

ECB ready to tighten just as global peers speed things up

LONDON: The European Central Bank (ECB) is finally about to join the global handwagon of monetary policy tightening, spurred into action by repeated record highs in inflation.

Almost three months since the United States Federal Reserve (Fed) delivered a first interest-rate hike, its eurozone counterpart will this week announce an end to bond purchases and formally begin the countdown to an increase in borrowing costs in July.

The ECB has hesitated to remove stimulus while gauging the fall-out from the war raging just over the frontier of its currency area in Ukraine.

By contrast, most major central banks are now further down the road with tightening, and some are even ratcheting up the pace.

The Fed doubled the speed of rate hikes last month with a half-point increase, and policy makers in Australia and India could follow suit with faster moves too.

Against that backdrop and with eurozone inflation now at 8.1%, there's a clear consensus at the ECB on the need to get started. The argument now within the governing council centres on whether quarter-point increases are enough, and on how high to ultimately bring rates next year.

Austrian central bank governor Robert Holzmann said anything less than a half-point move "risked being seen as soft," and colleagues from the Netherlands, Slovakia and Latvia have openly called for such an increment to at least be considered.

Forecasters at Deutsche Bank and Bank of America now reckon that will materialise, but most economists currently assume the hawks' views won't prevail.

ECB president Christine Lagarde is likely to face questioning on that debate at her press conference on Thursday after the meeting.

She will also unveil crucial new forecasts that informed the decision, with projections that may invite comparison with the Organisation for Economic Co-operation and Development's latest global outlook due the previous day.

Elsewhere, central banks from Chile to Poland will probably continue hiking too, Russian policy makers may deliver a rate cut, and US consumer-price data is likely to show a monthly acceleration.

In the United States, the May consumer price index (CPI) takes top billing in an otherwise quiet week for economic data. Fed officials will observe a blackout period ahead of their June 14-15 policy meeting.

The CPI report is expected to show inflation accelerated on a month-to-month basis, due in part to record gasoline prices. — Bloomberg