

Key events this week – US tariff announcement, US non-farm payrolls & ISM surveys, Fed Chair Powell speech, RBA meeting, global S&P PMI's March

Recap from last week: US inflationary pressures persist amid slowing growth

US data last week reflected a tension between signs that inflation pressures are persisting and signs that growth is slowing. Announcements of auto tariffs last week, ahead of a broader tariff announcement due this week, are fuelling consumer and business expectations of inflation in the near-term, and driving sentiment lower. At the same time, there are signs that US growth is slowing through Q1.

Last week's reports underscored persistent inflation pressures and rising inflation expectations among households and businesses. Firstly, US PCE price inflation for Feb confirmed this trend, with headline inflation steady at +2.5% but the monthly rate slightly firmer. More concerning, core PCE inflation rose to +2.8%, driven by increases in both core goods (now no longer deflationary) and core services. This suggests that progress on disinflation may be stalling.

Secondly, a further weakening in sentiment was influenced by expectations of rising inflation and this was broadly reflected in both consumer and business surveys last week. The consumer sentiment reports last week were consistent; there is a divergence between relatively stable, albeit low, sentiment readings for current conditions contrasting with a notable weakening in the outlook for personal finances, business conditions, unemployment, and inflation. Consumers are saying 'Things aren't great now, but the future outlook is causing notable unease'.

Among businesses, the US S&P prelim PMI showed an improvement in private sector output in Mar – but conditions were mixed. A rebound in services output more than offset the marked fall in manufacturing output. There was a question about the durability of the services expansion. Rising input costs were a key theme of the report, highlighting that cost pressures had intensified across both sectors, but especially in manufacturing. While manufacturing firms were passing through these higher input costs, the report noted that concerns over sluggish demand were hampering service firms' ability to pass on higher costs – despite the improvement in services activity output this month. The fall in the business outlook was led by concerns over policy initiatives, while firms also cited weakening customer demand.

Amid this persistent inflation, last week also brought further evidence of slowing growth. Business concerns over slowing demand were reflected in Feb's slower-than-expected personal spending growth. Personal spending growth did rebound in Feb, but by less than expected, while the fall in spending for Jan was revised lower. In real terms, personal spending increased by a modest +0.1% in the month. It was notable that spending on services fell by -0.1% in real terms in Feb, led by a -1.4% fall in food services & accommodation – the third weak month in a row. Spending on goods did rebound in Feb, but only partially offset the fall in goods spending in Jan. The effect of the Auto tariff announcement last week may boost personal spending in the short term as demand may be pulled forward ahead of the tariff.

A relatively bright spot in the data was the personal income report for Feb – suggesting that, overall, the footing of the consumer/households remained solid, despite the dour outlook. Total personal income growth accelerated in Feb by more than expected – although growth was led mostly by an increase in “other” government transfer receipts (not a sign of economic strength, but

there was no increase in unemployment insurance payments), however, employee compensation growth also accelerated. The other bright spot remains the relatively low and stable initial jobless claims – a near-term indicator suggesting that labor market conditions have not deteriorated more recently.

Zooming out to overall US economic growth, the latest estimate of GDP tracking for Q1 paints a similar picture of deceleration. The [Atlanta Fed GDP nowcast for Q1](#) slowed further this week, now indicating an adjusted -0.5% growth rate for the quarter, with another month of data remaining to close out the quarter. While domestic demand (excluding external factors) remains positive, its pace has also moderated.

Outlook for the week ahead; US tariff announcement, US non-farm payrolls & ISM surveys, Fed Chair Powell speech, RBA meeting, global S&P PMI's March

The focus this week is likely to remain firmly on the tariff announcement expected on 2 Apr and its implications for growth and inflation. The details will be important including the scope of tariffs, expectations of further tariff announcements, and general timing for actions.

On the data flow, the US non-farm payrolls and labor market report for Mar will take center stage this week and will be crucial for assessing consumer fundamentals and implications for the consumption outlook. There will also be several important Fed speeches this week, including Fed Chair Powell, Vice Chair Jefferson, and Governor Cook, all speaking about the economic outlook.

Key factors to watch this week;

US non-farm payroll growth is expected to slow in Mar.

- Non-farm payrolls are expected to increase by +139k in Mar, edging down from +151k in Feb. As always, the direction of revisions will be important.
- The unemployment rate is expected to be unchanged at 4.1% in Mar.
- The average workweek is expected to increase to 34.2 hours/week.
- Job openings for Feb are expected to slow only slightly to 7.73m from 7.74m in Jan.
- The Challenger Job Cut Announcement survey for Mar will be closely watched. The Feb report showed a marked increase of 172k job cut announcements led by, but not limited to, government job cuts.
- Initial claims are expected to edge slightly higher to +227k for the week ending 29 Mar.

Other US data will also provide input into the growth trajectory for the final month of Q1;

- The US ISM surveys for Mar are expected to show a slowdown in manufacturing activity while services activity is expected to continue expanding at a moderate pace.
- Factory Orders for Feb are expected to increase by +0.5%, down from +1.7% in Jan.

There will be several US Fed speeches this week. The key speeches will be US Fed Chair Powell (Fri), Vice Chair Jefferson, and Governor Cook, all speaking on the economic outlook.

The RBA will meet this week and is expected to keep policy settings unchanged with the cash rate target at 4.10%. At the prior meeting, the RBA Board reduced the cash rate for the first time in this cycle, noting increased confidence in inflation progress. Yet, the Board remained cautious on the prospects of further easing. Guidance from this meeting will be important.

Other important data out this week includes;

- The latest ECB minutes of the latest meeting.

- The prelim Euro area CPI for Mar is expected to ease to +2.2% over the year and remain unchanged at +0.4% over the month. Core CPI is expected to ease to +2.5% over the year in Mar, down from +2.6% in Feb.
- Canada’s labour market report for Mar will be important from the perspective of gauging progress on the current recovery and any impact so far from trade and tariff announcements. Employment growth is expected to remain low at a net +9.9k for the month. The unemployment rate is expected to increase to 6.7%.
- The broader suite of global PMIs for Mar will be released this week. The flash PMIs for Mar showed broadly that services output had continued to grow and build on the first two months of the year, whereas manufacturing output continued to contract – and to a greater extent than in the prior two months.

US Treasury Issuance; 31 Mar – 4 Apr 2025

This week, the US Treasury will auction and/or settle approx. \$688bn in ST Bills, Notes, Bonds, and TIPS, raising \$121bn in new money.

QT this week: Approx \$21bn of ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be reinvested. Approx \$19bn of Notes & Bonds will be redeemed.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	Prior Auction High Rate %
31 Mar - 4 Apr	27-Mar	01-Apr	4 week bill	75		Actual 4.220%	4.215%
	27-Mar	01-Apr	8 week bill	75		Actual 4.245%	4.215%
	28-Mar	01-Apr	17-week Bill	60		Actual 4.200%	4.195%
				210	234	-24	
	31-Mar	03-Apr	13 week bill	76		Announced	4.190%
	31-Mar	02-Apr	26 week bill	68		Announced	4.085%
	01-Apr	03-Apr	6-week bill	70		Announced	4.230%
	01-Apr	03-Apr	14-day CMB	50		Announced	n/a
				264	236	28	
	20-Mar	31-Mar	10yr TIPS	18		Actual 1.935%	2.243%
	18-Mar	31-Mar	20yr Bond	13		Actual 4.632%	4.830%
	25-Mar	31-Mar	2yr Note	69		Actual 3.984%	4.169%
	26-Mar	31-Mar	5yr Note	70		Actual 4.100%	4.123%
	27-Mar	31-Mar	7yr Note	44		Actual 4.233%	4.194%
				214	97	117	
			Total - securities settling this week	688	567	121	
			Net New Cash Raised Qtr to Date	474	470	4	
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			134	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		31-Mar	Notes & Bonds	6.3			
		01-Apr	ST Bills	0.7			
		03-Apr	ST Bills	13.7			
				20.7			
			Maturing & redemption (balance sheet roll-off)				
		31-Mar	Notes & Bonds	19.0			

Quantitative Tightening Overview – April 2025

The cap on US Treasury redemptions was lowered to \$5bn effective April 2025. In Apr, the face value of Coupons maturing on the Fed balance sheet is approx. \$42bn. This is more than the new \$5bn monthly cap on Treasury redemptions. So of the \$42bn of Coupons maturing in Apr, \$5bn will roll off the Fed balance sheet (redeemed) and \$37bn will be reinvested. It also means that all ST Bills maturing in Apr will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$5bn redemption cap - APR				
				\$5
				Reinvest \$ Bn
				Redeem \$Bn
15-Apr-25	Notes, Bonds, & TIPS		2.7	19.8
30-Apr-25	Notes, Bonds, & FRNs		2.3	17.2
	ST Bills			51.2
Total Notes & Bonds			5.0	88.2

Apr 2025 ST Bill maturity schedule;

Bill Maturity Schedule - APR			Weekly Totals \$Bn		
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment	
2025/04/01	0.72	1%	0.00	0.72	
2025/04/03	13.65	27%	0.00	13.65	
2025/04/08	0.74	1%	0.00	0.74	
2025/04/10	12.04	24%	0.00	12.04	
2025/04/15	0.73	1%	0.00	0.73	
2025/04/17	12.83	25%	0.00	12.8	
2025/04/22	0.70	1%	0.00	0.70	
2025/04/24	9.34	18%	0.00	9.34	
2025/04/29	0.47	1%	0.00	0.47	
	51.2	100%	0.0	51.2	

<https://www.newyorkfed.org/markets/treasury-rollover-faq>

Recommended US Treasury Financing Q1 2025 and Est Q2 2025

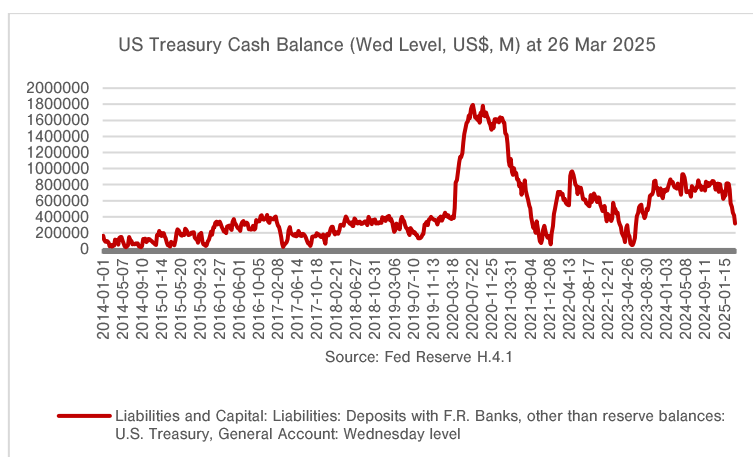
Details of the latest TBAC meeting are located on the US Treasury website [here](#). In Q1 2025, the US Treasury expects to borrow \$815 billion (revised slightly lower from \$823bn) in privately-held net marketable debt, assuming an end-of-Mar cash balance of \$850 billion. The TGA cash balance on Wed 26 Mar was \$316bn – see below.

The Q2 2025 borrowing estimate is \$123bn in privately-held net marketable debt, assuming an end-of-June cash balance of \$850 billion. At this stage, there has been no change to the composition of Coupon issuance over Q1 and Q2.

US Treasury Cash Levels (TGA)

As of Wed 26 Mar 2025, the level of the TGA decreased again to \$316bn (-\$100bn compared to the week prior).

The TGA balance is approx. \$456bn lower than the same week a year ago and this is the lowest level of the TGA since Jun 2023.



<https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=sheetml&label=include&layout=seriescolumn&from=01/01/2002&to=01/27/2021>

QE Program

There are no Treasury or MBS purchase operations scheduled at this time. Links to historical operation schedules; -

<https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/treasury-securities/treasury-securities-operational-details>

https://www.newyorkfed.org/markets/ambs_operation_schedule

CALENDAR W/C 31 March 2025

MONDAY 31 MARCH (US Eastern Time, unless stated otherwise)

China	NBS Manufacturing & Non-Manufacturing PMI (Mar)
US	Chicago PMI (Mar), Dallas Fed Manufacturing PMI (Mar)
Australia	S&P Manufacturing PMI – Final (Mar), Retail Sales (Feb) RBA Monetary Policy Decision

TUESDAY 1 APRIL

Europe	Eurozone S&P Manufacturing PMI – Final (Mar), Euro area CPI – Prelim (Mar)
US	ISM Manufacturing PMI (Mar), S&P Manufacturing PMI – Final (Mar), JOLTS (Feb)

WEDNESDAY 2 APRIL

US	Tariff Announcement MBA Mortgage Apps wk ending 29 Mar, ADP Employment Change (Mar), Factory Orders (Feb), Vehicle sales (Mar) – tbc, US Fed speeches: Kugler
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THURSDAY 3 APRIL

Europe	Eurozone PPI (Feb), ECB Minutes, ECB President Lagarde speech
US	Initial Jobless Claims wk ending 29 Mar, ISM Services PMI (Mar), S&P Services PMI – Final (Mar), Challenger Job Cut Announcements (Mar), Goods & Services Trade Balance – Final (Feb), Fed speeches: Vice Chair Jefferson (economic outlook), Governor Cook (economic outlook)

FRIDAY 4 APRIL

Europe	Germany Factory Orders (Feb)
Canada	Labour Market Survey (Mar)
US	Non-Farm Payrolls & Labor Market Survey (Mar), Fed speeches; Fed Chair Powell (economic outlook), Barr (AI & payments), and Governor Waller (payments)
