EUROPEAN CENTRAL BANK
EUROSYSTEM

Combined monetary policy decisions and statement

11 September 2025

Monetary policy decisions

The Governing Council today decided to keep the three key ECB interest rates unchanged. Inflation is currently at around the 2% medium-term target and the Governing Council's assessment of the inflation outlook is broadly unchanged.

The new ECB staff projections present a picture of inflation similar to that projected in June. They see headline inflation averaging 2.1% in 2025, 1.7% in 2026 and 1.9% in 2027. For inflation excluding energy and food, they expect an average of 2.4% in 2025, 1.9% in 2026 and 1.8% in 2027. The economy is projected to grow by 1.2% in 2025, revised up from the 0.9% expected in June. The growth projection for 2026 is now slightly lower, at 1.0%, while the projection for 2027 is unchanged at 1.3%.

The Governing Council is determined to ensure that inflation stabilises at its 2% target in the medium term. It will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, the Governing Council's interest rate decisions will be based on its 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. The Governing Council is not pre-committing to a particular rate path.

Key ECB interest rates

The interest rates on the deposit facility, the main refinancing operations and the marginal lending facility will remain unchanged at 2.00%, 2.15% and 2.40% respectively.

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Asset purchase programme (APP) and pandemic emergency purchase programme (PEPP)

The APP and PEPP portfolios are declining at a measured and predictable pace, as the Eurosystem no longer reinvests the principal payments from maturing securities.

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The Governing Council stands ready to adjust all of its instruments within its mandate to ensure that inflation stabilises at its 2% target in the medium term and to preserve the smooth functioning of monetary policy transmission. Moreover, the Transmission Protection Instrument is available to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy across all euro area countries, thus allowing the Governing Council to more effectively deliver on its price stability mandate.

The President of the ECB will comment on the considerations underlying these decisions at a press conference starting at 14:45 CET today.

Monetary policy statement

Press conference

Christine Lagarde, President of the ECB,
Luis de Guindos, Vice-President of the ECB

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. Inflation is currently at around our two per cent medium-term target and our assessment of the inflation outlook is broadly unchanged.

The new ECB staff projections present a picture of inflation similar to that projected in June. They see headline inflation averaging 2.1 per cent in 2025, 1.7 per cent in 2026 and 1.9 per cent in 2027. For inflation excluding energy and food, they expect an average of 2.4 per cent in 2025, 1.9 per cent in 2026 and 1.8 per cent in 2027. The economy is projected to grow by 1.2 per cent in 2025, revised up from the 0.9 per cent expected in June. The growth projection for 2026 is now slightly lower, at 1.0 per cent, while the projection for 2027 is unchanged at 1.3 per cent.

We are determined 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. 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 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 economy grew by 0.7 per cent in cumulative terms over the first half of the year, on account of the resilience in domestic demand. The quarterly pattern showed stronger growth in the first quarter and weaker growth in the second quarter, partly reflecting an initial frontloading of international trade ahead of expected tariff increases and then a reversal of that effect.

Survey indicators suggest that both manufacturing and services continue to grow, signalling some positive underlying momentum in the economy. Even if demand for labour is softening, the labour market remains a source of strength, with the unemployment rate at 6.2 per cent in July. Over time, this should boost consumer spending, especially if, as foreseen in the staff projections, people save less of their income. Consumer spending and investment should benefit from our past interest rate cuts feeding through to financing conditions. Investment should also be underpinned by substantial government spending on infrastructure and defence.

Higher tariffs, a stronger euro and increased global competition are expected to hold growth back for the rest of the year. However, the effect of these headwinds on growth should fade next year. While recent trade agreements have reduced uncertainty somewhat, the overall impact of the change in the global policy environment will only become clear over time.

The Governing Council considers it crucial to urgently strengthen the euro area and its economy in the present geopolitical environment. Fiscal and structural policies should make the economy more productive, competitive and resilient. One year on from the release of Mario Draghi's report on the future of European competitiveness, it remains essential to follow up on its recommendations with further concrete action and to accelerate implementation, in line with the European Commission's roadmap. Governments should prioritise growth-enhancing structural reforms and strategic investment, while ensuring sustainable public finances. It is critical to complete the savings and investments union and the banking union, to an ambitious timetable, and to rapidly establish the legislative framework for the potential introduction of a digital euro.

Inflation

Annual inflation remains close to our target, edging up to 2.1 per cent in August from 2.0 per cent in July. Energy price inflation was -1.9 per cent, after -2.4 per cent in July, while food price inflation declined to 3.2 per cent from 3.3 per cent. Inflation excluding energy and food stayed constant at 2.3 per cent. Services inflation edged down to 3.1 per cent, from 3.2 per cent in July, while goods inflation was unchanged at 0.8 per cent.

Indicators of underlying inflation remain consistent with our two per cent medium-term target. Year-on-year growth in compensation per employee was 3.9 per cent in the second quarter, down from 4.0 per cent in the previous quarter and 4.8 per cent in the second quarter of last year. Forward-looking indicators, including the ECB's wage tracker and surveys on wage expectations, suggest that wage growth will moderate further. Along with productivity gains, this will help keep a lid on domestic price pressures, even as profits recover from low levels.

Looking ahead, the staff projections see food inflation dropping from 2.9 per cent in 2025 to 2.3 per cent in 2026 and 2027. Energy price inflation is expected to remain volatile, but rise over the projection horizon, in part because of the start of the EU Emissions Trading System 2 in 2027. Inflation excluding energy and food is expected to fall from 2.4 per cent in 2025 to 1.9 per cent in 2026 and 1.8 per cent in 2027, owing to the stronger euro and declining labour cost pressures.

Most measures of longer-term inflation expectations continue to stand at around 2 per cent, supporting the stabilisation of inflation around our target.

Risk assessment

Risks to economic growth have become more balanced. While recent trade agreements have reduced uncertainty, a renewed worsening of trade relations could further dampen exports and drag down investment and consumption. A deterioration in financial market sentiment could lead to tighter financing conditions, greater risk aversion and weaker growth. Geopolitical tensions, such as Russia's unjustified war against Ukraine and the tragic conflict in the Middle East, remain a major source of uncertainty. By contrast, higher than expected defence and infrastructure spending, together with productivity-enhancing reforms, would add to growth. An improvement in business confidence could stimulate private investment. Sentiment could also be lifted and activity spurred if geopolitical tensions diminished, or if the remaining trade disputes were resolved faster than expected.

The outlook for inflation remains more uncertain than usual, as a result of the still volatile global trade policy environment. A stronger euro could bring inflation down further than expected. Moreover, inflation could turn out to be lower if higher tariffs lead to lower demand for euro area exports and induce countries with overcapacity to further increase their exports to the euro area. Trade tensions could lead to greater volatility and risk aversion in financial markets, which would weigh on domestic demand and would thereby also lower inflation. By contrast, inflation could turn out to be higher if a fragmentation of global supply chains pushed up import prices and added to capacity constraints in the domestic economy. A boost in defence and infrastructure spending could also raise inflation over the medium term. Extreme weather events, and the unfolding climate crisis more broadly, could drive up food prices by more than expected.

Financial and monetary conditions

Since our last meeting short-term market rates have increased, while longer-term rates have remained broadly unchanged. However, our past interest rate cuts continued to lower corporate borrowing costs in July. The average interest rate on new loans to firms moved down to 3.5 per cent in July, from 3.6

per cent in June. The cost of issuing market-based debt was unchanged, at 3.5 per cent. Loans to firms grew by 2.8 per cent, slightly more strongly than in June, while the growth of corporate bond issuance rose to 4.1 per cent from 3.4 per cent. The average interest rate on new mortgages was again unchanged at 3.3 per cent in July, while growth in mortgage lending picked up to 2.4 per cent, from 2.2 per cent.

Conclusion

The Governing Council today decided to keep the three key ECB interest rates unchanged. We are determined 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.

We are now ready to take your questions.