
Data Insights: ECB and Euro Area Economy Monitor

Thursday, March 19, 2026

Today's monetary policy decision: how the language changed from prior meeting

~~5 February~~ 19 March 2026

The Governing Council today decided to keep the three key ECB interest rates unchanged. ~~Its updated assessment reconfirms~~ It is determined to ensure that inflation ~~should stabilise~~ stabilises at ~~its~~ the 2% target in the medium term. The war in the Middle East has made the outlook significantly more uncertain, creating upside risks for inflation and downside risks for economic growth. It will have a material impact on near-term inflation through higher energy prices. Its medium-term implications will depend both on the intensity and duration of the conflict and on how energy prices affect consumer prices and the economy ~~remains resilient in a challenging~~.

The Governing Council is well positioned to navigate this uncertainty. Inflation has been at around the 2% target, longer-term inflation expectations are well anchored, and the economy has shown resilience over recent quarters. The incoming information in the period ahead will help the Governing Council assess how the war will affect the inflation outlook and the risks surrounding it. The Governing Council is closely monitoring the situation, and its data-dependent approach will help it set monetary policy as appropriate.

The new ECB staff projections exceptionally incorporate information up to 11 March, a later cut-off date than usual. In the baseline, headline inflation is seen to average 2.6% in 2026, 2.0% in 2027 and 2.1% in 2028. Inflation has been revised up compared with the December projections, especially for 2026. This is because energy prices will be higher owing to the war in the Middle East. For inflation excluding energy and food, staff project an average of 2.3% in 2026, 2.2% in 2027 and 2.1% in 2028. This is also higher than the path in the December projections, mainly owing to higher energy prices feeding into inflation excluding energy and food. Staff expect economic growth to average 0.9% in 2026, 1.3% in 2027 and 1.4% in 2028. This implies a downward revision, especially for 2026, reflecting the global environment. Low effects of the war on commodity markets, real incomes and confidence. At the same time, low unemployment, solid private sector balance sheets, the gradual rollout of and 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 should continue to underpin growth.

The Governing Council is determined to ensure that inflation stabilises at its 2% target in the medium term. It ~~In line with the Governing Council's monetary policy strategy commitment to incorporate risks and uncertainty into its decision-making, staff also assessed how the war in the Middle East could~~

affect economic growth and inflation under some alternative illustrative scenarios. These scenarios will be published with the staff projections on the ECB's website. The scenario analysis suggests that a prolonged disruption in the supply of oil and gas would result in inflation being above, and growth being below, the baseline projections. The implications for medium-term inflation depend crucially on the magnitude of indirect and second-round effects of a stronger and more persistent energy shock.

The Governing Council will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, ~~the Governing Council's~~ its 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

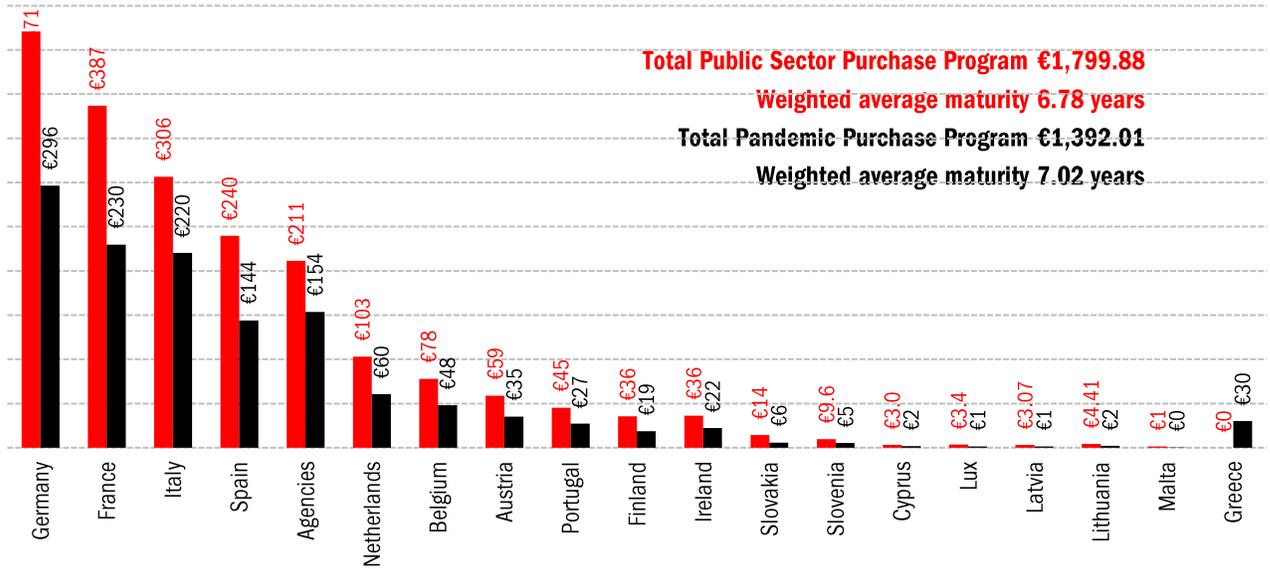
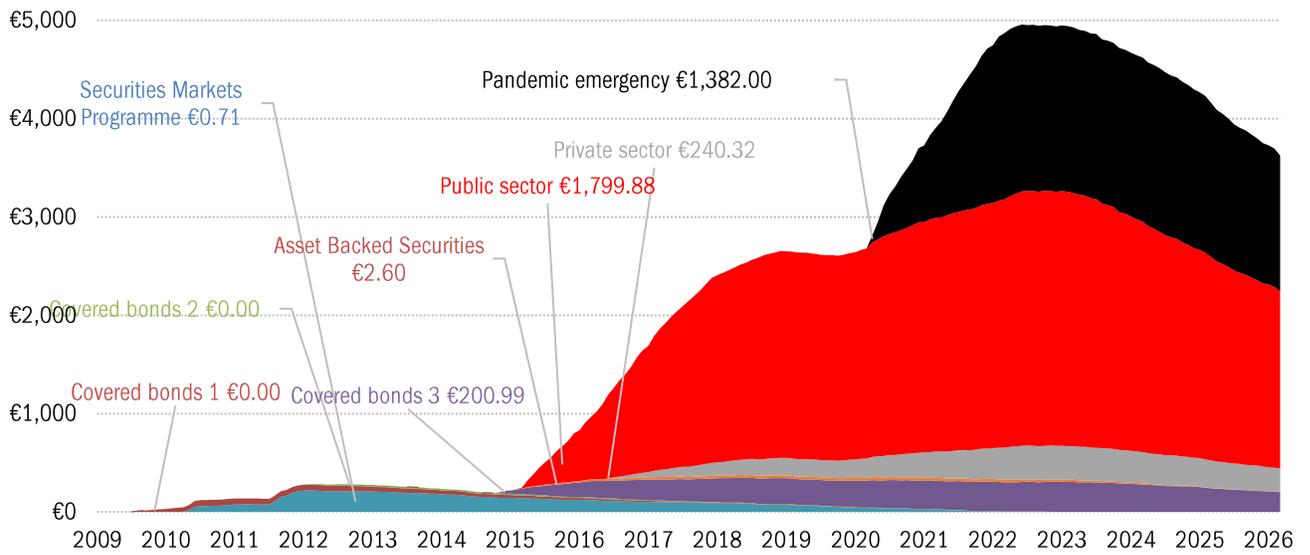
The interest rates on the deposit facility, the main refinancing operations and the marginal lending facility will remain unchanged at 2.00%, 2.15% and 2.40% respectively.

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.

Source: ECB, TrendMacro analysis

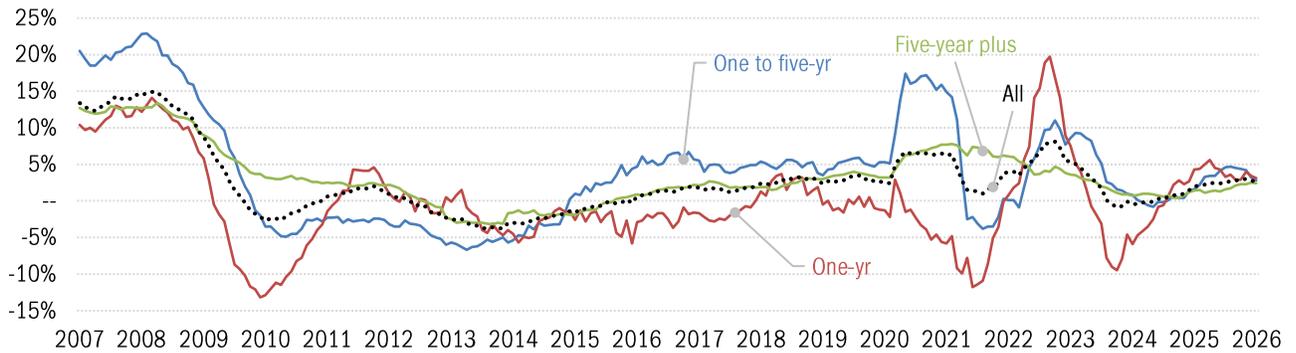
Euro-QE (€ billions)



Source: ECB, TrendMacro calculations

The credit drought: loans to non-financial businesses (YOY growth)

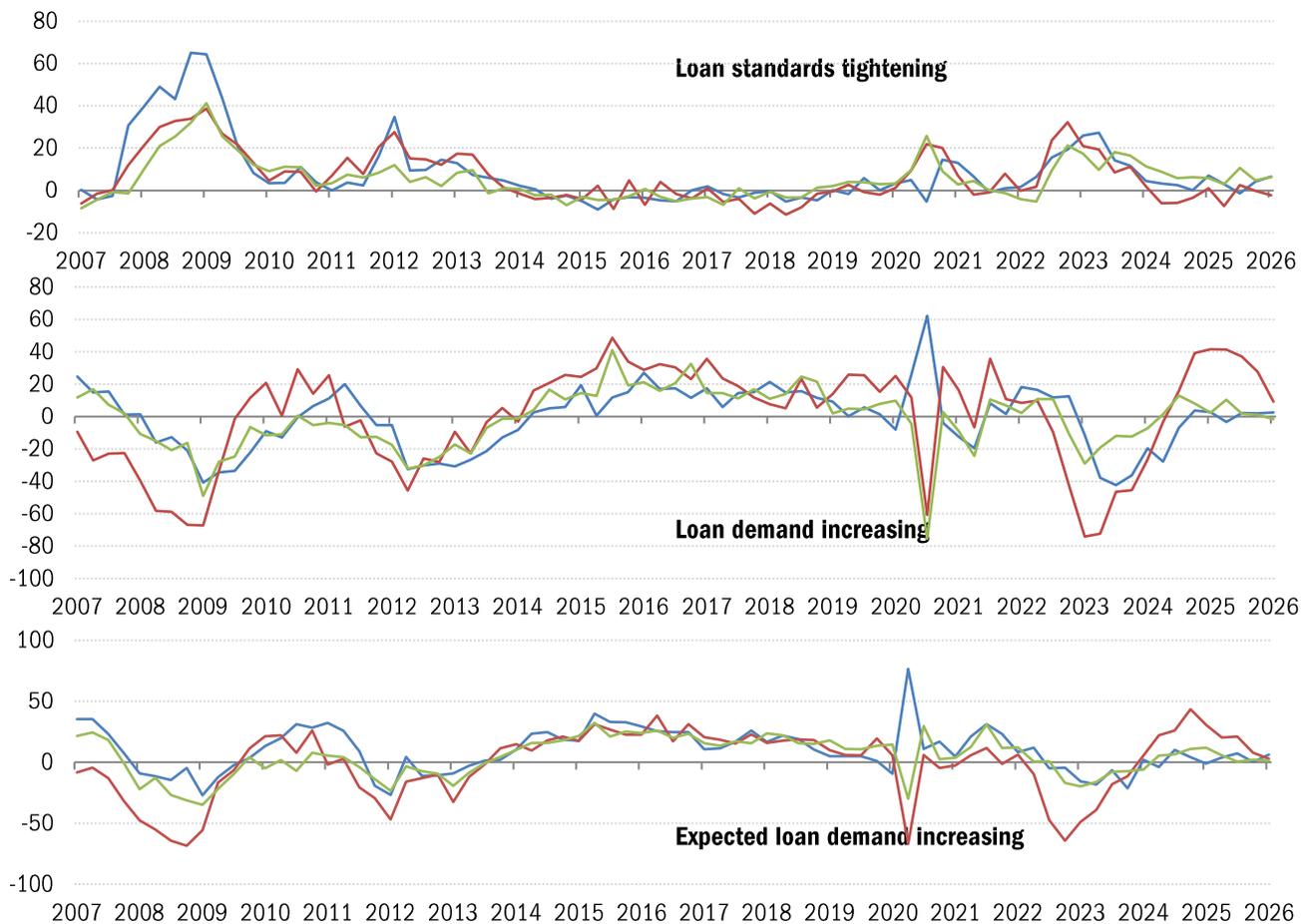
— Loans to 1 year — Loans 1-5 years — Loans 5 years plus ... Total



Source: ECB, TrendMacro calculations

Supply and demand for lending: ECB Bank Survey

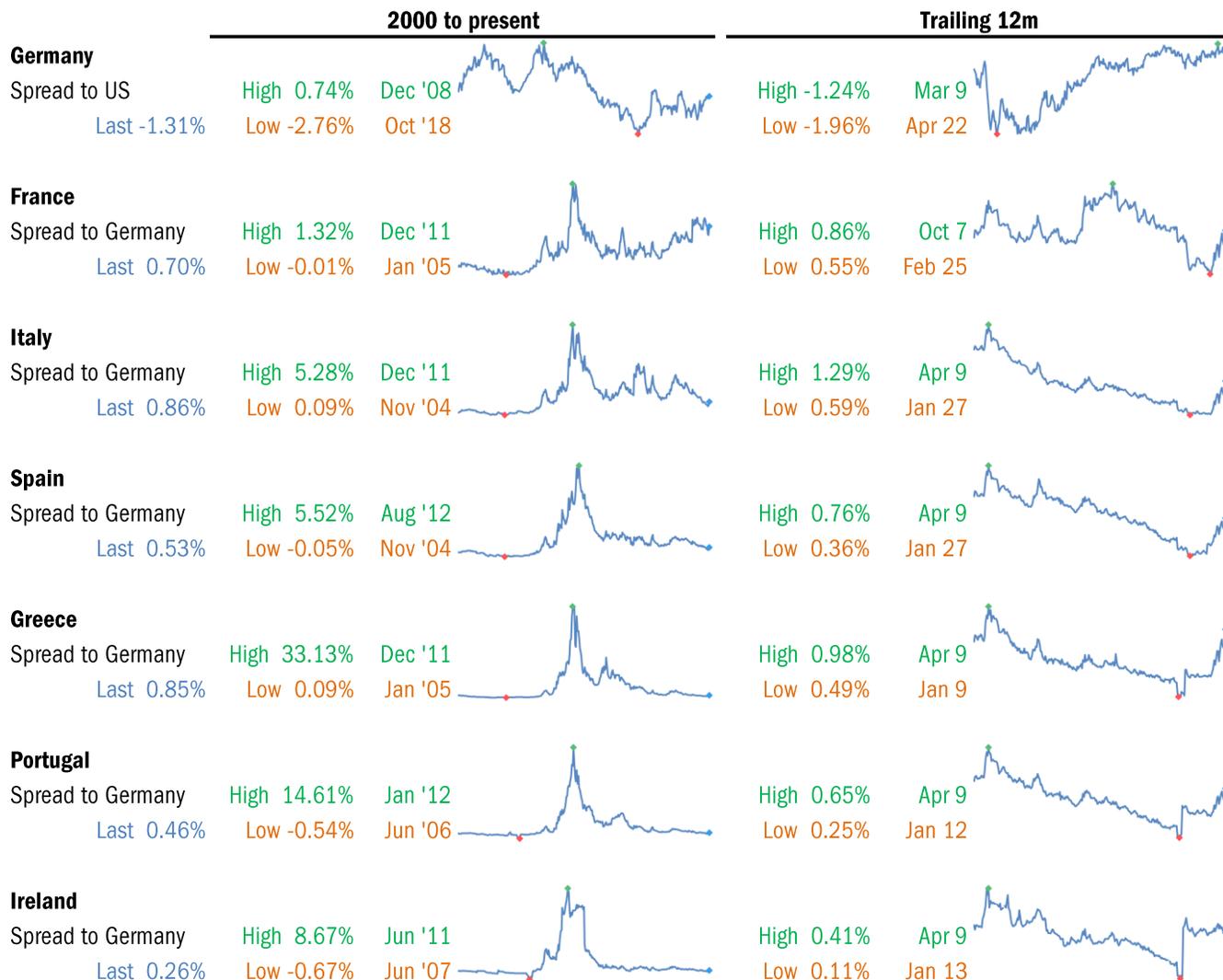
Net number of banks reporting for: — Enterprises — Home mortgage — Consumer



Source: ECB, TrendMacro calculations

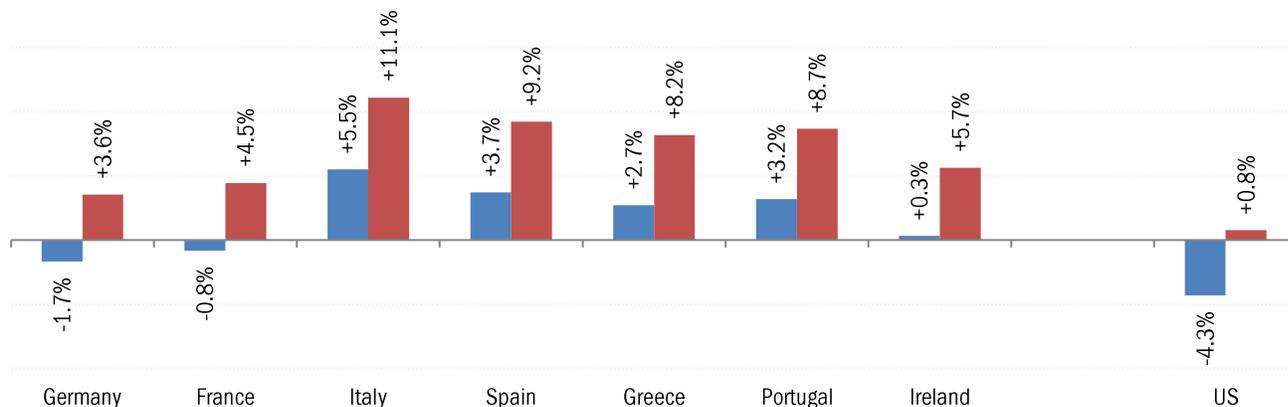
Sovereign stress monitor: 10-year bond spreads

· High · Low · Last



10-year sovereign bond total returns, trailing 12-months

■ EUR ■ USD



Source: Bloomberg, TrendMacro calculations

Labor market dynamics

ULC: Nominal, quarterly YOY UE: High 12m pulse: monthly ■ improvement or ■ worsening in rate of change



Source: Eurostat, TrendMacro calculations

Purchasing Manager Indices

Manufacturing				Services			
	Last	Prev	13-month history		Last	Prev	13-month history
Eurozone Feb	50.8	49.5		Eurozone Feb	51.9	51.6	
UK Feb	51.7	51.8		UK Feb	53.9	54.0	
Germany Feb	50.9	49.1		Germany Feb	53.5	52.4	
France Feb	50.1	51.2		France Feb	49.6	48.4	
Italy Feb	50.6	48.1		Italy Feb	52.3	52.9	
Spain Feb	50.0	49.2		Spain Feb	51.9	53.5	
Ireland Feb	53.1	52.2		Ireland Feb	51.8	54.5	
Sweden Feb	56.1	55.9		Sweden Feb	48.3	53.8	
Netherlands Feb	50.8	50.1					
Austria Feb	49.4	47.2					
Greece Feb	54.4	54.2					
Czech Rep Feb	50.0	49.8					

Source: Markit, TrendMacro calculations

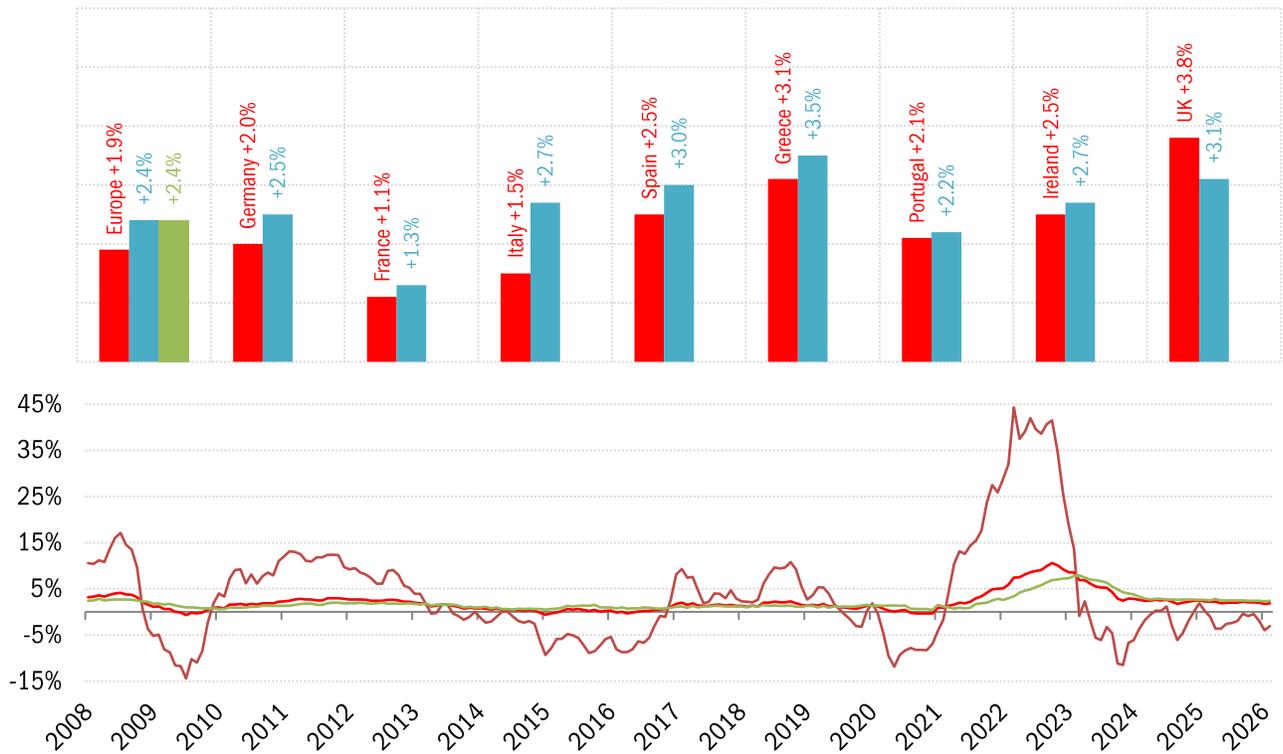
Regional currency flight — Euro vs Swiss franc ■ SNB FX reserves



Source: Bloomberg, TrendMacro calculations

Euro area consumer inflation, year on year

Country: ■ Headline ■ Ex-food and energy ■ Ex-energy Euro area: — Headline — Energy — Ex-energy



Source: Eurostat, TrendMacro calculations

Draghi's old dashboard:

Swap-implied inflation expectations since "Whatever it takes"

— 5-year inflation-swap rate, 5 years forward



Source: Bloomberg, TrendMacro calculations