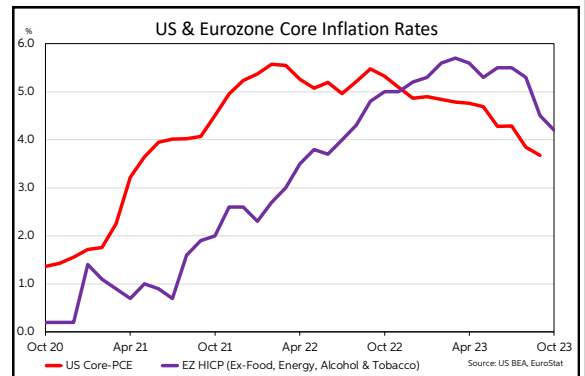


Best in Class

- The US economy has registered a stout performance over the past year.** This is despite an aggressive pace of rate hikes from the US Federal Reserve, leading many commentators to become more confident of a “soft landing” for the economy. One reason for the stronger US performance is that it has been less exposed to the fallout from the War in Ukraine and associated big jump in energy prices, which has had a bigger impact on the main European economies. Another has been the expansionary stance of US fiscal policy. In GDP terms, the US economy expanded by 2.3% y/y over the first three quarters of 2023. In comparison, both the Eurozone and UK economies grew by just 0.6% over the same period.
- Aside from robust GDP growth numbers, another area where the US economy has posted a strong outturn is job creation.** Non-farm payrolls expanded by 266,000 per month in Q3, compared to an already healthy average of 257k in the first half of the year. Meanwhile, various inflation metrics for the US economy show that price pressures have eased over the course of this year, albeit some stickiness has persisted in core indicators. The Fed’s preferred measure of underlying inflation, core-PCE, fell to 3.7% in September. The Fed expects core inflation to move slowly down towards its 2% target over the next couple of years.
- More recent data though, have hinted at some softening in activity levels in the US economy.** Survey activity indicators have been more mixed in Q4. There have also been some tentative signs of a softening in labour market conditions. Payroll numbers for October undershot expectations, with a gain of just 150,000. The weekly jobless claims numbers have moved upwards recently too. The unemployment rate has been edging higher as well, rising to 3.9% in October. At the same time, retail sales data for October suggest some moderation in household spending at the start of Q4 after a very strong increase in the previous quarter. Meantime, business investment metrics and the housing market remain subdued.
- The US economy faces a number of challenges over the coming quarters.** The impact of high inflation and significant monetary policy tightening are still working their way through the economy. Credit lending conditions have tightened significantly. The post-pandemic accumulation of savings that boosted consumption has been reduced. Meanwhile, the supportive impact from fiscal policy is likely to wane. The IMF sees growth slowing from 2.1% this year to 1.5% in 2024. The Fed is also projecting much slower growth next year. A downturn in the economy is not foreseen, though. Overall, forecasters and markets need to be careful about being overly confident on a soft landing for the US economy given the numerous headwinds it faces. In this regard, futures contracts have moved recently to price in significant rate cuts in the US in 2024-25 suggesting they may be beginning to hedge their bets on the health of the economy next year.
- This week, the focus will firmly be on inflation in the US, where the latest PCE inflation figures are due for release.** Headline PCE inflation has proven to be somewhat sticky in recent months, printing at 3.4% throughout Q3. However, this is down from 5.5% at the start of 2023. Meantime, core inflation as measured by core-PCE has been trending lower. It had been in a narrow range of 4.3-4.9% between December 2022 to July 2023, before declining to 3.8% and 3.7% in August and September. The consensus is for both measures to fall in October, with the headline rate dropping back to 3.1%, and core-PCE to 3.5%.
- Elsewhere in the US, a busy data schedule includes a number of other releases.** Personal consumption has increased at a robust pace in nominal terms since April, including by 0.7% m/m in September, supported partly by a continued rise in personal income. Both metrics are expected to expand more slowly, by 0.2% m/m in October. Meanwhile, the Conference Board measure of consumer confidence is projected to deteriorate, for a fourth consecutive month in November, indicating that consumption may slow further in the months ahead. In terms of some other survey data, a modest improvement in the manufacturing ISM is pencilled in for November, albeit, the headline index is set to remain in contraction territory. At the same time, the second estimate of GDP is set to show the US economy expanded by 5% annualised in Q3 (compared to a first estimate of 4.9%).
- In the Eurozone, the main focus will also be on inflation.** Both the headline and the core rate have fallen sharply in recent months. The headline rate eased to 2.9% in October, its lowest level since July 2021. Meanwhile, the core rate, which excludes energy, food, alcohol and tobacco, fell to 4.2% in October, down from 4.5% in September, and below the 5-5.7% range it had been in between October 2022 and August 2023. The consensus is for the headline rate to edge down to 2.8%, and the core rate to 3.9% in November. However, owing to unfavourable base effects, headline inflation may increase again in December. Elsewhere, the EC sentiment indices are expected to stay at rather subdued levels overall. In terms of more lagging indicators, the unemployment rate is forecast to remain at 6.5% in October. **On the home front, the National Accounts data for Q3 and the flash reading of HICP inflation for November are due.**



| | Interest Rate Forecasts | | | |
|-------------|-------------------------|--------|--------|--------|
| | Current | End Q4 | End Q1 | End Q2 |
| | | 2023 | 2024 | 2024 |
| Fed Funds | 5.375 | 5.375 | 5.375 | 5.375 |
| ECB Deposit | 4.00 | 4.00 | 4.00 | 4.00 |
| BoE Repo | 5.25 | 5.25 | 5.25 | 5.25 |
| BoJ OCR | -0.10 | -0.10 | -0.10 | 0.25 |

Current Rates Reuters, Forecasts AIB's ERU

| | Exchange Rate Forecasts (Mid-Point of Range) | | | |
|---------|--|--------|--------|--------|
| | Current | End Q4 | End Q1 | End Q2 |
| | | 2023 | 2024 | 2024 |
| EUR/USD | 1.0933 | 1.07 | 1.08 | 1.10 |
| EUR/GBP | 0.8672 | 0.87 | 0.87 | 0.87 |
| EUR/JPY | 163.57 | 157 | 155 | 152 |
| GBP/USD | 1.2607 | 1.23 | 1.24 | 1.26 |
| USD/JPY | 149.59 | 147 | 144 | 138 |

Current Rates Reuters, Forecasts AIB's ERU

| Date | UK & Irish Time | Release | Previous | Forecast |
|-------------------|----------------------|--|---|--------------------------------|
| This Week: | ECB Speakers: | Lagarde (Mon); Lagarde , Lane (Tue); Lagarde (Thu); Lagarde (Fri) | | |
| | BoE Speakers: | Haskel (Tue); Greene (Thu) | | |
| | Fed Speakers: | Goolsbee, Waller, Bowman, Barr (Tue); Mester (Wed); Williams (Thu); Powell , Barr, Cook, Goolsbee (Fri) | | |
| Mon 27th | US: | 15:00 New Home Sales (October) - Building Permits | +0.76m / +12.3% +1.487m / +1.1% | +0.73m / -3.8% |
| Tue 28th | GER: | 07:00 Gfk Consumer Sentiment (December) | -28.1 | -27.0 |
| | FRA: | 07:45 Gfk Consumer Confidence (November) | 84.0 | 85.0 |
| | ITA: | 08:00 Producer Prices (October) | +0.6% (-14.1%) | |
| | EU-20: | 09:00 M3 Annual Money Growth (October) | -1.2% | -0.9% |
| | IRL: | 11:00 Retail Sales (October) | -1.2% (+2.5%) | -0.5% (+1.0%) |
| | IRL: | 11:00 Earnings & Labour Costs (Q3 2023) | | |
| | US: | 14:00 Case-Shiller House Prices (September) | +1.0% (+2.2%) | +0.9% |
| | US: | 15:00 Consumer Confidence (November) | 102.6 | 101.0 |
| Wed 29th | SPA: | 08:00 Flash HICP Inflation (November) | +0.3% (+3.5%) | (+3.7%) |
| | ITA: | 09:00 ISTAT Business Confidence (November) | 96.0 | 96.0 |
| | ITA: | 09:00 ISTAT Consumer Confidence (November) | 101.60 | 102.0 |
| | UK: | 09:30 Mortgage Approvals (October) | 43,328 | 44,300 |
| | EU-20: | 10:00 EC Economic Sentiment (November) Consumer / Industrial / Services | 93.3 -16.9 / -9.3 / 4.5 | 93.8 -16.9 / -8.8 / 4.3 |
| | IRL: | 11:00 Flash HICP Inflation (November) | +0.2% (+3.6%) | -0.1% (+3.4%) |
| | GER: | 13:00 Flash HICP Inflation (November) | -0.2% (+3.0%) | -0.3% (+2.7%) |
| | US: | 13:30 GDP (Q3: Second Reading) | 4.9% s.a.a.r. | +5.0% s.a.a.r. |
| | US: | 13:30 PCE Prices (Q3: Second Reading) - Core-PCE Prices (Q3: Second Reading) | +2.9% s.a.a.r. +2.4% s.a.a.r. | |
| Thu 30th | GER: | 07:00 Retail Sales (October) | -0.8% (-4.3%) | +0.5% (-1.9%) |
| | FRA: | 07:45 GDP (Q3: Final Reading) | +0.1% (+0.7%) | +0.1% (+0.7%) |
| | FRA: | 07:45 Flash HICP Inflation (November) | +0.2% (+4.5%) | -0.1% (+4.1%) |
| | GER: | 08:55 Unemployment Rate (November) | 5.8% | 5.8% |
| | ITA: | 10:00 Flash HICP Inflation (November) | +0.1% (+1.8%) | +0.1% (+1.4%) |
| | EU-20: | 10:00 Flash HICP Inflation (November) - Ex-Food & Energy - Ex-Food, Energy, Alcohol & Tobacco | +0.1% (+2.9%) +0.2% (+5.0%) +0.2% (+4.2%) | -0.1% (+2.8%) -0.1% (+3.9%) |
| | EU-20: | 10:00 Unemployment Rate (October) | 6.5% | 6.5% |
| | US: | 13:30 Initial Jobless Claims (w/e 20th November) | +220,000 | +215,000 |
| | US: | 13:30 Personal Income / Consumption (October) | +0.3% / 0.7% | +0.2% / +0.2% |
| | US: | 13:30 PCE Price Index - Core-PCE | +0.4% (+3.4%) +0.3% (+3.7%) | +0.1% (+3.1%) +0.2% (+3.5%) |
| | JPN: | 23:50 Unemployment Rate (October) | 2.6% | 2.6% |
| | JPN: | 23:50 Jobs/Applicants Ratio | 1.29 | 1.29 |
| Fri 1st | IRL: | 01:01 AIB Manufacturing PMI (November) | 48.2 | |
| | EU-20: | 09:00 Final HCOB Manufacturing PMI (November) | 43.8 | 43.8 |
| | ITA: | 09:00 GDP (Q3: Final Reading) | +0.0% (+0.0%) | +0.0% (+0.0%) |
| | IRL: | 11:00 National Accounts (Q3 2023) - GDP | Flash: -1.8% (-4.7%) | |
| | UK: | 09:30 Final S&P / CIPS Manufacturing PMI (November) | 46.7 | 46.7 |
| | US: | 14:45 Final S&P Manufacturing PMI (November) | 49.4 | 49.4 |
| | US: | 15:00 Manufacturing ISM (November) | 46.7 | 47.7 |

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