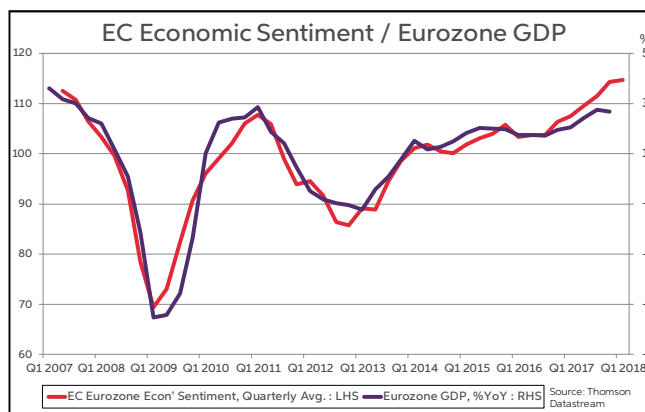


Growth picking up, inflation still lagging

- The global economy has experienced a strengthening in activity over the last eighteen months.** The pick-up in growth has occurred against a backdrop of very loose monetary policy, a more supportive fiscal policy stance and some recovery in commodity prices. On the back of this, the IMF recently upgraded its forecasts for global growth to 3.9% for both 2018 and 2019. This compares to growth of 3.7% and 3.2% in 2017 and 2016 respectively. Last year saw a marked pick up in the major economies, apart from the UK. The IMF estimates that advanced economies grew by 2.3% in 2017 compared to 1.7% in 2016. Activity in emerging economies has also strengthened, with growth estimated at 4.7% last year, up from 4.4% in 2016. **Data releases so far for the opening months of 2018 (incl. recent PMIs) suggest that the global economy continues to perform well.**
- This global macro backdrop has coincided with rising government bond yields as markets anticipate these favourable economic conditions will encourage central banks to row back on their ultra-accommodative monetary policy. However, despite the strengthening in global growth, inflation remains subdued in advanced economies. As a result, inflation will be a key factor in determining the extent of monetary policy tightening. Indeed, last week's Fed January meeting minutes noted that while recent US data suggested at a "modestly stronger" pace of near term growth than previously envisaged, several FOMC members "saw both upside and downside risks to the inflation outlook". **Not surprisingly then, inflation metrics are likely to receive heightened attention over the coming months as markets try to assess the interest rate outlook.**
- With that in mind, the release of core-PCE inflation in the US this week will warrant plenty of attention.** Price pressures have been ticking up modestly in recent months, something which the Fed and markets have taken note of. However, core inflation is still at subdued levels and is anticipated to have remained at 1.5% in January. There are also a number of other important releases from the key consumer side of the US economy. This includes personal consumption and income for January, along with the Conference Board and final Michigan measures of consumer confidence for February.
- Markets will also be closely scrutinising new Fed Chair Powell's testimony to Congress (Wed & Thurs).** This is in the context of the aforementioned FOMC minutes, which were more upbeat on the economy. Futures contracts suggest that the market is now broadly in line with the Fed's guidance for three hikes this year. Therefore, markets will be assessing Powell's comments to reinforce this view.

Inflation will also be in focus in the Eurozone, with February HICP data due. The headline rate is expected to have remained subdued at just 1.2%, while the core measure (ex food & energy) is likely to have edged down to 1.1%. This is significantly below the ECB's target of "close to, but below, 2%". Meantime, the Eurozone unemployment rate looks set to have continued to improve, declining to a nine year low of 8.6% in January. In terms of survey data, the EC sentiment indices for February are due. The headline Economic Sentiment Index is forecast to have edged lower, while remaining consistent with strong growth, mirroring last week's PMIs.



- In the UK, the manufacturing PMI for February is the main release of a light schedule.** It is expected to show little change from January, pointing to a healthy pace of growth in the sector. In terms of the property market, the construction PMI and Nationwide house prices (both February) are due for release this week.

	Interest Rate Forecasts			
	Current	End Q1 2018	End Q2 2018	End Q3 2018
Fed Funds	1.375	1.625	1.875	2.125
ECB Deposit	-0.40	-0.40	-0.40	-0.40
BoE Repo	0.50	0.50	0.50	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 2018	End Q2 2018	End Q3 2018
EUR/USD	1.2293	1.25	1.23	1.25
EUR/GBP	0.8794	0.89	0.88	0.88
EUR/JPY	131.35	133	133	133
GBP/USD	1.3973	1.40	1.40	1.42
USD/JPY	106.86	106	108	106

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
This Week:	Fed Speakers:	Bullard (Monday); Powell (Wednesday); Powell , Dudley (Thursday)		
	ECB Speakers:	Cœuré, Draghi (Monday); Mersch (Tuesday); Mersch (Friday)		
	BoE Speakers:	Cunliffe (Monday)		
Mon 26th	US:	15.00 New Home Sales (January)	-9.3% / 0.625m	+3.6% / 0.650m
Tue 27th	FRA:	07.45 Consumer Confidence (February)	104	103
	ITA:	09.00 ISTAT Business Confidence (February)	109.9	109.0
	ITA:	09.00 Consumer Confidence (February)	115.5	114.6
	EU-19:	09.00 M3 Money Supply (January)	(+4.6%)	(+4.6%)
	EU-19:	10.00 EC Business Climate (February)	1.54	1.48
	EU-19:	10.00 EC Economic Sentiment (February)	114.7	114.0
		- Industrial / Services / Consumer	8.8 / 16.7 / 0.1	8.0 / 16.3 / 0.1
	IRL:	11.00 Unemployment (February)	6.1%	6.1%
	GER:	13.00 Preliminary HICP (February)	(+1.4%)	(+1.3%)
	US:	13.30 Durable Goods Orders (January)	+2.8%	-2.5%
	US:	13.30 Advanced Goods Trade Balance (January)	-\$72.3bn	
	US:	14.00 Case-Shiller House Prices (December)	+0.7% (+6.4%)	+0.6% (+6.3%)
	US:	15.00 Consumer Confidence (February)	125.4	126.2
	JPN:	23.50 Preliminary Industrial Output (January)	+2.9%	-4.2%
Wed 28th	UK:	00.01 Gfk Consumer Confidence (February)	-9	-11
	CHINA:	01.00 NBS Manufacturing PMI (February)	51.3	
		- Non-Manufacturing	55.3	
	FRA:	07.45 Consumer Spending (January)	-1.2%	
	FRA:	07.45 GDP (Q4: Second Reading)	+0.6% (p)	+0.6%
	FRA:	07.45 Preliminary HICP (February)	(+1.5%)	(+1.5%)
	GER:	09.00 Unemployment (February)	5.4%	5.4%
	EU-19:	10.00 Flash HICP (February)	(+1.3%)	(+1.2%)
		- Ex-Food & Energy	(+1.2%)	(+1.1%)
	IRL:	11.00 Retail Sales (January)	-0.1% (+7.2%)	+0.5% (+6.0%)
	US:	13.30 GDP (Q4: Second Reading)	+2.6% s.a.a.r.	+2.5%
	US:	15.00 Pending Home Sales Index (January)	+0.5% / 110.1	+0.5% / 110.6
	US:	15.00 Fed Chair Powell Testifies to the House Financial Services Committee		
Thurs 1st	UK:	07.00 Nationwide House Prices (February)	+0.6% (+3.2%)	+0.2% (+2.6%)
	ITA:	09.00 Unemployment (January)	10.8%	10.8%
	EU-19:	09.00 Final Markit Manufacturing PMI (February)	59.6 / 58.5 (p)	58.0
	UK:	09.30 BoE Mortgage Approvals (January)	61,040	62,000
	UK:	09.30 CIPS/Markit Manufacturing PMI (February)	55.3	55.2
	EU-19:	10.00 Unemployment (January)	8.7%	8.6%
	IRL:	11.00 Live Register (February)	-3,000 / 238,400	-3,400 / 235,000
	US:	13.30 Personal Income / Consumption (January)	+0.4% / +0.4%	+0.3% / +0.2%
		- Core-PCE Prices	(+1.5%)	(+1.5%)
	US:	15.00 Manufacturing ISM (February)	59.1	59.0
	US:	15.00 Fed Chair Powell Testifies to the Senate Banking Committee		
	US:	20.30 Total Vehicle Sales (February)	17.12m s.a.a.r.	17.25m
	JPN:	23.30 Unemployment / Jobs:Applicants (January)	2.8% / 1.59	2.7% / 1.60
Fri 2nd	GER:	07.00 Retail Sales (January)	-1.9% (-1.9%)	+0.9% (+3.8%)
	ITA:	09.00 GDP (Q4: Final Reading)	+0.3% (p)	+0.3%
	UK:	09.30 CIPS/Markit Construction PMI (February)	50.2	50.7
	EU-19:	10.00 PPI (January)	+0.2% (+2.2%)	+0.4% (+1.6%)
	US:	15.00 Final Michigan Consumer Sentiment (February)	95.7 / 99.9 (p)	99.0
	IRL:	16.30 Exchequer Balance (February)	Feb'17: €587m	€700m

◆ 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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