POLICY OUTLOOK • 14 MAJOR CENTRAL BANKS

Outvoted, and gaining ground

The hawkish minority lost the vote at the Bank of Japan, the Federal Reserve and the Bank of England last month. Policy-outlook sentiment has spent the year moving their way in all three.

+99.4
Bank of Japan, the strongest hawkish reading in the monitor, on 29 of 30 qualifying coverage days

−96.0
Banco Central do Brasil, the mirror image at the dovish end, after a further Selic cut on 5 August

12 of 14
central banks whose policy-outlook sentiment has moved in a more hawkish direction over twelve months

Three central banks held rates last month over the objection of a hawkish minority: the Bank of Japan by eight votes to one, the Federal Reserve with three dissents, the Bank of England by six to three. Every one of those minorities lost. Over twelve months policy-outlook sentiment has moved towards the dissenters in all three, by +21.2, +81.2 and +36.0. Over that same window the last move either the Fed or the Bank of England made was a cut, in December, and both have held at five meetings since. Japan is the exception: it has raised twice inside the window, and its dissent flipped from dovish to hawkish in the six weeks between the June move to 1% and the July hold.

Japan sits at +99.4 and Brazil at −96.0. On the levels alone that looks like a policy cycle that has split down the middle, and it is an easy read to take at face value. The twelve-month changes say something else. Twelve of the fourteen central banks in this monitor have moved towards the hawkish end over the past year. Only Russia and Brazil have gone the other way, and both are cutting from key rates of 14%.

So the dispersion is real, but it is dispersion in how far each central bank has got rather than in where each is heading. Energy, currencies, labour markets and domestic demand are setting the pace. Rates themselves lag almost everywhere.

THE TAKE

1. Japan and the Fed are within three points of the ceiling, both on near-complete coverage. In each case the question being argued has gone from when easing resumes to whether another hike is needed. The Fed's last move was a cut in December, while Japan and the ECB have already raised.

2. Near-zero readings are not quiet ones. The Bank of England scores +10.6 on a six-three vote split, and Turkey scores +10.4 on a 37% policy rate with the cutting debate already open.

3. Australia and India are dovish on the level and carry two of the larger hawkish shifts of the past year. That combination is worth more attention than either number on its own.

How to read the index

The Major Central Bank Sentiment Index measures directional policy-outlook sentiment over a trailing 30 days, from −100 to +100, where positive is a more hawkish policy outlook and negative a more dovish one. Each reading comes with its qualifying coverage days and its twelve-month change. It shows where the policy argument has got to, not a probability attached to the next decision.

SECTION ONE · RANKS 1 TO 6

The hawkish edge

Japan and the Fed sit close to the ceiling as tightening expectations broaden

Directional policy-outlook sentiment, trailing 30 days, ranks 1 to 6. Source: Permutable GMSI, Policy Outlook.

Japan is where the rest of the field has been heading

The Bank of Japan held at 1% on 31 July, eight votes to one, with Hajime Takata pushing for an immediate move to 1.25%. Japan scores **+99.4** on 29 of 30 qualifying days, the highest reading in the monitor and close to the practical ceiling. Its twelve-month change of +21.2 is one of the smallest in the group, which is what you would expect when tightening has been the frame in Tokyo for the best part of a year and the Bank has been acting on it: the July hold followed a move to 1% in June, itself the second increase in six months. The movement in sentiment over that period has come from everyone else.

The currency is now part of the same trade. Japan and the United States are reported to have intervened jointly on 31 July after the yen fell towards multi-decade lows, with official Japanese intervention data due on 28 August. Intervention deals with the price and leaves the differential that caused it untouched. If the yen goes again, imported costs feed into domestic prices and the tightening case rebuilds without the Bank having to argue for it. That is why September has come back into range in the commentary.

The Fed's last move was a cut, and the argument has gone the other way

The Federal Reserve scores **+96.9** on all 30 days, up 81.2 over twelve months, the deepest evidence base in the monitor. The FOMC held its target range at 3.50 to 3.75% on 29 July with three dissents in favour of an immediate quarter point, a fifth consecutive hold. Twelve months ago the coverage was weighted towards the timing of the next cut, and the Committee duly delivered one in December. It is now weighted towards whether firm inflation and solid activity warrant a hike. Nothing in the target range tells you that happened.

New Zealand moves furthest, and the tail of the group moves on less

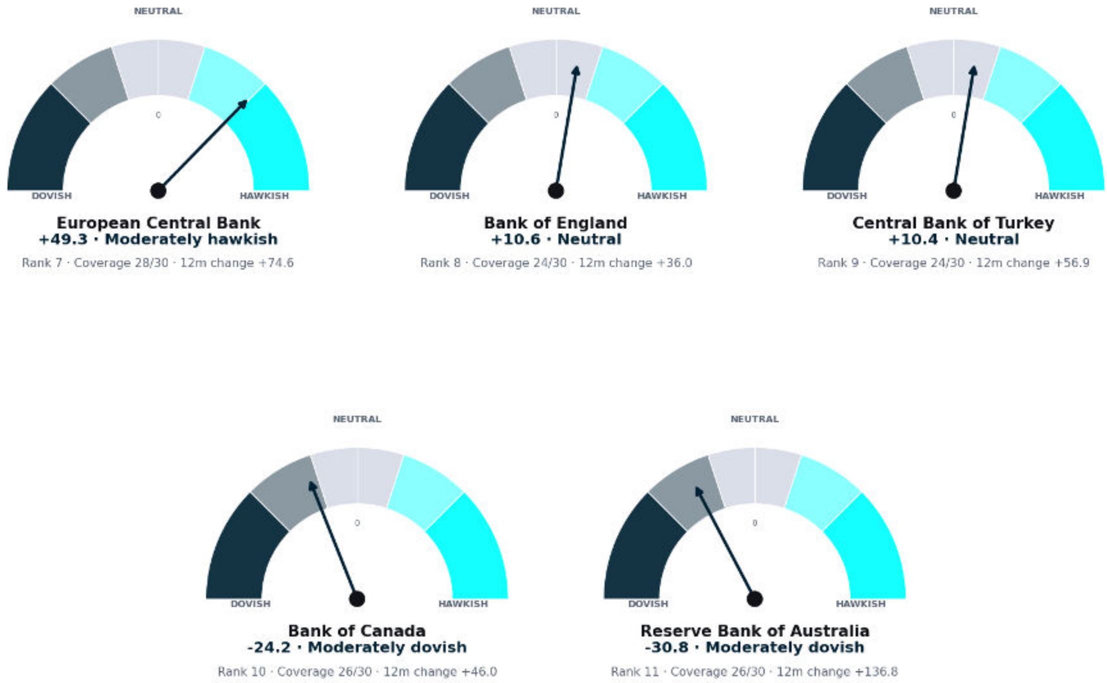
New Zealand sits at **+87.1** with the largest twelve-month move in the monitor, +139.9, after the RBNZ took the official cash rate to 2.50% in July, its first increase in over three years. That reading rests on 20 qualifying days, at the lower end of a robust base.

The Philippines, South Africa and Sweden fill out the top six on much thinner evidence, at 17, 15 and 16 qualifying days. Sweden's **+56.2** is the balance of roughly half a window, and does not carry the weight of a reading built from 29 or 30 days.

SECTION TWO · RANKS 7 TO 11

The contested middle

Neutral levels conceal active debates over inflation, demand and the next move



Directional policy-outlook sentiment, trailing 30 days, ranks 7 to 11. Source: Permutable GMSI, Policy Outlook.

For the ECB the issue is how long the shock runs

The ECB sits at **+49.3**, up 74.6 over the year and well clear of the rest of the middle group. That July hold at a 2.25% deposit rate came six weeks after a rise in June, the ECB's first increase in almost three years, which puts it alongside Japan as the second central bank in the monitor where the shift in sentiment has already been matched by policy.

The Governing Council also said the inflationary impact of the latest energy shock has not fully come through. Duration is what matters here. Energy that stays elevated for a couple of quarters stops behaving like a relative price move and starts turning up in wages and contracts, and at that point looking through it is no longer available as an option.

Two scores near zero, neither of them quiet

The Bank of England and Turkey both sit close to neutral, at **+10.6** and **+10.4**. In both cases the zero is a split rather than a lull. The MPC held Bank Rate at 3.75% six votes to three, with the minority wanting 4%. Underlying disinflation is pulling one way and energy costs the other, and a twelve-month change of +36.0 gives you a sense of which side has been gaining.

Turkey scores near zero on a policy rate of 37%. The central bank keeps promising tightness until price stability is secured, while weaker demand has opened up the question of when cuts start. The score is about the path from here. The level of restriction today is not in question, and it is punishing.

Canada and Australia: dovish level, hawkish travel

Canada at **−24.2** and Australia at **−30.8** are dovish on the level and have travelled hawkish over the year, by 46.0 and 136.8. The Bank of Canada held at 2.25% in July and called the setting appropriate for supporting the recovery while inflation returns to target. Growth is picking up, inflation is projected to ease towards 2%, and there is very little forcing a move in either direction.

Australian headline inflation came down from 4.0% in May to 3.8% in June, which takes some urgency out of another increase. Trimmed mean stuck at 3.6% and is still above the RBA's band. Australia carries the second-largest twelve-month move in the monitor at +136.8, which is a lot of travel for a bank the ranking still puts on the dovish side.

SECTION THREE · RANKS 12 TO 14

The dovish end

Brazil continues to ease while Russia and India retain more guarded policy paths

Directional policy-outlook sentiment, trailing 30 days, ranks 12 to 14. Source: Permutable GMSI, Policy Outlook.

Bank of Russia

Still cutting, but the forecast revision and firmer expectations argue for a slower pace.

Reserve Bank of India

The widest gap in the monitor between a dovish level and a hawkish twelve-month trajectory.

Banco Central do Brasil

The most one-sided easing story in the group, and still getting more so.

Three banks at the bottom of the ranking, and three different reasons for being there.

The Bank of Russia cut 25 basis points to 14%, lifted its 2026 inflation forecast to 6 to 7% and flagged inflation expectations moving up. Coverage scores **−44.4**, down 19.6 on the year. It is cutting, but the language around the cut is defensive enough to suggest a slower run from here than the last few meetings implied.

India is at **−51.6** with a twelve-month change of **+55.4**, the widest gap between level and trajectory anywhere in the monitor. The RBI held the repo rate at 5.25%, kept a neutral stance and lowered its full-year inflation projection, judging the recent pressure to be food and fuel. That pushes the tightening question further out without the formal stance changing at all.

Brazil at **−96.0** is the mirror of Japan, and one of only two banks in the monitor that have moved dovish over the year. Copom cut the Selic rate to 14% on 5 August as inflation and activity came off. The communication stayed cautious, with expectations still above target, a firm labour market and fiscal risk in the assessment, and none of it has dented the easing story.

WHAT THE SIGNALS SHOW

At the hawkish edge, Japan and the US are being covered almost entirely through the question of the next hike, on the two deepest evidence bases in the monitor.

Across the contested middle, the near-neutral scores hold the most active arguments, with energy costs set against softer demand and cooling labour markets.

Across the full cross-section, twelve of the fourteen twelve-month changes point the same way. The distribution has widened, and it has widened while the whole thing shifted hawkish.

IMPLICATIONS

Where this could break

Three channels that would move the whole cross-section rather than one central bank

1. The yen, and the differential behind it

Joint intervention deals with the price. The differential that produced the move is unchanged. Japan's reading is also pinned at 99.4, so there is almost no room left for the score to register further hawkish pressure from Tokyo, and anyone watching the level alone will see nothing. If the yen goes again, imported costs feed into domestic prices and September becomes the first meeting that has to deal with it. Watch the depth and persistence of the coverage rather than the number.

2. An energy shock meeting a contested middle

The ECB has said the pass-through is not finished, and the middle of this ranking is where that lands. Canada, Australia and the UK are all sitting near neutral with softer demand on one side and energy on the other. An energy shock that runs into quarters moves those three together. For a rates book, a correlated move across the middle of the distribution is a harder problem than one hawkish surprise at the top of it.

3. A dovish end that is already turning

India is the clearest case of a level lagging a trajectory, −51.6 against +55.4 over twelve months. Australia is the same shape, with +136.8 sitting behind a dovish score. Neither is about to hike. But the dovish side of this distribution is thinner than the ranking makes it look, and Brazil is more alone down there than the chart suggests.

Methodology and coverage

Scores measure directional policy-outlook sentiment over a trailing 30 days for each of fourteen major central banks, on a scale from −100 to +100. Positive sentiment corresponds to a more hawkish policy outlook, negative sentiment to a more dovish one. The window ends 6 August 2026. Each observation is point-in-time: the score for any past date reflects only information available on that date, with no subsequent revision, which is what allows the series to be replayed in a backtest.

Coverage days record how many of the thirty days in the window carried qualifying policy coverage for that central bank. Readings supported by fewer than twenty days, in this window the Philippines at 17, Sweden at 16 and South Africa at 15, describe the balance within a thinner set of observations and are less robust than readings drawn from close to the full window. Twelve-month change compares the current score with the same trailing measure one year earlier.

The index measures the balance of a policy debate. It is not a probability attached to any forthcoming decision, and it is not a forecast of a policy rate.