
Data Insights: ECB and Euro Area Economy Monitor

Thursday, June 11, 2026

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

30 April 11 June 2026

~~The Governing Council today decided to keep the three key ECB interest rates unchanged. 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. In line with this commitment, it today decided to raise the three key ECB interest rates by 25 basis points. The war in the Middle East is generating inflation pressures, and the decision to raise rates is robust across a range of scenarios mapping out how the shock might evolve and affect the medium-term outlook for the euro area.~~

~~The war in the Middle East has led to a sharp increase in energy prices, pushing up inflation and weighing on which, to some extent, is expected to feed into food, goods and services inflation. The baseline sees economic sentiment. The growth at an average of 0.8% in 2026, 1.2% in 2027 and 1.5% in 2028. This is a downward revision for 2026 and 2027, reflecting a more pronounced impact of the war on commodity markets, real incomes and confidence.~~

~~The outlook remains uncertain, with upside risks for inflation and downside risks for economic growth. The full implications of the war for medium-term inflation and economic activity growth will depend on the intensity and duration of the energy price shock and, as well as the scale of its indirect and second-round effects. The longer the war continues and the longer energy prices remain high, the stronger is. This uncertainty is also reflected in the likely impact on broader range of outcomes for inflation and growth in the economy updated illustrative scenarios put together by Eurosystem staff. These will be published with the staff projections on the ECB's website.~~

~~The With today's decision, the Governing Council remains well positioned to navigate the current uncertainty. The euro area entered this period of surging energy prices with inflation at around the 2% target, and the economy~~

~~has shown resilience over recent quarters. Longer-term inflation expectations remain well anchored, although inflation expectations over shorter horizons have moved up significantly.~~

~~The Governing Council~~ uncertainty caused by the war. It will closely monitor the situation and follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, ~~it~~ 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~~ The Governing Council decided to raise the three key ECB interest rates by 25 basis points. Accordingly, the interest rates on the deposit facility, the main refinancing operations and the marginal lending facility will ~~remain unchanged at~~ be increased to 2.0025%, 2.1540% and 2.4065% respectively, with effect from 17 June 2026.

Asset purchase programme (APP) and pandemic emergency purchase programme (PEPP)

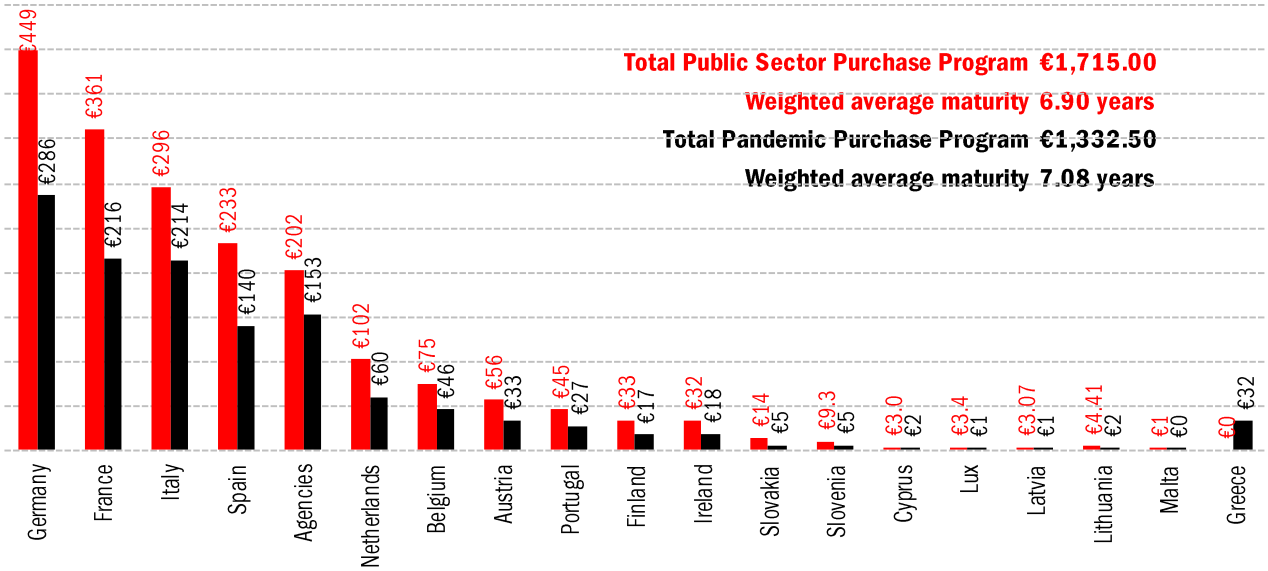
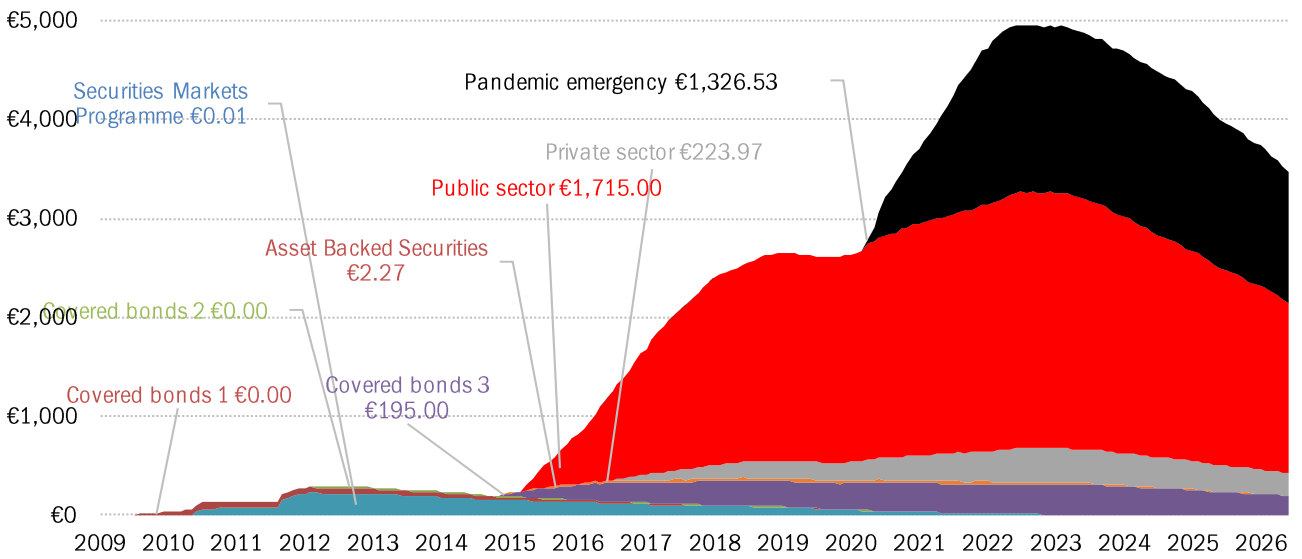
The APP and PEPP portfolios are declining at a measured and predictable pace, as the Eurosystem no longer reinvests the principal payments from maturing securities.

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.

Source: ECB, TrendMacro analysis

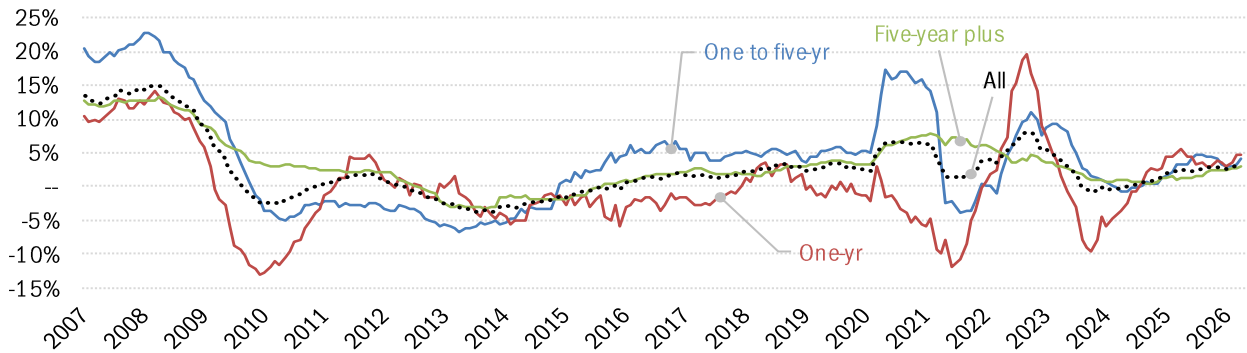
Euro-QE (€ billions)



Source: ECB, TrendMacro calculations

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

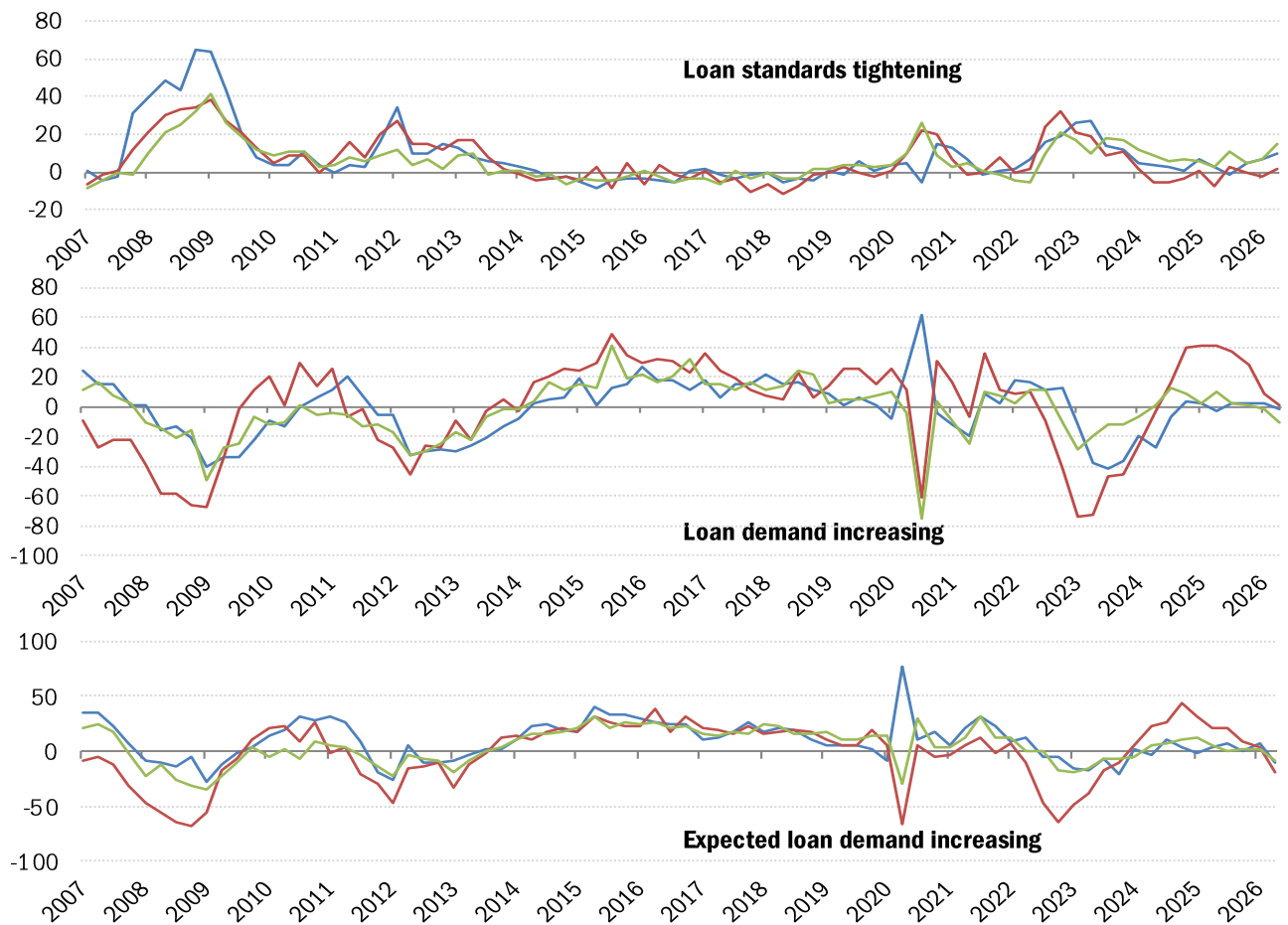
— Loans to 1 year — Loans 1-5 years — Loans 5 years plus ... Total



Source: ECB, TrendMacro calculations

Supply and demand for lending: ECB Bank Survey

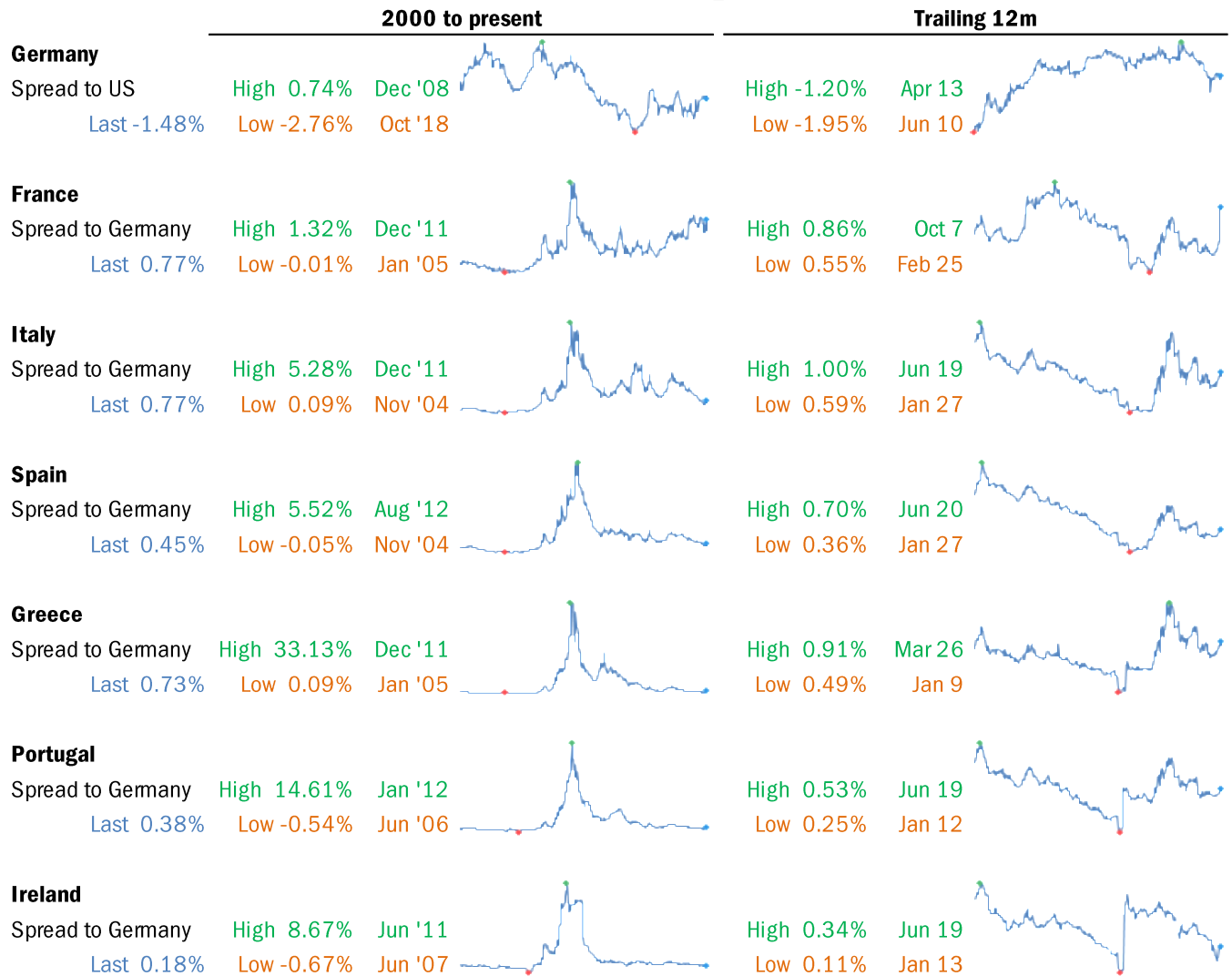
Net number of banks reporting for: — Enterprises — Home mortgage — Consumer



Source: ECB, TrendMacro calculations

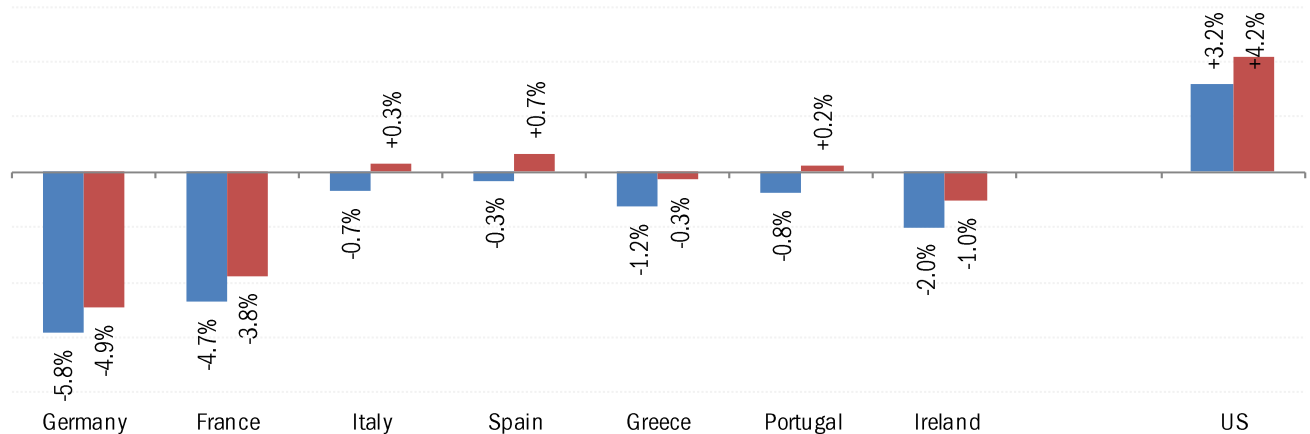
Sovereign stress monitor: 10-year bond spreads

· High · Low · Last



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

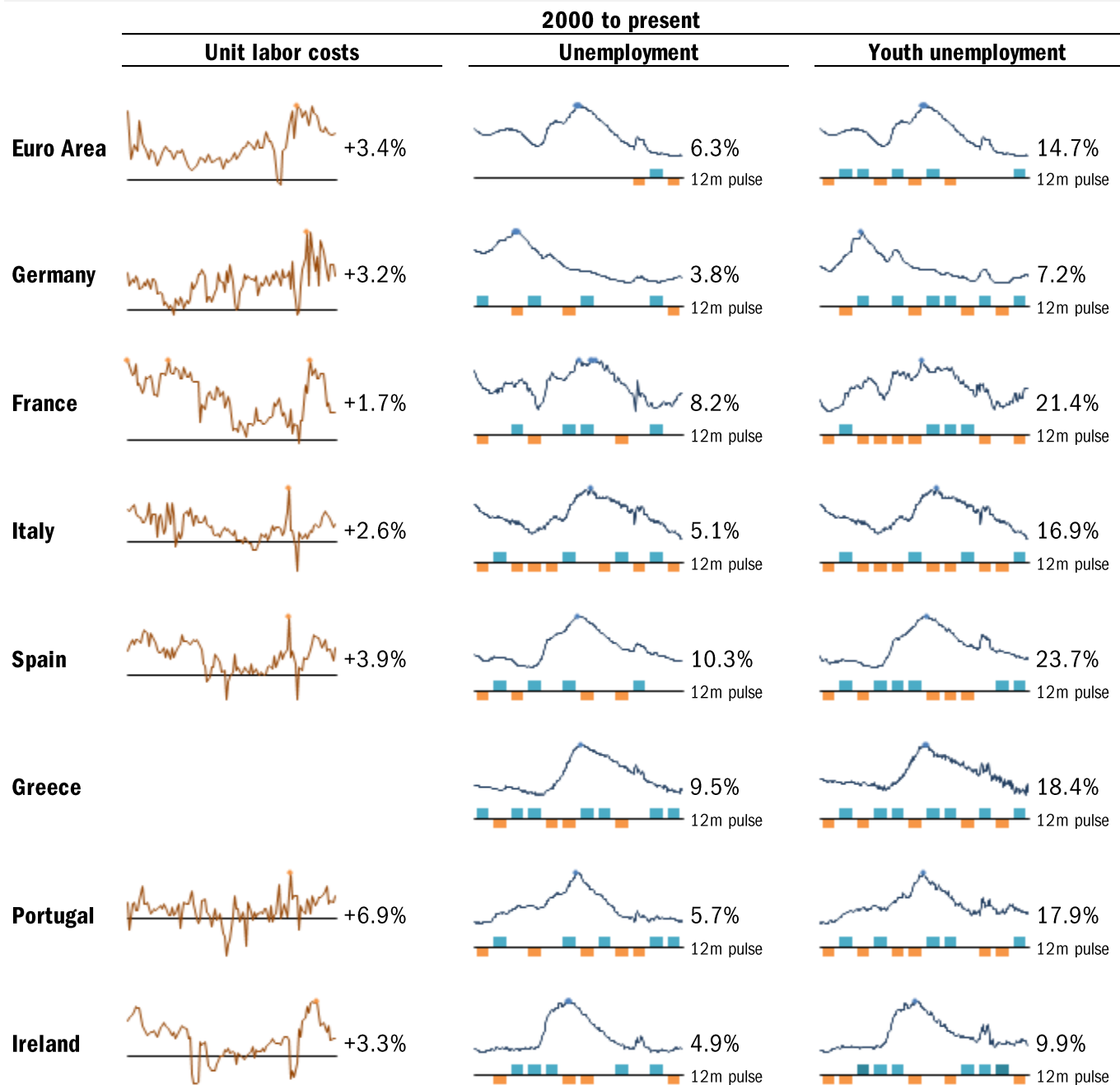
■ EUR ■ USD



Source: Bloomberg, TrendMacro calculations

Labor market dynamics

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



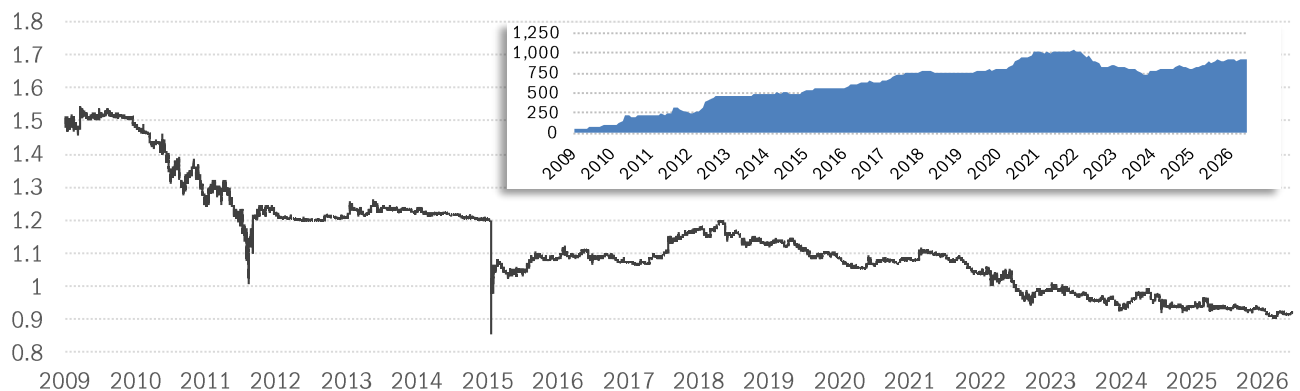
Source: Eurostat, TrendMacro calculations

Purchasing Manager Indices

Manufacturing				Services			
	Last	Prev	13-month history		Last	Prev	13-month history
Eurozone May	51.6	52.2		Eurozone May	47.7	47.6	
UK May	53.9	53.7		UK May	49.3	52.7	
Germany May	50.1	51.4		Germany May	48.1	46.9	
France May	49.7	52.8		France May	44.3	46.5	
Italy May	52.9	52.1		Italy May	49.4	49.8	
Spain May	51.2	51.7		Spain May	50.1	47.9	
Ireland May	55.9	54.9		Ireland May	50.8	49.7	
Sweden May	57.3	57.0		Sweden May	53.9	52.6	
Netherlands May	55.9	54.4					
Austria May	51.7	51.2					
Greece May	53.3	52.4					
Czech Rep May	52.2	52.9					

Source: Markit, TrendMacro calculations

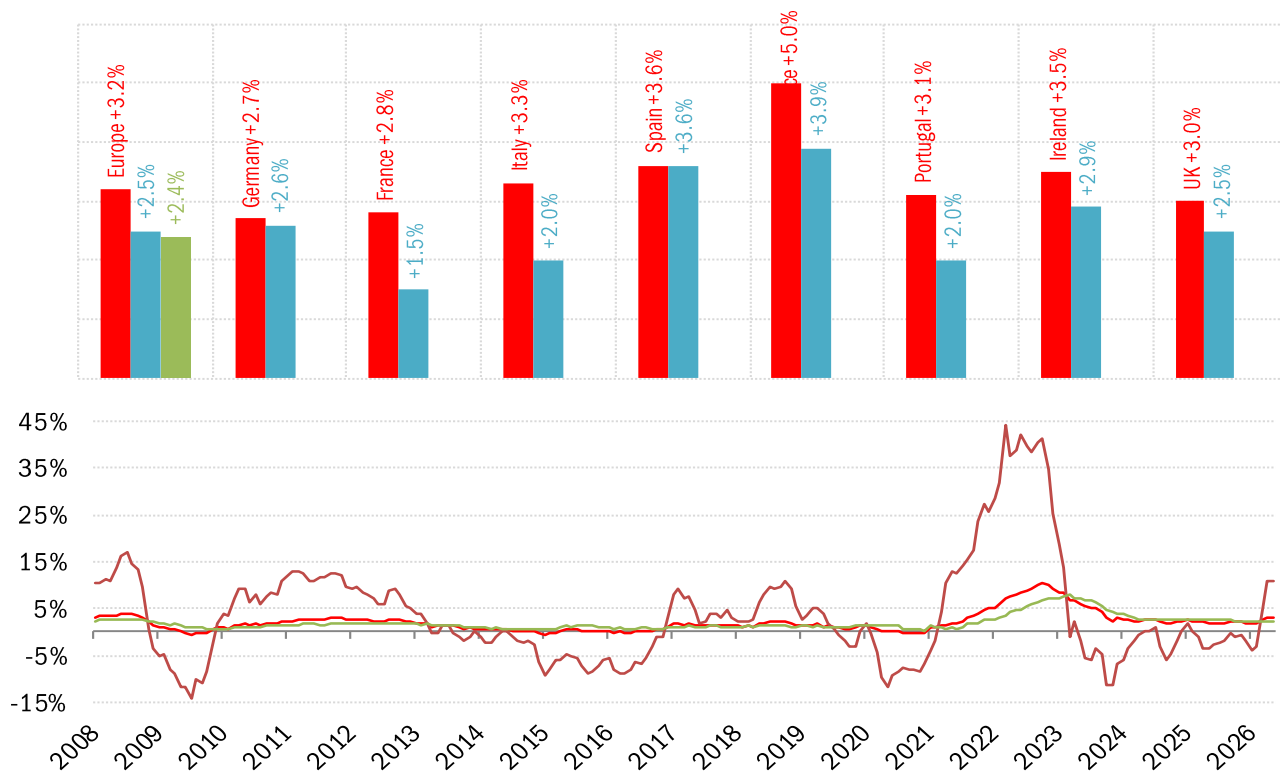
Regional currency flight — Euro vs Swiss franc ■ SNB FX reserves



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