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ECB interest rates unchanged

- Completely expected, the Governing Council of the European Central Bank decided to keep key interest rates at current levels (for overnight deposit 2.00%) at its meeting on 18 December. The annual inflation rate in the euro area was 2.2% in November, which is only slightly higher than 2.1% in October, with core inflation remaining at 2.4%. Prices of food, alcoholic beverages and tobacco increased by 2.5%, same as the month before, service prices slightly strengthened from 3.4% to 3.5%, while energy prices' decline reached -0.5%, significantly milder than -0.9% recorded in October. The ECB's December scenario projects a decline in the overall average annual inflation rate from 2.1% in 2025 to 1.9% in 2026, while the forecast for the underlying inflation is a decline from 2.4% in 2025 to 2.2% in 2026. The inflation forecast in 2026 has been revised upwards by 0.2 p.p. compared to the September scenario, due to a slower slowdown of service price growth following salary growth stronger than the previous expectations, a fact that was additionally pointed out by Ms Lagarde at the press conference. The ECB raised the euro area GDP growth projections for 2025 and 2026 by 0.2 p.p. to 1.4, i.e., 1.2%, assessing the economy as resilient. Still, Ms Lagarde emphasized that the uncertainty has perhaps even increased, and that in 2026 numerous factors (geopolitical, trade etc.) that generate uncertainty will be evolving.
- The ECB expects, in the medium-term, a stabilisation of inflation around 2% and smaller oscillations don't seem to be worrying them. As usual, the press conference provided no indications of further trends. Our expectations are that interest rates will continue to stagnate in 2026.

GDP projections revised upwards

We see ECB interest rates' stagnation in 2026

Euro Area Inflation Heatmap

	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	Jun-25	May-25	Apr-25	Mar-25	Feb-25	Jan-25	Dec-24
Total	2.1	2.1	2.2	2.0	2.0	2.0	1.9	2.2	2.2	2.3	2.5	2.4
Food & Non-Alcoholic Beverages	2.3	2.4	3.0	3.2	3.2	2.9	2.9	2.7	2.6	2.2	1.6	1.9
Alcoholic Beverages & Tobacco	2.7	2.7	3.1	3.2	3.4	3.7	4.4	3.9	4.5	4.6	5.2	5.8
Clothing & Footwear	0.5	0.6	1.1	0.5	0.2	-0.3	0.1	0.2	0.3	0.1	-0.1	0.7
Housing	1.5	1.6	1.7	1.7	1.9	1.9	2.2	2.3	2.9	2.7	3.1	2.9
Household Equipment	0.2	0.5	0.6	0.6	0.7	0.5	0.5	0.3	0.3	0.1	-0.1	-0.2
Health	2.4	2.2	2.3	2.3	2.4	2.5	2.7	3.3	3.3	3.4	3.4	3.2
Transport	1.9	1.7	1.7	0.7	0.5	0.3	-0.8	0.0	-0.2	1.0	2.0	1.2
Communication	-1.1	-0.6	-1.2	-2.5	-2.8	-2.9	-3.5	-3.0	-2.8	-3.2	-3.1	-3.6
Recreation & Culture	2.0	1.3	1.1	1.1	0.8	1.2	1.3	2.3	1.6	2.3	2.8	2.5
Education	3.5	3.5	3.7	4.0	4.0	3.9	3.9	3.9	3.9	4.0	4.0	4.1
Restaurants & Hotels	3.8	3.6	3.7	3.4	3.4	3.8	3.6	4.1	3.9	4.0	4.2	4.6
Miscellaneous Goods & Services	3.7	3.8	3.9	4.0	4.1	4.1	4.2	4.1	4.4	4.2	4.2	4.5

Coloring based on 12-month standardized value

Source: Eurostat

MACROBOND

- In the previous week, the dollar recovered a part of losses recorded after the Fed's decision, strengthening by 0.2% w-o-w to the euro, so the exchange rate fell to 1.1712 on Friday.
- Euribor noted a decline from 3 to 8 bps w-o-w, so on Friday 3M was 2.00%, and 6M 2.13%. Last week, EUR 1.7 billion of 3M T-bills were issued, whereby natural persons subscribed EUR 1.5 billion with a 2.50% yield, and institutional investors EUR 0.2 billion with a 2.04% yield. Government indebtedness via T-bills thus increased to EUR 5.4 billion.
- Crobex declined 0.6% w-o-w to 3,810 points due to a negative trend of all sectoral indices (CROBEXindustry -0.8% to 3,296, CROBEXnutris -0.8% to 786, CROBEXtourist -3.5% to 4,820). Crobis stagnated at 98.8 points.



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