EUROPEAN CENTRAL BANK
EUROSYSTEM

Meeting of 26-27 July 2023

Account of the monetary policy meeting of the Governing Council of the European Central Bank held in Frankfurt am Main on Wednesday and Thursday, 26-27 July 2023

31 August 2023

1. Review of financial, economic and monetary developments and policy options

Financial market developments

Ms Schnabel noted that, since the Governing Council's previous monetary policy meeting on 14-15 June 2023, the narrative in global financial markets had shifted from a "higher-for-longer" scenario for inflation to growing optimism on a disinflation scenario. The increasing divergence of economic data between the euro area and the United States and the elevated sensitivity of euro area asset prices, especially to US data surprises, made the interpretation of market data challenging and could cause rapid shifts in market narratives.

Following the previous monetary policy meeting, central bank communication, high UK inflation releases and strong US economic data had initially driven the euro short-term rate (€STR) forward curve higher. This upward shift had then been partly reversed in the euro area in response to the release of the US Consumer Price Index (CPI) on 12 July as well as lower than expected Purchasing Managers' Indices (PMIs) for the euro area. Looking through this volatility, the latest €STR forward curve still stood above the levels observed before the Governing Council's previous monetary policy meeting. The market was pricing in one more 25 basis point rate hike at the present meeting, a 56% probability of an additional 25 basis point hike in September 2023 and a peak deposit facility rate of 3.94% by the end of the year. Market pricing was broadly in line with the results of the ECB Survey of Monetary Analysts as well as the Reuters and Bloomberg surveys, with the latter polls – conducted after the US CPI release – showing a slight majority foreseeing another rate hike in September 2023 and a peak deposit facility rate of 4%. Looking at how the recent upward shift in market expectations

for the ECB's peak rate had been related to expectations of subsequent rate cuts, no clear correlation was observed between the expected peak rate and cumulative rate cuts priced in by the end of 2024.

Spillovers from the United States and the reappraisal of euro area monetary policy had been key drivers of euro area risk-free yields. With policy being more data-driven than in the period before the current global tightening cycle, the sensitivity of asset prices to macroeconomic news had generally increased strongly. Moreover, given the large common component in global inflation dynamics and the leading role of the United States in the inflation cycle, euro area risk-free yields, and asset prices more generally, appeared to show heightened sensitivity to US data surprises. A model-based decomposition of the risk-free ten-year overnight index swap (OIS) rate suggested that euro area OIS rates had initially been supported by expectations of further monetary policy tightening. Looking at developments since the US CPI release, the reversal of euro area longer-term yields had been driven by spillovers from the United States, reinforced by easing monetary policy expectations and disappointing data releases in the euro area.

The shift in the market narrative had also been mirrored in EUR/USD exchange rate developments. The euro had first appreciated on the back of expectations that monetary policy would be tightened further in the euro area relative to the United States and improved risk sentiment, but it had then lost some of the gains over the past week owing to the deteriorating economic outlook for the euro area. Overall, the euro had continued to appreciate and currently stood, in nominal effective terms, around 15% above the trough recorded in September 2022, reducing inflationary pressures by means of lower import prices.

A repricing of near-term inflationary pressures had been observed in financial markets following the June monetary policy meeting, which in part reflected the upward revision to the inflation projections in the June 2023 Eurosystem staff macroeconomic projections for the euro area as well as the expected persistence of inflation and the rotation of its underlying drivers. A decomposition of one-year forward inflation compensation one year ahead in the euro area showed that upward pressure stemming from demand-side factors more than counterbalanced the fading of negative supply shocks.

Market perceptions of stronger inflation persistence in the euro area were consistent with continued upside risks to the longer-term inflation outlook. Market-based measures of longer-term headline inflation compensation in the euro area had continued to trend upwards. Empirical analysis suggested that inflation-linked swap (ILS) rates remained a reliable indicator of inflation compensation for the euro area and were not significantly affected by supply-demand imbalances in the market underlying euro area break-even inflation rates (BEIRs).

Higher short-term rate expectations in tandem with overall stable long-term rates had deepened the inversion of the euro area yield curve. Together with negative euro area data surprises, the inversion had reignited recession concerns among market participants on the back of the empirical evidence

that such deep yield curve inversions had a strong track record of predicting recessions. However, owing to the stock effect of the central banks' bond holdings, the term premium remained compressed, which could reduce the predictive content of the slope of the yield curve for economic growth.

At the same time, euro area equity and credit markets had remained resilient. Both rising equity prices and benign developments in credit markets were consistent with expectations of a "soft landing" for the economy. They also pointed to a limited transmission of monetary policy to risk asset prices, which could again be related to the compressed term premia, which implied looser financing conditions in the medium and longer-term segment. Sovereign spreads were close to the levels observed ahead of the monetary policy tightening cycle in late 2021, as the upward pressure that could have stemmed from the sharp rise in policy rates had been largely offset by solid nominal economic growth, with the launch of the Transmission Protection Instrument an additional compensating factor. The increase in corporate bond spreads in response to tightening expectations had been notably pronounced in 2022. Yet in the year to date corporate spreads had actually narrowed, and, with the exception of high-yielding bonds, they were below the levels prevailing at the time of the Governing Council's previous monetary policy meeting. This seemed at odds with rising default risks owing to expectations of a protracted economic downturn.

The stable conditions in credit markets also needed to be seen in the context of a sharp decline in excess liquidity amid large repayments under the third series of targeted longer-term refinancing operations (TLTRO III) and the start of the full run-off of the asset purchase programme (APP), all of which pointed to good absorption capacity in the markets. The historically large decline in excess liquidity at the end of June owing to the maturing of a TLTRO III operation had not resulted in any upward pressure on money market rates. During the period of rising excess liquidity the negative spread between the €STR and the deposit facility rate had steadily widened. Since the reintroduction of positive rates and the reduction in excess liquidity, the spread had been around 10 basis points, irrespective of the level of excess liquidity. In particular, this spread had remained unchanged after the decline in excess liquidity following the sizeable TLTRO III repayments in June 2023. This finding was consistent with still ample liquidity conditions prevailing and no evidence of local reserve scarcity, in part reflecting the fact that the repayments had been widely anticipated by banks.

The recourse to the standard refinancing operations – the main refinancing operations (MROs) and the three-month longer-term refinancing operations (LTROs) – had increased mildly. However, the increase had been smaller than expected, and usage had lately declined notably. Looking ahead, excess liquidity was expected to decline at a steady pace as the remaining TLTRO III operations matured and the APP portfolios were gradually unwound.

The global environment and economic and monetary developments in the euro area

Regarding the external environment, Mr Lane noted that global economic activity had been resilient in the first half of the year but had visibly lost momentum in recent weeks. The global PMI for manufacturing output had fallen into contractionary territory in June, driven by the sharp slowdown in advanced economies, with adverse consequences for global trade. The services PMI remained in expansionary territory but seemed to have reached a turning point. The euro had appreciated, both against the US dollar and in nominal effective terms, since the Governing Council's previous monetary policy meeting on 14-15 June, although with a slight reversal in the most recent period. As regards commodities, oil prices had increased while gas prices had declined. While metal prices had remained relatively stable, food commodity prices had increased since the Governing Council's previous monetary policy meeting, partly reflecting Russia's unilateral withdrawal from the Black Sea Grain Initiative.

Turning to the euro area, recent indicators pointed to a weak growth outlook. The composite output PMI had been declining since April 2023 and in July it had fallen below the 50 threshold. The dynamics were consistent with a weak GDP performance for the second and third quarters of the year. Manufacturing production had likely contracted again in the second quarter, and both housing investment and business investment were estimated to have declined. This was consistent with tighter financing conditions making housing less affordable and the increase in the cost of capital reducing investment. Services had remained more resilient, especially in contact-intensive sectors such as tourism, although the July PMI pointed to a marked deceleration in activity, while new order inflows suggested a broad-based deceleration in the months to come.

Zooming in on the demand components of GDP, private consumption had declined in both the fourth quarter of 2022 and the first quarter of 2023. In the first quarter of 2023, while labour and non-labour income had been supporting factors, the decline had been driven by a reversal of fiscal measures and an increase in household savings despite the progress that had been made in correcting the terms-of-trade shock.

Housing investment growth had turned negative in the third quarter of 2022, and even more so in the fourth quarter, but had been positive in the first quarter of 2023, with construction supported by the mild winter and the easing of bottlenecks. After this positive "blip", the prospects for the second and third quarters had turned negative again, as building construction declined and survey indicators were in contractionary territory. Moreover, residential building permits, a leading indicator for the housing market, had fallen considerably in recent quarters. A similar drop was observed for housing sales.

Business investment had also been resilient in the first quarter of 2023, supported by the easing of bottlenecks. However, the most recent survey indicators, such as the PMIs for capital goods, outstanding business and new orders, pointed to a contraction in the following quarters. The ECB's

July Corporate Telephone Survey suggested that firms were still busy fulfilling backlogs in their order books, while new orders were declining.

On trade, the export order book level for manufacturing goods was back to historical averages, so exporting firms were no longer able to rely on a large backlog of orders. Meanwhile, the PMI for new export orders was deep in contractionary territory. On the services side, the PMI for new orders had moved below the 50 threshold, while tourism new orders were still expanding but at a declining pace. On the import side, the most visible decline was in intermediate goods, which was linked to the weak investment prospects.

The labour market remained robust. The unemployment rate had stayed at its historical low of 6.5% in May and recent data indicated that the expansion in employment had continued in the second quarter, especially in the services sector. Mr Lane recalled that an expanding labour force had been a key factor contributing to employment creation during the past two years, and it had also likely contributed positively to potential output. Forward-looking survey indicators suggested that job creation might slow in the coming months and turn negative for the manufacturing sector. Overall, wage negotiations appeared to be broadly in line with the path embedded in the June macroeconomic projections, although there were some risks to this projection. On the one hand, the forward-looking ECB wage tracker and the latest Corporate Telephone Survey pointed to some modest upside risks to the June wage growth projection. On the other hand, the most recent monthly data available for some countries indicated that growth in negotiated wages had decreased (excluding one-off payments).

Moving to profits, in the first quarter of 2023 unit profits had contributed significantly to the increase in the GDP deflator, as had unit labour costs. Meanwhile, the latest Corporate Telephone Survey suggested a picture of declining profits at the start of the year and lower profits expected for the following quarters.

Inflation as measured by the Harmonised Index of Consumer Prices (HICP) had come down further in June, as expected, falling to 5.5% from 6.1% in May. The drivers underlying the recent downward trend in inflation dynamics were changing. External sources of inflation were easing while domestic price pressures, including from rising wages and still robust profits, were becoming an increasingly important driver of inflation. Energy prices had fallen again, dropping by 5.6% year on year. Food price inflation had continued to slow but remained high, at 11.6%, pointing to a lagged pass-through of past input cost shocks and to weather-related factors.

HICP inflation excluding energy and food had edged up to 5.5% in June, in line with the June projections, amid some upside base effects on services inflation. Non-energy industrial goods inflation had decreased further, to 5.5% from 5.8% in May, reflecting easing supply bottlenecks, weaker demand and stronger global competition. Conversely, services inflation had risen to 5.4%, from 5.0% in May, owing to robust spending on holidays and travel and also reflecting upward base effects.

Given the relevance of base effects, to assess short-term dynamics it was important to continue monitoring indicators of the momentum of HICP inflation and its components, which continued to decline, albeit to different degrees. Headline inflation on an annualised three-month over three-month basis was about 2% in June, reflecting the strong negative momentum in energy inflation. For food inflation the momentum had fallen to 6%, which was still very high, while among the core inflation items it had declined significantly for goods but not for services. Taking a longer-term perspective, while inflation momentum had decreased overall, it remained above pre-pandemic averages, driven by the dynamics in both food and services inflation.

Most indicators of underlying inflation had shown some softening but had remained at elevated levels. Staff analysis suggested that the PCCI – the persistent and common component of inflation – was the best predictor for two years ahead. But there was also value in the other indicators of underlying inflation, so they should all continued to be monitored. The staff analysis also showed that the fading-out of past energy price increases and supply bottlenecks would put downward pressure on these indicators over time. An additional transitory element that continued to affect all measures was the effect of the post-pandemic reopening on services. Despite this being correlated to some extent with the bottlenecks shock, it seemed fair to assume that the inflation generated by high profits in tourism and hospitality was also a transitory factor boosting underlying inflation.

Focusing on pipeline pressures, incoming data on prices in the early stage of the production chain showed significant downward movements for both food and goods. In the case of food, however, the hot summer and the risks associated with El Niño and with other climate events represented clear upside risks to food inflation, which standard tools were not able to capture. For goods inflation, pipeline pressures were unequivocally pointing to a significant deceleration in the rest of the year. The analysis of services inflation, meanwhile, did not show a significant downward adjustment overall. Zooming in on contact-intensive services, Mr Lane noted that the reset of prices for accommodation had been very pronounced during the reopening in spring 2022, while the intensity of price increases this year had been lower than a year ago. In the case of restaurants, the price increases had been much smoother than for accommodation, and inflation in that particular sector had just started to stabilise. This was a highly wage-intensive sector, and it was likely that rising wage costs in this sector would put upward pressures on services inflation overall. However, the PMI for output prices in tourism and recreation, which was a good leading indicator for contact-intensive services, was suggesting a decline in inflation in the period ahead.

The annual growth rate in residential property prices had declined to 0.4% in the first quarter of 2023. At the same time, the cost of renting was going up very slowly and had reached an annual increase of 2.7% in June. Inflation in owner-occupied housing prices had continued to decline only mildly, to 8.0% in the first quarter of 2023. So, while price pressures had eased for purchasing a house, maintenance and other costs related to housing remained high.

Most measures of longer-term inflation expectations currently stood at around 2%, but some indicators remained elevated and needed to be monitored closely.

Mr Lane noted that there had been no significant news on the fiscal front since the Governing Council's previous monetary policy meeting on 14-15 June. The incoming information was confirming that there would be some fiscal tightening in 2024. It was expected that national budgets would reduce the support measures related to energy bills compared with 2023, and that smaller amounts would be available for spending under the Next Generation EU (NGEU) programme next year.

The Governing Council's monetary policy tightening continued to be transmitted strongly to broader financing conditions. Risk-free interest rates over short to medium-term maturities had increased since the previous monetary policy meeting and funding had become more expensive for banks, in part owing to the ongoing phasing-out of TLTRO III. The large June TLTRO III repayments had proceeded smoothly, as banks had been well prepared. Average lending rates for business loans and mortgages had risen again in May, to 4.6% and 3.6% respectively.

The latest bank lending survey pointed to a further tightening of credit standards and another sharp drop in loan demand in the second quarter for both firms and households, since banks were becoming more concerned about the risks faced by their customers and less willing to bear these risks. Reported demand for loans among corporations had fallen to an all-time low since the start of the survey in 2003 and, for the first time, was lower than at the height of the global financial crisis. The decline in demand was substantially greater than expected by banks in the previous quarter, reflecting mainly the impact of rising interest rates on loan demand and less willingness to undertake fixed investment. In terms of overall funding for firms, both monthly flows of bank loans and the net issuance of corporate debt securities continued to be flat. In relation to nominal business income or nominal GDP, this pointed to a significant shrinking of credit volumes.

Tighter financing conditions were also making housing less affordable and less attractive as an investment. Accordingly, the demand for mortgages had dropped for the fifth quarter in a row. According to bank lending survey responses, credit standards for consumer credit and other lending had tightened more than in the previous quarter and beyond banks' expectations. The terms and conditions for consumer credit had also tightened and loan demand had continued to fall. This meant that the consumption of durable goods would likely be affected in the near term.

Monetary policy considerations and policy options

On the basis of the assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission, Mr Lane proposed that the Governing Council raise the three key ECB interest rates by 25 basis points. The incoming data releases had largely validated the

inflation outlook in the June projections. While most measures of underlying inflation were showing signs of cooling, they remained elevated, and the strong transmission of the monetary policy stance to broader financing conditions remained an important factor in bringing inflation back to target.

Given the incoming information, the Governing Council should underscore continuity in its general policy orientation. By the time of the September meeting, a new round of staff projections would be available to the Governing Council. Among incoming data, inflation releases for July and August would be available, as well as further evidence of the speed and strength of monetary transmission. Taken together, the September projections, the evolution of underlying inflation and incoming information on monetary transmission would help the Governing Council update its assessment of the appropriate monetary policy stance. Mr Lane therefore proposed communicating that future decisions would ensure that the key ECB interest rates would "be set at sufficiently restrictive levels for as long as necessary" to achieve a timely return of inflation to the Governing Council's 2% medium-term target. This formulation made it clear that the Governing Council had an open mind on the appropriate policy action at the September meeting. The Governing Council should also continue to signal that the appropriate level and duration of restriction would be data-dependent.

Preserving the option to apply flexibility to reinvestments under the pandemic emergency purchase programme as a first line of defence against fragmentation risks continued to be warranted, also in view of the end of APP reinvestments.

Finally, Mr Lane proposed setting the remuneration of minimum reserves at 0%. This step would reduce the overall amount of interest that needed to be paid on reserves to implement the appropriate monetary policy stance, while ensuring the same degree of control over this stance. As such, it would preserve the effectiveness of the Governing Council's monetary policy while improving the efficiency of policy implementation.

2. Governing Council's discussion and monetary policy decisions

Economic, monetary and financial analyses

As regards the external environment, members took note of the assessment provided by Mr Lane that the latest survey data pointed to a visible loss of momentum in global activity, after hard data had suggested a bottoming-out of the decline at the end of 2022 and resilience in the first half of 2023. Reference was made to the Chinese economy, where activity in the second quarter had been below market expectations. At the same time, the Chinese authorities had announced a set of policy measures, including some aimed at a more business-friendly environment supporting investment. The

question was raised as to what this implied for the euro area outlook given the strong trade links with China. It was also argued that China was not the only source of weakness in global demand, with financial markets appearing to be pricing in a relatively high probability of a recession in the United States, the euro area's largest trading partner. Members also took note of the recent appreciation of the euro compared with the technical assumptions made at the time of the June Eurosystem staff projections. This was the case both vis-à-vis the US dollar and in nominal effective terms, which would affect the real economy and, ultimately, prices in the euro area.

With regard to economic activity in the euro area, members concurred with Mr Lane that the near-term economic outlook for the euro area had deteriorated, owing largely to weaker domestic demand. High inflation and tighter financing conditions were dampening spending. This was weighing especially on manufacturing output, which was also being held down by weak external demand. Housing and business investment were showing signs of weakness as well. Services remained more resilient, especially in contact-intensive subsectors such as tourism, but momentum was slowing in the sector overall. The economy was expected to remain weak in the short run. Over time, falling inflation, rising incomes and improving supply conditions should support the recovery.

There was broad agreement on the assessment that signs of a possible downward surprise in economic activity compared with the June projections constituted important news. Reference was made to the results from "nowcasting" models that mechanically synthesised hard and soft data and were pointing to stagnation, while the projections had still seen clearly positive quarter-on-quarter growth. However, it was cautioned that the link between soft indicators and hard data had weakened and GDP data had become more prone to revisions. Hence, it was prudent to await Eurostat's GDP release in the coming week before drawing any firm conclusions. In any case, more data and a more comprehensive update would be embedded in the September ECB staff projections.

A question was raised about the extent to which the deterioration in the short-term growth outlook was related to the ECB's monetary policy tightening, as opposed to this deterioration still reflecting the repercussions of the pandemic and energy shocks – as well as possibly more structural factors affecting the euro area economy, such as lower competitiveness in a context of higher energy and climate-related costs. On the one hand, it was argued that the deterioration in the outlook showed that monetary transmission was working and that the interest rate increases were doing their intended job. On the other hand, it was recalled that typical transmission lags and ECB staff estimates suggested that the impact on GDP of most of the past tightening was still in the pipeline and would only materialise over the coming year. In this context, it was felt that it was important to look for further evidence on whether the latest deterioration in the growth outlook reflected the impact of monetary policy measures or could also be due to residual effects of the pass-through of earlier shocks or longer-lasting structural issues weighing on the supply side. It was widely regarded as unsurprising

that there was less investment in housing and weaker prospects for investment more generally, in particular in capital-intensive and interest-sensitive sectors. Comfort was drawn in this context from the observation that the bank lending survey suggested that green investment might be less affected by the general pull-back of lending, as public and private green investment was vital for mitigating the occurrence and impact of climate shocks. At the same time, it was argued that the bad news concerning the growth outlook was concentrated on housing investment and now also on the prospects for business investment, which were more dependent on financing than demand in other sectors. This raised the question of whether the elasticities embedded in the staff projections to capture the impact of monetary policy measures had been too low.

Members extensively discussed the contrasting signals coming from the industrial and services sectors. While the latest survey data for industry pointed to a downturn in activity, those for services were still in line with positive growth. Moreover, consumer sentiment had continued to improve, despite the ECB's monetary tightening and still high inflation. The point was made that the relative resilience of services was, to a large extent, due to seasonal activity in the recreational travel and accommodation businesses and could thus change during the remainder of the year. In this context, it was suggested that demand for tourism-related services partly came from outside Europe, and that pent-up demand from within the euro area likely relied on previously accumulated savings, which could be expected to diminish over time. In addition, it was argued that the deceleration of industrial production growth had started to extend to services, and the expectation was expressed that this reconnection between the two sectors could accelerate after the summer. However, it was also argued that a spillover of the weakness in manufacturing to the services sector was not inevitable given the considerable heterogeneity within services.

It was recalled that the dichotomy between manufacturing and services was in line with historical patterns whereby monetary policy affected services with a longer lag. In aggregate activity, this lagged response and longer recovery time had become more pervasive as the euro area economy had become more services-based than in earlier decades. However, this dichotomy was still seen as raising the question of whether the slowdown in economic activity was predominantly due to demand and the impact of monetary policy because, if that was the case, stronger effects would also have been observed for services. In a similar vein, it was seen as puzzling that the interest rate elasticity of the manufacturing sector appeared to be much higher for the euro area than the United States. The fact that sentiment in the US manufacturing sector was holding up well compared with the euro area was seen as casting doubt on whether the slowdown in the euro area could be attributed to monetary policy. To explain the asymmetry between the two economies, structural factors weighing specifically on manufacturing in the euro area could also be mentioned as having played a role. One notable example was the car industry, which was not merely a victim of lower demand but was also facing

competitiveness issues. Another example was the energy price shock, which had led to large structural changes in industrial competitiveness.

Members widely agreed that the labour market remained robust. The unemployment rate had stayed at its historical low of 6.5% in May and many new jobs were being created, especially in the services sector. At the same time, forward-looking indicators suggested that this trend might slow down in the coming months and could turn negative for manufacturing. It was noted that labour market developments remained puzzling, given that their response was unusually muted compared with previous episodes of weakening growth. The labour market remained a strong element in the overall economic outlook and suggested that a soft landing was still possible for the economy. This strength was seen as reflecting the increased flexibility of many European labour markets, especially in the case of services. At the same time, the greater flexibility also implied that employment in the services sector was more fragile, as it would also affect employment more negatively once firms stopped hiring workers or started firing them. Unemployment could then also jump more abruptly later on. This risk was exacerbated by the services sector employing a large share of temporary and part-time workers. It was observed that there were already the first glimpses of a softening in labour market conditions, namely in manufacturing, and it was suspected that more such signs could follow across sectors.

With regard to fiscal policies, members concurred that, as the energy crisis faded, governments should roll back the related support measures promptly and in a concerted manner. This was essential to avoid driving up medium-term inflationary pressures, which would otherwise call for a stronger monetary policy response. The recent Eurogroup statement on the euro area fiscal stance was consistent with this assessment. Fiscal policies should be designed to make the euro area economy more productive and to gradually bring down high public debt. Policies to enhance the euro area’s supply capacity could help reduce price pressures in the medium term while supporting the green transition, which was also being furthered by the NGEU programme. It was reiterated that the reform of the EU’s economic governance framework should be concluded before the end of this year.

With respect to the fiscal tightening implied by national budget plans for 2024, it was acknowledged that significant tightening could be expected in the future. This would also support the disinflation process. The European Commission had started to ask for additional adjustment of the budgets and there were signs that governments were becoming more serious about fiscal tightening. However, caution was advised given that the greater control of public expenditure and improvement in deficits announced in the past had often failed to materialise. In this context, it remained to be seen whether, for instance, energy subsidies would be phased out speedily and deficits would be reduced in tandem. The point was made that the reduction in government debt-to-GDP ratios observed thus far largely reflected the impact of inflation rather than structural reform efforts. Moreover, while changes in the primary balance indicated some tightening, it was argued that fiscal policy in many European countries

had remained procyclical and was therefore still adding to inflationary pressures. The pressure for higher primary balances in view of higher interest rates was emerging only very gradually, as long as budgets were still supported by higher than expected tax revenues as a result of high inflation.

Against this background, members concurred that the outlook for economic growth remained highly uncertain. Downside risks to growth included Russia's unjustified war against Ukraine and an increase in broader geopolitical tensions, which could fragment global trade and thus weigh on the euro area economy. Growth could also be slower if the effects of monetary policy were more forceful than expected, or if the world economy weakened and thereby dampened demand for euro area exports. Conversely, growth could be higher than projected if the strong labour market, rising real incomes and receding uncertainty meant that people and businesses became more confident and spent more. It was argued that, while for the time being the central scenario remained that of the June projections, the latest information implied clearer downside risks to growth. However, in view of the elevated uncertainty in nowcasts, the imminent release of GDP data for the second quarter would provide further information.

With regard to price developments, members broadly agreed with the assessment presented by Mr Lane in his introduction. The drivers of inflation were changing. External sources of inflation were easing, but domestic price pressures, including from rising wages and still robust profit margins, were becoming an increasingly important driver of inflation. While some measures were moving lower, underlying inflation remained high overall, including owing to the persistent impact of past energy price increases on economy-wide prices.

Members underlined that there had been no material surprise in the latest inflation outcomes compared with the June projections. This was seen as good news given the earlier streak of upward surprises. The observed decline in headline inflation was mainly due to energy and food prices, which was seen as confirmation that the shocks that had initially caused inflation to rise steeply were now also unwinding quickly. This was visible in the major role of base effects in the decline in inflation. The point was made that this could lead to a boom-bust pattern in inflation in countries where energy and food accounted for a larger share of the household consumption basket. More generally, it pointed to the relevance of the "last mile" problem as inflation pressures rotated from external sources to domestic price pressures.

It was suggested that core inflation might also have passed its peak, but it was cautioned that it would remain elevated over the summer months. However, a slight decline could be seen when looking through the upward base effect associated with the temporary transport price subsidy in the euro area's largest economy in the summer of 2022. This base effect would only drop out of the data in October, at which point the data would hopefully confirm that a peak had been reached in core inflation, which for the time being remained stubbornly high. In this context, some comfort was drawn

from survey data for firms, which pointed to a substantial decline in the frequency and share of price increases compared with price reductions in some euro area economies. Similarly, short-term inflation expectations of households and selling price expectations of firms had consistently declined in recent months in the euro area.

References were made to the ECB staff analysis of underlying inflation measures referred to by Mr Lane in his introduction. It was observed that these measures had, on balance, remained rather stable in recent months, although at high levels. It was also noted that the three measures identified by staff as performing best as indicators of medium-term inflation were currently pointing in different directions, with the PCCI declining swiftly, while HICP inflation excluding energy, food, travel-related items, clothing and footwear and the measure of domestic price pressures still pointed to the upside. Adjusting the different measures for the impact of the energy and bottleneck shocks pointed to lower levels, but they all still remained well above 2%. Hence, it seemed that the fading of shocks alone could not be expected to bring inflation back to target, which would point to more entrenched inflationary pressures.

Food price developments were identified as a major source of uncertainty as they were influenced by factors and potential shocks that were hard to predict. In this context, the consequences of Russia's unilateral withdrawal from the Black Sea Grain Initiative were a big question mark. Another significant risk factor for food prices was the impact of climate change and weather shocks such as those related to El Niño, which were likely to be non-linear. It needed to be established whether these shocks were related to demand or supply and whether they implied mainly short-term volatility or might affect the medium-term outlook. While short-term volatility did not necessarily warrant a monetary policy response, in the context of high inflation it could affect wage negotiations and then have a more material impact.

Members noted that wage growth in the first quarter of 2023 had been somewhat higher than expected, but that the overall information appeared in line with a turnaround and lower wage growth in 2024, as anticipated in the June projections. From that perspective there was no material surprise regarding wage growth, which was still expected to peak in the summer of 2023 and decelerate thereafter. However, some concerns were expressed that this outlook was surrounded by upside risks. Reference was made to wage agreements with longer durations, which implied wage pressures being lower in the near term but lingering for longer in the pipeline and materialising only later once the current agreements expired. Moreover, anecdotal information for some euro area economies suggested that workers' claims in wage negotiations were becoming more oriented towards recent actual inflation, rather than being forward-looking and anchored by the prospect of inflation coming back to the 2% target.

In addition, the point was made that higher wage growth was likely to outpace the lower productivity growth implied by the latest economic activity and labour market developments, which would then lead to less of a softening of unit labour cost pressures than foreseen in the June projections. This pointed to upside risks to inflation, with recent trends in nominal wage increases incompatible with the ECB's 2% medium-term target when adjusting for subdued productivity developments. Moreover, with respect to the pass-through of higher wages, it was recalled that one of the central assumptions in the June projections had been that rising labour costs would be buffered by a compression of unit profits. Some doubts were raised as to whether this would be the case following the strong profit growth seen in 2022 and into 2023. However, it was also argued that the chances of this buffering occurring in the future were seen to have become more realistic in view of the disappointing growth performance and negative demand developments, as the probability of firms lowering their mark-ups would increase. It was also recalled that labour hoarding was not cost-free and that the costs would sooner or later show up not only in lower productivity, but also in lower profits for firms and lower wages. All in all, it was concluded that the evolution of wage and profit growth remained an important factor of uncertainty.

As regards longer-term inflation expectations, members took note of the assessments by Ms Schnabel and Mr Lane of the latest developments in market-based measures of inflation compensation and survey-based indicators. Although most measures currently stood at around 2%, some indicators remained elevated and needed to be monitored closely. The broad stability of survey-based long-run inflation expectations was considered important, as it meant that large wage increases would be less likely in the future. It was emphasised that the continued increases in market-based inflation compensation measures, including the measure for five years forward five years ahead standing at above 2.5%, were mainly due to risk premia. While this did not call into question that inflation expectations remained anchored, it suggested that market participants were seeing rising upside risks to longer-term inflation. In addition, this evidence continued to raise the question of why the receding inflation uncertainty was not showing up in a reduction of risk premia.

Against this background, members considered that the outlook for inflation remained highly uncertain and was subject to both upside and downside risks. The upside risks included potential renewed upward pressures on the costs of energy and food, also related to Russia's unilateral withdrawal from the Black Sea Grain Initiative. Adverse weather conditions, in light of the unfolding climate crisis, could push up food prices by more than projected. And a lasting rise in inflation expectations above the ECB's target, or higher than anticipated increases in wages or profit margins, could also drive inflation higher, including over the medium term. By contrast, weaker demand – for example owing to a stronger transmission of monetary policy – would lead to lower price pressures, especially over the medium term. Moreover, inflation would come down faster if declining energy prices and lower food price increases were to pass through to the prices of other goods and services more quickly than currently anticipated.

Members referred to different risks to inflation. One set of risks pertained to the possibility of higher wage growth or profit margins remaining elevated for longer. It was suggested that the process of disinflation would become more challenging once the direct effects of the previous external supply-side shocks on inflation had reversed and the more persistent domestic price pressures and second-round effects started to dominate. At the same time, looking at how wages, profit margins and inflation expectations were evolving, there were currently no discernible indications of strengthening second-round effects. It was also recalled that the inflation projections were predicated on the assumption that no new shocks would occur. By contrast, the example of the climate and food crises, likely exacerbated by El Niño effects this year and next, suggested that new shocks could occur well within the projection horizon, with associated upside risks to inflation over that timescale. Already today, the consequences of climate change could be seen in more frequent extreme weather events, droughts, wildfires and floods, threatening harvests and tourism. In view of this, risks to food prices were seen as strongly tilted to the upside. In addition, some of these shocks and adverse structural developments might reduce the euro area's supply capacity and increase upside risks to inflation over the medium and longer term.

The view was expressed that the combination of no surprises in inflation and lower than expected growth prospects implied that the risks to inflation had become more balanced, if they had not already started to move to the downside. At the same time, it was pointed out that, in the presence of adverse supply shocks, the outcome could also be one of "stagflation". Here, even a recession would not necessarily be accompanied by a clear reduction in inflation for some time to come, unlike in the more standard case where demand shocks were the driving force. It was argued that, compared with the assessment made on the basis of the June projections, a downshift in the risks to the inflation outlook was warranted merely when taking into account the mechanical impact that the updated technical assumptions for financing conditions and the exchange rate had on the inflation numbers when applying conventional elasticities. Yet it was also suggested that a picture of inflation being in line with expectations and growth being lower could also be interpreted in a way that pointed to greater inflation persistence than expected for a given growth rate, or less pass-through of policy tightening to the final objective.

Turning to the monetary and financial analysis, members generally concurred with the assessment provided by Mr Lane in his introduction. Average lending rates for business loans and mortgages were rising and credit standards were tightening. According to the bank lending survey, credit demand from firms and households was falling, leading to muted loan growth rates, and monthly loan flows to firms had been hovering around zero since November 2022. It was also underlined that evidence from the bank lending survey showed that credit demand from firms for business investment had declined and could be expected to decline further. However, the point was also made that – following the large

swings observed during the pandemic period and when confronting the energy shock in 2022 – from a medium-term perspective outstanding credit might now be returning to its longer-term trend.

Attention was drawn to developments in money and credit aggregates, with growth rates declining at a fast pace and in negative territory in real terms. In particular, it was recalled that developments in narrow money had typically been a good leading indicator of turning points in economic activity. While weak development of credit aggregates could reflect both supply and demand effects, it was argued that the bank lending survey was not showing evidence of credit supply restrictions and that incoming data were not signalling financial amplification effects stemming from the banking sector. However, the existence of a credit supply channel was seen as relevant not only in the event of crisis-like developments in the financial sector. It could also reinforce the tightening impact of monetary policy impulses via credit demand more broadly. This channel had to be taken into account when calibrating the monetary policy stance. In this context, it was maintained that banks' liquidity conditions had to be monitored carefully, as financial stability risks were particularly high when the balance sheets of financial intermediaries contracted amid weaker macroeconomic conditions.

With respect to the transmission of tighter financing conditions to loans for housing, a remark was made that, in some parts of the euro area, the housing market was recovering despite the ongoing tightening of monetary policy. A possible reason for this was seen in the muted response of longer-term interest rates that were still compressed by the large stock of assets on the Eurosystem's balance sheet, with long-term rates broadly stable in 2023 after the sizeable initial increases observed in 2022. Reference was made to indications that tighter financing conditions were starting to affect economic decisions elsewhere, notably with regard to investment choices.

Overall, the risk-free forward rate curve remained somewhat above the levels observed prior to the Governing Council's previous monetary policy meeting. The downward shift observed in the last few weeks could be explained by market participants expecting lower growth rates to feed into lower inflation rates, requiring less-pronounced interest rate increases. However, it was remarked that this narrative appeared at odds with the continued upward drift in market-based measures of inflation compensation, although when correcting the inflation compensation measures extracted from forward ILS rates for inflation risk premia, the five-year forward ILS rate five years ahead was at virtually the same level as at the time of the 14-15 June meeting. The fact that risk premia were still increasing or remained elevated was seen as pointing to upside risks to inflation.

A concern was voiced that the inversion of the yield curve could be interpreted as an indicator of an upcoming slowdown in economic activity. The fact that the yield curve was even more inverted for the United States, the euro area's main trading partner, was seen as adding to the recession risks for the euro area. In this context, it was argued that euro area monetary policy was facing a challenge, as market participants expected directionally a similar interest rate path for both currency areas whereas,

in light of the past negative data surprises, economic activity in the euro area had decoupled from the more positive developments in the United States.

Monetary policy stance and policy considerations

Turning to the assessment of the monetary policy stance, members assessed financing conditions as having tightened overall since the Governing Council's 14-15 June meeting, with past policy rate increases continuing to be transmitted strongly to financing conditions across sectors. Risk-free interest rates over short to medium-term maturities had increased over this period. It was pointed out that the appreciation of the euro had contributed to a tightening of financial conditions, while risk assets, including equity, had been resilient overall to monetary tightening and a deteriorating outlook, as had corporate and sovereign bond spreads. The observation was made that borrowing costs for banks, firms and households had risen substantially and would continue increasing for some time, even without further rate hikes, in view of transmission lags. Moreover, other monetary policy measures, such as the maturing TLTRO III operations and the rundown of the APP portfolio, were seen as reinforcing the monetary policy tightening resulting from the increase in the key ECB interest rates. It was noted, however, that, having repriced quickly at the start of the tightening cycle, longer-term interest rates had been moving sideways for some time, although real interest rates had risen significantly over the past year and would continue to rise even without further interest rate hikes, as inflation could be expected to continue to fall.

It was underlined that the current restrictiveness of monetary policy and the degree of monetary policy restriction that might ultimately be required remained uncertain. In accordance with the three main elements of its "reaction function" that the Governing Council had communicated earlier in the year, members evaluated developments since the Governing Council's 14-15 June meeting related to the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission.

Starting with the inflation outlook, members generally concurred that developments had been broadly in line with the June Eurosystem staff projections. By contrast, indicators for the real economy were signalling weaker GDP growth than projected. It was noted that headline inflation had come down quickly, albeit from high levels. Inflation expectations remained broadly anchored, partly owing to the strong monetary policy response and to the observed decline in inflation. Moreover, the risk of second-round effects leading to wage-price spirals seemed to be contained, raising confidence that monetary policy was starting to take effect. Nevertheless, caution was expressed that further inflation data for the coming months were required for the Governing Council to be able to confirm the downward trend in HICP inflation. It was highlighted that inflation had been above 2% for quite some time and could not be expected to return to target quickly without further action. A more comprehensive picture would emerge with the new ECB staff projections in September.

At the same time, it was maintained that the weakening of economic activity could be expected to help generate the conditions necessary to restore price stability. Although upside risks to the inflation outlook were still seen as prevailing, related mainly to an underestimation of wage pressures and to renewed supply shocks, it was argued that a weakening of the economy would contribute to dampening inflation pressures. This would bring the inflation outlook more into line with the Governing Council's 2% medium-term target. At the same time, it was argued that overtightening would not help bring inflation sustainably to the 2% target if it later led to inflation undershooting. It was recalled that the effects of past rate hikes had not yet been fully transmitted to the real economy. Moreover, the Governing Council needed to take into account the "secondary objectives" assigned to it in the Treaty on European Union and contain unnecessary side effects on output and employment when pursuing its price stability mandate over the medium term. A concern was voiced that, with the current slowdown in economic activity, the ongoing transmission of past monetary policy actions could lead to a more pronounced deceleration in economic activity than was necessary to achieve price stability.

However, in view of the still elevated inflation outlook, together with the weaker growth outlook, the concern was also raised that the economy might be entering a phase of stagflation, in contrast to a more benign scenario of a soft landing. It was underlined that the Governing Council's mandate was price stability and that institutional independence had been granted to allow central banks to focus squarely on price stability. In view of the prevailing uncertainties and the large costs of bringing inflation down once it had become entrenched, it was argued that it was preferable to tighten monetary policy further than to not tighten it enough. Before deciding to stop the tightening cycle, the Governing Council needed clearer signs of whether inflation would converge to target once the effects of recent shocks had faded. Finally, inflation risks from fiscal developments were seen as persisting.

Members also assessed the level and persistence of underlying inflation as being a source of concern, although it was acknowledged that indicators of underlying inflation had been broadly stable in recent months. This stability suggested that the momentum was reversing and that inflation might have passed its peak. The view was taken that little comfort could be drawn from ECB staff analysis suggesting that the fading of supply-side shocks alone would be insufficient to bring core inflation back to values around 2%. Overall, despite the recent improvements, underlying inflation could be expected to remain high for an extended period, even if growth was slowing, unless further action was taken. By contrast, it was argued that tighter monetary policy still working its way through the pipeline, together with moderate wage increases and a buffer from profit margins, should help bring core inflation down.

Finally, turning to the assessment of monetary policy transmission, members concurred that there was ample evidence that policy tightening was being transmitted strongly to broader financing conditions, including bank lending rates and money and credit flows. Moreover, the transmission of monetary policy was increasingly dampening demand, which was judged an important factor in bringing inflation

back to target. It was felt, however, that, on the one hand, the decline in economic activity was less significant than could have been expected in reaction to the substantial monetary policy tightening over the past few months. On the other hand, risks of stronger transmission than expected were elevated, particularly in view of the sharp increase in bank lending rates and weak credit growth.

It was noted that the monetary policy tightening seemed to be strongly affecting sectors that depended heavily on financing, such as housing, construction, the automotive industry and capital goods. In this context, it was discussed whether the disconnect between manufacturing and services could be attributed to monetary policy having a different impact on the two sectors, as manufacturing could be expected to react more strongly and quickly than services to monetary policy tightening. It could therefore be expected that part of the response from the services sector would still materialise with a delay.

However, it was deemed difficult to determine to what extent the slowdown in growth was due to the monetary policy tightening or to the residual effects of past supply shocks. This was because current economic developments were judged to be still influenced by the aftermath of the pandemic and the energy price shock. Moreover, it was noted that, if part of the economic weakness was still being driven by supply shocks and not by demand, the impact of the slowdown in growth on inflation would be less pronounced. While there was little doubt that the "first leg" of monetary policy transmission to financial conditions was working well, a better understanding of the "second leg" of the transmission process from financial conditions to the real economy was seen as crucial.

Having discussed the Governing Council's reaction function, members agreed that tightening the monetary policy stance by further increasing interest rates was warranted. In light of the inflation outlook, which was basically unchanged since the June monetary policy meeting, an additional interest rate step into restrictive territory was seen as necessary to bring inflation back to target in a timely manner.

In this context, it was recalled that the Governing Council had been communicating since September 2022 that it sought to achieve its inflation target in a timely manner and, in view of the severity of the supply shocks, the time by which the Governing Council expected to see inflation returning to target had shifted from the last quarter of 2024 to 2025. While bringing this timing forward could require depressing economic activity to an unnecessary extent, it was seen as important not to extend the time horizon by which the target was to be met beyond 2025. At the same time, it was cautioned that further shocks to inflation could occur – resulting for instance from weather-related effects on food prices – driving inflation further away from target.

Monetary policy decisions and communication

Against this background, all members supported the 25 basis point rate increase proposed by Mr Lane, while a preference was also initially expressed for not raising the key ECB interest rates in view of risks of stronger than anticipated transmission. Emphasis was put on the merit of sticking to a data-dependent, meeting-by-meeting approach in an uncertain environment, as market participants would pay special attention to the Governing Council's guidance for the future interest rate path. In particular, broad agreement prevailed that, ahead of its September meeting, the Governing Council should neither hint at further rate increases nor signal that it would pause in hiking rates or that it had reached the peak rate. It was emphasised that any further tightening had to be assessed meeting by meeting, on the basis of the incoming data and a "risk management approach" that carefully weighed up the relevant risks.

On the one hand, it was argued that interest rates had to cover more ground to bring inflation back to target, in particular if inflation did not decline as quickly as expected. A further rate hike in September would be necessary if there was no convincing evidence that the effect of the cumulative tightening was strong enough to bring underlying inflation down in a manner consistent with a timely return of headline inflation to the 2% target. In this context, it was maintained that bringing inflation fully back to target from moderate but persistently elevated levels could turn out to be difficult. Specifically, it was argued that the process of disinflation would become more challenging once the direct effects of previous external supply shocks on inflation had reversed and the more persistent domestic price pressures started to dominate. This was argued to point to the need for further action to show that the Governing Council would be at least as stubborn and persistent as inflation pressures turned out to be.

On the other hand, it was argued that it was quite probable that the September ECB staff projections would revise the inflation path sufficiently downwards towards 2%, without the need for another interest rate hike in September. However, caution was also expressed about assigning too much importance to the September meeting and the projections, with a strong case for adopting a risk management approach for the coming meetings in light of prevailing uncertainties.

Broad agreement was expressed with Mr Lane's proposal to set the remuneration of minimum reserves at 0%, while leaving the minimum reserve ratio at 1%. Members widely agreed that this decision would improve the efficiency of monetary policy by reducing the overall amount of interest that needed to be paid on reserves in order to implement the appropriate stance. It would also maintain the current degree of control over the monetary policy stance and ensure the full pass-through of the interest rate decisions to money markets. Setting the remuneration of minimum reserves to zero was deemed a proportional response to some of the side effects that were arising from the rapid monetary policy tightening in an environment of high excess liquidity.

It was recalled that, when interest rates were at the lower bound, the Governing Council had introduced a two-tier system for reserve remuneration to counter negative side effects on banks' transmission capacity. A reduction in the remuneration of minimum reserves could thus be seen as a reversal of the tiering system. It was argued that such a reduction was also necessary because, after a period of asset purchases, monetary policy tightening proceeded by first raising interest rates and then reducing the balance sheet only gradually over time. This also took into account financial market risks that could arise with too fast a disposal of assets.

It was also recalled that, in October 2022, the Governing Council had decided to reduce the remuneration of minimum reserves from the rate on the MROs to the deposit facility rate. That change had aligned minimum reserve remuneration more closely with short-term money market rates. Since then, however, the efficiency aspect had gained in relevance, in line with the higher level of the key ECB interest rates. It was also clarified that this decision did not prejudge the outcome of the ongoing review of the ECB's operational framework.

At the same time, some members expressed reservations against a change in the remuneration of minimum reserves. It was argued that remunerating minimum reserves at 0%, below relevant market rates, might add to the tightening effect of the monetary policy measures. It was also cautioned that changes in the remuneration of minimum reserves could raise questions about the objectives in the Eurosystem's reaction function related to central bank profits and losses, together with concerns over financial independence.

Other members, by contrast, saw the minimum reserve requirement as a monetary policy tool that could be used to support or complement the intended restrictive monetary policy stance. These members preferred to increase the minimum reserve ratio to 2%, also noting that, before 2011, a minimum reserve ratio of 2% had been the rule. It was argued that the Governing Council had a good case for taking another step in the normalisation of its policy instruments. This it could do by reversing the previous reduction to 1%, decided in December 2011 as part of a package of non-standard measures to support the bank lending channel and free up liquidity and collateral when monetary transmission had clearly been under stress. It was also recalled that banks had benefited from extraordinarily favourable refinancing terms and conditions, not least under the TLTROs, for an extended period of time.

However, it was also recalled that, before 2011, minimum reserves were remunerated at the MRO rate. Moreover, it was mentioned that the very rationale for minimum reserve requirements was now less clear, in view of the prudential liquidity regulations for banks that had been introduced in response to the global financial crisis. Overall, caution was expressed against using the minimum reserve ratio as an active instrument for adjusting the monetary policy stance.

With all these considerations in mind, members expressed a willingness to join a broad consensus supporting the measure as proposed by Mr Lane.

With respect to communication, it was felt that the ECB's reaction function seemed to have been well understood by market participants. In line with the Governing Council's data-dependent approach, communication had to avoid signalling complacency to financial market participants and the public on the back of declining headline inflation and slowing growth, as this would ease financial and financing conditions and thereby counteract the Governing Council's intention to bring inflation back to target in a timely manner. There was broad agreement that the Governing Council would ensure that the key ECB interest rates would "*be set at sufficiently restrictive levels for as long as necessary*" to achieve a timely return of inflation to its 2% medium-term target. It was felt that the word "*set*" was consistent with preserving optionality, which, however, did not include the possibility of a rate cut at the September meeting. Finally, the Governing Council reiterated its call for fiscal policy to be designed in such a way as to make the economy more productive and to gradually bring down high public debt.

Taking into account the foregoing discussion among the members, upon a proposal by the President, the Governing Council took the monetary policy decisions as set out in the monetary policy press releases. The members of the Governing Council subsequently finalised the monetary policy statement, which the President and the Vice-President would, as usual, deliver at the press conference following the Governing Council meeting.

Monetary policy statement

Monetary policy statement for the press conference of 27 July 2023

Press releases

Monetary policy decisions

ECB adjusts remuneration of minimum reserves

Meeting of the ECB's Governing Council, 26-27 July 2023

Members

- Ms Lagarde, President
- Mr de Guindos, Vice-President

- Mr Centeno*
- Mr Elderson
- Mr Hernández de Cos
- Mr Herodotou
- Mr Holzmann
- Mr Kažimír*
- Mr Knot
- Mr Lane
- Mr Makhlouf
- Mr Müller
- Mr Nagel
- Mr Panetta
- Mr Reinesch
- Ms Schnabel
- Mr Scicluna
- Mr Šimkus
- Mr Stournaras
- Mr Välimäki, temporarily replacing Mr Rehn*
- Mr Vasle*
- Mr Villeroy de Galhau
- Mr Visco*
- Mr Vujčić
- Mr Wunsch

* Members not holding a voting right in July 2023 under Article 10.2 of the ESCB Statute.

Other attendees

- Mr Dombrovskis, Commission Executive Vice-President**
- Ms Senkovic, Secretary, Director General Secretariat
- Mr Rostagno, Secretary for monetary policy, Director General Monetary Policy
- Mr Winkler, Deputy Secretary for monetary policy, Senior Adviser, DG Economics

** In accordance with Article 284 of the Treaty on the Functioning of the European Union.

Accompanying persons

- Ms Bénassy-Quéré
- Mr Bitans
- Ms Buch
- Mr Demarco
- Mr Gavilán
- Mr Gilbert
- Mr Kaasik
- Mr Koukoularides
- Mr Lünnemann
- Mr Madouros
- Mr Martin
- Mr Nicoletti Altimari
- Mr Novo
- Mr Pösö
- Mr Rutkaste — Alternate to Mr Kazāks
- Mr Šiaudinis
- Mr Šošić
- Mr Steiner
- Mr Tavlas
- Mr Vanackere
- Ms Žumer Šujica

Other ECB staff

- Mr Proissl, Director General Communications
- Mr Straub, Counsellor to the President
- Ms Rahmouni-Rousseau, Director General Market Operations
- Mr Arce, Director General Economics
- Mr Sousa, Deputy Director General Economics

Release of the next monetary policy account foreseen on 12 October 2023.