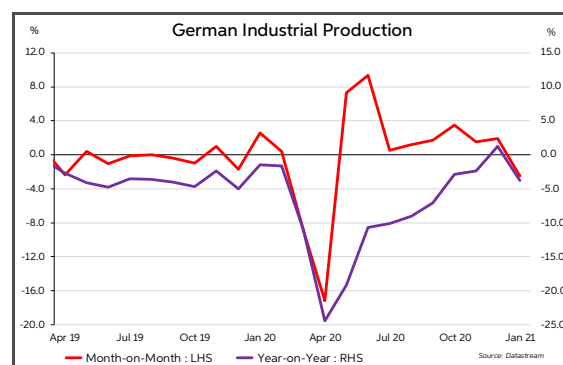


High Fives

- Data coming in on the Irish economy for the opening quarter of 2021 show that the current lockdown is not having as big a negative impact on the level of activity as the first shutdown in the spring of 2020.** All of manufacturing has remained open on this occasion, with the PMI for the sector rising back up to its peak readings of recent years in March. Part of the construction sector remained open in Q1, meaning that, although the PMI for the sector has fallen sharply, it has not been as severe as the collapse we saw last year. Core retail sales also declined in January and February, but again, not by as much as in the first lockdown. They were down over 11% in the first two months of the year on their Q4 levels, but were still 24% above the nadir reached in April of 2020. Meanwhile, the cut in VAT which expired on goods at the start of March has helped boost new car sales, which were up 10% yoy in the first quarter.
- More generally, the decline in the Services PMI for the first two months of the year was nowhere on the scale of the contraction seen last spring.** Firms have become better able to adapt to lockdowns, through remote working, online sales and home deliveries. All this has seen the unemployment rate, including those on the PUP (Pandemic Unemployment Payment), rise to 25% in the first quarter of 2021, compared to the high of 30% hit in the first lockdown last year. Meantime, consumer confidence has risen in recent months, boosted by the prospects that the roll out of vaccines will lay the foundations for a robust and sustained rebound in the economy later in 2021. Similarly, this same optimism has seen the forward looking business outlook component of the manufacturing and services PMIs rise to very high levels recently.
- The problem, though, is that while the downturn in this lockdown is not as deep as last year, it is lasting for a far longer period of time.** Much of the services economy is likely to be in lockdown for five to six months until near mid-year, compared to two to three months during last spring and early summer. The partial shutdown in construction has also lasted much longer on this occasion. Thus, while new housing output held up in 2020, there are forecasts that it could decline by 15-20% in 2021. Overall though, forecasts for the Irish economy remain relatively upbeat for 2021, reflecting expectations of a strong rebound in the second half of the year, when it is anticipated that lockdown restrictions will be fully lifted. The recent ESRI Quarterly Bulletin projects GDP growth of 4.4% this year, up from 3.4% in 2020, based on a further rise in exports and a rebound in domestic spending. The Central Bank is even more bullish, forecasting GDP growth of 5.9%, with GNP up an astonishing 10.9%. This, though, is largely driven by international trade flows, with underlying domestic spending forecast to rise by a much more modest 2.8%.
- The ESRI sees GDP growth at 5.2% next year, with the Central Bank at 4.7%, based on a return to a more normal economic environment.** The enormous build-up of household savings in the Irish economy over the past year points to considerable firepower to fuel a strong rebound in the domestic economy. The global economy is already starting to recover, which augurs well for export orientated economies like Ireland. Thus, the near-term prospects for the Irish economy look very favourable. Regarding the medium term outlook, a close eye needs to be kept on possible changes to the US corporate tax regime and how this might impact US multi-national companies based here, as well as the flow of FDI to Ireland.
- There is a shortened week in most of Europe as markets are closed for Easter Monday.** In truth, it is a very quiet data calendar for the week ahead. In the Eurozone, the main release will be the unemployment rate for February. This is likely to remain close to its current level of 8.1%, as job support schemes remain in place throughout the bloc. The minutes from the latest ECB policy meeting in March will also be released. Meanwhile, in terms of national data, German industrial production for February is due. In January, output unexpectedly declined by 2.5% in the month due to a sharp fall in construction (-12.2%). A global shortage in semiconductor chips, a vital component in producing motor vehicles also contributed to the fall in output. The forecast is for industrial production to recover by 1.5% in the month, leaving it circa 3% below its pre-Covid level.
- In the US, of the limited releases to note, the non-manufacturing ISM for March is forecast to remain firmly in expansion mode, rising further to 57.4 from 55.3.** Meanwhile, factory order are projected to fall for the first time in almost a year in February. The consensus is for orders to contract by 0.5% in the month, as severe weather and difficulty sourcing materials weighed on activity. With regards to monetary policy, the minutes from the March FOMC meeting are due late Wednesday and will garner some attention.
- In the UK, there are no significant data releases due next week.** Turning to the home front, we will get an update on the public finances on Tuesday for Q1, and the latest inflation data for March is due on Thursday.



	Interest Rate Forecasts			
	Current	End Q2 2021	End Q3 2021	End Q4 2021
Fed Funds	0.125	0.125	0.125	0.125
ECB Deposit	-0.50	-0.50	-0.50	-0.50
BoE Repo	0.10	0.10	0.10	0.10
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 2021	End Q3 2021	End Q4 2021
EUR/USD	1.1744	1.17	1.18	1.19
EUR/GBP	0.8502	0.85	0.86	0.87
EUR/JPY	129.99	129	129	129
GBP/USD	1.3810	1.38	1.37	1.37
USD/JPY	110.68	110	109	108

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
This Week:	ECB Speakers:			
	BoE Speakers:			
	Fed Speakers:	Evans, Kaplan (Wed); Powell (Thu)		
	IMF:	World Economic Outlook April 2021		
Mon 5th	IRL/UK/Most EU: Easter Monday (Market Holiday)			
	JPN: 01:30	Jibun Services PMI (March)	46.5	46.5
	EU-19: 09:30	EU Sentix (April)	5.0	6.7
	US: 14:45	Final Composite PMI (March)	59.1	59.1
	US: 14:45	Final Services PMI (March)	60.0	60.0
	US: 15:00	Factory Orders (February)	+2.6%	-0.5%
	US: 15:00	Non-manufacturing (March)	55.3	57.4
Tue 6th	CHINA: 02:45	Caixin Services PMI (March)	51.5	
	ITA: 09:00	Unemployment Rate (January)	9.0%	
	EU-19: 10:00	Unemployment Rate (February)	8.1%	8.1%
	IRL: 16:30	Exchequer Returns (March)	Mar'20: -€2.5bn	-€4.5bn
Wed 7th	IRL: 01:01	AIB Services PMI (March)	41.2	
	SPA: 08:15	Services PMI (March)	43.1	46.8
	ITA: 08:45	Services PMI (March)	48.8	49.1
	FRA: 08:50	Final Composite PMI (March)	49.5	49.5
	FRA: 08:50	Final Services PMI (March)	47.8	47.8
	GER: 08:55	Final Composite PMI (March)	56.8	56.8
	GER: 08:55	Final Services PMI (March)	50.8	50.8
	EU-19: 09:00	Final Composite PMI (March)	52.5	52.5
	EU-19: 09:00	Final Services PMI (March)	48.8	48.8
	UK: 09:30	Final Composite PMI (March)	56.6	56.6
	UK: 09:30	Final Services PMI (March)	56.8	56.8
	US: 15:30	International Trade (February)	-\$68.2bn	-\$70.2bn
	US: 19:00	FOMC Meeting Minutes (16-17th March)		
	US: 20:00	Consumer Credit (February)	-\$1.3bn	+\$5.0bn
Thurs 8th	JPN: 06:00	Economy Watchers Poll (March)	41.3	
	GER: 07:00	Industrial Orders (February)	+1.4%	+1.0%
	EU-19: 10:00	Producer Prices (February)	+1.4% (+0.0%)	+0.6% (+1.2%)
	EU-19: 10:00	ECB Meeting Minutes (10-11th March)		
	IRL: 11:00	CPI (March)	+0.4% (-0.4%)	+0.6% (-0.2%)
	US: 13:30	Initial Jobless Claims (w/e 29th March)	+719,000	
Fri 9th	CHINA: 02:30	CPI (March)	+0.6% (-0.2%)	
	GER: 07:00	Industrial Output (February)	-2.5% (-3.8%)	+1.5% (-2.8%)
	GER: 07:00	Trade Balance (February)	+€22.2bn	
		- Exports	+1.4%	
	FRA: 07:45	Industrial Output (February)	+3.3%	+0.5%

◆ 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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