



EURO ZONE: ECB BEGINS TO CUT RATES

The European Central Bank (ECB) has raised its key interest rates several times since 2022 to combat inflation in the eurozone in the wake of the end of the health crisis and the war in Ukraine. After years during which central banks had flooded the markets with liquidity, this increase was aimed at slowing down economic players and in particular the speed at which money circulated. By October 2022, inflation had reached 10%. It has now fallen back to above 3% in December 2023. In May 2024, it was at 2.6%, after 2.4% in April.

For the first time since 2019, ECB has decided to cut interest rates. The main refinancing operations rate was lowered from 4.5% to 4.25% and the marginal lending facility rate from 4.75% to 4.5%, bringing both rates back to their 2023 values. As for the deposit facility rate, its record high rate of 4% was lowered to 3.75%.

The economic indicators for the eurozone are starting to improve. The eurozone returned to growth in the first quarter of 2024 (0.3%), and the unemployment rate is at a historically low level (6.4%). The ECB's decision should help this economic recovery. Further cuts seems likely this year but the situation is not the same in the United States.



At the end of its meeting on Wednesday, June 12, the Federal Reserve (FED) once again left its key rates unchanged at between 5.25% and 5.5%, the highest level for over twenty years.

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