Central Bank Weekly: 31st October 2025

Previewing BoE, RBA, Riksbank, Norges Bank, BCB; Reviewing FOMC, BoJ, BoC, ECB

PREVIEWS

RBA ANNOUNCEMENT (TUE): The RBA will decide on rates next Tuesday with a recent Reuters poll showing unanimous expectations for the central bank to maintain the Cash Rate at the current level of 3.60%, while money market pricing is also leaning heavily towards no change in rates with a 92% probability of a pause, which is a hawkish shift from pricing earlier in the week of around a 40% vs 60% probability between a 25bps cut and a hold, respectively. As a reminder, the RBA kept the Cash Rate unchanged at 3.60% in the September 30th meeting, 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 suggested 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. Furthermore, RBA Governor Bullock kept the central bank’s options open at the post-meeting press conference as she noted that there could be a couple more rate cuts or there could not be, and didn’t give forward guidance, but noted they will have more data in November. Since then, the data had been mixed as employment data was weaker than expected, as headline Employment Change missed expectations and the Unemployment Rate rose to 4.5% vs. Exp. 4.3% (Prev. 4.2%), which supported the case for cutting rates. However, the latest quarterly CPI data for Q2 and the monthly CPI for September printed firmer-than-expected across the board, which resulted in an unwinding of rate cut bets and spurred the likes of CBA and Goldman Sachs dropping their calls for a cut and now see the RBA to stand pat.

RIKSBANK ANNOUNCEMENT (WED): Riksbank is expected to keep rates steady at 1.75% in November, in line with the rate path provided at the last meeting - no verbal change to guidance is expected. Recent data will not change much by way of policy at the Bank. In more detail, headline CPIF Y/Y cooled from the prior, but was a touch above the Riksbank’s view; the core CPIF Y/Y figure cooled in line with the Bank’s view. Q3 GDP was very strong, with Q/Q rising 1.1% (exp. 0.7%, prev. 0.5%) – a figure which significantly topped the Bank’s own forecast (0.5%), but it is worth highlighting that the flash figure has been fairly volatile and is often subject to hefty revisions. The Bank has put heightened focus on the labour market, which has not really shown any significant signs of improvement; in September, unemployment remained elevated at 8.7%, unchanged from the prior. Overall, inflation has developed in line with the Bank’s view and growth is recovering – factors which play in favour of keeping steady on the current rate path envisaged at the last meeting. Analysts at Nordea and SEB concur this view, and see rates holding steady for the remainder of this year and next. To recap the last meeting, the Riksbank cut rates by 25bps (subject to hawkish dissent via Seim, who favoured no cut). The accompanying MPR indicated that the Bank is now at terminal, with the next move seen as a hike, but not until late-2027.

BCB ANNOUNCEMENT (WED): The Brazilian Central Bank is expected to leave rates on hold once again at 15.00%. The prior statement noted that risks to the inflation scenarios, both to the upside and downside, continue to be higher than usual. It stated that, ensuring the convergence of inflation to the target requires a significant contractionary monetary policy for a very prolonged period, hence the BCB are expected to keep rates on hold. It also emphasised that it would not hesitate to resume the interest rate hiking cycle if needed. Pantheon Macroeconomics expects the BCB to keep rates on hold through 2025, but with modest easing possible from early 2026. Bloomberg highlights that swaps traders see a chance of a rate cut in January, but a cut is only fully priced in for March.

BOE ANNOUNCEMENT (THU): Expectations are for the BoE to keep the Bank Rate at 4.0%, according to 54/63 surveyed by Reuters, with markets assigning a 31% chance of such an outcome. The decision to do so is expected to be via a 6-3 vote split vs. the 7-2 decision in September, which saw dovish dissent from Dhingra and Taylor. The BoE has largely been priced on hold since the August meeting, which saw a “hawkish” cut as more policymakers than expected put their weight behind an unchanged move on account of concerns over the stickiness of inflation in the UK. In terms of economic developments since the prior meeting, inflation data for September came in softer-than-expected, with Y/Y CPI failing to hit the 4% projection that some had been fearful of. However, this has not been enough to cement calls for immediate action by the BoE, given that inflation is still nearly double the MPC’s target and wage growth is inconsistent with the Bank’s mandate. Whilst the BoE can often wrongfoot the market, policymakers have failed to talk up the possibility of policy loosening in November, with rate-setters waiting to see the outcome of the November 26th budget. Press reporting ahead of the event is indicative of a potential tax hike/low growth budget, which would likely need to be met with a looser approach by the MPC. However, until the budget is actually announced, policymakers will not act on such assumptions. Looking beyond November, the aforementioned September CPI report added to expectations of a cut in December, with such an outcome priced at around 64%. Alongside the decision itself, the MPC will be releasing its latest MPR with Morgan Stanley of the view that the MPC’s medium-term forecasts will align with the August MPR.

NORGES BANK ANNOUNCEMENT (THU): Norges Bank is expected to keep rates steady at the November policy meeting, in line with the MPR provided in the prior confab; currently, the Key Policy Rate is at 4.00%. The latest inflation dataset will not change much for policymakers; September’s readings were a little lower than expected, with Core Y/Y printing at 3.0% (exp. 3.1%) whilst the headline figures were incrementally firmer. On the activity side of things, the NSA Unemployment Rate for September printed in line with expectations at 2.1% - an improvement from the prior. Retail Sales fell 0.5%, with consumers remaining cautious. Sticking with activity, the Business Tendency Survey painted a slightly pessimistic picture of the Norwegian economy, as manufacturers reported weak growth in production in Q3. On the other hand, the latest government budget proposal for 2026 saw the Norwegian economy in a positive light. In brief, the measures proposed appear to focus less on domestic demand and so will likely have an immaterial impact on policymakers at the Bank. Given all of the above, there has been little to sway policymakers away from the current MPR, which points towards some chance of loosening in Q2'26 (3.92%); the first full cut is indicated in Q4'26 (3.74%); SEB sees a cut in June 2026. Analysts at Nordea also see the Bank keeping rates steady, with the accompanying commentary to largely reiterate what was seen in the prior meeting. As a reminder of the last meeting, Norges Bank cut rates by 25bps and highlighted that policymakers judged that a somewhat higher policy rate will likely be needed ahead compared with the outlook in June. Governor Bache highlighted that "we do not envisage a large decrease in the policy rate ahead".

REVIEWS

FOMC REVIEW: The Federal Reserve cut rates by 25bps, as expected, to 3.75-4.00%, albeit in a 10-2 vote. On the dovish end of the spectrum, Governor Miran voted for a 50bps reduction, as he had touted prior to the meeting, while Schmid voted to leave rates unchanged. Within the statement, given the US Government shutdown and regarding the outlook, it notes that available indicators suggest that economic activity has been expanding at a moderate pace (prev. recent indicators suggest growth of economic activity moderated in the first half of the year). Meanwhile, on the employment side of the mandate, the statement judges that downside risks to employment have risen in recent months, while on inflation, it continues to note that it has moved up since earlier in the year, and maintains that inflation "remains somewhat elevated". The Fed also announced changes to its balance sheet from December 1st. The Fed will reinvest all maturing holdings of Treasury securities, and it will reinvest all the payments from mortgage-backed securities into Treasury bills, allowing the Fed's holdings of MBS to continue to roll off the balance sheet. The Fed has previously signalled it wants a Treasury-only balance sheet, given housing market conditions.

FED CHAIR POWELL REVIEW: Powell was hawkish in the press conference, with the main takeaway being that a December rate cut is not a foregone conclusion, and there are differing views on the Committee regarding a December rate cut. However, there was considerable support for today's decision, calling it another risk management move, but going ahead, it is a different story. He also warned that, amid a lack of official government data, "driving in the fog, you could slow down". He was also asked about other reasons why the Fed could enter a pause, noting the Fed has already moved 150bps from peaks, and is currently in the area where many estimates of the neutral rate are, hence some think it is time to take a step back. He also said that there is a growing chorus of feeling that maybe they should wait a cycle [to cut again]. Powell still sees policy as modestly restrictive. He noted CPI was a little softer than expected, while inflation away from tariffs is not far from the 2% goal, suggesting it may be 0.5-0.6% above target. Note, we will not see the official PCE report on Friday for September, but Powell estimates headline PCE and Core PCE both rose 2.8% (prev. headline 2.7%, core 2.9%). The Chair does not see weakness in the job market accelerating, but highlighted that they haven't seen the September payroll report due to the government shutdown, but state-level claims data is not suggesting a significant deterioration. On the balance sheet, the Fed said the December 1st date for ending the balance sheet contraction gives the market a little time to adapt, and that it is clear they are only slightly above an ample level of reserves. Powell also noted they want to move the balance sheet to shorter durations, but have not decided on an endpoint, and they want the balance sheet duration to fall very gradually.

BOJ REVIEW: BoJ unsurprisingly kept rates unchanged at 0.50% in a 7-2 vote in which board members Takata and Tamura remained the dissenters as they proposed a 25bps hike. There wasn't anything major new in the central bank's language as it reiterated that it will continue to raise the policy rate if the economy and prices move in line with its forecast, in accordance with improvements in the economy and prices, as well as noted that it is important to scrutinise without any pre-set idea whether the BoJ's projection will be met, given high uncertainty on trade policy and its impact on the economy, while it will conduct monetary policy as appropriate from the perspective of sustainably and stably achieving the 2% inflation target. The BoJ stated in its Outlook Report that underlying consumer inflation is likely to stagnate on slowing growth but increase gradually thereafter, and that 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. In terms of the latest median forecasts, the central bank mostly kept its median forecast for Real GDP and Core CPI unchanged aside from the mild upgrade in FY25 Real GDP. The post-meeting press conference with BoJ Governor Ueda also provided very few clues on when the central bank will resume rate normalisation, as he stated there is no pre-set idea about the timing of the next rate hike, and the reason for holding off on rate hikes is due to overall economies and trade policy uncertainties still being high. Furthermore, he noted an increased likelihood of achieving the outlook but added that they need more data before they decide to adjust the degree of monetary easing.

BOC REVIEW: The Bank of Canada cut rates by 25bps, as expected, taking rates to 2.25%, matching the bottom end of the BoC's neutral rate estimate. The BoC maintained the view of their neutral rate despite the rate cut, suggesting that any further rate cuts would be accommodative. The BoC described current interest rates as "about the right level", implying there is little room left for more easing, or at least the BoC will observe effects of recent easing before acting again, depending on how the economy evolves. The statement did say that if the outlook changes, they are prepared to respond. It also noted that the structural damage caused by the trade conflict reduces the capacity of the economy and adds costs, noting this limits the role that monetary policy can play to boost demand while maintaining low inflation, suggesting there is not much more monetary policy can do. Both these additions to the statement suggest a clear holding bias from the BoC. Within the MPR, the BoC returned to a base case scenario. It sees Q4 25 growth (Y/Y) at 0.5%, down from the 1.9% seen in the January MPR (before the BoC switched to a scenario-based approach), and compares to the July MPR of 0.7%. Headline CPI in Q4 25 is seen at 2.0% (down from 2.4% in January, up from 1.9% in July). Core CPI is seen at 2.9% (up from 2.1% in January and down from 3.1% in July). Analysts at RBC note that their base case assumes no further rate reductions, and they expect a ramp-up in fiscal stimulus to do a lot of the heavy lifting in the policy response to address tariff-related issues in the economy.

ECB REVIEW: As was very much expected, the ECB opted to stand pat on the Deposit Rate at 2.0%. The decision to do so was based on the lack of incremental shifts in data since the September meeting and confidence that indicators of underlying inflation are consistent with the ECB's target. Additionally, the ECB retained its meeting-by-meeting and data-dependent approach. At the follow-up press conference, President Lagarde reaffirmed that policy is in a "good place" but it is not a fixed point and the GC will do whatever is necessary to stay in a good place. With regards to the decision itself, the President stated that it was a unanimous one. In terms of the economic assessment, Lagarde stated that some of the downside risks to growth have abated. However, the same cannot be said for inflation. Overall, despite some of the risks surrounding the Eurozone outlook (US trade policies, appreciation in the EUR, French politics), the ECB remains confident in the bloc's growth outlook, whilst cautious of potential upside inflation risks. As such, the bar for a rate cut in the near-term remains a high one. Market pricing concurs with just 1bps of loosening seen for the December confab. The next inflection point will likely come via the next round of macro projections in December, which will include the debut 2028 forecast. In the evening, Reuters via sources, reported that ECB policymakers are preparing for a December showdown on inflation and rates; some think 2028 inflation projection would warrant rate cut debate, others favour giving little weight to any small undershooting three years ahead.

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