

Highlights include US PCE and GDP, FOMC Minutes, RBNZ, Flash PMIs, UK, Canadian and Japanese Inflation

- **SUN:** Japanese Prelim. GDP (Q4)
- **MON:** US Holiday (Washington's Birthday/Presidents Day); Eurogroup Meeting; Swedish Unemployment (Jan), EZ Industrial Production (Dec)
- **TUE:** RBA Minutes (Feb); UK Unemployment/Wages (Dec), German ZEW (Feb), US ADP Weekly, Canadian CPI (Jan), NY Fed (Feb), Chinese Lunar New Year (Hong Kong markets closed from 17th-19th Feb)
- **WED:** RBNZ Announcement, FOMC Minutes (Jan); Japanese Trade Balance (Jan), Australian Wage Price Index (Q4), UK CPI (Jan), US NY Fed (Feb), Industrial Production (Jan)
- **THU:** Japanese CPI (Jan), Australian Employment (Jan), US Trade Balance (Dec), Weekly/Continuing Claims, Philadelphia Fed (Feb), Pending Home Sales (Jan), EZ Flash Consumer Confidence (Feb), New Zealand Trade Balance (Jan)
- **FRI:** Hong Kong markets return from Lunar New Year; ECB EZ Indicator of Negotiated Wages; UK Retail Sales (Jan), PSNB (Jan), EZ/UK/US Flash PMIs (Feb), Canadian Retail Sales (Jan), US PCE/GDP (Dec/Q4)

JAPANESE PRELIM GDP (SUN): Q4 Q/Q GDP is forecast to have risen 0.4%, with Y/Y growth seen at 1.6%. ING expects a more modest 0.3% Q/Q expansion, driven by a rebound in construction as the impact of temporary safety regulations fades and firmer exports supported by robust global semiconductor demand. January trade data highlight continued strength in chip exports, with favourable calendar effects and a low base likely to boost headline export growth. The impact of supplementary budget spending is expected to become more evident in Q1 2026 rather than Q4, while no material effect from China-Japan disputes is anticipated in the Q4 data. Stable political conditions and strong chip demand are also seen underpinning manufacturing and services activity.

CANADIAN CPI (TUE): The Canadian inflation report will help shape expectations for BoC policy. The BoC is currently on hold but is keeping its options open. Recent minutes said the policy rate is on the stimulative side of the Bank's estimated neutral range, and policymakers agreed that holding rates at the current level was conditional on the economy evolving in line with their outlook, warning that heightened uncertainty has broadened the range of possible outcomes. Members said it was difficult to predict the timing and direction of the next policy move and would continue to monitor risks closely, standing ready to respond if the outlook changes. On inflation, the BoC noted that escalating tensions could disrupt global supply chains and weigh on activity, posing both upside and downside risks to prices. On the USMCA review, it said this posed downside risks to growth and could pull inflation lower if the economy weakens, though higher import costs, potential counter-tariffs and supply chain disruptions could lift inflation. Amid the uncertainty, the BoC agreed to maintain optionality in setting policy. In a speech, Governor Macklem stressed the bank must be careful not to misdiagnose economic weakness, saying policy should not attempt to offset lost supply, particularly as the Canadian economy undergoes structural change. Money markets are pricing no change in rates for the remainder of the year.

RBA MINUTES (TUE): The RBA will release minutes of its meeting earlier this month, when it raised the Cash Rate for the first time in more than two years by 25bps to 3.85%, as expected, with the decision unanimous. The bank said inflation was likely to remain above target for some time and that broad measures of wage growth continued to be strong. It added that labour market conditions were somewhat tight and capacity pressures greater than previously assessed and noted uncertainty around the outlook for domestic economic activity and inflation, and the extent to which monetary policy is restrictive. The RBA also published its latest Quarterly Statement on Monetary Policy, stating that underlying inflation was higher than expected and that GDP growth had continued to pick up, with private demand surprisingly strong. It raised its trimmed mean and CPI inflation forecasts and lifted its December 2025 GDP projection but lowered its year-end GDP forecasts for December 2026 and December 2027. The forecasts assumed the Cash Rate at 4.2% in December 2026 and 4.3% in December 2027. Governor Bullock said at the press conference that the pulse of inflation was too strong and that high inflation hurt all Australians, adding that the Board believed inflation would take longer to return to target and could not allow it to get away.

UK UNEMPLOYMENT/WAGES (TUE): November's Unemployment rate came in above consensus at 5.1% (exp. 5.0%), with the overall skew from the series a dovish one, as while the hotter-than-expected wage figure was a hawkish impulse, it is a familiar one. This week's series is expected to feature a steady unemployment rate and a decline in payrolls. As a reminder, the February BoE MPR saw the peak unemployment forecast raised to 5.3% from the previous, and current, rate of 5.1%; i.e. the MPC expects a further deterioration in the jobs market. Note, given the remarks by BoE's Bailey in the last statement, wages are perhaps worth watching even closer than normal, after he caveated his increased confidence on the path of wage inflation by adding it is less clear when the inflation downside will feed into wages; i.e., a marked drop in wages could tilt him to a March cut vs current pricing for April. However, overall, the series will inform but is unlikely to determine the timing of the next BoE cut, with the week's inflation series (see below) more pertinent in that deliberation.

RBNZ ANNOUNCEMENT (WED): The RBNZ will hold its first policy meeting of the year next week, where it is widely expected to keep the Official Cash Rate unchanged at 2.25%, with money markets pricing a 98% probability of no change. The meeting will be the first under Governor Breman, who took office in December. At its previous meeting in November, the RBNZ cut rates by 25bps, its third consecutive reduction, bringing cumulative easing to 325bps since it began its rate-cutting cycle in August 2024. The bank left the door open to further moves, saying future changes to the OCR would depend on how the outlook for medium-term inflation and the economy evolves, although its projections implied a pause through 2026. The RBNZ noted that annual consumer inflation

rose to 3% in the September quarter but said spare capacity in the economy should see inflation fall to around 2% by mid-2026, with risks to the outlook balanced. Then-Governor Christian Hawkesby said policymakers were well placed to mitigate risks and that the central projection was for the Cash Rate to remain on hold through 2026, while retaining full optionality with every option on the table. He later acknowledged the bank had lowered the cash rate significantly and was more confident the OCR was now stimulatory, adding that the hurdle for further cuts was high and that it could not keep the door open to easing indefinitely. Governor Breman has also signalled openness to further adjustments, but without urgency, saying the RBNZ had made significant progress towards its mandated objectives and was closely monitoring data, including inflation and GDP. She said there was no preset course for monetary policy and that the bank would adjust if the inflation outlook changed. Breman added that the economic outlook had evolved broadly in line with expectations and that the forward path for the OCR published in the November monetary policy statement pointed to a slight probability of another cut in the near term, though if conditions evolve as expected the OCR is likely to remain at 2.25% for some time.

FOMC MINUTES (WED): The Fed left rates unchanged at 3.50-3.75%, as expected, in a 10-2 vote, with Governors Miran and Waller dissenting in favour of a 25bps reduction. Miran had previously voted for a 50bps cut in December. The January statement upgraded its economic assessment, replacing "economic activity has been expanding at a moderate pace" with "expanding at a solid pace", "job gains have slowed this year" with "job gains have remained low", and "the unemployment rate has edged up" with it having "shown some signs of stabilisation". It also simplified "inflation has moved up since earlier in the year and remains somewhat elevated" to "inflation remains somewhat elevated". In its risk characterisation, December's addition that the Committee "judges that downside risks to employment rose in recent months" was removed, leaving only that it is attentive to risks on both sides of the mandate. The statement's tone was slightly more positive on the economy and labour market and broadly unchanged on inflation. Ahead of the decision, traders looked for signals on the future policy path, but the statement offered no immediate clues and Chair Powell's press conference provided little by way of new information. Powell noted that decisions will be made on a meeting-by-meeting basis, guided by the data and balance of risks. He said policy is well positioned, reiterating it is currently within a plausible neutral range, but towards the higher end. If Fed sees goods pricing peaking over this year, that suggests the Fed can loosen policy further. Powell highlighted that data since the December meeting has improved the outlook. Inflation remains somewhat elevated. Goods and tariff-related inflation expected to peak around mid-2026, with many effects already passed through. He noted that the labour market has weakened alongside solid growth, but recent data suggests stabilisation following a period of cooling. Job gains remain subdued, and while risks to employment have diminished, they have not disappeared, making it difficult to judge whether the dual mandate is fully in balance. Since the January meeting, Governor Waller (voter) has argued policy remains too restrictive, the labour market "does not look remotely healthy", and tariff-driven inflation should be looked through. Governor Miran (voter) has said underlying inflation is not problematic and rates should be materially lower, warning policy may be passively tightening, though he added that after this week's jobs data his concerns about the labour market have eased slightly. Governor Cook (voter) stressed stalled disinflation and the need to maintain credibility. Vice Chair Jefferson (voter) described policy as well positioned, expects tariff effects to fade and inflation to ease in 2026. Logan and Hammack (both 2026 voters), characterised rates as around neutral, signalling no urgency to cut unless labour conditions deteriorate materially. Among non-voters, Musalem and Schmid cautioned against further easing with inflation near 3%, while Daly, Barkin and Bostic emphasised resilience but warned inflation remains above target. Note, the minutes are an account of the January 28th meeting, so it will not incorporate the January jobs report and CPI data.

UK CPI (WED): December's print was hotter-than-expected at the headline level, though subject to caveats amid Budget-driven tobacco changes and elevated airfares due to the timing of return flights over the Christmas period. Pertinently, the core Y/Y figure was either in-line or cooler depending on the consensus used; however, all services ticked higher, though by less than some expected. An unwinding of the one-off impacts in December should see the headline moderate in January, with Pantheon Macroeconomics forecasting a 3.0% Y/Y print, though that is above the BoE MPC's 2.9% forecast. As a reminder, the February MPR saw the inflation forecasts lowered across the next three years, and the statement remarks that the "outlook for inflation over the next six months is notably lower than expected in November", primarily due to energy prices, including the impact of fiscal policy. The January series will be the main factor informing on whether the BoE cuts in March (-19.5bps priced) or April (-26.9bps). The language from the statement was balanced and kept the focus on the medium term. As a reminder, February was a 5-4 split with Bailey the tie break; on inflation, the Governor said he expects to see "quite a sharp drop in inflation over coming months". If CPI prints in-line with Pantheon's view, that is undoubtedly a sharp drop. However, the "coming months" emphasis by Bailey skews the bias to April vs March. Overall, CPI will have the main role to play in determining the timing of a cut, and if we see the moderation desks are looking for in prices, along with continued labour market pressures, a wage pullback and/or soft retail metrics, then March may move towards being priced.

AUSTRALIAN EMPLOYMENT (THU): Westpac expects employment to rise by 40k (prev. +65.2k), with the participation rate edging up to 66.8% (prev. 66.7%) and the unemployment rate ticking up to 4.2% (prev. 4.1%). The labour market ended 2025 on a choppy note, the bank says, with a weak November followed by a strong December, though analysts caution that seasonal volatility - particularly around year-end and January hiring patterns - complicates the signal. Westpac judges the data reflect a solid finish to 2025 rather than a clear re-tightening in conditions, with employment growth likely near its trough as care-sector effects unwind and private demand stabilises. January data will be closely scrutinised by the RBA amid renewed inflation pressures, with attention on participation dynamics, population re-benchmarking and "marginally attached" workers, which have distorted recent January prints. Westpac expects a flatter employment recovery through 2026 and a gradual drift higher in unemployment over the year.

JAPANESE CPI (THU): Japan's CPI is expected to slow sharply, with headline inflation seen at 1.5% Y/Y (prev. 2.1%), according to ING. The deceleration is largely attributed to government energy subsidies and stabilisation in food prices. ING expects inflation to moderate further in the coming months, reinforcing expectations that price pressures may remain contained in the near term. From a BoJ perspective, the central bank held rates steady in January to assess the impact of previous hikes and await key data from the Shunto spring wage negotiations.

UK RETAIL SALES (FRI): Barclay's consumer spending report for January showed a modest increase in car spending during one of the wettest months on record, with online and entertainment expenditures bolstered as a result. However, the weather would theoretically have had an impact on footfall to stores. Despite that, Barclays' report showed retail spending rebounded 1.7% Y/Y after a relatively flat December, supported by January sales and online activity. On the point of footfall, the BRC report showed in-store sales having the "highest growth" in over six months, despite the poor weather. Overall, the series should be robust and broadly in-fitting with the December print of 0.4% Y/Y.

EZ FLASH PMIs (FRI): Expectations are for Services to edge up from the prior reading, with some analysts seeing the Manufacturing component return to expansionary territory. As such, the Composite is expected to rise to 51.7 from 51.3. Taking a look at other activity figures, EZ Retail Sales fell 0.5% in December from +0.1% previously, while German Industrial Production missed forecasts by a wide margin, underscoring the uneven nature of the country's recovery. This PMI report is unlikely to have a material impact on monetary policy, with the ECB reiterating that the Bank remains in a "good place". February's ECB statement said growth is resilient and recent communication has largely reiterated a data-dependent approach. Recent data has been broadly in line with staff projections, with increased focus on the stronger EUR and trade and geopolitical developments. The January report printed slightly below expectations, although the overall trend has been sideways. In the prior reading, HCOB said the "growth trajectory can be described as decent", though not yet "comfortable". Regionally, Germany, Italy and Spain have continued to expand since September, while France has been affected by the "difficult political situation". Since the last report, the political backdrop has stabilised in the short-term after Prime Minister Lecornu forced an amended 2026 budget through.

UK FLASH PMIs (FRI): Investec forecasts the UK Composite PMI at 53.6, marginally below the prior 53.7, with slight downticks expected in both Manufacturing and Services, suggesting a modest loss of momentum after the upward trend of recent months. Recent activity data have included a subdued December GDP report, alongside weak Manufacturing and Industrial Production figures. The report will be closely watched by policymakers at the BoE, which kept rates unchanged at 3.75% at its January meeting. The 5-4 vote split was more dovish than the expected 7-2. Governor Bailey described activity as "subdued", while Lombardelli called it "weak". Ramsden and Dhingra, who dissented in February, also took a downbeat view of the activity environment. The Bank cut its growth forecasts for Q1'26 and Q1'27. Money markets currently assign a 76% chance of a cut in March and have fully priced in a move by April. ING said that if recent weakness in growth and the labour market persists alongside easing wage growth, a March cut is "highly likely".

UK PSNB (FRI): December's PSNB came in at GBP 11.6bln, around GBP 2.5bln below the consensus figure, however, still at an elevated level and the 10th highest December print on record, with the FY to December tally the 3rd highest on record. January's data captures capital gains and self-assessment payments ahead of the end-January deadline, and as such the series can be volatile and subject to significant and often one-off swings. As a reminder, the OBR expects receipts from capital gains to increase substantially over the next few years; a factor that may be seen in the January figure if participants elected to sell-off assets ahead of the 2025 Autumn Budget. An increase in such payments (potentially sparking a negative borrowing figure) would be welcome by the Treasury and would, if only temporarily, provide a welcome positive headline on the UK economy for the Labour government at the moment.

US PCE (FRI): PCE prices, the Fed's preferred inflation gauge, will be critical for policymakers and markets in assessing the future path of interest rates. Consensus expects December PCE to show firmer price pressures than recent CPI prints, with measures such as food and producer prices pointing to upside risks. Analysts note that the 'wedge' between CPI and PCE could produce a hotter PCE reading, partly because PCE places greater weight on categories where prices are rising more sharply. At his press conference following the FOMC's January meeting, Chair Powell said estimates based on CPI data indicate headline PCE rose 2.9% Y/Y in December, up from 2.8%, while core PCE, excluding food and energy, likely rose 3.0% Y/Y from 2.8%. He said the elevated readings largely reflect goods inflation boosted by tariffs. The Fed's December projections pencilled in one additional cut for 2026, though policymakers have recently indicated this depends on further progress towards the inflation target, given the labour market has outperformed expectations. Powell reiterated that decisions will be taken on a meeting-by-meeting basis, guided by data and the balance of risks. He said inflation has evolved broadly as expected but remains somewhat elevated, with no progress on core PCE last year as the overshoot was driven mainly by goods prices, tariffs and one-off factors rather than demand. Goods and tariff-related inflation are expected to peak around mid-year, with many effects already passed through. Powell said that if tariff effects on goods prices peak this year, it would signal scope to loosen policy. Short-term market-based inflation expectations have fully retraced since "Liberation Day", while longer-term measures indicate confidence that inflation will return to 2%.

US GDP (FRI): The preliminary Q4 GDP estimate is expected to show US growth cooling from Q3's 4.4% annualised pace. The Atlanta Fed's GDPNow tracker models growth at 3.7%, revised down after softer core retail sales in December and downward revisions to November, pointing to moderation in consumer spending from the prior quarter's 3.5% pace. Activity nevertheless appears resilient. In its December SEP, the Fed projected 2026 growth at 2.3%, upgraded from 1.8% in its September forecasts; in January, the FOMC described the economy as expanding at a "solid pace", while Chair Powell said growth is on a firm footing despite trade policy changes, cautioning that quarterly GDP can be volatile. Vice Chair Jefferson has struck a cautiously optimistic tone on 2026, expecting growth slightly above trend. He highlighted the possibility that productivity gains, including from AI investment, could allow faster expansion without reigniting inflation, though he stressed it is too early to assess their durability. Some analysts say focus will be on whether Q4 confirms a controlled slowdown rather than a sharper loss of momentum, and the implications for policy. The Fed's rate path appears to hinge on further progress towards its 2% inflation goal, with most policymakers seeking clearer evidence of disinflation before backing lower rates.

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