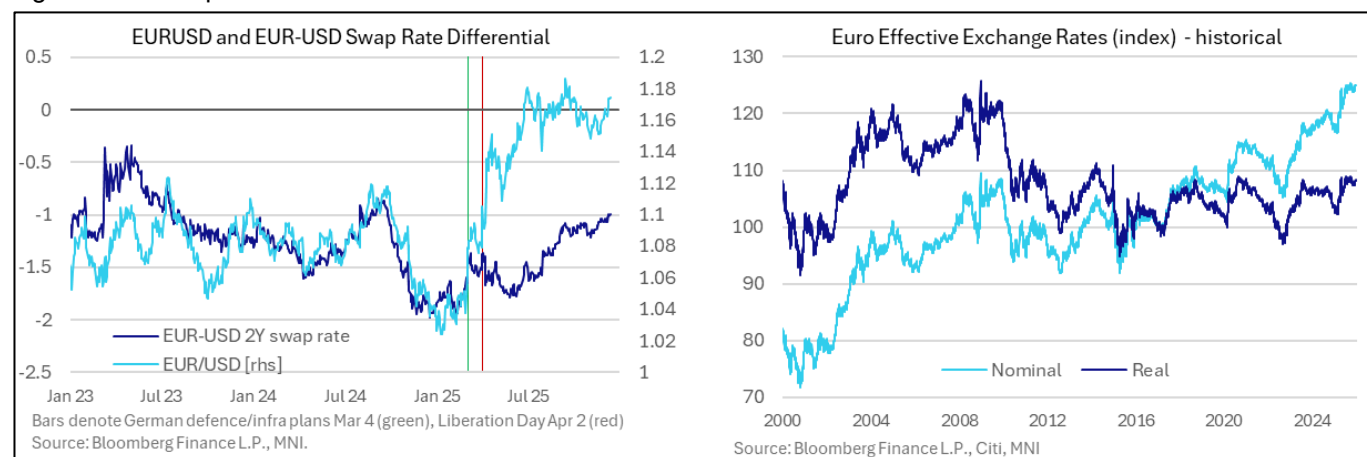
Meeting Date	ESTR ECB-Dated OIS (%)	Difference Vs. Current Effective ESTR Rate (bp)
Dec-25	1.934	0.4
Feb-26	1.934	0.4
Mar-26	1.929	-0.1
Apr-26	1.923	-0.7
Jun-26	1.908	-2.2
Jul-26	1.917	-1.3
Sep-26	1.931	0.1
Oct-26	1.950	2.0
Dec-26	1.975	4.5

Source: MNI/Bloomberg Finance L.P.

ECB Deposit Rate - Implied Rates



Eurozone to US 2Y swap rate differentials at ~-100bps have climbed to their least negative since Oct 2024 although the EUR/USD exchange rate remains within ranges seen since the summer. The narrowing in the rate differential has recently been driven by higher Eurozone rates whilst US rates have been broadly trending sideways, albeit within a reasonably wide range, looking ahead to FOMC leadership from mid-2026 and with markets grappling with a cooling US labor market and still stubbornly high inflation. Whilst EUR/USD currently at ~1.175 has seen a circa 250 pip increase from late November lows for back closer to cycle highs of 1.1919 on Sep 17, it's still only about 100 pips higher than ahead of the October ECB meeting and just 50 or so pips higher than the mid-August cut-off for the September projections. Both nominal and real effective exchange rates are at historically elevated levels although the level of the exchange rate has generally appeared to have given little concern to ECB policymakers. The clear exception there remains Vice President De Guindos' unusual mention of 1.20 at the Sintra conference sidelines in early July, where something beyond it would be "much more complicated". These comments helped provide an initial top in EUR/USD of 1.823, which lasted until that push higher in mid-September.



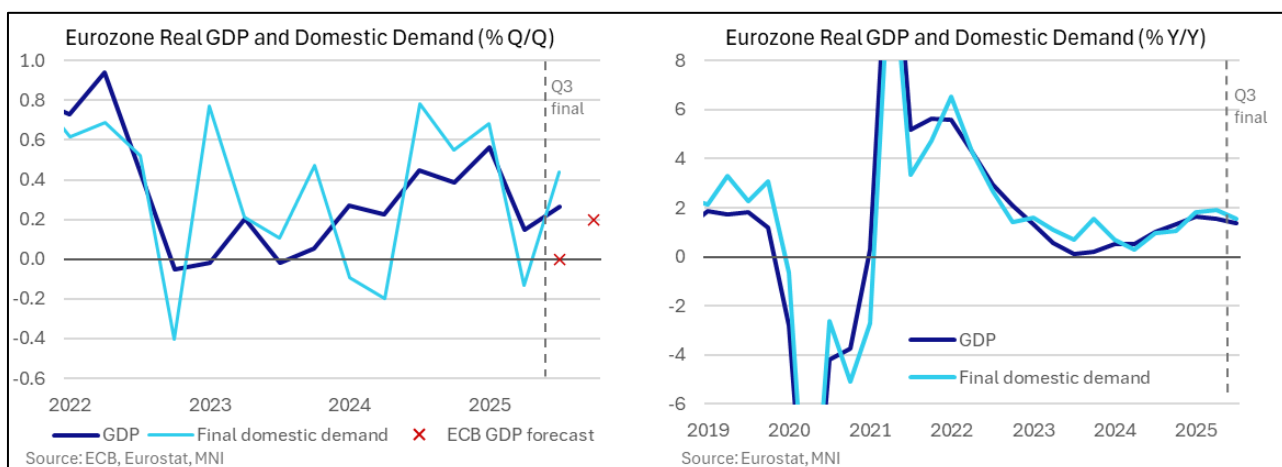
## Macro Since Last ECB Decision: A Beating Of Tepid Expectations

Whilst there haven't been any blowout surprises in Eurozone data, the main releases haven't prevented a shift from a mild easing to a very mild hiking bias. Real GDP growth has been stronger than expected, although the December services PMI gave back the past two months of improvement in its preliminary release two days out from the ECB decision. Services inflation has helped see core HICP inflation a little stronger than expected but likely saw a contribution from volatile items such as fares, to be confirmed in final details due on Dec 17. Finally, there was another upward revision to the unemployment rate in October but the latter remains close to historical lows when looking at the bigger picture.

### Growth: Better Than Low Expectations But Preliminary December PMIs Reverse Prior Improvement

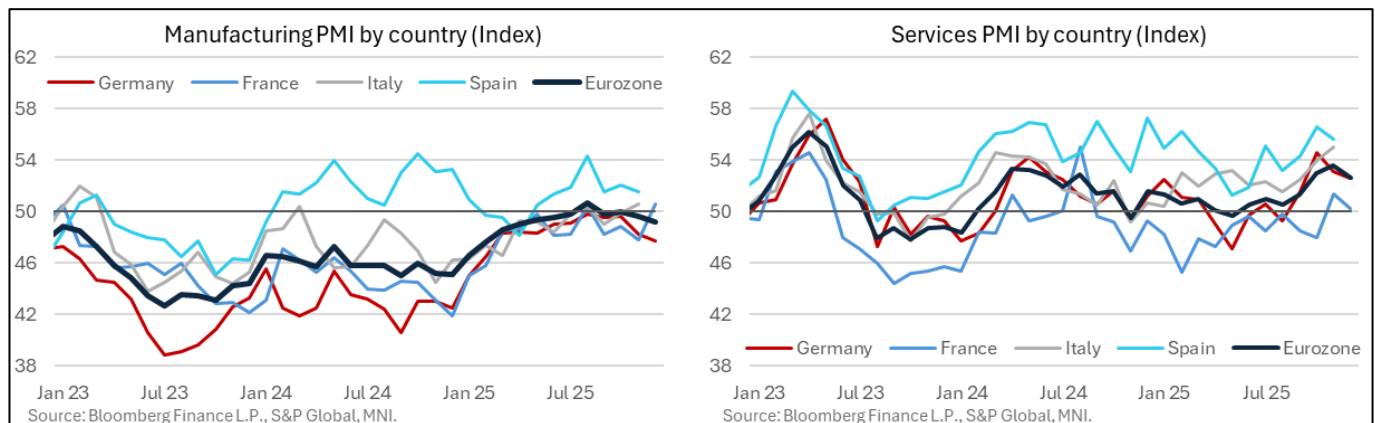
Eurozone real GDP growth was revised higher in the final Q3 release to 0.26% Q/Q non-annualized for further above the 0.0% the ECB forecast for Q3 at its September projection round. It continues a favourable set of Q3 GDP results after the initial advance originally surprised higher with a rounded 0.2% on the second day of the two-day ECB meeting in late October. Final domestic demand was robust as well at 0.44% Q/Q after an average 0.28% in 1H25 over two volatile quarters of -0.13% in Q2 and 0.69% in Q1. The ECB's September forecast then pencilled in an acceleration to 0.2% Q/Q in Q4. For a better sense of trend, real GDP growth has eased a couple tenths to 1.4% Y/Y from the recent peak of 1.6% in 1H25 but it's still proven surprisingly robust. Final domestic demand paints a similar picture, with 1.5% Y/Y in Q3 after a recent peak of 1.9% in Q2 at what was its highest since 3Q22.

Quarterly GDP growth may have been resilient in Q3 then, and driven by domestic demand, but retail sales have slowed through Q3 and initially into Q4, with monthly volume flat on average in the four months to October (in a range of -0.1% to 0.1% M/M). Industrial production has also disappointed on balance in the latest two months of data with a slow to appear bounce in October after a heavy decline back in August in the latest in a long line of volatile readings. For a slightly longer trend, industrial production was flat in Q3 after a small contraction in Q2 although has at least started Q4 on a stronger note.



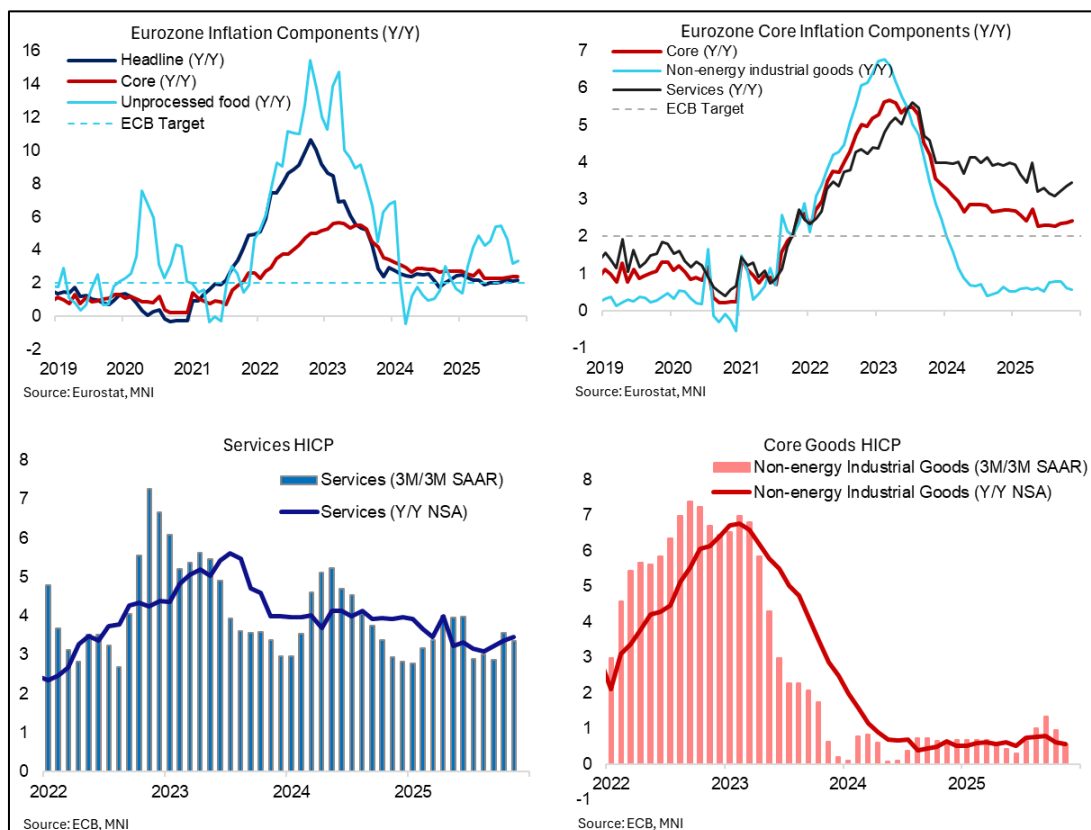
PMI surveys had on balance improved although throughout November but have given this back in today's (Tuesday's) preliminary December release to leave implied activity at best similar to that ahead of the late Oct meeting. The manufacturing PMI has dipped further to 49.2 in the preliminary Dec reading from 49.6 in Nov and 50 in October, for its lowest since April as it starts to imply contractionary manufacturing again after an average of 49.9 in the previous six months. Context is important though, following heavy declines implied in 2024 (average 45.9) and 2023 (45.0). The services PMI had pushed higher again to 53.6 in November (highest since May 2023) but has dipped to 52.6 in the preliminary Dec reading for back to where it was in the flash October reading prior to the October meeting. France finally improved in November with a service PMI of 51.4 before holding onto some of this gain at 50.2 in December, the first >50 readings since Aug 2024 but still firmly a laggard in level terms.





### Inflation: Services A Little Firmer But Likely Helped By Volatile Components

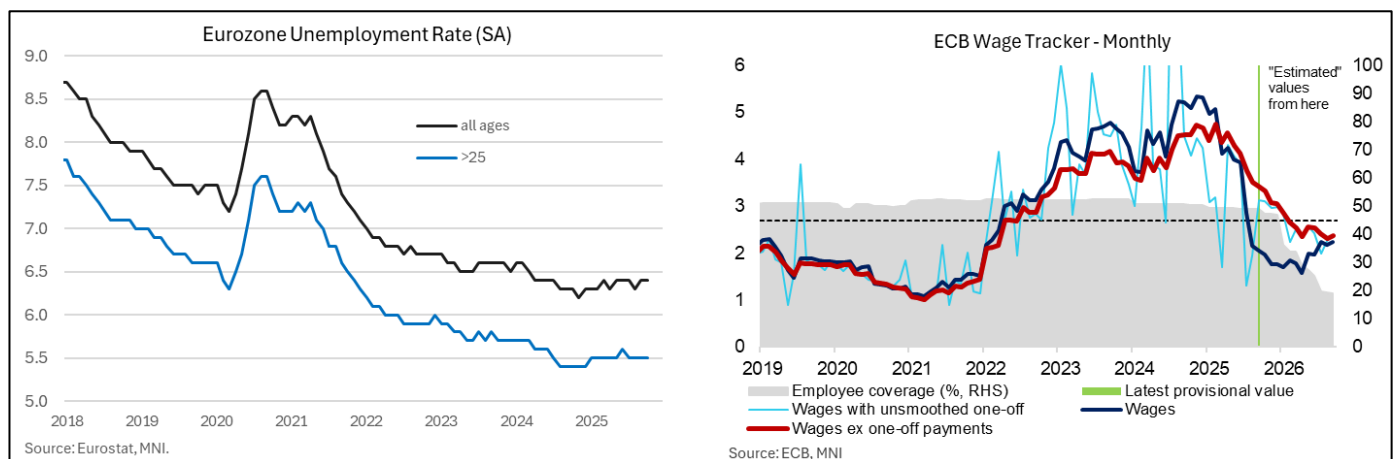
The ECB has received a reasonable amount of new information on HICP inflation since its last meeting although it's unlikely to have materially altered its outlook. Headline HICP inflation has modestly cooled since September (from 2.24% Y/Y to 2.10% in Oct and 2.16% in preliminary November data) whilst core has firmed slightly (from 2.35% to 2.37% in Oct and 2.41% in Nov). Further within the details, services inflation accelerated to 3.46% Y/Y in November from 3.24% in September for its fastest since April, a little higher than consensus but almost exactly outweighed by core goods inflation undershooting at 0.56% Y/Y. The final November release on Dec 17 will land on day one of the two-day ECB meeting, too late for inclusion in this preview, and will provide a useful update of some volatile categories such as airfares played a role in this higher print. As for more recent 3M/3M trend rates, core inflation momentum was 2.37% in the flash November release, a pullback from 2.70% in October to leave it little changed from the 2.35% the ECB had seen for September ahead of the last meeting. Services momentum has firmed on net though, at 3.35% in Oct after 3.56% in Oct and 2.87% in Sept.



## Labour Market: U/E Rate Higher After Further Upward Revision But Still Near Lows

The Eurozone unemployment rate was higher than expected in October at 6.4% in the single monthly update since the October meeting, unchanged after an upward revised 6.4% September (initially 6.3%). Revisions have been a theme over the past year, and generally to the upside, with this year's low currently seen at 6.3% in multiple months vs an initially reported 6.1% in February for example. A 6.4% rate is still clearly historically low however, up from the series low of 6.2% in Nov 2024 before broadly moving sideways since then. The unemployment rate for those aged 25 years and above tells a broadly similar story at 5.5% for a third consecutive month versus series lows of 5.4% through most of 2H24. Back to latest data, the level of unemployment was a little more encouraging as it decreased slightly by 13k after two monthly increases.

Meanwhile, revisions to the ECB wage tracker, released as usual the Wednesday after the ECB decision, saw a marginal upward revision for negotiated wages ex one-off payments for 4Q25 from 3.13% to 3.15% Y/Y. New projections for 3Q26 point to this ex one-off payment metric easing to 2.37% Y/Y after a projected 2.49% Y/Y in 2Q26. The wage tracker has generally seen marginal upward revisions over time (note the case in the prior September update) although these projections should continue to give the ECB confidence that wage-driven inflationary pressures remain on a disinflationary trajectory. That was especially so after realized negotiated wages growth subsequently surprised lower in Q3 at 1.87% Y/Y vs consensus of 2.45%. However, this was more recently countered by the December national accounts update showing far stronger than expected compensation per employees growth of 4.0% Y/Y in Q3, unchanged from 4.0% in Q2 vs the ECB's forecast of a moderation to 3.2%.



## Oct 30 Rate Decision Statement

The Governing Council today decided to keep the three key ECB interest rates unchanged. Inflation remains close to the 2% medium-term target and the Governing Council's assessment of the inflation outlook is broadly unchanged. The economy has continued to grow despite the challenging global environment. The robust labour market, solid private sector balance sheets and the Governing Council's past interest rate cuts remain important sources of resilience. However, the outlook is still uncertain, owing particularly to ongoing global trade disputes and geopolitical tensions.

The Governing Council is determined to ensure that inflation stabilises at its 2% target in the medium term. It will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, the Governing Council's 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 growth risks have abated, no discernible change to inflation risks

"The EU-US trade deal reached over the summer, the recently announced ceasefire in the Middle East and today's announcement of progress in the US-China trade negotiations have mitigated some of the downside risks to economic growth. At the same time, the still volatile global trade environment could disrupt supply chains, further dampen exports, and weigh on consumption and investment. A deterioration in financial market sentiment could lead to tighter financing conditions, greater risk aversion and weaker growth. Geopolitical tensions, in particular Russia's unjustified war against Ukraine, remain a major source of uncertainty. By contrast, higher than expected defence and infrastructure spending, together with productivity-enhancing reforms, would add to growth. An improvement in business confidence could stimulate private investment. Sentiment could also be lifted and activity spurred if the remaining geopolitical tensions diminished, or if the remaining trade disputes were resolved faster than expected."

"The outlook for inflation continues to be more uncertain than usual on account of the still volatile global trade policy environment. A stronger euro could bring inflation down further than expected. Moreover, inflation could turn out to be lower if higher tariffs lead to lower demand for euro area exports and induce countries with overcapacity to further increase their exports to the euro area. An increase in volatility and risk aversion in financial markets could weigh on domestic demand and thereby also lower inflation. By contrast, inflation could turn out to be higher if a fragmentation of global supply chains pushed up import prices, curtailed the supply of critical raw materials and added to capacity constraints in the domestic economy. A boost in defence and infrastructure spending could also raise inflation over the medium term. Extreme weather events, and the unfolding climate and nature crisis more broadly, could drive up food prices by more than expected."

### Press Conference Q&A

#### Highlights (from MNI real-time coverage):

- ECB policy still in a good place and will do whatever is needed to stay there
- Diminished downside risks from select areas
- GC in agreement on the list of diminished downside growth risks, can't repeat "more balanced" ad nauseum
- Additional upside inflation risks flagged having not made it into the written risk assessment
- Absolute unanimity behind decision
- Don't read into potential ETS2 delay but attentive to potentially smoother impact on inflation

See the full official transcript from the press conference here:

[https://www.ecb.europa.eu/press/press\\_conference/monetary-policy-statement/2025/html/ecb.is251030~4f74dde15e.en.html](https://www.ecb.europa.eu/press/press_conference/monetary-policy-statement/2025/html/ecb.is251030~4f74dde15e.en.html)

## Key Inter-Meeting ECB Commentary

By Emil Lundh (Dec 15, 2025)

### MNI Policy Team Sources (Dec 9):

- The European Central Bank's December projection round to be unveiled at the 18 Dec. Governing Council meeting is not expected to depart significantly from September's figures, with communication as 2026 dawns balancing hawk-dove differences by seeking to reinforce two-way risks around the 2.0% policy rate, Eurosystem sources have told MNI.
- Policymakers could debate a tweak to the statement language, as some governors feel the need to stress the meeting-by-meeting (MBM) message and avoid a perception of a de facto return to the 'below but close to 2%' regime, highlighting again the symmetric nature of the current target, giving the ECB margin to react.
- While inflation risks are generally perceived as more balanced, a significant number of policymakers continue to see them tilted to the downside and believe the Governing Council needs to remain flexible and be ready to react quickly in case of persistent inflation undershooting.

**Rate Decision and Rate Outlook:** Since the October decision, Governing Council (GC) speakers have coalesced around President Lagarde's guidance that rates are in a "good place". Given recent hawkish repricing in EUR rates (which now assign a ~25-30% implied probability of a hike by end-2026), we will be interested in whether redeployment of this phrase would be considered a marginally net dovish signal – in contrast to prior meetings.

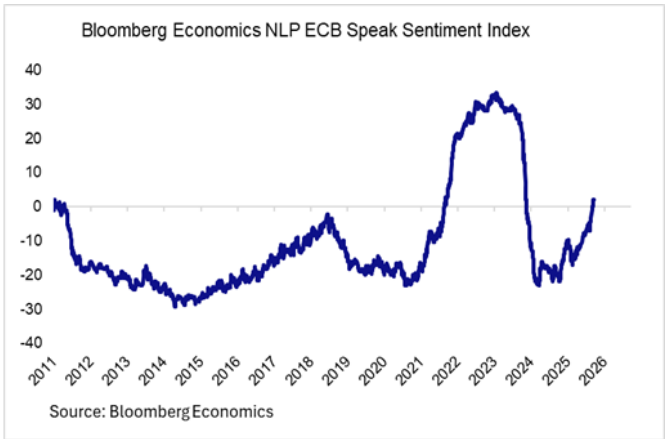
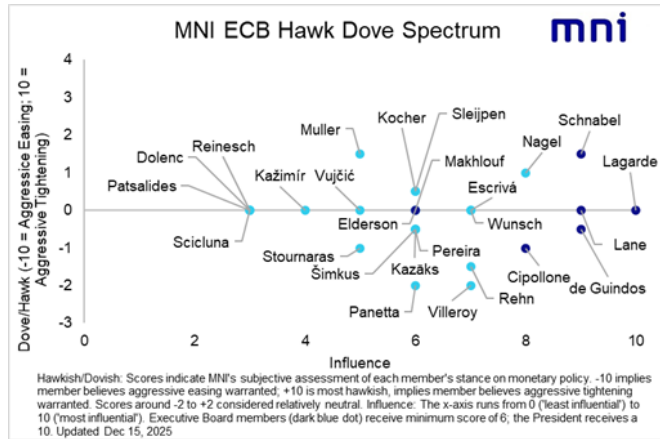
- The dovish GC cohort have become less vocal in recent weeks, owing to strengthening domestic activity data and somewhat sticky inflation readings. However, **Villeroy** continues to stress that the current position is "not a comfortable one nor a fixed one". **Rehn** similarly believes that "we must always look at medium-term inflation expectations, which by definition are not fixed".
- There was significant interest in ECB Executive Board member **Schnabel**'s interview with Bloomberg, where she said she was "comfortable" with market expectations for the next move to be a hike. However, we note that Schnabel had already said in September that central banks may need to pivot to hikes earlier than markets had been expecting. Additionally, she said that "interest rates are in a good place, and in the absence of larger shocks, I expect them to stay in this place for some time". That suggests her base case is for a deposit rate at 2.00% for the foreseeable future.
- The largest pivot in view relative to October instead came from **Simkus**. Previously, he had been relatively explicit in expressing a preference for an insurance rate cut in December. However, on December 10 he noted that "We have an inflation rate that is more or less close to the 2% target in the medium term, which suggests no need for a change in interest rates — not only at the next meeting in December but also in further meetings".
- **Simkus** nonetheless pushed back on the idea of hikes following the reaction to Schnabel ("It's too soon to think about rate hikes, however, saying there's "no evidence" of inflation exceeding the 2% goal"), alongside **Villeroy** ("As seen today, there is really no reason to envisage a rate increase in the near future").

**Updated Macroeconomic Projections:** The December decision communication will be shaped by an updated set of macroeconomic projections. We think GC policymakers will pay most attention to the core inflation projections.

- Chief Economist **Lane** remarked on December 3 that "An intermediate-category broad-based inflation deviation likely calls for an incremental adjustment in the monetary stance"....However, if the origin of the inflation deviation is a supply-driven relative price level shock, the case for an active monetary policy response is more nuanced. In particular, a supply shock to the relative price level of energy does not pose the same risk to medium-term inflation as a shock to domestic demand." While somewhat academic in nature, we think these comments can be viewed in the context of the ETS2-driven expected inflation undershoot in 2027. Lane is implicitly suggesting the ECB can look through a temporary force like ETS2.
- Supporting this view, **Schnabel** noted that "'Assuming these [ETS2] deviations were small, I would not be concerned in the current macroeconomic environment", and **Rehn** believes "ETS2 is important, but we must not exaggerate its impact...its impact is likely to be more on the level than on the dynamics of inflation."
- On growth, President **Lagarde** said that "In the last projection exercises, we have upgraded our [growth] projections," ...."My suspicion is that we might do that again in December".
- The December round will feature 2028 projections for the first time. Eurosystem Sources told the MNI Policy Team that "The 2028 projections will be important in framing the debate, but [...] for now will not be key in decision making". **Nagel** believes that the 2028 outlook will help the GC "see more clearly whether the monetary-policy stance remains appropriate". However, **Kocher** told the MNI Policy Team that "What I think is more important is whether there will be revisions to the projections for 2026 and 2027. I would put more weight on 2026, and perhaps on 2027, than 2028". This is a view supported by **Kazaks**.

Our latest [ECB Speak Wrap](#) contains a comprehensive overview of commentary since the October decision.





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	2.2	2.1	↑	1.9	↑					-0.37
Core Inflation	% y/y	2.4	2.3	↑	2.3	↑					0.09
Oil Prices	\$	63.2	68.1	↓	63.9	↓					-0.98
5y/5y Inflation Swap	%	2.08	2.11	↓	2.06	↑					-0.75
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	51.9	51.2	↑	50.6	↑					1.12
Industrial Production	% y/y	2.0	1.9	↑	0.3	↑					0.22
Business Climate Indicator	Index	-0.66	-0.71	↑	-0.55	↓					-0.03
Consumer Confidence	Index	-14.2	-15.5	↑	-15.1	↑					1.11
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	5.2	5.1	↑	4.7	↑					1.09
Broad Money (M3)	% y/y	2.8	3.3	↓	3.9	↓					-1.17
Loans to Non-Fin Corps	% y/y	2.9	2.5	↑	2.5	↑					1.48
Loans to Households	% y/y	2.6	2.3	↑	1.7	↑					1.20
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	1.5	2.6	↓	3.0	↓					-0.03
Unemployment Rate	%	6.4	6.4	→	6.3	↓					0.35
Labour Costs (Quarterly)	% y/y	3.6	4.5	↓	3.9	↓					-0.95
Employment (Quarterly)	% y/y	0.6	0.7	↓	1.1	↓					-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	5750	5352	↑	5367	↑					1.80
Bund Yield	%	2.85	2.72	↑	2.50	↑					0.61
10y BTP Spreads	%	70.5	86.3	↓	98.0	↓					1.19
EUR TWI	Index	129.13	127.33	↑	123.95	↑					1.00

Source: MNI, Bloomberg Finance L.P.

## Analyst Expectations And Key Comments

- There remains a solid consensus that the ECB will hold the deposit rate at 2.00% at the December decision and through next year.
- A handful of analysts still expect further easing this cycle, with ANZ and Morgan Stanley forecasting in a terminal rate of 1.50%.
- The only analyst with a 2026 hike in their baseline scenario is TD Securities (Q4 '26). Others have pencilled in hikes in 2027.
- Analysts expect the meeting-by-meeting and data-dependent approach to be retained, alongside President Lagarde's characterisation of policy being in a "good place". This implies no explicit endorsement of market pricing for the next rate move to be a hike.

Summary of Analyst Views					Rate path/comments
Institution	Next Move	Terminal low (depo)	End-2026	Hikes	
Median	x	2.00%	2.00%		
ANZ	Mar	1.50%	1.50%		We expect the ECB will cut 50bp in 2026, with 25bp cuts in March and June.
Morgan Stanley	Mar	1.50%	1.50%		A lack of nuance on the tightening of financial conditions in the last few days could be an indication of a greater tolerance on the inflation undershoot than we currently anticipate. This, together with the stronger than expected macro data and stickier than thought services inflation in November, represents a clear risk to our call for two more rate cuts next year
BofA	Mar	1.75%	1.75%		We still expect the ECB to cut policy rates by 25bp in the March 2026 meeting....We no longer expect the ECB to bring rates back to 2% in 2027. And we still see two cuts in the next 18 months as more likely than one hike.
MUFG*	x	1.75%	1.75%		We have less conviction in our call for further ECB easing after recent comments, but our view remains that a cut is more likely than a hike next year.
ABN Amro	x	2.00%	2.00%		We continue to expect the ECB to keep policy on hold over the next two years
Barclays*	x	2.00%	2.00%		The ECB looks set to hold rates and maintain a neutral tone in December, though upward revisions to growth and core inflation could muddy the message.
Berenberg	x	2.00%	2.00%	H2 2027	A rebound in eurozone inflation, driven by higher wage growth, will eventually force the ECB to gradually raise its deposit rate from 2.0% to 3.0%. However, we believe this will happen in the second half of 2027 rather than in 2026.
Citi	x	2.00%	2.00%		On hold through forecast horizon
Commerzbank	x	2.00%	2.00%		Given the dovish-dominated ECB Governing Council, we continue to consider an interest rate cut more likely than an interest rate hike as the next step. However, our main scenario remains that key interest rates will remain at their current level over the next two years.
Daiwa	x	2.00%		?	Schnabel said this week that she is 'rather comfortable' with market expectations that the ECB's next move will be a rate hike, a profile which tallies with our own baseline forecast.
Danske	x	2.00%	2.00%		We see the ECB holding rates steady at 2.0% in both 2026 and 2027 due to inflation undershooting
Deutsche Bank	x	2.00%	2.00%	Mid-2027	The DB view sees 2% as the terminal policy rate. In our baseline the next move is a hike in mid-2027
DNB	x	2.00%	2.00%		Our baseline view is that the easing cycle has now run its course.
Goldman Sachs	x	2.00%	2.00%		Looking ahead, our forecasts remain above the ECB's, supporting our expectation that the Governing Council will remain on hold.
HSBC	x	2.00%	2.00%		Our base case remains for rates to be on hold throughout next year, but see the risk of cuts in 2026 as significantly higher than for hikes.
ING	x	2.00%	2.00%		With expected sub-2% inflation forecasts for the next three years, we see any following ECB rate change as a cut, not a hike, at least through late spring next year. After that, the window for rate cuts will likely close.
JPMorgan*	x	2.00%	2.00%		Overall, we expect that the framing of decisions being between possibly cutting or leaving rates unchanged, will move to staying in the current "good" place. Hence, the easing bias will be removed.
Natixis	x	2.00%	2.00%		Rates seen on hold throughout 2026 and 2027
NatWest	x	2.00%	2.00%		"Pricing a rate hike in 2026 seems unrealistic"...."We (continue to) see no rate moves in '26
Nomura	x	2.00%	2.00%		Rates seen on hold throughout 2026 and 2027
Nord/LB	x	2.00%	2.00%		We assume that the Governing Council will again not make any adjustments to the three key interest rates at its upcoming meeting"...."The European policymakers still see their current position confirmed. This is likely to mean "straight" for a long time – most likely throughout 2026."
Nordea	x	2.00%	2.00%	2027	We think the next move will be a hike, but not before 2027.
Rabobank	x	2.00%	2.00%	1Q27 and 2Q207	We have pencilled in two rate hikes, in March 2027 and June 2027.
RBC	x	2.00%	2.00%		We think this meeting will validate the recent sell-off in the EUR front end, but we see limited scope for that move to extent much further at present.
Scotiabank*	x	2.00%	2.00%		Now seen on hold over forecast horizon, removing final cut in late 2025
SEB*	x	2.00%	2.00%		We think that there is a rather high likelihood that the wait-and-see approach of the GC may last at least until the March meeting.
Société Générale	x	2.00%	2.00%		Given the resilient data and lower downside risk to inflation expectations, we no longer expect a rate cut in March next year. However, near-term downside inflation risks remain
UBS	x	2.00%	2.00%		According to our base case scenario, the ECB will not cut rates further, given the sizeable fiscal stimulus in support of defence (EU) and infrastructure (Germany), which should become increasingly visible from early 2026.
UniCredit	x	2.00%	2.00%	H2 2027	We continue to forecast a prolonged period of steady rates and think that the first hike will not come before 2H27
Wells Fargo	x	2.00%	2.00%		We expect the Deposit Rate to remain unchanged not only at next week's meeting but also throughout 2026
TD Securities*	x	2.00%	2.25%	4Q26	See a 25bp hike in Q4 2026

Source: Analyst notes, Bloomberg survey conducted Dec 5-11 and MNI.

Note: Sorted by terminal view and then next rate cut. (\*) Indicates no explicit view outlined in preview, taken where possible from Bloomberg forecasts or prior views.

## December Projections: Growth Likely Higher, Core Inflation Could Also Drift Higher

A key focus at Thursday's ECB decision will be the December macroeconomic projections. Analysts generally expect upward revisions to GDP growth and core inflation projections relative to September, while 2027 headline inflation may be pulled downward by the likely one-year delay to ETS2. 2028 projections will be presented for the first time.

**GDP:** President Lagarde noted last week that growth projections will likely be revised higher.

- The median analyst expects a 0.2pp upgrade to 2025 GDP to 1.4% (range 1.4-1.5%), owing to stronger-than-expected GDP and survey data outturns in recent months.
- 2026 GDP is also seen 0.2pp higher at 1.2% (range 1.1-1.3%), driven by better momentum heading into the year and the anticipated German fiscal boost.
- 2027 GDP is expected unrevised at 1.3% (range 1.2-1.4%). Meanwhile, 2028 is also seen at 1.3% (range 1.2-1.5%).

**Core Inflation:** Analysts expect one tenth upgrades to 2026 and 2027 core inflation projections, owing to slightly stronger-than-expected recent momentum and the anticipated economic recovery next year.

- 2025 core is unanimously seen steady at 2.4%. The 2026 median is seen at 2.0%, but RBC are a notable outlier looking for 1.7%.
- 2027 core is expected at 1.9%, albeit with several analysts expecting a 1.8% outturn. 2028 core is seen back at 2.0%.

**Headline Inflation:** 2027 headline inflation is expected to be pulled lower by the ETS2 delay, while core upgrades provide some offset to lower-than-expected energy pressures.

- For 2027 headline inflation, there is a sizeable 1.6-2.0% range around the median of 1.8%.
- For 2028, headline is seen back at the 2.0% target, albeit with several analysts pencilling in a 2.1% reading (the ETS2 delay pulls inflation down in 2027, but this is compensated by an upgrade in 2028).

	Core Inflation				Headline Inflation				GDP			
	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028
ECB Sep '25 Projections	2.4	1.9	1.8	-	2.1	1.7	1.9	-	1.2	1.0	1.3	-
ECB Dec '25 Projections (MNI Median)	2.4	2.0	1.9	2.0	2.1	1.7	1.8	2.0	1.4	1.2	1.3	1.3
Change vs Sep	0.0	0.1	0.1	-	0.0	0.0	-0.1	-	0.2	0.2	0.0	-
<b>Analysts (A-Z)</b>												
Bank of America*	2.4	2.0	1.8	1.9	2.1	1.7-1.8	1.9	1.7	1.4	1.1-1.2	1.3	1.3
Berenberg	2.4	2.0	2.0	2.0	2.1	1.8	2.0	2.0	1.4	1.1	1.3	1.2
Barclays	2.4	2.1	1.9	1.9	2.1	1.7	1.8	2.1	1.5	1.2	1.3	1.3
Commerzbank	-	2.0	1.8	2.0	-	1.8	1.7	2.1	-	1.1	1.3	1.4
Danske Bank	2.4	1.9	1.8	2.0	2.1	1.7	1.8	2.0	1.4	1.1	1.2	1.2
Deutsche Bank	2.4	2.0	1.9	2.0	2.1	1.7	1.8	2.1	1.5	1.3	1.4	1.3
Goldman Sachs	2.4	2.0	1.8	2.0	2.1	1.7	1.8	2.1	1.5	1.2	1.3	1.2
HSBC	2.4	2.0	1.9	1.9	2.1	1.7	1.8	2.0	1.4	1.2	1.2	1.3
JP Morgan	2.4	2.0	1.9	2.0	2.2	1.9	1.9	2.1	1.4	1.2	1.4	1.2
Morgan Stanley	2.4	2.1	1.9	1.9	2.1	1.7	1.7	2.0	1.4	1.1	1.4	1.4
Natixis	2.4	1.8	1.9	2.0	2.2	1.7	1.9	2.1	1.4	1.2	1.4	1.5
Nordea	2.4	2.1	1.9	2.0	2.1	1.8	1.8	2.0	1.4	1.2	1.3	1.3
Nomura	2.4	2.0	1.8	2.0	2.1	1.6	1.6	2.0	1.5	1.1	1.3	1.3
RBC	2.4	1.7	1.9	1.8	2.1	1.6	1.8	1.9	1.4	1.3	1.3	1.3
SEB	2.4	1.9	1.9	2.0	2.1	1.7	1.8	2.0	1.4	1.2	1.3	1.3
UBS	2.4	1.9	1.8	1.9	2.1	1.7	1.7	2.2	1.4	1.1	1.3	1.2

Source: Analyst previews seen by MNI. Only included if projections for all years/variables feature in preview.

Note: Green highlight indicates higher projection than MNI median, red indicates lower. September projections were compiled by ECB staff. December projections are compiled by national central bank staff. Midpoint taken for median if ranges are displayed. (\*) BofA base case assumes ETS2 is not delayed to 2028.

Analyst views of what to expect at this meeting (sorted first by those expecting more cuts this cycle, and thereafter A-Z):

#### ANZ

- “The European Central Bank’s (ECB) final policy meeting for the year takes place on 18 December. We expect it will keep its benchmark deposit facility policy rate unchanged at 2.0%. While we think the ECB will resume cutting interest rates in 2026, policymakers have guided that they are comfortable with the current policy stance and have downplayed the prospect of further easing in the near term”
- “We expect the ECB will cut 50bp in 2026, with 25bp cuts in March and June. While the recent dataflow has not challenged the ECB’s guidance that policy is in a good place, we think that will give way to more dovish guidance in the future as downside inflation pressures and below-trend growth feature more prominently”

#### Morgan Stanley

- “We expect the ECB to remain on hold next week. With the rate decision near certain, all the new information will come through the updated projections and the communication around it. We expect the ECB projections to show two years of below target inflation, and to justify the hold in such an environment by referring to the 2026/7 undershoot as temporary and inflation projections in 2028 rising back to target.”
- “We expect the update to be meaningful and see significant uncertainty around our baseline view. All in all, we expect the ECB to show more growth in 2025, 2026 and 2027 with still solid growth in 2028 (1.4%Y). We think headline inflation will be unchanged in 2025 (2.1%Y) and 2026 (1.7%Y) and revised down to 1.7%Y in 2027, mostly because of the postponing of EU-ETS2 to 2028. EU-ETS2 will in turn help headline inflation to move above 2% at the end of the forecast horizon (2.0%Y on average in 2028)”.
- “A lack of nuance on the tightening of financial conditions in the last few days could be an indication of a greater tolerance on the inflation undershoot than we currently anticipate. This, together with the stronger than expected macro data and stickier than thought services inflation in November, represents a clear risk to our call for two more rate cuts next year.”

#### Bank of America

- “We expect no change in policy rates and only fine-tuning of communication. We also expect reiteration of no pre-commitment and of a meeting-by-meeting approach”.
- “We doubt the ECB is ready to acknowledge the end of the easing cycle and even less so the possibility of hikes. While some members of the governing council may feel it is over and that the next move is likely to be a hike, uncertainty is high and risks still asymmetric. Similarly, we would not expect any guidance at future meetings”.
- “All eyes on the new inflation forecasts showing likely a (small) undershoot to the target throughout the forecasting horizon, likely including 2028.”
- “Next week’s meeting will add to the concerns of an ECB that targets “close to but below 2%”. That is still the basis of our call for a cut in March.”
- “We no longer expect the ECB to bring rates back to 2% in 2027. And we still see two cuts in the next 18 months as more likely than one hike”.

#### MUFG

- “The ECB is set to reiterate the familiar ‘good place’ narrative at next week’s meeting, leaving rates and guidance unchanged. The recent market repricing towards the possibility of a rate cut next year will increase attention on the updated projections, wider communication and Q&A. While the official data-dependent stance is set to be preserved, President Lagarde may hint that an extended hold is likely.”
- “We expect the ECB will raise its growth projections after a recent upside GDP surprise and survey indications of continued momentum into 2026. The resilient economy is likely to be a key theme. The core inflation numbers will likely be revised higher as well, but we expect that this will be offset in the headline projections by softer energy and food numbers.”
- “The ECB is content with its current policy setting, as well as market pricing for stable rates next year. The bar for any policy adjustment at upcoming meetings is clearly very high. But we still see a cut as more likely than a hike next year. To our minds, inflation risks remain tilted to the downside – stronger EUR, softer energy pricing and trade diversion could all push inflation down to rates which would test the ECB’s apparent tolerance for sub-target inflation.”

#### ABN AMRO

- “We expect the ECB to keep policy on hold. Lagarde will probably be asked at the press conference how she views the recent shift in market pricing towards the next move being a hike rather than a cut. We expect Lagarde to reiterate her neutral language that the ECB is in a ‘good place’. ECB staff will almost certainly raise the 2025 growth forecast, as incoming data has come in somewhat stronger than expected. However, this is very much a



backward-looking revision and says little about the future path of policy. We continue to expect the ECB to keep policy on hold over the next two years”.

#### **Berenberg**

- “Almost all observers including us expect the ECB to maintain its deposit rate at 2.0%. However, the latest comments from ECB board member Isabel Schnabel could still turn the press conference following the interest rate decision into an exciting event”.
- “In a Bloomberg interview on 8 December, Schnabel said that she agrees with market expectations that the next move will be an interest rate increase, though she did not provide any indication of timing. This supports our long-standing call that a rebound in eurozone inflation, driven by higher wage growth, will eventually force the ECB to gradually raise its deposit rate from 2.0% to 3.0%. However, we believe this will happen in the second half of 2027 rather than in 2026. Therefore, the strong market movements in response to the Schnabel interview seem somewhat exaggerated to us”.
- “The ECB will likely raise its growth forecasts slightly”...” The inflation rate is hovering around 2 %, and the upside and downside risks appear to be fairly balanced at least for 2026. The stronger euro and the diversion of Chinese goods from the US market to Europe due to high US tariffs have put downward pressure on inflation. However, increased fiscal spending in the eurozone will ultimately have an inflationary effect. “
- “Overall, the threshold for changing the monetary stance is currently quite high. We thus expect the ECB to transition calmly into 2026.”

#### **Barclays:**

- “We expect the Governing Council (GC) to keep policy on hold at the 18 December meeting, leaving the deposit rate at 2.0%, in response to updated growth and inflation forecasts and evolving risk considerations.”
- “ We expect no major changes to the policy statement, with the GC likely to stress its data-dependent, meeting-by-meeting approach to retain optionality. We think the GC will aim to strike a neutral tone amid two-sided risks and elevated uncertainty, despite upgraded growth projections that could invite more assertive market interpretations.”
- “The updated forecasts are likely to feature upward revisions to near-term growth with risks around the growth outlook still viewed as balanced. Headline inflation projections should show little change in the near term, as lower energy forecasts offsets higher core projections. The delay in the introduction of the ETS2 would extend the inflation undershoot until end-2027, but this would be moderated by higher core inflation. The ECB will continue outlining both upside and downside risks to the inflation outlook.”

#### **Citi**

- “We expect the ECB to leave the deposit rate unchanged at 2.0% again at next week’s meeting and to re-iterate the data-dependent, meeting-by-meeting approach. The Staff Projections should show higher GDP growth (by 0.3-0.4pp cumulatively across 2025 and 2026) but the 2026 and 2027 inflation forecasts both below 2%, likely at 1.7% and 1.8%, respectively, assuming the ETS2 implementation is delayed to 2028. The new 2028 HICP forecast will likely be marginally above 2% though”.

#### **Commerzbank**

- “We assume that the central bankers will leave key interest rates unchanged at next week’s monetary policy meeting”
- “The inflation forecast for 2027 is likely to be lowered by 0.2 percentage points to 1.7%. For the same reason, the inflation forecast for 2028 is likely to be raised slightly above the ECB’s 2% inflation target”.
- “Opponents of an interest rate cut are likely to feel emboldened by the growth scenario. There is indeed broad consensus among ECB Governing Council members on this point. Although considerable risks remain – in both directions – the eurozone economy has so far proven resilient.”

#### **Daiwa**

- “While it will be accompanied by an updated set of macroeconomic projections, the rate decision is predictable. The Governing Council seems bound to keep policy unchanged for a fourth consecutive meeting, leaving the deposit rate at 2.00%”.
- “It will also maintain its forward guidance that future decisions will be data dependent and taken on a meeting-by-meeting basis. But President Lagarde already acknowledged after October’s meeting that the downside risks to the outlook had become less pronounced. And while ongoing shifts in global goods trade and a stronger euro might weigh further on inflation over coming quarters, the continued resilience of euro area economic activity will likely lead her again to strike a cautiously upbeat tone this month”.
- “Any revisions to the inflation projections are unlikely to provoke a shift in the ECB’s messaging”.

**Danske Bank**

- “We expect the ECB to leave the deposit rate unchanged at 2.0% on Thursday 18 December in line with consensus and market pricing.”
- “Data has come in stronger than expected by ECB staff, so we expect an upward revision to the growth forecasts amid inflation little changed”.
- “We see the ECB holding rates steady at 2.0% in both 2026 and 2027 due to inflation undershooting in contrast to market expectations of 37 bp worth of hikes. we expect a muted market reaction as Lagarde will likely signal ECB being on hold for a while, reiterating the ‘good place’ assessment.”

**Deutsche Bank**

- “We expect the ECB to hold rates at 2% in December. It is six months since the last rate cut. We interpret the recent data and ECB commentary as consistent with an extension of the current pause in policy rates. More specifically, the data and commentary imply less chance of further cuts, not more chance of imminent hikes.”
- “We expect the ECB staff projections to back this view of a ‘less dovish, not more hawkish’ stance. The strongest message is likely to be a clear upgrading of the growth outlook. This will ensure that core inflation stays more or less on target at 2% over the forecast horizon. This will likely be the key takeaway on inflation, not headline HICP undershooting the target in 2026-2027 because of the ETS2 delay.”
- “We expect President Lagarde to continue describing policy as being “in a good place”. She will be asked about hikes. We expect Lagarde to emphasize the two-sided risks to growth and inflation and the ECB’s data-dependent, meeting-by-meeting, no-predetermined-path approach to policy. We expect some emphasis on the non-energy HICP forecasts, which are expected to be at or close to target”.
- “The DB view sees 2% as the terminal policy rate. In our baseline the next move is a hike in mid-2027 when the combination of fiscal easing and a tight labour market shifts the inflation risks to the upside of the target.”

**DNB**

- “We expect the ECB to leave the deposit rate unchanged at 2.00% on 18 December, maintaining its data-dependent, meeting-by-meeting guidance. While recent data have been slightly stronger than expected, near-term risks remain modestly skewed to the downside. Our baseline view is that the easing cycle has now run its course”.
- “Recent data have surprised modestly on the upside relative to the ECB’s September projections. Headline inflation came in at 2.2% Y/Y in November, while core inflation registered 2.4% Y/Y. Unless December inflation softens, the ECB’s Q4 forecasts of 2.0% Y/Y for headline and 2.2% Y/Y for core look somewhat low. GDP growth of 0.3% Q/Q in Q3 also exceeded the ECB’s projection of 0.0%, suggesting a likely upward revision of its growth forecast for 2025.”

**Goldman Sachs**

- “We expect the December staff projections for growth to rise by 0.3pp to 1.5% for 2025 and by 0.2pp to 1.2% in 2026. The headline inflation projections are likely to remain unchanged at 1.7% in 2026 (despite lower energy prices), decrease by 0.1pp to 1.8% in 2027, and launch at 2.1% in 2028 (because of the later assumed start for ETS2). We expect the core inflation forecasts to increase by 0.1pp to 2.0% in 2026, remain unchanged at 1.8% in 2027, and come in at 2% for 2028”
- “The Governing Council is very likely to keep policy rates and its data-dependent policy guidance unchanged next week. We expect ECB officials to upgrade their assessment of the economic outlook, noting that growth risks are balanced. President Lagarde is likely to reiterate that policy is in a “good place” and—when asked about the prospect of rate hikes—that the Council is data-dependent and that she would not exclude anything.”
- “Looking ahead, our forecasts remain above the ECB’s, supporting our expectation that the Governing Council will remain on hold. Further cuts are possible but would require a clear catalyst at this point, either via a significant deterioration in the activity outlook or a more pronounced undershoot of inflation. Rate hikes would only be appropriate if significant demand-driven inflationary pressure emerged or a shock generated a large or persistent deviation of inflation from target”

**HSBC**

- “As inflation has surprised marginally to the upside so far in Q4, wage growth remains high, and given ongoing growth resilience, we see rates firmly on hold also in December.”
- “Despite lower energy prices and the EU Emission Trading Scheme 2 (ETS2) being delayed from 2027 to 2028, we don’t see major downward revisions to inflation, while core could even be revised up a notch...Inflation should still be below target in 2026 and 2027, before moving back to 2.0% in 2028 thanks to ETS2. But the undershoot is unlikely to be large enough to spur a live debate about an immediate rate cut (or even signal possible future cuts).”

- “In our view, clear downside risks to growth remain, given some loosening in the labour market and the potential for Germany’s stimulus to disappoint. With inflation expected to undershoot the target, December could see an early debate about what GC members need to see to consider cutting rates again. Our base case remains for rates to be on hold throughout next year, but see the risk of cuts in 2026 (probably at least two if the rate cutting cycle is resumed) as significantly higher than for hikes.”

**ING**

- “There’s very little reason for the ECB to change its current monetary policy stance, once again confirming it’s in a ‘good place’.
- “While ECB board member Isabel Schnabel said this week that, compared with September, the risks to growth and inflation are tilted to the upside, we doubt this will be reflected in ECB projections.”....“it looks very unlikely that the central bank will change the longer-term growth trajectory of 0.3% quarter-on-quarter in 2026 and 2027. Regarding inflation, the 2026 forecast may be raised, while 2027 should be revised downward due to the delayed implementation of ETS2. However, with inflation forecasts for 2026 and 2027 clearly below 2%, it’s difficult to quantify upside risks.”
- “We don’t think that Schnabel’s comments currently reflect the ECB’s majority view. With expected sub-2% inflation forecasts for the next three years, we see any following ECB rate change as a cut, not a hike, at least through late spring next year. After that, the window for rate cuts will likely close, and fiscal stimulus that meets supply-side constraints could bring back inflationary pressures. But that is a 2027 story, rather than one for 2026.”

**Jefferies**

- “For the ECB, we expect the Governing Council to remain on hold. The focus will be on updated forecasts and the tone of the press conference. Lagarde has signalled that growth projections may be revised slightly higher, but we anticipate inflation profiles will continue to show price pressures below target, which would contrast with the recent hawkish shift in messaging. As we have highlighted before, we maintain the view that risks to the Eurozone inflation outlook remain skewed to the downside”.

**JP Morgan**

- “Overall, we expect that the framing of decisions being between possibly cutting or leaving rates unchanged, will move to staying in the current “good” place. Hence, the easing bias will be removed. The statement may signal this by sounding more balanced on growth and Lagarde may say so explicitly in the press conference. It is less likely the policy statement will express this via the balance of risks on inflation, as the ECB does not tend to provide an overall assessment of this.”
- “President Lagarde is unlikely to validate market expectations that the next move could be a hike. She is likely to emphasise that policy rates remain in a “good” place and that the ECB is sticking to its strategy of data-dependence and meeting-by-meeting decision-making, and that it does not pre-commit to a particular rate path. She could also point to staff forecasts being consistent with unchanged rates”...“At the same time, it is unlikely that she can or will rule out that the next move on rates could be a hike”.
- “The new staff projections, which will now include 2028, will frame the debate and influence the guidance. To state the conclusion upfront, we expect the staff forecasts to be consistent with rates remaining on hold for an extended period.”

**Natixis**

- “We expect the ECB to keep unchanged its three key interest rates .... We also expect President Lagarde to keep a neutral tone regarding the possible future interest rate path”.
- “Given our new forecasts for 2026, it seems likely that the ECB will not change its monetary policy stance during the whole year 2026 in the absence of large adverse economic shocks. In its new projections compared to the September ones, we expect the ECB to revise up growth forecasts for 2025 and 2026, while still foreseeing inflation around the 2% target”.
- “That said, we continue to think that there is a dovish bias as risks to the inflation outlook are more tilted to the downside than the upside in our view. In particular, possible adverse shocks to unemployment, energy prices and exchange rate may change quickly the configuration of inflation for 2026 and 2027”.

**NatWest**

- “The ECB appears to have closed the door on further rate cuts, at least for now”...“Resilient GDP growth and stabilising inflation expectations just above 2% reinforce this stance. Activity indicators are trending higher, and German fiscal stimulus is starting to feed through to spending data. Even the most dovish voices on the Governing Council seem unlikely to advocate for cuts in the near-term.”
- “At the same time, pricing a rate hike in 2026 seems unrealistic”...“We (continue to) see no rate moves in ‘26.”



- “The ECB revised GDP growth upwards several times in 2025: we expect another revision, marking-to-market GDP growth to 1.4% this year (from 1.2%) and adding a couple of tenths to the 2026 estimate as well. On the inflation front, we expect one tenth increase for 2026, while the 2027 print might be corrected on the downside as the ETS energy pricing impact is postponed to 2028 – meaning that the (first) 2028 ECB projection might print at or even above 2%. Overall, these projections should reinforce”

## Nomura

- “We expect the ECB to leave the depo rate unchanged at 2.00% at its 18 December meeting. We believe the ECB will continue to emphasise data dependence and a meeting-by-meeting approach, with no change in its guidance.”
- “ECB President Lagarde is likely to highlight that the ECB is well-positioned with rates at current levels (i.e. neutral) to navigate ongoing uncertainty due to US policy.”
- “The ECB will publish new forecasts and extend its forecast horizon to 2028. We expect the ECB to forecast 2028 HICP inflation of 2.0%, justifying the ECB’s decision to keep rates on hold, even if the ECB forecasts a meaningful downward miss relative to target in 2026 and 2027. However, we see risks that the ECB could forecast 2028 HICP inflation of 2.1%”.

## Nord L/B

- “We assume that the Governing Council will again not make any adjustments to the three key interest rates at its upcoming meeting”....“The European policymakers still see their current position confirmed. This is likely to mean “straight” for a long time – most likely throughout 2026.”
- “In our view, the upside and downside risks are now largely balanced, and we maintain our assessment that the interest rate pause will be extended once again. The (supposed) postponement of the second phase of the Emissions Trading System (ETS2) is unlikely to change this.”

## Nordea

- “The ECB will decide on monetary policy on 18 December, and it is highly likely that rates will be left on hold, as the central bank still considers monetary policy to be in a good place. If anything, upside revisions to the September staff forecasts could further raise the threshold for another rate cut, and we expect the ECB to remain on hold throughout 2026, followed by rate hikes in 2027.”
- “Despite differences of opinion, the best guess is that Lagarde will repeat that the ECB remains in a good place and downside risks have further receded, but she will likely still stop short of giving a balanced assessment as far as growth risks are concerned. Upward revisions to staff forecasts could still give the message a slightly hawkish tone”.
- “Our own assessment remains that while we are not expecting any further rate cuts, risks remain tilted to the downside for the first half of next year.”
- “The fundamentals in the economy have not really improved and we expect the ECB to see growth rates to rise only slightly, hovering only slightly above 1% until 2028.....Regarding inflation, revisions are expected to be upward, especially in the near term. The core inflation projection for 2026 could rise above 2% (1.9% in September), essentially removing any remaining expectations of rate cuts”

## Rabobank

- “We don’t see any reason for the ECB to change its policy at this month’s meeting. Neither does the market. Another hold will probably cement the markets’ view that the cutting cycle is over, but we do not expect Lagarde to explicitly confirm this. She will probably repeat her “good place” analogy, adding that the ECB will stay vigilant to both upside and downside risks.”
- “Economic data has been somewhat better than the ECB had expected. The staff projections will probably contain some upgrades of the outlook”.
- “Uncertainty remains high, and we believe the ECB will remain reluctant to move rates. They need compelling evidence that policy is misconfigured”.
- “In the near term, we expect to see a patch of softer data. This may revive some rate cut expectations, but we don’t believe this warrants further easing”....“After the economy reaccelerates, we see scope for a few gradual rate hikes in early 2027”...“We have pencilled in two rate hikes, in March 2027 and June 2027”.

## RBC

- “Once again, the ECB is very likely to keep rates on hold at this meeting. Instead, markets will probably pay most attention to the macroeconomic projections including the new 2028 numbers.
- “We expect near-term growth projections to be substantially revised up and medium-term inflation to be modestly revised down. That should lead to the ECB finally stating that growth risks are balanced. It is likely that the



projections will show a modest inflation undershoot in 2028 at 1.9%, but we do not think this will be meaningful enough to change the ECB's guidance".

- "We think this meeting will validate the recent sell-off in the EUR front end, but we see limited scope for that move to extent much further at present. Instead, we like options positions that are short volatility".

## Scotiabank

- "No policy rate change is expected as 2% is pretty much spot on reasonable estimates for the neutral rate. Nothing is priced in markets pretty much throughout next year"
- "The statement is likely to repeat that inflation "remains close" to the 2% medium-term target. Key is how upgraded growth projections may filter through to this inflation guidance".

## SEB

- "We see little reason for the ECB to change its assessment of the policy stance after considering the current state of the economy and taking new projections into account".
- "Market pricing shows little changes for most part of 2026, with unchanged rates until the summer while a gradually higher probability for a rate hike is visible by the end of 2026. Given our expectations of the communications from the ECB we see little reason to expect any market movements on the back of this policy rate meeting".
- "New staff projections will be presented at the December meeting. According to the ECB, they are not pre-committed to a specific rate path, hence projections are key for the policy assessment. However, looking back during the autumn, we do not think there have been any major changes to the underlying inflation assumptions, while growth has surprised slightly on the upside. Hence, we expect only minor adjustments to the inflation forecasts. Q3 GDP growth was stronger than the ECB projection in September, and we therefore expect growth for 2025 to be revised upwards"

## Societe Generale

- "We expect no changes to the policy stance or guidance at the ECB's December meeting. Economic data have been resilient, with risks broadly balanced. Strong wage growth, lower energy prices and robust investment could offset near-term downside risks. In the medium-term, upside inflation risks are expected to build gradually, supported by increased German fiscal spending, requiring higher policy rates."
- "Given the resilient data and lower downside risk to inflation expectations, we no longer expect a rate cut in March next year. However, near-term downside inflation risks remain; compressed profit margins due to the US tariffs, easing labour market conditions and lower energy prices could lead to subdued wage growth and inflation expectations next year, potentially prompting ECB action."

## TD Securities

- "We expect the ECB to remain on hold with very little shift in rhetoric in the statement or press conference. Though we do anticipate inflation to be downgraded for 2027 with ETS2 delay, President Lagarde will likely note that this does not require adjustment of monetary policy"

## UBS

- "We firmly expect the ECB to keep the deposit rate at 2% (i.e. broadly neutral) on 18 December... "We expect the ECB to reiterate that it sees itself "in a good place" while stressing that it will maintain a data-dependent, meeting by meeting approach and not pre-commit to a particular rate path."
- "According to our base case scenario, the ECB will not cut rates further, given the sizeable fiscal stimulus in support of defence (EU) and infrastructure (Germany), which should become increasingly visible from early 2026. That said, with the inflation risk for the coming months probably skewed to the downside, we still see the forecast risk to the rate outlook as skewed to the downside (i.e. 1.75%) until next spring. For 2027 and beyond, we think the forecast risk for ECB rates is skewed to the upside, in a scenario where the boost to public spending in an environment of a shrinking labour force (in Germany and many other countries) might be somewhat inflationary and prompt the ECB to hike rates moderately again over the medium term."
- "We expect the ECB's new macro projections (prepared by national central banks) to show higher growth forecasts for 2025 and 2026, but lower inflation in 2027, mainly due to energy"

## UniCredit

- "The ECB is highly likely to keep interest rates unchanged next Thursday. The central bank's new macroeconomic projections will probably show a slightly firmer trajectory for both growth and inflation than they did in September. Overall, headline inflation will probably still be expected to undershoot 2% in both 2026 and 2027, although by a small margin and with a return to target in 2028. ECB President Christine Lagarde will likely downplay the implications of any such deviations from the price goal".

- “We expect Lagarde to remain vague about the most likely direction of the next rate move.
- “We continue to forecast a prolonged period of steady rates and think that the first hike will not come before 2H27. If anything, we see the risk of a rate cut as higher than that of a rate increase over the next six months or so”.

#### Wells Fargo

- “We expect the Deposit Rate to remain on hold at 2.00%. Supporting the case for a steady rate are the recent data from the Eurozone”.
- “Given this backdrop, combined with the ECB’s repeated assertion that policy is in a “good place,” we expect the Deposit Rate to remain unchanged not only at next week’s meeting but also throughout 2026”.

## MNI Policy Team Insights

### MNI ECB WATCH: Rates On Hold, Eyes On Projections, Language

By Santi Pinol (Dec 15, 2025)

ROME - The European Central Bank is set to hold its key deposit rate at 2% on Thursday, extending the ‘good place narrative’ as it presents a new set of projections that are unlikely to depart significantly from the September version. (ECB To Hold Again, Eyes On Language Changes).

With rates likely unchanged, ECB watchers will be eyeing any evolution in communication, with a possible tweak to the statement language to reflect some governors need to stress the meeting-by-meeting message, highlighting the symmetric nature of the current target, explicitly ruling out a de facto return to the ‘below but close to 2%’ inflation target.

ECB President Christine Lagarde is likely to reiterate that the ECB has no urgency to move interest rates in either direction, although she will likely remind of the need for the Governing Council to remain flexible and be ready to react quickly to events.

Any further evolution to the perception of risks both for growth and inflation will be closely followed by markets for an indication if some sort of easing bias persists or if policymakers see similar a chance for the next move to be either a cut or a hike. Early commentary out of Frankfurt from the President down suggests a more upbeat message on the economy.

#### FIRST 2028 PROJECTIONS

The December projection round will see 2028 outlooks published for the first time and they could be influenced by the shift of the EU’s new Emissions Trading System 2 (ETS2) that -- subject to clearance through the European Parliament -- has been delayed for a year. While it is not expected to move the needle for an immediate movement, the number could be important to frame the debate for future meetings.

The ongoing China threat is another factor that will likely be present in the Governing Council debate, with an increasing number of policymakers worried about the negative impact on the Eurozone economy -- both growth and prices. (see MNI INTERVIEW: Germany Needs Solid China Strategy - Wambach)

As at the beginning of the trade tensions with Washington, Eurosystem policymakers were worried about a diversion of goods from China into the EU, although recent evidence shows the competition the spread into third country markets where European exporters sell their products.

### MNI SOURCES: No Significant Shift Seen In ECB Dec Projections

(Dec 9, 2025)

LONDON - The European Central Bank’s December projection round to be unveiled at the 18 Dec. Governing Council meeting is not expected to depart significantly from September’s figures, with communication as 2026 dawns balancing hawk-dove differences by seeking to reinforce two-way risks around the 2.0% policy rate, Eurosystem sources have told MNI.

Policymakers could debate a tweak to the statement language, as some governors feel the need to stress the meeting-by-meeting (MBM) message and avoid a perception of a de facto return to the ‘below but close to 2%’ regime, highlighting again the symmetric nature of the current target, giving the ECB margin to react.

"It is important to stress this because otherwise the market may expect a signal from us to cut in the future. Markets do not currently have the sense that we are truly MBM," a Eurosystem source said.

#### FLEXIBLE RESPONSE

While inflation risks are generally perceived as more balanced, a significant number of policymakers continue to see them tilted to the downside and believe the Governing Council needs to remain flexible and be ready to react quickly in case of persistent inflation undershooting.

"We must be careful not to box ourselves in with language. Talk of a higher bar to cuts somewhat diminishes the meeting-by-meeting message," one official noted, stressing that data needed to be taken on board equally, whatever the starting point.

"If we are too comfortable and don't move, that could be risky and we could end up being too late. Markets have to see a clear reaction function if there is a forecast of a persistent undershoot," another Eurosystem official noted.

The symmetric, meeting-by-meeting communication push is viewed more urgently by policymakers seeing inflation risks tilted to the downside, while those who see the a hike likelier than a cut as the next move prefer to emphasise the data-dependent approach.

The latter camp stress the resilience of Eurozone growth but, at around 1%, there are those among the former who view such as description as 'a stretch'. There is broad agreement that the German fiscal contribution to Eurozone growth through its defence and infrastructure investment will be 'a slow burn'.

#### CHINA CHALLENGE

Anxiety is intensifying about a growing negative impact on the Eurozone economy from Chinese competition. While this factor is not seen as new, the potential implications do cut across the hawk-dove spectrum.

Much of 2025 had policymakers worrying that China would seek to divert goods originally designed for the U.S. market to the EU, further weighing on goods price inflation. However, the challenge from Chinese manufacturers is spreading into third country markets, making life even more difficult for European exporters already struggling to compete in China and in the U.S. under the Trump tariff regime.

"(China) can quickly take market share from us. In fact, we are already losing ground in industries that are important to our economies, and this can only intensify," one source said. Another referred simply to the China 'threat' while a third who referred to the 'China effect' said it was of one of many geopolitical uncertainties that grow in relevance at the 2028 policy horizon.

#### WELCOME TO 2028

Next week will see the 2028 inflation projections published for the first time and they could be influenced by the shift of the EU's new Emissions Trading System 2 (ETS2) that -- subject to clearance through the European Parliament -- has been delayed until 2028 and will account for around 0.3 percentage points off headline inflation.

Energy costs are modestly lower than at the time of the September round and the euro is little changed, which will weigh on inflation projections at the margin. However, that will be largely balanced by the modestly higher spot data in October and November.

"The 2028 projections will be important in framing the debate, but I think for now will not be key in decision making," one official said, although noting if projections show significant undershoots in 2026 and 2027 it would help build the case for a further cut.

An ECB spokesperson declined to comment.