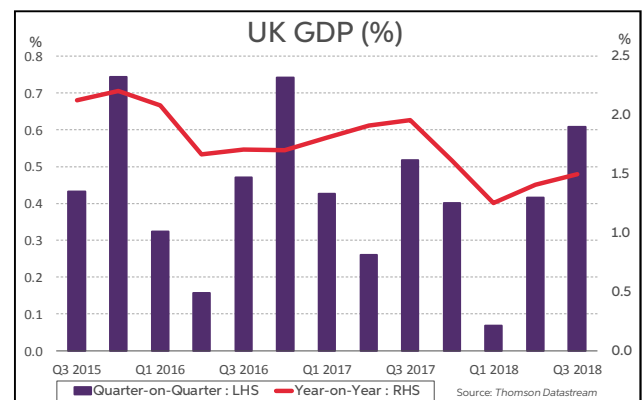


## A Pig of a Year

- The OECD and IMF have largely kept their forecasts for the global economy intact to date, with just slight downgrades to their projections. However, this week saw other official forecasters bite the bullet and scale back their growth projections sharply for this year. **The EC slashed its 2019 GDP forecast for the Eurozone to 1.3%** from 1.9%, with particularly large downward revisions for Germany, Italy and the Netherlands. **The Bank of England followed suit by lowering its growth forecast for the UK to 1.2%** from 1.7% previously. Interestingly, though, both institutions kept their forecasts for 2020 largely unchanged. The EC expects growth in the euro area to pick up again and average 1.6% next year, while the Bank of England is forecasting growth of 1.5% for next year and 1.9% in 2021, on the assumption of a relatively smooth Brexit.
- Thus, official forecasters believe that we are in the midst of a temporary slowdown in activity. Bond investors do not seem as convinced**, though, with yields falling to their lowest level since 2016 in the past week in some markets - ten year bund yields have fallen to just 0.1%, while ten year Japanese yields have turned negative again. This is despite the strong start to 2019 for stock markets, with many of the major equity indices up by between 5 and 8% year-to-date. Futures contracts show that **markets expect all the main central banks to keep rates on hold this year** as they take time out to assess economic trends. This is the year of the pig in the Chinese calendar, which may well prove apt, given the likely weak performance of the global economy in 2019. For those who are superstitious, it will be followed in 2020 by the year of the rat. In Asian cultures, rats are considered favourable symbols of good fortune in business, so maybe the more upbeat forecasts for 2020 will prove correct!
- One of the many uncertainties facing the global economy is Brexit. Ahead is yet another important week on this front as the clock ticks down to the UK's planned departure date of the 29th March.** PM May is due to address parliament on Wednesday on the progress she has made in the latest round of exit talks with the EU. A motion on Brexit is to be debated by Parliament the next day (Feb 14th). It is not clear yet whether MP's will table amendments, including one that could rule out a no-deal Brexit.
- Data-wise in the UK, GDP figures for Q4 are one of the main highlights.** The economy recorded a strong 0.6% growth rate in Q3. However, the monthly GDP estimate as well as other data indicate that the economy slowed in Q4. Not surprisingly then, Q4 GDP is expected to register a very modest 0.2% rise. Elsewhere on the UK schedule, industrial production for December is anticipated to rebound somewhat (f'cast +0.2% m/m) after declining in November. January CPI data is likely to show headline inflation continuing to ease (f'cast for 2% from 2.1%). Meanwhile, after declining by 0.2% in Q4, retail sales figures may remain subdued at the start of the year, with a forecast for only meagre (+0.1%) rise in the month.
- In the US, the backlog in releases caused by the government shutdown, means that the flow of data is still not back to normal.** Retail sales data for December are finally out (originally due Jan 16th). Continued strong jobs growth and higher wage growth are providing a supportive backdrop for spending. Underlying 'core' retail sales (excl. cars, gasoline, building materials and food services), is forecast to increase by a solid 0.4% in the month. We also get a more timely update, with consumer sentiment for February due (an improvement is forecast). CPI data for January are expected to show headline inflation easing to 1.5% (from 1.9%). On the output side of the economy, industrial production is being pencilled in for a modest 0.2% month increase in January. There is also survey data for February, with the Empire manufacturing index due.
- The Eurozone calendar is relatively sparse this week.** We get the first reading of Q4 quarterly growth for Germany. It is expected to show that region's largest economy barely grew in the quarter. The Eurozone diary also features industrial production data (Dec) and employment figures (Q4). Meanwhile, GDP data for Q4 in Japan are projected to show that the economy grew by a solid 0.4% in the quarter.



|             | Interest Rate Forecasts |             |             |             |
|-------------|-------------------------|-------------|-------------|-------------|
|             | Current                 | End Q1 2019 | End Q2 2019 | End Q3 2019 |
| Fed Funds   | 2.375                   | 2.375       | 2.375       | 2.625       |
| ECB Deposit | -0.40                   | -0.40       | -0.40       | -0.40       |
| BoE Repo    | 0.75                    | 0.75        | 0.75        | 0.75        |
| 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 Q1 2019 | End Q2 2019 | End Q3 2019 |
| EUR/USD | 1.1342                                       | 1.16        | 1.17        | 1.18        |
| EUR/GBP | 0.8756                                       | 0.88        | 0.87        | 0.86        |
| EUR/JPY | 124.52                                       | 126         | 128         | 129         |
| GBP/USD | 1.2950                                       | 1.32        | 1.34        | 1.37        |
| USD/JPY | 109.77                                       | 109         | 109         | 109         |

Current Rates Reuters, Forecasts AIB's ERU

| Date              | UK & Irish Time (GMT) | Release  | Previous               | Forecast             |
|-------------------|-----------------------|--|------------------------|----------------------|
| <b>This Week:</b> | <b>BoE Speakers:</b>  |  |                        |                      |
|                   | <b>ECB Speakers:</b>  | de Guindos (Monday); Lautenschlager (Wednesday); Coeure (Friday) |                        |                      |
|                   | <b>Fed Speakers:</b>  | Bowman (Monday); Powell (Tuesday)                                |                        |                      |
| <b>Mon 11th</b>   | <b>UK:</b>            | 09.30 GDP (Q4: First Reading)                                    | +0.6% (+1.5%)          | +0.2% (+1.4%)        |
|                   | <b>UK:</b>            | 09.30 Industrial Output (December)                               | -0.4% (-1.5%)          | +0.2% (-0.4%)        |
|                   |                       | - Manufacturing  | -0.3% (-1.1%)          | +0.2% (-1.1%)        |
|                   | <b>UK:</b>            | 09.30 Goods Trade Balance (December)                             | -£12.02bn              | -£12.0bn             |
|                   |                       | - Non-EU   | -£3.93bn               |                      |
| <b>Tue 12th</b>   | <b>US:</b>            | 12.30 NFIB Small Business Optimism (January)                     | 104.4                  |                      |
| <b>Wed 13th</b>   | <b>UK:</b>            | 09.30 CPI (January)  | (+2.1%)                | (+2.0%)              |
|                   |                       | - Ex-Food & Energy   | (+1.9%)                | (+1.9%)              |
|                   | <b>UK:</b>            | 09.30 PPI Output (January)                                       | (+2.5%)                | (+2.4%)              |
|                   |                       | - Input  | (+3.7%)                | (+3.8%)              |
|                   | <b>EU-19:</b>         | 10.00 Industrial Output (December)                               | -1.7% (-3.3%)          | -0.3% (-3.1%)        |
|                   | <b>US:</b>            | 13.30 CPI (January)  | (+1.9%)                | (+1.5%)              |
|                   |                       | - Core (Ex-Food & Energy)  | (+2.2%)                | (+2.1%)              |
|                   | <b>US:</b>            | 19.00 Federal Budget (December)                                  | Dec'17: \$-23.0bn      | \$-12.0bn            |
|                   | <b>JPN:</b>           | 23.50 GDP (Q4: First Reading)                                    | -0.6% / -2.5% s.a.a.r. | +0.4% / +1.4%        |
| <b>Thurs 14th</b> | <b>UK:</b>            | 00.01 RICS House Price Survey (January)                          | -19                    | -20                  |
|                   | <b>FRA:</b>           | 06.30 ILO Unemployment (Q4)                                      | 9.1%                   | 9.1%                 |
|                   | <b>GER:</b>           | 07.00 GDP (Q4: First Reading)                                    | -0.2% (+1.1%)          | +0.1% (+0.9%)        |
|                   | <b>EU-19:</b>         | 10.00 Employment (Q4)  | +0.2% (+1.3%)          |                      |
|                   | <b>EU-19:</b>         | 10.00 GDP (Q4: Second Reading)                                   | +0.2% (+1.2%)          | +0.2% (+1.2%)        |
|                   | <b>IRL:</b>           | <b>11.00 CPI (January)</b>                                       | <b>+0.0% (+0.7%)</b>   | <b>-0.5% (+0.9%)</b> |
|                   | <b>IRL:</b>           | <b>11.00 Residential Property Prices (December)</b>              | <b>-0.5% (+7.1%)</b>   | <b>0.0% (6.6%)</b>   |
|                   | <b>US:</b>            | 13.30 Retail Sales (December)                                    | +0.2%                  | +0.1%                |
|                   |                       | - Ex-Autos   | +0.5%                  | +0.0%                |
|                   |                       | - Ex-Gas, Autos & Building Materials                             | +0.9%                  | +0.4%                |
|                   | <b>US:</b>            | 13.30 Initial Jobless Claims (w/e 4th February)                  | 234,000                | 228,000              |
|                   | <b>US:</b>            | 13.30 PPI (January)  | (+2.5%)                | (+2.1%)              |
| <b>Fri 15th</b>   | <b>UK:</b>            | 09.30 Retail Sales (January)                                     | -0.9% (+3.0%)          | +0.1% (+3.4%)        |
|                   | <b>US:</b>            | 13.30 NY Fed / Empire State Index (February)                     | 3.9                    | 6.5                  |
|                   | <b>US:</b>            | 13.30 Import / Export Prices (January)                           | -1.0% / -0.6%          | -0.2% / -0.4%        |
|                   | <b>US:</b>            | 14.15 Industrial Production (January)                            | +0.3%                  | +0.2%                |
|                   |                       | - Capacity Utilisation   | 78.7%                  | 78.8%                |
|                   | <b>US:</b>            | 15.00 Prelim' Michigan Consumer Sent' (February)                 | 91.2                   | 94.0                 |

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

All forecasts AIB ERU, historical data in the Economic Diary derived from publicly available sources

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