

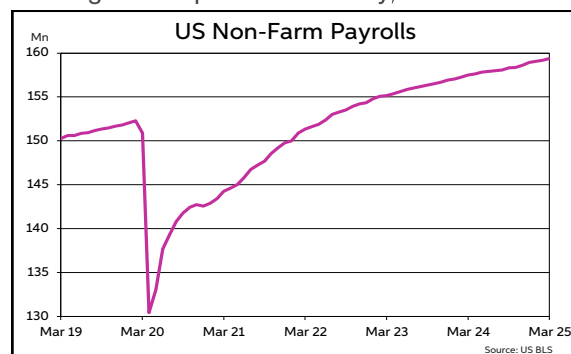
A spoonful of sugar

■ Amid current global trade uncertainty, economy watchers have been parsing the incoming data for any signs of a slowdown.

While US confidence surveys have taken a nosedive in recent weeks, there are fewer signs on this side of the Atlantic of any discernible impact. This may, in part, be due to where European economies were in the business cycle versus a hot US economy, coming off a couple of years of very weak growth – the UK and Germany being prime examples. Alongside this, a steady series of rate cuts by the ECB and hopes of fiscal stimulus into defence and infrastructure may have dampened the negative hit to confidence from the US tariff debacle. Finally, the European economy may also be experiencing something of a “sugar high” as exporters front-run tariffs. This was illustrated in the surge in EU goods exports in February, with the trade surplus rising 11% on the year to €24bn.

■ Little Ireland may be playing an outsized role in these EU trade stats, with domestic data showing Irish exports to the US rose by an enormous 210% year-on-year in February.

This volatility has implications for Ireland’s GDP growth in the near term, with a whipsaw effect likely in 2025-26, like that observed in the post-Covid period. Elsewhere, other estimates of activity suggest the domestic economy is starting from a position of strength amid the current uncertainty. The ESRI’s nowcast model for Ireland estimates domestic demand growth is currently running at an annual rate of 3%, while the AIB PMI surveys continue to signal robust private sector output and hiring activity.



■ One of the few areas of notable weakness has been in Irish consumer sentiment, with the Credit Union survey falling sharply in March, wiping out much of the steady recovery over the past year.

While not a perfect indicator of household spending in recent times, this series and other confidence surveys are worth watching in the coming months, ahead of the release of hard data later in the year. Another area which may not be contributing much to Irish growth this year is housebuilding, with Q1 2025 completions data showing a meagre 2% rise on the year. The annual run rate of housing output also remains stuck at c.30,000, well below demographic demand. While apartment delivery (+13%) bounced back, the quarterly profile is volatile in this sector. More concerning was the 1.7% annual fall in scheme housing – the largest category of housing delivery. Annual output growth in this sector has now fallen in five of the last six quarters. While the pipeline of housing starts was boosted last year by Government incentives, there remain little sign yet of a boost to new completions.

■ Turning to the week ahead, there is a very busy data calendar in the US, including updates on the labour market, inflation and GDP.

Recently, Fed officials, including Chair Powell have noted that the potential inflationary and negative growth impact from tariffs may place the central bank’s dual mandate (maximum employment and stable prices) in tension. With that in mind the data will garner very close attention this week. In the labour market, conditions appear to be little changed so far in 2025 compared to last year. Payroll growth averaged 152k on Q1, slightly below the 167k monthly average increase last year, while the unemployment rate has oscillated between 4.0-4.2%, a range it has been in since May. At the same time, average earnings growth has slowed slightly to +3.8% y/y in March, down from +4.0% y/y in December. A modest 120k rise in payrolls is pencilled in for April. The unemployment rate is forecast to be unchanged at 4.1% and average earnings are expected to edge up to +3.9% y/y. Elsewhere, the employment cost index for Q1 is projected to rise by 0.9%, matching the 0.9% increase in Q4. In terms of inflation, core-PCE is projected to ease back to 2.6% in March, its lowest level since June. Meanwhile, the first reading of Q1 GDP is expected to show a marked slowdown in US growth. The consensus is for a 0.2% annualised rise in output, down from 2.4% in Q4. However, it should be noted that the range of forecasts is quite wide.

■ Elsewhere in the US, a number of important survey data results are due. Most notably, the Conference Board measure of consumer sentiment for April is due. Having already fallen markedly to 92.9 in March, its lowest level since February 2021, a further deterioration back to 86.8 is anticipated in the month. Similarly, the manufacturing ISM is forecast to decline to 48.0 in April, consistent with a faster pace of contraction in the sector. On the monetary policy front, the BoJ is widely expected to keep policy on hold next week.

■ In the Eurozone, inflation, labour market and GDP data will also feature. A clear downtrend in inflation has re-emerged in Q1.

The headline rate declined throughout the quarter, falling to 2.2% in March. Meantime, core inflation had been proving to be quite sticky, operating in a narrow 2.6-2.9% range since April’24, but it eased to the bottom of this range and then fell to 2.5% in March. The consensus is for the headline rate to inch down to 2.1% in April, with the core rate remaining at 2.5%. In relation to the labour market, the unemployment rate is forecast to stay at an all-time low of 6.1% in March. Meanwhile, amid little evidence of waning momentum in survey data in Q1, GDP growth is expected to print at +0.2% in the quarter, in-line with the Q4 reading.

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 | 1.1368 | 1.09 | 1.10 | 1.11 |
| EUR/GBP | 0.8541 | 0.85 | 0.85 | 0.85 |
| EUR/JPY | 163.65 | 160 | 161 | 161 |
| GBP/USD | 1.3305 | 1.28 | 1.29 | 1.31 |
| USD/JPY | 143.93 | 147 | 146 | 145 |

Current Rates Reuters, Forecasts AIB’s ERU

| Date | UK & Irish Time (GMT+1) | Release | Previous | Forecast |
|--|-------------------------|---|---|---|
| This Week: ECB Speakers: BoE Speakers: Ramsden (Tue); Lombardelli 9wed Fed Speakers: | | | | |
| Mon 28th | UK: 11:00 | CBI Distributive Trades (April) | -41.0 | |
| Tue 29th | GER: 07:00 | Gfk Consumer Sentiment (May) | -24.5 | -26.0 |
| | SPA: 08:00 | GDP (Q1: First Estimate) | 0.8% (+3.4%) | +0.7% |
| | SPA: 08:00 | Flash HICP Inflation (April) | +0.7% (+2.2%) | |
| | EU-20: 10:00 | M3 Annual Money Growth (March) - Loans to Households | (+4.0%) (+1.5%) | (+4.0%) |
| | IRE: 11:00 | GDP (Q1: Preliminary Estimate) | +3.6% (+9.2%) | |
| | EU-20: 11:00 | EC Business Climate (April) | -0.73 | |
| | EU-20: 11:00 | EC Economic Sentiment (April) - Consumer / Industrial / Services | 95.2 -16.7 / -10.6 / 2.4 | 94.5 -16.7 / -10.1 / 2.2 |
| | US: 15:00 | Conference Board Consumer Confidence (Apr) | 92.9 | 86.8 |
| | US: 15:00 | JOLTs Job Openings (March) | +7.568m | |
| Wed 30th | JPN: 00:50 | Industrial Output (March) | +2.3% (+4.3%) | -0.4% (+0.4%) |
| | JPN: 00:50 | Retail Sales (March) | (+1.4%) | (+3.5%) |
| | FRA: 06:30 | GDP (Q1: Preliminary Reading) | -0.1% (+0.6%) | +0.2% (+0.7%) |
| | GER: 07:00 | Retail Sales (March) | +0.8% (+4.9%) | -0.4% |
| | FRA: 07:45 | Flash HICP Inflation (April) | +0.2% (+0.9%) | +0.3% (+0.7%) |
| | GER: 09:00 | GDP (Q1: Flash Estimate) | -0.2% (-0.2%) | +0.2% (-0.2%) |
| | ITA: 09:00 | GDP (Q1: Preliminary Reading) | +0.1% (+0.6%) | +0.2% (+0.5%) |
| | EU-20: 10:00 | GDP (Q1: Preliminary Reading) | +0.2% (+1.2%) | +0.2% (+1.0%) |
| | ITA: 10:00 | Flash HICP Inflation (April) | +1.6% (+2.1%) | (+2.3%) |
| | IRE: 11:00 | Unemployment Rate (April) | 4.0% | 4.0% |
| | GER: 13:00 | Flash HICP Inflation (April) | +0.4% (+2.3%) | +0.4% (+2.1%) |
| | US: 13:15 | ADP Employment (April) | +155,000 | +103,000 |
| | US: 13:30 | GDP (Q1: Advanced Reading) | +2.4% S.a.a.r. | +0.2% S.a.a.r. |
| | US: 13:30 | PCE Prices (Q1: Advanced Reading) - Core-PCE Prices | +2.4% S.a.a.r. +2.6% S.a.a.r. | +2.4% S.a.a.r. +2.6% S.a.a.r. |
| | US: 13:30 | Employment Cost Index (Q1) - Wages | +0.9% +0.9% | +0.9% |
| | US: 15:00 | Personal Income / Consumption (March) | +0.8% / +0.4% | +0.4% / +0.4% |
| | US: 15:00 | PCE Prices (March) - Core-PCE Prices | +0.3% (2.5%) +0.4% (+2.8%) | +0.0% (+2.2%) +0.1% (+2.6%) |
| Thu 1st | Most EU-20: | Labour Day (Market Holiday) | | |
| | JPN: | BoJ Interest Rate Decision | +0.50% | +0.50% |
| | IRE: 01:01 | AIB Manufacturing PMI (April) | 51.6 | |
| | UK: 09:30 | Final S&P Manufacturing PMI (April) | 44.0 | 44.0 |
| | US: 13:30 | Initial Jobless Claims (w/e 21st April) | +222,000 | +,000 |
| | US: 14:45 | Final S&P Manufacturing PMI (April) | 50.7 | 50.7 |
| | US: 15:00 | Manufacturing ISM (April) | 49.0 | 48.0 |
| Fri 2nd | JPN: 00:30 | Jobs/Applicants Ratio (March) | 1.24 | 1.25 |
| | JPN: 00:30 | Unemployment Rate (March) | 2.4% | 2.4% |
| | EU-20: 09:00 | Final S&P manufacturing PMI (April) | 48.7 | 48.7 |
| | EU-20: 10:00 | Flash HICP Inflation (April) - Ex-Food & Energy - Ex-Food, Energy, Alcohol, & Tobacco | +0.1% (+2.2%) +0.8% (+2.5%) +1.0% (+2.4%) | +0.1% (+2.1%) +0.6% (+2.5%) +0.7% (+2.5%) |
| | EU-20: 10:00 | Unemployment Rate (April) | 6.1% | 6.1% |
| | US: 13:30 | Non-Farm Payrolls (April) - Unemployment Rate (April) - Average Earnings | +228,000 4.2% +0.3% (+3.8%) | +120,000 4.2% +0.3% (+3.9%) |

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

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