

# Stable rates in the Eurozone despite inflation

Same decisions for FED, BoJ and Bank of Canada

## Rate hikes expected for the ECB

- ▶ **ECB** The European Central Bank (ECB) has decided, like other major Western institutions, to keep its key rates unchanged at 2%, justifying a cautious approach in the face of rising pressures on prices and activity in the euro zone.
- ▶ **Inflation** Upside risks to inflation and downside risks to growth have increased, reaffirming the Governing Council's commitment to set monetary policy to ensure that inflation stabilises around the 2% target over the medium term.
- ▶ **The Fed** left its key interest rate unchanged for the third meeting in a row, in a range of 3.50% to 3.75%, in the face of high uncertainty related to the Middle East and still high inflation. It remains open to future rate cuts, but the move revealed strong internal divisions, with the most dissension since 1992.
- ▶ **BoJ** The Bank of Japan kept its rate at 0.75% while sharply raising its inflation forecasts, despite risks of slowing growth from tensions in the Middle East.

## Figure of the week

**2,6%**

This is the inflation rate in the Eurozone, up from the previous month (1.9%)



**ECB**

## Inflation evolution in the euro area



Source: Trading Economics 30/04/26

The euro area's annual inflation rate was revised upwards to 2.6% in March 2026, the highest level since July 2024, up from a preliminary estimate of 2.5% and accelerating from 1.9% in February. The increase was largely driven by energy, with prices up 5.1%, the first annual gain in nearly a year and the strongest since February 2023, compared to the initial estimate of 4.9%, as the conflict with Iran pushed oil prices higher. Annual core inflation edged down to 2.3% from 2.4%, in line with the initial estimate. Compared to the previous month, the CPI jumped 1.3%, the largest increase since October 2022.

The conflict in the Middle East has led to a sharp rise in energy prices, which has pushed up inflation and weighed on confidence.

The impact of the war on medium-term inflation and economic activity will depend on the intensity and duration of the energy price shock, as well as the magnitude of its indirect and secondary effects.

As the conflict drags on and energy prices remain high, the risk of a larger impact on core inflation and economic activity increases.

However, the Governing Council remains well placed to deal with the current uncertainty," the note reads. The eurozone has entered this period of sharply rising energy prices with inflation close to the 2% target and an economy that has shown good resilience in recent quarters.

Longer-term inflation expectations remain firmly anchored, although shorter-term inflation expectations have risen significantly.

## The US Federal Reserve keeps rates unchanged

The Fed kept its key interest rate unchanged for the third meeting in a row as policymakers face heightened uncertainty related to the Middle East war.

The move, which keeps rates in a range of 3.50% to 3.75%, is expected to be the last under Chair Jerome Powell's leadership — although he has hinted that he intends to remain on the central bank's board beyond the end of his term.

Events in the Middle East contribute to a high level of uncertainty about the economic outlook," the Fed said in a statement issued after its two-day meeting. "Inflation is high,

partly reflecting the recent rise in global energy prices."

The central bank also indicated that it could cut rates further in the coming months.

The current decision has highlighted sharp divisions within the Fed, with the highest number of dissent since October 1992.

The split highlights growing disagreement within the Fed's 12-member rate-setting committee as Powell's term draws to a close on May 15.

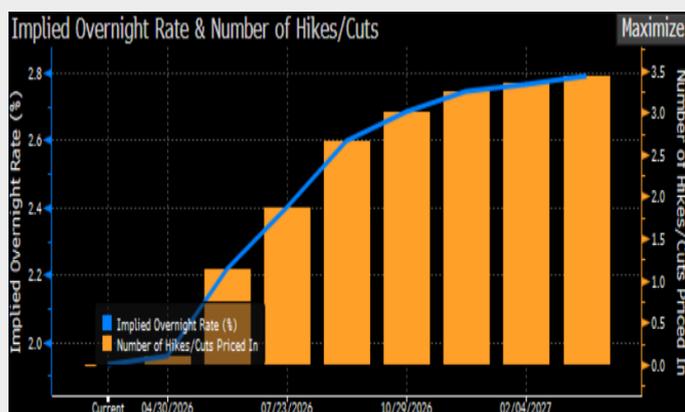


# Nobody wants him

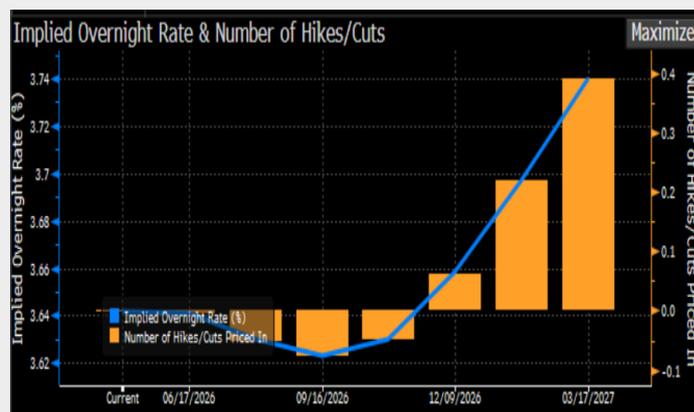


Donald Trump about Jerome Powell

### ECB



### FED



Source: Bloomberg 30/04/26

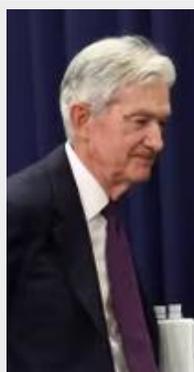
Following the ECB meeting on 30 July, forecasts for interest rate developments in the euro area continue to point to at least three hikes of 25 basis points each by the end of 2026, the first of which is expected to take place at the central bank's meeting on 11 June.

Two more hikes are expected to follow at the next two meetings.

According to these forecasts, the deposit facility rate could rise to 2.75% after falling to its current level of 2%.

On the US side, the forecasts for the Federal Reserve's interest rate path are quite different and, according to market expectations, no movement is expected before the first quarter of 2027.

The repercussions of the crisis in Iran and its effects on inflation, in particular on energy prices, do not have the same consequences in the two geographical areas, with the euro area being much more affected.



Jerome Powell, FED

### TRUMP ATTACKS POWELL FOR HIS INTENTION TO STAY AT THE FED

Donald Trump lashed out at Jerome Powell after he said on Wednesday that he planned to remain on the Fed's board after the end of his term as chairman next month, "for a period to be determined", saying that the "unprecedented" legal attacks carried out by the Trump administration had jeopardised the independence of the central bank.

Powell's decision to stay on — the first time since 1948 that a Fed chair has remained on the board as governor — thus depriving President Donald Trump of the opportunity to fill a seat on the central bank's 7-member board with a person of his choosing.

The Senate Banking Committee previously approved Powell's successor as chairman, Trump-appointed Kevin Warsh, in a vote along party lines.

If confirmed, Warsh will fill the seat currently held by Stephen Miran, a former Trump appointee whose term ended in January. Powell would remain as Fed governor, likely until January 2028.

## The BoJ keeps its key interest rate unchanged

Japan's central bank kept its key interest rate unchanged at 0.75% on Tuesday, while revising its inflation forecasts upwards as the war in Iran poses risks to supply.

The decision to keep rates unchanged was taken following a close vote (6 to 3) and was in line with the estimates of analysts polled by Reuters.

The dissenting members proposed raising the policy rate to 1%, arguing that tensions in the Middle East had tilted price risks upwards.

The Bank of Japan also lowered its growth forecast for fiscal 2026 from 1% to 0.5% and sharply raised its core inflation outlook from 1.9% to 2.8%. The Bank of Japan has set its headline inflation target at 2%.

The bank warned that Japan's economic growth was likely to slow as higher crude oil prices due to the Middle East crisis are expected to weigh on corporate profits and real household incomes "due to factors such as deteriorating terms of trade."



*In Japan, inflation accelerated for the first time in five months, reaching 1.8% in March, as the conflict in Iran stoked concerns about energy prices.*

### News



▶ **Canada** | The central bank is maintaining its Stable rate at 2.25%

▶ **Germany** | The annualized inflation rate at the end of April rose less to 2.9% (vs. 2.7% the previous month)

### Agenda



▶ **4 May** | JOLTs job openings in the United States United at the end of March

▶ **5 May** | Decision on the interest rates of the Reserve Bank of Australia

### Authors



**Daniele CURCI**  
Head of Investment Specialists Liquidity Solutions and Business Development



**Denis DUONG**  
Senior Investment Specialist Liquidity Solutions

#### Disclaimer

This publication is intended for institutional clients only and may not be reproduced, in whole or in part, or communicated to third parties without our permission. Published by Amundi Asset Management, Société par Actions Simplifiée SAS, with a capital of €1,143,615,555 - 437 574 452 RCS Paris. Asset Management Company approved by the AMF (Autorité des Marchés Financiers) n°GP 04000036. Registered office: 91 93, boulevard Pasteur 75015 Paris France. The information contained in this publication is not intended for dissemination to, or use by, any person or entity in any country or jurisdiction where such dissemination would be contrary to law or regulation, or which would subject Amundi or its affiliates to registration obligations in such countries. Not all products or services are necessarily registered or authorized in all countries or available to all customers. The data and information contained in this publication are provided for informational purposes only. Nothing contained in this publication constitutes an offer or solicitation by any member of the Amundi group to provide investment advice or services or to buy or sell any financial instruments. The information contained in this publication is based on sources that we believe to be reliable, but we do not warrant that it is accurate, complete, valid or up-to-date and should not be relied upon as such for any purpose.

Follow us

