

The Week Ahead: US data disruptions with government shutdown; FOMC minutes

► **US: Government closure adds to economic uncertainties**

The US federal government shutdown, which started last week, has delayed the key labour market data release, leaving the Fed without critical input ahead of its October meeting. Essential services remain operational, though non-essentials have ceased activity, with the furlough of c.750-900K federal workers. Past government shutdowns have lasted for an average of eight days, with only a limited drag on financial markets and economic activity, followed by a sharp rebound as workers received pay retroactively once the shutdown ended. Risks of a more significant slowdown in GDP growth rise if the shutdown lasts more than two weeks, or if a larger number of furloughed federal workers are permanently laid off, which is under discussion by the Trump Administration. The October unemployment rate could mechanically rise to c.4.4%-4.5% if the shutdown continues until the reference week, once the date is released. This shutdown is also different as it is a full government closure, whereas earlier episodes were generally partial shutdowns, with statistical agencies like the Bureau of Labour Statistics (BLS) continuing operations, as it had already received funding from Congress. This presents a challenge for the Fed, especially given current uncertainties over underlying weakness in the labour market and indications of further inflation passthrough. Even after data is published, reliability and accuracy will be a concern, given challenges in retroactive data collecting and processing.

► **US: Alternative labour indicators show soft demand conditions**

Privately produced economic indicators, including the employment report by Automated Data Processing (ADP), will become more important to gauge underlying developments. The data released continues to indicate a weakening in labour market conditions. The August JOLTS, released last week ahead of the shutdown, showed the job openings to unemployed ratio declining to 0.98 – its lowest level in more than four years. Moreover, the ADP print showed private-sector employment unexpectedly contracted by 32K in September. Notably, this was the third ADP contraction in four months and the steepest drop in nearly four years, underscoring a clear softening in labour demand. The decline in jobs was broad-based, across the services (business and leisure), manufacturing and construction sectors. The drop in leisure employment likely reflects the waning vacation season, though weakness in manufacturing points to structural pressures, including broader business and policy uncertainty weighing on hiring.

► **US: We continue to expect an October rate cut**

We continue to expect a 25 bps cut in October, given further signs of weakening labour market conditions. The prolonged government shutdown could also contribute to another “risk management” cut in October, given the associated downside risks, especially surrounding private sentiment and consumption. The key focus this week will be the September FOMC minutes, especially for discussions around the neutral interest rate level and the degree of division within the committee. Both the post-meeting statement and

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Contents

I. Economic Calendar	4
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speeches revealed divergence on the magnitude of tariff-driven inflation risks and whether the Fed is already behind the labour-market weakening curve. Moreover, upcoming Fed speeches from members, including Raphael Bostic (dove), Michelle Bowman (hawk) and Christopher Waller (dove), will also be closely watched for signals on policy direction. Fed speakers' descriptions of underlying economic health in the absence of hard economic data will also be key, especially regarding their views of the impact of a prolonged shutdown on economic activity and the labour market.

► **Oil: OPEC+ opts for a modest supply hike on supply glut concerns**

OPEC+ announced a further 137K b/d increase in its production target for November over the weekend, in line with the pace seen last month, though below the Apr–Sep. level. This has provided some modest support to the oil market, as there were reports of a more aggressive supply increase ahead of the meeting. Brent crude fell by c.7.5% last week, though the current price of USD65.5 p/b is still below the end-September high of c.USD70.0 p/b. The second month of a smaller targeted supply increase reflects OPEC+ delicately balancing the need to retake market share while keeping the oil price relativity supported. The actual increase in supply has been more modest than indicated over the last few months, with many oil producers already pumping close to the maximum or above target. Brent crude has averaged USD69.8 p/b, with some additional support from geopolitical tensions and concerns over Russian exports. We maintain our oil price forecast of USD68.5 p/b for 2025, before moderating to USD65.0 p/b with OPEC+ supply outpacing demand growth. OPEC's statement reiterated the need for a "cautious approach", noting that it retained options to pause or reverse hikes at future meetings.

► **Egypt: CBE eased rates on disinflation; statement remained dovish**

The Central Bank of Egypt (CBE) cut policy rates by 100 bps last week, taking the overnight deposit and lending rates to 21.0% and 22.0%, respectively. We were expecting another 200 bps cut, as in September. However, we continue to see a total of 300 bps of cuts in 2025, including the 100 bps delivered last week. Still high positive real interest rates of c.9.0% – one of the highest in EM and above the CBE's estimate of neutral (c.3.0%) – provide scope for further cuts. The statement remained dovish, noting "The broad-based easing in price dynamics over the past three months suggests an improvement in inflation expectations and a gradual dissipation of the lingering impact of previous shocks". The CBE stressed that inflation would continue to moderate, especially with "below potential" GDP growth, though reiterated that price hikes (fuel and electricity) add some upside risks to inflation, alongside "stickiness of non-food inflation". We see inflation remaining at 13.0%-15.0% y-o-y levels through end-2025, with strengthening in the EGP partially offsetting the impact of the utility hikes.

► **India: RBI's dovish hold opens door for a December cut**

The RBI held its repo rate steady at 5.5% last week, in line with our and consensus expectations. While the classification of its official monetary stance was kept unchanged at "neutral", the voting pattern, tone and guidance all indicated a dovish shift – opening the door for rate cuts later in the year. Two external members voted to shift the stance to "accommodative", indicating the rising dovishness within the RBI. Moreover, RBI Governor Sanjay Malhotra now noted that the current backdrop of high US tariffs and uncertainties "has opened up policy space" to support growth – a significant shift from his previous statement that the RBI had "very limited space". The updated projections now point to a more "benign" inflation backdrop, with FY2026 (Apr–Mar) revised down to 3.1% (from 2.6%) on significant cooling in food prices and GST rate cuts. However, Malhotra adopted a bearish tone on GDP growth, noting that "growth continues to be below aspirations", downgrading both

2HFY2026 and 1HFY2027 by 20 bps to 6.3% and 6.4%, respectively. This combination of lower inflation and GDP growth paves the path for a 25 bps cut in December.

The RBI noted for the first time that it will closely watch the INR and take “appropriate steps, as warranted”. This marked a shift from the RBI’s usual focus on curbing INR volatility, suggesting averseness towards INR depreciation. The RBI also unveiled 22 regulatory changes and signalled a pivot towards boosting credit growth. Notably, it proposed an overhaul of the External Commercial Borrowing (ECB) framework – broadening eligible participants and easing borrowing limits. The RBI also moved to expand INR internalisation by allowing balances in Special Rupee Vostro Accounts to be invested in domestic bonds, and providing transparent reference rates for the currencies of major trading partners.

► **Eurozone: Core goods prices remained steady again in September**

Headline inflation accelerated to 2.2% y-o-y in September (August: 2.0%), albeit printing in line with consensus expectations and the ECB’s projections. The strength in headline CPI will likely be temporary as it was led by an unfavourable energy base – contributing c.0.15 ppts to the overall print. Core CPI remained unchanged in annual terms at 2.3% y-o-y, though cooled by 0.1% m-o-m in sequential terms. This was led by a cooling in services, while goods prices rose despite a stronger EUR and the inflow of cheap Chinese goods. Delayed passthrough of lower input costs to goods prices likely reflects strong domestic demand, allowing firms to hold prices and margins. We see the ECB remaining data-dependent, seeking evidence of either material disinflation and/or weakening in GDP growth to warrant further cuts after the 175 bps already delivered this cycle.

► **Turkey: Firm September CPI print raises risk of slower pace of cuts**

September inflation printed with an upside surprise, for the second consecutive month, strengthening by 3.2% m-o-m (consensus: 2.6%; August: 2.0%). The rise in inflation was on a broad-based strengthening across several components, and marked the first acceleration in inflation after 15 consecutive months of slowing. This indicates a strengthening in underlying inflation, and we now expect the CBRT to deliver a smaller 150 bps cut at both its October and December meetings (from 250 bps of cuts each). Meanwhile, core CPI rose meaningfully by 3.3% m-o-m in September (August: 2.1%) on a rise in both goods and services, though seasonal factors, including the beginning of the school year, also played a part. The 3MMA core CPI rose to 1.8% in September, close to the level seen in 1Q2025 and indicating strong and persistent price pressures. The CBRT’s recent guidance had stressed data-dependency, and we see a marked strengthening in inflation warranting a more cautious monetary stance by the CBRT.

I. Economic Calendar

Fig. 1. The week ahead

Time*	Country	Event	Period	Prior	Consensus
Expected this week					
	UAE	Dubai CPI, y-o-y	Sep	2.4%	
	Egypt	Urban CPI, y-o-y	Sep	12.0%	
	Egypt	Urban CPI, m-o-m	Sep	0.4%	
	Egypt	CPI Core, y-o-y	Sep	10.7%	
Monday, 6 October					
9:00	India	HSBC India PMI Composite	Sep F	61.9	
9:00	India	HSBC India PMI Services	Sep F	61.6	
12:00	Eurozone	ECB's Lane Speaks in Frankfurt			
12:30	UK	S&P Global UK Construction PMI	Sep	45.5	46.0
13:00	Eurozone	Retail Sales, m-o-m	Aug	-0.5%	0.1%
13:00	Eurozone	Retail Sales, y-o-y	Aug	2.2%	1.3%
Tuesday, 7 October					
10:00	Germany	Factory Orders, m-o-m	Aug	-2.9%	1.4%
16:30	US	Trade Balance	Aug	-78.3B	-61.0B
16:30	US	Exports, m-o-m	Aug	0.3%	
16:30	US	Imports, m-o-m	Aug	5.9%	
18:00	US	Fed's Bostic Speaks at Fisk University in Nashville			
	China	Foreign Reserves	Sep	3322.10B	3332.62B
Wednesday, 8 October					
3:30	Japan	Labour Cash Earnings, y-o-y	Aug	3.4%	2.6%
3:30	Japan	Real Cash Earnings, y-o-y	Aug	-0.2%	-0.5%
3:30	Japan	Cash Earnings - Same Sample Base, y-o-y	Aug	3.1%	2.7%
3:50	Japan	BoP Current Account Balance	Aug	2684.3B	3513.2B
10:00	Germany	Industrial Production SA, m-o-m	Aug	1.3%	-1.0%
15:00	US	MBA Mortgage Applications	3-Oct	-12.7%	
17:20	US	Fed's Musalem Gives Welcoming Remarks			
17:30	US	Fed's Barr Keynote at Community Banking Research Conference			
19:00	UK	BOE's Pill Speaks			
Thursday, 9 October					
3:50	Japan	Japan Buying Foreign Bonds	3-Oct	-162.0B	
10:00	Japan	Machine Tool Orders, y-o-y	Sep P	8.5%	
12:30	UK	BOE's Mann Speaks			
16:30	US	Initial Jobless Claims	4-Oct		227K
16:30	US	Initial Claims 4-Wk Moving Avg	4-Oct		
16:30	US	Continuing Claims	27-Sep		1925K
18:00	US	Wholesale Inventories, m-o-m	Aug F	-0.2%	-0.2%
21:00	US	Fed's Kashkari and Barr Speak in Conversation			
Friday, 10 October					
3:50	Japan	PPI, y-o-y	Sep	2.7%	2.5%
3:50	Japan	PPI, m-o-m	Sep	-0.2%	0.1%
18:00	US	U. of Mich. Sentiment	Oct P	55.1	54.0
18:00	US	U. of Mich. Current Conditions	Oct P	60.4	60.0
18:00	US	U. of Mich. Expectations	Oct P	51.7	51.4
18:00	US	U. of Mich. 1 Yr Inflation	Oct P	4.7%	
18:00	US	U. of Mich. 5-10 Yr Inflation	Oct P	3.7%	3.7%
21:00	US	Fed's Musalem Speaking at Springfield Area Chamber of...			
22:00	US	Federal Budget Balance	Sep	-344.8B	50.0B
	India	Foreign Exchange Reserves	3-Oct	700.2B	

*UAE time

Source: Bloomberg, ADCB Economic Research

Fig. 2. Last week's data

Time*	Country	Event	Period	Prior	Consensus	Actual
DM Economies						
	Germany	Retail Sales, m-o-m	Aug	-0.5%	0.6%	-0.2%
	Germany	Retail Sales NSA, y-o-y	Aug	3.3%	2.3%	-1.1%
Monday, 29 September						
12:30	UK	Net Consumer Credit	Aug	1.7B	1.5B	1.7B
12:30	UK	Consumer Credit, y-o-y	Aug	7.0%		7.1%
13:00	Eurozone	Consumer Confidence	Sep F	-14.9		-14.9
13:00	Eurozone	Economic Confidence	Sep	95.3	95.2	95.5
13:00	Eurozone	Industrial Confidence	Sep	-10.2	-10.5	-10.3
13:00	Eurozone	Services Confidence	Sep	3.8	3.9	3.6
15:30	US	Fed's Waller Speaks on Payments				
15:35	Eurozone	ECB's Vujcic Speaks in Brussels				
Tuesday, 30 September						
3:50	Japan	Retail Sales, y-o-y	Aug	0.4%	1.1%	-1.1%
3:50	Japan	Retail Sales, m-o-m	Aug	-1.6%	1.2%	-1.1%
10:00	UK	GDP, q-o-q	2Q F	0.3%	0.3%	0.3%
10:00	UK	GDP, y-o-y	2Q F	1.2%	1.2%	1.4%
10:00	UK	Private Consumption, q-o-q	2Q F	0.1%	0.1%	0.1%
10:00	UK	Government Spending, q-o-q	2Q F	1.2%	1.2%	1.3%
10:00	UK	Gross Fixed Capital Formation, q-o-q	2Q F	-1.1%	-1.1%	0.5%
10:00	UK	Exports, q-o-q	2Q F	1.6%	1.6%	-0.2%
10:00	UK	Imports, q-o-q	2Q F	1.4%	1.4%	0.0%
11:55	Germany	Unemployment Change, (000's)	Sep	-7.0K	8.0K	14.0K
16:00	Germany	CPI, m-o-m	Sep P	0.1%	0.2%	0.2%
16:00	Germany	CPI, y-o-y	Sep P	2.2%	2.3%	2.4%
18:00	US	JOLTS Job Openings	Aug	7208K	7200K	7227K
18:00	US	JOLTS Quits Level	Aug	3166K	3165K	3091K
18:00	US	JOLTS Quits Rate	Aug	2.00%		1.90%
18:00	US	JOLTS Layoffs Level	Aug	1787K	1827K	1725K
19:30	UK	BOE's Breeden Speaks				
Wednesday, 1 October						
8:30	India	RBI Repurchase Rate	1-Oct	5.50%	5.50%	5.50%
13:00	Eurozone	CPI Estimate, y-o-y	Sep P	2.0%	2.2%	2.2%
13:00	Eurozone	CPI, m-o-m	Sep P	0.1%	0.1%	0.1%
13:00	Eurozone	CPI Core, y-o-y	Sep P	2.3%	2.3%	2.3%
18:00	US	ISM Prices Paid	Sep	63.7	62.7	61.9
18:00	US	ISM New Orders	Sep	51.4	50.0	48.9
18:00	US	ISM Employment	Sep	43.8	44.3	45.3
Thursday, 2 October						
18:00	US	Durable Goods Orders	Aug F	2.9%	2.9%	
18:00	US	Durables ex-Transportation	Aug F	0.4%		
	Egypt	Lending Rate	2-Oct	23.00%		22.00%
	Egypt	Deposit Rate	2-Oct	22.00%	21.00%	21.00%
Friday, 3 October						
16:30	US	Change in Nonfarm Payrolls	Sep	22K	50K	
16:30	US	Unemployment Rate	Sep	4.30%	4.30%	
16:30	US	Average Hourly Earnings, m-o-m	Sep	0.3%	0.3%	
16:30	US	Average Hourly Earnings, y-o-y	Sep	3.7%	3.7%	

*UAE time

Source: Bloomberg, ADCB Economic Research

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