

The Weekly Macro Outlook: The Shifting Balance of Risks (w/c 1 September 2025)

The key events shaping this week: US labor market data for Aug, ISM surveys, Fed Beige Book, Euro Area CPI Aug, Aus GDP Q2, Global S&P PMIs Aug.

Recap from last week: US Inflation & Growth Amid a Shifting Balance of Risks

One of the clearest messages from [Fed Chair Powell's Jackson Hole speech](#) was the shift in his view of the balance of risks. In the near term, he noted that risks to inflation are tilted to the upside, while risks to employment have become tilted to the downside. This led Fed Chair Powell to adopt a "proceeding carefully" approach to adjusting its policy stance and signalled a cut likely at the Sept FOMC meeting.

“Nonetheless, with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance.” Fed Chair Powell, Jackson Hole speech 22 Aug 2025

Powell offered two reasons for his shift. Firstly, he noted that the slowing demand and supply of labor suggested that downside risks to employment are rising. Secondly, he acknowledged that while tariff impacts on consumer prices were “clearly visible”, what was more important for monetary policy was whether these increases raised the risks of an ongoing inflation problem. He noted Governors Waller and Bowman view that a “reasonable base case” is that inflation impacts from tariffs will be relatively short-lived.

[Governor Waller's speech](#) last week added to this cautious, but forward-looking tone. Governor Waller continued to push for recommencing rate cuts, advocating for a move towards a more neutral stance. He did, however, temper that by remaining data dependent on how quickly to move the policy rate to a more neutral setting. While he remained data-dependent on the pace of policy adjustments, he did not believe the Fed had fallen "substantially" behind the curve. Waller indicated that he supports a cut at the upcoming Sep meeting and anticipates additional cuts over the next three to six months, also appearing to take a cautious approach.

This shift in the Fed's perspective means that the evolution of the upcoming data, including last week's US inflation and growth data and this week's labor market data, will be important for how the Fed may navigate a more equal weight to the risks on both sides of its mandate.

Last week's Fed-preferred PCE inflation data showed persistent inflation pressure, but a significant acceleration was not evident. Both headline and core PCE inflation came in as expected, with headline PCE edging slightly higher to +2.6% while core PCE increased to +2.9% over the year. Most of the inflation pressure in the month was centred back on core services, which did accelerate to +0.4% over the month and to +3.5% over the year. Core goods inflation, where we'd expect to see some tariff-led effects, remained flat over the month, but accelerated to +1.1% over the year. Other important measures of underlying inflation indicate some easing in inflation this month, but remained firmer over the year after increasing since May. It's likely still too early to see the full, broad-based tariff impacts, as they are likely to have a rolling effect. For now, the inflation picture remains one of persistence and likely supports Chair Powell's view for the need to “proceed cautiously”.

Last week, several indicators suggested some improvement in the growth backdrop, supporting a more positive view for the economy. Firstly, Q2 GDP was revised higher to an annualized pace of +3.3%. This was led by a small upward revision from personal spending, but mostly from fixed investment spending. This was followed by a step higher in the latest [Atlanta Fed GDP nowcast](#) for Q3 growth, which increased last week to a +3.5% run rate. The main contributors to the faster Q3 growth so far in the quarter were from net exports and non-residential investment spending. Importantly, personal spending and income growth also firmed in Jul.

With inflation remaining persistent and growth showing signs of resilience, our focus now shifts to the other side of the Fed's mandate: assessing the overall health of the US labor market in the week ahead. The upcoming labor market data for Aug will be a crucial test of whether the recent signs of a slowdown are temporary or a new, more concerning trend.

Outlook for the week ahead: US labor market for Aug, US ISM PMIs, Fed Beige Book, Euro Area CPI Aug, Aus GDP Q2, Global S&P PMIs Aug

At Jackson Hole, Fed Chair Powell signalled a shift in which both upside inflation risks and downside employment risks have become equally prominent. The evolution of incoming data will be important for how the Fed may navigate this challenge to balance both sides of its mandate. With inflation remaining persistent, but not worsening, the US labor market update for Aug will be important, especially given the slowdown and revisions in Jul. The key question this week is whether the US labor market continues to weaken after the slowdown in job growth in Jul and the concerning downward revisions to payroll growth in May and Jun. Other US data will provide further input into the growth momentum of the economy in Aug, ahead of the next FOMC meeting on 16-17 Sep.

Outside of the US, data will continue to provide a comparative view of growth, inflation, and employment impacts with upcoming central bank meetings this month.

Key factors & events to watch this week:

A broad view of the health of the US labor market. Broadly, we'll be looking for any changes to that "slow hiring, slow firing" dynamic that currently characterizes the labor market. While non-farm payroll growth and revisions will be important, there will also be some focus on data indicating changes in labor supply.

- US non-farm payroll growth is expected to stabilize around +74k in Aug versus +73k in Jul. Revisions to Jul and Jun will be important to understanding shifts in the overall trend of payroll growth.
- The unemployment rate is expected to edge higher to 4.3% in Aug from 4.2% in Jul. Last month, the participation rate continued to edge lower to 62.2%, which helped to offset some of the weakness in employment growth, keeping the unemployment rate low.
- Avg weekly hours are expected to remain unchanged at 34.3 in Aug.
- Avg hourly earnings are expected to increase by +0.3% over the month and remain around +3.9% over the year.
- Job Openings via the JOLTS report for Jul is expected to slow to 7.24m in Jul from 7.43m in Jun (data lag by a month).
- The Challenger job cut announcements are expected to continue to ease.
- Initial claims are expected to remain unchanged at +229k over the week ending 30 Aug. So far, continuing claims have remained elevated – reflecting an ongoing cautious hiring environment.

US manufacturing and services momentum. Key data releases this week will feed into another update on US growth momentum so far in Q3.

- Both the S&P and ISM PMI surveys across manufacturing and services will provide a view of growth momentum midway through Q3.
- US factory orders for Jul are expected to fall by -1.3% in Jul after a -4.8% fall in Jun.
- The full international trade report for Jul will be released; the advance report showed a widening in the goods trade deficit as import growth rebounded while export growth remained subdued.

US Fed speeches;

- There will be limited Fed speeches this week. It will be the last week of speeches ahead of the blackout period next week, before the FOMC meeting on 16-17 Sep.
- The latest Fed Beige Book for the six weeks since mid-Jul, will be released this week. This will provide a range of business anecdotes regarding sales growth, pricing, sentiment, and labor market views.
- Hearings for Stephen Miran, the nominee to replace FOMC member Governor Kugler, are expected this week. The confirmation is expected to be expedited to fill the position before the Sep FOMC meeting.

Outside of the US, labour market, growth, and inflation data will be important ahead of several central bank meetings this month.

- The prelim Euro area CPI for Aug is expected to remain unchanged at 2%, versus 2% in Jul. Core CPI is expected to edge lower to +2.2% in Aug from +2.3% in Jul. The Euro area Q2 GDP is expected to be confirmed at +0.1%. ECB President Lagarde will give a speech early in the week at the [ECB's Legal Conference](#). The ECB meets on 10 – 11 Sep.
- Canadian labour market data for Aug is expected to show employment growth stabilized at +9k in Aug after falling -40k in Jul. The unemployment rate is expected to increase to 7% in Aug from 6.9% in Jul. The BoC meets in two weeks, just before the FOMC.
- Aus GDP for Q2 is expected to accelerate to +0.5% over the quarter. RBA Governor Bullock will give a speech after the GDP release ([Technology & the Future of Central banking at the RBA](#)). The RBA meets at the end of the month.

The broader suite of global S&P PMIs for August will be released this week, providing further insight into tariffs' effects on global output, trade, prices, and business sentiment.

US Treasury Issuance; 1 – 5 Sept 2025

This week, the US Treasury will auction and settle approx. \$739bn in ST Bills, Notes, and Bonds, raising approx. \$160bn in new money.

QT this week: Approx \$6.5bn of ST Bills will mature on the Fed balance sheet and will be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	Prior Auction High Rate %
Holiday - Labour Day 1 Sep 2025							
1-5 Sep	28-Aug	02-Sep	4 week bill	100			4.300%
	28-Aug	02-Sep	8 week bill	85			4.220%
	27-Aug	02-Sep	17-week Bill	65			4.050%
				250	200	50	
	02-Sep	04-Sep	13 week bill	82			Announced 4.100%
	02-Sep	04-Sep	26 week bill	73			Announced 3.915%
	02-Sep	04-Sep	52 week bill	50			Announced 3.760%
	02-Sep	04-Sep	6-Week Bill	85			Announced 4.210%
				290	270	20	
	26-Aug	02-Sep	2yr Note	69			Actual 3.641% 3.920%
	27-Aug	02-Sep	5yr Note	70			Actual 3.724% 3.983%
	28-Aug	02-Sep	7yr Note	44			Actual 3.925% 4.092%
	20-Aug	02-Sep	20yr Bond	16			Actual 4.876% 4.935%
				199	109	90	
			Total - securities settling this week	739	579	160	
			QTR to date totals	5,574	4,648	926	
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			<i>1,007</i>	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		02-Sep	ST Bills	0.7			
		04-Sep	ST Bills	5.8			
				6.5			

Quantitative Tightening Overview – Sep 2025

The cap on US Treasury redemptions was lowered to \$5bn effective Apr 2025. In Sep, the face value of Coupons maturing on the Fed balance sheet is approx. \$17bn. This is more than the new \$5bn monthly cap on Treasury redemptions. So of the \$17bn of Coupons maturing in Sep, \$5bn will roll off the Fed balance sheet (redeemed) and \$12bn will be reinvested. It also means that all ST Bills maturing in Sep will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$5bn redemption cap - Sep			
			\$5
		Redeem \$Bn	Reinvest \$ Bn
15-Sep-25	Notes & Bonds	0.0	0.0
30-Sep-25	Notes & Bonds	5.0	11.9
	Bills		33.6
	Total Notes & Bonds	5.0	45.4

Sep 2025 ST Bill maturity schedule;

Bill Maturity Schedule - Sep	Par Value of Bills Maturing	% Maturity by Wk	Weekly Totals \$Bn	
			Bill Redemption	Bill Reinvestment
2025/09/02	0.7	2%	0.0	0.7
2025/09/04	5.8	17%	0.0	5.8
2025/09/09	0.7	2%	0.0	0.7
2025/09/11	7.9	24%	0.0	7.9
2025/09/16	0.7	2%	0.0	0.7
2025/09/18	6.7	20%	0.0	6.7
2025/09/23	0.7	2%	0.0	0.7
2025/09/25	9.8	29%	0.0	9.8
2025/09/30	0.4	1%	0.0	0.4
	33.6	100%	0.0	33.6

<https://www.newyorkfed.org/markets/treasury-rollover-faq>

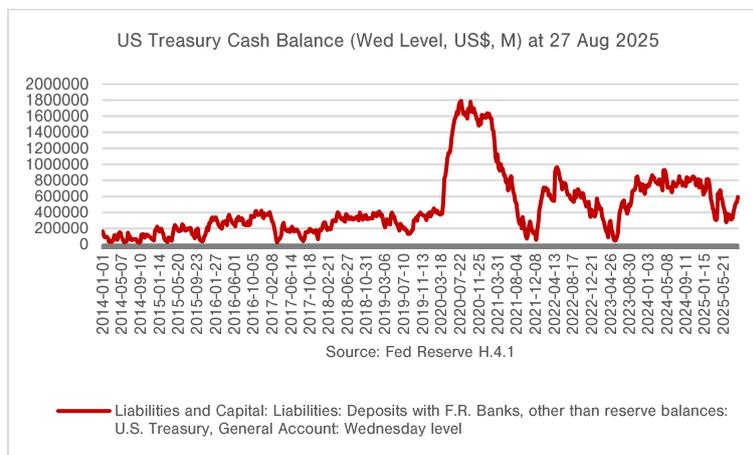
Recommended US Treasury Financing Q2 2025 and Est Q3 2025

The latest update of the US Treasury borrowing requirements for Q3 and Q4 (estimate) was announced last week. Details can be found on the US Treasury website [here](#). There was a notable upward revision to the Q3 net borrowing requirement due to the lower opening cash balance for Q3; Treasury expects to borrow \$1.007 trillion in privately held net marketable debt, assuming an end-of-Q3 cash balance of \$850 billion. This borrowing estimate is \$453 billion higher than announced in April 2025, primarily due to the lower beginning-of-quarter cash balance and projected lower net cash flows.

Est Q4: Over Q4, the US Treasury expects to borrow \$590 billion in privately held net marketable debt, assuming an end-of-December cash balance of \$850 billion.

US Treasury Cash Levels (TGA)

As of Wed 27 Aug 2025, the level of the TGA increased to \$596bn (+\$70bn compared to the week prior). The TGA balance is approx. \$161bn *lower* than the same week a year ago.



<https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=sheetml&label=include&layout=seriescolumn&from=01/01/2002&to=01/27/2021>

QE Program

There are no Treasury or MBS purchase operations scheduled at this time. Links to historical operation schedules: - <https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/treasury-securities/treasury-securities-operational-details>

https://www.newyorkfed.org/markets/ombs_operation_schedule

CALENDAR W/C 1 September 2025

MONDAY 1 SEPTEMBER (US Eastern Time, unless stated otherwise)

US & Canada	Labor Day
Europe	ECB President Lagarde speech

TUESDAY 2 SEPTEMBER

Europe	Euro area CPI – prelim (Aug)
US	S&P Manufacturing PMI Final (Aug), ISM Manufacturing PMI (Aug), Vehicle Sales (Aug) – tbc
Australia	GDP Q2, RBA Governor Bullock speech

WEDNESDAY 3 SEPTEMBER

US	MBA Mortgage Applications wk ending 30 Aug, Factory Orders (Jul), JOLTS (Jul), Fed Beige Book, Fed speeches: Kashkari
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THURSDAY 4 SEPTEMBER

Europe	Eurozone Retail Sales (Jul)
US	Initial Jobless Claims wk ending 30 Aug, ADP Employment Change (Aug), Challenger Job Cut Announcements (Aug), Non-Farm Productivity & Unit Labor Costs – Final (Q2), S&P Services PMI – Final (Aug), ISM Services PMI (Aug), Fed speeches; Williams, Goolsbee

FRIDAY 5 SEPTEMBER

UK	Retail Sales (Jul)
Europe	Germany Factory Orders (Jul), Euro Area GDP – second est Q2
US	Non-Farm Payrolls (Aug), Employment, Unemployment, and Hours Worked Household Survey (Aug), Average Hourly Earnings (Aug)
Canada	Labour Market Survey (Aug)
