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Central Bank Weekly-6th February 2026

Previewing BoC Minutes; Reviewing BoE, RBA, ECB, RBI, Banxico and Riksbank Minutes

PREVIEWS

BOC MINUTES (WED): The minutes followed the January decision to hold rates at 2.25%, in line with expectations and matching the lower end of the BoC's own estimate of neutral. The statement focused on uncertainty, saying it was elevated and that risks were being monitored closely, and added that the central bank was prepared to respond if the outlook changed. The Monetary Policy Report left near-term inflation forecasts unchanged but raised the fourth-quarter 2026 projection, while quarterly GDP forecasts were lifted across 2026. Since then, Governor Macklem has warned the BoC must be careful not to misdiagnose economic weakness amid a structural shift in the Canadian economy following a deterioration in relations with the United States. He said cutting rates in response to weak activity risked fuelling future inflation if the weakness reflected lower productive capacity rather than a cyclical demand downturn, and that overstimulating demand when the problem was structural could delay necessary adjustment. The BoC appears set to remain on hold for the foreseeable future barring a sharp change in the outlook, with market pricing showing about 9bps of hikes by year-end.

REVIEWS

BOE REVIEW: The BoE's decision to hold Bank Rate at 3.75% broadly matched market expectations, but the narrower-than-anticipated vote split gave the outcome a dovish edge. Investors had largely priced a hold with a clearer majority, with pre-meeting expectations centred on a 7-2 or 6-3 vote. Instead, four policymakers backed an immediate 25bps cut, signalling growing unease over the outlook for demand and inflation persistence. That shift was reinforced by softer guidance and forecasts. The BoE reiterated that rates are "likely to be reduced further" and acknowledged that the risk of inflation persistence is now "less pronounced", while cutting its inflation projections across the forecast horizon and flagging rising slack in the labour market. Several policymakers argued that market pricing still implied an overly restrictive path for rates. However, the majority stopping short of a cut underscores continued caution, with officials stressing uncertainty over the neutral rate and the pace at which easing should proceed. Analysts said that the message was one of an MPC moving closer to easing, but not yet ready to commit, leaving near-term rate expectations finely balanced around the timing of the first cut. BoE also acknowledged that the November budget is expected to have an expansionary effect on growth. Post-announcements, markets now expect the next 25bps cut in April (vs prev. July).

BOE PRESS CONFERENCE: Governor Bailey (post-meeting statement) said based on current evidence, the Bank Rate expected to be reduced further. Cutting too quickly or too much could lead to inflation pressures persisting; waiting too long could come at the cost of a sharper downturn in activity and inflation. BoE Governor Bailey said the mortgage market is one reason the MPC needs to exercise "judgement" on the course of monetary policy, stressing that the MPC did not discuss hiking rates at the meeting and that the question is about what scope there is to ease rates; if there were more persistence than the MPC sees, it would see a different scenario. He said inflation expectations remain elevated for households and businesses, and that MPC needs to see more evidence inflation will sustainably return to target before cutting, adding that as the Bank gets closer to neutral, rate decisions become a closer call. On markets, Bailey said the neutral rate is in the range of 2–4%, that the market curve is a "reasonable profile" right now and fits with his thinking, though it does not condition the timing or scale of moves, and that while he doesn't endorse 3.25%, it is a reasonable market curve. He said there has been some move in Gilts linked to UK political scandal but that moves have been orderly, while Deputy Governor Ramsden said Gilt moves have been in a very narrow range. Bailey said the MPC does not spend its time talking about political risks and will not comment on politics, adding that whatever happens politically, what matters more is the underlying economy. He said the BoE does not welcome unemployment and no one on the MPC wants to see it any higher.

RBA: The RBA raised rates for the first time in more than two years, lifting the Cash Rate by 25bps to 3.85% as expected, with the decision unanimous. It said inflation was likely to remain above target for some time and broad measures of wage growth continued to be strong. The RBA said labour market conditions were a little tight and capacity pressures were greater than previously assessed and noted uncertainties around the outlook for domestic economic activity and inflation and the extent to which monetary policy is restrictive. In its latest Quarterly Statement on Monetary Policy, the RBA said underlying inflation was higher than expected and GDP growth had continued to pick up, with private demand growth surprisingly strong. It raised its trimmed mean and CPI inflation forecasts and its December 2025 GDP forecast but lowered its projections for year-end GDP in December 2026 and December 2027, assuming the Cash Rate at 4.2% in December 2026 and 4.3% in December 2027. Governor Bullock said at the press conference that inflation's pulse was too strong and that high inflation hurt all Australians, adding that the Board thought inflation would take longer to return to target and could not be allowed to get away from them. She said she would not give forward guidance, the Board would remain focused on data, and a 50bps rate increase was not discussed.

ECB REVIEW: The ECB left rates unchanged as expected and largely stuck to its messaging, offering few clues for traders seeking a near-term policy signal. The Governing Council reiterated its data-dependent, meeting-by-meeting approach and again stressed it was not pre-committing to a rate path, echoing recent guidance and its remarks from the December meeting. Its inflation assessment was unchanged, repeating that price growth was expected to stabilise at the 2% target over the medium term, despite recent downside surprises driven mainly by base effects. On growth, the ECB struck a marginally more constructive tone, describing the euro zone economy as resilient, supported by low unemployment, healthy balance sheets and supportive fiscal

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spending. In the post-policy press conference, President Christine Lagarde said monetary policy was “in a good place”, reiterating that decisions would remain data-dependent and taken on a meeting-by-meeting basis, with no pre-commitment to a policy path. With policy expected to remain on hold at the meeting, attention focused on Lagarde’s comments on the euro following its recent appreciation against the dollar. She said the ECB did not target a specific exchange rate but closely monitored euro developments given their importance for the economy and inflation pass-through, adding that the impact of the euro’s appreciation since last year had already been incorporated into baseline projections. Following the decision, BofA said it now expects the ECB to keep rates steady in 2026, having previously forecast a cut in March, and instead sees quarter-point reductions in March and June 2027.

RBI: The RBI kept its repurchase rate unchanged at 5.25% as expected, in a unanimous decision, and also decided to maintain its neutral policy stance. It said the current policy rate was appropriate and underlying inflation remained low, while the Indian economy was on a steady and improving trajectory, but noted that external headwinds had intensified since the last meeting. Governor Malhotra said net external demand remained a drag, rural demand was steady and the recovery in urban consumption was expected to strengthen, while the central bank raised its FY26 CPI inflation forecast to 2.1% from 2.0%.

BANXICO: Banxico kept rates unchanged at 7.00% as expected, in a unanimous decision ending the rate-cutting cycle for now, consistent with its assessment of the current inflation outlook. Banxico revised up its inflation forecasts and now sees inflation converging to target in the second quarter of 2027, compared with the third quarter of 2026 previously, reflecting a reassessment of the potential impact of fiscal adjustment and upward pressures on services inflation. In the near term, it now forecasts first-quarter 2026 headline inflation at 4.0%, versus an expected 3.7%, and core inflation at 4.4%, compared with 4.0%. Looking ahead, the Governing Board said it will evaluate additional reference rate adjustments, compared with a previous commitment to evaluate the timing of further adjustments. Rabo Bank said that despite the upward revision to the inflation outlook, it still expects two further 25bps rate cuts this year starting in June, taking the terminal rate to 6.50% by the end of 2026, though it added that this view is contingent on the Fed cutting rates three times this year.

RIKSBANK MINUTES: The Riksbank released the minutes of its January decision, where it kept rates steady at 1.75%. The readout showed the decision to keep rates on hold was unanimous, though dovish remarks from Per Jansson suggested a near-term cut was possible. Jansson said he considered entering a reservation against the policy path communication but chose not to, while not ruling out voting for a rate cut in March as he sees inflation falling faster than expected. By contrast, Governor Thedeen said the Bank could look through short-term inflation effects and that a rate cut would be considered only if both macroeconomic and inflation pressures undershoot. The Board agreed that the appreciating krona poses a potential downside risk to inflation. Overall, policymakers said they were comfortable with the current level of rates, with Jansson standing out as a dovish outlier.

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