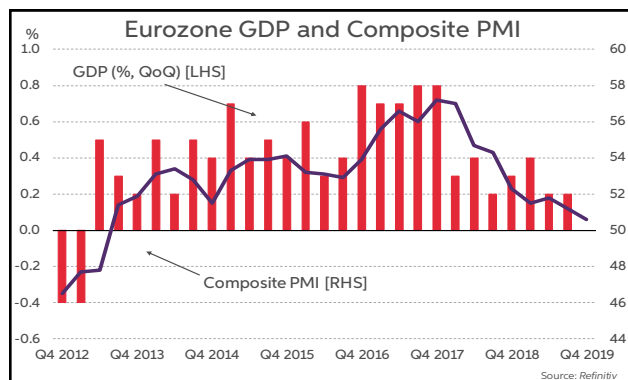


Slow Motion

- The global economy has lost considerable momentum in the past year.** There was further evidence of this last week with the release of GDP data out of both the UK and Germany. **The UK economy managed to avoid entering a technical recession** (i.e. two consecutive quarters of negative growth) in the third quarter, registering quarterly growth of 0.3%. This followed a 0.2% contraction in Q2. However, the year-on-year growth rate of just 1% represented its slowest pace since 2010. The underlying picture for the UK economy is one of softening growth amid on-going Brexit uncertainty and the impact this is having on business and households. Indeed, for much of the past two years, business investment has been contracting. **Similar to the UK, the German economy also avoided, albeit narrowly, the ignominy of falling into recession in Q3.** The Eurozone's largest economy posted very modest growth of just 0.1% in the period, after contracting by 0.2% in Q2. In year-on-year terms, the economy recorded a very subdued 0.5% growth rate. The German economy is being hampered by the slowdown in manufacturing and global trade, linked in part to trade tensions between the US and China. It is also suffering from a moderation in its important automobile industry, which is having to adjust to new regulations and reduced demand.
- In terms of the global economy, the OECD in its latest World Economic Outlook says the prospects have become increasingly fragile and uncertain.** It again reduced its growth forecasts for 2019 and 2020. Growth is now projected to slow from 3.6% in 2018 to 2.9% in 2019 and 3% in 2020. These would be the weakest annual growth rates since the financial crises. Meanwhile, the IMF has cut its global growth forecast to 3% for this year. The **slowdown in activity is widespread. GDP growth has weakened in all the major economies.** The IMF is forecasting growth of 1.7% in advanced economies for both 2019 and 2020, down from close to 2.5% in the past couple of years. Both the IMF and OECD see the risks to the economic outlook as being tilted to the downside. Overall, considerable uncertainty persists about the prospects for the global economy. As a result, a vigilant eye will need to be kept on the incoming macro data, especially business surveys.
- With that in mind, the Eurozone schedule this week includes the flash PMIs for November.** It is anticipated that the composite index may have edged slightly higher in the month, to 50.9, from 50.6. This may in part be reflecting optimism surrounding a potential resolution of trade tensions. The breakdown is expected to show that both the manufacturing and services index improved to 46.4 (45.9) and 52.5 (52.2), respectively. On the demand side, the more positive outlook for global growth could help the EC measure of consumer confidence recover some ground in November.
- On the monetary policy front, the ECB will release its account of the October meeting.** However, given that (former) President Draghi stated that the decision to leave policy unchanged was unanimous, the account may offer little in the way of fresh policy insights. Markets are pricing in no more than a further 5bps cut in rates. New ECB President Christine Lagarde is due to speak on Friday.
- The Fed will also publish the minutes from its latest FOMC meeting this week.** In October, Chair Powell guided that the central bank is on hold in the near-term as it waits to assess the impact of its recent rate cuts. Therefore, markets may look to the minutes for any indication on what level of deterioration in the economic outlook would be necessary for the central bank to act again. Futures contracts are pricing in just one further 25bps rate cut by end-2020.
- Data-wise, the highlights of the US calendar are the flash PMIs for November.** In what represents a somewhat concerning development, the services PMI has been consistent with only very modest growth in the past number of months. However, some improvement is expected in November, with the index projected to have moved up to 51.2, from 50.6. The manufacturing index also looks to have edged higher in November, for the third consecutive month, though only to 51.5, from 51.3. There is a raft of housing market releases due too this week, including the November print of the NAHB Homebuilders' Sentiment index, as well as housing starts, building permits and existing home sales numbers for October.
- The UK macro agenda is comparatively light this week.** Indeed, the only data out of any note are UK public finances figures for October and CBI industrial orders for November. **In Ireland, the Labour Force Survey for Q3 is due.** Survey indicators suggest that employment growth has not accelerated and as a result we anticipate that the year-on-year jobs growth rate held at 2% in the quarter.



	Interest Rate Forecasts			
	Current	End Q4 2019	End Q1 2020	End Q2 2020
Fed Funds	1.625	1.625	1.625	1.625
ECB Deposit	-0.50	-0.50	-0.50	-0.50
BoE Repo	0.75	0.75	0.75	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 Q4 2019	End Q1 2020	End Q2 2020
EUR/USD	1.1044	1.12	1.12	1.13
EUR/GBP	0.8554	0.85	0.86	0.87
EUR/JPY	120.09	122	122	123
GBP/USD	1.2908	1.32	1.30	1.30
USD/JPY	108.72	109	109	109

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
This Week:	BoE Speakers:	Haldane (Monday)		
	ECB Speakers:	de Cos, Lane (Monday); Lane (Wednesday); Mersch (Thursday); de Guindos (Thursday) Lagarde (Friday)		
	Fed Speakers:	Mester (Monday); Williams (Tuesday); Mester (Thursday); Mester (Friday)		
Mon 18th	US:	15.00 NAHB Homebuilders' Sentiment (November)	71	72
Tue 19th	IRL:	11.00 LFS—Employment (Q3)	(+2.0%)	(+2.0%)
	UK:	11.00 CBI Industrial Orders (November)	-37	-32
	US:	13.30 Housing Starts (October)	-9.4% / 1.26m	+4.8% / 1.32m
		- Building Permits	-2.4% / 1.39m	+0.0% / 1.39m
	JPN:	23.50 Trade Balance (October)	-¥123bn	¥301bn
		- Exports	(-5.2%)	(-7.6%)
		- Imports	(-1.5%)	(-16.0%)
Wed 20th	GER:	07.00 PPI (October)	(-0.1%)	(-0.4%)
	US:	19.00 Minutes from the Fed's October Meeting Published		
Thurs 21st	FRA:	07.45 INSEE Business Climate (November)	99	100
	UK:	09.30 PSNB Ex-Interventions (October)	Oct '18: £6.43bn	£9.3bn
	EU-19:	12.30 ECB's Account from October Meeting Published		
	US:	13.30 Initial Jobless Claims (w/e 11th November)	225,000	215,000
	US:	13.30 Philly Fed Index (November)	5.6	7.0
	US:	15.00 Existing Home Sales (October)	-2.2% / 5.4m	+1.9% / 5.5m
	EU-19:	15.00 Flash Consumer Confidence (November)	-7.6	-7.2
	JPN:	23.30 CPI (October)	(+0.2%)	(+0.3%)
Fri 22nd	JPN:	00.30 Flash Jibun Bank Manufacturing PMI (Nov.)	48.4	
	GER:	07.00 GDP (Q3: Second Reading)	+0.1%	+0.1%
	FRA:	08.15 Flash Markit Composite PMI (November)	52.6	52.6
	GER:	08.30 Flash Markit Composite PMI (November)	48.9	49.2
	EU-19:	09.00 Flash Markit Composite PMI (November)	50.6	50.9
		- Manufacturing / Services	45.9 / 52.2	46.4 / 52.5
	US:	14.45 Flash Markit Composite PMI (November)	50.9	51.1
		- Manufacturing / Services	51.3 / 50.6	51.5 / 51.2
	US:	15.00 Final Michigan Consumer Sentiment (Nov.)	95.7	95.7

◆ 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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