

## The Week Ahead: Energy shock raises global stagflation risks; US and China CPI in focus

### ► **Global: Rising economic risks from higher energy prices**

The Iran conflict continues to drive markets, with sentiment oscillating between hope of a near-term conclusion and concerns over an escalation. Markets remain highly sensitive to geopolitical headlines; over the weekend US President Donald Trump gave Iran a Tuesday deadline for opening the Strait of Hormuz. The critical point remains that energy supplies through the Strait remain curtailed, increasing the risks of physical shortages the longer the conflict continues. This poses a significant challenge to the global economy, particularly for Asia and Europe. Increasingly, markets are recalibrating towards higher-for-longer oil and gas prices, resulting in reassessments of the inflation growth outlook. Oil prices could spike even further if the Strait of Hormuz remains virtually closed until May, or there are any further disruptions to energy exports from the MENA region.

Global price and activity data released so far for March highlights stagflation risks, including PMI data and flash Eurozone inflation data (page 2). Global manufacturing remained in expansionary territory (above 50), though input prices increased at the fastest pace since July 2022, while suppliers' lead times lengthened to a 3.5-year high. In the US, the input price index surged by 7.8 ppt to 78.3. Key releases this week will include March inflation data for the US and China (pages 2 and 3). We see the possibility of further downside risk to the growth outlook in sentiment surveys for April.

### ► **Oil: OPEC+ approves symbolic quota hike amid disruptions**

OPEC+ agreed to raise May output quotas by 206K b/d, matching April's increase, though the decision is largely symbolic given the ongoing disruption to physical supply and exports due to the Iran conflict. The group warned that damage to regional energy infrastructure will have a prolonged impact on oil supply, even after the conflict ends. A Reuters survey published last week points to OPEC oil production falling by 7.3 million b/d in March from the February level. There has been a c.45% drop in output from the Middle Eastern members of the group. Iraq (-61.5% m-o-m) and Kuwait (-53.1%) realised particularly large declines, given their total reliance on the Strait of Hormuz to export crude and constraints on storage facilities. Saudi Arabia saw a more muted contraction of 17.1%, as it has some alternative export infrastructure. Actual OPEC production data for March will be released on 13 April, with the IEA monthly report due the day after. Overall, the decision signals a readiness to raise output once export routes reopen, though it offers little immediate relief to a market facing acute physical tightness and elevated geopolitical risk.

### ► **US: March CPI to show impact of energy shock**

Inflation data over the coming week will offer early insights into the impact of the energy shock from the Iran war. US March CPI is expected to accelerate at its fastest sequential pace since June 2022 (1.0% m-o-m; February: 0.3%), reflecting the sharp surge in gasoline prices. On an annual basis, consensus

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expects headline CPI to strengthen to 3.4% y-o-y (February: 2.4%). The increase in core CPI is expected to be more modest at 2.7% y-o-y (February: 2.5%), led by a pickup in core goods inflation, particularly used cars, while services inflation remains sticky. February core PCE is also due this week and is expected to decelerate to 3.0% y-o-y (January: 3.1%), though markets will likely look through this print as it was ahead of the Iran conflict. Over the coming months, rising energy, freight and broader input costs are likely to reverse some of the earlier disinflation seen in household goods, apparel and vehicles.

► **US: March NFP rebounds, though risks lie ahead**

March non-farm payrolls (NFP) rebounded sharply, though they were driven by temporary factors. Payrolls rose by 178K, well above the consensus expectation of 65K and reversing February's sharp contraction. Job gains were led by healthcare, construction, transportation and warehousing. The rebound was partly driven by one-offs, including the return of strike-affected healthcare workers and weather-related normalisation, which weakens the signal for forward momentum. The unemployment rate edged lower to 4.3%, partly reflecting a decline in labour force participation (61.9% from 62%). Wage pressures eased to 3.5% y-o-y (February: 3.7%), reinforcing the medium-term signs of cooling driven by a gradual but orderly easing in the labour market. This is consistent with February JOLTS data, which showed job openings falling to 6.9 million (January: 7.2), though with a subdued quits rate of 1.9% and an overall downward moderation in the hire rate (February: 3.1%). The JOLTS data continues to indicate a low-hire, low-fire labour market ahead of the recent energy shock. Importantly, the March NFP data predates the full impact of the Iran-related energy shock, implying downside risks to hiring and labour demand ahead, as higher fuel costs and tighter financial conditions feed through.

**February retail sales:** Headline retail sales rose by a robust 0.6% m-o-m, with broad-based gains across autos, apparel, health, and discretionary categories. This points to strong payback from the January contraction (-0.1) and a healthy consumer demand backdrop at the start of 1Q2026, ahead of the rise in oil prices from March. This strength was supported by normalising weather conditions and early tax refunds related to the One Big Beautiful Bill. The control group — which feeds directly into GDP — increased by a solid 0.5% m-o-m (January: 0.2%). However, the outlook for consumer spending is becoming challenging. Rising energy costs, including gasoline, are likely to erode real disposable incomes in the coming months, offsetting the near-term boost from tax refunds.

► **Eurozone: Jump in energy prices pushes up March CPI**

Eurozone flash CPI data for March 2026 showed a clear, energy-driven re-acceleration of headline inflation back above the ECB's 2% target, albeit with core decelerating slightly. Headline inflation is estimated to have strengthened to 2.5% y-o-y in March — the highest since January 2025 — from 1.9% in February. However, the print was marginally below the consensus expectation of 2.6% y-o-y. In sequential terms, headline CPI accelerated to 1.2% m-o-m, doubling from February (+0.6%). Energy inflation jumped to 4.9% y-o-y, reflecting the sharp rise in oil and gas prices due to the Iran conflict, compared to a contraction of 3.1% in February. This reflects the initial feedthrough of the energy price surge. Core inflation decelerated to 2.3% in March, only slightly above the ECB's target and benign. Nevertheless, we expect to see a greater pass-through of higher energy prices into core inflation over the coming months.

The surge in energy prices and conflict-related uncertainties significantly complicates the ECB's decision-making. Recent commentary has turned hawkish. Governing Council (GC) members Fabio Panetta and Francois Villeroy de Galhau indicated last week that continuation of the conflict is pushing the economy closer

to the ECB's more adverse scenarios. The market is pricing in the first full 25 bps rate hike by the 11 June meeting. We are monitoring the breadth and extent of second-round inflation effects and longer-term inflation expectations, as these will be critical for assessing the persistence of the energy price shock and its implications for the ECB's next steps.

► **China: Producer price inflation expected to return to growth**

China will release both consumer and producer price data for March this week. Consumer price inflation is expected to decelerate modestly to 1.2% y-o-y, after the February print of 1.3% was boosted by a surge in demand for services, travel, and dining during the extended nine-day Lunar New Year holiday. The February inflation rate was the highest in three years. Food prices likely declined in March. On the PPI front, consensus expects price growth to turn positive in March to 0.5% y-o-y, ending 41 months of deflation. The February contraction (-0.9% y-o-y) already marked the slowest pace of decline in over a year following five consecutive months of sequential growth. Higher energy and metals prices are central to the expected yearly growth in producer prices in March. Policy measures to curb price wars and excess production in key industries also contributed to the monthly rise in producer prices. Notably, China has expanded its renewable energy capacity and domestic oil stockpiles, which, along with its domestic production base, should limit inflationary pressures from energy and imports to some degree.

► **India: RBI to remain on hold; fiscal policy to limit fuel price rises**

We expect the RBI to remain on hold this week, keeping the repo rate unchanged at 5.25%, with a unanimous vote and a neutral stance. The Iran conflict poses numerous challenges to India's economy, significantly widening its current account deficit, adding pressure on the fiscal balance, intensifying downside pressure on the INR, and pushing up inflation risks. For India, c.50% of crude oil imports and c.90% of LPG imports pass through the Strait of Hormuz, though the government has managed to secure some limited shipments so far. Inflation remains well within the 4+/-2 pp target band for now (February: 3.2%), though the sharp rise in global oil prices and renewed FX pressure point to upside price risks ahead. The policy response has focused on using fiscal measures to limit the pass-through of higher global prices. Retail petrol and diesel prices remain unchanged, supported by an INR10/litre cut in the excise duty. Household cylinder prices are steady, though commercial LPG prices have been raised by c.10-15% across major cities. These measures should help to contain near-term headline inflation, though they shift the burden to the fiscal balance and raise the risk of second-round effects over time.

► **India: RBI introduces measures to limit INR weakness**

The USD:INR pair remains under significant pressure after breaching the 95 level last week, driven by a further rise in crude prices, sustained portfolio outflows and one-sided positioning following the energy shock. We expect the RBI to refrain from using rate hikes to defend the currency for now, instead relying on regulatory and balance-sheet instruments. Actions announced so far include capping banks' net open INR positions at USD100 million, banning INR non-deliverable forwards (NDFs) for resident and non-resident clients, and prohibiting the rebooking of cancelled FX derivatives. These measures are aimed at closing the onshore-offshore arbitrage channel that diluted the impact of earlier FX intervention. Market participants were forced to unwind c.USD30-40 billion of positions last week, delivering an immediate and mechanical boost to the INR, which appreciated to 93.2 on Thursday from 94.8 on Monday. Still, these measures address positioning rather than fundamentals. We expect the INR's trajectory to remain driven by underlying forces — particularly FX demand linked to energy imports and ongoing capital outflows — with RBI intervention primarily smoothing excessive volatility rather than altering direction.

## I. Economic Calendar

Fig. 1. The week ahead

Time*	Country	Event	Period	Prior	Consensus
<b>Expected this week</b>					
	UAE	Dubai CPI, y-o-y	Jan	3.0%	
	Saudi Arabia	Saudi Official Reserve Assets SAR	Mar	1786.2B	
	Qatar	QCB Int'l Reserves & Foreign Currency Liquidity QAR	Mar	261.9B	
<b>Monday, 6 April</b>					
9:00	India	HSBC India PMI Composite	Mar F	56.5	
9:00	India	HSBC India PMI Services	Mar F	57.2	
18:00	US	ISM Services Index	Mar	56.1	54.9
<b>Tuesday, 7 April</b>					
12:00	Eurozone	S&P Global Eurozone Services PMI	Mar F	50.1	50.1
12:00	Eurozone	S&P Global Eurozone Composite PMI	Mar F	50.5	50.5
12:30	UK	S&P Global UK Services PMI	Mar F	51.2	51.2
12:30	UK	S&P Global UK Composite PMI	Mar F	51.0	51.0
16:30	US	Durable Goods Orders	Feb P	0.0%	-1.0%
<b>Wednesday, 8 April</b>					
3:50	Japan	BoP Current Account Balance	Feb	941.6B	3456.7B
8:30	India	RBI Repurchase Rate	08-Apr	5.25%	5.25%
10:00	Germany	Factory Orders, m-o-m	Feb	-11.1%	3.0%
15:00	US	MBA Mortgage Applications	03-Apr	-10.4%	
22:00	US	FOMC Meeting Minutes	18-Mar		
<b>Thursday, 9 April</b>					
16:30	US	Personal Income	Feb	0.4%	0.3%
16:30	US	Personal Spending	Feb	0.4%	0.6%
16:30	US	PCE Price Index, m-o-m	Feb	0.3%	0.4%
16:30	US	PCE Price Index, y-o-y	Feb	2.8%	2.8%
16:30	US	Core PCE Price Index, m-o-m	Feb	0.4%	0.4%
16:30	US	Core PCE Price Index, y-o-y	Feb	3.1%	3.0%
16:30	US	Initial Jobless Claims	04-Apr	202K	210K
16:30	US	GDP Annualized, q-o-q	4Q T	0.7%	0.7%
16:30	US	GDP Price Index	4Q T	3.8%	3.8%
18:00	US	Wholesale Inventories, m-o-m	Feb F	-0.5%	-0.2%
	Egypt	Urban CPI, y-o-y	Mar	13.4%	
<b>Friday, 10 April</b>					
3:50	Japan	PPI, y-o-y	Mar	2.0%	2.3%
5:30	China	PPI, y-o-y	Mar	-0.9%	0.4%
5:30	China	CPI, y-o-y	Mar	1.3%	1.1%
10:00	Germany	CPI, m-o-m	Mar F	1.1%	1.1%
10:00	Germany	CPI, y-o-y	Mar F	2.7%	2.7%
10:00	Germany	CPI EU Harmonized, m-o-m	Mar F	1.2%	1.2%
10:00	Germany	CPI EU Harmonized, y-o-y	Mar F	2.8%	2.8%
16:30	US	CPI, m-o-m	Mar	0.3%	1.0%
16:30	US	Core CPI, m-o-m	Mar	0.2%	0.3%
16:30	US	CPI, y-o-y	Mar	2.4%	3.4%
16:30	US	Core CPI, y-o-y	Mar	2.5%	2.7%
18:00	US	Factory Orders	Feb	0.1%	-0.1%
18:00	US	U. of Mich. Sentiment	Apr P	53.3	51.5
18:00	US	Durable Goods Orders	Feb F	0.0%	
18:00	US	Durables ex-Transportation	Feb F	0.4%	
22:00	US	Federal Budget Balance	Mar	-160.5B	-152.5B

\*UAE time

Source: Bloomberg, ADCB Economic Research

Fig. 2. Last week's data

Time*	Country	Event	Period	Prior	Consensus	Actual
<b>GCC Economies</b>						
	Qatar	GDP Constant Prices, y-o-y	4Q	2.9%		2.0%
<b>Monday, 30 March</b>						
16:00	Germany	CPI, m-o-m	Mar P	0.2%	1.1%	1.1%
16:00	Germany	CPI, y-o-y	Mar P	1.9%	2.7%	2.7%
16:00	Germany	CPI EU Harmonized, m-o-m	Mar P	0.4%	1.2%	1.2%
16:00	Germany	CPI EU Harmonized, y-o-y	Mar P	2.0%	2.8%	2.8%
<b>Tuesday, 31 March</b>						
3:30	Japan	Tokyo CPI, y-o-y	Mar	1.5%	1.6%	1.4%
3:30	Japan	Tokyo CPI ex-Fresh Food, y-o-y	Mar	1.8%	1.8%	1.7%
3:30	Japan	Tokyo CPI ex-Fresh Food, Energy, y-o-y	Mar	2.5%	2.3%	2.3%
3:30	Japan	Jobless Rate	Feb	2.7%	2.7%	2.6%
3:50	Japan	Industrial Production, m-o-m	Feb P	4.3%	-2.0%	-2.1%
3:50	Japan	Industrial Production, y-o-y	Feb P	0.7%	0.4%	0.3%
5:30	China	Manufacturing PMI	Mar	49.0	50.1	50.4
10:00	UK	GDP, q-o-q	4Q F	0.1%	0.1%	0.1%
10:00	UK	GDP, y-o-y	4Q F	1.0%	1.0%	1.0%
13:00	Eurozone	CPI, y-o-y	Mar P	1.9%	2.6%	2.5%
13:00	Eurozone	CPI, m-o-m	Mar P	0.6%	1.3%	1.2%
17:45	US	MNI Chicago PMI	Mar	57.7	55.0	52.8
18:00	US	Conf. Board Consumer Confidence	Mar	91.0	87.9	91.8
	Saudi Arabia	SAMA Net Foreign Assets SAR	Feb	1695.7B		1698.3B
<b>Wednesday, 1 April</b>						
4:30	Japan	S&P Global Japan PMI Mfg	Mar F	51.4		51.6
5:45	China	RatingDog China PMI Mfg	Mar	52.1	51.5	50.8
11:55	Germany	S&P Global/BME Germany Manufacturing PMI	Mar F	51.7	51.7	52.2
12:00	Eurozone	S&P Global Eurozone Manufacturing PMI	Mar F	51.4	51.4	51.6
12:30	UK	S&P Global UK Manufacturing PMI	Mar F	51.4	51.4	51.0
15:00	US	MBA Mortgage Applications	27-Mar	-10.5%		-10.4%
16:15	US	ADP Employment Change	Mar	66K	40K	62K
16:30	US	Retail Sales Advance, m-o-m	Feb	-0.1%	0.5%	0.6%
16:30	US	Retail Sales ex-Auto, m-o-m	Feb	0.0%	0.3%	0.5%
16:30	US	Retail Sales ex-Auto and Gas	Feb	0.2%	0.3%	0.4%
16:30	US	Retail Sales Control Group	Feb	0.2%	0.3%	0.5%
17:45	US	S&P Global US Manufacturing PMI	Mar F	52.4	52.4	52.3
18:00	US	ISM Manufacturing	Mar	52.4	52.3	52.7
<b>Thursday, 2 April</b>						
16:30	US	Trade Balance	Feb	-54.7B	-60.6B	-57.3B
16:30	US	Initial Jobless Claims	28-Mar	211K	212K	202K
	Egypt	Lending Rate	02-Apr	20.0%		20.0%
	Egypt	Deposit Rate	02-Apr	19.0%	19.0%	19.0%
<b>Friday, 3 April</b>						
8:15	UAE	S&P Global United Arab Emirates PMI	Mar	55.0		52.9
16:30	US	Change in Nonfarm Payrolls	Mar	-133K	65K	178K
16:30	US	Unemployment Rate	Mar	4.4%	4.4%	4.3%
17:45	US	S&P Global US Services PMI	Mar F	51.1	51.1	49.8
17:45	US	S&P Global US Composite PMI	Mar F	51.4	51.4	50.3
<b>Saturday, 4 April</b>						
8:15	Saudi Arabia	S&P Global Saudi Arabia PMI	Mar	56.1		48.8
8:15	Qatar	S&P Global Qatar whole economy PMI	Mar	50.6		38.7

\*UAE time

Source: Bloomberg, ADCB Economic Research

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