

Previewing RBA Minutes; Reviewing FOMC Minutes and RBNZ

PREVIEWS

RBA MINUTES: The RBA will release the minutes from its September 30th meeting next week, where it kept the Cash Rate unchanged at 3.60%, as expected, with the decision made unanimously. While the statement noted that though inflation has fallen substantially from its 2022 peak, the decline in underlying inflation has slowed, and recent data suggest Q3 CPI may be higher than anticipated at the time of the August Statement on Monetary Policy. The Bank reiterated its focus on quarterly trimmed mean inflation as the primary guide, although Governor Bullock acknowledged that monthly CPI still provides some information. Furthermore, the Board judged that risks are now "broadly balanced," noting both upside risks from stronger domestic demand and downside risks if households become more cautious in response to external developments. The statement underlined that the Bank remains "alert to the heightened level of uncertainty" and will continue to update its assessment as data evolves. ING suggested that the RBA's tone had turned less dovish, with the August CPI upside surprise diminishing the probability of a near-term cut. The desk also argued that the Bank will require clearer evidence of inflation sustainably tracking toward the 2.5% midpoint before considering further easing, with the October 29th Q3 CPI release flagged as pivotal. Furthermore, ING saw the likelihood of a November cut as having "diminished meaningfully," though it still expects that policy need not remain restrictive for an extended period.

REVIEWS

RBNZ REVIEW: The RBNZ delivered a jumbo cut of 50bps to lower the OCR to 2.50% vs mixed views between a 25bps or 50bps cut, while it kept the door open for further reductions as it stated that the committee remained open to further reductions in the OCR as required for inflation to settle sustainably near the 2% target mid-point in the medium term. RBNZ stated that higher near-term inflation could prove to be more persistent, and with spare capacity in the economy, inflation is expected to return to around the 2% target midpoint over the first half of 2026, but noted there are upside and downside risks to the inflation outlook in New Zealand and that economic activity through the middle of 2025 was weak. Furthermore, the minutes revealed that the committee discussed the options of reducing the OCR by 25bps or by 50bps at the meeting, as well as stated that the case for reducing the OCR by 50bps emphasised prolonged spare capacity and the associated downside risk to medium-term activity and inflation.

FOMC MINUTES REVIEW: The FOMC minutes revealed that most participants saw increased downside risks to employment and reduced upside risks to inflation, though many still highlighted inflation as an ongoing upside risk. On rates, almost all supported the 25bps cut in September, citing a shift in risk balance. Some viewed conditions as not very restrictive, favouring caution ahead. A few participants stated there was merit in keeping the federal funds rate unchanged, or that they could have supported such a decision, while one (Governor Miran) favoured a 50bps reduction. On prices, participants noted tariff effects have been muted and a few said productivity gains may be reducing inflation pressures. However, some said progress toward 2% had stalled; views diverged, with most seeing upside inflation risks, but some perceiving reduced risks versus earlier in the year. On the labour market, most saw no sharp deterioration, though some cited data showing prior softening. Officials think that conditions are expected to stay stable or soften modestly, with rising employment downside risks. AI adoption and weaker sentiment were noted as potential drags. And on the balance sheet, participants emphasised that they are monitoring reserve levels amid declines, viewing the standing Repo facility as supportive for rate control and preventing money market disruption during balance sheet reduction. Analysts at Barclays said that the minutes showed broad backing for the September 25bps cut, but highlighted divisions over inflation, policy tightness, and rate trajectory. "The minutes reveal notable disagreements among participants about the underlying inflation rate when abstracting from the effect of tariffs; the participants' assessment about the degree to which the stance of policy was restrictive; and about the future path of rates," the bank wrote, "participants appear to have broadly accepted the notion that the significant reduction in job gains reflects lower growth in both supply and demand for labour, and that the reduction in immigration and aging are weighing on the 'break-even' employment gains." Ahead, Barclays looks for further 25bps cuts in October and December, citing weak job gains and a modest rise in unemployment, and forecasts two additional 25bps cuts in March and June 2026, conditional on declining monthly inflation early next year, to reinforce confidence in a return to the 2% target.

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