

## The Week Ahead: Geopolitics takes centre stage; OPEC+ increases output

### ► Global: Oil price reaction relatively muted so far

Geopolitical tensions will continue to dominate market sentiment after US and Israeli strikes on various sites in Iran, with Tehran retaliating. The oil price spiked with Brent crude rising to c.USD82.4 p/b earlier this morning, though it has now moderated to c.USD78.3 with indications of Asian buying, including from China. Gold has risen, though it is still below the January high at this point. Asian stock markets have fallen and so have US and European market futures. OPEC+ has increased its production targets from April, after signs of greater exports from the region in February, including from Saudi Arabia and Iran (see below). The global impact will largely stem from the oil market, and as such, much of the focus will remain on energy supply from the region. Higher oil prices would have implications for global inflation, potentially slowing the pace of monetary easing by central banks, especially in energy-importing countries and regions. The weight of fuel in CPI baskets is typically larger in emerging market economies than in developed ones. The region is also a major transshipment hub for non-energy products, and regional strikes have led to airspace disruptions.

Iran accounts for over 3% of global output, with production of c.3.4 million b/d in January and exports of c.1.6 million b/d. OPEC+ has spare capacity of c.4.4 million b/d, primarily from Saudi and the UAE. Oil and gas price risks would see greater upside risks if there were any disruptions to the Strait of Hormuz (which carries c.25% of global oil and c.20% of LNG trade), or to regional energy infrastructure. Lower-capacity oil trade routes are available only to Saudi (5-7 million b/d East-West crude oil pipeline) and the UAE (onshore oil fields to the Fujairah export terminal via a 1.5 million b/d pipeline). Aramco also has storage capacity outside the Middle East, strategically distributed across key global trade hubs. The current oil price suggests that markets have not priced in the risk of major supply disruptions at this point. There are indications that tanker traffic fell over the weekend, with S&P Global reporting a 50% drop on Saturday compared to the previous day. This comes after some insurers withdrew coverage and shipping companies rerouted to avoid the region. As such, a lack of insurance coverage could be a major constraint for commercial shipping through the Strait or the Red Sea, even in the absence of a formal military blockade. We make no changes to our economic forecasts at this point until there is more clarity.

### ► Oil: OPEC+ to raise supply from April

Eight OPEC+ producers (Saudi Arabia, Russia, Iraq, the UAE, Kuwait, Kazakhstan, Algeria and Oman) agreed to boost oil production by 206K b/d from April to mitigate the anticipated price jump. However, the group cited healthy market fundamentals and a stable global economic outlook. The increase is a gradual unwinding of 1.65 million barrels per day in voluntary reductions introduced in April 2023. This signals a readiness to support the oil market if needed, rather than a meaningful change to near-term supply. OPEC+ increased output by a cumulative 2.9 million b/d in incremental steps in 2025, aimed at regaining market share, followed by a pause in 1Q2026. We

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raised our average Brent crude forecast for 2026 last week, due to: i) oil production disruptions (US and Kazakhstan), ii) sanctioned oil not reaching the market (Russia), and iii) geopolitical tensions around Iran. For more details, please see our note – **GCC Economic Update: Earlier economic reforms boost resilience; greater differences visible**, published 26 February 2026. Our economic forecasts assume a further increase in oil production in 2026, though more limited than in 2025, with the UAE and Saudi the main beneficiaries. As in 2025, the effective production increase from OPEC+ is expected to be substantially less than the quota increase, as several members are already producing at maximum capacity.

► **US: Unemployment to remain stable; flat retail sales**

Recent job reports, which show stronger growth and a lower unemployment rate, have allayed fears over a sharply deteriorating labour market. Overall, the solid GDP backdrop is continuing to support the labour market and a stabilisation in the unemployment rate. Wider labour market data continues to show that initial jobless claims remain at a low level. Consensus forecasts nonfarm payroll growth of 60K in February, with weather disruptions and payback from the 130K jobs created in January, albeit with distortions due to the birth-death adjustment that resulted in a significant proportion of job growth in the healthcare and social services sector. A print in line with consensus expectations is still healthy, especially given the lower employment breakeven level of c.20-50K – the monthly job gain needed to keep the unemployment rate steady. Unemployment is expected to have held steady at 4.3% in February (January: unrounded at 4.29%), with the job gain close to the current breakeven pace. However, there will be a degree of uncertainty with the Bureau of Labor Statistics incorporating new population estimates into its household survey. Wage growth is also expected to remain steady at 3.7% y-o-y, in line with the 2025 pace. We see the Fed remaining data-dependent, with inflation, activity, and labour market figures suggesting limited urgency to move. We expect only two 25 bps rate cuts by the Fed in 2H2026.

Meanwhile, consensus expects a 0.3% m-o-m contraction in retail sales for January, due to the impact of winter storms. There are indications of a decline in retail and auto dealer sales, while restaurant spending is also expected to be soft. There will be a focus on the control group, which excludes autos, gas, building materials and restaurants. Separate from the January disruption, higher-income households have been driving spending, while medium- to lower-income households continue to be negatively affected by the high inflation of the last few years.

► **US: Universal tariffs kick in, uncertainties remain**

On the US tariff front, President Donald Trump's new universal global tariffs have come into effect at 10% (commencing 24 February), despite an earlier pledge of a higher 15% rate. Asian economies, including China and India, are poised to gain the most from the 10% universal tariff rate. US Trade Representative (USTR) Jamieson Greer outlined on 25 February that there will be a proclamation raising the tariff rate to 15% where appropriate, with no further details. Media reports, citing administration officials, have indicated that the US is working on a formal order to increase the global tariff rate to 15%, though countries and regions with trade deals at rates above 10% (Japan, South Korea and the EU are all at 15%) would see their tariffs drop to 10%. As we highlighted last week, the universal tariff is imposed under Section 122 and has a 150-day limit, with subsequent tariffs expected under Section 301 following investigations by the USTR to determine any unfair trade practices against the US. As such, trade uncertainties are expected to remain in place into 2H2026, as tariffs shift from one mechanism to another.

► **China: National People's Congress – softer growth projections**

The National People's Congress opens on 5 March and will be closely watched for updates on policy priorities and 2026 growth. A draft outline of the new five-year plan will also be presented. The government is widely expected to slightly lower its GDP growth target for 2026 to c.4.5-5%, against 5% for 2025. This would reflect ongoing structural challenges facing the economy. Nevertheless, even with a softer target, the stance for both fiscal and monetary policy is likely to remain supportive. This is based on continued weakness in domestic demand, which remains a key hurdle, and there will be particular focus on new measures to fundamentally revive household spending, rather than subsidy measures that tend to have a short-term impact. Fiscal policy will likely continue to play the leading role, with the size of support remaining broadly stable in GDP terms. The ability to support household consumption is constrained by a relatively tight fiscal position, with the general government fiscal deficit for 2025 estimated at around 8.5% of GDP, government debt-to-GDP close to 120%, and a preference to prioritise security and technology. Meanwhile, gradual monetary policy easing is expected to be delivered by interest rate and RRR cuts this year. The five-year plan is anticipated to focus on accelerating innovation and technology, AI deployment across sectors, implementation of the anti-involution campaign (to end cutthroat "race-to-the-bottom" price wars and overcapacity in key industrial sectors such as EVs, solar, and batteries), boosting consumption, and policies to stabilise housing.

Separately, the PBOC announced last week that it will cut the FX risk reserve ratio for forward FX sales to 0% from 20%, effective 2 March. The measure is intended to enhance currency market development and reduce the cost of FX hedging for importers. It is also aimed at reducing CNY appreciation by encouraging dollar buying as exporters start to feel the effects of a stronger currency. Moreover, China announced a weaker-than-expected setting of the CNY's trading band last week. The reduction in the reserve ratio reverses the tightening measures seen in 2022, when the CNY faced significant weakening pressures.

► **UK: Chancellor to deliver Spring Statement, no shift expected**

Chancellor Rachel Reeves will deliver the Spring Statement on 3 March, which will be accompanied by the Office for Budget Responsibility's (OBR) Spring macro and fiscal forecasts. However, unlike previous years, the OBR's statements will no longer formally assess the fiscal outlook against the Chancellor's fiscal rules, which will now take place only once a year in November. No significant new fiscal policy changes are expected on both the tax and spending fronts, given the outlook for increased headroom. However, markets will be looking for any spending giveaways ahead of the May local elections. Fiscal headroom – the leeway to increase spending or cut taxes while meeting self-imposed debt-reduction rules – is expected to improve by c.GBP2-3 billion, from GBP21.7 billion in November in the Autumn Budget, thanks to lower borrowing costs (gilt yields). However, the improvement will be limited by a modestly weaker near-term growth outlook and a pickup in unemployment. Real GDP growth slowed to a lacklustre 0.1% q-o-q in 4Q2025. We have noted that with inflation cooling to 3% y-o-y in January and increased slack in the labour market, the probability of an insurance cut in March has increased.

Political developments will remain in focus. There could be renewed downside pressure on the GBP if signs emerge of Labour MPs moving against Prime Minister Keir Starmer. The Labour Party came in third in the Gorton and Denton by-election after over eight decades in control, as predicted, with a win for the Green Party. The by-election highlighted pressure from both the right (Reform UK) and the Left (Green Party) on the Labour Party.

## I. Economic Calendar

Fig. 1. The week ahead

Time*	Country	Event	Period	Prior	Consensus
Expected this week					
	Saudi Arabia	Saudi Official Reserve Assets SAR	Feb	1784.5B	
	Qatar	Trade Balance Month	Jan	14065M	
Monday, 2 March					
12:55	Germany	HCOB Germany Manufacturing PMI	Feb F	50.7	50.7
13:00	Eurozone	HCOB Eurozone Manufacturing PMI	Feb F	50.8	50.8
13:30	UK	Mortgage Approvals	Jan	61.0K	62.0K
13:30	UK	S&P Global UK Manufacturing PMI	Feb F	52.0	52.0
18:45	US	S&P Global US Manufacturing PMI	Feb F	51.2	51.4
19:00	US	ISM Manufacturing	Feb	52.6	51.5
19:00	US	ISM Prices Paid	Feb	59.0	60.0
Tuesday, 3 March					
3:30	Japan	Jobless Rate	Jan	2.6%	2.6%
3:50	Japan	Monetary Base, y-o-y	Feb	-9.5%	
3:50	Japan	Capital Spending, y-o-y	4Q	2.9%	3.0%
8:15	Saudi Arabia	S&P Global Saudi Arabia PMI	Feb	56.3	
9:15	Egypt	S&P Global Egypt PMI	Feb	49.8	
14:00	Eurozone	CPI Estimate, y-o-y	Feb P	1.7%	1.7%
14:00	Eurozone	CPI, y-o-y	Feb P	1.7%	1.7%
14:00	Eurozone	CPI, m-o-m	Feb P	-0.6%	0.5%
14:00	Eurozone	CPI Core, y-o-y	Feb P	2.2%	2.2%
Wednesday, 4 March					
12:55	Germany	HCOB Germany Services PMI	Feb F	53.4	53.4
12:55	Germany	HCOB Germany Composite PMI	Feb F	53.1	53.1
13:00	Eurozone	HCOB Eurozone Services PMI	Feb F	51.8	51.8
13:00	Eurozone	HCOB Eurozone Composite PMI	Feb F	51.9	51.9
13:30	UK	S&P Global UK Services PMI	Feb F	53.9	53.9
13:30	UK	S&P Global UK Composite PMI	Feb F	53.9	53.9
14:00	Eurozone	Unemployment Rate	Jan	6.2%	6.2%
16:00	US	MBA Mortgage Applications	27-Feb	0.4%	
17:15	US	ADP Employment Change	Feb	22K	50K
19:00	US	ISM Services Index	Feb	53.8	53.5
Thursday, 5 March					
13:30	UK	S&P Global UK Construction PMI	Feb	46.4	47.0
17:30	US	Import Price Index, m-o-m	Jan	0.1%	0.3%
17:30	US	Initial Jobless Claims	28-Feb	212K	215K
17:30	US	Continuing Claims	21-Feb	1833K	1845K
Friday, 6 March					
11:00	Germany	Factory Orders, m-o-m	Jan	7.8%	-4.0%
14:00	Eurozone	GDP SA, q-o-q	4Q T	0.3%	0.3%
14:00	Eurozone	GDP SA, y-o-y	4Q T	1.3%	1.3%
17:30	US	Retail Sales Advance, m-o-m	Jan	0.0%	-0.3%
17:30	US	Change in Nonfarm Payrolls	Feb	130K	60K
17:30	US	Change in Manufact. Payrolls	Feb	-17K	
17:30	US	Average Hourly Earnings, m-o-m	Feb	0.4%	0.3%
17:30	US	Average Hourly Earnings, y-o-y	Feb	3.7%	3.7%
17:30	US	Unemployment Rate	Feb	4.3%	4.3%
17:30	US	Labor Force Participation Rate	Feb	62.5%	62.5%
17:30	US	Underemployment Rate	Feb	8.0%	

\*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	3.0%		
	Bahrain	CPI, y-o-y	Jan	0.5%		
Monday, 23 February						
13:00	Germany	IFO Business Climate	Feb	87.6	88.3	88.6
13:00	Germany	IFO Expectations	Feb	89.6	90.0	90.5
13:00	Germany	IFO Current Assessment	Feb	85.7	86.2	86.7
19:00	US	Durable Goods Orders	Dec F	-1.4%	-1.4%	-1.4%
19:00	US	Factory Orders	Dec	2.7%	-0.7%	-0.7%
19:00	US	Durables ex-Transportation	Dec F	0.9%	0.9%	1.0%
19:00	US	Cap Goods Orders Nondef Ex Air	Dec F	0.6%	0.6%	0.8%
19:30	US	Dallas Fed Manf. Activity	Feb	-1.2	-0.5	0.2
Tuesday, 24 February						
19:00	US	Conf. Board Consumer Confidence	Feb	89.0	87.1	91.2
19:00	US	Wholesale Inventories, m-o-m	Dec F	0.2%	0.2%	0.2%
19:00	US	Richmond Fed Manufact. Index	Feb	-6.0	-5.0	-10.0
19:00	US	Wholesale Trade Sales, m-o-m	Dec	1.4%	0.2%	1.0%
19:00	US	Conf. Board Expectations	Feb	67.2	68.6	72.0
19:00	US	Conf. Board Present Situation	Feb	121.8	115.8	120.0
19:00	US	Richmond Fed Business Conditions	Feb	-6.0	-6.0	-10.0
19:30	US	Dallas Fed Services Activity	Feb	2.7		-3.2
Wednesday, 25 February						
11:00	Germany	GDP SA, q-o-q	4Q F	0.3%	0.3%	0.3%
14:00	Eurozone	CPI, y-o-y	Jan F	1.7%	1.7%	1.7%
14:00	Eurozone	CPI, m-o-m	Jan F	-0.5%	-0.5%	-0.6%
14:00	Eurozone	CPI Core, y-o-y	Jan F	2.2%	2.2%	2.2%
16:00	US	MBA Mortgage Applications	20-Feb	2.8%		0.4%
Thursday, 26 February						
13:00	Eurozone	M3 Money Supply, y-o-y	Jan	2.8%	2.9%	3.3%
14:00	Eurozone	Consumer Confidence	Feb F	-12.2		-12.2
17:30	US	Initial Jobless Claims	21-Feb	208K	216K	212K
17:30	US	Continuing Claims	14-Feb	1864K	1858K	1833K
Friday, 27 February						
3:30	Japan	Tokyo CPI ex-Fresh Food, y-o-y	Feb	2.0%	1.7%	1.8%
3:30	Japan	Tokyo CPI, y-o-y	Feb	1.5%	1.4%	1.6%
3:50	Japan	Industrial Production, m-o-m	Jan P	-0.1%	5.5%	2.2%
3:50	Japan	Retail Sales, y-o-y	Jan	-0.9%	0.1%	1.8%
12:55	Germany	Unemployment Change (000's)	Feb	1.0K	2.0K	1.0K
14:30	India	GDP, y-o-y	4Q	8.4%	7.6%	7.8%
17:00	Germany	CPI, y-o-y	Feb P	2.1%	2.0%	1.9%
17:00	Germany	CPI, m-o-m	Feb P	0.1%	0.5%	0.2%
17:00	Germany	CPI EU Harmonized, y-o-y	Feb P	2.1%	2.1%	2.0%
17:00	Germany	CPI EU Harmonized, m-o-m	Feb P	-0.1%	0.5%	0.4%
17:30	US	PPI Final Demand, m-o-m	Jan	0.4%	0.3%	0.5%
17:30	US	PPI Final Demand, y-o-y	Jan	3.0%	2.6%	2.9%
17:30	US	PPI ex-Food and Energy, m-o-m	Jan	3.3%	3.0%	3.6%
18:45	US	MNI Chicago PMI	Feb	54.0	52.1	57.7
19:00	US	Construction Spending, m-o-m	Dec	-0.2%	0.2%	0.3%
	Saudi Arabia	SAMA Net Foreign Assets, SAR	Jan	1637.2B		1695.7B

\*UAE time

Source: Bloomberg, ADCB Economic Research

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