

The Week Ahead: US tariffs and geopolitics back to the fore

► **US: Awaiting new tariff moves after Supreme Court decision**

The focus will be on upcoming US tariff announcements and further details after the Supreme Court voted to invalidate International Emergency Economic Powers Act (IEEPA) tariffs on Friday. This covers the tariffs for fentanyl trafficking and the reciprocal tariffs imposed on most trade partners. However, the Supreme Court decision does not cover sectoral tariffs (steel, aluminium, cars, copper, lumber, etc.), tariffs on China (Section 301), or elimination of the de minimis exemption on imports valued under USD800. The Supreme Court did not address whether the IEEPA tariffs collected so far will need to be refunded; c.USD175 billion (0.6% of GDP) or more might have to be reversed if this becomes the case. President Donald Trump has already announced an interim 15% global tariff under Section 122 (1974 Trade Act), alongside new Section 301 country-specific investigations. Section 122 allows the president to impose tariffs of up to 15% for 150 days or less, while Section 301 could allow the US to impose uncapped tariffs on any country that has been determined to have unfair trade practices against the US (after investigations). We expect a limited change in the US's trade outlook and fiscal position following the decision, though there could potentially be a limited tick down in the weighted average tariff rate as more sector and country-specific tariffs are implemented as opposed to blanket tariffs. We await further details on potential new measures on individual countries and products to compensate for the IEEPA decision, alongside the impact on trade deals negotiated following Liberation Day.

► **MENA: Oil and gold rise with higher geopolitical tensions**

We expect a limited impact on the GCC from potential US tariff developments. As noted in our earlier research, the US is not a key destination for Gulf exports, averaging just c.3.7% of the GCC's total exports in 2024 in non-weighted terms. Most of the region's exports are steel and aluminium, sectors where sector tariffs are still in place. The impact of sector tariffs has been relatively muted given the limited manufacturing capacity in the US, which limits the ability to substitute for imports. The quality and low-cost smelting base are also factors. The ongoing east-west trade flow is positive, albeit with some impact from frontloading in 1H2025. There could be some benefit to the GCC from lower tariffs on Asian countries under a new tariff regime. Gold and oil prices jumped as US-Iran tensions escalated last week after President Trump said that Iran had 10-15 days to reach a deal over its nuclear programme, at a time when the US has amassed military forces in the region.

► **US: FOMC minutes place primacy on inflation deceleration**

The January FOMC meeting minutes revealed a slight hawkish tilt, with several participants favouring two-sided policy guidance that explicitly preserves the possibility of rate hikes if inflation fails to converge towards the target. There was broad agreement that downside risks to employment have moderated, while economic activity remains relatively resilient, reducing the urgency for near-term policy support. Importantly, further easing is seen as contingent

Economics Team

Sri Virinchi Kadiyala

Senior Economist

+971 (0)2 697 3582

Srivirinchi.Kadiyala@adcb.com

Monica Malik, Ph.D.

Chief Economist

+971 (0)2 696 8458

Monica.Malik@adcb.com

Contents

I. Economic Calendar	4
----------------------	---

on sustained progress towards the 2% inflation target. This contrasts with the FOMC's end-2025 discussions, where labour market risks were the primary concern. This assessment was reinforced by subsequent data releases, such as the January NFP report, which showed a further moderation in the unemployment rate. We note that the emergence of more hawkish voices — with new regional Fed presidents on the committee — increases the likelihood of more dissents under a more dovish Kevin Warsh's chairmanship, once confirmed. For details, please see our note – **US Economic Update: Fed on hold with labour market trends supporting patience; change in our rate call**, published on 29 January 2026.

Separately, the minutes confirmed that the New York Fed checked USD/JPY levels on behalf of the US Treasury, likely on Friday, 23 January. This does not in itself signal FX intervention, though such rate checks are rare and suggest official discomfort with the extent of JPY weakness, potentially reinforcing a soft cap on further upside in USD/JPY around the 160 level. Since mid-January, the JPY has strengthened to c.154 against the USD (vs. c.159 on 13 January), with a focus on the Fed-BoJ policy divergence, political developments in Japan following the election of Prime Minister Sanae Takaichi, with her Liberal Democratic Party (LDP) securing a lower house majority, and heightened sensitivity to US Treasury scrutiny of FX markets.

► **UK: Rising labour slack and cooling CPI support March rate cut**

Easing labour market conditions and continued disinflation have tilted the balance in favour of a March rate cut by the BoE. However, persistent services inflation suggests the decision remains finely balanced, warranting caution and a data-dependent approach. Labour market momentum weakened further in December, with the unemployment rate rising to 5.2% (November: 5.1%), the highest since January 2021, above both consensus and the BoE's 5.1% forecast. However, labour market weakness was milder than the headlines suggest. The rise in unemployment largely reflected higher labour force participation, rather than a sharp deterioration in labour demand. Headline payroll losses also remained modest in January (reaching -11K; consensus: -20K), with a sizeable upward revision to the December print (-6K from -43K). Nevertheless, the unemployed-to-vacancy ratio – a key metric for the BOE – rose to 2.6, signalling that spare labour capacity is continuing to build. This was accompanied by cooling wage dynamics, with private-sector regular pay growth slowing to 3.4% y-o-y (November: 3.6%), broadly consistent with the BOE's inflation compatible range.

Meanwhile, headline CPI decelerated to 3% y-o-y in January (December: 3.4%). The decline was driven by lower petrol prices, alongside easing base effects for food, air fares and private school fees. However, core inflation surprised modestly to the upside, though still decelerating to 3.1% y-o-y (December: 3.2%; consensus: 3.0%). This was primarily driven by stickiness in critical services inflation, which edged down to 4.4% (December: 4.5; consensus: 4.3%), pointing to persistent underlying price pressures. The slower-than-expected moderation in services inflation likely reflects lingering wage pressures and the inherently lagged response of labour-intensive sectors to softening demand conditions. Overall, the January CPI deceleration keeps CPI on track for nearing the 2% target by April. With labour market slack increasing and inflation continuing to moderate, the policy backdrop now supports delivering an insurance cut in March, rather than waiting until April. We acknowledge the risks that a follow-up 25 bps rate cut could be brought forward to July (instead of September), particularly if deterioration in the labour market accelerates.

► **Eurozone: Liquidity backstop to support EUR internationalisation**

The ECB signalled its intention to institutionalise global access to EUR liquidity as part of a broader effort to strengthen the currency's international role. The ECB upgraded its EUR liquidity backstop for foreign central banks, shifting from a

temporary, regionally limited framework to a permanent, globally accessible facility with standing access, aimed at strengthening monetary policy transmission and the international role of the EUR. The objective is to reduce the risk of fire sales of EUR-denominated assets during periods of market stress and boost confidence in the EUR as a reserve and funding currency. This does not signal a shift in the ECB's domestic policy stance, but rather a clear separation between domestic monetary control and international currency strategy, aligning the ECB more closely with the Federal Reserve's role as a global lender of last resort through facilities such as the Foreign and International Monetary Authorities (FIMA) repo. Easier access to EUR liquidity should lower funding premia for global central banks and support incremental gains in EUR usage. However, structural constraints (fragmented sovereign safe assets and shallower capital markets than the US) mean that any increase in the EUR's global role is likely to be gradual. Separately, the EU leaders committed to focusing on structural reforms to advance the single market under a new 'One Europe, One Market' roadmap, which will be presented to the European Council on 19-20 March.

► **Japan: 4Q GDP growth remains fragile; BoJ rate hike on track**

Japan's economy narrowly returned to growth in 4Q2025, with real GDP rising 0.1% q-o-q (3Q: -0.7%), barely avoiding a technical recession. However, the print fell short of forecasts (consensus: 0.4% q-o-q), highlighting a lacklustre recovery. The downside surprise was driven by a large negative swing in inventories, reflecting a payback from earlier stock-building, rather than a softening in final demand. Private consumption remained expansionary (0.1% q-o-q), boosted by year-end bonuses and a rally in equity markets. Business investment expanded (0.2% q-o-q vs. -0.3% in 3Q), as tariff uncertainty eased and corporate balance sheets remained firm. Residential investment also rebounded after a sharp regulatory-induced contraction in 3Q, as builders adjusted to stricter energy efficiency rules introduced in April. This represents a mechanical lift rather than a durable housing upturn. The contribution from net exports was flat (0% q-o-q), as the improvement in goods exports (auto) to the US following the trade deal was offset by a weakening in services exports amid a decline in mainland Chinese tourism (due to political tensions). Overall, the data points to low-gear growth, with momentum reliant on domestic demand rather than exports. However, the BoJ's gradual policy normalisation path remains intact, with rate hikes still expected to proceed gradually as wage and inflation dynamics evolve.

► **Week ahead: India GDP overhaul and Euro Jan CPI in focus**

There are limited key data releases this week, with attention centred on India's updated GDP series and the final January Eurozone CPI print. Consensus expects India's 4Q2025 GDP growth to moderate at around 7.4% y-o-y (3Q: 8.2%), largely reflecting unfavourable base effects. Still, underlying momentum appears resilient, supported by GST relief, strength in construction activity, and robust financial services growth. A GDP outcome in line with expectations should reinforce the RBI's case for a prolonged policy pause. Alongside the quarterly GDP print, the National Statistical Office (NSO) will release a new GDP series, including updating the base year to 2022-23 (Apr-Mar) from 2011-12. The expanded framework incorporates richer data sources – including GST transaction data, Ministry of Corporate Affairs corporate filings, and updated household and enterprise surveys – to better capture structural shifts in the economy over the past decade.

The final January Eurozone CPI print is expected to confirm a moderation to 1.7% y-o-y (December: 2.0%). However, the ECB has characterised headline inflation as broadly stabilising near its 2% target, with President Christine Lagarde downplaying the January downside surprise as temporary, noting that the ECB "cannot be held hostage by one datapoint". Consistent with this assessment, we continue to expect the ECB to keep policy rates on hold for the foreseeable future, with a material shift in the growth or inflation outlook required to alter the policy stance, in our view.

I. Economic Calendar

Fig. 1. The week ahead

Time*	Country	Event	Period	Prior	Consensus
Expected this week					
	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
13:00	Germany	IFO Expectations	Feb	89.5	90.0
13:00	Germany	IFO Current Assessment	Feb	85.7	86.2
19:00	US	Durable Goods Orders	Dec F	-1.4%	-1.4%
19:00	US	Factory Orders	Dec	2.7%	-0.6%
19:00	US	Durables ex-Transportation	Dec F	0.9%	0.9%
19:00	US	Cap Goods Orders Nondef Ex Air	Dec F	0.6%	0.6%
19:30	US	Dallas Fed Manf. Activity	Feb	-1.2	-0.8
Tuesday, 24 February					
19:00	US	Conf. Board Consumer Confidence	Feb	84.5	87.0
19:00	US	Wholesale Inventories, m-o-m	Dec F	0.2%	0.2%
19:00	US	Richmond Fed Manufact. Index	Feb	-6.0	
19:00	US	Wholesale Trade Sales, m-o-m	Dec	1.3%	
19:00	US	Conf. Board Expectations	Feb	65.1	
19:00	US	Conf. Board Present Situation	Feb	113.7	
19:00	US	Richmond Fed Business Conditions	Feb	-6.0	
19:30	US	Dallas Fed Services Activity	Feb	2.7	
Wednesday, 25 February					
11:00	Germany	GDP SA, q-o-q	4Q F	0.3%	0.3%
14:00	Eurozone	CPI, y-o-y	Jan F	2.0%	1.7%
14:00	Eurozone	CPI, m-o-m	Jan F	-0.5%	-0.5%
14:00	Eurozone	CPI Core, y-o-y	Jan F	2.2%	2.2%
16:00	US	MBA Mortgage Applications	20-Feb	2.8%	
Thursday, 26 February					
13:00	Eurozone	M3 Money Supply, y-o-y	Jan	2.8%	2.9%
14:00	Eurozone	Consumer Confidence	Feb F	-12.2	
17:30	US	Initial Jobless Claims	21-Feb	206K	216K
17:30	US	Continuing Claims	14-Feb	1869K	1860K
Friday, 27 February					
3:30	Japan	Tokyo CPI Ex-Fresh Food, y-o-y	Feb	2.0%	1.7%
3:30	Japan	Tokyo CPI, y-o-y	Feb	1.5%	1.4%
3:50	Japan	Industrial Production, m-o-m	Jan P	-0.1%	5.5%
3:50	Japan	Retail Sales, y-o-y	Jan	-0.9%	0.1%
12:55	Germany	Unemployment Change (000's)	Feb	0.0K	2.0K
14:30	India	GDP, y-o-y	4Q	8.2%	7.4%
17:00	Germany	CPI, y-o-y	Feb P	2.1%	2.0%
17:00	Germany	CPI, m-o-m	Feb P	0.1%	0.5%
17:00	Germany	CPI EU Harmonized, y-o-y	Feb P	2.1%	2.1%
17:00	Germany	CPI EU Harmonized, m-o-m	Feb P	-0.1%	0.5%
17:30	US	PPI Final Demand, m-o-m	Jan	0.5%	0.3%
17:30	US	PPI Final Demand, y-o-y	Jan	3.0%	2.6%
17:30	US	PPI ex-Food and Energy, m-o-m	Jan	0.7%	0.3%
18:45	US	MNI Chicago PMI	Feb	54.0	52.5
19:00	US	Construction Spending, m-o-m	Dec		0.3%
	Saudi Arabia	SAMA Net Foreign Assets, SAR	Jan	1637.2b	

*UAE time

Source: Bloomberg, ADCB Economic Research

Fig. 2. Last week's data

Time*	Country	Event	Period	Prior	Consensus	Actual
GCC Economies						
	Saudi Arabia	Budget Balance	4Q	-88.52B		
	Qatar	Trade Balance Month	Jan	14086M		
	Oman	CPI, y-o-y	Jan	1.6%		1.4%
Monday, 16 February						
	Saudi Arabia	CPI, y-o-y	Jan	2.1%		2.1%
3:50	Japan	GDP Annualized SA, q-o-q	4Q P	-2.6%	1.6%	0.2%
3:50	Japan	GDP SA, q-o-q	4Q P	-0.7%	0.4%	0.1%
3:50	Japan	GDP Deflator, y-o-y	4Q P	3.5%	3.2%	3.4%
8:30	Japan	Capacity Utilization, m-o-m	Dec	-5.3%		1.3%
8:30	Japan	Industrial Production, m-o-m	Dec F	-0.1%		-0.1%
10:30	India	Wholesale Prices, y-o-y	Jan	0.8%	1.4%	1.8%
	India	Trade Balance	Jan	-25046M	-25400M	-34678M
	India	Exports, y-o-y	Jan	1.9%		0.6%
	India	Imports, y-o-y	Jan	8.8%		19.2%
	India	Unemployment Rate	Jan	4.8%		5.0%
Tuesday, 17 February						
11:00	Germany	CPI, m-o-m	Jan F	0.1%	0.1%	0.1%
11:00	Germany	CPI, y-o-y	Jan F	2.1%	2.1%	2.1%
11:00	UK	ILO Unemployment Rate, 3Mths	Dec	5.1%	5.1%	5.2%
11:00	UK	Employment Change, 3M/3M	Dec	82K	108K	52K
11:00	Germany	CPI EU Harmonized, y-o-y	Jan F	2.1%	2.1%	2.1%
11:00	UK	Payrolled Employees Monthly Change	Jan	-6K	-20K	-11K
11:00	UK	Claimant Count Rate	Jan	4.3%		4.4%
11:00	UK	Jobless Claims Change	Jan	2.7K		28.6K
14:00	Germany	ZEW Survey Expectations	Feb	59.6	65.2	58.3
14:00	Germany	ZEW Survey Current Situation	Feb	-72.7	-65.9	-65.9
17:30	US	Empire Manufacturing	Feb	7.7	6.2	7.1
Wednesday, 18 February						
11:00	UK	CPI, m-o-m	Jan	0.4%	-0.5%	-0.5%
11:00	UK	CPI, y-o-y	Jan	3.4%	3.0%	3.0%
11:00	UK	CPI Core, y-o-y	Jan	3.2%	3.0%	3.1%
16:00	US	MBA Mortgage Applications	13-Feb	-0.3%		2.8%
17:30	US	Durable Goods Orders	Dec P	5.4%	-2.0%	-1.4%
17:30	US	Housing Starts	Dec	1272K	1308K	1322K
18:15	US	Industrial Production, m-o-m	Jan	0.2%	0.4%	0.7%
19:00	US	Leading Index	Jan	-0.3%	-0.2%	-0.2%
Thursday, 19 February						
17:30	US	Wholesale Inventories, m-o-m	Dec P	0.2%	0.2%	0.2%
17:30	US	Initial Jobless Claims	14-Feb	229K	225K	206K
17:30	US	Trade Balance	Dec	-53.0B	-55.5B	-70.3B
19:00	Eurozone	Consumer Confidence	Feb P	-12.4	-12.0	-12.2
Friday, 20 February						
3:30	Japan	Natl CPI, y-o-y	Jan	2.1%	1.6%	1.5%
11:00	UK	Retail Sales Inc Auto Fuel, m-o-m	Jan	0.4%	0.2%	1.8%
17:30	US	Personal Income	Dec	0.4%	0.3%	0.3%
17:30	US	Personal Spending	Dec	0.4%	0.3%	0.4%
17:30	US	GDP Annualized, q-o-q	4Q A	4.4%	2.8%	1.4%
19:00	US	U. of Mich. Sentiment	Feb F	57.3	57.3	56.6

*UAE time

Source: Bloomberg, ADCB Economic Research

This report is intended for general information purposes only. It should not be construed as an offer, recommendation or solicitation to purchase or dispose of any securities or to enter in any transaction or adopt any hedging, trading or investment strategy. Neither this report nor anything contained herein shall form the basis of any contract or commitment whatsoever. Distribution of this report does not oblige Abu Dhabi Commercial Bank PJSC (“ADCB”) to enter into any transaction.

The content of this report should not be considered legal, regulatory, credit, tax or accounting advice. Anyone proposing to rely on or use the information contained in the report should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in this report.

Information contained herein is based on various sources, including but not limited to public information, annual reports and statistical data that ADCB considers accurate and reliable. However, ADCB makes no representation or warranty as to the accuracy or completeness of any statement made in or in connection with this report and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this report.

Charts, graphs and related data or information provided in this report are intended to serve for illustrative purposes only. The information contained in this report is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. All statements as to future matters are not guaranteed to be accurate. ADCB expressly disclaims any obligation to update or revise any forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

This report is being furnished to you solely for your information and neither it nor any part of it may be used, forwarded, disclosed, distributed or delivered to anyone else. You may not copy, reproduce, display, modify or create derivative works from any data or information contained in this report.