

Money Market Report for the week ending 18 April 2025

ECB Decisions

On 17 April 2025, the Governing Council of the European Central Bank (ECB) decided to lower the three key ECB interest rates by 25 basis points. Accordingly, the interest rates on the deposit facility, the main refinancing operations (MRO) and the marginal lending facility will be decreased to 2.25%, 2.40% and 2.65% respectively, with effect from 23 April 2025.

In particular, the decision to lower the deposit facility rate – the rate through which the Governing Council steers the monetary policy stance – is based on its updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission.

The disinflation process is well on track. Inflation has continued to develop as staff expected, with both headline and core inflation declining in March. Services inflation has also eased markedly over recent months. Most measures of underlying inflation suggest that inflation will settle at around the Governing Council's 2% medium-term target on a sustained basis. Wage growth is moderating, and profits are partially buffering the impact of still elevated wage growth on inflation. The euro area economy has been building up some resilience against global shocks, but the outlook for growth has deteriorated owing to rising trade tensions. Increased uncertainty is likely to reduce confidence among households and firms, and the adverse and volatile market response to the trade tensions is likely to have a tightening impact on financing conditions. These factors may further weigh on the economic outlook for the euro area.

The Governing Council is determined to ensure that inflation stabilises sustainably at its 2% medium-term target. Especially in current conditions of exceptional uncertainty, it will follow a data-dependent and meeting-by-meeting approach to determine the appropriate monetary policy stance. In particular, the Governing Council's interest rate decisions will be based on its assessment of the inflation outlook in light of the incoming economic and financial data, the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council is not pre-committing to a particular rate path.

The asset purchase programme and pandemic emergency purchase programme portfolios are declining at a measured and predictable pace, as the Eurosystem no longer reinvests the principal payments from maturing securities.

The Governing Council stands ready to adjust all of its instruments within its mandate to ensure that inflation stabilises sustainably at its 2% target over the medium term and to preserve the smooth functioning of monetary policy transmission. Moreover, the Transmission Protection Instrument is available to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy across all euro area countries, thus allowing the Governing Council to more effectively deliver on its price stability mandate.

ECB Monetary Operations

On 14 April 2025, the ECB announced the 7-day MRO. The operation was conducted on 15 April 2025 and attracted bids from euro area eligible counterparties of €11,937.00 million, €3,090.00 million more than the previous week. The amount was allotted in full at a fixed rate equivalent to the prevailing MRO rate of 2.65%, in accordance with current ECB policy.

On 16 April 2025, the ECB conducted a 7-day US dollar funding operation through collateralised lending in conjunction with the US Federal Reserve. This operation attracted bids of \$73.40 million, which were allotted in full at a fixed rate of 4.58%.

Domestic Treasury Bill Market

In the domestic primary market for Treasury bills, the Treasury invited tenders for 91-day and 182-day bills for settlement value 17 April 2025, maturing on 17 July and 16 October 2025, respectively. Bids of €109.52 million were submitted for the 91-day bills, with the Treasury accepting €35.21 million, while bids of €55.83 million were submitted for the 182-day bills, with the Treasury accepting €15.28 million. Since €25.69 million worth of bills matured during the week, the outstanding balance of Treasury bills increased by €24.79 million, standing at €557.07 million.

The yield from the 91-day bill auction was 2.135%, decreasing by 12.00 basis points from bids with a similar tenor issued on 10 April 2025, representing a bid price of €99.4632 per €100 nominal. The yield from the 182-day bill auction was 2.176%, decreasing by 6.00 basis points from bids with a similar tenor also issued on 10 April 2025, representing a bid price of €98.9119 per €100 nominal.

During the week, there was no trading on the Malta Stock Exchange.

This week the Treasury will invite tenders for 91-day and 182-day bills maturing on 24 July and 23 October 2025, respectively.