

### THE GLOBAL WEEK AHEAD

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#### Next Week's Risk Dashboard

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- ...and increase implied easing in the dots...
- ...as it gambles on the balance of dual mandate risks...
- ...amid concern over political meddling
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- Why the BoC should just leave CORRA alone
- Canadian CPI — a high bar to derail a cut
- BoE on extended hold?
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- Norges Bank's cut guidance may have to wait longer
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### You're Gonna Need More Coffee

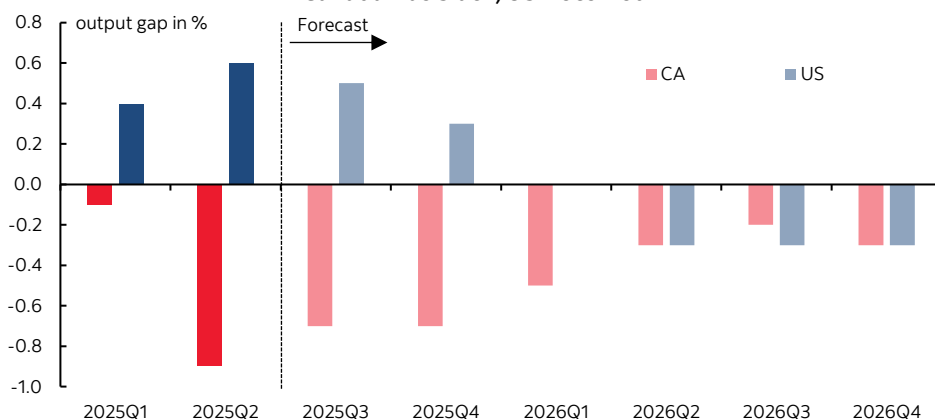
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#### Chart of the Week

##### Canada Has Slack, US Does Not



Source: Scotiabank Economics.

Chart of the Week: Prepared by: Jaykumar Parmar, Economic Analyst.

## You're Gonna Need More Coffee

The coming week will be packed with central bank decisions and significant data risk across markets. Decisions will be delivered by the Federal Reserve, Bank of Canada, Bank of England, Bank of Japan, Norges Bank, and central banks in Brazil, Taiwan, Indonesia and South Africa. Key data includes Canadian CPI, UK CPI, job market readings from Australia and the UK, US retail sales, and growth readings from several LatAm economies and New Zealand. The strongest focus here will be placed upon the Fed and BoC decisions.

### FEDERAL RESERVE—IT'S ALL IN THE DOTS—UNTIL NEXT TIME

The two-day FOMC meeting is expected to culminate in a decision to cut the fed funds policy rate by 25bps on Wednesday at 2pmET when the statement lands. The Committee will also release a fresh Summary of Economic Projections including a new 'dot plot' of policy rate expectations to provide a complete refresh of the forecasts of individual members. Chair Powell's customary press conference will commence thirty minutes later and last for probably around 45 minutes, maybe more or less.

Almost all forecasters expect a 25bps rate cut. Fed fund futures are priced for -25bps and a touch more as some market participants retain a low probability of an outsized 50 move. That seems implausible.

Our forecast is for the FOMC to embark upon a steady easing path marked by six consecutive quarter-point rate cuts before landing at a trough of 3% by 2026Q2. That would leave the policy rate toward the upper end of most estimates of neutral.

Such a view is delivered with high trepidation over whether it's the right thing to be delivering. Here's the case.

Chair Powell clearly pivoted at his Jackson Hole speech on August 22<sup>nd</sup>. The messaging in Powell's speech offered strong shades of a tilt back toward de-emphasizing concerns about inflation risk in favour of maximum employment which was Powell's bias for too long coming out of the pandemic. Here's the proof in several snippets of what he said. The money quote was this one with emphasis added:

"Putting the pieces together, what are the implications for monetary policy? In the near term, risks to inflation are tilted to the upside, and risks to employment to the downside—a challenging situation. When our goals are in tension like this, our framework calls for us to balance both sides of our dual mandate. Our policy rate is now 100 basis points closer to neutral than it was a year ago, and the stability of the unemployment rate and other labor market measures allows us to proceed carefully as we consider changes to our policy stance.

***Nonetheless, with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance."***

On labour markets, Powell's speech flagged revisions but more importantly a bias toward erring on the side of ensuring the recent softness does not have further and deeper legs to it and in favour of acting pre-emptively which places the emphasis on the concluding part of this quote:

"This slowdown is much larger than assessed just a month ago, as the earlier figures for May and June were revised down substantially. But it does not appear that the slowdown in job growth has opened up a large margin of slack in the labor market—***an outcome we want to avoid."***

and

"Overall, while the labor market appears to be in balance, it is a curious kind of balance that results from a marked slowing in both the supply of and demand for workers. This unusual situation suggests that downside risks to employment are rising. And if those risks materialize, they can do so quickly in the form of sharply higher layoffs and rising unemployment."

Powell also shifted his stance on inflation risk. He was incrementally more sanguine on inflation risk including tariff effects and generally dismissive toward a sustained bout of inflation risk:

"A reasonable base case is that the effects will be relatively short lived—a one-time shift in the price level. Of course, "one-time" does not mean "all at once." It will continue to take time for tariff increases to work their way through supply chains and distribution networks. Moreover, tariff rates continue to evolve, potentially prolonging the adjustment process. It is also possible, however, that the upward pressure on prices from tariffs could spur a more lasting inflation dynamic, and that is a risk to be assessed and managed. One possibility is that workers, who see their real incomes decline because of higher prices, demand and get higher wages from employers, setting off adverse wage-price dynamics. Given that the labor market is not particularly tight and faces increasing downside risks, that outcome does not seem likely."

These points represented a major pivot for Powell who had previously indicated that he wanted to take his time to assess whether a suite of policy developments and broader factors would cause inflation to stray from the 2% target more seriously than the unemployment to stray from the roughly 4% full employment unemployment rate. In my opinion, this is still an open experiment that has not yet been settled not only given recent evidence on inflation ([here](#)) but also forward risks. The US economy lies in a state of excess aggregate demand (chart 1) and is facing inflation risk from tariffs and supply chain turmoil that may be more persistent than what official expect.

Nevertheless, developments since Powell's abrupt pivot have reinforced the importance of the pivot including:

- another weak nonfarm payrolls report with just 22k jobs created in August that might have actually been even weaker than stated (recap [here](#)).
- a record of just under one million jobs wiped off nonfarm payrolls in the annual benchmarking revisions as at March 2025 (chart 2). That chopped in half the average monthly gain in nonfarm payrolls to about 75k over the April 2024 to March 2025 period and indicated a materially weaker job market even before the Trump administration began tightening immigration.

Chart 1

### US Economy in Excess Demand

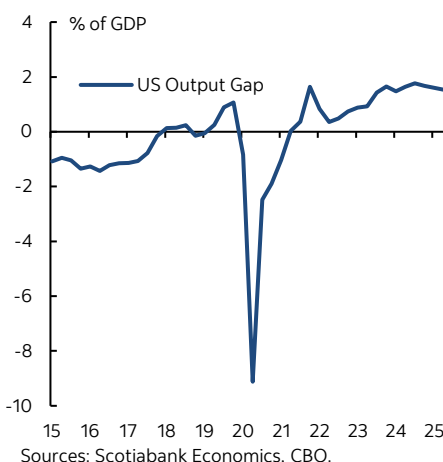


Chart 2

### Revisions to March Payrolls Post Annual Benchmark Revision

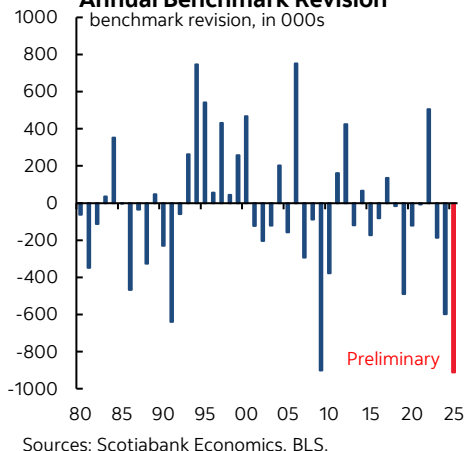


Chart 3

### DOTs Perform Poorly in the Next Year

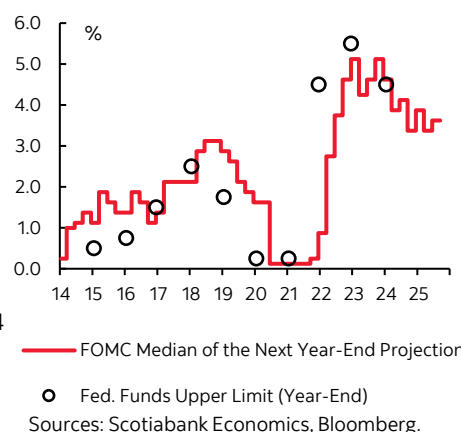
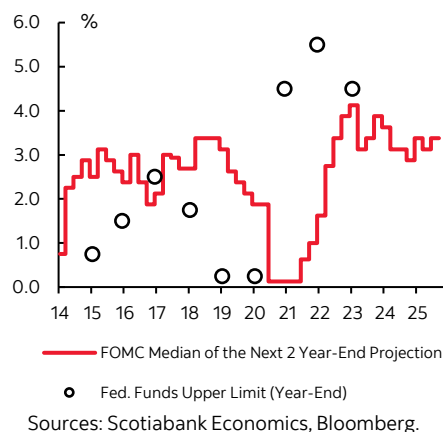


Chart 4

### DOTs Are Useless Two Years Out



Throughout it all is rising political pressure on the Federal Reserve that is of deep concern. The Trump administration is stacking the Board with two dovish Governors to date (Waller, Bowman), another waiting in the wings for Monday's Senate confirmation vote (Miller), risks surrounding another Governor's stature as courts weigh in on whether Trump can fire Lisa Cook or not especially given the revelation she properly disclosed her mortgage as a vacation property, and ultimately the coming appointment of a shadow Fed chair weeks from now.

Further, the five-year reviews of the regional Fed presidents occur by late February and must be approved by the Board, making them vulnerable to replacement. Regional presidents are appointed by the local boards (not the Trump administration), but the Fed's Board appoints 'class C' directors to each district bank and those class C directors choose their local board chair and deputy chair who may then influence the choice of President. Go [here](#) for a further explanation. Ergo, an insidious backdoor way of stacking the regional Presidents with dovish candidates may exist should plan A to stack the Board not bear enough fruit to Trump's liking.

Because of the high potential for meddling with the functioning of the Federal Reserve, markets may be wise to fade the dot plot that is offered at this meeting and not just because the further out one goes, the worse the dot plot performs (charts 3, 4). Notable changes from the June dot plot are likely. For one, the seven members who put down no cuts this year are likely to abandon ship in whole or as a majority. A key uncertainty is whether the median shifts 50bps of cuts this year to 75bps or more. With new information since June, it seems more likely than not that the median Committee member will add to easing. 75bps of cuts could imply cutting at each remaining meeting assuming the median member does not support an outsized move along the way. More than 75bps of cuts implies openness to at least one outsized move which seems unlikely.

As for next year, the Committee already had 75bps of cuts in its projections from now to the end of 2026. To leave it at that would be a hawkish signal to markets. More likely is that they will add a little more to easing given developments since June. And once again it's highly

unlikely that we should attach much significance to the Committee's dispersed views on the neutral rate; the June estimates were all over the map (chart 5).

Charts 6–8 compare our latest forecasts for US GDP, the unemployment rate and core PCE inflation to the FOMC's June Summary of Economic Projections. The Committee may well not go as far on revisions as our forecasts would imply.

### BANK OF CANADA—WEIGHING THE CUT VERSUS HOLD CASES & WHAT TO DO ABOUT CORRA

We expect the BoC to cut by 25bps on Wednesday and sound open to further easing in keeping with our forecast for 50bps of cuts this year until taking them back later next year. The statement arrives at 9:45amET and will be followed by a press conference hosted by Governor Macklem forty-five minutes later. The next MPR including updated scenarios or forecasts is due at the October decision. The BoC has demonstrated that it does not need an MPR to deliver a rate change.

#### Be Patient with CORRA

No other major policy shifts are expected at this meeting.

An issue of distant secondary concern relative to what they may do on the policy rate concerns developments across relative rates in funding markets. It may be too early for the BoC to react to the rise of the CORRA market rate above its policy rate to about 6bps (chart 9). As an aside, more ink has been splashed on this one topic by the street than what really matters: the policy rate.

For one thing, the wider spread is a very recent development concentrated in the first few days of this month. The BoC isn't that reactionary. Further, they could be at risk of overreacting to a temporary situation if they roll out more aggressive policy options and therefore at risk of compounding funding market distortions and uncertainties.

The BoC may see the CORRA overshoot as a function of funding market developments amid rising speculation in favour of pricing rate cuts as it did when this issue flared in 2024 and earlier this year.

They issued staff research papers in 2024 explaining their staff's position that the earlier distortions were due to market positioning ([here](#) and [here](#)). One of the authors (Boran Plong) is now employed on Scotiabank's fixed income team. The synchronous increase in pricing for rate cuts and widening of the CORRA spread suggests something similar has happened now.

Chart 5

#### Real Neutral Rate of Interest for US

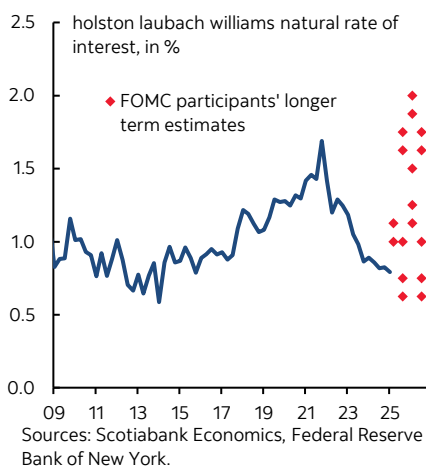


Chart 7

#### US Core PCE Inflation Forecast Comparison

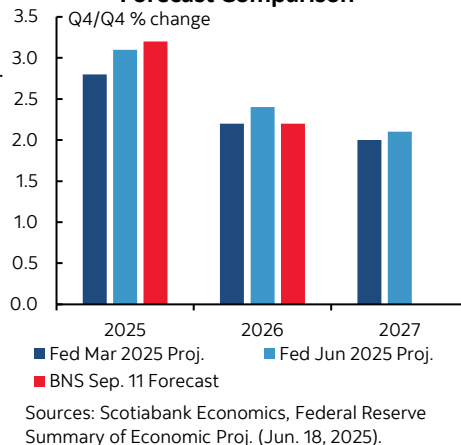


Chart 9

#### CORRA-Overnight Rate Spread

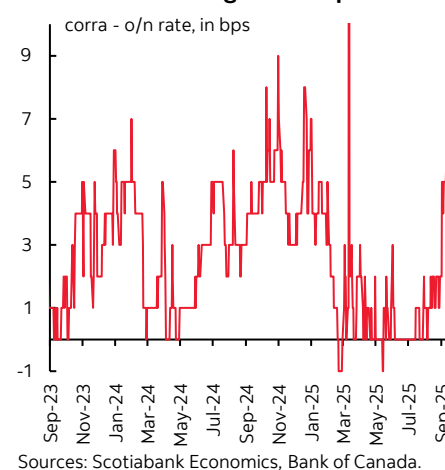


Chart 6

#### US Real GDP Forecast Comparison

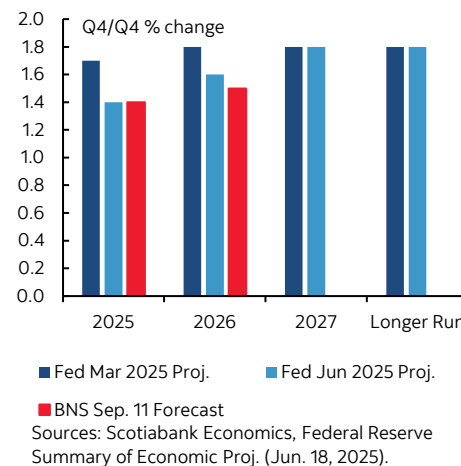


Chart 8

#### US Unemployment Rate Forecast Comparison

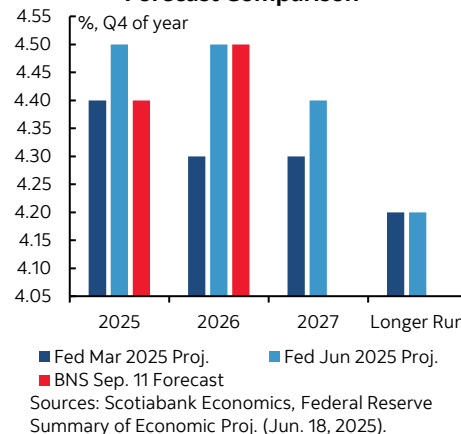
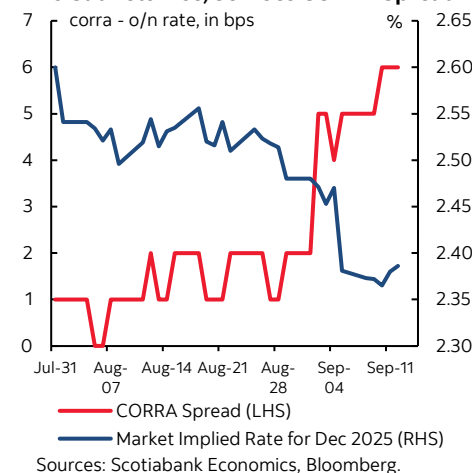


Chart 10

#### As Cut Bets Rise, So Does CORRA Spread



Back then, market speculation toward policy easing was in full force as the policy rate went down by 225bps within ten months. Something similar is happening today (chart 10). Today, however, the effects on funding markets and CORRA may be more limited and temporary if further policy rate adjustments are more limited and more about tweaking. I don't find there to be the conditions for returning to a 1-handled or emergency rate setting. Therefore, the BoC may be more inclined to look through these distortions as transitory (a word that admittedly still makes many shudder).

Market desks have observed that CORRA and US SOFR are moving somewhat synchronously as an added wrinkle. An integrated N.A. funding market may be importing US pressures into Canada. This requires monitoring into fairly common concerns that repo funding pressures may soon intensify further in the US. This effect could be less transitory than domestic funding market influences.

Having said that, US funding market pressures spilling into Canada may not be the BoC's fight. It would be more likely that the Federal Reserve would act in response to US funding market pressures and Canada would benefit vicariously without necessarily having to adjust Canadian funding market tools.

If the BoC feels otherwise than to monitor and bide its time, then it has multiple tools it could invoke if it believes that CORRA is more permanently unmoored from the policy rate and needs to bring it in line.

It's possible that the BoC's estimate of optimal settlement balances of \$50–70 billion needs to be revisited if funding market pressures intensify and are longer lived. It may have to reset its target with implications for when to resume purchases of bills and bonds. That point may be arriving sooner than the vague prior guidance for it to occur at some point into 2026 on bonds, and later this year for bills.

Repo operations, receiver general auctions, another cut to the deposit rate that widens its negative spread to the overnight rate to more than -5bps, and moral suasion or jawboning are among other options. My hunch is that they'll manage funding markets with a combination of repo and jawboning that indicates they are mindful of conditions and prepared to take action if necessary in future.

Yet it's unlikely that any further such actions would be introduced this week. The BoC's past playbook has preferred an approach that is more gradually communicated and spelled out. For instance, it's likely that the BoC would insert a policy speech by Deputy Governor Gravelle who oversees the Financial Markets Department at the bank if it felt a need to make significant changes. Upon witnessing the insertion of such a speech it may have an announcement effect on funding markets; why deliver a speech on balance sheet plans to announce you're changing nothing.

Further, deeper solutions like cutting the deposit rate spread further below the -5bps to the overnight rate at present could backfire if this is a temporary shock to funding markets. If the funding pressures subside and the deposit rate spread has been widened, then the BoC could face unwanted swings and volatility that could wind up pressuring funding markets below the overnight rate.

For now, my two cents have me leaning toward riding this out, not overreacting, and using temporary tools like overnight and term repo operations to massage the market effects of CORRA overshooting the policy rate. Then re-evaluate as needed but be very careful.

## Both Cases for the Policy Rate

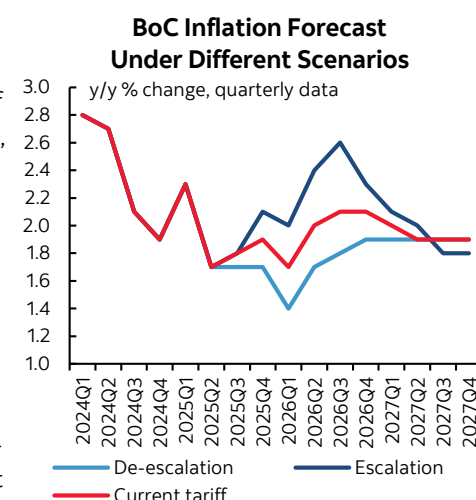
Our BoC forecast change was first announced [here](#). Both of the cases for a hold and a 25bps cut will be presented below and multiple points in each section have counterpoints in the other which makes it important to read both scenarios and competing points. We don't see merit to upsizing and believe the case for a cut outweighs a hold. That conclusion is arrived at in terms of what the BoC is likely to do since the overriding imperative is to (hopefully) make the correct call, but my bias remains that they should hang tight. High uncertainty around projections and inflation risk merit high caution toward overdoing it on the policy rate while retaining the real possibility that relief could be temporary before hikes return.

## The Cut Case

The crux of the argument is that prior to recently, speculation toward further BoC rate cuts was on a lark. We've received new information on multiple counts that merit a forecast change.

- The BoC previously showed inflation falling back to 2.1% y/y in 2026Q4 and 1.9% in 2027Q4 given that the 'current tariff scenario' they provided may be the most likely one at this point (chart 11). They would likely be more concerned about downside than upside risks to this

Chart 11

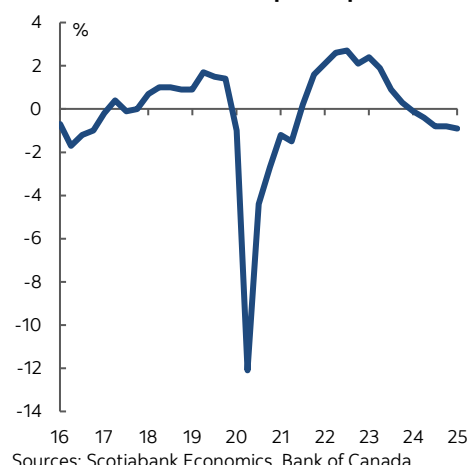


given fresh domestic and US developments explained below. Insurance easing against the risk of undershooting 2% inflation in future may dominate in the nearer term.

- For some time now there has been a small amount of slack in the economy as measured by output gaps that reflect the balance between demand and supply (chart 12). The July MPR estimated slack at around -½% of potential GDP with some measures suggesting it could be greater. Excess supply conditions could make it more challenging to steer inflation to land on 2% without undershooting over time.
- There may be slightly more slack now. The economy contracted by 1.6% q/q SAAR in Q2 which was weaker than we had anticipated and is tracking very soft growth in Q3 given evidence that is available so far.
- Another indication of modest slack is that the industrial capacity utilization rate fell to 79.3% in Q2 versus a cyclical peak well over 80%. Further downward pressure is likely and which limits industrial pricing power.
- The job market has weakened. Over 100k jobs were lost in July and August and only 38k jobs have been created this year to date. The unemployment rate has risen to 7.1% from a cyclical trough of 4.8% three years ago. Estimates of the equilibrium rate of unemployment are six-handed but marked by high uncertainty while nevertheless indicating some mild degree of labour market slack.
- Developments in the US are material and indicate a weakening external sector that could negative impact Canada. Up to now, our argument had been that the tariff shock to Canada was small in weighted terms after taking into account high USMCA/CUSMA compliance. Therefore, as long as the US economy held it together, Canadian exports could be buoyed as the income pull effect on exports offsets the price effect. That's less clear now as the US job market stumbles and growth risks mount with the Fed in easing mode. Since the BoC's July MPR, the US has shifted away from tariffs in fits and starts toward concrete tariff announcements against multiple countries. The relative certainty of those tariff rates is likely to increase concern about harm to the US economy. Canada is highly trade dependent especially on the US and so weakness creeps in through the backdoor.
- Canada's tariff retaliation is (mostly) gone which lessens risk of import price pass through into Canadian inflation which makes it slightly more feasible for the BoC to ease. Canada doesn't need to retaliate to the same degree since the US imposed draconian tariff rates on many trade partners and will damage its own outlook accordingly.
- Economic policy uncertainty and US tariffs against some Canadian exports are drags on growth.
- It's also unclear where the balance may lie in the October federal budget. We're told it will apply austerity—likely on operating spending—while ramping up investment spending. Where the net lies, when, and by how much is highly uncertain as it has taken too long to present fiscal plans at a point of high uncertainty. That probably means the BoC can't afford to wait given lags in policy effects.
- Mortgage resets continue to work through the economy. They are pressuring some households who are clamouring for further relief.
- Further, if the BoC were not to cut this week, then absent really clear and dovish forward guidance that they are typically loath to provide, the result could tighten financial market conditions perhaps at an inopportune moment. The BoC is getting a free pass from markets to cut. Markets are not always right—in fact, they're very often not as we've seen in US and Canadian rates throughout this year—but the BoC would require high confidence in its view to ignore information distilled in markets that may reflect all publicly known information.

Chart 12

### Canadian Output Gap



### The Hold Case

While not our call, I can't dismiss the case for the BoC to hold this week.

- core inflation remains sticky at elevated trend readings (chart 13). We'll get another update on Tuesday. The BoC's prima facie mission is to secure stable inflation around a 2% target. To ease may superimpose high confidence in its concerns about the outlook over being data dependent.



- Output gaps play a limited role in inflation forecasting. Output gaps are difficult to estimate, prone to errors, difficult to project, and there are many other complex drivers of inflation.
- Monetary policy easing can take 12–24 months to have its full effects. We're only just past the one-year mark for the first cut and six-month point for the last cut. More time may be needed for GDP to respond amid the risk of overdoing it with further easing.
- The reason the BoC was easing up to March of this year was in anticipation of excess supply and a negative output gap. To keep easing when they observe such slack would compound an expectations driven policy move alongside a contemporaneous policy bias and risk doubling up on easing. It cut by 225bps from June 2024 to March 2025 and may judge this has been enough with time needed for excess supply to close off.
- The real policy rate is close to zero. The 2.75% nominal rate is within the bands of most estimates of the neutral rate—the BoC's range is 2.25%–3.25%—and may be either slightly restrictive or slightly easy.
- financial conditions remain supportive. TSX valuations are up by over 18% year-to-date with a forward p/e ratio of about 18 times. CAD is soft with USDCAD at about 1.385 (about 72 cents US). Canada's sovereign yield curve has been below the US Treasury yield curve for a long time as the BoC cut earlier and faster and exited QE earlier than most while rapidly shifting to 100% roll off of maturing bonds through quantitative tightening.
- Much of the rise in the unemployment rate has been because of an overshoot of temporary residents as immigration policy tightens. BoC policy can't really address this. Immigration policy can, should, and may be doing so.
- Wage pressures are acute. The three-month moving average of monthly growth in average hourly earnings of permanent employees—a commonly followed yardstick—has been close to 5% m/m SAAR. That's well over twice the inflation target and a form of cost-push inflation risk.
- Despite job market slack, such wage pressures may not subside. They could persist for years. Canada is a very different labour market compared to the US given about one-third of Canadian workers are unionized and subject to collective bargaining agreements versus about 10% in the US. Therefore, wage settlements as agreements from 3–4 years ago expire matter a lot more in Canada than in the US. Canada's labour market model is between the US and Europe. As wage settlements explode (chart 14) and with over a million more workers facing expiring agreements, this may hardwire momentum in future actual wage data.
- Now, with the exception of you the dear reader, the average Canadian worker is undeserving of wage gains. Most economists would argue that persistent gains in wage growth above the rate of inflation can only be justified by productivity gains and yet labour productivity—measured as output per hour worked—has fallen outright in 17 of the last 20 quarters. The result has been soaring productivity-adjusted employment costs (chart 15). Canada doesn't need Trump to damage its economy. Its workers and businesses

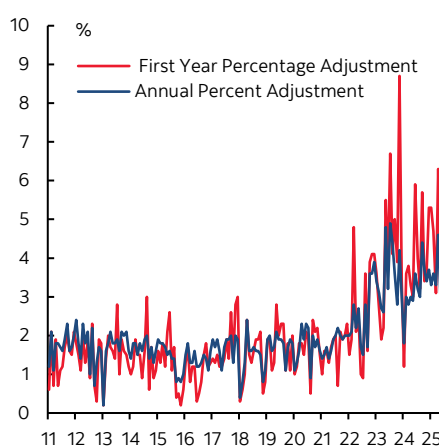
Chart 13

Canadian Core CPI Measures			
Month	Weighted Median	Trimmed Mean	Traditional Core
Jan-2024	2.3	1.2	1.6
Feb-2024	0.6	0.6	1.6
Mar-2024	2.3	2.9	3.3
Apr-2024	1.1	1.7	1.6
May-2024	4.0	4.1	4.1
Jun-2024	2.3	2.9	1.6
Jul-2024	1.1	1.7	2.4
Aug-2024	2.9	2.3	0.8
Sep-2024	2.3	2.3	1.6
Oct-2024	4.0	4.1	3.2
Nov-2024	4.0	3.5	0.8
Dec-2024	2.8	2.9	4.0
Jan-2025	2.8	3.5	3.2
Feb-2025	4.0	3.4	5.6
Mar-2025	2.2	1.7	0.0
Apr-2025	5.1	5.2	4.0
May-2025	2.2	2.3	3.2
Jun-2025	2.8	2.8	2.4
July-2025	2.2	2.3	0.8

Sources: Scotiabank Economics, Statistics Canada.

Chart 14

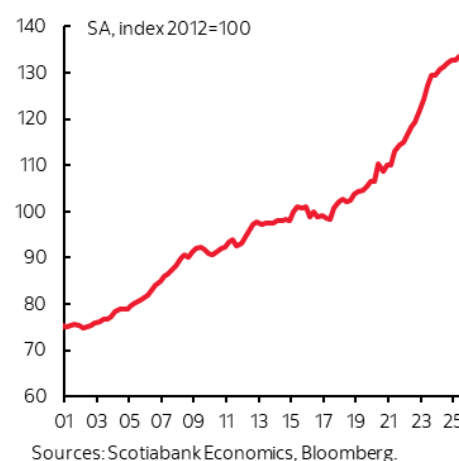
### Canadian Wage Settlements



Sources: Scotiabank Economics, Statistics Canada.

Chart 15

### Canada: Unit Labour Costs



Sources: Scotiabank Economics, Bloomberg.

are harming their own longer-run competitiveness. When wages serially exceed productivity, the result is self-reinforcing to inflation risk by squeezing company profit margins through higher costs and lower revenue growth, inviting a complex set of responses that may include passing on the costs to end consumers and other businesses.

Chart 16

### Canadian Final Domestic Demand

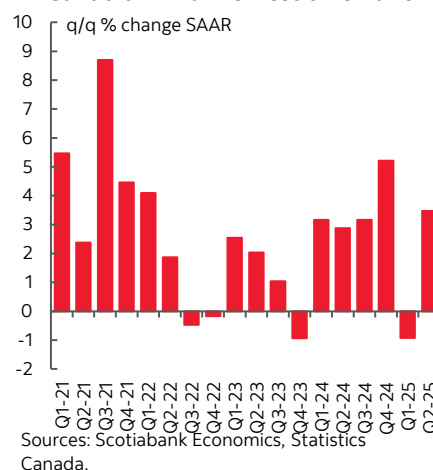
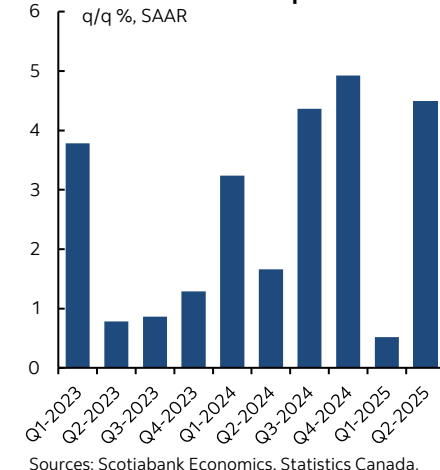


Chart 17

### Canadian Real Consumption Growth



- Final Domestic Demand is a better indication of the strength of the domestic economy (chart 16). It grew by 3.4% q/q SAAR in Q2. GDP contracted by 1.6% in Q2 because of the reversal of inventory and net trade tariff-frontrunning effects in Q1 when GDP grew by 2.0%. The BoC's policy rate has greater control over internal conditions than external conditions in the economy and therefore they may—as they've done at times in the past—choose to point to evidence of a robustly growing domestic economy not in need of further rate assistance.
- interest sensitive sectors are responding and prior policy easing should perhaps be given more time to work. Consumption was up by a whopping 4.5% q/q SAAR in Q2 and the trend has been way more resilient than the hyped up fear about mortgage resets (chart 17). Housing contributed a small amount to growth. Home sales have increased for three consecutive months, housing starts have surged over the past four months toward the upper bound of readings in recent years, and retail sales volumes are tracking a modest gain. It could all be temporary, or not, and the BoC may wish to take further time to evaluate the answer.
- The tariff shock against Canada is small. About 90% of Canadian exports to the US are compliant with the CUSMA/USMCA trade deal which lowers the 35% tariff rate and the combined sector-specific tariff rates down to a weighted average of only about 5½%. That is the lowest tariff hit against any of America's main trading partners.
- Mortgage resets are a micro shock, not a macro shock and the BoC has done more than enough to address the risks. The majority of households in Canada don't have a mortgage, of those who do it's only a minority who are the most pressured, and so far there is at best a tiny effect on mortgage delinquency rates that remain very, very low as the term structure of interest rates fell sharply from the prior peak and lending policies adapted alongside behavioural adjustments by debtors.
- CAD has appreciated since early this year but remains undervalued as a shock absorber.
- The long-promised Federal budget may deliver meaningful stimulus. We can't judge this without seeing it. As of now, it sounds like an austerity focus for short-term spending and long-tailed gradual commitment to investment projects that won't be of material help to the economy for years to come. We don't, however, know this for certain and the fact there are likely to be additional forms of shorter-term stimulus is something the BoC should be mindful toward. We don't want to see monetary and fiscal policies overdoing it all again.

Lastly, see my Canadian CPI section for not only a view on this week's update for August but also views on longer-tailed risks to inflation versus the tendency of some perennially dovish forecast shops in Canada to dismiss inflation risk in serial fashion.

## CANADA CPI—IS CORE STILL SETTLING IN THE TARGET RANGE?

Canada updates CPI for the month of August on Tuesday—the day before the BoC delivers its policy decision.

I've estimated total CPI to be up by 0.1% m/m in seasonally unadjusted (NSA) fashion as per the polling convention. That would imply a lift of about 0.3% in seasonally adjusted terms. In turn, this could buoy the year-over-year rate to 2% from 1.7% previously and partly due to a shift in year-ago base effects.

In terms of the NSA reading, August is typically a month in which there is low average seasonality in price swings. Gasoline prices may contribute up to 0.1% to CPI given an estimated 1½% m/m NSA rise. Food is likely to be a minimal influence. Shelter is estimated to be up to a 0.1% addition. There is high uncertainty around much of the rest of the basket. Watch for breadth of price increases that has been trending up (chart 18).



Key, however, is what will happen to the BoC's core inflation gauges. They were all over the map in July when traditional core (ex-food and energy) was just 0.8% m/m SAAR, while both trimmed mean CPI and weighted median CPI were up by about 2¼% m/m SAAR.

The preferred way of looking at the core gauges is in terms of m/m pressures. That's because the trimmed mean and weighted median gauges are very slow to move. They are not spot y/y calculations, but rather weighted, compounded m/m estimates that only factor in one new month at a time plus whatever revisions that Statcan chooses to make to the monthly seasonal adjustments. By the time these measures incorporate new information, it may be too late to evaluate inflationary pressures at the margin.

A compromise is to smooth the m/m readings. A three-month moving average of trimmed mean and weighted median arrives at a figure of about 2½% m/m SAAR as at July. We'll see what happens with August but the sensitivity of the m/m calculations to slight changes combined with the absence of enough price data in advance makes it practically impossible to estimate the readings. Still, I would be more surprised by as weak or weaker readings than the July release than I would be by a resurgence of core inflationary pressures.

Still, since Governor Macklem just gave a speech titled "Flexible inflation targeting in a shock-prone world" ([here](#)) it serves as a reminder that he may comforted by the fact that the various readings are within the 1–3% policy target range. A risk is if he rejects this argument that quoting the roughly 3%+ y/y trimmed mean and weighted median measures that are misleading in my opinion.

Some shops are holding off on their rate calls until seeing CPI. We feel we have enough information to merit not waiting as data dependency shifts down the list of considerations relative to the forward-looking considerations explained in the Bank of Canada section of this report.

A large spike in core inflation measures would resurrect concern that the BoC has never cut on the back of such a reading. Whether that perspective influences the decision now or a careful bias remains to be seen but it may be more likely to have the latter effect given my prior arguments.

In any event, the forces driving inflation are much longer term than anything to be settled by a handful of short-term readings. As trade barriers go up, border frictions rise, inventory-to-sales ratios get padded to multi-decade highs and workers demand escalating wages absent productivity, a confluence of factors centered around multi-year supply chain disruptions merits high caution by central bankers so that they don't repeat their mistakes.

## BANK OF ENGLAND—PAUSING AMID UNCERTAINTY

Markets and consensus unanimously expect the Bank of England to leave Bank Rate unchanged at 4% on Thursday. One reason is that the BoE has adopted the gradual mantra that has been executed by an alternating series of cuts and holds since August of last year. The extension of this pattern after cutting in August is a hold now.

It's unlikely that fresh figures on jobs and inflation this week will influence this pattern (see data section later). Still, inflation remains too warm with ongoing heat across services. Governor Bailey expressed frustration toward the mixed set of activity and inflation readings after 125bps of cuts to date when he emphasized what is "now considerably more doubt about exactly when and how quickly we can make those further steps." Markets have no further easing priced for this year's remaining three meetings.

Other MPC members have expressed similar caution. Megan Greene noted signs that the "disinflationary process is slowing down." Catherine Mann noted that "a more persistent hold on Bank Rate is appropriate right now." Alan Taylor noted "we are in a fragile moment." Deputy Governor Lombardelli said that neutral may be at the upper end of the 2–4% range estimated by the BoE and with Bank Rate already at 4%.

## NORGES BANK—ABOUT THAT GUIDANCE...

Norges Bank may cut by 25bps on Thursday. Consensus mostly leans that way, but markets are somewhat on the fence between a hold and a cut. Why?

Chart 18

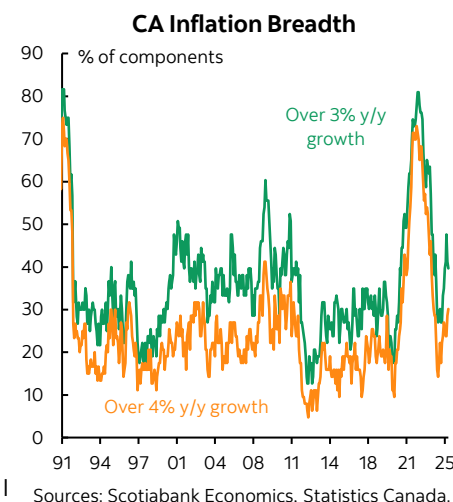
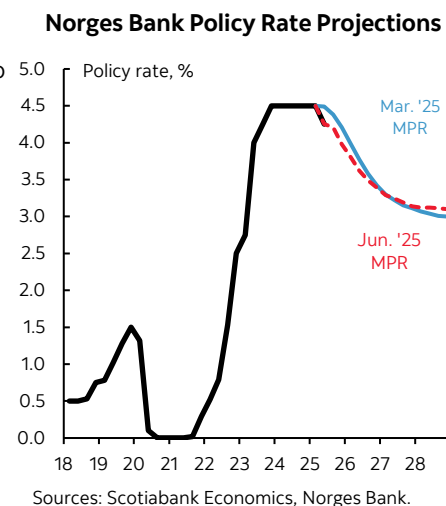


Chart 19



September 12, 2025

At its August meeting, the bank guided that “if the economy evolves broadly as currently envisaged, the policy rate will be reduced further in the course of 2025”, with June forecasts indicating “one or two additional rate cuts in the course of the year.” Chart 19.

With three meetings left this year, Norges may opt to retain some optionality on its prior guidance and whiff this time.

Further, since this guidance was offered, CPI inflation was sticky with August’s readings for total and underlying CPI inflation both above 3% y/y. GDP growth strongly exceeded expectations for Q2 (0.6% q/q SA nonannualized, 0.3% consensus, upward revisions).

### BANK OF JAPAN—PAUSE FOR REFLECTION

Consensus and markets unanimously expect the Bank of Japan to leave its target rate unchanged at 0.5% on Friday. Markets begin to more significantly lean toward pricing a hike by the December meeting or later. Hints in favour of an ongoing tightening bias are also likely.

One uncertainty is underlying progress on core inflation. The Tokyo core CPI gauge was quite strong in earlier months before pressures subsided in June, July and August (chart 20). Yen appreciation since January stumbled over the period since Spring and further time may be taken to evaluate import price pressures, tariff effects, and oil prices as key drivers of inflation. The BoJ may also wish to have clearer indications about the next Shunto spring wage negotiations and give some distance from Prime Minister Ishiba’s resignation to evaluate future potential policy measures from government before its next full forecast update on October 30<sup>th</sup> after the last one in July.

### BCB—OK, WE LISTENED!

Banco Central do Brasil is widely expected to remain on hold at a Selic rate of 15% on Wednesday.

The reason is simple. Its prior guidance stated a desire to remain on hold for a “very prolonged period” following 450bps of hikes since September of last year. Progress is being made on inflation but more is needed (chart 21).

That’s not the same as saying nothing interesting is happening to the outlook. Political risk and tariff risk remain acute not least of which after former President Bolsonaro was found guilty of an attempted coup and sentence to 27 years in prison. That invited threats from the Trump administration to retaliate in defence of Trump’s kindred spirit.

### CBCT—IN NO RUSH

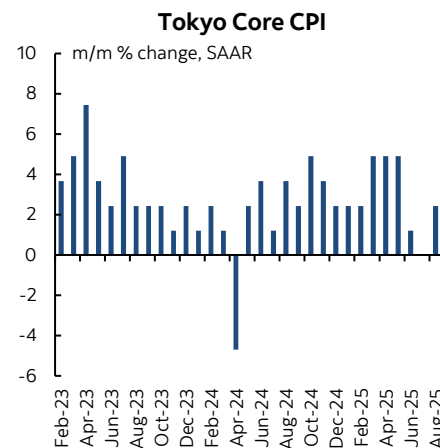
The Central Bank of China Taiwan is widely expected to be on hold on Thursday at a benchmark rate of 2%. It has been on hold since March of 2024. Since its last decision in June, the TWD has weakened, lessening some prior concern about its strength, but CBCT may wish to give more time to evaluate tariff effects and dollar stability since the TWD is still about 9% weaker to the dollar since April. Further, core inflation has risen and Q2 GDP growth was 8% y/y.

### BANK INDONESIA—NERVOUS HOLD

Everyone in consensus expects Bank Indonesia to hold its policy rate at 5% on Wednesday. Uh oh.

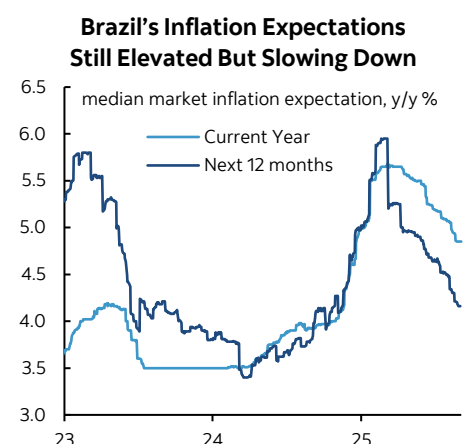
This is one central bank with a proclivity toward surprises (chart 22). Bank Indonesia is expected to pause its easing cycle on Wednesday, after delivering back-to-back 25bps surprise rate cuts. The currency has been slightly weakening of late partly due to anti-government protests that sparked market turmoil. The catalyst was the firing of Indonesia’s finance minister in the wake of social unrest caused by long simmering inequality concerns and policy missteps including tone deaf housing allowances given to lawmakers. Cut to inject some confidence, or hold to stabilize the currency?

Chart 20



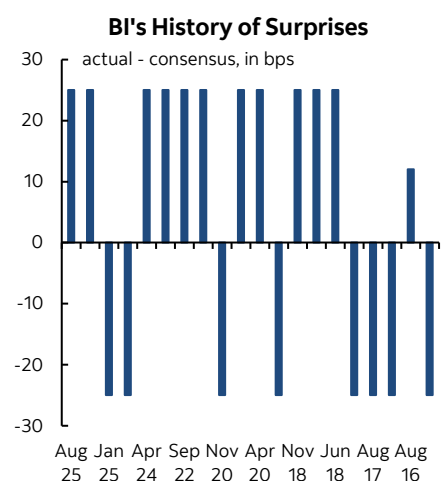
Sources: Scotiabank Economics, Ministry of Internal Affairs and Communications.

Chart 21



Sources: Scotiabank Economics, Banco Central do Brasil.

Chart 22



Sources: Scotiabank Economics, Bloomberg.

## SARB—WHAT'S YOUR TARGET?

The South African Reserve Bank issues a policy decision on Thursday with consensus somewhat divided. A majority of forecasters expect the repo rate to hold at 7% but a sizeable minority expects a 25bps cut.

SARB's July Quarterly Projection Model showed rates bottoming out at the current level after it cut by 25bps. It then muddled the waters with confusing guidance on its inflation target that may be further clarified at this meeting. Still, after Q2 GDP growth exceeded expectations, it may take a sharp surprise in Wednesday's CPI update for August to motivate a cut.

## GLOBAL MACRO

As for the rest, the main highlights will offer a suite of readings from the UK, US, Australia, Canada, NZ and several LatAm markets.

UK job market conditions (Tuesday) and CPI (Wednesday) will both be updated before the Bank of England's policy decision. They are unlikely to affect the call described earlier. Still, the labour market has been shedding mixed signals. Payroll employment has been falling (chart 23) while total employment that has an extra one-month lag has been more resilient and weighted more toward smaller employers (chart 24). Trend wage growth has remained somewhat above the BoE's 2% inflation target and productivity (chart 25).

As for UK CPI, it's unlikely that we'll see sudden material relief to stubborn service inflation (chart 26). Most forecasters expect the year-over-year total CPI rate to hold in around 3¾%.

The main data focus in the US will be on Tuesday's retail sales figures just before the Fed the next day. Auto sales will be a downward influence, requiring a solid gain in sales ex-autos to keep the headline in the black when the prior month's 0.5% gain was a tough act to follow.

Other Canadian releases will include expected strong gains in manufacturing shipments and wholesale sales in July (both Monday). Existing home sales will try to make it four monthly gains in a row (also Monday). Housing starts may be pushing their luck given four straight months at the 280–290k monthly annualized pace but we'll see if they can continue to deviate from building permit volumes when August's figures are released on Tuesday. Finally, retail sales may end the week on a sour note with nominal sales expected to drop by about 1% m/m SA based on advance Statcan guidance and weak auto sales figures since then.

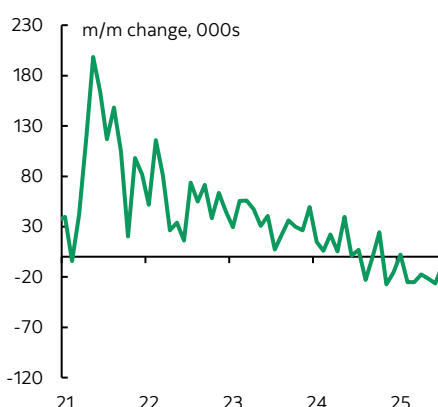
LatAm markets face a light line-up with just Brazil's central bank decision and light data. Monthly economic activity indices serve as GDP proxies and will be updated by Peru and Brazil (Monday) and Colombia (Wednesday).

Australia's job market situation is also due for a refresh on Wednesday. This one could be the trend setter or breaker. After no job growth over May and June, July created 25k jobs with full-time up 61k. The RBA will keenly follow whether July was the aberration or whether that was the prior two months.

The RBNZ's next policy decision is not until October 8<sup>th</sup>, but Q2 GDP growth on Wednesday may reinforce expectations for a cut. The economy is expected to post a mild contraction of around -¼% q/q SA nonannualized.

Chart 23

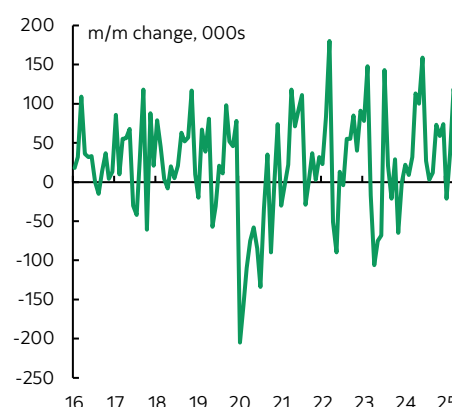
### UK Payroll Employment



Sources: Scotiabank Economics, UK ONS.

Chart 24

### UK Total Employment



Sources: Scotiabank Economics, UK ONS.

Chart 25

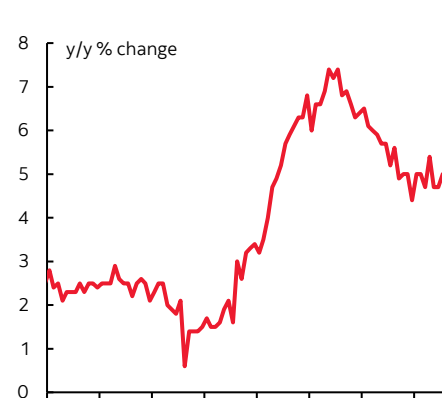
### Tracking UK Wages



Indeed wage tracker - based on new wage offers in job postings.  
Sources: Scotiabank Economics, Indeed.

Chart 26

### UK Service Inflation



Sources: Scotiabank Economics, UK Office for National Statistics.

**Key Indicators for the week of September 15 – 19**
**NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
CA	09-15	08:30	Manufacturing Shipments (m/m)	Jul	1.8	1.8	0.3
CA	09-15	08:30	Wholesale Trade (m/m)	Jul	1.3	1.3	0.7
US	09-15	08:30	Empire State Manufacturing Index	Sep	--	4.3	11.9
CA	09-15	09:00	Existing Home Sales (m/m)	Aug	--	--	3.8
CA	09-16	08:15	Housing Starts (000s a.r.)	Aug	260	273.2	294.1
CA	09-16	08:30	Core CPI - Median (y/y)	Aug	--	3.1	3.1
CA	09-16	08:30	Core CPI - Trim (y/y)	Aug	--	3.0	3.0
CA	09-16	08:30	CPI, All items (m/m)	Aug	0.1	0.1	0.3
CA	09-16	08:30	CPI, All items (y/y)	Aug	2.0	2.0	1.7
CA	09-16	08:30	CPI, All items (index)	Aug	--	--	164.9
US	09-16	08:30	Export Prices (m/m)	Aug	--	0.1	0.1
US	09-16	08:30	Import Prices (m/m)	Aug	--	-0.3	0.4
US	09-16	08:30	Retail Sales (m/m)	Aug	0.2	0.2	0.5
US	09-16	08:30	Retail Sales ex. Autos (m/m)	Aug	0.3	0.4	0.3
CA	09-16	08:30	Core CPI - Common (y/y)	Aug	--	--	2.6
CA	09-16	08:30	CPI SA, All items (m/m)	Aug	--	--	0.1
US	09-16	09:15	Capacity Utilization (%)	Aug	77.5	77.4	77.5
US	09-16	09:15	Industrial Production (m/m)	Aug	-0.1	0.0	-0.1
US	09-16	10:00	Business Inventories (m/m)	Jul	--	0.2	0.2
US	09-16	10:00	NAHB Housing Market Index	Sep	--	33.0	32.0
US	09-17	07:00	MBA Mortgage Applications (w/w)	12-Sep	--	--	9.2
CA	09-17	08:30	International Securities Transactions (C\$ bn)	Jul	--	--	0.7
US	09-17	08:30	Building Permits (000s a.r.)	Aug P	--	1370.0	1362.0
US	09-17	08:30	Housing Starts (000s a.r.)	Aug	1400	1370.0	1428.0
US	09-17	08:30	Housing Starts (m/m)	Aug	-2.0	-4.1	5.2
<b>CA</b>	<b>09-17</b>	<b>09:45</b>	<b>BoC Interest Rate Announcement (%)</b>	<b>Sep 17</b>	<b>2.50</b>	<b>2.50</b>	<b>2.75</b>
<b>US</b>	<b>09-17</b>	<b>14:00</b>	<b>FOMC Interest Rate Meeting (%)</b>	<b>Sep 17</b>	<b>4.25</b>	<b>4.25</b>	<b>4.50</b>
US	09-18	08:30	Initial Jobless Claims (000s)	Sep 13	235	--	263.0
US	09-18	08:30	Continuing Claims (000s)	Sep 05	1950	--	1939.0
US	09-18	08:30	Philadelphia Fed Index	Sep	--	3.0	-0.3
US	09-18	10:00	Leading Indicators (m/m)	Aug	--	-0.1	-0.1
US	09-18	16:00	Total Net TIC Flows (US\$ bn)	Jul	--	--	77.8
US	09-18	16:00	Net Long-term TIC Flows (US\$ bn)	Jul	--	--	150.8
CA	09-19	08:30	Retail Sales (m/m)	Jul	-1.0	0.0	1.5
CA	09-19	08:30	Retail Sales ex. Autos (m/m)	Jul	--	--	1.9

**EUROPE**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>Consensus</u>	<u>Latest</u>
EC	09-15	05:00	Trade Balance (€ mn)	Jul	--	7000.0
UK	09-16	02:00	Average Weekly Earnings (3-month, y/y)	Jul	4.7	4.6
UK	09-16	02:00	Employment Change (3M/3M, 000s)	Jul	223.0	238.0
UK	09-16	02:00	Jobless Claims Change (000s)	Aug	--	-6.2
UK	09-16	02:00	ILO Unemployment Rate (%)	Jul	4.7	4.7
IT	09-16	04:00	CPI (m/m)	Aug F	--	0.1
IT	09-16	04:00	CPI (y/y)	Aug F	1.6	1.6
IT	09-16	04:00	CPI - EU Harmonized (m/m)	Aug F	-0.2	-0.2
IT	09-16	04:00	CPI - EU Harmonized (y/y)	Aug F	1.7	1.7
EC	09-16	05:00	Industrial Production (m/m)	Jul	0.3	-1.3
EC	09-16	05:00	Industrial Production (y/y)	Jul	1.7	0.2
EC	09-16	05:00	Labour Costs (y/y)	2Q	--	3.4
EC	09-16	05:00	ZEW Survey (Economic Sentiment)	Sep	--	25.1
GE	09-16	05:00	ZEW Survey (Current Situation)	Sep	-74.0	-68.6
GE	09-16	05:00	ZEW Survey (Economic Sentiment)	Sep	26.3	34.7

Forecasts at time of publication.

Sources: Bloomberg, Scotiabank Economics.

## Key Indicators for the week of September 15 – 19

## EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	Consensus	Latest
UK	09-17	02:00	CPI (m/m)	Aug	0.3	0.1
UK	09-17	02:00	CPI (y/y)	Aug	3.8	3.8
UK	09-17	02:00	RPI (m/m)	Aug	0.4	0.4
UK	09-17	02:00	RPI (y/y)	Aug	4.7	4.8
EC	09-17	05:00	CPI (m/m)	Aug F	0.2	0.2
EC	09-17	05:00	CPI (y/y)	Aug F	2.1	2.1
EC	09-17	05:00	Euro zone Core CPI Estimate (y/y)	Aug F	2.3	2.3
EC	09-18	04:00	Current Account (€ bn)	Jul	--	35.8
NO	09-18	04:00	Norwegian Deposit Rates (%)	Sep 18	4.00	4.25
IT	09-18	04:30	Current Account (€ mn)	Jul	--	5736.9
UK	09-18	07:00	BoE Policy Announcement (%)	Sep 18	4.00	4.00
UK	09-18	19:01	GfK Consumer Confidence Survey	Sep	-19.0	-17.0
GE	09-19	02:00	Producer Prices (m/m)	Aug	-0.1	-0.1
UK	09-19	02:00	PSNB ex. Interventions (£ bn)	Aug	--	1.1
UK	09-19	02:00	Public Finances (PSNCR) (£ bn)	Aug	--	3.0
UK	09-19	02:00	Public Sector Net Borrowing (£ bn)	Aug	12.5	1.1
UK	09-19	02:00	Retail Sales ex. Auto Fuel (m/m)	Aug	0.5	0.5
UK	09-19	02:00	Retail Sales with Auto Fuel (m/m)	Aug	0.4	0.6

## ASIA PACIFIC

Country	Date	Time	Indicator	Period	Consensus	Latest
CH	09-14	22:00	Fixed Asset Investment YTD (y/y)	Aug	1.5	1.6
CH	09-14	22:00	Industrial Production (y/y)	Aug	5.6	5.7
CH	09-14	22:00	Retail Sales (y/y)	Aug	3.8	3.7
IN	09-15	02:30	Monthly Wholesale Prices (y/y)	Aug	0.3	-0.6
HK	09-15	04:30	Industrial Production (y/y)	2Q	--	0.7
IN	09-15		Exports (y/y)	Aug	--	7.3
IN	09-15		Imports (y/y)	Aug	--	8.6
PH	09-15		Overseas Remittances (y/y)	Jul	3.2	3.7
JN	09-16	00:30	Tertiary Industry Index (m/m)	Jul	0.1	0.5
HK	09-16	04:30	Unemployment Rate (%)	Aug	3.8	3.7
JN	09-16	19:50	Merchandise Trade Balance (¥ bn)	Aug	-510.8	-118.4
JN	09-16	19:50	Adjusted Merchandise Trade Balance (¥ bn)	Aug	-348.7	-303.0
JN	09-16	19:50	Merchandise Trade Exports (y/y)	Aug	-2.0	-2.6
JN	09-16	19:50	Merchandise Trade Imports (y/y)	Aug	-4.1	-7.4
SI	09-16	20:30	Exports (y/y)	Aug	0.4	-4.6
JN	09-16		Nationwide Department Store Sales (y/y)	Aug	--	-6.2
ID	09-17	03:20	BI 7-Day Reverse Repo Rate (%)	Sep 17	5.00	5.00
NZ	09-17	18:45	GDP (q/q)	2Q	-0.3	0.8
NZ	09-17	18:45	GDP (y/y)	2Q	0.0	-0.7
JN	09-17	19:50	Machine Orders (m/m)	Jul	-1.5	3.0
AU	09-17	21:30	Employment (000s)	Aug	21.0	24.5
AU	09-17	21:30	Unemployment Rate (%)	Aug	4.2	4.2
NZ	09-18	18:45	Trade Balance (NZD mn)	Aug	--	-578.0
NZ	09-18	18:45	Exports (NZD bn)	Aug	--	6705.9
NZ	09-18	18:45	Imports (NZD bn)	Aug	--	7283.9
JN	09-18	19:30	National CPI (y/y)	Aug	2.8	3.1
TA	09-18		Benchmark Interest Rate	Sep 18	2.00	2.00
TH	09-18		Customs Exports (y/y)	Aug	5.3	11.0
TH	09-18		Customs Imports (y/y)	Aug	8.7	5.1
TH	09-18		Customs Trade Balance (US\$ mn)	Aug	300.0	322.1
MA	09-19	00:00	Exports (y/y)	Aug	2.9	6.8
MA	09-19	00:00	Imports (y/y)	Aug	0.5	0.6
MA	09-19	00:00	Trade Balance (MYR bn)	Aug	11.8	15.0
HK	09-19	04:30	BoP Current Account (HK\$ bns)	2Q	--	126.9
PH	09-19		Balance of Payments (US\$ mn)	Aug	--	-167.0

Forecasts at time of publication.

Sources: Bloomberg, Scotiabank Economics.

Key Indicators for the week of September 15 – 19

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	09-15	08:00	Economic Activity Index SA (m/m)	Jul	--	--	-0.1
BZ	09-15	08:00	Economic Activity Index NSA (y/y)	Jul	--	--	1.4
PE	09-15	11:00	Economic Activity Index NSA (y/y)	Jul	--	--	4.5
PE	09-15	11:00	Unemployment Rate (%)	Aug	--	--	6.1
CO	09-16	11:00	Retail Sales (y/y)	Jul	--	--	10.1
BZ	09-17	17:30	SELIC Target Rate (%)	Sep 17	15.00	15.00	15.00

Forecasts at time of publication.  
Sources: Bloomberg, Scotiabank Economics.



## Global Auctions for the week of September 15 – 19

## NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	09-16	13:00	U.S. To Sell USD13 Bln 20-Year Bond Reopening
US	09-18	13:00	U.S. To Sell 10-Year TIPS Reopening

## EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
UK	09-16	05:00	UK to Sell GBP3 Billion of 4.375% 2040 Bonds
GE	09-16	05:30	Germany to Sell EU4.5 Billion of 2.2% 2030 Bonds
FI	09-16	06:00	Finland to Sell Bonds
DE	09-17	04:15	Denmark to Sell Bonds
GR	09-17	05:00	Greece to Sell Bonds
GE	09-17	05:30	Germany to Sell EU1.5 Billion of 2.9% 2056 Bonds
GE	09-17	05:30	Germany to Sell EU1 Billion of 1.25% 2048 Bonds
SP	09-18	04:30	Spain to Sell Bonds
FR	09-18	04:50	France to Sell Bonds
FR	09-18	05:50	France to Sell I/L Bonds

## ASIA PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	09-16	23:35	Japan to Sell 20-Year Bonds
CH	09-16	23:35	China to Sell 35 Billion Yuan 2045 Bonds

## LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
No Scheduled Auctions			

## Events for the week of September 15 – 19

## NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
<b>CA</b>	<b>09-17</b>	<b>09:45</b>	<b>Bank of Canada Rate Decision</b>
CA	09-17	10:30	BoC Press Conference
<b>US</b>	<b>09-17</b>	<b>14:00</b>	<b>FOMC Rate Decision</b>
US	09-17	14:30	Federal Reserve Press Conference

## EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	09-15	03:00	ECB's Kocher Speaks
EC	09-15	04:00	ECB Publishes Survey of Monetary Analysts
EC	09-16	07:00	Bank of Spain Releases New Economic Forecasts
EC	09-17	03:30	ECB's Lagarde Speaks in Frankfurt
EC	09-17	03:45	ECB's Muller Speaks in Tallinn
EC	09-17	04:00	ECB Wage Tracker
EC	09-17	13:00	ECB's Nagel Speaks on German Economy
EC	09-18	03:10	ECB's Lagarde Speaks at Women's Leadership Event
<b>NO</b>	<b>09-18</b>	<b>04:00</b>	<b>Deposit Rates</b>
EC	09-18	04:00	ECB's Guindos Speaks at MNI Event
EC	09-18	05:45	ECB's Schnabel Chairs Panel in Frankfurt
<b>UK</b>	<b>09-18</b>	<b>07:00</b>	<b>Bank of England Bank Rate</b>
EC	09-18	10:00	ECB's Nagel on Panel in Frankfurt

## ASIA PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	09-15	19:50	RBA's Hunter-Fireside Chat
<b>PK</b>	<b>09-15</b>		<b>SBP Rate Decision (Target)</b>
AU	09-16	21:30	RBA's Jones-Fireside Chat
<b>ID</b>	<b>09-17</b>	<b>03:20</b>	<b>BI-Rate</b>
<b>TA</b>	<b>09-17</b>	<b>21:00</b>	<b>CBC Benchmark Interest Rate</b>
<b>JN</b>	<b>09-18</b>	<b>20:00</b>	<b>BOJ Target Rate</b>
JN	09-19	02:30	BOJ Governor Ueda Press Conference at BOJ

## LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
<b>BZ</b>	<b>09-17</b>	<b>17:30</b>	<b>Selic Rate</b>

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	2.75	September 17, 2025	2.50	2.50
Federal Reserve – Federal Funds Target Rate	4.50	September 17, 2025	4.25	4.25
Banco de México – Overnight Rate	7.75	September 25, 2025	7.50	7.50

**Bank of Canada (BoC):** We expect the Bank of Canada to cut its overnight rate by 25bps on Wednesday. No forecasts are due with this decision but the BoC has demonstrated it does not need an MPR to change policy. Markets are mostly priced for a cut while consensus is somewhat divided. A press conference (10:30amET) will follow the statement (9:45amET). **Federal Open Market Committee (FOMC):** Chair Powell's Jackson Hole speech was the turning point for this meeting when he reacted to weaker nonfarm payroll revisions and results over the May to July period. Since then, his concern about a weakening labour market would have only become greater given August's soft reading and record negative revisions in the annual payroll benchmarking exercise. A 50bps move is a tail bet but one that is tough to defend in light of decent GDP growth tracking and its connections to the dual mandate variables, and easy financial market conditions.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	2.15	October 30, 2025	2.15	2.15
European Central Bank – Marginal Lending Facility Rate	2.40	October 30, 2025	2.40	2.40
European Central Bank – Deposit Facility Rate	2.00	October 30, 2025	2.00	2.00
Bank of England – Bank Rate	4.00	September 18, 2025	4.00	4.00
Swiss National Bank – Sight Deposit Rate	0.00	September 25, 2025	0.00	0.00
Central Bank of Russia – One-Week Auction Rate	17.00	October 24, 2025	17.00	17.00
Sweden Riksbank – Repo Rate	2.00	September 23, 2025	2.00	2.00
Norges Bank – Deposit Rate	4.25	September 18, 2025	4.00	4.00
Central Bank of Turkey – Benchmark Repo Rate	40.50	October 23, 2025	40.50	40.50

**Bank of England (BoE):** The Bank of England is widely expected to continue its alternating pattern of rate cuts and holds on Thursday, maintaining the bank rate at 4% following a 25bps rate cut in August. Since the last meeting, updated labour market data has continued to show signs of a slowdown, although a key wage measure remains elevated above 5%. Meanwhile, seasonally unadjusted core inflation in July remained warm compared to previous years, with service inflation still high and showing no signs of easing. Although the bank will receive another round of both labour market data on Tuesday and inflation figures on Wednesday ahead of its policy decision, these are unlikely to materially shift its stance. **Norges Bank:** The upcoming Norges Bank meeting on Thursday is shaping up to be a coin toss, with a small consensus favouring a 25 bps rate cut. At its August meeting, the bank guided that "if the economy evolves broadly as currently envisaged, the policy rate will be reduced further in the course of 2025", with June forecasts indicating "one or two additional rate cuts in the course of the year." As a result, markets had priced in an 89% chance of a 25bps rate cut for September. However, sticky underlying inflation—still above the 2% target—and stronger-than-expected Q2 economic growth have since tempered expectations, reducing the odds of a cut to 59%. Hence, the expectation now is for the bank to hold its deposit rate—unless it decides to surprise the market once again, just like it did in June 2025. In addition, the bank will update its economic forecasts along with the forward policy path.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	0.50	September 19, 2025	0.50	0.50
Reserve Bank of Australia – Cash Rate Target	3.60	September 30, 2025	3.60	3.60
Reserve Bank of New Zealand – Cash Rate	3.00	October 7, 2025	3.00	3.00
People's Bank of China – 7-Day Reverse Repo Rate	1.40	TBA	1.40	1.40
Reserve Bank of India – Repo Rate	5.50	October 1, 2025	5.50	5.50
Bank of Korea – Base Rate	2.50	October 23, 2025	2.50	2.50
Bank of Thailand – Repo Rate	1.50	October 8, 2025	1.50	1.50
Bank Negara Malaysia – Overnight Policy Rate	2.75	November 6, 2025	2.75	2.75
Bank Indonesia – BI-Rate	5.00	September 17, 2025	5.00	5.00
Central Bank of Philippines – Overnight Borrowing Rate	5.00	October 9, 2025	4.75	4.75

**Bank of Japan (BoJ):** The Bank of Japan is unanimously expected to maintain its policy rate at 0.50% on Friday and keep its forward guidance on further policy tightening unchanged. Recent data has been somewhat encouraging: Tokyo core inflation rose 0.2% m/m or 2.5% y/y in August, the economy expanded at an annualized pace of 2.2% q/q in Q2, and real cash earnings posted their first positive reading of the year, rising 0.5% y/y. However, while the bank will view this as steady progress on both the inflation and economic fronts, it will be looking for more sustained and broad-based improvements before gaining confidence in the outlook. Policymakers would also like to monitor second-half data closely to assess the economic impact of the recent U.S.-Japan tariff deal. Additionally, the economy faced another setback after Prime Minister Ishiba resigned last week, resulting in further economic uncertainty. **Bank Indonesia (BI):** Following one of several recent surprises in rate decisions, Bank Indonesia is expected to pause its easing cycle on Wednesday, after delivering back-to-back 25bps surprise rate cuts. The main reason is the fall of the rupiah and its instability following recent anti-government protests. The mounting pressure on President Prabowo has led to a cabinet reshuffle, including the replacement of the finance minister. As a result, Bank Indonesia is expected to hold its policy rate—unless, of course, it's aiming for a surprise hat-trick. **CBC:** Taiwan's central bank held at its last meeting in June. Since then, the TWD has weakened, lessening some prior concern about its strength. Core inflation has risen and Q2 GDP growth was 8% y/y. A hold appears likely.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	15.00	September 17, 2025	15.00	15.00
Banco Central de Chile – Overnight Rate	4.75	October 28, 2025	4.75	4.75
Banco de la República de Colombia – Lending Rate	9.25	September 30, 2025	9.25	9.00
Banco Central de Reserva del Perú – Reference Rate	4.25	October 9, 2025	4.25	4.25

**Banco Central do Brasil:** The Banco Central do Brasil is unanimously expected to maintain its selic rate at 15% on Wednesday, in line with its forward guidance which continues to see the policy rate at the current level for a "very prolonged period". Although the 2Q economic growth slowed down to +0.4% q/q (above consensus at +0.3%), inflation expectations still remain elevated while both headline and core inflation continues to be above the 3% target. Another key concern for the bank is the job market which remains resilient.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	7.00	September 18, 2025	7.00	7.00

**South African Reserve Bank (SARB):** The South African Reserve Bank is expected to hold its repo rate at 7% on Thursday, in line with its July Quarterly Projection Model, which showed rates bottoming out at the current level. Yet, at its last meeting, the bank signaled a more hawkish stance, stating that "the MPC now prefers inflation to settle at 3%" and "will use forecasts with a 3% inflation anchor at future meetings"—a notable shift from May's softer language of merely "considering scenarios with a 3% objective." This change suggests a firmer commitment to a 3% inflation anchor (versus the current 4.5% target), with the updated forecasts implying around five additional rate cuts over the medium term. That said, the bank has faced political backlash, but later issued a joint statement with the Finance Ministry, noting that any changes to the CPI target will be agreed upon after the Macroeconomic Standing Committee drafts its recommendations. Given inflation hovering near the 3% level, with the upcoming print due Wednesday, a stronger currency, and better-than-expected Q2 growth, the SARB is likely to keep rates unchanged for now.

Sources: Bloomberg, Scotiabank Economics.

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