

# Combined monetary policy decisions and statement

19 March 2026

## Monetary policy decisions

The Governing Council today decided to keep the three key ECB interest rates unchanged. It is determined to ensure that inflation stabilises at the 2% target in the medium term. The war in the Middle East has made the outlook significantly more uncertain, creating upside risks for inflation and downside risks for economic growth. It will have a material impact on near-term inflation through higher energy prices. Its medium-term implications will depend both on the intensity and duration of the conflict and on how energy prices affect consumer prices and the economy.

The Governing Council is well positioned to navigate this uncertainty. Inflation has been at around the 2% target, longer-term inflation expectations are well anchored, and the economy has shown resilience over recent quarters. The incoming information in the period ahead will help the Governing Council assess how the war will affect the inflation outlook and the risks surrounding it. The Governing Council is closely monitoring the situation, and its data-dependent approach will help it set monetary policy as appropriate.

The new ECB staff projections exceptionally incorporate information up to 11 March, a later cut-off date than usual. In the baseline, headline inflation is seen to average 2.6% in 2026, 2.0% in 2027 and 2.1% in 2028. Inflation has been revised up compared with the December projections, especially for 2026. This is because energy prices will be higher owing to the war in the Middle East. For inflation excluding energy and food, staff project an average of 2.3% in 2026, 2.2% in 2027 and 2.1% in 2028. This is also higher than the path in the December projections, mainly owing to higher energy prices feeding into inflation excluding energy and food. Staff expect economic growth to average 0.9% in 2026, 1.3% in 2027 and 1.4% in 2028. This implies a downward revision, especially for 2026, reflecting the global effects of the war on commodity markets, real incomes and confidence. At the same time, low unemployment, solid private sector balance sheets, and public spending on defence and infrastructure should continue to underpin growth.

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In line with the Governing Council's monetary policy strategy commitment to incorporate risks and uncertainty into its decision-making, staff also assessed how the war in the Middle East could affect economic growth and inflation under some alternative illustrative scenarios. These scenarios will be published with the staff projections on the ECB's website. The scenario analysis suggests that a prolonged disruption in the supply of oil and gas would result in inflation being above, and growth being below, the baseline projections. The implications for medium-term inflation depend crucially on the magnitude of indirect and second-round effects of a stronger and more persistent energy shock.

The Governing Council will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, its 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.

## 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. We are determined to ensure that inflation stabilises at our two per cent target in the medium term. The war in the Middle East has made the outlook significantly more uncertain, creating upside risks for inflation and downside risks for economic growth. It will have a material impact on near-term inflation through higher energy prices. Its medium-term implications will depend both on the intensity and duration of the conflict and on how energy prices affect consumer prices and the economy.

We are well positioned to navigate this uncertainty. Inflation has been at around our two per cent target, longer-term inflation expectations are well anchored, and the economy has shown resilience over recent quarters. The incoming information in the period ahead will help us assess how the war will affect the inflation outlook and the risks surrounding it. We are closely monitoring the situation, and our data-dependent approach will help us set monetary policy as appropriate.

The new ECB staff projections exceptionally incorporate information up to 11 March, a later cut-off date than usual. In the baseline, headline inflation is seen to average 2.6 per cent in 2026, 2.0 per cent in 2027 and 2.1 per cent in 2028. Inflation has been revised up compared with the December projections, especially for 2026. This is because energy prices will be higher owing to the war in the Middle East. For inflation excluding energy and food, staff project an average of 2.3 per cent in 2026, 2.2 per cent in 2027 and 2.1 per cent in 2028. This is also higher than the path in the December projections, mainly owing to higher energy prices feeding into inflation excluding energy and food. Staff expect economic growth to average 0.9 per cent in 2026, 1.3 per cent in 2027 and 1.4 per cent in 2028. This implies a downward revision, especially for 2026, reflecting the global effects of the war on commodity markets, real incomes and confidence. At the same time, low unemployment, solid private sector balance sheets, and public spending on defence and infrastructure should continue to underpin growth.

In line with our monetary policy strategy commitment to incorporate risks and uncertainty into our decision-making, staff also assessed how the war in the Middle East could affect economic growth and inflation under some alternative illustrative scenarios. These scenarios will be published with the

staff projections on our website. The scenario analysis suggests that a prolonged disruption in the supply of oil and gas would result in inflation being above, and growth being below, the baseline projections. The implications for medium-term inflation depend crucially on the magnitude of indirect and second-round effects of a stronger and more persistent energy shock.

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 0.2 per cent in the fourth quarter of 2025, driven by stronger domestic demand. Households increased their spending as real incomes rose and unemployment remained close to its historical low. Construction and housing renovation strengthened, and firms invested more, particularly in areas such as research and development, software and databases. Growth was no longer weighed down by net exports as it had been in the previous two quarters. It was underpinned mainly by services.

Staff still see private consumption as the main driver of growth over the medium term. Investment should also continue to grow, with governments spending more on defence and infrastructure, and firms increasingly investing in new digital technologies. The external environment remains challenging, including in light of volatile global trade policies.

The war in the Middle East is disrupting commodity markets and weighing on real incomes and confidence. This has led to a downward revision of consumption and investment in the baseline staff projections, especially for 2026. The impact would be even more pronounced in alternative scenarios with a more severe and prolonged energy shock.

The Governing Council highlights the urgent need to strengthen the euro area economy while maintaining sound public finances. Any fiscal responses to the energy price shock should be temporary, targeted and tailored. The current energy crisis underscores the imperative to further reduce dependence on fossil fuels. Completing the savings and investments union is vital to fund

innovation and support the green and digital transitions. The digital euro and tokenised wholesale central bank money will enhance Europe's strategic autonomy, competitiveness and financial integration, and will boost innovation in payments. It is thus essential to swiftly adopt the Regulation on the establishment of the digital euro. Simplifying and harmonising rules across the EU's Single Market will help European firms grow faster.

## Inflation

Inflation rose to 1.9 per cent in February, from 1.7 per cent in January. Energy prices were 3.1 per cent lower than a year ago, after being 4.0 per cent lower in January. Food price inflation edged down to 2.5 per cent. Inflation excluding energy and food increased to 2.4 per cent in February, from 2.2 per cent in January. The increase reflected goods inflation rising to 0.7 per cent from 0.4 per cent and services inflation moving up to 3.4 per cent from 3.2 per cent.

Indicators of underlying inflation have changed little over recent months and remain consistent with our two per cent medium-term target. Corporate profits recovered further in the fourth quarter of 2025, while unit labour costs rose at a similar rate as in the previous quarter. Growth in compensation per employee slowed to 3.7 per cent, from 4.0 per cent in the third quarter. Negotiated wage growth and forward-looking indicators, such as the ECB's wage tracker and surveys on wage expectations, suggest that labour costs will ease further in the course of 2026, which should support the return of inflation to target.

The increase in energy prices caused by the war will drive inflation above 2 per cent in the near term. If persistent, higher energy prices may lead to a broader increase in inflation through indirect and second-round effects, a situation which requires close monitoring. Inflation expectations in the financial markets have moved up significantly over shorter horizons. Most measures of longer-term inflation expectations stand at around 2 per cent, supporting the stabilisation of inflation around our target.

## Risk assessment

The risks to the growth outlook are tilted to the downside, especially in the near term. The war in the Middle East is a downside risk to the euro area economy, adding to the volatile global policy environment. A prolonged war could increase energy prices further and for longer than currently expected, and also weigh on confidence. These factors would erode incomes and make firms and households more reluctant to invest and spend. A worsening of global financial market sentiment could further dampen demand. Additional frictions in international trade could disrupt supply chains,

reduce exports and weaken consumption and investment. Other geopolitical tensions, in particular Russia's unjustified war against Ukraine, remain a major source of uncertainty. By contrast, growth could turn out to be higher if the economic repercussions of the war in the Middle East proved to be more short-lived than currently expected. Moreover, planned defence and infrastructure spending, reforms to enhance productivity, and euro area firms adopting new technologies may drive up growth by more than expected. New trade agreements and a deeper integration of the Single Market could also boost growth beyond current expectations.

The risks to the inflation outlook are tilted to the upside, especially in the near term. A prolonged war in the Middle East could lead to a larger and longer-lasting upward shift in energy prices than currently expected, raising euro area inflation further. This could be reinforced and become more persistent if inflation expectations and wage growth were to rise in response, if the energy price increase were to spill over to non-energy inflation to a larger extent than assumed in the baseline, or if the war disrupted global supply chains more broadly. Ongoing trade tensions could also give rise to more fragmented global supply chains, curtail the supply of critical raw materials and tighten capacity constraints in the euro area economy. By contrast, inflation could turn out to be lower if the economic repercussions of the war in the Middle East proved to be more short-lived or if indirect and second-round effects proved less pronounced than currently expected. Inflation could also be lower if tariffs reduced demand for euro area exports by more than expected and if countries with overcapacity increased further their exports to the euro area. More volatile and risk-averse financial markets could weigh on demand and thereby lower inflation as well.

## Financial and monetary conditions

The war in the Middle East has had a pronounced impact on global financial markets. Overall financial conditions have tightened since our last meeting. Stock markets have fallen and market interest rates in the euro area, especially short-term rates, have risen notably.

In January, bank lending rates for firms and the cost of issuing market-based debt both remained at 3.6 per cent, while the average interest rate on new mortgages edged up to 3.4 per cent. Bank lending to firms grew by 2.8 per cent on a yearly basis in January, down from 3.0 per cent in December. However, this was offset by stronger issuance of corporate bonds, with the annual growth rate rising to 4.0 per cent, from 3.5 per cent in December. Mortgage lending grew by 3.0 per cent, unchanged from December.

## 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.