

Exclusive: ECB Scicluna: April Rate Cut 'Not Impossible or Even Improbable'

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By David Barwick - VALLETTA (Econostream) – It is by no means excluded that the European Central Bank will see its way to a first rate cut in April, according to Edward Scicluna, Governor of the Central Bank of Malta and member of the ECB's Governing Council.

Whilst clearly acknowledging various reasons pointing to June as the somewhat likelier month of choice for monetary easing to start in the euro area, in an interview on Monday with Econostream (transcript [here](#)), Scicluna argued that the additional time between now and the 11 April policy meeting, as well as the various data points to become available in the interim, could wind up favouring a decision not to wait beyond April after all.

March had been the 'chance to act' in light of the new projections showing a yet more benign inflation outlook, he said. The absence in April of another update of the forecasts did not help April's chances, and moving next month could be interpreted as 'an admission that it could have been done in March', he pointed out.

'However, notwithstanding that one was not sufficiently convinced in March, still it could only take a little bit more time and some additional data to push to where April becomes a possibility', he said. 'Even though everyone is talking about "June, June, June", April does indeed become a possibility.'

By the time of the April meeting, monetary authorities would have the additional information of the labour cost index, the index of services production and March HICP data, all of which also offered insight into the trend, he reminded.

'So, you could justify why you want to move in April, because you have indications that the downward trend is continuing', he said. 'So April and June are both evenly balanced.'

April 'is not impossible or even improbable', he said.

In fact, the ECB has taken care to leave its options open, and although numerous officials have sought to limit expectations of an April rate cut, no one, including President Christine Lagarde when given the opportunity, appears to want to exclude the possibility.

The surprise rate cut on Thursday by the Swiss National Bank and the confirmation later in the day by the Bank of England that rate cuts were on its horizon could contribute at least marginally to a sense at the ECB that it need wait no longer.

Still, Scicluna said he would not yet describe the ECB as having gotten behind the curve, though he urged that 'we shouldn't over-burden activity any longer' and took issue with the idea that inflation was a creature needing to be killed.

'[E]specially now with the symmetry of our monetary policy strategy, it no longer makes sense to speak of "killing the monster" of inflation', he said. 'There's no such thing.'

That also applied to phrasing like 'declaring victory', a concept he rejected. When used in the public discourse, 'it's just trying to show hawkishness', he said. 'I would prefer to speak of good policy. Inflation is with us and of course as economists we know that some inflation is essential.'

A wage-price spiral such as that he'd experienced personally in the 1970s was nowhere in sight and wage negotiations were no reason to wait until June, he said. 'I'm not saying we don't need to monitor developments, of course', he said. 'We just don't need to make a mountain out of a molehill.'

Predicting the tempo of rate cuts once the ECB started was futile under the current approach, he indicated.

'You need to be really, really sure of yourself and what you're saying in order to announce three or any other number of cuts in succession', he said. 'I think most of us will want to stick to the meeting-by-meeting, data-driven approach.'