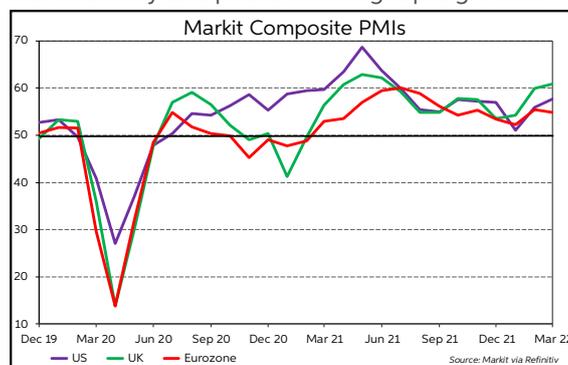


## More Tiger Than Stag

- The Irish economy has come through the COVID-19 crisis in good shape.** Very substantial fiscal support amounting to circa 20% of national income played a key role in limiting the damage to the economy. Ireland has also benefitted from the favourable product mix in its large multi-national sector, with a large presence of pharma, medical, ICT and financial services companies, which have seen very strong export growth over the past two years. The strength of the economy is best exemplified by data on tax receipts and the labour market. Tax revenues in 2021 were up by 15% on 2019 level, i.e. before the pandemic struck. Meanwhile, employment was up by 6.3% in the final quarter of last year on the same period in 2019. The official unemployment rate stood at 5.1% at end 2021, just slightly higher than its end 2019 level of 4.8%.
- The Irish economy has enjoyed a strong start to this year.** The PMIs for the opening months of the year have remained firm for the services, manufacturing and construction sectors. Meanwhile, tax revenues have been very buoyant, rising by over 30% in the first quarter, or 23% excluding corporation tax. The 12-month rolling Exchequer deficit had fallen to just €3 billion by March, down from €14 billion a year earlier. **Updated macro forecasts on the Irish economy have been published recently by the ESRI, Central Bank (CBI) and Dept. of Finance (DoF) that take account of the impact of the war in Ukraine, especially on inflation.** While the growth forecasts have been scaled back, the economy is still expected to expand strongly in 2022 given the ongoing recovery in the global economy, scope for a rundown of household savings, and as activity continues to rebound from the COVID-19 pandemic.
- The CBI is forecasting growth of 4.8% in underlying domestic demand and 5.5% for GDP in 2022,** with the ESRI at 5.0% and 6.2%, respectively, for both aggregates. The DoF is projecting growth of 4.2% for the domestic economy and 6.4% in GDP. Growth is expected to moderate somewhat in 2023 and beyond, in line with the global trend and as macroeconomic policy turns less stimulatory. The CBI sees growth of 4.3% in the domestic economy and 5.5% in GDP in 2023, while the ESRI and DoF are forecasting growth of 4.0-4.5% for both. The CBI is looking for a rise of 4% in domestic demand in 2024 and stronger growth again in GDP. The DoF forecast is predicting a 4% rise in GDP for that year.
- Irish inflation has risen sharply as elsewhere, with the HICP rate climbing to 6.9% in March from 5.7% in February.** Excluding energy products, March inflation was running at 3.7%. The Central Bank is forecasting that inflation may peak at around 8% in the coming months and average 6.5% for the year, with the ESRI forecasting an average rate of 6.7%. Inflation should fall steadily from the third quarter onwards as steep energy price increases in particular drop out of the annual rate. There is disagreement, though, over the extent of the fall. The Central Bank is expecting inflation to fall sharply and average 2.8% in 2023 and then 2.1% in 2024. The DoF is at 3% and 2.2% for the two years. However, the ESRI foresees inflation staying quite high next year, averaging 5.0%. Overall, despite the major energy price shock, **the Irish economy is certainly not experiencing stagflation,** with both the real economy and prices showing rapid growth.
- This week, the main highlight will be the flash PMI data for April, in the US, Eurozone and UK.** In March, the services PMIs continued to move higher in all three regions, having already been firmly in expansion mode, as the sector continued to rebound after the removal of restrictions. The manufacturing PMI though, fell to its lowest level in 14 months in the Eurozone, as geopolitical tensions weighed on demand and business confidence. The UK reading also moved lower, while in the US, the index rose to its highest level in six months. In April, the consensus is for both sector readings to decline in the Eurozone, as the war in Ukraine weighs more heavily on sentiment. In the UK, services are forecast to continue to outperform manufacturing. In the US, both sectors are expected to be relatively unchanged. However, across the board, the PMIs are projected to remain well above the key 50 threshold.
- Other survey data, including the flash reading of consumer confidence for April will also feature in the Eurozone.** In March, consumer confidence plunged to its lowest level since April 2020, as households became more pessimistic about the general economic outlook and their own financial situation. The index is forecast to decline for the seventh month running in April. In terms of inflation, the final reading of Eurozone HICP is set to confirm inflation rose by 7.5% YoY in March. In terms of more lagging indicators, industrial production is expected to rise by 0.8% in February.
- In the UK, retail sales data will garner attention** for any signs that households have tightened their belts as inflation rises. Sales excluding fuel are projected to rise by 0.6% in March. **In the US, a slew of housing market data are due,** including housing starts, existing home sales (Mar) and homebuilder sentiment (Apr).



	Interest Rate Forecasts			
	Current	End Q2	End Q3	End Q4
	2022			
Fed Funds	0.375	1.125	1.625	1.875
ECB Deposit	-0.50	-0.50	-0.50	-0.25
BoE Repo	0.75	1.25	1.50	1.50
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 Q2	End Q3	End Q4
	2022			
EUR/USD	1.0794	1.10	1.11	1.12
EUR/GBP	0.8271	0.84	0.84	0.85
EUR/JPY	135.73	135	137	137
GBP/USD	1.3046	1.31	1.32	1.32
USD/JPY	125.73	123	123	122

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time	Release	Previous	Forecast
<b>This Week:</b>	<b>ECB Speakers:</b>	<b>Lagarde (Thu); Lagarde (Fri)</b>		
	<b>BoE Speakers:</b>	<b>Bailey (Thu)</b>		
	<b>Fed Speakers:</b>			
	<b>IMF:</b>	World Economic Outlook April 2022 (Tue) <b>French Presidential Election Debate (Wed)</b>		
<b>Mon 18th</b>	<b>IRL/UK/Most EU:</b>	<b>Easter Monday (Market Holiday)</b>		
	<b>CHINA:</b> 03:00	GDP (Q1)	+1.6% (+4.0%)	+0.6% (+4.4%)
	<b>CHINA:</b> 03:00	Retail Sales (March)	(+6.7%)	(+0.7%)
	<b>CHINA:</b> 03:00	Industrial Output (March)	(+7.5%)	(+5.5%)
	<b>US:</b> 15:00	NAHB Homebuilder Sentiment (April)	79	78
<b>Tue 19th</b>	<b>US:</b> 13:30	Building Permits (March) - Housing Starts	1.9m / -1.6% 1.8m / +6.8%	1.8m / -6.6% 1.8m / +3.4%
<b>Wed 20th</b>	<b>JPN:</b> 00:50	Trade Balance (March) - Exports	-¥668.3bn (+19.1%)	-¥669.7bn
	<b>GER:</b> 07:00	Producer Prices (March)	+1.4% (+25.9%)	+2.3% (+27.9%)
	<b>EU-19:</b> 10:00	Industrial Production (February)	+0.0% (-1.3%)	+0.8% (+1.5%)
	<b>EU-19:</b> 10:00	Trade Balance (February) - Eurostat Trade	-€7.7bn -€27.2bn	
	<b>US:</b> 15:00	Existing Home Sales (March)	+6.0m / -7.2%	+5.8m / -3.7%
<b>Thu 21st</b>	<b>FRA:</b> 07:45	INSEE Business Climate (April)	106	104
	<b>EU-19:</b> 10:00	Final HICP (March) - Ex-Food & Energy	+0.9% (+7.5%) +0.6% (+3.2%)	+0.9% (+7.5%) +0.6% (+3.2%)
	<b>US:</b> 13:30	Philly Fed Business Index	27.4	22.4
	<b>US:</b> 11:00	Initial jobless Claims (w/e 11th April)	+185,00	
	<b>EU-19:</b> 16:00	Flash Consumer Confidence (April)	-18.7	-20.0
<b>Fri 22nd</b>	<b>JPN:</b> 00:30	CPI (March) - Core	+0.4% (+0.9%) (+0.6%)	
	<b>UK:</b> 08:00	Retail Sales (March) - Ex-Fuel & Energy	-0.3% (+7.0%) -0.7% (+4.6%)	-0.3% (+2.8%) +0.6% (-0.5%)
	<b>FRA:</b> 08:15	Flash S&P Composite PMI (April)	56.3	
	<b>GER:</b> 08:30	Flash S&P Composite PMI (April)	55.1	54.0
	<b>EU-19:</b> 09:00	Flash S&P Composite (April) - Manufacturing / Services PMI	54.9 56.5 / 55.6	54.0 54.5 / 55.0
	<b>UK:</b> 09:30	Flash S&P / CIPS Composite (April) - Manufacturing / Services PMI	60.9 55.2 / 62.6	59.1 54.0 / 60.3
	<b>US:</b> 14:45	Flash S&P Composite (April) - Manufacturing / Services PMI	57.7 58.8 / 58.0	58.3 / 58.1

◆ Month-on-month changes (year-on-year shown in brackets)

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