

ECB decision in charts

„We will have a lot more information in June“

Classification of the ECB meeting on March 7, 2024

Economics

March 8, 2024

Highlights of the Governing Council meeting on March 7, 2024 (Part I)

The ECB, which has held interest rates unchanged as expected at 4,00% (Deposit Facility Rate) and 4,50% (Main Refinancing Rate), has sent out a rather clear message at its March 7 meeting: April is still too early, and June is the most probable month for a rate cut. This matches our forecast. Apart from this, it is notable that the ECB has revised down significantly the forecasts for inflation and a bit for GDP growth.

The announcements in detail (quotes are in quotation marks and from Christine Lagarde, unless reference is made to someone else):

On the next rate cut: “We have not discussed rate cuts for this meeting, ... we have just begun discussing the dialing back of our restrictive stance.” “We will have a little [information in terms of wages] in April and we will have a lot more for that in June”

Note: This remark made pretty clear that Lagarde would feel much more comfortable to act in June instead of April. This is consistent with the communication of Chief Economist Philip Lane as well as a few other ECB members.

On the question if rate cuts will be gradual or more aggressive: “We will move to the restrictiveness season that will take a while and once that season is over, we will move into a normalization season. ... if that’s the definition of gradual, so be it.”

Note: The answer is a bit cryptic. But it seems that Lagarde is in favor of a gradual approach, starting only in June. This contrast with Francois Villeroy de Galhau who said only recently: “It’s not a question of rushing, but acting gradually and pragmatically can be preferable to deciding too late and then having to over-adjust.”

Highlights of the Governing Council meeting on March 7, 2024 (Part II)

New projections: 2024 GDP has been revised down from 0.8% to 0.6% which is not unexpected as governments in Germany and France have both revised down their GDP forecast, too. Lagarde said that the risk continue to be tilted to the downside. Inflation has been revised downwards significantly for 2024 from 2.7 to 2.3%.

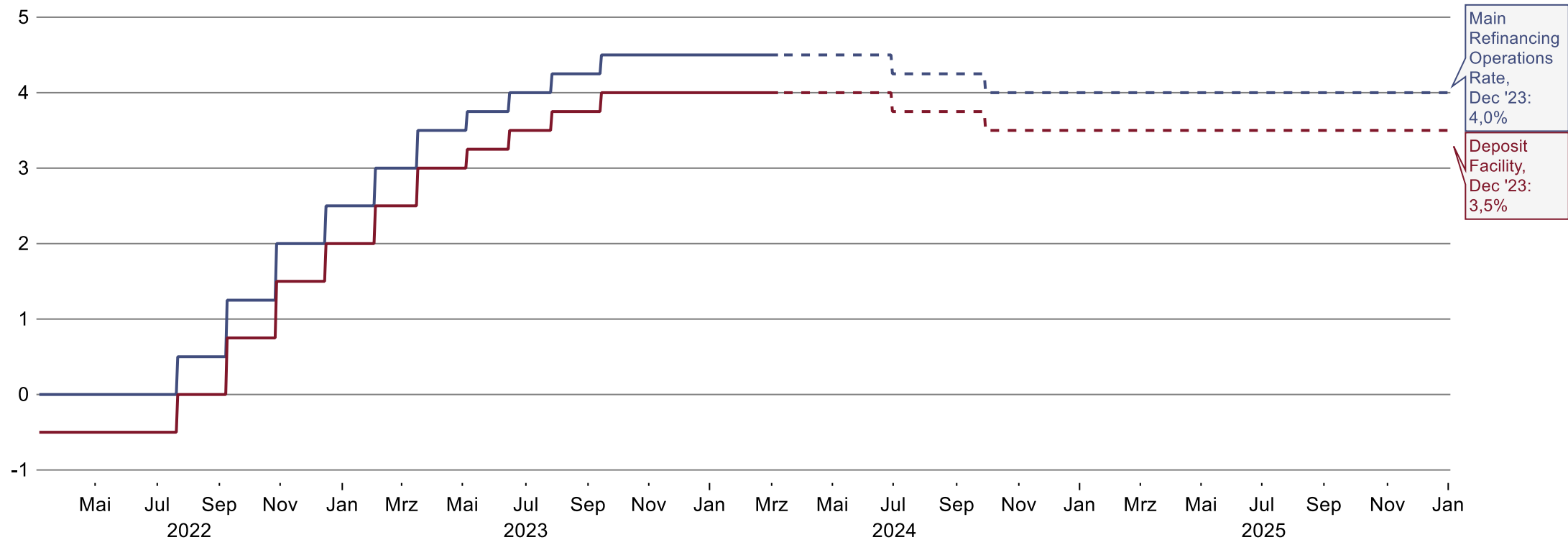
Note: The amount of revision of the inflation forecast is somewhat unexpected and does not align fully with the key message of the ECB that a rate cut will not come earlier than June.

On inflation: “We are also seeing a general moderation with one exception (...) and that is domestic inflation. [This consists mainly of] services which ... [are] labor intensive and therefore very sensitive to wage evolution.”

Note: Services inflation is hovering around 4% for four months in a row. Services account for almost 50% of the inflation basket (much less than in the US but still significant) and therefore the wage development will remain clearly an issue for the ECB. If no moderating will take place on this front it will be a bit difficult to decide on a rate cut in June.

HCOB interest rate forecast: We continue to expect two key interest rate cuts in 2024, while the forward markets have priced in four rate cuts.

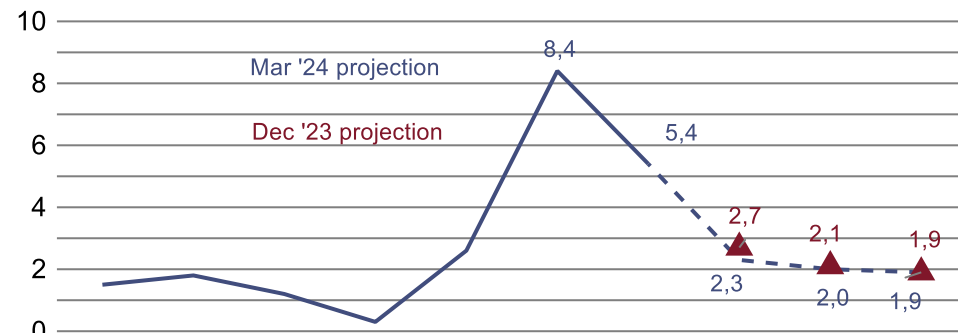
ECB policy rates and forecasts of HCOB Economics



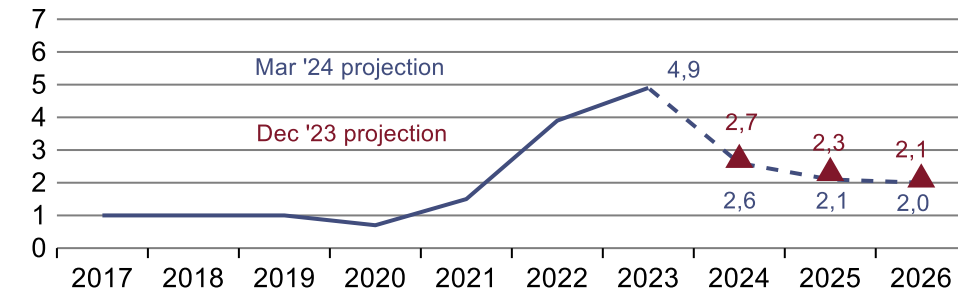
Source: Macrobond, HCOB Economics

ECB staff projections of March 2024 compared to the projections of December 2023: Inflation and growth were adjusted downwards.

Euro Area, ECB Macroeconomic Projections, Inflation HICP YoY (yearly average)

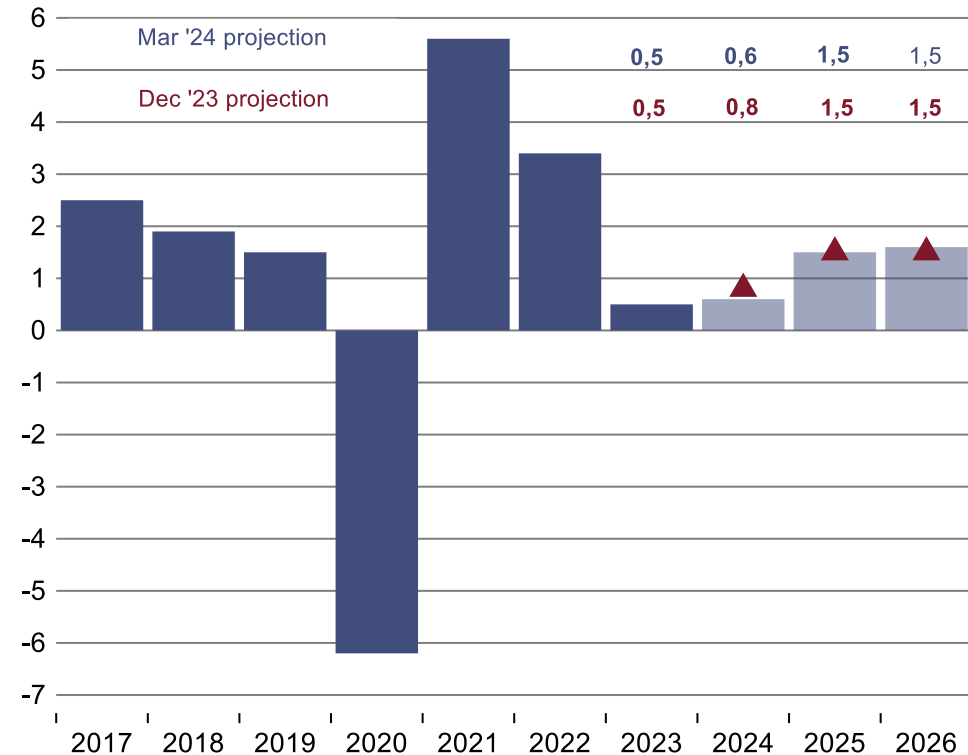


Euro Area, ECB Macroeconomic Projections, Inflation HICP core (ex energy and food) YoY (yearly average)



Source: Macrobond, HCOB Economics, ECB (European Central Bank)

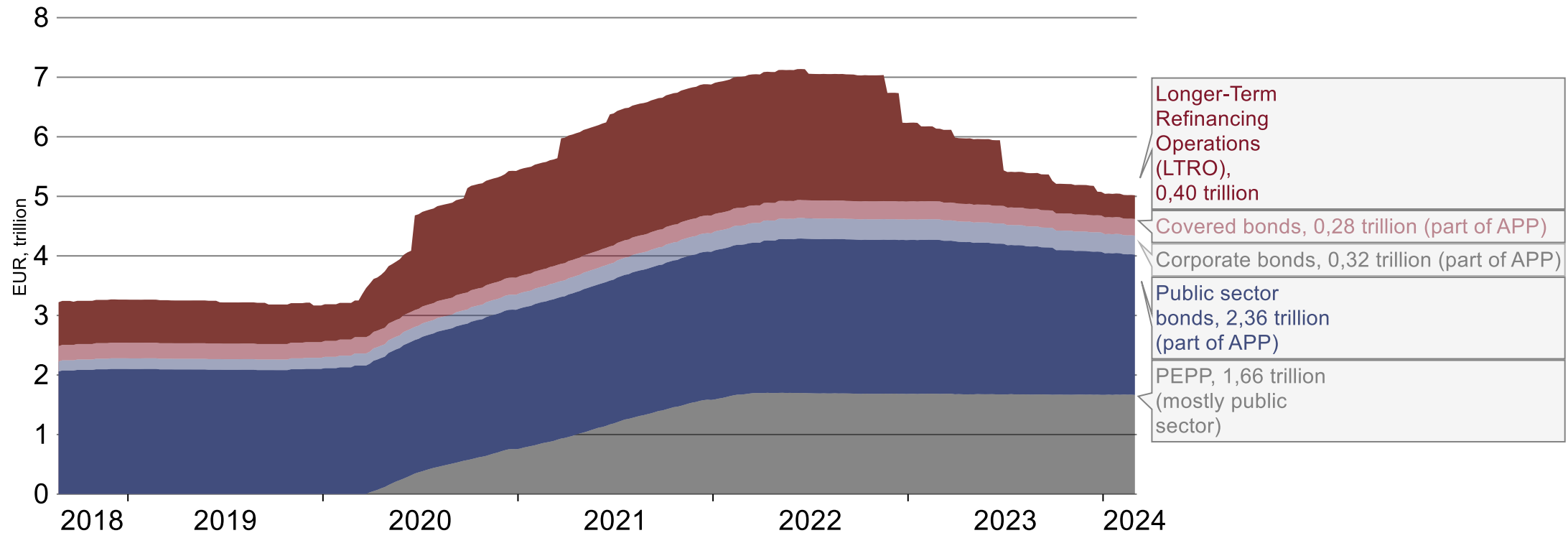
Euro Area Staff Projections, GDP



Source: Macrobond, HCOB Economics, ECB (European Central Bank)

"Quantitative Tightening": Tapering of the PEPP program begins in July 2024.

Balance sheet of the ECB, total assets, (ex gold and fx), in trillion Euro



Source: Macrobond, HCOB Economics, ECB

Repayment dates for the TLTRO III transactions

Indicative calendar for TLTRO III voluntary early repayments; updated on 27 October 2022

	TLTRO III.1-5	TLTRO III.1-6	TLTRO III.1-7	TLTRO III.1-10	TLTRO III.2-10	TLTRO III.2-10 ²	TLTRO III.3-10
Deadline for counterparties to notify NCBs of early repayment request (17:00) ¹	Wed, 15/09/2021	Wed, 08/12/2021	Wed, 16/03/2022	Wed, 15/06/2022	Wed, 14/09/2022	Wed, 16/11/2022	Wed, 07/12/2022
Publication of repayment amounts (12:05)	Fri, 17/09/2021	Fri, 10/12/2021	Fri, 18/03/2022	Fri, 17/06/2022	Fri, 16/09/2022	Fri, 18/11/2022	Fri, 09/12/2022
Voluntary early repayment settlement date	Wed, 29/09/2021	Wed, 22/12/2021	Wed, 30/03/2021	Wed, 29/06/2022	Wed, 28/09/2022	Wed, 23/11/2022 ³	Wed, 21/12/2022

	TLTRO III.3-10 ²	TLTRO III.3-10 ²	TLTRO III.4-10	TLTRO III.5-10	TLTRO III.6-10	TLTRO III.7-10
Deadline for counterparties to notify NCBs of early repayment request (17:00) ¹	Wed, 11/01/2023	Wed, 08/02/2023	Wed, 15/03/2023	Wed, 14/06/2023	Wed, 13/09/2023	Wed, 06/12/2023
Publication of repayment amounts (12:05)	Fri, 13/01/2023	Fri, 10/02/2023	Fri, 17/03/2023	Fri, 16/06/2023	Fri, 15/09/2023	Fri, 08/12/2023
Voluntary early repayment settlement date	Wed, 25/01/2023	Wed, 22/02/2023	Wed, 29/03/2023	Wed, 28/06/2023	Wed, 27/09/2023	Wed, 20/12/2023

	TLTRO III.8-10	TLTRO III.9-10	TLTRO III.10
Deadline for counterparties to notify NCBs of early repayment request (17:00) ¹	Wed, 13/03/2024	Wed, 12/06/2024	Wed, 11/09/2024
Publication of repayment amounts (12:05) ¹	Fri, 15/03/2024	Fri, 14/06/2024	Fri, 13/09/2024
Voluntary early repayment settlement date	Wed, 27/03/2024	Wed, 26/06/2024	Wed, 25/09/2024

Pending repayment data

Monetary policy instruments at a glance

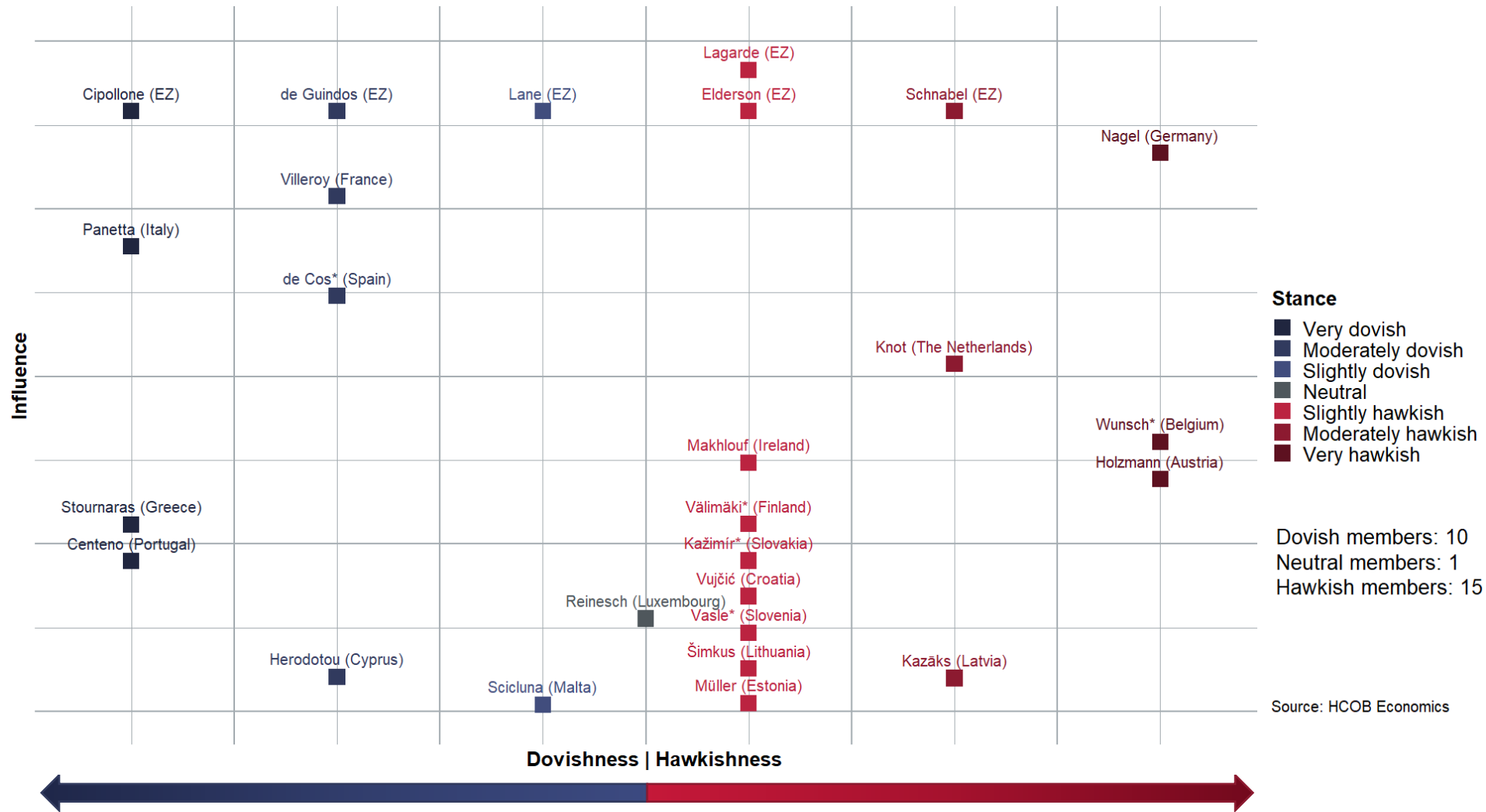
- **Key interest rates (unchanged since September 20, 2023):**
 - Main refinancing rate: 4.50%.
 - Interest rate for the deposit facility: 4.00%.
 - Governing Council decides from meeting to meeting depending on the relevant data.
- **Transmission protection instrument (TPI)**
 - According to the ECB, this program can be activated in the event of "unwarranted, disorderly market dynamics" that pose a "serious threat to the transmission of monetary policy".
 - Activation means that bonds from certain eurozone countries can be purchased without a fixed volume limit.
 - The ECB has formulated conditions under which the TPI can be used (including compliance with EU fiscal rules).
- **APP (Asset Purchase Program)**
 - Since July 2023, maturities have no longer been reinvested, meaning that the portfolio is now shrinking by an average of EUR 25 billion per month.
- **PEPP (Pandemic Emergency Purchase Program) was terminated on a net basis in March 2022.**
 - Budget: EUR 1.85 trillion, of which EUR 1.70 trillion was used.
 - Resolution of 14.12.2024: Complete reinvestment of PEPP assets by June 2024. Reinvestment of half of the maturities from July to December 2024. No more reinvestments from January 2025.
- **TLTRO (Targeted Longer-Term Refinancing Operations)**
 - TLTRO III: Changes to the conditions of the TLTRO transactions were resolved in 2022.

Voting rights (rotating procedure among the central bank presidents): Piero Cipollone has been a new member of the Governing Board since December 2023.

Position	ECB Council Member	14.09.2023	26.10.2023	14.12.2023	25.01.2024	07.03.2024	11.04.2024	06.06.2024	18.07.2024	12.09.2024	17.10.2024	12.12.2024
President of the ECB	Christine Lagarde	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Vice-President of the ECB	Luis de Guindos	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Member of the Exec. Board	Frank Elderson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Member of the Exec. Board	Philip R. Lane	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Member of the Exec. Board	Piero Cipollone	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Member of the Exec. Board	Isabel Schnabel	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
NCB Governors of												
Belgium	Pierre Wunsch	✗	✓	✓	✓	✗	✗	✓	✓	✓	✓	✗
Germany	Joachim Nagel	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗
Estonia	Madis Müller	✗	✓	✓	✓	✓	✗	✓	✓	✓	✓	✗
Ireland	Gabriel Makhlof	✗	✗	✓	✓	✓	✗	✓	✓	✓	✓	✗
Greece	Yannis Stournaras	✗	✗	✓	✓	✓	✓	✗	✓	✓	✓	✗
Spain	Pablo Hernández de Cos	✓	✗	✓	✓	✗	✓	✓	✗	✓	✓	✓
France	François Villeroy de Galhau	✓	✓	✓	✓	✓	✗	✓	✓	✗	✓	✓
Croatia	Boris Vujčić	✓	✗	✓	✓	✓	✓	✗	✓	✓	✓	✓
Italy	Fabio Panetta	✓	✓	✗	✓	✓	✓	✓	✓	✓	✗	✓
Cyprus	Constantinos Herodotou	✓	✗	✓	✓	✓	✓	✗	✓	✓	✓	✓
Latvia	Mārtiņš Kazāks	✓	✓	✗	✓	✓	✓	✗	✓	✓	✓	✓
Lithuania	Gediminas Šimkus	✓	✓	✗	✓	✓	✓	✓	✗	✓	✓	✓
Luxembourg	Gaston Reinesch	✓	✓	✗	✗	✓	✓	✓	✗	✓	✓	✓
Malta	Edward Scicluna	✓	✓	✗	✗	✓	✓	✓	✗	✗	✓	✓
Netherlands	Klaas Knot	✓	✓	✓	✗	✓	✓	✗	✓	✓	✓	✓
Austria	Robert Holzmann	✓	✓	✓	✗	✓	✓	✓	✗	✗	✓	✓
Portugal	Mário Centeno	✓	✓	✓	✗	✓	✓	✓	✓	✗	✗	✓
Slovenia	Boštjan Vasle	✓	✓	✓	✓	✗	✓	✓	✓	✗	✗	✓
Slovakia	Peter Kažimír	✓	✓	✓	✓	✗	✓	✓	✓	✓	✗	✓
Finland	Tuomas Vähimäki*	✓	✓	✓	✓	✗	✗	✓	✓	✓	✗	✓

* replaces Olli Rehn until January 30, 2024

Our assessment of the basic orientation of the Governing Council members



Note 1: Influence gauge is based on share of eurozone GDP. Governing Council members with no voting rights on March 7, 2024 are marked with a superscript star.

Note 2: With “stance” we mean a member’s general stance, which is rather static and likely not to change that much from meeting to meeting. The categorization of each ECB Governing Council member is based on an subjective qualitative judgement from HCOB Economics.

Links to the documents from the ECB meeting on March 7, 2024

Main page:

[European Central Bank \(europa.eu\)](https://www.europa.eu)

Further links to the current session:

[Combined monetary policy decisions and statement \(europa.eu\)](#)

[ECB staff macroeconomic projections for the euro area, March 2024 \(europa.eu\)](#)

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