Central Bank Weekly 15th August 2025: Previewing PBOC, RBNZ, FOMC minutes, Riksbank, Jackson Hole; Reviewing RBA

PREVIEWS

PBOC LPR (WED): The PBoC is likely to keep rates at their current levels, with the 1-year LPR at 3.00% (the rate most new loans are based on), and the 5-year LPR at 3.50% (the reference rate for mortgages). As a reminder, Chinese banks refrained from any adjustments to the LPRs last month, which was as expected and followed the sweeping cuts across rates in May, including reductions to the PBoC funding rates, the LPRs, and deposit rates by banks. Desks are of the view that with rates already relatively low, further easing may be less effective than fiscal measures. Further, some are of the view that the PBoC may want to keep powder dry in the event of escalations with the US.

RBNZ ANNOUNCEMENT (WED): Money markets are pricing in an 89% likelihood that New Zealand's central bank lowers its Official Cash Rate by 25bps, to 3.00%, and an 11% probability for rates to be left unchanged at the current 3.25% level. As a reminder, the RBNZ maintained the OCR at 3.25% at its last meeting in July, which was widely expected, following a prior streak of six consecutive rate cuts, although it signalled potential future actions, noting that if medium-term inflation pressures continue to ease as projected, the Committee expects to lower the OCR further. The 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 and reduce inflation pressures. The Minutes from the meeting revealed 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 the July meeting highlighted the elevated level of uncertainty and the benefits of waiting until August considering near-term inflation risks. Further, it was revealed that the Committee discussed the options of cutting the OCR by 25bps to 3.0%, or keeping it unchanged at 3.25%, and some members emphasised that further monetary easing in July would have provided a guardrail to ensure the recovery of economic activity. The rhetoric from the central bank since then has continued to highlight trade-related uncertainty; RBNZ Chief Economist Conway suggested that the full impact of tariffs is uncertain and they are constantly monitoring the data, with uncertainty over tariffs likely to reduce businesses' investment and inflation in the medium-term, as tariffs will mean a weaker global economy and weaker global demand. He also reiterated the view regarding scope to lower rates further if inflation continues to moderate. As such, the latest inflation data for New Zealand for Q2 has been softer-than-expected and could support the case for a cut as CPI Q/Q printed at 0.5% (exp. 0.6%, prev. 0.9%) and with the annual figure at 2.7% Y/Y (exp. 2.8%, prev. 2.5%), while a contraction in jobs growth during Q2 (-0.1% vs. exp. -0.1% and a prev. +0.1%) and slight uptick in the unemployment rate to (5.2% vs. exp. 5.3%, prev. 5.1%) could also influence policymakers to ease policy.

FOMC MINUTES (WED): The Fed held rates steady at 4.25-4.50% as expected, with Governors Waller and Bowman both voting for a 25bps rate cut, in line with their comments ahead of the blackout period. Fed's Kugler did not vote. Given the market's dovish shift in implied pricing of Fed rate cuts ahead following the soft July jobs report (traders now fully discount two 25bps reductions in 2025, with some probability of a third), traders will be particularly attentive to any arguments for rate reductions; additionally, while US CPI was in line with expectations in the month, PPI surged, leaning back against dovish calls. The Fed's July statement noted elevated uncertainty around the economic outlook, removing June's line that it "has diminished". On the economy, it said recent indicators suggest activity moderated in H1, a change from June's description of solid growth. Other language was unchanged: unemployment remains low, labour market conditions are solid, and inflation is somewhat elevated. There was no indication of imminent cuts, reaffirming its data-dependent stance. The Fed reiterated it will assess incoming data, the evolving outlook, and the balance of risks when considering future adjustments. At his post-meeting press conference, Fed Chair Powell leaned hawkish and pushed back on expectations for a September rate cut, stressing that significant data is due before the meeting, and no decision has been made. On tariffs, he said it is reasonable to expect a one-off price rise, but emphasised that the Fed would act to prevent "serious inflation". Powell reiterated that policy remains modestly restrictive. On what would prompt a cut, he noted risks on both sides of the mandate, suggesting a more neutral stance would be appropriate if risks were balanced. He said inflation remains above target, while the labour market is at or near maximum employment. Upside risks remain for inflation, while employment faces downside risks, though inflation is further from target than jobs. On the consumer, he noted spending has been very strong in recent years but may now be slowing to a healthy level. On the dissents from Waller and Bowman, Powell said such differences were unsurprising and described this as one of the Fed's better meetings.

RIKSBANK ANNOUNCEMENT (WED): The Riksbank is expected to keep rates steady at 2.00%, in-fitting with the Q3'25 rate path, which indicates virtually no chance of a cut (under 2% probability). Further out into Q4, the rate path prices in some chance of a cut – though Governor Thedeen said this is not a promise of further cuts, but rather is a "best estimate". As it stands markets currently assign 82% of a hold. Recapping the last meeting, the Bank opted to keep rates steady (as expected); the accompanying commentary was downbeat, highlighting that the economic recovery has lost momentum. For the upcoming meeting, the Bank has had two inflation reports to digest; June CPIF printed above expectations, July's metrics also remained elevated but were more-or-less in line and Core CPIF Y/Y was a touch below expectations whilst M/M matched expectations. Overall, this works in favour of keeping rates steady, though lower growth will keep the Bank wary. SEB thinks the Bank will stand pat, and will continue to signal a cut later in the year. Analysts favour a 25bps cut in September, citing weak economic growth and labour market, but is ultimately contingent on slowing inflation after the summer. This view is also shared by Handelsbanken, pushing back their call for a cut from August.

FED JACKSON HOLE SYMPOSIUM (THU-SAT): The list of Jackson Hole speakers will be released before the event (it has already been confirmed that Fed Chair Powell will deliver remarks on August 22nd at 15:00BST/10:00EDT). The confab has been historically used by Fed speakers to signal upcoming policy changes, although that hasn't always held true in recent years. Since the downbeat jobs report, markets have started to price in a September rate cut, and several Fed speakers have alluded to such an outcome (Daly, Kashkari, Bostic). However, others appear more reluctant (Musalem, Schmid). Treasury Secretary Bessent has been urged the Fed to begin a rate cut cycle with a 50bps reduction in September, but Daly has said this does not seem warranted – likely a view shared by others on the Fed, to avoid the feeling of a panicked move. Nonetheless, Fed speakers at Jackson Hole will give their views on policy and the economic outlook, and explain their thoughts on the recent NFP and inflation data. The NFP data bolstered September rate cut bets, with the CPI being deemed not as hot as feared and bolstering rate cut bets with September becoming fully priced. However, a super-hot PPI report saw this dovish pricing unwind somewhat. Aside from policy, a lot of focus is on the next Fed Chair, where US President Trump may be able to appoint two new Governors, providing Powell steps down after his term as Chair ends. For Newsquawk's full primer on the Fed appointments, please click here .

REVIEWS

RBA REVIEW: Australia's central bank provided no surprises and delivered a unanimously expected 25bps rate cut to lower its Cash Rate to 3.60%, with the central bank's decision unanimous, while it reiterated its language that inflation has continued to moderate and the outlook remains uncertain, as well as noting that maintaining price stability and full employment is the priority. RBA said that underlying inflation will continue to moderate to around the midpoint of the 2–3% range, with the cash rate assumed to follow a gradual easing path, and it noted that monetary policy is well placed to respond decisively to international developments if they have material implications for activity and inflation in Australia. Further, it said the cut was due to underlying inflation continuing to decline back towards the midpoint of the 2-3% range and labour market conditions easing slightly. The RBA also simultaneously released its Quarterly Statement on Monetary Policy which showed a downgrade to the estimate of Australia's long-run productivity growth to 0.7% from 1.0% and with trend GDP growth now seen around 2.0%, down from 2.25%, while its forecasts were based on a technical assumption of the cash rate at 3.4% by end-2025, 2.9% by end-2026, and 3.1% by end-2027. Furthermore, RBA Governor Bullock continued to signal future cuts during the post-meeting press conference, where she stated that there were no discussions of a larger rate cut but noted that forecasts imply the Cash Rate might need to be lower for price stability, while she added the Board will take things meeting by meeting and did not rule out back-to-back rate cuts.