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Macro Month Ahead
June 2025

A central bankers' update

June arrives amid recent changes that are ushering in a phase of uncertainty and adjustment for the global economy.

Adrien Pichoud
adrien.pichoud@syzgroup.com

PRIVATE BANKING

June arrives amid recent changes that are ushering in a phase of uncertainty and adjustment for the global economy. After a spring full of profound geopolitical and policy shifts, markets and policymakers now face the task of deciphering their implications. The United States' renewed turn toward protectionism, with sweeping tariffs introduced in April, has added a fresh layer of uncertainty to an already complex macroeconomic environment. At the same time, Europe is undergoing a transformation of its own, with a change in government in Germany and the emergence of a more assertive, growth-friendly fiscal stance across the Eurozone.

Against this backdrop, central banks step into the spotlight. Nearly all G10 monetary authorities will meet in June. While expectations for rate decisions diverge, one theme unites them: the need to assess how these shifting political, trade, and inflation dynamics are shaping the path forward for growth and prices. June will also bring the first real wave of economic data capable of capturing the early effects of the US tariff shock. Labour market trends, inflation releases, business sentiment, and household consumption will be watched with heightened scrutiny. For central banks, these figures will be instrumental in shaping not just their next move, but the narrative they present to increasingly attentive markets.

As the world transitions from policy announcements to policy consequences, June offers a first real glimpse into how disruptive this new economic chapter might be.

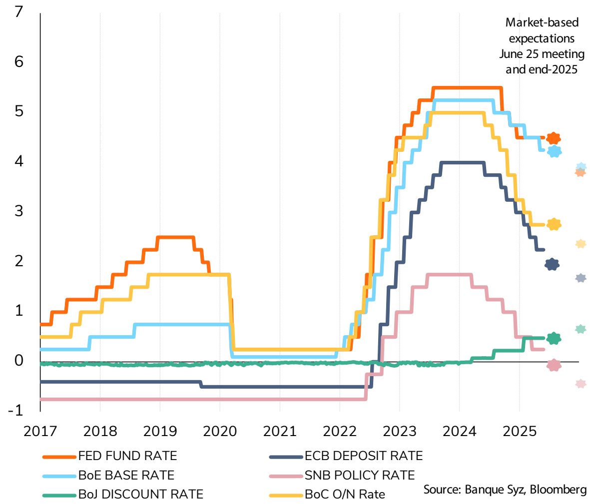
Central banks

All G10 central banks will hold their monetary policy meeting in June except for the Australian and New Zealand Reserve Banks. Expectations for the outcome of those meetings differ from one central bank to the other but, independently of the rate decision in June, those meetings will be the opportunity for central bankers to communicate on their assessment of the tariff impact on growth, inflation, and rate dynamics.

The US Federal Reserve is likely to announce a status quo on its key rate (18/06), extending the wait-and-see stance it adopted since President Trump took office on 20 January. The US economy has decelerated this year compared to its robust growth in 2024, yet it continues to expand, and the labour market—one of the two pillars of the Fed's dual mandate—shows no signs of losing momentum. In the meantime, the other part of the Fed's mandate, inflation, has been on a slowing trend until the impact of the tariffs feed through actual consumer prices. However, the inflation rate remains above the Fed's 2% target and tariffs will likely fuel a rebound in inflation in the months ahead. This configuration warrants a continuation of the "wait-and-see" stance adopted by the Fed this year: as long as economic growth stands firm and inflation risks are tilted to the upside, holding to the current mildly restrictive monetary policy makes sense. If (or when) economic data shows no long-lasting inflationary impact from tariffs beyond the short-term mechanical effect or signs of a proper economic growth slowdown and labour market deterioration appear, the Fed will likely resume rate cuts to bring its monetary policy stance toward a neutral level. In that respect, the most interesting part of the 18 June meeting will certainly be the update in Fed's GDP growth, employment and inflation forecasts, along with the update in Fed's members projections for rates (the "dot plot"). They will provide insightful indications of the Fed's assessment of likely future economic developments and potential path for USD short-term rates.

The European Central Bank will likely cut its key deposit facility rate by another 25bp when it meets this week (5/06), extending the interest rate cut cycle initiated a year ago. This would bring the ECB deposit rate down to 2%, a level deemed neutral in terms of its impact on growth and inflation dynamics. The ECB will also update its growth and inflation forecasts, which will give indications on the prospect for ECB rates in the second half of the year and beyond. If inflation continues to be expected to stabilise around the 2% target while GDP growth prospects are improving with the help of supportive fiscal policy in Germany, the case for additional monetary policy easing after the June rate cut might be less straightforward and the ECB could possibly put an end to its rate cut cycle in the second half of the year. As for the Fed, the update in economic projections and the communication will probably be more important than the rate decision itself.

Only the ECB and the SNB are expected to cut rates in June, but markets expect the global rate cut cycle to extend during the second half of the year



The Bank of Canada also holds its monetary policy meeting early this month (4/06) and will likely keep its key rate unchanged at 2.75%, extending the pause decided in April after a -225bp rate cut cycle in 10 months. Resilient economic activity despite the trade tensions with the US and the inflationary impact of tariffs plead for a status quo, especially as the monetary policy stance now stands at a neutral or slightly accommodative level.

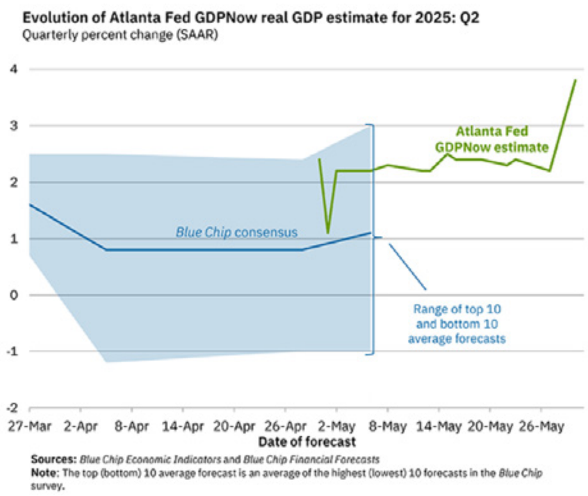
The Bank of Japan will most likely keep its key rate unchanged at 0.50% this month (17/06). The BoJ is in the tough spot of having to balance persisting upward inflationary and wage pressures—at last after decades of deflation! —with downside risks to economic growth as exporters face the double whammy of potential US tariffs and a stronger currency. In the meantime, Japanese long-term yields are rising on prospects of higher nominal GDP growth and possibly a reallocation of domestic institutional investors toward the JGB market at the expense of US Treasuries. It's a challenging environment for the BoJ, where every word and shift in communication will be closely scrutinised.

Four European central banks will also hold monetary policy meetings in the third week of June. The Swiss National Bank (19/06) is widely expected to cut further its key rate by 25bp at least—down to 0%—as the appreciation of the Swiss franc is threatening growth prospects for industries exposed to exports while weighing on inflation, which slowed down to 0% in April and undershoot the latest SNB projections. The possibility of a larger rate cut that will bring back CHF short-term rates in negative territory cannot be ruled out and will likely depend on adjustments made on SNB inflation and growth forecasts. Should there be an increased risk of deflation and of reversal in the mildly encouraging growth dynamic witnessed since last year, the SNB might be willing to make a pre-emptive move and try to decisively cap CHF moves for the remaining of the year. The Bank of England and the Norgesbank will hold monetary policy meetings on the same day (19/06) but are more likely to leave their rate unchanged. The BoE has been following a quarterly pace since it started its rate cut cycle in August last year. After the 25bp cut decided in early May, the next potential meeting for a rate cut will instead be 7 August meeting. The Norgesbank still hasn't cut its key rate from the 2023 peak of 4.50% and should remain on hold in June, before possibly contemplating a first rate cut after the summer. Finally, the outlook for the Swedish Riksbank's decision (18/06) appears finely balanced between a "hold" or a 25bp rate cut. Monetary policy has already been significantly eased since 2024 (rate down from 4% to 2.25% after the last rate cut in January). Any further rate cut will depend on the evolution of growth and inflation dynamics.

US economy – looking for confirmation of growth resilience and assessing the inflationary impact of tariffs

The dynamic of the US economy remains under scrutiny after a soft start of the year and the tariff shock of April. Sentiment surveys had been under pressure during the first quarter and further deteriorated in April, but generally rebounded in May, suggesting that the US economy is withstanding the tariff shock relatively well so far. In parallel, actual data on economic activity and inflation released so far cannot be conclusive in assessing the real impact of tariffs on consumption, business spending and consumer prices, and the release of May data in June will provide a first indication of the post-tariff growth dynamic in the US. Nowcasting models suggest resilient economic growth, with the Atlanta Fed's GDPNow hinting at 3.8% GDP growth for the second quarter; however, the data released in the coming weeks will be key to adjust this estimate.

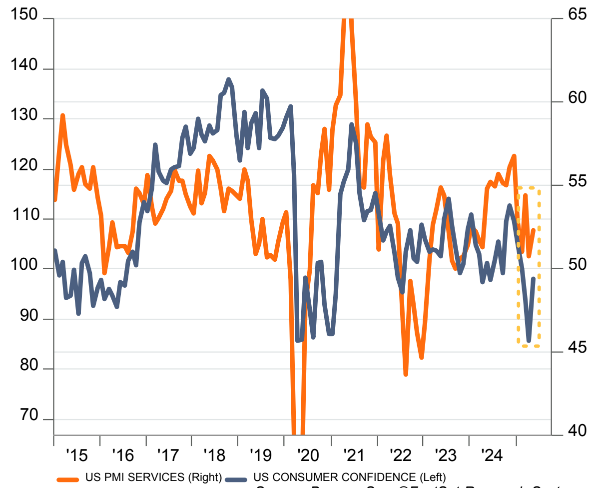
Real-time estimates of US GDP point to a robust growth in Q2 (far from the sharp slowdown feared by some in April)



With the job market remaining the main driver of households' consumption, employment-related data released in the first week of June will be closely watched for any sign of a hiring slowdown that could have been caused by the tariff uncertainties. The JOLTS report on job opening, layoffs and quits for the month of April (3/06), the ADP survey on employment in the private sector for May (4/06) and the Challenger Job Cuts survey of layoffs for May (5/06) will be of interest in this context. But the most important on the labour market front will be the Employment report for May (6/06), including the evolution of nonfarm payrolls, the unemployment rate and wages. Weekly jobless claims released every Thursday will also be useful in providing a "real-time" pulse of the US labour market.

Consumption spending is by far the largest and main driver of US GDP growth and retail sales (17/06) and personal spending (27/06) for May will be scrutinised, as well as industrial production (17/06) and durable goods orders (26/06) for business activity. Trade balance data for April (5/06) will also give an early glance at any inflexion in US external trade dynamics. In the meantime, with inflation being a major source of concern for consumers, CPI inflation (11/06), PPI inflation (12/06) and the PCE deflator (27/06) for the month of May will be key in assessing the impact of tariffs on prices. For reference, April inflation data remained muted but were probably too early to fully incorporate the impact of 2 April announcements.

June data will help assessing whether the drop in sentiment since the beginning of the year proves to be short-lived or eventually drags economic activity lower



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In parallel, surveys of business activity, consumer sentiment and inflation expectations are likely to remain essential in assessing dynamics in an unusually uncertain and moving environment. Watch for the usual PMI and ISM indices for May (manufacturing 2/06, services 4/06), the flash estimate of PMI for June (23/06), as well as regional indicators of activity for June released throughout the month (Empire Manufacturing 16/06, NY Fed Service Business Activity 17/06, Philadelphia Fed Business outlook 20/06, Richmond Fed Manufacturing and Business conditions 24/06, Kansas City Fed Manufacturing index 26/06 and Services index 27/06…). The NAHB index (17/06) will also be interesting to monitor for the trend in the housing market, after it fell to an 18-month low in May. On the consumer side, the early estimate of the University of Michigan consumer confidence index (13/06) and the Conference Board index (24/06) will be closely watched to see whether the encouraging rebound witnessed in May extends further in June. The evolution of inflation expectations will also be key for the Fed to assess the medium-term inflationary risks for the US economy. At the FOMC meeting this month (18/06), the wait-and-see stance should prevail once again but the updated economic projections and Fed members' expectations on the rate evolution will give some hints on the potential trajectory for rates in the second half of the year.

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For further information

Banque Syz SA
Quai des Bergues 1
CH-1201 Geneva
T. +41 58 799 10 00
syzgroup.com

Adrien Pichoud
adrien.pichoud@syzgroup.com