

- **MON:** N/A
- **TUE:** RBA Announcement & SoMP, UK Jobs (Dec), Swedish CPI (Jan), German ZEW (Feb), Canadian CPI (Jan), Japanese Trade Balance (Jan)
- **WED:** FOMC Minutes, RBNZ Announcement, Bank of Indonesia Announcement, Chinese House Prices (Jan), UK CPI (Jan)
- **THU:** PBoC LPR, Australian Jobs (Jan), EZ Consumer Confidence (Feb), Japanese CPI (Jan)
- **FRI:** UK Retail Sales (Jan), EZ/UK/US Flash PMIs (Feb), Canadian Retail Sales (Dec), UoM Final (Feb)

RBA ANNOUNCEMENT (TUE): The RBA is expected to cut rates with money markets pricing an 86% probability the Cash Rate will be cut by 25bps to 4.10% and just a 14% chance for rates to be kept at the current level of 4.35%. As a reminder, the RBA provided no surprises at the last meeting in December where it kept the Cash Rate unchanged as widely expected and noted that some upside risks to inflation appear to have eased, while the Board is gaining some confidence that inflation is moving sustainably towards the target but also noted that underlying inflation remains too high and the outlook remains uncertain. The RBA also stated that the Board will continue to rely upon the data and the evolving assessment of risks to guide its decisions and while underlying inflation is still high, other recent data on economic activity have been mixed, but on balance, were softer than expected in November and wage pressures have eased more than expected. Furthermore, the minutes revealed the central bank noted that policy needed to be "sufficiently restrictive" until confident about inflation and the Board had minimal tolerance for inflation remaining above target for too long. RBA Governor Bullock also stated at the post-meeting press conference that they need to think carefully about policy and need to see more progress on underlying inflation, as well as noted that she does not know if the RBA will cut rates in February and will have to watch data. This suggested that all options were on the table for February, while there has been a recent shift of the consensus heavily towards a cut with all big 4 banks in Australia now anticipating a cut next week given the recent inflation data as all CPI figures for Q4 printed softer-than-expected in which headline Australian CPI YY decelerated to 2.4% vs. Exp. 2.5% (Prev. 2.8%) and the RBA's preferred Trimmed Mean CPI YY softened to 3.2% vs. Exp. 3.3% (Prev. 3.5%).

UK JOBS (TUE): Expectations are for the ILO unemployment rate in the 3-month period to December to tick higher to 4.5% from 4.4% with ex-bonus earnings growth set to rise to 5.8% from 5.6% (no other consensus figures are available at the time of writing). As a reminder, the prior release saw the unemployment rate in the three-month period to November rise to 4.4% from 4.3%, whilst employment growth slowed and headline wage growth picked up. Ahead of the release, analysts at Investec continue to flag the data reliability issues surrounding the report due to low response rates. The desk notes that "perhaps the better guide to employment trends comes from the HMRC's data on PAYE payroll employees, which by its nature should capture the bulk of the employment trend without being subject to the same sampling errors (and potentially bias) as the LFS". The desk adds that "this has shown a flat-to-lower profile in the number of employees over H2, a picture that aligns better with broadly stagnant output as per GDP data too". On the earnings front, Investec expects a "further step up in the earnings numbers during the three months to December", adding that a headline outturn of 6.3% would match the MPC's forecast. From a policy perspective, the data quality issues surrounding the labour market report limits its usefulness in forecasting the BoE's rate path. Nonetheless, a stubborn outturn for wage growth could see markets increasingly price a gradualist and careful approach from the BoE.

CANADIAN CPI (TUE): Canadian inflation data will be used by the BoC to determine when the next rate cut will occur. After cutting by 25bps in January and removing forward guidance, it now states decisions will be made one meeting at a time. With the next BoC on 13th March, this is the last inflation report before the meeting (February inflation is due on 18th March). Growth data will also be key for the BoC, although it is backwards looking with the December and Q4 GDP data due February 28th. The focus for the BoC is largely on the implementation of tariffs and its impact on inflation and growth metrics ahead. US tariffs on Canada are set to come into effect on March 4th with tariffs on steel and aluminium exports to the US taking place on March 12th. Therefore, by the time of the BoC meeting - they should know what tariffs have gone into effect and this will be used to determine the forecasted economic impact of such measures.

FOMC MINUTES (WED): At its January policy meeting, the FOMC kept rates unchanged at between 4.25-4.50%, as expected, in a unanimous decision. The statement showed a hawkish shift, removing a reference to inflation making progress towards the 2% target while still noting inflation remains elevated; Chair Powell claims it was language clean-up, used to shorten the sentence, and was not a policy shift. The statement also described the labour market as having stabilised at a low unemployment rate, contrasting December's assessment that conditions had eased. Despite this, the Fed maintained a balanced view on risks to employment and inflation and kept its data-dependent stance on future adjustments. On several occasions, Powell emphasised that the Fed is not in a rush to adjust its policy stance, even when asked about the prospects of a March rate cut. The Fed chair noted that recent inflation readings, particularly in shelter, suggest progress, but stressed that this is not guaranteed. He acknowledged uncertainty in forecasting due to significant policy shifts but reiterated that the Fed is in a good place to monitor the economy. Powell confirmed that the Fed is above its long-run neutral rate estimate, and is closely monitoring reserve levels, with no immediate plan to end quantitative tightening. Powell also stated that the Fed is awaiting clarity on potential changes in fiscal and regulatory policies under President Trump. In his semi-annual testimonies to Congress, Powell largely reiterated the themes he spoke about in his post-meeting press conference. However, since then, the aggregate impact of the latest US jobs data, CPI and PPI data resulted in a hawkish shift to the markets' implied pricing for Fed rate cuts; at the time of writing, money markets are pricing in just 34bps of rate reductions in 2025, and have the first fully discounted cut pencilled in for October. It is worth noting the minutes are an account of the 29th January meeting, and it will not incorporate information released after that (strong jobs data, hot CPI, and PPI data).

RBNZ ANNOUNCEMENT (WED): The RBNZ is expected to continue cutting rates next week with money markets pricing a 68% likelihood of a 50bps cut and a 32% chance of 25bps cut to the OCR from the current 4.25% level. As a reminder, the RBNZ delivered its third consecutive rate cut at the last meeting in November where it opted for a jumbo 50bps reduction following a similar move in October which was widely expected although there were some outside bets for a greater 75bps move. The central bank noted at the meeting that the OCR was lowered further as inflation returned to the target and it expected to continue reducing the OCR early in 2025, while it also stated that global economic growth is to remain subdued in the near term and economic activity subdued, although economic growth is expected to recover over 2025. The central bank also lowered its OCR forecasts across the projection horizon with the March 2025 view at 4.07% (prev. 4.62%), December 2025 view at 3.55% (prev. 3.85%) and March 2026 view at 3.43% (prev. 3.62%). Furthermore, RBNZ Governor Orr said at the press conference it is a misnomer that their projections show a slower pace of cuts and stated that projections are consistent with a 50bps cut in February depending on activity. Orr also commented that the track suggests a sharper reduction in the Cash Rate than projected in August and leaves the door open to a further 50bps cut in February, while there were no plans for a 25bps or 75bps cut at that meeting. There hasn't been much rhetoric from officials since then although Assistant Governor Silk noted the following day after the meeting that RBNZ forecasts

show a slower pace of easing after February and stated that a rate cut of either 25bps or 50bps will be on the table for February, while there were more recent comments from RBNZ Chief Economist Conway who stated last month that easing domestic pricing intentions and a drop in inflation expectations will help open the way for some further easing of the OCR as signalled in November. The data releases also support the case for further cuts after New Zealand's economy slipped into a recession in Q3 with GDP Q/Q at -0.8% vs. Exp. -0.4% (Prev. -0.8%) and Y/Y at -1.5% vs. Exp. -0.4% (Prev. -0.5%), while CPI and Labour Cost data for Q4 were mixed but the RBNZ Sectoral Factor Model Inflation Index softened to 3.1% (Prev. 3.4%).

UK CPI (WED): Expectations are for headline Y/Y CPI in January to rise to 2.7% from 2.5% with the core metrics seen increasing to 3.6% from 3.2%. As a reminder, the prior release showed that headline CPI slipped to 2.5% Y/Y in December from 2.6%, core CPI declined to 3.2% Y/Y from 3.5% with the services print slipping to 4.4% Y/Y from 5.0% (MPC forecast: 4.7%), albeit this was largely attributed to volatile air fare metrics. This time around, Pantheon Macroeconomics expects that "rebounding airfares, and private-school fee hikes, will drive up CPI inflation to 2.8% in January". The consultancy adds that "CPI services inflation should surge to 5.2% in January, matching the MPC's updated forecasts". Looking beyond the upcoming release, PM cautions that risks "lie to the upside of our forecast for CPI inflation to reach 3.4% in April and 3.5% in September". From a policy perspective, the release will be viewed via the lens of the recent split of views on the MPC whereby Dhingra and Mann backed a 50bps cut in February, with the consensus favouring a smaller 25bps move. Since the decision, the likes of Chief Economist Pill have urged caution on cutting rates on the basis that the disinflation process is not yet complete. At the time of writing, markets fully price the next cut in June with a total of 56bps of easing seen by year-end.

PBOC LPR (THU): The PBoC is poised to announce its Loan Prime Rate (LPR) with no current market expectations. The one-year LPR influences most loans, and the five-year LPR affects mortgage rates. The current rates, unchanged since October 2024, stand at 3.10% and 3.60%, respectively. Despite a strategic shift in June 2024 prioritising the 7-day reverse repo rate as the key short-term policy tool, the LPR remains important for loan pricing. "While China needs lower interest rates to boost demand, policymakers want to avoid a sharp decline in bond yields and the yuan", said analysts at Natixis following last month's unchanged decision.

AUSTRALIAN JOBS (THU): The Unemployment Rate is expected to tick higher to 4.1% (prev. 4.0%) with wages seen steady Q/Q at 0.8% moderating to 3.2% (prev. 3.5%) Y/Y. The report is not likely to shift expectations for the upcoming RBA, with markets assigning ~80% chance of a 25bps cut following the latest soft Aussie CPI report, with the big four banks in Australia all forecasting a cut in February. KPMG's February 2025 Australian Labour Market Update highlighted a deterioration in the Labour Market Pressure Index for the first time in two years, signalling the stalled easing of labour market constraints. The desk says while skills shortages have eased due to international migration, improving job-matching efficiency, concerns persist regarding labour productivity, which has contracted for two consecutive quarters. This productivity stagnation poses risks to future real wage growth, KPMG said.

JAPANESE CPI (THU): There are currently no expectations for Japanese CPI, but the data is of utmost importance for the BoJ to navigate its rate hiking cycle; follows January's PPI Y/Y topping forecasts. As a proxy, Core Tokyo Inflation rose to 2.5% in January 2025, its fastest pace in nearly a year, fuelling market expectations of further rate hikes. This follows the BoJ's rate hike to 0.5%, the highest since 2008. Desks suggest inflationary pressures, driven by rising raw material costs, and a weak yen continue to strain household budgets despite improved job matching and easing skills shortages. In terms of recent BoJ commentary, the most notable comments came from Board Member Tamura who said they need to raise rates in a gradual and timely manner and added that a 0.75% rate would still be negative in real terms and they must raise rates to at least around 1% in the latter half of FY25.

UK RETAIL SALES (FRI): Expectations are for M/M retail sales in January to pick-up to 0.2% from -0.3%. In terms of recent retail indicators, UK BRC retail sales for January slipped to 2.5% from 3.1% on a Y/Y basis with the accompanying report noting "January sales kicked off a solid month for retail with stores delivering their strongest growth in almost two years, albeit on a weak comparable". Elsewhere, the Barclaycard Consumer Spending Report noted that the "share of online retail spending reached a three-year high, as 13 per cent of consumers said they opted to shop at home due to the wet and cold weather".

EZ FLASH PMI (FRI): Expected to pick up modestly across the board with the Composite and Services seen extending further into expansionary territory at 50.5 and 51.5 respectively, while the Manufacturing figure will remain in contractionary territory at 47.0. Internals from the January release were notable as they showed costs rising at a faster rate in the service sector with wages driving that increase. From the February release, we look to see if that remains the case and what implications it will have for the ECB with markets currently near-enough pricing a 25bps cut in March and a total of 78bps for 2025. As a reminder, the last ECB statement/presser looked for the economy to remain weak in the near term but recovery conditions are in place; on pricing, near-term fluctuations were expected but there was confidence in convergence to the target. Finally, but perhaps most pertinently, the release will be scoured for any impacts in addition to stockpiling ahead of potential Trump tariffs, as we await to see exactly what measures the bloc will be subject to and what, if any, response will arise.

UK FLASH PMI (FRI): Expectations are for February's services PMI to tick higher to 50.9 from 50.8, and manufacturing increase to 48.5 from 48.3. As a reminder, the prior release saw January's services PMI tick lower to 50.8 from 51.1, manufacturing increased to 48.3 from 47.0, leaving the composite at 50.6 vs prev. 50.4. The accompanying report noted that "the first indicators of business conditions in 2025 add to the gloom about the UK economy." This time around, analysts at Investec expect a "renewed clear weakening in the manufacturing PMI" on account of uncertainty stemming from executive actions by the Trump administration. Whilst the UK is not a primary target of such actions, global tensions and rising energy prices should act as a headwind. For the services sector, the desk adds that the recent increase in NICs could weigh on sentiment. From a policy perspective, the release will of course be noted but will likely be overshadowed by inflation and labour market data prints earlier in the week.

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