

## The Week Ahead: Fed Chair Powell opens door for a September cut; CBE to ease

### ► **US: Powell signals dovish shift; we see a 25 bps September cut**

Fed Chair Jerome Powell adopted a dovish tone at the Jackson Hole symposium, opening the door for a September rate cut. Powell highlighted that the “balance of risks appears to be shifting” towards the labour market and stressed that this “may warrant adjusting our policy stance”. Powell also stressed “rising downside risks” to employment and that tariffs will likely have “a one-time effect on prices”, though with some risks of persistence (page 2). Market pricing for a September rate cut rose to 85.0% from 72.0% following Powell’s speech. Powell’s dovish shift follows sharp cumulative 258K downward revisions to May–June NFP prints, which reduced the 3-month average NFP to 35K from 150K assessed at the July FOMC meeting. We bring forward our view of a 25 bps rate cut to September (previously December), and acknowledge risks of an additional December cut, especially if the outlook for the labour market and broader economic activity deteriorates in the coming months. Focus will also be on the July PCE to gauge the tariff impact on prices. Consensus forecasts headline PCE to remain unchanged at 2.6% y-o-y, with cooling in energy prices offset by some rise in core PCE. The expected rise in core PCE to 2.9% y-o-y in July (June: 2.8%) will likely be led by volatile services such as financial services and airfares. The tariff-related cost pressures in goods will likely remain limited, reflecting margin compression. We continue to see risks that inflationary effects will potentially extend through 1Q2026. Personal spending will be gauged to assess impact of labour market cooling on economic activity.

### ► **Global: Russia-Ukraine talks progress**

Russia-Ukraine peace negotiations continue to gather pace, though a peace deal remains elusive. The US-Ukraine-EU leaders met last week, following the Alaskan summit between US-Russian leadership, where leaders noted “significant progress”. A definitive Russia-Ukraine peace deal would carry significant implications for energy and broader commodity markets. The scope and scale of any peace deal and associated sanctions relief remain uncertain. Even a partial easing of restrictions on Russian energy will add downside pressure on oil markets already grappling with low demand and excess supply. For details, please see our note – **Oil Update: Supply glut looms; Russia-Ukraine peace talks progress**, published on 20 August 2025.

### ► **Egypt: CBE to resume rate cuts in August; balanced tone likely**

We expect the CBE to cut rates by 100 bps this week, taking the main deposit rate to 23.0%. Positive real interest rates (c.9.1%), healthy reserve levels and a supportive external backdrop, including via the recent weakness in the USD and rising expectations of Fed rate cuts provides room for cuts. Moreover, the disinflation momentum has continued, with CPI softening to 13.9% y-o-y in July from 16.8% in May on absence of a seasonal food price uptick. The extension of Hassan Abdalla’s term as CBE Governor reinforces Egypt’s commitment to policy orthodoxy and continuity, supporting broader investor confidence. We see a further c.500.0 bps of cuts in 2025.

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# I. Recent Events and Data Releases

## A. Advanced Economies

### US: Jackson Hole highlights a shift in the Fed’s monetary framework

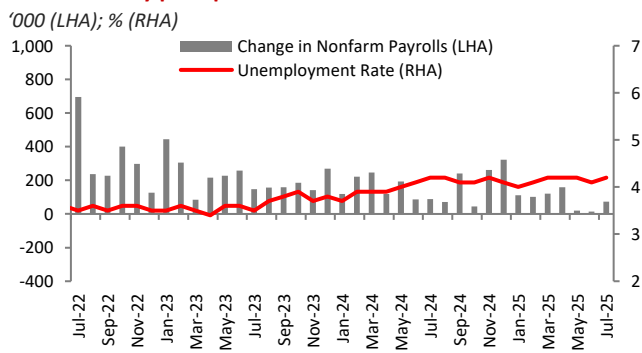
Fed Chair Jerome Powell struck a dovish tone in his Jackson Hole speech last week, signalling a bias towards easing. The downside risks to labour market conditions were repeatedly stressed, while a more measured and balance tone was adopted when discussing the inflation outlook. This likely reflects a recalibration in the FOMC’s risk assessment – greater emphasis on labour market risks over inflationary pressures. However, Powell’s speech was less dovish than last year’s Jackson Hole address, where he explicitly stated “the time has come for policy to adjust”. The more moderate dovishness this year likely reflects policy rates being 100 bps lower than in 2024, alongside inflation risks from tariffs. Moreover, Powell also noted that the Fed will “proceed carefully” in easing rates, unlike the successive rate cuts delivered in September-December 2024. Powell described the labour market as in “a curious kind of balance” with a sharp slowdown in both worker supply and demand, and warned that downside risks could materialise quickly via rising layoffs and unemployment. Powell noted that tariffs would result in a one-time shift in inflation, though he acknowledged risks of a more persistent impact. However, Powell also noted that inflation expectations “appear to remain well anchored” and downplayed risks of second-round effects as the labour market is “not particularly tight”.

*Powell noted that sustained rise in prices via wage-price dynamics unlikely as labour market not particularly tight*

Powell outlined several changes in the Fed’s monetary policy framework. The review follows a significant rise in both inflation and the perceived neutral rate since 2020. The Statement of Longer-Run Goals and Monetary Policy Strategy will no longer refer to a declining neutral level of interest rates and concerns of reaching the effective lower-bound (ELB) level. The statement now returns to flexible inflation targeting as the committee’s main strategy from its prior commitment of allowing inflation to moderately overshoot the 2.0% level. Moreover, the statement dropped previous language referring to responding to “shortfalls” from maximum employment, noting instead that the FOMC’s decisions will be informed by “assessments of the maximum level of employment”. However, it was stressed that employment may print above the maximum level “without necessarily creating risks” to inflation. This implies the FOMC may hold off on tightening even with low unemployment, if it judges inflation risks to be contained.

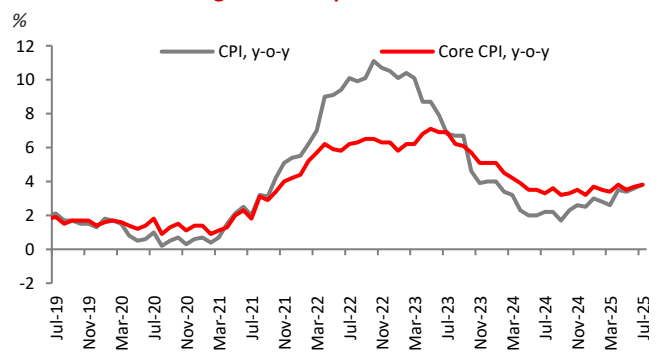
*Key changes made in the Fed’s monetary policy framework*

**Fig. 1. US: Sharp downward revisions to Apr–Jun NFP prints likely prompted Powell’s dovish shift at Jackson Hole**



Source: Bureau of Labour Statistics, ADCB Economic Research

**Fig. 2. UK: Stagflation backdrop with sticky inflation and weak GDP growth complicates BoE’s rate-cut outlook**



Source: Office for National Statistics, ADCB Economic Research

## UK: Upside surprise in July CPI on erratic airfare and transport prices

The stronger-than-expected July CPI print complicates the BoE's rate-cut outlook, requiring the MPC to balance a weak GDP growth outlook with sticky inflation. We continue to expect a 25 bps December cut on softening labour market conditions, though acknowledge it being a close call. Headline CPI surprised to the upside for the fourth consecutive month in July, accelerating to 3.8% y-o-y (June: 3.6%). However, this was led by volatile services components and seasonal factors, including higher travel demand raising petrol prices. Core CPI inched up to 3.8% y-o-y in July (June: 3.7%), with acceleration in services more than offsetting a softening in core goods. Airfares and transportation services rose sharply in July, with ONS highlighting that this partly reflects the earlier reopening of schools relative to the prior year. We believe strength in services CPI will likely be transitory, with a reversal in volatile components in the coming months. Underlying services momentum eased in July, with core services (services ex. volatile components, rents and holidays) decelerating to 4.9% (June: 5.1%) and dragging the 3MMA indicator lower to c.4.2%, keeping the BoE on track for a December cut.

*Cooling in underlying services momentum keeps the BoE on track for a December cut*

Meanwhile, the EU-US Joint Statement on trade framework clarified earlier uncertainties around the US-EU deal, offering a constructive environment for EU businesses and exporters. The tariffs on European semiconductors, pharma and lumber imports will be at a substantially lower c.15.0%, and not subject to potentially higher sectoral tariffs. This is sharply lower than the 100.0% and 250.0% levies on semiconductors and pharma production President Trump had threatened. Moreover, from 1 September, other goods including aircrafts and "unavailable natural resources" will remain at the most-favoured-nation tariff. The US confirmed a reduction of auto tariffs to 15.0% (from 27.5%), though only after the EU legislates tariff reductions on a range of US exports. The enhanced clarity on the EU-US trade deal and some progress on ending the Ukraine-Russia conflict has modestly improved EU's external backdrop, in our view.

*Some clarity on US-EU trade deal emerges after the US-EU Joint Statement on Trade Framework*

## Japan: Firm inflation in July on pass-through of rice prices

The July CPI report showed firm price pressures with headline CPI remaining above the 3.0% level for the eight consecutive month and core-core CPI remaining unchanged at 3.4% y-o-y – the highest level this year. Our base case remains for a 25 bps hike in 1Q2026, though we acknowledge that elevated inflation and better-than-expected 2Q2025 GDP growth on private capex and household consumption tilt risks towards an earlier October hike. Signs of easing domestic political tensions, including reduced pressure on PM Shigeru Ishiba to step down, will be a key factor in facilitating an October rate hike. Headline CPI inched down to 3.1% y-o-y in July albeit largely due to energy base effects. Persistently high rice prices are one of the key drivers of headline inflation. BoJ Governor Kazuo Ueda has previously stressed the importance of rice prices as this could strengthen second-round effects, and we expect rice prices to remain elevated with signs of dwindling government stockpiles. Core-core (ex. fresh food and energy) remained steady at 3.4% y-o-y with pass-through of wages to services offsetting JPY cooling durable goods prices. Meanwhile, BoJ Governor Kazuo Ueda kept door open for rate hikes at a panel held in Jackson Hole, stressing that wages will likely continue to rise given the tight labour market conditions.

*High inflation and upside surprise in 2Q2025 GDP growth tilt risks towards October hike*

## II. Economic Calendar

Fig. 3. The week ahead

Time*	Country	Event	Period	Prior	Consensus
<b>Expected this week</b>					
	Saudi Arabia	M3 Money Supply, y-o-y	Jul	7.6%	
	Saudi Arabia	SAMA Net Foreign Assets, SAR	Jul	1627.4B	
<b>Monday, 25 August</b>					
9:00	Japan	Coincident Index	Jun F	116.8	
9:30	Japan	Nationwide Dept Sales, y-o-y	Jul	-7.8%	
9:30	Japan	Tokyo Dept Sales, y-o-y	Jul	-10.6%	
12:00	Germany	IFO Business Climate	Aug	88.6	88.8
12:00	Germany	IFO Current Assessment	Aug	86.5	86.7
12:00	Germany	IFO Expectations	Aug	90.7	90.5
18:00	US	New Home Sales	Jul	627K	630K
18:00	US	New Home Sales, m-o-m	Jul	0.6%	0.5%
18:30	US	Dallas Fed Manf. Activity	Aug	0.9	-1.7
<b>Tuesday, 26 August</b>					
2:45	Japan	PPI Services, y-o-y	Jul	3.2%	3.2%
4:30	Eurozone	ECB's Villeroy Speaks in Bordeaux			
16:30	US	Philadelphia Fed Non-Manuf. Activity	Aug	-10.3	
16:30	US	Durable Goods Orders	Jul P	-9.4%	-4.0%
16:30	US	Durables ex-Transportation	Jul P	0.2%	0.2%
16:30	US	Cap Goods Orders Nondef ex-Air	Jul P	-0.8%	0.2%
<b>Wednesday, 27 August</b>					
5:30	China	Industrial Profits YTD, y-o-y	Jul	-1.8%	
5:30	China	Industrial Profits, y-o-y	Jul	-4.3%	
14:00	UK	CBI Total Dist. Reported Sales	Aug	-39.0	
14:00	UK	CBI Retailing Reported Sales	Aug	-34.0	
15:00	US	MBA Mortgage Applications	22-Aug	-1.4%	
<b>Thursday, 28 August</b>					
3:50	Japan	Japan Buying Foreign Bonds, JPY	22-Aug	-313.6B	
3:50	Japan	Japan Buying Foreign Stocks, JPY	22-Aug	395.0B	
3:50	Japan	Foreign Buying Japan Bonds, JPY	22-Aug	197.9B	
13:00	Eurozone	Consumer Confidence	Aug F	-15.5	
13:00	Eurozone	Economic Confidence	Aug	95.8	96.0
13:00	Eurozone	Industrial Confidence	Aug	-10.4	-10.0
13:00	Eurozone	Services Confidence	Aug	4.1	3.9
16:30	US	GDP Annualized, q-o-q	2Q S	3.0%	3.1%
16:30	US	Personal Consumption	2Q S	1.4%	1.6%
16:30	US	Initial Jobless Claims	23-Aug	235k	230K
	Egypt	Lending Rate	28-Aug	25.00%	
	Egypt	Deposit Rate	28-Aug	24.00%	23.00%
<b>Friday, 29 August</b>					
3:30	Japan	Job-To-Applicant Ratio	Jul	1.2	1.2
16:30	US	Personal Income	Jul	0.3%	0.4%
16:30	US	Personal Spending	Jul	0.3%	0.5%
16:30	US	Real Personal Spending	Jul	0.1%	0.3%
16:30	US	PCE Price Index, m-o-m	Jul	0.3%	0.2%
16:30	US	PCE Price Index, y-o-y	Jul	2.6%	2.6%
16:30	US	Core PCE Price Index, m-o-m	Jul	0.3%	0.3%
16:30	US	Core PCE Price Index, y-o-y	Jul	2.8%	2.9%
18:00	US	U. of Mich. 1 Yr Inflation	Aug F	4.9%	

\*UAE time

Source: Bloomberg, ADCB Economic Research

Fig. 4. Last week's data

Time*	Country	Event	Period	Prior	Consensus	Actual
<b>GCC Economies</b>						
	UAE	M3 Money Supply, y-o-y	May	9.1%		12.1%
	Kuwait	CPI, y-o-y	Jul	2.3%		2.4%
	Oman	CPI, y-o-y	Jul	0.8%		0.8%
<b>Monday, 18 August</b>						
8:30	Japan	Tertiary Industry Index, m-o-m	Jun	0.3%	0.2%	0.5%
<b>Tuesday, 19 August</b>						
16:30	US	Housing Starts	Jul	1358K	1297K	1428K
16:30	US	Building Permits	Jul P	1393k	1386K	1354K
<b>Wednesday, 20 August</b>						
3:50	Japan	Core Machine Orders, m-o-m	Jun	-0.6%	-0.5%	3.0%
10:00	UK	CPI, m-o-m	Jul	0.3%	0.0%	0.1%
10:00	UK	CPI, y-o-y	Jul	3.6%	3.7%	3.8%
10:00	UK	CPI Core, y-o-y	Jul	3.7%	3.7%	3.8%
10:00	UK	CPI Services, y-o-y	Jul	4.7%	4.8%	5.0%
10:00	UK	CPIH, y-o-y	Jul	4.1%	4.1%	4.2%
10:00	UK	Retail Price Index	Jul	404.5	405.1	406.2
13:00	Eurozone	CPI, y-o-y	Jul F	2.0%	2.0%	2.0%
13:00	Eurozone	CPI, m-o-m	Jul F	0.0%	0.0%	0.0%
13:00	Eurozone	CPI Core, y-o-y	Jul F	2.3%	2.3%	2.3%
15:00	US	MBA Mortgage Applications	15-Aug	10.9%		-1.4%
22:00	US	FOMC Meeting Minutes	30-Jul			
<b>Thursday, 21 August</b>						
4:30	Japan	S&P Global Japan PMI Composite	Aug P	51.6		51.9
4:30	Japan	S&P Global Japan PMI Mfg	Aug P	48.9		49.9
4:30	Japan	S&P Global Japan PMI Services	Aug P	53.6		52.7
9:00	India	HSBC India PMI Composite	Aug P	61.1		65.2
9:00	India	HSBC India PMI Mfg	Aug P	59.1		59.8
9:00	India	HSBC India PMI Services	Aug P	60.5		65.6
11:30	Germany	HCOB Germany Manufacturing PMI	Aug P	49.1	48.8	49.9
12:00	Eurozone	HCOB Eurozone Manufacturing PMI	Aug P	49.8	49.5	50.5
12:00	Eurozone	HCOB Eurozone Services PMI	Aug P	51.0	50.8	50.7
12:30	UK	S&P Global UK Manufacturing PMI	Aug P	48	48.3	47.3
12:30	UK	S&P Global UK Services PMI	Aug P	51.8	51.8	53.6
12:30	UK	S&P Global UK Composite PMI	Aug P	51.5	51.6	53.0
16:30	US	Initial Jobless Claims	16-Aug	224K	225K	235K
16:30	US	Philadelphia Fed Business Outlook	Aug	15.9	6.5	-0.3
17:45	US	S&P Global US Manufacturing PMI	Aug P	49.8	49.7	53.3
17:45	US	S&P Global US Services PMI	Aug P	55.7	54.2	55.4
17:45	US	S&P Global US Composite PMI	Aug P	55.1	53.5	55.4
18:00	US	Leading Index	Jul	-0.3%	-0.1%	-0.1%
18:00	US	Existing Home Sales	Jul	3.93M	3.92M	4.01M
<b>Friday, 22 August</b>						
3:30	Japan	Natl CPI, y-o-y	Jul	3.3%	3.1%	3.1%
10:00	Germany	Private Consumption, q-o-q	2Q	0.6%	0.2%	0.1%
10:00	Germany	Government Spending, q-o-q	2Q	-0.3%	0.3%	0.8%
10:00	Germany	Capital Investment, q-o-q	2Q	0.3%	-0.8%	-1.4%
18:00	US	Fed's Powell Speaks at Jackson Hole				
19:30	US	Fed's Hammack appears on CNBC				

\*UAE time

Source: Bloomberg, ADCB Economic Research

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