

Reviewing RBA, RBNZ, BoK and FOMC Minutes

PREVIEWS

N/A

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RBA REVIEW: The RBA surprised markets by pausing on rates amid wide expectations for a 25bps cut. The decision was made by a majority of 6-3 votes, and it stated that the Board will be attentive to the data and evolving assessment of risks to guide its decisions. RBA also noted that inflation has continued to moderate and the outlook remains uncertain, although the Board continues to judge that the risks to inflation have become more balanced and the labour market remains strong. Furthermore, the Board remains cautious about the outlook, particularly given the heightened level of uncertainty about both aggregate demand and supply, and it judged that it could wait for a little more information to confirm that inflation remains on track to reach 2.5% on a sustainable basis. RBA Governor Bullock stated at the post-meeting press conference that there will be more data and news by the next meeting, as well as noted that they had made good progress on inflation. Bullock also stated she is confident they are on a path to ease further, although timing is the question and we can expect rates to decline if inflation slows as expected.

RBNZ REVIEW: RBNZ maintained the Official Cash Rate at 3.25%, which was widely expected following a prior streak of six consecutive rate cuts by the central bank, although it signalled for future action in which it noted that if medium-term inflation pressures continue to ease as projected, the Committee expects to lower the OCR further. RBNZ also stated that the economic outlook remains highly uncertain, and heightened global policy uncertainty and tariffs are expected to reduce global economic growth, which will likely slow the pace of New Zealand's economic recovery, reducing inflation pressures. The minutes from the meeting stated that the Committee expects to lower the official cash rate further, broadly consistent with the projection outlined in May and that the case for keeping the OCR on hold at this meeting highlighted the elevated level of uncertainty and the benefits of waiting until August in light of near-term inflation risks. Furthermore, the Committee discussed the options of cutting the OCR by 25 basis points to 3.0% or keeping the OCR on hold at 3.25% at this meeting, while some members emphasised that further monetary easing in July would have provided a guardrail to ensure the recovery of economic activity.

FOMC MINUTES REVIEW: The minutes revealed a divided committee on the rate outlook, echoing the June Dot Plot. Most participants viewed some reduction in the Fed funds rate this year as appropriate, though only a couple — likely Waller and Bowman — would consider a cut as early as July, if data evolves as expected. Some judged that no cuts were needed, citing elevated inflation, persistent expectations, and resilient economic activity. On the neutral rate, several participants said the current rate may not be far from neutral. All agreed in June that holding rates steady was appropriate. On inflation, a few noted limited recent progress on core inflation, and some expressed concern that lower- and middle-income households are increasingly trading down due to price pressures. On the labour market, most believed higher tariffs or increased policy uncertainty would weigh on demand, with many expecting a gradual softening; a few flagged early signs of weakness and said they would monitor for further deterioration. Participants agreed risks of both higher inflation and weaker employment had eased but remain elevated, and although uncertainty has declined slightly — partly due to fewer announced or expected tariffs — it is still high. Separately, Fed staff revised up their 2025 real GDP growth forecast and projected slightly lower inflation. Elsewhere, the NY Fed's SOMA chief noted markets now expect balance sheet runoff to conclude by February 2026 (previously January 2026), with the Fed's portfolio seen at USD 6.2tn (around 20% of GDP), reserves at USD 2.9tn, and ONRRP balances staying low. In wake of the minutes' release, WSJ Fedwatcher Nick Timiraos said the division within the Fed signals growing uncertainty over inflation and tariffs, suggesting a less unified approach; he notes that Powell has hinted at a lower bar for cuts by summer's end, but disagreement over tariff-driven price risks could delay action or limit consensus on timing.

BOK REVIEW: BoK kept the base rate unchanged at 2.50%, as expected, with the rate decision unanimous, although its language was dovish as it stated that it will maintain the rate cut stance to mitigate downside risks to economic growth and will adjust the timing and pace of any further base rate cuts. BoK said consumption is expected to gradually recover due to an improvement in economic sentiment and the supplementary budget, but noted significant uncertainties concerning the pace of recovery in domestic demand and that future economic growth faces significant uncertainties concerning developments in trade negotiations with the US. BoK also noted it is to closely monitor changes in domestic and external policy environments, as well as examine the impact on inflation and financial stability. Furthermore, BoK Governor Rhee revealed that four board members were open to a rate cut in the next three months and that only two members saw the policy rate unchanged in the next 3 months, while he added that uncertainty is too high to say when to lower the interest rate and by how much.