Trend Macro

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Data Insights: ECB and Euro Area Economy Monitor

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

~~19 March~~30 April 2026

The Governing Council today decided to keep the three key ECB interest rates unchanged. ~~It is determined~~ While the incoming information has been broadly consistent with the Governing Council's previous assessment of the inflation outlook, the upside risks to inflation and the downside risks to growth have intensified. The Governing Council is committed to setting monetary policy to ensure that inflation stabilises at 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~~ led to a ~~material impact on near-term inflation through higher~~ sharp increase in energy prices~~. Its~~, pushing up inflation and weighing on economic sentiment. The implications of the war for medium-term ~~implications~~ inflation and economic activity will depend ~~both~~ on the intensity and duration of the ~~conflict and on how~~energy price shock and the scale of its indirect and second-round effects. The longer the war continues and the longer energy prices ~~affect consumer prices~~ remain high, the stronger is the likely impact on broader inflation and the economy.

The Governing Council ~~is~~remains well positioned to navigate ~~this~~the current uncertainty. ~~Inflation has been~~ The euro area entered this period of surging energy prices with inflation 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~~ Longer-term inflation expectations remain well anchored, although inflation expectations over shorter horizons have moved up significantly.

The Governing Council will closely ~~monitoring~~monitor 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 effects of the war on commodity markets, real incomes and confidence. At the same time, low unemployment, solid private sector balance sheets, and public spending on defence and infrastructure should continue to underpin growth.~~

~~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~~ and follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, 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

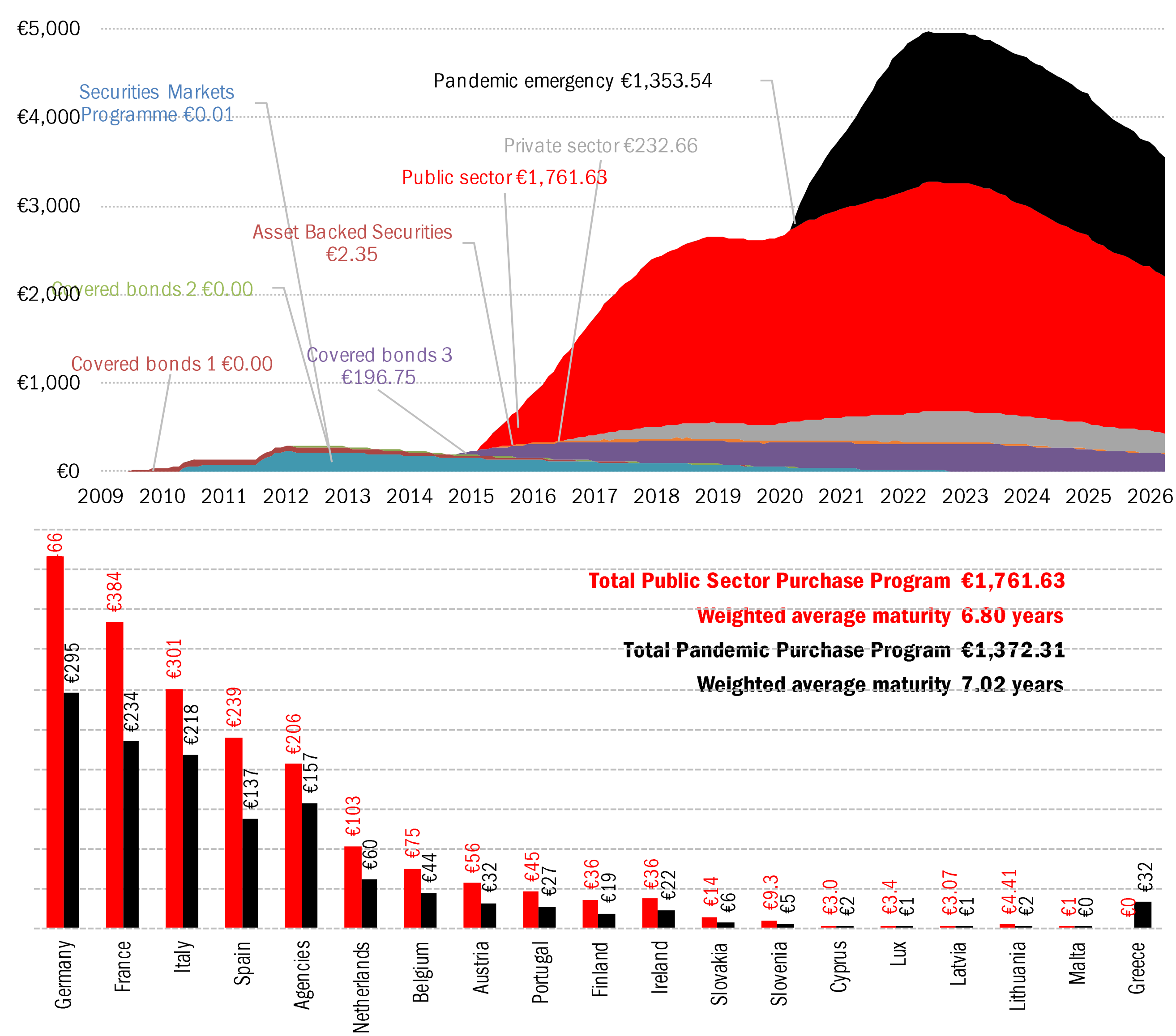
The interest rates on the deposit facility, the main refinancing operations and the marginal lending facility will remain unchanged at 2.00%, 2.15% and 2.40% respectively.

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

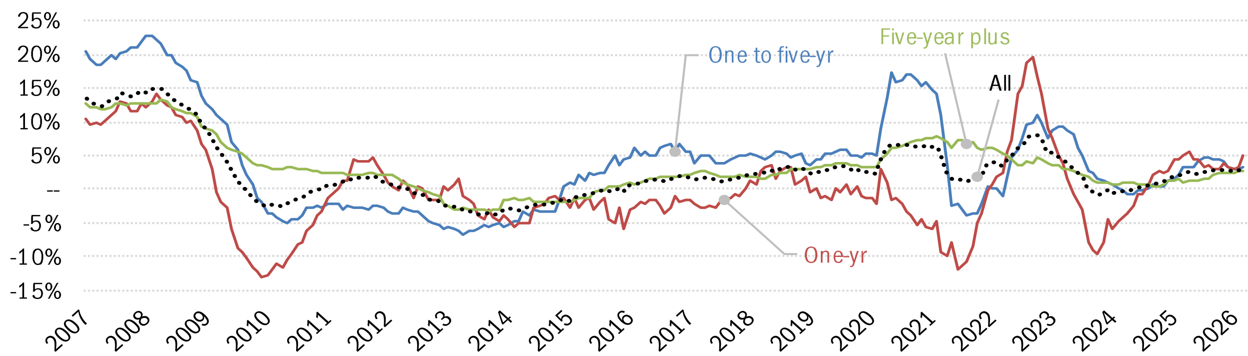
Euro-QE (€ billions)



Source: ECB, TrendMacro calculations

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

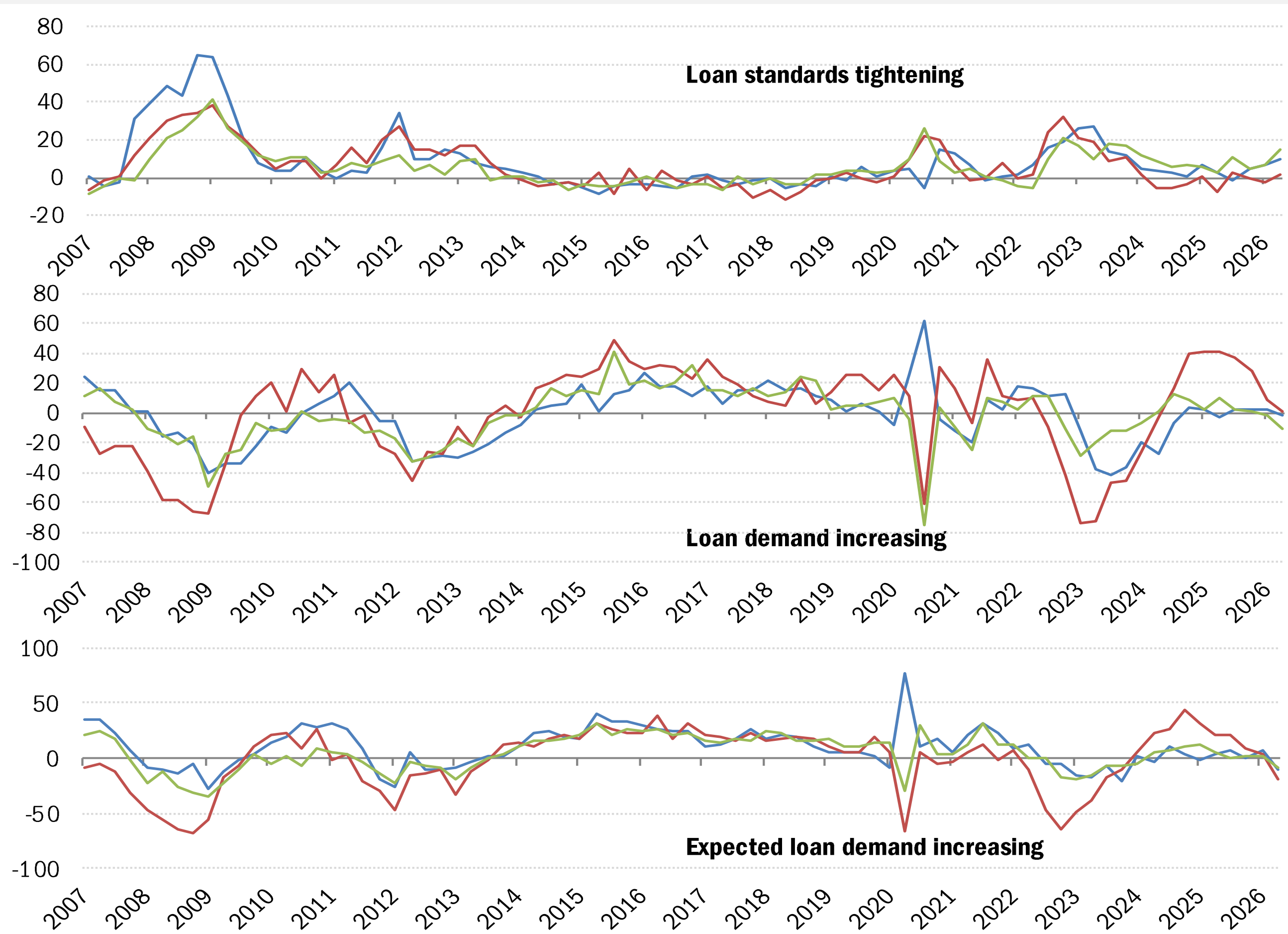
Loans to 1 year · Loans 1-5 years · Loans 5 years plus · Total



Source: ECB, TrendMacro calculations

Supply and demand for lending: ECB Bank Survey

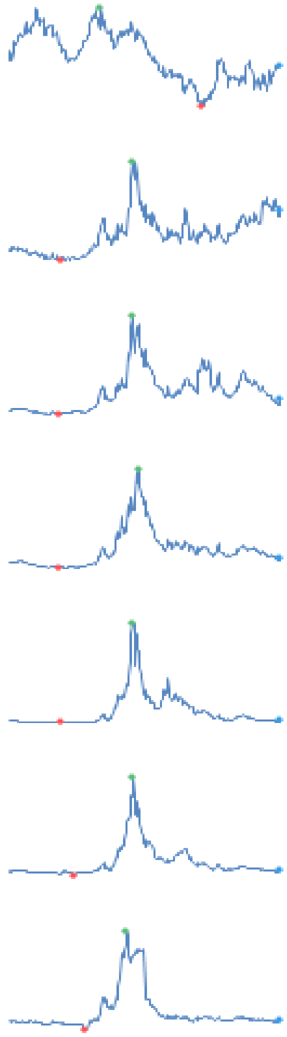
Net number of banks reporting for: Enterprises · Home mortgage · Consumer

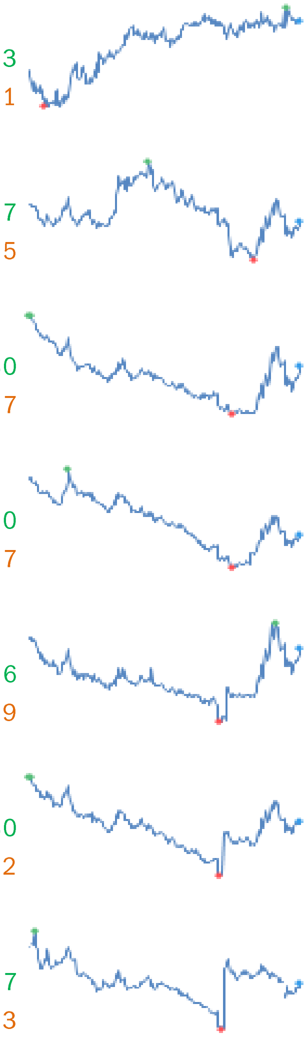


Source: ECB, TrendMacro calculations

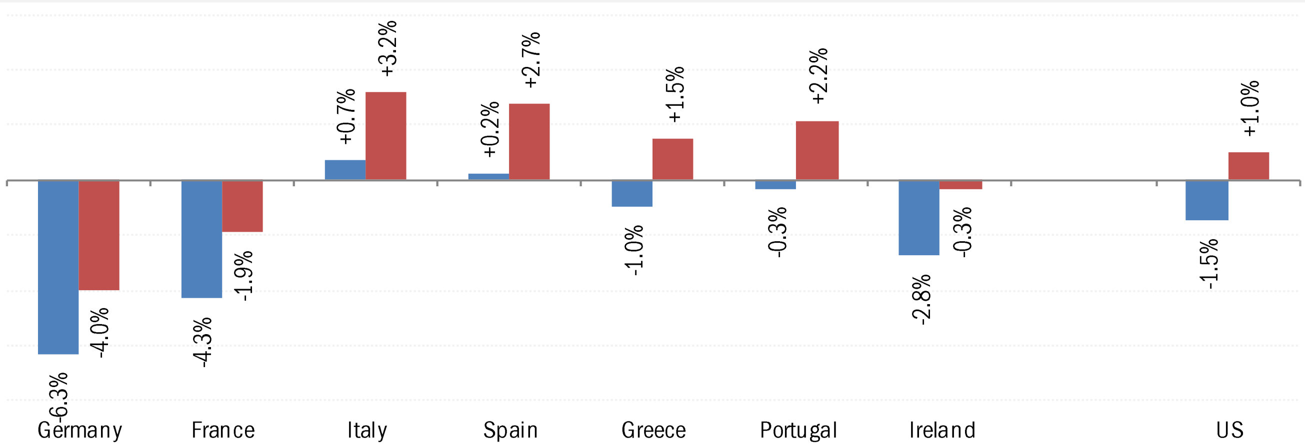
Sovereign stress monitor: 10-year bond spreads · High · Low · Last

	2000 to present		Trailing 12m	
Germany				
Spread to US	High 0.74%	Dec '08	High -1.20%	Apr 13
Last -1.30%	Low -2.76%	Oct '18	Low -1.95%	May 21
France				
Spread to Germany	High 1.32%	Dec '11	High 0.86%	Oct 7
Last 0.67%	Low -0.01%	Jan '05	Low 0.55%	Feb 25
Italy				
Spread to Germany	High 5.28%	Dec '11	High 1.12%	Apr 30
Last 0.85%	Low 0.09%	Nov '04	Low 0.59%	Jan 27
Spain				
Spread to Germany	High 5.52%	Aug '12	High 0.70%	Jun 20
Last 0.47%	Low -0.05%	Nov '04	Low 0.36%	Jan 27
Greece				
Spread to Germany	High 33.13%	Dec '11	High 0.91%	Mar 26
Last 0.80%	Low 0.09%	Jan '05	Low 0.49%	Jan 9
Portugal				
Spread to Germany	High 14.61%	Jan '12	High 0.56%	Apr 30
Last 0.42%	Low -0.54%	Jun '06	Low 0.25%	Jan 12
Ireland				
Spread to Germany	High 8.67%	Jun '11	High 0.39%	May 7
Last 0.24%	Low -0.67%	Jun '07	Low 0.11%	Jan 13





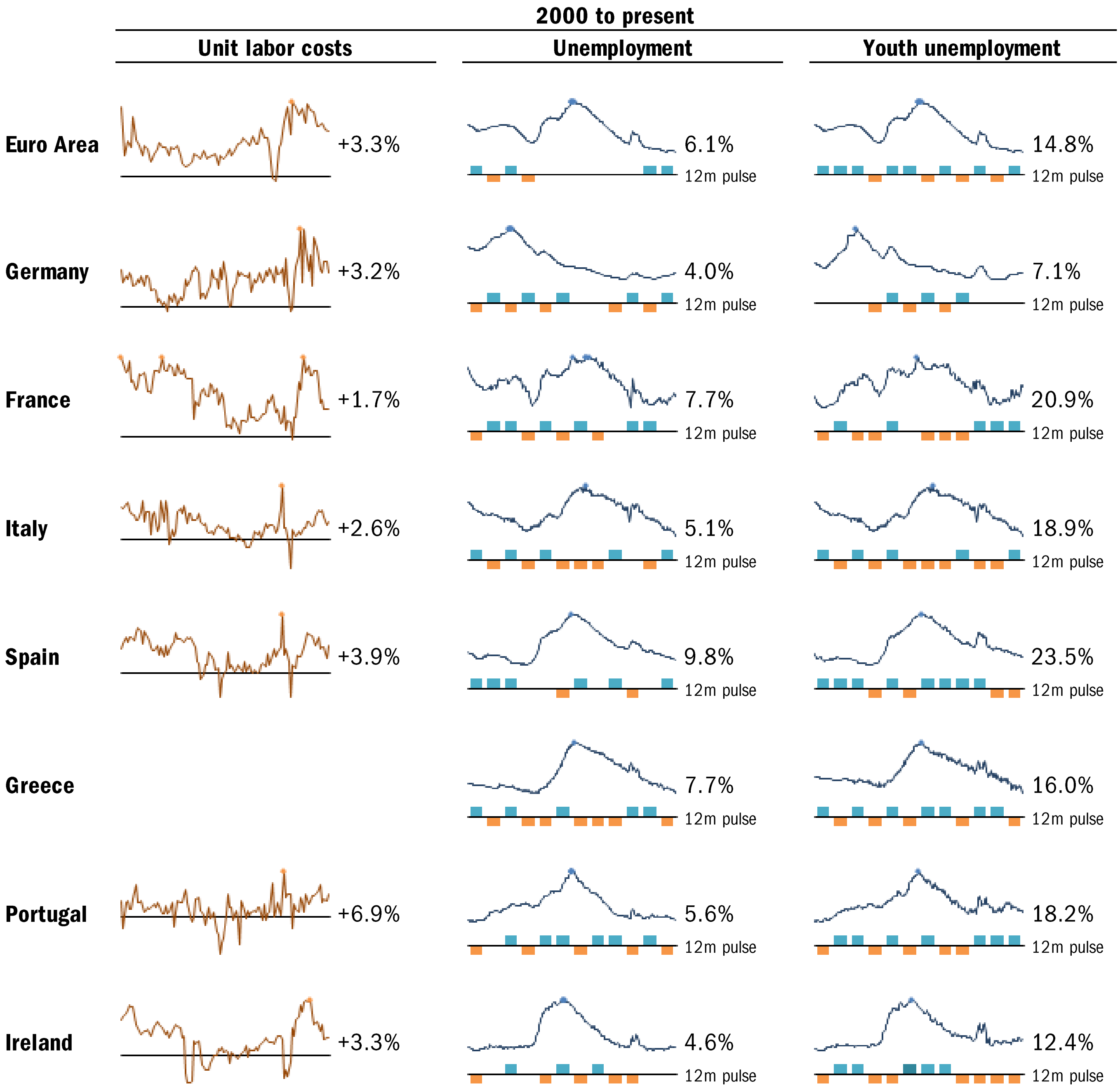
10-year sovereign bond total returns, trailing 12-months EUR USD



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	Last	Prev	13-month history	*Services*	Last	Prev	13-month history
Eurozone Apr	52.2	51.6		Eurozone Apr	47.4	50.2	
UK Apr	53.6	51.0		UK Apr	52.0	50.5	
Germany Apr	51.2	52.2		Germany Apr	46.9	50.9	
France Apr	52.8	50.0		France Apr	46.5	48.8	
Italy Mar	51.3	50.6		Italy Mar	48.8	52.3	
Spain Mar	48.7	50.0		Spain Mar	53.3	51.9	
Ireland Mar	53.7	53.1		Ireland Mar	50.7	51.8	
Sweden Mar	56.3	56.0		Sweden Mar	55.7	48.7	
Netherlands Mar	52.0	50.8					
Austria Apr	51.2	52.4					
Greece Mar	54.5	54.4					
Czech Rep Mar	52.8	50.0					

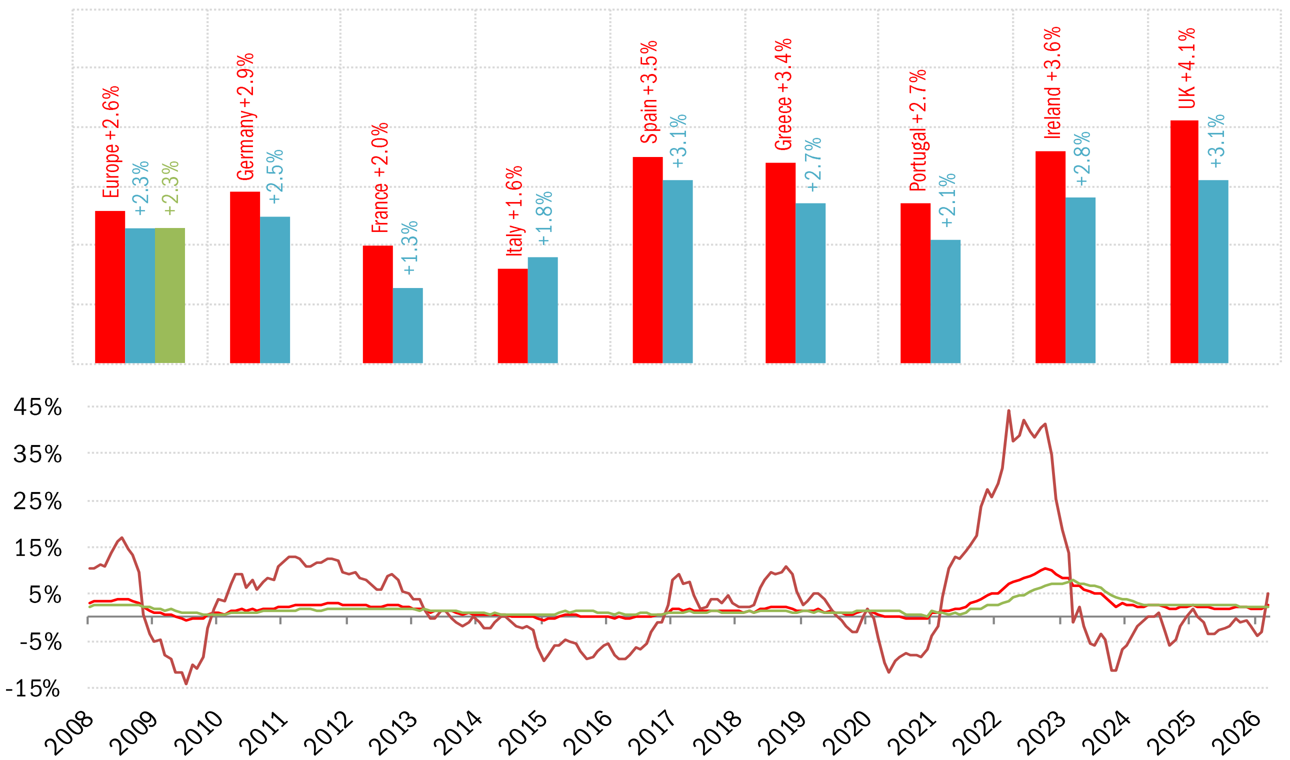
Source: Markit, TrendMacro calculations

Regional currency flight

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