WEEKLY ANALYSIS

NUMBER 899, APRIL 14, 2025

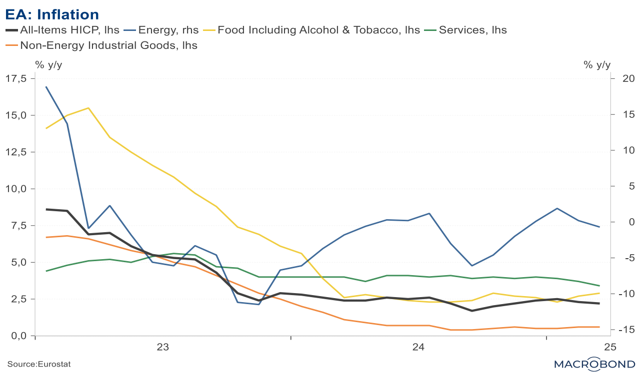
ECB without respite

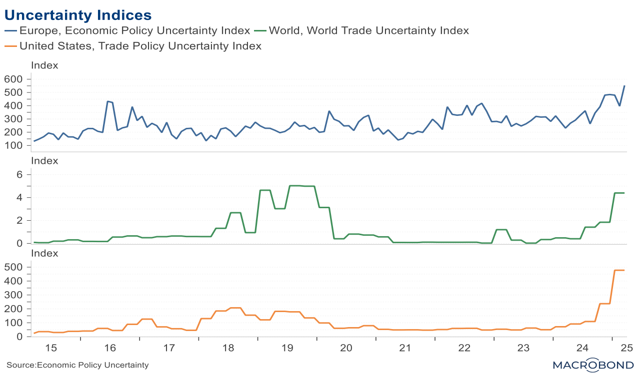
Inflation in the EZ 2.2% in March

- Per flash estimate, annual inflation rate in the eurozone declined slightly in March to 2.2% from 2.3% a month before, whereas core inflation was reduced to 2.4% from 2.6%. Besides the downward trend in the overall rate, it is particularly positive that the growth in service prices, after the first noticeable decrease in February (to 3.7%), continued to deaccelerate and was 3.4%. Simultaneously, energy prices, after a slight 0.2% growth in February, decreased by -0.7% in March. P. Cipollone[1], member of the ECB's Executive Board, stated that the trends were in accordance with the ECB’s projections from March, but also that energy prices decreased significantly in the meantime (that, on the contrary, were expected to rise, according to the scenario), an argument in favour of the decision to continue lowering the interest rates.

We expect the continuation of rate reductions

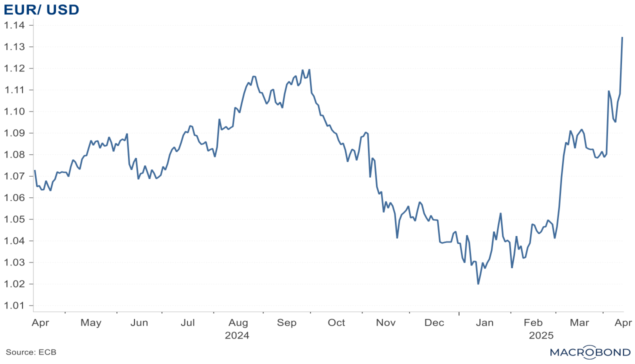
- We emphasized in our comments regarding the last ECB meeting that uncertainty will determine the trends in the upcoming period. It is now even higher than the month before because the high 20% reciprocal U.S. tariffs, currently postponed for 90 days, could lead to a decrease in production/exports, and the decline in the value of financial assets, weakening of consumer optimism and economic activity could ultimately weaken/delay the expected recovery of personal consumption in the eurozone (nota bene, the universal 10% tariff and the 25% tariff on cars are in force). The extent of the GDP slowdown could vary significantly among member states, and German economy could be among those affected the hardest. The environment of heightened and prolonged uncertainty has reinforced our belief that the European Central Bank will cut rates by 25 bps at this week's meeting and will repeat this move in June.

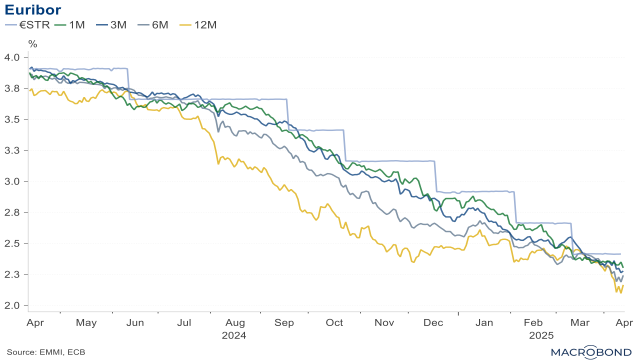


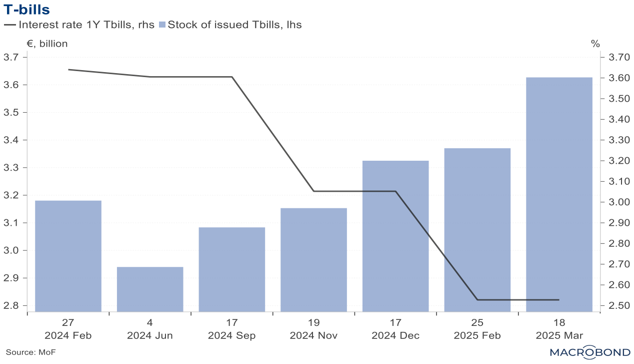


[1] Interview with Expansión

- The dollar weakened strongly after the announcement of a 90-day delay in reciprocal tariffs and mutual tariff increases between the U.S. and China, so on Friday the exchange rate rose to 1.1346 dollars to the euro, up by 2.6% w-o-w.
- While waiting for the ECB meeting, Euribor continued to decline, so 3M and 6M finished last week at 2.3, i.e., 2.2%.
- Tariff delay restored optimism on the global markets, so ZSE recorded a positive trend and growth of Crobex by 1.4% w-o-w (to 3,221 points) due to an increase of almost all sectoral indices (CROBEXindustry +6.4% to 2,245, CROBEXnutris -1.6% to 805, CROBEXtourist +0.8% to 4,219). Crobis stagnated (at 99.0 points).







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