

# MONETARY POLICY STATEMENT

Florence, 30 October 2025

## 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. I would like to thank Governor Panetta for his kind hospitality and express our special gratitude to his staff for the excellent organisation of today's meeting of the Governing Council.

The Governing Council today decided to keep the three key ECB interest rates unchanged. Inflation remains close to our two per cent medium-term target and our assessment of the inflation outlook is broadly unchanged. The economy has continued to grow despite the challenging global environment. The robust labour market, solid private sector balance sheets and our past interest rate cuts remain important sources of resilience. However, the outlook is still uncertain, owing particularly to ongoing global trade disputes and geopolitical tensions.

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. 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.

**European Central Bank**  
Directorate General Communications  
Sonnenmannstrasse 20, 60314 Frankfurt am Main, Germany  
Tel.: +49 69 1344 7455, email: [media@ecb.europa.eu](mailto:media@ecb.europa.eu), website: [www.ecb.europa.eu](http://www.ecb.europa.eu)

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## Economic activity

The economy grew by 0.2 per cent in the third quarter of the year, according to Eurostat's preliminary flash estimate published today. The services sector continued to grow, boosted by strong tourism and, especially, by a pick-up in digital services. According to surveys, the pick-up reflects the fact that many firms have stepped up efforts to modernise their IT infrastructures and integrate artificial intelligence into their operations. Meanwhile, manufacturing was held back by higher tariffs, still-heightened uncertainty and a stronger euro.

The divergence between domestic and external demand is likely to persist in the near term. The economy should benefit from consumers spending more as real incomes rise. Unemployment, at 6.3 per cent in September, remains close to its historical low, even though demand for labour has cooled. Households continue to save an unusually large proportion of their incomes, which should give them greater margin to increase spending further. Substantial government expenditure on infrastructure and defence, as well as our past interest rate cuts, should underpin investment.

By contrast, the global environment is likely to remain a drag. Goods exports declined from March to August, reversing the earlier frontloading of international trade ahead of recent tariff increases. New export orders in manufacturing point to further declines. The full impact of higher tariffs on euro area exports and manufacturing investment will only become visible over time.

The Governing Council stresses the urgent need to strengthen the euro area and its economy in the present geopolitical environment, and we welcome EU leaders reaffirming this ambition at last week's Euro Summit. Fiscal and structural policies should boost productivity, competitiveness and resilience. It is essential to implement the European Commission's competitiveness roadmap swiftly.

Governments should prioritise growth-enhancing structural reforms and strategic investment, while ensuring sustainable public finances. It is also vital to foster further capital market integration by completing the savings and investments union and the banking union to an ambitious timetable, and to rapidly adopt the regulation on the establishment of a digital euro.

The Governing Council is committed to making retail and wholesale central bank money fit for the digital age. In this vein, the Governing Council today decided to move to the next stage of the digital euro project. This will ensure technical readiness for potential issuance and support Europe's digital sovereignty once the legislation has been adopted. The details of this decision are available in a separate [press release](#).

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## Inflation

Annual inflation increased to 2.2 per cent in September, from 2.0 per cent in August. This was mainly because energy prices fell by less than before. Energy price inflation was -0.4 per cent in September, up from -2.0 per cent in August. Meanwhile, food price inflation eased to 3.0 per cent in September, from 3.2 per cent in August. Inflation excluding energy and food rose to 2.4 per cent, from 2.3 per cent in August, as services inflation ticked up from 3.1 per cent to 3.2 per cent, while goods inflation was again unchanged at 0.8 per cent.

Indicators of underlying inflation remain consistent with our two per cent medium-term target. While firms' profits are recovering, labour costs are set to moderate further owing to rising productivity and an easing in wage growth. Forward-looking indicators, such as the ECB's wage tracker and surveys on wage expectations, point to slower wage growth over the remainder of the year and the first half of 2026.

Most measures of longer-term inflation expectations continue to stand at around 2 per cent, supporting the stabilisation of inflation around our target.

## Risk assessment

The EU-US trade deal reached over the summer, the recently announced ceasefire in the Middle East and today's announcement of progress in the US-China trade negotiations have mitigated some of the downside risks to economic growth. At the same time, the still volatile global trade environment could disrupt supply chains, further dampen exports, and weigh on consumption and investment. A deterioration in financial market sentiment could lead to tighter financing conditions, greater risk aversion and weaker growth. Geopolitical tensions, in particular Russia's unjustified war against Ukraine, remain a major source of uncertainty. By contrast, higher than expected defence and infrastructure spending, together with productivity-enhancing reforms, would add to growth. An improvement in business confidence could stimulate private investment. Sentiment could also be lifted and activity spurred if the remaining geopolitical tensions diminished, or if the remaining trade disputes were resolved faster than expected.

The outlook for inflation continues to be more uncertain than usual on account of the still volatile global trade policy environment. A stronger euro could bring inflation down further than expected. Moreover, inflation could turn out to be lower if higher tariffs lead to lower demand for euro area exports and induce countries with overcapacity to further increase their exports to the euro area. An increase in

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volatility and risk aversion in financial markets could weigh on domestic demand and thereby also lower inflation. By contrast, inflation could turn out to be higher if a fragmentation of global supply chains pushed up import prices, curtailed the supply of critical raw materials and added to capacity constraints in the domestic economy. A boost in defence and infrastructure spending could also raise inflation over the medium term. Extreme weather events, and the unfolding climate and nature crisis more broadly, could drive up food prices by more than expected.

## Financial and monetary conditions

Since our last meeting, market rates have remained broadly unchanged. Our past interest rate cuts have continued to reduce bank lending rates for firms, which averaged 3.5 per cent in August. Meanwhile, the cost of issuing market-based debt remained at 3.5 per cent in August, as the longer-term yields on which such debt is priced have been relatively stable.

The annual growth rate of bank lending to firms edged down to 2.9 per cent in September, from 3.0 per cent in August. At the same time, corporate bond issuance slowed to 3.3 per cent on a yearly basis. According to our latest bank lending survey for the euro area, credit standards for business loans tightened moderately in the third quarter, as banks became more concerned about the risks faced by their customers. Firms' demand for credit picked up slightly.

The average interest rate on new mortgages has barely changed since the start of the year and stood at 3.3 per cent in August. Growth in mortgage lending ticked up to 2.6 per cent in September, from 2.5 per cent in August, on the back of a further increase in demand and unchanged credit standards in the third quarter.

Growth in broad money – as measured by M3 – slowed to 2.8 per cent in September, down from 2.9 per cent in August and an average of 3.8 per cent over the first half of the year.

## 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

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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.

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