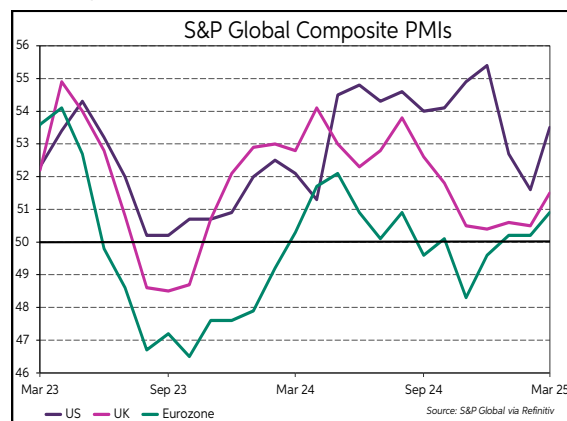


Hasta la vista, baby

- **Amid the current heightened economic and trade uncertainty, the ECB delivered, as expected, a 25bps rate cut, bringing its main deposit rate to 2.25%.** While priced in, the focus was on the accompanying statement from the Governing Council and President Lagarde's press conference. What was clear from the messaging was an emphasis on the downside risks to the economy from the current trade tensions, and in extension, a more dovish outlook for interest rates.
- **The ECB meeting statement contained most of the recent greatest hits, including an emphasis that the central bank will follow a "data-dependent" and "meeting-by-meeting approach".** However, the statement did reflect something of a dovish tilt stating "the outlook for growth has deteriorated owing to rising trade tensions. Increased uncertainty is likely to reduce confidence among households and firms." It further states that "these factors may further weigh on the economic outlook for the euro area". While the ECB did not publish forecasts this time around, the shift in tone is clearly teeing up investors for another rate cut in June, and a cut to their economic outlook in the forecasts published alongside that monetary policy decision.
- **The expected downgrade to the global outlook was further underlined by IMF Managing Director Kristalina Georgieva, who in a speech to its Annual Spring Meeting, laid out the broad stagflationary impacts of the current trade tensions.** She stated "our new growth projections will include notable markdowns, but not recession. We will also see markups to the inflation forecasts for some countries." That final sentence likely alludes to the expectation that the largest impact, in terms of inflation, will be on US consumers. Indeed, domestic US forecasters have begun to quantify the Trump tariffs already in place, with some predicting US inflation might top 4% by the end of the year.
- **This places the Fed in a tight spot ahead of its monetary policy decision in May, a dilemma referred to by Chair Powell in remarks to the Economic Club of Chicago this week.** He stated that tariffs are likely to generate "at least a temporary rise in inflation" and warned that they may place the Fed's dual mandate (stable prices and maximum employment) in tension. This has drawn the ire of President Trump, who called for Powell to be "terminated", bringing renewed focus on the Fed's independence as it charts a path for monetary policy amid the current uncertainty.
- **Turning to the week ahead, the flash PMIs for April in the UK, US and Eurozone will be released.** The UK manufacturing PMI moved into contraction territory at the start of Q4 2024 and deteriorated further throughout the opening three months of 2025. Indeed, its reading of 44.9 in March was its lowest level since October 2023. In contrast, the services sector has remained in expansion mode, averaging 51.4 in Q1, largely unchanged from its reading of 51.3 in Q4. However, the consensus is for both sectors to decline markedly in April. Elsewhere, the US manufacturing PMI rose above the key 50 level in January, for the first time since June, and stayed in expansion mode thereafter, albeit the index fell sharply to just 50.2 in March. Meantime, the services PMI has been consistent with rising activity levels in the sector since February 2023. In the Eurozone, the manufacturing PMI has remained firmly in contraction mode, since July 2022, but it rose to 48.6 in March, its highest level in two years. Overall, it averaged 47.6 in Q1, up from 45.4 in Q4. Meanwhile, the services PMI has stayed in expansion territory, averaging 51.0 in Q1, broadly similar to the reading of 50.9 in Q4. Both surveys are forecast to deteriorate slightly in April.
- **Elsewhere in the Eurozone, a slew of other key survey data are also due throughout a holiday shortened week.** Notably, the bloc wide measure of consumer confidence is projected to drop back to -15.8 in April from -14.5. In terms of some key indicators from the large Eurozone national economies, the bellwether German Ifo is expected to end a run of three successive months of improvement, by falling to 85.2 in April, amid ongoing economic uncertainty. French consumer and business confidence are also forecast to decline.
- **In the UK, retail sales figures for March will be the highlight.** Retail sales have had a strong start to the year, increasing by 1.4% in January and by 1.0% in February, amid a broad-based rise in spending. At the same time, UK consumer confidence has improved in February and March. However, retail sales are expected to decline by 0.3% in March, while consumer confidence is forecast to fall in April. **In the US, a sparse data calendar includes durable goods orders and new home sales numbers for March.** Remarks from a plethora of Fed officials will garner attention throughout the week also.



	Interest Rate Forecasts			
	Current	End Q2	End Q3	End Q4
		2025	2025	2025
Fed Funds	4.375	4.375	4.125	3.875
ECB Deposit	2.25	2.00	2.00	2.00
BoE Repo	4.50	4.25	4.00	3.75
BoJ OCR	0.50	0.50	0.75	0.75

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q2	End Q3	End Q4
		2025	2025	2025
EUR/USD	1.1360	1.09	1.10	1.11
EUR/GBP	0.8573	0.85	0.85	0.85
EUR/JPY	161.69	160	161	161
GBP/USD	1.3248	1.28	1.29	1.31
USD/JPY	142.35	147	146	145

Current Rates Reuters, Forecasts AIB's ERU

ECONOMIC DIARY

Monday 21st - Friday 25th April

Date	UK & Irish Time		Release	Previous	Forecast
This Week:	ECB Speakers:		Lane (Wed); Lane (Thu)		
	BoE Speakers:		Bailey , Pill, Breeden (Wed); Lombardelli (Thu); Greene (Fri)		
	Fed Speakers:		Jefferson, Harker (Tue); Goolsbee, Musalem, Hammack (Wed); Kashkari (Thu)		
	IMF World Economic Outlook April 2025 (Tue)				
Mon 21st	IRE/UK/EU-20:		Easter Monday (Market Holiday)		
Tue 22nd	EU-20:	15:00	Flash Consumer Confidence (April)	-14.5	-15.8
Wed 23rd	JPN:	01:30	Flash Jibun Composite PMI (April)	48.9	
	FRA:	08:15	Flash HCOB Composite PMI (April)	48.0	47.5
	GER:	08:30	Flash HCOB Composite PMI (April)	51.3	50.5
	EU-20:	09:00	Flash HCOB Composite PMI (April)	50.9	50.3
			- Manufacturing / Services	48.6 / 51.0	47.9 / 50.5
	UK:	09:30	Flash S&P Composite PMI (April)	51.5	50.0
			- Manufacturing / Services	44.9 / 52.5	44.1 / 51.0
	EU-20:	10:00	Total Trade Balance (February)	+€14.0bn	
			- Eurostat Trade	+€1.0bn	
	US:	14:45	Flash S&P Composite PMI (April)	53.5	
Thu 24th	FRA:	07:45	INSEE Consumer Confidence (April)	92.0	91.0
	GER:	09:00	Ifo Business Climate (April)	86.7	85.2
	UK:	11:00	CBI Trends - Orders (April)	-29.0	
Fri 25th	US:	13:30	Durable Goods (March)	+1.0% (+%)	+1.8%
			- Ex-Transport	+0.7%	-0.1%
	UK:	00:01	Gfk consumer Confidence (April)	-19.0	-21.0
	JPN:	00:30	Tokyo CPI Inflation (April)	(+2.4%)	
	UK:	07:00	Retail Sales (March)	+1.0% (+2.2%)	-0.3% (+2.0%)
			- Ex-Fuel	+1.0% (+2.2%)	+0.0%
	FRA:	07:45	INSEE Business Climate (April)	97.0	96.0
	US:	15:00	Final Uni. Michigan consumer Sentiment (April)	50.8	50.7

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

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 Allied Irish Bank (NI). 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 Allied Irish Bank (NI) 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.

AIB
Treasury
Economic
Research

David
McNamara
Chief
Economist

John Fahey
Senior
Economist

Daniel
Noonan
Economist