

Pause for now, June in play

Carlos Castellano, Maria Martinez

- Rates unchanged, with the decision reflecting uncertainty and limited information.
- The Council is moving away from the baseline, with focus on second-round effects.
- Macro tone mildly hawkish but balanced, with weaker growth and broader inflation pressures.

As expected, the ECB left its **three key policy rates unchanged**, keeping the deposit facility rate at 2%. Lagarde stressed that the **decision was unanimous**, following a thorough discussion in which both a **pause and a possible hike were on the table**. The outcome was framed as an informed decision, albeit taken with still limited information, given the high uncertainty around the conflict, energy prices and their transmission to headline inflation. Importantly, she reiterated that the **ECB is starting from a “good position”, giving the Governing Council time to reassess incoming data before taking further decisions**.

Looking ahead, **June remains clearly open to a hike**. Lagarde acknowledged that the **Governing Council is moving away from the baseline scenario**, without pinning down where it currently stands relative to alternative scenarios. **By June, the ECB expects to have a clearer picture**, with updated projections and a better read on whether second-round effects are starting to materialise as both direct and indirect effects feed through. And, mostly, with more time for the Strait of Hormuz to be reopened. Until then, policy remains firmly data-dependent and decided meeting by meeting.

On the macro front, the tone leaned mildly hawkish, as expected, but Lagarde was careful to keep the assessment balanced. **On growth, she pointed to a clear deterioration in confidence and momentum**, yet downplayed the softer-than-expected Q1 GDP (0.1% vs 0.3% ECB forecast) and firmly **pushed back against stagflation narratives**, stressing that the current environment bears little resemblance to the 1970s. **She also downplayed recent signs of tighter credit conditions**, while noting that some financial tightening is already taking place and doing part of the work. **On inflation, she struck a more constructive note, arguing that second-round effects are not yet visible**, while acknowledging that developments are moving away from the baseline and that pressures are broadening beyond energy, with commodities and supply chains now increasingly in focus.

Risks remain clearly asymmetric for both inflation and growth, with inflation risks tilted to the upside and growth risks to the downside, consistent with the supply-driven nature of the shock. Still, there is nuance on both sides. Inflation could prove less persistent if second-round effects fail to materialise, while growth could continue to benefit from underlying resilience and supportive factors such as investment and technology.

On liquidity, the message was reassuring. Lagarde stressed that there are no signs of shortages or market tensions, with excess liquidity still ample and the current framework functioning smoothly. Discussions focused not on new tools, but on refining the operational framework of liquidity provision. De Guindos echoed this view, highlighting the resilience of the banking sector and stressing that neither liquidity nor capital are constraining lending at this stage.

Market reaction was limited. The euro initially weakened before stabilising, while German yields edged lower across the curve. OIS markets trimmed hiking expectations slightly, but still price close to three 25bp hikes by year-end, with June seen as the most likely starting point. Equities were broadly unchanged.

Overall, the ECB delivered as expected, opting for a pause while buying time to assess incoming data and the evolution of the war and the energy shock. The absence of visible second-round effects allows for this wait-and-see approach for now. **However, as uncertainty persists and the shock proves more durable, the likelihood of a rate hike in June continues to rise**.

PLEASE NOTE: TRACKING CHANGES IN FOLLOWING STATEMENTS

i in grey, wording common to both the current and previous statements, in light grey and crossed, previous wording that was replaced by new wording, in blue and underlined (YES, TRACK CHANGES ARE THERE ON PURPOSE).

Christine Lagarde, President of the ECB,

Luis de Guindos, Vice-President of the ECB

Frankfurt am Main, ~~19 March~~30 April 2026

Good afternoon, the Vice-President and I welcome you to our press conference.

The Governing Council today decided to keep the three key ECB interest rates unchanged. While the incoming information has been broadly consistent with our previous assessment of the inflation outlook, the upside risks to inflation and the downside risks to growth have intensified. We are ~~determined~~committed to setting monetary policy to ensure that inflation stabilises at our two per cent 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 a material impact on near-term inflation through higher energy prices. Its medium-term implications will depend both on the intensity and duration of the conflict and on how energy prices affect consumer prices and the economy.~~

The war in the Middle East has led to a sharp increase in energy prices, pushing up inflation and weighing on economic sentiment. The implications of the war for medium-term inflation and economic activity will depend on the intensity and duration of the energy price shock and the scale of its indirect and second-round effects. The longer the war continues and the longer energy prices remain high, the stronger is the likely impact on broader inflation and the economy.

We ~~are~~remain 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 our two per cent 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 us assess how the war~~Longer-term inflation expectations remain well anchored, although inflation expectations over shorter horizons have moved up significantly.

We will affect the inflation outlook and the risks surrounding it. ~~We are~~closely monitoringmonitor the situation, and our data-dependent approach will help us 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 per cent in 2026, 2.0 per cent in 2027 and 2.1 per cent 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 per cent in 2026, 2.2 per cent in 2027 and 2.1 per cent 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 per cent in 2026, 1.3 per cent in 2027 and 1.4 per cent 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 our monetary policy strategy commitment to incorporate risks and uncertainty into our 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 our 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.

~~We will~~ and follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, our interest rate decisions will be based on our 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. We are not pre-committing to a particular rate path.

The decisions taken today are set out in a ~~press release~~ press release available on our website. I will now outline in more detail how we see the economy and inflation developing and will then explain our assessment of financial and monetary conditions.

Economic activity

The euro area economy was showing some momentum when the current turbulence started. Real GDP grew by 0.21 per cent in the fourth~~first~~ quarter of 2025, driven by stronger domestic~~2026, according to Eurostat's preliminary flash estimate. Domestic demand. Households increased their spending~~ remains the main driver of growth, supported by a resilient labour market. However, the economic outlook is highly uncertain and will depend on how long the war in the Middle East lasts and how strongly it affects energy and other commodity markets, as well as global supply chains.

The incoming information suggests that the conflict is weighing on economic activity. Surveys point to slowing growth, and consumers and businesses have become less confident about the future since the war began. Longer delivery times and rising input prices suggest supply chains are coming under pressure.

Looking ahead, high energy costs are expected to continue to weigh on real incomes~~rose and~~ , making households and firms more reluctant to consume and invest. While unemployment remained close to its historical low. Construction and housing renovation strengthened, and firms invested more, particularly in areas such as research and development, software and databases. Growth was no longer weighed down by net exports as it had been in the previous two quarters. It was~~lows in March, at 6.2 per cent, labour demand has cooled further. At the same time, households are still benefiting from a solid financial position, and investment should continue to be~~ underpinned mainly by services.

~~Staff still see private consumption as the main driver of growth over the medium term. Investment should also continue to grow, with~~ by ~~governments spending more on defence and infrastructure, and~~ by ~~firms increasingly investing in new digital technologies. The external environment remains challenging, including in light of volatile global trade policies.~~

~~The war in the Middle East is disrupting commodity markets and weighing on real incomes and confidence. This has led to a downward revision of consumption and investment in the baseline staff projections, especially for 2026. The impact would be even more pronounced in alternative scenarios with a more severe and prolonged energy shock~~ favourable starting point provides some cushioning against the fallout from the war.

The Governing Council highlights the urgent need to strengthen the euro area economy while maintaining sound public finances. ~~Any fiscal~~ Fiscal responses to the energy price shock should be temporary, targeted and tailored. ~~The current~~ Reforms to enhance the euro area's growth potential and accelerate the ~~energy crisis underscores the imperative to further~~ transition to reduce dependence~~reliance~~ on fossil fuels. are more vital than ever. Completing the savings and investments union is ~~vital~~ key to ~~fund~~ innovation and support, supporting the green and digital transitions ~~and~~ improving productivity. The digital euro and tokenised wholesale central bank money will enhance Europe's strategic autonomy, competitiveness and financial integration, and will boost innovation in payments. It is thus essential to swiftly adopt the Regulation on the establishment of the digital euro. Simplifying and harmonising rules across the EU's Single Market will help European firms grow faster.

Inflation

~~Inflation rose to 3.0 per cent in April, from 2.6 per cent in March and 1.9 per cent in February, from 1.7 per cent in January. The rise has been driven by surging energy prices caused by the war in the Middle East. Energy prices were 3.1 price inflation jumped to 10.9 per cent lower than a year ago in April, after being 4.05.1 per cent lower in January March. Food price inflation edged down up to 2.5 per cent in April. Inflation excluding energy and food increased decreased to 2.4 per cent in February, from 2.2 per cent in January. The increase reflected goods inflation rising to 0.7, from 2.3 per cent from 0.4 per cent and in March, reflecting a fall in services inflation moving up, which declined to 3.40 per cent, from 3.2 per cent in March. Goods inflation went up to 0.8 per cent, from 0.5 per cent in March.~~

~~Indicators of underlying inflation have changed little over recent months and remain consistent with our two per cent medium-term target. Corporate profits recovered further in the fourth quarter of 2025, while unit labour costs rose at a similar rate as in the previous quarter. Growth in compensation per employee slowed to 3.7 per cent, from 4.0 per cent in the third quarter. Negotiated wage growth and forward-looking indicators, such as, For now, the ECB's wage tracker and surveys on wage expectations, suggest that continue to indicate easing labour costs will ease further in the course of 2026, which should support the return of inflation to target.~~

~~The increase in energy prices caused by the war will drive inflation above 2 per cent in the near term. If persistent, higher energy prices may lead to a broader, At the same time, surveys indicate an increase in inflation through indirect and second-round effects, a situation which requires close monitoring other cost components and in selling price expectations. Inflation expectations in the financial markets have moved up significantly over shorter horizons. Most measures of longer-term inflation expectations stand at around 2 per cent, supporting the stabilisation of inflation around our target in the medium term.~~

~~The increase in energy prices will keep inflation well above 2 per cent in the near term. As the period of high energy prices extends, the likely impact on broader inflation through indirect and second-round effects intensifies. We will therefore closely monitor the size and persistence of the energy price surge, and how it feeds through to price and wage-setting, inflation expectations, and overall economic dynamics.~~

Risk assessment

~~The risks to the growth outlook are tilted to the downside, especially in the near term. The war in the Middle East is remains a downside risk to the euro area economy, adding to the volatile global policy environment. A prolonged war Prolonged disruption of the supply of energy could increase energy prices further and for longer than currently expected, and also weigh on confidence. These factors would erode incomes and make firms and households more reluctant to invest and spend. The drag on growth would intensify if the closure of major shipping routes were to cause acute shortages of key inputs that forced euro area firms to curtail output. A worsening of global financial market sentiment could further dampen demand. Additional frictions in international trade could disrupt exacerbate supply chains chain disruptions, reduce exports and weaken consumption and investment. Other geopolitical tensions, in particular Russia's unjustified war against Ukraine, remain a major source of uncertainty. By contrast, growth could turn out to be higher if the economic repercussions of economy proved to be more adaptable to the disruption caused by the war in the Middle East proved to bear if the conflict were resolved more short-lived quickly than currently expected. Moreover, planned defence and infrastructure spending, reforms to enhance productivity, and euro area firms adopting new technologies may drive up growth by more than expected. New trade agreements and a deeper integration of the Single Market could also boost growth beyond current expectations.~~

~~The risks to the inflation outlook are tilted to the upside, especially in the near term. A prolonged war in the Middle East could lead to a larger and longer-lasting upward shift in. If energy prices were to rise by more and for longer than currently expected, raising euro area inflation would increase further. This could be reinforced and become more persistent if higher energy prices were to spill over by more than expected to other prices and to wages, if longer-term inflation expectations and wage growth were to rise in response, if the energy price increase were to spill over to non-energy inflation to a larger extent than assumed in the baseline, or if the war disrupted global supply chains were disrupted more broadly. Ongoing trade tensions could also give rise to more fragmented global supply chains, curtail the supply of critical raw materials and tighten worsen capacity constraints in the euro area economy. By contrast, inflation could turn out to be lower if the economic repercussions effects of the war in the Middle East proved to be more short-lived than currently expected or if indirect and second-round effects proved less pronounced than currently expected. Inflation could also be lower if tariffs reduced demand for euro area exports by more than expected and if countries with overcapacity increased further their exports to the euro area. More volatile and risk-averse financial markets could weigh on demand and thereby lower inflation as well.~~

Financial and monetary conditions

The war in the Middle East has had a pronounced impact on ~~caused significant volatility in~~ global financial markets. Overall financial conditions ~~have tightened since our last meeting. Stock markets have fallen and market interest rates in the euro area, especially short-term rates, have risen notably~~ remain tighter than before the war.

~~In January, bank lending rates for firms and the~~ The cost of issuing market-based debt both remained at rose to 3.69 per cent, while the average interest rate on new mortgages edged up to 3.4 per cent. Bank lending to firms grew by 2.8 per cent on a yearly basis in January, down from 3.0 per cent in December. However, this was offset by stronger issuance of corporate bonds, with the annual growth rate rising to 4.0 per cent ~~March, from 3.5 per cent in December.~~ February. Bank lending rates for firms – based on data recorded prior to the war – edged down to 3.5 per cent in February, while mortgage rates remained at 3.4 per cent.

The annual growth rate of bank lending to firms increased to 3.2 per cent in March, from 3.0 per cent in February, while the growth rate of corporate bond issuance fell to 3.9 per cent, from 4.5 per cent in February. Credit standards for loans to firms tightened in the first quarter, as reported in our latest bank lending survey for the euro area. This tightening was due to banks becoming more concerned about the economic risks faced by their customers. Demand for loans to firms decreased slightly in the first quarter, especially for fixed investment.

Mortgage lending grew by 3.0 per cent, ~~in March, after 3.1 per cent in February, amid a small tightening in credit standards and unchanged from December.~~ demand.

Conclusion

The Governing Council today decided to keep the three key ECB interest rates unchanged. We are ~~determined~~ committed to setting monetary policy to ensure that inflation stabilises at our two per cent target in the medium term. We will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. Our interest rate decisions will be based on our 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. We are not pre-committing to a particular rate path.

In any case, we stand ready to adjust all of our instruments within our mandate to ensure that inflation stabilises sustainably at our medium-term target and to preserve the smooth functioning of monetary policy transmission.

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