

The Week Ahead: US NFP to guide the pace of the Fed's rate-easing cycle

► **US: Consensus sees steady unemployment in September**

The continued soft underlying core PCE has kept the markets focused squarely on labour and activity developments in gauging the Fed's rate trajectory. Markets expect a steady 146K increase in September non-farm payrolls, pointing to an ongoing improvement from July's 89K and August's 142K print. The September NFP attains greater significance, given it is likely to be the last 'clean' NFP print before the November FOMC decision, as October payrolls will likely be marred by multiple worker strikes. Wage growth is seen rising at a steady 0.3% m-o-m (3.8% y-o-y). Investor focus will be on unemployment, with consensus expecting the rate to remain steady at 4.2%. The August JOLTs data, due on Tuesday, will also be critical for any signs of a pickup in layoffs. Wider data releases over the past few weeks have supported our core view of activity remaining resilient and the labour market undergoing an orderly adjustment. Spending and income trends in PCE continue to exhibit resilience, August retail sales surprised to the upside and jobless claims have fallen for the past two weeks. As such, we continue to see a further two 25 bps rate cuts in November and December, rather than a 50 bps cut as in September.

► **US: Core PCE edges up in August; broader disinflation intact**

Core PCE remained soft in August at 0.13% m-o-m (July: 0.16), providing further evidence of sustained disinflation as seen from 2Q. The three-month annualised core PCE now stands at 2.1% y-o-y, supporting a continuation of the Fed's rate-cutting cycle, in our view. On a yearly basis, core PCE edged up to 2.7% y-o-y, albeit from an adverse base. The monthly print was a slight downside surprise (consensus: 0.2%), with core goods continuing to contract while core services was broadly steady at a benign 0.2% m-o-m. Housing prices strengthened, though the overall impact on core PCE was relatively lower than in August CPI, given the lower weightage. Services-ex housing was at a soft 0.2% m-o-m, led by a decline in 'others' and a deceleration in financial services. Meanwhile, spending and income data showed some softness in August, though this was partly explained by a normalisation following the post-hurricane surge in July. Separately, the annual revisions to the historical GDP data (2021-22) saw an upgrade, particularly for consumer spending and non-residential fixed investments. Estimates of disposable personal income and the savings rate were also raised substantially, highlighting the higher base level and strength in consumer spending ahead of the gradual labour market loosening. Overall, the data revisions support our expectations of a soft landing for the US economy.

► **Eurozone: ECB likely to deliver another rate cut in October**

We now see the ECB cutting rates by 25 bps in October, versus our previous expectation of the next reduction in December. This earlier cut forecast is based on signs of significant deterioration in the bloc's growth momentum and faster disinflation. Several indicators (PMI, European Commission Survey) for September point to a further slowdown in activity and confidence, leading to household consumption expectations weakening for a second consecutive

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month. Meanwhile, the Eurozone's manufacturing PMI saw a deeper contraction than consensus projections. The 3Q data so far points to a further slowdown in growth momentum, after already weak 2Q GDP growth of 0.2% q-o-q (1Q: 0.3%). The risk of economic stagnation has increased and is behind us bringing forward the next rate cut to October. Meanwhile, consensus expects headline inflation to decelerate to 1.9% y-o-y in September on lower energy prices – the first dip below the ECB's September target of 2.0 y-o-y in more than three years. Core CPI is forecasted to soften c.0.12% m-o-m in September, driven by goods, below the average 8M2024 pace of 0.26%, leading annual core CPI to decelerate to 2.7%. The Economic Sentiment Survey also shows firms' selling-price expectations continuing to moderate in September on weaker consumer demand. We see the ECB cutting rates by 25 bps in both October and December, with six total cuts in 2025 (previous: five), taking the terminal deposit rate to 2.5% at end-2025.

► **China: Stimulus blitz shows strong intent to boost economic growth**

The government announced a comprehensive stimulus programme last week, including large interest rate cuts, supportive measures for the property sector and equity markets. The September Politburo statement outlined an unusually strong and clear emphasis on the economy, pledging fiscal measures to stabilise the property sector and support broader consumption. We believe the broad stimulus measures mark a strong show of intent by the government and a marked pickup in the pace of reforms and range and pace seen over the last few years. This latest policy package indicates to us a realisation that a greater bazooka is needed to deal with the anaemic activity backdrop, growing deflationary risks, chronic property sector weakness and severe underperformance in equities (relative to global indices). These measures should help to boost broader consumer sentiment ahead of the key national holiday (this week), though we believe attaining the 5.0% GDP target this year will remain a challenge. At this point we still believe that further reforms are needed to address structural problems, particularly in the property sector, though global markets have been positively surprised by the great policy urgency. The fiscal measures have yet to be announced and are expected over the next few weeks.

Measures announced on the monetary side have included the RRR and 7-day repo rate being cut by 50 bps and 20 bps, respectively, with added guidance for a further 25-50 bps of rate cuts this year. The PBoC also pledged a fresh USD141.8 billion capital injection for banks, though this is likely to have a minimal impact given still-weak credit demand. Measures to support the housing sector were also introduced, including the retail mortgage rate being cut by 50 bps, a lowering in the downpayment ratio and regulatory easing. These measures are positive and will support household spending, though we believe more forceful interventions are required to address the twin-balance-sheet crisis (banks and property firms). This could be in the form of potential debt write-offs. For the equity markets, the PBoC announced a special subsidised lending window (at 1.75%) for corporates and wealth funds for buybacks and stock investments. A key highlight was the PBoC's acknowledgement of a stock stabilisation fund, which, if implemented, will help to provide a floor for markets.

► **Turkey: Material disinflation required for CBRT to begin cutting rates**

In upcoming emerging market data, Turkey's September CPI report will be closely watched to gauge the timing of a first rate cut. This is after a notable shift in the CBRT's communication at its September meeting, where the hiking bias was removed while it reiterated that rates would be cut only after a "significant and sustained" deceleration in inflation. Headline inflation is expected to decelerate to 47.8% y-o-y in September (August: 52.0%), albeit primarily on a favourable base, keeping the CBRT cautious in beginning its rate-easing cycle. Core CPI is expected to

cool only gradually to 49.5% y-o-y in September (August: 50.6%) on softer goods prices. Services inflation is seen decelerating, though mostly due to a high base, with underlying momentum expected to remain above c.3.0% m-o-m with the new academic year pushing up education costs. The CBRT will likely seek evidence of more sustained and material disinflation before cutting rates, especially with still-high household inflation expectations at 76.5% in September. We continue to see room for rate cuts only in 1Q2025, though we acknowledge some risks of a December cut on a slowdown in domestic growth, particularly given the backdrop of easing interest rates in advanced economies.

I. Economic Calendar

Fig. 1. The week ahead

Time*	Country	Event	Period	Prior	Consensus
Expected this week					
	Bahrain	GDP Constant Prices, y-o-y	2Q	3.3%	
Monday, 30 September					
3:50	Japan	Industrial Production, m-o-m	Aug P	3.1%	-0.5%
5:30	China	Manufacturing PMI	Sep	49.1	49.4
5:45	China	Caixin China PMI Mfg	Sep	50.4	50.5
10:00	UK	GDP, q-o-q	2Q F	0.6%	0.6%
10:00	UK	GDP, y-o-y	2Q F	0.9%	0.9%
10:00	UK	Private Consumption, q-o-q	2Q F	0.2%	0.2%
10:00	UK	Government Spending, q-o-q	2Q F	1.4%	1.4%
10:00	UK	Gross Fixed Capital Formation, q-o-q	2Q F	0.4%	0.4%
10:00	UK	Exports, q-o-q	2Q F	0.8%	0.8%
10:00	UK	Imports, q-o-q	2Q F	7.7%	7.7%
12:30	UK	Mortgage Approvals	Aug	62.0K	63.9K
16:00	Germany	CPI, y-o-y	Sep P	1.9%	1.7%
16:00	Germany	CPI, m-o-m	Sep P	-0.1%	0.1%
	Saudi Arabia	SAMA Net Foreign Assets, SAR	Aug	1612.7B	
Tuesday, 1 October					
3:30	Japan	Jobless Rate	Aug	2.70%	2.60%
3:30	Japan	Job-To-Applicant Ratio	Aug	1.24	1.24
4:30	Japan	Jibun Bank Japan PMI Mfg	Sep F	49.6	
9:00	India	HSBC India PMI Mfg	Sep F	56.7	
11:55	Germany	HCOB Germany Manufacturing PMI	Sep F	40.3	40.3
12:00	Eurozone	HCOB Eurozone Manufacturing PMI	Sep F	44.8	44.8
12:30	UK	S&P Global UK Manufacturing PMI	Sep F	51.5	51.5
13:00	Eurozone	CPI Estimate, y-o-y	Sep	2.2%	1.8%
13:00	Eurozone	CPI, m-o-m	Sep P	0.1%	0.0%
13:00	Eurozone	CPI Core, y-o-y	Sep P	2.8%	2.7%
17:45	US	S&P Global US Manufacturing PMI	Sep F	47.0	47.0
18:00	UK	BOE's Huw Pill Speaks			
18:00	US	ISM Manufacturing	Sep	47.2	47.6
18:00	US	ISM Prices Paid	Sep	54.0	53.8
18:00	US	ISM New Orders	Sep	44.6	
Wednesday, 2 October					
13:00	Eurozone	Unemployment Rate	Aug	6.40%	6.40%
13:30	Eurozone	ECB's Lane Chairs Panel in Frankfurt			
15:00	US	MBA Mortgage Applications	27-Sep	11.0%	
16:15	US	ADP Employment Change	Sep	99K	125K
Thursday, 3 October					
16:30	US	Initial Jobless Claims	28-Sep	218K	221K
18:00	US	Durable Goods Orders	Aug F	0.0%	0.0%
18:00	US	ISM Services Index	Sep	51.5	51.6
Friday, 4 October					
16:30	US	Change in Nonfarm Payrolls	Sep	142K	146K
16:30	US	Two-Month Payroll Net Revision	Sep	-86K	
16:30	US	Change in Private Payrolls	Sep	118K	125K
16:30	US	Change in Manufact. Payrolls	Sep	-24K	-5K
16:30	US	Unemployment Rate	Sep	4.20%	4.20%
16:30	US	Average Hourly Earnings, m-o-m	Sep	0.4%	0.3%
16:30	US	Average Hourly Earnings, y-o-y	Sep	3.8%	3.8%

*UAE time

Source: Bloomberg, ADCB Economic Research

Fig. 2. Last week's data

Time*	Country	Event	Period	Prior	Consensus	Actual
GCC Economies						
	UAE	M3 Money Supply, y-o-y	Jul	14.7%		
	Qatar	GDP Constant Prices, y-o-y	2Q			
	Bahrain	CPI, y-o-y	Aug	1.1%		
Monday, 23 September						
9:00	India	HSBC India PMI Mfg	Sep P	57.5		56.7
11:30	Germany	HCOB Germany Manufacturing PMI	Sep P	42.4	42.3	40.3
11:30	Germany	HCOB Germany Services PMI	Sep P	51.2	51.0	50.6
12:00	Eurozone	HCOB Eurozone Manufacturing PMI	Sep P	45.8	45.7	44.8
12:00	Eurozone	HCOB Eurozone Services PMI	Sep P	52.9	52.3	50.5
12:00	Eurozone	HCOB Eurozone Composite PMI	Sep P	51.0	50.5	48.9
12:30	UK	S&P Global UK Manufacturing PMI	Sep P	52.5	52.2	51.5
12:30	UK	S&P Global UK Services PMI	Sep P	53.7	53.5	52.8
17:45	US	S&P Global US Manufacturing PMI	Sep P	47.9	48.6	47.0
Tuesday, 24 September						
4:30	Japan	Jibun Bank Japan PMI Composite	Sep P	52.9		52.5
4:30	Japan	Jibun Bank Japan PMI Mfg	Sep P	49.8		49.6
4:30	Japan	Jibun Bank Japan PMI Services	Sep P	53.7		53.9
12:00	Germany	IFO Business Climate	Sep	86.6	86.0	85.4
12:00	Germany	IFO Expectations	Sep	86.8	86.4	86.3
18:00	US	Conf. Board Consumer Confidence	Sep	105.6	104.0	98.7
Wednesday, 25 September						
5:20	China	1-Yr Medium-Term Lending Facility Rate	18-Sep	2.30%	2.00%	2.00%
5:20	China	1-Yr Medium-Term Lending Facilities Volume	18-Sep	300.0B	300.0B	300.0B
15:00	US	MBA Mortgage Applications	20-Sep	14.2%		11.0%
18:00	US	New Home Sales	Aug	751K	700K	716K
Thursday, 26 September						
16:30	US	GDP Annualized, q-o-q	2Q T	3.0%	2.9%	3.0%
16:30	US	Personal Consumption	2Q T	2.9%	2.9%	2.8%
16:30	US	GDP Price Index	2Q T	2.5%	2.5%	2.5%
16:30	US	Core PCE Price Index, q-o-q	2Q T	2.8%	2.8%	2.8%
16:30	US	Durable Goods Orders	Aug P	9.9%	-2.6%	0.0%
16:30	US	Durables ex-Transportation	Aug P	-0.1%	0.1%	0.5%
Friday, 27 September						
3:30	Japan	Tokyo CPI, y-o-y	Sep	2.6%	2.2%	2.2%
3:30	Japan	Tokyo CPI ex-Fresh Food, y-o-y	Sep	2.4%	2.0%	2.0%
3:30	Japan	Tokyo CPI ex-Fresh Food, Energy, y-o-y	Sep	1.6%	1.6%	1.6%
5:30	China	Industrial Profits YTD, y-o-y	Aug	3.6%		0.5%
5:30	China	Industrial Profits, y-o-y	Aug	4.1%		-17.8%
13:00	Eurozone	Consumer Confidence	Sep F	-12.9		-12.9
13:00	Eurozone	Services Confidence	Sep	6.4	6.1	6.7
16:30	US	Personal Income	Aug	0.3%	0.4%	0.2%
16:30	US	Personal Spending	Aug	0.5%	0.3%	0.2%
16:30	US	Real Personal Spending	Aug	0.4%	0.1%	0.1%
16:30	US	Core PCE Price Index, m-o-m	Aug	0.2%	0.2%	0.1%
16:30	US	Core PCE Price Index, y-o-y	Aug	2.6%	2.7%	2.7%
18:00	US	U. of Mich. Sentiment	Sep F	69.0	69.4	70.1
18:00	US	U. of Mich. 1 Yr Inflation	Sep F	2.7%	2.7%	2.7%

*UAE time

Source: Bloomberg, ADCB Economic Research

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