

# The Central Bank Watch

## March 2025

Thursday, 27 February 2025

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A snapshot of UOB's projections and views on key central banks rate decisions and policy outlook for the month.

	<u>Current Rate</u>	<u>Meeting</u>	<u>UOB's Projection &amp; View</u>	
<b>BNM</b>	3.00%	6 Mar	-	Given that both inflation and economic prospects remain broadly in line with our assessment, we are maintaining our call for a steady OPR at 3.00% throughout 2025. A prolonged pause in policy rates will allow policymakers to better assess the potential implication of US trade and tariff policies on domestic growth, inflation and financial system in the near term.
<b>ECB</b>	2.90%	6 Mar	25bps cut	Our view remains for the ECB to go on a cautious approach towards neutral, which we estimate that to be around 2.0%. For now, we continue to look for the ECB to cut rates by 25bps again when policymakers convene at this upcoming monetary policy meeting. We have also penciled in another 25bps move at the Apr and Jun meetings, for the deposit rate to reach 2.00% by end of 2Q25, assuming that economic data evolves in line with expectations.
<b>BI</b>	5.75%	19 Mar	-	Going forward, we keep our forecast of 2x25bps rate cut, each in 2Q25 and 3Q25 to 5.25% and then for the policy rate to remain at that level throughout the rest of the year. Nevertheless, again based on 19 Feb MPC, we would like to emphasize more on the extent of the eventual rate cuts rather than focusing on the exact timing of rate cut delivery. More importantly, BI was not signaling the end of cutting cycle just yet.

<b>BOJ</b>	0.50%	19 Mar	-	While external events may potentially change the trade dynamics and have a material influence on the BOJ, we still expect it to hike its policy rate another two times, by 25-bps each to 0.75% in the 30Apr/1 May MPM, and another hike in 29/30 Oct MPM to 1.00% which we believe will be the terminal rate. An earlier hike in Mar cannot be ruled out especially if there is early indication of strong increases in the wage negotiations and a still peaceful global trade environment.
<b>Fed</b>	4.50%	20 Mar	-	The Jan FOMC minutes clearly sends through Fed Chair Jerome Powell's recent message of Fed's "no-rush" wait-and-see approach, and we continue to hold our view to expect the pause to persist for the next few FOMC meetings, with the next 25-bps Fed rate cut coming in 2Q25 (likely in the Jun FOMC) and stay on hold for the rest of the year at 4.25%.
<b>PBOC</b>	3.10%	20 Mar	-	Weak price pressures remain conducive to further monetary policy easing but depreciation pressure on the CNY may affect the timing of any interest rate cuts. In 2025, we anticipate an additional 50-100 bps reduction to banks' reserve requirement ratio (RRR) and 30 bps cut to the benchmark 7-day reverse repo rate (with loan prime rates to fall by 30 bps).
<b>CBC</b>	2.00%	20 Mar	-	The CBC has maintained its benchmark discount rate at 2.0% since Jun 2024, instead focusing on adjusting the selective credit control measures and the reserve requirement ratios (RRR) to rein in the property market rally. With the economy remaining resilient so far, we keep our forecast for the central bank to stay on hold through this year.
<b>BOE</b>	4.50%	20 Mar	-	The rise in private sector pay growth will reinforce the BOE's view that it remains too soon to declare victory over inflation. The cooling trend in the jobs market should keep the BOE on an easing path, and we look for three more rate cuts this year, as policymakers stick to quarterly steps, with rates reaching 3.75% by end-year, unless there is evidence of a sharper cooling in labor demand.

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