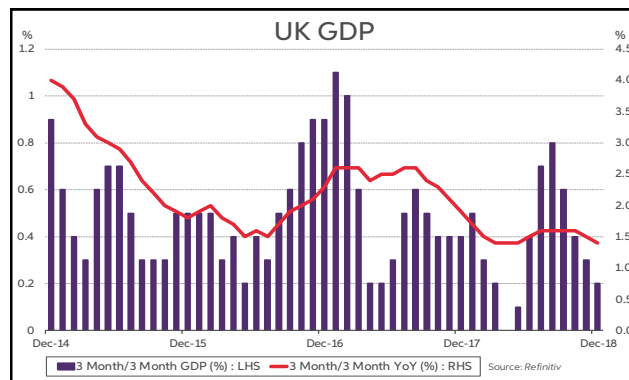


Snatching Defeat from the Jaws of Victory

- The soundings coming from London and Brussels are downbeat that the on-going discussions on the Northern Ireland backstop will yield an outcome that could see a majority of MPs in the UK Parliament back the Withdrawal Agreement (WA) in Tuesday's 'meaningful' vote.** We expect that at the eleventh-hour, the UK will be offered some further reassurances by the EU that the backstop is intended to be temporary but it may not be sufficient to convince a majority of MPs to back the WA. If the deal is voted down, it will set in motion a process to delay Brexit, as the UK seeks an extension to Article 50.
- The outcome of the vote, though, is still in doubt as while Brexiteers may not like the WA, it is likely to be the closest thing they are going to get to the type of exit deal they desire.** Parliament wants to avoid a no-deal, hard Brexit at all costs. Thus, a majority could emerge during any extension period in favour of a softer Brexit, that would see the UK maintain close alignment with the EU Customs Union. This would overcome the need for a backstop to avoid a hard border in Ireland. Or indeed, a new referendum cannot be ruled out if the logjam in Parliament on Brexit persists. Thus, hard-line Brexiteers are in danger of snatching defeat from the jaws of victory if they effectively block the UK leaving the EU in Tuesday's vote.
- Sterling has remained remarkably calm despite the mounting concerns that the WA will be voted down again on Tuesday, ushering in an even longer period of Brexit uncertainty.** The currency has held on to nearly all the gains it made in January and February. The market seems confident that a hard Brexit is now completely off the table and if the WA is not voted through, what eventually emerges will be a more benign Brexit for the UK economy. This shows great belief that UK politicians will eventually resolve the Brexit issue in a sensible manner!
- While sterling watchers' attention will be concentrated on the Brexit votes, Chancellor of the Exchequer Phillip Hammond will also present the 'Spring Statement' on Wednesday.** The event will primarily serve as an update on the state of public finances, whilst also providing the latest OBR macro projections. The easing of activity in the UK associated with both on-going Brexit uncertainty and the global economic slowdown will likely see a downward revision to the OBR's October forecast of GDP growth of 1.6% in 2019. **Data-wise, we get the estimate of GDP growth for the three months to January.** Growth looks to have remained sluggish in the period, as Brexit continues to act as a headwind. Industrial output is expected to have been flat in January, while the goods trade deficit is forecast to have expanded very slightly.
- In the US, the release schedule includes the January retail sales report, with the headline index projected to be broadly unchanged in the month.** The sharp drop in consumer confidence in January, as well as the partial government shutdown is likely to have weighed on spending in the month. In terms of more timely updates, it is envisaged that the University of Michigan's measure of consumer sentiment for March will show that confidence levels remain elevated, having rebounded in February. The busy data diary also contains CPI data for February. The consensus is for both the headline and core measures inflation to have held constant in the month. On the output side of the economy, industrial production is being pencilled in for a modest 0.4% increase in February.
- The Eurozone data calendar is barren.** Indeed, the only macro update we get this week comes in the form of January industrial production figures. A solid increase in output is expected. **Closer to home, the Irish National Accounts for Q4 2018 are due.** The year-on-year growth rate of GDP is tentatively forecast at 5.7% in the quarter, leaving the average full year growth rate for 2018 at 7%. However, the data remain volatile and heavily distorted by the activity of some large multinationals.
- Elsewhere, the BoJ is meeting this week.** Given weak Japanese inflation figures, as well the uncertain economic outlook owing to the slowdown of the global economy, it is unlikely that any changes to policy will be announced.



	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	1.1227	1.13	1.14	1.15
EUR/GBP	0.8601	0.86	0.86	0.86
EUR/JPY	124.56	124	125	125
GBP/USD	1.3049	1.31	1.33	1.34
USD/JPY	110.95	110	110	109

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
This Week:	BoE Speakers:	Haskel (Monday)		
	ECB Speakers:	Coeure (Monday); de Guindos, Lautenschlager (Tuesday); Coeure (Wednesday)		
Mon 11th	GER:	07.00 Industrial Output (January)	-0.4%	+0.5%
	GER:	07.00 Trade Balance (January)	€19.4bn	
		- Exports (January)	+1.5%	
	US:	12.30 Retail Sales (January)	-1.2%	-0.1%
		- Ex-Autos	-1.8%	+0.2%
		- Ex-Gas, Autos & Building Materials	-1.7%	+0.7%
Tue 12th	UK:	Parliamentary Vote on the Withdrawal Agreement		
	UK:	09.30 GDP (3 months to January)	+0.2% (+1.0%)	+0.2% (+1.2%)
	UK:	09.30 Industrial Output (January)	-0.5% (-0.9%)	+0.1% (-1.3%)
		- Manufacturing	-0.7% (-2.1%)	+0.0% (-2.0%)
	UK:	09.30 Goods Trade Balance (January)	-€12.10bn	-€12.11bn
		- Non-EU	-€3.64bn	-€3.70bn
	US:	10.00 NFIB Business Optimism (February)	101.2	
	US:	12.30 CPI (February)	(+1.6%)	(+1.6%)
		- Core (Ex-Food & Energy)	(+2.2%)	(+2.2%)
	JPN:	23.50 Domestic Wholesale Prices (February)	(+0.6%)	(+0.7%)
	JPN:	23.50 Core Machinery Orders (January)	(+0.9%)	(-2.3%)
Wed 13th	EU-19:	10.00 Industrial Production (January)	-0.9% (-4.2%)	+0.9% (-2.6%)
	US:	12.30 Durable Goods Orders (January)	+1.2%	-0.5%
	UK:	12.30 Chancellor of the Exchequer Hammond Delivers Spring Statement		
	US:	12.30 PPI (February)	(+2.0%)	(+1.9%)
	US:	14.00 Construction Spending (January)	-0.6%	+0.3%
Thurs 14th	UK:	00.01 RICS House Price Survey (February)	-22	-24
	CHINA:	02.00 Industrial Output (January)	(+5.7%)	(+5.5%)
	GER:	07.00 Final HICP (February)	(+1.7%)	(+1.7%)
	FRA:	07.45 Final HICP (February)	(+1.5%)	(+1.5%)
	IRL:	11.00 CPI (February)	-0.7% (+0.7%)	+0.8% (+0.6%)
	IRL:	11.00 GDP (Q4)	(+4.9%)	(+5.7%)
	IRL:	11.00 Residential Property Prices (January)	-0.1% (+6.5%)	+0.2% (+6.3%)
	US:	12.30 Initial Jobless Claims (w/e 4th March)	223,000	225,000
	US:	12.30 Import / Export Prices (February)	-0.5% / -0.6%	+0.3% / +0.1%
	US:	14.00 New Home Sales (January)	+3.7% / 0.621m	+0.3% / 0.623m
Fri 15th	JPN:	02.00 BoJ Interest Rate Announcement	-0.10%	-0.10%
	EU-19:	10.00 Final HICP (February)	(+1.5%)	(+1.5%)
		- Ex-Food & Energy	(+1.2%)	(+1.2%)
	ITA:	10.00 Final HICP (February)	(+1.2%)	(+1.2%)
	IRL:	11.00 Goods Trade Balance (January)	+€4.6bn	+€4.0bn
	US:	12.30 NY Fed / Empire State Index (March)	8.80	10.0
	US:	13.15 Industrial Production (February)	-0.6%	+0.4%
		- Capacity Utilisation	78.2%	78.5%
	US:	14.00 Prelim' Michigan Consumer Sent' (March)	93.8	95.7

◆ 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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