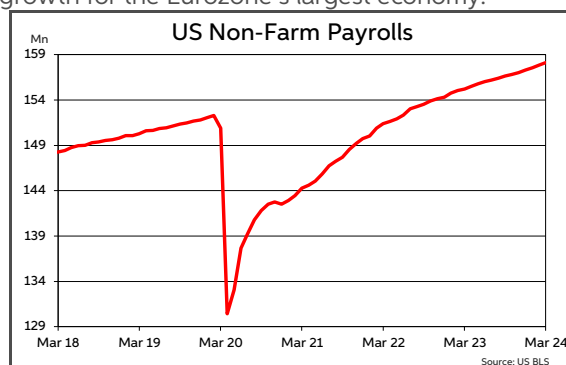


Tide Turning for the Eurozone Economy?

- This week's macro data provided further evidence that the US economy is beginning to slow from the rapid pace of growth seen in 2023.** The 1.6% rise in GDP in Q1 was well below the market consensus of 2.4%, and reflected a broad-based slowdown in both domestic spending and net exports. The data showed a weakening in consumer spending growth to 2.5% annualised, from 3.3% in Q4 2023, with US households buffeted by still-high inflation, a moderating trend in income growth, and exceptionally low levels of precautionary savings. While a softening growth picture might be expected to boost expectations for rate cuts in the near term, the higher-than-expected rise in inflation in Q1 led to a slight firming in market rate expectations.
- Core PCE inflation, the Fed's favoured measure, came in higher than anticipated at 3.7% in Q1 (consensus 3.4%), and well ahead of the 2% rate in Q4 2023.** While some of the drivers of recent sticky inflation may prove transitory, such as housing and insurance costs; the data have nonetheless hardened rate expectations, and underpinned a 'stagflationary' theme for the US economy in Q1. What has now been several months of higher-than-expected CPI and PCE inflation prints in the US, could also give the Fed pause on its rate cutting plans, ahead of its monetary policy meeting on May 1st. In March, the FOMC's dot-plot signalled 75bps of rate cuts in 2024, but media comments and speeches by key members since then suggest a more hawkish outlook for members in recent weeks.
- In contrast, this week's Eurozone data suggest some acceleration in growth in the currency bloc.** Flash PMIs for the Eurozone pointed to a faster pace of private sector growth in April. The Composite Eurozone PMI rose to 51.4 from 50.3 in March, which was an 11-month high for the survey. This rise was driven in particular by a continued bounce back in the German surveys. Indeed, there is growing evidence that the recently moribund German economy may have bottomed out, with consumer and business surveys released this week rising by more than expected in April, largely caused by brightening future expectations for the German economy. The prospect of near term ECB rates cuts may well be behind this turnaround in German sentiment, so it remains to be seen whether this upturn will translate to a durable rise in GDP growth for the Eurozone's largest economy.
- Turning to the week ahead, the main focus will be on the upcoming Fed monetary policy decision, due after the European close on Wednesday.** As mentioned above, since the last Fed meeting in March, US futures contracts pricing has hardened significantly, amid signs that disinflation has stalled in Q1. Furthermore, Fed officials have struck a more hawkish tone in recent weeks, with the overarching message being that rate cuts are unlikely until there is evidence that inflation is still moving back to target. Current pricing is consistent with a first rate cut in November (was June) and a total of 40bps of policy easing by year end (compared to pricing for 85bps in March). **Against this backdrop, the Fed Funds rate is expected to remain at 5.25-5.50% this week.** However, the Fed may well decide to slow the pace of balance sheet run-off, given the March meeting minutes disclosed that discussions on the topic got underway at the last policy gathering. At the same time, market participants will also be closely following the post-meeting press conference with Chair Powell for any guidance on the rates outlook.
- Meanwhile, a busy data calendar in the US includes the labour market report for April.** Conditions in the labour market remain tight but there have been some signs of softening recently. The unemployment rate rose to 3.9% in February, its highest level since January 2022 before edging back slightly to 3.8% in March. Meantime, having been stuck in a narrow +4.3-4.5% y/y range between August and February, average earnings growth slowed to +4.1% y/y in March, its lowest level since June 2021. However, payroll growth printed above expectations each month in Q1, and accelerated to +276k per month on average compared to +212k in Q4. The consensus is for a 230k rise in payrolls in April, while average earnings growth is forecast to edge down to +4.0% y/y. The unemployment rate is projected to remain unchanged at 3.8%. In terms of other labour market metrics, the Employment Cost Index for Q1 and the latest JOLTS job openings data for March are due. Elsewhere, a slew of survey indicators, including the latest ISM readings and the Conference Board measure of consumer confidence for April will feature.
- The Eurozone data schedule is also jam-packed, with inflation, growth and labour market data in focus throughout a holiday shortened week.** The main highlight will be the flash reading of HICP inflation for April. Both headline and core inflation have been on a downward trend in the Eurozone this spring, easing to 2.4% and 2.9% in March. However, services inflation remains elevated and has been quite sticky, printing at 4% for a fifth consecutive month in March. Headline HICP is projected to stay at 2.4% in April, while the core rate is expected to edge down to 2.7%. Meanwhile, the preliminary reading of Eurozone GDP is set to show the economy returned to growth in Q1, albeit modest in nature, having stagnated in Q4. A 0.1% increase in output is pencilled in for Q1. In relation to the labour market, it is envisaged the unemployment rate remained at 6.5% in March. A plethora of other Eurozone data releases, including the EC sentiment indices for April will also be released.



	Interest Rate Forecasts			
	Current	End Q2 2024	End Q3 2024	End Q4 2024
Fed Funds	5.375	5.375	5.125	4.625
ECB Deposit	4.00	3.75	3.50	3.00
BoE Repo	5.25	5.00	4.75	4.50
BoJ OCR	0.10	0.10	0.25	0.25

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q2 2024	End Q3 2024	End Q4 2024
EUR/USD	1.0679	1.08	1.09	1.10
EUR/GBP	0.8568	0.86	0.87	0.88
EUR/JPY	167.97	166	167	167
GBP/USD	1.2461	1.25	1.25	1.25
USD/JPY	157.26	154	153	152

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time	Release	Previous	Forecast
This Week:	ECB Speakers:	Lane, de Guindos (Mon)		
	BoE Speakers:			
	Fed Speakers:			
Mon 29th	SPA:	08:00 Flash HICP Inflation (April)	+1.4% (+3.3%)	(+3.3%)
	EU-20:	10:00 EC Economic Sentiment (April)	96.3	96.7
	EU-20:	10:00 Business Climate (April)	-0.30	
		- Industrial / Services / Consumer	-8.8 / 6.3 / -14.7	-8.6 / 6.4 / -14.7
	IRL:	11:00 Retail Sales (March)	-2.0% (+1.1%)	+1.0% (+0.0%)
	IRL:	11:00 Flash HICP Inflation (April)	+0.3% (+1.7%)	
	IRL:	11:00 Preliminary GDP (Q1 2024)	-3.4% (-8.7%)	
	GER:	13:00 Flash HICP Inflation (April)	+0.6% (+2.3%)	+0.6% (+2.3%)
Tue 30th	JPN:	00:30 Jobs/Applicants Ratio (March)	1.26	1.26
	JPN:	00:30 Unemployment Rate (March)	2.6%	2.5%
	FRA:	06:30 GDP (Q1: Preliminary Reading)	+0.1% (+0.7%)	+0.2% (+0.8%)
	FRA:	07:45 Flash HICP Inflation (April)	+0.2% (+2.4%)	+0.5% (+2.2%)
	SPA:	08:00 GDP (Q1: Preliminary Reading)	+0.6% (+2.0%)	+0.4% (+1.9%)
	GER:	08:55 Unemployment Rate (April)	5.9%	5.9%
	GER:	09:00 GDP (Q1: Preliminary Reading)	-0.3% (-0.4%)	+0.1% (-0.8%)
	ITA:	09:00 GDP (Q1: Preliminary Reading)	+0.2% (+0.6%)	+0.1% (+0.3%)
	EU-20:	10:00 Flash HICP Inflation (April)	+0.2% (+2.4%)	+0.2% (+2.4%)
		- Ex-Food & Energy	+0.9% (+3.1%)	+0.8% (+3.0%)
		- Ex-Food, Energy, Alcohol & Tobacco	+1.1% (+2.9%)	+0.8% (+2.7%)
	EU-20:	10:00 GDP (Q1: Preliminary Reading)	+0.0% (+0.1%)	+0.1% (+0.2%)
	ITA:	10:00 Flash HICP Inflation (April)	+1.2% (+1.2%)	(+1.0%)
	US:	13:30 Employment Cost Index (Q1)	+0.9%	+1.0%
		- Wages	+0.9%	
	US:	14:00 Case-Shiller House Prices (February)	+0.1% (+6.6%)	+0.2%
	US:	15:00 Conference Board Consumer Confidence (April)	104.7	104.2
Wed 1st	Most-EU:	Labour Day (Market Holiday)		
	IRL:	01:01 AIB Manufacturing PMI (April)	49.6	
	UK:	09:30 Final S&P Manufacturing PMI (April)	48.7	48.7
	IRL:	11:00 Unemployment Rate (April)	4.3%	4.3%
	US:	13:15 ADP Employment (April)	+184,000	+170,000
	US:	14:45 Final S&P Manufacturing PMI (April)	49.9	49.9
	US:	15:00 Manufacturing ISM (April)	50.3	50.0
	US:	15:00 JOLTS Job Openings (March)	8.8m	8.6m
	US:	19:00 Fed FOMC Interest Rate Decision		
		- Fed Funds Target Range	5.25-5.50%	5.25-5.50%
Thu 2nd	EU-20:	09:00 Final HCOB Manufacturing PMI (April)	45.6	45.6
	US:	13:30 Initial Jobless Claims (w/e 22nd April)	+207,000	+211,000
	US:	13:30 International Trade (March)	-\$68.9bn	-\$68.8bn
Fri 3rd	IRL:	01:01 AIB Services PMI (April)	56.6	
	UK:	09:30 Final S&P Composite PMI (April)	54.0	54.0
		- Final S&P Services PMI	54.9	54.9
	EU-20:	10:00 Unemployment Rate (March)	6.5%	6.5%
	US:	13:30 Non-Farm Payrolls (April)	+303,000	+230,000
		- Unemployment Rate	3.8%	3.8%
		- Average Earnings	+0.3% (+4.1%)	+0.3% (+4.0%)
	US:	14:45 Final S&P Composite PMI (April)	50.9	50.9
		- Final S&P Services PMI	50.9	50.9
	US:	15:00 Non-Manufacturing ISM (April)	51.4	52.0
	IRL:	16:30 Exchequer Returns (April)	April'23: -€3.6bn	-€1.0bn
		- Excluding Transfer to NRF	April'23: +€0.4bn	-€1.0bn

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