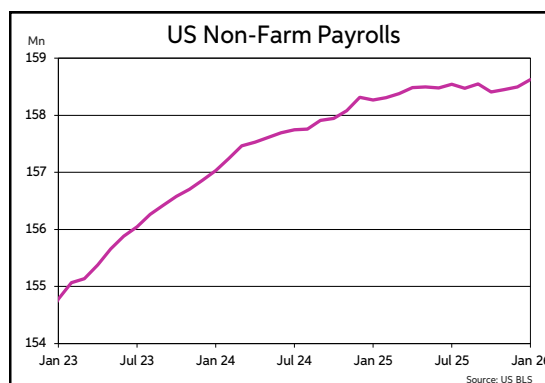


AI Slop

■ **The release of a speculative AI macro report in the US this week, while eye-catching in its findings, was based on a ‘worst-case’ scenario for the economy.** With the Citrini Research report gaining traction quickly on markets, the virality of AI-based research in recent months reveals a fragility in markets which have surged on the back of rapid advances in the various large language models since 2022, beginning with Chat GPT. The report outlined a scenario in which AI-driven advances displace white collar labour and human intelligence rapidly by the end of the decade, leading to a surge in joblessness, fiscal deficits and a collapse in consumer demand. This report can be filed in the more extreme end of the wave of recent AI research, which stretches from the very benign to several ‘doomsday’ macro predictions, with Substack often the platform of choice for the cottage industry of AI crystal-ball gazers. **Software stocks were hit hardest in the market sell-off, compounding recent market fears that AI could quickly usurp traditional software platforms.** This sell-off was compounded by the muted reaction to chipmaker Nvidia’s results, which highlighted an exceptional ramp up in costs alongside surging revenues from its AI exposure. Indeed, these recent jitters have been almost entirely US-focused, with the S&P 500 gaining less than 1% year-to-date, compared to a 7% gain in the benchmark Euro Stoxx 600 in Europe.

■ **As we discussed in our last Economic Outlook in November, the impact of AI - so far - has been subdued on the economy and labour markets, based on the latest academic literature.** A report from the Yale Budget Lab indicates that AI is having a limited effect at most on the overall occupational mix (i.e. the distribution of workers amongst jobs). For certain segments of the labour market though, the impact may be more pronounced. A study from Stanford University reports a 13% drop in the employment level of early career workers (aged between 22-25) in the most AI-exposed sectors. The same study also found that more experienced workers in the same field had not seen a drop in employment. **Intuitively, these findings make sense. AI models are adept at performing routine tasks often assigned to newer employees,** but they are generally less skilled at performing tasks which require more tacit knowledge and intuition, which are often developed through experience. It should be noted though, that AI systems are learning fast. In Ireland there has been some weakness in tech sector hiring, which could, in part, be attributable to a move towards AI-based systems. However, the labour market continues to grow strongly here, and hiring data from recruitment platform Indeed suggests AI has been more complementary than job-replacing so far. The Indeed data show about 12% of open roles in Ireland on the platform mentioned AI terms, well ahead of other European economies and the US in a 4-6% range.

■ **The main highlight for the week ahead will be the US labour market report for February.** In January, non-farm payrolls increased by a robust 130k, the sharpest pace of expansion since December 2024. However, notwithstanding this, payroll growth has slowed markedly over the past 12-18 months. Nevertheless, a solid rise of 57k is expected. Meanwhile, the unemployment rate is set to remain at 4.3%. On the consumer side of the economy, we get retail sales numbers for January. The headline rate is pencilled in for a slight 0.2% m/m fall. **Elsewhere in the US, the manufacturing and non-manufacturing ISM readings for February will warrant some interest.** In January, the manufacturing survey ended a run of 10 months in contraction territory, by rising to 52.6. A consecutive month of expansion is expected in February, albeit the headline index is projected to ease to 52.0. In contrast, the non-manufacturing ISM has been above the key 50 mark since July 2024, and printed at a solid 53.8 in January. An marginal fall to 53.6 is forecast.



■ **In the Eurozone, the focus will be on the flash reading of HICP inflation for February.** Price pressures have been relatively benign over the past year, with the headline rate of inflation printing between 2.0-2.2% for much of 2025, before dropping to 1.7% in January. At the same time, the core rate has also been trending lower. It fell to 2.1% in January, its lowest level since October 2021. The consensus is for the headline rate to remain at 1.7% and the core rate to edge up to 2.2%. Meanwhile the revised estimate of GDP is set to confirm that the economy expanded by 0.3% in Q4. In terms of monetary policy, the ECB account from the February policy meeting will be released.

■ **On the home front, the data schedule is also busy.** Most notably the National Account statistics for Q4 are due. The CSO will also release a batch of more timely updates, including the unemployment rate and the flash reading of HICP inflation for February. Exchequer Returns and the AIB manufacturing and services PMIs for February will also feature.

	Interest Rate Forecasts			
	Current	End Q1	End Q2	End Q3
		2026	2026	2026
Fed Funds	3.625	3.625	3.375	3.125
ECB Deposit	2.00	2.00	2.00	2.00
BoE Repo	3.75	3.50	3.50	3.25
BoJ OCR	0.75	0.75	1.00	1.00

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q1	End Q2	End Q3
		2026	2026	2026
EUR/USD	1.1800	1.19	1.20	1.20
EUR/GBP	0.8772	0.87	0.88	0.88
EUR/JPY	184.24	185	186	185
GBP/USD	1.3451	1.37	1.36	1.36
USD/JPY	156.14	155	155	154

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
This Week:	ECB Speakers:	Elderson, Lagarde (Mon); Cipollone, Montagner, de Guindos (Wed); Lagarde , de Guindos Machado (Thu); Lagarde , Cipollone, Schnabel (Fri)		
	BoE Speakers:			
	Fed Speakers:	Williams, Kashkari (Tue); Hammack (Fri)		
Mon 2nd	IRE:	01:01	AIB Irish Manufacturing PMI (February)	52.2
	GER:	07:00	Retail Sales (January)	+0.1% (+1.5%)
	EU-21:	09:00	Final HCOB Manufacturing PMI (February)	50.8
	UK:	09:30	Mortgage Approvals (January)	61,013
	UK:	09:30	Final S&P Manufacturing PMI (February)	52.0
	US:	14:45	Final S&P Manufacturing PMI (February)	51.2
	US:	15:00	Manufacturing ISM (February)	52.6
	JPN:	23:30	Jobs/Applicants Ratio (January)	1.19
	JPN:	23:30	Unemployment Rate (January)	2.6%
Tue 3rd	EU-21:	10:00	Flash HICP Inflation (February)	-0.6% (+1.7%)
			- Ex-Food & Energy	-0.8% (+2.1%)
			- Ex-Food, Energy, Alcohol & Tobacco	-1.1% (+2.2%)
	ITA:	10:00	Flash HICP Inflation (February)	-1.0% (+1.0%)
Wed 4th	JPN:	00:30	Final S&P Composite PMI (February)	53.8
	IRE:	01:01	AIB Irish Services PMI (February)	54.5
	ITA:	08:45	Final HCOB Composite PMI (February)	51.4
	FRA:	08:50	Final HCOB Composite PMI (February)	49.9
	GER:	08:55	Final HCOB Composite PMI (February)	53.1
	EU-21:	09:00	Final HCOB Composite PMI (February)	51.9
			- Final HCOB Services PMI	51.8
	UK:	09:30	Final S&P Composite PMI (February)	53.9
			- Final S&P Services PMI	53.9
	EU-21:	10:00	Producer Prices (January)	-0.3% (-2.1%)
	EU-21:	10:00	Unemployment Rate (January)	6.2%
	ITA:	10:00	GDP (Q4: Final Reading)	+0.3% (+0.8%)
	IRE:	11:00	Unemployment Rate (February)	4.7%
	US:	14:45	Final S&P Composite PMI (February)	52.3
			- Final S&P Services PMI	52.3
	US:	15:00	Non-Manufacturing ISM (February)	53.8
Thu 5th	FRA:	07:45	Industrial Output (January)	-0.7%
	ITA:	09:00	Retail Sales (January)	-0.8% (+0.9%)
	EU-21:	10:00	Retail Sales (January)	-0.5% (+1.3%)
	EU-21:	10:00	ECB Monetary Policy Account (4-5th February)	+0.3% (+1.7%)
	IRE:	11:00	National Accounts (Q4 2025)	
	US:	13:30	Initial Jobless Claims (w/e 23rd February)	+212,000
Fri 6th	GER:	07:00	Industrial Orders (January)	+7.8%
	EU-21:	10:00	Employment (Q4: Final Reading)	+0.2% (+0.6%)
	EU-21:	10:00	GDP (Q4: Revised Reading)	+0.3% (+1.3%)
	US:	12:30	Retail Sales (January)	0.0%
	US:	13:30	Non-Farm Payrolls (February)	+130,000
			- Unemployment Rate	4.3%
			- Average Earnings	+0.4% (+3.7%)

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

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