

# ECB holds rates after 10 hikes in a row to tame inflation

REUTERS

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The European Central Bank (ECB) broke the longest streak of interest rate hikes in its 25-year history on Thursday, saying the latest data continued to point to inflation slowly coming down to its 2 per cent target.

The central bank for the 20 countries that use the euro left the rate it pays on deposits at a record-high 4.0 per cent, reaffirming that the current level of borrowing costs may just be enough to tame inflation if kept there “sufficiently long”.

“The Governing Council’s past interest rate increases continue to be transmitted forcefully into financing conditions,” the ECB said. “This is increasingly dampening demand and thereby helps push down inflation.” Caught out by a surprise surge in prices, the ECB has spent over a year raising borrowing

costs and discontinuing stimulus measures deployed over a decade of sluggish inflation, such as massive bond purchases and cheap funding for banks.

This sharp policy tightening is leaving a mark on the economy, with data earlier this week showing weak credit creation and economic activity.

On Thursday, the ECB repeated it would keep topping up the €1.7-trillion (\$1.79 trillion) pile of bonds bought under its Pandemic Emergency Purchase Programme (PEPP) until the end of next year.

The ECB sees PEPP as a first line of defence against market turbulence despite some policymakers’ clamouring for an early end to its last surviving bond-buying scheme.

Investors will now focus on ECB President Christine Lagarde’s press conference.

