

## Highlights include US and China inflation, UK GDP, China Trade and CBRT

- **MON:** Eurogroup Meeting, Chinese Inflation (Feb), Japanese GDP Final (Q4), Japanese Average Cash Earnings (Jan)
- **TUE:** EIA STEO, Chinese Trade Balance (Jan-Feb), German Trade Balance (Jan)
- **WED:** OPEC MOMR, US CPI (Feb)
- **THU:** CBRT Policy Announcement, IEA OMR, US PPI (Feb)
- **FRI:** UK GDP (Jan), US PCE (Jan), US GDP 2nd Est (Q4), US JOLTS (Jan), Fitch on Italy & Spain, Moody's on Germany & Greece

**CHINESE INFLATION (MON):** February CPI is expected to rebound modestly to around 0.4-0.5% Y/Y (prev. 0.2%), with the M/M reading seen flat at 0.0% as Lunar New Year distortions normalise. January's softer reading was partly attributed to base effects, while underlying demand remains subdued. PPI is forecast to remain in deflation for a 40th consecutive month, though it is seen edging up slightly to around -1.3% Y/Y (prev. -1.4%) amid firmer commodity and non-ferrous metal prices. During the recent "Two Sessions", Beijing maintained its 2026 CPI target at around 2%, though economists believe the target is more of a ceiling than a realistic goal, with full-year 2026 forecasts currently averaging just 0.7% to 0.9%. The Two Sessions also saw China set its 2026 GDP growth target at 4.5-5%, as expected, with policymakers signalling greater emphasis on boosting consumption amid persistent property sector headwinds.

**CHINESE TRADE BALANCE (TUE):** China will release combined January-February trade data on March 10, in line with standard practice to smooth Lunar New Year distortions. After posting a record USD 1.2tn surplus in 2025, markets will assess whether export momentum can withstand intensifying global trade tensions. Strength in chips and circuits (+26.8% in 2025) and new energy vehicles (+50% in 2025) remains a key support for outbound shipments. On the import side, authorities have pledged to "actively expand imports" following the recent Two Sessions meetings, though subdued domestic demand may limit the pace of recovery. The release will provide an early read on external demand conditions heading into Q1.

**US CPI (WED):** Headline CPI is expected to rise 0.2% M/M in February (prev. 0.2%), while core CPI is also seen rising 0.2% M/M (prev. 0.3%). Before the latest Middle East conflict, officials were already warning that prices remained above the central bank's target and, barring any sharp downside in the labour market, policy was generally in a good place to tackle inflation. However, the conflict has since made officials more cautious about endorsing further policy loosening. While policymakers have previously suggested they can look through one-off price jumps, the situation remains fluid and there is little clarity over the duration of the conflict and, by extension, its medium-term impact on energy prices and supply chains. Fed's Williams (voter, neutral) said the conflict could hit both sides of the Fed's mandate in opposite directions, but stressed it was too early to know the size or persistence of the shock; he said oil moves of the size seen so far do not usually "fundamentally shift" the US economy, though the Fed must watch asset prices, trade spillovers and uncertainty. Fed's Kashkari (voter, neutral) has said the war has obscured the monetary policy outlook, and the key question is how long it lasts and how bad it gets. He warned that if headline inflation stays elevated for an extended period, after several years of high inflation, that is a scenario the Fed must watch closely because of the risk to inflation expectations. Fed's Barkin (2027 voter, neutral) said still-high inflation and firmer recent jobs data may be shifting the Fed's risk balance back towards inflation, just as the conflict with Iran threatens to push consumer prices higher. He said the expected PCE data "puts pause" on any view that the Fed is done fighting inflation, while acknowledging that nobody yet knows whether the oil move is short-lived or lasting. Accordingly, traders may look through the policy implications of the February CPI report as they seek further clarity. However, analysts expect the events, with inflation already above target, could make it difficult for the Fed to sound dovish at its 18 March confab.

**CBRT POLICY ANNOUNCEMENT (THU):** The CBRT is expected to keep rates on hold at its policy meeting on Thursday, March 12. The recent escalation in the Middle East has prompted action from the bank, which said it would suspend one-week repo auctions and begin conducting TRY-settled FX forward selling transactions "to ensure the sound functioning of the foreign exchange market". In February, Turkey's inflation rose for the first time since September 2025, to 31.5% from 30.7%, remaining well above its end-2026 forecast range of 16-21%. In the latest inflation report, Governor Karahan struck a positive tone on inflation returning to target, saying rent inflation was expected to improve and declining inflation expectations would support pricing behaviour, but reiterated the bank would maintain a tight and prudent stance. At its January policy meeting, the CBRT cut rates by 100bps, though by less than the expected 150bps. In its statement, the Bank said inflation expectations and pricing behaviour continued to pose risks to the disinflation process. Looking ahead, markets will watch closely for the Bank's assessment of the recent impact of oil prices on inflation. SEB expects the CBRT to keep rates on hold, in line with the recent hawkish re-pricing for global central banks driven by energy prices.

**UK GDP (FRI):** Set to be overshadowed by the Middle East conflict and the marked hawkish repricing that has spurred in relation to the BoE. Following the conflict, we have seen numerous desks push back their calls for a cut in March to April or May, while market pricing implies only a c. 50% of a 2026 cut, vs c. 50bps being implied last week. As it stands, just 5bps of easing is implied for March, vs over 20bps this time last week. Nonetheless, GDP for January is expected to come in at 0.3% M/M (prev. 0.1%), Investec writes that it appears the UK economy has broken out of the malaise seen in H2-2025 with momentum building in the New Year. Following the as-expected December M/M print, but a series that saw softer-than-expected Y/Y and Q4 figures.

**US PCE (FRI):** After the January CPI and PPI reports, Reuters said forecasts for January core PCE ranged from 0.37-0.49% M/M, with Y/Y seen at 3.1% (though the WSJ Fed watcher Timiraos suggested the figure could be between 3.1-3.2%). The Bloomberg consensus looks for January headline PCE to rise 0.3% M/M (prev. 0.4%), with the annual rate unchanged at 2.9% Y/Y. Core PCE is expected to rise 0.4% M/M (prev. 0.4%), with the annual rate edging up to 3.1% Y/Y (from 3.0%). Similar to the CPI data (see above), the conflict in the Middle East has clouded the inflation outlook, and whether the higher energy costs prove a short-term one-off move or whether the conflict drags on and, by extension, uncertainty over higher energy prices persists. In terms of the underlying drivers, analysts at Barclays expect a hot report, given the upside PPI surprise, notably in domestic passenger air travel and brokerage services, with stronger core services more than offsetting softer core goods. Barclays writes that core services are seen accelerating to 0.5% M/M, led by transportation, healthcare and non-profit institutions, while core goods slow to 0.22% M/M. The bank still sees core PCE at 2.8% Q4/Q4 in 2026 and 2.1% in 2027, and expects core inflation to move towards target-consistent levels in H2 2026, though near-term annual prints should remain elevated. Barclays says the data is consistent with another FOMC hold in March.

## WEEK IN REVIEW

### GLOBAL

**US-IRAN REVIEW:** On February 28, the Israel Defense Forces and the US launched coordinated strikes on Iran in what has been described as the start of a broader conflict. Israel said on Feb. 28 it carried out a pre-emptive attack against Iranian targets in Tehran and other cities in concert with US forces, amid long-running tensions over Iran's nuclear and ballistic missile programmes. Israeli officials described the operation as aimed at removing an "existential threat". Sources including Reuters reported the operation involved the assassination of Supreme Leader Ayatollah Ali Khamenei, a development confirmed by Iranian state media shortly thereafter. Following the assassination of the Supreme Leader, Iran's IRGC declared the Strait of Hormuz (accounting for 20% of global oil supply) a "closed military zone", deploying naval mines and anti-ship cruise missiles to enforce a total blockade on commercial traffic. Iran also launched widespread missile and drone attacks across the region, targeting Israel and US and allied bases throughout the Gulf, including in Kuwait, Bahrain, Qatar and the UAE, as part of its campaign. Regional escalation has continued, with retaliatory strikes on Gulf states including Bahrain and Qatar reported, disruptions to commercial air travel, and allied forces reinforcing defensive positions.

**OPEC MEETING REVIEW:** OPEC+ agreed at its 1 March meeting to raise output by 206k BPD from April 2026 (vs initial expectations of 137k BPD before the Iranian war was triggered), initiating a gradual unwind of the 1.65mln BPD in additional voluntary cuts first announced in April 2023. The decision, taken by eight key members led by Saudi Arabia and Russia, was framed as consistent with "market stability", with the group citing relatively low inventory levels and the need for a cautious, phased return of supply. The move comes against a backdrop of heightened Middle East tensions involving the US, Israel and Iran, which have supported crude prices and raised supply risk concerns. The eight participating countries will continue monthly reviews of market conditions, with the next meeting scheduled for 5 April 2026.

### US

**US NFP:** Overall, the report was soft and raises questions about whether the labour market has truly stabilised. After a strong jobs report in January (+126k, revised from 130k), the economy lost 92k jobs in February, far below the +59k forecast. Two-month net revisions totalled -69k, largely concentrated in December (-65k), leaving December payrolls at -17k. January job growth remained solid at 126k (initially 130k), but the revisions place the start of the year at a lower employment base, with much of January's strength fading in the initial February reading. The March jobs report, due on 3rd April, will include further revisions to both the strong January figure and the weak February data. Regarding job losses this month, healthcare employment fell by 28k, reflecting strike activity following a 77k increase in January. Employment in information and the federal government continued to trend down, with information employment -11k and federal government employment -10k. Social assistance rose by +9k, while transportation fell by -11k. Little change was reported across other major industries, including mining, quarrying, and oil and gas extraction; construction; manufacturing; wholesale trade; retail trade; financial activities; professional and business services; leisure and hospitality; and other services. Ahead of the data, ING highlighted: "A few are warning of a softer, possibly negative number based on the very cold weather in late January and early February. If so, the dollar could get hit briefly, but losses might not endure given the Middle East risk." The unemployment rate rose to 4.4% from 4.3%, against expectations for another 4.3% reading, bringing it in line with the Federal Reserve's 2026 median projection, which is set to be updated on 18th March. Meanwhile, wages came in one-tenth higher than expected at 0.4% M/M and 3.8% Y/Y. For the Fed, the report may prompt Waller to vote for another 25bps cut in March - he said before the data that if January's strength unwound in February he might support another cut. Markets are still not pricing rate cuts until September amid uncertainty around the situation in the Middle East and its economic impact, and the Fed typically takes a wait-and-see approach during periods of uncertainty. Markets now price in about 44bps of easing in 2026 versus 38bps before the data. This fully prices in one rate cut, with a 76% probability of a second.

**US RETAIL SALES:** Retail sales fell 0.2% in January (prev. 0.0%), albeit not as deep as the expected decline of 0.3%, while ex-gas/autos rose 0.3% (exp. 0.0%, prev. 0.1%, rev. from 0%) and ex-autos was unchanged at 0.0%, in line with expectations. Retail control group rose 0.3%, slightly above Wall St. consensus of 0.2%, with the prior revised to 0.0% from -0.1%. Spending fell, as consumer confidence was hit, highlighted within the report as foods services & drinking places, declined for the second consecutive month, while clothing & clothing accessories store spend also pulled back further. Potentially further weighing on the consumer were harsh cold weather conditions affecting some of the country in late Jan.

**US ISM MANUFACTURING PMI:** The ISM manufacturing PMI edged lower to 52.4 in February (exp. 51.8, prev. 52.6), with the employment sub-index rising to 48.8 from 48.1, though it remained in contraction. The new orders index eased to 55.8 from 57.1. The ISM said that US manufacturing remained in expansion in February, though growth slowed from January. Demand stayed positive, with new orders, backlogs and export orders all expanding, while customers' inventories remained low, which it described as supportive for future production. Output remained in expansion, but production growth slowed and employment stayed in contraction, showing continued labour caution. ISM also highlighted firmer input pressures, with slower supplier deliveries, higher imports and a sharp rise in prices.

**US ISM SERVICES PMI:** The ISM services PMI rose to 56.1 in February (exp. 53.5, prev. 53.8); the prices sub-component eased to a still-elevated 63.0 from 66.6; new orders rose to 58.6 from 53.1, while the employment index increased to 51.8 from 50.3. The ISM said the services sector strengthened in February, with activity, new orders and employment all improving, and with broad-based expansion across the survey. It highlighted that all four main sub-indices remained in expansion for a third straight month, while backlogs, exports and imports also returned to growth. ISM said the sector is "heating up", with demand measures at their strongest levels since 2024. At the same time, price pressures eased but remained elevated, and respondents said tariff effects had largely been absorbed into supply chain costs rather than causing broader disruption.

## APAC

**AUSTRALIAN GDP REVIEW:** Australia's economy accelerated in Q4 2025, with GDP rising 0.8% Q/Q (exp. 0.6%) and 2.6% Y/Y (exp. 2.2%), exceeding consensus and marking the fastest annual pace in almost three years, according to ABS data. Growth was broad-based, with 17 of 19 industries expanding, led by Mining (+2.6%) and Agriculture (+2.5%), while public and private demand each contributed 0.3ppts. Household consumption rose a modest 0.3%, though the savings ratio climbed to 6.9% (prev. 6.1%), and inventories added 0.4ppts amid coal and retail restocking. GDP per capita increased for a fourth consecutive quarter, up 0.9% Y/Y. Despite the robust headline print, markets focused on softer household spending components and declining real unit labour costs, leading to a weaker AUD and lower front-end yields at the time. The data keeps the RBA on high alert ahead of its upcoming meeting, with Governor Bullock flagging that further tightening remains a live possibility, though market pricing for a near-term hike was pared back following the release.

**CHINESE NBS PMI REVIEW:** February's PMI releases highlighted a sharp divergence between official and private surveys. The official NBS Manufacturing PMI fell to 49.0 (prev. 49.3), undershooting expectations and marking a second straight month in contraction, while the Non-Manufacturing PMI edged up to 49.5 (prev. 49.4) but remained below the 50 expansionary threshold, leaving the Composite PMI at 49.5. The NBS data suggested broader momentum loss, partly reflecting Lunar New Year disruptions and softer activity among large state-owned firms. In contrast, the Caixin Manufacturing PMI jumped to 52.1 (prev. 50.3), the strongest since December 2020, while the Caixin Services PMI surged to 56.7 (prev. 52.3), the fastest pace since May 2023, driven by a sharp rise in new export orders. The divergence is largely attributed to differences in coverage, with the official survey skewed towards larger northern SOEs more exposed to holiday shutdowns, while the Caixin index captures smaller, export-oriented private firms that benefited from resilient external demand.

**CHINA TWO-SESSIONS REVIEW:** China's 2026 "Two Sessions" convened in Beijing from 4 March, with Premier Li Qiang outlining a more pragmatic policy stance in the Government Work Report. The GDP growth target was lowered to 4.5-5.0% as expected (vs. "around 5%" in 2025), marking the lowest goal since 1991, while the CPI target was maintained at around 2%, widely viewed by analysts as a ceiling rather than a forecast. The budget deficit was set at around 4% of GDP, signalling targeted fiscal support rather than large-scale stimulus, alongside a goal of creating over 12mln new urban jobs. Delegates also advanced the 15th Five-Year Plan (2026-2030), emphasising technological self-reliance in semiconductors, AI and quantum technology, the development of "new quality productive forces" in advanced manufacturing and green energy, and boosting domestic demand as the top priority, including a RMB 250bln consumer trade-in fund. Additional measures included a proposed holiday reform to stimulate tourism, a 7% rise in defence spending, and pledges to further open telecoms, biotech and healthcare sectors to foreign investment.

## EUROPE

**EZ FLASH HICP REVIEW:** - EZ HICP printed at 1.9% (exp. 1.7%, prev. 1.7%), with the core measure also exceeding expectations and the services component rising from the prior. The report suggests inflationary pressures were feeding through into the economy even before the recent Gulf war. As such, it is somewhat stale, given the ECB will likely need to consider the inflationary and growth implications of higher energy prices. EUR/USD experienced brief upside following the release. As the region is a net importer of energy, there are concerns inflation could edge above the ECB's 2026 staff projection of 1.9% and its longer-term 2% target. ING said that "if the conflict continues for a few weeks, expect inflation to rebound to the mid-2% range", but added the ECB "will not jump at any energy price development". Markets currently assign around an 80% chance of an ECB hike this year, vs pricing this time last week which implied around a 65% chance of a cut by end-2026. Oxford Economics noted that energy carries a "small weight" in the overall CPI basket and cautioned against overstating the war's impact. The firm described a rate adjustment at the March meeting as "unlikely".

**ECB MINUTES REVIEW:** Stale given recent market moves stemming from the Middle East conflict. In brief, the minutes outlined that 'some' judged inflation risks as being to the downside while a 'few' judged the risks as being to the upside. From the 'few', the justification was energy prices, wage momentum and the growth outlook; the energy situation has, clearly, been exacerbated in recent days. The main point of focus within the minutes was the discussion on neutral, with it being suggested that the range of estimates of the nominal natural rate had ticked up, though this was largely rounding effects. Overall, the minutes change little for the ECB's near-term trajectory with the focus instead on determining how lasting the inflationary implications of the Middle East crisis are, and by extension whether the ECB begins to turn more hawkish in its communication in the near future. As it stands, over 15bps of tightening is now implied for the ECB in 2026.

**SWISS CPI REVIEW:** - February's series printed at 0.1% Y/Y (exp. -0.1%, prev. 0.1%), while the M/M print came in at 0.6% (exp. 0.5%, prev. -0.1%). EUR/CHF initially slipped modestly from 0.9060 to a trough of 0.9055 but quickly reversed higher, as the data in recent days have come secondary to the impact of the Iran war. The print should be positive for the SNB, with inflation currently running in line with its forecasts. The Bank's key focus remains the strong franc and its assessment of the impact of energy prices on the economy and inflation; furthermore, the SNB continues to monitor the CHF and has made clear the Middle East situation has lowered the bar to intervening. Analysts at Goldman Sachs say rising energy prices could lift headline inflation by 0.15-0.30%, while real GDP is expected to be largely unaffected in Switzerland. The SNB will hold its next policy meeting on March 19th.

**UK SPRING STATEMENT REVIEW:** In-fitting with Chancellor Reeves' aim, the Spring Statement was for the most part a non-event. As Reeves spoke and verbally outlined the OBR's forecasts some upside was seen in Gilts, a move that continued marginally into the lower but as-expected Gilt remit for FY26/27. In terms of the forecasts, the inflation view was cut for 2026 to 2.3% (prev. 2.5%, BoE exp. 2.0%) while the remainder of the horizon was unchanged at 2.0%. Commentary from Reeves focussed on her upcoming

growth speech, which is expected towards the end of March. That aside, it was largely sticking to the script and acknowledging the recent Middle East conflict as a source of uncertainty. Overall, the Spring Statement was the non-event Reeves sought while the OBR's forecast update is likely out of date already given recent energy moves, the associated inflation implications and hawkish repricing of BoE expectations by both markets and desks.

**SWEDISH CPIF REVIEW** - Sweden's February inflation report was cooler than expected. Headline M/M inflation was 0.6% (exp. 0.8%, prev. 0.1%), while CPIF M/M also printed at 0.6% (exp. 0.8%, prev. 0.3%). Core CPIF was 1.4% (prev. 1.7% Y/Y), below the Riksbank's forecast of 1.76%. Overall, the report remains indicative of a downward inflation trend. EUR/SEK saw modest two-way moves after the release but was ultimately little changed. The impact on the Riksbank remains muted for now, with SEB and Nordea both expecting the Bank to hold the policy rate at 1.75% in March. The firms also suggest that the recent Gulf war is likely to keep policymakers cautious about adjusting policy or guidance, given the potential inflationary implications. However, Nordea said that if the war ends "soon", focus would return to persistently low inflation, raising the odds of a rate cut this year.

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