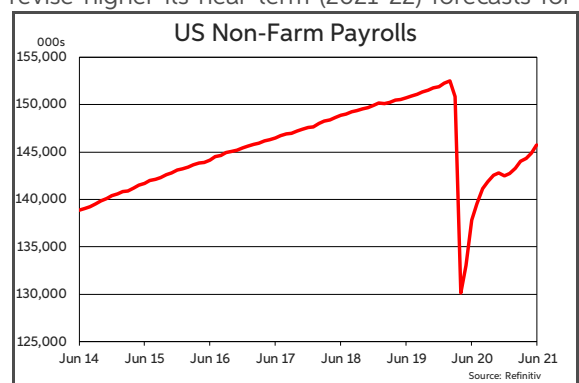


Leader of the Vax Pack

- **The latest quarterly update from the IMF published this week saw it stick to its forecast that the global economy would expand by 6% this year.** However, it upgraded its forecast for advanced economies by 0.5% and downgraded the projection for developing economies by 0.4%, with a big downward revision for India in particular. The IMF highlights that vaccine access has emerged as “the principal fault line” along which the world economy splits into two blocs. Almost all advanced economies can expect a normalisation of economic activity later this year on the back of their vaccine roll out programmes. By contrast, economic recovery is lagging in many developing economies where vaccinations rates are low and infection numbers and Covid related deaths are still high.
- **The IMF upgraded its forecast for global growth in 2022 by 0.5% to 4.9%, again largely due to a better performance in advanced economies, where growth prospects have also been helped by additional policy support measures.** The IMF warns, though, that the risks to its forecasts are to the downside. The recovery is not assured even in countries where infections rates are now very low. The slow rollout of vaccines globally could allow the virus to mutate further and it says risks will remain for so long as the virus continues to circulate. Indeed, many Western countries have seen a spike in new Covid cases recently owing to the Delta variant, although this has not translated into sharply higher hospitalisation numbers and deaths, or derailed the re-opening of their economies. Not surprisingly, the IMF says the immediate priority is to greatly step up efforts to ensure rapid worldwide access to vaccines to suppress the pandemic globally.
- **Markets were in a risk adverse mood during July, partly due to the marked rise in Delta variant Covid cases and concerns about a possible disruptive fourth wave to the pandemic.** The marked rally by bonds in July despite worsening inflation figures, as well as bouts of nervousness seen on stock markets in recent weeks suggest some concerns about the sustainability of the current strong rebound in activity. Indeed, German bunds have fully reversed the sell-off on recovery hopes seen earlier in the year, while longer dated Treasuries have recovered most of the ground lost in the opening quarter of the year. Meanwhile, the more cautious mood in markets is also evident in a scaling back of expectations in regard to rate hikes in recent times.
- **If the IMF is correct in its view that the pace of vaccine rollout and policy supports are key in terms of growth prospects, then Ireland is fast moving to the front of the class.** The latest data show 71% of the adult population are fully vaccinated and 86% are partially vaccinated, with the numbers climbing steadily. Ireland is now on a par with the UK in terms of numbers fully vaccinated and will soon surpass it, while it is well ahead of the US at 50% and EU at 54%. The level of Covid fiscal support for the economy is also very large at close to 20% of national income over 2021-22. Furthermore, recent projections from the Dept. of Finance point to an ongoing supportive stance to fiscal policy over the next number of years. It is not surprising, then, that most recent forecasts are for very strong growth by the Irish economy over the period 2021-23.
- **This week, it is the turn of the Bank of England to hold its latest monetary policy meeting.** No changes policy are expected. However, it will be interesting to see if there are some votes for an early end to QE given recent hawkish comments from some MPC members. Meanwhile, the BoE may revise higher its near term (2021-22) forecasts for inflation in its updated Monetary Policy Report. **Data-wise, there is a sparse data schedule in the UK this week.**
- **In contrast, there is a busy data schedule in the US this week.** The highlight will be the US labour market report for July. Payrolls increased by a healthy 850k in June, as hiring in the leisure and hospitality sector accelerated amid the further re-opening of the economy. Nonetheless payrolls remain some 6.8m below their pre-pandemic level. The consensus is for payrolls to rise by 900k in July. Meantime, the unemployment rate is projected to fall to 5.7%. Elsewhere, both the manufacturing and non-manufacturing ISM are expected to remain comfortably in expansion mode.
- **The Eurozone diary is relatively light.** Retail sales are forecast to rise by X% in June, as the on-going easing of restrictions supports increased consumption across the bloc. In terms of national data, industrial production (June) is due from Germany, France, Italy, the main manufacturing hubs in the EU.



	Interest Rate Forecasts			
	Current	End Q3 2021	End Q4 2021	End Q1 2022
Fed Funds	0.125	0.125	0.125	0.125
ECB Deposit	-0.50	-0.50	-0.50	-0.50
BoE Repo	0.10	0.10	0.10	0.10
BoJ OCR	-0.10	-0.10	-0.10	-0.10

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q3 2021	End Q4 2021	End Q1 2022
EUR/USD	1.1877	1.19	1.18	1.17
EUR/GBP	0.8520	0.86	0.85	0.84
EUR/JPY	130.32	131	131	131
GBP/USD	1.3940	1.38	1.39	1.39
USD/JPY	109.71	110	111	112

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time	Release	Previous	Forecast
This Week:	ECB Speakers:			
	BoE Speakers:			
	Fed Speakers:	Bowman (Tue), Clarida (Wed), Waller (Thur),		
Mon 2nd	IRL:	Bank Holiday		
	JPN: 01:30	Final Jibun Manufacturing PMI (July)	52.2	
	CHINA: 02:45	Final Caixin Manufacturing PMI (July)	51.3	51.0
	GER: 07:00	Retail Sales (June)	4.2% (-2.4%)	+2.0%
	EU-19: 09:00	Final Markit Manufacturing PMI (July)	62.6	62.6
	UK: 09:30	Final Markit / CIPS Manufacturing PMI (July)	60.4	60.4
	US: 14:45	Final Markit Manufacturing PMI (July)	63.1	63.1
	US: 15:00	Manufacturing ISM (July)	60.6	60.8
Tue 3rd	IRL: 01:01	AIB Manufacturing PMI (July)	64.0	
	EU-19: 10:00	Producer Prices (June)	+1.3% (+9.6%)	
	US: 15:00	Factory Orders (June)	+1.7%	+1.1%
Wed 4th	FRA: 08:50	Final Markit Composite (July)	56.8	56.8
	GER: 08:55	Final Markit Composite (July)	62.5	62.5
	EU-19: 09:00	Final Markit Composite (July)	60.6	60.6
		- Final Markit Services (July)	60.4	60.4
	ITA: 09:00	Retail Sales (June)	+0.2% (+13.3%)	
	UK: 09:30	Final Markit / CIPS Composite PMI (July)	57.7	57.7
		- Final Markit / CIPS Services PMI (July)	57.8	57.8
	EU-19: 10:00	Retail Sales (June)	+4.6% (+9.0%)	+1.9%
	IRL: 11:00	Unemployment Rate (July)	7.6%	7.5%
		- Covid-19 Adjusted Rate	18.3%	16.8%
	US: 14:45	Final Markit Composite PMI (July)	59.7	59.7
	US: 15:00	Non-manufacturing ISM (July)	60.1	60.4
	IRL: 16:30	Exchequer Returns (July)	-€7.4Bn	-€6.8Bn
Thu 5th	IRL: 01:01	AIB Services PMI (July)	63.1	
	GER: 07:00	Industrial Orders (June)	-3.7%	+1.5%
	FRA: 07:45	Industrial Output (June)	-0.3%	+0.5%
	UK: 12:00	BoE Interest Rate Announcement (August)	+0.10%	+0.10%
	US: 13:30	International Trade (June)	-\$71.2Bn	-\$72.7Bn
	US: 13:30	Initial Jobless Claims (w/e 26th July)	400,000	
Fri 6th	GER: 07:00	Industrial Output (June)	-0.3% (+17.2%)	+0.5%
	ITA: 09:00	Industrial Output (June)	-1.5% (+21.1%)	+0.8%
	US: 13:30	Non-Farm Payrolls (July)	+850k	+900k
		- Unemployment Rate	5.9%	5.7%
		- Average Earnings	+0.3% (+3.6%)	+0.3% (+3.9%)

◆ Month-on-month changes (year-on-year shown in brackets)

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