

Highlights include US PCE, SNB, Flash PMIs, Aussie and Tokyo CPI

- **MON:** PBoC LPR, EZ Consumer Confidence Flash (Sep)
- **TUE:** Riksbank Announcement, EZ/UK/US Flash PMIs (Sep)
- **WED:** CNB Announcement, Australian CPI (Aug), German Ifo Survey (Sep)
- **THU:** SNB Announcement, Banxico Announcement, BoJ Minutes, PBoC MLF, German GfK Consumer Sentiment (Oct), US Durable Goods (Aug), US GDP (Q2), US PCE (Q2)
- **FRI:** Japanese Tokyo CPI (Sep), US PCE (Aug), US University of Michigan Final (Sep)

PBOC LPR/MLF (MON/THU): The PBoC is expected to leave its Loan Prime Rates unchanged for the fourth consecutive month, with the 1yr and 5yr rates seen steady at 3.00% and 3.50%, respectively, according to a Reuters survey of 20 respondents. The decision follows the PBoC keeping the seven-day reverse repo rate steady after the Fed's recent 25bps cut, with officials previously signalling that any adjustment to LPRs would only follow changes in the policy rate. Desks note that recent activity data showed broad weakness, raising calls for additional stimulus, albeit market watches cited by Reuters suggest resilient exports and a stock market rally have eased immediate pressure for stimulus. That being said, some desks suggest a non-zero chance of no action. Macquarie suggests incremental measures remain likely to secure the government's "around 5%" growth target, with a 10bp rate cut possible by year-end. Barclays, meanwhile, remains cautious on the size of fiscal support should the US-China trade truce hold.

RIKSBANK ANNOUNCEMENT (TUE): There is currently no newswire consensus ahead of the Riksbank decision, so taking a look at SEB, analysts expect the Bank to reduce its policy rate by 25bps to 1.75% (prev. 2.00%). Though it is worth highlighting that a SEB survey showed that the majority of respondents (64%) expect the Riksbank to keep rates steady in September, favouring a November cut instead. As a reminder, the Riksbank kept rates steady at the last meeting, as expected, and outlined that there was still some probability of a further interest rate cut this year, in line with the June forecast. Back to this meeting, inflation cooled a touch in August, with the core CPIF Y/Y metrics falling to 2.9% from 3.2%, and by more than the expected 3.1%. SEB highlights that while the metrics remain elevated, there are hints that the Riksbank was correct to suggest the summer upticks were driven by temporary factors. Inflation aside, economic activity data continues to remain weak, but there are some signs of recovery; the latest unemployment rate cooled slightly from the prior to 8.7%, GDP was weak, and consumer confidence is beginning to show signs of recovery. Overall, SEB favours a 25bps cut, suggesting that the cooling inflation plays in favour of a cut, though Nordea focuses on elevated inflation and recovering economic activity data, as justification for a hold. Further out, focus will be on the Bank's updated rate path. Currently, the MPR for Q4'25 points to some chance of a further rate cut. If delivered in September, more focus will be on the path pencilled in for Q1/Q2'2026 (currently 1.88%).

EZ FLASH PMI (TUE): Expectations are for September's manufacturing PMI to rise to 51.0 from 50.7, services to hold steady at 50.5 and the composite to tick higher to 51.2 from 51.0. As a reminder, the prior release saw the composite PMI metric move further into expansionary territory with the pace of expansion ticking up to a one-year high. This time around, Oxford Economics notes that the data "should offer a more complete picture of what growth looked like during Q3". The desk adds that it expects "a small improvement in the Eurozone numbers, although at current levels, the PMI still suggests a weak pace of GDP growth. We think manufacturing activity will be slightly stronger than services, although with both measures close to the 50-point threshold, the difference is minimal, and growth is weak in both sectors". From a policy perspective, with the ECB standing pat on policy earlier this month and the Governing Council judging that inflation is consistent with its target over the medium term, the data would need to show a sizeable deterioration to put the prospect of further rate cuts back on the table. As it stands, markets price just 4bps of loosening by year-end.

UK FLASH PMI (TUE): Expectations are for September's services PMI to decline to 53.9 from 54.2, manufacturing to slip to 46.9 from 47.0 and composite to slide to 53.0 from 53.5. As a reminder, the prior release saw the August composite metric extend further into expansionary territory thanks to a jump in the services component. The accompanying report noted the data indicated "that the pace of economic growth has continued to accelerate over the summer after a sluggish spring, the rate of expansion now at a one-year high". This time around, analysts at Investec expect a sideways movement in the manufacturing PMI on account of caution ahead of the November budget. For the services sector, the desk also expects potential upcoming fiscal concerns to weigh on sentiment and sees a decline to 53.5, which would leave the composite at 53.0. Investec cautions that such an outturn would not "not necessarily carry a strong message for official value-added data", noting that the correlation between the composite PMI and month-on-month GDP growth is far from perfect". From a policy perspective, with inflation set to rise to 4% in September, the release will likely have little sway on BoE easing expectations, with just an 8% chance of a 25bps reduction in November priced by markets as policymakers await the Autumn budget later in the month.

AUSTRALIAN CPI (WED): The August Monthly CPI Indicator is expected to rise to 2.9% Y/Y (prev. 2.8%), with Westpac seeing a firmer 3.1%, citing base effects. July CPI saw an upside surprise at 2.8% Y/Y (vs. exp. 2.7%), driven by a 0.9% M/M increase led by electricity, new dwellings, and holiday travel. Westpac suggests that for August, electricity costs in NSW and the ACT are set to ease as rebates are applied, partly offsetting further increases elsewhere, with the desk pencilling in a 3% rise in power prices. Overall, Westpac estimates headline CPI will lift just 0.1% on the month, pushing the annual pace higher to 3.1% Y/Y. "There is a high degree of uncertainty, with the recovery in homebuilders' margins a notable upside risk", Westpac says.

SNB ANNOUNCEMENT (THU): Expected to maintain the policy rate at 0.0%, after cutting to the ZLB in June. August's inflation data was in line with market expectations for the Y/Y at 0.2% (prev. 0.2%) vs the 0.1% average the SNB looks for over Q3. Thus far, the trend of inflation is slightly hotter than the SNB forecast, and while the August M/M came in at -0.1%, this has happened before in recent months, with the SNB not significantly concerned on those occasions. Most pertinently, Chairman Schlegel has said the bar is high to go into negative territory, but they would do so if it were really necessary. During that interview, he also said the real appreciation of the CHF is not as significant as it appears, given the global price backdrop. Overall, the base case is for rates to be maintained at 0.00% with markets implying just a 5% chance of a cut into negative territory, with the focus more on December to see how the pricing picture has developed by then; but a number of desks are now of the view that the SNB is at the terminal point.

BANXICO ANNOUNCEMENT (THU): Banxico is expected to cut rates by 25bps to 7.50%, according to all 24 analysts surveyed by Reuters. At the prior meeting, Banxico cut rates by 25bps to 7.75%, with Heath a hawkish dissenter, and the Committee noted the board will assess further adjustments to the reference rate. Since then, Mexico's August CPI points to inflation that is softer at the headline level but still underpinned by stubborn core pressure, and as such, Pantheon Macroeconomics expect gradual disinflation to resume, with core ending 2025 near 3.9%, vs. Banxico's projection of 3.7% in the prior meeting, anchored by tight financial conditions, weak demand and a firm MXN. Despite saying that, core inflation, particularly services, is proving resistant to faster disinflation, and PM adds that rising wages are feeding into services costs, limiting Banxico's scope to accelerate easing. As such, Pantheon thinks rate cuts will continue at a 25bps pace in the coming meetings, with sticky core prices preventing a more aggressive stance. As always, attention will be on any commentary surrounding tariffs, given Mexico's vulnerability to US measures. In the last week or so, the Mexican Economy Minister stated that a new tariff will be put on light vehicles and auto parts; raises tariff on cars from Asia, particularly from China, from 20% to 50%.

TOKYO CPI (FRI): There are currently no forecasts for the Tokyo CPI, which precedes the Nationwide figure. Tokyo CPI Y/Y printed at 2.6% last month, with the Core Y/Y at 2.5%, and the "super core" Y/Y at 1.5%. The data will be watched ahead of the BoJ's October 30th rate decision after Governor Ueda emphasised that the central bank will be watching data for effects from US tariffs, although he noted several times that the economy is withstanding the current tariff impact. On inflation, the governor noted the impact of rising food prices, including rice, is likely to dissipate, noting that while underlying inflation remains below 2%, it is approaching that level. He emphasised the importance of closely monitoring household inflation expectations, though he does not view the recent decline in short-term expectations as a concern. Ueda added that the latest CPI data is consistent with the Bank's outlook, and while food price inflation is not expected to have a large effect on underlying inflation, there remains a risk. He also acknowledged that higher inflation can negatively affect livelihoods, underscoring the need for vigilance.

US PCE (FRI): After the PPI and CPI report for August, analysts were predicting Core PCE could see a rise between 0.28 and 0.35% M/M (vs 0.27% in July), according to the WSJ's Fed watcher Nick Timiraos. He noted that the gap between core PCE and core CPI widened in August as prices for items with higher PCE weight fell, even as CPI core prices rose. Fed Chair Powell himself signalled that headline PCE will be at 2.7% Y/Y in August (vs 2.6% in July) and said goods inflation was adding between 0.3-0.4ppts to PCE inflation. Powell expects the core PCE in August to be at 2.9%. At their latest policy meeting, the Fed kept its median forecast for headline PCE at 3.0% in 2025, but raised 2026 to 2.6% from 2.4%, while maintaining 2027 at 2.1%; for the core measure, the Fed maintained its view for 3.1% in 2025, easing to 2.6% in 2026 (vs its June forecast of 2.4%), and then to 2.1% in 2027. Analysts at Barclays wrote that "with a core PCE inflation likely to print around 0.21% M/M for August, such projections imply that the median FOMC participant expects core PCE inflation to accelerate to around 0.27% M/M from September to December, likely as a result of tariffs." However, the bank notes that officials raising inflation projections for 2026 presumably reflect more persistent effects of tariffs on inflation. The FOMC sees inflation returning to target in 2028. Others have also been noting that the Fed's September policy statement reiterated that it is attentive to the risks on both sides of its dual mandate, but "judges that downside risks to employment have risen", suggesting its focus is pivoting to the labour side of its mandate, rather than inflation.

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