

ECB decision in charts

No hint at a near-term move

Assessment of the ECB meeting of December 18, 2025

Economics

December 19, 2025

Highlights of the ECB Governing Council meeting on December 18, 2025 (Part I)

At its meeting on December 18, the ECB has decided to hold key policy rate unchanged at 2% (deposit facility rate) and 2.15% (main refinancing rate), as expected.

Projections on inflation have been revised upwards for 2026 to 1.9 % from 1.7 % due to higher than expected services inflation. Services inflation remains a concern for the ECB, as Lagarde has emphasized at the press conference. In particular, Lagarde said that the ECB has been surprised by the average wage increase of around 4%, which is seen as the main driver of services inflation. Lower goods inflation, however, should compensate for the higher services inflation.

Lagarde reiterated that the ECB is in a good position but emphasized that this does not mean that the ECB will remain static. Overall, while the ECB seems to feel mostly comfortable about the path of inflation, Lagarde emphasized the high degree of uncertainty meaning that there is no room for laying back.

Bottom line: The ECB gives the impression that the most probable outcome will be an ECB staying put for most of next year, which is basically also our view.

Highlights of the ECB Governing Council meeting on December 18, 2025 (Part II)

Highlights (quotes come from ECB President Christine Lagarde):

On new projections

Growth and inflation projections for the euro area

(annual percentage changes, revisions in percentage points)

	December 2025					Revisions vs September 2025		
	2024	2025	2026	2027	2028	2025	2026	2027
Real GDP	0.9	1.4	1.2	1.4	1.4	0.2	0.2	0.1
HICP	2.4	2.1	1.9	1.8	2.0	0.0	0.2	-0.1
HICP excluding energy and food	2.8	2.4	2.2	1.9	2.0	0.0	0.3	0.1

Note: Both inflation and growth has been revised upward for 2026, which underscores the view of forward markets that the next interest rate movement will be up rather than down. This will happen according to forward markets only in 2027. Our forecast is for a first rate hike by the end of 2026 and another hike at the beginning of 2027.

Highlights of the ECB Governing Council meeting on December 18, 2025 (Part III)

On economic growth:

“The economy has been resilient. It grew by 0.3 per cent in the third quarter, mainly reflecting stronger consumption and investment. Exports also increased, with a significant contribution from chemicals.”

Note: Later on, Lagarde specified the “contribution from chemicals” to the GDP referring to weight loss drugs, which are produced and licensed also in the eurozone and which apparently have had an impact on growth.

On the increase of services inflation and wage increases:

“A lot of this is related to wages [...] and wages have surprised us to the upside [...]. It’s balanced out by goods [inflation as it goes] in the opposite direction.”

Note: Services inflation has indeed increased over the last few months and stands now at 3.5 %. For the ECB this is a major issue, even though lower goods inflation is compensating for part of the effect. Our HCOB PMI supports the view that services inflation remains elevated. Thus, if goods or energy inflation surprised to the upside, this would have a direct impact on overall inflation which is a risk for the ECB.

Highlights of the ECB Governing Council meeting on December 18, 2025 (Part IV)

On the question who will follow Lagarde as ECB president:

“Let me clarify one thing I don’t have a favorite candidate. There are plenty of very good candidates and Isabel [Schnabel] is one of them.”

Note: Lagarde was also asked if a sitting member of the executive board could be reappointed as ECB president and she answered that there were former comparable cases and that “the determination by the lawyers was [...] that it was not possible. But I think the matter needs to be looked at again.” At the end of the day, it’s not Lagarde who decides on her succession but the European Council. Lagarde’s term expires only in October 2027.

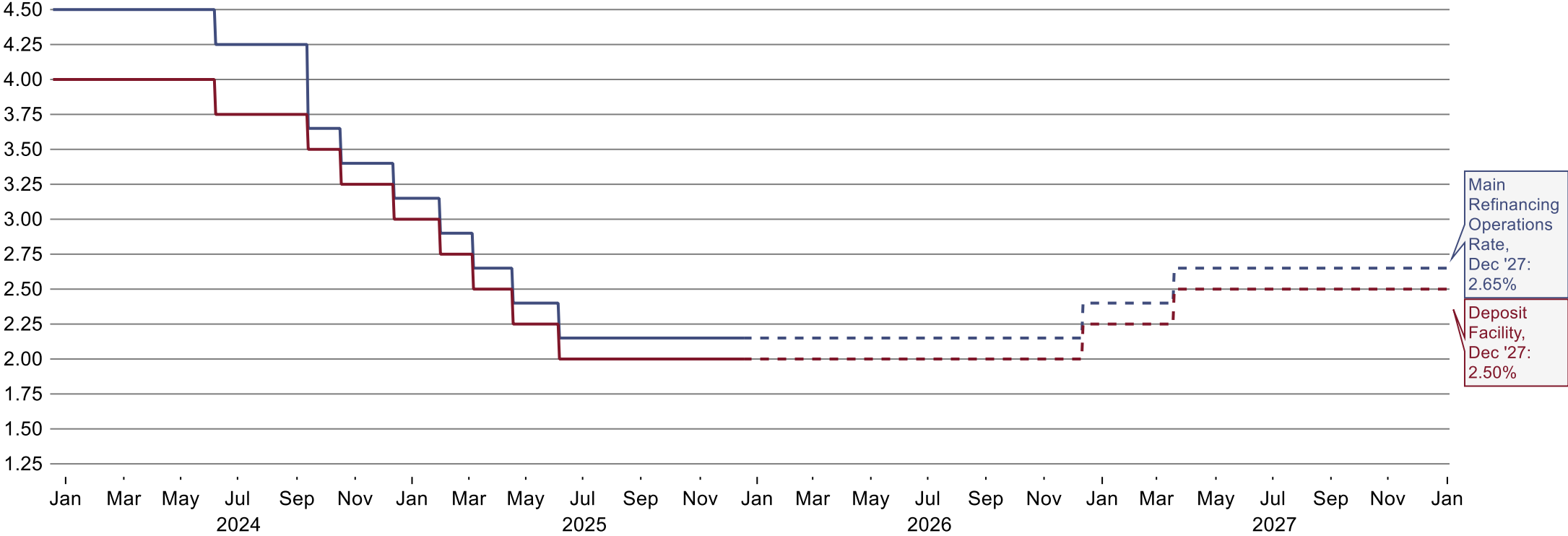
On the strong Euro:

“We do not target exchange rates [but we do monitor them].”

Note: Nothing new here. Usually the ECB does only react to fx changes if these changes are abrupt which is currently not the case.

Interest rate forecast by HCOB Economics: We expect the ECB to hold policy rates steady for a while, with its next move being a hike in H2 2026.

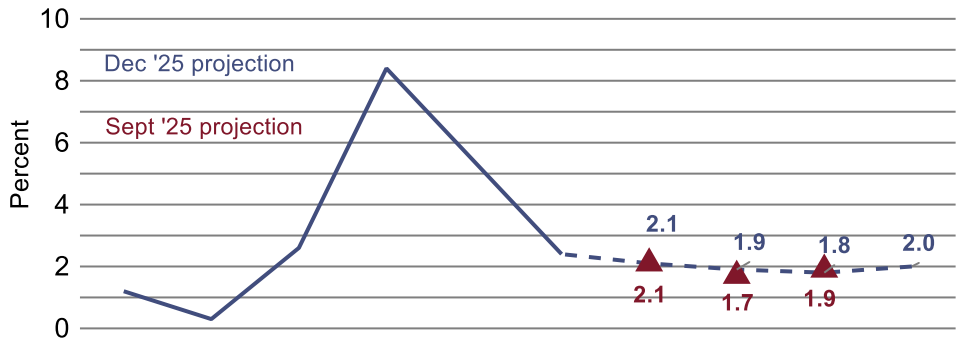
ECB policy rates and forecasts of HCOB Economics



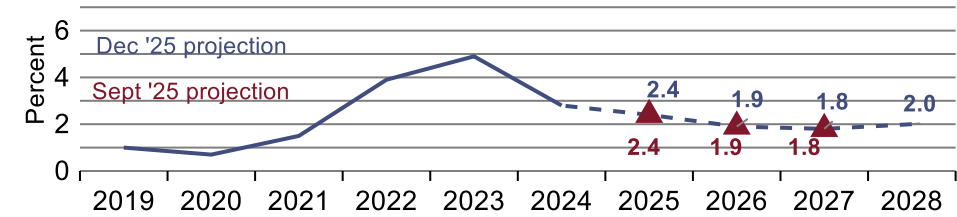
Source: Macrobond, HCOB Economics

December ECB projections: The GDP growth projection was revised upward for 2025-2027, while the headline inflation projection was revised upward for 2026.

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

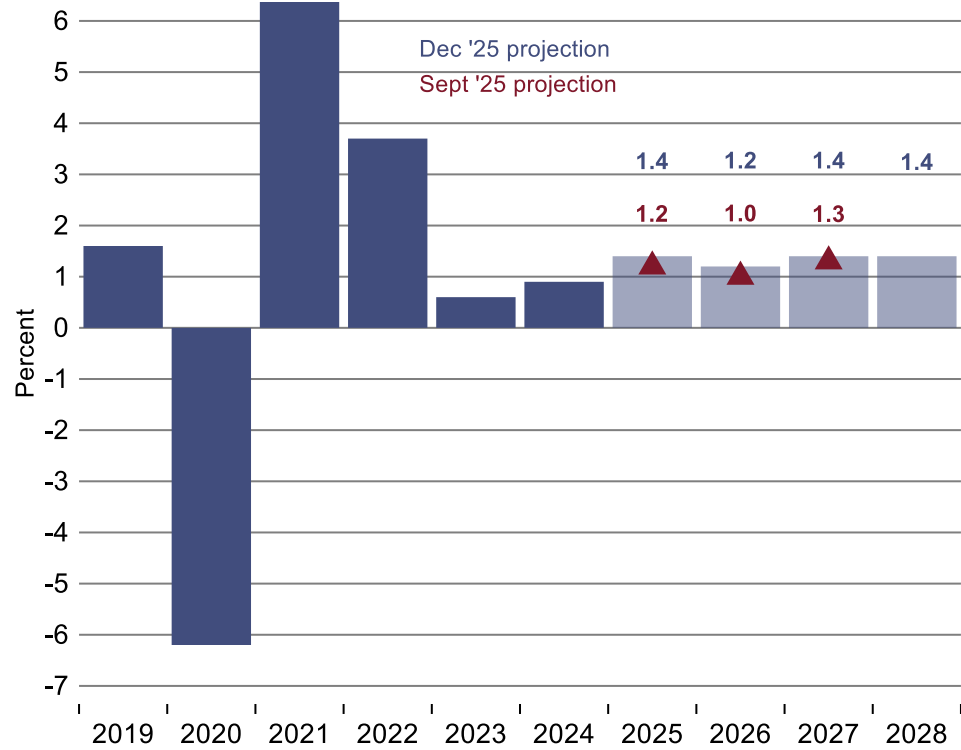


Euro Area, ECB Macroeconomic Projections, Inflation HICP core (ex energy and food) YoY (yearly average)



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

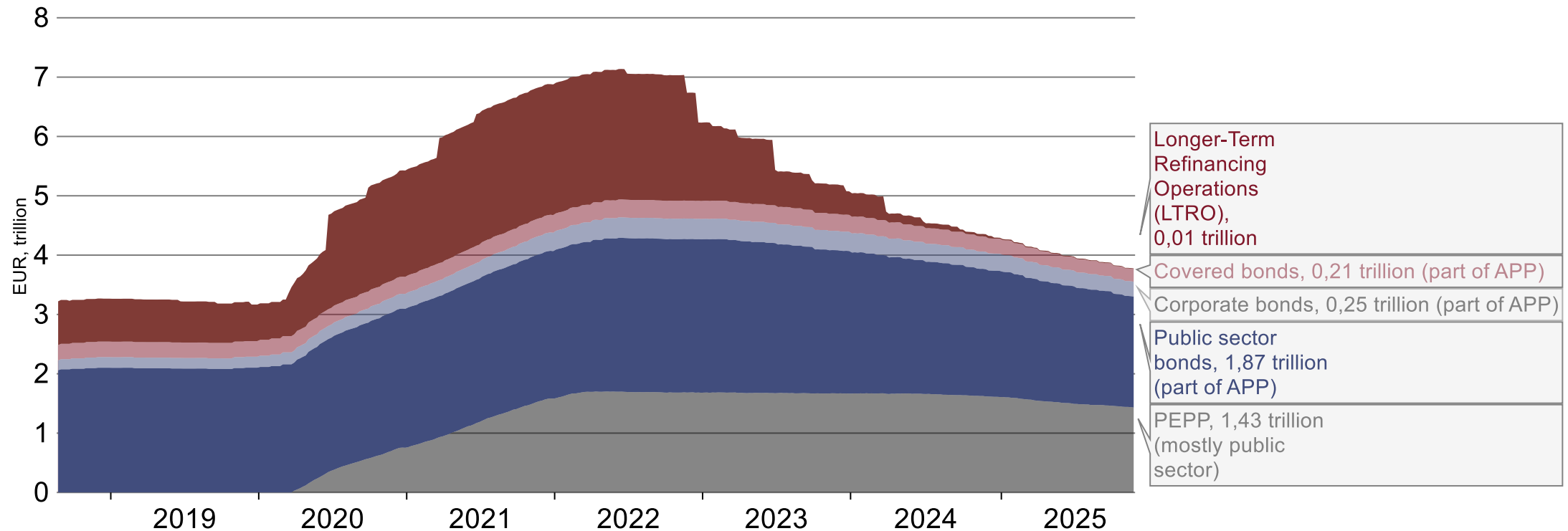
Euro Area Staff Projections, GDP



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 June 11, 2025)**
 - Main refinancing rate: 2.15%
 - Deposit facility rate: 2.00%
- **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: €1.85 trillion, of which €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 €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	11.09.2025	30.10.2025	18.12.2025	05.02.2026	19.03.2026	30.04.2026	11.06.2026	23.07.2026	10.09.2026	29.10.2026	17.12.2026
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 Governor of												
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	Edward Scicluna	✓	✓	✗	✓	✓	✓	✗	✗	✓	✓	✓
Netherlands	Olaf Sleijpen	✗	✓	✓	✗	✓	✓	✓	✗	✓	✓	✗
Austria	Martin Kocher	✓	✓	✗	✓	✓	✓	✓	✗	✓	✓	✓
Portugal	Álvaro Santos Pereira	✓	✓	✗	✓	✓	✓	✓	✗	✓	✓	✓
Slovenia	Position currently vacant*	✗	✗	✗	✗	✓	✓	✓	✓	✗	✓	✓
Slovakia	Peter Kažimír**	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓
Finland	Olli Rehn	✓	✓	✓	✗	✓	✓	✓	✓	✗	✗	✓
Bulgaria	Dimitar Radev***	✗	✗	✗	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

*Following the end of Boštjan Vastle's term as Governor of the Bank of Slovenia in January 2025, no successor has been appointed. Since then, Slovenia has no voting rights in the ECB Governing Council.

**Although Kažimír's term ended in June 2025, he remains in the ECB Governing Council with full voting rights, in accordance with Slovak law, which allows the incumbent to stay in office until a successor is appointed.

***Dimitar Radev will become a new member of the ECB Governing Council when Bulgaria joins the eurozone on January 1, 2026. The rotation procedure taking Bulgaria into account has not yet been updated.

Links to the documents of the ECB meeting of December 18, 2025

Main page:

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

Further links to the current session:

[Combined monetary policy decisions and statement](#)

[Macroeconomic projections](#)

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Editorial deadline for this issue: December 19, 2025

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