

THE WEEK AHEAD, 27 MARCH 2026

The first data points

With the course and duration of the conflict in the **Middle East** subject to heavy uncertainty and the speed with which energy supply may subsequently normalise equally hard to judge, early data points that capture the onset of the conflict become particularly important.

In the **euro area**, surveys of consumer and business sentiment have already weakened materially, but sentiment proved to be over-dramatic much of the time in the wake of the pandemic, hence indicators that track economic output more tightly are a better guide. This is the case for the **Purchasing Managers' Indices (PMIs)** which have the additional benefits of being frequent and timely. The indices cover a range of questions relating, for example, to **activity levels, new business and prices paid**. For each question, the indices show the proportion of companies reporting a rise relative to the proportion showing a decline. The chart of the week shows a weighted measure of new orders and prices paid from the PMIs across the **US, euro area, Japan and UK**.

What initial indications did the PMIs suggest we should expect from the conflict?

Unsurprisingly, the indicators point towards a **weaker pace of growth** in all countries. Perhaps more notable is the fact that the **services sector** bore the brunt of the softening in activity. This was particularly the case in Europe, where the deceleration in euro area and UK services was most marked. Services activity in the US also softened.

By contrast, in the **manufacturing sector, activity held up better than had been expected**. In the US, the manufacturing PMI rose, suggesting stronger growth, whilst in the other countries, activity in the manufacturing sector slowed but beat consensus expectations. Part of the reason for the better than expected outturns was to be found in longer delivery times, not in itself a sustainable source of strength. Apart from the US, new orders weakened, itself suggesting that activity levels are likely to soften next month.

At this point, the data suggest that **growth in March was likely softer than trend, but still in positive**

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territory. Given that not all of the effects from the rise in energy prices have yet passed through, the scope for further dampening in activity in the second quarter remains.



Sean Shepley
Senior Economist

PMI: Manufacturing New Orders & Prices Paid. Weighted: US, EUR, JPY, UK



Source: Bloomberg, as of March 2026.

Another clear theme, also unsurprisingly, is that companies are reporting rising **input prices**. Focusing on manufacturing companies, we see the largest proportion of companies reporting higher prices in the UK, the euro area and Japan. All of these countries rely on imported energy, hence the incidence of the pressure matches the ranking that would be expected. In the US, the imposition of tariffs has already raised prices paid over the last year. This combined with the US's surplus in traded oil products helps explain why the additional pressure from higher energy prices was more muted in the US.

For the major **central banks**, the PMIs likely affirm their expectation of the direction of travel but not give greater confidence over the most pressing decisions they will need to take. In their recent meetings, some released detailed guidance as to how they expect growth and inflation to evolve depending on different scenarios for energy prices, most notably the **ECB (European Central Bank)**. It seems likely to us that the central banks will differ in their responses to the increase in energy prices. In particular, the European central banks were at pains to stress their intent to prevent a new period of prolonged divergence of inflation from target from taking place, an attitude the latest data seem unlikely to have changed. By contrast, the **Federal Reserve** (the Fed is the US central bank) seems set to adopt a more patient approach based on a smaller inflation overshoot and its concern over weak jobs growth.

UPCOMING POLITICAL EVENTS 2026

13–18 April	US	World Bank Spring meeting
27–28 April	BoJ	Central Bank Meeting
28–29 April	FED	Central Bank Meeting
30 April	EZB	Central Bank Meeting
30 April	BoE	Central Bank Meeting

The coming week

Following the flash PMIs, next week sees the release of a number of key economic indicators which will help gauge the extent of any economic slowdown following the onset of the Middle East conflict. In the **US**, March **payrolls, unemployment** and the **ISM** surveys as well as February's **job openings** data will be released. The labour market data have been noisy since the start of the year, with March's payroll data expected to show a rebound from February's decline to a level consistent with a still weak trend.

In the euro area, the **European Commission's business sentiment surveys** seem likely to mirror the decline already seen in consumer confidence. The initial release of **March CPI** is expected to show the initial effects of the rise in European energy prices with an increase to around 2.5% likely.

In **Japan**, Tokyo March **CPI** is likely to show the effects of higher energy prices, rebounding from last month's 1.6%. The Q1 **Tankan** survey will be an important sentiment gauge for Japanese companies while **unemployment** and **retail sales** data will round out the macro picture.

In the **UK**, the final release of **Q4 GDP** should confirm a weak end to 2025 for economic activity while **surveys of price expectations** for firms and consumers will be an important signal for the Bank of England.

Yours,
Sean Shepley

Calendar Week 14

			Consensus	Previous
Monday				
EC	Economic Sentiment	Mar	--	98.3
EC	Industrial Sentiment	Mar	--	-7.1
EC	Services Sentiment	Mar	--	5.0
EC	Consumer Confid. Final	Mar	--	--
GE	CPI Prelim YY	Mar	--	1.9%
GE	HICP Prelim YY	Mar	--	2.0%
Tuesday				
JN	CPI, Overall Tokyo	Mar	--	1.6%
JN	Jobs/Applicants Ratio	Feb	--	1.18
JN	Unemployment Rate	Feb	--	2.7%
JN	Retail Sales YY	Feb	--	1.8%
JN	Large Scale Retail Sales YY	Feb	--	3%
CN	NBS Manufacturing PMI	Mar	--	49.0
JN	Housing Starts YY	Feb	--	-0.4%
GE	Retail Sales YY Real	Feb	--	1.2%
UK	GDP YY	Q4	--	1.0%
UK	Business Invest QQ	Q4	--	-2.7%
UK	Business invest YY	Q4	--	2.0%
UK	GDP QQ	Q4	--	0.1%
GE	Import Prices YY	Feb	--	-2.3%
GE	Unemployment Chg SA	Mar	--	1k
GE	Unemployment Rate SA	Mar	--	6.3%
EC	HICP Flash YY	Mar	--	1.9%
EC	HICP-X F,E,A&T Flash YY	Mar	--	2.4%
US	CaseShiller 20 YY NSA	Jan	--	1.4%
US	Chicago PMI	Mar	--	57.7
US	Consumer Confidence	Mar	--	91.2
US	JOLTS Job Openings	Feb	--	6.946M
Wednesday				
JN	Tankan Big Mf Outlook DI	Q1	13	15
JN	Tankan Big Non-Mf Idx	Q1	33	34
JN	Tankan big non-mf outlook DI	Q1	28	28
JN	Tankan All Big Capex Est	Q1	3.0%	12.6%
JN	Tankan Small Mf Idx	Q1	7	6
JN	Tankan Sm Mf Outlook DI	Q1	2	2
JN	Tankan Small Non-Mf Idx	Q1	14	15
JN	Tankan Sm Non-Mf Outlook DI	Q1	9	10
JN	Tankan All Sm Capex Est	Q1	-7.0%	0.1%
GE	HCOB Mfg PMI	Mar	--	--
EC	HCOB Mfg Final PMI	Mar	--	--
UK	S&P GLOBAL MANUFACTURING PMI	Mar	--	--
EC	Unemployment Rate	Feb	--	6.1%
US	ADP National Employment	Mar	--	63k
US	Retail Control	Feb	--	0.3%
US	S&P Global Mfg PMI Final	Mar	--	--
US	ISM Manufacturing PMI	Mar	--	52.4
US	ISM Mfg Prices Paid	Mar	--	70.5
Thursday				
US	International Trade \$	Feb	--	-54.5B
US	Initial Jobless Clm	23 Mar, w/e	--	--
US	Cont Jobless Clm	16 Mar, w/e	--	--
Friday				
US	Non-Farm Payrolls	Mar	--	-92k
US	Private Payrolls	Mar	--	-86k
US	Unemployment Rate	Mar	--	4.4%
US	Average Earnings YY	Mar	--	3.8%
US	Average Workweek Hrs	Mar	--	34.3
US	S&P Global Svcs PMI Final	Mar	--	--
US	ISM N-Mfg PMI	Mar	--	56.1

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