

# MNI ECB Preview: September 2025

**Decision date:** Thursday, 11<sup>th</sup> September 2025

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

**MNI Review of July Meeting:** <https://www.mnimarkets.com/articles/mni-ecb-review-you-could-argue-that-we-are-on-hold-1753378019994>

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## MNI POV: Growth Outlook Watched Amidst Data Dependence

Sep 9, 2025 - By Chris Harrison

- The ECB is fully expected to leave its three key rates on hold on Thursday, with its deposit rate at 2.00%.
- ECB President Lagarde is expected to continue to suggest policy is in a good place.
- A data-dependent and meeting-by-meeting approach is expected to be reiterated in a continuation of July's "deliberatively uninformative" communication approach around future rate decisions.
- Lagarde's characterisation of economic resilience and/or the extent to which uncertainty has been alleviated by the US-EU trade deal should help shape market reaction.
- Fresh economic projections aren't expected to be material.
- Recent resilience sees cuts no longer fully priced, with a cumulative 18bp of cuts seen out to mid-2026.
- We judge that the median analyst no longer looks for another cut although the bias is clearly still lower, with 7 of 25 looking for one more cut and 4 looking for two more.
- EUR/USD approaches the meeting after recent strength has seen it tilt back closer to 1.18, a level shortly after which drew unusually direct comments from ECB's De Guindos back at the Sintra conference.

The ECB is fully priced and unanimously expected to leave its three key rates on hold on Thursday, including the deposit rate at 2.00%. ECB President Lagarde has in recent months switched to emphasising that policy is in a "good place", first in June and then again in July at which point she added that "you could argue that we are on hold". The policy rate is in the middle of the downplayed but still seemingly useful neutral rate estimate range of 1.75-2.25%. Since wrapping up the July press conference with "I wish you all a nice wait and see holiday", there haven't been any developments that force the ECB's hand in either direction. We suspect bias is still to the downside for rates but enthusiasm has waned from the doves on the Council. That included the accounts of the July 23-24 meeting noting that "a view" was expressed about cutting rates but that keeping rates unchanged was deemed a "robust approach". Communication was also decided to be "deliberatively uninformative" about future rate decisions and we expect something similar this week.

Specifically, developments over the summer have done little to push back on Lagarde's relatively hawkish signalling at the July press conference. Economic indicators such as the PMIs continue to gradually improve, the unemployment rate is at all-time lows, and inflation remains very close to the 2.0% medium-term target.

Additionally, the EU-US trade agreement has reduced trade policy uncertainty, even if the agreed 15% baseline tariff rate is above the ECB's June projection baseline of 10%. Lagarde didn't seem overly concerned by prospects of a 15% baseline at the July press conference when asked about newswires reporting that a similar deal was getting closer shortly ahead of the ECB meeting. Indeed, that had been one of the factors at play behind the hawkish reaction to the press conference at the time. With the EU-US trade deal subsequently agreed on Jul 27, some uncertainty has been alleviated and it's likely that Lagarde's characterisation of this that could shape market reaction again with two-sided risks. Bear in mind though that the trade agreement is not in its final legal form and could still spring some surprises, something pointed out by a few analysts. As for the balance of risks, we expect growth risks will still be seen tilted to the downside along with two-sided risks to inflation – nuance around these risks will be important.

Based on the analyst previews we have seen, changes to the ECB's September macroeconomic projections relative to June are expected to be centred in 2025 (resulting from technical assumption updates and carryover from recent GDP/inflation releases). For 2026 and 2027, analysts don't expect major changes to core HICP and real GDP projections although near-term GDP growth could be revised higher.

There appears to be little to no appetite for a September rate cut amongst ECB Governing Council members. However, the MNI Policy Team's most recent source piece suggested the risk bias among policymakers remains cautiously to the downside as they maintain a data-dependent, meeting-by-meeting approach, with eurozone inflation already around the 2% target and likely to weaken. ECB-dated OIS currently price a little under 10bps of easing through year-end, with 18bps of cuts through July 2026.

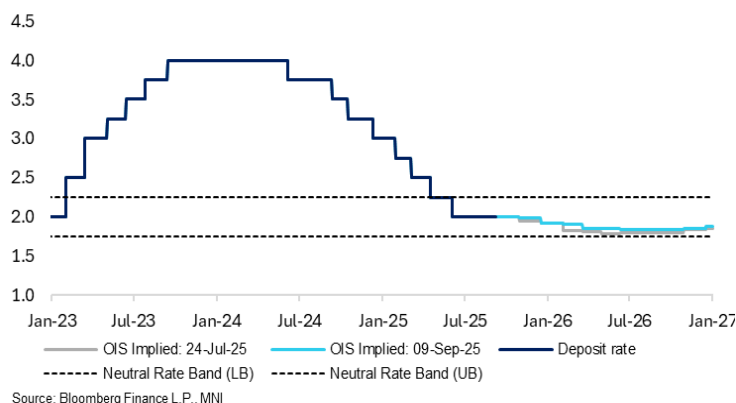
## Markets: No Longer Fully Pricing Another Cut Ahead, EURUSD Back Nearer Cycle Highs

### ECB Dated OIS

Meeting Date	ESTR ECB-Dated OIS (%)	Difference Vs. Current Effective ESTR Rate (bp)
Sep-25	1.925	0.3
Oct-25	1.910	-1.2
Dec-25	1.840	-8.3
Feb-26	1.816	-10.7
Mar-26	1.771	-15.1
Apr-26	1.760	-16.2
Jun-26	1.750	-17.2
Jul-26	1.746	-17.7

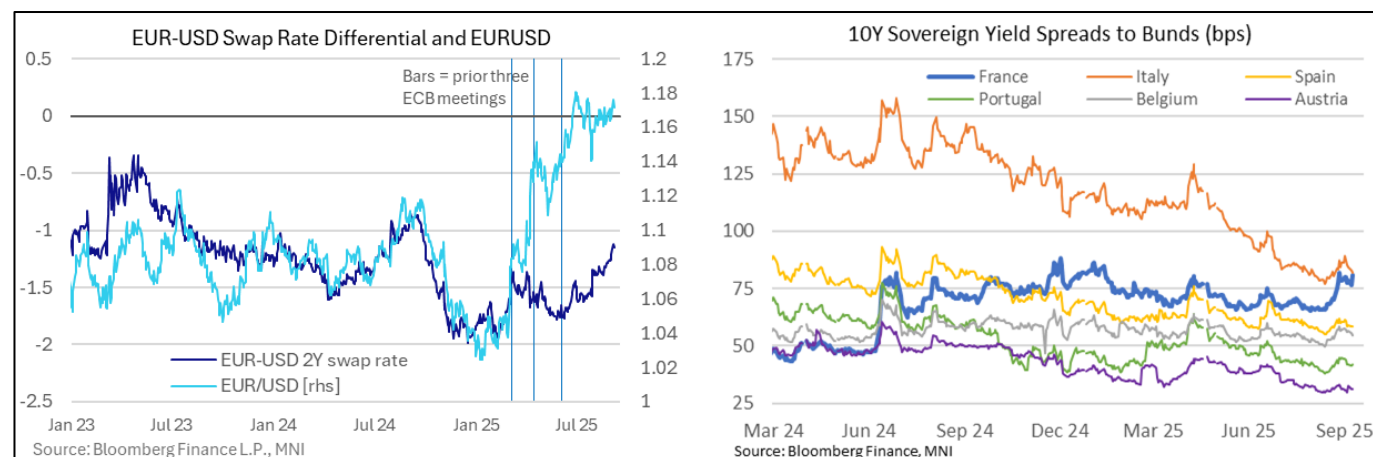
Source: MNI/Bloomberg Finance L.P.

### ECB Deposit Rate - Implied Rates



One area that does get some attention in analyst previews this month is scope for Lagarde comments around long-dated French bond moves, but with a widespread view that moves aren't close to triggering a serious discussion. The Transmission Protection Instrument (TPI) would be the main tool when it comes to spreads. However, France wouldn't be eligible whilst under Excessive Deficit Procedure (EDP) and the TPI is also only available where deteriorations in financing conditions are "not warranted by country-specific fundamentals" which isn't the case for France with spreads widening on intertwined fiscal and political pressures. We expect Lagarde to diffuse questions by pushing back on the need for the ECB to intervene (via the TPI or OMT) but equally stating the ECB will always be prepared to do whatever it takes. There was little attention from the ECB on French-German spreads back in December last year after the collapse of the Barnier government that saw spreads widen to similar levels.

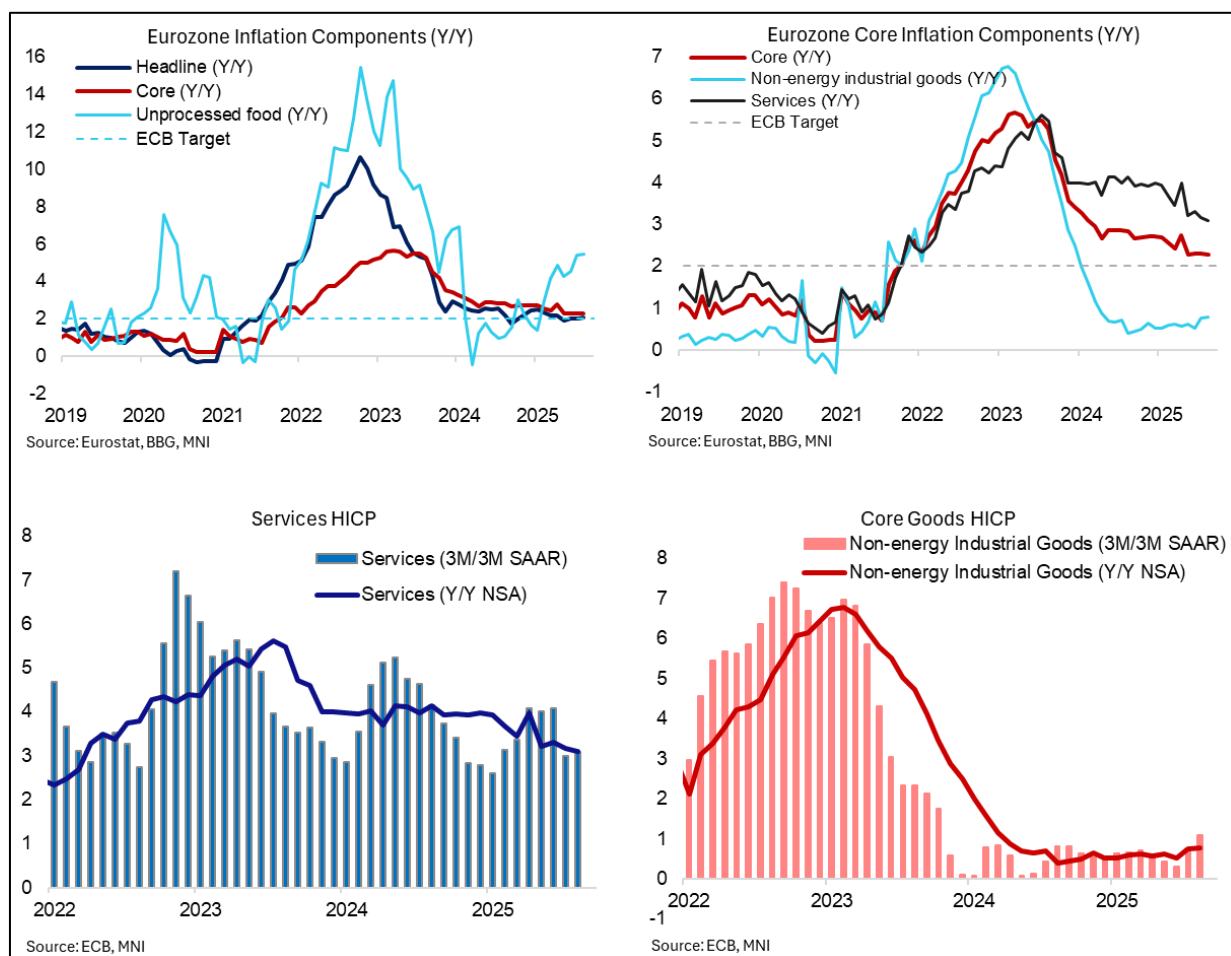
In FX space, EUR/USD has seen a stronger run recently, approaching an important 1.18 with help from less negative EU-US rate differentials primarily on the back of souring US labour data. It suggests a slightly more fundamentals-driven backing to euro strength as opposed to earlier in the year when haven flows appeared to be particularly strong. Whilst it hasn't breached 1.18, touching a high of 1.178 this week, this level starts to be important having peaked at 1.1829 close to when ECB Deputy Governor De Guindos gave unusually explicit remarks at Sintra. Recall that whilst remarks were couched in typical central bank speak that the speed of the euro's climb is more worrying than the level, he also explicitly said that a 1.20 level is "acceptable" but something above that "would be more complicated".



## Macro Since Last ECB Decision: General Resilience

## HICP Inflation: Headline At Target, Core Stabilising A Little Above and Services Moderation Continues

The two months of HICP data have been mixed from a headline inflation perspective whilst core inflation has continued to track at a near identical Y/Y pace to that ahead of the July ECB decision. Specifically, July headline inflation came in on the high side of analyst expectations at 2.04% Y/Y (Bloomberg median 1.9) before only just rounding to the 2.1% expected in the preliminary flash release at 2.05% Y/Y. Core inflation ticked down to 2.27% Y/Y in August as it continues some stabilization after two months at 2.31% through June-July and 2.28% in May. The much-eyed services component has seen some disinflation however, with 3.10% Y/Y in August and 3.15% in July after the 3.32% Y/Y in June known ahead of the July meeting. As for 3m/3m momentum metrics using the ECB's seasonally adjusted data, core momentum firmed from 2.2% in July to 2.4% annualized in August but remains below the 2.7% seen in June. Similarly, services inflation momentum currently stands at 3.1% annualized in August after 3.0% in July, still elevated but at least comfortably below the >4% readings seen the three months prior. One area we'll be watching is whether there is a more widespread discussion around the continued re-acceleration of food inflation, as noted by Schnabel, with something similar seen in BOE commentary in the UK.

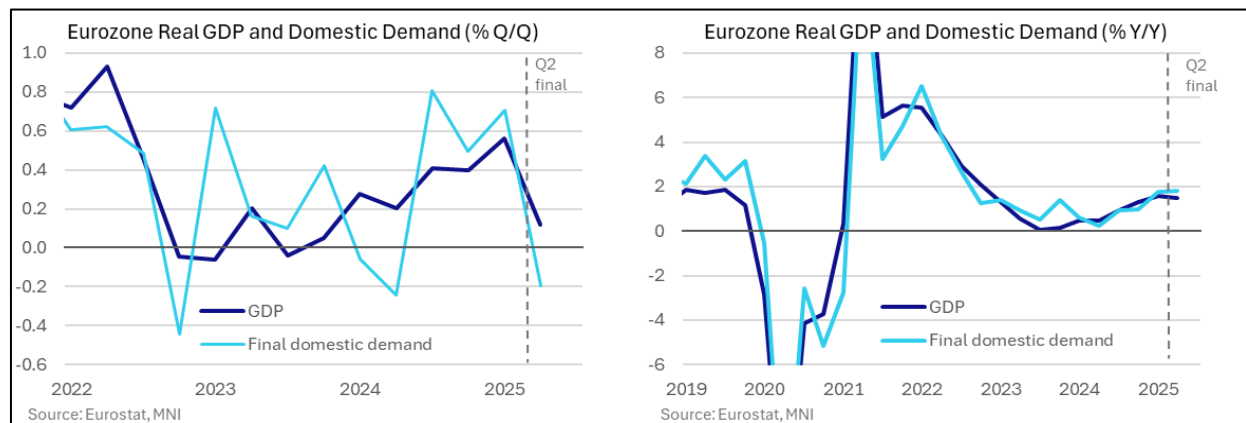


## Growth: Domestic Demand Gives Back Some Recent Robustness, Mfg PMIs Firm Further

Released shortly after the July ECB meeting, real GDP growth was a little better than analysts expected in the Q2 advance release at 0.1% Q/Q (cons 0.0) after a strong 0.6% Q/Q in Q1. Subsequent revisions haven't materially altered this trend, if anything marginally on the stronger side with the Y/Y rounding up to 1.5% Y/Y. The recent final release put real GDP growth at 0.12% Q/Q in Q2, helped by a large +0.5pp coming from change in inventories whilst final domestic demand dragged -0.2pps for its joint largest decline since late 2022. The latter points to a marked cooling in underlying demand although it does follow a strong 0.7pp in Q1 and 0.6pp averaged in 2H24. As such, final domestic demand growth at 1.8% Y/Y remained a little above that of real GDP growth.

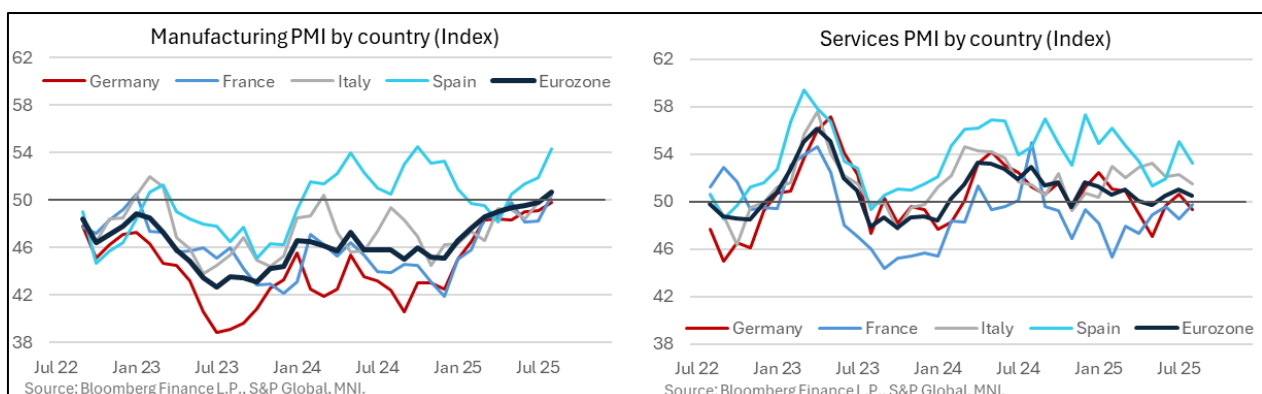


The final report also showed that nominal GDP grew 0.8% Q/Q (vs 0.7% prior) and 4.0% Y/Y (vs 3.9% prior) in Q2. On a sequential basis, Q2 nominal growth was mostly inflationary – real growth was 0.1% Q/Q while GDP deflator growth was 0.7% Q/Q. However, on an annual comparison there is a growing contribution from real growth to nominal GDP, reflecting a gradual recovery in activity as ECB past rate cuts feed through the system (real growth was 1.5% Y/Y in Q2, versus deflator growth of 2.5% Y/Y). We calculate that profits contributed 0.6pp to annual nominal GDP growth after just 0.1pp in Q1 and negative contributions in the three quarters prior, with the impact of US tariffs on Eurozone exporters' profits key to watch in the quarters ahead.



As for soft indicators, the August PMIs were mixed by sector relative to July with manufacturing continuing to improve but services unwinding the previous month's improvement. It saw the composite PMI increase 0.1pt to 51.0 for its joint highest since May 2024. Within that, the manufacturing survey increased for an eighth consecutive month to a 38-month high, even if that's only just back into expansionary territory at 50.7. Nevertheless, that's still showing some relative resilience compared to potential scenarios envisaged under aggressive US trade policy.

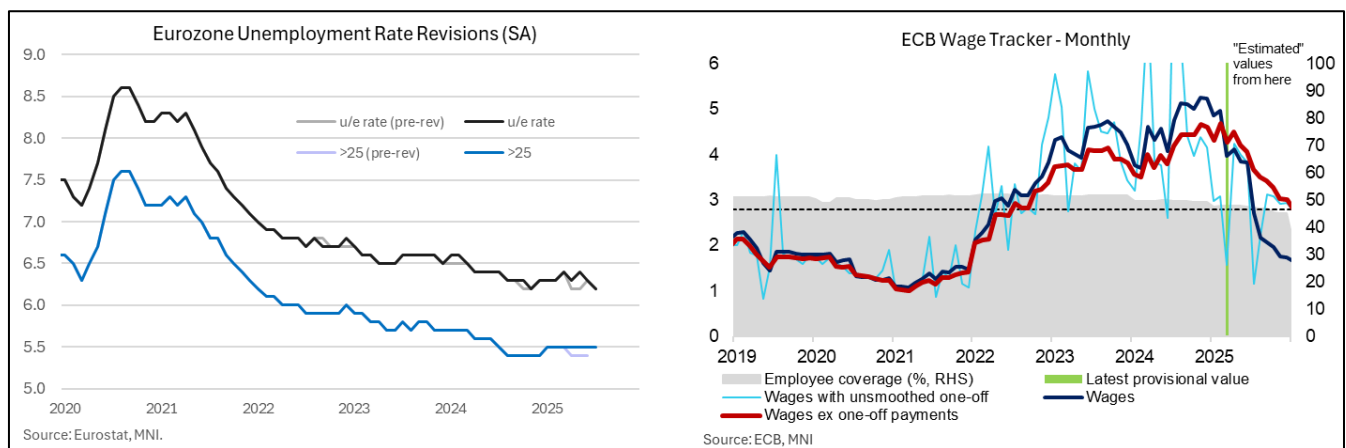
[Press release](#): "While the pace of expansion ticked up to a one-year high, it remained sluggish overall. The service sector held back overall growth, with output rising only marginally. Nevertheless, for the first time since May 2024, private sector firms reported greater volumes of incoming new work and employment growth was its quickest in 14 months".



## Labour Market: U/E Rate At Lows After More Revisions, Comp Per Employee Cools By Less Than Expected

The Eurozone unemployment rate printed at 6.2% in July as expected, a joint series low, but revisions have again altered recent trends. The data have quite often been revised and June saw a fairly typical 0.1pp upward revision to 6.3%, although the +0.2pp to 6.4% in May was more surprising. It leaves a trend of recent improvement but with question marks over the data. What had been seen as three months at joint cycle lows of 6.2% through Apr-Jun, tying with 6.2% in Oct-Nov 2024, Eurostat now estimate a latest pattern of 6.3% in Apr, 6.4% in May, 6.3% in Jun and 6.2% in July, tying with 6.2% only in Nov 2024. ECB's Lagarde has pointed to these at-the-time historically low unemployment rates when citing the health of the labour market in recent meetings. Outright employment growth remains subdued however, with just 0.1% Q/Q and 0.6% Y/Y in Q2.

As for inflationary pressures stemming from the labour market, Eurozone unit labour costs grew 3.1% Y/Y in Q2, down from 3.3% in Q1 for the seventh consecutive annual deceleration. This was above the ECB's 2.9% projection made in June, seemingly driven the smaller-than-expected deceleration in total compensation per employee growth (3.9% Y/Y vs 4.0% prior, 3.4% ECB). While a declaration in ULC growth has allowed the ECB to deliver 200bps of easing this cycle, the data is too lagged to help determine whether further fine-tuning of the policy stance is necessary. Given the modest upward surprise to compensation per employee growth, it argues in favour of steady rates at 2.00% for now. ULC growth may have moderated at a steadier pace than the ECB forecast but its forward looking wage tracker released earlier in the inter-meeting process points to a continued decline in negotiated wage growth. Now with estimates out to 1Q26, it eyes wage growth excluding one-off payments at 2.6% Y/Y in 1Q26 after 3.1% in 4Q25. Overall, the results are consistent with a further softening in services inflation pressures in the coming years, in line with ECB signalling.



## Macro Projections: Revisions Expected To Be Centred In 25/26

By Emil Lundh (Sep 8, 2025)

The ECB's September projections will be compiled by ECB staff (compared to June, which was an aggregate of National Central Bank projections), and will likely shape the tone of Thursday's policy statement and press conference. Analysts do not expect major revisions compared to the June projection round. See below for a summary based on 13 sellside estimates:

**GDP:** Analysts expect 2025 GDP to be revised up 0.2pp to 1.1%, but for 2026 and 2027 projections to remain unchanged at 1.1% and 1.3% respectively (the former with a risk of an upward revision to 1.2%).

- Carry-over from the stronger-than-expected H1 GDP prints, alongside better near-term activity indicators and lower trade policy uncertainty explain the expected upward revision to 2025 GDP projections. Expectations range between 1.0% and 1.3%.
- Further out, analysts have to weigh the following developments: (i) The EU-US trade deal, which features a higher-than-expected (vs the June baseline) effective tariff rate but allows for lower trade policy uncertainty, (ii) the stronger EUR, which weighs on real exports and (iii) German fiscal spending, for which June assumptions were fairly conservative.
- 2026 expectations range between 1.0% and 1.2%, while 2027 expectations range between 1.2-1.4%.

**Headline Inflation:** Analysts pencil in small (one tenth) upward revisions to 2025 and 2026 headline inflation projections to 2.1% and 1.7% respectively. 2027 headline inflation is still expected to be on target at 2.0%.

- Higher-than-expected spot energy and food prices are expected to drive the upward revision to 2025 and 2026 headline inflation, albeit offset somewhat by a stronger Euro.
- Analysts are not expecting many revisions to culminate from the EU-US trade deal, while some highlight that the German government's U-turn on a proposed household electricity tax cut will push 2025 and 2026 projections higher.
- While 2025 headline inflation projections are concentrated at 2.0% and 2.1%, there is a larger range for 2026 of 1.5% to 1.9%. This appears to be due to differing expectations around the ECB's technical

assumption cut-off date – which would imply different estimates for oil and gas contributions to inflation revisions.

**Core Inflation:** Analysts on net do not expect any core inflation forecast revisions through 2027 (2025: 2.4%, 2026: 1.9%, 2027: 1.9%).

- Only one analyst expects a downward revision to the 2025 projection to 2.3%
- For 2026 and 2027, expectations range between 1.8-2.0%.

	Core Inflation			Headline Inflation			GDP		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
ECB Jun '25 Projections	2.4	1.9	1.9	2.0	1.6	2.0	0.9	1.1	1.3
ECB Sep '25 Projections (MNI Median)	2.4	1.9	1.9	2.1	1.7	2.0	1.1	1.1	1.3
Change vs Jun	0.0	0.0	0.0	0.1	0.1	0.0	0.2	0.0	0.0
<b>Analysts (A-Z)</b>									
Barclays	2.4	1.9	1.8	2.1	1.7	2.0	1.2	1.0	1.3
Commerzbank	2.4	1.9	1.9	2.1	1.9	2.0	1.0	1.1	1.3
Danske Bank	2.4	1.9	1.9	2.1	1.7	2.0	1.2	1.2	1.3
Deutsche Bank	2.4	1.9	1.9	2.1	1.7	2.0	1.1	1.1	1.3
Goldman Sachs	2.4	1.9	1.9	2.0	1.6	2.0	1.1	1.1	1.4
HSBC	2.4	1.8	1.8	2.0	1.7	2.0	1.1	1.0	1.3
Morgan Stanley	2.4	1.9	1.8	2.1	1.6	2.0	1.3	1.2	1.3
Natixis	2.4	1.8	1.8	2.1	1.6	1.8	1.3	1.2	1.3
Nordea	2.4	2.0	1.9	2.1	1.7	2.0	1.1	1.2	1.3
Nomura	2.3	1.9	1.9	2.0	1.5	2.0	1.2	1.0	1.2
RBC	2.4	1.9	1.9	2.1	1.6	1.9	1.1	1.2	1.4
SEB	2.4	1.9	2.0	2.1	1.8	2.0	1.1	1.2	1.4
UBS	2.4	1.9	1.9	2.1	1.8	2.0	1.2	1.0	1.3

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

Note: Green highlight indicates higher projection than MNI median, red indicates lower. June projections were compiled by National Central Banks, not ECB staff. September projections are compiled by ECB staff.

## Jul 24 Rate Decision Statement

The Governing Council today decided to keep the three key ECB interest rates unchanged. Inflation is currently at the 2% medium-term target. The incoming information is broadly in line with the Governing Council's previous assessment of the inflation outlook. Domestic price pressures have continued to ease, with wages growing more slowly. Partly reflecting the Governing Council's past interest rate cuts, the economy has so far proven resilient overall in a challenging global environment. At the same time, the environment remains exceptionally uncertain, especially because of trade disputes.

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.



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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

### **Growth risks still tilted to the downside. Still two-sided for inflation amidst more uncertainty than usual.**

The wording on trade risks to growth, both downside and upside, is in concept identical if not verbatim to last month's.

"Risks to economic growth remain tilted to the downside. Among the main risks are a further escalation in global trade tensions and associated uncertainties, which could dampen exports and drag down investment and consumption. A deterioration in financial market sentiment could lead to tighter financing conditions and greater risk aversion, and make firms and households less willing to invest and consume. Geopolitical tensions, such as Russia's unjustified war against Ukraine and the tragic conflict in the Middle East, remain a major source of uncertainty. By contrast, if trade and geopolitical tensions were resolved swiftly, this could lift sentiment and spur activity. Higher defence and infrastructure spending, together with productivity-enhancing reforms, would add to growth. An improvement in business confidence would also stimulate private investment."

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

## Press Conference Q&A

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

- You could argue that we are on hold
- Guidance tweak part of strategy review. Policy in a good place, it's a good time to wait and see until September
- We are not going to be moved away by some minor deviation (when asked about inflation undershooting)
- The sooner this trade uncertainty is resolved the less uncertainty we will have to deal with, and that would be welcomed by any economic actors, including ourselves
- Question on future consideration of rate hikes avoided
- Lagarde doesn't bite on a question around De Guindos' comment of EUR/USD >1.20 be complicated

See the official ECB transcript for the full Q&A here: [https://www.ecb.europa.eu/press/press\\_conference/monetary-policy-statement/2025/html/ecb.is250724~a66e730494.en.html](https://www.ecb.europa.eu/press/press_conference/monetary-policy-statement/2025/html/ecb.is250724~a66e730494.en.html)

## Key Inter-Meeting ECB Commentary

By Emil Lundh (Sept 8, 2025)

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

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

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

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

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

- **Nagel (Aug 12)** similarly believes that inflation can be removed *"from the list of major challenges"*, while **Villeroy (Sep 2)** sees inflation as *"well under control"*.
- Meanwhile, **Rehn (several)** appears very cognizant of downside inflation risks in the medium term, with **Simkus (Sep 2)** also viewing growth and inflation risks as tilted to the downside. Speaking on next year's inflation outlook, **Kazaks (Aug 24)** is aware that *"we will somewhat undershoot but of course the question is, how it'll start to rebound"*.



- Elsewhere, the hawkish **Schnabel (Sep 2)** has highlighted the recent resilience (and improving outlook) of the Eurozone economy, while providing arguments why inflation risks are tilted to the upside.
- On the September projections, both **Muller (Sep 2)** and **Dolenc (Sep 3)** have suggested they don't expect major deviations from the June iteration.

For a full summary of ECB speak by date and policymaker, see our latest weekly publication [here](#).

09 September 2025

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	2.1	1.9	⬆️	2.4	⬇️					-0.67
Core Inflation	% y/y	2.3	2.3	➡️	2.6	⬇️					-0.81
Oil Prices	\$	68.1	63.9	⬆️	73.2	⬇️					-0.37
5y/5y Inflation Swap	%	2.10	2.06	⬆️	2.04	⬆️					0.38
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	51.0	50.2	⬆️	50.2	⬆️					0.83
Industrial Production	% y/y	0.2	3.7	⬇️	-1.7	⬆️					-0.16
Business Climate Indicator	Index	-0.72	-0.56	⬇️	-0.74	⬆️					0.01
Consumer Confidence	Index	-15.5	-15.1	⬇️	-13.6	⬇️					-0.62
Monetary Analysis		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Narrow Money (M1)	% y/y	5.0	4.8	⬆️	2.7	⬆️					1.33
Broad Money (M3)	% y/y	3.4	3.9	⬇️	3.8	⬇️					-1.20
Loans to Non-Fin Corps	% y/y	2.5	2.5	➡️	2.0	⬆️					0.91
Loans to Households	% y/y	2.3	1.7	⬆️	1.2	⬆️					1.37
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	2.2	2.7	⬇️	1.9	⬆️					0.70
Unemployment Rate	%	6.2	6.3	⬇️	6.3	⬇️					-1.76
Labour Costs (Quarterly)	% y/y	3.4	5.1	⬇️	5.0	⬇️					-1.50
Employment (Quarterly)	% y/y	0.6	1.0	⬇️	1.3	⬇️					-1.50
Markets		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Equity Market	Index	5369	5367	⬆️	5464	⬇️					1.13
Bund Yield	%	2.66	2.50	⬆️	2.41	⬆️					1.12
10y BTP Spreads	%	82.1	98.0	⬇️	113.2	⬇️					1.01
EUR TWI	Index	127.49	123.95	⬆️	118.92	⬆️					1.13

Source: MNI, Bloomberg Finance L.P.

## Analyst Expectations And Key Comments

- The median of 25 analysts reviewed below sees no more rate cuts ahead, with the deposit rate at 2.00%.
- There is still a dovish skew to that, with 7 looking for one cut to 1.75% and 4 looking for two cuts to 1.50%, but it's nevertheless a sizeable change from ahead of the July meeting when there was a clearcut consensus for a terminal 1.75% rate.
- Where analysts do expect a cut, December looks most likely, on the assumption that it could take a while for softer conditions to materialise and presumably with the added perk of being a projections meeting.
- Explicit rate hike expectations are starting to feature a little more prominently but remain firmly in the minority, with the earliest seen by Deutsche Bank and UBS in late 2026.

### Summary of Analyst Views

Institution	Next cut	Terminal low	End-2026	Hikes	Rate path/comments
Median	Dec (if any)	2.00%			
Swedbank	Oct	1.50%			ECB to cut in Oct and then Feb for 1.5% terminal, see downside risks to both growth and inflation
Citi	Coming mths	1.50%			Further rate cuts in the coming months/quarters to reach the lower end of the neutral range at 1.5%
BofA	Dec	1.50%	1.50%	Late 2027	25bp cuts in Dec and Mar. Delaying cuts will be costly - 50bp hikes shifted from early to late 2027
Morgan Stanley	Dec	1.50%	1.50%		25bp cuts in Dec and Mar with rates then on hold
Barclays	Dec	1.75%	1.75%		Economic outlook to justify final cut in December
ING		1.75%?			A rate cut later this year should still not be ruled out
Natixis	Dec	1.75%			Final 25bp rate cut still possible in Dec, see 60% probability
Nord/LB	Dec	1.75%			Sufficient scope for new escalations in US-EU trade
SEB	Dec	1.75%			Conclude rate cutting cycle with 25bp cut in December but uncertainty remains significant
Wells Fargo	Dec	1.75%			December cut likely, aided by weak growth backdrop
Société Générale	1Q26	1.75%			ECB to stay on hold this year before cutting early 2026 to protect inflation expectations
ABN Amro	x	2.00%			ECB on hold for the foreseeable future as it won't want to fine tune policy
Commerzbank	x	2.00%	2.00%		See rates on hold for foreseeable future
Daiwa	x	2.00%			Believe ECB has cut for the last time this cycle but risks still skewed to the downside
Danske	x	2.00%	2.00%		Rates on hold at 2% throughout 2026 in baseline with hikes discussion premature
Deutsche Bank	x	2.00%	2.25%	4Q26	Risks of easing over 6-9 months but beyond that expect 25bp hike in 4Q26 to 2.25%
Goldman Sachs	x	2.00%			Further cuts possible but would need catalyst
HSBC	x	2.00%			See rates on hold but inflation likely to undershoot target in 2026 and only just meet it in 2027
Nomura	x	2.00%	2.00%		Rates seen on hold throughout 2026
Nordea	x	2.00%	2.00%	2027	Currently no need to signal tilting towards further rate moves
Rabobank	x	2.00%	2.00%		Near-term risks tilted to downside but focus should shift to upside risks for 2H26
RBC	x	2.00%			On hold for foreseeable, too soon to say balanced risks to growth
Santander	x	2.00%			Paying fixed still makes sense but could take several weeks before trade pays off clearly
UBS	x	2.00%	2.25%	Late 2026	Moderate fiscal impulse to warrant rate hike starting end-2026, possibly less on stronger euro
UniCredit	x	2.00%	2.00%		ECB to hold at 2% throughout 2026 but market unlikely to price out final cut over next 3-6 months

mni

Source: Analyst previews and MNI. Note: Sorted by terminal view and then next rate cut.

Analyst views of what to expect at this meeting (sorted by size of upcoming meeting cut before alphabetical order):

### ABN Amro: Market Moves To Date Not Even Close To Trigger ECB Response

- "President Lagarde has said that the ECB is 'well positioned' to face the coming period of tariff impact and uncertainty."
- "Despite the expected undershoot of the 2% inflation target, the GC seems minded to look through this on the expectation that inflation will return to target in 2027."
- "Although the ECB's inflation projections in June factored in one more 25bp rate cut (based on market rate expectations at the time), we doubt the Governing Council is minded to fine-tune policy to that degree."
- "Even if the period of disinflation proves more prolonged than it currently expects, it will probably continue see inflation back to target over the medium term. The exception is if there were to be a significant growth shock, which sees the economy weakening for a more significant period than the ECB currently expects."
- "In our view, market moves to date are not even close to levels that would trigger any kind of response from the ECB, either in terms of outright yields generally, or for instance France's spread over Germany. Yields would

need to rise much more sharply to generate concerns about either tighter financial conditions (which could be offset by rate cuts) or market stability (where liquidity measures or asset purchases could come into play). When it comes to spreads, the TPI is its main tool. France would not be eligible given it is in excessive deficit, but the ECB could use it to prevent contagion to countries whose fiscal fundamentals are healthier.”

#### **Barclays: “Wait-and-See” Approach The Path Of Least Resistance For Now, See Final Cut In Dec**

- “The ECB is set to keep rates unchanged and strike a neutral tone in September. Aside from mechanical GDP revisions, forecast changes to activity and inflation profiles should be minimal relative to the June profile, with the latter still showing a temporary headline undershooting.”
- “We expect no major changes in the policy statement, with the GC preserving maximum optionality given that the stance is broadly neutral and uncertainty remains elevated. This time, we expect the president to adopt a more-neutral tone, in line with the GC agreement to remain “deliberately uninformative” about future policy moves.”
- “The updated forecasts should feature small revisions, maintaining the broad narrative of a consumption-led recovery and a continuing gradual disinflation process with inflation at target on the medium term.”
- “We expect the ECB to continue characterising risks to the growth outlook as tilted to the downside, with US tariffs viewed as a net negative demand shock as the risk that the EU would retaliate against US trade measures has dissipated. The ECB likely will reiterate that a deterioration in market sentiment could lead to tighter financial conditions and weaker activity.”
- “At this juncture a prudent “wait-and-see” approach seems the path of least resistance. However, by December, based on our economic outlook and evolving risks considerations, we expect the ECB to reduce the deposit rate by 25bp to 1.75% at that meeting and then remain on hold in 2026.”

#### **BofA: Delaying Of Cuts To Be Costly**

- “We continue to expect an economy that barely grows this year but hopefully accelerates next year thanks to improving external demand and the German fiscal impulse.”
- “The recovery will not be strong enough to keep inflation at target durably. We still expect a persistent inflation undershoot.”
- “The ECB signaled it will not cut in September, but we still see 50bp of cuts ahead: 25bp in December and 25bp in March. Delaying the cutting cycle will be costly: we shift our forecast of 50bp of hikes from early 2027 to late 2027.”

#### **Citi: ECB Forecasts To Be More Hawkish Than Citi’s Earlier Expectations, Still Expect Further Cuts**

- “The ECB is likely to keep its key policy rate unchanged at 2.0% next week, in the middle of its estimated neutral range.”
- “The new Staff Projections may result in slightly higher growth for 2025 (due to higher 1H25 GDP and limited evidence of a near-term slowdown).”
- “A higher euro and lower energy prices imply downside risks on the inflation forecasts, but we expect only marginally lower 2026 HICP 2026 forecast, and 2027 unchanged at 2.0%.”
- “Despite this being more hawkish than our earlier expectations, we still expect further rate cuts in the coming months/quarters to reach the lower end of the neutral range at 1.50%.”

#### **Commerzbank: Rates On Hold For Foreseeable Future**

- Commerzbank “expect key interest rates to remain constant for the foreseeable future. This is because inflation is likely to be closer to the 2% target than the ECB had previously expected, and the growth outlook is gradually improving. Central bankers are therefore likely to feel quite comfortable with a deposit rate of 2%.”
- “The futures markets also do not expect any change in interest rates next Thursday. On the other hand, there is persistent speculation that the ECB will venture to cut interest rates in the months that follow.”
- “Individual ECB Council members from the monetary policy doves camp are emphasizing the downside risks for inflation in particular. According to a report by the Reuters news agency, five unnamed individuals close to the ECB believe that discussions within the Governing Council about a further interest rate cut could be resumed, especially since the current projections are based on the assumption of a further interest rate cut.”
- “We consider this unlikely for a number of reasons and expect key interest rates to remain unchanged for the foreseeable future.”
- “[T]he ECB is likely to revise its growth projection for the third quarter and, accordingly, for the year as a whole slightly upwards. At the same time, ECB economists are expected to raise their forecast for the overall inflation rate slightly, bringing it closer to the inflation target. The forecast for core inflation, on the other hand, is likely to remain unchanged; according to the projection, it should gradually move toward the 2% inflation target. Based on this picture, there is little to suggest further interest rate cuts in the coming months, but equally little to suggest an interest rate hike.”



**Daiwa: Policy Statement To Surely Maintain Its Data-Dependent and Meeting-By-Meeting Approach**

- “We expect the Governing Council to hold rates for a second successive meeting, leaving the Deposit Rate at a broadly neutral 2.00%.”
- “Indeed, most comments from policymakers since the summer break have echoed Lagarde's sentiment about policy being in a 'good place' with no need to rush to move policy in either direction. And the data have also been broadly supportive of standing pat.”
- “Indeed, GDP growth came in on the high side of expectations over the first half of the year, and subsequent business survey indicators have remained surprisingly resilient to alleviate concerns about a slowdown in activity. With inflation close to target at 2.1%Y/Y in August but expected to edge higher over the remainder of the year, and the main core rate steady at 2.3%Y/Y for four months, the ECB should be happy to maintain its 'wait-and-see' stance.”
- “As such, our baseline view is that the ECB has already cut for the last time this cycle. But we acknowledge that the risks to rates are still skewed to the downside.”
- “We think Lagarde will stop short of coming across overly hawkish in her post-meeting press conference by calling time on the possibility of further rate cuts. Indeed, the Governing Council's policy statement will surely maintain its forward guidance of a 'data-dependent', 'meeting-by-meeting' approach.”

**Danske: Lagarde To Sound Confident That Current Policy Stance Is Appropriate**

- “We expect the ECB to leave the deposit rate unchanged at 2.00% on Thursday 11 September in line with consensus and market pricing.”
- “Lagarde to sound confident in the economic outlook and that the current monetary policy stance is appropriate, with staff projections likely to show little changes in the forecast for 2026-27.”
- “We expect Lagarde to be satisfied with current market pricing, aiming for a limited market reaction during the press conference.”
- “We believe hikes in 2026 are premature due to inflation likely being below target by then and the German economy having sufficiently room to increase production without fueling inflation. Yet, we do acknowledge upside risks to the ECB profile at the end of 2026 but expect the policy rate to remain at 2.0% in 2025 and 2026 in our baseline.”
- “Heavyweight in the GC Schnabel has similarly stated that global rate hikes may start earlier than expected.”

**DB: Risks Skewed To Near-Term Easing But Expect A Hike At End Of 2026**

- “The ECB is expected to keep policy rates unchanged at 2% again at the Governing Council meeting on 11 September. Having signalled at the last meeting that the ECB is in a “good place to hold and watch”, there has been nothing in the incoming data to challenge the assumption of a further pause in September.”
- “We expect [Lagarde] to repeat that policy is “in a good place” to navigate uncertainties. This is the rhetorical device to signal a 'flexible pause': a pause without contradicting the data-dependent, meeting-by-meeting approach.”
- “Lagarde's hawkishness in July might have overstated the consensus view of the Governing Council and we expect a message that the Council's underlying policy stance is unchanged and a pause has unanimous support.”
- “In June, HICP inflation was projected to undershoot the 2% target in 2026 and return to target in 2027. The pressure on the ECB to cut rates further would build if there is a deepening, and in particular a lengthening, of the undershoot. However, we see the risks skewed towards the September staff forecasts showing a less deep, not a deeper, undershoot.”
- “At 2%, we think the ECB has reached the terminal deposit rate in this cycle. The risks are skewed towards further easing over the next 6-9 months [...] but over the next year we expect the risks to rotate and the ECB to hike at the end of 2026.”

**GS: Further Cuts Would Need A Catalyst**

- “We expect the staff projections for growth to rise by 0.2pp to 1.1% for this year (given a stronger run-rate and more German fiscal support), remain unchanged at 1.1% next year (given offsetting effects from trade and fiscal policy) and increase by 0.1pp to 1.4% for 2027 (driven by more fiscal support). We expect the inflation projections to remain unchanged given cross-currents from recent developments.”
- “On net, the projections are thus likely to show a modest upgrade to growth, an inflation undershoot for next year and inflation near target in 2027. Consistent with this, ECB officials have reiterated confidence that inflation is on track to reach 2% over the medium term.”
- “We thus expect the Council to indicate that the incoming data support its expectation for an ongoing recovery and inflation around target over the medium term. The Council is likely to repeat in the monetary policy statement that it will set policy as appropriate in a data-dependent and meeting-by-meeting fashion.”

We expect President Lagarde to reiterate in the press conference that policy is in a good place given the medium-term inflation projections, discounting the 2026 inflation undershoot.”

- “The dovish risk to the meeting is that the communication emphasises the 2026 inflation undershoot more prominently and conveys a clear easing bias in the press conference. The hawkish risk is a larger upgrade to the growth projections and a formal signal that rates are expected to remain on hold.”
- “Looking beyond next week, we see scope for ECB officials to upgrade their growth projections further in December—given the German fiscal expansion—and feel good about our forecast that the ECB will hold rates at 2% from here. Further cuts remain possible but would likely require a catalyst, either via a sharp deterioration of the activity data or a more pronounced undershoot of inflation.”

#### **HSBC: Lagarde Likely To Dodge TPI Questions**

- “We expect the ECB to be on hold on 11 September, consistent with our long-held view and current market pricing. Any change in policy rates would be a big surprise.”
- “The news since the July meeting has been mixed, with the August PMIs a little better than the market expected, as was 0.1% q-o-q GDP growth in Q2 (though it may well be revised down), while the July inflation print surprised consensus slightly to the upside. On the other hand, June trade data show signs of payback from export front-loading and the announcement of a confidence vote in French government raises political uncertainty. The EU’s trade deal with the US provides some clarity – albeit with 15% tariffs – but some uncertainties on the detail remain.”
- Lagarde stressing that policy was “in a good place” “reinforced the comments made earlier by Board Member Isabel Schnabel, who had said that “the bar for another rate cut is very high”. Given this tone, the incoming data don’t seem sufficient to warrant any change in the policy stance in September.”
- “We expect only small changes to the ECB staff forecast in September, and nothing that could justify a change in policy. That said, there have been plenty of disinflationary developments since June, including the stronger EUR and US-EU tariffs slightly higher than in the ECB baseline. Yet, given the rather dovish forecast in June, we do not see downward revisions to inflation.”
- “Even so, inflation is likely to undershoot the ECB 2% target throughout next year, and only just meet it in 2027. There are also downside risks to inflation from any further EUR appreciation, the ongoing impact of tariffs, and implementation risks on fiscal plans. But we don’t expect any firm guidance in September.”
- On whether TPI is needed with France: “We think that she will avoid the question by saying it is too early to discuss this. The difficulty is that the TPI is intended to counter deteriorations in financing conditions “not warranted by country-specific fundamentals”, which so far is not obviously the case in France.”

#### **ING: A Final Rate Cut Later This Year Cannot Be Ruled Out, Yet**

- “The discussion at next week’s ECB meeting looks set to be more controversial than markets are currently pricing in.”
- “With a large number of European Central Bank officials having returned from the summer break with rather hawkish comments, we are folding and expect the ECB to stay on hold at next week’s meeting. Still, be it because we are sore losers or there are still good dovish arguments, a rate cut next week or later this year should not be entirely ruled out.”
- “For us, next week’s meeting is an example that central bank watchers sometimes need to distinguish between what a central bank should do and what it will do. While we still have some sympathy for another, rather preemptive, rate cut to avoid unwarranted euro strengthening and inflation undershooting, we also see a majority at the ECB not sharing this view and instead stressing signs of resilience and recent hard data.”
- “The ECB currently doesn’t look willing to leave its ‘good place’, though a rate cut later this year should still not be ruled out.”
- “The ECB press conference could be more delicate than usual as President Christine Lagarde needs to avoid repeating her 2020 mistake of casting doubt about her ‘whatever it takes’ ambitions, while at the same time emphasising that ECB support cannot be taken for granted. In fact, Lagarde will have to stress that the Transmission Protection Instrument (TPI) can only be activated for countries that actually comply with European fiscal rules or are at least following the given adjustment paths – a condition France currently does not fulfil. [...] Almost 10 years ago, when asked why France had received more leeway on adhering to the fiscal rules, former European Commission President Jean-Claude Juncker answered, “because it’s France”. We are unlikely to see Lagarde repeating such an answer when it comes to TPI.”

**MS: Still See Two Further Cuts In December and March**

- “We expect the ECB to remain on hold in September, with an unchanged communication. Projections are likely to show higher growth in 2025 and 2026. Headline inflation could be revised up a touch in 2025 because of oil and food prices. Risks should remain tilted to the downside.”
- “We expect the ECB to remain on hold at the September meeting and maintain its wait-and-see strategy. The July meeting brought a clear message. With rates at neutral levels, the bar for additional rate cuts has moved up. The incoming data has not swayed the outlook either way. The economy has held up better than expected, and while incoming data points to some downside risk to the inflation outlook in 2027, it does not warrant a significant revision. The ECB will therefore look to keep all options on the table. By the time of the next projection meeting (December), data will paint a clearer picture. We expect downside risks to growth will have started to materialize, the euro will have strengthened further, wages will look weak. This should open the door for further easing.”
- “We find it unlikely that the ECB meeting will result in a hawkish enough outcome to further challenge the easing currently priced in. In our view, short-dated rates have room to reprice lower, and we continue to favour Oct-Dec flattening given the low implied probability of a 25bp cut for December.”
- From two weeks ago: “Our current view is that the terminal rate will reach 1.5%, below neutral, by March 2026. And we think the decision to cut an additional 50bp from here will stem from a persistent undershoot in euro area inflation.”

**Natixis: 60% Probability Of Final Cut In December**

- “We expect a status quo at ECB’s next week meeting, a decision expected by the market to a large extent.”
- “Given the latest economic developments since the June meeting and in the context of uncertain impact of the US tariffs on exports (due to lack of clarity on the effective tariffs eventually imposed by the US), we anticipate that a majority of Governing Council members will consider that the ECB is ‘well positioned’ to assess shocks and cope with an uncertain environment.”
- “The ECB will unveil its new set of forecasts. We expect slight upwards revisions regarding GDP growth for 2025 and 2026 – mainly due to stronger than expected growth in H1 2025 – and a broadly unchanged outlook regarding inflation, with some downside risks.”
- “We believe that a final 25bp rate cut in December is still possible in case labour market softening appears more severe than expected and inflation drops well below target due to decreasing energy prices and stronger appreciation of the euro.”
- “We now attach a probability of 60% for a last policy rate cut by the ECB at its December’s meeting with a terminal rate at 1.75%.”
- Their view is motivated in part by the shape of the labour market: “We find that a standard Okun’s law for the Euro area – albeit weaker since the Covid – is still statistically significant, suggesting that unemployment rate is likely to rise in the coming months amid deceleration GDP growth. In addition, both entrepreneurs and household expect a decrease of employment over next twelve months in the latest EC business and consumer surveys.”

**Nomura: No Material Changes In Communication Expected**

- “We expect the ECB to leave the depo rate unchanged at 2.00% at its 11 September meeting. We believe the ECB will continue to emphasise data dependence and a meeting-by-meeting approach, with no change in guidance.”
- “ECB President Lagarde is likely to emphasise the ECB is well positioned with rates at current levels (i.e. neutral) to navigate ongoing uncertainty due to US trade policy.”
- “The ECB will publish new forecasts. Importantly, we do not expect the ECB to materially change its medium-term view or meaningfully alter forecasts for 2027.”
- When asked about the rate outlook beyond September, “We expect Mme Lagarde to suggest data misses or economic events would have to lower the ECB’s 2027 HICP inflation forecast to alter the rate path.”
- “Mme Lagarde is likely to also be asked about how the US-EU trade deal will affect the ECB’s decision-making process. We expect Mme Lagarde to suggest the trade deal implies less uncertainty, which is positive for the euro area economy, while underscoring the adverse impact of US tariffs on euro area GDP growth.”
- “Mme Lagarde is also likely to be asked about French political turmoil and the widening of OAT-Bund spreads. We expect her to push back against the need for the ECB to intervene (via the TPI or OMT), but to underscore the ECB will always be prepared to do whatever is necessary to safeguard the euro.”



**Nordea: Near-Term Risk To Cuts But Risk Picture To Gradually Shift To Hikes**

- “The September meeting should be a relatively easy one for the ECB. Not even the more dovish Governing Council members appear to be pushing for another rate cut at this time, while virtually nothing is priced in for the September meeting.”
- “Recent data suggest the ECB’s June baseline forecasts remain intact, which should largely lead to a repeat of the July message that the ECB remained in a good place.”
- “We have no more rate cuts in our baseline, and have actually added two rate hikes for our profile for 2027. We note that in the coming few meetings, risks remain rather tilted towards a rate cut, which could be realized if there are new downside growth surprises. However, the risk picture will gradually shift towards hikes longer out, as we expect the economy to gather steam, which should also feed into new inflation pressures from a starting point of already rather tight labour market.”
- “If there are some changes, they could even be on the hawkish side, as Lagarde could point to the uncertainty having receded somewhat on the back of the preliminary EU-US trade agreement or due to changes in the estimated timing of the German fiscal package. Such a message could dent remaining market rate cut pricing further, with around 8bp in prices by the end of the year and just under 20bp by the middle of next year. In the past, markets have often moved to price in the risk of rate hikes after the cuts have concluded.”

**Nord/LB: ECB To Emphasize Threshold For Rate Cut Remains High But Nord Eye December Cut**

- “Against the backdrop of recent reports, commentary, and market developments, there are many indications that the ECB will continue its interest rate pause next week. Monetary policy in the single currency area thus remains on hold. However, we do not expect a stalemate.”
- “We continue to believe that another interest rate cut is likely this year – December seems to be the right time for this. Even if the trade agreement with the US may initially provide a semblance of (planning) certainty, the greatest risk to economic relations remains the man in the Oval Office. The agreements reached, however, are anything but cast in stone. In our view, the built-in conditionalities in many aspects have left sufficient scope for new escalations. The members of the ECB Council are likely aware of this.”
- “Consequently, we expect monetary policy makers’ rhetoric to continue to emphasize down-side risks to the Eurozone economy, thus maintaining the likelihood of a final downward trend toward the end of the year.”
- “Although the ECB is likely to continue emphasizing that the threshold for a rate cut remains high, the meeting minutes and the persistently high level of uncertainty suggest that the next step will probably come with a downward adjustment.”

**Rabobank: Own Taylor Rule Projected To Rise To Around 2.3% By End-2026**

- The ECB is expected to leave the deposit rate at 2.00% - “The doves don’t have a solid case for another rate cut, as some hawks are starting to think about the future need for rate hikes already.”
- “Even though we forecast higher headline inflation than the ECB, we expect only relatively small adjustments to the ECB’s economic projections.”
- “We still believe the ECB’s cutting cycle has ended. Near-term, risks are still to the downside. But if no rate cut materialises by year-end, the focus should shift to upside risks for 2026H2.”
- “As an indication of the appropriate policy stance, our own Taylor rule sits at 2% right now, but it is projected to be around 2.3% by end-2026.”
- “The French political turmoil and the rise in global ultra-long rates do not warrant a policy response at this juncture.”

**RBC: ECB Seen On Hold For Foreseeable But Two-Side Market Risks To Meeting**

- RBC see the ECB on hold for the foreseeable future. “The statement and press conference are unlikely to make material changes to the guidance and we think the ECB will try to retain full optionality. We do see a few potential stumbling blocks for markets, however.”
- “The main dovish risk is if Lagarde puts emphasis on any discussion of an insurance rate cut in 2025. The main hawkish risks come from changes to the guidance on growth risks or embedding the guidance that the ECB is “well-positioned” in the press statement.”
- “The projections are likely to show modestly stronger growth across the forecast horizon, with minimal changes in the inflation projections. We do not expect anything here to support the case of the doves.”
- “Fundamentally, we think the ECB’s reaction function is not conducive to fine-tuning policy and when it moves next it will be with clear purpose and direction.” – They don’t think the ECB will cut again this year. “

- “We think it is a matter of time until the ECB changes its guidance on growth risks, and says the risks are balanced. We are not convinced the ECB will feel confident enough to make this change at its September meeting, but we struggle to see where the overwhelming downside risks really are at this junction, especially given that trade policy uncertainty has been substantially reduced since the last meeting, and the domestic economy is tentatively performing again. If the ECB changes this guidance, we should see rates cuts priced out across the front-end, particularly in 2026, where the market is still clinging to the possibility of further rate cuts.”
- “We are comfortable with current market pricing for the ECB. We think there is only a very small probability that the ECB hikes rate this year, hence starting from the approx. 7.5bp implied by December, the market can only continue to price out a few basis points of cuts for now. Over time those cuts are likely to be priced out entirely, simply because there is less time for a negative growth shock to realise.”
- “In a world where the ECB is on hold for a long period of time, we think it makes sense to take short volatility positions on near-term Euribor options, for example being short straddles.”

#### **Santander: Still A Strong Case For ECB To Remain In Wait-And-See Mode**

- “We believe the ECB’s baseline scenario will be revised, becoming slightly more sanguine on growth but not materially gloomier on inflation. We expect upward revisions in growth estimates for 2025 (to at least 1.2%) possibly keeping 2026E unchanged (or even raising it slightly).”
- “As regards inflation, and probably more importantly at this point in the decision-making process: We expect projections to continue to show core inflation stabilising in 2026 and 2027. Headline inflation might still decline temporarily below 2% in the next few months, but just because of base effects, and this would not indicate a new trend for prices. Indeed, the 1Q26 trough could be revised slightly higher.”
- “That said, it is still too soon to close the door to any moves just yet.”
- “The ECB will likely reaffirm that it “is well positioned/in a good place” against this macroeconomic backdrop, leaving the door open to any options (including a rate cut) if the situation ultimately demands it, but probably also acknowledging that inflation is still likely to stabilise near its goal over the medium term.”
- “If the macro data to be published between now and the end of the year confirms that the impact not only of US tariffs but also of the planned increase in government spending is in line with what the econometric models anticipate, there would likely be no need for any more rate cuts in this cycle. But it is still too soon for the ECB to pre-commit to any scenario just yet.”
- “Market-wise, it is still too soon to fully rule out the possibility of another cut, or to start pricing the next move as a hike. A shift in expectations may occur later this year, but not just yet. This suggests that the risk bias across the EUR curve remains tilted to the upside, though it may take until later in the year for materially higher rates to materialise. Paying fixed in the front end still makes sense, but it will likely take several weeks before the trade pays off clearly.”

#### **SEB: December Is Next Checkpoint For Possible Cut**

- “The ECB is set to leave policy unchanged at the 11 September meeting, with recent comments from Governing Council members underlining that the bank is in no hurry to consider cutting rates further.”
- “The September staff projections will factor in the recent US trade deal, but revisions relative to June are likely to be small.”
- “We see December as the next checkpoint for a possible cut. Forwards currently price unchanged rates in September and October, with a 30-35% probability of a cut in December.”
- “Our baseline remains that the ECB will conclude the rate-cutting cycle by lowering the deposit rate to 1.75% in December, though uncertainty remains significant.”

#### **SocGen: Expect Next Cut In 1Q26 On Temporarily Weaker Inflation**

- “Monetary policy independence is facing a major challenge, not only in the US, by populist politics and growing fiscal pressures. This could put upward pressure on inflation expectations and lead to political pressure to raise inflation targets.”
- “The euro area economy is still in a relatively good place, allowing the ECB to stay on hold next week. We expect the next cut in 1Q26, coinciding with (temporarily) weaker inflation and growing signs of an adverse tariff impact.”
- “Apart from higher 2025 growth, the new staff forecasts should not differ materially from June, still with a temporary inflation undershoot in 2026. The fiscal outlook could be worse, due to Germany and France mainly, adding risk to inflation.”
- “No guidance on the policy stance is expected, with data-dependency fully in place.”

- “While business confidence has shown some signs of recovery in recent months, likely on the back of rising clarity over the tariffs, we still expect this autumn to be challenging for export companies. We expect firms to try to maintain US market shares, resulting in a noticeable slowdown in profits. This in turn would raise the question whether to try to compensate for low productivity by shedding labour or by raising investment (possibly in the US).”

## **Swedbank: Continue To See Risks To Both Inflation And Growth Tilted To Downside**

- “The ECB is widely expected to keep interest rates unchanged during this week’s meeting, leaving the deposit rate to 2.0%.”
- “The Governing Council is likely to provide little forward guidance, instead reiterating its data-dependence and meeting-by-meeting approach.”
- “Markets currently price in barely 10 basis point cut this year and less than 20 basis points before the summer of 2026, indicating that the threshold for additional cuts is high. However, we continue to see risks to both inflation and growth tilted to the downside.”
- “We maintain our forecast that the ECB will lower interest rates one more time this year (in October) and again in February next year, bringing the deposit rate to 1.5%.”
- “A developing political and fiscal crisis in France increases the likelihood that the ECB may have to intervene, possibly by activating its Transmission Protection Instrument (TPI).”

## **TD Securities: Policy Statement To Cite Ongoing But Reduced Risks From Global Trade Tensions**

- “Not much has changed in data releases since the last meeting to require a shift in monetary policy.”
- “The July press release and conference touted inflation being at target. Though risks remained to the downside on growth, not least because of uncertainty surrounding trade, the statement also recognised resilience in the economy. Since then, Q2 GDP growth came in at 0.1% q/q, confirming a strong first half of the year after recording a 0.6% print in Q1, and placing the euro area on a competitive footing across developed economies. Inflation remained at the ECB’s 2% target in July and only rose to 2.1% in August on rounding. Inflation expectations are also anchored.”
- “The major difference since July is the trade agreement that was reached between the EU and US. This alleviated some uncertainty facing the euro area. PMIs and other confidence measures ticked up as a result, though remain cautiously below 50 in German manufacturing and French services. The trade agreement is not in its final legal form, however, suggesting there is still room for surprises.”
- “We believe that the policy statement will cite ongoing, but reduced risks from global trade tensions, and not mention the French political situation at all as the ECB had not done so when the Barnier government collapsed in December. Language on a “meeting-by-meeting” approach and “not pre-committing to a particular rate path” will remain.”

## **UBS: Easing Cycle Has Ended, Lagarde To Reiterate Policy In A Good Place**

- “We think the ECB’s easing cycle has ended and expect the ECB to keep the depo rate unchanged at 2% (i.e. broadly neutral) in the upcoming meeting on 11 September.
- “Although we expect the Eurozone economy to stagnate in H2-2025 due to US tariffs, and inflation to be in line or below the 2% target over the coming quarters, we think the ECB will not cut rates further in light of the sizeable fiscal stimulus targeting defence (EU) and infrastructure (Germany), which is likely to be increasingly visible from early 2026. We think this fiscal impulse might increase inflationary pressures over the course of 2027, which could prompt the ECB to start raising rates moderately as of end-2026.”
- “We acknowledge that a stronger euro and higher bond yields may also help to establish a degree of monetary tightening necessary to keep inflation at the 2% target in 2027, potentially reducing or removing the need for the ECB to hike rates already in late 2026.”
- “We expect the ECB to reiterate next week that, with rates at 2%, it sees itself “in a good place” and to signal that it will maintain a data-dependent, meeting by meeting approach.”
- “We expect the press conference to center around the macro forecasts, the assessment of the EU-US trade deal, and questions about potential implications of a future ceasefire in Ukraine.”
- “President Lagarde may also be asked about the situation in France, depending on the bond market reaction after the 8 September confidence vote. There might also be questions on the ECB’s operational framework review, which is expected to start soon, and the ECB’s preparation for a digital euro; the ECB’s 2-year “preparation phase” is expected to conclude in October.”



**UniCredit: ECB Seen On Hold Throughout 2026**

- “The ECB will likely leave interest rates unchanged next week without providing any major policy signals for the months ahead.”
- “With inflation back to 2% on a sustainable basis and the economy weathering the storm of higher US tariffs, the new macroeconomic forecasts will probably show a picture very similar to that of June.”
- “While the Governing Council seems relieved by the resilience of business sentiment and the labour market in the wake of high trade-policy uncertainty, risks to economic activity will probably still be regarded as tilted to the downside.”
- “Next year, inflation is more likely to settle below, rather than above, 2% amid weak economic activity, slowing wage growth and trade diversion from China. Therefore, the ECB will probably leave the door open for a further rate reduction.”
- “We expect the deposit rate to remain at 2% throughout 2026, although the market is unlikely to completely price out a final 25bp rate cut over the next three to six months.”

**Wells Fargo: December Cut Likely Given Weak Growth Backdrop**

- The ECB “is widely expected to keep rates on hold. Our outlook aligns with the consensus: the Deposit Rate will remain unchanged at 2.00%.”
- “In Q2, the Eurozone’s GDP grew just 0.1% quarter-over-quarter and 1.5% year-over-year. Further details released this week show that growth was largely driven by inventory buildup and government and household spending, while investment spending declined—potentially reflecting business uncertainty around tariffs. PMI sentiment indicators for August also point to subdued momentum.”
- “On the inflation front, August headline ticked higher as expected, while core inflation surprised slightly to the upside. However, compensation per employee—a comprehensive measure of wage growth closely watched by policymakers—eased to 3.9% year-over-year in Q2 from 4.0% in Q1.”
- “Taken together, even with the inflation surprise, the slowdown in wage growth is a positive sign that disinflation is progressing.”
- “Market participants will be closely watching the staff’s updated projections and guidance on the ECB’s openness to further easing later this year. That said, we maintain our view for a pause in September, with a 25 bps rate cut likely in December, especially given the weak growth backdrop.”

## MNI Policy Team Insights

### MNI ECB WATCH: ECB To Hold Again, But Downside Bias Persists

By Santi Pinol (Sep 9, 2025)

ROME - The European Central Bank is set to hold its deposit rate at 2% for a second consecutive meeting since June's 25-basis-point cut on Thursday, and will publish fresh quarterly projections as policymakers try to determine whether they have reached the bottom of the easing cycle.

While in the last Governing Council meeting in July, policymakers considered that their June projections scenario had held up well given the latest inflation readings and a provisional resolution of the trade dispute between the U.S. and the EU, uncertainty remains high. (See MNI: U.S. Tariffs Seen Hitting Italy Exports, GDP, From 2026)

The risk bias among policymakers remains cautiously to the downside, with a data-dependent, meeting-by-meeting approach retaining the possibility of another rate cut should there be return of economic weakness or a risk of a greater-than-expected inflation undershoot below levels which are already close to the 2.0% target. (MNI SOURCES: Data-Led ECB To Hold A Cut In Reserve If Needed)

Eurozone inflation was stable at 2% in July, while August preliminary data showed a small uptick to 2.1%, in line with analysts' expectations. June's baseline scenario pointed to inflation at 2% this year, before it falls to 1.6% in 2026 and returns to 2% in 2027.

#### FRANCE

The meeting come as France's fiscal position is in under close scrutiny, as President Emmanuel Macron tries to assemble a new government following the resignation of Francois Bayrou as prime minister after losing a confidence vote.

While the ECB has tools, including its Transmission Protection Instrument, which could allow it to buy French bonds in the event of severe market stress, the point where officials would have to consider some action remains distant. French 10-year bonds yield 3.42%, higher than for Portuguese or Greek debt.

### MNI SOURCES: Data-Led ECB To Hold A Cut In Reserve If Needed

(Sep 5, 2025)

LONDON - The European Central Bank is trying to determine whether it has reached the bottom of its easing cycle, but could still cut the deposit rate in the coming months if data shows a return of economic weakness or suggests a greater-than-expected inflation undershoot, Eurosystem sources told MNI.

While a further cut from the current 2.0% is now seen as unlikely at next week's Governing Council meeting, the risk bias among policymakers remains cautiously to the downside as they maintain a data-dependent, meeting-by-meeting approach, with eurozone inflation already around the 2% target and likely to weaken, officials said.

"We already see an [inflation] undershoot in 2026 on the June rate path and that gives us the room to cut once more if needed," said one official, adding that a September hold was probable barring a surprise in the quarterly projections. "But whether we use that as an insurance cut, or keep it in reserve for later in the year or even hold here for an extended period to observe where the chips land in coming months, I'm not sure there is currently a clear consensus, although the risk bias certainly sits with one more cut."

Price and growth pressures remain to the downside, unless there is a surprise and Germany heavily front-loads its fiscal boost, the source said.

#### U.S. TRADE DEAL

Eurozone growth and PMI data has been firm since the last ECB meeting, while a preliminary trade deal with the U.S. reduced the likelihood of a serious trade conflict with Washington, even if it still left European firms set to face major tariffs.

"The trade outcome was largely in line with the upper-end best case scenario, although certainly not better than expected in any field. PMIs are steady and actual growth numbers are a little better than expected, but it is hard to discern the extent of front-loading ahead of tariff deadlines," another official said. (See MNI: U.S. Tariffs Seen Hitting Italy Exports, GDP, From 2026)

More than one source noted how better-than-expected first-half data may have been distorted by a rush by exporters to make shipments before U.S. tariffs took effect.

"We need to understand whether the positive signals from the first quarter were just frontloading or there was something more. Unfortunately, we won't have enough to know in September. But the confidence indices seem to be improving," another official said. There does not appear to be a majority on the Council for a September cut, the source said, unless the projections point to clear trouble ahead. (See MNI SOURCES: Markets Overplaying ECB's Hawkish Shift)

"You can always wait until October or December. I don't believe in the idea that the later in the year the more difficult it is. We don't work that way," the official said.

Another official agreed, noting that 2028 projections would also be available by December.

## FISCAL FEARS

The meeting will take place only days after a confidence vote likely to result in the fall of French Prime Minister Francois Bayrou, potentially ushering in a new government and calling France's fiscal consolidation into question. While the ECB would be widely expected by investors to respond to any dangerous bond market selloff, perhaps by means of its Transmission Protection Instrument, loosening fiscal discipline around the single currency bloc is a complicating factor for monetary policy.

"I'd be concerned by the collapse of fiscal commitment in countries like France or Belgium, and even Germany. In such a context, I find it hard to imagine surprising markets with a cut because this could signal a mild form of fiscal dominance," one official said, though he stressed that this was a personal view.

An ECB spokesperson declined to comment.

## MNI INTERVIEW: German Debt-To-GDP Risks Sharp Rise-ECB's Janeba

(Aug 29, 2025)

BRUSSELS - Germany exploited every available loophole in the European Union's fiscal rules when it submitted its seven-year debt plan in July, European Fiscal Board member Eckard Janeba told MNI, calling for Berlin to raise taxes or cut spending to avoid a significant rise in public debt to levels potentially 20 percentage points above EU limits.

Those loopholes include the assumption of an implausible average potential growth rate of 0.9% a year from 2025, the plan's extension from the standard four years to seven years and the use of the national escape clause, which permits countries to temporarily deviate from EU-approved net expenditure paths for up to four years by a margin of 1.5% of GDP in order to boost defence spending, said Janeba, who joined the Fiscal Board in April and is its only German member.

"Germany has exploited every possibility the rules give in designing its plans which is much more expansionary in the coming years than the reference trajectory that was proposed by the Commission," he said in an interview.

"I find it implausible that we jump immediately into a higher growth rate right away with this year. But that is consistent with the rules."

If Germany uses all the space allowed under its plan, then it will have a fiscal deficit of well above 3% of GDP and its debt level will rise well above the EU's 60% of GDP limit by the end of the decade, Janeba said, pointing to recent Bundesbank calculations of fiscal deficits between 5% and 6% of GDP in the coming years, and a debt ratio of up to 80% by 2029 as an illustration of how high it could go. (See MNI INTERVIEW: Germany Needs Favourable EU Fiscal Treatment )

German public debt is currently equivalent to about 62% of GDP, and the new conservative government has amended its long-standing "debt brake" to allow for an EUR850 billion defence and infrastructure plan.



**HIGHER TAXES OR SPENDING CUTS**

"What needs to happen is that a significant part of the increase in defence and infrastructure spending is financed by tax increases or spending cuts," he said, though he noted that "strong dissent" persists between the political partners of the governing coalition as to how consolidation should be achieved.

"If implemented without further adjustment Germany's deficit will go much higher, clearly above 3%, and the debt ratio will be increasing rather than stable in the medium to long run."

In addition, Germany has also managed to backload the start date for any consolidation effort to 2028-29 - when the current government will be facing elections, making debates on fiscal retrenchment a political minefield.

"That is a weak commitment. We know that as we get close to elections governments are less likely to take unpopular measures," Janeba said.

**ANCHOR DISLODGED**

The Commission has been "very lenient" in approving Germany's plan, reassured by the country's debt starting point, which while above the limit is lower than the eurozone average of 88% of GDP, Janeba said, adding that this could push up financing costs for other countries in the bloc.

"Any increase in the German rate may be much more harmful for countries in a tighter situation," he said.

"Germany is the anchor in terms of fiscal stability for the eurozone. There is a danger that if we bend or break the rules without sanctions then this creates moral hazard for other countries down the road. So there is not just an issue of fiscal sustainability but also for overall compliance with the rules."

Common EU borrowing will remain "a hard sell" politically unless it can be guaranteed to be ring-fenced for defence, in which area there is a "strong case" for Europe to play a bigger and better role, according to Janeba.

"It's very hard to make sure it is used for its intended purpose and this is another reason Germany may be more hesitant. It will be a hard sell if it's not guaranteed for the defence purpose."

Janeba is also a professor at the University of Mannheim and a member of the scientific advisory board to the German Ministry for Economic Affairs and Energy.

**MNI: French Austerity Plan To Largely Survive Crisis-Officials**

*By David Thomas (Aug 27, 2025)*

BRUSSELS - France's plans to cut its budget deficit by EUR44 billion are likely to be reduced by a few billion euros following what looks like the inevitable fall of Prime Minister Francois Bayrou, but the broad thrust of the austerity drive will continue so long as parliamentary elections are avoided, government sources told MNI.

Bayrou is set to lose a confidence vote in the National Assembly on Sept 8, but President Emmanuel Macron appears to want to avoid parliamentary elections, the officials said, pointing to the fall of former Prime Minister Michel Barnier at the beginning of the year as a guide to what to expect.

"The base case is exactly what happened in December and January. Bayrou will go. The next government will pick up the budget we've been working on for six months, tweak it, maybe give a tax rise to please the Socialists, and maybe then it's EUR38 billion in deficit cuts instead of EUR44 billion"

"The trajectory of French economic policy will continue moving in that direction. In the base case scenario everything will be fine," one official said, noting that rising yields are being seen in the U.S., Japan and UK as well as in France.

"There is no particular reason to panic about where France is right now. It's not rosy but we are not in a crisis." (See MNI INTERVIEW: Germany Needs Favourable EU Fiscal Treatment)

#### MEASURED EUROPEAN RESPONSE

While "there would not be a whole lot of support from Brussels or Frankfurt" in the event that elections were held and led to a more radical government with big spending proposals deviating from France's Excessive Deficit Procedure goals, European authorities would be unlikely to take drastic punitive measures such as making French bonds ineligible for European Central Bank purchase operations, officials said.

"We have gone sufficiently down this path now - Greece, Spain, yes we have seen this film before - and France is a different animal, but I am sure the conversations will be very quickly had and we will not get to the stage where there is a public discussion about excluding French bonds from ECB eligibility. Let's not waste our time."

While France could be disqualified from the ECB's Transmission Protection Instrument if it deviated significantly from its current fiscal plans, officials in Brussels told MNI that it would be highly unlikely for the European Commission to push for that, given the risk of provoking a financial crisis.

## MNI: U.S. Tariffs Seen Hitting Italy Exports, GDP, From 2026

*By Santi Pinol (Aug 21, 2025)*

ROME - Italian exports to the U.S. are likely to fall only slightly this year under the impact of new tariffs, with the real damage coming in late 2026 and 2027 and with GDP forecasts for those years likely to have to be downgraded, sources in the Italian government and business lobby Confindustria told MNI.

The difficulty of quickly substituting Italian products could limit the contraction in Italy's shipments to the U.S. to around EUR6 billion in 2025 from last year's EUR 64.8 billion, the government official said, while the Confindustria source saw stagnation for the rest of this year before the pain hit later.

In the long-run, tariffs could cause considerable damage to Italian producers in high value-added sectors such as mechanical engineering, the Confindustria source said, adding that the depreciation of the yuan against the euro this year will make Chinese competition still more intense in third-country markets. (See MNI SOURCES: Markets Overplaying ECB's Hawkish Shift)

#### MANUFACTURERS HIT HARDEST

Italian food and wine exports tend to target premium consumers who are less sensitive to price changes, but even high-end manufacturers of cars and other mechanical goods are facing ever-tougher Chinese competition, both sources said.

"Models are already estimating an effect, even if it's early to quantify," the government source said. The government forecasts expansion in GDP of 0.6% this year, and 0.8% in both 2026 and 2027 but officials are starting to prepare a downward revision once the impact of tariffs is clearer, the government source said.

"We can't calculate it yet, because while the industrial sector is expected to struggle, services and consumption are doing well," he added.

Future exchange rate movements, against both the dollar and the yuan, could also have an impact on exports, potentially mitigating the negative impact should the euro depreciate, the Confindustria official said.

## MNI POLICY: Italy Mulls Fiscal Escape Clause, EDP A Constraint

*By David Thomas (Aug 19, 2025)*

BRUSSELS - Italy is in discussion with Brussels about how it could make use of the national escape clause from European Union fiscal rules to boost defence spending even though it remains in an excessive deficit procedure which is set to last another two years, MNI understands.

The national escape clause allows countries to temporarily deviate from EU-approved net expenditure paths for up to four years by a margin of 1.5% of GDP, while the EDP is designed to ensure countries return fiscal deficits to the usual limit of 3% of GDP. (See MNI: Italy Seeks Support For 5% Defence Target Delay-Officials)

The dilemma facing Italy is that it would still remain in the EDP for a further two years on the basis of current forecasts, so any benefit from the leeway afforded by the four-year NEC would be delayed.

While Italy is considering requesting an NEC, exiting the EDP remains the country's priority, MNI understands.

The Commission is also likely to sign off on Germany's medium-term fiscal structural plan next month, paving the way for EU states to give their final approval this autumn, an official said.