



By: TA | AP Brief

Christine Lagarde will resign in February



European Central Bank President Christine Lagarde will resign nine months before the end of her term, a move that opens the way for European leaders to choose a successor ahead of **France's presidential election** next year.

Lagarde, 70, will leave Feb. 7, the ECB said Thursday. Her eight-year term was to end Oct. 31, 2027.

The resignation opens the way for complex political horse trading over her successor and replacements for two other top officials who are leaving next year.

The ECB president leads the bank's governing council, which sets **interest rates** for the 21 countries that use the euro currency, affecting borrowing costs for everything from house purchases to new factories and serving as the European Union's **chief crisis fighter** in times of economic and financial turbulence.

"It has been a great pride and a huge privilege to serve this institution," Lagarde said in a video message posted on X. "I think that I leave this institution with a sense of good work done and an ECB that is fit for the future."

Asked about her reasons at a news conference following the bank's decision to leave rates unchanged, she said that she wanted to be freed from the obligation of political neutrality that comes with being ECB head.

"I want to, have the freedom of speech, the freedom of expression, and the freedom to engage on matters that are not monetary policy matters," she said. "I don't think that I can be comfortable in that neutrality at the present time." She didn't elaborate.

The announcement was expected following speculation that Lagarde would leave early to enable EU leaders to choose a successor while pro-EU French President Emmanuel Macron is still in office.

That would guard against the possibility that right-wing presidential candidate Marine Le Pen might win the election and influence the choice.

"That she leaves early is no surprise and does not change the outlook for ECB policies," said Holger Schmieding, chief economist at Berenberg bank.

European Council President Antonio Costa said that the selection process "will be initiated today and will proceed without delay."

The term of another top ECB official — chief economist Philip Lane — is to end May 31, while another member of the ECB's executive board, Isabel Schnabel, is resigning Jan. 3 to move to the International Monetary Fund.

Leading candidates

European leaders are expected to work out a package deal to apportion the three vacancies among member countries in a complex round of political bargaining.

EU leaders would likely seek to reach agreement on all three posts before a summit meeting on Dec. 17-18, Schmieding said.

He said that leading candidates for Lagarde's job appeared to be former Netherlands central bank head Klaas Knot and Spain's Pablo Hernandez de Cos, the general manager of the Bank for International Settlements. The BIS is an international organization of central banks.

Lagarde's successor will still be appointed while the staunchly pro-European centrist Emmanuel Macron still resides in the Elysee Palace - Holger Schmieding

"The European Union is trying to guard itself at least somewhat against the risk that right-wing Marine Le Pen may win the French presidential election in April-May 2027," Schmieding wrote in an email. "Lagarde's successor will still be appointed while the staunchly pro-European centrist Emmanuel Macron still resides in the Elysee Palace."

Lagarde, the former head of the International Monetary Fund, was appointed in 2019 to succeed Mario Draghi.

A key decision during her tenure came in 2020, when the bank deployed 1.35 trillion euros (\$1.5 trillion) in emergency stimulus in the form of bond purchases to keep the COVID-19 pandemic from drying up credit for the economy.

The bank's ability to act swiftly — in contrast to the often drawn-out negotiations among the 27 European Union national governments — has given it a leading role in combating Europe-wide crises such as the pandemic and the peak period of the eurozone's debt crisis in 2010-2012.

Most notably, Draghi's promise in 2012 to “do whatever it takes to preserve the euro” calmed bond market turmoil that raised fears the eurozone would break up.

Lagarde's announcement overshadowed the bank's decision Thursday to leave its interest rate benchmark unchanged at 2.5% despite annual inflation of 3.8% fed by high oil prices caused by the US-Iran war.

High rates restrain inflation, which is above the bank's target of 2%. However, rising bond market rates are already tightening credit independent of the ECB, in effect doing the central bank's job for it, analysts say.