

Key events this week – US labor market for Feb, Fed speeches, ISM surveys, ECB meeting, China NPC, and tariff headline risk

Recap from last week: Progress on inflation and the evolving US economic outlook.

As we approach the next FOMC meeting on 18-19 Mar, the US economic landscape continues to evolve. Data last week showed encouraging signs of slowing underlying inflation in Jan, yet simultaneously cast doubt on the narrative of the robust economic expansion, a concern currently based on limited hard data. This week, we add the critical US labor market component for Feb to our analysis as we build a more comprehensive view ahead of the Fed's upcoming decision.

At its last meeting, the FOMC maintained its policy stance, citing the need for further disinflation progress before considering rate cuts, supported by a solid labor market and economy. The Jan PCE inflation data showed encouraging signs of progress on disinflation, coming in below expectations. Core PCE inflation slowed to +2.65% over the year, a step down from +2.9% in Dec, and below the +2.8% rate where it seemed to stall through late 2024. Seasonality was a key consideration in this report and importantly, monthly inflation data moderated compared to the higher figures of a year ago. This is a development that is likely to be welcomed by the FOMC. While core goods inflation remained relatively firm, core services inflation, a key area of concern, showed signs of easing. Specifically, core services inflation slowed to +3.4%, and core services excluding housing also slowed to +3.1%. Despite these positive developments and the general progress on disinflation, short-term annualized rates suggest that further disinflation may proceed at a more gradual pace.

However, the elevated inflation rate at the end of 2024 was not the only concern on the inflation front for the FOMC. The Committee was also worried about the upside risks to the inflation outlook from the potential impact of tariffs and changes to immigration policy. The uncertainty around policy has yet to be resolved, so this may still weigh on the FOMC decision.

Beyond policy concerns, the data may already be reflecting potential tariff-related pressures, clouding the economic outlook. The threat of tariffs appears to coincide with two developments. The first is the emergence of rising cost pressures observed in the US S&P prelim PMI report for Feb and now also across the regional manufacturing surveys for Feb, suggesting that price increases on raw materials became more widespread in Feb (including the Dallas, Kansas, Empire State, and Philadelphia Fed manufacturing surveys for Feb).

The second was the notable step down in the US growth outlook for Q1. The [Atlanta Fed GDP nowcast](#) for Q1 GDP growth shifted sharply lower from +2.3% growth at the start of the week to a -1.5% contraction by the end of the week. The key driver of that decline was the increase in the goods trade deficit led mostly by a +32% increase in imports of industrial supplies for the month – possibly reflecting orders to front-run potential tariff price increases.

However, the fall in personal spending for Jan also contributed to the weaker growth outlook. While this fall was expected based on the Jan retail sales results, it does raise some uncertainty over the outlook for consumption growth. So far, it's one month of weaker consumption spending and comes off the back of four months of much stronger growth leading into the end of 2024. Personal income growth was stronger than expected in Jan, led higher (in nominal terms) by cost-of-living adjustments on transfer payments, but labor income growth also remained stable.

Given the uncertainty over the growth outlook and some improvement on inflation progress, markets are now pricing in almost three rate cuts this year (at the time of writing), with cuts to resume in Jun (Source: [CME FedWatch](#))

Outlook for the week ahead; US labor market for Feb, Fed speeches, ISM surveys, ECB meeting, China NPC, geopolitical and tariff headline risk

Given this uncertain US growth backdrop, the US labor market data for Feb, and what it means for income and growth, will be crucial for understanding the evolving economic backdrop. Ahead of the blackout period next week, there are also several key Fed speeches which will provide some context for how Fed members are thinking about the economic outlook.

Key factors to watch this week;

US labor market conditions in Feb

- US non-farm payrolls for Feb are expected to increase by +156k, slightly higher than Jan at +143k. The direction of revisions will be important.
- The unemployment rate is expected to be unchanged at 4% in Feb versus 4% in Jan.
- The average weekly hours are expected to increase back up to 34.2 hours in Feb from 34.1 in Jan.
- Average hourly earnings are expected to slow to +0.3% over the month, from +0.5% in Jan, but remain unchanged at +4.1% over the year.
- On more of an anecdote front, the Challenger Gray Job Cut Announcement survey for Feb may provide some further insight into labor market conditions.
- We continue to monitor initial claims data to gauge the impact of government layoffs.
- The JOLTS survey for Jan will be released on 11 Mar.

US data releases this week will primarily focus on production for Jan and Feb with a combination of hard and survey data.

- The ISM manufacturing and services PMI for Feb will be released – and it will be important whether they confirm the direction of the S&P Prelim PMIs for Feb (which recorded a notable slowdown in services activity in Feb).
- The Fed Beige Book may provide some important anecdotes about consumption, growth, prices, and the labor market since the last release on 15 Jan.
- US Factory Orders for Jan are expected to increase by +1.5% in Jan after falling by -0.9% in Dec. The advance durable goods orders for Jan increased by more than expected due to an increase in the larger value aircraft orders in the month.

The final US Fed speeches before the blackout period next week, ahead of the FOMC meeting on 18-19 Mar.

- US Fed Chair Powell will give a speech on the Economic Outlook on Fri 7 Mar.
- Fed Governor Waller will also give a speech on the Economic Outlook on Thur 6 Mar.
- The Fed Vice Chair Williams is also scheduled to give several speeches this week.
- There will also be a range of other speeches on Fri 7 Mar by Governor Bowman and Kugler.

The ECB is expected to cut rates this week;

- The ECB will kick off the next round of central bank meetings this week. Markets expect the ECB to cut rates by 25bps to 2.5%. The minutes of the last meeting showed that the Governing Council agreed that the disinflation process was well on track, while the growth outlook continued to be weak. Services inflation was widely seen as the key inflation component to

monitor during the coming months. Last week, the Jan Euro area services inflation remained stuck at +3.9%, however, the negotiated wage rates easing in the Dec quarter could give the ECB some comfort over the outlook for services inflation.

- The prelim Euro Area CPI for Feb is expected to show underlying inflation slow further to +2.5% from +2.7% in Jan.

Data outside of the US;

- Australia's GDP for Q4 is expected to increase to +0.5% over the quarter, lifting from +0.3% in Q3. The latest RBA minutes for the 18 Feb meeting will be released.
- Canada labour market update for Feb; net employment growth is expected to slow to +18k in Feb.

The full suite of S&P global PMIs for Feb will be released this week.

Further news on tariffs for China, Canada, and Mexico is expected this week – and headline risk remains elevated.

At the same time, the Chinese National People's Congress will take place in Beijing this week – and stimulus measures are expected to be announced together with the key economic targets for the year (source: [Bloomberg 3 Mar 2025](#)).

US Treasury Issuance; 3 – 7 March 2025

This week, the US Treasury will auction and/or settle approx. \$469bn in ST Bills, with a net paydown of -\$6bn.

QT this week: Approx \$2.4bn of ST Bills will mature on the Fed balance sheet and will be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
3-7 Mar	27-Feb	04-Mar	4 week Bill	80			Actual 4.235%	4.245%
	27-Feb	04-Mar	8 week Bill	75			Actual 4.235%	4.235%
	26-Feb	04-Mar	17 week Bill	60			Actual 4.200%	4.215%
				215	239	-24		
	04-Mar	06-Mar	12-day CMB	40			Announced	n/a
	03-Mar	06-Mar	13 week Bill	76			Announced	4.195%
	03-Mar	06-Mar	26 week Bill	68			Announced	4.180%
	04-Mar	06-Mar	6-week Bill	70			Announced	4.230%
				254	236	18		
			Total - securities settling this week	469	475	-6		
			Net New Cash Raised Qtr to Date	5845	5401	444		
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			815		
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
		04-Mar	ST Bills	0.7				
		06-Mar	ST Bills	1.7				
				2.4				
			Maturing & redemption (balance sheet roll-off)					
			Nil	0.0				

Quantitative Tightening Overview – March 2025

In Mar, the face value of Coupons maturing on the Fed balance sheet is approx. \$33.3bn. This is more than the \$25bn monthly cap on Treasury redemptions. So of the \$33.3bn of Coupons

maturing in Mar, \$25bn will roll off the Fed balance sheet and \$8.3bn will be reinvested. It also means that all ST Bills maturing in Mar will be reinvested.

Summary of Total Coupons to Redeem at the \$25bn redemption cap - MAR				
			\$25	
			Redeem \$Bn	Reinvest \$ Bn
15-Mar-25	Notes & Bonds		6.0	2.0
31-Mar-25	Notes & Bonds		19.0	6.3
Mar-25	ST Bills		0.0	9.9
Total Notes & Bonds			25.0	18.3

Mar 2025 ST Bill maturity schedule;

Bill Maturity Schedule - MAR			Weekly Totals \$Bn		
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment	
2025/03/04	0.71	7%	0.00	0.71	
2025/03/06	1.67	17%	0.00	1.67	
2025/03/11	0.73	7%	0.00	0.73	
2025/03/13	2.15	22%	0.00	2.15	
2025/03/18	0.71	7%	0.00	0.71	
2025/03/20	0.74	7%	0.00	0.74	
2025/03/25	0.71	7%	0.00	0.71	
2025/03/27	2.49	25%	0.00	2.49	
	9.92	100%	0.00	9.92	

<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](#). For 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 borrowing estimate is \$9 billion lower than announced in October 2024, largely due to a higher beginning-of-quarter cash balance, partially offset by lower net cash flows.

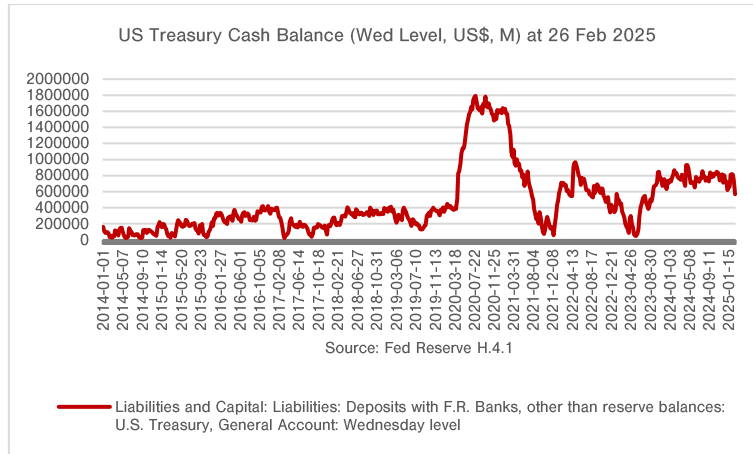
The Q2 2025 borrowing estimate is \$123bn in privately-held net marketable debt, assuming an end-of-June cash balance of \$850 billion. At this stage, there has been no change to the composition of Coupon issuance over Q1 and Q2.

These estimates assume a resolution to the debt limit of either a suspension or an increase. Since 21 Jan, the US Treasury has been using extraordinary measures to finance the government on a temporary basis.

US Treasury Cash Levels (TGA)

As of Wed 26 Feb 2025, the level of the TGA decreased to \$568bn (-\$170bn compared to the week prior).

The TGA balance is approx. \$199bn *lower* than the same week a year ago and this is the lowest level of the TGA since Sept 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/ombs_operation_schedule

CALENDAR W/C 3 March 2025

MONDAY 3 MARCH (US Eastern Time, unless stated otherwise)

Europe	Euro area CPI – Prelim (Feb), Eurozone S&P Manufacturing PMI – Final (Feb)
US	ISM Manufacturing PMI (Feb), S&P Manufacturing PMI – Final (Feb)
Australia	Retail Sales (Jan), RBA Minutes

TUESDAY 4 MARCH

US	Fed speeches: Vice Chair Williams, Barkin, Vehicle Sales (Feb) – tbc
Australia	GDP Q4
Japan	BoJ Governor Ueda speech

WEDNESDAY 5 MARCH

US	MBA Mortgage Apps wk ending 1 Mar, ADP Employment Chg (Feb), ISM Services PMI (Feb), S&P Services PMI – Final (Feb), Factory Orders (Jan), Fed Beige Book
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THURSDAY 6 MARCH

Europe	Eurozone Retail Sales (Jan) ECB Monetary Policy Meeting
US	Initial Jobless Claims wk ending 1 Mar, Challenger Job Cut Announcements Survey (Feb), International Trade in Goods & Services (Jan), Wholesale Inventories (Jan), Non-Farm productivity and Unit Labor Costs (Q4), Fed speeches; Fed Gov Waller, Barkin, Harker, Bostic.

FRIDAY 7 MARCH

Europe	Germany Factory Orders (Jan), Eurozone GDP – Final (Q4)
Canada	Employment and Labour Market Reports (Feb)
US	Non-Farm Payrolls and Labor Market Report (Feb), Consumer Credit Change (Jan), Fed speeches; Fed Chair Powell, Gov Waller, Vice Chair Williams, Bowman, Kugler.
China	CPI & PPI (Feb), Trade Balance, Exports, and Imports (Feb) – tbc
