

ECB decision in charts

All eyes on June

Classification of the ECB meeting on April 11, 2024

Economics

April 11, 2024

Highlights of the Governing Council meeting on April 11, 2024 (Part I)

As expected, the ECB has left interest rates unchanged at 4.00% (deposit facility rate) and 4.50% (main refinancing rate). Lagarde seemed a bit torn apart the dovish and hawkish side in the press conference, with a slight inclination towards dovishness. Moreover, the monetary policy statement included a new sentence, which is a bit reminiscent of the old days of Forward Guidance. We stick with our forecast of a first rate cut at the start of June.

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

On a first rate cut and on the question if June is probable: “[...] in June we know that we will get a lot more data and a lot more information and we will also have new projections [...]. So we are data dependent. [...] Then we will determine whether all of that confirms our hope that inflation returns to target in a sustained manner, and if as a result, our confidence is sufficiently reinforced.” “If the Governing Council’s updated assessment of the inflation outlook, the dynamics of underlying inflation [...] were to further increase its confidence that inflation is converging to the target [...], it would be appropriate to reduce the current level of monetary policy restriction.”

Note: Lagarde emphasized once again that the governing council is very data-dependent and there will be a lot more data in June. She also noted that the ECB sees positive development in the data but it is still in the beginnings. Additionally, she also mentioned that some members stated in the meeting that they would be confident in cutting rates in April but ultimately rallied to consensus.

Highlights of the Governing Council meeting on April 11, 2024 (Part II)

On the inflation trend: “[...] Without being triumphant and without celebrating anything yet, what we are observing is a decline in inflation and a disinflationary process that is in progress and that is comforting us that the monetary policy that we have adopted so far has contributed significantly to this.” “It [services inflation] has been at 4% for the last five months. Domestic inflation [...] is at 4.5% [...] But we’re not going to wait until everything goes back to 2% [...]”

Note: There is a new sentence in the press release which basically states that the confidence for a rate cut would increase if inflation stays on the path of the latest ECB projections. Here, she also noted the strict data-dependency. Additionally, she mentioned that the ECB is expecting some fluctuations until inflation reaches its target, which is why she did not comment extensively on mentioned concerns regarding recently risen oil prices.

On economic growth: The economy remained weak in the first quarter. [...] services is resilient, manufacturing firms are facing weak demand and production is still subdued [...]. [...] This recovery is expected to be supported by rising real incomes, resulting from lower inflation and increased wages [...]. [...] the growth of euro area exports should pick up over the coming quarters, as the global economy recovers [...].”

Note: This sounds rather optimistic as the HCOB Services PMI for the euro area is above 50 for the second months and signals growth – the HCOB Manufacturing PMI is still below 50. Services will most likely lead the way out of subdued economic growth in mid-year.

Highlights of the Governing Council meeting on April 11, 2024 (Part III)

On the dependency of Fed decisions and its effect on FX markets: “We are not Fed dependent.” “Our objective is price stability, and we have to determine our monetary policy decisions on the basis of the data that are produced by the euro area, on the basis of the global environment – and that includes obviously the United States, but it also includes China, which matters, it also includes Japan, which matters, [...] but we focus predominantly on the territory for which we have responsibility for monetary policy.”

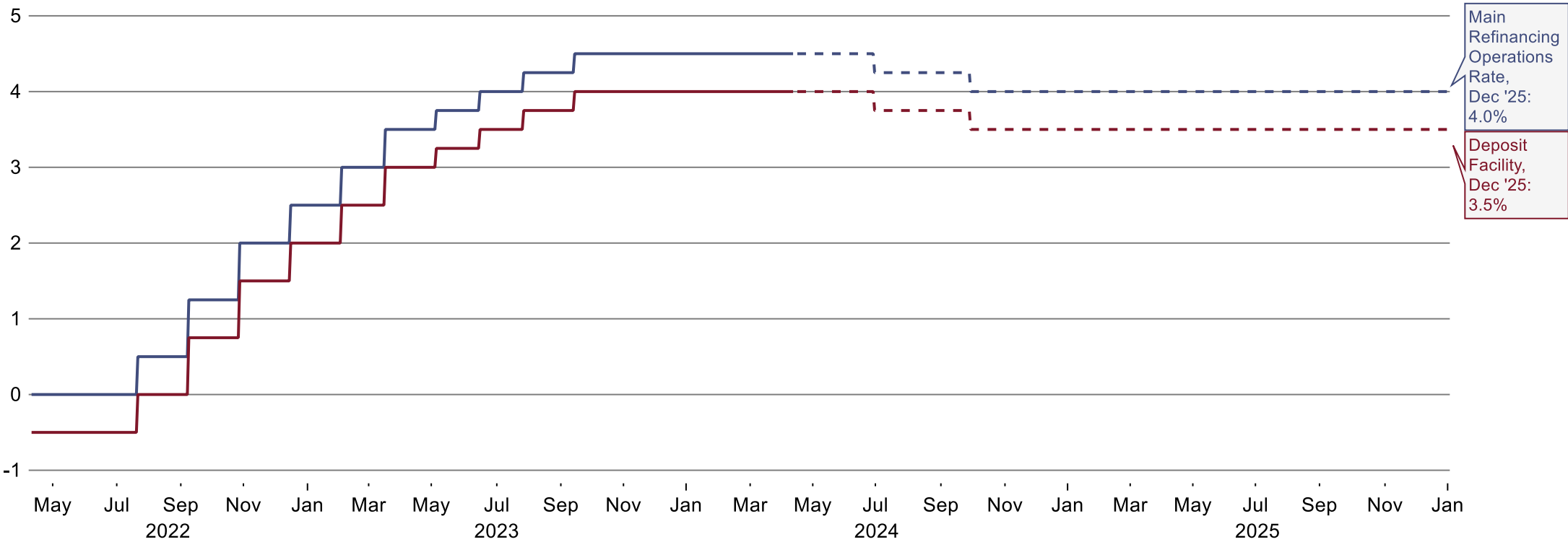
Note: Lagarde reiterated her statement from the Watcher’s conference where she stated that the ECB is not dependent on interest rate decisions of the Fed. She also stated that, while the FX markets’ possible reaction on ECB policy is covered in the ECB’s projections, the governing council does target price stability, and not exchange rate stability. Nonetheless, global economic conditions matter.

On the monetary policy statement and its relatively strong guidance: The ECB included a new sentence in its monetary policy statement and reads the following: “If the Governing Council’s updated assessment of the inflation outlook, the dynamics of underlying inflation [...] were to further increase its confidence that inflation is converging to the target [...], it would be appropriate to reduce the current level of monetary policy restriction.”

Note: This line basically says that if inflation figures follow the path the ECB projected in March that monetary policy easing would follow. This is in line with our expectations that the ECB will have its first rate cut in June as the latest inflation numbers came in a touch slightly below the ECB projections. But she reiterated the strong and strict data-dependency of the governing council.

HCOB interest rate forecast: We continue to expect two key interest rate cuts in 2024, one in June and another in September.

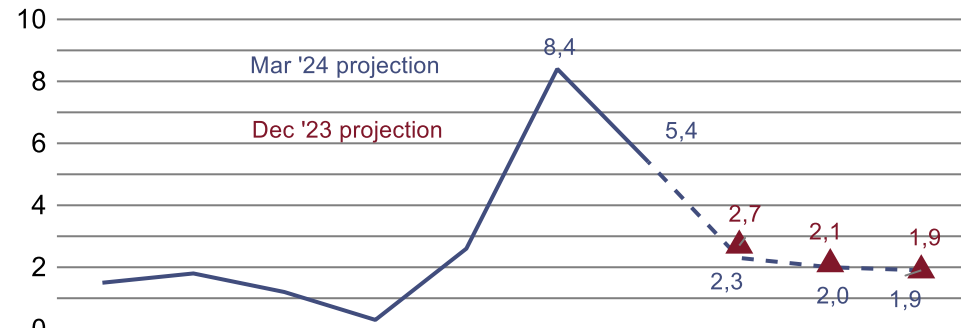
ECB policy rates and forecasts of HCOB Economics



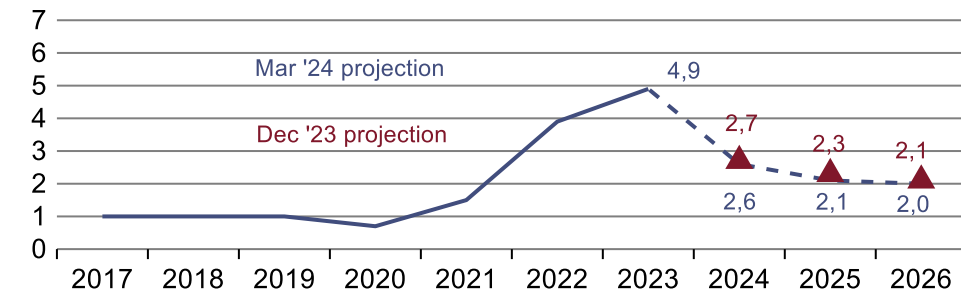
Source: Macrobond, HCOB Economics

ECB staff projections from March 2024 compared to the projections from December 2023. New projections will not be published until June 6, 2024.

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

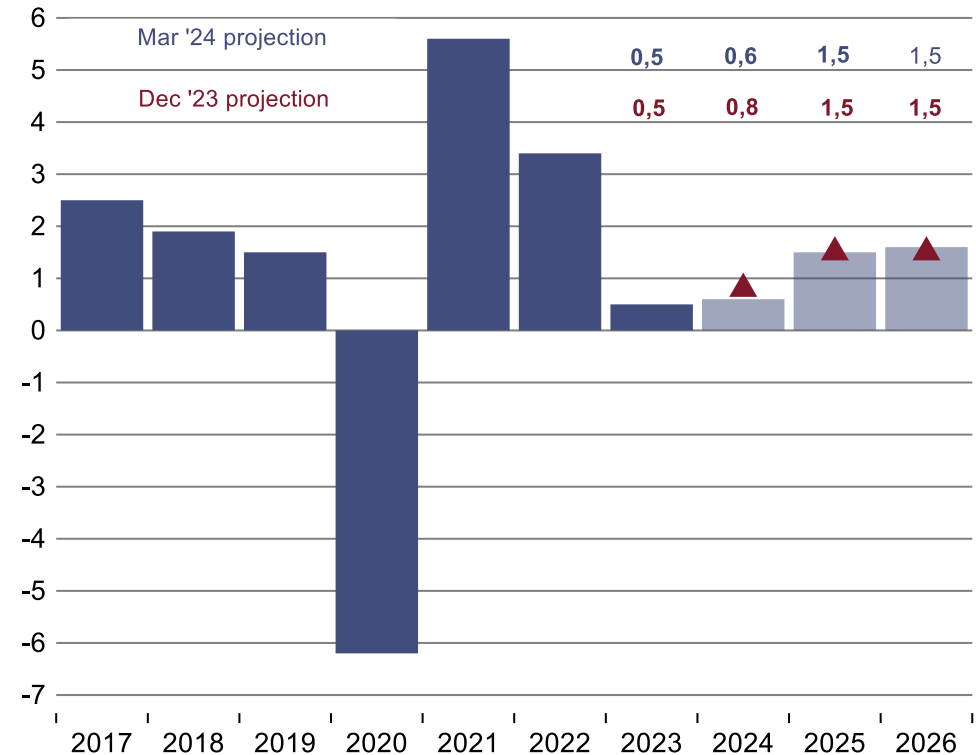


Euro Area, ECB Macroeconomic Projections, Inflation HICP core (ex energy and food) YoY (yearly average)



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

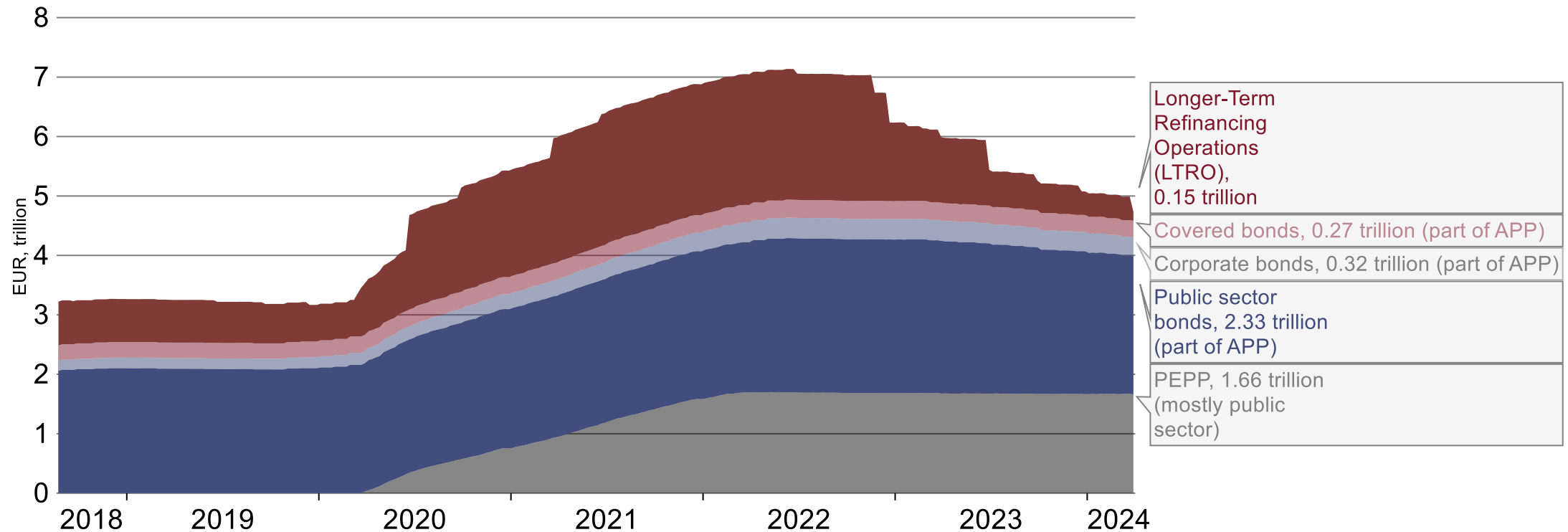
Euro Area Staff Projections, GDP



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

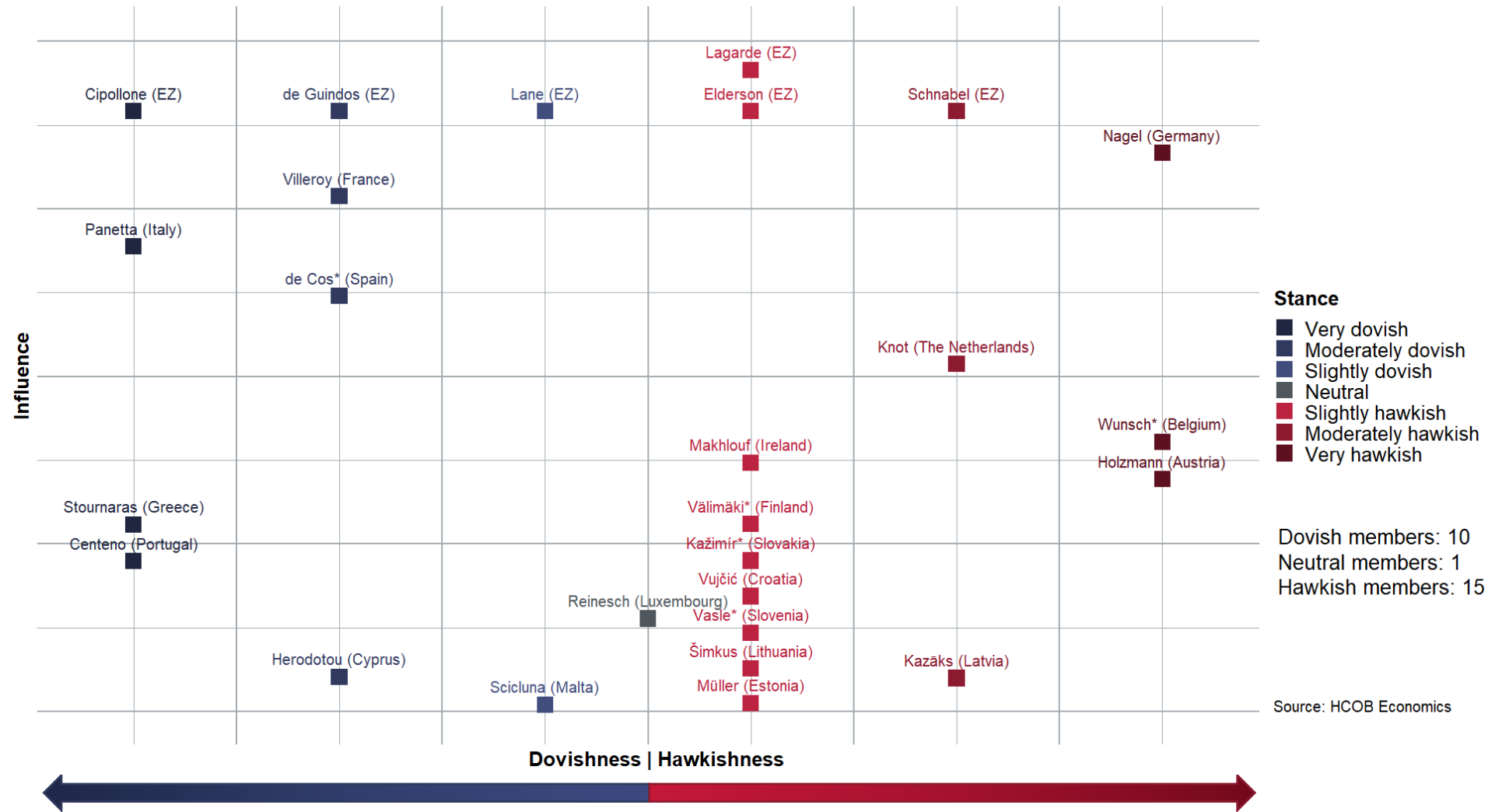
Monetary policy instruments at a glance

- **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 (rotation procedure among the central bank governors): Olli Rehn now represents Finland again (Tuomas Vähimäki replaced him temporarily).

| 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 Stourmaras | ✗ | ✗ | ✓ | ✓ | ✓ | ✓ | ✗ | ✓ | ✓ | ✓ | ✗ |
| 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 | Olli Rehn | ✓ | ✓ | ✓ | ✓ | ✗ | ✗ | ✓ | ✓ | ✓ | ✗ | ✓ |

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 April 11, 2024

Main page:

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

Further links to the current session:

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

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Editorial deadline for this issue: April 12, 2024

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