

# ECB cuts interest rates for first time since 2019

Now at 3.75% from all-time high of 4%; ECB non-committal on rate path

REUTERS

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The European Central Bank (ECB) went ahead with its first interest rate cut since 2019 on Thursday, citing progress in tackling inflation even as it acknowledged the fight was far from over.

In new forecasts released with the widely flagged rate cut, the ECB said it expected inflation to average 2.2 per cent in 2025 — up from a previous estimate of 2.0 per cent and meaning it was now seen holding above the central bank's 2 per cent target well into next year.

Inflation in the 20 countries that share the euro has fallen to 2.6 per cent from more than 10 per cent in late 2022, largely thanks to lower fuel costs and an easing of post-pandemic supply snags.

But that progress has stalled recently and what had looked like the start of a major ECB easing cycle only a few weeks ago now appears more uncertain due to signs that inflation may prove sticky, as it has in the United States.

Cutting its deposit rate to 3.75 per cent from a record-high 4.0 per cent, the ECB gave no indication whether that would be followed by a further easing in July.

"We are not pre-committing to a particular rate path," ECB President Christine Lagarde told a press confer-



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CHRISTINE LAGARDE, president, ECB

ence, reading from the Governing Council's statement.

"Despite the progress over recent quarters, domestic price pressures remain strong as wage growth is elevated, and inflation is likely to stay above target well into next year." While ECB policymakers signalled their confidence that inflation was gradually

being tamed, there was also enough caution in their statement to convince some ECB-watchers that Thursday's cut would not be repeated at the next meeting.

"In our view, this suggests that it is unlikely we'll see back-to-back cuts in July," said Diego Iscaró, head of European economics at S&P Global Market Intelligence.