

MNI ECB Review: February 2026

Executive Summary

- The ECB again left its three key rates unchanged as fully expected, with the deposit rate at 2.0% in the middle of its estimated neutral range.
- The decision statement offered no surprises: the economy is resilient in a challenging global environment whilst it repeated a data-dependent and meeting-by-meeting stance.
- President Lagarde reaffirmed that the ECB is in a “good place”, while noting that “we are in a broadly balanced situation when it comes to the risk assessment”.
- There wasn't any material endorsement of dovish narratives related to geopolitical uncertainty and the exchange rate, helping Euribor futures pull away from post-decision highs but moves were contained.
- She also downplayed the soft January HICP flash release and made comments that could be interpreted as a subtle critique of Eurosystem forecasts.
- Lagarde hinted at an announcement in the coming days on repo lines for other national central banks outside the euro area and outside Europe. There was little net change in the OIS-dated rate path for 2026 across the broad suite of communications, with 6bp of cuts priced to September. That did however come despite US rates rallying on a series of weak labour data releases around the decision.
- There are still many analysts who expect rates to remain at 2% throughout both 2026 and 2027. Of those expecting hikes, the majority eye the mid to the second half of 2027 whilst only BofA and Morgan Stanley expect cuts.

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MNI View: Some Disinflationary Angles Downplayed

February 6, 2025 - By Chris Harrison and Emil Lundh

The ECB yesterday left rates on hold again as unanimously expected, including the deposit rate at 2% for nicely within the 1.75-2.25% neutral rate range estimated by ECB staff. There was little for the market to react to in the ECB decision statement, with the main new addition being “The economy remains resilient in a challenging global environment” in what's broadly a repeat of the gist of previous broader commentary.

President Lagarde reaffirmed that the ECB is in a “good place”, while noting that “we are in a broadly balanced situation when it comes to the risk assessment”. Overall, there wasn't any material endorsement of dovish narratives related to geopolitical uncertainty and the exchange rate. Lagarde played down any dovish signals from the January inflation report, noting that “I've said that many times we cannot be hostage to one reading of inflation, which is set to vary over the next months”. This helped pull ERZ6 away from post-decision highs during the presser, albeit only by 1.5 ticks or so – the contract was +0.5 ticks on the session at 97.97 shortly after the press conference. When referencing the January inflation reading, she noted that “We have projected undershooting in 2026 for a long time, and if you go back to our September projections, which were the last projections conducted by the ECB.” That could be interpreted as a subtle critique of the National Central Bank's December projections, which were revised up relative to the ECB's September iteration.

Meanwhile, commentary around the exchange rate was essentially, and seemingly deliberately, unchanged relative to December. Lagarde noted that “We discussed this matter [the exchange rate] today, collectively observed that the USD has depreciated measurably against the EUR but since Mar 2025 and not in the last few days”, whilst also noting it has broadly been rangebound since the summer. Finally, Lagarde provided optimistic commentary on the investment outlook, particularly with respect to AI. Note that the investment (and AI usage) signals from Wednesday's BLS were a little soft in our view, so it will be interesting to see how this dynamic develops ahead.

OIS developments shortly after the press conference had finished to try and isolate market reaction:

Meeting Date	ESTR ECB-Dated OIS (%)	Difference Vs. Current Cut-adjusted Effective ESTR Rate (bp)	Pre ECB Decision		
			ESTR ECB-Dated OIS (%)	Difference Vs. Current Effective ESTR Rate (bp)	Diff
Mar-26	1.930	-0.2	1.928	-0.4	0.2
Apr-26	1.924	-0.8	1.920	-1.2	0.4
Jun-26	1.894	-3.9	1.893	-3.9	0.0
Jul-26	1.887	-4.5	1.887	-4.5	0.0
Sep-26	1.868	-6.4	1.868	-6.4	0.0
Oct-26	1.870	-6.2	1.869	-6.3	0.1
Dec-26	1.879	-5.3	1.878	-5.5	0.1
Jan-27	1.896	-3.6	1.895	-3.7	0.1

Source: MNI/Bloomberg Finance L.P.

Rate Decision Statement Changes

There was little for the market to react to in the ECB decision statement, with the main new addition being "The economy remains resilient in a challenging global environment" in what's broadly a repeat of the gist of previous commentary. It still sees inflation converging at the 2% target in the medium-term. As we note in the tracked changes bullet, the second paragraph below is unsurprisingly identical to December, committing to a data-dependent and meeting-by-meeting approach.

~~18 December 2025~~

~~5 February 2026~~

The Governing Council today decided to keep the three key ECB interest rates unchanged. Its updated assessment reconfirms that inflation should stabilise at ~~the 2% target in the medium term~~ **the 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 new Eurosystem staff projections show headline inflation averaging 2.1% in 2025, 1.9% in 2026, 1.8% in 2027 and 2.0% in 2028. For inflation excluding energy and food, staff project an average of 2.4% in 2025, 2.2% in 2026, 1.9% in 2027 and 2.0% in 2028. Inflation has been revised up for 2026, mainly because staff now expect services inflation to decline more slowly. Economic growth is expected to be stronger than in the September projections, driven especially by domestic demand. Growth has been revised up to 1.4% in 2025, 1.2% in 2026 and 1.4% in 2027 and is expected to remain at 1.4% in 2028.~~

The Governing Council is determined to ensure that inflation stabilises at its 2% target in the medium term. It will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, the Governing Council's interest rate decisions will be based on its assessment of the inflation outlook and the risks surrounding it, ~~in light of~~ **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.

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:

- 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.

The following is taken mainly from MNI real-time coverage of the ECB press conference Q&A, with the official transcript available [here](#).

Broadly Balanced Situation. There Is Nothing That Is Really Changing The Baseline At All

Q: *On the risk assessment, would you say that inflation and economic risks have become more pronounced again, on both sides with ECB policy position perhaps less comfortable?*

- A: The GC took a unanimous decision to keep rates at current level. On risk assessment, we've taken a one the hand and on the other hand approach. We are in a broadly balanced situation when it comes to risk assessment – some have ticked up but others ticked down.

Q: Under what conditions of inflation undershooting would the ECB consider easing monetary policy? How long and how far below 2%?

- A: We have projected undershooting in 2026 for a long time, and if you go back to our September projections, which were the last projections conducted by the ECB. We had actually this 1.7 and the 1.8 for the entire year. So 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 27 2% in 2028.
- I myself am particularly attentive to services. Services is declining a little bit. I'm also very attentive as a result, to wages. We will have more data and intelligence coming out of the march exercise. But there is nothing that is really changing the baseline at all, and we will be looking at all data not one single data point.

Still In A Good Place, Jan Inflation Reading Played Down

Q: Could you give us a flavour of today's discussions re a tilt to balance of risks? Are we still in a good place?

- A: We list upside and downside risks to growth and inflation rather than same whether they're tilted in either direction. There is a debate that goes on in the GC, because it's always question of judgment and collective approach to those risks, and the range of the risks, the extent, the extensiveness of the risks, and that is debated. What I can tell you is that we are not seeing a reduction of the range of risks. But you know, when I think of geopolitical risks, for instance, it's ebb and flow. When I look at uncertainty about tariffs, it's up and down and out and back. It's and that has been going on for quite for quite a few quarters, actually. So, no reduction of the range, but equally, the sentiment around the table of the GC is that it's broadly balanced.
- I would certainly argue that we are in a good place, and inflation is in a good place. Now, two words of explanation, because some of you might be riveted to the January data point, and I would like just to remind you that our good place is a factor of whether we are convinced that we will reach our medium term target of 2% and we cannot be hostage to one data points. I've said that many times we cannot be hostage to one reading of inflation, which is set to vary over the next months.

Recent Euro Appreciation Downplayed, Within Range Since The Summer

Q: Can you comment on recent euro strength and its disinflationary impact?

- A: On the exchange rate, I want to remind you that we don't target an exchange rate. But we also recognise that its important for both the growth and inflation outlook – we always keep a close eye on developments.
- We discussed this matter today, collectively observed that the USD has depreciated measurably against the EUR but since Mar 2025 and not in the last few days.
- In the last few weeks, actually since the summer, it has fluctuated within a range – whether you look at the EURUSD or NEER, the result is the same. This euro appreciation is incorporated in our baseline.

A Global Currency Doesn't Necessarily Imply A Strong Currency; Repo Line Announcement Incoming

Q: On the role of the global euro, you wanted to push the importance of the euro globally. Don't you have to take into account then also a stronger euro towards the rest of the world?

- A: It is not because you have an international currency that plays a global role that necessarily implies it is "strong" relative to others. There is currently a currency which is playing that role, but it does not necessarily come together with a currency being strong as a result of that.
- I have said that for the currency to play an international role it requires a few other elements that build over time: i) rule of law must be respected, ii) requires strong position relative to rest of world (clearly investments that are flagged in our monetary policy statement, particularly in relation to defense and infrastructure, that go in that direction, but where clearly work has to be done), iii) capacity to trade with the rest of the world. And I would regard the both the Mercosur, the EU India trade agreement, subsequent trade agreements in Australia and other corners of the world where the Commission is doing hard work as other components that are necessary for the currency to be strong.
- One of the attributes of a strong currency is to be the provider of liquidity. And while we are tied to the monetary purpose of what we do in terms of liquidity and we have to constantly assess the proportionality of what we do, it is a fact that we are looking at our liquidity framework and that the repo lines – to be distinguished from the

swap lines – are in progress in terms of reframing them, opening up the access and making them more attractive to other national central banks outside the euro area and outside Europe. So this is in the works, and I hope to be able to announce a bit more in a few days.

Q: A follow-up on the global euro debate, in particular with regard to euro bonds. You checked a few items that you think are important, but what about common defence spending as a critical element in this regard? Is it sufficient in terms of a global euro, or should the EU be even bolder when it comes to euro bonds and making it a permanent feature of a euro safe asset?

- A: It is definitely part of our checklist.

Not Trying To Characterise Hawkishness/Dovishness Of Statement

Q: Some analysts having noted a bit of a hawkish subtext, by emphasising positive elements and kind of also emphasising that inflation is on track to meet your target.

- A: I would like to mention that our monetary policy is in good shape. And it's in good shape because it is agile, and it is prepared to do what is necessary in order to reach our medium term 2% targets in a symmetric way as we decided in our strategy determination, strategy assessment determination back in July 2025. So I'm not trying to characterize the hawkishness or the dovishness. This is something that you enjoy doing and what markets look at very attentively. But we are data dependent. We will decide meeting by meeting. We are not rate path predetermined. We do not give forward guidance. We are in this world of significant uncertainty where geopolitics developments determine a lot of developments, and that's what we're going to continue doing.
- On core inflation, you're right, it's one of the underlying inflation elements that we consider that is one which has gone from 2.4 to 2.2. We're still at 2.2 by the way, and I think that it's following a path that we had anticipated, that we are pleased to see, is taking us to targets.
- I would like to emphasize one element because I think it might be interesting. As you probably know, the leaders are meeting in a week's time to examine competitiveness reforms and hopefully to accelerate the process. In our monetary policy statement we always have this paragraph, which has slightly evolved over the course of time, in which we welcome, we stress the urgent needs to strengthen the Euro Area and its economy in the present geopolitical context. And you generally look at this paragraph and say, okay, still the same thing. So what we decided to do in anticipation of that meeting on the 12th of February is to actually give our checklist to the leaders.

Labour Market Certainly Not In Difficulty

Q: Today's statement talked about the low unemployment rate, but if you look at some of the other indicators of labour market resilience, they seem to be telling a slightly different story, things like labour demand, hiring intuitions, vacancy rates. So I'm wondering how you're balancing these different signals. Is the labour market potentially weaker than it may appear based on the unemployment rate?

- A: You refer to vacancies and rotation, which are a bit back dated. So very often in January, we look at data that we get from the third quarter, some of it from the fourth but it's generally with a lag. What we are seeing is increased participation in the labour market. We are seeing slightly lower unemployment, 6.2 coming from 6.3 we are seeing vacancies that are growing more moderately than we had in the past, and it's a labour market that is still active, as I said, where unemployment is almost at rock bottom.
- So we will continue to pay close attention, because obviously it has an impact on particularly the wage negotiations that we pick in our wage tracker to try to understand where salaries, where the drift is going, which is the difficult part to determine where the one offs are likely to arise as well. We're certainly not saying that the labour market is in difficulty.

A Lot Of Investment Coming Out Of AI Segment

Q: I think you've mentioned a couple of times that we are seeing this benefit of AI investment in Europe, but I think in the global context there is this concern that Europe is falling behind, whether that means adoption or data centre investment. So I was just wondering if you could shed a little more light on what benefits we are actually seeing in terms of the economic impact in Europe and how that might impact broader growth.

- A: One of the good new stories, as far as the European economy is concerned, is that while the net export activity and contribution to growth is on the decline, the domestic market is responding strongly.
- Consumption is improving a little bit, but not much. But investment is the big story. And whether you look at public investment, particularly in defense and infrastructure. Construction is also a derivative of infrastructure investment, but it's not just the public sector.
- It's also the private sector. We see significantly higher number in terms of private sector investment, and that is particularly the case in what I used to call ITC or ICT, which I think we have to be a bit more granular about because it's AI related but it's everything having to do with AI.
- So it's not just AI, it's the infrastructure that comes with it. So construction of data centers in the pipeline and going through the process of licensing and authorization, it's software, it's hardware, it's a lot of investment that is coming out of that particular segment.
- The really interesting thing from our perspective, is how it will impact productivity, and how it will contribute or not to inflation, depending on the level of improved productivity. There is a little bit of that but it will take a while to unleash.

Media Post-ECB Sources Pieces

Building on the point Lagarde made on refi lines:

Reuters Exclusive: ECB to widen access to euro loans in bid to boost global role, sources say

<https://www.reuters.com/business/finance/ecb-open-up-liquidity-line-more-countries-push-bigger-euro-role-sources-2026-02-05/>

- "EXCLUSIVE-ECB TO ANNOUNCE NEW REPO LINE FRAMEWORK NEXT WEEK WITH AIM OF ENHANCING EURO'S GLOBAL ROLE"
- "ECB TO STANDARDIZE REPO RULES, MAKE FACILITY CHEAPER AND IMPROVE TRANSPARENCY - SOURCES"
- "ECB TO RESERVE RIGHT TO REFUSE TRANSACTIONS WITH BANKS ON REPUTATIONAL GROUNDS - SOURCES"
- "ECB'S REPO LINES WILL BE AVAILABLE TO ALL WITH COLLATERAL WHO AGREE TO RULES - SOURCES"

Latest Analyst Rate Views: Somewhat Mixed On 2027 Prospects

- There are still many analysts who expect rates to remain at 2% throughout both 2026 and 2027.
- Of those expecting rate hikes, most come in mid to the second half of 2027 - exceptions are SocGen and TD Securities looking for late 2026 and Nomura eyeing 2x25bp cuts in 2028.
- At the dovish end, Morgan Stanley still expect 25bp cuts in Jun and Sept to a terminal 1.5% where it stays through 2027. BofA stand out with their revised call for 2x25bp cuts coming in 1H27.
- See the below summary of 25 analysts:

Summary of Analyst Views

Institution	Next Cut	End-2026	End-2027	Hikes	Rate path/comments
Median	x	2.00%	2.00%		
Morgan Stanley	Jun-26	1.50%	1.50%		We maintain our call for the ECB to deliver rate cuts in June and September 2026 to 1.5%. The main risk to our call is growth staying at the 4Q momentum or ticking higher.
BofA	Mar-27	2.00%	1.50%		Dropped Mar 2026 insurance cut, added 25bp cuts in Mar and Jun 2027 (ECB meeting wasn't trigger - German fiscal impulse seen more front-loaded).
ABN Amro	x	2.00%	2.00%		The euro move so far is not close to being big enough to trigger an ECB rate cut as a response.
BMO	x	2.00%			We'll stick to our view that the ECB is on hold for the year but will point to the still-many uncertainties/risks out there (including geopolitical ones).
Commerzbank	x	2.00%	2.00%		We don't expect any further interest rate moves for the rest of the year. However, a further rate cut is more likely than a rate hike in terms of risks to this main scenario.
Danske	x	2.00%	2.00%		There still seems to be a clear bias towards holding the deposit rate steady despite inflation being below the 2% target.
Goldman Sachs	x	2.00%	2.00%		Our growth and inflation forecasts are similar to the staff projections, we expect rates on hold for the foreseeable future.
ING	x	2.00%	2.00%		If the ECB were to leave its good place, the first move would almost certainly be a cut rather than a hike – at least in the near term.
JPMorgan	x	2.00%	2.00%		A wait-and-see stance does not mean that the ECB is stuck at a 2% policy rate forever but a significant change in the outlook is needed to trigger a change in policy, and, for now, that is not on the horizon.
Natixis	x	2.00%			We maintain our view that there will be no change in the monetary policy stance in 2026, still with a dovish bias conditional to fluctuations in exchange rate and energy prices.
NatWest	x	2.00%			We continue to see 2% as the terminal rate for this cycle in our central scenario. A new material shock is needed to trigger a policy move.
RBC	x	2.00%			We reiterate our view that we think the ECB will keep rates on hold all of 2026. Short-vol positions are the best way to seek returns in this challenging trading environment (e.g. short 1Y1Y EUR swaption vol).
Santander	x	2.00%			The ECB is still in a good place and - as in recent occasions - Lagarde chose to pay more attention to the half-full side of the things.
Scotiabank	x	2.00%	2.00%		Marginal odds of additional 25bp cut at some point in 2026 considering downside risks to growth and EUR strength—but still a ways away from assigning higher odds to this, in line with ECB's data dependence.
SEB	x	2.00%	2.00%		We acknowledge the slightly lower-than-expected inflation for January (published Wednesday), but we have for some time pointed toward inflation readings later in the spring as having the potential to challenge the communication of keeping rates unchanged (maybe not at the March meeting but later in the spring).
UBS	x	2.00%			ECB to be very hesitant to cut rates further in 2026 before forecast risk firmly skewed higher in 2027.
Nomura	x	2.00%	2.00%	2028	ECB to remain on hold through 2027 before 2x25bp hikes in 2028. Risk skewed to earlier and more hikes.
Berenberg	x	2.00%		2H27	It will take until mid-2027 before rising inflation driven by higher wage growth and above trend gains in domestic demand will eventually force the ECB to gradually hike from 2.0% to 3.0% in early 2028.
UniCredit	x	2.00%	2.25%	2H27	We suspect that rate cuts would be back on the ECB's radar screen if the euro were to rise fast and strongly (with EUR-USD moving to 1.25 or above) in a context of broader tightening of financial conditions.
HSBC	x	2.00%	2.50%	2H27	Bar to cutting rates remains very high, and a few months of inflation below 2% won't do the trick unless we start to see a meaningful deterioration in growth, or a sharp tightening of financial conditions.
Nordea	x	2.00%	2.50%	2H27	In the near term, risks remain somewhat tilted to the downside, but the risk picture gradually shifts to the upside looking further out.
Deutsche Bank	x	2.00%		Mid-2027	Consistent with our baseline that next move is a hike in 2027 as fiscal easing and a tight labour market eventually sees inflation risks rotate from near-term undershooting to medium-term overshooting.
Rabobank	x	2.00%	2.50%	Mar & Jun 2027	Uncertainty may keep the ECB on hold for a protracted period.
Société Générale	x	2.25%		Dec-26	Recent data broadly support the view that the impact of the German fiscal stimulus and investment should be meaningful this year and raise the likelihood that the ECB will need to calibrate its policy rates higher once 2028 and 2029 comes into focus.
TD Securities	x	2.25%	2.25%	4Q26	We agree that the next stage of the ECB's policy cycle is likely to involve rate increases; however, in the near term, the ECB will have limited evidence to justify a policy shift in either direction.



Source: Analyst notes, Bloomberg survey conducted Jan 9-15 and MNI.

Sorted by end-2026 and then combination of end 2027/first hike timing. Bold denotes view change