MNI ECB Review: October 2025

Executive Summary

- The ECB left its three key rates unchanged again, including the deposit rate at 2.00%, as fully expected.
- The decision statement offered no surprises, noting general resilience with an expected caveat from the uncertain outlook whilst reiterating data-dependence and a meeting-by-meeting approach.
- There were some hawkish tweaks to Lagarde's press conference, with some downside risks mitigated, but they were consistent with a tone that would be expected after recent stronger-than-expected domestic data and global events.
- Today's communications had no discernible impact on rate cut expectations, with a 1bp cut eyed for Dec and 11.5bp of cumulative cuts out to Sep 2026.
- Reuters post-meeting sources see policymakers gearing up for "something of a showdown" with the Dec meeting and its new economic projections, echoing sentiment from a MNI sources piece on Oct 24.

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MNI View: Market Maintains Mildest Of Easing Biases

October 30, 2025 - By Chris Harrison and Emil Lundh

The ECB 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. The initial decision statement contained no surprises whilst Lagarde's press conference opening statement and subsequent Q&A saw some hawkish tweaks but none that felt unwarranted by recent events including stronger than expected data. With essentially no ECB cuts priced to year-end and just 11.5bp of cuts out to September 2026, Lagarde maintained optionality ahead of December's meeting with its fresh economic projections that will include 2028 figures.

Unsurprisingly, Reuters sources have described this December meeting as "something of a showdown" as policymakers remain sensitive to a continued undershoot in inflation projections. On this, a MNI Sources piece from Oct 24 quoted one Eurosystem source saying "I am not telling you anything new if I say that if inflation for 2026, 2027 and 2028 is below 2%, the cut is almost certain". From that same exclusive, others however observed that the final year of the projection period tend to converge to the 2% target. "One would hope that the end-2028 projection is at 2% – I know some people would say it is a determinist number that is always hit – but I would argue that that is a symptom of policymaking and projections in that we set policy to hit 2% over that time frame, so it should be at 2%, all things being equal," one said. Lagarde suggested not reading too much into a potential ETS2 delay but noted attentiveness to a possibly smoother inflation impact after recent proposals (less into 2027, more into 2028).

Back to today's press conference more broadly, while Lagarde did not describe growth risks as "balanced" as such (compared to "more balanced" previously), she did highlight that some downside growth risks had abated. The change to this risk assessment was acknowledged as preventing the ECB from repeating "more balanced" ad nauseum, despite it only having been introduced at the last meeting prior to which growth risks were tilted to the downside. Whilst it makes for a somewhat odd justification this month, it does at least help give the ECB a little more optionality when it comes to describing risks at next month's more important meeting. Lagarde also noted some additional upside risks to inflation, including supply chain pressures, which didn't make it to the written statement (with its multiple two-sided risks – deemed too many to net out in the accounts of last month's meeting), although Lagarde noted that these have not yet materialised.

Tomorrow sees a confirmation of notable data releases with Eurozone HICP inflation and the ECB's Survey of Professional Forecasters, building on today's Eurozone Q3 GDP and September unemployment rate plus German and Spanish HICP inflation shortly ahead of the ECB decision. Services inflation will no doubt be watched closely again with Lagarde noting today the 0.1pp increase back in September and its ability to feed into underlying inflation.

STIR: Lagarde Keeps The Market Steady

- EUR STIRs were very steady with both the decision statement and then though President Lagarde's press conference. ECB-dated OIS price around 11bps of easing through September 2026. The tiny move lower in implied rates appears to be more a function of the broader recovery in core FI, rather than in response to anything Lagarde said. Slightly hawkish tweaks in the opening statement were consistent with recent stronger-than-expected data outturns, limiting any market reaction.
- The most notable part of the press conference was probably Lagarde's characterisation of growth risks. While Lagarde did not describe growth risks as "balanced" as such (compared to "more balanced" previously), she did highlight that some downside growth risks had abated.
- There were also some cursory mentions of supply chain-related upside inflation risks, though Lagarde noted that these have not yet materialised.
- Lagarde repeated that the ECB is in a "good place". but not necessarily a "fixed place".

			Pre press conference			Pre-rate decision		
Meeting Date	ESTR ECB-Dated OIS (%)	Difference Vs. Current Cut-adjusted Effective ESTR Rate (bp)	ESTR ECB-Dated OIS (%)	Difference Vs. Current Effective ESTR Rate (bp)	Diff	Difference Vs. Current Effective ESTR Rate (bp)	Difference Vs. Current Cut-adjusted Effective ESTR Rate (bp)	Diff
Oct-25	1.931	0.0	1.931	0.0	0.0	1.931	0.0	0.0
Dec-25	1.919	-1.2	1.917	-1.4	0.2	1.917	-1.4	0.2
Feb-26	1.905	-2.6	1.904	-2.7	0.1	1.904	-2.7	0.1
Mar-26	1.864	-6.7	1.864	-6.7	0.0	1.865	-6.6	-0.1
Apr-26	1.858	-7.3	1.858	-7.3	0.0	1.859	-7.2	-0.1
Jun-26	1.828	-10.4	1.828	-10.3	-0.1	1.829	-10.2	-0.2
Jul-26	1.826	-10.5	1.827	-10.4	-0.1	1.828	-10.3	-0.2
Sep-26	1.818	-11.3	1.822	-10.9	-0.4	1.828	-10.3	-1.0

Source: MNI/Bloomberg Finance L.P.

No Surprises From The Decision Statement

The only new bit from the main section of the decision statement (link) talked on general resilience with an expected caveat from the uncertain outlook.

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

The summary paragraph meanwhile was identical, reiterating a data-dependent and meeting-by-meeting approach with no pre-commitment to a particular rate path.

Oct 30 Rate Decision Statement (in full)

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

The Governing Council is determined to ensure that inflation stabilises at its 2% target in the medium term. It will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, the Governing Council's interest rate decisions will be based on its assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council is not pre-committing to a particular rate path.

Key ECB interest rates
The interest rates on the deposit facility, the main refinancing operations and the marginal lending facility will remain unchanged at 2.00%, 2.15% and 2.40% respectively.

Asset purchase programme (APP) and pandemic emergency purchase programme (PEPP)
The APP and PEPP portfolios are declining at a measured and predictable pace, as the Eurosystem no longer reinvests the principal payments from maturing securities.

***

The Governing Council stands ready to adjust all of its instruments within its mandate to ensure that inflation stabilises at its 2% target in the medium term and to preserve the smooth functioning of monetary policy transmission. Moreover, the Transmission Protection Instrument is available to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy across all euro area countries, thus allowing the Governing Council to more effectively deliver on its price stability mandate.

The President of the ECB will comment on the considerations underlying these decisions at a press conference starting at 14:45 CET today.

Statement side-by-side comparison (with the usual heavy changes owing to differences in projection/non-projection meetings):

~~11 September~~30 October 2025

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

~~The new ECB staff projections present a picture of inflation similar to that projected in June. They see headline inflation averaging 2.1% in 2025, 1.7% in 2026 and 1.9% in 2027. For inflation excluding energy and food, they expect an average of 2.4% in 2025, 1.9% in 2026 and 1.8% in 2027. The economy is projected to grow by 1.2% in 2025, revised up from the 0.9% expected in June. The growth projection for 2026 is now slightly lower, at 1.0%, while the projection for 2027 is unchanged at 1.3%.~~

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Monetary Policy Statement Highlights

Downside growth risks have abated, no discernible change to inflation risks

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

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

Press Conference Q&A (from MNI real-time coverage rather than official transcript)

Highlights:

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

The following is from MNI real-time coverage of the ECB press conference Q&A, not an official transcript.
For the monetary policy statement on the economic activity, inflation and the risk assessment, see the link here, which should include the official transcript from tomorrow (Oct 31).

Monetary Policy Still In A Good Place, Not A Fixed Place

Q: Given that private activity isn't really great, would you say that your policy stance is in the right space?
A: From a monetary policy point of view, we are in a good place. Is it a fixed good place? No, but we will do whatever is needed to stay in a good place".

- "GDP growth of 0.2% for Q3 is a tad more than was expected by consensus and, including Ireland, a little more than what we had expected but not by much. I would not complain too much about growth at this point in time. We can do better".
- Lagarde notes that investment looks to have played a role in this morning's flash reading (as we also highlighted earlier).

Q: What do you think on AI and ramifications for the labour market?

A: "We are hearing from the corporate telephone service, in particular that we conduct on a regular basis, is that corporates are really moving ahead with investment, and the transition to a more digital world is obviously on their mind, and it's also drawing on the investment that they are committing now".

- "So this is a process, and the impact it will have on labor will probably take time, and we will be very attentive to those developments. There will be job creation, there will be job destruction. How exactly that will impact our economies, depending on the sectors, depending on the classes of age, depending on the training, depending on the educational background of workforce in Europe, which tends to be quite high, I think, is to be seen but we will be attentive to those developments".

Some Downside Risks Have Abated With Statement Tweaked To Reflect That

Q: "*You listed quite a few upside and downside risks for both growth and inflation, but I noticed that you didn't speak about a balance. So I'm very interested in hearing your thoughts on whether at least the risks for growth are broadly balanced or more balanced than they used to be and in inflation as well, of course?*"

A: "Our target is symmetric, 2% medium term inflation. We list as exhaustively as possible the number of risks on the upside and downside. But what is a little bit different this time around is that our paragraph on risk assessment, begins with indicating some of the risks which are faded or have been alleviated [mitigating some of the downside risks to economic growth]".

- "If you remember in September I said that the risk to growth was more balanced and the range had narrowed. I think this time around, we acknowledge that some of the downside risks to growth have abated, and we specifically mentioned these three. I would not necessarily draw the same conclusion for inflation. I think on that front, it's a more balanced picture".

GC In Agreement Of List Of Growth Risks Outlined, Can't Repeat "More Balance" Ad Nauseum

Q: Was there a discussion about changing the balance of risk to say perhaps turned to the upside?

A: **"**We cannot repeat ad nauseum that it is more balanced and more balanced each and every time, which is the reason why we chose to list. Specifically, risk to the downside risk to the upside and we acknowledge, in the first part of that risk section concerning activity, that some of the downside risks that we had with us for quite a while had abated. And I think there was some discussion".

- "I think we were all in agreement on that identification of risk with a specific listing of those risks. We acknowledge, in the first part of that risk section concerning activity, that some of the downside risks that we had with us for quite a while had abated. And I think there was some discussion. As always, you know, on the one hand on the other hand, some see a little bit more of this little bit more of that but I think we were pulled in agreement on that identification".

Monetary Policy Transmission Is Effective And On Time

Q: Transmission of monetary policy is usually six nine months, something like that. Your last cut was roughly four months ago, and yet monetary, monetary condition did tighten a little bit. Are you worried that transmission is hindered somehow, and therefore you're maybe not such in such a good place? Or can you just describe what do you think of the transmission?

A: "It's always more fashionable to make negative comments whenever you have good news. That I understand, but when we have some good news, we have to also acknowledge and draw the consequences and see what impact it has, because as I said repeatedly and as we are driven by data".

- "We maintain this three-pronged approach that we have had to take into account inflation outlook, underlying inflation and transmission of monetary policy. And I would add to that, you know, since our strategy review, in addition to pure inflation outlook and the identification of our baseline, we also try to identify and measure risks to the baseline risk to the upside risk to the downside and we use different tools in order to do so, including scenario analysis"...."Everything that we see in terms of transmission leads us to believe that transmission is effective, is very much on time. The numbers that we see in terms of interest rates charged to corporates, interest rates charged to mortgages, lead us to believe that that transmission is not impaired at all, but is functioning well".

- "We have seen two things in the BLS. I) There has been a slight tightening of the credit terms by the banks, which was unexpected, and that is, in our view, and on the basis of their response to our survey, caused by the more attentive measurement of risk of their customers, particularly in the corporate sector. II) On the one hand, household interest rates have not budged at 3.3%. And on the other hand, the volume off loan to households eyes itself, increased, but again, we observe on the part of the banks based on the bank lending surveys, a more cautious attitude".

Absolute Unanimity Behind Decision and Additional Upside Inflation Risks Flagged

Q: "Could you elaborate a little bit more about the GC discussion about inflation risks, because in recent days, some members seemed more concerned about upside risk but other weren't? So what are the position now?"

A: "I'm happy to say that we discuss actively in a very friendly manner. So you have a distinction between those who have a more upbeat view and those who have a more downbeat view. You may categorize them as the hawks and the doves. But I'm happy to say that on the occasion of this meeting, in fairness, there was absolutely unanimity on the part of all members of the governing council to arrive at the decision that I have mentioned earlier".

- "Now let me mention a few elements that we discussed or that we are attentive to. One risk that we have not yet seen materialize and could be a risk to the upside, so we will continue to be attentive to that is the risk that would result from potential bottlenecks and disruption in the supply chain. We are still to understand exactly what the outcome of the discussions between the US authorities and the Chinese authorities will deliver in terms of rare earths in particular, which is a very material segment of the supply chains in quite a few sectors, including the automotive sector, but the energy sector as well. It's not a big amount in terms of actual volume, but it's critical at the juncture where it is situated in the in the production chain, but that risk has not yet materialised. We shall see we are in this sort of wait and watch or wait and see mode in relation to that specific risk".
- "There are two other areas that we are attentive to, and that is the composition of inflation and the way in which the labour market evolves. You don't find it in the risk section, but I just want to mention these two because there are ingredients that feed into service inflation, which in September, has picked up by 0.1pp and they, of course, have an impact also on underlying inflation, particularly domestic inflation".

Don't Read Into Potential ETS2 Delay, Attentive To Potential Smoother Impact On Inflation

Q: Question on potential delays to ETS2

A: ETS2 has been in our projection since it was on the table, and has been in there since 2024. I don't think I would read too much again into an expected delay of the implementation. [note, this is consistent with Vice President de Guindos at an MNI Connect Event last month. However, some more dovish members of the GC still believe that another year of undershooting the target could support another cut]

- "And when I speak to colleagues at the European Commission, they are still strongly of the view that ETS2, which is committed, must proceed and the deadline for implementation is still 2027. What, on the other hand, is being discussed and has been put on the table by the Commissioner is, how would I put it, a slight smoothing in the implementation of ETS2, which means that the impact might be spread a little bit more over time, possibly a bit less in 2027 and a bit more in 2028".
- "So overall, as with many other data, we will be attentive and the December projection exercise will certainly take that into account, that smoothing over a slightly longer period in order to make sure that ETS2, which is so important for climate change purposes, will actually be implemented".

Unwise To Discuss Costs Of Digital Euro Before Discussing Benefits

Q: One of the criticisms of the digital euro project is that it's a solution in search of a problem and that it's objective would be better realised through a market-led approach. How do you respond to that?

A: I regard money as a public good, full stop. Central bank money is the anchor and has to remain an active part of the system that people can actually trust. The digital euro is the digital form of a bank note that people want. Maybe in 10 years time, there will be fewer of those bank notes in circulation, but they will still need to have the certainty that a euro is a euro is a euro. There are many other reasons why the digital euro is perfectly legitimate or valid and will be cheaper, user friendly and good for transactions throughout Europe and not just in various countries.

Q: Banks around Europe, including Italian banks have warned about the costs of adopting the digital euro, even suggesting that their cost could be higher than ECB estimates, as is sometimes the case with public infra?

Panetta: I strongly agree with what the President just said. We need public money for the stability of the financial system. The president is absolutely right on the costs. I think it would be unwise to discuss costs before discussing the benefits. Currently, euro area banks only represent 1/3 of total activity on digital payments in the euro. Two thirds of digital payments in the euro area are intimidated by non European companies, both for digital payments at the point of sale and digital payments online. Now, the reason why this is so is that European bank did not agree until now on ways to provide their services to the entire euro area they don't have what is called in technical terms, a rail, the infrastructure to provide to offer their digital payment services to all European citizens. One of the main benefits for the banks in the EU area is that once the digital infrastructure will be built, they will be able to use that rail and compete at a European level, thus generating additional business, additional revenues, and there will be many implications in terms of sovereignty for the euro area.

Q on money and payment development

A: I would like to insist on the fact that we at the ECB, in the Euro system, are very attentive to innovation, and we are very supportive of innovation. The digital euro, the different options that we're exploring, the way in which we reach out to both suppliers, merchants, banks, which stand to benefit from this system, is a clear indication that we want innovation into money and into this public good for which we are responsible. So for those who would like to argue that we are trying to stifle innovation, terribly sorry, but this is the wrong.

We are also attentive to the regulatory framework in which private forms of money, certain financial instruments that I would not call currencies, and I'm here referring to cryptos, equivalent of currencies as they present themselves, but which are private for money, such as stablecoins are launched, are reserved against, are made secure. And that was under the MiCA, the European regulation that was issued in order to establish the protection of consumers, enough financial stability and rules by which some of those issuers were supervised. I observed that in spite of the executive decision that was made back in January. The genius Act, which was issued by Congress in the United States, is also attempting to put together a framework which has a lot of overlap with MiCA. There are some discrepancies, and there are areas for which we have to be attentive not to create financial stability risk or arbitrage risks that would be detrimental to Europe. This is our job and we will continue to do to do that job. But as I said earlier, what we are doing, putting money as a public good on the map and making sure that the anchor is alive and digital as well as cash, is our duty. But it does not stop private issues to do what they think is their business.

<u>Panetta Comments On The Latest Italian GDP Reading</u>

Q: What is your assessment on the Italian economy and public finances after the GDP data this morning that showed a stagnation in the third quarter?

Panetta: "The flat GDP reading was largely expected and doesn't materially change our projections we have just published. In order to have a better assessment, we need more information on the composition, because the composition matters".

- "But I think we should broaden the horizon and look at the conditions of the Italian economy from a broader perspective, in recent years, the Italian economy continued to grow, although at a moderate pace, in spite of a number of shocks that Italy has faced including geopolitics, the tightening cycle of the ECB, tariffs, appreciation of the euro, the weakening of the traditional export markets of Italy and especially the weakening of the German economy. The economy has been much more resilient than many that predicted only two three years ago".

- "And I think we should look at the structural conditions of the economy, which has improved significantly. The fiscal deficit shot up to above 9% GDP during the pandemic crisis. Now it is at 3% in 2025 will go even lower than that. The primary deficit became a primary surplus of 0.9% GDP, the debt participation, which increased significantly during the pandemic phase, now is back to the pre pandemic level".
- "And what has been largely, what went largely unnoticed in recent years is the change which took place in Italy's net financial international position which has now turned positive".

Media Post-ECB Sources Pieces

Reuters Sources See Policymakers Preparing For A December Showdown

- “European Central Bank policymakers are preparing for something of a showdown at their next meeting in December, when new three-year projections will shed light on whether or not they risk undershooting their target, four sources told Reuters."
- "The ECB will publish its first set of projections for 2028 in December and some policymakers thought that clear evidence pointing to a continued undershooting in inflation that year would justify debating a rate cut at the meeting, the sources said."
- "But others argued that long-term projections should be taken with a pinch of salt, given their track record, and in any case, a modest undershooting of just 20 or 30 basis points can be tolerated, the sources added."