

MNI ECB Preview: March 2026

Decision date: Thursday, 19th March 2026

Rate Announcement (incl topline forecasts): 1315GMT/1415CET, **Press Conf.:** 1345GMT/1445CET

Full Forecasts: Released around end of the presser, i.e.~1445GMT/1545CET

MNI Review of Prior Meeting: [Some Disinflationary Angles Downplayed](#)

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MNI POV: Goodbye To A Good Place?

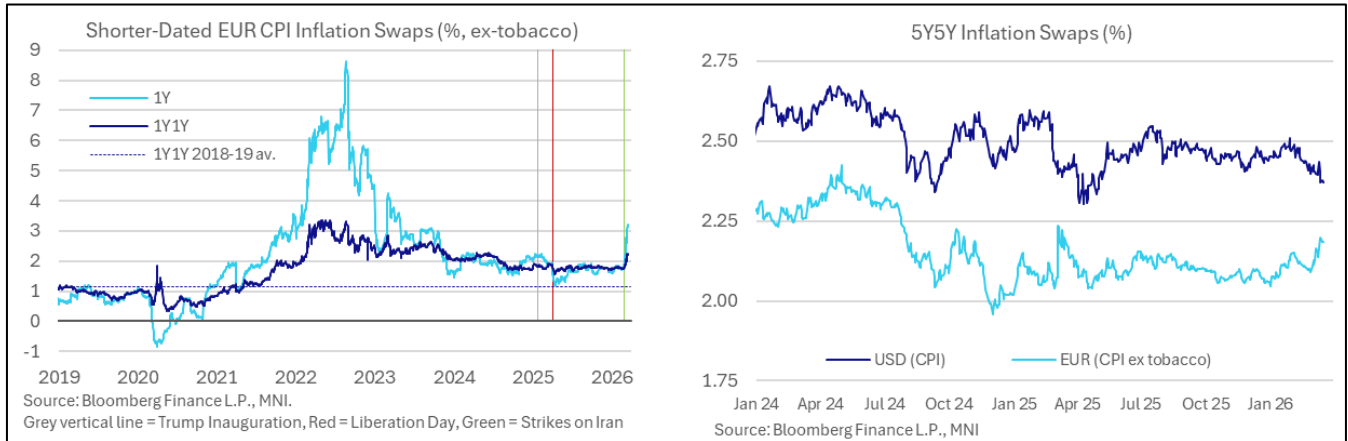
Mar 17, 2026 - By Chris Harrison and Emil Lundh

- The ECB is again fully expected to leave its three key rates on hold on Thursday, including a 2% deposit rate within the 1.75-2.25% neutral rate range estimated by ECB staff.
- The energy price shock from the US-Israel-Iran war sees this meeting in a far different light compared to previous meetings, with 40bp of hikes priced through year-end albeit with a next hike only in July.
- ECB speakers have pushed back on the need for a near-term reaction and indeed there is less than 1bp of a hike priced for this week whilst assessing potential for a sharper push higher in energy prices should Gulf producers have to meaningfully shutter production.
- New macro forecasts should show a marked increase in shorter-term inflation along with a crimping of output growth. The median analyst sees headline inflation at 2.3% (+0.4pp) in 2026 and 2.0% (+0.2pp) in 2027 with core inflation little changed. GDP growth could be revised 0.1pp lower in both 2026 and 2027.
- The cut-off date will be important as it can have notably different implications due to the speed of the energy price adjustment, albeit with some partly offsetting impact from the more hawkish rate backdrop.
- Expect the balance of risks and ECB scenario analysis/sensitivity to see greatest attention in the press conference opening statement and Q&A, leveraging previous scenario work in the event of a Strait of Hormuz closure.
- MNI policy team source reporting expects a stressing of vigilance on the inflation outlook and likely retiring the "good place" guidance. That said, we see risks skewed to the downside for the 40bp of hikes priced to end-2026 in terms of what Lagarde can actually deliver this meeting.

The ECB is unanimously expected to hold its three key interest rates steady on Thursday, including the deposit rate at 2.00%. The outbreak of war between Israel, the US and Iran has driven a sharp rise in oil and gas prices, which has increased near-term inflation risks and prompted a significant hawkish repricing of front-end EUR rates. ECB-dated OIS now pricing 40bps of hikes through year-end, having previously maintained a modest easing bias ahead of the war. ECB speakers have pushed back on the need for a rate reaction as soon as this week, but the near-term risks stemming from the war are clearly inflationary and Governing Council members are cognizant of the lessons from the 2022 Russia/Ukraine shock. That said, whilst the shift in market-based inflation expectations has been abrupt since the start of the Middle East conflict (1Y inflation swap +140bps, 1Y1Y +48bp and 5Y5Y +9bp), the outright levels of inflation expectations are still low compared to the Russia/Ukraine shock. Of course, energy prices could continue to push materially higher if Gulf producers have to shut down fields with non-linear disruption the longer difficulties transiting the Strait of Hormuz continue.

MNI's latest sources piece noted that the ECB is set to retire its current "good place" language describing the state of monetary policy in March. However, while it must signal that risks to inflation have shifted to the upside due to the surge in energy prices, it will still likely make it clear that any policy move is unlikely in the near term. Indeed, as President Lagarde summarized on Mar 10: "there is so much uncertainty that I'd be incapable to say precisely what we will decide... We won't rush into a decision because there is too much uncertainty, too much volatility". The presentation of risks will be important, with President Lagarde having last week offered a dovish caveat with "we are in a better situation and we have a greater capacity to absorb shocks" [compared to 2022]. Indeed, monetary policy is starting from a neutral rather than heavily accommodative setting and there isn't the pent-up demand that had accumulated through the pandemic.

The March macroeconomic projections may attract less attention than usual, with the latest geopolitical developments already rendering them stale. However, ECB's Schnabel suggested the projections may incorporate some impact of the war, suggesting the technical assumption cutoff date may be pushed back as was the case in Mar 2022 and/or the inclusion of adverse scenarios.



Economic Projections: Cut-Off Important And Scenarios Likely

We suspect there could be some initial uncertainty in assessing the baseline economic projections that should be briefly outlined with the decision statement. The cut-off period used for technical assumptions about interest rates and commodity prices will be an important consideration, and we might only know this when the projections are released in full after the press conference unless ECB President Lagarde is asked on it. The cut-off is likely to be brought as far forward as possible, as was the case with the March 2022 projections when ECB staff shortened the lag to 10 days before the ECB decision rather than typically more than 25 days beforehand. For context, the monetary policy statement, read at the start of the press conference rather than the initial decision statement, had the below to say in March 2022 following the Russian invasion of Ukraine. We expect we could see something loosely similar this time when it comes to standing ready to take whatever action is needed amidst material shocks and uncertainty.

"The Russian invasion of Ukraine is a watershed for Europe. The Governing Council expresses its full support to the people of Ukraine. We will ensure smooth liquidity conditions and implement the sanctions decided by the European Union and European governments. We will take whatever action is needed to fulfil the ECB's mandate to pursue price stability and to safeguard financial stability."

"The Russia-Ukraine war will have a material impact on economic activity and inflation through higher energy and commodity prices, the disruption of international commerce and weaker confidence. The extent of these effects will depend on how the conflict evolves, on the impact of current sanctions and on possible further measures. In recognition of the highly uncertain environment, the Governing Council considered a range of scenarios in today's meeting."

For the Russia-Ukraine war, the ECB presented two scenarios in the following projection report of differing severity. Scenario 1 ("adverse") assumed disruptions to supply chains stemming from stricter sanctions being imposed on Russia and persistent cuts in Russian gas supplies. It saw euro area GDP growth 1.2pps lower than baseline and inflation 0.8pps higher in the first year between more limited differences in the second year. Scenario 2 ("severe") envisaged a stronger reaction of energy prices to more stringent cuts in supply, stronger repricing in financial markets and larger second-round effects from rising energy prices. It saw GDP growth 1.4pps lower and inflation 2.0pps higher in the first year plus "significantly lower growth and higher inflation" in the second year as well.

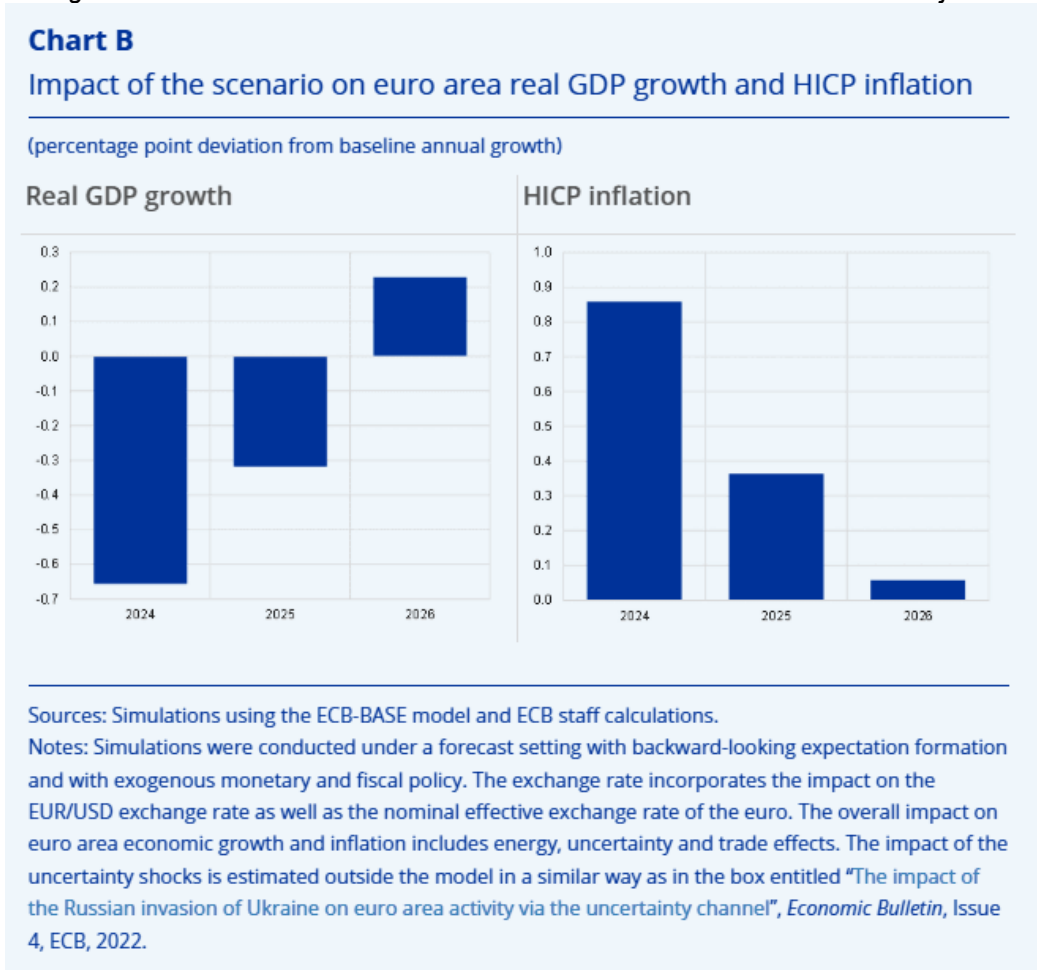
Scenario analysis this time around is likely to include the duration of the Middle East conflict and the extent of its disruption on energy markets in particular. We don't expect the scenarios themselves to prescribe specific policy reactions (in contrast to the Riksbank, for example), but President Lagarde will likely be challenged on potential responses in the press conference. We note the ECB's previous work on a hypothetical Strait of Hormuz closure from December 2023 ([link](#)), which could be leaned on heavily:

- *"The scenario assumes that about one third of the oil and gas in transit via the Strait of Hormuz is disrupted, contributing to a tightening in the global energy markets. As a result, in the second quarter of*

2024 oil prices would rise to almost 130 USD per barrel and gas prices would surge to 83 per MWh (57% and 74% respectively above the levels assumed in the baseline projections)"

- "Overall, euro area real GDP growth is estimated to be 0.7 percentage points lower in 2024 and 0.3 percentage points lower in 2025 than in the December 2023 baseline projection, and is estimated to rebound in 2026 as uncertainty effects are assumed to gradually unwind at that horizon. Euro area HICP inflation would increase by 0.9 percentage points in 2024 and 0.4 percentage points in 2025, mainly on account of higher global energy prices."
- It is likely that this scenario will be updated in March, and potentially extended to account for (i) a quick resolution and pullback in energy prices and (ii) a more prolonged conflict.

Figure 1: Strait of Hormuz Closure Scenario From ECB December 2023 Projections



Analysts See Technical Assumption Cut-off Likely To Be Pushed Back

- A number of analysts have pencilled in a technical projection cutoff date in W/C March 2 (most up to and including March 6), though Barclays have assumed a March 10 cutoff date.
- The oil and gas curves utilised in such a scenario will account for some of the war-driven increase, but are still comfortably below today's levels (see Brent crude term structure chart below).
- Under these assumptions, the median analyst pencils in a 0.4pp increase to the 2026 inflation projection to 2.3% (vs 1.9% in December) and a 0.2pp increase to 2027 to 2.0%. Core inflation projections are expected to be little changed relative to December, while analysts pencil in a small (0.1pp) downgrade to GDP projections in 2026 and 2027.
- The key focus will be on how President Lagarde characterises the risks around the projections in her press conference. Analysts don't expect any firm signals to be provided on the medium-term outlook, given extreme uncertainty around the baseline scenario.

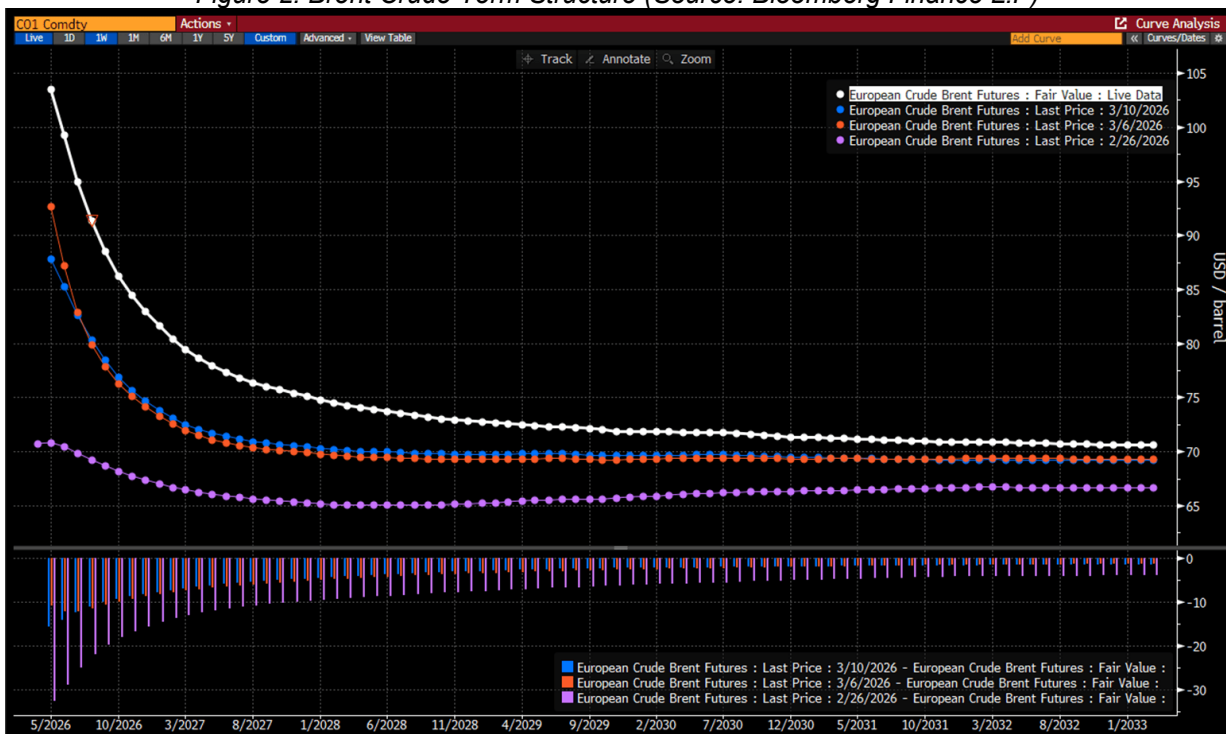
Figure 1: Analyst estimates for March macroeconomic projections

	Core Inflation			Headline Inflation			GDP		
	2026	2027	2028	2026	2027	2028	2026	2027	2028
ECB Dec '25 Projections	2.2	1.9	2.0	1.9	1.8	2.0	1.2	1.4	1.4
ECB Mar '26 Projections (MNI Median based on pushed back technical assumption cutoff)	2.2	2.0	2.0	2.3	2.0	2.0	1.1	1.3	1.4
<i>Change vs Dec</i>	0.0	0.1	0.0	0.4	0.2	0.0	-0.1	-0.1	0.0
Analysts (A-Z) - Assuming Technical Assumption Cut-off Is Pushed Back									
Berenberg*	2.2	1.9	2.0	2.1	1.9	2.0	1.1	1.5	1.4
Barclays**	2.3	2.1	2.0	2.4	2.0	1.9	1.1	1.2	1.3
Deutsche Bank*	2.2	2.0	2.0	2.3	2.0	2.0	0.9	1.3	1.4
Goldman Sachs*	2.2	2.0	2.0	2.2	1.9	1.8	1.1	1.3	1.4
JP Morgan*	2.1	2.0	2.0	2.3	2.0	2.0	0.1-0.2 lower	0.1-0.2 lower	
Morgan Stanley*	2.2	1.9	2.0	2.2	1.7	2.0	1.1	1.3	1.4
Analysts (A-Z) - Assuming Technical Assumption Cut-off Is Not Pushed Back									
Bank of America	2.1	1.9	2.0	2.0-2.1	1.8-1.9	2.0	1.3-1.4	1.4	1.4
HSBC	2.1	1.9	2.0	1.9	1.9	2.0	1.3	1.4	1.4
RBC	2.2	1.9	2.0	1.9	1.9	2.0	1.2	1.4	1.4
SEB	2.1	2.0	2.0	2.0	1.9	2.0	1.2	1.4	1.4
UBS	2.2	1.9	2.0	2.0	1.9	2.0	1.2	1.4	1.4

Source: Analyst previews seen by MNI.

Note: Green highlight indicates higher projection than MNI median, red indicates lower. December projections were compiled by Eurosystem staff. March projections are compiled by ECB staff. Midpoint taken for median if ranges are displayed. (*) Assumes cutoff in W/C March 2 to the best of MNI's knowledge. (**) Barclays assume March 10 cutoff in baseline scenario

Figure 2: Brent Crude Term Structure (Source: Bloomberg Finance L.P)



The below table demonstrates why the cut-off can make such a difference, not least because the ECB runs a ten-day moving average to the cut-off date. A traditional cut-off, which would have been around Feb 20, would have seen our crude proxy for energy inflation adding 0.1pp to headline HICP inflation compared to the last projection round in December. Switch Feb 20 for Mar 9 (10 days pre meeting as in March 2022) and that would be 0.4pp above December values whilst latest levels would be 0.7pp. Of course, this is just the direct energy angle and doesn't include what has been a significant hawkish repricing that will dampen inflationary pressures.

The December forecast saw headline inflation revised +0.2pp to 1.9% in 2026 and -0.1pp to 1.8% in 2027, whilst core was revised +0.3pp to 2.2% in 2026 and +0.1pp to 1.9% in 2027. Recall that the February ECB meeting saw some comments from ECB’s Lagarde which could have been as a subtle critique of the National Central Bank’s December projection after a soft January inflation reading: “I just want to take you back to the undershooting. We have projected undershooting in 2026 for a long time. And if you go back to our September projections, for instance, which were the last projections conducted by the ECB, we had actually this 1.7%, for the entire year. This was changed and moved up in December. In a way, we are going back to the track that we had anticipated, and this is also what markets and economists are anticipating. But if you look at our medium-term target, which is what we rely upon, we are at 2% in 2028.”

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

Projection Round	Cut-off (*estimated)	Brent, 1st (\$/bbl)	Brent, 1st (EUR/bbl)	Fuel Weight (2025)	TTF, 1st (EUR/MWh)	TTF, 12th (EUR/MWh)	Gas Weight (2025)	Combined HICP impact (ii + iv)
		i	ii		iii	iv		
Dec'25	Nov 26, 2025	63.49	54.88		30.56	29.92		
Mar'26	Feb 20, 2026*	69.24	58.45	4.06	32.08	30.67	1.66	
	% change	9.0	6.5		5.0	2.5		
%pt impact on headline HICP ('25 weights) (Shorter lookback)		0.12	0.09		0.01	0.01		0.09
	Mar 9, 2026*	80.25	68.64		43.43	35.54		
	% change	26.4	25.1		42.1	18.8		
%pt impact on headline HICP ('25 weights)		0.36	0.34		0.09	0.04		0.38
Current pricing		92.35	79.83		51.29	41.39		
	% chg vs Dec cut-off	45.4	45.5		67.8	38.3		
	% chg vs Mar cut-off	15.1	16.3		18.1	16.5		
%pt impact on headline HICP ('25 weights) vs Dec cut-off		0.61	0.61		0.14	0.08		0.69

Source: Bloomberg Finance L.P., ECB & MNI. The 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. Taken as of Mar 16, 2026

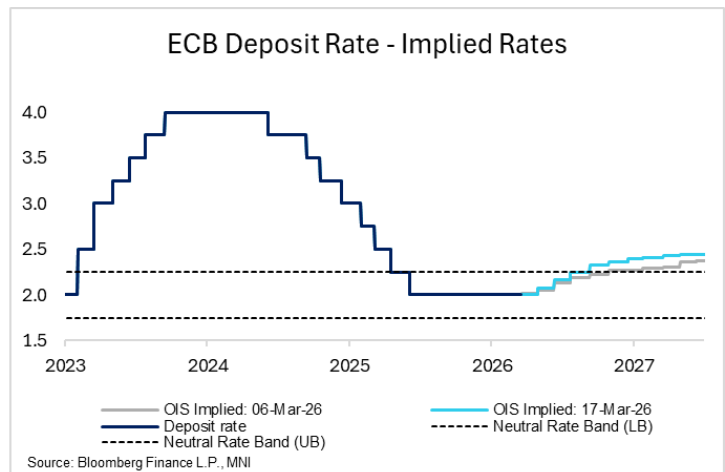
Markets: Clear Hiking Bias After US-Israel-Iran War Pivot, Euro Offers Some Cushioning

ECB-dated OIS prices just 1bp of hikes for this week’s meeting with a full 25bp hike not seen until July as part of a path with a cumulative 40bp of cuts to end-2026. We see two-sided risk to 7bp of hikes priced for April, although if pushed would lean slightly to the upside – there’s a chance a near-term hike could be painted as closer to a 50/50 decision depending on geopolitical developments although we expect near-term uncertainty to be emphasized. That said we see risks skewed more dovish for end-2026 pricing in terms of what Lagarde can actually deliver this meeting. A sizeable caveat here is if the slew of G10 central banks scheduled this week, with the ECB coming after multiple decisions, appear to be taking a coordinated approach to tightening monetary policy more pre-emptively than was the case in 2022 (not our baseline). As for FX developments, euro depreciation has provided some cushioning to this hawkish adjustment in rates, with EURUSD at ~1.15 vs 1.18 ahead of the Feb ECB decision (-2.5%) and a cycle high of 1.2081 in late Jan, or a 1.2/1.4% decline in nominal/real EER terms in the past six weeks.

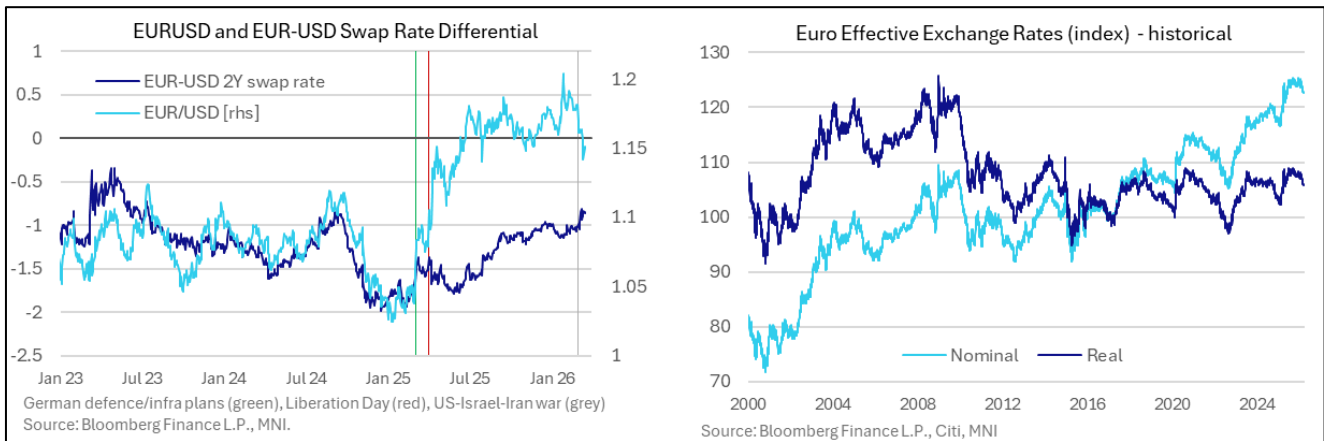
ECB Dated OIS

Meeting Date	ESTR ECB-Dated OIS (%)	Difference Vs. Current Effective ESTR Rate (bp)
Mar-26	1.939	0.9
Apr-26	2.002	7.2
Jun-26	2.100	17.0
Jul-26	2.174	24.4
Sep-26	2.263	33.3
Oct-26	2.295	36.5
Dec-26	2.326	39.6
Jan-27	2.340	41.0
Mar-27	2.362	43.2

Source: MNI/Bloomberg Finance L.P.



Source: Bloomberg Finance L.P., MNI

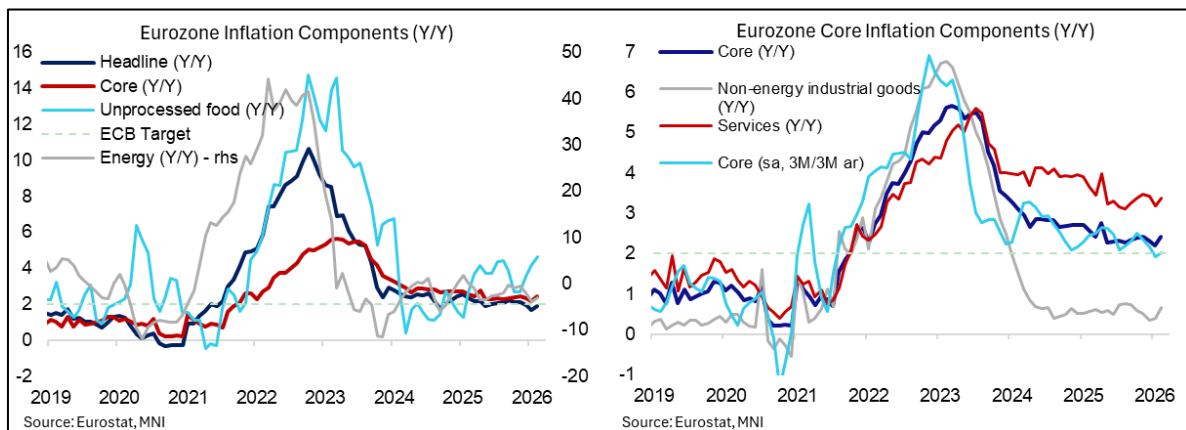


Macro Since Last ECB Decision: Underlying Inflation Near Target Before Energy Shock

Data predating the initial US-Israel strikes on Iran on Feb 28 are naturally going to be seen as stale although still provide an important starting point ahead of a period of renewed heightened uncertainty.

Inflation: February Warning Shot After January Progress

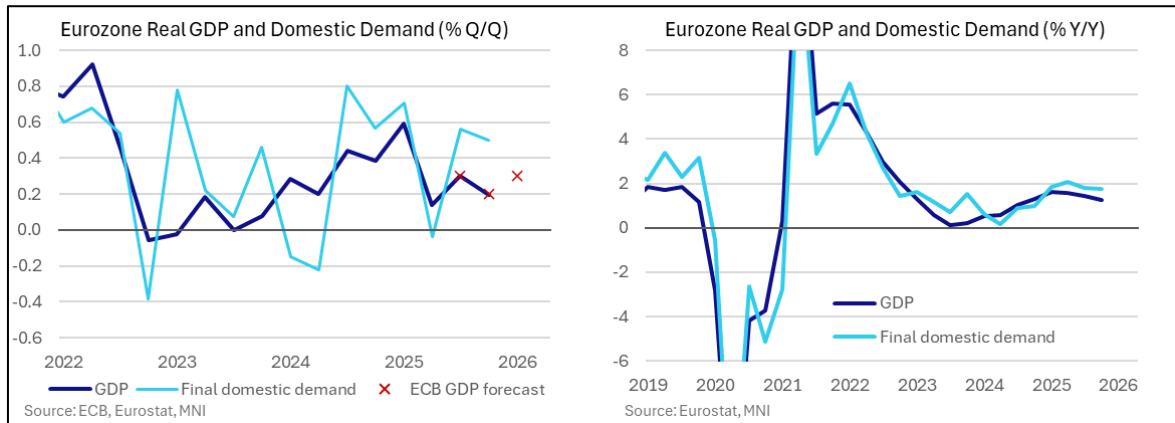
February preliminary HICP inflation was comfortably stronger than expected as it reversed a deceleration in January, with headline nearer target and core pushing a little further above it in Y/Y terms even if recent momentum softer. Specifically, headline inflation accelerated to 1.9% Y/Y (0.2pp above consensus) whilst core increased to 2.41% Y/Y (also 0.2pp above consensus) after 2.19% in Jan and 2.32% in Feb, with increases in both services and core goods. The latest core PCE 3M/3M rate using ECB seasonally adjusted data will please the ECB, at 2.0% annualized having been at 2.5% in October. Back to Y/Y trends, services inflation, an area President Lagarde reiterated she is particularly attentive to in the February Q&A, accelerated to 3.38% Y/Y in February to reverse the moderation to 3.16% in Jan after 3.42% in Dec. While around half of the services upside vs consensus was driven by Italian hospitality prices, likely influenced by the Winter Olympics, the other half is a bit more unclear with mixed country-level evidence from transport / airfares inflation. We'll have a better understanding on underlying drivers here with the final February details published on Wednesday, day one of the ECB meeting.



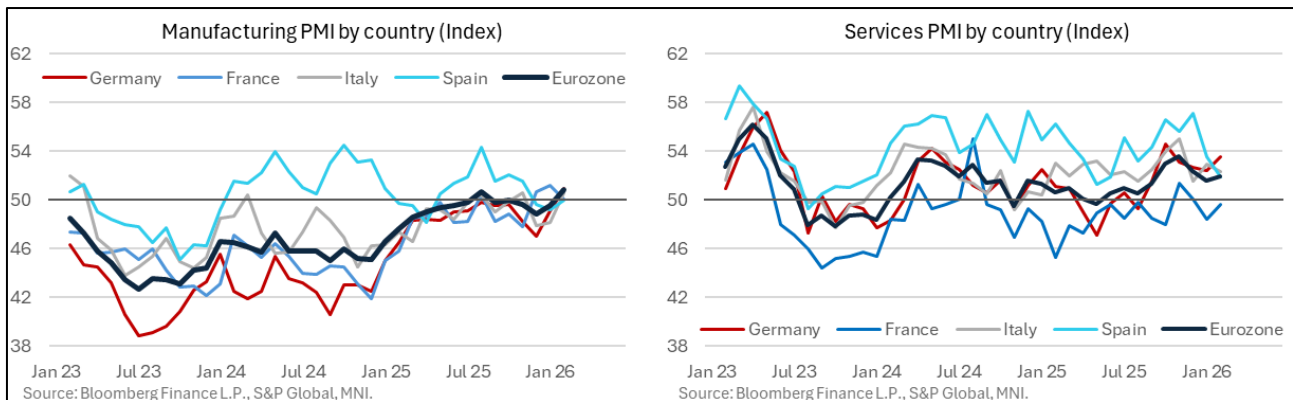
Growth: Q4 Revised Back Down To Original Forecast But Manufacturing PMIs Hit 44-Month High

Real GDP growth ended 2025 on a softer note than first thought, although the downward revision was driven by volatile Irish data. What was initially a stronger than expected 0.33% Q/Q non-annualised increase in the flash Q4 release ahead of the February meeting has since been revised down to 0.20% Q/Q in the third release. Still, that's only back to in line with the 0.2% the ECB forecast for Q4 from the December projections, which then forecast then 0.3% in 1Q26 before three consecutive 0.4% quarters to end-2026. Within the Q4 details, final demand tells a

stronger underlying story, with 0.5% Q/Q and 1.7% Y/Y vs 1.24% for GDP. Within that, consumption accelerated with 0.44% in Q4 after 0.25% in Q3 whilst gross fixed investment was still strong at 0.61% Q/Q (albeit disappointing consensus of 0.8%) after a particularly solid 1.25% in Q3 (revised up from 1.01%). There was an improvement in Eurozone labour intensity, with hours worked growth of 0.5% Q/Q outpacing employment growth of 0.2% Q/Q. Given GDP growth was 0.2%, this implied a negative sequential productivity per hour reading. The ongoing Middle East conflict is currently top of mind but progress is still needed in ensuring compensation and productivity developments are consistent with the 2% target in the medium term. This interplay is key for the services inflation outlook, which is largely dictated by domestic conditions.

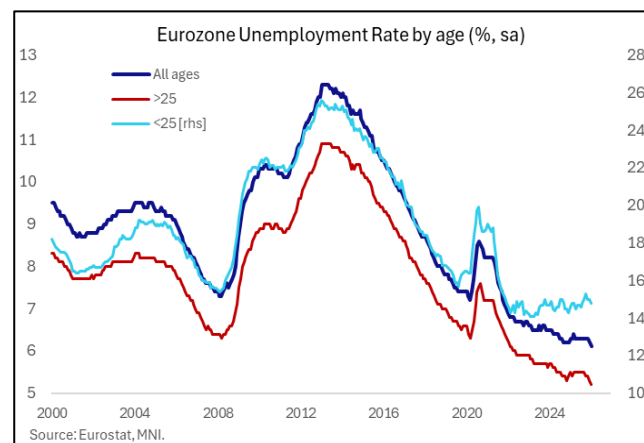


As for softer indicators, the manufacturing PMI surprised higher in the preliminary February reading and then held onto this increase in the final update, whilst the services PMI saw a more modest increase. The manufacturing improvement to 50.8 (44-month high) is welcome after a recent stalling around the breakeven 50 level since mid-2025. The services PMI at 51.9 is only at a 2-month high as it consolidates a pullback off the recent high of 53.6 in November, a moderation driven by Spanish services activity cooling from some particularly elevated readings.



Labour Market: Still Certainly Not In Difficulty

The unemployment rate continues to paint a very healthy picture of the labour market, falling to a fresh series low of 6.1% on an EA21 basis from 6.2% in December and 6.3% in November. These data are prone to revisions but for now previously bottomed out at 6.2% in Sep-Dec 2024. This improvement has been seen in the older than 25-year-old cohort with young workers struggling in comparison although still with unemployment rates at historically low levels for those entry-level positions that are likely more prone to AI disruption. On balance, President Lagarde can still characterise the labour market as she did in last month's Q&A: it's still an active with market unemployment almost at rock bottom and certainly not in difficulty.



Key Inter-Meeting ECB Commentary

By Emil Lundh (Mar 12, 2025)

The outbreak of war in the Middle East has dominated discussions ahead of the ECB's March decision. As such, we have discounted any comments made before February 27 for the purpose of this summary, focusing instead of Governing Council reactions to the conflict as it developed.

The majority of speakers have stressed that it is still too early in the conflict to determine the optimal monetary policy response. President **Lagarde** on March 10 said that "we are in a better situation and we have a greater capacity to absorb shocks" [compared to 2022], and noted that "there is so much uncertainty that I'd be incapable to say precisely what we will decide"... "We won't rush into a decision because there is too much uncertainty, too much volatility". Executive Board colleagues **de Guindos** and **Cipollone** also noted that it was too early to have a full assessment of the situation, with the former stressing the importance of inflation expectations remaining anchored.

However, the near-term risks stemming from the war are clearly inflationary, and Governing Council members are cognizant of the lessons from the 2022 Russia/Ukraine shock. **Lane** told the FT on March 3 that "This is not an environment where I see an argument in favour of taking a bit of risk on inflation", while the hawkish **Schnabel** cautioned that the ECB "must carefully monitor the persistence of the energy price shock, its impact on inflation expectations and any indication that firms start passing through higher input costs to their customers".

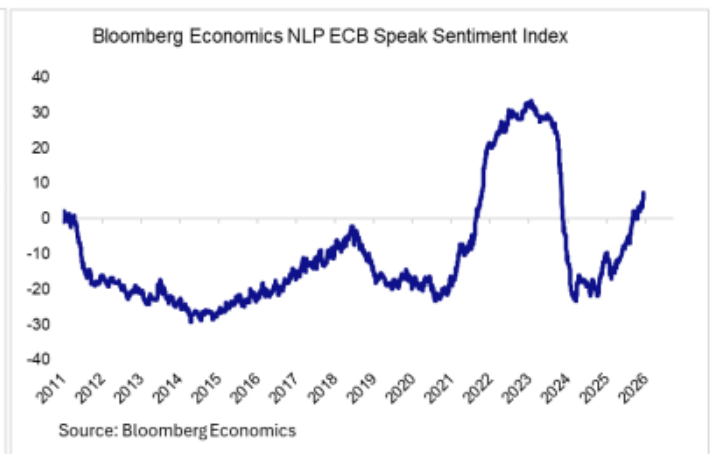
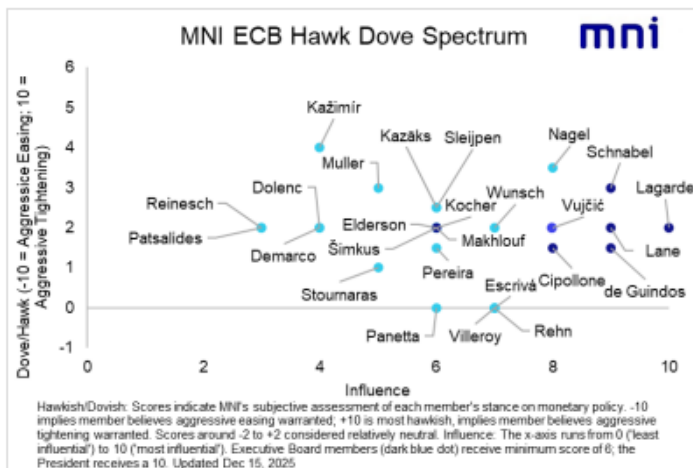
The most hawkish set of comments since the war started came from **Kazimir**, who said that "a reaction by the ECB is potentially closer than many people think," "I don't want to speculate about April or June. But we will be ready to act if needed.". Similarly, **Nagel** told Reuters on March 11 that "if it becomes apparent that the current energy price increases will translate into broad consumer price inflation in the medium term, the Governing Council of the ECB will act decisively in a timely manner".

That said, some Governing Council members are also worried on the impact a fresh tightening cycle would have on the economy. **Rehn** noted on March 5 that "The conflict will restrict supply, obviously, and there is an upside risk for inflation" ... "On the other hand, it is dampening demand and that is somewhat weakening inflation. For me, it is a question of which of these trends is dominating.". **Escriva** noted a similar set of two-way risks.

MNI's latest **sources piece** noted that the ECB is set to retire its current "good place" language describing the state of monetary policy in March, but while it must signal that risks to inflation have shifted to the upside due to the surge in energy prices, it will still need to make clear that any policy move is unlikely in the near term. It's therefore interesting that **Schnabel** said that policy was still in a good place on March 6 and March 11.

To reflect the hawkish shift in the balance of risks and subsequent ECBspeak, Bloomberg's NLP-based index has extended further into positive (hawkish) territory. We have also shifted up most dots on our hawk-dove matrix to account for the removal of easing risk since the war started.

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



Feb 5 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 its 2% target in the medium term. The economy remains resilient in a challenging global environment. Low unemployment, solid private sector balance sheets, the gradual rollout of public spending on defence and infrastructure and the supportive effects of the past interest rate cuts are underpinning growth. At the same time, the outlook is still uncertain, owing particularly to ongoing global trade policy uncertainty 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

Broadly similar risks, with a still volatile global policy environment and a more uncertain inflation outlook

Growth: "Continues to face a volatile global policy environment" vs previously "While trade tensions have eased, the still volatile international environment could disrupt supply chains, dampen exports, and weigh on consumption and investment"

"The euro area continues to face a volatile global policy environment. A renewed increase in uncertainty could weigh on demand. A deterioration in global financial market sentiment could also dampen demand. Further frictions in international trade could disrupt supply chains, reduce exports and weaken consumption and investment. 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 the adoption of productivity-enhancing reforms and the adoption of new technologies by euro area firms, may drive up growth by more than expected, including through positive effects on business and consumer confidence. New trade agreements and a deeper integration of our European Single Market could also boost growth beyond current expectations.

Inflation: "Moreover, a stronger Euro could bring inflation down beyond current expectations" was given a fully red headline on Bloomberg but was very similar to Dec: "Moreover, a stronger euro could bring inflation down further than expected."

Inflation: Very similar inflation comments

“The outlook for inflation continues to be more uncertain than usual on account of the volatile global policy environment. Inflation could turn out to be lower if tariffs reduce demand for euro area exports by more than expected and if countries with overcapacity increase further their exports to the euro area. Moreover, a stronger euro could bring inflation down beyond current expectations. More volatile and risk-averse financial markets could weigh on demand and thereby also lower inflation. By contrast, inflation could turn out to be higher if there were a persistent upward shift in energy prices, or 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. If wage growth moderated more slowly, services inflation might come down later than expected. The planned boost in defence and infrastructure spending could also cause inflation to pick up 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):

- Broadly balanced risk situation with nothing really changing the baseline at all
- Soft January inflation reading downplayed, still in a good place
- Recent euro appreciation also downplayed, noting it's within the range since the summer and that it's reflected in the forecasts
- Labour market certainly not in difficulty
- Announcement in coming days on repo lines for other national central banks outside Europe.

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

mni Central Bank Watch - ECB

17 March 2026

MNI ECB Data Watch List											
		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Inflation											
HICP	% y/y	1.9	2.2	↓	2.1	↓					-1.17
Core Inflation	% y/y	2.4	2.4	→	2.3	↑					0.84
Oil Prices	\$	72.5	63.2	↑	68.1	↑					1.16
5y/5y Inflation Swap	%	2.17	2.06	↑	2.11	↑					-0.40
Economic Activity											
Eurozone PMI (Comp)	Index	51.9	52.8	↓	51.0	↑					1.08
Industrial Production	% y/y	-1.2	2.0	↓	2.1	↓					-2.21
Business Climate Indicator	Index	-0.36	-0.60	↑	-0.69	↑					1.19
Consumer Confidence	Index	-12.2	-12.8	↑	-14.0	↑					1.32
Monetary Analysis											
Narrow Money (M1)	% y/y	5.3	5.1	↑	5.0	↑					0.94
Broad Money (M3)	% y/y	3.3	2.8	↑	3.3	→					1.03
Loans to Non-Fin Corps	% y/y	2.6	2.9	↓	2.5	↑					-0.55
Loans to Households	% y/y	2.8	2.6	↑	2.2	↑					1.10
Consumer / Labour Market											
Retail Sales	% y/y	2.0	2.0	→	2.7	↓					0.12
Unemployment Rate	%	6.2	6.4	↓	6.4	↓					-1.98
Labour Costs (Quarterly)	% y/y	3.3	3.7	↓	5.3	↓					-1.25
Employment (Quarterly)	% y/y	0.7	0.8	↓	0.9	↓					-0.65
Markets											
Equity Market	Index	5774	5668	↑	5352	↑					2.33
Bund Yield	%	2.92	2.69	↑	2.72	↑					-0.98
10y BTP Spreads	%	74.7	71.0	↑	86.3	↓					1.19
EUR TWI	Index	127.02	128.35	↓	127.33	↓					1.00

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

Analyst Expectations And Key Comments

Hawkish Guidance Tweaks Expected

Analysts generally expect the ECB to adopt a more hawkish tone on Thursday, stressing vigilance on the inflation outlook and likely retiring the "good place" guidance (in line with MNI Policy Team source reporting last week). Although President Lagarde is expected to highlight the Governing Council's willingness to act if required, she will likely emphasise considerable uncertainty and the need to maintain a meeting-by-meeting and data-dependent approach. A number of analysts have noted that the ECB could hike in either April, or more likely June, if the Middle East conflict (and associated energy price rises) persists. With ECB-dated OIS currently pricing 7bps of hikes through April and ~17bps of hikes through June, there is scope for further hawkish repricing in Lagarde fails to push back on hike expectations in the press conference Q&A.

- The only formal forecast changes we have seen since the war started have been from analysts who had been pencilling in cuts in 2026. These expectations have been removed, with Morgan Stanley, ANZ and Bank of America now expecting the deposit rate to remain at 2.00% this year. However, both Morgan Stanley and Bank of America still pencil in 2x25bp cuts in 2027 - for now.
- The majority of analysts maintain a base case of steady rates through 2026 and 2027. TD Securities and Societe Generale pencil in a first hike in late-2026, but 2027 is seen as the more likely time for tightening for others. We expect base cases to be fluid in the coming weeks, as the March decision is digested and while the Iran war continues.

Summary of Analyst Views					
Institution	Baseline - Next Cut	Baseline - End-2026	Baseline - End-2027	Earliest Possible Meeting For Hikes On Iran War	Comments on Possible Iran War Policy Reactions
Median	x	2.00%	2.00%		
BofA	Mar-27	2.00%	1.50%	Jun-26	The risk balance around our current base case of cuts in Mar/Jun-27 has moved from earlier to tentatively later cuts to below 2%. But even if the ECB hikes in the summer, by a max 50-75bp, our conviction that the policy rate will be no higher than current levels by end-27 - and more likely below 2% - is intact. If they hike, can they go in April? June looks more plausible if the shock persists and there is still uncertainty about that persistence
Morgan Stanley	Jun-27	2.00%	1.50%	-	[From call change note on March 5]: "We change our ECB call and now see the ECB on hold in 2026 with two rate cuts in 2027 (June and September). Rate cuts in 2027 are predicated on a fast normalisation in energy markets. Hikes remain unlikely, but persistence of tensions on energy prices is key."
ABN Amro	x	2.00%	2.00%	Apr-26	Due to the uncertainty on the conflict we are not changing our base case for now, which is that the ECB remains on hold for the foreseeable future. However, if the current conflict persists and/or energy futures curves remain elevated through to the 30 April meeting, a hike becomes a distinct possibility at that time
ANZ	x	2.00%	2.00%	-	The conflict in the Middle East and its impact on energy prices, while uncertain with respect to the duration, has neutralised the case for rate cuts from the European Central Bank (ECB). We now expect the ECB to keep policy settings unchanged for the foreseeable future
Barclays	x	2.00%	2.00%	-	We maintain our call for an unchanged policy stance through 2027. However, if medium-term inflation forecasts were to deteriorate to the point that the inflation overshoot is no longer judged to be minor and temporary, we could see the GC considering a policy-rate adjustments on risk-management grounds. In that scenario, we would expect any reaction to come sooner rather than later
Citi	x	2.00%	2.00%	-	Given the post-2022 sensitivity to higher inflation expectations, and the ECB's unwillingness to take risks with inflation, insurance hikes cannot be ruled out. However, we suspect there is a bias to use the unusually high uncertainty as a reason to do nothing
Commerzbank	x	2.00%	2.00%	-	In our main scenario of a relatively short war, our inflation forecasts and assessment of the ECB's response function do not suggest an interest rate hike....If the war subsides in the next two, three weeks and the Strait of Hormuz is then navigable again, inflation would rise towards 3% in March but then decline rapidly. In this scenario, the ECB would look through the rise in inflation and would not hike rates....If the oil price remained at \$100 per barrel until the end of the year in the event of a prolonged war, inflation would rise to a good 3% by the fourth quarter and then fall again. Whether or not the ECB would raise its key interest rates in this case is unclear at this stage.
Danske	x	2.00%	2.00%	-	Our baseline is unchanged ECB rates in 2026 and 2027 but with upside risk
Goldman Sachs	x	2.00%	2.00%	Jun-26 (But Apr possible)	The outlook for ECB policy depends importantly on the size, breadth and persistence of the energy shock. Our simulations support our forecast of unchanged policy rates unless the economy is pushed into a very adverse energy scenario. In this case, we would expect the Governing Council to deliver 3 sequential 25bp rate hikes starting in June (with a hike on April 30 possible in this scenario).
ING	x	2.00%	2.00%	-	We don't expect any rate moves. The latest round of staff projections will be less relevant than normal, being just one of many input variables for the meeting. ...The ECB will, however, try to use its second most powerful policy instrument, words, to keep inflation expectations at bay
JPMorgan	x	2.00%	2.00%	-	We stick with our ECB call, which has the central bank on hold through 2026 and 2027. We do however see the risk on rates skewed higher
Nomura	x	2.00%	2.00%	Jun-26	We believe the Bank will avoid a knee-jerk reaction in response to the Iran conflict and instead wait to assess the real economy impact and the pass-through to inflation expectations...we believe June is the earliest meeting that the ECB could feasibly raise rates, assuming the conflict does not deteriorate beyond the peak of what we have seen already...if the ECB raises rates in response to the Iran conflict, we believe it would likely do so twice
SEB	x	2.00%	2.00%	"Beyond Mar-26/Apr-26 meetings"	If market-based inflation expectations continue to rise and inflation expectations in consumer surveys increase, the probability of a rate hike beyond the March/April meetings will increase. We are not there yet, and we stick to our forecast of unchanged interest rates in 2026-2027. A more prolonged war could, however, challenge this view
Swedbank	x	2.00%	2.00%	-	We maintain our forecast that the ECB will keep rates unchanged in 2026 and 2027. Admittedly, the risks to inflation have shifted to the upside and continue to increase with every day that passes without a clear path to resolving the conflict in the Middle East
UBS	x	2.00%	2.00%	-	For now, we maintain our call that the ECB will keep rates on hold at the current rate of 2% (i.e. broadly neutral) for the foreseeable future. We think the risk for 2027 is skewed to the upside, given that strong public spending in an environment of a shrinking labour force (in Germany and many other countries) might be partly inflationary and force the ECB to hike rates again. However, with the latest energy price moves and the risk of second-round effects, we acknowledge the risk that the ECB might have to bring the first hike forward
Deutsche Bank	x	2.00%	2.25%	-	In our baseline the ECB holds at 2% through 2026 and the next move is a hike in mid-2027, with policy rates rising 75bp by end-2028. This baseline holds for now. We will review our ECB call when the dust settles around the Middle East conflict and the path of energy prices



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Institution	Baseline - Next Cut	Baseline - End-2026	Baseline - End-2027	Earliest Possible Meeting For Hikes On Iran War	Comments on Possible Iran War Policy Reactions
Median	x				
UniCredit	x	2.00%	2.25%	-	We suspect that she will stick to the good-place mantra because inflation expectations at longer maturities have not risen by much, although this assessment would be heavily conditional on the current set of information. If and when things change, the ECB will re-assess and act if needed. For this reason, we do not think that she will be in a position to either validate or counter the build-up in rate-hike expectations
Berenberg	x	2.00%	2.50%	Jun-26	If the Iran war lasts only a few more weeks rather than months, the ECB can probably look through the temporary inflation shock and stay on hold for the remainder of this year. This is our base case...Of course, a protracted surge in inflation and evidence of potential second-round effects could force the ECB to start raising rates in June 2026 already."
DNB	x	2.00%	2.50%	-	Our baseline remains that the next policy move will be a rate hike, with two hikes still pencilled in for the first half of 2027. However, we now see a greater risk that the tightening cycle could begin earlier than previously expected
HSBC	x	2.00%	2.50%	-	The experience of the 2022 energy crisis, when the ECB was slow to react, and consumers' inflation expectations still scarred from that inflationary episode, could make the ECB more aware of the risk of expectations getting de-anchored, and quicker to hike rates if energy pressures are sustained. And if governments responded to the shock with a sizeable fiscal response as in 2022, the chances of a ECB rate hike this year seem higher than a cut to us, even though the bar is high
Nordea	x	2.00%	2.50%	Jun-26	We decide to keep our baseline of hikes only in 2027, though with prominent risks towards earlier hikes...While we tend to think the April meeting comes too soon, as the ECB would likely want to see another round of forecasts at the June meeting, at a minimum, before being ready to act
Rabobank	x	2.00%	2.50%	Apr-26 or Jun-26	Risks of an earlier hike than we had pencilled have certainly increased. If the inflation outlook deteriorates, and the overshoot increases or risks becoming more protracted, the ECB will not wait until later this year, as current market pricing indicates. In that case, they could hike in April or June already
BNY	x	2.00%		-	A March hike would seem hasty. The rates market now anticipates a full hike by the June meeting, and we would not rule out one or two votes for a move at the upcoming March meeting.
Jefferies	x	2.00%		-	In our base case, we expect the ECB to maintain rates at 2% over the coming quarters. However, repeated warnings from ECB officials about post-pandemic scarring suggest a lower bar to tightening than in previous cycles should the energy shock prove more prolonged
Nord/LB	x	2.00%		-	In our view, a hasty adjustment of key interest rates does not seem appropriate at this stage, given the unpredictable duration of the military confrontation...For the upcoming meetings in April and June, however, not all Governing Council members are ruling out the possibility of a rate hike
RBC	x	2.00%		-	The ECB is likely to remain cautious about rate hikes in the short-term due to higher energy prices, but the memory of 2022 remains strong, and the ECB will not hesitate to hike if it needs to. At the very least, it takes rate cuts off the table for now
Santander	x	2.00%		Jun-26	In a scenario with oil >\$120 and gas +60% persist for six months, the mix turns stagflationary: ... In this scenario, expectations/wages will likely drift and the ECB would shift to a tightening bias in 2026 to anchor expectations (2-3 hikes, starting in June), while using balance-sheet/liquidity tools to manage fragmentation; cuts in 2027 once energy effects fade
Wells Fargo	x	2.00%		H2-26	Overall, we expect optionality to be preserved, but the asymmetry has shifted away from cuts. If energy prices remain elevated, H2 tightening risk creeps back into the distribution, even if near term action is unlikely.
TD Securities	x	2.25%	2.25%	-	We think that if the conflict is relatively short-lived, the ECB will be able to veer slightly hawkish against higher inflation and inflation expectations, reinforcing our view of a Q4 rate hike, and possibly introducing the risks of an early-2027 follow-up hike (something that the most recent set of Minutes reinforced, with talk of a possibly-higher neutral rate). But if oil prices persistently break well above \$100/bbl, growth worries will start to dominate the ECB's thinking
Société Générale	x	2.25%	2.50%	June 2026 ("Next forecast rounds")	We still think it is too early to have a firm view given the fluid situation...The next forecast rounds will offer a better opportunity to assess the medium-term impact, and the possible need for policy change
BMO	x			-	The March 19 meeting will be too soon for a hike, but the press conference will be key to gauge how concerned the ECB is. There has been a parade of Governing Council members telling markets to "stay calm" and to not overreact. However, two of those central bankers did say that the time of talking about undershooting inflation is over. Cannot disagree there
Daiwa	x			Jun-26	Unless events in the Middle East normalise and wholesale energy price futures fall significantly by early June, we would expect a first 25bps hike that month. And if disruption to shipping freight through the Strait of Hormuz persisted, a second hike to 2.50% - the top of the ECB's range of neutral policy estimates - couldn't be ruled out for the second half of the year.
MUFG	x			-	We expect the ECB to acknowledge that the conflict is challenging its assessment that policy is currently in a "good place" and may open the door to rate hikes if necessary to return policy to a more restrictive stance—potentially back above the 1.75-2.25% range



Source: Analyst notes, Bloomberg survey conducted March 6-12 and MNI.

Sorted by earliest potential Iran-war hike, then A-Z

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

ABN AMRO

- “We would expect the Governing Council to strike a clearly more hawkish tone, while also stressing the high level of uncertainty on how the situation in the Middle East and hence energy supply will develop. The tone in recent official remarks has shifted”
- “Note also that the recent weakening of the euro accentuates the impact of higher oil prices on inflation, and given that the current exchange rate is based on market pricing of ECB rate hikes (see below), this likely gives additional room for the communication at the March meeting to strike a more hawkish tone than it otherwise would.”
- “Due to the uncertainty on the conflict we are not changing our base case for now, which is that the ECB remains on hold for the foreseeable future. However, if the current conflict persists and/or energy futures curves remain elevated through to the 30 April meeting, a hike becomes a distinct possibility at that time”

ANZ

- “The conflict in the Middle East and its impact on energy prices, while uncertain with respect to the duration, has neutralised the case for rate cuts from the European Central Bank (ECB). We now expect the ECB to keep policy settings unchanged for the foreseeable future. Financial markets are now pricing in more than one hike from the ECB this year, but we do not expect the ECB to endorse market pricing by adopting a tightening bias at its next meeting on 19 March”
- “Our assessment is that the conditions are not in place for a repeat of the 2022 experience, although the ECB will be monitoring underlying inflation dynamics closely over the coming months. While recent events will raise inflation in the short term, the associated downside risks to activity should not be discounted. Given the euro area’s high dependence on imported energy, a negative term of trade shock and decline in real incomes will reduce growth. Permanent scarring to the euro area’s industrial sector following the 2022 shock exemplifies the downside risks to activity, and inflation, in the medium term”

Bank of America

- “The ECB is likely to hold rates next week, but the key focus will be its communication, which should stress rising inflation risks, weakening growth, and unusually high uncertainty - effectively a hawkish tilt despite offering no forward guidance. Lagarde may acknowledge that the likelihood of the next move being a hike has increased, even as she sticks to data dependence, while alternative scenarios will highlight that today’s energy shock is not a repeat of 2022 and wouldn’t necessarily justify a long hiking cycle. Also, it will be hard for Lagarde to affirm they are still in a good place. How she phrases that could be taken as a signal of imminent policy action”.
- “Our conviction in rate cuts to below 2% in 2027, driven by an inflation undershoot remains unbroken, however. The risk balance around our current base case of cuts in Mar/Jun-27 has moved from earlier to tentatively later cuts to below 2%. But even if the ECB hikes in the summer, by a max 50-75bp, our conviction that the policy rate will be no higher than current levels by end-27 - and more likely below 2% - is intact. If they hike, can they go in April? June looks more plausible if the shock persists and there is still uncertainty about that persistence, given limited new information by April and the ECB’s preference to wait for fresh forecasts before acting.”

Barclays

- “We expect the ECB to acknowledge that the Middle East conflict has materially increased uncertainty, with near-term inflation risks tilted to the upside and growth risks tilted to the downside. The GC will likely double down on a meeting-by-meeting, non-pre-committed approach, emphasising vigilance on second-round effects and inflation expectations, and signalling agility to recalibrate the policy stance if larger energy disruptions prove persistent and jeopardise the medium-term inflation outlook.”
- “The ECB is likely to stress that it is in a “good position” (rather than a “good place”) to monitor and analyse developments, and that its reaction function is agile enough to deal with a changing environment.”
- “We maintain our call for an unchanged policy stance through 2027. However, if medium-term inflation forecasts were to deteriorate to the point that the inflation overshoot is no longer judged to be minor and temporary, we could see the GC considering a policy-rate adjustments on risk-management grounds. In that scenario, we would expect any reaction to come sooner rather than later, reflecting the post-Covid experience, but to be gradual, as the ECB seeks to strike the right balance between safeguarding the medium-term target and minimising the damage inflicted on the real economy.”

Berenberg

- “If the Iran war lasts only a few more weeks rather than months, the ECB can probably look through the temporary inflation shock and stay on hold for the remainder of this year. This is our base case. Even if the disruptions in the energy market persist for longer, the ECB would still find it difficult to raise key interest rates while the energy price shock pushes the economy into stagnation”.
- “However, ECB President Christine Lagarde will likely take at the press conference a hawkish stance to calm the markets and keep inflation expectations under control. We agree with the market that the next interest rate move will be a hike, but not until the second half of 2027, when rising inflation driven by higher wage growth will force the ECB to gradually raise its deposit rate to 3.0%. Of course, a protracted surge in inflation and evidence of potential second-round effects could force the ECB to start raising rates in June 2026 already.”

BMO

- “[T]he March 19 meeting will be too soon for a hike, but the press conference will be key to gauge how concerned the ECB is. There has been a parade of Governing Council members telling markets to “stay calm” and to not overreact. However, two of those central bankers did say that the time of talking about undershooting inflation is over. Cannot disagree there.”

BNY

- “A March hike would seem hasty. The rates market now anticipates a full hike by the June meeting, and we would not rule out one or two votes for a move at the upcoming March meeting.”

Citi

- “The ECB’s current policy stance and strategy allows it agility to react quickly to large shocks, which would be reinforced next week should it drop the “good place” language. Given the post-2022 sensitivity to higher inflation expectations, and the ECB’s unwillingness to take risks with inflation, insurance hikes cannot be ruled out. However, we suspect there is a bias to use the unusually high uncertainty as a reason to do nothing

Commerzbank

- “In our main scenario of a relatively short war, our inflation forecasts and assessment of the ECB’s response function do not suggest an interest rate hike.”
- “If the war subsides in the next two, three weeks and the Strait of Hormuz is then navigable again, inflation would rise towards 3% in March but then decline rapidly. In this scenario, the ECB would look through the rise in inflation and would not hike rates.”
- “If the oil price remained at \$100 per barrel until the end of the year in the event of a prolonged war, inflation would rise to a good 3% by the fourth quarter and then fall again. Whether or not the ECB would raise its key interest rates in this case is unclear at this stage.”

Daiwa

- “While they are likely to repeat their familiar mantra that policy will remain data dependent and decisions will be taken on a meeting-by-meeting basis, the policymakers will likely signal a new hiking bias with respect to rates. And although the new energy price shock and risks of large-scale second-round effects on inflation remain less extreme than in 2022, as events at the Straits of Hormuz and shifts in wholesale oil and gas prices remain hard to predict with any confidence, President Lagarde might well suggest that all future policy meetings from April onwards could be live for a possible rate hike.”
- “Given the inevitable jump in consumer price inflation likely to show up in the data over coming months, unless events in the Middle East normalise and wholesale energy price futures fall significantly by early June, we would expect a first 25bps hike that month. And if disruption to shipping freight through the Strait of Hormuz persisted, a second hike to 2.50% - the top of the ECB’s range of neutral policy estimates - couldn’t be ruled out for the second half of the year. “

Danske Bank

- “We expect Lagarde to strike a balance between the camps by stating that ECB is fully commitment to price stability and ready to act to upward price pressures, but at the same acknowledge heightened uncertainty and that it is too early to draw firm conclusions”
- “We expect ECB to highlight that the risk assessment on inflation is tilted to the upside while the growth risks are tilted to the downside”... “If Lagarde explicitly mentions that risks to medium-term inflation have shifted upwards, we would interpret this as a clear hawkish signal.”

- “Our baseline is unchanged ECB rates in 2026 and 2027 but with upside risk”

Deutsche Bank

- “We think it is highly unlikely the ECB changes policy on 19 March... We expect the ECB to acknowledge increased uncertainty and upside risks to inflation in the near-term; acknowledging upside risks in the medium term would be more hawkish and will require more data”.
- “We expect the ECB to reiterate the flexibility it has within the current policy stance to adjust policy as soon as necessary. Finally, we expect a strong message to underline the ECB’s absolute and resolute commitment to maintaining price stability. The ECB is ready and willing to act to avoid a repeat of the 2022-2023 inflation shock. Saying this loudly and clearly might be the best way of ensuring that inflation expectations remain well anchored”.
- “In the face of a new inflation test, it is possible that President Lagarde strongly commits to seeing out her term in office until October 2027.”
- “In our baseline the ECB holds at 2% through 2026 and the next move is a hike in mid-2027, with policy rates rising 75bp by end-2028. This baseline holds for now. We will review our ECB call when the dust settles around the Middle East conflict and the path of energy prices.”

DNB

- “We expect the ECB to reiterate its familiar message that policy decisions remain data dependent and will continue to be taken on a meeting-by-meeting basis, without any precommitment on the future rate path. At the same time, the Governing Council is likely to adopt a somewhat more vigilant tone, with President Lagarde expected to emphasise that the ECB is closely monitoring developments in the Middle East given their potential implications for energy prices and the inflation outlook
- “Our baseline remains that the next policy move will be a rate hike, with two hikes still pencilled in for the first half of 2027. However, we now see a greater risk that the tightening cycle could begin earlier than previously expected.”

Goldman Sachs

- “We expect the Governing Council to emphasise that it is well positioned to respond to the risks posed by the Iran war. The decision is likely to note that the Governing Council will do whatever is needed to ensure price stability but leave the formal guidance language unchanged”
- “In the press conference, we expect President Lagarde to stress uncertainty, optionality and the need for vigilance... we expect her to stress that the uncertainty created by the Iran war, noting that Governing Council members are more focused on the upside inflation risks, and that the ECB will monitor any signs of persistence and the implications for the medium-term inflation outlook.
- “The outlook for ECB policy depends importantly on the size, breadth and persistence of the energy shock. Our simulations support our forecast of unchanged policy rates unless the economy is pushed into a very adverse energy scenario. In this case, we would expect the Governing Council to deliver 3 sequential 25bp rate hikes starting in June (with a hike on April 30 possible in this scenario). Our probability-weighted rate path of different scenarios points to around one hike this year, below market pricing for two hikes”.

HSBC

- “We expect the ECB to be in damage control mode, showing willingness to act in either direction if needed, and continuing to call for more progress on structural reforms”.
- “The experience of the 2022 energy crisis, when the ECB was slow to react, and consumers’ inflation expectations still scarred from that inflationary episode, could make the ECB more aware of the risk of expectations getting de-anchored, and quicker to hike rates if energy pressures are sustained. And if governments responded to the shock with a sizeable fiscal response as in 2022, the chances of a ECB rate hike this year seem higher than a cut to us, even though the bar is high”.

ING

- “We don’t expect any rate moves. The latest round of staff projections will be less relevant than normal, being just one of many input variables for the meeting.
- “The ECB will, however, try to use its second most powerful policy instrument, words, to keep inflation expectations at bay. Sounding a bit more hawkish by, for example, stating that the ECB stands ready to act, is monitoring the situation very closely and would not refrain from any preemptive rate hikes, looks like the most likely outcome. In this context, we don’t expect Lagarde to repeat the phrase ‘good place’. There is still no

reason for the ECB to panic – but installing a panic room within that ‘good place’ might not seem like such a bad idea for now”

Jefferies

- President Lagarde is “likely to emphasise in the press conference that the ECB stands ready to act if necessary”
- “While the ECB’s reaction function continues to focus on second-round effects and medium-term inflation expectations, sensitivity to inflation risks has clearly increased. Most of the oil price impact should be concentrated in the first year and fade over time, and medium-term expectations do not currently signal de-anchoring.”
- “From a medium-term perspective, we do not see sustained inflationary pressures in Europe, assuming oil prices do not remain above \$100 on a persistent basis. Our central thesis remains that deflationary forces dominate over the medium term, reflecting ageing demographics, technological change, and the likelihood of increased trade with China. In our base case, we expect the ECB to maintain rates at 2% over the coming quarters. However, repeated warnings from ECB officials about post-pandemic scarring suggest a lower bar to tightening than in previous cycles should the energy shock prove more prolonged.”

JP Morgan

- “The ECB will likely move away from the “good place” language. It will feel comfortable with having its policy rate at a neutral 2%, as it can respond to any shift in the medium-term inflation outlook. Upcoming decisions will remain data-dependent and will be taken meeting-by-meeting, with no precommitment on any rate path”
- “President Lagarde will be unable to escape questions about the likelihood of a hike in April or June. She will note that the scale and persistence of the shock remain unclear. But it will be hard for her to push back against market pricing, which has one hike fully priced in by July but only one more by the end of next year...Lagarde will sound more open-minded about being able to look through the shock than Schnabel and Kazimir, but she will likely have to acknowledge that risks to the policy rate have tilted upwards. This will fall far short of pointing to a hike at a particular meeting (e.g. April or June), but it will move the central bank to a hiking bias.”
- “We stick with our ECB call, which has the central bank on hold through 2026 and 2027. We do however see the risk on rates skewed higher.”

Morgan Stanley

- “We expect the ECB to remain on hold next week. While the conflict in the Middle East is likely to change the outlook for growth and inflation, it is too early to tell how material the changes might be. We think the statement will likely reference the exceptionally high uncertainty but will remain broadly unchanged. The press conference will be in focus, with President Lagarde likely reiterating that the ECB is coming from a good starting point and ready to act if needed. We do not expect a verdict on the medium-term outlook next week.”
- [From call change note on March 5]: “We change our ECB call and now see the ECB on hold in 2026 with two rate cuts in 2027 (June and September). Rate cuts in 2027 are predicated on a fast normalisation in energy markets. Hikes remain unlikely, but persistence of tensions on energy prices is key.”

MUFG

- “The ECB may sound relatively more hawkish than both the Fed and the BoE. We expect the ECB to acknowledge that the conflict is challenging its assessment that policy is currently in a “good place” and may open the door to rate hikes if necessary to return policy to a more restrictive stance—potentially back above the 1.75–2.25% range.”

Nomura

- “We believe the Bank will avoid a knee-jerk reaction in response to the Iran conflict and instead wait to assess the real economy impact and the pass-through to inflation expectations. Mme Lagarde is likely to disappoint markets to the dovish side by leaning on the idea that HICP inflation will nonetheless stabilise around the ECB’s target by the end of the ECB forecast horizon (Q4 2028), even if near-term HICP inflation rises due to the conflict. That said, we expect Mme Lagarde to reiterate the ECB will not allow a repeat of the rise in HICP inflation during the 2022 European energy crisis, which markets may interpret hawkishly”
- “For the ECB to raise rates, we believe the Governing Council will want to see the shock is causing persistent inflation, as in 2022, or that the shock meaningfully raises inflation expectations. As a result, we believe June is the earliest meeting that the ECB could feasibly raise rates, assuming the conflict does not deteriorate beyond the peak of what we have seen already. As we outlined previously, if the ECB raises rates in response to the Iran conflict, we believe it would likely do so twice.”

Nord L/B

- “In our view, a hasty adjustment of key interest rates does not seem appropriate at this stage, given the unpredictable duration of the military confrontation. So far, comments from within the ECB environment also point to a more cautious, wait-and-see stance among policymakers in Frankfurt.”
- “For the upcoming meetings in April and June, however, not all Governing Council members are ruling out the possibility of a rate hike. The focus will likely be on inflation developments in the Eurozone, even though the ECB is expected to reiterate that it will not deviate from its data-dependent, meeting-by-meeting approach.”

Nordea

- “For now we decide to keep our baseline of hikes only in 2027, though with prominent risks towards earlier hikes.”
- “While we expect the ECB to be alert and vigilant, the central bank is unlikely to be close to hiking rates yet. That said, the message next week is still likely to strike a hawkish tone”
- “While we tend to think the April meeting comes too soon, as the ECB would likely want to see another round of forecasts at the June meeting, at a minimum, before being ready to act, the market pricing of some 8bp of tightening for the April meeting and cumulative 18bp for the June meeting still leaves room on the upside, if the ECB does not nothing to try to talk down such expectations.”

Rabobank

- “We fully expect the ECB to prioritise inflation risks, but any policy response can probably be more measured than a couple of years ago. For now, the inflation outlook does not require rate hikes, but the longer the conflict lasts, the bigger the inflationary risks become. The ECB can assess the situation and will probably take no action next week. We expect Lagarde to lean on the hawkish side, but perhaps less so than the market is priced for”.
- “Risks of an earlier hike than we had pencilled have certainly increased. If the inflation outlook deteriorates, and the overshoot increases or risks becoming more protracted, the ECB will not wait until later this year, as current market pricing indicates. In that case, they could hike in April or June already”

RBC

- “The ECB is likely to remain cautious about rate hikes in the short-term due to higher energy prices, but the memory of 2022 remains strong, and the ECB will not hesitate to hike if it needs to. At the very least, it takes rate cuts off the table for now.
- “We think the messaging on Iran will likely be a fine balancing act. While inflation risks can’t be ignored, the ECB is likely to want to avoid a further tightening in financial conditions and being drawn into a hasty decision”.

Santander

- “Rates on hold next week and through 2026. Governing Council (GC) to frame this as an external supply shock: tolerate a temporary headline overshoot and reaction function anchored in core, wages and inflation expectations. GC likely to signal that liquidity/reinvestment flexibility is available if transmission tightens, without changing the monetary policy stance.”
- “In a scenario with oil >\$120 and gas +60% persist for six months, the mix turns stagflationary: ... In this scenario, expectations/wages will likely drift and the ECB would shift to a tightening bias in 2026 to anchor expectations (2-3 hikes, starting in June), while using balance-sheet/liquidity tools to manage fragmentation; cuts in 2027 once energy effects fade”.

Scotia

- “Key will be the degree to which the Eurosystem staff macroeconomic projections update the inflation forecast. The last forecast in December expected total inflation to gradually ease to 1.9% in 2026 and 1.8% in 2027 with core inflation at 2.2% and 1.9% over the two years respectively.”
- “Higher oil and natural gas prices put upside risk to this projection for total inflation, but only if sustained. Further, we’ll want to hear President Lagarde’s judgement being applied to the prospect of a generalized inflation shock or a relative price shock attributed to higher energy prices.”
- “The Eurozone economy is neither in a state of material excess demand nor supply but facing downside risks to growth while wage growth has eased but remains above the 2% inflation target. Therefore, a surge in energy prices could add to near-term inflation risk but quash inflation through second-round effects by crimping purchasing power of consumers.”

SEB

- “Overall, the main message is “wait and see”. The war has added another, and a significant, inflation risk, but the duration of higher energy prices will be key. Inflation expectations are also important. ... If market-based inflation expectations continue to rise and inflation expectations in consumer surveys increase, the probability of a rate hike beyond the March/April meetings will increase. We are not there yet, and we stick to our forecast of unchanged interest rates in 2026-2027. A more prolonged war could, however, challenge this view.”

Societe Generale

- “We still think is too early to have a firm view given the fluid situation. If oil prices stay high, the cost push and impact on confidence would weigh on activity in the absence of fiscal counter measures (even in Germany), possibly convincing the ECB to stay on hold, unable to do much about the short-term rise in inflation. If the economy shows resilience however, the conclusions of the last strategy review of being more attentive to supply shocks should matter,”
- “The tone of the meeting could be hawkish, with scenarios for higher oil prices (and rates), but the baseline medium-term inflation forecasts should be broadly unchanged. The next forecast rounds will offer a better opportunity to assess the medium-term impact, and the possible need for policy change. “

Swedbank

- “It is likely that the Governing Council will be very clear about the need to remain vigilant and to adjust monetary policy if inflationary pressures persist.”
- “For now, we maintain our forecast that the ECB will keep rates unchanged in 2026 and 2027. Admittedly, the risks to inflation have shifted to the upside and continue to increase with every day that passes without a clear path to resolving the conflict in the Middle East.”

TD Securities

- “The situation in the Middle East complicates their job significantly, but equally, with the ECB likely to have been on hold for most of this year anyway, “buying time” becomes a cheap and easy option for this particular meeting. We expect the central bank to drop its familiar phrase that it is “in a good place” but not a static place to respond.”
- “We expect Lagarde’s statements to be broadly noncommittal, suggesting the need for further monitoring and agility in decision-making”
- “We think that if the conflict is relatively short-lived, the ECB will be able to veer slightly hawkish against higher inflation and inflation expectations, reinforcing our view of a Q4 rate hike, and possibly introducing the risks of an early-2027 follow-up hike (something that the most recent set of Minutes reinforced, with talk of a possibly-higher neutral rate). But if oil prices persistently break well above \$100/bbl, growth worries will start to dominate the ECB’s thinking.”

UBS

- “We firmly expect the ECB to keep rates on hold at 2% and reiterate that it will maintain a data-dependent, meeting-by-meeting approach and not pre-commit to a particular rate path. But the ECB won’t be able to reiterate that it sees itself “in a good place”. Instead, it will have to adopt a “wait and see” mode, to gain more clarity on crucial variables.”
- “For now, we maintain our call that the ECB will keep rates on hold at the current rate of 2% (i.e. broadly neutral) for the foreseeable future. We think the risk for 2027 is skewed to the upside, given that strong public spending in an environment of a shrinking labour force (in Germany and many other countries) might be partly inflationary and force the ECB to hike rates again. However, with the latest energy price moves and the risk of second-round effects, we acknowledge the risk that the ECB might have to bring the first hike forward.”

UniCredit

- “Given the unpredictability of the war’s duration and its implications for energy prices, the ECB’s meeting-by-meeting approach and its data-dependent stance will serve it well. Lagarde will likely be asked whether monetary policy remains in a “good place” and whether the Governing Council feels comfortable with the recent swift repricing of rate expectations”.
- “We suspect that she will stick to the good-place mantra because inflation expectations at longer maturities have not risen by much, although this assessment would be heavily conditional on the current set of information. If and when things change, the ECB will re-assess and act if needed. For this reason, we do not think that she will be in a position to either validate or counter the build-up in rate-hike expectations. “

Wells Fargo

- “Expect a less relaxed tone, potentially retiring the long-standing “policy in a good place” language. This is intended to harden rhetoric without signaling imminent rate moves. Overall, we expect optionality to be preserved, but the asymmetry has shifted away from cuts. If energy prices remain elevated, H2 tightening risk creeps back into the distribution, even if near term action is unlikely.”

MNI Policy Team Insights

MNI ECB WATCH: Goodbye To 'Good Place' As War Sends Energy Up

By Santi Pinol (Mar 16, 2026)

ROME - The European Central Bank is set to hold its key deposit rate at 2% on Thursday for a sixth consecutive meeting, but President Christine Lagarde is likely to retire her description of the state of monetary policy as being “in a good place,” though without indicating any near-term change in stance due to sharply higher energy prices.

This week’s Governing Council meeting will be the first since the outbreak of the war in Iran and policymakers will be very careful in adjusting their communications in such a volatile environment. The biggest change is likely to come not in the statement but in the press conference, where Lagarde has deployed the “good place” phrase.

While any change to rates is unlikely in the short term, officials admit that the balance of risks has changed, erasing any small bias to the downside for rates, and that if energy-driven inflation pressures prove persistent, the next policy move could be upward.

Still, it will be essential to assess how the durability of any rise in energy prices and how widely it feeds through into inflation and growth. Alternative scenarios and risk-sensitivity analysis could also become more relevant for the ECB if the conflict is prolonged, given the potential volatility of price moves.

Governing Council members note that hawks could push for a quicker reaction by the ECB to any increase in inflation expectations than in 2022 after the Russian invasion of Ukraine, particularly with memories of the subsequent price surge still fresh. However, the current shock to the eurozone appears to be smaller than the one four years ago, officials said. (See MNI SOURCES: Energy Surge Pushes ECB Out Of 'Good Place')

MNI SOURCES: Energy Surge Pushes ECB Out Of 'Good Place'

(Mar 12, 2026)

LONDON - The European Central Bank is set to retire its current “good place” language describing the state of monetary policy after its meeting next week, but while it must signal that risks to inflation have shifted to the upside due to the surge in energy prices, it will still need to make clear that any policy move is unlikely in the near term, Eurosystem sources told MNI.

Officials are acutely aware of the challenges of adjusting communication at a time when inflation risks stem largely from shifts in volatile prices for oil and natural gas which could fluctuate depending on developments in the Iran conflict or comments by U.S. President Donald Trump. But they agreed that the “good place” phrase deployed by ECB President Christine Lagarde in press conferences, and which has been repeated by national bank governors, is no longer appropriate.

“Hardening the language, and thus dropping the ‘good place’, is a given, in my view, but not too much hardening,” one official said, noting that the shift in market pricing towards around 40 basis points of rate hikes by the end of the year has already helped to tighten financial conditions and makes communication somewhat easier.

Another official stressed that the “good place” phrase was always meant to signal that the ECB was ready and able to react in either direction, and not to describe the economic situation itself. Now, the ECB must “very carefully back out of the ‘good place’ language without completely destroying the message,” he said.

While policymakers are wary of repeating what they now regard as their slow response to the inflation shock following the Russian invasion of Ukraine in 2022, particularly when the general population's memory of the price surge remains fresh, most still urge caution for now. It will be essential to assess how the durability of any rise in energy prices and how widely it feeds through into inflation and growth, they said. (See MNI SOURCES: ECB's Ukraine Lesson Lowers Oil Shock Tolerance) HAWKS

"Has the risk of the next move in rates being higher increased? Yep, but let's be clear -- that's not the same as saying the next move in rates will be higher, just that it is a greater risk than two weeks ago. We think it has for now just taken the perhaps any small bias to downside risk off the table, but there is certainly no rush to see higher rates yet," one said.

But, while no official expressed support for an immediate rate hike, several acknowledged that if energy-driven inflation pressures prove persistent, the next policy move could be upward.

"The issue is more about when the hike will take place than if," another official said.

And hawkish members could push for a quicker reaction.

"The risks have changed and some members of the Governing Council will put pressure because our recent communication allows them to do so. Having insisted so much on the meeting-by-meeting approach, I think some will want to use it to raise rates quickly," one official said.

"But we recommend a bit more calm," he went on. "For March we will change the communication, stressing high volatility. The possibility that there may be changes makes it advisable that any adjustments are mainly reflected in the president's press conference. I think the situation makes it advisable that anything written should be able to survive the passage of time."

NOT 2022

Several officials noted that the current shock appears smaller than that which hit the eurozone in 2022, a time when inflation risks were already tilted to the upside as economies reopened after Covid.

"Although there is no doubt vigilance is heightened and we look to avoid the post-Covid and early Ukraine mistakes, we must always remember the situation is different from 2022," one official said.

"There aren't already supply chain blockages. On energy, supply may be tighter, but it's not almost completely cut off, so we haven't got quite the same derisking environment," he said, adding "Governments haven't got the same fiscal space to throw in undoubtedly inflationary support measures for consumers and corporates."

An ECB spokesperson declined to comment.

MNI SOURCES: ECB's Ukraine Lesson Lowers Oil Shock Tolerance

(Mar 3, 2026)

LONDON - The European Central Bank would have lower tolerance for any extended energy price shock resulting from the Iran war than in the past, with the lesson of the steepening of inflation expectations in the aftermath of Covid and Russia's invasion of Ukraine fresh in policymakers' minds.

While there is little doubt that the ECB will initially look through the energy price spike, which cannot be directly remedied via interest rates, officials pointed out that the central bank's description of its current policy stance as being in a "good place" allows quick action in either direction. They noted that if the U.S.-Israeli attack on Iran eventually prompts the ECB to act, this will not necessarily be in the form of a hike.

"There are so many variables and so many possibilities, it is unwise to point to any likely direction of action down the line," one source said.

"If the situation does deteriorate, and the economy slows and confidence slumps, we may not be in a position to raise rates -- but those hypotheticals are some way off yet", another official noted.

One official said the Governing Council is likely to remain in a holding pattern with the deposit rate at 2% for some time, though hawks will push for a shorter tolerance period than in response to the 2022 inflationary surge. Another source said the effect of higher oil prices will be considered in the ECB's March projections, but that the situation could change quickly. (See MNI INTERVIEW: ECB Rates Move Needs Clear Trend Change-Demarco)

"It is difficult to say what 'temporary' might mean in practice. The conflict between Russia and Ukraine shows that some geopolitical tensions can turn out to be prolonged", another official said, warning that the ECB could soon have to revise its medium-term inflation projections above its 2% target.

SECONDARY IMPACT

"There will be closer attention to the secondary impact and it is very unlikely that the Governing Council will allow the impact to be an issue without greater consideration for as long as after the Ukraine invasion," one official from a national central bank said.

Even a short-lived rise in energy prices would could push inflation expectations higher, officials said, pointing to research which implies that an inflation wave which closes follows an early price surge is likely to have stronger effects. But they also pointed to the effect on confidence and activity of higher energy costs.

"What we need to monitor carefully are perceptions - and that is two-sided. We must monitor inflation expectations and confidence indicators, as they will offer some look at the wider picture," one said. (See INTERVIEW: Eurozone Risks Tilt To Downside - ECB's Stournaras)

"Historically, 10 dollars of oil used to equate to 0.1 to 0.15 percentage points of headline inflation, starting to impact year-on-year readings after four to six months. Whether that is still a direct correlation, I'm not sure. And perhaps the gas price correlation will be more important."

An ECB spokesperson declined to comment.