

ECB RAISES RATES AGAIN, CUTS BANK SUBSIDIES

Relevant for: International Relations | Topic: Effect of policies and politics of developed & developing countries on India's interests

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The European Central Bank raised interest rates again and announced it was changing the terms of its ultra-cheap loans to commercial banks in a bid to shrink its bloated balance sheet and fight off a historic surge in inflation.

Worried that rapid price growth is becoming entrenched, the ECB is raising borrowing costs at the fastest pace on record, with more hikes almost certain. The central bank for the 19 countries that use the euro raised its deposit rate by a further 75 basis points to 1.5% — the highest rate since 2009.

ECB President Christine Lagarde noted while the Ukraine war and other global uncertainties meant the euro economy faced a number of risks to the downside, inflation risks were skewed upwards.

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