

Highlights include US NFP, ISMs and Retail Sales, EZ CPI, RBA Minutes, and BoJ Tankan

- **MON:** German Prelim. CPI (Mar)
- **TUE:** RBA Minutes (Mar), Chinese NBS Manufacturing PMI (Mar), French CPI Prelim (Mar), EZ CPI Flash (Mar), BoJ Tankan Survey (Q1)
- **WED:** BoC Minutes (Mar), CBR Minutes (Mar), Chinese RatingDog Manufacturing PMI (Mar), Global Manufacturing PMI Finals (Mar), EZ Unemployment Rate (Feb), US ADP Employment Change (Mar), US Retail Sales (Feb), US ISM Manufacturing PMI (Mar), US Business Inventories (Jan), South Korean Inflation (Mar)
- **THU:** Australian Balance of Trade (Feb), Italian Retail Sales (Feb), US Challenger Jobs (Mar), Canadian Balance of Trade (Feb), US Balance of Trade (Feb), Initial Jobless Claims (Mar/28)
- **FRI:** Holiday: Good Friday, Japanese Composite PMI Final (Mar), Chinese RatingDog Composite PMI Final (Mar), Turkish Inflation (Mar), US NFP (Mar), US PMI Composite PMI Final (Mar), US ISM Services PMI (Mar)

WEEK AHEAD

RBA MINUTES (TUE): The RBA will release the minutes from the March 16-17 meeting at which it delivered a second consecutive rate hike, raising the cash rate by 25bps to 4.10% as expected, with the decision taken by a narrow 5-4 vote, while maintaining a hawkish tone by noting a material risk that inflation will remain above target for longer and that the Board will do what is necessary to achieve its price and employment goals. The central bank said short-term inflation expectations have already risen and that the conflict in the Middle East poses substantial risks in both directions, resulting in sharply higher fuel prices, which, if sustained, will add to inflation. Furthermore, the RBA continued to signal that options remain open for future policy, stating it will remain attentive to data, the evolving outlook and risks in its decisions. The announcement was initially viewed as a dovish hike given 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, adding that risks to inflation are tilted to the upside and the cash rate is not yet high enough to return inflation to target. Bullock also said all members agreed inflation was too high and that the meeting was robust, with discussion centred on timing rather than the direction of policy and the rate increase, adding that members who voted to hold did so from a hawkish perspective and still saw the need for a future rate rise, with the difference being one of timing.

CHINESE NBS MANUFACTURING PMI (TUE): The official NBS Manufacturing PMI for March is due on 31 March at 02:30 BST, alongside the Non-Manufacturing PMI. Consensus sees a rebound to around 50.0 (range 49.8-50.4) from February's 49.0, potentially marking a return to expansion after spending most of the past year below the 50 threshold. Analysts view a move back to 50.0 as an early sign of stabilisation, particularly after Lunar New Year distortions weighed on prior readings. ING expects a return to 50.0 and highlights the ongoing divergence between the state-heavy NBS survey and the more export-oriented Caixin PMI. Sub-indices will be key, with markets watching for improvement in new orders (48.6 prior) and new export orders (45.0 prior), while price gauges remain in focus as input prices have risen for seven consecutive months and output prices were last at 50.6. Business confidence previously rose to 53.2, signalling optimism around policy support. Caixin Manufacturing (1 April) and Services (3 April) are due later in the week.

EZ CPI FLASH (TUE): The only formal read we have had into the EZ pricing situation was Spain's preliminary figures for March. A series that was cooler-than-expected, however, the metrics jumped markedly from the priors. The headline Y/Y increased by a full point to 3.3%, while the HICP point was 3.3% from 2.5% (exp. 3.8%). Within the series, the Spanish Stats Agency, INE, highlighted that the upside was "mainly due to the rise in prices of fuels and lubricants for personal vehicles."; i.e. signs that the Middle East situation is filtering through. For the EZ, Oxford Economics expects a 2.7% Y/Y figure from 1.8%. Such an increase supports hawkish calls from numerous banks, with the likes of UBS looking for two 25bps hikes in 2026. However, with the conflict still ongoing and as such the implications not yet known, it remains too early to make a definitive call on when, and how much tightening to expect.

BOJ TANKAN SURVEY Q1 (TUE): Next week's minutes relate to the March meeting, where the BoC held rates at 2.25% as widely expected. The main change in the statement was the removal of the line that the BoC "judges the current policy rate remains appropriate, conditional on the economy evolving broadly in line with the outlook". The omission comes amid a challenging environment for the central bank, facing increased upside risks to inflation from abundant oil supply with no clear end, while the labour market continues to weaken. Against a backdrop of a deteriorating labour market in 2026 and higher energy prices, the statement pointed to downside risks to growth and rising inflation risks. There was no MPR at the meeting, but some expectations were outlined. "We continue to expect the Canadian economy to grow modestly as it adjusts to US tariffs and trade policy uncertainty, but recent data suggest that near-term economic growth will be weaker than anticipated in January." Macklem also said policymakers would look through the war's immediate impact on inflation, but if energy prices remain high, they will not allow these effects to broaden and become persistent inflation. The minutes will be scrutinised for policymakers' assessment of the balance of risks to inflation and growth, the policy impact of the Middle East conflict, and where the appropriate policy rate now lies.

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US ISM MANUFACTURING PMI (WED): As a basis for comparison, S&P Global's flash US Manufacturing PMI rose to 52.4 in March from 51.6 in February, a two-month high, while the Manufacturing Output Index edged up to 52.9 from 52.7. Factory conditions improved for an eighth consecutive month, with production growth accelerating slightly and new orders recording their largest increase since October. Export orders stabilised after eight months of decline, while some firms reported easing tariff-related pressure and increased safety-stock building to secure supply and pricing. Supplier delivery times lengthened by the most since October 2022, reflecting war-related shipping disruption and stronger purchasing activity. Input costs rose sharply on higher energy prices, and goods selling prices increased at the fastest pace since last August. Employment growth, meanwhile, slowed to its weakest in eight months.

US RETAIL SALES (WED): BofA's Consumer Checkpoint data for February showed spending growth strengthened notably, with annual growth accelerating to 3.2% Y/Y, the strongest in more than three years, vs 2.6% Y/Y in its January report, while seasonally adjusted card spending rose 0.9% M/M. BofA said the K-shape in spending between higher- and lower-income households narrowed slightly, but remained pronounced, reflecting ongoing divergence in wage growth. Larger tax refunds for higher-income households supported spending, although lower-income groups saw a bigger boost in discretionary categories, likely driving the temporary narrowing. The bank said consumers were still seen as financially healthy in terms of credit card capacity and savings, although a continued rise in minimum credit card payments pointed to some stress at the margins.

US NFP (FRI): February's employment report showed the unemployment rate rising to 4.4% (exp. 4.3%) and nonfarm payrolls falling by 92k (exp. +60k), renewing labour market concerns, although analysts noted that a healthcare strike accounted for around 28k of the decline. Analysts at Barclays expect nonfarm payrolls to rise by 50k in March, with private payrolls also seen up 50k and government payrolls flat. Part of the rebound is expected to reflect the unwinding of a nurses' strike in California and Hawaii. Ex that effect, the bank says the underlying pace of job gains would be broadly in line with the January-February average, with recent swings partly distorted by birth-death adjustments. Average hourly earnings are seen rising 0.3% M/M (prev. 0.4%), and 3.7% Y/Y (prev. 3.8%), while the workweek is expected to hold at 34.3 hours. Barclays sees the unemployment rate staying at 4.4%, arguing that March's job gain should still exceed the breakeven pace for labour market stability, even as forecast uncertainty remains elevated and alternative indicators send mixed signals. NOTE: the Chicago Fed's advanced Labour Market Indicators for March are modelling the jobless rate at 4.46%. This week, the St. Louis Fed updated on its breakeven range estimates, noting that breakeven payroll growth has fallen sharply this year and has become much more uncertain; the paper put the range at 15-87k/month (vs 32-82k previously), as immigration assumptions have shifted materially. For early 2026, it said average payroll growth has run at around 17k per month, which the St. Louis Fed said was broadly consistent with the lower end of the breakeven range. The Fed's March statement said the labour market was softening rather than deteriorating sharply, with job gains remaining low, labour demand softer and unemployment little changed in recent months. Chair Powell has said January's strong payrolls and February's weak print should be viewed together, adding that the Committee is concerned about very low job creation, but that effectively zero net private job growth may now be close to what the economy needs. On breakeven rates, Powell described a "low breakeven rate for jobs" and a "zero employment growth equilibrium", while Waller said labour force growth may now be close to zero, implying a lower breakeven level of job growth. On the outlook, policymaker views are split between stabilisation and further softening: Barr said the labour market seems to be stabilising, but Miran said the job market has been in an extended streak of weakening and he still expects gradual softening ahead, while Daly warned a prolonged energy shock could bring slower growth and a weaker labour market.

US ISM SERVICES PMI (FRI): As a basis for comparison, S&P Global's flash US Services PMI Business Activity Index fell to 51.1 in March from 51.7 in February, marking an 11-month low. Services growth slowed for a second consecutive month as new business growth weakened and export sales fell more sharply. Firms cited softer consumer and business confidence, heightened geopolitical uncertainty, financial market volatility, higher interest rates and the cost-of-living impact of higher energy prices. Service providers also reported a weaker outlook for the year ahead, the softest since October, in contrast with improved sentiment in manufacturing. On prices, service sector cost pressures intensified and prices charged rose at the fastest pace since August 2022. Employment in services fell, contributing to the first overall decline in private sector employment in more than a year.

WEEK IN REVIEW

JAPANESE CPI (MON): Japan's February CPI is outdated as it does not capture the period since the start of the Iranian war on February 28. Nonetheless, the data showed further cooling in headline inflation. Headline CPI slowed to 1.3% Y/Y (prev. 1.5%), moving further below the Bank of Japan's 2% target. Core CPI (excluding fresh food) eased to 1.6% (prev. 2.0%), undershooting the 1.7% forecast, while "core-core" CPI (excluding fresh food and energy) edged down to 2.5% (prev. 2.6%), indicating underlying price pressures remain relatively firm.

EZ FLASH PMIS (TUE): In short, the PMIs point to a stagflationary environment emerging. The S&P PMI for the EZ was indicative of GDP slowing to a quarterly rate below 0.1% in March, while forward-looking indicators point to an elevated risk of a downturn in the months ahead. For the ECB, the series underscores the balancing act they will have to take between acting to stop price pressures from taking hold while not slowing an already near-stagnant economy. A point that may lend itself to calls for fiscal support, particularly if the conflict continues for much longer.

UK FLASH PMIS (TUE): In short, the PMIs point to a stagflationary environment emerging. The series points to a surge in inflationary pressures, with the acceleration in manufacturing's cost growth the sharpest since 1992. At the same time, the economy has experienced a hit from the Middle East conflict. As for the ECB, this dynamic equates to a tricky task for policymakers. Particularly as the UK's growth and employment situation was already impaired pre-conflict.

RIKSBANK MINUTES (WED): The Riksbank published minutes of its March meeting, where it kept rates unchanged at 1.75%, in line with expectations. The accompanying statement said rates are likely to remain at that level for some time, a view broadly echoed in the minutes, with Governor Jansson saying, "for now, everyone agrees that a wait-and-see approach is the best strategy". Policymakers also flagged upside risks to inflation linked to the Iran conflict, though it could be inferred that both Bunge and Thedeen see Sweden as well placed to gain a "clearer picture of the war's economic impact", given inflation is already low. On the hawkish side, Seim said she had given "considerable thought" to whether to include some probability of a near-term rate increase in the interest rate path. Overall, analysts expect the Riksbank to keep rates steady through 2026, while highlighting uncertainty around the geopolitical backdrop.

UK INFLATION (WED): As expected, CPI Y/Y remained at 3.0% in February. However, the accompanying core and services Y/Y figure were hotter than expected. In short, the series is outdated given the Middle East conflict and the potentially significant inflation pressures that may be seen from March onwards. Nonetheless, the series adds to the stagflationary discourse around the UK.

NORGES BANK ANNOUNCEMENT (THU): Norges Bank kept rates unchanged at 4.00%, as expected. The MPR and accompanying commentary struck a hawkish tone, with the bank noting that "it will likely be appropriate to raise the policy rate at one of the forthcoming monetary policy meetings", and projecting the policy rate at 4.25-4.5% by year-end. On inflation, it said it "has been markedly higher than projected", adding that "labour market conditions are now slightly stronger than in December". Minutes were also published for the first time at this meeting, with policymakers noting that "the Committee discussed whether the policy rate should be raised already at this meeting". The NOK strengthened ahead of the meeting as traders bet on hawkish guidance, with some also seeing a chance of a hike, but reversed much of those gains on the announcement after no increase was delivered. Following the decision, Nordea pencilled in a 25bps hike in June, while SEB said a hike in either May or June "appears likely", noting that upcoming inflation and wage data will be decisive.

BANXICO REVIEW (THU): Banxico surprised markets with a 25bps rate cut on Thursday, taking the policy rate to 6.75% from 7.00%, against expectations for no change. It also adjusted its guidance to signal one further rate cut ahead: "the Board will evaluate the appropriateness and timing for an additional reference rate cut" (previously, "Looking ahead, the Board will evaluate additional reference rate adjustments"). The peso weakened following the surprise move, with the statement indicating the decision was appropriate given its current assessment of the inflation outlook. The bank revised up near-term inflation forecasts, while leaving longer-term projections unchanged, still expecting inflation to return to target in Q2 27. The decision was not unanimous, with three members (Governor Rodriguez, Cuadra and Mejia) voting to cut, and two (Heath and Borja) voting to keep rates on hold.

UK RETAIL SALES (FRI): A better-than-expected series. But, ultimately, the M/M figures printed in negative territory, even before the Middle East conflict filters through to the series. A finding that adds to stagflation concerns in the period ahead. However, the upward revisions to January lend themselves to an uptick in Q1 GDP from the 0.1% Q4 pace. Albeit, the hit to sentiment from the Middle East conflict may ultimately overshadow this.

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