Week Ahead: 18-22nd August 2025; Highlights include Jackson Hole, FOMC minutes; Japan & Canada CPI; PBoC, RBNZ, Riksbank

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- **MON:** N/A.
- **TUE:** US Building Permits (Jul), Canadian CPI (Jul).
- **WED:** RBNZ Announcement, Riksbank Announcement, FOMC Minutes, Bank of Indonesia Announcement, PBoC LPR, UK Inflation (Jul), EZ Final CPI (Jul), New Zealand Trade Balance (Jul).
- **THU:** Fed Jackson Hole Economic Policy Symposium, EZ/UK/US Flash PMIs (Aug), EZ Consumer Confidence (Aug).
- **FRI:** Fed Jackson Hole Economic Policy Symposium, Japanese CPI (Jul), German GDP Detailed (Q2), UK Retail Sales (Jul), Canadian Retail Sales (Jun).
- **SAT:** Fed Jackson Hole Economic Policy Symposium.

CANADA CPI (TUE): The BoC will use the upcoming inflation data to help guide its future rate path, though it is only one factor, as the Bank remains on hold to assess the impact of US trade policies. In July, rates were left at 2.75% in a unanimous decision with some members noting sufficient support for the economy while others saw a potential need for more. This 2.75% level is the centre of the BoC's neutral estimate, suggesting limited room for cuts, depending on tariff effects. Minutes indicated that tariff impacts on consumer prices have so far been modest, wage growth and unit labour costs have eased, and the recent CAD appreciation has lowered import prices. Inflation expectations remain anchored, and none of the three MPR tariff scenarios point to a sharp rise in inflation, with headline inflation peaking at 2.5% even in the escalation scenario. The BoC appears comfortable with current inflation trends and may focus more on the labour market and economic growth going forward. Still analysts note that rate cuts remain possible if growth weakens and tariff-driven inflation stays contained.

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.

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.

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.

UK INFLATION (WED): At the time of writing, there is no published consensus for the release. As a reminder, the prior report showed a larger-than-expected rise in headline and underlying inflation, while the services print held steady at 4.7% (vs. expectations of a decline). Pantheon Macroeconomics attributed this to another "jump in food prices, falls in motor fuels last June dropping out of the annual comparison and unwinding clothes discounting." This time around, Pantheon Macroeconomics expects that a "rise in motor fuel prices and a jump in airfares should offset slower core goods inflation." Accordingly, the consultancy forecasts July headline (3.7%) and services inflation (4.8%) to exceed the MPC's forecast from the May Monetary Policy Report by 30bps and 10bps, respectively. Moving forward, Pantheon Macroeconomics expects inflation to peak at 4% in September. From a policy perspective, this could cause a headache for the MPC as it would be the report prior to the November MPR. Some desks argue that it would be tough for the BoE to stick to its quarterly pace of rate cuts if such an outcome is realised, particularly given the hawkish level of dissent at the August meeting on account of inflationary developments. Market pricing concurs with this view, with the next 25bps cut not fully priced until March next year. A soft outturn for the upcoming report could see a slight dovish reaction. However, given the expected uptick in inflation, any such bets are likely to be limited.

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.

UK FLASH PMI (THU): At the time of writing, there is no published consensus for the release. As a reminder, the prior report showed the July services PMI declined to 51.2 from 52.8, manufacturing ticked higher to 48.2 from 47.7 and the composite slipped to 51.0 from 52.0. The accompanying report noted "the sluggish output growth reported in July reflected headwinds of deteriorating order books, subdued business confidence and rising costs, all of which were widely linked to...last autumn's Budget and the broader destabilising effect of geopolitical uncertainty." This time around, analysts at Investec look for improvements in the manufacturing, services and composite components. However, it urges caution that "this trend higher may not be sustained moving forward, particularly if concerns grow over potential tax hikes in the Autumn, and/or if the pace of rate cuts starts to slow. From a policy perspective, a soft outturn could pour cold water over the recent uptick in UK GDP. However, the inflation release the day before will likely have a greater impact on the macro narrative surrounding the UK.

EZ FLASH PMI (THU): EZ Manufacturing PMI is forecast at 49.5 (prev. 49.8), whilst Services is expected at 50.7 (prev. 51.0), and Composite at 50.6 (prev. 50.9). In terms of sentiment proxies, German Ifo missed expectations across the board, but Current Conditions and Business Climates improved from the priors, whilst Expectations were stable. Conversely, the ZEW saw sizeable pullbacks from the prior releases, with respondents reportedly disappointed by the EU-US trade deal. Ahead of the release, Investec pencils in a "level of 51.2 for the composite PMI index, but a sustained improvement looking ahead would take a strengthening in services activity as well. Meanwhile, analysts at Oxford Economics suggest "The composite index for the Eurozone matched an 11-month high in July, despite a marginal downward revision in the final release. However, the rate of growth remained modest. Moreover, next week's results for August may signal some softening in growth momentum, judging by the declines in the Sentix and ZEW surveys."

UK RETAIL SALES (FRI): At the time of writing, there is no published consensus for the release. In terms of recent retail indicators, BRC retail sales for July rose 1.8% Y/Y (prev. 2.7%) with the accompanying report noting "with sales growth at these levels, it is barely touching the sides of covering the GBP 7bln new costs imposed on retailers at the last Budget. If the upcoming Autumn Budget sees more taxes levied on retailers' shoulders, many will be forced to make difficult choices about the future of shops and jobs, and ongoing pressure would push prices higher." Elsewhere, the Barclaycard Spending report noted that growth "was predominantly driven by clothing retailers, who had their strongest month of growth since September 2024, as July's changeable weather led consumers to double up on purchases for both rainy and sunny weather." For the upcoming ONS report, Oxford Economics pencils in a 0.2% M/M decline in July due to "the level of sales in the non-food and non-store categories in June being much higher than in previous months," so it thinks that there's scope for some payback in the July report.

JAPANESE CPI (FRI): National Core CPI for July is forecast to ease to 3.0% Y/Y from 3.3% in June. Analysts at ING expect headline CPI to cool to 3.1% Y/Y from 3.3%, as falling utility prices offset continued gains in food costs, while base effects are set to drive a rebound in monthly figure to +0.2% M/M (prev. -0.1%). The desk notes that easing energy prices and government subsidies will keep headline inflation on a downward trend, though services inflation remains firm, underpinned by wage growth and resilient domestic demand. Markets will watch for signs of underlying inflation persistence that could influence BoJ policy; at the time of writing, market-based pricing is not fully discounting a rate hike this year, with around 17bps of tightening baked in following the latest stronger-than-expected Japanese GDP data.