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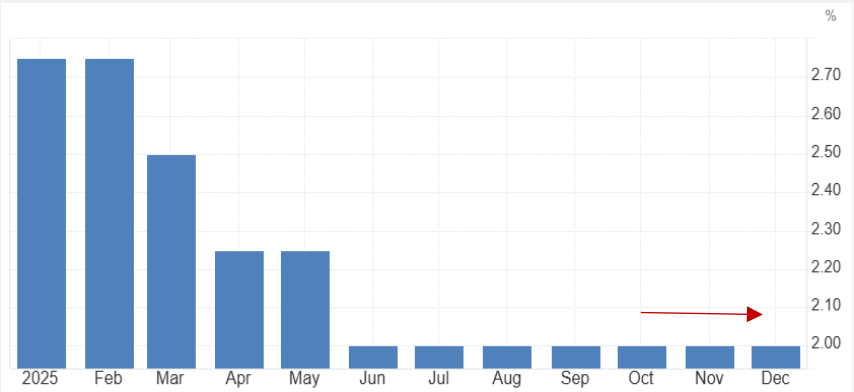
# ECB ends year unsurprising

## Rates remain unchanged in the Eurozone

### The Bank of England lowers rates to 3.5%

- **ECB** Unsurprisingly, the European Central Bank has left its monetary policy unchanged, with the deposit rate maintained at 2%
- **Interest rates** The rates for central bank deposits, main refinancing operations and marginal refinancing operations will remain unchanged at 2.00%, 2.15% and 2.40% respectively.
- **ECB bond purchases** The APP and PEPP (Pandemic Emergency Purchase Programme) programmes are tapering at a moderate and predictable pace, as the Eurosystem no longer reinvests the repaid capital on maturing securities.
- **UK** The BoE voted 5-4 to cut the key interest rate by 25 bps to 3.75%, the fourth of the year, in the face of gloomy economic data and a weakened labour market.
- **US** inflation Inflation in the United States unexpectedly fell to 2.7% at the end of November. The figure was expected to rise to 3.1%, after the 3.0% recorded at the end of October.

### Evolution of the deposit facility rate - Euro area




Source: ECB 18/12/25

The Governing Council confirmed that it will follow a data-driven approach, whereby decisions are taken on a case-by-case basis at each meeting. Specifically, the Governing Council's interest rate decisions will be based on the assessment of the inflation outlook and associated risks, taking into account new economic and financial data, as well as the evolution of core inflation and the intensity of monetary policy transmission, without committing to a particular rate path.

## Figure of the week

**2,0%**

This is the ECB deposit facility rate

## ECB

As expected, the ECB left interest rates unchanged at its last meeting of the year.
The updated Frankfurt assessment "reconfirms that inflation is expected to stabilise around the 2% target over the medium term", the statement reads.
The latest projections prepared by Eurosystem experts point to average headline inflation of 2.1% in 2025, 1.9% in 2026, 1.8% in 2027 and 2.0% in 2028.

Inflation excluding energy and food is projected to average 2.4% in 2025, 2.2% in 2026, 1.9% in 2027, and 2.0% in 2028. Inflation has been revised upwards for 2026, mainly because experts now expect that in services to fall more slowly. Economic growth is expected to be stronger than projected in September, supported by domestic demand.

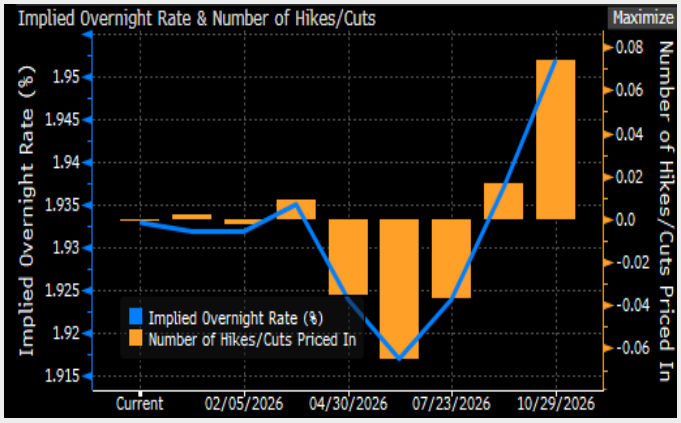
After upward revision, it would be 1.4% in 2025, 1.2% in 2026 and 1.4% in 2027, at which level it is expected to remain in 2028.

## ECB: Press conference by President Christine Lagarde

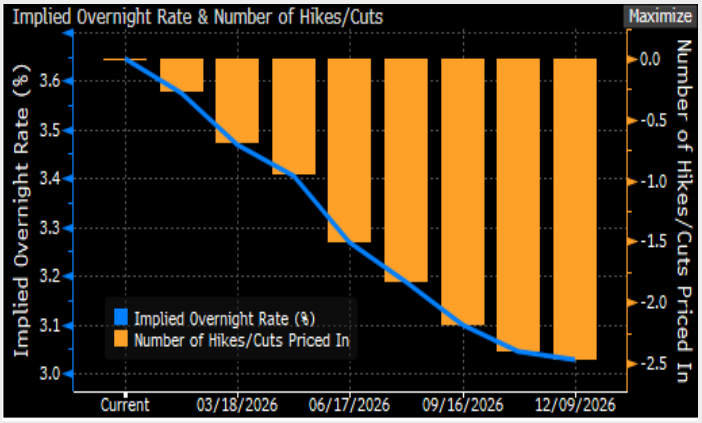
"On interest rates, we reaffirmed that we are in a good position. This does not mean that we are static, however. Today, we made a unanimous decision on rates. There was also a consensus that all options must remain on the table.
And that we should maintain our meeting-by-meeting, data-driven approach, with no set rate hike path. And without a fixed date for any decision. This position was unanimously supported around the table. We will look at all kinds of data in the area of wages and their breakdown, and we will pay particular attention to them because they play an important role in terms of services. We do not have a defined path for rates. I know everyone would like to have forward-looking guidance, but we simply cannot provide any in the current situation, given the degree of uncertainty that we face. We simply can't. »

> *Today, a unanimous decision was made on the rates*
>
> *Christine Lagarde, 18 December 2025*

**ECB**




**FED**




Source: Bloomberg 18/12/25

Following the ECB's decision on Thursday 18 December to keep interest rates unchanged at its last monetary policy meeting of 2025, market expectations seem to indicate unequivocally that there would be no further moves by the ECB until the end of next year.

It therefore seems that, for the time being, the terminal rate in the Eurozone can be at 2%.

On the US side, the monetary policy easing cycle does not yet seem to be over, if we analyse the evolution of interest rate expectations.

Markets are betting on at least two more rate cuts by September 2026, with the first possible by April 2026.Si if this assumption materializes, the Fed's terminal rate would be slightly above 3%.

### US INFLATION UNEXPECTEDLY FALLS TO 2.7%

The U.S. Consumer Price Index (CPI) fell to 2.7% year-over-year in November, below the previous 3.0% and the 3.1% expected.
The core CPI, excluding food and energy, fell to 2.6% — its lowest level since March 2021 and well below estimates (3.1%).
The general and basic monthly changes, expected at 21:20 GMT, are each expected to be +0.3%.
This decline in inflation comes shortly after a mixed employment report: +64,000 jobs in November (vs. 40,000 expected) but a sharp revision in October (-105,000) and an unemployment rate up to 4.6% (vs. 4.4% expected).
After last week's quarter-point rate cut, the Fed may have to consider a further cut at its Jan. 28 meeting.

## Bank of England cuts rates

The BoE voted by a narrow majority in favour of cutting interest rates on Thursday, as part of its last monetary policy decision of 2025.
The Monetary Policy Committee (MPC) voted 5 to 4 on Thursday in favour of a 25 bp cut in the benchmark interest rate to 3.75%, marking the 4th cut of the year.
Economists had largely expected the decline, which comes amid sluggish economic data, a weakening labor market and a recent better-than-expected decline in inflation. Nonetheless, the vote was close, with BoE Governor Andrew Bailey siding with the more dovish members of the committee rather than the four policymakers who argue that the inflation rate, at 3.2% in November, is still far from the central bank's 2% target.

The MPC said that while inflation remains above target, "it should now return more quickly to that target in the near term."
However, he warned that "the extent of further monetary policy easing will depend on the evolution of the inflation outlook".

***"Today's interest rate cut is the sixth since the election, the fastest pace in 17 years. This is good news for families who have taken out a mortgage and companies who have taken out a loan."***

*Rachel Reeves, Chancellor of the United Kingdom*

## News

- **United Kingdom** | Annualized inflation falls at 3.2%, plus expectations. She was to 3.5% the previous month.
- **United States** | The unemployment rate is back on the rise increase at the end of November. 4.6% vs 4.5%

## Agenda

- **22 December** I Publication of the United Kingdom at the end of the third Quarter
- **23** I Publication of the PIN of United States at the end of the third Quarter

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