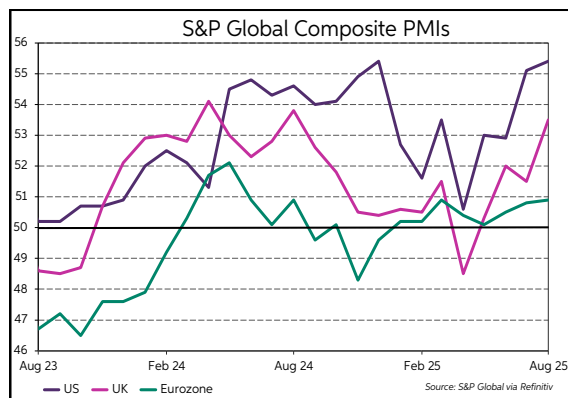


## All the President's Men

- **This week's US Fed and Bank of England decisions were as expected, with the former cutting by 25bps and the latter holding.** With the Fed's first cut in 2025, both central banks have now reduced rates by 125bps since they started to ease policy in Q3 2024. While the outcome of the Fed meeting was in-line with the consensus, there was no unanimity on the magnitude of the rate cut. Eleven of the twelve members voted for a 25bps rate cut to 4.00-4.25%. However, the newly appointed Governor, Stephen Miran (who is on leave but remains a member of the White House Council of Economic Advisers), preferred a 50bps cut. Two further members, Bowman and Waller, had already voted for a 25bps cut in July, and it is perhaps a little surprising they did not also plump for a 50bps cut, given the deterioration in the US labour market data since that time.
- **Therefore, it looks like a solid majority on the FOMC is in favour of a cautious approach to rate cuts from here.** Indeed, in the post meeting press conference, Chair Powell described the decision to ease as a "risk management cut", and that the Fed would maintain a "meeting-by-meeting" approach to its monetary policy decisions. These comments reversed some of the initial post-decision fall in the dollar. Overall, the latest rate projections ("dot-plot") show a slightly more dovish stance within the FOMC compared to the June dot-plot. The median projection for 2025 was lowered to 3.50-3.75% by year end, which would see a total of 75bps of easing this year. This entails 25bps of additional easing compared to the June 'dots', which anticipated 50bps of cuts.
- **One outlier member sees 150bps of rate cuts for 2025 as appropriate, which most Fed observers have attributed to the President's man, Governor Miran.** This would imply successive bumper 50bps cuts in September, October and December, an aggressive rate-cutting path last seen during the pandemic in 2020 and the global financial crisis in 2008. Meanwhile, the median view for 2026 among the FOMC remained for one 25bp rate cut, to 3.25-3.50%. For 2027, rates are seen as declining to 3.00-3.25% by year end. Further out, the "longer run" view was unchanged at 3%.
- **For the Bank of England holding its rate at 4%, the only notable development was the continued split in voting.** External members, Dhingra and Taylor maintained their recent dovish position by dissenting in favour of a 25bps rate cut. For them, a cut was warranted "to insure against an increased risk of recession". However, the majority of members continue to view the upside risks to inflation as paramount at present, despite signs of weaker economic activity in the UK. The decision to slow the pace of quantitative tightening and focus less on the long end of the yield curve by the BoE was also notable and might come as a welcome reprieve for the under-fire Chancellor ahead of the Budget in November.
- **Turning to the week ahead, the flash PMIs for September will be released in the Eurozone, UK and the US.** In the Eurozone, the manufacturing PMI has been trending higher for a number of months, culminating in the index rising to 50.7 in August, its first time in expansion territory since June 2022. Similarly, the services PMI has been just above the key 50 threshold recently, printing at 50.5 in August. The former is projected to edge up to 50.9 in September, while the latter is set to be unchanged. In the UK, the services sector has continued to outperform manufacturing in Q3. The services PMI jumped to 54.2 in August, its highest level since April 2024. Meantime, the manufacturing PMI ended a run of five consecutive months of slower contraction, before deteriorating to 47.0 in August. Both surveys are expected to move lower in September, to 53.9 and 46.9. Across the Atlantic, the US manufacturing and services PMI were firmly in expansion mode in August, at 53.0 and 54.5, but as in the UK, a slight pull back to 52.2 and 54.0 is pencilled in for the end of the quarter.
- **Elsewhere in the US, the August reading of core-PCE inflation will feature.** Having edged down to a low of 2.6% in April, core-PCE has steadily re-accelerated in recent months, climbing to 2.9% in July. It is forecast to remain at that level in August. Despite the uptick in inflation, personal consumption has increased recently. Indeed, real consumption rose by 0.3% m/m in July, accelerating from +0.1% in June. This was partly due to a sustained increase in personal income, which has risen by between 0.3-0.7% m/m in every month bar one since August 2024. Both metrics are expected to rise by 0.5% m/m and 0.3% m/m in August. Lastly, the final reading of GDP is set to confirm the US economy expanded by 3.3% annualised in Q2. The Bureau of Economic Analysis will also release its annual GDP revision, which may warrant some attention.
- **In the Eurozone, a slew of survey data for September apart from the PMIs will be released.** Most notably, the flash reading of consumer confidence is projected to inch higher to -15.2 from -15.5. In terms of some of the key national economies, the bellwether Ifo survey and consumer sentiment are due in Germany, while business and consumer confidence measures will feature in France and Italy.



	Interest Rate Forecasts			
	Current	End Q3	End Q4	End Q1
		2025	2025	2026
Fed Funds	4.125	4.125	3.625	3.375
ECB Deposit	2.00	2.00	2.00	2.00
BoE Repo	4.00	4.00	3.75	3.50
BoJ OCR	0.50	0.50	0.75	0.75

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q3	End Q4	End Q1
		2025	2025	2026
EUR/USD	1.1762	1.18	1.19	1.20
EUR/GBP	0.8714	0.87	0.86	0.86
EUR/JPY	173.88	172	170	168
GBP/USD	1.3494	1.36	1.38	1.40
USD/JPY	147.81	146	143	140

Current Rates Reuters, Forecasts AIB's ERU

# ECONOMIC DIARY

## Monday 22nd - Friday 26th September

Date	UK & Irish Time (GMT+1)		Release	Previous	Forecast
<b>This Week:</b>	<b>ECB Speakers:</b>		Cipollone (Tue)		
	<b>BoE Speakers:</b>		<b>Bailey</b> , Pill (Mon); Pill (Tue); Greene (Wed)		
	<b>Fed Speakers:</b>		Williams, Musalem, Hammack, Miran, Barkin (Mon); <b>Powell</b> , Bowman, Bostic (Tue); Daly (Wed); Goolsbee, Williams, Bowman, Barr, Logan, Daly (Thu); Barkin, Bowman (Fri)		
<b>Mon 22nd</b>	<b>EU-20:</b>	15:00	Flash Consumer Confidence (September)	-15.5	-15.2
<b>Tue 23rd</b>	<b>SPA:</b>	08:15	Overnight Stays (August)	Aug'24: 47.9mn	
	<b>FRA:</b>	08:15	Flash HCOB Composite PMI (September)	49.8	49.9
	<b>GER:</b>	08:30	Flash HCOB Composite PMI (September)	50.5	50.5
	<b>EU-20:</b>	09:00	Flash HCOB Composite PMI (September)	51.0	51.1
			- Manufacturing / Services	50.7 / 50.5	50.9 / 50.5
	<b>UK:</b>	09:30	Flash Composite PMI (September)	53.5	52.7
			- Manufacturing / Services	47.0 / 54.2	46.9 / 53.5
	<b>US:</b>	14:45	S&P Global Flash Composite PMI (September)	55.6	55.0
			- Manufacturing / Services	53.0 / 54.5	52.2 / 54.0
<b>Wed 24th</b>	<b>JPN:</b>	01:30	Flash S&P Composite PMI (September)	52.0	
	<b>GER:</b>	09:00	Ifo Business Climate (September)	89.0	89.2
	<b>US:</b>	15:00	New Home Sales (August)	+0.65m / -0.6%	+0.65m / -0.3%
<b>Thu 25th</b>	<b>JPN:</b>	00:50	Services PPI (August)	+2.9%	
	<b>GER:</b>	07:00	GfK Consumer Sentiment (October)	-23.6	-23.0
	<b>FRA:</b>	07:45	Consumer Confidence (September)	87.0	87.0
	<b>EU-20:</b>	09:00	M3-Money Growth (August)	(+3.4%)	(+3.3%)
	<b>US:</b>	13:30	GDP (Q2: Final Reading)	+3.3% s.a.a.r.	+3.3% s.a.a.r.
	<b>US:</b>	13:30	PCE Prices (Q2: Final Reading)	+2.0% s.a.a.r.	+2.0% s.a.a.r.
			- Core PCE Prices	+2.5% s.a.a.r.	+2.5% s.a.a.r.
	<b>US:</b>	13:30	Initial Jobless Claims (w/e 15th September)	+231,000	
	<b>US:</b>	15:00	Existing Home Sales (August)	4.01m / +2.0%	+3.95m / -1.5%
<b>Fri 26th</b>	<b>JPN:</b>	00:30	Tokyo CPI Inflation (September)	(+2.6%)	
			- Ex Fresh-Food	(2.5%)	(+2.8%)
	<b>SPA:</b>	08:00	GDP (Q2: Final Reading)	+0.7% (+2.8%)	+0.7% (+2.8%)
	<b>ITA:</b>	09:00	ISTAT Business Confidence (September)	87.4	
	<b>ITA:</b>	09:00	ISTAT Consumer Confidence (September)	96.2	
	<b>US:</b>	13:30	Personal Income / Consumption (August)	+0.4% / +0.5%	+0.3% / +0.5%
	<b>US:</b>	13:30	PCE Inflation (August)	+0.2% (+2.6%)	+0.3% (+2.7%)
			-Core PCE Inflation	+0.3% (+2.9%)	+0.2% (+2.9%)
	<b>US:</b>	15:00	Final Uni. Michigan Sentiment (September)	55.4	55.5

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

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