ECB Preview

02 September 2026

September hike a done deal

We expect the ECB to hike policy rates by 25 bp on September 10. Continued higher energy prices, elevated inflation risks and a more resilient economy will result in a hike. However, as few indirect and second-round effects so far are evident in data, we expect no clear guidance regarding decisions beyond September. Instead, we expect the ECB to follow a data-dependent and meeting-by-meeting approach. We recognize the uncertainty beyond September, and the inflation outlook needs to improve for our forecast of no further hikes to materialize

Key points

- **A 25 bp hike in September, taking the deposit rate from 2.25 to 2.50 per cent**
- **High uncertainty beyond September**
- **Inflation outlook needs to improve significantly for the ECB to stop hiking**

Recent communications

Various speeches and interviews with Governing Council members since the July meeting have pointed towards a rate hike at the upcoming September meeting. Arguments in favour of a hike include 1) continued high energy prices, 2) inflation close to 3 per cent, and 3) a more resilient economy than feared when the war around the Persian Gulf broke out.

Schnabel (August 26), a well-known hawk, said in an interview with Bloomberg that “at the current policy rate, inflation is unlikely to return to target over the medium term, and therefore further tightening will be necessary”.

More centrist and dovish Governing Council members have emphasized the limited indirect and second-round effects from higher energy prices. Rehn, for example (August 18, speech at the OMFIF Nordic SSA Forum in Helsinki), said: “So far, wage growth and the wage outlook have remained moderate, with no clear signs of second-round effects”. However, even the doves have become clearer in signalling a rate hike in September. Simkus, for example (July 24, interview with Bloomberg), said that “the probability of a hike is much higher than that of a hold”.

Overall, recent ECB communication indicates that a September rate hike is more or less a done deal. Beyond September, however, policymakers appear more reluctant to signal a continued tightening cycle, in contrast to market pricing (which implies a high probability of further tightening in 2027). On the other hand, the ECB has not pushed back against market expectations and instead appear comfortable with current market pricing.

New forecasts

ECB staff will present new projections at the September meeting. Once again, we believe scenario analysis will take centre stage, given the current uncertainty surrounding energy prices.

Growth was more resilient during the first half of 2026 despite higher energy prices amid the war with Iran. However, risks to growth remain and are, in our view, still tilted to the downside. The ECB's baseline GDP forecast is expected to be revised slightly upwards for 2026.

Looking at developments over the past three months and taking futures markets into account, oil prices have evolved broadly in line with the ECB's baseline scenario. Natural gas prices, however, have risen sharply and are now closer to the severe scenario for 2027 and between the adverse and severe scenarios for 2028. Looking at a synthetic energy price expressed in barrels of oil equivalent (boe), market prices resemble the severe scenario. This scenario also assumes larger indirect and second-round effects on inflation, but the question remains to what extent these will be incorporated into the ECB's new baseline projections.

When it comes to inflation, readings over the past few months have not pointed to any clear trajectory. Core inflation has moved broadly sideways, with services inflation softening somewhat at the margin, while core goods inflation has edged higher. Headline inflation has mainly been driven by energy prices, while food prices have declined since the spring, read more here.

We do not expect ECB staff to materially change the underlying inflation forecasts despite some energy prices being close to the adverse scenario, partly because natural gas has a much lower weight than implied by the import-weighted synthetic energy price. In our view, high natural gas prices have a larger impact on growth than on inflation.

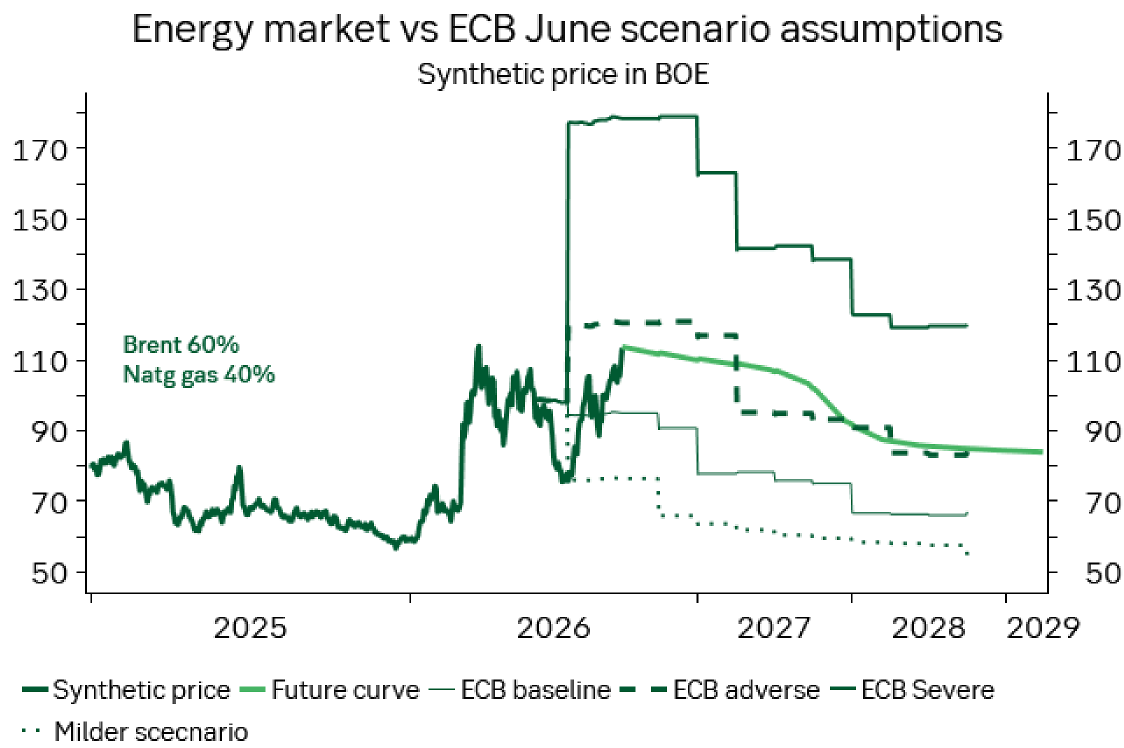
September the final hike, but uncertainty persists

We stick to our forecast that the September hike will be the final one in this cycle. However, uncertainty remains high, not least because of the high natural gas prices. Inflation risks remain tilted to the upside. The inflation outlook needs to improve significantly, and wage growth needs to continue to moderate. In that sense, the recent uptick in the Indeed Wage Tracker looks somewhat concerning, counteracting this is the continued softening of service inflation in the August inflation data. We nevertheless expect the disinflationary trend to continue. Based on our own inflation forecast, we believe will not stay above target for an extended period and that will be a key argument to stay on hold for a while.

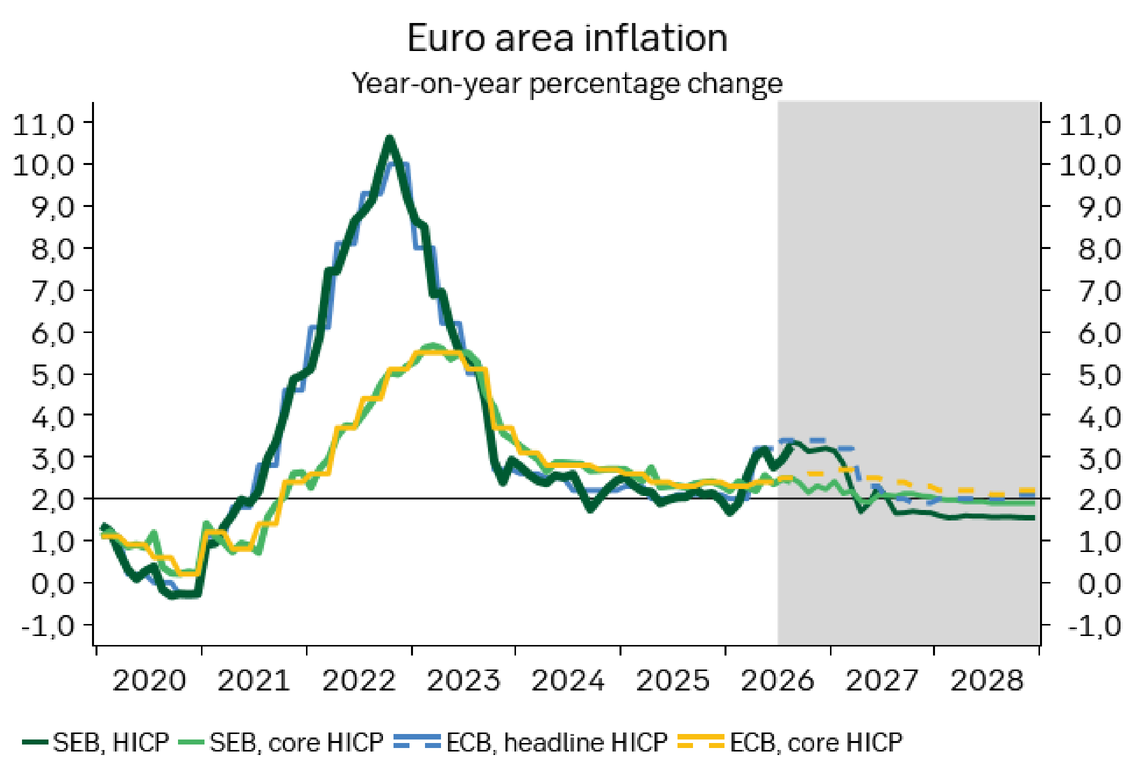
SEB forecasts of ECB staff projection in September (ECB staff projection, baseline, June), %

	2025	2026E	2027E	2028E
Real GDP	1.2	0.9 (0.8)	1.2 (1.2)	1.5 (1.5)
HICP	2.1	3.0 (3.0)	2.4 (2.3)	2.0 (2.0)
HICP excl. energy and food	2.4	2.5 (2.5)	2.5 (2.5)	2.2 (2.2)

Source: SEB, ECB



Source: Macrobond, SEB



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