

Highlights include Japanese CPI, UK Inflation, UK Retail Sales and Flash PMIs

- **MON:** Italian Judicial Referendum, Japanese CPI (Feb)
- **TUE:** BoJ Minutes (Jan), EZ/UK/US Flash PMIs (Mar)
- **WED:** Riksbank Minutes, ECB Wage Tracker, UK Inflation (Feb), German Ifo Survey (Mar), US Durable Goods (Feb)
- **THU:** Norges Bank Policy Announcement, German GfK Consumer Confidence (Apr)
- **FRI:** UK Retail Sales (Feb), Moody's on Italy

JAPANESE CPI (MON): National CPI for February is due on 23 March at 23:30 GMT (24 March 08:30 JST). Headline inflation eased to 1.5% Y/Y in January, its lowest since March 2022 and below the BoJ's 2% target. The BoJ held its policy rate at 0.75% on 19 March, with Governor Ueda emphasising inflation and wage talks while stressing uncertainty linked to the war. Markets will assess whether inflation rebounds amid higher global energy prices and yen weakness, which could renew upward pressure on import costs and consumer prices.

EZ FLASH PMIS (TUE) The HCOB Flash Eurozone PMIs are released on 24 March. February data showed continued expansion, with the Composite at 51.9 (three-month high) and Manufacturing at 50.8, a 44-month high and back in expansion territory. Markets will assess whether momentum is sustained into March, particularly in manufacturing, while monitoring services' resilience. Attention will also focus on input cost pressures, which hit a 38-month high in February, as persistent price pressures could complicate the ECB's policy outlook despite still-fragile growth dynamics.

UK FLASH PMIS (TUE): The S&P Global UK Flash PMIs are released on 24 March. February data showed the private sector expanding at its fastest pace in 17-22 months, with the Composite at 53.7, signalling solid growth momentum. Markets will assess whether this strength carries into March, particularly in services. Attention will also focus on input costs and wage pressures, which have remained elevated despite broader disinflation. The release provides the first key activity reading since the Bank of England held rates at 3.75% on 19 March, making it important for gauging the near-term policy outlook.

RIKSBANK MINUTES (WED): Riksbank has kept its optionality open on whether the Middle East shock will lead to tighter or looser monetary policy, as illustrated by scenario analysis exploring paths to either outcome. Forecast adjustments for 2026 underscore this, with the CPIF view raised while the growth outlook has been lowered. However, the policy rate path projection is unchanged from the last MPR. Overall, there has been little movement in SEK as Riksbank maintains optionality and awaits clearer evidence on how persistent the shock will be and whether its primary impact is on growth or inflation, although with a clear bias at this stage towards inflationary effects.

UK INFLATION (WED): The February inflation report will be used as a gauge of how the pricing environment fared ahead of the recent spike in oil prices in the wake of the US/Iran war. BoE noted that prior to the shock, there had been continued disinflation in domestic prices and wages, but warned that CPI inflation would be higher in the near term in response to the shock. BoE voted 9-0 to keep rates on hold in March (prev. 5-4) while also removing language that rates were likely to be reduced further, in a hawkish shift in the face of the war. However, if the conflict proves short-lived and oil prices return to more acceptable levels, the Bank has left the door open to resume cuts, although this will depend on the outcome of the conflict.

NORGES BANK ANNOUNCEMENT (THU): Norges Bank is expected to hold rates at 4% at its policy meeting on Thursday, March 26, in line with other G10 peers that announced decisions this week. The pause comes amid a surge in energy prices linked to the Middle East conflict. Inflation has been a challenge in Norway for more than two years, with headline inflation yet to return to 2% and core inflation holding above 2.7%. In February, headline inflation was 2.7%, cooler than expected but still clearly above the bank's projections. Policymakers have so far stressed they do not want to restrain the economy more than needed to bring inflation back to target. However, with limited progress towards 2% and the recent rise in energy prices, Nordea thinks the bank may soon place greater weight on reducing inflation. It also cited Governor Bache's annual speech, in which she said: "we will ensure that inflation is brought down to 2%." On future policy, Nordea expects a hike to 4.25% in June and sees a greater likelihood of the policy rate reaching 4.5% than 4% by end-2026. Goldman Sachs takes a different view, still expecting a rate cut in December, followed by two further cuts in 2027 to a terminal rate of 3.25%.

UK RETAIL SALES (FRI): Retail sales rose 1.8% M/M in January, with the core measure up 2.0% M/M, and participants will watch whether this strength continued into February. Investec expects the growth to reverse, forecasting a -0.8 M/M% print for both headline and core measures. The desk said a rise in retail sales volumes in February would be inconsistent with what it sees as a softer underlying pace of high street spending.

WEEK IN REVIEW

NORTH AMERICA

FOMC REVIEW: The FOMC left rates unchanged at 3.50-3.75%, with no change to forward guidance, balance sheet plans or implementation guidance. Miran was the sole dissenter, favouring a 25bps rate cut. The statement changed little, though it now says unemployment has been "little changed in recent months" and adds that developments in the Middle East pose uncertain implications for the US economy. The updated projections were modestly hawkish. Growth forecasts were raised across 2026-2028, including 2026 GDP to 2.4% from 2.3%, while long-run growth was lifted to 2.0% from 1.8%. Inflation projections were also revised higher, most notably for 2026, with both headline and core PCE raised to 2.7%. The unemployment forecast for 2026 was unchanged at 4.4%, with only a slight upward revision for 2027. The median rates path was unchanged through 2028, though the longer-run fed funds estimate edged up to 3.1%. Powell's press conference came across as hawkish despite the unchanged median dots. He stressed that persistent inflation, not weak growth, remained the main concern, highlighting sticky non-housing services, the need for more goods disinflation and upside risks from tariffs, oil and the Middle East. He said rate cuts would require renewed progress on inflation, while also noting that a rate rise was discussed, though most officials did not see it as the base case. Overall, the message suggested policy would remain on hold for longer unless inflation data improved materially. Goldman Sachs chief economist Jan Hatzius said the statement and Powell's repeated "wait and see" remarks were "a bit hawkish". The bank had expected three dissenters - Miran, Waller and Bowman - but still expects two 25bps rate cuts, in September and December, taking rates to 3.00-3.25% by year-end.

US PPI REVIEW: US PPI came in hotter than expected in February, with the monthly rate rising 0.7% M/M (exp. 0.3%, prev. 0.5%) and the annual rate ticking up to 3.4% Y/Y (exp. 2.9%, prev. 2.9%). The core measure rose 0.5% M/M (prev. 0.8%), with annual core PPI increasing to 3.9% Y/Y (exp. 3.7%, prev. 3.6%). Pantheon Macroeconomics said the February PPI report was firm on the surface. Headline strength was helped by sharp rises in energy and food, but it also flagged solid core pressure, with core goods and core services excluding trade services both rising. That said, it cautioned that PPI is volatile and subject to revision, so the report does not alter its broader view that inflation pressures had been stable before the oil price shock. On the implications for PCE, Pantheon said several components feeding into core PCE were soft, including hospital services, insurance and a slower rise in portfolio management. Even so, it estimates core PCE rose 0.43% M/M in February, as some CPI components remained hot. Looking ahead, Pantheon expects headline PCE to jump about 0.8% M/M in March, mainly because of higher petrol prices, while core PCE is seen rising only 0.2% M/M. It expects core PCE inflation to hover around 3.25% in coming months before dropping back to 3.0% in August, helped by cooling services inflation, slower wage growth and moderating rents.

NVIDIA GTC REVIEW: Nvidia CEO Jensen Huang said at the company's annual GTC event that its flagship AI processors for Blackwell and Vera Rubin systems would help generate USD 1tn in sales through 2027 (vs USD 500bn announced in October). Vera Rubin will ship later this year. He also unveiled new products, said Nvidia will expand further into CPUs, introduced semiconductors using technology acquired from Groq, and said the company is developing chips for data centres in outer space. Analysts at Wedbush said Huang's remarks reinforced Nvidia's position at the top of the AI demand curve for 2026 and beyond, while noting Huang indicated the AI revolution is accelerating.

BOC POLICY ANNOUNCEMENT REVIEW: The BoC left rates on hold as expected at 2.25%, although it did remove the line from January that the BoC "judges the current policy rate remains appropriate, conditional on the economy evolving broadly in line with the outlook". The BoC did note that growth risks are tilted to the downside, and inflation risks have risen due to energy prices, noting that the increased energy prices will push up total inflation in the coming months. It also expects growth to be weaker than what was anticipated at the January meeting. The Central Bank confirms it is too early to assess the impact of the conflict, but it remains prepared to respond as needed. The BoC may have removed the language about the current policy being appropriate due to the large amounts of uncertainty amid the conflict and trade environment, with the USMCA also up for review. From Governor Macklem, he noted that the governing Council will look through the war's immediate impact on inflation, but if energy prices stay high, the BoC will not let their effects broaden and become persistent inflation. He added that they will make decisions one meeting at a time, and he does not think there will be a rapid pass-through of higher energy prices. Now, money market pricing sees 36bps of hikes by year-end (prev. 32bps before the meeting), with the first hike in October (prev. December). IGN writes that given uncertainty over how long the situation will last and the continued focus on trade, "we see little prospect of a near-term rate move from the BoC".

CANADIAN INFLATION REVIEW: Canada inflation was softer than expected in February, with headline M/M rising 0.5%, below the 0.7% forecast but up from 0.0% in January. The Y/Y rate eased to 1.8% from 2.3%. Core metrics rose 0.4%, accelerating from 0.2%, while the Y/Y rate eased to 2.3% from 2.6%. Common, Median and Trimmed CPI measures all eased from the prior reading and were cooler than expected, with the average slowing to 2.33% from 2.53%. However, as with most economic data, this does not yet reflect the Iran war, with energy price spikes likely to affect data from March onwards. Oxford Economics warned that the surge in energy prices, combined with base effects from last year's carbon price removal, would push headline CPI inflation into the 3% Y/Y range in the coming months. In terms of implications for the BoC, OxEco said elevated uncertainty over the war and trade would likely keep the BoC on hold for the whole of 2026.

APAC

US-CHINA MEETING REVIEW: Senior US and Chinese officials met in Paris on 15-16 March, with Treasury Secretary Bessent and USTR Greer holding talks with Vice Premier He Lifeng. The discussions aimed to identify areas of agreement ahead of a planned leader-level summit and focused on trade, economic cooperation and financial stability. Officials described the talks as "very good", signalling constructive engagement despite ongoing structural tensions. However, the anticipated Trump-Xi summit, originally scheduled for 31 March to 2 April in Beijing, has been postponed by roughly five to six weeks. President Trump cited the escalating conflict with Iran, saying he needed to remain in Washington to oversee military developments. The delay pushes back the potential formalisation of trade deliverables, though working-level negotiations are expected to continue in the interim.

BOJ REVIEW: BoJ kept its short-term rates at 0.75%, as unanimously forecast, with the decision made by an 8-1 vote as board

member Takata voted for a 25bps hike. BoJ refrained from any major surprises, reiterating it would continue to raise policy rates if the economy and prices move in line with its forecasts and would conduct monetary policy as appropriate to sustainably and stably achieve the 2% inflation target. It said the economy is likely to continue growing moderately and inflation expectations have risen moderately, while consumer inflation is likely to briefly slow below 2% before re-accelerating due to higher oil prices, with the price trend expected to align with the target in the second half of the outlook. However, Takata and Tamura opposed the description of the inflation outlook, with Takata saying CPI had already broadly reached the price stability target, while Tamura said CPI was likely to be at a level broadly consistent with the target from the start of fiscal 2026. The rate decision itself prompted a muted market reaction, although the yen strengthened somewhat during the press conference as Governor Kazuo Ueda said the pace of inflation is expected to face upward pressure from higher oil prices and that a slight majority of Board members viewed upward pressure on prices as higher given the war in the Middle East. He added that if risks become sufficiently large, BoJ could conduct policy by placing weight on those risks, and noted that preliminary wage data suggested momentum at small and medium-sized firms could be stronger than in previous years.

SHUNTO MAIN RESPONSE REVIEW: Major Japanese companies have largely delivered meaningful wage increases in this year's "shunto" spring wage negotiations, based on the initial round of corporate responses, with automakers Toyota, Honda and Suzuki broadly meeting or exceeding union demands despite higher input and energy costs. Increases among large corporates have typically fallen in the 5-7% range, versus the Japanese Trade Union Confederation RENGO's requested 5.94% increase and last year's 5.25% weighted average rise, reinforcing the recent trend of solid wage growth and supporting the case for demand-driven expansion and firmer inflation. However, outcomes remain uneven across industries and company sizes, with steel producers lagging union expectations amid weaker market conditions, while smaller firms are likely to face greater difficulty keeping pace given their more limited ability to pass on rising costs. Attention will now turn to next week, when Japan's largest trade union, RENGO, is set to release the first-round results of agreed wage terms on Monday.

CHINESE ACTIVITY DATA REVIEW: China's January-February activity data, released on 16 March, pointed to a firmer but still uneven start to 2026. Retail sales rose 2.8% Y/Y (exp. 2.5%), accelerating sharply from December's 0.9% as Lunar New Year tourism supported consumption, though spending per trip remained cautious. Industrial production Y/Y topped forecasts, while fixed asset investment rebounded and exceeded expectations, aided by infrastructure and "new economy" projects, while property investment remained a drag. The data align with Beijing's newly set 2026 GDP target of 4.5-5%, though policymakers remain cautious given fragile domestic demand and rising geopolitical and trade-related risks.

PBOC LPR REVIEW: The PBOC left its Loan Prime Rates unchanged on 20 March, marking a tenth consecutive month of steady policy. The 1-year LPR was held at 3.00%, the benchmark for most corporate and household loans, while the 5-year LPR remained at 3.50%, the reference rate for mortgages. The decision was widely expected and signals a preference for stability following firmer-than-anticipated activity data earlier in the week. Policymakers appear cautious amid rising global oil prices and Middle East tensions, which could complicate the inflation outlook. Holding rates also helps limit depreciation pressure on the yuan against a strong U.S. dollar, suggesting the central bank is balancing growth support with currency and external stability considerations.

RBA POLICY REVIEW: RBA delivered a second consecutive rate rise at its meeting this week, lifting the cash rate by 25bps to 4.10%, as expected, in a narrow 5-4 vote, while maintaining a hawkish tone by warning of a material risk that inflation would stay above target for longer and that the Board would do what was necessary to meet its inflation and employment goals. The central bank said short-term inflation expectations had already risen and that the conflict in the Middle East posed substantial risks in both directions, while also driving sharply higher fuel prices which, if sustained, would add to inflation. RBA also kept its options open on future policy, saying it would be attentive to the data, the evolving outlook and risks in its decisions. The announcement was initially seen as a dovish hike because of the narrow vote split, although RBA Governor Michele Bullock reinforced the hawkish message in the post-meeting press conference, saying the rise in oil prices was not the reason for the rate increase and that inflation was already too high. She added that risks to inflation were tilted to the upside and that the cash rate was not high enough to bring inflation back to target. Bullock also said all members agreed inflation was too high and that the meeting had been very robust, with the discussion focused on timing rather than the direction of policy or the need for a rate rise. She said members who voted to hold had done so in a hawkish sense and still saw a need for an eventual rate increase, with the difference centred on timing. Bullock's comments have fuelled expectations of further rate rises, with money markets pricing a 68% chance that RBA will deliver a third consecutive increase at its next meeting in May.

AUSTRALIAN JOBS REVIEW: February labour data showed a cooling but still resilient jobs market. Employment rose by 48.9k (well above around 20k expectations), while the unemployment rate increased to 4.3% (prev. 4.1%) as participation edged higher to 66.9%. Underemployment held steady at 5.9%. The composition was mixed, with part-time employment surging by 79.4k while full-time jobs fell by 30.5k. The release followed the RBA's 17 March rate hike to 4.10%. While strong headline hiring points to underlying labour demand, the rise in unemployment alongside higher participation suggests emerging slack as the economy adjusts to tighter policy settings. Analysts at Westpac said the "labour market data will challenge the RBA Monetary Policy Board's assessment earlier this week that 'the labour market has tightened a little recently', an important part of their wider view that capacity pressures are a key driver of the recent pick-up in inflation. That said, the current focus and concern for the RBA will now be on risks emanating from the Middle East conflict. Hence, today's data is unlikely to materially alter policy considerations (noting also that there will be one more labour force reading before the Board's May meeting)."

UK/EUROPE

BOE REVIEW: The Bank of England's MPC voted unanimously (9-0) on 19 March to hold Bank Rate at 3.75%, shifting from February's narrow 5-4 split to a clear "wait-and-see" stance. The pause reflects the energy shock stemming from the Middle East conflict, which has pushed oil and gas prices higher and clouded the near-term inflation outlook. The Bank now expects CPI to rise toward 3.5% later in 2026, significantly above its prior 2.1% projection, delaying a sustained return to the 2% target. Policymakers flagged risks of "second-round effects," where higher energy costs feed into wages and broader pricing pressures. Markets have pared back expectations of near-term cuts and are pricing some risk of renewed tightening should energy inflation persist. Fixed mortgage rates have already edged higher as lenders reprice funding costs, while savings rates are broadly supported by the hold, though elevated inflation continues to erode real returns. The next rate decision is scheduled for 30 April 2026.

UK JOBS REVIEW: The UK jobs report showed 84k jobs were added in January, well above the -4k forecast and accelerating from December's 52k. The unemployment rate was unchanged at 5.2%, below the 5.3% forecast. The report said labour market conditions were little changed at the start of the year. Meanwhile, wages rose 3.8%, cooling from the prior 4.2% but above the 3.0% forecast. This will be welcomed by BoE, particularly as global central banks grapple with the energy price spike in the wake of the US/Iran war. Overall, BoE continues to strike a wait-and-see stance, although its tone and language suggest easing is off the table in the near term. Markets are now pricing in rate hikes following the BoE, but Governor Andrew Bailey sought to temper expectations, cautioning against drawing firm conclusions on future rate increases.

ECB REVIEW: The ECB held rates unchanged on 19 March for a sixth consecutive meeting. The decision reflects heightened uncertainty from the Middle East conflict and the associated energy shock. Updated projections show 2026 inflation revised up to 2.6% (from 1.9%) and growth downgraded to 0.9% (from 1.2%), reinforcing stagflation concerns. President Lagarde stressed a data-dependent approach, with policymakers closely monitoring potential "second-round effects" from higher energy costs. According to Bloomberg-sourced officials, discussion of a possible rate hike could begin as early as April if the price outlook deteriorates, though June is seen as more plausible unless tensions ease quickly. Some governors reportedly view baseline projections as already outdated, given energy volatility. ECB's Nagel said a hike in April would be necessary if inflation risks intensify, underscoring the Governing Council's readiness to act decisively. The next meeting is scheduled for 30 April 2026.

SNB REVIEW: The Swiss National Bank kept its policy rate unchanged at 0.00% on 19th March but placed clear emphasis on foreign exchange intervention. With rates at the lower bound, the SNB signalled a greater willingness to act directly in FX markets to counter rapid and excessive appreciation of the Swiss franc, which has strengthened on safe-haven flows linked to the Middle East conflict. Policymakers indicated that intervention, rather than further rate moves, is now the main tool to safeguard price stability. The shift in language pointed not only to "readiness" but to a potentially active market presence to curb franc gains.

RIKSBANK REVIEW: Riksbank has kept its optionality open on whether the Middle East shock will lead to tighter or looser monetary policy, as illustrated by scenario analysis exploring paths to either outcome. Forecast adjustments for 2026 underscore this, with the CPIF view raised while the growth outlook has been lowered. However, the policy rate path projection is unchanged from the last MPR. Overall, there has been little movement in SEK as Riksbank maintains optionality and awaits clearer evidence on how persistent the shock will be and whether its primary impact is on growth or inflation, although with a clear bias at this stage towards inflationary effects. The Minutes will be released on Wednesday, 25th March.

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