

The Week Ahead: Japan's Takaichi secures super-majority; data releases back in focus

► **US: NFP and CPI in focus; US-India trade deal a positive**

After a volatile few weeks, data releases will return to the forefront, with both the US January CPI and the delayed nonfarm payrolls (NFP) report due this week. Labour-market data will be watched closely for signs of continued stabilisation (as in December), rather than a renewed deterioration. Concerns have risen after a steep drop in December JOLTS job openings (6.9 million versus 7.1 million consensus), amplifying worries about underlying labour demand. Consensus expects January NFPs to rise by c.69K (December: 50K), with the unemployment rate remaining steady at 4.4%. Job creation of this magnitude would be modest by historical standards, though still exceeding most estimates of the current breakeven level (around 20-50K per month), suggesting underlying labour market resilience – as would an unemployment rate of this level. On the CPI front, consensus expects both headline and core CPI to rise 0.3% m-o-m, reflecting greater tariff passthrough associated with start-of-year price revisions. US tech stocks will remain in focus, after coming under pressure last week over valuation concerns and risks that AI could cannibalise established software business models. This is also in the context of the potential returns of the USD650 billion in planned capex by US mega-tech firms in 2026, which should be a key driver of GDP growth this year.

► **Japan: Sanae Takaichi's LDP secures a landslide victory**

Prime Minister Sanae Takaichi has led the Liberal Democratic Party to a historic landslide in the snap elections, securing 316 out of 465 seats in the Lower House, surpassing a two-thirds majority on its own. With coalition partners, the ruling bloc now controls 352 seats, the strongest in the Lower House in the post-war era. The decisive victory signals greater government stability, enabling a focus on long-term priorities and investments, alongside a pro-stimulus policy. Japanese equities have risen and the JPY has modestly strengthened against the USD. The focus now shifts to the new budget, with any marked loosening adding to higher bond-yield pressures and a weaker JPY. Longer-end yields have moved up today, reflecting fiscal concerns, with the 10-year yield rising to 2.28%, slightly below the 2.35% peak reached in January (the highest level since 1999). Any potential increase in pressure on the BoJ for looser monetary policy would also negatively affect the JPY. We and consensus have brought forward forecasts for the next rate hike to June.

► **CBE: Rate easing to continue as external buffers improve**

We expect the Central Bank of Egypt (CBE) to deliver a 100 bps rate cut this week, taking the lending rate to 20%. This would extend the 725 bps easing in 2025, amid moderating inflation, elevated real rates, and a strengthening of the EGP against the USD. The easing cycle is supported by improving visibility of external funding, including progress on the IMF Extended Fund Facility (EFF), which reinforces policy credibility and helps anchor investor confidence. Strengthening external buffers – record FX reserves and improving FX liquidity in the banking sector – are easing external funding pressures. We expect a total of c.600 bps in rate cuts in 2026.

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I. Recent Events and Data Releases

A. Advanced Economies

Eurozone: ECB on hold; growth resilience and near-target CPI cited

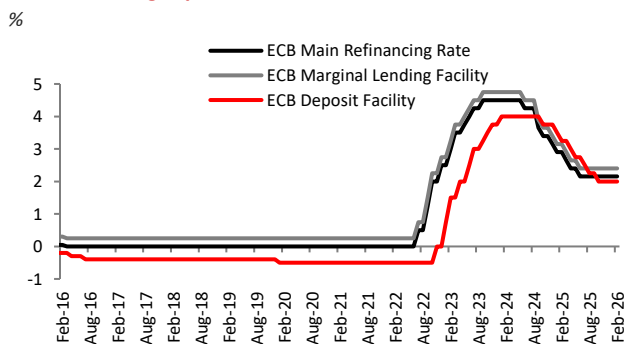
As expected, the ECB kept all its policy rates steady, including the main deposit rate at 2%, for the fifth consecutive meeting. The ECB maintained its meeting-by-meeting, fully data-dependent approach with no precommitment to a future rate path. The Governing Council emphasised that previous rate cuts continue to support activity, indicating no near-term bias toward additional easing. Notably, the growth outlook was modestly upgraded, with the ECB highlighting resilience in GDP, supported by strength in services, tech investments and higher public spending on defence and infrastructure. At the same time, global trade policy uncertainty and geopolitical tensions were cited as key risks to both growth and inflation.

Increased confidence in GDP growth resilience weakens the case for near-term easing

The ECB judged headline inflation as stabilising near the 2% target, with President Christine Lagarde downplaying the January downside surprise (CPI: 1.7% y-o-y) as temporary, emphasising that the ECB “cannot be held hostage by one datapoint”. She reiterated that monetary policy remains “in a good place”, underscoring the importance of maintaining stability for preserving credibility and transmission. President Lagarde made no pushback on EUR appreciation against the USD, noting that the trade-weighted EUR has been broadly stable, with its impact already incorporated into the ECB’s baseline forecasts. Given this backdrop, we continue to expect the ECB to keep its policy rates steady for the foreseeable future. A substantive change in the growth or inflation outlook would be needed to warrant a change in the ECB’s policy outlook, in our view.

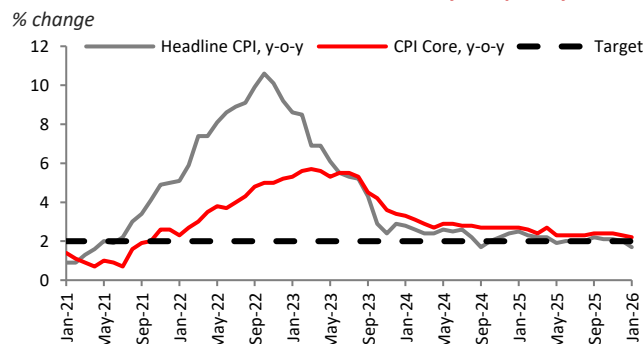
Lagarde downplayed the recent downside surprise in CPI

Fig. 1. Eurozone: ECB held rates steady, delivering fifth straight pause



Source: European Central Bank, Bloomberg, ADCB Economic Research

Fig. 2. Eurozone: ECB President Lagarde downplayed recent moderation in CPI to 1.7% as led by temporary factors



Source: EuroSTAT, ADCB Economic Research

ECB Bank Lending Survey 4Q2025: The latest ECB Bank Lending Survey showed that credit conditions tightened slightly and the transmission of earlier ECB easing likely slowed. Banks tightened credit standards for firms in 4Q due to higher perceived risks and lower risk tolerance, especially in tariff-related areas such as the auto and manufacturing sectors. Corporate loan demand rose only modestly, and banks reported higher rejection rates, especially for firms. Moreover, consumer credit tightened further for unsecured loans, though mortgage lending growth eased slightly on increased competition. Banks expect more tightening across all segments in 1Q2026, citing ongoing trade tensions with regulatory pressures as additional constraints. Overall, the survey points to some limited support for investment and consumption, though not significant enough to warrant the ECB to resume interest rate easing.

Lending conditions tightened slightly, though not sufficiently to warrant a shift in policy stance

UK: BoE on pause; dovish guidance strengthens March rate cut

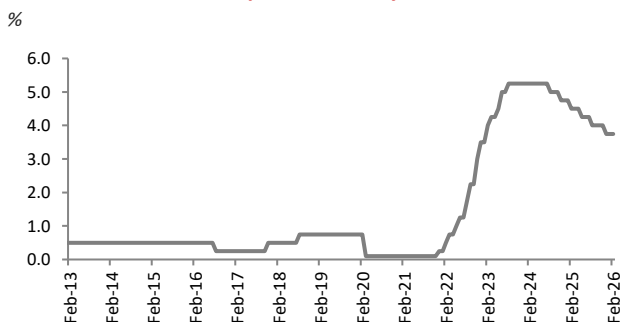
The Bank of England left the Bank Rate unchanged at 3.75% at its 5 February meeting, albeit with a distinctly dovish tone that resulted in a weakening in the GBP. The narrow 5-4 vote split (vs a consensus expectation of 7-2), alongside the MPC's explicit acknowledgement that the "Bank Rate is likely to be reduced further", underscored a clear dovish shift. This dovishness was reinforced by the sharp downward revision to inflation forecasts, with CPI expected to fall back to c.2% from April (December: 3.4% y-o-y). The anticipated deceleration in inflation should be driven primarily by utility price-related base effects (as the one-off Ofgem price-cap adjustment and regulated water and sewerage increases from April 2025 fall out of the annual comparison), coupled with declines in wholesale energy prices and Budget 2025 measures that lower household energy bills. The BoE also acknowledged signs of increasing economic slack and subdued growth, with a loosening labour market aligning with a softer inflation trajectory. Governor Andrew Bailey emphasised that inflation should return to target sooner than previously expected, and reiterated that there would be scope for further reductions if the outlook evolves as anticipated. Taken together, the narrow vote split and dovish forward guidance indicate a low bar for a March rate cut, in our view. Markets reacted sharply to policy communications, with the probability of a March rate cut rising to c.70% (from c.21% before the meeting), and 2026 rate-cut expectations increasing to c.46 bps (from c.37.5 bps).

Dovish vote split and revised inflation outlook reinforce near-term easing bias

Separately, rising doubts over Prime Minister Keir Starmer's continuity are weighing on both GBP and gilts, as investors start to price in a political risk premium. Markets fear a leadership change could usher in more expansive fiscal policies, undermining the credibility of the current administration's framework.

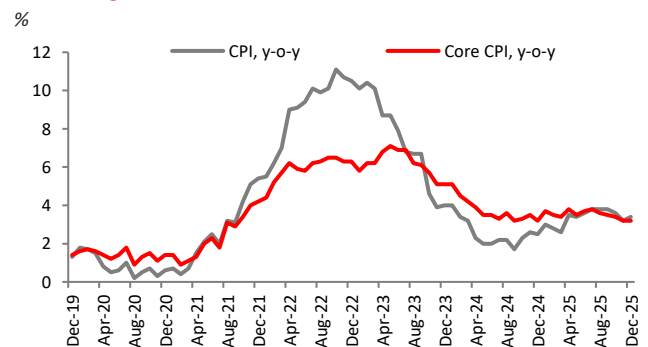
Rising political uncertainty is weighing on gilts and the GBP

Fig. 3. UK: Narrow 5-4 vote split and dovish guidance signal room for multiple rate cuts by BoE



Source: Bank of England, Bloomberg, ADCB Economic Research

Fig. 4. UK: Downside surprise in both headline and core CPI gives BoE room to cut rates



Source: UK Office for National Statistics, ADCB Economic Research

B. Emerging Economies

Turkey: Jump in monthly inflation, outlook for cautious cuts continues

Consumer price growth accelerated to 4.8% m-o-m in January, above consensus (4.3%) and up from December 2025 (0.89%). The January inflation print reflects a major overhaul of the CPI basket and methodology (new categories and weights), new year administered price hikes and a sizeable 27% minimum-wage increase feeding into the

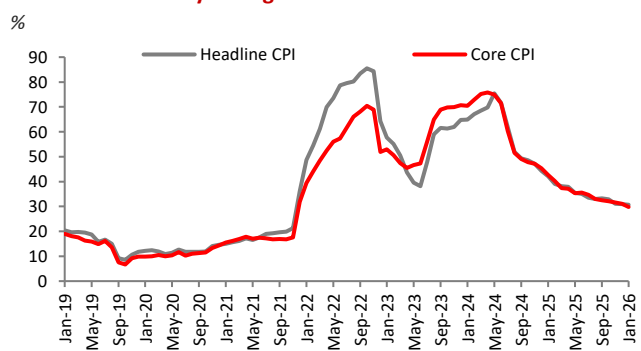
Sequential rise linked to new CPI methodology, new year price increases and minimum wage hike

data. The new methodology aims to align with European Commission standards. The CBRT highlighted upside risks to the January CPI print at the January MPC meeting, which were linked to the factors mentioned above. This was likely behind its more hawkish tone and the cautious 100 bps cut last month (rather than the 150 bps expected by consensus), as well as the rate cut in December. Annual CPI still ticked down to 30.65% y-o-y (December: 30.89%), despite the sequential jump, again above consensus expectations (29.96%). The rise in inflation was broad-based, including food, energy, core goods and services prices. The upside surprise was primarily due to higher-than-expected food inflation, especially for vegetables, due to adverse weather conditions and seasonality.

While the January print provides some upside risk to the CBRT’s inflation target of 13-19% at end-2026, we still expect further disinflation, which should keep the door open for additional rate cuts. Monetary policy remains tight, with real incomes remaining under pressure, while inflation continues to erode purchasing power, even after the minimum wage adjustment. Moreover, the CBRT tightened growth limits for lenders on FX currency loans and consumer overdraft accounts to strengthen its tight monetary stance at the end of January. The CBRT reduced the eight-week growth limit for foreign-currency loans to 0.5% from 1%, and introduced a growth limit of 2% on consumer overdraft accounts in line with reserve requirement practice. The CBRT noted that the measures aim to strengthen macro-financial stability and enhance the impact of its tight policy framework. February inflation is expected to remain elevated as Ramadan begins, which tends to push up food prices. We expect the CBRT to remain cautious in the near term to ensure that inflation expectations are anchored and to maintain the monetary policy credibility gained from the overall disinflation trend. We expect a 100 bps rate cut at the next MPC meeting in March, followed by another 900 bps in 2026, with the pace accelerating from 2Q. Nevertheless, real rates are expected to remain broadly constant as inflation moderates.

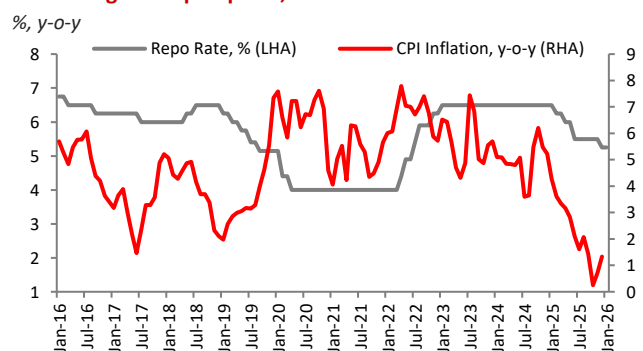
Monetary policy aims to ensure that inflation expectations remain anchored and credibility is maintained

Fig. 5. Turkey: Downside surprise relative to CBRT’s forecast in January strengthens outlook for another cut



Source: TurkSTAT, ADCB Economic Research

Fig. 6. India: RBI held rates steady, citing improvements in growth prospects, while it awaits data revisions



Source: Reserve Bank of India, ADCB Economic Research

India: RBI delivers a pause; liquidity assurance is positive

The RBI’s Monetary Policy Committee (MPC) kept the policy repo rate steady at 5.25%, with a neutral stance. While the rate decision was unanimous, MPC member Prof. Ram Singh again dissented in favour of shifting the stance to accommodative. Governor Sanjay Malhotra emphasised that the RBI will continue to manage liquidity proactively and preemptively, ensuring that the policy stance is effectively transmitted. This liquidity assurance is particularly important, given that long-end bond yields have been rising in

The RBI's focus now shifts to improving the transmission of past rate cuts

recent months despite the 125 bps of cumulative rate cuts delivered last year. On the growth front, Governor Malhotra struck an optimistic tone, citing an improved outlook supported by the recently concluded EU-India FTA and the India-US trade deal, both of which are expected to bolster external demand and investment sentiment. There were no major revisions to the RBI's GDP growth or inflation forecasts, as the central bank awaits the release of the new CPI and GDP series, due later this month. As noted earlier, the upcoming CPI rebasing is expected to lift headline inflation by roughly 30-50 bps, though inflation should remain below the 4% target. With inflation expected to rise from here and growth prospects improving, the RBI has perhaps come to the end of its rate-cutting cycle, in our view. Further potential accommodation should come only through liquidity moves, with more open-market government bond purchases expected in the coming weeks and months, aimed at both reducing the upward pressure on bond yields and improving the broader transmission of past rate cuts, in our view.

US-India FTA: The India-US trade deal marks a significant easing of bilateral trade tensions, with US tariffs on Indian goods reduced from 50% to 18% and India lowering or eliminating duties on a broad range of US industrial and agricultural products. Critically, India's tariff rate is lower than most emerging market peers, which improves India's export competitiveness — particularly in textiles, gems and jewellery, chemicals and engineering goods — while protecting sensitive domestic agri-dairy sectors. India's commitment to purchase USD500 billion in US goods over five years reshapes the medium-term trade and energy landscape, especially as Russian oil-linked penalty tariffs are withdrawn following India's agreement to scale back such imports. The deal also addresses longstanding non-tariff barriers in medical devices and ICT, enhances preferential market access, and strengthens technology and supply-chain alignment. We expect the deal to provide tailwinds to India's growth prospects in the coming years, supported by improved export competitiveness, easing external uncertainties, and stabilisation in FX and risk sentiment.

Trade deal boosts India's external competitiveness; execution risks remain

II. Economic Calendar

Fig. 7. The week ahead

Time*	Country	Event	Period	Prior	Consensus
Expected this week					
	UAE	Dubai CPI, y-o-y	Jan	3.0%	
	UAE	M3 Money Supply, y-o-y	Dec	16.2%	
	Qatar	CPI, y-o-y	Jan	2.0%	
	Kuwait	CPI, y-o-y	Dec	2.4%	
Monday, 9 February					
3:50	Japan	BoP Current Account Balance	Dec	3674.1B	1081.2B
Tuesday, 10 February					
3:50	Japan	Money Stock M2, y-o-y	Jan	1.7%	
3:50	Japan	Money Stock M3, y-o-y	Jan	1.1%	
17:30	US	Import Price Index, m-o-m	Dec	-0.1%	0.1%
17:30	US	Employment Cost Index	4Q	0.8%	0.8%
17:30	US	Retail Sales Advance, m-o-m	Dec	0.6%	0.4%
17:30	US	Retail Sales ex-Auto, m-o-m	Dec	0.5%	0.4%
17:30	US	Retail Sales ex-Auto and Gas	Dec	0.4%	0.4%
17:30	US	Retail Sales Control Group	Dec	0.4%	0.5%
	Egypt	Urban CPI, y-o-y	Jan	12.3%	
Wednesday, 11 February					
5:30	China	PPI, y-o-y	Jan	-1.9%	-1.5%
5:30	China	CPI, y-o-y	Jan	0.8%	0.4%
16:00	US	MBA Mortgage Applications	6-Feb	-8.9%	
17:30	US	Change in Nonfarm Payrolls	Jan	50K	69K
17:30	US	Change in Manuf. Payrolls	Jan	-8K	-7K
17:30	US	Unemployment Rate	Jan	4.40%	4.40%
23:00	US	Federal Budget Balance	Jan	-144.7B	-89.0B
Thursday, 12 February					
3:50	Japan	PPI, y-o-y	Jan	2.4%	2.3%
11:00	UK	GDP, q-o-q	4Q P	0.1%	0.2%
11:00	UK	GDP, y-o-y	4Q P	1.3%	1.2%
11:00	UK	Industrial Production, m-o-m	Dec	1.1%	0.0%
11:00	UK	Industrial Production, y-o-y	Dec	2.3%	1.5%
11:00	UK	Manufacturing Production, m-o-m	Dec	2.1%	-0.1%
14:30	India	CPI, y-o-y	Jan		2.6%
17:30	US	Initial Jobless Claims	7-Feb	231K	224K
17:30	US	Continuing Claims	31-Jan	1844K	1850K
19:00	US	Existing Home Sales	Jan	4.35M	4.20M
	Egypt	Lending Rate	12-Feb	21.00%	
	Egypt	Deposit Rate	12-Feb	20.00%	19.00%
Friday, 13 February					
14:00	Eurozone	GDP SA, q-o-q	4Q S	0.3%	0.3%
14:00	Eurozone	GDP SA, y-o-y	4Q S	1.3%	1.3%
16:00	UK	BOE's Huw Pill Speaks			
17:30	US	CPI, m-o-m	Jan	0.3%	0.3%
17:30	US	Core CPI, m-o-m	Jan	0.2%	0.3%
17:30	US	CPI, y-o-y	Jan	2.7%	2.5%
17:30	US	Core CPI, y-o-y	Jan	2.6%	2.5%
17:30	US	CPI Index NSA	Jan	324.1	325.5
17:30	US	Core CPI Index SA	Jan	331.9	332.9
17:30	US	Real Avg Weekly Earnings, y-o-y	Jan	1.1%	

*UAE time

Source: Bloomberg, ADCB Economic Research

Fig. 8. Last week's data

Time*	Country	Event	Period	Prior	Consensus	Actual
GCC Economies						
	Saudi Arabia	Saudi Official Reserve Assets, SAR	Jan	1725.9B		
	Qatar	QCB Int'l Reserves & Foreign Currency Liquidity, QAR	Jan	261.9B		
Monday, 2 February						
9:30	India	India Budget				
	Saudi Arabia	GDP Constant Prices, y-o-y	4Q P	4.8%		
4:30	Japan	S&P Global Japan PMI Mfg	Jan F	51.5		51.5
5:45	China	RatingDog China PMI Mfg	Jan	50.1	50.0	50.3
9:00	India	HSBC India PMI Mfg	Jan F	56.8		55.4
12:55	Germany	HCOB Germany Manufacturing PMI	Jan F	48.7	48.7	49.1
13:00	Eurozone	HCOB Eurozone Manufacturing PMI	Jan F	49.4	49.4	49.5
13:30	UK	S&P Global UK Manufacturing PMI	Jan F	51.6	51.6	51.8
15:45	UK	BOE's Sarah Breeden speaks in London				
18:45	US	S&P Global US Manufacturing PMI	Jan F	51.9	52.0	52.4
19:00	US	ISM Manufacturing	Jan	47.9	48.5	52.6
Tuesday, 3 February						
3:50	Japan	Monetary Base, y-o-y	Jan	-9.8%		-9.5%
8:15	Saudi Arabia	S&P Global Saudi Arabia PMI	Jan	57.4		56.3
Wednesday, 4 February						
8:15	UAE	S&P Global United Arab Emirates PMI	Jan	54.2		54.9
14:00	Eurozone	CPI, m-o-m	Jan P	0.2%	-0.5%	-0.5%
14:00	Eurozone	CPI Core, y-o-y	Jan P	2.3%	2.2%	2.2%
16:00	US	MBA Mortgage Applications	30-Jan	-8.5%		-8.9%
17:15	US	ADP Employment Change	Jan	37K	45K	22K
18:45	US	S&P Global US Services PMI	Jan F	52.5	52.5	52.7
18:45	US	S&P Global US Composite PMI	Jan F	52.8	52.9	53.0
19:00	US	ISM Services Index	Jan	53.8	53.5	53.8
Thursday, 5 February						
11:00	Germany	Factory Orders, m-o-m	Dec	5.7%	-2.2%	7.8%
16:00	UK	Bank of England Bank Rate	5-Feb	3.75%	3.75%	3.75%
17:15	Eurozone	ECB Deposit Facility Rate	5-Feb	2.00%	2.00%	2.00%
17:15	Eurozone	ECB Main Refinancing Rate	5-Feb	2.15%	2.15%	2.15%
17:15	Eurozone	ECB Marginal Lending Facility	5-Feb	2.4%	2.4%	2.4%
17:30	US	Initial Jobless Claims	31-Jan	209K	212K	231K
Friday, 6 February						
8:30	India	RBI Repurchase Rate	6-Feb	5.25%	5.25%	5.25%
13:00	Eurozone	ECB Survey of Professional Forecasters				
13:00	Eurozone	ECB's Kocher Speaks in Vienna				
16:00	UK	BOE's Huw Pill Speaks				
17:30	US	Change in Nonfarm Payrolls	Jan	50K	68K	
17:30	US	Two-Month Payroll Net Revision	Jan	-76K		
17:30	US	Change in Private Payrolls	Jan	37K	75K	
17:30	US	Change in Manufact. Payrolls	Jan	-8K	-7K	
17:30	US	Nonfarm Payrolls 3-Mo Avg Chg	Jan	-22K		
17:30	US	Unemployment Rate	Jan	4.40%	4.40%	
17:30	US	Labor Force Participation Rate	Jan	62.40%	62.40%	
17:30	US	Underemployment Rate	Jan	8.40%		
19:00	US	U. of Mich. Sentiment	Feb P	56.4	55.0	

*UAE time

Source: Bloomberg, ADCB Economic Research

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