

Money Market Report for the week ending 12 September 2025

ECB Decisions

On 11 September 2025, the Governing Council of the European Central Bank (ECB) decided to keep the three key ECB interest rates unchanged. Accordingly, the interest rates on the deposit facility, the main refinancing operations (MROs) and the marginal lending facility will remain unchanged at 2.00%, 2.15% and 2.40% respectively.

Inflation is currently at around the 2% medium-term target and the Governing Council's assessment of the inflation outlook is broadly unchanged. The new ECB staff projections present a picture of inflation similar to that projected in June. They see headline inflation averaging 2.1% in 2025, 1.7% in 2026 and 1.9% in 2027. For inflation excluding energy and food, they expect an average of 2.4% in 2025, 1.9% in 2026 and 1.8% in 2027. The economy is projected to grow by 1.2% in 2025, revised up from the 0.9% expected in June. The growth projection for 2026 is now slightly lower, at 1.0%, while the projection for 2027 is unchanged at 1.3%.

The Governing Council is determined to ensure that inflation stabilises at its 2% target in the medium term. It will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, the Governing Council's interest rate decisions will be based on its assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as 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 the 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 at its 2% target in 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 8 September 2025, the ECB announced the 7-day main MRO. The operation was conducted on 9 September 2025 and attracted bids from euro area eligible counterparties of €7,440.50 million, €153.00 million more than the previous week. The amount was allotted in full at a fixed rate equivalent to the prevailing MRO rate of 2.15%, in accordance with current ECB policy.

On 10 September 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 \$49.00 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 11 September 2025, maturing on 11 December 2025 and 12 March 2026, respectively. Bids of €30.51 million were submitted for the 91-day bills, with the Treasury accepting €15.51 million, while bids of €24.02 million were submitted for the 182-day bills, with the Treasury accepting €5.06 million. Since €24.92 million worth of bills matured during the week, the outstanding balance of Treasury bills decreased by €4.35 million, standing at €582.59 million.

The yield from the 91-day bill auction was 1.943%, decreasing by 1.20 basis points from bids with a similar tenor issued on 4 September 2025, representing a bid price of €99.5113 per €100 nominal. The yield from the 182-day bill auction was 1.803%, decreasing by 3.70 basis points from bids with a similar tenor also issued on 4 September 2025, representing a bid price of €99.0967 per €100 nominal.

During the week, secondary market turnover in Malta Government Treasury bills amounted to €200,000, all executed on the On-exchange market of the Malta Stock Exchange.

This week the Treasury will invite tenders for 91-day and 181-day bills maturing on 18 December 2025 and 18 March 2026, respectively.