Central Bank Weekly 30th January 2026

Previewing: BoE, ECB, RBA, Banxico, BoJ SOO, RBI; reviewing FOMC, BoC, Riksbank, BCB.

BOJ SOO (MON): The BoJ's Summary of Opinions follows the January policy meeting, at which the central bank kept its short-term policy rate unchanged at 0.75% in an 8-1 vote, with Hajime Takata dissenting in favour of a 25bps rate hike. The BoJ reiterated that it would continue to raise rates if its economic and price outlook is realised, while upgrading growth forecasts for FY25 and FY26 to 0.9% and 1.0%, respectively, reflecting the impact of government stimulus. Inflation projections were largely maintained, aside from a modest lift to the FY26 core CPI view. At his post-meeting press conference, Governor Ueda said financial conditions remain accommodative and that the effects of December's tightening will take time to filter through the economy. He flagged the weak JPY as a potential upside risk to prices via import costs, expressed some unease over the pace of rises in long-term yields, and reaffirmed the central bank's readiness to conduct nimble market operations to address any irregular moves. Ueda also highlighted April price developments as an important input for future policy decisions, underscoring that policymakers are placing greater weight on underlying inflation dynamics, which are moving closer to, but are not yet firmly anchored at, the 2% target. The SOO will be watched for any potential hawkish nuances, although focus may be tempered by recent FX intervention concerns and domestic political developments.

RBA POLICY ANNOUNCEMENT (TUE): The RBA will hold its first policy meeting of 2026, and is expected to raise rates for the first time in more than two years from the current 3.60%. A recent Reuters poll showed 24 of 31 economists surveyed expect a 25bps hike to 3.85%, while seven forecast no change. The RBA kept its cash rate unchanged in December for a third straight meeting, as expected, in a unanimous decision. The statement signalled that the central bank remains data-dependent, and contained no major surprises; however, a hawkish tone emerged in the post-meeting press conference. Governor Michele Bullock said it appeared further rate cuts were not needed, and that a cut was not considered at that meeting, while the board discussed circumstances under which tightening might be required, even though a hike was not explicitly debated at that meeting. She said persistent inflation would raise policy questions, without putting a timeline on any move, and reiterated a meeting-by-meeting approach. Bullock also said she did not see rate cuts in the foreseeable future, adding that the outlook was for an extended pause or hikes, and flagged inflation and jobs data as key inputs for the February meeting. Recent data supports the case for a hike, with all four major Australian banks now forecasting a February increase. Employment rebounded in December, rising by 65.2K versus expectations of 30K after a prior fall of 21.3K, while the unemployment rate unexpectedly fell to 4.1% from 4.3%, against forecasts of 4.4%. Monthly CPI for December came in firmer than expected at 3.8% versus forecasts of 3.6%, while headline fourth-quarter CPI matched estimates; but the RBA's preferred trimmed mean measure exceeded forecasts and remained above the 2-3% target range.

BOE POLICY ANNOUNCEMENT (THU): The Bank of England is expected to keep its Bank Rate unchanged at 3.75% at its February meeting, with a near-unanimous consensus in the latest Reuters poll pointing to a hold. Focus will be on the vote split and guidance after the MPC was sharply divided in December, voting 5-4 to lower rates, and amid signs of firmer activity, including the strongest private-sector business growth since April 2024 and resilient retail sales. Reuters polling shows only a slim majority of economists now expect a 25bps cut in March, with confidence in near-term easing having ebbed as inflation remains the highest among G7 peers, and wage growth remains elevated. Pantheon Macroeconomics expects a 6-3 vote to hold policy, with Alan Taylor, Dave Ramsden and Swati Dhingra seen favouring a 25bps reduction, arguing the decision itself is a foregone conclusion, and that guidance is likely to continue signalling a "gradual downward path" for rates, albeit with longer gaps between cuts than seen in 2025. Pantheon also expects updated forecasts to look relatively hawkish, with inflation projected to remain above target at the two- and three-year horizons, even as the November Budget measures lower near-term inflation. "All told, we think the market is right to fully price only one more rate cut this year, with a chance of hikes starting early in 2027," Pantheon said.

ECB POLICY ANNOUNCEMENT (THU): The ECB is expected to maintain policy settings, keeping its deposit rate at 2.00%. December's meeting reaffirmed a meeting-by-meeting, data-dependent approach, with its statement and the post-meeting press conference with President Christine Lagarde saying that policy was in a "good place". Shortly after the meeting, sourced reports echoed that view, while stressing that a rate cut remained an option if needed. Since then, officials have largely stuck to the "good place" message, with Chief Economist Philip Lane saying there is "no near-term interest rate debate," while its markets chief Isabel Schnabel clarified that there would be no change in the "foreseeable future," after earlier comments on tightening sparked a hawkish reaction in Euro assets. The main exception was Lithuania's Gediminas Simkus, who said policy fits the moment and rates are on hold for now, but beyond February, the path is less clear. Beyond rates, the Euro's strength since mid-January has been a key talking point, and is likely to feature in the press conference. Traders will look to Lagarde's post-meeting presser for clues on the timing and direction of the next move, though she is unlikely to be forthcoming.

BANXICO POLICY ANNOUNCEMENT (THU): Banxico is expected to adopt a cautious stance at its February policy meeting. Minutes from its December confab point to support for a pause, with policymakers flagging trade uncertainty, new import tariffs and higher special taxes as near-term inflation risks, despite viewing their impact as largely temporary. Core inflation remains above target, while headline inflation has eased. Although December's 25bps cut to 7.00% was justified by inflation progress, weak growth and a strong MXN, several argued for a wait-and-see approach. Analysts increasingly see a hold as the slightly more likely outcome, as the bank assesses whether these tax, tariff and wage shocks generate second-round effects, before resuming easing.

RBI POLICY ANNOUNCEMENT (FRI): The RBI is expected to leave rates unchanged. A recent Reuters poll showed 59 of 70 economists expect the monetary policy committee to keep the repurchase rate at 5.25%. The RBI cut the rate by 25bps to 5.25% at its December meeting, as expected, in a unanimous decision, while retaining a neutral stance despite dovish dissent from MPC member Ram Singh, who argued for a shift to an accommodative stance. Governor Sanjay Malhotra said the economy had seen rapid disinflation and described conditions as a rare "Goldilocks" period, while noting that geopolitical and trade uncertainties were weighing on the outlook. He said growth was expected to soften somewhat, policy space existed to support momentum, and headline inflation had eased significantly, with the decline becoming more broad-based, although some leading indicators showed signs of weakness. The language suggested further policy action could not be ruled out, even after cumulative cuts of 125bps last year. Consumer inflation remained subdued in December, with CPI at 1.33% versus expectations of 1.5%, up from 0.71% previously. While inflation has rebounded from the record low of 0.25% in October, it remains below the RBI's 2-6% tolerance band.

FOMC REVIEW: The Fed left rates unchanged at 3.50-3.75%, as expected, in a 10-2 vote split, with Governors Miran and Waller calling for a 25bps reduction (Miran had previously voted for a 50bps cut in December). The January statement revised the economic assessment by replacing "economic activity has been expanding at a moderate pace" with "expanding at a solid pace", "job gains have slowed this year" with "job gains have remained low", and "the unemployment rate has edged up" with it having "shown some signs of stabilisation"; "inflation has moved up since earlier in the year and remains somewhat elevated" is simplified to "inflation remains somewhat elevated". In its risk characterisation, December's addition that the Committee "judges that downside risks to employment rose in recent months" was tweaked, leaving only that it is attentive to risks to both sides of the mandate. The voting members include a new composition: December's dissent was split between one member favouring a 50bps cut (Miran) and two preferring no change; in January, two dissenters preferred a 25bps cut (Miran, Waller). The language of the statement tilts a little more positive on the economy and jobs, and broadly unchanged on inflation. Heading into the announcement, traders were attentive for any remarks about the future policy path; however, the statement did not offer any immediate clues. Traders looked to Chair Powell's post-meeting press conference for guidance on the future path of interest rates, but he offered little new information. Powell acknowledged an improvement in incoming economic data and reiterated that policy decisions will continue to be made on a meeting-by-meeting basis, guided by the data and the balance of risks. He said there was broad Committee support for holding rates, with no participant viewing a hike as their base case. Policy was described as well-positioned, with rates within a plausible neutral range, but towards the higher-end of that range. Powell noted that the December SEP showed most policymakers still expect further normalisation ahead. On the economy, Powell said activity is expanding at a solid pace and that growth remains on a firm footing, having shown notable resilience despite significant trade policy changes. He said incoming data since the last meeting has clearly improved the outlook, leaving the Committee more optimistic than at the time of the December SEP. However, he cautioned that quarterly GDP figures can be volatile and argued that labour market data provides a more reliable signal. The earlier divergence between strong growth and a weakening labour market may have reflected productivity gains and now appears to be resolving as labour conditions stabilise. Distortions from the government shutdown are no longer material and should unwind this quarter. Powell warned, however, that the US fiscal path is unsustainable and will need to be addressed. Inflation has evolved broadly as expected but remains somewhat elevated. Powell said there was no progress on core PCE inflation last year, with the overshoot largely driven by goods prices, tariffs and one-off factors rather than demand. Goods and tariff-related inflation are expected to peak around mid-year, with many effects already passed through. He added will see the tariff effect on goods pricing peaking over this year, and if the Fed sees that, that would tell the Fed it can loosen policy. He said December core PCE inflation was likely around 3.0% and headline around 2.9%. Short-term market-based inflation expectations have fully retraced since "Liberation Day", while longer-term measures suggest confidence that inflation will return to 2%. Powell said the labour market has weakened alongside solid growth, but recent data suggests stabilisation following a period of cooling. Job gains remain subdued, and while risks to employment have diminished, they have not disappeared, making it difficult to judge whether the dual mandate is fully in balance. Consumer spending remains resilient but uneven across income groups, with a disconnect between weak survey data and stronger realised spending. Asked about the USD and gold prices, Powell said the Fed does not comment on the currency and does not take signals from gold. He strongly defended central bank independence, warning that any loss of credibility would be difficult to reverse. He said the Fed remains fully committed to its independence, adding jokingly that future Chairs should avoid domestic politics. But more seriously, he described the case involving Governor Cook as potentially among the most important in the Fed's legal history. Powell declined to comment on whether he intends to remain a Governor after his term as Chair ends.

BOC REVIEW: The BoC left rates unchanged at 2.25%, as was widely expected. Changes to the statement were minor. The central bank said it remains focused on keeping inflation close to its 2% target while supporting the economy through a period of structural adjustment, adding that the current policy rate remains appropriate provided the economy evolves broadly in line with the outlook published in its updated projections. In its Monetary Policy Report, GDP projections were little changed, with 2026 growth kept at 1.1% and 2027 revised down to 1.5% from 1.6%. On inflation, the annual headline forecast was trimmed to 2.0% Y/Y from 2.1%, while the 2027 projection was unchanged at 2.1% Y/Y. Its neutral rate estimate was maintained at 2.25-3.25%. Governor Tiff Macklem said elevated uncertainty made it difficult to predict the timing or direction of the next policy move. The subsequent press conference with Macklem and Deputy Governor Carolyn Rogers added little, with Macklem noting it was hard to assign probabilities to risks to the outlook, citing unpredictable US trade policy and geopolitical risks. Writing after the announcement, analysts at ING see no real changes in the neutral stance, but said that the BoC's options remain open; "if we were to see any rate adjustment in the coming months, we think it's more likely to be down than up," ING wrote.

RIKSBANK REVIEW: The Riksbank left its policy rate unchanged at 1.75%, as expected, and reiterated that the rates are expected to remain at this level for some time. The central bank said the economy has grown at a solid pace, with household consumption continuing to rise, but warned that sentiment could deteriorate rapidly due to geopolitical tensions and higher tariffs. On inflation, it said the disinflation process has been faster than expected, while verbally reaffirming its December inflation and economic outlook. The Bank upgraded its verbal assessment of the labour market, citing increasingly clear signs of improvement, but said conditions remain weak. At the post-policy press conference, Governor Thedeen said he was satisfied with the current policy stance and that the bar for further cuts was high. On the SEK, he acknowledged recent strength but attributed it to dollar weakness. After the largely unchanged announcement, Danske Bank maintained its view of a 25bps hike in December, followed by another in March 2027.

BCB REVIEW: The Copom kept the Selic rate unchanged at 15%, but signalled that it expects to begin an easing cycle at its March meeting. Policymakers said policy would remain restrictive for now to ensure inflation converges to target, while stressing "serenity" over the pace and scale of future cuts, a phrase previously used to temper expectations of aggressive moves, analysts note. The decision was unanimous and in line with market expectations, with officials citing cooling economic activity, improving but still above-target inflation, and resilient labour markets. The bank maintained its inflation forecast for the policy horizon at 3.2%, and reiterated a data-dependent stance, reflecting the lingering uncertainty. Reports suggest that markets are split on whether the first cut in March will be 25bps or 50bps, but guidance reinforced the view that easing will be cautious and gradual after last year's 450bps points of tightening.