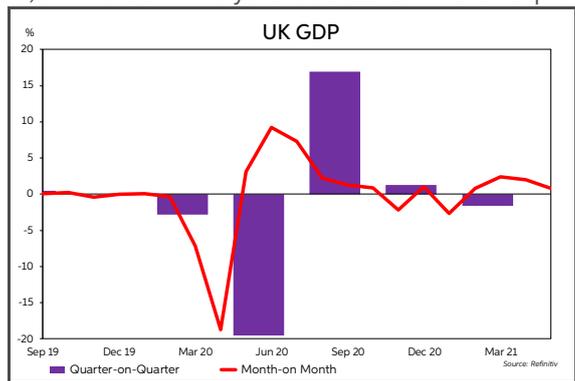


Bouncing Back

- The Irish economy weathered the global recession caused by the Covid-19 pandemic better than most, thanks to a robust performance by its multi-national sector that saw exports rise by 9.5% last year.** The latest CSO data show that GDP increased by 5.9% in 2020, with GNP increasing by 3.4%. However, this masks a very difficult year for the domestic sector, with modified final domestic demand contracting by 4.9% largely driven by a 10% fall in consumer spending. The domestic economy, though, did stage a good recovery in the second half of the year. Meanwhile, real net national income fell by 4.3% last year. These declines, while steep, still compare favourably with the contractions of 6.5% and 9.8% recorded by the Eurozone and UK economies, respectively, last year
 - With the country back in lockdown during the first quarter of this year, we saw a continuation of the dual economy trends evident in 2020.** Exports continued to perform strongly, rising by a further 2.3% in Q1, fuelling a further large rise in GDP. The domestic economy, though, saw a renewed contraction, with modified final domestic demand falling by 3.5%, driven by a near 6% decline in consumer spending. The economy started to emerge from lockdown in April and all the signs are of an exceptionally strong rebound in activity since then. Core retail sales (ex. motor trade) rose by 10% in the second quarter, leaving them 5.3% above their pre-pandemic levels. Meanwhile, new car sales in the first half of 2021 were up by over 20% on the same period in 2020.
 - PMI survey data for the services and manufacturing sectors have been very buoyant in recent months.** The services PMI reached a twenty year high of 66.6 in July, with the manufacturing PMI hitting a record high in May and remaining close to this level in the following two months. The construction PMI also rebounded very strongly over the second quarter. Indeed, house building activity has performed much better than anticipated in the first half of the year. Completions rose by 10% in the opening six months of the year, while there was a very encouraging pick up in commencements in April and May. Mortgage lending was up by 25% in the first half of 2021. The sharp economic rebound is having a very positive impact on the labour market and public finances. The number on the Pandemic Unemployment Payment had fallen to 163,000 by end July from 485,000 earlier in the year. Government tax receipts were up by 13% to end July, and over €1bn ahead of target.
 - The recovery in activity can be expected to continue, especially as the very high level of vaccination rates in Ireland should allow for more restrictions to be lifted and for other sectors to reopen.** Meanwhile, the large scale build-up of private sector savings continued in the second quarter. By end June, they were €45bn or 20% above their pre-pandemic levels of early 2020. Some of these savings can be expected to be run-down, adding fuel to the recovery in activity. With both fiscal and monetary policy remaining supportive of growth and the global economy also recovering strongly, it augurs well for the robust rebound by the Irish economy to continue in the months ahead.
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UK GDP

| Quarter | Quarter-on-Quarter (%) | Month-on-Month (%) |
|---------|------------------------|--------------------|
| Sep 19 | 0.0 | 0.0 |
| Dec 19 | 0.0 | 0.0 |
| Mar 20 | -1.6 | -1.6 |
| Jun 20 | 2.0 | 2.0 |
| Sep 20 | 1.7 | 0.8 |
| Dec 20 | 0.1 | 0.1 |
| Mar 21 | 0.1 | 0.1 |
- Similar to here, the UK economy also spent much of Q1 in lockdown.** This resulted in UK GDP contracting by 1.6% in the quarter. However, thanks to the quick pace of the vaccine rollout the UK economy was already in expansion mode by March. The first reading of Q2 GDP due this week will provide a more up to date assessment of the economy's progress. Monthly GDP readings, as measured by the output method show that the economy continued to expand in April (+2.0% m/m) and May (+0.8% m/m). Survey and retail sales data indicate that the recovery continued in June. The consensus is for a 4.8% rise in GDP in Q2, with an increase of 0.7% in June. Meanwhile, industrial production is projected to rise by 0.3% in June, leaving industrial output 2.3% below its pre-pandemic level.
 - Industrial production data for June will also feature in the Eurozone.** It is anticipated that the level of output was unchanged in the month, with manufacturing in the key German auto sector remaining hamstrung by a shortage of semiconductor chips. Indeed, the German ZEW is expected to decline in August to 57.0 from 63.3 owing to supply constraints as well as the resurgence of Covid-19 cases due to the Delta variant.
 - In the US, the latest CPI inflation data will garner attention.** The forecast is for the headline rates to rise by 0.5%, and the core by 0.4% in July as prices continue to surge in the US. This would leave the headline year-on-year rate unchanged at 5.4%, with the core rate edging down to 4.3%. Meantime, the Michigan Consumer Sentiment Index is set to inch trivially higher to 81.3 in August from 81.2, with Covid still weighing on confidence.

| | Interest Rate Forecasts | | | |
|-------------|-------------------------|----------------|----------------|----------------|
| | Current | End Q3 2021 | End Q4 2021 | End Q1 2022 |
| 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 Q3 2021 | End Q4 2021 | End Q1 2022 |
| EUR/USD | 1.1761 | 1.18 | 1.18 | 1.17 |
| EUR/GBP | 0.8478 | 0.85 | 0.85 | 0.84 |
| EUR/JPY | 129.75 | 131 | 131 | 131 |
| GBP/USD | 1.3872 | 1.39 | 1.39 | 1.39 |
| USD/JPY | 110.30 | 111 | 111 | 112 |

Current Rates Reuters, Forecasts AIB's ERU

| Date | UK & Irish Time | Release | Previous | Forecast |
|-------------------|----------------------|--|----------------------|----------------------|
| This Week: | ECB Speakers: | | | |
| | BoE Speakers: | | | |
| | Fed Speakers: | Bostic, Barkin (Mon); Evans, (Tue); Bostic, George (Wed) | | |
| Mon 9th | CHINA: | 02:30 PPI (July) | (+8.8%) | (+8.8%) |
| | CHINA: | 02:30 CPI (July) | -0.4% (+1.1%) | +0.2% (+0.8%) |
| | GER: | 07:00 Trade Balance (June) | +€12.6bn | +€13.5bn |
| | | - Exports | +0.3% | +0.4% |
| | EU-19: | 09:30 EU Sentix (August) | 29.8 | 29.0 |
| | IRL: | 11:00 Unemployment Rate (July) | 6.8% | 6.7% |
| | | - Covid-19 Adjusted Rate | 16.2% | 13.7% |
| | US: | 15:00 JOLTS Job Openings (June) | +9.21m | |
| Tue 10th | UK: | 00:01 BRC Retail Sales (July) | (+6.7%) | |
| | JPN: | 00:50 Current Account (June) | +¥1,979.7Bn | +¥779.8Bn |
| | JPN: | 06:00 Economy watchers Poll (July) | 47.6 | |
| | GER: | 10:00 ZEW Economic Sentiment (August) | 63.3 | 57.0 |
| | US: | 13:30 NFIB Business Optimism (July) | 102.5 | |
| Wed 11th | GER: | 07:00 Final HICP (July) | +0.5% (+3.1%) | +0.5% (+3.1%) |
| | ITA: | 09:00 Final HICP (July) | -1.1% (+0.9%) | +1.1% (+0.9%) |
| | US: | 13:30 CPI (July) | +0.9% (+5.4%) | +0.5% (+5.4%) |
| | | - Core CPI | +0.9% (+4.5%) | +0.4% (+4.3%) |
| Thu 12th | UK: | 00:01 RICS Housing Survey (July) | 83 | |
| | UK: | 07:00 GDP (Q2 preliminary Reading) | -1.6% (-6.1%) | +4.8% (+22.1%) |
| | UK: | 07:00 GDP (June) | +0.8% (+24.6%) | +0.7% (+15.0%) |
| | UK: | 07:00 Industrial Production (June) | +0.8% (+20.6%) | +0.3% (+9.2%) |
| | UK: | 07:00 Goods Trade Balance (June) | -£8.5bn | -£9.2bn |
| | EU-19: | 10:00 Industrial Production (June) | -1.0% (+0.6%) | +0.0% (+10.4%) |
| | IRL: | 11:00 CPI (July) | +0.2% (+1.6%) | +0.3% (+2.1%) |
| | IRL: | 11:00 Residential Property Price Index (June) | +0.9% (+5.5%) | +0.6% (+6.0%) |
| | US: | 13:30 Initial Jobless Claims (w/e 2nd August) | +385,000 | |
| | US: | 13:30 PPI (July) | +1.0% (+7.3%) | +0.6% |
| | | - Ex-Food & Energy | +1.0% (+5.6%) | +0.5% |
| Fri 13th | FRA: | 07:45 Final HICP (July) | +0.1% (+1.6%) | +0.1% (+1.6%) |
| | SPA: | 08:00 Final HICP (July) | -1.2% (+2.9%) | -1.2% (+2.9%) |
| | US: | 15:00 Preli. Michigan Consumer Sentiment (August) | 81.2 | 81.3 |

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