mni

All Signal, No Noise

MARKET ANALYSIS

MNI ECB Preview: February 2026

Decision date: Thursday, 5th February 2026
Rate Announcement: 1315GMT/1415CET, **Press Conf.:** 1345GMT/1445CET

MNI Review of Prior Meeting: Little Conviction To Shift 2% Terminal Pricing

CONTENTS

MNI POV: Euro Intrigue Fades But Not Entirely

Feb 3, 2026 - 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.
- There have been both slightly dovish and slightly hawkish developments in January, which should guard against President Lagarde sending too strong a signal in either direction at the press conference. Expect renewed uncertainty to feature.
- Q&A focus will no doubt be on recent euro appreciation, even if it looks softer in trade-weighted terms and has given back some of its recent increases.
- We estimate that the disinflationary impulse from recent currency moves are offset by commodity price increases when projecting on from the December projections.
- That said, with those projections already seeing a modest core inflation undershoot in 2027, expect sensitivity to any further downward pressure.
- We're still to receive the flash January HICP report tomorrow (Wednesday) on day one of the two-day ECB meeting, an important report in that it captures some start-of-year price resets. Country-level data imply differing degrees of disinflation.
- Only 2 of 27 analysts expect rate cuts this year, neither of which look for a cut with this meeting. A clear majority look for rates on hold through 2026 although 2 also look for an end-2026 25bp hike.
- We approach this meeting with a mild easing bias again (4bp through Sept) after a brief hiking bias in Dec.

The ECB is expected to hold its three key interest rates steady on Thursday, while retaining its familiar data-dependent and meeting-by-meeting approach. The deposit rate has been at 2.00% since June 2025 and thus remains nicely within the ECB's long-term neutral range estimate of 1.75-2.25%. Overall, the Governing Council (GC) is likely to continue to assert that it is in a "good place", albeit very attentive to incoming developments and the broader uncertainty faced. There have been both slightly dovish and slightly hawkish developments in January, which should guard against President Lagarde sending too strong a signal in either direction at the press conference. For instance, whilst it has faded quite notably in recent days, we suspect last week's latest strengthening in the euro (particularly against the US dollar) has reignited downside inflation concerns amongst more dovish GC members and could give Lagarde further incentive to not tilt in a hawkish direction. However, our rough calculations suggest that disinflationary currency impulses have largely been offset by energy price moves since the December projections.

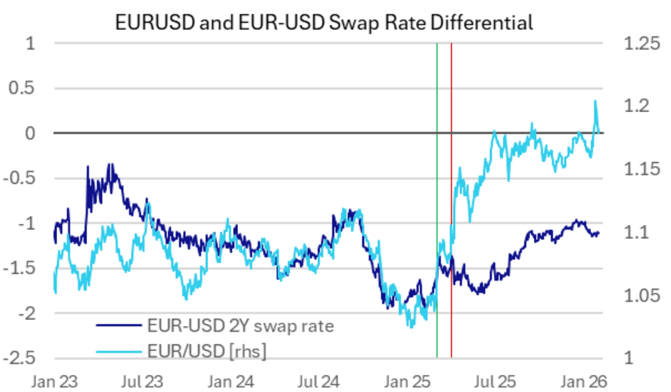
Elsewhere, a return of US-led geopolitical and trade policy uncertainty looks to have been short-lived, but remains at the forefront of GC minds owing to its potential gravity. That includes President Trump's apparent desire to acquire Greenland along with a renewed heightening of US-Iran tensions, and we look to see how the wide-ranging list of risks to growth is laid out by Lagarde at the start of the press conference. On the data side, there are some signs of disinflationary start-of-year services price resets in country-level flash January inflation data released so far before tomorrow's (Wednesday's) Eurozone-release on day one of the two-day ECB meeting. However, Q4 flash GDP was solid at 0.3% Q/Q above the ECB's 0.2% projection in another quarterly upward surprise, and country-level details point to a positive contribution from domestic demand (notwithstanding softer investment signals from the Q4 Bank Lending Survey). The Governing Council will need to see more than the January flash inflation round to determine whether the risks to its Q1 2026 core projections are unambiguously to the downside. Markets price around 6.5bps of easing through September 2026, but we will likely need to see a string of dovish data surprises before another cut becomes the base case.

Weighing FX vs Commodity Price Impacts On ECB Projections

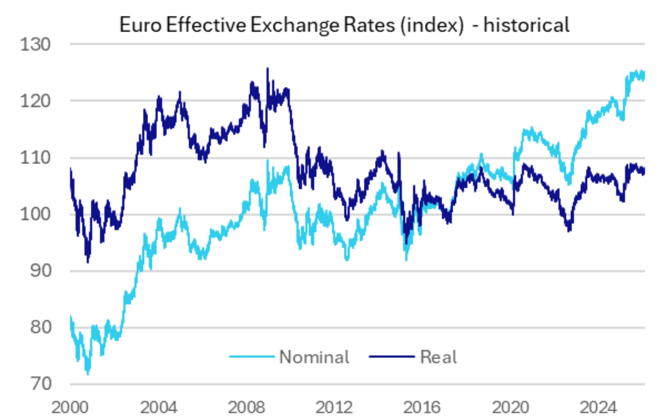
Heading towards this meeting it had looked like the most interesting discussions would be around exchange rate developments after US dollar-led weakness had seen EURUSD surge higher and clear 1.20. This of course was a level referenced by Vice President De Guindos on the sidelines on the Sintra conference in July. We cautioned at the time that euro gains were more measured on a trade-weighted basis and wouldn't draw a strong reaction at this meeting. Since then, those wishing to push a strong euro/disinflationary impulse angle will have a weaker case with EURUSD dropping to around 1.18 with help from renewed US dollar strength following Trump announcing former Fed Governor Kevin Warsh as his Fed chair pick and a strong US ISM manufacturing survey. A reminder that risks stemming from Chinese trade remain a concern for the Governing Council, making EURCNY another important cross to monitor. The December meeting accounts noted that "The "second China shock" - referring to the country's increased global presence in more advanced products and technologies - was widely highlighted as a major challenge for the euro area economy".

With EURUSD currently around 1.18, it has climbed 2.3% since the late November cut-off for the December ECB projection round (it had been 3.5% higher as of last week). However, it has only seen a 0.4% increase in nominal effective exchange rate terms on a broad EER-40 basis (it had been 0.9% higher as of last week). Moves are even smaller on the relatively narrow EER-17 basis with a 0.2% increase as it omits sizeable depreciation in the Indian rupee and Turkish lira. Further, whilst we've compared these effective exchange rates to the 26 Nov 2025 cut-off, the actual level of both EERs both peaked at broadly similar levels to previous peaks seen close to the actual ECB meeting on Dec 18. At the time it drew little reaction from Lagarde at the press conference: "We do not target the exchange rate. It's in the risk section of our statement. It's something we look at carefully, how currencies are positioned around the world. We pay attention to the position against the RMB as one of those."

ECB Chief Economist Lane in December reiterated staff research which estimated that "a 10 per cent appreciation in the euro plays out over several years, with inflation markedly lower for about three years and a peak disinflation impulse of 0.6 percentage points after about a year." Of course, the Eurozone is an exported-oriented economy and would be expected to see a sizeable hit to growth in such a scenario: "The level of GDP declines throughout this adjustment period, with a cumulative loss of about one per cent of GDP after three years. In relation to trade dynamics, the euro appreciation reduces export volumes by about 3 per cent over this horizon and import volumes by about 1.5 per cent." For crude sensitivities, were the 0.4% increase in the EER-40 to be sustained, it could be expected to translate to a peak disinflationary impulse of only 0.02pp in a year's time (that had looked like 0.06pps as of late last week). Whilst clearly limited, it's important to consider it against a backdrop of core inflation already being expected to slightly undershoot the 2% target in 2027 with 1.9%, hence the heightened sensitivity. We touch on ECB Governing Council reaction in the ECBspeak section and our policy team's sources piece below.



Bars denote German defence/infra plans Mar 4 (green), Liberation Day Apr 2 (red)
Source: Bloomberg Finance L.P., MNI.



Source: Bloomberg Finance L.P., Citi, MNI

Further going against this modest disinflationary impact from euro appreciation is an exogenous and also mild inflationary impulse from energy. Whilst the ECB won't provide new economic forecasts at this meeting, we estimate that latest oil and gas pricing would see a 0.05pp increase in HICP inflation relative to the December projections. That's primarily from oil prices whilst natural gas prices have little net impulse (where we focus on the 12th contract to better allow for utility company hedging – it would clearly me larger if including the larger increase in front contracts).

Crude Impact From Oil and Gas Price Changes On ECB Near-Term HICP Forecast

Projection Round	Cut-off (*estimated)	Brent, 1st ($/bbl) i	Brent, 1st (EUR/bbl) ii	Fuel Weight (2025)	TTF, 1st (EUR/MWh) iii	TTF, 12th (EUR/MWh) iv	Gas Weight (2025)	**Combined HICP impact (ii + iv)**
Dec'25	Nov 26, 2025	63.49	54.88	4.06	30.56	29.92	1.66	
Current pricing		67.13	56.62		38.03	30.29		
	% chg vs Dec cut-off	*5.7*	*3.2*		*24.4*	*1.2*		
%pt impact on headline HICP ('25 weights)								
	vs Dec cut-off	*0.08*	*0.04*		*0.05*	*0.00*		***0.05***

Source: Bloomberg Finance L.P., ECB, MNI. Contributions to headline HICP use MNI assumptions for passthrough into HICP fuel and gas prices
Using a 10-day rolling average up to each cut-off date

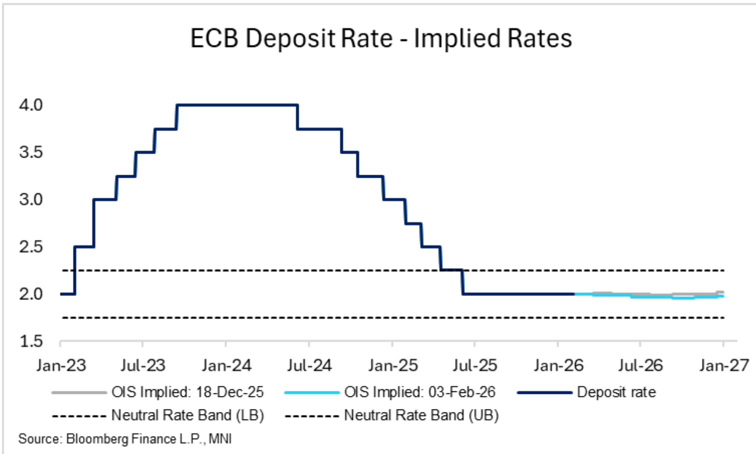
Markets: Back To A Mild Easing Bias For 2026

With euro strength fading in recent days, so too have expectations of rate cuts ahead, with ~4bp of cuts priced to September vs ~8bp in late January. As such, it sees a return of a very mild near-term easing bias in rates markets after a change to a slight hawkish bias ahead of the December meeting.

ECB Dated OIS

Meeting Date	ESTR ECB-Dated OIS (%)	Difference Vs. Current Effective ESTR Rate (bp)
Feb-26	1.932	-0.1
Mar-26	1.926	-0.7
Apr-26	1.919	-1.4
Jun-26	1.903	-3.0
Jul-26	1.900	-3.3
Sep-26	1.892	-4.1
Oct-26	1.898	-3.5
Dec-26	1.909	-2.4
Jan-27	1.929	-0.4

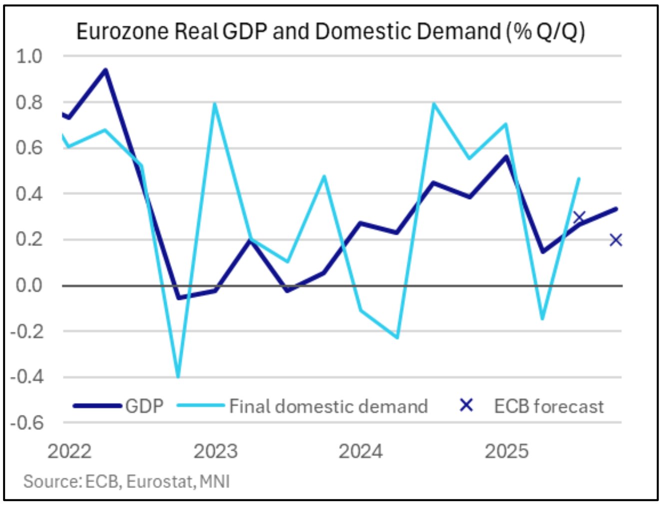
Source: MNI/Bloomberg Finance L.P.



Macro Since Last ECB Decision: A Beating Of Tepid Expectations

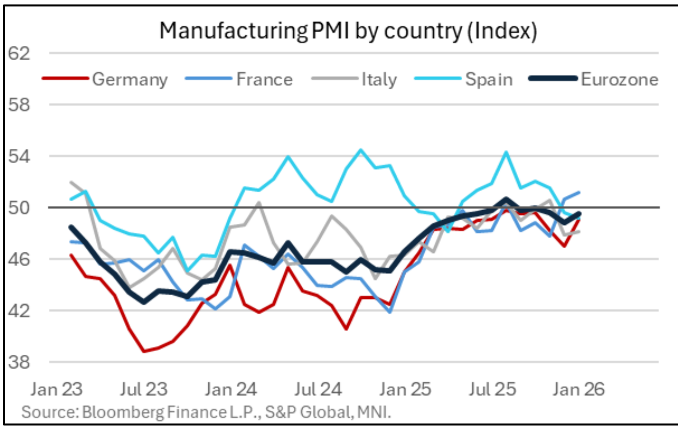
GDP growth has surprised stronger but PMIs have on balance disappointed considering a decline in services and the latest Bank Lending Survey pointed to softer investment signals. Inflation looks more encouraging for the ECB, especially some initial country-level data before Wednesday's January Eurozone HICP release on day one of the two-day ECB meeting, whilst the unemployment rate has tentatively returned to joint series lows.

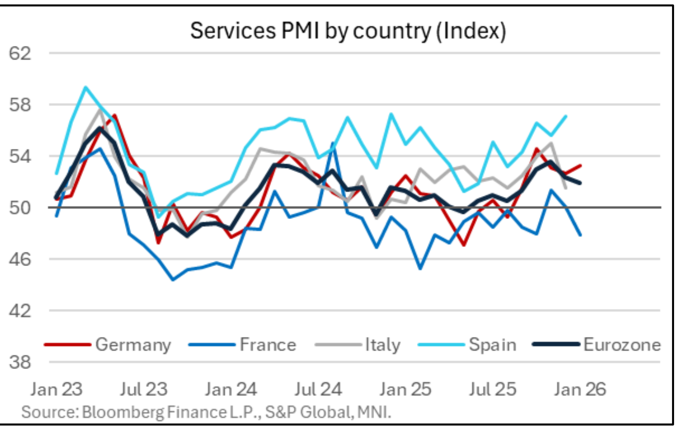
Growth: Solid GDP But Further Stalling Of PMI Improvement



Eurozone real GDP growth was stronger than expected in the Q4 flash at 0.33% Q/Q vs consensus and ECB expectations of 0.2% and following 0.27% in Q3 (which had also surpassed ECB expectations of 0.0% from the September projections). Spain led individual contributions on the quarter (+0.08pp) owing to a strong 0.8% Q/Q increase, followed by Germany (+0.07pp, 0.3%), Italy (+0.04pp, 0.3%) and France (+0.03pp, 0.2%). There weren't any material Irish distortions to consider, a small drag of -0.02pp after -0.01pp in Q3 and nothing like the +0.17pp averaged through 3Q24-1Q25. Aggregate details are lacking although country-level details point to a positive contribution from domestic demand whilst net trade looks mixed to potentially negative. Annual GDP growth stood at 1.32% Y/Y in Q4, technically a fourth consecutive deceleration as we move beyond that Irish boost but still above the 2023/24 average of 0.7%. Overall, the headline data appeared consistent with ECB expectations for a cyclical recovery in 2026, with real GDP growth forecast at 0.3% Q/Q in Q1 before three quarters of 0.4% Q/Q.

PMIs meanwhile have been more mixed since the last meeting, with manufacturing on net a little stronger but services weaker. Specifically, the manufacturing PMI has most recently been seen at 49.5 in Monday’s final January release vs 49.2 in the December advance seen prior to the ECB decision, via 48.8 in the final December release. It mostly recovers to the 49.6 in Nov but despite seeing a trend improvement in 2025 has still seen only two months at or above the 50 breakeven level (Aug and October). The January details noted that "The volume of new work received by eurozone goods producers fell for a third successive month at the beginning of the year, although the contraction slowed and was only marginal. New export orders likewise decreased, in line with the trend since last July". The services PMI on the other hand was revised down from 52.6 to 52.4 in December before falling further to 51.9 in the flash January release for its lowest since September. The final January release comes on Wednesday, Feb 4, on the first day of the ECB meeting.



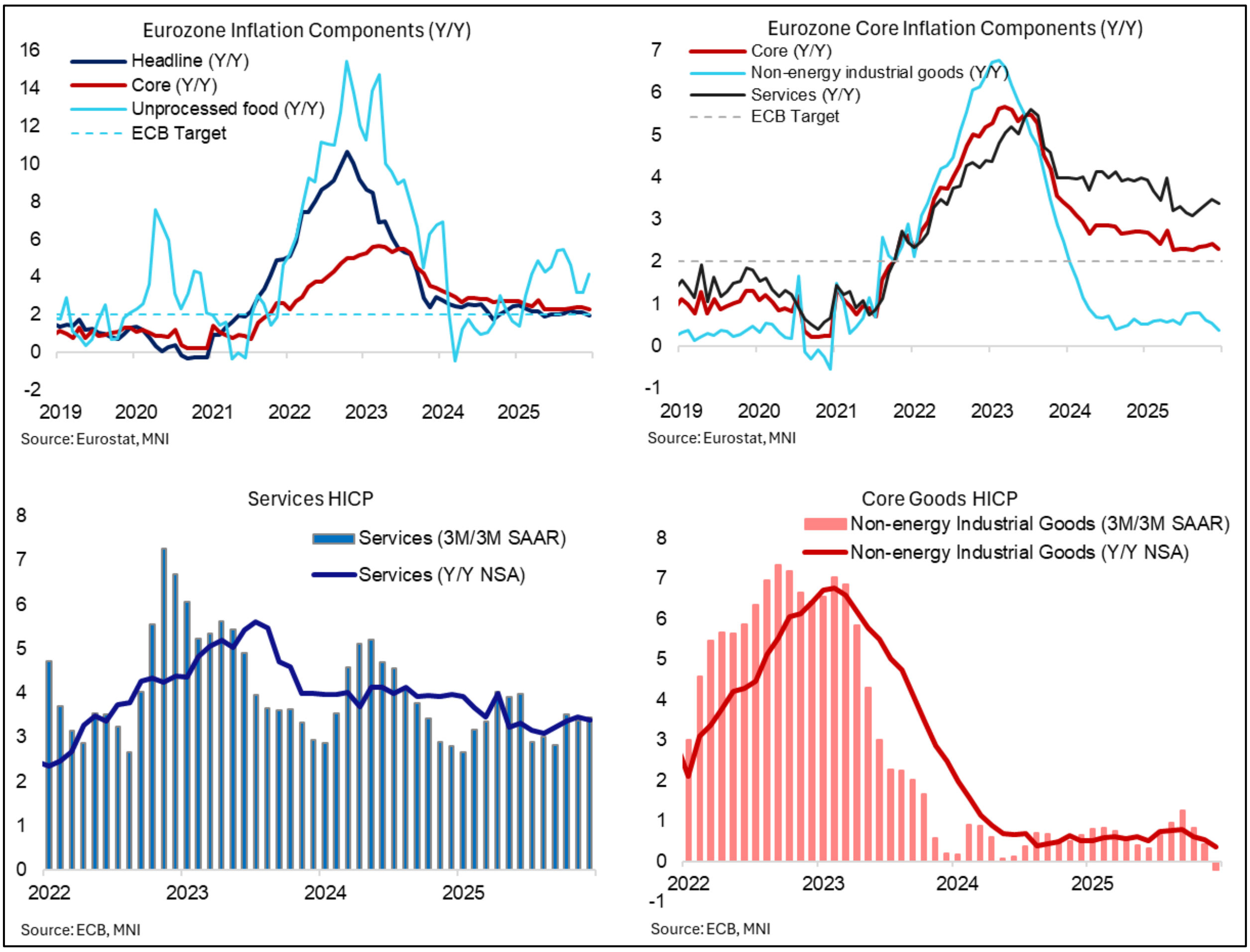


The ECB's Q4 BLS reported a small increase in firm loan demand, similar to Q3. However, this increase was not driven by fixed investment demand, dampening the signal it provides to the cyclical and potential growth outlook. Meanwhile, weak consumer confidence was cited as a drag on housing and consumer credit loan demand. Banks reported a tightening of firm credit standards in Q4, consistent with the signals from the previously released SAFE survey. It's possible that the tightening of financial conditions implied by steeper EUR curves constrained both credit demand and supply in Q4.

Inflation: Slightly Softer Than Expected, Underlying Metrics Close To 2% Target

Headline HICP inflation was slightly softer than expected in December at 1.94% Y/Y after 2.14% in November, for its softest since May. Core HICP inflation at 2.29% Y/Y in the final December released confirmed a miss of the 2.4% originally expected after the 2.41% in November. Aside from 2.27% in Aug and 2.28% in May, core inflation was last lower in Jan 2022. The ECB’s seasonally adjusted data point to softer recent momentum with 2.1% on a 3m/3m annualised basis. Services inflation meanwhile has returned to 3.38% Y/Y after 3.47% in Nov and 3.36% in Oct, just about sitting in the lower half the 2025 range of 3.1-4.0% Y/Y, whilst recent momentum is similar at 3.4%. Likely continuing to carry sizeable weight in ECB deliberations, ECB PCCI metrics held close to the 2% target – the overall eased to 1.97% Y/Y in December after 2.02% whilst core firmed fractionally to 1.96% Y/Y after 1.94%. Alternatively, MNI’s “services common indicator” was little changed at 3.26% Y/Y in December after 3.24% in November, close to a four-year low.

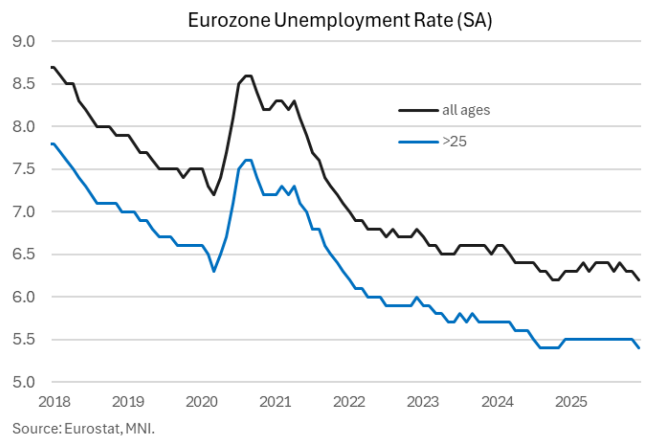
Note that the January Eurozone HICP report will be released on Wednesday, Feb 4, on day one of the two-day ECB meeting in what should be an important release capturing start-of-year price resets. For now, some country-level details point to a contained to disinflationary January round, with Germany services CPI easing 0.3pp to 3.2% Y/Y for its lowest since Aug 2025. However, core inflation accelerated a tenth to 2.5% Y/Y with an implied sizeable uptick for core goods inflation. French HICP release was more notable, surprisingly slipping to 0.38% Y/Y (cons 0.6) in January after 0.65% in December.



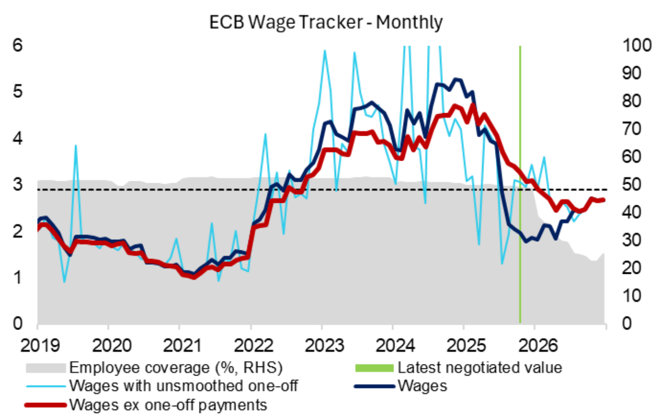
Labour Market: U/E Rate Sees Renewed Push Lower But Time Needed For Conviction

The Eurozone unemployment rate has seen two monthly reductions since the ECB last met. The 6.4% tentatively seen in October has since been revised down to 6.3% in the November release, which also surprised lower at 6.3%, before falling again to 6.2% in last week's first look at December data. The 6.2% is the lowest since Nov 2024 and marks joint cycle lows, having sat in a 6.3-6.4% through 2025 until this latest update. Keep in mind the regular revisions in this series over time, one of the more notable being an initially reported 6.1% in Feb 2025 now showing as 6.3%. The level of unemployment echoes this recent improvement, falling an average -65k per month in Q4 compared to -16k in Q3, -5k in Q2 and a heavy +84k in Q1.

From a wage growth angle, Indeed's latest wage tracker pointed to a modest uptick in posted wage growth in December, but the underlying trend remains downwards. The ECB anticipates that a continued easing of compensation pressures will support further disinflation in services and core through 2026. The ECB's wage tracker published after the December meeting suggests wages excluding one-off payments should decline to ~2.5% in the second half of 2026. Meanwhile, the December economic projections see compensation per employee growth at 2.9% in Q4 2026 and Q4 2027 (vs 4.0% in Q3 2025). However, following the upside surprise to realised compensation per employee in Q3 2025, some Governing Council members will remain cognizant of upside risks going forward.



Source: Eurostat, MNI.



Source: ECB, MNI. Vertical line shows the point up to which we have full negotiated wage data for

Dec 18 Rate Decision Statement

The Governing Council today decided to keep the three key ECB interest rates unchanged. Its updated assessment reconfirms that inflation should stabilise at the 2% target in the medium term.

The new Eurosystem staff projections show headline inflation averaging 2.1% in 2025, 1.9% in 2026, 1.8% in 2027 and 2.0% in 2028. For inflation excluding energy and food, staff project an average of 2.4% in 2025, 2.2% in 2026, 1.9% in 2027 and 2.0% in 2028. Inflation has been revised up for 2026, mainly because staff now expect services inflation to decline more slowly. Economic growth is expected to be stronger than in the September projections, driven especially by domestic demand. Growth has been revised up to 1.4% in 2025, 1.2% in 2026 and 1.4% in 2027 and is expected to remain at 1.4% in 2028.

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

Cautious to net out change in growth risks, inflation risks broadly repeated

While trade tensions have eased, the still volatile international environment could disrupt supply chains, dampen exports, and weigh on consumption and investment. A deterioration in global 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, planned defence and infrastructure spending, together with productivity-enhancing reforms, may drive up growth by more than expected. An improvement in confidence could stimulate private spending.

The outlook for inflation continues to be more uncertain than usual on account of the still volatile international environment. Inflation could turn out to be lower if the rise in US tariffs reduces demand for euro area exports and if countries with overcapacity increase their exports to the euro area. Moreover, a stronger euro could bring inflation down further than expected. An increase in volatility and risk aversion in financial markets could weigh on demand and thereby also lower inflation. By contrast, inflation could turn out to be higher if more fragmented global supply chains pushed up import prices, curtailed the supply of critical raw materials and added to capacity constraints in the euro area economy. A slower reduction in wage pressures could delay the decline in services inflation. A boost in defence and infrastructure spending could also raise inflation over the medium term. Extreme weather events, and the unfolding climate and nature crises 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 but that doesn't mean the ECB is static
- Lagarde didn't endorse Schnabel's view on rate hikes
- There was no discussion on rate cuts or hikes today, nor any discussion on r*
- Wage growth has surprised the ECB to the upside
- No favoured candidates for next president but the executive board term law should be looked at again
- Digital euro proceedings are now in the hands of the EC and European Parliament

See the full official transcript from the press conference here:
https://www.ecb.europa.eu/press/press_conference/monetary-policy-statement/2025/html/ecb.is251218~3a10402adb.en.html

Key Inter-Meeting ECB Commentary

By Emil Lundh (Feb 2, 2025)

There have been two major developments for ECB Governing Council members to react to since the December 2025 decision. First, the ratchet higher in geopolitical and trade uncertainty following US President Trump's 10% tariff threat on certain EU countries over Greenland disagreements. Second, the strengthening of the EUR/USD exchange rate towards 1.20 – a level previously displayed as "complicated" by Vice President de Guindos – in late-January. Both of these developments were considered net dovish to the ECB's outlook, but each moderated relatively quickly from concerning levels. **As such, the overarching theme remains that the Governing Council is in a "good place", with the bar to a rate change in either direction remaining high.** Bloomberg's NLP-based ECB-speak index remains at essentially neutral levels, underscoring this view.

On Jan 28, Executive Board member **Schnabel** noted in a slide pack that "ECB rates [are] in a good place and [are] expected to remain at current levels for [an]extended period". This comes after she pushed back in December against interpretations suggesting she favoured a rate hike in the near future.

- Similarly, Chief Economist **Lane** stressed on Jan 9 that "Our baseline scenario, which we set out in December, envisages inflation more or less at target for several years, growth close to potential and low and declining unemployment. In these circumstances, there is no near-term interest rate debate". This view was supported by **Nagel** on Jan 27.

- Banque de France's **Villeroy** remains the most vocally dovish member of the Governing Council, but even he pushed back against a rate change in the near term on Jan 20: "We are in a good place but I stress once more we should be agile and pragmatic,"...."There are downside risks on inflation that remain at least as significant as upside risks."...."If there were to be a more significant and more lasting deviation then we would adapt,"…. "But we are not there at present."

US President Trump threatened 10% tariffs on France, Germany, the Netherlands and Finland (alongside some non-EZ members) on Jan 17. Following this threat, President **Lagarde** stated on Jan 20 that "what is more important than the tariffs themselves is the rising uncertainty that we are seeing again — so uncertainty is back".

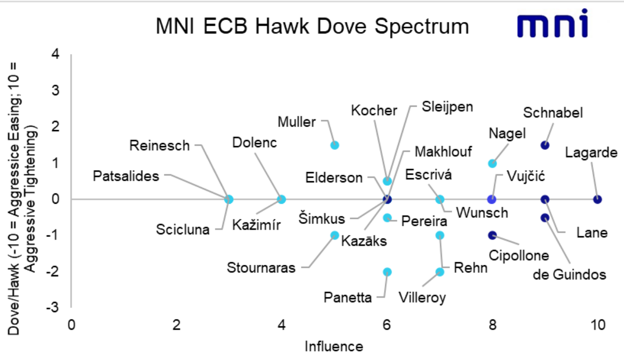
- The usually hawkish-leaning **Nagel** also commented that "all these uncertainties regarding the tariff discussions will have some spillovers to monetary policy,"...."Regarding price stability, the whole picture is pretty opaque. So it's more on the economic growth side than on inflation. So I'm more concerned when it comes to economic growth".
- These concerns were relatively short-lived, with Trump withdrawing the tariff threats by January 21. However, they reminded markets that the level of risk to the outlook remains high, and this warrants some implied easing bias to be retained through '26.

EUR/USD's near-4% rally to 1.20 between Jan 16 and Jan 27 re-ignited market concerns around exchange rate-driven downside inflation risks. These concerns were exacerbated after Austrian National Bank Governor **Kocher** said on Jan 28 that "If the euro appreciates further and further, at some stage this might create of course a certain necessity to react in terms of monetary policy".

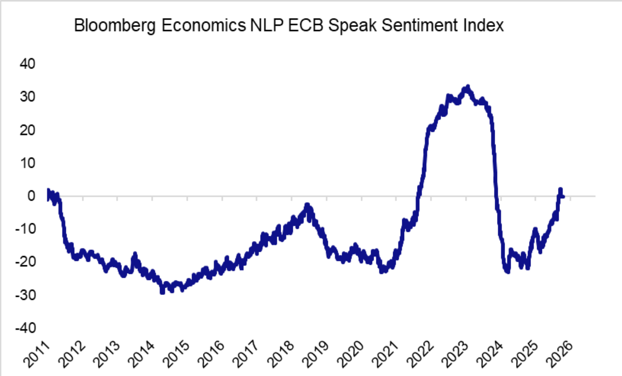
- Similarly, **Villeroy** commented that "We are closely monitoring this appreciation of the euro and its possible consequences in terms of lower inflation,"..."This is one of the factors that will guide our monetary policy and our decisions on interest rates over the coming months".
- However, the impressive advance for EUR/USD was mostly a dollar story, with the EUR effective exchange rate seeing smaller aggregate moves over the same period. **Simkus** tempered dovish signals in noting on Jan 28 that "To say that we need to adjust monetary policy because the euro is at USD 1.19 is an oversimplification".
- At the time of writing, EUR/USD has already pulled back to 1.18. The MNI Policy Team's latest sources piece reported that the ECB is likely to emphasise that it does not target any particular level for the euro but will note the disinflationary impulse from a record high weighted exchange rate at next week's meeting, though it is unclear whether the reference will be made in the statement or left for the news conference.

Finally, Croatian National Bank Governor **Vujcic** looks set to be appointed as the ECB Vice President (assuming he is confirmed by the European Council). He will replace **de Guindos** at the end of May. As such, we have mechanically increased the influence of **Vujcic** in our ECB hawk-dove matrix. Elsewhere, we have set **Simkus'** and **Kazaks'** hawk/dove score to neutral, following comments made since December.

Our latest **ECB Speak Wrap** contains a comprehensive overview of commentary since the December decision.



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

Central Bank Watch - ECB

03 February 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	2.0	2.2	↓	2.0	→					-1.04
Core Inflation	% y/y	2.3	2.4	↓	2.3	→					-0.72
Oil Prices	$	70.7	65.1	↑	72.5	↓					1.00
5y/5y Inflation Swap	%	2.14	2.06	↑	2.13	↑					1.20
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	51.5	52.5	↓	50.9	↑					0.76
Industrial Production	% y/y	2.5	1.2	↑	3.0	↓					1.04
Business Climate Indicator	Index	-0.39	-0.41	↑	-0.71	↑					1.36
Consumer Confidence	Index	-12.4	-12.6	↑	-13.5	↑					1.39
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	4.7	5.0	↓	4.8	↓					0.86
Broad Money (M3)	% y/y	2.8	2.8	→	3.4	↓					-0.79
Loans to Non-Fin Corps	% y/y	2.8	2.8	→	2.3	↑					0.50
Loans to Households	% y/y	2.8	2.5	↑	2.1	↑					1.27
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	2.3	1.8	↑	2.3	→					0.49
Unemployment Rate	%	6.2	6.4	↓	6.4	↓					-1.85
Labour Costs (Quarterly)	% y/y	3.3	3.7	↓	5.3	↓					-1.25
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	5993	5662	↑	5320	↑					2.20
Bund Yield	%	2.89	2.63	↑	2.70	↑					1.39
10y BTP Spreads	%	60.7	75.1	↓	81.3	↓					1.71
EUR TWI	Index	128.08	127.73	↑	126.31	↑					0.79

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

Analyst Expectations And Key Comments

- Rate cut calls are few and far between, with only BofA and Morgan Stanley formally looking for cuts amongst the 26 views reviewed below.
- There are widespread expectations of rates on hold through 2026, with the exception being SocGen and TD Securities looking for a 25bp hike at the end of the year.
- Of those specifying rate hike views, most expect them to start in the middle to second half of 2027.

Institution	Next Cut	Terminal low (depo)	End-2026	End-2027	Hikes	Rate path/comments
Median	x	2.00%	2.00%	2.00%		
Morgan Stanley	Mar	1.50%	1.50%			Bloomberg survey shows 25bp cuts in Mar/Jun 2026 but they shifted to Jun/Sep cuts after the Dec ECB
BofA	Mar	1.75%	1.75%	1.75%		Conviction on March cut is now running low but still see cut as far more likely than a hike
ABN Amro	x	2.00%	2.00%			Our base case already sees the EUR/USD moving higher this year, but we expect monetary policy to stay on hold.
BNY	x	2.00%	2.00%			We do not think any ECB meetings are "live" in the first half of the year, and the latest January figures suggest inflation risk remains to the upside.
Commerzbank	x	2.00%	2.00%	2.00%		No change expected but will have to discuss a number of risks, particularly the implications of the high level of trade policy uncertainty and the sharp rise in gas prices for the economy and inflation.
Daiwa	x	2.00%				Lagarde to re-emphasise that the ECB is in no rush to alter its stance in either direction but she might steer clear of hawkish statements
Danske	x	2.00%	2.00%	2.00%		We do not see the magnitude of the recent EUR appreciation as a cause of concern for the ECB
Goldman Sachs	x	2.00%	2.00%	2.00%		Our recent work suggests it would take a material change in the economic outlook for the Council to move policy from here.
ING	x	2.00%	2.00%	2.00%		The recent appreciation will not be a big enough concern for the ECB to change course next week. For now, the central bank will stay in its good place.
JPMorgan	x	2.00%	2.00%	2.00%		The various uncertainties cut in both directions and it is not clear that the currency move on its own has tilted them significantly downwards.
Natixis	x	2.00%	2.00%			We retain our view of a prevailing dovish bias, as the balance of risks to the inflation outlook remains skewed to the downside.
NatWest	x	2.00%	2.00%			No trigger for a rate change next week, nor for the foreseeable future on current and expected growth, inflation (and currency) dynamics.
Nomura	x	2.00%	2.00%	2.00%		The ECB will look through end-of-forecast horizon deviations from target that are minimal and not persistent.
Nord/LB	x	2.00%	2.00%			Rates on hold most likely throughout 2026
RBC	x	2.00%	2.00%			We think the upcoming ECB meeting will be one of the least volatile for markets in recent times. [...] We think the ECB remains on hold for a prolonged period of time, although it does appear that the hawks are starting to become more vocal.
Santander	x	2.00%	2.00%			Beyond mid-2026, we see rate hikes in 2H26 as unlikely, but the probability rises in 2027, as activity and inflation pressures will grow..
Scotiabank	x	2.00%	2.00%	2.00%		With the policy rate at 2% and in the neutral zone and underlying inflation around the 2% inflation target, it could well be that a prolonged stasis is upon ECB-observers—barring any large shocks in either direction.
SEB	x	2.00%	2.00%	2.00%		The appreciation trend is too premature to change policy, but it is likely to be included in the risk assessment, given the impact on inflation.
UBS	x	2.00%	2.00%			As regards 2027, however, we think the forecast risk for ECB rates is firmly skewed to the upside. We suspect that boosting public spending in an environment of a shrinking labour force (in Germany and many other countries) might be partly inflationary and eventually force the ECB to hike rates again.
Berenberg	x	2.00%	2.00%		2H27	We maintain our call that it will take until mid-2027 before rising inflation driven by higher wage growth will eventually force the ECB to gradually raise its deposit rate from 2.0% to 3.0% in early 2028
UniCredit	x	2.00%	2.00%	2.25%	2H27	We continue to forecast that interest rates will remain unchanged well into 2027. Unless EUR-USD moves quickly towards 1.25, the probability of the market pricing in a 25bp cut will likely remain below 50%.
HSBC	x	2.00%	2.00%	2.50%	2H27	We expect the ECB to stay on hold in February and it seems keen to remain so for an extended period. Some downside risks to rates near-term, though
Nordea	x	2.00%	2.00%	2.50%	2H27	We continue to think the ECB will keep rates at current levels this year, and see the risk picture gradually moving towards rate hikes, though [...] downside risks have not disappeared either.
Deutsche Bank	x	2.00%	2.00%		Mid-2027	We think domestic inflation will outweigh external disinflation – we see evidence of the fiscal easing starting to spur activity, but at the same time the external risks have increased
Rabobank	x	2.00%	2.00%	2.50%	Mar and Jun 2027	Lagarde may try to slow the euro's momentum a bit with verbal intervention, but we think the currency can appreciate quite a bit further before it would warrant another rate cut.
Société Générale	x	2.00%	2.25%		Dec-26	Over time, we expect the ECB to calibrate rates slightly higher to stay neutral. Our baseline includes a first rate hike in December 2026, when focus will increasingly shift to 2028-29.
TD Securities	x	2.00%	2.25%	2.25%	4Q26	Though it is possible that uncertainty wording re-enters the statement itself, we believe risks will still be defined as balanced, leaving the statement an effective carbon copy of December's.

Source: Analyst notes, Bloomberg survey conducted Jan-15 and MNI.
Sorted by terminal view, before end-2026 and then combination of end 2027/first hike timing.

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

More cuts expected

BofA

- “The February ECB meeting is likely to be uneventful. The updated assessment should "reconfirm that inflation should stabilise at the 2% target in the medium term." That would pave the way for no change in policy rates and only fine-tuning of communication. They will reiterate that the ECB will follow a data-dependent and meeting-by-meeting approach. Uncertainty will be in focus, which can be perceived as marginally dovish.”
- “The press conference is likely to focus on the exchange rate, energy and questions about the next move. We doubt we will get anything new. ECB President Lagarde was particularly cautious and balanced back in December, despite hawkish forecasts giving her the opportunity to be otherwise. We doubt she will deviate from that caution next week. If uncertainty was a key factor back then for Lagarde to remain prudent, it has only increased since.”
- “As a reminder, we still expect the ECB to cut policy rates by 25bp in the March 2026 meeting. That should be the last cut of this easing cycle followed by a long hold that lasts throughout 2026 and 2027. But, as we argued last week, our conviction on that cut is now running low given the data. However, our conviction is still strong that the ECB's next move is far more likely to be a cut than a hike.”

No more cuts expected

ABN

- “Lagarde is likely to be asked about the recent strength of the euro (or rather, the weakness in the dollar). She will likely emphasise that the ECB does not target the exchange rate but that currency moves impact growth and inflation.”
- To the extent that these are impacted the ECB will respond appropriately. Our base case already sees the EUR/USD moving higher this year, but we expect monetary policy to stay on hold.”
- “Eurozone inflation is expected to fall, weighed by base effects in energy. Core inflation is also likely to edge lower on the back of a drop in services inflation.”

Berenberg

- “Amid robust growth and inflation at the 2% target, the European Central Bank (ECB) currently has no reason to change its monetary policy stance.”
- “The various upside and downside risks to growth and inflation appear to be broadly balanced. However, the strength of the euro against the US dollar slightly increases the risk of inflation falling below the 2% target during the year.”
- “Overall, we do not expect the ECB to change its key interest rate for some time, unless there are any major shocks. We therefore maintain our call that it will take until mid-2027 before rising inflation driven by higher wage growth will eventually force the ECB to gradually raise its deposit rate from 2.0% to 3.0% in early 2028.”

BNY

- “We do not think any ECB meetings are “live” in the first half of the year, and the latest January figures suggest inflation risk remains to the upside.”
- “However, the recent comments from Martin Kocher and Francois Villeroy suggest that the EUR’s value is moving high up the policy agenda. A move well above 1.20 will materially challenge the ECB’s projections and lead to a larger than expected drag to the headline CPI figure for the year, but it will probably take 1.25 or higher to trigger an immediate policy response.”
- “An early indication of downside price risks would arise if the Governing Council used the phrase “a good place” with respect to policy more sparingly, or not at all.”

Commerzbank

- “At first glance, next week's ECB monetary policy meeting is likely to be fairly unspectacular. Financial markets and analysts do not expect any adjustment to interest rates. Hardly any analysts anticipate a change in interest rates for the rest of the year either. The projections of ECB economists support this view: despite some turbulence, the eurozone economy proved resilient last year and probably grew by 0.3% quarter-on-quarter in the final quarter.”
- “However, central bankers will have to discuss a number of risks, particularly the implications of the high level of trade policy uncertainty and the sharp rise in gas prices for the economy and inflation.”
- “Finally, the members of the ECB Governing Council are expected to discuss the spreads between eurozone bond yields next week. Last year, the spread between French and German government bond yields widened

significantly amid political uncertainty in France. The main concern was that the government was unable to pass a budget for 2026. However, the yield spread has fallen noticeably since this week, as the French budget is likely to be passed soon. Although this does not provide for any significant savings, it should at least buy a year of political stability."

Daiwa

- "The monetary policy statement will, inevitably, maintain that decisions will continue to follow a 'data-dependent and meeting-by-meeting approach'. The inflation and activity data released since December's decision will have done little to materially contradict the Governing Council's current macroeconomic projections. That should permit President Lagarde to re-emphasise that the ECB is in no rush to alter its stance in either direction."
- "We might, however, expect her to steer clear of hawkish statements. We would be unsurprised, for example, if Lagarde were to reiterate that uncertainty remains higher than usual, given the latest US tariff threats levied against certain member states earlier this month. And she will surely be wary of the latest bout of dollar weakness, which saw the euro earlier this week briefly peek above $1.20 to a four and a half-year high."
- "As the account of December's Governing Council meeting inferred that slightly more policymakers already saw inflation risks to be skewed to the downside, recent currency moves might have amplified concerns about the potential disinflationary implications of further euro appreciation."
- "Still, uncertainty is likely to underpin the ECB's caution for now. And with inflation risks still broadly two-sided, economic activity in Q4 as firm as might have been hoped, forward-looking surveys picking up, and with a view to giving the ECB optionality in responding to unexpected shifts in the economic outlook, Lagarde will surely remain non-committal with respect to future decisions."

Danske Bank

- "Lagarde is likely to face questions on the recent strengthening of the euro but provide a neutral answer, not highlighting any target level. [… We] do not see the magnitude of the recent EUR appreciation as a cause of concern for the ECB."
- "We expect a muted market reaction as Lagarde refrains from giving new policy signals since the ECB awaits new staff projections in March."
- "We keep our call of 2.00% deposit rate in 2026 and 2027."

Deutsche Bank

- "It would be wrong to characterise the February meeting as a non-event. The environment is marked by high uncertainty and two-sided risks. Understanding how the ECB is thinking about risks is important to gauging the path of policy going forward."
- "All else unchanged, the recent appreciation is disinflationary and reinforces the expected inflation undershoot. However, the scale of the impact depends on the circumstances."
- "We expect the ECB to remain comfortable with 2% policy rates. The ECB is likely to emphasize an ability to be patient on the one hand – time and evidence is needed to assess the risk of sufficiently large and persistent deviations of inflation from target – and nimbleness on the other – the ECB's willingness to take policy action in either direction as soon as necessary."
- "In our baseline, the ECB is on hold at 2% through 2026 and the next move is a hike in mid-2027 driven by fiscal easing, a tight labour market and future inflation risks moving above target. This year, the risks are skewed towards further easing."
- "Ultimately, we think domestic inflation will outweigh external disinflation – we see evidence of the fiscal easing starting to spur activity, but at the same time the external risks have increased. Domestic conditions vs external conditions is the key data battle to watch."

Goldman Sachs

- "Next week's ECB meeting on February 5 is likely to be uneventful, with the Governing Council leaving rates and all other policy parameters on hold."
- "That is because the incoming data have been broadly in line with the staff's projections, there has been no significant shift in the economic outlook, and ECB officials continue to see the current policy stance as appropriate. President Lagarde is therefore likely to reiterate that policy is in a "good place" for the sixth consecutive meeting."
- "Looking ahead, our growth and inflation forecasts are similar to the staff projections, and we agree with the Council's assessment that monetary policy can stay on hold for the time being. We therefore continue to expect the policy rate to remain at 2% for the foreseeable future."
- "The more interesting question relates to the hurdle for action, and our recent work suggests it would take a material change in the economic outlook for the Council to move policy from here."

HSBC

- "Inflation had already fallen below the 2% target in December, so the ECB December forecast looks a tad too high. Wage growth is elevated but declining, which should help bring services inflation down, while cheap Chinese exports to Europe should keep exerting downward pressure on core goods prices. But with core inflation above 2%, the ECB will likely treat the undershoot as temporary, though its persistence might raise concerns among some policymakers."
- "With plenty of other risks ahead – from a market correction in the US to a stronger euro, from ECB Quantitative Tightening sending yield curves steeper to greater risk aversion from the banks – the ECB will likely retain a dovish bias on rates and Ms Lagarde might signal its readiness to act if needed. After the latest developments in France, Ms Lagarde might also stress the importance of reducing the deficit, echoing recent comments by the Governor of the Banque de France."

ING

- "We don't expect any changes from the European Central Bank at next week's meeting. However, the recent strengthening of the euro could revive the debate about another rate cut"
- "Up until now, there has been a clear disconnect between geopolitics and macroeconomics. No one knows whether this disconnect will hold or whether one side of the equation will eventually move. Geopolitical risks could slow down, or the economy could eventually still weaken. However, as long as these geopolitical risks and uncertainties do not translate into substantial changes to the eurozone outlook, the ECB will watch but not act."
- "More broadly speaking, these latest reactions show that not everyone at the ECB (or in Europe) is ready for a global euro moment. In fact, the recent strengthening of the euro – and we are talking about strengthening, not yet outright strength – illustrates that Europe should be careful what it wishes for. It is hard to reconcile the ambition of a global euro with an export-orientated economy."
- "For now and for next week, the stronger euro is a complicating factor for the cyclical turnaround in industry, which is just materialising, and for the growth outlook in general. The recent appreciation will not be a big enough concern for the ECB to change course next week. For now, the central bank will stay in its good place, and we don't expect Lagarde to say anything more on the exchange rate, beyond noting that the ECB will monitor it closely. However, if the latest trend continues and if the ECB wants to send a signal that a slight undershoot of inflation is as much a concern as a slight overshoot, the chances of a rate cut in March would clearly increase."

JPMorgan

- "It has been a tumultuous start to the year in terms of geopolitics and there have been some significant market moves. Of the latter, renewed appreciation of the euro against the US dollar has received particular attention, especially as the currency has briefly moved through the 1.20 level mentioned by de Guindos last year as potentially "problematic". While Lagarde will be asked about this in the press conference, we are not convinced that the pushback will be very forceful."
- "We are not expecting major changes to the policy statement. The statements have become shorter recently, repeating the main parts of the guidance but offering less colour on the discussion. We therefore expect the statement to reaffirm the guidance (data-dependence, meeting-by-meeting and no precommitment). Any comments on the currency or sense of how the debate is changing will likely have to wait for the press conference."
- "There are many issues the central bank is watching in both directions and uncertainty remains high, especially in geopolitics. The point is, however, that the various uncertainties cut in both directions and it is not clear that the currency move on its own has tilted them significantly downwards."

Natixis

- "We also expect President Lagarde to keep a neutral tone regarding the possible future interest rate path. Recent financial market volatility, driven by commodity prices and the weakness of the dollar, has fuelled speculation about a potential reaction from the ECB. Despite recent comments from several governors, we believe the Governing Council will hold its course, and that the President Lagarde will seek to push back against any new market expectations."
- "Our rationale is twofold: (a) the latest growth and inflation data released since the last meeting in December scarcely warrant a change in stance; and (b) only the combination of a persistently strong euro and materially lower energy prices would be necessary to prompt the ECB to consider a rate reduction."
- They maintain a view that the ECB will not change its policy rate over 2026 "in the absence of a severe shock".
- "Nonetheless, we retain our view of a prevailing dovish bias, as the balance of risks to the inflation outlook remains skewed to the downside. The crucial factor in our assessment is that the disinflationary impact from euro appreciation is more durable than the inflationary pressure from volatile energy prices."

NatWest

- "No trigger for a rate change next week, nor for the foreseeable future on current and expected growth, inflation (and currency) dynamics."
- "There is not much to add to ECB Lane's words of only a few days ago: https://www.ecb.europa.eu/press/inter/date/2026/html/ecb.in260116~17d99e5abc.en.html
- "While Lane did not explicitly raise the exchange rate in his recent interview, other Governing Council members − notably Villeroy de Galhau − have done so this week. This comes amid heightened dollar volatility and a euro that has already strengthened materially in recent months. In our view, the bar for an exchange-rate-driven rate cut remains extremely high. The ECB would likely only begin to consider such a move if EUR/USD approached 1.30, or if the trade-weighted euro appreciated by more than 5% on a sustained basis. This is possible but remains a tail risk. Short of that, the exchange rate is unlikely to materially alter the policy reaction function. We could get 'oral interventions', though − particularly if the US does not explicitly reiterate a strong-dollar policy."
- Under what circumstances might the ECB raise rates, Lane said "We would have to see a significant acceleration in the economy. Another scenario would be a major disruption in the world economy, more like we saw in 2021-2022, creating major bottlenecks and disrupting global supply chains [and we would add another major energy price shock]".
- "Overall, the world might be a highly uncertain place, but for now the ECB is dealing with a central scenario that has elements of "goldilocks", with both the economy and inflation neither too hot, neither too cold."

Nomura

- "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 currently around neutral – to navigate ongoing uncertainty due to US policy."
- "Mme Lagarde will likely be asked about EUR/USD following its rise to 1.20, a level above which Guindos previously said would be "complicated" for the ECB (owing to additional disinflationary pressures). However, we expect Mme Lagarde to push back and underscore that the ECB does not target the exchange rate, saying the ECB will look through end-of-forecast horizon deviations from target that are minimal and not persistent."
- "The ECB estimates a 10% appreciation of the euro lowers headline HICP by around 0.4pp within a year."

Nordea

- "The baseline forecasts should be more or less unchanged, and in line with the recent ECB monetary policy account talking about an extended period of stable rates, no rate changes are in sight for now."
- "Euro-area growth likely ended up accelerating last year, showing notable resilience amidst a lot of uncertainty."
- "We continue to think the ECB will keep rates at current levels this year, and see the risk picture gradually moving towards rate hikes, though as the start of the year has reminded us, downside risks have not disappeared either. We do not expect actual hikes until the second half of 2027, though."
- The ECB is "unlikely to be very worried about recent FX moves".

Nord/LB

- "In our opinion, the outcome of the meeting should already be clear and will be: We are still in a good place!"
- "This should mean a continued ride "straight ahead" for some time – in our view, most likely throughout 2026."
- "The monetary standstill therefore offers us the opportunity to look at an area in which there will inevitably be changes in the future: a job rotation will take place by the end of 2027, as a result of which four out of six positions on the ECB Executive Board will have to be filled – including Christine Lagarde's executive chair and the office of Chief Economist (currently: Philip R. Lane). Taking the interests of now 21 sovereigns (after Bulgaria's accession on 01 January) and large and small economies into account in a balanced manner is like walking a tightrope and is likely to keep central bankers busy in the coming months and years alongside the monetary policy debate."

Rabobank

- "The events in the first month of the year serve as a reminder of the uncertainty that's still abound. But it did not materially change the outlook, and does not support a policy change. […] The hurdle for a change in the policy stance is high."
- "President Lagarde will reiterate that high uncertainty warrants full optionality in terms of the policy stance, but we still expect the ECB to stay on hold throughout 2026. Lagarde may try to slow the euro's momentum a bit with verbal intervention, but we think the currency can appreciate quite a bit further before it would warrant another rate cut."

RBC

- “With no rate change or significant adjustment to the guidance” this ECB meeting is expected to “largely come and go in terms of market impact.”
- “The press conference is likely to be focused on more ‘topical’ issues such as geopolitics and central bank independence rather than monetary policy. The EUR/USD move is likely a focal point as well, but we expect Lagarde to downplay its importance.”
- “We think the ECB remains on hold for a prolonged period of time, although it does appear that the hawks are starting to become more vocal.”
- “We think this environment will be more challenging to trade the very front-end of the euro curve in 2026 (in the linear space at least). We expect the 1y1y ESTR forward rate to remain rangebound broadly between the 1.75-2.25% neutral range suggested by the ECB. We recommend fading any moves towards the extremes of this range.”

Santander

- “We expect the ECB to keep monetary policy unchanged next week, including its “meeting-by-meeting and data-dependent” approach. The ECB may flag some concerns about downside inflation risk from EUR appreciation, but may balance it with recent growth surprises and the increase in some commodity prices since the December forecasts. In our view, the net impact of various risks is net negative for inflation.”
- “Under a hypothetical scenario of a strong EUR (sustained at c.1.2 vs. USD), inflation would remain below an annual rate of 2.0% in 2026.”
- “We maintain that the rate-cutting cycle is over, but with inflation risks still tilted to the downside in 1H26, the door remains open to additional easing during the first half of the year. Beyond mid-2026, we see rate hikes in 2H26 as unlikely, but the probability rises in 2027, as activity and inflation pressures will grow.”
- “For 2027, another factor to consider will be the configuration of the new Executive Board, including a new president and chief economist.”
- “The risk/reward turns slightly more in favour of front-end steepeners, with 2s5s steepeners likely to outperform 2s10s.”

SEB

- “Communication at the meeting will most likely be unchanged from the December meeting. We will look for more details about the ECB’s perception of inflation risks, given the appreciation of the euro against the US dollar, which has been noticed by both markets and the ECB lately.”
- “We still think the appreciation trend is too premature to change policy, but it is likely to be included in the risk assessment, given the impact on inflation.”
- “The ECB’s own sensitivity analysis for its latest projection (here) displays only a marginal impact on both growth and inflation on the back of a euro appreciation (e.g. going from EUR/USD 1.15 to 1.21 would reduce the 2026 HICP forecast by 0.1pp).”

SocGen

- “With data stabilising, there is no urgency for the ECB to discuss policy changes next week, suggesting a reconfirmation of the December assessment. Recent trends in exchange rates and energy prices, if sustained, suggest a limited net impact on inflation.”
- “Medium term, the ECB might be more concerned although the impact on activity (and inflation) will depend on the sources of fluctuations. Improving investor risk perceptions of the euro, on the back of rising investment, could even be positive for growth, a strong reason to accelerate EU reforms.”
- “Risks remain balanced. We maintain our view of no further cuts in 2026, while monitoring wage negotiations. Over time, we expect the ECB to calibrate rates slightly higher to stay neutral. Our baseline includes a first rate hike in December 2026, when focus will increasingly shift to 2028-29. If the economy stays resilient and capacity constraints emerge, early action could be prudent to contain inflation expectations.”

TD Securities

- “We expect a rinse-and-repeat of the last couple of meetings, with the deposit rate remaining on hold at 2.00% and the statement continuing to highlight the "well-positioned" ECB.”
- “Given the recent geopolitical and trade flare-ups surrounding Greenland, "data-dependent" and "meeting-by-meeting" language is also highly unlikely to be removed. Though it is possible that uncertainty wording re-enters the statement itself, we believe risks will still be defined as balanced, leaving the statement an effective carbon copy of December's.”
- “Data since then has done little to shift this narrative, with inflation oscillating around the 2.0% target with no more than 0.2pts deviation since April 2025.”

- “Markets are currently priced for the ECB to remain on hold for all its 2026 meetings. Even though the next stage of the ECB cycle still argues for a rate hike, conviction around hikes continues to dwindle and be pushed out to the end of 2027. While this meeting comes without new projections, the key focus will remain on President Lagarde’s view on currency depreciation. Lingering deflationary risks suggest a neutral to dovish stance. This should help undo some of the bearish move in EUR rates. We continue to favour our position for long 10y Bunds.”

UBS

- “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.”
- “We think the December inflation print (1.9% y/y, revised from 2.0%) was somewhat lower than the ECB expected and makes the Bank's forecast of 1.9% y/y for Q1-26 look too high; our own forecast is 1.6% y/y, with a low of 1.5% in February. However, we expect the inflation soft patch in Q1-26 to be temporary with inflation returning to 1.9% y/y in Q3 and 2% in Q4-26.”
- “[W]e see little reason for the ECB to change its current stance. Despite the likely upcoming dip in inflation, we expect the ECB to keep rates on hold at 2% for the foreseeable future, given the sizeable fiscal stimulus in support of defence (EU) and infrastructure (Germany) that should become increasingly visible from early 2026.”
- “As regards 2027, however, we think the forecast risk for ECB rates is firmly skewed to the upside. We suspect that boosting public spending in an environment of a shrinking labour force (in Germany and many other countries) might be partly inflationary and eventually force the ECB to hike rates again.”

UniCredit

- “A stronger euro is unlikely to pose a major threat to the ECB’s baseline scenario. However, data dependency and a meeting-by-meeting approach provide the central bank with enough flexibility to act swiftly if medium-term price stability were jeopardized. We confirm our view that the deposit rate will remain at 2% until well into 2027.”
- “Recent developments in FX markets will be in the spotlight after EUR-USD climbed to 1.20, mainly reflecting the direction and unpredictability of US policies. This fresh leg of euro appreciation has triggered the beginning of verbal intervention by some members of the Governing Council (GC), including Austria’s Martin Kocher, who is usually not regarded as a dove. The message is in line with the ECB’s past FX rhetoric: the GC is not targeting any specific level of the exchange rate but it takes the exchange rate into account when assessing the outlook for price stability.”
- “And, of course, it stands ready to act (i.e. cut rates) if currency appreciation were to endanger the convergence of inflation to its 2% goal over the medium term. In our view, the GC is unlikely to be particularly concerned about the current level of the exchange rate, for at least four reasons.”
- “We continue to forecast that interest rates will remain unchanged well into 2027. Unless EUR-USD moves quickly towards 1.25, the probability of the market pricing in a 25bp cut will likely remain below 50%.”

MNI Policy Team Insights

MNI ECB WATCH: ECB Set To Hold, As Inflation Close To Target

By Santi Pinol (Feb 2, 2026)

ROME - The European Central Bank is set to hold its key deposit rate at 2% on Thursday for a fifth consecutive meeting, with monetary policy still in a “comfortable place,” though policymakers will assess threats to investor confidence and to the export outlook in the wake of last month’s bout of dollar weakness. (MNI ECB SOURCES: ECB Wary Of Euro Rise).

While the euro has come off its highs above USD1.20 since the naming of Kevin Warsh as the incoming chair of the Federal Reserve, Governing Council members will be briefed on the effects of a stronger currency by Chief Economist Philip Lane in his regular presentation.

The hit from a higher euro to already-strained competitiveness, as European firms face what officials have dubbed a second “China shock,” will add to doubts over future growth at a time when U.S. threats around Greenland are likely to have impacted confidence just as the uncertainty of last year had seemed to be receding.

Some Governing Council members are keen on reinforcing the meeting-by-meeting nature of current ECB policy, and could suggest changes to the statement, such as to explicitly underline the symmetric nature of the current inflation target, and to rule out any de facto return to the previous “below but close to 2%” formulation.

Policymakers will assess whether the euro’s appreciation reflects a temporary adjustment or a more persistent trend, focusing in particular on its implications for inflation, which is already expected to be close to the 2% target over the comping years.

Whether in the statement or in the subsequent press conference, the ECB is expected to stress that it does not target any particular level for the euro, while acknowledging the disinflationary impulse and risks associated with a stronger currency

ECB President Christine Lagarde is unlikely to echo comments made by Vice-President Luis de Guindos in July, when he said that an exchange rate over USD1.20 would be “complicated,” a remark which some officials consider gave the market a target to aim for.

MNI Sources: ECB Wary Of Euro Rise, Confidence Dip

(Jan 30, 2026)

LONDON - The European Central Bank is likely to emphasise that it does not target any particular level for the euro but will note the disinflationary impulse from a record high weighted exchange rate at next week’s meeting, though it is unclear whether the reference will be made in the statement or left for the news conference, Eurosystem sources told MNI.

One approach would be for the ECB to deploy its standard lines about monitoring but not targeting the exchange rate, one official said, noting that the Governing Council will be briefed on the effects of the higher euro by Chief Economist Philip Lane in his regular presentation.

“Whether to make a reference in the statement or in the press conference will also depend on where the exchange rate stands at that point,” the official said. “But it is not as simple as saying that it is disinflationary and leaving it at that. It has effects that go beyond imported inflation via commodities and the hit to our exports that we have been warning about. It makes us less competitive, as we have been seeing.”

No official saw any immediate need to consider moving the deposit rate from 2%, with the ECB having described its monetary policy as being in a “comfortable position,” and expecting inflation to be at or very close to its 2% target over coming years. But disinflationary risks from currency appreciation further complicate a panorama clouded by geopolitical uncertainty and U.S. President Donald Trump’s unpredictable tariff threats. (See MNI SOURCES: ECB Sees Slightly Disinflationary Tariff Hit)

“Our growth has been running above expectations. We will see whether the drop in confidence also affects it. But in the days before and after Davos we have seen changes in business confidence and in the overall climate, just as we had been recovering,” an official said.

"COMPLICATED" LEVEL

While the central bank chiefs of both Austria and France have already publicly sounded the alarm over the euro’s gains this month, which saw it rise briefly above the USD1.20 mark identified by ECB Vice President Luis de Guindos as “complicated” last July, officials expressed no willingness to repeat such clear jawboning or to give the market any fresh targets. (See MNI SOURCES: ECB Seen On Hold For Extended Period)

“Guindos’s remark was made in a personal capacity. And as I said at the time, I do not think it was positive, because the market will test that level as a limit,” another national central bank official said, “In any case, right now I see it more as a psychological threshold than as a formal ceiling. I assume [ECB President Christine] Lagarde will be asked about it and we will need to prepare the response.”

The euro is at record levels in trade-weighted terms, several officials noted, putting particular emphasis on its gains against the yuan, which has not only further facilitated Chinese exports into the eurozone but has made it harder for European firms to compete against Chinese vehicles and other products in markets elsewhere. The accounts of the ECB’s last meeting already referred to a “second China shock.”

TRADE-WEIGHTED HIGHS

The euro’s trade-weighted exchange rate has reached new highs since 2023, but its recent gains have been driven by broad dollar weakness, as Trump openly pushes for a weaker greenback and pressures the Federal Reserve to ease policy. The U.S.

currency strengthened on Friday, following a report that Kevin Warsh would be the next Fed chair, but uncertainty over U.S. policy in particular will remain very elevated. (See MNI SOURCES: ECB Monitors Markets For Fed Independence Fallout)

“Our monetary policy decisions are made in light of our price stability target,” an official noted. “Does the currency impact that? Of course it does. But it is one factor amongst others. That said, is euro-dollar at 1.25 likely to be more disinflationary than at 1.15? Of course. But there is not a trigger number.”

He added, “I’m sure the higher euro will come up in the chief economist briefing next week, but we will not act hard. I’m sure Christine will emphasise the fact we do not target any level, although she could of course note that a higher euro will be a further pressure on both exporters and import prices.”

Another official pointed to a speech by Philip Lane in December, which detailed the implications of exchange rate pass-through, noting that on the inflation front “a sharp forex move while important, can easily be overblown.”

“We should be careful, because if [dollar depreciation] what it reflects is higher inflation in the U.S., we could face some spillovers that the exchange rate would only be partly cushioning,” another source noted.

An ECB spokesperson declined to comment.

MNI SOURCES: ECB Sees Slightly Disinflationary Tariff Hit

(Jan 20, 2026)

LONDON - Most members of the European Central Bank’s Governing Council are likely to regard Greenland-related tariffs on trade between some EU countries and the U.S. as somewhat disinflationary, though a minority will be worried about supply chain issues which could push up prices, Eurosystem sources told MNI.

“Assuming the picture is similar to last year, around 65/70% of the Governing Council will lean dovish on the impact, thinking overall it will be disinflationary, whilst 30 to 35% will lean hawkish,” one official said. “As of now, nothing has changed immediately. We have said continuously the only certainty is uncertainty and that is exactly where we are.”

Sources agreed that any additional tariffs resulting from the U.S. push to acquire Greenland will deliver a “devastating blow” to confidence just as policymakers had hoped that the economic outlook was stabilising, and at a time when they had perceived monetary policy to be “in a good place” with the deposit rate at 2%. The confidence hit would be greater than the one seen between last year’s April 2 “Liberation Day” tariffs announcement and the U.S.-EU trade agreement reached between Washington and Brussels in July, two officials agreed.

Along with the hit to growth and to confidence in the short term, many policymakers will also expect trade tensions to weigh on inflation expectations, particularly if the euro appreciates against the dollar.

“That will certainly be impacted initially by the currency and financial conditions tightening if yields rise,” an official said.
(See MNI INTERVIEW: Tariff War Pushes Up Inflation- ECB's Pelagidis)

LONGER TERM

In the short-term, the biggest economic challenges will come from U.S. tariffs imposed on European exports, with the EU’s retaliation taking time to materialise, especially in the case of its never-yet-used anti-coercion mechanism, one source said. The ACI is not an automatic tool, but rather aims to open a dialogue with the country in question before any eventual countermeasures or demands for compensation, the official noted, adding that reaching that point could take up to a year.

While it is still unclear how many of the euro area countries that Trump has threatened will ultimately be affected, this new flare-up of tariff tensions could mean lower inflation and growth for the euro area in 2026, the official went on. However, in the longer term, restrictions on trade could prompt higher prices as well as lower growth, the official said.

An ECB spokesperson declined to comment.