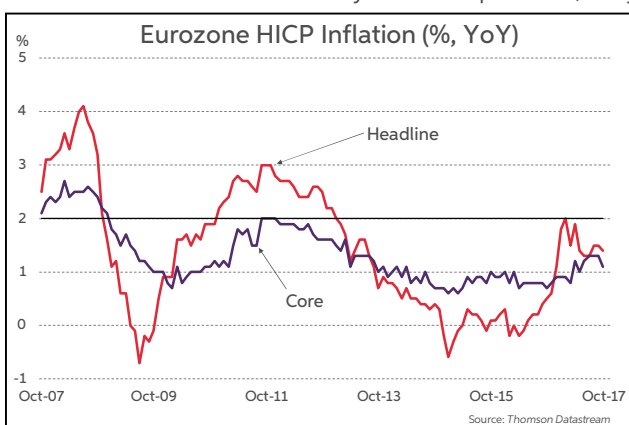


No easy way out

- **The latest official economic forecasts for the UK economy paint a gloomy picture for the country's growth prospects heading into and beyond its exit from the EU.** The Office for Budget Responsibility (OBR) has revised down its growth projections. It is now expecting GDP to increase by 1.5% this year, a downgrade of its previous forecast for 2% growth. The OBR is forecasting growth of 1.4% (from 1.6%) in 2018. Meanwhile, in 2019, the year of Brexit, it is expecting the economy to slow further, with growth of 1.3% being pencilled in. Further out, it is projecting GDP to rise by 1.3% and 1.5% in 2020 and 2021, respectively. In comparison, the UK economy averaged a 2% growth rate in the 5-year period 2011-2016.
- **A slowing economy will provide additional complications for the UK government as it tries to manage and deal with the consequences of Brexit.** The next two weeks, in the lead up to the EU Leaders' Summit on 14th/15th December, are a crucial period in the negotiations. The EU has stated that substantial progress is needed on the three key issues of (i) Exit Bill (ii) Citizen Rights and (iii) NI/Ireland border before talks can move onto phase two, where the UK's future trading relationship with the EU can be discussed. Judging by recent newsflow/comments, **the Irish border issue could be the biggest stumbling block to the talks being able to progress to the next phase.**
- While Brexit negotiations will continue to play out in the background, markets may be more preoccupied with the future direction of the Fed in the coming days. On Tuesday, **President Trump's nominee for Fed Chair, Jerome Powell, will have his Senate confirmation hearing. While he is seen as being of the same policy mindset as the current Chair, Janet Yellen, markets will be looking to see if he uses the occasion to highlight any potential changes** under his leadership. Meantime, Chair Yellen will discuss the US economic outlook at the congressional Joint Economic Committee on Wednesday.
- Data-wise, we get US consumer spending data for October. It recorded a very strong 1% rise in September, partly reflecting a post-hurricane surge in vehicle sales. As a result, the pace of growth is forecast to have slowed to 0.3%. Meantime, **core-PCE, the Fed's preferred inflation measure, has remained subdued. Although, it looks likely to edge up slightly in October to 1.4% (from 1.3%), remaining below its 2% target.** The US calendar also includes the timelier November manufacturing ISM. It is forecast to edge down.
- **In the Eurozone, flash November HICP is the main release. Headline inflation is predicted to rise from 1.4% to 1.6%,** partly reflecting higher oil prices. The core measure, which excludes energy, seems likely to hold at just 1.1%. The Eurozone unemployment rate, which fell below 9% for the first time in 9 years in September, may have held at 8.9% at the start of Q4. Meantime, the EC Eurozone economic sentiment index is anticipated to rise to a fresh 16-year high in November, pointing to on-going strong economic growth.
- **The November manufacturing PMI is the main feature of a light UK calendar.** The index is expected to edge higher again in the month, indicating a healthy pace of growth in the sector. In terms of the UK housing market, Nationwide house prices and BoE mortgage approvals are also due this week.
- **In Ireland, the Government faces some difficulty, with a no confidence vote in the Tánaiste (Deputy Prime Minister) expected. If it is passed, this would end the 'confidence-and-supply' agreement with the main opposition party, which underpins the minority Government, meaning a General Election may be on the cards.**



	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
		2017	2018	2018
Fed Funds	1.125	1.375	1.375	1.625
ECB Deposit	-0.40	-0.40	-0.40	-0.40
BoE Repo	0.50	0.50	0.50	0.50
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	End Q1	End Q2
		2017	2018	2018
EUR/USD	1.1910	1.17	1.16	1.15
EUR/GBP	0.8922	0.89	0.88	0.87
EUR/JPY	132.68	132	132	132
GBP/USD	1.3346	1.31	1.32	1.32
USD/JPY	111.39	113	114	115

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
This Week:	ECB Speakers:	Knot (Wednesday); Mersch, Praet (Thursday)		
	Fed Speakers:	Dudley, Powell, Harker (Tuesday); Dudley, Yellen , Williams (Wednesday); Mester, Kaplan (Thursday); Kaplan (Friday)		
Mon 27th	ITA:	09.00 ISTAT Business Confidence (November)	111.0	
	ITA:	09.00 Consumer Confidence (November)	116.1	116.4
	US:	15.00 New Homes Sales (October)	+18.9% / 0.667m s.a.a.r.	-8.4% / 0.625m
Tue 28th	GER:	07.00 Gfk Consumer Sentiment (December)	10.7	10.8
	FRA:	07.45 Consumer Confidence (November)	100	101
	EU-19:	09.00 M3 Money Supply (October)	(+5.1%)	(+5.1%)
	IRL:	11.00 Retail Sales (October)	-2.4% (+1.2%)	-2.5% (-0.9%)
	US:	13.30 Goods Trade Balance (October)	-\$64.1bn	
	US:	14.00 Case-Shiller House Prices (September)	+0.5% (+5.9%)	+0.4% (+6.1%)
	US:	15.00 Consumer Confidence (November)	125.9	124.0
Wed 29th	FRA:	07.45 Consumer Spending (October)	+0.9%	-0.4%
	FRA:	07.45 GDP (Q3: Second Reading)	+0.5% (p)	+0.5%
	UK:	09.30 BoE Mortgage Approvals (October)	66,232	65,100
	EU-19:	10.00 EC Business Climate (November)	1.44	1.54
	EU-19:	10.00 EC Economic Sentiment (November)	114.0	114.8
		- Industrial / Services / Consumer	7.9 / 16.2 / 0.1	8.7 / 16.9 / 0.1
	GER:	13.30 Preliminary HICP (November)	(+1.5%)	(+1.7%)
	US:	15.00 GDP (Q3: Second Reading)	+3.0% s.a.a.r. (p)	+3.2%
	US:	15.00 Pending Home Sales Index (October)	0.0% / 106.0	+0.7% / 106.7
	US:	19.00 Fed Beige Book Published		
	JPN:	23.50 Industrial Output (October)	-1.0%	+1.9%
Thurs 30th	UK:	00.01 Gfk Consumer Confidence (November)	-10	-11
	CHINA:	01.00 NBS Manufacturing PMI (November)	51.6	
		- Non-Manufacturing	54.3	
	GER:	07.00 Retail Sales (October)	+0.5%	+0.3%
	UK:	07.00 Nationwide House Prices (November)	+0.2% (+2.5%)	+0.2% (+2.7%)
	FRA:	07.45 Preliminary HICP (November)	(+1.2%)	(+1.3%)
	SPAIN:	08.00 GDP (Q3: Second Reading)	+0.8% (+3.1%) (p)	+0.8% (+3.1%)
	GER:	09.00 Unemployment (November)	5.6%	5.6%
	ITA:	09.00 Unemployment (October)	11.1%	11.1%
	ITA:	10.00 Preliminary HICP (November)	(+1.1%)	(+1.3%)
	EU-19:	10.00 Flash HICP (November)	(+1.4%)	(+1.6%)
		- Ex-Food & Energy	(+1.1%)	(+1.1%)
	EU-19:	10.00 Unemployment (October)	8.9%	8.9%
	US:	13.30 Personal Income / Consumption (October)	+0.4% / +1.0%	+0.3% / +0.3%
		- Core-PCE Prices	+0.1% (+1.3%)	+0.2% (+1.4%)
	US:	13.30 Initial Jobless Claims (25th November)	239,000	240,000
	JPN:	23.30 CPI: National (October) / Tokyo (November)	(+0.7%) / (-0.2%)	
	JPN:	23.30 Unemployment / Jobs:Applicants (October)	2.8% / 1.52	2.8% / 1.53
Fri 1st	ITA:	09.00 GDP (Q3: Second Reading)	+0.5% (+1.8%) (p)	+0.5% (+1.8%)
	EU-19:	09.00 Final Markit Manufacturing PMI (November)	58.6 / 60.0 (p)	60.0
	UK:	09.30 CIPS/Markit Manufacturing PMI (November)	56.3	56.5
	US:	14.45 Final Markit Manufacturing PMI (November)		
	US:	15.00 Construction Spending (October)	+0.3%	+0.5%
	US:	15.00 Manufacturing ISM (November)	58.7	58.4
	US:	15.00 Total Vehicle Sales (November)	18.09m s.a.a.r.	17.50m

◆ 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

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, plc and Allied Irish Banks (GB). In Northern Ireland it is distributed by First Trust Bank. In the United States of America it is distributed by Allied Irish Banks, plc. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and First Trust Bank are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI 018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.