

First meeting of the Monetary Analysis Contact Group (MACG)

Frankfurt am Main, Wednesday, 8 October 2025

Meeting summary

Representatives from 23 euro area financial institutions (see Annex) and senior staff mostly from the ECB's Directorate General Monetary Policy attended the first meeting of the ECB's Monetary Analysis Contact Group (MACG). The MACG is a forum for interaction between the ECB and financial institutions active in the euro area. Its key objective is to further enhance the understanding of the transmission of monetary policy to the broader financing conditions in the euro area, complementing the ECB's monitoring and analysis based on both hard data and qualitative survey data.

Three main topics were discussed at the meeting: Financial market transmission, credit market transmission, and structural issues related to monetary policy transmission.

1. Financial market transmission

MACG members discussed the relationship between financial market risks and persistent policy uncertainty. The resilience of equity markets and low volatility were assessed as potentially related to receding trade tensions and overall resilience of global growth. MACG members highlighted the Fed rate cuts and the anticipation of further cuts by the Fed, fiscal spending in Europe (especially higher defense spending), as well as artificial intelligence (AI) returns due to higher earnings expectations in this segment, which may have also contributed to benign developments in financial markets.

At the same time, financial market risks were highlighted. These included according to MACG members high valuations, in particular in the U.S., and vulnerabilities related to possible earnings disappointments. Additional concerns were related to the substantial weight in terms of market capitalisation of the largest stocks in stock market indices (market concentration), potential risks related to discussions on the Fed's independence and fiscal dominance, also regarding the appointment of a new Chair of the U.S. Fed in May 2026, as well as fiscal vulnerabilities related to high government debt, which may affect long-term bond yields.

With regard to euro area stock markets, MACG members noted that euro area stock markets outperformed U.S. markets in the first half of 2025, driven by (foreign) investors' interest in European equities and efforts to diversify their investment portfolios outside the U.S.. The relative resilience of euro area financial markets was attributed to overall sound corporate profits and credit quality holding up well, despite vulnerabilities in some segments. Germany's fiscal package for 2026 was noted as a measure that could contribute positively to long-term growth and, indirectly, to higher valuations. However, while equity market developments were benign, one member pointed out that the depreciation of the US dollar and a steep increase in the price of gold signalled larger underlying risks. MACG members critically assessed markets' ability to price long-term structural risks, and precedents related to the internet bubble in early 2000 and the 2007-2008 subprime crisis were recalled in this respect. Overall, members agreed that, while markets appear resilient, underlying vulnerabilities and geopolitical uncertainties warrant close monitoring.

2. Credit market transmission

MACG members discussed the key factors driving credit growth in the euro area. Since the start of the easing cycle, following the first key ECB interest rate cut in June 2024, new lending to euro area firms and households had increased. However, the ratio of loans to euro area GDP had declined, which aligns with the typical feature of credit growth lagging GDP growth.

Several challenges to bank lending were identified, including subdued economic growth prospects, geopolitical risks, structural weaknesses in certain sectors, and the expiration of state guarantees introduced during the Covid-19 pandemic. Lending to some sectors, like automobile and chemicals, was considered particularly weak, partly owing to high export exposure of the sectors and geopolitical uncertainty. MACG members referred to the need for banks to closely monitor credit risks. Some members also pointed to the growing role of non-bank financial institutions (NBFIs) in corporate financing.

On the positive side, credit growth was supported by non-cyclical sectors such as healthcare, as well as by sound fundamentals of large corporations. In addition, members expected positive effects on credit growth from defense spending. In this context, one member mentioned that investment in defense spending, e.g. via defense bonds, was gaining attention in financial markets.

While firms' demand for short-term loans had increased, demand for long-term loans had remained subdued, reflecting a lack of long-term fixed corporate investment. Some MACG members mentioned that for higher loan growth more infrastructure investment would be needed, which would tend to be delayed in times of uncertainty and trade tensions. Unlike the post-Covid period, when firms could raise selling prices and expand profit margins in conditions of widespread high price pressures, firms were now forced to generate profits primarily by seeking to expand volumes. According to some members, the ability to raise selling prices has become quite limited. On a global scale, members highlighted strong demand for credit, particularly in emerging markets, but expressed concerns about credit quality and risks of over-leveraging.

3. Structural issues related to monetary policy transmission

MACG members discussed the ongoing transformation of the financial industry, focusing on the interplay between technological advancements, market fragmentation and regulatory challenges.

The discussion highlighted key trends in payments and financial liquidity, including the rise of account-to-account payments that bypassed traditional networks, allowing faster and cheaper transactions. MACG members referred in this context to the fragmentation of European financial markets, including in payment infrastructure, which would complicate cross-border transactions. The supply of more efficient payment systems was identified by one member as a strategic entry point for new players wanting to attract retail customers and deposits. This would allow new players to then diversify into other bank business, thus presenting a challenge for traditional banks. One member stressed the need for banks to adapt to the digital transformation to remain competitive and resilient. The rapid growth of stablecoins, with their adoption accelerating globally, was also discussed as a further challenge to traditional banking. Overall, the transformative potential of stablecoins in reshaping monetary systems and facilitating cross-border trade was highlighted, although privacy concerns as well as competition between stablecoins issuers and traditional financial players would need to be addressed.

The broader implications of digitalisation and artificial intelligence (AI) were also explored, presenting challenges and opportunities at the same time in terms of changing the competitive environment, fostering a decentralisation of financial services, and incentivising innovation and efficiency gains. MACG members noted the transformative role of the blockchain technology in financial services, including the issuance of digital corporate bonds. The efficiency of blockchain technology to provide instant transactions at lower costs and greater speed in payments and securities settlement - particularly for cross-border transactions - was identified as a key driver of demand, offering opportunities for traditional players to reduce operational

costs and improve efficiency. Members noted the role of AI in automating financial processes, being increasingly used in operational workflows and having an impact on credit decisioning workflows, risk management, and monitoring credit quality. Open banking, tokenised contracts and self-sovereign identities were identified as potential developments over the next decade. Customer demand, especially from younger, well-educated and affluent individuals, would put pressure on traditional financial institutions to adopt blockchain-based solutions as a condition to retain client relationships.

MACG members also referred to regulatory challenges, with a particular focus on Europe, as technological trends would evolve faster than regulatory frameworks. Members stressed the importance of balancing innovation with regulatory oversight to ensure sustainable growth and stability. Overall, while technological advancements would create unprecedented opportunities, MACG members mentioned that they also pose significant risks, particularly in relation to regulation, market concentration, and long-term structural vulnerabilities.

Annex: List of participating financial institutions

ABN AMRO

Amundi Asset Management

AXA

Banco Santander

BBVA

BNP Paribas

Groupe BPCE

Commerzbank

Deutsche Bank

DWS Group

Erste Group

Fitch Solutions

Generali Asset Management

Goldman Sachs

HSBC Continental Europe

ING

Intesa Sanpaolo

J.P. Morgan

KBC Group

Nordea

Revolut

Société Générale

Unicredit