

## The Week Ahead: US February jobs growth to remain subdued; tariff action eyed

### ► **US: Policy uncertainty weighs on household sentiment**

Data over the past few weeks are signalling cracks in the US growth story, which has been exceptionally resilient over the past year. As the initial optimism over the new administration's policies wanes, the impact of broader policy uncertainty is emerging. Conference Board consumer confidence declined sharply in February to 98.3 from 105.3, as higher inflation and tariff uncertainty weighed on household sentiment. This adds to a series of growth indicators showing a moderation over the past few weeks, including the contraction in January's retail sales, February service PMI declining to 49.3, and a sharp drop in the University of Michigan January consumer sentiment. Concerns over the growth outlook were also visible in markets, with declines in equities and bond yields. Market pricing of rate cuts has also risen sharply to c.64.8 bps from c.28.2 bps on 12 February. While recent evidence points to a hit to consumer sentiment and rising uncertainty in the business environment, it is too early to assume a slowdown in consumer spending. Household savings remain elevated, and unemployment is still low.

### ► **US: January PCE in line with expectations, spending contracted**

Further evidence of slowing GDP growth momentum was seen in January consumer spending, which contracted for the first time since March 2023 by 0.2% m-o-m. This was weaker than consensus expectations (+0.2%) and was driven by a broad-based softening in spending across goods and services. The combination of softer consumption and an outlook for higher inflation signal headwinds to GDP growth in 1H2025 and stagflation risks. We expect the Fed to remain patient in easing rates, especially with still-strong labour markets, (albeit with uncertainties linked to government policy), sticky price pressures and import tariffs adding upside risks to inflation expectations. We expect the Fed to deliver two rate cuts in 2025, albeit with significant uncertainties around timing and magnitude.

Headline PCE strengthened 0.33% m-o-m in January (December: 0.29%) on higher energy and core prices, though a favourable base pulled down the annual measure to 2.5% y-o-y. While the January PCE print reflects one-off factors such as beginning-of-year price resets, the disinflation pace has stalled, with the 6MMA broadly unchanged at 2.6%. Annual core PCE decelerated to 2.6% y-o-y in January (December: 2.9%). In sequential terms, core PCE rose 0.28% m-o-m in January from an upwardly revised 0.21% December print. The strong core PCE print was on the back of a rebound in goods prices more than offsetting the deceleration in services, led by insurance and financials. President Donald Trump confirmed that tariffs on Mexico and Canada will be implemented on 4 March and we see a particular impact on auto components, though believe it will take one to two quarters to filter into inflation data. This will likely keep the Fed on track for an extended pause, especially with 3MMA supercore services (core services ex.-housing) remaining at c.0.3% m-o-m, above both its pre-pandemic level of c.0.15% and the pace consistent with reaching the Fed's 2.0% target.

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► **US: Weather disruptions and funding freeze to weigh on NFP**

The key data event this week will be February's non-farm payrolls (NFP), with consensus expecting subdued jobs growth at 160K, up modestly from January's 143K. The adverse weather conditions, alongside some impact from the Trump administration's freeze on some federal funding and hiring will be key factors behind the lack of pickup in payrolls. Wage growth is expected to slow to 0.3% m-o-m (January: 0.5%), though base effects will keep the annual growth steady at 4.1% y-o-y. The unemployment rate likely remained steady at 4.0%. The Department of Government Efficiency's (DOGE) federal job layoffs were likely too late to significantly impact February's estimates. However, the initial effect is already visible in the rise in the latest weekly jobless claims, with the impact on NFP expected to become evident in the coming months. This week will also be critical for US tariff policy, with President Trump signalling a further c.10.0% tariff on China, alongside the implementation of a c.25.0% tariff on Canada and Mexico from 4 March. We reiterate our view that tariffs on Canada and Mexico are likely temporary, given the significant inter-connectedness, including co-production, and the potential hit to business sentiment.

► **Eurozone: ECB to cut rates; key focus on CPI and GDP projection**

We expect the ECB to cut its key policy rates this week, taking the main deposit rate to 2.5% amid growing concerns over GDP growth and inflation remaining in line with ECB expectations. This would mark the fifth consecutive rate cut. A key focus will be on the ECB's updated projections and the discussion around neutral rates. The meeting comes against a backdrop of increasing debate within the MPC and diverging views on the degree of restrictiveness of current monetary policy. We believe the policy statement will likely reiterate that rates "remain restrictive", though we expect the overall tone to have softened, with the post-policy press conference noting a lack of unanimity on retaining the statement. Additionally, we expect ECB President Christine Lagarde to acknowledge increased uncertainty on the path of rate cuts, noting that a discussion on keeping rates on hold will occur in the near term, alongside a data-dependant approach. We expect a slight downward revision to the GDP growth outlook, including to 1.0% for 2025 (from 1.1%) on softer household consumption. The projections will likely show moderately stickier inflation, with headline and core CPI likely revised up to 2.0% (from 1.9%) on higher energy and food prices. The outlook for the US adding tariffs on European goods and reactionary measures from the bloc adds uncertainty to the disinflation outlook. As such, we expect the ECB to keep rates steady in April and May. Separately, we see the CBRT maintaining rates at 45.0%, with the recent strengthening in CPI and consumer demand.

► **Eurozone: Opposing minority adds uncertainties to fiscal outlook**

Following the German Bundestag elections on 23 February, we expect the new government to be formed by a coalition between the CDU/CSU (centre-right) and SPD (centre-left). Both parties have pledged a looser fiscal stance to spur GDP growth, both on the expenditure and revenue front, with the latter supported by reforms to the debt-brake rule. We expect a cut in business and household taxes, and an increase in military expenditure. The AfD (far-right) and the Left (centre-left) have gained sufficient seats to form a blocking minority, though key fiscal policies such as reforms to the debt-brake rule will likely be passed given the Left's support for an increase in the government borrowing limit. The Left has opposed increasing defence spending, though concessions, including an increase in investments in public services, may lead the party to support higher government expenditure on the military. We note that there are several other mechanisms, including joint European funding, to increase defence spending.

► **China: NPC likely to outline fiscal support to boost GDP growth**

The National People's Congress (NPC) (5-11 March) will outline key economic targets and objectives for 2025. We expect the GDP target to stay at c.5.0% and that policymakers will announce further fiscal measures, with the escalating trade tensions with the US and persistent deflationary pressure increasing the urgency to boost domestic demand. As such, we expect an expansion of the consumer trade-in programme to boost domestic consumption. On the fiscal front, the deficit target will likely be widened to 4.0% of GDP (previous: 3.0%), thereby enabling a looser fiscal stance. We expect the total fiscal package to amount to c.CNY2.0-4.0 trillion, financed primarily by Chinese government bonds (CGB), and see special government bond issuances rising to CNY3.0 trillion (from CNY1.0 trillion in 2024). We expect policy support to be gradually increased to counter-balance a further rise in trade barriers. We believe the package will likely be directed towards increasing government subsidies on durable consumer goods, and issuing vouchers to spur services consumption. Other policies, such as increasing social welfare subsidies to boost spending power, will also be outlined at the meeting.

Additionally, property prices remain contracted, and we expect the government to widen the use of local government special bond (LSGB) proceeds to include purchases of unsold homes and land. This will likely provide some support to the property sector and boost household confidence, given that 70.0% of household wealth is in real estate. On the monetary side, we expect policymakers to retain an easing bias, though we highlight that downward pressure on government bond yields limits the pace and size of rate cuts.

► **India: Economic growth recovered in 4Q2024 on strong consumption**

GDP growth accelerated sharply in 4Q2024 to 6.2% y-o-y on the back of stronger private consumption, printing in line with consensus and the RBI's projection. This recovery in economic momentum comes after the weak 5.6% GDP print seen in 3Q2024 (revised up from 5.4%), potentially signalling that GDP growth has bottomed out. Additionally, the nominal FY2023-2025 (Apr.-Mar.) GDP data was revised upwards on higher household consumption and will likely help the government to meet its FY2031 debt-to-GDP target of c.50.0% (current: 57.1%). Looking ahead, we see real GDP growth accelerating further to the 6.5%-6.7% range from 2Q2025, with the income tax cuts announced at the FY2025-26 budget boosting household consumption. We also see some support for household demand from the RBI's gradual rate-easing cycle. The RBI has already cut interest rates in February by 25 bps, and we expect two additional cuts of the same magnitude at the June and October meetings. Additionally, a pickup in public capex growth, after the temporary slowdown seen in 2Q2024 on the back of the elections, should also support stronger GDP growth. The outlook for the US imposing retaliatory tariffs on India is a headwind to GDP growth, though policy tools such as cutting import duties on key US imports may contain the size of tariffs and their impact on growth.

## I. Economic Calendar

Fig. 1. The week ahead

Time*	Country	Event	Period	Prior	Consensus
<b>Expected this week</b>					
	Qatar	QCB Int'l Reserves & Foreign Currency Liquidity QAR	Feb	255.2B	
<b>Monday, 3 March</b>					
4:30	Japan	Jibun Bank Japan PMI Mfg	Feb F	48.9	
5:45	China	Caixin China PMI Mfg	Feb	50.1	50.4
9:00	India	HSBC India PMI Mfg	Feb F	57.1	
12:55	Germany	HCOB Germany Manufacturing PMI	Feb F	46.1	46.1
13:00	Eurozone	HCOB Eurozone Manufacturing PMI	Feb F	47.3	47.3
13:30	UK	Mortgage Approvals	Jan	66.5K	65.5K
13:30	UK	S&P Global UK Manufacturing PMI	Feb F	46.4	46.4
14:00	Eurozone	CPI Estimate, y-o-y	Feb P		2.3%
14:00	Eurozone	CPI, m-o-m	Feb P	-0.3%	0.4%
14:00	Eurozone	CPI Core, y-o-y	Feb P	2.7%	2.5%
18:45	US	S&P Global US Manufacturing PMI	Feb F	51.6	51.6
19:00	US	ISM Manufacturing	Feb	50.9	50.8
19:00	US	ISM Prices Paid	Feb	54.9	56.3
<b>Tuesday, 4 March</b>					
3:30	Japan	Jobless Rate	Jan	2.40%	2.40%
3:30	Japan	Job-To-Applicant Ratio	Jan	1.25	1.25
3:50	Japan	Capital Spending, y-o-y	4Q	8.1%	5.0%
3:50	Japan	Monetary Base, y-o-y	Feb	-2.5%	-1.8%
<b>Wednesday, 5 March</b>					
5:45	China	Caixin China PMI Services	Feb	51.0	50.7
12:55	Germany	HCOB Germany Services PMI	Feb F	52.2	52.2
13:00	Eurozone	HCOB Eurozone Composite PMI	Feb F	50.2	50.2
13:30	UK	S&P Global UK Services PMI	Feb F	51.1	51.1
16:00	US	MBA Mortgage Applications	28-Feb	-1.2%	
17:15	US	ADP Employment Change	Feb	183K	146K
18:30	UK	BOE's Bailey, Pill, Greene and Taylor Speak			
19:00	US	Factory Orders	Jan	-0.9%	1.6%
19:00	US	Durable Goods Orders	Jan F	3.1%	3.1%
19:00	US	Durables ex-Transportation	Jan F	0.0%	
19:00	US	ISM Services Index	Feb	52.8	52.7
<b>Thursday, 6 March</b>					
17:15	Eurozone	ECB Deposit Facility Rate	6-Mar	2.75%	2.50%
17:15	Eurozone	ECB Main Refinancing Rate	6-Mar	2.90%	2.65%
17:15	Eurozone	ECB Marginal Lending Facility	6-Mar	3.2%	2.9%
17:30	US	Trade Balance	Jan	-98.4B	-128.7B
17:30	US	Unit Labor Costs	4Q F	3.0%	3.0%
17:30	US	Initial Jobless Claims	1-Mar	242K	235K
19:00	US	Wholesale Inventories, m-o-m	Jan F	0.7%	0.7%
<b>Friday, 7 March</b>					
11:00	Germany	Factory Orders, m-o-m	Jan	6.9%	-2.5%
14:00	Eurozone	GDP SA, y-o-y	4Q F	0.9%	0.9%
14:00	Eurozone	GDP SA, q-o-q	4Q F	0.1%	0.1%
17:30	US	Change in Nonfarm Payrolls	Feb	143K	160K
17:30	US	Average Hourly Earnings, m-o-m	Feb	0.5%	0.3%
17:30	US	Average Hourly Earnings, y-o-y	Feb	4.1%	4.1%
17:30	US	Unemployment Rate	Feb	4.00%	4.00%
17:30	US	Labor Force Participation Rate	Feb	62.60%	62.60%

\*UAE time

Source: Bloomberg, ADCB Economic Research

Fig. 2. Last week's data

Time*	Country	Event	Period	Prior	Consensus	Actual
<b>GCC Economies</b>						
	UAE	Dubai CPI, y-o-y	Jan	2.9%		3.2%
	Qatar	CPI, y-o-y	Jan	0.2%		
	Bahrain	CPI, y-o-y	Jan	0.5%		
<b>Monday, 24 February</b>						
13:00	Germany	IFO Business Climate	Feb	85.2	85.8	85.2
14:00	Eurozone	CPI, y-o-y	Jan F	2.40%	2.5%	2.5%
14:00	Eurozone	CPI, m-o-m	Jan F	-0.3%	-0.3%	-0.3%
14:00	Eurozone	CPI Core, y-o-y	Jan F	2.7%	2.7%	2.7%
<b>Tuesday, 25 February</b>						
11:00	Germany	GDP SA, q-o-q	4Q F	-0.2%	-0.2%	-0.2%
11:00	Germany	Private Consumption, q-o-q	4Q	0.2%	0.4%	0.1%
11:00	Germany	Government Spending, q-o-q	4Q	1.2%		0.4%
11:00	Germany	Capital Investment, q-o-q	4Q	-0.5%	-0.5%	0.4%
19:00	US	Conf. Board Consumer Confidence	Feb	105.3	102.5	98.3
<b>Wednesday, 26 February</b>						
16:00	US	MBA Mortgage Applications	21-Feb	-6.6%		-1.2%
19:00	US	New Home Sales	Jan	734k	680k	657k
<b>Thursday, 27 February</b>						
14:00	Eurozone	Consumer Confidence	Feb F	-13.6		-13.6
14:00	Eurozone	Economic Confidence	Feb	95.3	95.9	96.3
14:00	Eurozone	Industrial Confidence	Feb	-12.7	-12.0	-11.4
14:00	Eurozone	Services Confidence	Feb	6.7	6.8	6.2
17:30	US	GDP Annualized, q-o-q	4Q S	2.3%	2.3%	2.3%
17:30	US	Personal Consumption	4Q S	4.2%	4.1%	4.2%
17:30	US	Durable Goods Orders	Jan P	-1.8%	2.0%	3.1%
17:30	US	Initial Jobless Claims	22-Feb	220k	221K	242k
	Saudi Arabia	SAMA Net Foreign Assets, SAR	Jan	1554.5B		1543.6B
<b>Friday, 28 February</b>						
3:30	Japan	Tokyo CPI, y-o-y	Feb	3.4%	3.2%	2.9%
3:30	Japan	Tokyo CPI ex-Fresh Food, y-o-y	Feb	2.5%	2.3%	2.2%
3:30	Japan	Tokyo CPI ex-Fresh Food, Energy, y-o-y	Feb	1.9%	2.0%	1.9%
3:50	Japan	Retail Sales, m-o-m	Jan	-0.8%	0.6%	0.5%
3:50	Japan	Industrial Production, m-o-m	Jan P	-0.2%	-1.1%	-1.1%
11:00	UK	Nationwide House PX, m-o-m	Feb	0.1%	0.2%	0.4%
11:00	UK	Nationwide House Px NSA, y-o-y	Feb	4.1%	3.4%	3.9%
12:55	Germany	Unemployment Change (000's)	Feb	11.0K	14.0K	5.0K
17:00	Germany	CPI, m-o-m	Feb P	-0.2%	0.4%	0.4%
17:00	Germany	CPI, y-o-y	Feb P	2.3%	2.3%	2.3%
17:30	US	Personal Income	Jan	0.4%	0.4%	0.9%
17:30	US	Personal Spending	Jan	0.8%	0.2%	-0.2%
17:30	US	PCE Price Index, m-o-m	Jan	0.3%	0.3%	0.3%
17:30	US	PCE Price Index, y-o-y	Jan	2.6%	2.5%	2.5%
17:30	US	Core PCE Price Index, m-o-m	Jan	0.2%	0.3%	0.3%
17:30	US	Core PCE Price Index, y-o-y	Jan	2.9%	2.6%	2.6%
18:45	US	MNI Chicago PMI	Feb	39.5	40.8	45.5

\*UAE time

Source: Bloomberg, ADCB Economic Research

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