Central Bank Weekly-29th August 2025

Reviewing ECB Minutes, RBA Minutes and PBoC MLF

PREVIEWS

N/A

REVIEWS

ECB MINUTES REVIEW: In what was a meeting that failed to provide much in the way of fireworks, the account of said meeting proved to be non-incremental for ECB watchers. In terms of the policy discussion, the decision to stand pat on rates was predicated on the judgement that the environment remained exceptionally uncertain, especially because of trade disputes, but also owing to geopolitical developments. Additionally, it was also argued that interest rates were already significantly supportive of loan demand and past interest rate cuts had yet to have their full impact, with some transmission remaining in the pipeline. On the trade front, the meeting came just three days before the July 27th trade framework agreement. Nonetheless, the judgement at the time was that the impact of tariffs on inflation would take form via one-off price level effects rather than ongoing inflationary effects. In terms of the broader economic assessment, it was noted that the strong first-quarter outcome did not alter the underlying fundamentals, which pointed to ongoing but fragile economic growth. On the Euro, it was observed that there had been "relatively small" pass-through of the exchange rate to inflation. Overall, the account did little to shift the dial for ECB pricing, with traders instead focused on upcoming data points to see how the EU-US trade agreement is impacting growth and inflation in the region.

RBA MINUTES REVIEW: RBA Minutes from the August meeting continued to signal a dovish stance as it stated the board saw a strong case for a 25bps cut in the Cash Rate and judged that some further reduction in the Cash Rate is likely needed over the coming year. It still judged the stance of policy was somewhat restrictive, and it noted the pace of rate cuts would be determined by incoming data and the balance of global risks. RBA Minutes also highlighted that the board saw arguments for both a gradual pace of easing and for a faster pace. It also noted the labour market was still a little tight, and inflation remained above the midpoint, while domestic demand was recovering. Furthermore, it said uncertainty about spare capacity and the neutral rate also argued for gradual easing, but faster easing might be needed if the labour market was already in balance, risking inflation undershooting the midpoint.

PBOC MLF REVIEW: PBoC conducted a CNY 600bln one-year Medium-term Lending Facility operation at the start of the week to boost liquidity in the banking system, which resulted in a net CNY 300bln injection as there were CNY 300bln of MLF loans maturing. The operation represented the sixth consecutive month the central bank boosted the volume through the facility. The size of the operation was unsurprising given that the central bank had flagged the amount the week before, which was conducted through a fixed-quantity, interest-rate-bidding and multiple-price-bidding regime. The central bank had also notably stepped up its liquidity efforts through its daily 7-day reverse repo open market operations during the past two weeks, which is its main liquidity tool, with the central bank conducting a CNY 783bln operation on Friday alone.