

**Week Ahead: 3-7th March 2025 - Highlights include Tariff deadline; US NFP, ISM; China Two Sessions; ECB policy announcement**

- **MON:** Chinese Caixin Manufacturing PMI (Feb), EZ/UK/US Final Manufacturing PMI (Feb), EZ Flash CPI (Feb), US ISM Manufacturing.
- **TUE:** Tariff deadline, President Trump State of Union, EZ Unemployment Rate (Jan), RBA Minutes.
- **WED:** China Two-Sessions, Australian GDP (Q4), Chinese Caixin Services PMI (Feb), Swiss CPI (Feb), EZ/UK/US Final Services/Composite PMIs (Feb), EZ PPI (Jan), US ADP (Feb), US ISM Services PMI (Feb).
- **THU:** China Two Sessions, EU Ukraine meeting, Australia GDP, Swiss CPI, ECB Announcement, CBRT Announcement, Swedish CPIF (Feb), EZ Retail Sales (Feb), EU Ukraine meeting.
- **FRI:** German Industrial Orders/Manufacturing Output (Jan), EZ GDP Revised (Q4), US Jobs Report (Feb), Canadian Jobs Report (Feb), Chinese Trade Balance (Feb).

**CHINA CAIXIN PMI (MON/WED):** The Caixin Manufacturing PMI is expected at 50.3 (prev. 50.1), whilst Services was previously 51.0 with no expectations available at the time of writing. The PMI metrics may be stale given the recent developments in the US-China tariff saga, with US President Trump threatening an additional 10% levy on China from March 4th to the 10% imposed on February 4th. Additionally, the data comes ahead of the China Two Sessions, which is poised to set out economic policy targets. Nonetheless, the release may prompt some action across assets as it still offers a prognosis of sentiment within the economy alongside anecdotal commentary on firms' expectations of growth, inflation, and tariffs.

**EZ FLASH CPI (MON):** Expectations are for February headline CPI to slip to 2.3% Y/Y from 2.5%, and the core is seen ticking lower to 2.6% Y/Y from 2.7%, while the super-core metric is expected to decline to 2.5% Y/Y from 2.7%. As a reminder, the prior release showed Y/Y inflation tick higher to 2.5% Y/Y from 2.4% amid increases in energy prices; super-core held steady at 2.7%, and the services measure slipped to 3.9% Y/Y from 4.0%. For the upcoming release, analysts at Investec expect energy prices to once again play a role for headline inflation, this time to the downside with a call of 2.3% Y/Y. In terms of regional inputs thus far, Spanish inflation edged higher on a headline basis due to electricity prices, but cooled on a core basis. France saw a sharp fall in inflation alongside a contraction in consumer spending. Elsewhere, Italian inflation rose on a M/M and Y/Y basis, whilst Germany HICP held steady on an annual basis, but the core measure slipped to 2.6% Y/Y from 2.9%. Goldman Sachs (pre-Germany) surmised that "national data published so far suggest that Eurozone headline inflation dropped back in February, and that core inflation might have finally started to come down more significantly." Looking deeper into the upcoming report, analysts at Investec suspect that "February could usher in the first glimmer" of services inflation showing a more "meaningful path to target." The desk adds that "a moderation in wage growth going forward will be critical, something that the ECB has been sounding more confident about." From a policy perspective, a 25bps rate cut at the upcoming meeting is nailed on (see ECB section below for details). However, a hot outturn for inflation could provide ammunition for some of the hawks on the GC looking to engineer a pause in the ECB's rate cutting cycle.

**US ISM MANUFACTURING PMI (MON):** The consensus expects the February ISM manufacturing survey to print 50.8 from 50.9 in January. As a basis of comparison, S&P Global's PMI data series showed Flash US manufacturing PMI rose to 51.6 in February (vs 51.2 in January), an 8-month high, while the Manufacturing Output index rose to 53.8 in February (from 51.8), an 11-month high. The survey compiler said that US business activity growth came close to stalling in February, as a renewed fall in services output offset faster manufacturing growth. Input cost pressures spiked higher, notably in manufacturing, as suppliers passed on tariff-related price hikes and wage pressures persisted. Manufacturing output rose for a second successive month, buoyed by higher new orders; but new order growth slowed, caused in part by a steepening loss of export orders. S&P said that many manufacturers also reported that the rise in production and demand was in part linked to front-running potential cost increases or supply shortages linked to tariffs. "A concern is the sharp, tariff-related, jump in manufacturing input prices, which will likely either put further upward pressure on inflation in the coming months or further squeeze profit margins among US companies," S&P warned.

**TARIFF DAY (TUE):** March 4th will see the fentanyl-related US tariffs take effect against Canada and Mexico, and now with an additional 10% on China. As a recap, Canada and Mexico saw their February 4th tariffs paused for 30 days to pave the way for negotiations, whilst the 10% tariff on China went into effect on that day. US President Trump on February 27th said that the proposed tariffs (on Canada/Mexico) are scheduled to go into effect on March 4th, but added that "China will likewise be charged an additional 10% Tariff on that date." Trump later clarified that there would be a 10+10 tariff on China for a total 20%, stating that he is not seeing progress on drugs coming into the country, and that Canada should be apprehending much more fentanyl. China's Foreign Minister, on the remarks from US President Trump around an additional 10% tariff, said the US is once again using fentanyl as a pretext for threatening China; China opposes the tariff move and will take all necessary measures to safeguard their legitimate interests; Canada PM Trudeau said they will have an immediate and extremely strong response if the US imposes tariffs; Mexico's Deputy Economy Minister said it is analysing other measures, after imposing tariffs on low-cost imports.

**CBRT POLICY ANNOUNCEMENT (TUE):** Turkey's central bank is widely expected to continue the direction of its cutting cycle. The consensus expects the CBRT to reduce rates by 250bps, and markets are pricing 226bps of cuts for the meeting. At its last policy meeting, it cut rates by 250bps to 45.0%, and noted that a tight monetary stance will be maintained until price stability is achieved via a sustained decline in inflation, and the committee will make its decisions prudently on a meeting-by-meeting basis with a focus on the inflation outlook. BofA highlights that it remains cautious on its rate call, following the CBRT's inflation revision; however, a 250bps reduction remains their baseline.

**CHINA TWO-SESSIONS (WED/THU):** China's People's Political Consultative Conference (CPPCC) is set to open on March 4th and the National People's Congress (NPC) is poised to kick off on March 5th – dubbed as the 'Two Sessions'. These week-long meetings will outline Chinese policy priorities for the year, with the most focus on China's main quantitative targets, particularly on economic growth. These will be delivered by Premier Li at the start of the NPC meeting. China's economic growth target is expected to be set at "about 5%" for 2025 (unchanged from 2024), while CPI will likely be lowered to 2% from 3% in 2024, according to a report in Securities Times; many share the same view. ING said "the headline will undoubtedly be China's GDP growth target, which we expect to remain unchanged at 'around 5%' again this year. We believe this target will signal confidence that China can maintain steady growth despite heightened external uncertainties... Additionally, we expect the inflation target will be lowered. This shouldn't have a significant impact on actual policy". Domestic consumption will likely also grab some attention – Chinese President Xi recently urged that it should speed up on boosting consumption. UBS thinks "the government is likely to prioritize 'boosting consumption' as the top policy task in the NPC meeting." Further, traders will be on the lookout for signs of stimulus, although Beijing will likely not go full throttle on stimulus given the uncertainties arising from US tariffs, with President Trump recently threatening an additional 10% levy on China from March 4th on top of the 10% imposed on February 4th. "March is too early for any major policy stimulus, as policymakers need more time to see the actual impact of the trade war 2.0," Macquarie said.

**AUSTRALIAN GDP (WED):** Real GDP Q/Q is forecast to tick higher to 0.4% in Q4 (prev. 0.3%) with the annual metric expected at 1.2% Y/Y (prev. 0.8%). Analysts at Westpac expect the quarterly measure to print +0.4%, and the annual at +1.1% Y/Y, with private demand showing a modest recovery (+0.6% Q/Q, +1.1% Y/Y) but remaining sluggish. The bank posits that the key drivers will be: public spending (+0.8% Q/Q) continuing to play a major role, while household consumption (+0.7% Q/Q) and dwelling investment (+0.9% Q/Q) show signs of improvement. Its analysts expect labour productivity to decline 1.5% Y/Y, but non-mining market sectors are performing better. Ahead, Westpac expects a gradual recovery, supported by tax cuts, cost-of-living relief, moderating inflation, and lower interest rates, but momentum remains uncertain, the desk says.

**SWISS CPI (WED):** January's figure came in at 0.4% Y/Y, in-line with market expectations and only marginally hotter than the 0.3% average forecast for Q1 that the SNB provided at its December meeting; for reference, the SNB looks for inflation to moderate further to 0.2% Y/Y in Q2, before picking up modestly into end-2025. We have not heard much from SNB members after the January numbers, and there is not currently a newswire consensus for the release. However, it is worth recalling remarks from Chairman Schlegel just before the January data, that monthly inflation data may dip below 0%. The February release will help to cement views on easing for the remainder of 2025. As it stands, markets fully price in a 25bps cut at the March meeting to take rates to 0.25%; a figure which is currently seen as the terminal rate, though pricing does imply around a 60% chance of another cut to 0.00% by the end of the year. Overall, barring a significant hawkish surprise, markets seem prepared for a 25bps cut in March, though February's release and figures thereafter, particularly in the context of the SNB's forecast for a modest inflation pick up at the end of the year, will prove crucial in determining if the zero lower bound is hit.

**SPECIAL EUROPEAN COUNCIL MEETING ON UKRAINE & DEFENCE (THU):** European Council President Costa announced a special European leaders' meeting on March 6th, which "will be dedicated to European Defence and to Ukraine." The meeting comes after US President Trump's call with Russian President Putin, followed by high-level non-presidential talks between the US and Russia, and with Ukrainian President Zelensky visiting Washington on Friday. The invitation for the meeting suggested that, on European defence, the view is to take first decisions in the short term for "Europe to become more sovereign, more capable and better equipped to deal with immediate and future challenges to its security." On Ukraine, the invitations suggested "there is a new momentum, which should lead to a comprehensive, just and lasting peace," while "the EU and its member states are ready to take more responsibility for Europe's security. We should therefore be prepared for a possible European contribution to the security guarantees that will be necessary to ensure a lasting peace in Ukraine." The meeting is due to commence at 11:30GMT / 06:30EST with a traditional exchange of view followed by a discussion with the Ukrainian President at lunch, with a focus thereafter on European Defence, followed by a discussion on Ukraine.

**ECB ANNOUNCEMENT (THU):** Markets assign a circa 97% probability of the ECB lowering its Deposit Rate by 25bps, to 2.5%. Data since the prior meeting has seen headline inflation rate tick higher in January to 2.5% Y/Y from 2.4%, super-core held steady at 2.7% Y/Y, and services slipped to 3.9% Y/Y from 4.0%. Nonetheless, the Governing Council remains confident that inflation will return to target over the course of the year. On the growth front, the second read of Eurozone GDP in Q4 was revised a little higher, to 0.1% vs. the 0.4% seen in Q3. More timely survey data from S&P Global has seen the EZ-wide manufacturing print rise to 47.3 from 46.6, services slip to 50.7 from 51.3, leaving the composite just about in expansionary territory at 50.2. The accompanying report noted "economic output in the eurozone is barely moving at all." Given confidence in the inflation outlook and concerns over the bloc's growth outlook, as the threat of tariffs from the Trump admin looms large, a 25bps reduction is nailed on. As such, attention will be on any tweaks to the policy statement, which currently states that "monetary policy remains restrictive." Morgan Stanley doubts that "restrictiveness will be dropped entirely" but thinks it could be "qualified." The desk adds that "rates could be described as nearing levels that are no longer restrictive, setting the stage for a pause at one of the next meetings." On the subject of the rate path, markets assign a circa 64% chance of a cut in April, with the next 25bps reduction fully priced by June, and a total of 83bps of easing seen by year-end. For the accompanying macro projections, MS flags the complex backdrop to generating forecasts which has seen "Euro area growth surprised on the downside, oil and gas prices are meaningfully up, tariffs are looming, France voted a 2025 budget, Germany held elections and European countries contemplate significant increases of their defense spending." Overall, the desk expects growth to be revised down across the full forecast horizon. On the inflation front, the desk expects higher energy prices will boost the 2025 forecast, but ultimately prove to be a temporary shock with 2026 and 2027 projections to be below the 2% target.

**SWEDISH CPI (THU):** The February inflation metrics will be crucial in determining if another cut is likely or not, it may see a moderation in inflation pressures given the January figure was subject to re-weighting effects; however, Rabobank cautions that it is not clear how much of the surge will be reversed, given strength in core services and rents. As a reminder, the last reading showed the inflation metrics above expectations; CPI ex-energy rose 2.7% (prev. 2.0%; the Riksbank forecast was 2.4%); metrics which led Nordea to change its view that the Riksbank will not cut rates beyond the current 2.25% (vs a prior view of a cut in May). Market pricing assigns a 33% chance of a cut in March, and does not fully price in a 25bps cut until December. On the other hand, SEB views the uptick in inflation can be explained by basket effects; so its analysts are sticking with their view of a final rate cut in May, but note some uncertainties.

**CHINESE TRADE BALANCE (FRI):** There are currently no newswire expectations for the release, but the data could be stale against

the backdrop of fluid tariff policies, with US President Trump recently threatening an additional 10% tariff on China from March 4th on top of the 10% imposed on February 4th. As a reminder, China's trade surplus hit a record high of USD 992.2bln in 2024, driven by strong export growth and weak import demand. December's exports surged partly due to frontloading ahead of Trump's inauguration, with ASEAN and Latin America leading growth. Imports remained sluggish with strength in tech-related goods but weakness in commodities and consumer products. Ahead, desks think that external demand may soften due to tariffs, making domestic demand crucial for maintaining growth in 2025 – a topic expected to be touched upon at the China Two-Sessions.

**US JOBS REPORT (FRI):** The consensus looks for 133k nonfarm payrolls to be added to the US economy in February (vs January's 143k, which was likely hit by weather conditions); the January release also saw upward revisions to the November and December data, sending the three month average higher (current 3mth avg. of 237k, 6mth avg. of 178k, and 12mth avg. of 168k). Capital Economics says that survey indicators point to February being a weak month for payrolls growth, noting that S&P Global's composite employment index (in the PMI data) dropped below the 50 "no change" mark for the first time in three months, and the NFIB hiring intentions indicator edged down in January (though CapEco sees some rebound in weather-sensitive sectors). There will be attention on the government payrolls figure, as the new US administration undertakes hiring freezes, contract buyout offers, and mass layoffs; however, CapEco thinks these should have a minimal impact on the February data. The unemployment rate is seen unchanged at the 8-month low of 4.0%, which may have been a function of the population control-adjusted 234k rise in the household survey measure of employment outpaced a 91k increase in the labour force, CapEco explains. "Data from the Conference Board survey suggest households have found it harder to find work so far this year," it writes, but "with immigration numbers continuing to trend downwards, we expect slower labour force growth to have kept the unemployment rate at 4.0%." (Note: the FOMC in December projected that the jobless rate will tick-up to 4.3% in 2025). Meanwhile, the rate of average hourly earnings is seen cooling to +0.3% M/M (vs +0.5% in January, the highest rate in around a year). "With the JOLTS private quits rate still at its lowest since the pandemic, there is scope for wage growth to slow," Capital Economics said, and it also sees a +0.3% M/M rise this month; given unfavourable base effects, it predicts the annual rate could tick higher to 4.2% Y/Y from 4.1%.

**CANADA JOBS REPORT (FRI):** The February labour market report will be eyed to see if the notable strength in the January report continues through to February, in what would be a strong start of the year for Canadian employment. In January, the Canadian economy added 76k jobs (35k full and 41k part time), with the unemployment rate ticking down to 6.6% from 6.7%. After an uptick in inflation in January too, the data will be used to help shape expectations for the March 12th BoC meeting. Markets are currently pricing in 13bps of easing, which is more or less a coin toss for keeping rates unchanged or cutting by 25bps. Looking ahead, 50bps of easing is priced through year-end. The Canada Jobs report is due on Friday 7th March, after the 4th March tariff deadline US President Trump imposed on Canada and Mexico, which will likely have more influence on BoC thinking. If tariffs go ahead, BoC Governor Macklem has noted that if US tariffs are long-lasting and broad based, there will not be a bounce back, and the updated BoC model shows output in Canada will fall almost 3% over 2 years, all but wiping out the growth forecast for 2025 and 2026. He also noted that exports would fall 8.5% in the year after tariffs took effect, while the initial impact will be a one-time climb in prices, and policy must ensure higher prices do not become ongoing inflation.

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