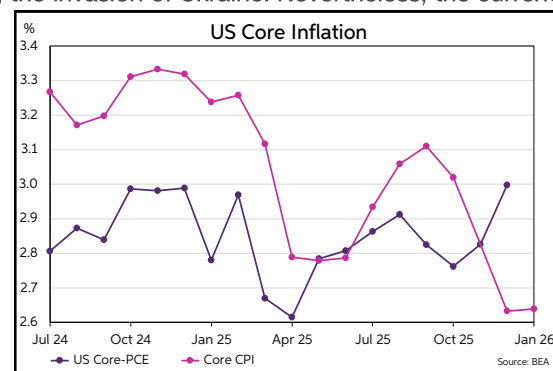


Damned lies and statistics

- **As ever, the Irish macro data tell a fascinating story of global trends as it pertains to the large multinationals that operate here.** The national accounts release for Q4 2025 showed Irish GDP fell by 3.8% on the quarter, as trade normalised following a surge in pharma exports in the first half of 2025. However, GDP was still up +2.2% year-on-year. Overall, last year was marked by the surge in exports from the FDI sector, particularly the emergence of weight-loss drug production here, which saw a 16% rise in nominal goods exports, feeding into an overall 10% gain in real exports, including services. That drove the exceptional 12.3% rise in GDP following a couple of years of ‘modest’ growth in 2023-24.
- **Beneath the GDP headline data, domestic indicators point to a robust growth picture in 2025.** Modified Domestic Demand (MDD), which strips out some of the volatility of the multinational sectors, rose 1% on the quarter in Q4 2025 and nearly 7% year-on-year. In 2025, MDD grew 4.9%, although this figure is flattered by a surge in investment in machinery, equipment and software by multinationals in the second half of the year, which is counted as domestic spending. The Central Statistics Office noted that much of this surge in investment related to fit-out of data centres and related software, suggesting some structural uplift in capex in the FDI sector, perhaps related to the AI investment cycle.
- **These trends mean MDD is becoming less reliable as an indicator of purely domestic activity.** Granted, the investment spending by multinationals does have a spillover effect to the domestic economy, but the near 5% gain in MDD looks out of line with other domestic indicators such as tax returns, jobs growth, and consumer spending, which suggest the economy is growing at around a 3% pace at present. **Therefore, excluding this FDI capex, underlying or ‘core’ MDD (consumer spending, government spending, and construction sector investment) was up a more modest, but still healthy 4% in 2025.** Within this, consumer spending was up 3% in 2025, in line with the out-turn in 2024, with further solid growth expected in 2026. Over the three years to 2025 core MDD rose on average by 3.8% per annum, compared to a 4.3% rise in MDD.
- **Looking ahead, the current conflict in the Middle East raises the risk of a fresh inflationary shock to the European and Irish economies.** In 2022, post the invasion of Ukraine, economies faced a simultaneous energy price and confidence shock. While this did significant damage at the time, in general, a European recession was avoided outside of the highly exposed German economy. So far, the ramp up in energy prices is much less than was seen in 2022. Brent Crude has tested \$90/barrel in the week since the attacks on Iran, compared to a peak of \$130 reached following the invasion of Ukraine. Nevertheless, the current conflict is another downside risk to global and Irish growth in 2026.
- **For the week ahead, developments in the Middle East will remain front and centre for markets.** Data-wise, updates on US inflation will be the highlight. The January estimate of core-PCE and the February reading of CPI inflation are due. A gap has emerged between core-PCE and core-CPI in recent months, albeit this may partly be explained by the Government shutdown in Q4, which impacted data collection and in-turn, the inflation calculations. Core-PCE inflation rose throughout Q4, ending the year at 3.0%, its highest level since last February. In contrast, core-CPI fell to 2.6% in November/December, its lowest level since March 2021, before it declined further, to 2.5% in January. The headline CPI rate has also moved lower throughout the winter, printing at 2.4% in January, down from 3.0% at the end of the third quarter. The consensus is for the recent divergence to remain in place, with core-PCE rising to 3.1% in January, while core-CPI is set to be unchanged at 2.5%. Headline CPI is forecast to inch higher to 2.5% also. **Elsewhere in the US, personal incomes are projected to increase by 0.4% in January, helping nominal personal consumption to expand by 0.3%.**
- **In the UK, the monthly reading of GDP for January will feature.** The UK economy expanded at a very moderate pace in the second half of last year, with activity rising by just 0.1% in Q3 and Q4. GDP grew by just 0.1% in December, following a 0.2% increase in November, and a 0.1% contraction in October. A slightly better 0.2% rise in GDP is pencilled in for January. Meantime, industrial production has been quite volatile in recent months. A cyber attack at a major car manufacturing facility meant output dropped by 1.5% in September, before rebounding sharply by 1.7% and 1.3%, in October and November. However, output fell by 0.9% in December, amid a broad-based contraction in production. A modest 0.2% increase in output is forecast in January.
- **In the Eurozone, industrial production is also due.** A 0.5% recovery is expected, following a 1.4% contraction in December, owing to weak production figures in Germany and Italy. Indeed, German industrial output is projected to increase by 1.0% at the start of the year. In terms of more timely updates, the EU Sentix survey for March is set to show a marked deterioration in sentiment amongst investors. A drop to -3.5 from 4.2 is forecast.



	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	1.1572	1.19	1.20	1.20
EUR/GBP	0.8665	0.87	0.88	0.88
EUR/JPY	182.51	185	186	185
GBP/USD	1.3354	1.37	1.36	1.36
USD/JPY	157.68	155	155	154

Current Rates Reuters, Forecasts AIB's ERU

ECONOMIC DIARY

Monday 9th - Friday 13th March

Date	UK & Irish Time (GMT+1)		Release	Previous	Forecast
This Week:	ECB Speakers:		de Guindos, Schnabel (Wed)		
	BoE Speakers:		Bailey (Thu)		
	Fed Speakers:		Bowman (Wed); Bowman (Thu)		
Mon 9th	JPN:	06:00	Economy Watchers Poll (February)	47.6	
	GER:	07:00	Industrial Orders (January)	+7.8%	-4.3%
	GER:	07:00	Industrial Output (January)	-1.9% (+0.6%)	+1.0% (-0.5%)
	EU-21:	09:30	EU Sentix Index (March)	4.2	-3.5%
	JPN:	23:30	GDP (Q4: Revised Reading)	+0.1%	+0.3%
Tue 10th	IRE:	01:01	AIB Irish Construction PMI (February)	48.6	
	GER:	07:00	Trade Balance (January)	+€17.1bn	
			- Exports	+4.0%	-2.0%
	FRA:	07:45	Trade Balance (January)	-€4.8bn	
			- Exports	+€53.1bn	
	US:	10:00	NFIB Small Business Optimism (March)	99.3	
	US:	14:00	Existing Home Sales (February)	+3.91m / -8.4%	+3.90m / -0.2%
Wed 11th	GER:	07:00	Final HICP Inflation (February)	+0.4% (+2.0%)	+0.4% (+2.0%)
	US:	12:30	CPI Inflation (February)	+0.2% (+2.4%)	+0.3% (+2.5%)
			- Core-CPI	+0.3% (+2.5%)	+0.3% (+2.5%)
Thu 12th	IRE:	11:00	CPI Inflation (February)	-0.9% (+2.5%)	+0.7% (+2.5%)
			- HICP Inflation	Flash: +0.7% (+2.4%)	+0.7% (+2.4%)
	US:	12:30	Initial Jobless Claims (w/e 2nd March)	+213,000	+215,000
Fri 13th	UK:	07:00	GDP (January)	+0.1% (+0.7%)	+0.2% (+0.9%)
			- 3-month / 3-month	+0.1%	+0.2%
	UK:	07:00	Industrial Output (January)	-0.9% (+0.5%)	+0.2% (+0.6%)
			- Manufacturing Output	-0.5% (+0.5%)	+0.2% (+1.5%)
	UK:	07:00	Goods Trade Balance (January)	-£22.7bn	-22.2bn
			- Non-EU	-£11.0bn	
	FRA:	07:45	Final HICP Inflation (February)	+0.8% (+1.1%)	+0.8% (+1.1%)
	SPA:	08:00	Final HICP Inflation (February)	+0.4% (+2.5%)	+0.4% (+2.5%)
	ITA:	09:00	Industrial Output (January)	-0.4% (+3.2%)	
	EU-21:	10:00	Industrial Production (January)	-1.4% (+1.2%)	+0.5% (+1.6%)
	US:	12:30	Personal Income / Consumption (January)	+0.3% / +0.4%	+0.4% / +0.3%
	US:	12:30	PCE Prices (January)	+0.4% (+2.9%)	+0.3% (+2.9%)
			- Core-PCE Prices	+0.4% (+3.0%)	+0.4% (+3.1%)
	US:	12:30	Durable Goods (January)	-1.4%	+1.2%
			- Ex-Transport	+1.0%	+0.5%
	US:	12:30	GDP (Q4: Second Estimate)	+1.4% S.a.a.r.	+1.4% S.a.a.r.
	US:	14:00	Prel. Uni. Michigan Consumer Sentiment (Mar)	56.6	56.2
	US:	14:00	JOLTS Job Openings (January)	+6.54m	

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

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