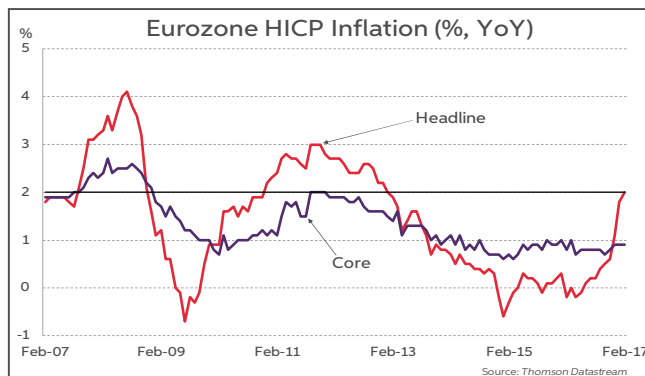


The Long Goodbye

- The official Brexit process finally gets underway this week, with the triggering of Article 50 by the UK on Wednesday.** While the UK's relationship with the EU will not change until it actually leaves the EU, probably in March 2019, this week's formal declaration will still likely attract considerable attention. In this regard, we note a speech last Wednesday by Michel Barnier, the EU's Chief Negotiator on Brexit, that got surprisingly little publicity given its content and importance. He went a long way in outlining how the exit talks with the UK are likely to proceed. A number of points came shining through. **The EU is very much up for reaching a broad free-trade agreement with the UK, but this must be based on "a level playing field"** in areas such as the environment, taxation, labour law and consumer rights that avoids "regulatory dumping". He recognised that this could take time to agree, so there may be a need for transitional arrangements post-Brexit. These cannot amount to a cherry-picking of the Single Market and must be subject to European law. **He warned of dire consequences if no deal is done and stated that "the no deal scenario is not our scenario. We want a deal".**
- However, **before the EU can move to discuss trade and its future relationship with the UK, there must be agreement first on the "principles for an orderly withdrawal",** including guaranteeing the rights of EU and UK citizens post-Brexit, settling the financial accounts and dealing with the new borders of the EU, in particular Northern Ireland. The sooner agreement is reached in these areas, the sooner the EU can move on to discussions on the future relationship with the UK. **Barnier emphasised that there is no punishment for leaving the EU and the aim is to "succeed with the British, not against them".** His strong signals on the benefits of a deal echo sentiments expressed by other senior European politicians, such as the influential German Finance Minister, Wolfgang Schäuble. Obviously, the exit talks will be difficult, but **the EU is leaving the door open to a deal that could avoid some of the major downsides of a 'hard' Brexit.**

- Data-wise, Eurozone flash HICP for March will be closely followed this week,** given its importance to ECB policy deliberations. While 'headline' inflation has been on an upward trend in recent months, core inflation (ex-food & energy) remains muted. Indeed, the ECB has emphasised that measures of underlying inflation "have remained low and are expected to rise only gradually over the medium term". **Headline inflation is forecast to edge down to 1.8% in March, from 2%, with the data likely impacted by last year's earlier timing of Easter.** Meantime, core inflation is expected to have remained at a subdued 0.9% for a fourth consecutive month.



- The Eurozone calendar also features a number of survey data releases for March.** This includes the EC Eurozone economic sentiment index. It is predicted to have remained at a very encouraging level, reinforcing the view that growth in the Eurozone picked up pace in Q1. This mirrors last week's strong Eurozone PMI data. Likewise, the German Ifo index is anticipated to have edged up from an already high level.
- In the US, core-PCE inflation for February is an important release.** It has been stuck in a 1.6-1.7% range since the start of last year. Although, Fed Chair Yellen recently stated that she expects core-PCE inflation is "going to move up to 2" percent. It is forecast to have held at 1.7% in February. Stable inflation, combined with signs of earnings growth rising towards 3%, suggest a pick-up in real wage growth in the US. This should help to support the key consumer side of the economy. In that regard, **personal consumption is forecast to have risen by 0.2% in nominal terms in February,** with personal income anticipated to increase by 0.4%.

	Interest Rate Forecasts			
	Current	End Q2	End Q3	End Q4
		2017	2017	2017
Fed Funds	0.875	0.875	1.125	1.375
ECB Deposit	-0.40	-0.40	-0.40	-0.40
BoE Repo	0.25	0.25	0.25	0.25
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
		2017	2017	2017
EUR/USD	1.0797	1.05	1.04	1.03
EUR/GBP	0.8655	0.87	0.88	0.89
EUR/JPY	119.97	121	122	123
GBP/USD	1.2476	1.21	1.18	1.16
USD/JPY	111.11	115	117	119

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
This Week:	ECB Speakers:	Lautenschläger, Praet (Monday); Cœuré (Tuesday); Praet (Wednesday); Mersch (Thursday); Cœuré (Friday)		
	Fed Speakers:	Evans (Monday); George (Tuesday); Rosengren, Williams, Evans (Wednesday); Bullard (Friday)		
Mon 27th	GER: 09.00	Ifo Business Climate (March)	111.0	111.1
	EU-19: 10.00	M3 Money Supply (February)	(+4.9%)	(+4.9%)
Tue 28th	FRA: 07.45	Consumer Spending (February)	+0.6%	+0.1%
	ITA: 10.00	Industrial Orders (January)	+2.8% (-0.9%)	
	IRL: 11.00	Retail Sales (February)	+2.2% (+4.9%)	-1.0% (+3.0%)
	US: 13.30	Advanced Goods Trade Balance (February)	-\$68.84bn	
	US: 14.00	Case-Shiller House Prices (January)	+0.9% (+5.6%)	+0.7% (+5.7%)
	US: 15.00	Conf Board Consumer Confidence (March)	114.8	113.8
Wed 29th	UK:	UK to Give Formal Notice That It Will Leave the EU (Trigger Article 50)		
	UK: 06.00	Nationwide House Prices (March)	+0.6% (+4.5%)	+0.3% (+4.1%)
	FRA: 07.45	Consumer Confidence (March)	100	100
	UK: 09.30	BoE Mortgage Approvals (February)	69,928	69,250
	ITA: 10.00	ISTAT Business Confidence (March)	106.3	106.0
	ITA: 10.00	Consumer Confidence (March)	106.6	
	US: 15.00	Pending Homes Sales Index (February)	-2.8% / 106.4	+2.1% / 108.6
Thurs 30th	EU-19: 11.00	EC Business Climate (March)	0.82	0.84
	EU-19: 11.00	EC Economic Sentiment (March)	108.0	108.3
		- Industrial / Services / Consumer	1.3 / 13.8 / -6.2	1.4 / 13.8 / -5.0
	US: 12.30	Initial Jobless Claims (w/e 25th March)	258,000	240,000
	GER: 13.00	Preliminary HICP (March)	(+2.2%)	(+1.9%)
	US: 13.30	GDP (Q4: Final Reading)	+1.9% s.a.a.r.	+2.0%
Fri 31st	JPN: 00.30	CPI: Nationwide (February) / Tokyo (March)	(+0.4%) / (-0.3%)	
	JPN: 00.30	Unemployment / Jobs : Applicants (February)	3.0% / 1.43	3.0% / 1.43
	JPN: 00.50	Industrial Output (February)	-0.4%	+1.2%
	CHINA: 02.00	NBS Manufacturing PMI (March)	51.6	
		- Non-Manufacturing	54.2	
	GER: 07.00	Retail Sales (February)	-0.8% (+2.3%)	+0.7% (+0.3%)
	FRA: 07.45	Preliminary HICP (March)	(+1.4%)	(+1.4%)
	GER: 09.00	Unemployment (March)	5.9%	5.9%
	UK: 09.30	GDP (Q4: Final Reading)	+0.7% (+2.0%)	+0.7% (+2.0%)
	ITA: 10.00	Preliminary HICP (March)	+0.2% (+1.6%)	+2.1% (+1.6%)
	EU-19: 10.00	Flash HICP (March)	(+2.0%)	(+1.8%)
		- Ex-Food & Energy	(+0.9%)	(+0.9%)
	US: 13.30	Personal Income / Consumption (February)	+0.4% / +0.2%	+0.4% / +0.2%
		- Core-PCE Prices	+0.3% (+1.7%)	+0.2% (+1.7%)
	US: 14.45	Chicago PMI (March)	57.4	56.5
	US: 15.00	Final Michigan Consumer Sentiment (March)	95.7 / 97.6 (p)	97.6

◆ 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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