

THE WEEK AHEAD, 20 FEBRUARY 2026

The hare and the tortoise

In one of Aesop's well-known fables, the hare appears far better suited to running a race than the tortoise. It sprints ahead with seemingly effortless speed, confident that victory is assured. Yet, this confidence ultimately drifts into arrogance and the hare becomes distracted, unfocused and simply fails to participate in the race at all. Meanwhile, the tortoise plods along, undeterred by its inferior athletic ability and prevails over its faster rival, not by brilliance, but by endurance.

We would not apply this analogy wholeheartedly to the relative success of the **US** and the **euro area** in generating **employment growth**, but it is at least striking – as shown in the chart on the next page – that having lagged for a long time in the immediate post-Covid recovery, euro area employment growth was stronger than in the US in every single quarter of 2025. Despite the improvement in payroll growth seen in January (itself perhaps temporarily boosted by favourable weather conditions) most of the reasons for the change in relative performance are to be found in the US. A combination of

the lagged impact of tighter **Federal Reserve** policy, the effects of higher costs on US businesses resulting from tariff increases as well as the Administration's tighter migration controls all combined to slow US employment growth last year, creating an uncharacteristically undynamic "no hire, no fire" stasis. By contrast, as in the fable, euro area employment has been resilient and unspectacular.

Employment growth is an important factor underpinning **consumer spending**, hence it is natural to conclude that the support for domestic demand in the euro area is becoming better founded, at least in comparison with the US. Recalling that major equity indices have very heavy weights for US companies, ensuring good geographic diversification for a portfolio is one important conclusion from the analysis.

However, this is not the end of the story. A new and still uncertain influence on labour markets in both areas is to be found in the impact of **Artificial Intelligence (AI)** on corporate planning across both regions. US leadership in **Large Language Model (LLM)** development is well known, while US businesses have generally also been faster to adopt AI. In very specific

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Sean Shepley
Senior Economist

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areas, integration of AI directly creates new employment opportunities, but successful implementation of AI solutions seems likely to substitute for workers in others, particularly initially where AI-based competitors reduce the expected value of future earnings from established incumbents with larger workforces.

Although this creates uncertainty at the level of individual employees and companies, there are many benefits at the macro level because the **productivity** acceleration helps to reduce **inflationary pressure** by depressing **unit labour costs** even as profits rise and can make it easier for central banks to keep interest rates low even as growth gathers pace. The latter is generally a favourable combination for equities and fixed income markets, acting as a supporting factor through the period of uncertainty.

The fable of the hare and the tortoise reminds us that assuming early leaders will continue to dominate in any race is a mistake. Conditions change and being able to adapt to them may be more important than one's initial position. That said, being alive to new opportunities as the race gathers pace is critical, as is ensuring that your investments are well diversified.

Quarterly employment growth (%)



Source: Bloomberg, as of February 2026.

The coming week

The final week of the month is a relatively quiet one for economic indicators.

In the **euro area**, **Germany's ifo survey** will be important to confirm how widespread the sharp uplift in orders shown by the statistics office is and whether it is already impacting output. Germany's unemployment rate will also be released, having recently shown signs of stabilising. For the broader **euro area**, more details of **Q4 GDP** will be released as will the final details of **January's HICP**. The latter is likely to be more interesting than in most months given the change in the inflation basket, indexation and seasonal factors that took place this year.

In the **US**, **producer prices** will be an important indicator as to whether US inflationary pressures are abating. The components of the CPI report suggest that the pressure from above-target inflation has not yet convincingly turned. The **Conference Board's** measure of **consumer confidence** and indicators of the job market situation will be an important gauge of consumer sentiment while Case-Shiller's measure of US home prices will also be released next week.

In **Japan**, **Tokyo's CPI** will provide the first indication of February price trends while **housing starts** and **retail sales** are also due to be released.

Finally, in the **UK**, **house price** and **consumer confidence** data will be released.

Yours,
Sean Shepley

UPCOMING POLITICAL EVENTS 2026

8 March	DE	State elections in Baden-Württemberg
8 March	DE	Local elections in Bavaria
15 March	DE	Local elections in Hesse
17–18 March	FED	Central Bank Meeting
18–19 March	BoJ	Central Bank Meeting
19 March	EZB	Central Bank Meeting
19 March	BoE	Central Bank Meeting
19–20 March	EU	European council

Calendar Week 09

Monday			Consensus	Previous
GE	Ifo Curr Conditions New	Feb	--	85.7
GE	Ifo Expectations New	Feb	--	89.5
UK	Nationwide house price yy	Feb	--	1.0%
Tuesday				
US	CaseShiller 20 YY NSA	Dec	--	1.4%
US	Consumer Confidence	Feb	--	84.5
Wednesday				
GE	GDP Detailed QQ SA	Q4	--	0.3%
GE	GDP Detailed YY NSA	Q4	--	0.6%
GE	GDP Detailed YY SA	Q4	--	0.4%
GE	GfK Consumer Sentiment	Mar	--	-24.1
EC	HICP Final YY	Jan	1.7%	1.7%
EC	HICP-X F,E,A&T Final YY	Jan	--	2.2%
Thursday				
EC	Money-M3 Annual Grwth	Jan	--	2.8%
EC	Business Climate	Feb	--	-0.41
EC	Economic Sentiment	Feb	--	99.4
EC	Industrial Sentiment	Feb	--	-6.8
EC	Services Sentiment	Feb	--	7.2
EC	Consumer Confid. Final	Feb	--	--
US	Initial Jobless Clm	16 Feb, w/e	--	--
US	Cont Jobless Clm	9 Feb, w/e	--	--
Friday				
JN	CPI, Overall Tokyo	Feb	--	1.5%
JN	Retail Sales YY	Jan	--	-0.9%
JN	Large Scale Retail Sales YY	Jan	--	2%
UK	GfK Consumer Confidence	Feb	--	-16
JN	Housing Starts YY	Jan	--	-1.3%
GE	Import Prices YY	Jan	--	-2.3%
GE	Unemployment Chg SA	Feb	--	0k
GE	Unemployment Rate SA	Feb	--	6.3%
GE	CPI Prelim YY	Feb	--	--
GE	HICP Prelim YY	Feb	--	--
US	PPI Machine Manuf'ing	Jan	--	194.3
US	PPI Final Demand YY	Jan	--	3.0%
US	PPI exFood/Energy YY	Jan	--	3.3%
US	Chicago PMI	Feb	--	54.0

The calendar data for the current week comes directly from LSEG Datastream. They are published in the week in which "The Week Ahead" appears. These are economic data that come from official sources. Where available, the previous figure is collected together with the consensus estimate. The consensus estimate is collected by LSEG Datastream through a survey of analysts and economists. It is the average of all estimates submitted.

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