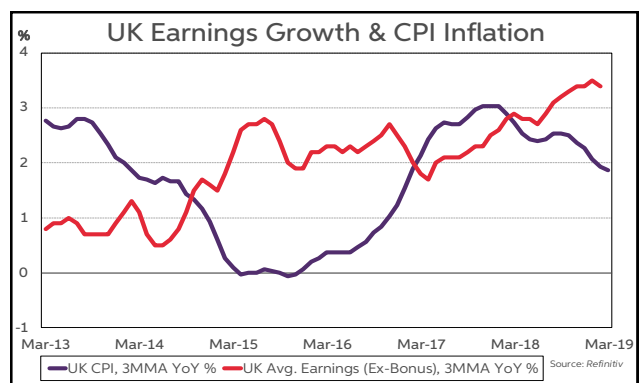


One Swallow Does Not Make a Summer

- **GDP data for the first quarter of the year have now been published for virtually all the main world economies, except Japan. They show an unexpected pick-up in the pace of growth everywhere**, with some quite strong performances, most notably in the US where output grew by 0.8% (3.2% annualised), and the Eurozone and UK where GDP increased by 0.4% and 0.5%, respectively. Thus, while survey data for the opening months of the year suggested that growth would remain weak in quarter one, this has not proved to be the case. However, much of the weakness in recent survey data has been concentrated in the manufacturing sector. This is now a small part of most modern economies.
- **The pick up in growth, though, is unlikely to be sustained. Some of the stronger than expected growth in Q1 was due to a build-up of unsold inventories.** These are likely to be run down in this quarter which will cause growth to slow again. Trade tensions continue to escalate, most notably between the US and China. This will further weigh on international trade. Slowing global trade has been a key factor behind the weakening of manufacturing activity. Meanwhile, somewhat worryingly, there was a notable softening in activity in the services sector in April, with the Global PMI for the sector falling to 52.7 from 53.7 in March.
- Not surprisingly then, central banks and most forecasters remain cautious about the economic outlook. **It is too early to sound the all clear for the world economy after one quarter of better than expected growth.** Indeed, the likelihood is that growth will slow again in the second quarter. Central banks, then, can be expected to remain very much on the sidelines, keeping rates at their current very low levels.
- **Turning to the week ahead, a busy US calendar includes the retail sales report for April.** Retail spending was very strong in March, partly owing to the impact of tax refunds in the month, the strong labour market and rising oil prices. The forecast for April is for an increase of just 0.2% in the headline index (in nominal terms), reflecting weak auto sales. A 0.4% rise is being pencilled in for the control measure (ex-gas, autos & building materials). In a more timely update, the preliminary May reading of the University of Michigan measure of consumer confidence is expected to show that sentiment remains upbeat.
- **On the output side of the US economy, industrial production figures for April are set to feature.** A small increase in output is forecast, following a weak start to the year in Q1. Meanwhile, the Philly Fed index is projected to have risen in May, indicative of improving activity in the industrial sector. We also get a batch of housing market data this week, including housing starts and building permits for April, as well as the May reading of the NAHB Homebuilders' Sentiment index.
- **Meanwhile, the highlight of the UK schedule is Q1 labour market data.** Employment is forecast to have risen by 145k in Q1, which would translate to a year-on-year growth rate of 1.2%, down from 1.4% in Q4'18. Meantime, the unemployment rate looks to have held at its multi-decade low level of 3.9%. Overall, it is envisaged that the tight labour market conditions will see underlying wage inflation remain comfortably above the 3% level, though it is projected to have edged down to 3.3%, from 3.4%.
- **In the Eurozone, flash employment figures for the opening quarter of the year are due.** As economic activity weakened over the second half of 2018, so too did employment growth, which decelerated to 0.2% and 0.3% in Q3 and Q4 respectively. Employment growth is expected to have remained around this level in Q1. Industrial production figures for March are also due. Last week's national data suggest that output likely fell in the month. **Meantime, the first estimate of German GDP for Q1 will also garner some attention.** The Eurozone's largest economy, which recorded two weak quarterly performances in H2 2018, is projected to have grown by a solid 0.4% in the opening quarter of the year.



	Interest Rate Forecasts			
	Current	End Q2	End Q3	End Q4
	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 Q2	End Q3	End Q4
	2019			
EUR/USD	1.1239	1.13	1.14	1.15
EUR/GBP	0.8629	0.86	0.86	0.86
EUR/JPY	123.29	125	125	125
GBP/USD	1.3023	1.31	1.33	1.34
USD/JPY	109.68	111	110	109

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
This Week:	BoE Speakers:	Haskel (Thursday)		
	ECB Speakers:	Coeure, Lane, Praet (Wednesday); Coeure, de Guindos, Praet (Thursday); de Guindos (Friday)		
	Fed Speakers:	Clarida, Rosengren (Monday); George (Tuesday); Barkin, George (Wednesday); Kashkari (Thursday); Williams (Friday)		
Mon 13th	JPN:	06.00 Leading Indicators Index (March)	0.8	
Tue 14th	JPN:	06.00 Economy Watchers' Poll (April)	44.8	
	GER:	07.00 Final HICP (April)	(+2.1%)	(+2.1%)
	UK:	09.30 ILO Employment (3 months to March)	+179k	+145k
		- Unemployment	3.9%	3.9%
	UK:	09.30 Average Weekly Earnings (3 months to March)	(+3.5%)	(+3.4%)
		- Ex-Bonus	(+3.4%)	(+3.3%)
	GER:	10.00 ZEW Economic Sentiment Index (May)	3.1	5.0
	EU-19:	10.00 Industrial Production (March)	-0.2%	-0.3%
	US:	11.00 NFIB Business Optimism (April)	101.8	
	US:	13.30 Import / Export Prices (April)	+0.6% / +0.7%	+0.7% / +0.6%
Wed 15th	CHINA:	03.00 Industrial Output (April)	(+8.5%)	(+6.5%)
	GER:	07.00 GDP (Q1: First Reading)	+0.0%	+0.4%
	FRA:	07.45 Final HICP (April)	(+1.4%)	(+1.4%)
	EU-19:	10.00 Employment (Q1)	+0.3% (+1.3%)	+0.2% (+1.1%)
	EU-19:	10.00 GDP (Q1: Second Reading)	+0.4% (+1.2%)	+0.4% (+1.2%)
	IRL:	11.00 Residential Property Prices (March)	-0.1% (+4.3%)	+0.0% (+3.7%)
	IRL:	11.00 Goods Trade Balance (March)	€6.3bn	€5.0bn
	US:	13.30 NY Fed / Empire State Index (May)	10.10	8.25
	US:	13.30 Retail Sales (April)	+1.6%	+0.2%
		- Ex-Autos	+1.2%	+0.7%
		- Ex-Gas, Autos & Building Materials	+1.0%	+0.4%
	US:	14.15 Industrial Production (April)	-0.1%	+0.2%
		- Capacity Utilisation	78.8%	78.8%
	US:	15.00 NAHB Homebuilders' Sentiment (May)	63	64
Thurs 16th	JPN:	00.50 Domestic Wholesale Prices (April)	(+1.3%)	(+1.1%)
	ITA:	09.00 Final HICP (April)	(+1.2%)	(+1.2%)
	IRL:	11.00 New Dwelling Completions (Q1)	(+20.9%) / 5,522	(+22%) / 4,250
	US:	13.30 Housing Starts (April)	-0.3% / 1.14m	+5.3% / 1.20m
		- Building Permits	-0.2% / 1.29m	+0.0% / 1.29m
	US:	13.30 Initial Jobless Claims (w/e 6th May)	228,000	225,000
	US:	13.30 Philly Fed Index (May)	8.5	10.0
Fri 17th	EU-19:	10.00 Final HICP (April)	(+1.7%)	(+1.7%)
		-Ex-Food & Energy	(+1.3%)	(+1.3%)
	US:	15.00 Prelim' Michigan Consumer Sentiment (May)	97.2	97.8

◆ 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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