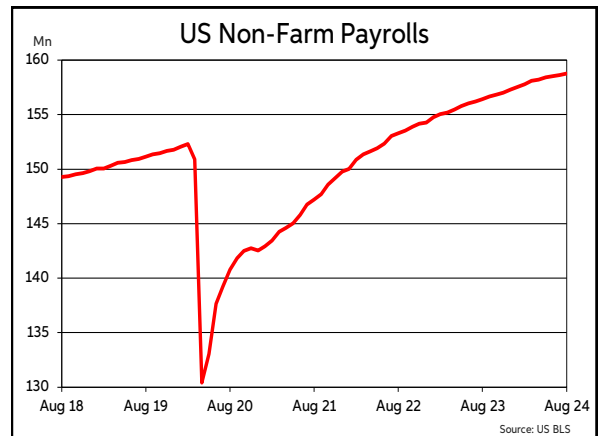


China's stimulus to prop up weak economy

- **This week's actions by the Chinese authorities mark a major short term stimulus for the domestic and global economies.** The coordinated action by the monetary and fiscal authorities comes amid a slowing growth profile and a period of deflation over the past year. Within an economy with high levels of debt across many sectors, particularly real estate, a prolonged period of deflation would be particularly painful for highly leveraged Chinese households and industries. The Government's actions are also an admission that it is now at risk of missing its 5% GDP growth target by a significant margin this year.
- **The measures taken included a 20bps cut in the main short term policy rate, and a 50bps reduction in existing mortgage rates by the Bank of China, as well as a cut in reserve requirements for banks, and a lending pool to prop up equity markets.** On the fiscal side, the Government will issue sovereign bonds of c.\$285bn to boost investment, alongside specific measures to support consumer spending and flagging property markets in China. In particular, the Government has long sought to boost private consumption, with household spending less than 40% of annual GDP. This compares to the US where consumer spending accounts for roughly two-thirds of GDP.
- **The question remains whether this will be enough to boost the Chinese economy marked by weak demand and depressed sentiment in recent times.** The boost to equity markets this week (the CSI300 Index posted its best week since 2008) suggests investors are now pricing in stronger growth prospects for China, and this has in turn raised the bar for the Government to deliver on its stated growth targets. In that context, the stimulus package could be the first of several in the coming months to meet those expectations.
- **Turning to the week ahead, the highlight of a busy US schedule will be the labour market report for September.** In recent months conditions in the US jobs market have softened, which was a major factor that influenced the Fed to opt for a bumper 50bps rate cut at its last meeting. The unemployment rate has been trending higher since January, rising to 4.3% in July before edging back to 4.2% in August. This compares to a rate of 3.7% at the start of the year, although it should be noted that the rise is partly due to an increase in the size of the labour force. Meanwhile, the pace of payroll expansion has slowed, averaging +116k per month so far in Q3, down from an average of 207k per month in the first half of the year. At the same time, average earnings growth has cooled somewhat, with the latest reading showing that wages were 3.8% higher year-on-year in August. The consensus is for payrolls to rise by 135k in September, while the unemployment rate and average earnings growth are projected to be unchanged at 4.2% and +3.8 y/y, respectively. In terms of some other US labour market data, the JOLTS job opening figures for August are also due. Meanwhile, the US manufacturing and non-manufacturing ISMs will feature. Both surveys are expected to be little changed, with the former staying in contraction territory and the latter just north of the key 50 threshold.

■ **In the Eurozone, the main focus will be on the flash reading of HICP inflation for September.** Headline inflation fell to 2.2% in August, its lowest level since July 2021. The downward trend in the headline rate is expected to intensify in September, as recently highlighted by the ECB. A decline to 1.9% is pencilled in for the month, with sharp falls to 1.2% and 1.5% already seen in France and Spain, respectively. However, there has been little progress in core inflation recently, with the ex-food & energy rate staying at 2.8% in August, for a third successive month. Furthermore, services inflation is still elevated and is proving to be quite sticky, rising to 4.2% in August, having registered a sub-4% reading only once since September 2022. A slight move lower to 2.7% is forecast in core-HICP in September. Elsewhere in the Eurozone, the unemployment rate is projected to remain at its all-time low of 6.4% in August.



■ **In the UK, the final reading of GDP for Q2 is expected to confirm the economy expanded by 0.6% in the quarter.** Meanwhile, on the home front there is a jam-packed release calendar. A slew of data for September, including the latest Exchequer figures, unemployment rate, the PMIs, and the flash reading of HICP inflation are all due. However, the main focus will be on Budget 2025. A total budget package worth €8.3bn has already been guided for, which will include around €6.9bn on spending and €1.4bn on taxation measures. As well as this, a cost-of-living package is also set to be announced, with recent reports suggesting this could be as large as €1.6bn.

	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
		2024	2025	2025
Fed Funds	4.875	4.375	3.875	3.375
ECB Deposit	3.50	3.25	3.00	2.75
BoE Repo	5.00	4.50	4.00	3.50
BoJ OCR	0.25	0.25	0.25	0.25

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q4	End Q1	End Q2
		2024	2025	2025
EUR/USD	1.1183	1.12	1.13	1.14
EUR/GBP	0.8337	0.84	0.84	0.85
EUR/JPY	159.66	160	160	162
GBP/USD	1.3412	1.33	1.35	1.34
USD/JPY	142.77	143	142	142

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time	Release	Previous	Forecast
This Week:	ECB Speakers:	Lagarde (Mon); de Guindos, Schnabel (Tue); de Guindos, Lane, Schnabel (Wed); de Guindos		
	BoE Speakers:	Greene (Mon); Pill (Tue); Pill (Fri)		
	Fed Speakers:	Powell , Bowman (Mon); Cook (Tue); Bowman (Wed)		
Mon 30th	JPN:	00:50	Industrial Output (August)	+3.1% (-0.4%) -0.9%
	JPN:	00:50	Retail Sales (August)	(+2.6%) (+2.3%)
	GER:	07:00	Retail Sales (July)	-1.2% (-1.1%) +0.1%
	UK:	07:00	GDP (Q2: Final Reading)	+0.6% (+0.9%) +0.6% (+0.9%)
	UK:	07:00	BoE Consumer Credit (August) - Mortgage Approvals	+£1.2bn +£1.4bn +61,985 +65,000
	ITA:	10:00	Flash HICP Inflation (September)	-0.2% (+1.2%)
	IRL:	11:00	Flash HICP Inflation (September)	+0.1% (+1.1%) +0.1% (+1.1%)
	IRL:	11:00	Retail Sales (August)	+0.1% (+0.4%) +0.3% (+0.1%)
	GER:	13:00	Flash HICP Inflation (September)	-0.2% (+2.0%) +0.0% (+1.9%)
Tue 1st	JPN:	00:30	Jobs/Applicants Ratio (August)	1.24 1.24
	JPN:	00:30	Unemployment Rate (August)	2.7% 2.6%
	IRL:	01:01	AIB Irish Manufacturing PMI (September)	50.4
	EU-20:	09:00	Final HCOB Manufacturing PMI (September)	44.8 44.8
	UK:	09:30	Final S&P Manufacturing PMI (September)	51.5 51.5
	EU-20:	10:00	Flash HICP Inflation (September) - Ex-Food & Energy - Ex-Food, Energy, Alcohol & Tobacco	+0.1% (+2.2%) +0.1% (+1.9%) +0.3% (+2.8%) +0.2% (+2.7%) +0.3% (+2.8%) +0.3% (+2.8%)
	IRL:	13:00	Budget 2025	
	US:	14:45	Final S&P Manufacturing PMI (September)	45.6 45.6
	US:	15:00	Manufacturing ISM (September)	47.2 47.5
	US:	15:00	JOLTS Job Openings (August)	7.67m +7.65m
Wed 2nd	EU-20:	10:00	Unemployment Rate (August)	6.4% 6.4%
	IRL:	11:00	Unemployment Rate (September)	4.3% 4.4%
	US:	13:15	ADP National Employment (September)	+99,000 +120,000
Thu 3rd	IRL:	01:01	AIB Services PMI (September)	53.8
	JPN:	01:30	Final Composite PMI (September)	52.5 52.5
	ITA:	08:45	HCOB Composite PMI (September)	50.8 50.5
	FRA:	08:50	Final HCOB Composite PMI (September)	47.4 47.4
	GER:	08:55	Final HCOB Composite PMI (September)	47.2 47.2
	EU-20:	09:00	Final HCOB Composite PMI (September) - Final HCOB Services PMI	48.9 50.5 48.9 50.5
	UK:	09:00	Final S&P Composite PMI (September) - Final S&P Services PMI	52.9 52.8 52.9 52.8
	EU-20:	10:00	Producer Prices (August)	+0.8% (-2.1%) +0.3% (-2.5%)
	US:	14:45	Final S&P Composite PMI (September) - Final S&P Services PMI (September)	54.4 55.4 54.4 55.4
	US:	15:00	Non-Manufacturing ISM (September)	51.5 51.5
	IRL:	17:30	Exchequer Returns (September) - Excluding Transfer to NRF	Sep'23: +€1.1bn Sep'23: +€5.1bn Sep'24: €6.4bn
Fri 4th	FRA:	08:45	Industrial Output (August)	-0.5% +0.2%
	US:	13:30	Non-Farm Payrolls (September) - Unemployment Rate - Average Earnings	+142,000 4.2% +0.4% (+3.8%) +135,000 4.2% +0.3% (+3.8%)

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