newsquawk

Week Ahead: 15-19th September 2025

Highlights include FOMC, BoE, BoC, BoJ, US Retail Sales, UK Inflation, UK Jobs and China activity data

- **MON**: Chinese Activity Data (Aug)
- **TUE**: UK Jobs Report (Jul), Italian CPI Final (Aug), EZ Industrial Production (Jul), German ZEW Survey (Sep), US Retail Sales (Aug) and Industrial Production (Aug), Canadian CPI (Aug)
- **WED**: FOMC Announcement, BoC Announcement, BCB Announcement, Bank of Indonesia Announcement, ECB Wage Tracker, UK Inflation (Aug), EZ CPI Final (Aug), New Zealand GDP (Q2)
- **THU**: BoE Announcement, Norges Bank Announcement, SARB Announcement
- **FRI**: Quad Witching, BoJ Announcement, Japanese CPI (Aug), UK Retail Sales (Aug), Canadian Retail Sales (Jul)

CHINESE ACTIVITY DATA (MON): Chinese Retail Sales data for August is expected at 3.8% Y/Y (prev. 3.7%), Industrial Production is expected at 5.8% Y/Y (prev. 5.7%), and Fixed Asset Investments are expected at 1.4% Y/Y (prev. 1.6%). The desk at ING anticipates a slight recovery in Retail Sales to 4.0% Y/Y, underpinned by a rebound from July’s weather-related disruptions, whilst industrial production and fixed-asset investment are seen moderating to 5.6% Y/Y and 1.5% YTD, respectively. The monthly myriad of data sees the release of House Prices, which are expected to reinforce the weakening momentum in the property market. Analysts note that while July’s softness was partly attributed to adverse weather, “So, August will be an important gauge of whether the slowdown was a blip or the start of a trend”, posits ING.

UK JOBS REPORT (TUE): Expectations are for the 3M unemployment rate for July to remain at 4.7% and headline 3M/YY wage growth to tick higher to 4.7% from 4.6%. As a reminder, the prior release saw the unemployment rate hold steady at 4.7%, employment change rise to 238k from 134k, the contraction in HMRC payrolls change slow to 8k from 26k, and headline 3M/YY earnings growth slow to a still-elevated level of 4.6% from 5.0%. At the time of the prior report, Morgan Stanley opined that “slack keeps building up in the UK labour market, but not at a pace that would tilt the BoE's firm focus away from food and headline inflation, onto the real economy”. This time around, MS looks for vacancies to be largely unchanged, a slowdown in employment growth to 200k and a pick-up in the unemployment rate to 4.7%. However, the desk highlights ongoing inaccuracies surrounding ONS data collection. From a pay perspective, MS expects ex-bonus 3M/YY wage growth of 4.64%, noting the absence of any major pay deals in July. From a policy perspective, a soft outturn could prompt some dovish pricing around the BoE; however, the looming inflation report the next day will likely temper the extent of such bets.

US RETAIL SALES (TUE): Analysts expect US retail sales to rise +0.3% M/M in August (prev. 0.5%), while the ex-autos measure is seen rising +0.3% M/M, matching the July reading. Bank of America's monthly consumer checkpoint data notes total credit and debit card spending per household rose by 1.7% Y/Y in August (vs 1.8% Y/Y in July), with seasonally adjusted spending per household +0.4% M/M, the third straight increase. BofA also noted that income and spending growth diverged further in August, with weaker growth among younger generations and Gen X; slower labour-market gains, especially smaller pay bumps from job changes, are weighing on younger cohorts, the bank writes. Elsewhere, it said that easing housing costs, reflected in lower new rent payments, could help narrow the homeowner-renter spending gap.

CANADIAN CPI (TUE): Canada inflation will help shape expectations for more easing from the BoC. Interest rates in Canada are currently set at the midpoint of the neutral estimate, but recent data has bolstered expectations for more easing due to a slowdown in economic growth and the labour market in the face of tariffs. Inflation has remained within the BoC's 1-3% target, albeit towards the top end of the range. Within the latest BoC Summary of Deliberations, the BoC noted how the current tariff scenario outlined how the BoC expects economic growth to resume in the third quarter and inflation to remain around 2%. It also noted that inflation occupied much of the deliberations, which shows the BoC are still cognizant of the inflation trajectory. Members agreed that the degree of firmness in underlying inflation was an important consideration for the policy decision in July.

FOMC ANNOUNCEMENT (WED): The Fed is expected to cut rates by 25bps to 4.00-4.25% at next week’s confab, according to 105 of the 107 economists polled by Reuters. The decision will likely be underpinned by softening labour market conditions, including stalling job growth in August and downward revisions to prior 12-month employment data, which are now seen as outweighing inflation risks. There is a possibility that we could see dissents at the meeting, since not all Committee members are fully aligned on a September rate cut; Fed's Goolsbee (2025 voter) and Fed's Schmid (2025 voter) could dissent to keep rates unchanged; and additionally, if his nomination is confirmed ahead of the meeting, there some speculate that Stephen Miran could even vote for a larger 50bps reduction, while Governors Bowman and Waller (who both have dovishly dissented previously) could also favour of a larger move, though this is seen as less likely. Wells Fargo writes that "since the FOMC last met in July, a more precarious picture of the labour market has emerged, while the inflation outlook has been little changed, and as a result, we expect the FOMC will resume lowering the fed funds rate at its September meeting with a 25bps cut." Money markets are fully discounting a 25bps reduction, and through the end of this year, are almost fully pricing in two further rate reductions in 2025 (70bps of cuts is being priced at the time of writing). Analysts will also be watching the updated economic projections; currently, the SEPs pencil in rates falling to 3.75-4.00% by the end of this year, and then down to 3.50-3.75% in 2026, being reduced further to 3.25-3.50% in 2027, before settling around the neutral rate of 3.00% in the long-term – 150bps below current levels (implying six 25bps reductions to the terminal rate). Wells Fargo says "the updated Summary of Economic Projections is likely to signal that additional easing will follow September's cut, with the fed funds rate likely to end 2025 and 2026 lower than previously projected." Wells thinks the updated dot plot is expected to signal increased easing, with the 2025 median projecting 75bps of cuts, up from 50bps in June, and the 2026 median falling 50bps to 3.125%, implying an additional 25bps cut. Longer-run projections are expected to remain unchanged, reflecting stable inflation and rising full-employment risks. Into the meeting, there are some uncertainties around voting members; Lawyers for President Trump asked the DC Court of Appeals to allow him to fire Fed Governor Lisa Cook before next week's FOMC meeting after a lower court blocked her removal while her lawsuit proceeds; meanwhile, the US Senate plans a full vote on Fed Board nominee Stephen Miran's nomination Monday, leaving a narrow window for him to be sworn in before the meeting - Miran is likely to be a dovish member, if confirmed.

BOC ANNOUNCEMENT (WED): The BoC is expected to resume rate cuts, taking interest rates to below the current midpoint of the BoC's neutral estimate. The majority of analysts surveyed by Reuters expect a 25bps rate cut, while also expecting another cut by year-end. Recent soft economic growth and labour market data has bolstered rate cut expectations as tariffs continue to weigh on the economy. The prior statement noted "if a weakening economy puts further downward pressure on inflation and the upward price pressures from the trade disruptions are contained, there may be a need for a reduction in the policy interest rate". Growth data disappointed while the labour market continues to deteriorate, with the unemployment rate rising to 7.1% from 6.9%. Money markets are now pricing in 23bps of easing at next week's meeting with 42bps of easing priced by year-end, which fully prices one rate cut, with a 68% probability of another by the end of 2025. ING is expecting a 25bps rate cut and another in Q4, and notes that CAD should remain weak in the crosses. Note, the upcoming meeting will be accompanied by the usual Governor Macklem press conference, but there will not be updated economic forecasts.

BCB POLICY ANNOUNCEMENT (WED): The weekly BCB economist poll has been suggesting that the Selic rate is expected to remain at the current 15.00% through the end of this year, with economists seeing a reduction to 12.5% next year. Oxford Economics says the BCB will take time before restarting a normalisation cycle. "Despite a sequence of positive inflation releases, we still expect the central bank to keep the benchmark Selic rate on hold at 15% until the beginning of 2026," OxEco says, noting that "long-term inflation expectations have reverted down to 3.5% in the past few weeks but remain above the target's midpoint, warranting caution from the BCB's board." In recent weeks, BCB Chief Galipolo said that interest rates are at a level they safely consider restrictive, inflation convergence to the target is happening slowly, and this is what has demanded a more restrictive monetary policy. Galipolo added that even with a restrictive interest rate, they continue to show resilience in the job market, which is still quite strong. Away from the central bank, but of course relevant for decision making, tariffs remain in heavy focus, and this week Brazil President Lula says he does not fear new sanctions from the US in a pre-recorded interview to Band TV.

UK INFLATION (WED): Expectations are for August Y/Y headline CPI to rise to 3.9% from 3.8%, core to decline to 3.7% from 3.8% and services to remain at 5%. As a reminder, the prior release saw Y/Y headline CPI rise to 3.8% from 3.6%, core tick higher to 3.8% from 3.7% and services advance to 5.0% from 4.7%. At the time, ING highlighted that the increase in services inflation, which had follow-through into core prices, was "overwhelmingly down to a larger-than-usual rise in airfares" and was something the BoE "can safely ignore". It also observed that "the Bank's preferred measure of services inflation, excluding volatile/indexed categories, to be essentially flat in annual terms. And at 4.2%, this measure is a fair bit below overall services inflation". This time around, Pantheon Macroeconomics suggests that "a jump in food price inflation, a fall in motor fuels last August dropping out of the annual inflation comparison and hotel prices inflated by an Oasis concert on CPI collection day should more than offset slowing airfare inflation". As such, the consultancy looks for a 3.9% headline print, which would be 0.1ppts above the MPC forecast and for services to slow to 4.8%. Moving forward, PM now sees "inflation peaking at 4.1% in September, up from 4.0% before". From a policy perspective, given the expected peak in inflation for the September report, which is set to be released on October 22nd, markets remain of the view that a November cut is unlikely and prices just a circa 20% chance of such an outcome. The next 25bps cut is not fully priced until March 2026.

NEW ZEALAND GDP (WED): There are currently no expectations for New Zealand's Q2 GDP, with the priors printing at 0.8% Q/Q for Q1 and -0.7% Y/Y for Q1. Analysts at Westpac forecast a 0.4% contraction in Q2, but stress that the decline is largely attributable to residual seasonality in the national accounts – which tends to weigh on June-quarter growth by around 0.5ppts while boosting December-quarter readings by a similar margin, the desk says, "Looking beyond this distortion, we expect a mixed growth picture, with evidence that the economy has lost some momentum compared to the strong start to this year." From the RBNZ, the statement of the August decision suggested "New Zealand's economic recovery stalled in the second quarter of this year. Spending by households and businesses has been constrained by global economic policy uncertainty, falling employment, higher prices for some essentials, and declining house prices."

BOE ANNOUNCEMENT (THU): Expectations are unanimous that the BoE will hold the Bank Rate at 4% with markets assigning a 99% chance of such an outcome. The decision to stand pat on rates is expected to come via a 7-2 vote split with dovish dissent from Taylor and Dhingra. As a reminder, the prior meeting saw policymakers cut the Bank Rate by 25bps with a 5-4 vote split (vs. exp. 7-2), which followed a second round of voting. The first round had seen four votes for unchanged, four for a 25bps reduction and Taylor back a deeper 50bps reduction. Taylor opted to switch to a shallower 25bps vote to avoid an unchanged rate. Within the statement, the Bank opted to maintain guidance of a "gradual and careful" approach to rate cuts but remove language that monetary policy needs to "remain restrictive". The hawkish vote split saw a scaling back of dovish BoE bets with data prints since the meeting, adding to the dwindling expectations of further loosening. To recap, June GDP metrics came in firmer-than-expected, the labour market has continued to cool but at a reduced rate, services inflation ticked higher to an elevated rate of 5% and the August PMI composite PMI moved further into expansionary territory. Commentary from MPC members (ex-Taylor) at the TSC hearing earlier this month continued to convey caution over the persistence of underlying inflation. As such, there is little motivation for the MPC to ease policy at this meeting. Until now, the MPC has opted to cut rates on a quarterly basis, alongside MPR meetings. The next of these MPR meetings is on 6th November. However, given the hawkish vote split last month and expectations that the September CPI report (due on October 22nd) could see inflation hit 4%, markets only price a circa 16% chance of a cut with the next 25bps reduction not fully priced until April 2026. Aside from the rate decision and vote split, attention will be on the MPC's announcement on QT. On which, Pantheon Macroeconomics expects policymakers to slow QT to GBP 70bln per annum from October (vs. prev. GBP 100bln). Pantheon adds that GBP 70bln "would double the low pace of active sales relative to the past year, so risks skew to a bigger reduction in QT. But the MPC will likely reduce the risks to yields by skewing sales to shorter durations".

NORGES BANK ANNOUNCEMENT (THU): Norges Bank is expected to deliver a 25bps cut at September's meeting to 4.00%, but this is likely to be a very close decision; markets currently assign a 60% chance of such a move. At the last meeting, the Bank kept rates steady at 4.25%, suggesting that restrictive monetary policy is needed "but that it will likely be appropriate to continue with a cautious normalisation of the policy rate ahead". Back to September, there are several factors which policymakers will keep an eye on. Starting with inflation, both headline and core metrics printed in line with expectations; notably, the CPI-ATE Y/Y figure was in line with Norges Bank's own forecast. So whilst still at an elevated (but expected) headline level, the inner components showed that rent inflation has stabilised whilst food prices declined more than expected, which has and continues to be a source of upward price pressure on inflation. However, analysts at SEB believe that the inner components are still "worrisome" for policymakers. Overall, ING describes Norwegian inflation as "sticky". On the economy, the latest GDP metrics were stronger than expected, rising 0.60% (exp. 0.3%, Norges Bank forecast 0.3%). As for the Bank's latest Regional Network Report, it highlighted stable growth prospects; "contacts expect output growth to remain elevated through 2025 H2". On jobs, "slightly more contacts are facing recruitment difficulties" and annual wage growth projections were unchanged. Given the mixed/hawkish data, contrasting with the guidance from June for a cut, analysts differ on what Norges Bank will opt to do; SEB sees the Bank delivering a 25bps cut, although it now sees upside risks to its terminal rate forecast. ING also favour a cut, suggesting that recent upbeat growth expectations are "probably incorporating lower rates this quarter", and recent NOK strength plays in favour of a cut – but also reiterates that this is a close decision. On the flip side, Nordea stresses uncertainty around the decision, but believes rates will be maintained.

BOJ ANNOUNCEMENT (FRI): The Bank of Japan is widely expected to keep its short-term interest rate unchanged at 0.50%. A Reuters poll showed 96% of economists expect the BoJ to remain on hold, while money markets price around a 95% likelihood for no changes in rates and just a 5% chance of 25bps hike. As a reminder, the BoJ provided no surprises during the last meeting at the end of July, where it kept its short-term rate unchanged via a unanimous decision and reiterated it will conduct monetary policy as appropriate from the perspective of sustainably and stably achieving the 2% inflation target. It reiterated that it will continue to raise the policy rate if the economy and prices move in line with the forecast, in accordance with improvements in the economy and prices. BoJ also stated that underlying inflation is likely to stall due to slowing growth, but gradually accelerate thereafter, and underlying consumer inflation is likely to be at a level generally consistent with the 2% target in the second half of the projection period from fiscal 2025 through 2027. Furthermore, the central bank acknowledged that real interest rates are at extremely low levels and that there is high uncertainty surrounding trade policy developments, while BoJ Governor Ueda continued to signal a lack of urgency to hike rates during the post-meeting presser and noted there was no large change to the central outlook that the growth pace will slow down and underlying inflation stalls. The major development in Japan since then was the recent resignation by Japanese PM Ishiba, which has raised political uncertainty in Japan, with the next PM to be determined in the LDP leadership election on October 4th, and is likely to face increased pressure from smaller parties for more fiscal support. The resignation was seen as a potential factor that could delay the timing of the BoJ resuming its policy normalisation. A recent Reuters source report noted that although political uncertainty in Japan will not derail the BoJ's normalisation plan, it could impact the timing of the next hike, while the sources added that the "BoJ does not need to hike in the midst of turbulence" and there is "no rush...as long as it gets another rate hike done possibly by early next year". Conversely, sources recently cited by Bloomberg were much more hawkish, noting the BoJ is likely to keep rates unchanged on September 19th but is said to see some chance of hiking this year, despite the political situation. The sources also stated that the BoJ sees steady progress towards the price target and views the US trade deal as removing some risks to growth, while some officials are even of the view that a hike could be appropriate as early as October.

JAPANESE CPI (FRI): There are currently no expectations for the Japanese CPI metrics, which are due to be released around three hours before the BoJ policy decision. Headline inflation is expected by ING to ease to 2.9% Y/Y in August (prev. 3.1%), largely on base effects from last year's elevated energy prices. However, core CPI is seen remaining above 3%, signalling persistent underlying price pressures. July CPI data showed headline easing to 3.1% while core inflation rose to 3.4%. ING suggests sticky core inflation will keep alive the prospect of an October rate hike, particularly as October is typically when companies reset prices for the second half of the fiscal year. Recent sources via Bloomberg (9th Sept.) indicate the BoJ still sees a chance of hiking this year, albeit with rates likely left unchanged on 19th September, while Reuters reports the Bank is considering a modest reduction in super-long JGB purchases in Q4.

UK RETAIL SALES (FRI): Expectations are for headline M/M retail sales in August to rise 0.3% (prev. 0.6%) with the core rate seen remaining at 0.5%. In terms of recent retail indicators, Y/Y BRC retail sales in August rose 2.9% (prior 1.8%) with the accompanying report noting "sunny weather and an interest rate cut helped August round off a solid summer of sales". However, the consortium notes that "despite a better summer, retailers approach the 'golden quarter' with caution. With the later-than-expected Budget falling just days before Black Friday, many are uneasy about how consumer confidence and spending could be impacted by tax rise speculation in the run-up to Christmas". Elsewhere, the Barclaycard Consumer Spending report showed "overall Retail spending increased by 0.6% in August 2025 when compared to this time last year". Barclays observed that "health & beauty retailers led retail growth in August, driven by the enduring 'lipstick effect' as consumers prioritised small, feel-good luxuries. Furniture stores also performed strongly, while social media trends further boosted interest in wellness, skincare, and other indulgences".

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