

# MONETARY POLICY STATEMENT

Frankfurt am Main, 30 April 2026

## 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. While the incoming information has been broadly consistent with our previous assessment of the inflation outlook, the upside risks to inflation and the downside risks to growth have intensified. We are committed to setting monetary policy to ensure that inflation stabilises at our two per cent target in the medium term.

The war in the Middle East has led to a sharp increase in energy prices, pushing up inflation and weighing on economic sentiment. The implications of the war for medium-term inflation and economic activity will depend on the intensity and duration of the energy price shock and the scale of its indirect and second-round effects. The longer the war continues and the longer energy prices remain high, the stronger is the likely impact on broader inflation and the economy.

We remain well positioned to navigate the current uncertainty. The euro area entered this period of surging energy prices with inflation at around our two per cent target, and the economy has shown resilience over recent quarters. Longer-term inflation expectations remain well anchored, although inflation expectations over shorter horizons have moved up significantly.

We will closely monitor the situation and 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.

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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 euro area economy was showing some momentum when the current turbulence started. Real GDP grew by 0.1 per cent in the first quarter of 2026, according to Eurostat's preliminary flash estimate. Domestic demand remains the main driver of growth, supported by a resilient labour market. However, the economic outlook is highly uncertain and will depend on how long the war in the Middle East lasts and how strongly it affects energy and other commodity markets, as well as global supply chains.

The incoming information suggests that the conflict is weighing on economic activity. Surveys point to slowing growth, and consumers and businesses have become less confident about the future since the war began. Longer delivery times and rising input prices suggest supply chains are coming under pressure.

Looking ahead, high energy costs are expected to continue to weigh on real incomes, making households and firms more reluctant to consume and invest. While unemployment remained close to historical lows in March, at 6.2 per cent, labour demand has cooled further. At the same time, households are still benefiting from a solid financial position, and investment should continue to be underpinned by governments spending more on defence and infrastructure and by firms increasingly investing in new digital technologies. This favourable starting point provides some cushioning against the fallout from the war.

The Governing Council highlights the urgent need to strengthen the euro area economy while maintaining sound public finances. Fiscal responses to the energy price shock should be temporary, targeted and tailored. Reforms to enhance the euro area's growth potential and accelerate the energy transition to reduce reliance on fossil fuels are more vital than ever. Completing the savings and investments union is key to funding innovation, supporting the green and digital transitions and improving productivity. 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 3.0 per cent in April, from 2.6 per cent in March and 1.9 per cent in February. The rise has been driven by surging energy prices caused by the war in the Middle East. Energy price inflation jumped to 10.9 per cent in April, after 5.1 per cent in March. Food price inflation edged up to 2.5 per cent in April. Inflation excluding energy and food decreased to 2.2 per cent, from 2.3 per cent in March, reflecting a fall in services inflation, which declined to 3.0 per cent, from 3.2 per cent in March. Goods inflation went up to 0.8 per cent, from 0.5 per cent in March.

Indicators of underlying inflation have changed little over recent months. For now, the ECB's wage tracker and surveys on wage expectations continue to indicate easing labour costs in the course of 2026. At the same time, surveys indicate an increase in other cost components and in selling price expectations. Inflation expectations 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 target in the medium term.

The increase in energy prices will keep inflation well above 2 per cent in the near term. As the period of high energy prices extends, the likely impact on broader inflation through indirect and second-round effects intensifies. We will therefore closely monitor the size and persistence of the energy price surge, and how it feeds through to price and wage-setting, inflation expectations, and overall economic dynamics.

## Risk assessment

The risks to the growth outlook are to the downside. The war in the Middle East remains a downside risk to the euro area economy, adding to the volatile global policy environment. Prolonged disruption of the supply of energy could increase energy prices further and for longer than currently expected. These factors would erode incomes and make firms and households more reluctant to invest and spend. The drag on growth would intensify if the closure of major shipping routes were to cause acute shortages of key inputs that forced euro area firms to curtail output. A worsening of global financial market sentiment could further dampen demand. Additional frictions in international trade could

exacerbate supply chain disruptions, 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 economy proved to be more adaptable to the disruption caused by the war in the Middle East or if the conflict were resolved more quickly 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 to the upside. If energy prices were to rise by more and for longer than currently expected, euro area inflation would increase further. This could be reinforced and become more persistent if higher energy prices were to spill over by more than expected to other prices and to wages, if longer-term inflation expectations were to rise in response, or if global supply chains were disrupted more broadly. Ongoing trade tensions could also give rise to more fragmented global supply chains, curtail the supply of critical raw materials and worsen capacity constraints in the euro area economy. By contrast, inflation could turn out to be lower if the economic effects of the war in the Middle East proved to be more short-lived than currently expected or if indirect and second-round effects proved less pronounced. 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 caused significant volatility in global financial markets. Overall financial conditions remain tighter than before the war.

The cost of issuing market-based debt rose to 3.9 per cent in March, from 3.5 per cent in February. Bank lending rates for firms – based on data recorded prior to the war – edged down to 3.5 per cent in February, while mortgage rates remained at 3.4 per cent.

The annual growth rate of bank lending to firms increased to 3.2 per cent in March, from 3.0 per cent in February, while the growth rate of corporate bond issuance fell to 3.9 per cent, from 4.5 per cent in February. Credit standards for loans to firms tightened in the first quarter, as reported in our latest bank lending survey for the euro area. This tightening was due to banks becoming more concerned about the economic risks faced by their customers. Demand for loans to firms decreased slightly in the first quarter, especially for fixed investment.

Mortgage lending grew by 3.0 per cent in March, after 3.1 per cent in February, amid a small tightening in credit standards and unchanged demand.

## Conclusion

The Governing Council today decided to keep the three key ECB interest rates unchanged. We are committed to setting monetary policy 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.