# Weekly Market Brief

AIB Treasury Economic Research Unit

September 29th – October 3rd 2025

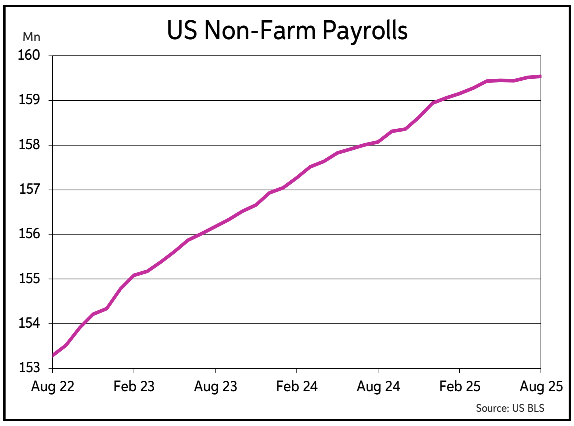
# Autumn leaves uncertainty behind?

- **With the publication of a slew of Autumn economic forecasts, it appears the outlook for the global economy has improved somewhat following a turbulent six months.** Most notably, the OECD's latest projections show a relatively benign near-term outlook, with GDP forecasts revised up compared to it last update in June. It expects global growth to average 3.2% in 2025 (up from 2.9% in June), easing to 2.9% in 2026 (unchanged from June). For the major economies, the OECD anticipates US growth will slow to 1.8% in 2025 (1.6% in June) from 2.8% last year, followed by a modest 1.5% gain (unchanged) in 2026. Elsewhere, growth in the Eurozone and UK is expected to remain subdued at around 1.0-1.5% in the near-term.

- **While the OECD report notes that growth has been "more resilient than anticipated in the first half of 2025", it also warns that the full effects of higher US tariffs have yet to be felt, and that there are signs of weakening in labour markets – particularly in the US.** Overall, though, the report concludes that the weight of investment in emerging AI technology is offsetting the negative impact of tariffs in the US. This outlook chimes with the recent communications from the major central banks, which underpin their cautious stance for further rate cuts. While the Fed is expected to implement two further cuts in 2025, it is likely to move slowly thereafter to its neutral rate of 3%. Meantime, the ECB and Bank of England see few signs, as yet, of major weakening in their respective economies to merit further monetary policy easing.

- **The upshot is the global economy is in something of an interregnum post the flurry of Trump tariffs.** A surge in exports to the US and stockpiling by firms has boosted GDP in Europe and Asia. This has delayed the expected US price increases stemming from new tariffs, and it remains an open question as to how the costs will ultimately distribute between exporters, wholesalers and consumers. In that context, the full effects may not become apparent until early 2026 as stockpiles run down and firms review pricing strategies.

- **The most recent inflationary surge in 2021/22 saw firms rapidly passing on price increases to consumers, who were flush with wealth built up during the Covid-19 lockdowns, and eager to satisfy a wall of pent-up demand.** This savings glut enabled households to weather the sharp price increases during that period but this may not be repeated given the current softer US labour market, if a fresh inflationary surge arrives in the coming months. That might mean weaker demand offsets some of the supply shock of higher tariffs on consumer prices.




- **With this in mind, all eyes this week will be on the US labour market report for September.** As mentioned, labour market conditions have softened at an accelerated pace in recent months. Indeed, payrolls fell for the first time since December 2020 in June, and the overall pace of expansion slowed to just 30k per month in the three months to August, down from 111k in Q1, and from an average of 167k in 2024. Meanwhile, the unemployment rate rose to 4.3% in August, having oscillated between 4.0-4.2% in the 15 months prior. Against this backdrop, average earnings growth has eased, falling to +3.7% y/y in August. The consensus is for payrolls to increase by 48k in September. Meantime, the unemployment rate is projected to remain and average earnings growth are forecast to be unchanged in the month. The latest JOLTS job openings data for August will also garner attention this week. Elsewhere in the US, both the manufacturing and non-manufacturing ISMs are due. So far in Q3, the manufacturing ISM has remained in contraction mode, printing at 48.0 and 48.7 in July and August. In contrast, the non-manufacturing ISM has been in expansion territory, rising to 52.0 in August, its highest level since February. A modest improvement in the manufacturing index to 49.0 is pencilled in for September, while the non-manufacturing index is set to inch down to 51.7.

- **In the Eurozone, the focus will be on the flash reading of HICP inflation for September.** The headline inflation rate moved gradually lower in the first half of the year, falling to a low of 1.9% in May from 2.5% in January. Between June-August it has been stable, at 2.0% throughout the period. Crucially, underlying inflation has also moved gradually lower, with the core rate inching down to 2.3% in August compared to 2.7% at the start of the year, its lowest rate since January 2022. Expectations are for the headline rate to increase to 2.2% in September, although the core rate is projected to be unchanged. Meanwhile, regarding the Eurozone labour market, the unemployment rate is forecast to remain at its all-time low of 6.2% in August. In terms of some more timely data, the EC sentiment indicators for September will be released. A very slight deterioration in services and industrial sector sentiment is anticipated in the month.

- **The UK data calendar is sparse, although the second reading of GDP for Q2 will warrant some attention.** On the home front, a busy schedule includes the unemployment rate, flash HICP inflation, the PMIs and Exchequer returns for September.

Interest Rate Forecasts

| | Current | End Q4 2025 | End Q1 2026 | End Q2 2026 |
|---|---|---|---|---|
| Fed Funds | 4.125 | 3.625 | 3.375 | 3.125 |
| ECB Deposit | 2.00 | 2.00 | 2.00 | 2.00 |
| BoE Repo | 4.00 | 4.00 | 3.75 | 3.50 |
| BoJ OCR | 0.50 | 0.75 | 0.75 | 0.75 |

Current Rates Reuters, Forecasts AIB's ERU

Exchange Rate Forecasts (Mid-Point of Range)

| | Current | End Q4 2025 | End Q1 2026 | End Q2 2026 |
|---|---|---|---|---|
| EUR/USD | 1.1688 | 1.19 | 1.20 | 1.20 |
| EUR/GBP | 0.8730 | 0.88 | 0.88 | 0.87 |
| EUR/JPY | 174.96 | 174 | 174 | 174 |
| GBP/USD | 1.3384 | 1.35 | 1.36 | 1.38 |
| USD/JPY | 149.67 | 146 | 145 | 145 |

Current Rates Reuters, Forecasts AIB's ERU

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# ECONOMIC DIARY

## Monday 29th September - Friday 3rd October

| *Date* | *UK & Irish Time (GMT+1)* | | *Release* | *Previous* | *Forecast* |
|---|---|---|---|---|---|
| **This Week:** | **ECB Speakers:** | | Cipollone, Schnabel , Lane (Mon); **Lagarde,** Cipollone (Tue); de Guindos (Wed); **Lagarde,** Schnabel (Fri) | | |
| | **BoE Speakers:** | | Ramsden (Mon); Lombardelii, Mann, Breeden (Tue); Mann (Wed); **Bailey** (Fri) | | |
| | **Fed Speakers:** | | Waller (Mon); Bostic (Tue); Williams (Fri) | | |
| **Mon 29th** | **EU-20:** | 10:00 | Business Sentiment | -0.72 | |
| | **EU-20:** | 10:00 | EC Economic Sentiment (September) | 95.2 | 95.2 |
| | | | - Consumer / Industrial / Services | -14.9 / -10.3 / 3.6 | -14.9 / -11.0 / 3.5 |
| | ***IRE:*** | ***11:00*** | ***Retail Sales (August)*** | ***+0.8% (+4.2%)*** | |
| **Tue 30th** | **JPN:** | 00:50 | Industrial Output (August) | -1.2% (-0.4%) | -0.8% |
| | **JPN:** | 00:50 | Retail Sales (August) | (+0.3%) | (+1.0%) |
| | **GER:** | 07:00 | Real Retail Sales (August) | -1.5% (+1.9%) | +0.5% |
| | **UK:** | 07:00 | GDP (Q2: Second Reading) | +0.3% (+1.3%) | +0.3% (+1.2%) |
| | **FRA:** | 07:45 | Flash HICP Inflation (September) | +0.8% (+0.5%) | -0.9% (+1.3%) |
| | **GER:** | 08:55 | Unemployment Rate (September) | 6.3% | 6.3% |
| | **ITA:** | 10:00 | Flash HICP Inflation (September) | -0.2% (+1.6%) | (+1.7%) |
| | **GER:** | 13:00 | Flash HICP Inflation (September) | +0.1% (+2.1%) | +0.1% (+2.2%) |
| | **US:** | 15:00 | JOLTS Job Openings (August) | 7.18m | |
| | **US:** | 15:00 | Conference Board Consumer Confidence (Sep) | 97.4 | 95.4 |
| **Wed 1st** | ***IRE:*** | ***01:01*** | ***AIB Manufacturing Survey (September)*** | ***51.6*** | |
| | **EU-20:** | 09:00 | Final HCOB Manufacturing PMI (September) | 49.5 | 49.5 |
| | **UK:** | 09:30 | Final S&P Manufacturing PMI (September) | 46.2 | 46.2 |
| | **EU-20:** | 10:00 | Flash HICP Inflation (September) | (+2.0%) | +0.0% (+2.2%) |
| | | | - Ex-Food & Energy | (+2.3%) | (+2.3%) |
| | | | - Ex-Food, Energy, Alcohol & Tobacco | (+2.3%) | (+2.3%) |
| | ***IRE:*** | ***11:00*** | ***Unemployment Rate (September)*** | ***4.7%*** | ***4.7%*** |
| | ***IRE:*** | ***11:00*** | ***Flash HICP Inflation (September)*** | ***+0.4% (+1.9%)*** | |
| | **US:** | 14:45 | ADP Employment Survey (September) | +54,000 | +50,000 |
| | **US:** | 14:45 | Final S&P Manufacturing PMI (September) | 52.0 | 52.0 |
| | **US:** | 15:00 | Manufacturing ISM (September) | 48.7 | 49.0 |
| **Thu 2nd** | **ITA:** | 09:00 | Unemployment Rate (August) | 6.0% | |
| | **EU-20:** | 10:00 | Unemployment Rate (August) | 6.2% | 6.2% |
| | **US:** | 13:30 | Initial Jobless Claims (w/e 22nd Sept) | +218,000 | +223,000 |
| **Fri 3rd** | **JPN:** | 00:30 | Unemployment Rate (August) | 2.3% | 2.4% |
| | ***IRE:*** | ***01:01*** | ***AIB Services PMI (September)*** | ***50.6*** | |
| | **JPN:** | 01:30 | Final S&P PMI Composite (September) | 51.1 | 51.1 |
| | **FRA:** | 07:45 | Industrial Output (August) | -1.1% | |
| | **ITA:** | 08:45 | Final HCOB PMI Composite PMI (September) | 51.7 | 51.7 |
| | **FRA:** | 08:50 | Final HCOB PMI Composite PMI (September) | 48.4 | 48.4 |
| | **GER:** | 08:55 | Final HCOB PMI Composite PMI (September) | 52.4 | 52.4 |
| | **EU-20:** | 09:00 | Final HCOB PMI Composite PMI (September) | 51.2 | 51.2 |
| | | | - Final HCOB Services PMI | 51.4 | 51.4 |
| | **UK:** | 09:30 | Final S&P Composite PMI (September) | 51.0 | 51.0 |
| | | | - Final S&P Service PMI | 51.9 | 51.9 |
| | **EU-20:** | 11:00 | Producer Prices (August) | +0.4% (+0.2%) | |
| | **US:** | 13:30 | Non-Farm Payrolls (September) | +22,000 | +48,000 |
| | | | - Unemployment Rate | 4.3% | 4.3% |
| | | | - Average Earnings | +0.3% (+3.7%) | +0.3% (+3.7%) |
| | **US:** | 14:45 | Final S&P Composite PMI (September) | 53.6 | 53.6 |
| | | | - Final S&P Services PMI | 53.9 | 53.9 |
| | **US:** | 15:00 | Non-Manufacturing ISM (September) | 52.0 | 51.7 |
| | ***IRE:*** | ***17:30*** | ***Exchequer Returns (September)*** | ***Sep'24: +€5.0bn*** | ***Sep'25: +€4.5bn*** |

♦ *Month-on-month changes (year-on-year shown in brackets)*