European Central Bank Governing Council members split over whether scope remains for further interest-rate cuts as evidence mounts that the euro-area economy is on the mend.

Policy makers still can’t rule out lowering the benchmark rate from the record low of 0.5 percent, Bank of Cyprus Governor Panicos Demetriades said in an Aug. 24 interview. By contrast, Bank of Austria Governor Ewald Nowotny said on Aug. 22 that he doesn’t see “many arguments now for a rate cut” after the recent “stream of good news.”

The divisions within the 23-member council are emerging as the ECB prepares forecasts for release next month. The euro-area economy emerged from its longest recession with 0.3 percent growth in the second quarter from the previous three months. Economists predict that a European Commission report due this week will show that confidence in the bloc is the highest since March 2012, according to the median estimate of economists in a Bloomberg survey.

A rate cut “is still on the cards,” Demetriades said. “We cannot rule out that possibility, although one has to take a look at the new data. That data is more encouraging.”

Nowotny said he was “cautiously optimistic” about the outlook, though he described the recovery as “weak.” He signaled that there is no plan for a rate hike soon, saying “the most recent developments will have no immediate effects” on ECB policy.

The ECB still has “room to maneuver” after proving a “strong support” for the recovery, International Monetary Fund Managing Director Christine Lagarde told Bloomberg Television’s Sara Eisen in Jackson Hole. She urged efforts to “unclog” bank lending.

‘Crossing Fingers’

“I wouldn’t necessarily draw the conclusion that we are out of the woods and nothing needs to be done,” she said. “The latest numbers that we have received, in particular from Germany, are encouraging. It needs to be sustained over time and I’m crossing fingers for the euro zone.”

With the recovery gaining momentum, ECB officials are seeking to quell any speculation in financial markets that they will shift to tighter policy prematurely. President Mario Draghi has pledged to keep the euro area’s main rate at its current level or lower for an “extended period.”

Such forward guidance is not a “promise to generate inflation,” Frank Smets, the ECB’s director general for research, said at the conference organized by the Federal Reserve Bank of Kansas City. Rather it is aimed at clarifying the ECB’s assessment of the subdued inflation outlook and what it looks at when setting policy, he said.

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