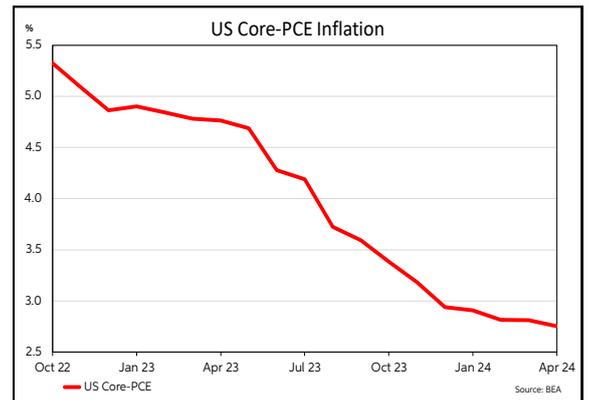


Spring tide receding for the global economy?

- As we move through the summer, the latest macro data suggest global economies may have lost some momentum of late, following an uptick in activity in the spring.** This is reflected in a weaker trend in the global Citi Economic Surprise Indices in recent weeks. If this trend persists, it brings central banks rate cutting plans into sharper focus, particularly for European economies which have seen anaemic growth in recent times.
- The June flash PMI surveys point to slowing growth momentum across the key economies, including the Eurozone and UK, with the manufacturing sector, in particular, moving back into contraction territory in many regions.** In France, the added uncertainty of snap parliamentary elections appears to have dampened business sentiment and private sector activity in June, with the fall in the PMIs signalling a muted end to Q2 in the Eurozone’s second largest economy. Likewise, in Germany, the June PMIs point to flagging activity, unwinding gains in recent months in both the manufacturing and services surveys. If reflected in weaker GDP growth out-turns, this should support the case for more aggressive cuts by the ECB, with a general theme to emerge in the June PMI surveys being the continued easing of inflationary pressures on both inputs and output costs.
- The UK economy has been a relative outperformer of late, but its PMIs also signalled slower growth in June, with the Composite Index falling to a 7-month low.** Here, slowing of services sector growth offset a stronger performance in manufacturing, somewhat bucking the trend of weaker manufacturing growth amongst peers. As with the French surveys, politics may be at play, with anecdotal evidence in the PMI release pointing to a temporary slowdown in services sector growth ahead of the UK election on July 4th. More broadly, a decisive result and period of political stability in the UK post-election could be supportive of the economy, with frontrunner Labour’s manifesto marked by a cautious approach to fiscal policy. With a limited number of tax increases and new spending commitments, alongside a focus on growth-enhancing reforms, the change of Government might underpin business investment in the UK, which has already been showing signs of recovery in recent quarters.
- Turning to the week ahead, the highlight of a busy US data schedule will be the May reading of PCE inflation.** In line with headline CPI, the disinflationary trend in the PCE deflator has stalled this year. It rose to 2.7% in March from 2.5% in January and February, and remained at that level in April. Meantime, core-PCE has been declining slowly. It fell to 2.8% in February, its lowest level since March 2021, and remained at that level in March and April. However, in May, progress back towards the 2% target is expected to be made, with the headline and core PCE rates both forecast to fall to 2.6%. Elsewhere, personal income is projected to rise by 0.4% in real terms in May, its fastest rate of increase since January. Amid the accelerated rise in income and the fall in inflation, real consumption is anticipated to increase by 0.3% in May, having declined by 0.1% in April. In terms of a timelier update on the household sector, the Conference Board measure of consumer confidence is forecast to register a modest deterioration to 100 in June, from 102 currently. Meanwhile, the final reading of GDP is set to confirm the economy expanded by 1.3% annualised in Q1.
- In the Eurozone, inflation data will also be in focus, with the flash reading of HICP due from some of the large economies.** In France, headline HICP re-accelerated to 2.6% in May, having troughed at 2.4% in the two months prior. A slight move lower to 2.5% is pencilled in for June. Meantime, Spanish inflation has been trending upwards for the past four months, culminating in a 3.8% headline rate in May. However, the consensus is for it to decline to 3.4% in June. In contrast, Italian inflation has been between 0.5-1.2% since last November. A modest tick higher to 1.0% from 0.8% is envisaged in June. In terms of some other important national data, the bellwether German Ifo is forecast to inch up to 89.7 in June from 89.3. Elsewhere in Germany, retail sales and the unemployment rate for May, as well as the latest consumer sentiment data, will feature this week.
- Regarding aggregate metrics in the Eurozone, the EC sentiment indices for June are due.** However, minimal changes are expected across the board. Meanwhile, the latest monetary statistics for the Eurozone will be released on Monday. A modest increase in M3 annual money growth to +1.5% is forecast. However, attention next week may be focused on politics in the Eurozone, with an EU Leaders summit at the end of the week, and with the first round of the French Parliamentary Elections to take place next Sunday, 30th of June. **In the UK, there is a barren look to the macro calendar.** The BoE will publish its latest Financial Stability Report, but it will not be accompanied by any speakers.



| | Interest Rate Forecasts | | | |
|-------------|-------------------------|-------------|-------------|-------------|
| | Current | End Q3 2024 | End Q4 2024 | End Q1 2025 |
| Fed Funds | 5.375 | 5.125 | 4.875 | 4.625 |
| ECB Deposit | 3.75 | 3.50 | 3.25 | 3.00 |
| BoE Repo | 5.25 | 5.00 | 4.75 | 4.50 |
| BoJ OCR | 0.10 | 0.25 | 0.25 | 0.25 |

Current Rates Reuters, Forecasts AIB's ERU

| | Exchange Rate Forecasts (Mid-Point of Range) | | | |
|---------|--|-------------|-------------|-------------|
| | Current | End Q2 2024 | End Q3 2024 | End Q4 2024 |
| EUR/USD | 1.0694 | 1.08 | 1.10 | 1.11 |
| EUR/GBP | 0.8460 | 0.86 | 0.87 | 0.87 |
| EUR/JPY | 170.41 | 167 | 171 | 170 |
| GBP/USD | 1.2638 | 1.25 | 1.26 | 1.28 |
| USD/JPY | 159.35 | 155 | 155 | 153 |

Current Rates Reuters, Forecasts AIB's ERU

| Date | UK & Irish Time | Release | Previous | Forecast |
|-------------------|----------------------|--|---------------------|--------------------|
| This Week: | ECB Speakers: | Schnabel (Mon); Lane (Wed) | | |
| | BoE Speakers: | | | |
| | Fed Speakers: | Daly, Waller (Mon); Cook, Bowman (Tue); Barkin, Bowman (Fri) | | |
| | | EU Leaders Summit (Thursday 27th – Friday 28th June) | | |
| | | French Parliamentary First Round Election (Sunday 30th of June) | | |
| Mon 24th | GER: | 09:00 German IFO Business Climate (June) | 89.3 | 89.7 |
| | UK: | 11:00 CBI Trends - Orders (June) | -33.0 | |
| Tue 25th | SPA: | 08:00 GDP (Q1: Final Reading) | +0.7% (+2.4%) | +0.7% (+2.4%) |
| | US: | 14:00 Case-Shiller House Prices (April) | +0.3% (+7.4%) | |
| | US: | 15:00 Conference Board Consumer Confidence (June) | 102.0 | 100.0 |
| Wed 26th | GER: | 07:00 Gfk Consumer Sentiment (July) | -20.9 | -19.5 |
| | US: | 15:00 New Home Sales (May) | +0.63m / -4.7% | +0.64m / +0.9% |
| Thu 27th | EU-20: | 09:00 M3 Annual Growth (May) | (+1.3%) | (+1.5%) |
| | ITA: | 09:00 ISTAT Business Confidence (June) | 88.4 | |
| | ITA: | 09:00 ISTAT Consumer Confidence (June) | 96.4 | |
| | UK: | 10:30 BoE Financial Stability Report—June 2024 | | |
| | EU-20: | 10:00 EC Economic Sentiment (June) | 96.0 | 96.2 |
| | | - Consumer / Industrial / Services | - 14.0 / -9.9 / 6.5 | -14.0 / -9.5 / 6.3 |
| | US: | 13:00 Initial Jobless Claims (w/e 17th June) | +238,000 | +240,000 |
| | US: | 13:30 Durable Goods (May) | +0.6% | +0.0% |
| | | - Ex-Transport | +0.4% | +0.2% |
| | US: | 13:30 GDP (Q1: Final Reading) | +1.3% s.a.a.r. | +1.3% s.a.a.r. |
| | US: | 13:30 PCE Prices (Q1: Final Reading) | +3.3% s.a.a.r. | +3.3% s.a.a.r. |
| | | - Core-PCE Prices (Q1: Final Reading) | +3.6% s.a.a.r. | +3.6% s.a.a.r. |
| Fri 28th | JPN: | 00:30 CPI Inflation Tokyo (June) | +2.2% | |
| | | - Core CPI Tokyo | +1.9% | +2.0% |
| | JPN: | 00:30 Jobs/Applicants Ratio (May) | 1.26 | 1.26 |
| | JPN: | 00:30 Unemployment Rate (May) | 2.6% | 2.6% |
| | JPN: | 00:30 Industrial Production (May) | -0.9% (-4.2%) | +2.0% |
| | GER: | 07:00 Retail Sales (May) | -1.2% (-0.6%) | -0.3% |
| | FRA: | 07:45 Flash HICP Inflation (June) | +0.0% (+2.6%) | +0.2% (+2.5%) |
| | SPA: | 08:00 Flash HICP Inflation (June) | +0.2% (+3.8%) | + 0.3% (+3.4%) |
| | GER: | 08:55 Unemployment Rate (June) | 5.9% | 6.0% |
| | ITA: | 10:00 Flash HICP Inflation (June) | +0.2% (+0.8%) | +0.2% (+1.0%) |
| | US: | 13:30 Personal Income / Consumption (May) | +0.3% / +0.2% | +0.4% / +0.3% |
| | US: | 13:30 PCE prices (May) | +0.3% (+2.7%) | +0.0% (+2.6%) |
| | | - Core-PCE Prices | +0.2% (+2.8%) | +0.0% (+2.6%) |
| | US: | 13:30 Final Uni. Michigan Consumer Sentiment (June) | 65.6 | 66.0 |

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

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