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ECB MONITOR

ECB Monitor Quarterly Report Q2 2026

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MAIN FINDINGS

- The ZEW Momentum Indicator shows a swift hawkish shift in council communication since early 2026, coinciding with renewed inflationary pressure following the escalation of the Iran conflict.
- The dispersion of individual hawk–dove scores is very narrow, indicating that council members who have communicated their position publicly are broadly aligned and speaking with one voice.
- Based on these findings an interest hike at the next ECB council meeting on June 11 is very likely

The escalation of the Iran conflict in early 2026 has injected significant uncertainty into the global inflation outlook. Energy price increases and supply-chain disruptions have reignited concerns about second-round inflation effects in the euro area, drawing comparisons to the post-pandemic commodity shock of 2021–22. Against this backdrop, the Governing Council of the European Central Bank faces a delicate balancing act at its next monetary policy meeting on June 11, 2026: holding the deposit rate at 2%, cutting further to support a slowing economy, or raising interest to prevent potential uncontrolled inflation.

To assess how council members are communicating ahead of this decision, the ZEW ECB Monitor tracks the tone of individual speeches using an AI-based text classification approach. This report summarises the key findings from the most recent data update.

METHODOLOGY AND DATA

The analysis draws on the Bank for International Settlements (BIS) speeches dataset (BIS, 2024), which is supplemented with directly scraped speeches from the BIS speeches database to ensure near real-time coverage. The corpus covers all members of the ECB Governing Council—national governors and executive board members—from 1998 to the present.

Each speech is classified by GPT-5 mini, a large language model (LLM) developed by OpenAI. The model assigns a hawk–dove position score on a continuous scale from –1.0 (strongly dovish: speaker sees no inflation risk and advocates more expansionary policy) to +1.0 (strongly hawkish: speaker identifies significant upside inflation risk and calls for tighter policy). A score of 0.0 indicates a neutral assessment consistent with the current policy stance.

The reliability of the AI classifications has been validated against human-coded data in the following way: 600 randomly drawn five-sentence paragraphs were independently scored by the model and a human annotator, yielding a strong correlation between the two assessments (see Heinemann and Kemper, 2026, for full details). A comprehensive description of the methodology is available in the accompanying ZEW ECB Monitor Methodology Report (Heinemann and Kemper 2026).

The ECB-ZEW Momentum Indicator aggregates individual speech scores over rolling 6-week windows, taking the arithmetic mean of all speeches delivered within each window. It shows how the average council position is developing over time.

THE ECB-ZEW MOMENTUM INDICATOR

Figure 1 displays the ECB-ZEW Momentum Indicator for the most recent period from January to May 2026, shown in six-week rolling intervals. The chart reveals a clear upward trajectory in the score: since the escalation of the Iran conflict in early 2026, the momentum score has risen substantially from 0.2 in the six-week window

before the Iran war to 0.63 in the six-week window from April to mid-May. This increase indicates a marked and rapid hawkish shift in Governing Council communication.

Figure 1: ZEW Momentum Indicator 2026 - 6 Weeks Interval

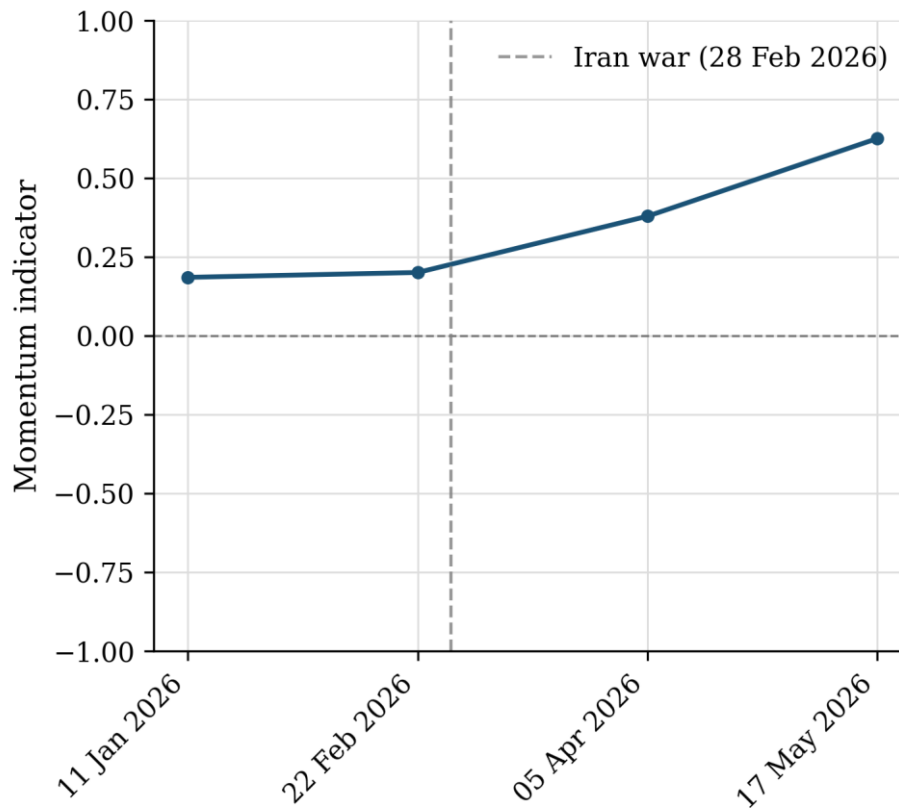


Figure 1: ECB-ZEW Momentum Indicator and ECB Deposit Rate (January 2026-May 2026). The indicator represents the 6-week rolling average of hawk–dove position scores across all Governing Council speeches. Scale: -1.0 (dovish) to +1.0 (hawkish). Source: ZEW ECB Monitor, BIS speech database.

The two most recently completed six-week windows are based on 14 and 24 speeches, respectively. The breadth of coverage is broadly comparable to prior windows, limiting concerns about composition effects driving the observed shift.

Figure 2: ZEW Momentum Indicator 2019-2026 - 6 Weeks Interval

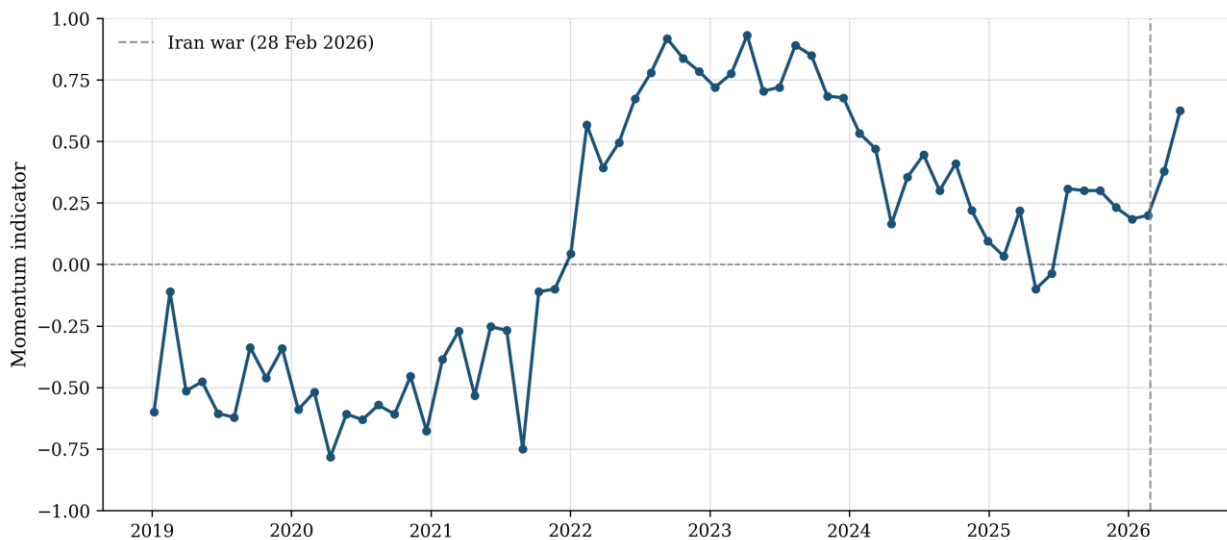


Figure 2: ECB-ZEW Momentum Indicator and ECB Deposit Rate (2019–2026). The indicator represents the 6-week rolling average of hawk–dove position scores across all Governing Council speeches. Scale: –1.0 (dovish) to +1.0 (hawkish). Source: ZEW ECB Monitor, BIS speech database.

The longer-term perspective in Figure 2, which covers the full 2019–2026 period, confirms that the current hawkish shift also represents a substantial increase in hawkishness from a historical standpoint. At the same time, the current score remains below the peak values reached during the interest rate hikes of the pandemic-era inflation surge in 2022–2023.

DISAGREEMENT WITHIN THE COUNCIL

Beyond the average position, the dispersion of individual scores within each six-week window provides a measure of disagreement among Governing Council members. It is measured by the standard deviation for each six-week window.¹ A higher standard deviation indicates that council members are pulling in different directions, which can complicate the ECB's effort to communicate a unified policy signal and may increase uncertainty in financial markets ahead of rate decisions.

The analysis shows that there was a very high level of disagreement before the interest hike during the pandemic. Afterwards, in the high inflation period there was a very low level of disagreement while it increased again during the reduction of the interest rates.

At the most recent time period after the Iran war, we see no increase in disagreement between the central bankers. The standard deviation of individual hawk–dove scores stays at a low level, indicating that council members are communicating in a broadly unified direction. This positioning, viewed alongside the hawkish shift documented above, suggests that most members perceive the Iran conflict as a significant upside risk to inflation and broadly favor a tighter monetary policy stance.

¹ The standard deviation is calculated by the following formula for each six-week window: $sd = \sqrt{\frac{1}{n-1} \sum_{i=1}^n (x_i - \bar{x})^2}$ where x is the Momentum score of speech i and \bar{x} is the arithmetic mean of the Momentum scores for each six-week window. N is the number of available speeches in the respective six-week window.

Figure 3: ZEW Momentum Indicator Standard Deviation 2019-2026 - 6 Weeks Interval

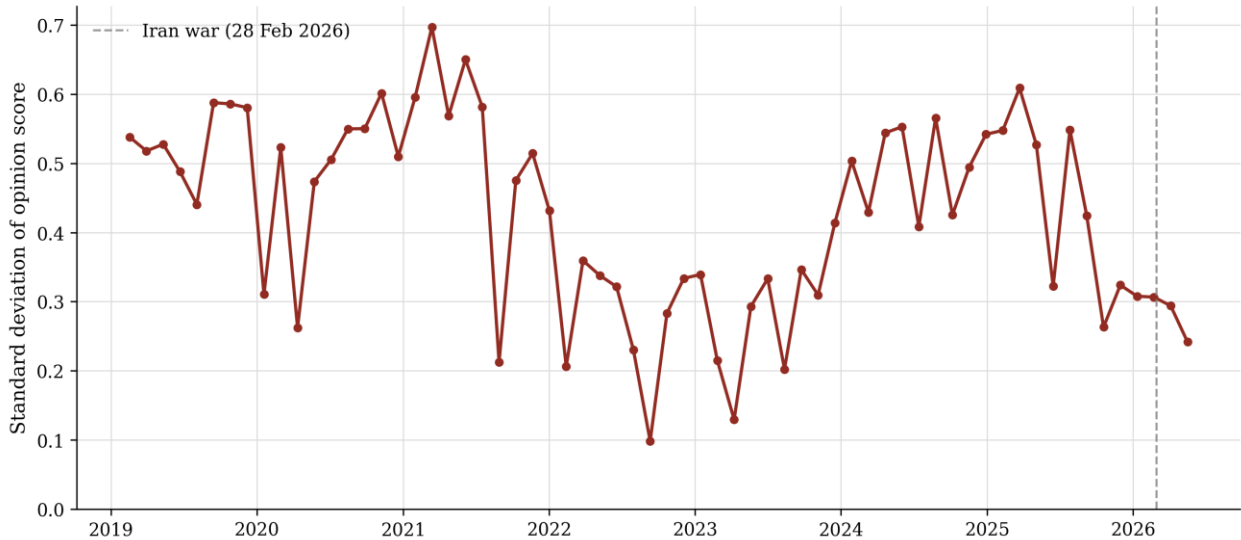


Figure 2: Standard deviation of hawk–dove scores within six-week windows (2019–2026). Source: ZEW ECB Monitor.

MESSAGE FOR THE ECB MONETARY POLICY DECISION ON JUNE 11

Since the escalation of the Iran conflict, the ZEW Momentum Indicator has shifted markedly in a hawkish direction, signaling that Governing Council members increasingly perceive the conflict as an upside risk to inflation and are communicating in favor of tighter monetary policy. This hawkish turn is reinforced by the very low level of disagreement among council members over the most recent six-week period, suggesting that the shift reflects a broad consensus rather than the views of a minority. Taken together, both the direction and the uniformity of council communication point clearly towards an interest rate hike at the June 11 meeting.

References

Bank for International Settlements (2024). Central bank speeches, 1997-2026, <https://www.bis.org/cbspeeches/download.htm>.

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Heinemann, Friedrich and Kemper, Jan (2026). ECB Monitor Methodology Report – ECB Council Stance.

Impressum

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