

# **ECB decision in charts**

**Dovish, but uncertainty continues to be emphasized**

**Classification of the ECB meeting on 17 April 2025**

**Economics**

**17 April 2025**

# Highlights of the Governing Council meeting on 17 April 2025 (Part I)

The ECB has cut interest rates by 25 basis points to 2,25 % (Deposit Facility Rate), 2,40 (Main Financing Rate) as expected. While Lagarde pointed out that inflation is well on target and its stabilization receives some support from the perspective of the rerouting of Chinese exports towards Eurozone, lower energy prices and a stronger Euro, the ECB seems not be willing to take these factors for granted. Instead, Lagarde also emphasized the risk of having a fragmentation of global supply chains and a boost in defense and infrastructure spending which could both be inflationary. Still, it seems that the ECB is quite willing to continue with further rate cuts, as the risk for the economy is seen as being tilted more to the downside than before due to the tariff related negative demand shock. We have adjusted our interest rate forecast downward last week, expecting a deposit facility rate of 1.50% by the end of this year.

## Highlights (the quotes come from ECB President Christine Lagarde):

**Debate about 50 basis points cut:** “Options were debated, but there was no one to argue in favor of a 50 basis points cut.” “[It] was an unanimous decision.”

Note: So, there was a debate about a bolder step but nobody seemed to have been very aggressive on this point. Which is understandable, given the uncertainties we are still facing.

# Highlights of the Governing Council meeting on 17 April 2025 (Part II)

**The impact of tariffs on inflation:** “We know that it’s a negative demand shock. We can anticipate that it will have some impact on growth, but the net impact on inflation will only become clearer over the course of time.” “We have still a lot of uncertainty today.”

Note: There was some expectation that Lagarde would have been a bit more bullish on inflation given the many factors which are putting downward pressure on inflation, including the stronger Euro, lower energy prices and the perspective of the “rerouting” of exports of “countries with oversupply”, all things that were mentioned by Lagarde. Still, Lagarde emphasized as well uncertainty about how the EU commission will react to the tariffs, the risk for supply chains and the increase of defense and infrastructure spending (“when you inject ... near 1 trillion euros, ... it’s a serious impulse”), referring obviously to Germany. Apart from that, the market movements in fx and commodity prices cannot be taken for granted either.

**On the euro appreciation:** “An appreciation of the Euro could put downward pressure on inflation. So we do mention it because of the ... magnitude, and we try to account for it.” “We are not targeting any particular rate.”

Note: Interestingly, Lagarde did not say that she dislikes abrupt movement of the Euro, which in the past ECB presidents did say. This time, the euro is running in a direction which is not too bad for the ECB because it is disinflationary and opens up the door for more rate cuts.

# Highlights of the Governing Council meeting on 17 April 2025 (Part III)

**On services inflation:** “We look at goods, we look at services.”

Note: Asked if Lagarde was worried about services inflation in the context of the threat of retaliation measures targeting at digital services, Lagarde answer (we look at goods, we look at services) was a bit surprising. Surprising, because in the past, the ECB did indeed focus very much on services inflation (which accounts for around 50% of the inflation basket). Thus, and given that services inflation is coming down a bit, though still elevated, it seems that Lagarde is more relaxed on the services inflation issue, making further rate cuts more probable.

**On swap lines with the Fed:** “We have a steady, solid relationship among central bankers, I think that that relationship is decisive in order to have a solid financial infrastructure [say: swap agreements] on which to make sure that there is financial stability.

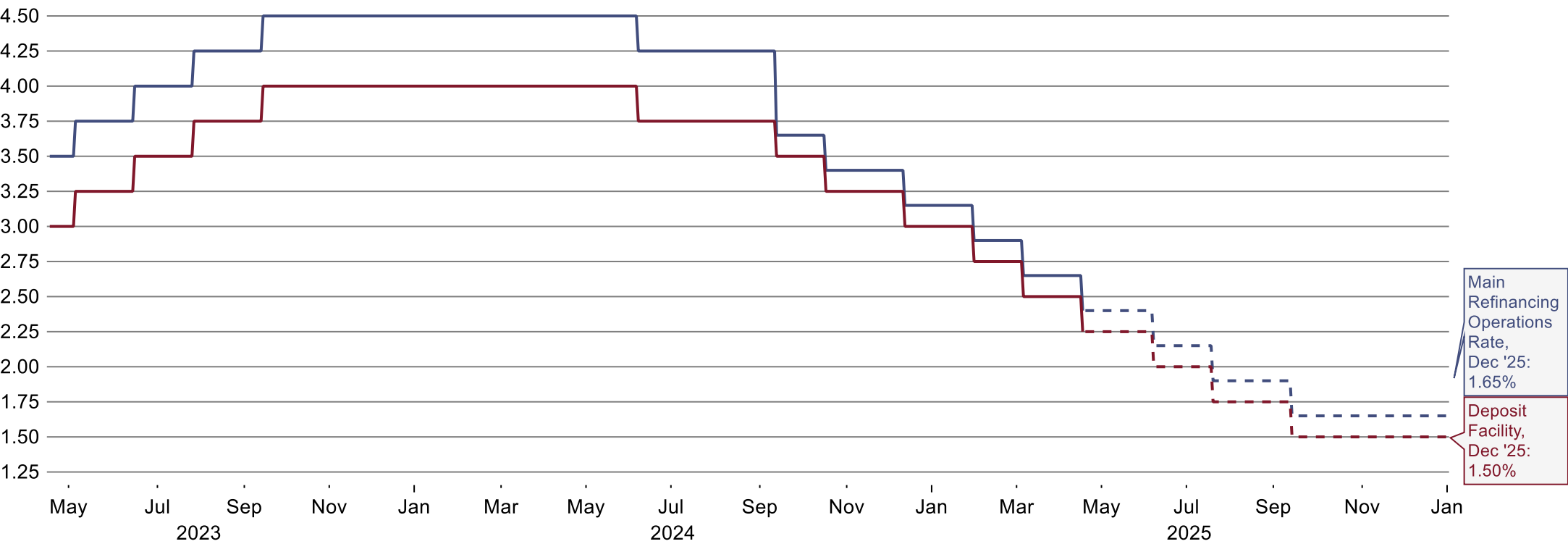
Note: This is indeed a delicate subject. Liquidity crises in the past could be controlled by bilateral swap agreements between the ECB and the Fed, to avoid a spike in Dollar demand to destabilize financial markets. It is not fully clear if the Trump administration might not like these agreements.

**On the digital euro:** “It is ... important to rapidly establish the legislative framework to prepare ... for the ... introduction of the digital euro.”

Note: Lagarde seems to get a bit impatient on this. Indeed, with the EU parliament elections the legislative process on the digital euro has been delayed. And I think that Lagarde also sees a big opportunity in establishing the digital euro, now that the United States have stopped the process of doing anything on a digital Dollar.

# HCOB interest rate forecast: We expect three more key interest rate cuts of 25bp each in the upcoming ECB meetings (June, July, September).

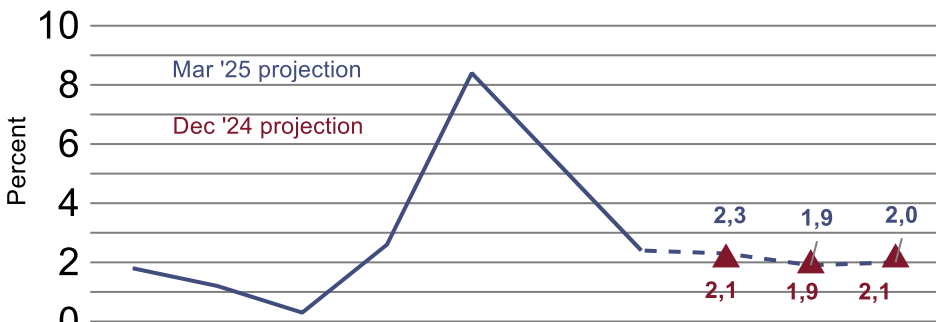
ECB policy rates and forecasts of HCOB Economics



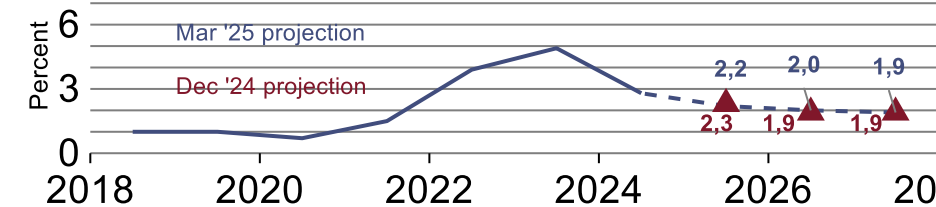
Source: Macrobond, HCOB Economics

# ECB experts' projections from March: The ECB forecasts a return of the inflation rate to the 2% target in 2026.

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

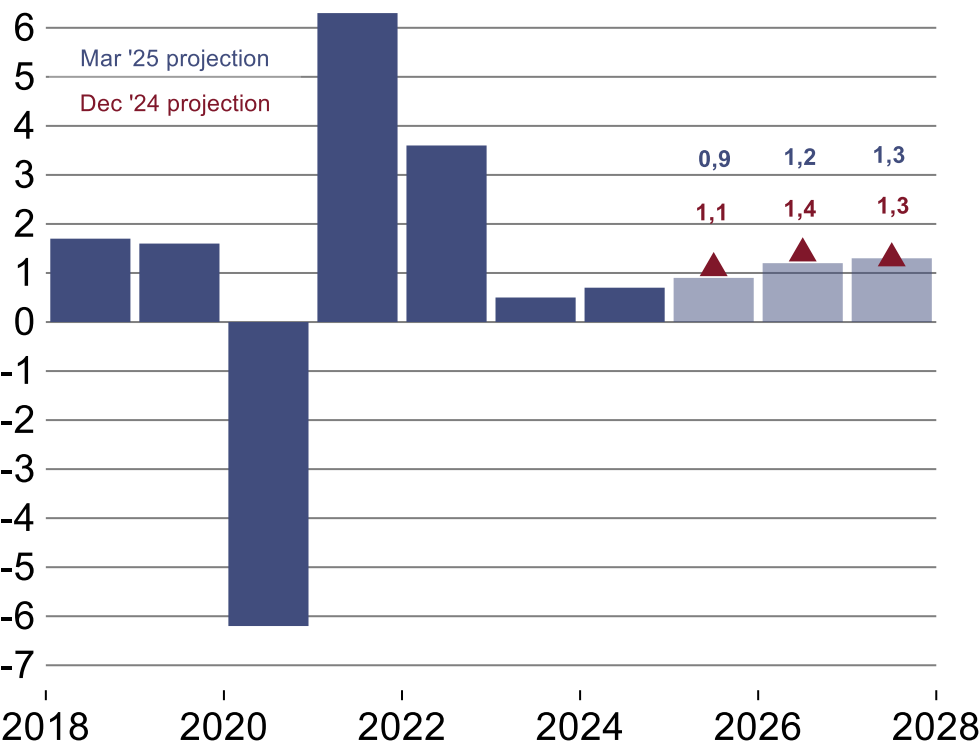


Euro Area, ECB Macroeconomic Projections, Inflation HICP core (ex energy and food) YoY (yearly average)



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

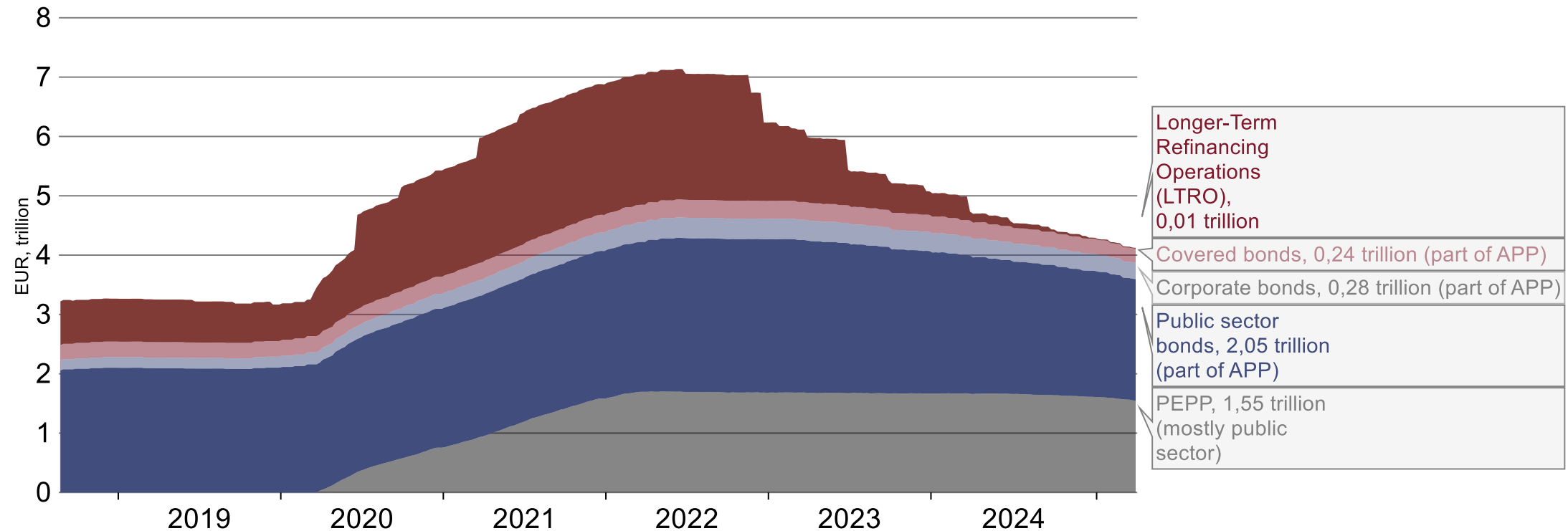
Euro Area Staff Projections, GDP



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

# "Quantitative tightening": The tapering of the PEPP began in July 2024.

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



Source: Macrobond, HCOB Economics, ECB

# Monetary policy instruments at a glance

- **Key interest rates (with effect from 23 April 2025)**
  - Main refinancing rate: 2.40%
  - Interest rate for the deposit facility: 2.25%
- **APP (asset purchase programme)**
  - Since July 2023, the maturities have no longer been reinvested, meaning that the portfolio is now shrinking by an average of €25 billion per month.
- **The PEPP (Pandemic Emergency Purchase Programme) was already terminated on a net basis in March 2022.**
  - Budget: EUR 1.85 trillion, of which EUR 1.70 trillion was utilised.
  - Decision of 14 December 2023: Full reinvestment of PEPP assets by June 2024 From July to December, the ECB will reduce the PEPP portfolio by an average of EUR 7.5 billion per month. The Governing Council of the ECB intends to discontinue reinvestments under the PEPP at the end of 2024.
- **TLTRO (Targeted Longer-Term Refinancing Operations)**
  - TLTRO III: Old programmes expired 2024
- **Transmission protection instrument (TPI)**
  - According to the ECB, this programme can be activated in the event of “unwarranted, disorderly market dynamics” that pose a “serious threat to the transmission of monetary policy”.
  - The 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 financial regulations).



# Voting rights (rotation procedure among the central bank governors)

Position	ECB Council Member	12.09.2024	17.10.2024	12.12.2024	30.01.2025	06.03.2025	17.04.2025	05.06.2025	24.07.2025	11.09.2025	30.10.2025	18.12.2025
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	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>NCB Governors of</b>												
Belgium	Pierre Wunsch	✓	✓	✗	✓	✓	✓	✗	✗	✓	✓	✓
Germany	Joachim Nagel	✓	✓	✗	✓	✓	✓	✓	✓	✓	✗	✓
Estonia	Madis Müller	✓	✓	✗	✓	✓	✓	✓	✗	✓	✓	✓
Ireland	Gabriel Makhlof	✓	✓	✗	✗	✓	✓	✓	✗	✓	✓	✓
Greece	Yannis Stournaras	✓	✓	✗	✗	✓	✓	✓	✓	✗	✓	✓
Spain	José Luis Escrivá	✓	✓	✓	✗	✓	✓	✗	✓	✓	✓	✓
France	François Villeroy de Galhau	✗	✓	✓	✓	✓	✓	✓	✗	✓	✓	✗
Croatia	Boris Vujčić	✓	✓	✓	✗	✓	✓	✓	✓	✗	✓	✓
Italy	Fabio Panetta	✓	✗	✓	✓	✗	✓	✓	✓	✓	✓	✓
Cyprus	Christodoulos Patsalides	✓	✓	✓	✗	✓	✓	✓	✓	✗	✗	✓
Latvia	Mārtiņš Kazāks	✓	✓	✓	✗	✗	✓	✓	✓	✗	✗	✓
Lithuania	Gediminas Šimkus	✓	✓	✓	✓	✗	✓	✓	✓	✓	✗	✓
Luxembourg	Gaston Reinesch	✓	✓	✓	✓	✗	✗	✓	✓	✓	✗	✓
Malta	Alexander Demarco*	✗	✓	✓	✓	✗	✗	✓	✓	✓	✓	✗
Netherlands	Klaas Knot	✓	✓	✓	✓	✓	✗	✓	✓	✗	✓	✓
Austria	Robert Holzmann	✗	✓	✓	✓	✓	✗	✓	✓	✓	✓	✗
Portugal	Mário Centeno	✗	✗	✓	✓	✓	✗	✓	✓	✓	✓	✗
Slovenia	Position currently vacant**	✗	✗	✓	✓	✗	✗	✗	✓	✓	✓	✗
Slovakia	Peter Kažimír	✓	✗	✓	✓	✓	✓	✗	✓	✓	✓	✓
Finland	Olli Rehn	✓	✗	✓	✓	✓	✓	✗	✗	✓	✓	✓

\*Temporarily steps in for Edward Scicluna.

\*\*No voting rights until new governor is elected.

# Links to the documents of the ECB meeting of 17 April 2025

Main page:

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

Further links to the current session:

[Combined monetary policy decisions and statement \(europa.eu\)](https://www.ecb.europa.eu/press/pr/2025/pr250417/index.en.htm)

# Contact persons

## Processing and dispatch

---

### Economy

**Dr Cyrus de la Rubia**

Chief Economist

Phone: +49 160 90180792

[cyrus.delarubia@hcob-bank.com](mailto:cyrus.delarubia@hcob-bank.com)

**Christian Eggers**

Senior FX Trader

Phone: +49 171 8493460

[christian.eggers@hcob-bank.com](mailto:christian.eggers@hcob-bank.com)

**Jonas Feldhusen**

Junior Economist

Phone: +49 151 22942945

[jonas.feldhusen@hcob-bank.com](mailto:jonas.feldhusen@hcob-bank.com)

**Norman Liebke**

Economist

Phone: +49 171 5466753

[norman.liebke@hcob-bank.com](mailto:norman.liebke@hcob-bank.com)

**Nils Müller**

Junior Economist

Phone: +49 171 3534492

[nils.mueller@hcob-bank.com](mailto:nils.mueller@hcob-bank.com)

## Further contact persons

---

### Capital Markets Sales

**Fritz Bedbur**

Phone: +49 151 14651131

**Boris Gettkowski**

Phone: +49 175 2281619

**Christoph Matthews**

Phone: +49 160 97222509

### Syndicate & Credit Solutions

**Tim Boltzen**

Phone: +49 151 15244845

Editorial deadline for this issue: 17 April 2024

The glossary of our publications can be found on the Hamburg Commercial Bank website at [http://www.hcob-bank.de/publikationen\\_glossar](http://www.hcob-bank.de/publikationen_glossar).

Gerhart-Hauptmann-Platz 50

20095 Hamburg

Phone 040-3333-0

# Disclaimer

The market information contained in this presentation is for informational purposes only.

It can not substitute own market research or separate legal-, tax- and financial advice and information. This information is a marketing communication by the meaning of Section 63 Paragraph 6 German Securities Trading Act [“Wertpapierhandelsgesetz”, “WpHG”] and Article 24 Paragraph 3 of the Directive 65/2014/EU. This information does not contain ‘information recommending or suggesting in investment strategy’ or ‘investment recommendations’ (“investment research”) by the meaning of Section 2 Paragraph 9 Point 5 WpHG or Article 3 Paragraph 1 Point 34 and Point 35 of the Regulation (EU) No. 596/2014. Therefore this information is not prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. This presentation does not constitute an offer to buy or sell certain assets.

Hamburg Commercial Bank AG points out that the herein published market information is only meant for investors with own economical experience, who are able to evaluate the risks and chances of the herein discussed market / markets and who are themselves able to conduct research through a variety of sources. The statements and data contained in this presentation are based on either thorough research by Hamburg Commercial Bank AG or on sources that are considered reliable but cannot be verified. Hamburg Commercial Bank AG regards the sources used as reliable but can not assess their reliability with absolute certainty. Single pieces of information could only be assessed regarding their plausibility; an assessment regarding their accuracy has not been made. Furthermore, this presentation contains estimates and predictions based upon numerous assumptions and subjective evaluations made by Hamburg Commercial Bank AG as well as outside sources. This information is only meant to provide non-binding perceptions of markets and products as of the time this presentation was issued. Hamburg Commercial Bank AG and its respective employees thoroughly conducted work on this presentation but can not guarantee completeness, actuality and accuracy of the provided information and predictions.

This document may only be distributed in compliance with the legal regulations in the respective countries and persons obtaining possession of this document should inform themselves about and comply with the applicable local regulations.

This document does not contain all material information needed for economic decisions and the information and predictions provided can vary from those made by other sources / market participants. Hamburg Commercial Bank AG as well as their organizational bodies and employees can not be held responsible for losses resulting from the use of this presentation, its contents or for losses which in any way are connected to this presentation.

Hamburg Commercial Bank AG points out that it is not allowed to disseminate this presentation or any of its contents. Damages to Hamburg Commercial Bank AG resulting from the unauthorised dissemination of this presentation or any of its contents have to be compensated for by the disseminator. The disseminator has to keep Hamburg Commercial Bank AG free from all claims arising from the unauthorised dissemination of this presentation or any of its contents and all legal cost in connection with those claims. This particularly applies to a dissemination of this presentation to U.S. Persons or persons situated in United Kingdom.