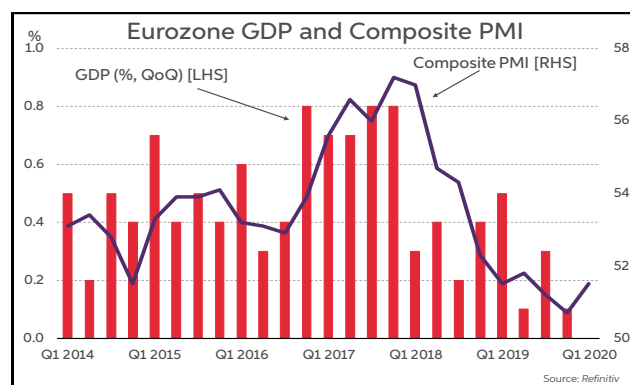


## Whatever It Takes

- Economic growth forecasts continue to be lowered as the scale of the challenge posed by the coronavirus globally becomes clearer.** There are some predictions that GDP could contract by 10% in many economies in the first half of the year. This does not seem unreasonable given that whole parts of economies could be shut down for a period of months. Meanwhile, unemployment is set to climb very steeply in a matter of weeks – this will represent an unprecedented increase in jobless number in such a short period of time. Overall, a deep recession is on the cards as output contracts sharply in both the first and second quarters of the year.
- The key question is not so much how steeply will GDP fall in H1 2020, but how sharply will output rebound.** This is not like a normal recession in that much of the economy has simply been frozen in time – activity has come to a sudden stop. It can rebound very quickly once countries get on top of the virus and normal activity and life resumes. Many governments and experts are suggesting this could be in about three months' time, i.e. around mid-year. We can't be certain about this as the virus could linger on or reappear. It will take more time to get back towards normal activity in some sectors. However, it is important that policy makers ensure activity is able to ramp up quickly once the virus is overcome. Strong action is being taken. It would appear that lessons from the 2008-09 financial crash have been learnt, with central banks acting early and aggressively with a broad range of measures to ease financial conditions and support activity. Meantime, governments have been rolling out sizeable fiscal measures and promising supports for impacted industries. The mantra seems to be 'whatever it takes'.
- It has been another week of incredible turmoil on all financial markets, with stock markets seeing further substantial falls.** Bond markets have been under pressure as holders are forced to sell assets to raise cash. Meanwhile, considerable stress is evident in the corporate bond market as worries mount about the global economy. It would seem, though, that the major QE programmes announced by central banks may be starting to put a floor under government bond markets, with peripheral spreads also tightening in Europe. The crisis tends to roll from one market to another, and the past week saw some major moves on forex markets. The dollar continues to gain ground on safe haven flows into the world's most liquid currency, as is generally the case at times of crises. However, there is also strong underlying demand for the US currency, with central banks opening new dollar swap lines to meet this funding requirement.
- Measuring currencies against the dollar is an unfair benchmark as they all have lost significant ground against the greenback recently.** Sterling stands out, though, with cable crashing to 35 year lows well below the \$1.20 level. We have also seen the euro rise from 87p a little over a week ago to as high as 95p as sterling went into free fall, before it recovered to 91p. A number of factors have been cited for the fall, including the UK's approach to counteracting the coronavirus and its large current account deficit. However, the speed of movement this week also suggests poor liquidity conditions – a feature of many market at present which is exacerbating price moves. It seems very likely that the dollar will remain well underpinned, but the events of the past week show that forecasting sterling is very difficult.
- This week, the Bank of England's MPC will convene in what will be Andrew Bailey's first meeting as Governor.** Although, it is unclear if any further easing measures will be announced as the central bank has already used up much of the available conventional policy space at its two emergency meetings in the past fortnight. However, that is not to say unconventional measures will not be announced this week if the crisis continues to deepen in the coming days.
- Data-wise, the flash PMIs for March will be of particular interest as they will offer the first real insight into how the coronavirus is affecting economic activity.** In saying that, as the virus took longer to spread to the UK and the US than elsewhere, and both governments reacted with a more lagged response, we may not see evidence of the full impact of the outbreak in their data until the finalised March figures / April print. Although, we do still expect sharp falls in both countries composite indices. In the Eurozone, the earlier onset of the virus, particularly in Italy, as well as the moves to implement lockdowns in some countries, means sharper declines are expected than in the UK and US. On the back of the collapse in domestic demand, the forecast is for the composite index to plummet to 37.8, not far from its record low of 36.2. **Meantime, this week's initial jobless claims data in the US will attract greater attention than usual as they will provide the first evidence of the scale of lay-offs carried out following the implementation of lockdowns and social distancing measures.** The consensus is for a rise in claims of 560k, matching the level of weekly increases last seen following the Global Financial Crisis.



	Interest Rate Forecasts			
	Current	End Q1 2020	End Q2 2020	End Q3 2020
Fed Funds	0.125	0.125	0.125	0.125
ECB Deposit	-0.50	-0.50	-0.50	-0.50
BoE Repo	0.10	0.10	0.10	0.10
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 2020	End Q2 2020	End Q3 2020
EUR/USD	1.0735	1.08	1.09	1.10
EUR/GBP	0.9008	0.91	0.91	0.90
EUR/JPY	118.83	119	120	121
GBP/USD	1.1915	1.19	1.20	1.22
USD/JPY	110.68	110	110	110

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
<b>This Week:</b>				
<b>Mon 23rd</b>	<b>EU-19:</b>	15.00 Flash Consumer Confidence (March)	-6.6	-15.0
<b>Tue 24th</b>	<b>JPN:</b>	00.30 Flash Jibun Bank Manufacturing PMI (March)	47.8	
	<b>FRA:</b>	08.15 Flash Markit Composite PMI (March)	52.0	38.0
	<b>GER:</b>	08.30 Flash Markit Composite PMI (March)	50.7	39.1
	<b>EU-19:</b>	09.00 Flash Markit Composite PMI (March)	51.6	37.8
		- Manufacturing / Services	49.2 / 52.6	39.0 / 38.1
	<b>UK:</b>	09.30 Flash Markit Composite PMI (March)	53.0	45.6
		- Manufacturing / Services	51.7 / 53.2	45.0 / 45.0
	<b>UK:</b>	11.00 CBI Industrial Orders (March)	-18	
	<b>US:</b>	13.45 Flash Markit Composite PMI (March)	49.6	
		- Manufacturing / Services	50.7 / 49.4	42.5 / 41.0
	<b>US:</b>	14.00 New Home Sales (February)	0.764m / +7.9%	0.750m / -1.8%
<b>Wed 25th</b>	<b>GER:</b>	09.00 Final Ifo Business Climate (March)	96.0 / 87.7 (p)	87.7
	<b>UK:</b>	09.30 CPI (February)	(+1.8%)	(+1.6%)
		- Core (Ex-Food & Energy)	(+1.6%)	(+1.5%)
	<b>UK:</b>	09.30 PPI Output (February)	(+1.1%)	(+0.9%)
		- Input	(+2.1%)	(-0.9%)
	<b>UK:</b>	11.00 CBI Distributive Trades (March)	1	
	<b>US:</b>	12.30 Durable Goods Orders (February)	-0.2%	-0.9%
<b>Thurs 26th</b>	<b>GER:</b>	07.00 GfK Consumer Sentiment (April)	9.8	7.0
	<b>FRA:</b>	07.45 INSEE Business Climate (March)	102	94
	<b>EU-19:</b>	09.00 M3 Annual Growth (February)	(+5.2%)	(+5.2%)
	<b>UK:</b>	09.30 Retail Sales (February)	+0.9% (+0.8%)	+0.3% (+0.8%)
	<b>UK:</b>	12.00 BoE Interest Rate Announcement	0.1%	0.1%
		- Meeting Minutes		
	<b>US:</b>	12.30 GDP (Q4: Final Reading)	+2.1% s.a.a.r.	+2.1%
	<b>US:</b>	12.30 Advance Goods Trade Balance (February)	-\$65.9bn	
	<b>US:</b>	12.30 Initial Jobless Claims (w/e 16th March)	281,000	560,000
<b>Fri 27th</b>	<b>FRA:</b>	07.45 Consumer Confidence (March)	104	91
	<b>ITA:</b>	09.30 ISTAT Business Confidence (March)	100.6	
	<b>ITA:</b>	09.30 Consumer Confidence (March)	111.4	
	<b>IRL:</b>	<b>11.00 Retail Sales (February)</b>	<b>-3.4% (+3.7%)</b>	<b>+0.5% (+2.7%)</b>
	<b>US:</b>	12.30 Personal Income / Consumption (February)	+0.6% / +0.2%	+0.4% / +0.2%
		- Core PCE Prices	(+1.6%)	(+1.7%)
	<b>US:</b>	14.00 Final Michigan Consumer Sentiment (March)	95.9	89.5

◆ 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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