ECB February 2026 post-mortem: stuck in a good place

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Research

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Another boring hold

- **In case you're wondering, the ECB still thinks that its monetary policy stance is in a "good place" (read: stuck for the foreseeable future).** There was absolutely nothing new in the Governing Council statement, opening statement, or press conference for that matter. As a matter of fact, President Lagarde managed to say absolutely nothing worthwhile or anything that would have moved markets. I hope that was part of the plan. They did shorten the press conference for good reason.
- **So, the ECB sticks with this glass-is-half full approach to the economy.** I cannot disagree as things are looking up, with some particularly strong industrial demand data out of Germany this morning. But don't expect anything resembling a boom. Fiscal easing is a German story – the overall Eurozone fiscal stance is unchanged this year compared to 2025 (not to mention that Germany must now catch up from a lost decade – real output is basically flat since 2018). The labor market is slowing, and the ECB's Q1 Bank Lending Survey suggest that financial conditions are a bit too tight for most corporates.
- **Core inflation for January printed a tenth lower than expected at 2.2 percent and that put a happy face on President Lagarde.** With that print in mind, she didn't use the occasion of the recent (and now partially reversed) euro rally to talk down the exchange rate. While one Governing Council member has suggested rate cuts in the case of unwanted strengthening of the exchange rate, Lagarde brushed these concerns aside by saying that the exchange rate is within historical norms and still consistent with the ECB's forecast. There is wishful thinking here as Lagarde clearly envisages a greater international role for the euro. That will not happen when the ECB loses its nerves at the first sign of a rally in the exchange rate.
- **So, to conclude, the ECB is on hold for the rest of the year**. Unless the facts change that is.