Meeting of 14-15 December 2022

Account of the monetary policy meeting of the Governing Council of the European Central Bank held in Frankfurt am Main on Wednesday and Thursday, 14-15 December 2022

19 January 2023

1. Review of financial, economic and monetary developments and policy options

Financial market developments

Ms Schnabel noted that since the Governing Council's previous monetary policy meeting on 26-27 October 2022 the narrative in financial markets had shifted from inflation concerns to expectations that central banks worldwide would slow down, halt and ultimately reverse interest rate hikes. The data on the US consumer price index (CPI) for October, interpreted as an early sign of an easing of inflation pressures, had prompted a market repricing of policy rate expectations for the United States. This had been further reinforced by the US CPI inflation figures for November, which had again surprised on the downside. The resulting rebound in investor risk appetite had led to a broad-based easing of global financial conditions, showing up in lower nominal and real yields, tighter credit spreads and buoyant equity markets in the euro area – all of which worked against the ECB's intention to withdraw monetary policy accommodation.

These developments had occurred in an environment in which news about the euro area economy had turned more positive. At the same time, there had been a notable upward repricing by markets of the near-term inflation outlook, and the risk of longer-term inflation expectations becoming unanchored remained elevated. Market conditions remained challenging as uncertainty about monetary policy and volatility in market interest rates continued to be high, amid low liquidity and collateral scarcity.

Market hopes of a turning point in inflation developments and a change in direction, or "pivot", of global monetary policy appeared to have spilled over into euro area interest rate expectations. The euro area overnight index swap (OIS) forward curve had become inverted, signalling expectations of moderate cuts in the ECB's key policy rates over the next two to three years. By contrast, near-term market pricing remained broadly unchanged. The expected "terminal rate" at the peak of the present hiking cycle continued to stand at around 2.8% and market participants expected the key ECB interest rates to increase by 50 basis points both at the present meeting and at the meeting in February 2023, with a final 25 basis point increment expected in March 2023.

Spillovers from the United States had been the predominant driver of recent movements in euro area risk-free yields, as reflected in their sensitivity to macroeconomic news from the United States. The reappraisal of rate expectations in the euro area beyond the near term seemed to be at odds with domestic developments, such as incoming data on the macroeconomy, energy prices and the market-based inflation outlook.

In particular, economic data releases in the euro area had recently turned positive after a period of weaker than expected outcomes, pointing to waning risks of a deep and protracted recession, which market participants had previously considered a key factor putting downward pressure on euro area inflation. At the same time, natural gas prices had rebounded sharply from the lows recorded in late October owing to mild weather conditions and full storage facilities, and they were now at levels comparable to those seen in early summer, pointing to renewed tightness in the European gas market.

On the back of receding downside tail risks to economic growth and higher energy prices, there had been a notable upward repricing of market-based expectations for inflation in the near term. Looking at the evolution of longer-term inflation expectations in the euro area, signals of upside risks were observed both in market-based indicators and in surveys. In the ECB Survey of Professional Forecasters and the ECB Survey of Monetary Analysts (SMA) the distribution of responses had shifted markedly over the course of the past few months, with a significant and rising share of respondents expecting a sustained period of inflation above the ECB's 2% target.

Despite higher near-term inflation expectations and upside risks to the longer-term inflation outlook, the global repricing of monetary policy rate expectations had led to an easing of broader financial conditions in the euro area. Market participants' expectations that central banks would cut policy rates soon after reaching the terminal rate had led to a decline in longer-term yields relative to short-term yields.

The recent repricing of policy rate expectations had led to a decrease in euro area real GDP-weighted sovereign bond yields across the maturity spectrum since the peak reached in mid-October. Real rates were again in negative territory across all maturities up to ten years. Moreover, yield spreads had continued to narrow in euro area sovereign and corporate bond markets. Market expectations of a global monetary policy pivot had had the most pronounced effect on equity markets, which had seen a renewed "relief" rally. The downward trend in cyclically adjusted price-earnings ratios had been reversed just when they had been approaching their long-run averages.

Developments in exchange rates had closely reflected the drivers of recent broader market developments. The sustained rally of the US dollar appeared to have come to an end, in line with an unwinding of long positions in US dollars. The change in the monetary policy outlook for the United States, the return to a "risk-on" environment and a comparatively better economic outlook for the euro area had been the main drivers of the appreciation of the euro since the Governing Council's previous monetary policy meeting.

Conditions remained challenging in euro area money and repo markets, although there had been significant improvements lately. Year-end tensions arising from collateral scarcity in jurisdictions with high credit ratings had decreased, as illustrated by the significant increase in the respective repo rates for the turn of the year. These positive dynamics had to be seen in the light of the decisions taken by authorities, including the Eurosystem and national debt management offices, over the last few weeks to alleviate collateral scarcity. Overall, however, pricing in the repo market remained expensive, as various factors such as market positioning, interest rate volatility and valuation effects continued to exacerbate the structural factors behind collateral scarcity in the secured money market.

Looking ahead, the repayment of funds under the ECB's targeted longer-term refinancing operations (TLTROs) and the prospective future reduction of the Eurosystem's portfolios of securities held for monetary policy purposes, together with the expected significant new issuance activity, were expected to support the availability of collateral in 2023.

In the unsecured money market segment, the observed downward pressure on bank borrowing rates reflected the availability of excess cash to be invested at a time when policy rates were rising quickly. This had led to EURIBOR rates being persistently lower than the equivalent OIS rates for maturities of up to three months since the start of the policy rate hiking cycle last summer.

The global environment and economic and monetary developments in the euro area

Starting with the international environment, Mr Lane highlighted that global trade momentum had softened significantly towards the end of 2022. Looking ahead, the global Purchasing Managers' Index (PMI) indicator for new export orders was well below the threshold of 50, pointing to continued weakness in global trade. The weakening in trade had reduced the pressures on supply chains. Indeed, the PMI indicator for suppliers' delivery times had continued to improve up to November. This suggested that this factor that had been holding back production and pushing up prices for a long time was diminishing and could be expected to disappear next year.

The euro had appreciated in nominal effective terms since the Governing Council's monetary policy meeting in October, after depreciating for almost two years. Regarding commodity prices, the oil futures curve had declined since the October meeting. By contrast, gas spot prices had rebounded strongly, while futures prices had remained broadly unchanged at elevated levels since October.

Turning to the euro area, real GDP growth had slowed to 0.3% in the third quarter of 2022. This reflected a record increase in investment in Ireland, which, on an annualised basis, had grown by 850% compared with the previous quarter. Excluding Ireland, real GDP in the euro area had grown by 0.2%. With regard to the demand components of GDP, private consumption had grown strongly in the second and third quarters of 2022, particularly in Germany, Spain and Italy, as the growth of nominal consumer income and the use of accumulated savings had compensated for the high rate of inflation. In the final quarter of 2022, however, private consumption was projected to have stagnated on account of declining real incomes, while households were expected to have become more reluctant to dip into savings. After continuously declining since the start of Russia's war in Ukraine, consumer confidence had improved somewhat in October and November, but remained low from a historical perspective. Moving to investment, residential investment growth had been in negative territory since the spring, while the growth of non-construction investment (excluding the contribution from intellectual property products in Ireland) had decelerated in the third quarter of 2022 and was expected to contract in the final quarter.

Turning to trade, the significant decline in the goods trade balance that had started in mid-2021 had been interrupted in September owing to a small improvement in energy import prices and European firms being able to charge higher prices and sell more non-energy goods to the rest of the world. These developments had helped to partially offset the higher energy bill.

Short-term economic activity indicators and mechanical short-term GDP forecasting continued to suggest a contraction in economic activity in the fourth quarter of 2022. At the sectoral level, PMI indicators for the manufacturing sector continued to point to weak output but had improved somewhat owing to the continued easing of supply bottlenecks, which had allowed firms to work through their order backlogs. In the services sector, forward-looking indicators of economic activity were declining, in line with a normalisation following the boost from the reopening of the economy in the first part of the year.

Labour markets had seen a significant recovery in employment in the wake of the coronavirus (COVID-19) pandemic. However, total hours worked per person employed had recovered to a much more limited extent. Looking ahead, PMI indicators were pointing to a deceleration in employment growth across sectors. Regarding measures of labour market tightness, countries with low unemployment also had a high vacancy rate, while countries with high unemployment had a low vacancy rate.

Looking ahead, according to the December 2022 Eurosystem staff macroeconomic projections for the euro area, annual average real GDP growth was projected to slow down markedly from 3.4% in 2022 to 0.5% in 2023, and then to rebound to 1.9% in 2024 and 1.8% in 2025. Compared with the September 2022 ECB staff projections, the outlook for growth had been revised up by 0.3 percentage points for 2022, owing to positive surprises over the summer, and down by 0.4 percentage points for 2023. The GDP growth outlook had remained unchanged for 2024.

Risks to the growth outlook were on the downside, especially in the near term. Russia's war in Ukraine remained a significant downside risk to the economy. Energy and food costs could also remain persistently higher than expected. There could be an additional drag on growth in the euro area if the world economy were to weaken more sharply than expected. In the downside scenario in the December projections – which assumed a complete cut-off of Russian gas – real GDP would contract by 0.6% in 2023 before recovering to grow by 0.2% in 2024 and 2.0% in 2025.

Turning to fiscal policies, in 2022 the size of fiscal measures to compensate for the energy crisis had increased from 1.2% of GDP, as embedded in the September ECB staff projections, to 1.9% of GDP according to the December Eurosystem staff projections. The December projections also implied a strong upward revision to the fiscal support measures for 2023, which were now estimated at 1.9% of GDP, with some of these measures expected to remain in place in 2024 (0.5% of GDP) and in 2025 (0.2% of GDP). The cyclically adjusted primary balance, which had deteriorated to -3.4% of GDP in 2020, was seen reaching -1.3% in 2022, as pandemic-related measures were progressively withdrawn. It was projected to deteriorate again in 2023, to -1.6% of GDP, before improving by almost 1 percentage point in 2024 to -0.7% of GDP.

Moving to the latest inflation developments, according to Eurostat's flash estimate, headline inflation had declined to 10.0% in November, from 10.6% in October, owing to lower energy inflation, which was partly offset by an increase in food inflation. The decline in energy inflation in November mainly reflected lower crude oil and gas price inflation. Energy inflation was expected to drop further in December as a result of the fiscal measures taken in some euro area countries. However, in January and February 2023 it was expected to increase again, as many utility companies adjusted their prices in January or February. Subsequently the December staff projections foresaw a decline in energy inflation. However, this was much more gradual than had been projected earlier, reflecting a delayed pass-through of wholesale gas and electricity prices to customers with long-term contracts.

Food inflation had increased to 13.6% in November and was projected to continue its upward trend into early 2023 before declining from mid-year. The expected increase until early 2023 was due to the fact that the large increases seen in international food commodity prices had not yet fully passed through to retail prices. For goods inflation, there had been a slowdown in price rises at the early stages of the production chain, which had not yet passed through to retail prices. The observed significant slowdown in intermediate goods inflation should start to be visible in retail goods inflation in the course of 2023.

Indicators of underlying inflation had remained at high levels in October, with most measures still increasing but some stabilising – notably those affected by the lower month-on-month energy inflation. The momentum in domestic inflation had been slowing down since mid-2022, which could be related to the easing of the indirect effects of energy prices and supply bottlenecks. At the same time, inflation in wage-intensive components of the Harmonised Index of Consumer Prices (HICP) had been picking up over the past few months.

Negotiated wage growth had continued to increase in the third quarter and the experimental ECB wage tracker pointed to a substantial further rise in the growth of negotiated wages in the next few quarters. In the seven countries covered by the wage tracker, agreements signed so far in the fourth quarter of 2022 implied wage increases of around 5%, both in 2022 and in 2023, which was broadly in line with the December staff projections.

The November round of the ECB's Consumer Expectations Survey reported that perceptions of current inflation had stabilised at 10%, clearly showing that consumers were paying attention to the level of inflation. One-year ahead inflation expectations showed the first signs of a reversal, declining from 5.4% in October to 5.0% in November, while three-year ahead inflation expectations remained stable at around 3%.

Turning to the key features of the December 2022 projections, inflation had been revised up significantly to an average of 8.4% for 2022, 6.3% for 2023 and 3.4% for 2024. Inflation was projected to average 2.3% in 2025. The upward revisions had been driven by a combination of repeated inflation surprises in recent months (with the exception of November), more persistent pipeline price pressures and faster wage growth. The annual averages masked the strong downward base effects in energy inflation, which were projected to bring headline inflation down from 10.0% in the fourth quarter of 2022 to 3.6% in the last quarter of 2023. Inflation was then projected to ease further to 3.3% in the last quarter 2024 and 2.0% from the third quarter of 2025 onwards. The somewhat unusual time profile of inflation over 2023 and 2024 was due to the fact that the fiscal measures designed to tackle the energy price crisis were expected to dampen inflation in 2023, but push it up in 2024, when many of these measures were scheduled to be unwound.

Core inflation (i.e. HICP inflation excluding energy and food) was projected to average 3.9% in 2022 and 4.2% in 2023, before falling to 2.8% in 2024 and 2.4% in 2025. Strong wage growth amid robust labour market dynamics was a primary contributor to the persistence of core inflation, but the indirect effects of higher energy and food costs on core inflation remained substantial in 2023 and in 2024, and also played a role in explaining core inflation in 2025. The past depreciation of the euro would also push up core inflation in 2023 and 2024. The projected core inflation rates in 2024 and 2025 would have been significantly lower without the estimated indirect effects of energy inflation and the effect of the exchange rate.

Risks to the inflation outlook were primarily on the upside. In the near term existing pipeline pressures could lead to stronger than expected rises in retail prices for energy and food. Over the medium term risks stemmed primarily from domestic factors, such as a persistent rise in inflation expectations above the ECB’s target or higher than anticipated wage rises. By contrast, a decline in energy costs or a further weakening of demand would lower price pressures. The updated downside scenario in the December projections that reflected these risks pointed to higher inflation than in the baseline in 2023 and 2024 (at 7.4% and 3.6% respectively) as energy prices spiked, whereas in 2025 inflation was seen dropping below the baseline, to 2.0%, as the downward impact from the demand channel started to dominate. Uncertainty about the impact of monetary policy tightening also constituted a risk to the inflation projections, with a wide range of estimates across different modelling approaches.

To reflect the high uncertainty surrounding the economic outlook, the December baseline projection had been accompanied by sensitivity analysis as well as a downside scenario. The mechanical impact of the technical assumptions used in the baseline would have implied slightly lower GDP growth for 2023 and significantly lower GDP growth for 2024 than in the September projections. The technical assumptions would also have implied significantly lower inflation for 2023 and a higher inflation rate for 2024 than projected in September. At the same time, an extension of the current fiscal measures into 2024, which was not an unrealistic assumption in view of governments’ attempts to buffer the energy price shock, could lift inflation measurably in 2025. The downside scenario, which assumed a complete halt of Russian gas and oil supplies leading to disruptions in production and trade, resulted in higher inflation than in the baseline for 2023 and 2024 – indicating the prevalence of upside risks to inflation – while pointing to lower inflation for 2025.

Turning to monetary and financial developments, Mr Lane recalled that in the December SMA respondents had expected the path of the key ECB interest rates to have a more pronounced hump shape than had been expected in the October round of the survey. The deposit facility rate had been expected to peak in March 2023 at 2.75%, which was 25 basis points higher than expected in the previous survey round. In the long run the deposit facility rate was still expected to be 2.0%, unchanged from the October SMA. SMA respondents had expected the run-off of the asset purchase programme (APP) to start after March 2023.

Nevertheless, Mr Lane noted that long-term risk-free interest rates and sovereign yields had declined on the back of lower term premia and revised policy expectations, thereby supporting risk assets. Real interest rates had also declined since the Governing Council's October monetary policy meeting, although, compared with a year ago, there had been a big upward shift in the term structure of real forward rates. Indeed, while current real spot rates continued to be negative across maturities, reflecting the very high rate of inflation compared with late 2021, real forward rates had risen by at least 150 basis points across horizons. Therefore, beyond the very short term, the continued increase in interest rates implied that a firm needing to refinance itself over time would face a much higher real rate. Indices of financial conditions in the euro area had been sending mixed signals since the Governing Council's October monetary policy meeting, as the shift resulting from higher equity prices and lower risk-free rates was counterbalanced by a stronger euro. That said, financial conditions remained tighter than assumed in the September 2022 staff projections.

Looking at financing conditions for firms, in the latest round of the Survey on the access to finance of small and medium-sized enterprises (SAFE), firms had reported a widening "financing gap" – the difference between the change in demand for external financing and the (perceived) change in its supply – in a deteriorating economic environment. This was accompanied by an increasing share of firms being considered "vulnerable", defined as firms simultaneously reporting lower turnover, declining profits, higher interest expenditure and a non-decreasing debt-to-asset ratio. The reported larger financing gap and increase in firms' vulnerability had both typically been associated with a subsequent fall in GDP in the euro area.

Mr Lane reported that the transmission of the tightening of monetary policy was affecting money and credit developments in line with what had happened in the past. He noted that, in previous tightening cycles, the rate on time deposits had closely followed the policy rate, while the rate on overnight deposits had been systematically well below the policy rate. With the return of positive policy rates, banks were currently restoring the past pricing structure by more strongly increasing those rates that were furthest from their "normal" distance vis-à-vis the policy rate, with rates on overnight deposits recording only minor increases so far.

Lending rates on household mortgages had increased markedly, contributing to a moderation in new lending to households driven mainly by lower mortgage lending growth. Rates on loans to firms had also increased substantially. However, this increase had not yet translated into a significant moderation in bank lending to firms, as firms had significantly reduced bond issuance when faced with an increase in the cost of issuing debt securities that outpaced more sluggish bank lending rates. Moreover, firms were facing higher borrowing needs in nominal terms, as inflation had increased operating costs and investment financing needs.

Summing up, Mr Lane highlighted that, amid exceptional uncertainty, the substantial upward revision to the inflation profile over the entire projection horizon called for a monetary policy response that significantly reduced the inflation rate within the projection horizon. The stronger inflation dynamic in the revised projections meant that the estimated range for the terminal rate that would ensure a return of inflation to target in a timely manner had risen markedly. Raising policy rates to sufficiently restrictive levels and keeping them there would, over time, reduce inflation by dampening demand and would also guard against the risk of a persistent upward shift in inflation expectations.

Monetary policy considerations and policy options

Against this backdrop, Mr Lane proposed that the three key ECB interest rates should be raised by 50 basis points at the present meeting. He also proposed that it should be made clear that interest rates would still have to rise significantly at a steady pace to reach levels that were sufficiently restrictive to ensure a timely return of inflation to the 2% medium-term target. At the current juncture, taking into account the cumulative 200 basis point increase in the key ECB interest rates since July, a 50 basis point increment should be viewed as a sustainable pace at which monetary policy could be tightened in an expeditious manner. An increase of this magnitude would acknowledge the uncertainties surrounding the state of the economy and the inflation outlook, the lags with which the Governing Council's past policy actions were being transmitted and the overall tightening impulse being delivered across its portfolio of instruments, including the reimbursement of TLTROs. Under conditions of significant uncertainty, a steady pace would allow the Governing Council to learn more about the impact of its decisions on financial conditions and the broader economy thus far and to reassess, on a meeting-by-meeting basis, the level of interest rates that would be sufficiently restrictive to ensure a timely return of inflation to its target.

The key ECB interest rates were the primary tool for setting the monetary policy stance. The Governing Council should reinforce the impact of its rate hikes throughout the yield curve by announcing principles for normalising the Eurosystem's monetary policy securities holdings. Mr Lane therefore proposed communicating that, from March 2023 onwards, the APP portfolio would decline at a measured and predictable pace, as the Eurosystem would not reinvest all of the principal payments from maturing securities. Mr Lane proposed announcing that the decline would average €15 billion per month until the end of the third quarter of 2023 and that the Governing Council would determine its subsequent pace over time. In addition, the Governing Council should signal that the review of its operational framework for steering short-term interest rates, which was to be concluded by the end of 2023, would provide information regarding the endpoint of the balance sheet normalisation process.

In line with the ECB's monetary policy strategy, the Governing Council should also use the present meeting to assess in depth the interrelation between monetary policy and financial stability. The financial stability environment had deteriorated since the Governing Council's last review in June 2022, owing to a weaker economy and rising credit risk. In addition, sovereign vulnerabilities had risen amid the weaker economic outlook and weaker fiscal positions. Tighter financing conditions would mitigate the build-up of financial vulnerabilities and reduce tail risks to inflation over the medium term, at the cost of a higher risk of systemic stress and greater downside risks to growth in the short term. In addition, the liquidity needs of non-bank financial institutions could amplify market volatility. At the same time, euro area banks had comfortable levels of capital, which helped to reduce the side effects of tighter monetary policy on financial stability. Macroprudential policy remained the first line of defence in preserving financial stability and addressing medium-term vulnerabilities.

2. Governing Council's discussion and monetary policy decisions

Economic, monetary and financial analyses

With regard to the economic analysis, members broadly agreed with the assessment of the current economic situation in the euro area and the risks to the outlook provided by Mr Lane in his introduction. The euro area economy was expected to contract in the current quarter and the first quarter of next year, owing to the energy crisis, high uncertainty, weakening global economic activity and tighter financing conditions. According to the latest Eurosystem staff projections, however, a recession would be relatively short-lived and shallow. Growth was nonetheless expected to be subdued in 2023 and had been revised down significantly since the September ECB staff projections. Beyond the near term, growth was projected to recover as the current headwinds faded.

As regards the external environment, members generally shared the assessment provided by Mr Lane that the world economy was slowing, in a context of continued geopolitical uncertainty, especially owing to Russia's unjustified war against Ukraine and its people, and tighter financing conditions worldwide. Weakening global activity would also weigh on global trade and euro area foreign demand, despite improvements in global supply chain pressures. Attention was drawn to the risks surrounding the Chinese economy, which could lead to renewed bottlenecks in global supply chains. It was underlined that the euro area continued to be confronted by an exceptional degree of global uncertainty, of both an economic and a geopolitical nature, the impact of which still had to be fully understood.

Turning to euro area developments, members concurred with Mr Lane that the euro area was likely to experience a mild recession in the last quarter of 2022 and the first quarter of 2023. Economic growth in the euro area had slowed to 0.3% in the third quarter of 2022. High inflation and tighter financing conditions were dampening spending and production by reducing real household incomes and pushing up costs for firms. The past deterioration in the terms of trade, reflecting a faster rise in import prices than in export prices, continued to weigh on purchasing power in the euro area. On the positive side, employment had increased by 0.3% in the third quarter and unemployment had fallen to a new historical low of 6.5% in October. Rising wages were set to restore some of the lost purchasing power, supporting consumption. As the economy weakened, however, job creation was likely to slow, and unemployment could rise over the coming quarters.

Looking ahead, it was noted that Eurosystem staff had revised down their economic growth projection for 2023. At the same time, members highlighted the so far stronger than expected resilience of economic activity. Domestic demand had clearly remained more robust in response to higher energy prices than previously feared, reflecting the strong rebound in the demand for consumer services following the lifting of pandemic-related restrictions. The labour market, in particular, remained robust, in turn supporting domestic demand, with the result that employment had barely been revised at all in the new projections. While this outcome was seen as good news, it would also contribute to higher inflation in the medium term. It was acknowledged that growth was expected to be very close to zero in the coming year, so the euro area was facing a very significant economic slowdown compared with 2022.

While domestic demand had so far been resilient in the face of higher energy prices, there was considerable uncertainty about the dampening impact of tighter monetary policy. Reference was made to structural models with forward-looking or rational expectations that suggested a significantly stronger impact of monetary policy on aggregate demand than was embedded in the staff projections. Those models also implied more balanced risks to the medium-term outlook for inflation. At the same time, it was remarked that the underlying empirical evidence did not appear to point to a high interest rate sensitivity of aggregate demand and inflation in large parts of the euro area, notwithstanding significant heterogeneity in the transmission of monetary policy. In any case, the forceful fiscal response to the energy crisis was an important factor behind the resilience of aggregate demand and the labour market, even as measures adopted during the pandemic were being phased out. Concern was therefore expressed as to how domestic demand would hold up in the face of an expected eventual withdrawal of fiscal support.

Given the performance of economic activity and labour markets, it was noted that there was currently less need to revise down estimates of potential output growth, at least to the extent that the resilience of the euro area economy was not just driven by fiscal support. However, it was possible that the impact of the war – in particular the energy price shock – and the pandemic on the productive capacity of the economy would turn out to be greater and last longer than expected, with the result that demand would have to be reduced more strongly to curb inflation. A smaller output gap would be more consistent with the observed strong dynamics of core inflation.

Regarding the fiscal policy response to higher energy prices, members reiterated that measures should be temporary and designed to help the most vulnerable households and firms, so as to limit the risk of fuelling additional inflationary pressures. Fiscal support measures should be temporary, targeted and tailored to preserving incentives to consume less energy. Fiscal measures falling short of these principles were likely to exacerbate inflationary pressures, which would necessitate a stronger monetary policy response. Moreover, in line with the EU’s economic governance framework, fiscal policies should be oriented towards making the economy more productive and gradually bringing down high public debt. Policies to enhance the euro area’s supply capacity, especially in the energy sector, could help reduce price pressures in the medium term. To that end, governments should swiftly implement their investment and structural reform plans under the Next Generation EU programme. The reform of the EU’s economic governance framework should be concluded rapidly.

Targeted income measures were generally perceived by members as more effective than price measures, as the latter hampered the necessary long-term adjustment of energy production and consumption. It was widely highlighted that the current fiscal response was not sufficiently targeted, which was creating challenges regarding the outlook for sound public finances and for monetary policy. With a continued relaxation of fiscal rules in 2023, fiscal deficits were seen as likely to be larger than currently projected on the basis of the standard assumptions. However, it was also stressed that energy prices remained very volatile and that fiscal policy was currently trying to smooth the effects on households and firms. As long as fiscal policy was mainly aiming to smooth the impact of higher energy prices over time, it would not necessarily be regarded as expansionary.

Against this background, members assessed risks to the economic growth outlook as being on the downside, especially in the near term. Russia’s war in Ukraine continued to be a significant downside risk to the economy. Energy and food costs might also remain persistently higher than expected. There could be an additional drag on growth in the euro area if the world economy were to weaken more sharply than expected.

With regard to price developments, members broadly agreed with the assessment presented by Mr Lane in his introduction. Inflation had declined to 10.0% in November, according to Eurostat’s flash estimate, mainly on the back of lower energy price inflation, while services inflation had also edged down. Food price inflation had risen further to 13.6%, however, as high input costs in food production were passed through to consumer prices. Price pressures remained strong across sectors, partly as a result of the impact of high energy costs throughout the economy. Inflation excluding energy and food had been unchanged in November at 5.0%, and other measures of underlying inflation were also high. Fiscal measures to compensate households for high energy prices and inflation were set to dampen inflation in 2023, but inflation would rise again once the measures were withdrawn. Supply bottlenecks were gradually easing, although their effects were still contributing to inflation, pushing up goods prices in particular. The same was true for the lifting of pandemic-related restrictions: while weakening, the effect of pent-up demand was still driving up prices, especially in the services sector. The depreciation of the euro in 2022 was also continuing to feed through to consumer prices. Wage growth was strengthening, supported by robust labour markets and some catch-up in wages to compensate workers for high inflation.

Members underlined that, while headline inflation had slowed down in November, inflation was still far too high. Delays in the pass-through of energy price increases to consumer prices and the recent rebound in gas prices also implied that there was uncertainty as to whether headline inflation had already reached its peak. The latest data suggested that inflation was becoming much more broad-based and persistent. While the decline in headline inflation in November had been unexpected, inflation was still higher than projected in September. As higher inflation was projected to extend into 2024 and 2025, it was no longer driven solely by negative supply shocks, the pandemic and energy prices. Above-target inflation had now clearly reached the policy-relevant horizon for which the ECB was to be held accountable. Indeed, even if headline inflation numbers came down sharply in the course of 2023, largely owing to base effects, this was not likely to be the case for underlying inflation. Measures of underlying inflation continued to display very strong month-on-month dynamics. This was also reflected in the projections, which saw core inflation higher in 2023 than in 2022, more persistent and clearly above target in 2025. This implied an increased risk of inflation becoming entrenched in the euro area economy.

At the same time, it was underlined that the December staff projections for inflation had been revised up significantly, especially for the outer years of the projections, with an unprecedented revision of projected headline inflation in 2024. It was noted that the upward revision over that horizon reflected, to a large extent, revised judgement and the time profile of fiscal measures, as all relevant technical assumptions (e.g. oil prices, gas prices, the exchange rate and interest rates) had been revised since the September exercise in a direction that should have led to lower inflation. Consequently, the upward revision of the inflation projections largely reflected an upward revision to domestic cost pressures and an updated judgement on the speed and extent of the pass-through of costs to prices. The recent strengthening of the euro constituted a noteworthy change in the external environment and would likely imply somewhat lower inflationary pressures for the euro area in the period ahead, even though the lagged effects of the euro's pronounced past depreciation would still be working their way through the economy. Finally, it was highlighted that the speed at which inflation was projected to come down had not been revised much from the September projections. In particular, the profile of a steep decline in core inflation when the current quarter was compared with the fourth quarter of 2024 had remained practically unchanged once the higher starting level was taken into account.

Members recalled that wage pressures were key to understanding the risk of second-round effects on inflation. As wage developments in the euro area were accelerating, second-round effects through higher wages appeared to be starting to materialise. Labour markets continued to be historically tight and there were increasing pressures on wages. Compensation per employee, which had previously grown at a rate similar to that of negotiated wages, was now growing significantly faster. The growth in unit labour costs had picked up substantially and was expected, at the end of the projection horizon, to stand at levels that were not consistent with the ECB's inflation target. This was also driven by a decline in labour productivity, which might be partly due to workers not having been reallocated since the pandemic. These factors could be considered to point to second-round effects becoming a reality. However, the view was also expressed that unit labour costs were still relatively contained over the projection horizon, even though they had to be monitored closely.

Fiscal policies were also widely seen as playing a crucial role in determining the degree of persistence of medium-term inflation. In the sensitivity analysis carried out in the context of the projections, upside inflation risks stemming from fiscal policy were substantial. Fiscal policies were already more expansionary than previously expected, and they were likely to become even more expansionary. However, the view was also expressed that the fiscal measures would largely expire or reverse naturally, and therefore these could be "looked through" in the design of monetary policy. The higher inflation rates projected for the latter years of the projection period were, instead, a direct consequence of the assumptions made concerning fiscal plans, which might well turn out to overestimate the overall inflationary impact of the fiscal policy stance at that horizon. For example, longer-term price pressures might diminish if the energy-related fiscal measures were not implemented in full in 2023, or if the recession reduced the pass-through of costs to prices of goods and services.

Against this background it was remarked that the inflation projections were surrounded by an unusual degree of uncertainty, particularly over the medium term. The confidence bands surrounding the inflation projections were vast and grew over the projection horizon. The precision of the inflation projections two to three years ahead was assessed as extremely low. According to this view, the current projection for 2025 could therefore be seen as not significantly different from 2%. This uncertainty had to be underlined in communication so as to avoid conveying a false sense of precision. In this context, it was also felt that the risks to the baseline inflation projections could be assessed as more balanced in the medium run and as representing less of an increase compared with the September exercise because in the current projections some of the earlier upside risks had been incorporated into the baseline.

Looking at longer-term inflation expectations, members took note of the assessments, by Ms Schnabel and Mr Lane, of the latest developments in market-based measures of inflation compensation and survey-based indicators. Most measures of longer-term inflation expectations currently stood at around 2%, although further above-target revisions to some indicators warranted continued monitoring. Longer-term market and survey-based inflation expectations were generally judged as remaining well anchored. At the same time, it was argued that some indicators of longer-term inflation expectations were at risk of becoming unanchored. The point was made that this risk was elevated and was likely to rise non-linearly if inflation remained too high over an extended period of time, as suggested in the projections. The risks of unanchoring remained considerable given the very long time for which above-target inflation was projected and the importance of experience in shaping inflation perceptions, those of households in particular. In addition, the anchoring of longer-term inflation expectations was conditional on the Governing Council's credibility in bringing inflation back to target in a timely manner.

However, it was also noted that, in some of the latest indicators, there were signs of longer-term inflation expectations gradually retrenching. Households still had relatively high inflation expectations, which was not surprising given that these were backward-looking and gave more weight to inflation perceptions, or to the prices of goods that were increasing more in relative terms (e.g. energy and food). In the ECB's latest Consumer Expectations Survey, the median inflation expectations for three years ahead had remained fairly stable at 3%. But in the European Commission's surveys, which admittedly were qualitative, there was already a clear downward trend.

Against this background members, overall, assessed that the risks to the inflation outlook were primarily on the upside. In the near term existing pipeline pressures might lead to stronger than expected rises in retail prices for energy and food. With respect to the medium term views differed, with risks, however, generally seen as remaining to the upside. Risks stemmed primarily from domestic factors such as a persistent rise in inflation expectations above the Governing Council's target or higher than anticipated wage rises. In this regard, it was reiterated that the sensitivity analysis conducted in the context of the projection exercise pointed mostly to upside risks to inflation, notably from energy and food prices. By contrast, a decline in energy costs, a further weakening of demand and tighter financing conditions would lower price pressures.

Turning to the monetary and financial analysis, members largely concurred with the assessment provided by Mr Lane in his introduction. In line with the ongoing normalisation of monetary policy, borrowing costs were rising for firms and households. Bank lending to firms had remained robust, as firms were replacing bonds with bank loans and using credit to finance the higher costs of production and investment. Meanwhile, the increase in the cost of borrowing and the weakening prospects for the housing market had translated into a lower growth rate of loans to households.

Members agreed that, overall, the transmission of monetary policy normalisation to financing conditions was proceeding smoothly and broadly in line with what had happened in the past. However, the point was made that there were important differences across countries and that understanding them was relevant for transmission. For example, the transmission of market rates to time deposits and bank lending rates had been relatively limited and weaker than in the past in the fourth largest euro area economy, but more rapid than usual for lending rates in the largest economy. It was noted that two earlier concerns had diminished: first, banks had adjusted relatively smoothly to the change in the TLTRO conditions, which had also resulted in significant early repayments; second, tensions and the widening of spreads in the repo market had eased somewhat.

At the same time, concerns were expressed that, since the Governing Council's October monetary policy meeting, long-term risk-free rates and sovereign bond yields had declined on the back of lower term premia and revised policy expectations, resulting in lower real interest rates. These were now again in negative territory for maturities of up to ten years. Much of this decline could be linked to spillovers from the United States, reflecting the typically high correlation in yield changes across the two currency areas. In addition, markets seemed to transpose developments in the United States – where inflation was already coming down – to the euro area, notwithstanding differences in the outlook. Moreover, the argument was made that the financial markets' reaction to the Governing Council's October decision and communication had contributed to a loosening of financial conditions, which had reversed some of the tightening that had occurred in the wake of the September meeting. The decline in the euro area yield curve had also supported risk assets and contributed to a loosening of financial conditions overall. The loosening was seen as an unwelcome development and was judged inconsistent with the significantly more adverse euro area inflation outlook embedded in the staff projections. Against this background, a reversal of this downward shift in market pricing was called for, in particular by fostering a reassessment of the view embedded in financial markets as regards the ECB's future interest rate path, including its peak or terminal rate.

The Governing Council also held its regular biannual exchange on the interrelation between monetary policy and financial stability. Members concurred that financial stability conditions had deteriorated since the last review in June 2022, amid a weaker economy, rising credit risk and higher sovereign vulnerabilities in an environment of lower growth and weaker fiscal positions. They took note that sudden liquidity needs of non-bank financial institutions might amplify market volatility. At the same time, the comfortable levels of capital maintained by euro area banks would help to reduce possible negative side effects of tighter monetary policy on financial stability. The point was made that an insufficient or delayed monetary policy response might simply lead to deferred, and likely greater, repercussions on financial stability. Members also discussed potentially disorderly financial market reactions to various shocks, including different scenarios of quantitative tightening and adverse changes in fiscal policy.

Monetary policy stance and policy considerations

Turning to the assessment of the monetary policy stance, members noted that, in the December Eurosystem staff projections, the inflation outlook had been further revised up and inflation was clearly above the Governing Council's target in the medium as well as the near term. As inflation was becoming more persistent and inflation pressures more broadly based, the risk of inflation expectations becoming unanchored was also seen as increasing. In addition, pipeline pressures remained elevated and core inflation, which was less volatile and seen as more responsive to monetary policy over time, was projected to remain persistently high, with underlying inflationary pressure strengthening further. The point was made that, with inflation seen as staying well above target for at least four consecutive years, it was becoming increasingly difficult to argue that high inflation could be attributed primarily to external shocks outside the control of monetary policy. In this context, wage developments were seen as adding to the risk of second-round effects, while expansionary fiscal policies were intensifying inflationary pressures, thereby interfering with the intended effect of ongoing monetary policy tightening. It was, however, also remarked that fiscal policy had a role to play in smoothing the inflation impact of the energy shock, which was within its domain of responsibility. It was underlined that the projected slowdown in economic growth, which in principle should lower inflation pressures, was shallow and could not be expected to dampen them to a significant extent.

It was recalled that the quarterly macroeconomic projections exercises conducted by ECB and Eurosystem staff – comprising model-based analysis and considered judgement – constituted a key input into the Governing Council's decision-making. It was underlined that the projections exercises were used by the markets and the broader public to judge the coherence of the Governing Council's actions. Failing to react decisively to a worsening inflation outlook embodied in the current projections was argued to undermine their role, on the one hand, and as likely to lead to doubts about the Governing Council's determination in pursuing and delivering on its price stability objective, on the other. It was reiterated that, in line with the outcome of the ECB's strategy review, the Governing Council should react symmetrically and equally forcefully to inflation being below and above its medium-term target. Although monetary policy was unable to influence the inflation outlook in the short term, the projections now showed above-target inflation rates for 2024 and well into 2025, a prolonged period over which monetary policy did affect the inflation outlook.

At the same time, it was cautioned that the inflation projections for the latter years of the projection period were subject to very high uncertainty and might underestimate the effect of a swift monetary policy tightening following a very long period of highly accommodative monetary policy. From this perspective, it was noted that the staff projections for inflation converged to target by mid-2025, and that the profile for core inflation continued to show a very pronounced deceleration, with risks around the baseline going in both directions. The elevated uncertainty was seen as suggesting a gradual approach and keeping a medium-term orientation, rather than unduly shortening the policy-relevant horizon. Moreover, in view of the significant increase in interest rates stemming from past monetary policy decisions, some of the effects had yet to feed through to the real economy. The Governing Council had to be careful not to dampen demand excessively as rates moved into restrictive territory, thereby exacerbating the projected recession.

All in all, it was argued that the significant upward revision to the inflation projections, notably in the latter years of the projection period, would likely come as a surprise to market participants and would be perceived as inconsistent with market expectations for the interest rate path, on which the projections were based. The view was widely shared that the monetary policy stance had to be tightened decisively, as the current configuration of interest rates and expectations embodied in market pricing was not sufficiently restrictive to bring inflation back to target in a timely manner. Consequently, it was maintained that interest rates had to rise above the levels that market participants were currently expecting and had to remain at sufficiently restrictive levels for longer to reduce inflation and guard against the risk of a persistent upward shift in inflation expectations. Such an adjustment of the monetary policy stance was deemed to be also in line with the Governing Council's communication of a data-dependent, meeting-by-meeting approach to its monetary policy decisions.

Monetary policy decisions and communication

On the basis of these considerations, members agreed that tightening the monetary policy stance steadily and sustainably by both increasing interest rates and reducing the size of the Eurosystem's balance sheet was warranted.

A large number of members initially expressed a preference for increasing the key ECB interest rates by 75 basis points, as inflation was clearly expected to be too high for too long and prevailing market expectations and financial conditions were plainly inconsistent with a timely return to the ECB's 2% inflation target. Hence, the worsened inflation outlook required an interest rate hike larger than that priced in by markets. Failing to exceed market expectations could be regarded as confirming market views on the future policy path, which could result in the yield curve not shifting upwards to the extent required to bring inflation back to target. It was argued that, given the unfavourable data and inflation outlook that had become available with the December projections, the Governing Council's data-dependent, meeting-by-meeting approach required an interest rate increase of the same size as in October to counter an unwarranted loosening of financial conditions and the monetary policy stance. It was maintained that a 75 basis point increase would speak for itself and was preferable to relying on the alternative approach of a 50 basis point move accompanied by strengthened communication on the way forward. A risk management approach to addressing persistent inflation pressures was also seen as calling for decisions that erred on the side of determined action to prevent an unanchoring of inflation expectations. Raising interest rates by less than 75 basis points would send the wrong message and risked being perceived as inconsistent with the 2% inflation target in the medium term, thereby reinforcing the perception of an asymmetry in the Governing Council's reaction function.

Some of these members, nonetheless, expressed their willingness to agree on a 50 basis point rate rise if a majority were to support the proposal put forward by Mr Lane, taking into account the strengthened communication on the Governing Council's policy intentions and the enhanced message that the Governing Council would continue raising rates significantly at a sustained pace, which were also part of the proposal. This was in some ways seen as broadly equivalent to raising rates by 75 basis points at the present meeting, because a less frontloaded but steadier approach to bringing interest rates to restrictive levels could be seen as consistent with the more persistent nature of the inflation process and continued elevated uncertainty.

Taking all into account, a broad majority of members supported Mr Lane's proposal to raise the key ECB interest rates by 50 basis points and to communicate that interest rates would still have to rise significantly at a steady pace to reach levels that were sufficiently restrictive to ensure a timely return of inflation to the ECB's 2% medium-term target. A 50 basis point increase was judged to constitute an appropriate pace at which monetary policy could be tightened in a manner that was still expeditious, while recognising the uncertainties surrounding the state of the economy and the inflation outlook. It was noted that as interest rates were approaching estimates of a neutral level, the frontloading of interest rate increases and the speed of monetary tightening were becoming less relevant. Instead, the steadiness of rate hikes and the time over which interest rates remained in restrictive territory mattered more. The view was held that an increase of 50 basis points at the current meeting would allow the Governing Council to tighten monetary policy over a longer period, which was important given the increased persistence of high inflation. At the same time, it was argued that, by means of sustained 50 basis point increments, interest rates could reach sufficiently restrictive levels quickly over the course of a few meetings while allowing the Governing Council to evaluate the impact of its policies along the way. In this context, it was recalled that a 50 basis point interest rate hike was a significant increase by historical standards.

Nevertheless, it was stressed that, in order to produce an upward shift in market expectations as regards the future path of interest rates, strong communication was required that highlighted three elements, namely that interest rates would still have to increase significantly, that they would be raised into restrictive territory, and that they would remain there for longer than the market currently expected. Communicating the prospect of a more sustained and higher interest rate path was judged as likely to have a material tightening impact on financial conditions. It was recalled that by increasing rates by 200 basis points since the summer the Governing Council had made a great deal of progress in removing monetary policy accommodation, with significant effects on the economy and the inflation outlook – some of which would become visible only with a lag.

It was also stressed that the Governing Council would simultaneously announce the start of a reduction in reinvestments of maturing securities in the APP portfolio and that the ongoing TLTRO repayments were also contributing to an accelerated reduction in the size of the overall Eurosystem balance sheet. While such a move was broadly in line with market expectations, the implications for financial markets were uncertain. This was seen as calling for a cautious approach to raising interest rates. The concern was voiced that a larger interest rate rise could heighten the risks to financial stability and – together with the announcement of a reduction in APP reinvestments and the large early repayment of TLTRO borrowing – trigger financial market volatility. Finally, a 50 basis point interest rate increase was also seen as appropriate in view of the projected decline in inflation over the coming months, due in part to base effects and fiscal measures.

Other members maintained their position in favour of a rate increase of 75 basis points, regarding it as the most straightforward response to financial conditions becoming inconsistent with the expectation of inflation remaining higher for longer, as embodied in the staff projections, with risks remaining tilted to the upside. Strengthening communication was deemed important in this environment but did not constitute a substitute for a larger rate increase or a remedy for an insufficiently large increase. The view was held that the proposed adjustment of the monetary policy stance was insufficient – even taking into account the combination of a 50 basis point interest rate hike with the announcement of a reduction in APP reinvestments.

Turning to the policies affecting the size and composition of the Eurosystem’s balance sheet, members widely agreed with Mr Lane’s proposal to communicate the key principles for reducing the APP portfolio. From March 2023 the portfolio would decline at a measured and predictable pace of €15 billion per month on average, as the Eurosystem would not reinvest all of the principal payments from maturing securities. This was seen as a welcome further step in the normalisation of the ECB’s monetary policy stance, in keeping with the Governing Council’s long-standing communication that it stood ready to flexibly adjust all of its instruments within its mandate to ensure that inflation returned to its medium-term target.

It was recalled that interest rates were the Governing Council’s primary tool for setting the monetary policy stance. While all elements of the monetary policy stance needed to be considered together, it was cautioned that interest rates and balance sheet adjustments should not be regarded as substitutes that could be traded off against each other within the proposed policy package. A normalisation of the Eurosystem’s monetary policy securities holdings was seen as a necessary complement to the ongoing tightening of interest rate policy, signalling the Governing Council’s willingness to align all of its instruments so that they worked in the same direction. In the light of the current high inflation rates, with interest rates having moved away from their lower bound, accommodative liquidity conditions were no longer seen as required. Moreover, a timely announcement would reassure market participants that the reduction of the APP portfolio would take place in a measured and predictable way.

Some members expressed a preference for reducing the APP portfolio at a faster pace or for terminating reinvestments altogether. It was recalled that the decision affected only part of the Eurosystem’s monetary policy portfolios, as it applied to the APP but not to the pandemic emergency purchase programme (PEPP). Moreover, a more rapid pace of portfolio reduction had to be seen in the context of the very fast monthly pace of net purchases when the portfolio was built up. The view was held that investors were able to absorb new issuances even without the Eurosystem’s presence in the market. Starting passive balance sheet reductions as part of the normalisation process was regarded as overdue, with markets having already expected the ECB to make announcements in this respect at the time of the October monetary policy meeting. An earlier or more significant reduction in the APP portfolio would also help policy space to be regained for the future.

The view was also expressed that, while staff estimates of the impact of balance sheet reductions on economic output and inflation assumed symmetry – i.e. they assumed that the policy would work through the same channels as had been observed in the balance sheet expansion phase – there were reasons to believe that the effects of quantitative tightening would be asymmetric and weaker. It would therefore be better to regard the portfolio reduction as an element of normalisation operating in the background, with interest rates being the ECB's primary tool for setting the monetary policy stance.

It was cautioned, however, that too fast a pace of reduction could lead to the re-emergence of bond market fragmentation, which could make further interest rate increases more difficult to pursue. From that perspective, a moderate pace was seen as more appropriate, in particular as a reduction of the balance sheet was estimated as likely to have only a limited impact on the inflation outlook.

On the basis of the foregoing discussion, it was agreed to announce an average pace for the reduction of the APP portfolio that would apply from the beginning of March 2023 and in the second quarter only, leaving the pace in subsequent periods to be decided on and communicated at a later point in time. This would allow the Governing Council to evaluate investors' reactions in the coming months and to recalibrate the pace as necessary. A remark was made that the principles and modalities guiding the normalisation of the Eurosystem's monetary policy securities holdings would always be consistent with the outcome of the Governing Council's monetary policy strategy review, including with regard to the ECB's obligation to support the general economic policies in the European Union without prejudice to the attainment of the primary objective of price stability.

Members also agreed with the proposal to continue applying flexibility in reinvesting redemptions falling due in the PEPP portfolio. Maintaining the existing flexibility in PEPP reinvestments was seen as an efficient pre-emptive approach to countering a potential re-emergence of risks to the monetary policy transmission mechanism related to the pandemic and could be justified on the grounds of prudence.

Members broadly agreed to communicate that inflation remained far too high and was projected to stay above the Governing Council's 2% medium-term target for too long. It was emphasised that signalling an intention to move policy rates sufficiently into restrictive territory at a steady, sustained pace to bring inflation back to target in a timely manner was a necessary and powerful message in view of the revised inflation outlook. The view was held that, against the backdrop of the upward revision to the inflation outlook, explaining the reasoning behind the Governing Council's decision was particularly important in the absence of more forceful policy action. Consistency and coherence in the Governing Council's communication was called for, as this was seen as strengthening its impact on market expectations.

At the same time, concern was expressed that communicating an expectation that interest rates would still have to rise significantly at a steady pace to reach levels that were sufficiently restrictive to ensure a timely return of inflation to the Governing Council's target could be perceived as a departure from the Governing Council's data-dependent, meeting-by-meeting approach and as reintroducing a form of interest rate forward guidance. This could focus attention on future meetings and might give rise to problems of time inconsistency, as the appropriate path might, in the light of new information, turn out to be different from that currently envisaged. Instead, it was suggested that communication should acknowledge that, in view of the current inflation outlook, interest rates needed to be raised for longer to higher levels than were currently priced in by markets and taken into account in the Eurosystem staff inflation projections.

It was also suggested that the Governing Council should strengthen its calls for fiscal policies to avoid exacerbating inflationary pressures by keeping measures temporary, targeted and tailored to preserving incentives to consume less energy. In this context, fiscal vulnerabilities and the need to conclude the reform of the EU's economic governance framework could also be addressed.

Finally, it was seen as appropriate to reiterate that the Governing Council stood ready to flexibly adjust all of its instruments within its mandate to ensure that inflation returned to its medium-term target of 2%.

The members of the Governing Council subsequently finalised the monetary policy statement, which the President and the Vice-President would, as usual, deliver at the press conference following the Governing Council meeting.

Monetary policy statement

Monetary policy statement to the press conference of 15 December 2022 English

Press release

Monetary policy decisions

Meeting of the ECB's Governing Council, 14-15 December 2022

Members

- Ms Lagarde, President
- Mr de Guindos, Vice-President
- Mr Centeno
- Mr Elderson
- Mr Hernández de Cos*
- Mr Herodotou
- Mr Holzmann
- Mr Kazāks
- Mr Kažimír*
- Mr Knot
- Mr Lane
- Mr Makhlouf

- Mr Müller
- Mr Nagel
- Mr Panetta
- Mr Rehn*
- Mr Reinesch
- Ms Schnabel
- Mr Scicluna
- Mr Šimkus
- Mr Stournaras
- Mr Vasle
- Mr Villeroy de Galhau
- Mr Visco
- Mr Vujčić**
- Mr Wunsch*

* Members not holding a voting right in December 2022 under Article 10.2 of the ESCB Statute.

** As observer.

Other attendees

- Mr Dombrovskis, Commission Executive Vice-President***
- Ms Senkovic, Secretary, Director General Secretariat
- Mr Rostagno, Secretary for monetary policy, Director General Monetary Policy
- Mr Winkler, Deputy Secretary for monetary policy, Senior Adviser, DG Economics

*** In accordance with Article 284 of the Treaty on the Functioning of the European Union.

Accompanying persons

- Ms Buch
- Mr Demarco
- Mr Garnier
- Mr Gavilán
- Mr Gilbert
- Mr Haber
- Mr Kaasik
- Mr Koukoularides
- Mr Kuodis
- Mr Lünnemann
- Mr Madouros
- Mr Nicoletti Altimari
- Mr Novo
- Mr Ódor
- Mr Rutkaste
- Mr Tavlas
- Mr Välimäki
- Mr Vanackere
- Ms Žumer Šujica

Other ECB staff

- Mr Proissl, Director General Communications

- Mr Straub, Counsellor to the President
- Ms Rahmouni-Rousseau, Director General Market Operations
- Mr Arce, Director General Economics
- Mr Sousa, Deputy Director General Economics

Release of the next monetary policy account foreseen on 2 March 2023.

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