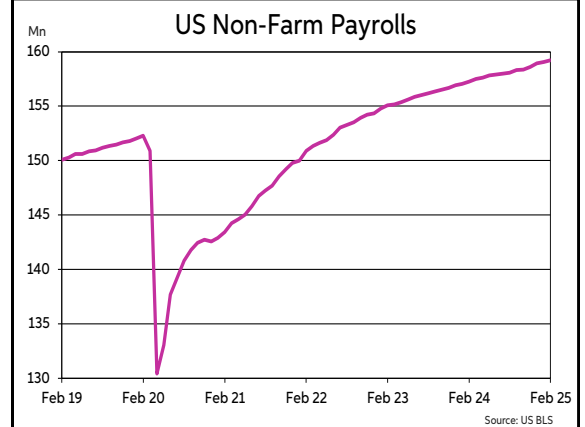


Ides of March

- **Following a mid-March lull in policy launches by President Trump, this week's announcement of a 25% tariff on auto imports has hit global markets once again, ahead of an expected declaration of broader tariffs on April 2nd.** The impending tariffs have particularly impacted equity markets in Asia and Europe, key exporters of cars and components to the US. In Europe, Germany, Sweden and several central European countries are most exposed to the new tariffs, which are expected to be implemented by April 2nd. Elsewhere, the release of hotter than-expected US PCE inflation at the end of the week also adds to a general 'stagflationary' theme for markets, albeit the accompanying spending data suggests US consumers remain unperturbed by the tariff threat for now, despite plunging sentiment surveys of late.
- **While announcing the auto tariffs, Trump also referenced - once again - the pharmaceuticals sector for future tariffs, but there is not yet any indication of the scope of these measures.** In Europe, Ireland remains most exposed to tariffs in this sector. In 2024, Ireland's goods trade with the US was c.€73bn, of which 80% was in the pharmaceuticals sector. Nonetheless, while the US is a key export market for Irish goods, accounting for one third of exports, the pharma industry here is also servicing other global markets. If tariffs are introduced, it remains unclear how the increased costs will distribute between US consumers and Irish-based producers, depending on the elasticity of demand and currency movements. Given the 'necessity' status of medicines, a lower elasticity might be expected, particularly given the long-lead in times for firms to potentially shift production to the US – a stated goal of President Trump. Ireland accounts for about a fifth of total US pharma imports, so a blanket global tariff could counter-intuitively be a 'less-worse' outcome, than an EU-specific measure which erodes Ireland's competitiveness against non-EU producers.
- **However, the imposition of tariffs will likely be a drag on manufacturing output and GDP growth in Ireland, and to a lesser extent on the labour market and domestic demand, highlighted in the recent forecasts by the ESRI.** In its base case, it expects modified domestic demand (MDD) to increase by 3.0% in 2025 and 2.8% in 2026. In its alternative scenario, which assumes 25% bilateral tariffs between the US and the EU for goods trade, MDD growth is forecast to be 2.8% in 2025 and 2.1% in 2026.
- **Turning to the week ahead, aside from the expected announcement of broader US tariffs, the main highlight will be the US labour market report for March.** Having softened somewhat in 2024, labour market conditions appear to be little changed so far in 2025. The unemployment rate was at 4.1% in February, having oscillated between 4.0-4.3% since last May. Meanwhile, the pace of payroll expansion has slowed. Payroll growth has averaged 138k per month in the first two months of 2025, down from 209k in Q4 and 168k during the full year 2024. At the same time, average earnings growth remains elevated, at +4.0% y/y in February. The consensus is for the unemployment rate to rise to 4.2% in March, while payrolls are forecast to expand by 130k in the month, with average earnings easing marginally to +3.9% y/y. In terms of some other labour market statistics, JOLTS job openings data for February are due. A modest fall in the number of openings is pencilled in for the month, consistent with the softening trend in labour demand.
- **Elsewhere in the US, the manufacturing and the non-manufacturing ISMs for March will feature.** The manufacturing ISM edged just above the key 50 level in the opening two months of the year, having been in contraction territory since October 2022. Meanwhile, the non-manufacturing ISM has remained consistent with rising activity levels at the start of 2025. However, both measures are forecast to deteriorate in March, with the manufacturing ISM moving back into contraction mode.
- **In the Eurozone, flash HICP inflation for March will be released.** Headline HICP reached a low of 1.7% last September, before rising throughout the winter, to 2.5% in January. Meantime, the ex-food & energy rate printed at 2.7% between September to January. Both rates edged slightly lower in February though, to 2.3% and 2.6%, respectively. Expectations are for the headline rate to remain at 2.3%, and for the core rate to inch down to 2.5% in March. Meantime, producer price inflation is forecast to jump to 3.0% in February, owing to unfavourable base effects. Elsewhere, the Eurozone unemployment rate is projected to stay at an all-time low of 6.2% in February. In terms of monetary policy, the ECB policy meeting account for March will be released. **On the home front, a number of updates, including the PMIs, Exchequer returns and the unemployment rate for March are due.**



	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	2.50	2.25	2.00	2.00
BoE Repo	4.50	4.25	4.00	3.75
BoJ OCR	0.50	0.75	0.75	1.00

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	1.0825	1.09	1.10	1.10
EUR/GBP	0.8361	0.83	0.84	0.84
EUR/JPY	162.66	162	161	160
GBP/USD	1.2942	1.31	1.31	1.31
USD/JPY	150.26	149	146	145

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time	Release	Previous	Forecast
This Week:	ECB Speakers:	Lagarde , Lane (Tue); Schnabel (Wed)		
	BoE Speakers:	Greene (Tue)		
	Fed Speakers:	Barkin (Tue); Kugler (Wed); Jefferson (Thu); Powell , Barr (Fri)		
Mon 31st	JPN:	00:50 Retail Sales (February)	(+4.4%)	(+2.0%)
	JPN:	00:50 Industrial Production (February)	-1.1%	+2.3%
	GER:	07:00 Retail Sales (February)	+0.2% (+2.9%)	+0.2% (+4.1%)
	UK:	09:30 Mortgage Approvals (February)	66,189	67,500
	ITA:	10:00 Final HICP Inflation (March)	+0.1% (+1.7%)	+1.4% (+2.0%)
	GER:	13:00 Final HICP Inflation (March)	+0.5% (+2.6%)	+0.5% (+2.4%)
Tue 1st	JPN:	00:30 Jobs/Applicants ratio (February)	1.26	1.26
	JPN:	00:30 Unemployment Rate (February)	2.5%	2.5%
	IRE:	01:01 AIB Irish Manufacturing PMI (March)	51.9	
	EU-19:	09:00 Final HCOB Manufacturing PMI (March)	48.7	48.7
	UK:	09:30 Final S&P Manufacturing PMI (March)	44.6	44.6
	EU-20:	10:00 Flash HICP Inflation (March)	+0.2% (+2.3%)	+0.7% (+2.3%)
		- Ex-Food & Energy	+0.5% (+2.6%)	+1.0% (+2.5%)
		- Ex-Food, Energy, Alcohol & Tobacco	+0.5% (+2.6%)	+1.0% (+2.5%)
	EU-20:	10:00 Unemployment Rate (February)	6.2%	6.2%
	US:	14:45 Final S&P Manufacturing PMI (March)	49.8	49.8
	US:	15:00 Manufacturing ISM (March)	50.3	49.5
	US:	15:00 JOLTS Job Openings (February)	+7.74m	7.60m
Wed 2nd	IRE:	11:00 Unemployment Rate (March)	3.9%	4.1%
	US:	13:15 ADP Employment (March)	+77,000	+111,000
Thu 3rd	IRE:	01:01 AIB Services PMI (March)	53.2	
	JPN:	01:30 Final Jibun Composite PMI (March)	48.5	48.5
	ITA:	08:45 HCOB Composite PMI (March)	51.9	51.5
	FRA:	08:50 Final HCOB Composite PMI (March)	47.0	47.0
	GER:	08:55 Final HCOB Composite PMI (March)	50.9	50.9
	EU-20:	09:00 Final HCOB Composite PMI (March)	50.4	50.4
		- Final HCOB Services PMI	50.4	50.4
	UK:	09:30 Final S&P Composite PMI (March)	52.0	52.0
		- Final S&P Services PMI	53.2	53.2
	EU-20:	10:00 Producer Prices (February)	+0.8% (+1.8%)	+0.1% (+3.0%)
	EU-20:	11:00 ECB Monetary Policy Meeting Account (5-6th March)		
	US:	13:30 International Trade (February)	-\$131.4bn	-\$123.6bn
	US:	13:30 Initial Jobless Claims (w/e 24th March)	+224,000	+225,000
	US:	14:45 Final S&P Composite PMI (March)	53.5	53.5
		- Final S&P Services PMI	54.3	54.3
	US:	15:00 Non-Manufacturing ISM (March)	53.5	53.1
	IRE:	16:30 Exchequer Returns (March)	+€0.3bn	+€4.0bn
Fri 4th	GER:	07:00 Industrial Orders (February)	-7.0%	+3.5%
	FRA:	07:45 Industrial Output (February)	-0.6%	+0.3%
	US:	13:30 Non-Farm Payrolls (March)	+151,000	+130,000
		- Unemployment Rate	4.1%	4.2%
		- Average Earnings	+0.3% (+4.0%)	+0.3% (+3.9%)

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