# MONETARY POLICY STATEMENT

## Frankfurt am Main, 5 February 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.

We would like to begin by congratulating Bulgaria on joining the euro area on 1 January 2026. We also warmly welcome Dimitar Radev, the Governor of Българска народна банка (Bulgarian National Bank), to the Governing Council. Membership of the euro area has almost doubled since 1999 and is testimony to the attractiveness of the single currency and the enduring benefits of European integration.

We will now report on the outcome of today's meeting.

The Governing Council today decided to keep the three key ECB interest rates unchanged. Our updated assessment reconfirms that inflation should stabilise at our two per cent target in the medium term. The economy remains resilient in a challenging global environment. Low unemployment, solid private sector balance sheets, the gradual rollout of public spending on defence and infrastructure and the supportive effects of our past interest rate cuts are underpinning growth. At the same time, the outlook is still uncertain, owing particularly to ongoing global trade policy uncertainty 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.


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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 economy grew by 0.3 per cent in the fourth quarter of 2025, according to Eurostat's preliminary flash estimate. Growth has mainly been driven by services, notably in the information and communication sector. Manufacturing has been resilient despite the headwinds from global trade and geopolitical uncertainty. Momentum in construction is picking up, also supported by public investment.

The labour market continues to support incomes, even though demand for labour has cooled further. Unemployment stood at 6.2 per cent in December, after 6.3 per cent in November. Growing labour incomes together with a lower household saving rate should bolster private consumption. Government spending on defence and infrastructure should also contribute to domestic demand. Business investment should strengthen further, and surveys indicate that firms are increasingly investing in new digital technologies. At the same time, the external environment remains challenging, owing to higher tariffs and a stronger euro over the past year.

The Governing Council stresses the urgent need to strengthen the euro area and its economy in the present geopolitical context. Governments should prioritise sustainable public finances, strategic investment and growth-enhancing structural reforms. Unlocking the full potential of the Single Market remains crucial. It is also vital to foster greater 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 the digital euro.

## Inflation

Inflation declined to 1.7 per cent in January, from 2.0 per cent in December and 2.1 per cent in November. Energy inflation dropped to -4.1 per cent, after -1.9 per cent in December and -0.5 per cent in November, while food price inflation increased to 2.7 per cent, from 2.5 per cent in December and 2.4 per cent in November. Inflation excluding energy and food eased to 2.2 per cent, after 2.3 per cent in December and 2.4 per cent in November. Goods inflation edged up to 0.4 per cent, whereas



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services inflation declined to 3.2 per cent, from 3.4 per cent in December and 3.5 per cent in November.

Indicators of underlying inflation have changed little over recent months and remain consistent with our two per cent medium-term target. Negotiated wage growth and forward-looking indicators, such as the ECB's wage tracker and surveys on wage expectations, point to a continued moderation in labour costs. However, the contribution to overall wage growth from payments over and above the negotiated wage component remains uncertain.

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 euro area continues to face a volatile global policy environment. A renewed increase in uncertainty could weigh on demand. A deterioration in global financial market sentiment could also dampen demand. Further frictions in international trade could disrupt supply chains, reduce exports and weaken consumption and investment. Geopolitical tensions, in particular Russia's unjustified war against Ukraine, remain a major source of uncertainty. By contrast, planned defence and infrastructure spending, together with the adoption of productivity-enhancing reforms and the adoption of new technologies by euro area firms, may drive up growth by more than expected, including through positive effects on business and consumer confidence. New trade agreements and a deeper integration of our European Single Market could also boost growth beyond current expectations.

The outlook for inflation continues to be more uncertain than usual on account of the volatile global policy environment. Inflation could turn out to be lower if tariffs reduce demand for euro area exports by more than expected and if countries with overcapacity increase further their exports to the euro area. Moreover, a stronger euro could bring inflation down beyond current expectations. More volatile and risk-averse financial markets could weigh on demand and thereby also lower inflation. By contrast, inflation could turn out to be higher if there were a persistent upward shift in energy prices, or if more fragmented global supply chains pushed up import prices, curtailed the supply of critical raw materials and added to capacity constraints in the euro area economy. If wage growth moderated more slowly, services inflation might come down later than expected. The planned boost in defence and infrastructure spending could also cause inflation to pick up over the medium term. Extreme



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weather events, and the unfolding climate and nature crises more broadly, could drive up food prices by more than expected.

## Financial and monetary conditions

Market rates have come down since our last meeting, while global trade and geopolitical tensions temporarily increased financial market volatility. Bank lending rates for firms ticked up to 3.6 per cent in December, from 3.5 per cent in November, as did the cost of issuing market-based debt. The average interest rate on new mortgages again held steady, at 3.3 per cent in December.

Bank lending to firms grew by 3.0 per cent on a yearly basis in December, after 3.1 per cent in November and 2.9 per cent in October. The issuance of corporate bonds rose by 3.4 per cent in December. According to our latest bank lending survey for the euro area, firms' demand for credit was up slightly in the fourth quarter, especially to finance inventories and working capital. At the same time, credit standards for business loans tightened again.

Mortgage lending grew by 3.0 per cent, after 2.9 per cent in November and 2.8 per cent in October, in response to still rising demand for loans and an easing of credit standards.

## 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 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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