



## PREVIEW: ECB Policy Announcement due at 13:15BST/08:15EDT on Thursday, 30th April 2026

- Expected to maintain interest rates and hold the Deposit Rate at 2.00%.
- Accompanying guidance will likely see a continuation of the wait and see approach, with the statement and/or President Lagarde to potentially point to the June MPR as a period where sufficient information may be available.

**OVERVIEW:** The relatively limited amount of data, no overt signs of second round effects and uncertainty on the duration of the shock and degree of pass through mean the ECB is likely to maintain its interest rates and hold the Deposit Rate at 2.00%. Accompanying guidance will likely see a continuation of the wait and see approach, with the statement and/or President Lagarde to potentially point to the June MPR as a period where sufficient information may be available to make a policy decision. Lagarde speaks from 13:45BST onwards.

**PREVIOUS MEETING:** In March, the three main interest rates were maintained with the Deposit Rate held at 2.00%. The accompanying statement outlined a wait-and-see approach to the Middle East. Unsurprisingly, baseline inflation forecasts were upgraded and growth downgraded. Pertinently, the magnitude of the inflation upgrade was significant, and lent a hawkish skew to the announcement. Thereafter, the ECB released two alternative scenarios, which showed a more substantial stagflationary environment dependent on the progression of the energy shock. Overall, the statement outlined that the ECB was "well positioned" to navigate the uncertainty, with no pre-commitment to any policy action. Lagarde's press conference was shorter than usual, in which she noted the decision was unanimous and acknowledged that the ECB is no longer in a good place, but stressed they are "well-positioned and well-equipped".

**DATA:** Overall, data is indicative of a deteriorating economy with expectations hampered by the conflict and the ongoing supply shortages and price pressures dampening growth. Though, we are yet to see a growth figure for the affected period, but the likes of Germany have halved their official view for 2026 to 0.5% and 2027 to 0.9% (prev. forecast 1.3%). On the inflation side, prices are pressured to almost an almost unprecedented degree; however, there are not overt signs of second round effects just yet with it being too soon to make a judgement on the potential passthrough. In short, the data is supportive of a continued wait-and-see approach.

From the ECB, the Consumer Expectation Survey saw an increase in inflation expectations for the next 12 months, and for three years ahead, both saw a significant increase to 4.0% (prev. 2.5%) and 3.0% (prev. 2.5%), respectively. By way of comparison, the March baseline HICP peak was 2.6% in 2026, the adverse 3.5% for the same period, while the severe peaked at 4.8% in 2027. As such, 12-month expectations are hotter than all but the severe scenario. Though, the hawkishness from this was somewhat offset by the tightening of credit conditions and weaker loan demand evidenced in the BLS. Together, the surveys point to a stagflationary environment.

The most timely data, Germany's GfK, showed a further deterioration in consumer sentiment and a drop in the 12 months ahead figure to levels similar to the start of the Russia-Ukraine conflict. April's Flash PMIs were indicative of the "biggest surge in cost pressures" recorded since 2000, ex-COVID. A welcome observation came from France, where the passthrough of prices remained contained; however, Germany's series showed firms increasing average prices at a three-year peak, "in a sign of widening inflationary pressure". On the economy more generally, the bloc is facing deepening economic woes, with supply shortages "threatening to dampen growth further". Unfortunately, we do not get the April flash-estimate HICP series until the morning of the ECB, alongside Q1 GDP. Though, the Flash print from Spain was cooler-than-expected, but followed a marked jump in March, while Germany's figures were a touch cooler than expected, but still lifted from the prior rate. March's series featured a cooler-than-expected headline print which showed that, for now at least, the energy jump hasn't filtered through into the other components.

**COMMENTARY & SOURCES:** Overall, commentary and sources are indicative of the wait-and-see approach continuing in April. A view neatly outlined by Chief Economist Lane who, on the 22nd of April, said it is too early to assess the duration of the shock, and by extension it is difficult to know if it is temporary or not. However, a move cannot be ruled out and the tone of commentary is leaning net-hawkish with respect to 2026 as a whole.

The most pertinent remarks have emerged from the likes of Demarco, Lane and Muller in recent sessions, who have indicated a preference for waiting for more information before considering action. On the hawkish side of things, no one has come out and explicitly called for an April hike, though the likes of Muller have said such a move cannot be fully excluded; on this, Kazaks has made the case that every meeting is live and pricing for 50bps by end-2026 is reasonable. Elsewhere, though we have not heard from him this month, at the end of March Nagel said there will be enough information by April to determine if action is needed.

Just after the announcement, sources outlined that discussions over a hike, or even a hike itself, were possible as soon as April. However, on the 15th of April, Reuters outlined that policymakers were wary of tightening in April as there was not yet evidence of second round effects, and long term inflation expectations were stable.

**JUNE:** Given the above, June is likely the next truly live meeting, as the ECB will have several more months of hard and survey data, not to mention a potential resolution to the Middle East conflict. All of which will allow the ECB to make a more informed decision on the length and spread of the shock, with the June economic projections likely to provide a more informed view vs the March ones; a series that was out of data from the moment of publication. As it stands, markets imply c. 60bps of tightening by end-2026 though a 25bps move is not priced until July.

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