

## ECB Weighs Rate Hikes Amid Inflation Pressure



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European Central Bank (ECB) is expected to adopt a cautious tightening stance as it prepares for potential interest rate increases in its June and July meetings, amid persistent inflation pressures and weakening growth across the eurozone.

The ECB faces a complex policy environment, balancing inflation risks against economic slowdown while avoiding an excessive tightening cycle in an already fragile recovery phase.

Rising global energy prices, driven by geopolitical tensions in the Middle East, continue to exert

upward pressure on inflation. Higher energy costs remain significant for Europe, which is heavily dependent on imported energy.

Financial markets anticipate a 25-basis-point rate increase at the upcoming meeting, with expectations of further hikes before year-end. Analysts remain divided on the extent of tightening ahead.

Jan-Paul van de Kerke of ABN AMRO expects rate increases in June and July, while noting a gradual return toward a neutral rate by 2027. Marco Wagner of Commerzbank sees limited further hikes compared to market expectations.

Elwin de Groot of Rabobank warned of weaker growth and stagflation risks linked to geopolitical disruptions, including developments around the Strait of Hormuz.

Alain Durre of Natixis said the ECB is likely to maintain a data-dependent approach with a moderate tone to avoid expectations of a prolonged hiking cycle.

Overall, economists expect risk-managed rate adjustments rather than a full tightening cycle, as policymakers navigate inflation uncertainty and slowing eurozone momentum.