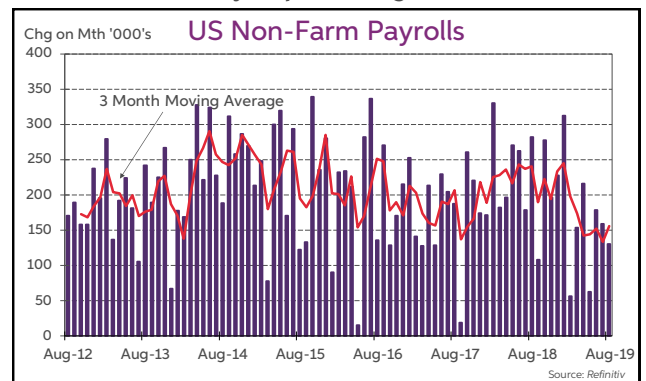


Break for the Border

- Even though the clock is ticking down towards the UK's exit date from the EU in a month's time, Brexit remains as clear as mud.** We still have no idea if a deal will be agreed at the mid-October EU Summit, if a deal would then be approved by the UK Parliament, whether or not the UK Government will seek, as mandated by law, an extension to Article 50 in the event of no deal, or if the UK is set to crash out of the EU without a deal, if not at end October, then soon after a UK general election that is expected to be held in November. The past week has been a terrible one in UK politics. The Government's decision to prorogue parliament for five weeks was found to be unlawful by the Supreme Court. This was followed a fractious, bitter, partisan parliamentary session. This is a minority Government and **getting majority support in Parliament for a Brexit deal is going to be much more difficult after the events of the past week.** The impending election, rather than Brexit, seems to be to the forefront of UK politicians' minds.
- Sterling, though, remains within its recent 88-89p range against the euro, even with hints from an MPC member that the BoE could soon cut rates.** The markets obviously think that a deal will eventually be done to achieve a soft Brexit. The key to such a deal is that the **UK wide backstop in the current Withdrawal Agreement moves to a Northern Ireland only backstop, but in a way that avoids putting a barrier down the Irish Sea to trade between Great Britain and Northern Ireland.** There has been some movement in this regard. All sides seem to agree that the regulatory regime for the agri-food industry could operate on an All-Ireland basis as there are already disease-control checks between GB and NI in this regard. Could this not be extended to some other manufacturing sectors in Northern Ireland that export into mainland Europe?
- The issue for the EU relates to Northern Ireland being used as a backdoor into the Single Market for goods produced elsewhere, thereby avoiding EU customs duties and regulatory standards.** In this regard, exports from the Republic of Ireland will still be able to travel through the UK landbridge route to mainland Europe post Brexit, without paying customs duties. This will require certain documentation and goods moving in sealed containers. Could something similar not be used for goods moving from the Great Britain to the Republic via Northern Ireland? Any customs duties or checks could be done at a port in Great Britain or Northern Ireland, obviating the need for checks at the Irish land border, as suggested in an FT article this week. Goods going to the Northern Ireland market from Britain could be done on a trusted trader basis or some other mechanism such as VAT tracking that would avoid the need for checks at ports and thus a trade barrier. Something along these lines, **where the new checks between Britain and Northern Ireland are only required on goods destined for the EU, could be the basis for a deal** that the DUP and EU could agree to. The real irony would be if a deal broadly acceptable in Northern Ireland was blocked in Westminster.
- Turning to the week ahead, the highlight of the schedule is the US employment report for September.** While the labour market remains strong, there have been some signs of softness in the recent data. In August, payrolls expanded by 130k, with the private sector accounting for just 96k of this total. The forecast is for another moderate rise of 140k in September. At the same time, it is anticipated that the unemployment rate held at 3.7%, close to a multi-decade low level. Still tight labour market conditions are projected to see wage inflation edge up to 3.3%, from 3.2%. **The US release calendar also includes the ISMs for September.** Mirroring last week's PMIs, it is envisaged that the manufacturing index improved, rising to 50.0, from 49.1. However, the non-manufacturing ISM looks to have dropped sharply to 55.0, from 56.4. Taken together, the indices should remain consistent with a moderate level of growth.
- In the Eurozone, the flash estimate of HICP for September will warrant attention.** Price pressures are expected to remain very subdued, with both the headline and core rates of inflation forecast at 1.0% and 1.1%, respectively. Meanwhile, the unemployment rate is judged to have remained at 7.5% in August. Aided by the low inflationary environment and relatively tight labour market, it is anticipated that retail sales rose by a solid 0.3% in August.
- Finally, the September PMIs in the UK are expected to paint a gloomy picture on the economy.** For a fifth straight month, the manufacturing index is projected to have held below the key 50 level. Unlike in the early part of the year, there has been limited evidence of a boost to activity from stockpiling in the lead up to October's Brexit deadline. At the same time, the services PMI is forecast to have edged down to 50.3, from 50.6.



	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
	2019			
Fed Funds	1.875	1.875	1.625	1.625
ECB Deposit	-0.50	-0.50	-0.60	-0.60
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	End Q1	End Q2
	2019			
EUR/USD	1.0930	1.12	1.13	1.14
EUR/GBP	0.8871	0.89	0.89	0.89
EUR/JPY	118.14	119	119	121
GBP/USD	1.2317	1.26	1.27	1.28
USD/JPY	108.09	106	105	106

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
This Week:	ECB Speakers:	Lane, Draghi (Tuesday); de Guindos, Rehn (Thursday); de Guindos (Friday)		
	Fed Speakers:	Bowman, Bullard, Evans (Tuesday); Harker, Williams (Wednesday); Clarida, Evans, Mester, Rosengren (Thursday); Bostic, Kashkari, Powell (Friday)		
Mon 30th	JPN:	00.50 Industrial Output (August)	+1.3%	-0.5%
	CHINA:	02.00 NBS Manufacturing PMI (September)	49.5	49.5
	CHINA:	02.45 Caixin Manufacturing PMI (September)	50.4	50.2
	GER:	07.00 Retail Sales (August)	-2.2%	+0.6%
	GER:	08.55 Unemployment (September)	5.0%	5.0%
	ITA:	09.00 Unemployment (August)	9.9%	9.9%
	UK:	09.30 BoE Mortgage Approvals (August)	67,306	66,500
	UK:	09.30 GDP (Q2: Final Reading)	-0.2% (+1.2%)	-0.2% (+1.2%)
	ITA:	10.00 Preliminary HICP (September)	(+0.5%)	(+0.6%)
	EU-19:	10.00 Unemployment (August)	7.5%	7.5%
	GER:	13.00 Preliminary HICP (September)	(+1.0%)	(+1.0%)
Tue 1st	JPN:	00.30 Unemployment / Jobs: Applicants (August)	2.2% / 1.59	2.3% / 1.58
	JPN:	00.50 Tankan Big Manufacturing Index (Q3)	7	2
		- Non-Manufacturing	23	20
	IRL:	01.01 AIB Manufacturing PMI (September)	48.6	
	AUS:	05.30 RBA Interest Rate Decision	1.00%	1.00%
	UK:	07.00 Nationwide House Prices (September)	+0.0% (+0.6%)	+0.1% (+0.5%)
	EU-19:	09.00 Final Markit Manufacturing PMI (September)	47.0 / 45.6 (p)	45.6
	UK:	09.30 CIPS / Markit Manufacturing PMI (September)	47.4	47.0
	EU-19:	10.00 Preliminary HICP (September)	(+1.0%)	(+1.0%)
		- Ex-Food & Energy	(+1.1%)	(+1.1%)
	IRL:	11.00 Unemployment (September)	5.2%	5.2%
	US:	14.45 Final Markit Manufacturing PMI (September)	50.3 / 51.0 (p)	51.0
	US:	15.00 Manufacturing ISM (September)	49.1	50.0
Wed 2nd	UK:	09.30 CIPS / Markit Construction PMI (September)	45.0	45.0
	IRL:	16.30 Exchequer Balance (September)	Sept '18: -€1.5bn	-€0.2bn
Thurs 3rd	IRL:	01.01 AIB Services PMI (September)	54.6	
	ITA:	08.45 Markit Composite PMI (September)	50.6	50.3
	FRA:	08.50 Final Markit Composite PMI (September)	52.9 / 51.3 (p)	51.3
	GER:	08.55 Final Markit Composite PMI (September)	51.7 / 49.1 (p)	49.1
	EU-19:	09.00 Final Markit Composite PMI (September)	51.9 / 50.4 (p)	50.4
		- Services	53.5 / 52.0 (p)	52.0
	UK:	09.30 CIPS / Markit Services PMI (September)	50.6	50.3
	EU-19:	10.00 PPI (August)	(+0.2%)	(-0.4%)
	IRL:	11.00 Live Register (September)	-1,500/188,500	-1,000/187,500
	EU-19:	10.00 Retail Sales (August)	-0.6% (+2.2%)	+0.3% (+1.9%)
	US:	13.30 Initial Jobless Claims (w/e 23rd September)	213,000	215,000
	US:	14.45 Final Markit Composite PMI (September)	50.7 / 51.0 (p)	51.0
		- Services	50.7 / 50.9 (p)	50.9
	US:	15.00 Factory Orders (August)	+1.4%	-0.5%
	US:	15.00 Non-Manufacturing ISM (September)	56.4	55.0
Fri 4th	IND:	07.15 RBI Interest Rate Decision	5.40%	
	US:	13.30 Non-Farm Payrolls (September)	+130,000	+140,000
		- Unemployment	3.7%	3.7%
		- Average Earnings	(+3.2%)	(+3.3%)
	US:	13.30 International Trade (August)	-\$54.0bn	-\$54.6bn

◆ 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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