Economics | Central Banks

ECB Cuts Interest Rates Again as Trump Tariff Fears Threaten Reco

WATCH: The European Central Bank cut interest rates for the seventh time. Lizzy Burden reports from Frankfurt. *Source: Bloomberg*

By Alexander Weber, Jana Randow, and Mark Schroers
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Takeaways NEW

The European Central Bank lowered interest rates for the seventh time since last June, decreasing the deposit rate by a quarter-point to 2.25%.

Summary by Bloomberg AI

The ECB cited increased downside risks to economic growth due to trade tensions, which may lower euro-area growth and drag down investment and consumption.

Summary by Bloomberg AI

Markets now expect three more reductions in the depo rate before the year is out, v economists predicting anotl rate cut in June and a termi rate of 1.5% by year-end.

Summary by Bloomberg AI

The European Central Bank lowered interest rates for the seventh time since last June as trade te derail the region's economic recovery.

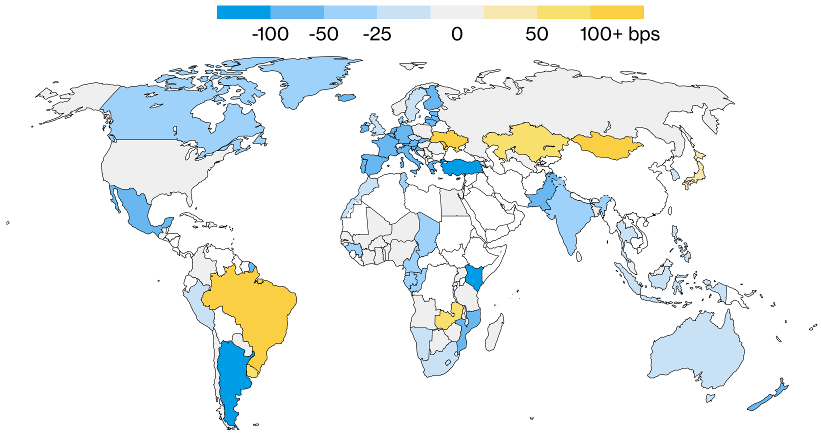
The deposit rate was decreased by a quarter-point to 2.25%, as predicted by almost all analysts p Bloomberg. The ECB dropped the word "restrictive" from its statement in relation to the monet But markets boosted bets on further cuts in borrowing costs as officials underscored the headwi currently faces.

"Downside risks to economic growth have increased," President Christine Lagarde told reporter Frankfurt, stressing that it will still take time for the full consequences of US tariffs to become cl

"The major escalation in global trade tensions and associated uncertainties will likely lower eurc dampening exports, and it may drag down investment and consumption," she said. "Deteriorati sentiment could lead to tighter financing conditions."

Central Bank Watch

Change in borrowing costs this year



Source: Bloomberg
Note: Mapped data show change in interest rates for distinct central banks since the start of 2025.

German bonds erased losses, with the 10-year yield slightly down on the day to 2.5%. The euro e decline, falling as much as 0.6% to $1.336. Markets now foresee three more reductions in the de the year is out.

“The forwarding-looking view on the economy implies an expected shock from tariffs, and the c ‘exceptional’ uncertainty implies an openness to further monetary easing – assuming the trade is borne out in the data,” said Mark Wall, chief European economist at Deutsche Bank. “We cont another rate cut in June and a terminal rate of 1.5% by year-end.”

Having just weeks ago been pondering a pause in its easing campaign, this month’s announceme Donald Trump of sweeping tariffs on the US’s trading partners tilted support within the ECB bac reduction.

The prospect of another move became more attractive to policymakers as inflation continued to ECB’s 2% goal, and was bolstered by falling energy costs and a plunge in confidence indicators. the euro, meanwhile, has elevated the common currency to a three-year high against the dollar.

2:08

WATCH: European Central Bank President Christine Lagarde said downside risks to economic growth have increased.

“Investor sentiment has proven more resilient toward the euro area than toward other economi reiterating that the ECB doesn’t target a particular exchange rate.

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The ECB's new language indicates that officials now consider policy to be within the range of est
– a level that neither stimulates nor restricts economic activity. Lagarde said that the concept of
longer useful, going as far as to call it "meaningless" given the current state of uncertainty.

With inflation already on the back foot, the fear now is that US levies will extinguish hopes for a
zone's 20-nation economy – potentially dragging consumer-price growth below the target.

Despite some backtracking by Trump, European Union products face 10% tariffs for 90 days, wi
indication on what happens beyond that. His standoff with China, meanwhile, has spiraled – rai
some of its goods are diverted to Europe at discounted prices.

The Federal Reserve finds itself in a trickier bind and may be forced to stand pat until there's gre
Jerome Powell warned on Wednesday that a weakening economy and elevated inflation could b
price stability and maximum employment into conflict.

Read More on the ECB:

ECB to Cut Rates Again as Tariffs Imperil Growth: Decision Guide

Euro Zone's Weaker Price Outlook Bolsters ECB Case to Cut

ECB Seen Cutting Rate Twice in Policy Beholden to Trump's Whims

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In contrast, March data from the euro area confirmed frequent statements by ECB officials th
track. Prices rose by just 2.2% from a year ago, while the closely watched services component ea
3.7% as wage pressures abated.

"Increasing global trade disruptions are adding more uncertainty," Lagarde said. "Falling global
the appreciation of the euro could put further downward pressure on inflation. This could be re
demand for euro-area exports owing to higher tariffs and a rerouting of exports into the euro ar
with overcapacity."

Economists polled by Bloomberg before Thursday's decision predict another cut in borrowing c
next policy meeting, in June, after which they'll be held at 2% at least through the end of next ye

The volatile backdrop, however, has left Goldman Sachs, Deutsche Bank and Bank of America fo
reductions.

> **What Bloomberg Economics Says...**
> "As the damage from US trade policy increases, we expect the Governing Council to lower rate
> September."
>
> –David Powell, senior economist. For full react, click here

Most policymakers are cagey on their outlook for rates. Besides the trade chaos, they're still tryi
effects of massive infrastructure spending in Germany and heftier military outlays across the co
ahead.

"It will be a question of agility in the face of what we are seeing, and that will require a cohesive
be based more than ever on the analysis of data," Lagarde said. "More than ever now we need to
dependent. And we need to rely on safe, reliable data."

*– With assistance from Naomi Tajitsu, Aline Oyamada, Simon Lee, Barbara Sladkowska, Harumi Ic
Rinneby, Kristian Siedenburg, Daniel Basteiro, Alessandra Migliaccio, Bastian Benrath-Wright, Jam
Serafino, and Alexey Anishchuk*

(Updates with Lagarde, economist comment starting in third paragraph.)