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Despite raising its GDP expectation for this and next year, the European Central Bank decided at its meeting on Thursday (2 September) to keep the benchmark interest rate at one percent for the 16th consecutive month and to continue with unlimited lending until the end of the year.

The ECB raised its growth forecast for 2010 and 2011 after a better than expected second quarter performance from the euro area. The EU's statistical office reported on Thursday in its first estimate that GDP went up by 1.0 percent in both the 16-nation euro area and the EU27 in the second quarter of 2010.

According to the updated ECB estimates, annual real GDP growth will range between 1.4 percent and 1.8 percent in 2010 and between 0.5 percent and 2.3 percent in 2011. A June forecast estimated GDP would rise 1 percent this year and 1.2 percent in 2011.

Despite the positive GDP growth expectations, the ECB will keep offering banks unlimited one-week and one-month loans to raise their liquidity until at least 18 January 2011. Previously, the ECB had committed to lend banks unlimited cash until at least mid-October.

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