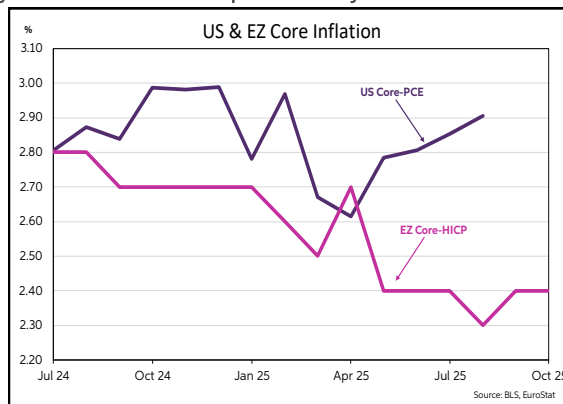


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- **While markets took a sanguine view of the UK budget this week, the measures represented a further up front boost to public spending, paid for largely by back loading tax-raising measures.** With growth forecasts cut by the Office for Budget Responsibility (OBR), and no apparent supply side policies to boost growth, the risk remains that the Chancellor will be back for more in next year's Budget, if her 'fiscal headroom' begins to slip again. However, taxes as a percentage of GDP will reach a post-war record of 38.3% of GDP by the end of this decade, over five percentage points (p.p.) higher than they were in 2010.
- **UK GDP growth was robust in the early part of the year (partly due to tariff front-running) but has since moderated.** Having pencilled in overly optimistic forecasts in March, the OBR cut its GDP outlook in 2026 to 1.4% (from 1.9%), 1.5% in 2027 (was 1.8%), and 1.5% in 2027 (was 1.8%). The Chancellor had committed to not raising taxes materially further following last year's hikes to national insurance (NI) on employer contributions, which among other measures raised £40bn. **The deterioration in the fiscal numbers since then means the Chancellor broke that pledge with a package of £26bn in tax rises, largely through income tax threshold freezes and NI hikes.** While the tax rises are largely to fill the hole in the fiscal rules, there are also net spending increases in the budget. The overall picture is that trade-offs have been made to achieve this by limiting spending increases in many departments in later years to pay for an overall spending boost of c.£9bn, which largely funds higher welfare expenditure.
- **Government borrowing is projected to fall from 4.5% of GDP in 2025-26 to 1.9% in 2030-31, while the current budget deficit will be closed – meeting a key fiscal rule set by the Chancellor.** However, estimated borrowing as a share of GDP has gone up by circa 0.5 p.p. per annum since the March projections, for each of the next four fiscal years out to 28/29. Furthermore, debt will remain around 95% of GDP over the period, which is two percentage points higher than projected in March. Worryingly, the OBR indicates that the Chancellor has only a 52% chance of meeting her supplementary fiscal rule, to have debt as a share of GDP falling by 2029-30.
- **The tax hikes are expected dampen GDP growth, albeit as referenced above, they are backloaded.** The OBR forecasts confirm this, estimating that the spending boost will be offset by weaker consumption by households hit by higher taxes. While the continued focus on capacity-enhancing infrastructure is to be welcomed, and should bear fruit in the long term, there are few other signs of a coherent growth strategy to boost moribund productivity.
- **Turning to the week ahead, the macro data calendar is quiet in the UK.** However, the Budget and fiscal projections will likely remain under scrutiny, given members of the OBR are due to appear before the Treasury Select Committee.
- **In the US, the main focus will be on the delayed release of core-PCE inflation for September.** In the first few months of the year, core-PCE edged downwards, falling to a low of 2.6% in April. However, amid some signs of modest tariff related price pressures, it re-accelerated over the summer, and stood at 2.9% in August. The consensus is for core-PCE to remain at 2.9% in September. Despite the increase in inflation, consumer spending has remained solid, supported in part by ongoing income growth. Indeed, both personal income and consumption have risen by 0.3-0.6% per month on a nominal basis since May. Furthermore, a 0.4% m/m increase is pencilled-in for each metric in September. Elsewhere in the US, industrial production is forecast to stagnate at the end of Q3, having contracted in four of the previous six months. In terms of some timelier data, both the manufacturing and non-manufacturing ISMs (Nov), as well as the Michigan measure of consumer sentiment (Dec) are projected to be little changed.
- **In the Eurozone, inflation data will also warrant attention.** Headline inflation declined throughout the first half of the year and has remained low since, falling from 2.5% in January to a narrow 1.9-2.2% between March to October. At the same time, core inflation fell sharply to 2.4% in May, and has stayed in and around that level since then. Expectations are for headline HICP to be unchanged at 2.1%, and for the core rate to rise to a six-month high of 2.5% in November. Meanwhile, the unemployment rate is forecast to remain near its all-time low, at 6.3% for the third successive month in October. Lastly, Eurozone, retail sales are expected to increase by a meagre 0.1% in October. **On the home front, a busy data calendar includes the Q3 national accounts, as well as the unemployment rate, Exchequer Returns and PMIs, for November.**



	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
	2025	2026	2026	2026
Fed Funds	3.875	3.625	3.375	3.125
ECB Deposit	2.00	2.00	2.00	2.00
BoE Repo	4.00	3.75	3.75	3.50
BoJ OCR	0.50	0.75	0.75	0.75

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q4	End Q1	End Q2
	2025	2026	2026	2026
EUR/USD	1.1581	1.19	1.20	1.20
EUR/GBP	0.8758	0.88	0.88	0.87
EUR/JPY	180.99	174	174	174
GBP/USD	1.3219	1.35	1.36	1.38
USD/JPY	156.25	146	145	145

Current Rates Reuters, Forecasts AIB's ERU

ECONOMIC DIARY

Monday 1st - Friday 5th December

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
This Week:	ECB Speakers:	Lane, Lagarde (Wed); Cipollone, Lane, de Guindos		
	BoE Speakers:	Dhingra (Mon)		
	Fed Speakers:	Powell (Tue); Bowman (Wed); Bowman (Thu)		
Mon 1st	IRE: 01:01	AIB Irish Manufacturing PMI (November)	50.9	
	EU-20: 09:00	Final HCOB Manufacturing PMI (November)	49.7	49.7
	UK: 09:00	Final S&P Manufacturing PMI (November)	50.2	50.2
	US: 14:45	Final S&P Manufacturing PMI (November)	51.9	51.9
	US: 15:00	Manufacturing ISM (November)	48.7	49.0
Tue 2nd	EU-20: 10:00	Flash HICP Inflation (November)	+0.2% (+2.1%)	+0.1% (+2.1%)
		- Ex-Food & Energy	+0.2% (+2.4%)	-0.2% (+2.5%)
		- Ex-Food, Energy, Alcohol & Tobacco	+0.3% (+2.4%)	-0.2% (+2.5%)
	EU-20: 10:00	Unemployment rate (October)	6.3%	6.3%
Wed 3rd	JPN: 00:30	Final S&P Composite PMI (November)	52.0	52.0
	IRE: 01:01	AIB Irish Services PMI (November)	56.7	
	ITA: 08:45	HCOB Composite PMI (November)	53.1	53.1
	FRA: 08:50	Final HCOB Composite PMI (November)	49.9	49.9
	GER: 08:55	Final HCOB Composite PMI (November)	52.1	52.1
	EU-20: 09:00	Final HCOB Composite PMI (November)	52.4	52.4
		- Final HCOB Services PMI (November)	53.1	53.1
	UK: 09:30	Final S&P Composite PMI (November)	50.5	50.5
		- Final S&P Services PMI (November)	50.5	50.5
	EU-20: 10:00	Producer Prices (October)	-0.1% (-0.2%)	+0.1%
	IRE: 11:00	Unemployment Rate (November)	5.0%	5.0%
	US: 13:15	ADP National Employment (November)	+42,000	+13,000
	US: 14:15	Industrial Production (September)	-0.1%	+0.0%
		- Manufacturing Output	+0.2%	+0.1%
		- Capacity Utilisation	77.4%	77.3%
	US: 14:45	Final S&P Composite PMI (November)	54.8	54.8
		- Final S&P Services PMI (November)	55.0	55.0
	US: 15:00	Non-Manufacturing ISM (November)	52.4	52.0
	IRE: 16:30	Exchequer Returns (November)		
Thu 4th	EU-20: 10:00	Retail Sales (October)	-0.1% (+1.0%)	+0.1% (+1.4%)
	IRE: 11:00	National Accounts (Q3 2025)		
	US: 13:30	Initial Jobless Claims (w/e 24th November)	+216,000	+222,000
Fri 5th	GER: 07:00	Industrial Orders (October)	+1.1%	+0.5%
	FRA: 07:00	Industrial Output (October)	+0.8%	-0.3%
	FRA: 07:45	Trade Balance (October)	-€6.6bn	
		- Exports	+€51.9bn	
	EU-20: 10:00	Employment (Q3: Final Reading)	+0.1% (+0.5%)	+0.1% (+0.5%)
	EU-20: 10:00	GDP (Q3: Revised Reading)	+0.2% (+1.4%)	+0.2% (+1.4%)
	US: 15:00	Personal Income / Consumption (September)	+0.4% / +0.6%	+0.4% / +0.4%
	US: 15:00	PCE Price Inflation (September)	+0.3% (+2.7%)	+0.3% (+2.8%)
		- Core-PCE Prices	+0.2% (+2.9%)	+0.2% (+2.9%)
	US: 15:00	Preli. Uni. Michigan Consumer Sentiment (Dec)	51.0	52.0

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

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