Central Bank Weekly: 21st November 2025

Previewing RBNZ, PBoC MLF, ECB Minutes, BoK; Reviewing FOMC Minutes, RBA Minutes, PBoC LPR

PREVIEWS

PBOC MLF (TUE): The PBoC stood pat on its 1-year LPR at 3.0% and 5-year at 3.5% for a sixth straight month, as expected. The decision reflects a reduced urgency for fresh easing following the US–China trade truce, despite continued signs of economic slowdown. October data showed weaker exports, retail sales, and loan growth, while the PBoC reintroduced its “cross-cyclical adjustment” (less dovish) stance in its Q3 monetary policy report. Goldman Sachs said the bank is tolerating slower credit growth and now sees a policy rate and RRR cut in Q1 2026 rather than this quarter.

RBNZ ANNOUNCEMENT (WED): The RBNZ is expected to reduce its Official Cash Rate (OCR) by 25bps to 2.25% at its final meeting this year, according to 33 out of 36 analysts polled by Reuters, with the other three expecting a hold at 2.50%. Meanwhile, money markets assign a 98% chance of a 25bps cut and a 2% chance of a 50bps reduction. Westpac also expects a 25bps cut and a downward revision to the projected OCR track by roughly 30–35bps, implying a low of 2.20% in early 2026 and a mild easing bias for next year. The bank anticipates potential division within the committee between a 25bps and 50bps cut, while signalling more transparency in communication. Westpac said a 25bps move is justified, adding that “if a 2.25% OCR can’t do the job, neither will 2.0%,” with the weak NZD helping to rebalance demand and inflation. Westpac is also told that Governor-elect Breman will not be involved in the policy discussions.

ECB MINUTES (THU): October’s ECB saw the ECB hold the Deposit Rate at 2.00%. 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 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. The minutes will be scoured for any early insight around December; however, it remains to be seen what insight will be provided with the board awaiting the December forecasts, particularly re. 2028, to update their assessment on the policy trajectory. As it stands, the bar for a cut in the near-term remains high with markets increasingly of the view that the ECB is likely at terminal, pricing in less than 1bp of easing in December.

BOK ANNOUNCEMENT (THU): The Bank of Korea is expected to keep its Base Rate unchanged at 2.5%, maintaining its pause since May as policymakers continue to balance household debt risks against the need to support growth. At the prior meeting, the BoK cited stable inflation and an improving growth outlook, but noted rising uncertainty from US trade tensions and housing market imbalances. Bank of America economists, however, pencilled in a rate cut in November to bolster growth, contingent on progress made in trade talks and housing policy. According to Bank of America, housing inflation remains the key constraint on further easing, though a rate cut in the months ahead could still be considered if trade progress and housing measures stabilise conditions.

REVIEWS

FOMC MINUTES REVIEW: The minutes showed a committee divided over the appropriate pace of easing, with many favouring a 25bp cut while several preferred holding rates and one advocating a more forceful 50bp reduction. Supporters of a cut pointed to rising downside risks in employment and limited evidence of renewed inflation pressures, whereas those opposed stressed stalled progress toward 2% and insufficient confidence that inflation was on a sustainable path. Despite broad agreement that policy was moving gradually toward neutral, views diverged on how restrictive current settings remained, and participants noted that financial conditions were generally supportive. Views also diverged on the outlook; most judged that further cuts are appropriate, but several did not see a December cut as likely. Several said another cut could be appropriate in December if the economy evolved as expected, but many judged it likely appropriate to keep rates unchanged for the rest of the year. Inflation commentary reflected persistent concern, with many highlighting core non-housing services pressures, expected tariff pass-through and the risk that prolonged overshoots could lift expectations, although some observed inflation excluding tariffs was close to target and that productivity gains or a softer labour market could curb price pressures. Labour market conditions were seen as softening gradually, shaped by structural factors including AI-driven investment, while activity remained moderate with strength concentrated in higher-income households. Most supported concluding balance-sheet runoff on December 1st and favoured a larger Treasury bill share to enhance flexibility. Several warned that elevated asset valuations, particularly in AI-related equities, left markets vulnerable to disorderly corrections. The minutes also touched on asset prices, where several highlighted the possibility of a disorderly fall in stock prices, especially in the event of an abrupt reassessment of AI-related prospects. Money market pricing saw further rate cut bets pared in the wake of the minutes, with just 6bps of easing priced, implying just a 24% probability of a rate cut in December vs 7bps pre-FOMC Minutes. Rate cut bets had begun to ease beforehand after the BLS delayed the October and November jobs reports to December 16th, after the December 10th FOMC, leaving the FOMC still in the fog. Pantheon Macroeconomics highlight that December hangs in the balance, but substantial easing probably still lies ahead.

RBA MINUTES REVIEW: The RBA's November meeting minutes underscored a cautious, data-dependent stance as the board weighed persistent inflation pressures against a still-tight labour market. While members acknowledged that inflation has fallen sharply since 2022, members "noted that the outcomes for both headline and underlying inflation were significantly higher than had been forecast in August, though some of this had already become apparent from the monthly indicators ahead of the September meeting." The RBA left the cash rate unchanged at 3.60%, judging that policy remains "lightly restrictive and that the bank could afford to be patient while assessing upcoming data. According to CBA, the minutes reinforce that the path ahead hinges on the persistence of inflation. ANZ described the tone as "a little more hawkish than the post-meeting statement,". ANZ continues to forecast one final 25bps cut in H1 2026, while Westpac expects two cuts in 2026 (May and August), contingent on inflation easing further.

PBOC LPR REVIEW: The PBoC stood pat on its 1-year LPR at 3.0% and 5-year at 3.5% for a sixth straight month, as expected. The decision reflects a reduced urgency for fresh easing following the US–China trade truce, despite continued signs of economic slowdown. October data showed weaker exports, retail sales, and loan growth, while the PBoC reintroduced its "cross-cyclical adjustment" (less dovish) stance in its Q3 monetary policy report. Goldman Sachs said the bank is tolerating slower credit growth and now sees a policy rate and RRR cut in Q1 2026 rather than this quarter.

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