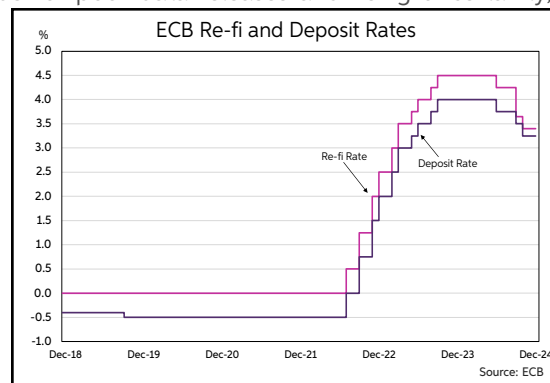


Irish GDP data point to continued robust growth

- This week's Irish GDP data provide the first full breakdown of the economy in Q3 2024.** Beneath the volatile GDP data (+3.5% q/q, +2.9% y/y), the domestic indicators point to a robust growth picture during the quarter and year to date. Modified Domestic Demand (MDD), which strips out some of the volatility of the multinational-dominated sectors, rose 1.3% q/q, but was up 4.1% y/y. Within this, consumer spending was down 0.2% q/q and up 1.7% y/y, with the weak trend in consumption slightly jarring with other data sources such as card spending data which point to stronger growth. Modified investment rose 5.2% q/q (+10.4y/y), likely reflecting a bounce back in machinery and equipment investment on a sector-specific basis which slumped in Q2 2024. Government spending rose sharply up 1.5% q/q (+4.3% y/y).
- Notably, the release also shows both parts of the Irish economy were in growth mode in Q3 2024.** FDI-concentrated sectors of the economy grew by 9.1% q/q and +4.7% y/y in Gross Value Added (GVA) terms, driven largely by expansion in the pharmaceutical-dominated industry sector. GVA for the domestic sector grew by 1.5% q/q and +3.3% y/y, driven by increases in Finance & Insurance sector activities (+4.0% q/q), Professional & Administrative services (+3.6%), Construction (+3.5%) and Real Estate activities (+2.6%). Other reliable domestic indicators point to continued robust growth in the Irish economy, including compensation of employees, up 3.3% y/y, mirroring the strong employment (+3.7% y/y) and wage growth (+5.3%) in Q3 2024. In the medium term we expect Irish growth to persist at a more moderate pace of c.3%, as the economy faces a number of capacity constraints and the recent exceptional labour force growth begins to slow.
- Looking ahead, other indicators suggest short-term growth should remain robust.** The AIB Services PMI surged to 58.3 in November from 53.8 in October, indicating the sharpest pace of growth since April 2023. Easing inflationary pressures should also support household real incomes and, in turn, consumer spending in the coming year. However, there are potential clouds on the horizon. As highlighted by the Fiscal Advisory Council this week, the Irish economy and Exchequer have become increasingly reliant on a small number of US multinationals. Its remains unclear how President Trump will tilt US trade policy in 2025, but Ireland's reliance on FDI and its large trade surplus with the US puts it at risk to any protectionist shift in trade policy or in the US corporate tax regime.
- Turning to the week ahead, the focus will be on the latest ECB monetary policy meeting.** The ECB has lowered rates three times this easing cycle, including back-to-back 25bps cuts at the last two meetings in September and October. The Governing Council is expected to cut rates by another 25bps on Thursday. This would bring the deposit rate down to 3% and the re-fi rate to 3.15%. Meanwhile, the ECB's latest batch of staff economic projections will garner close attention. Over recent months, the central bank has grown in confidence that inflation will reach the 2% target sustainably in 2025. At the same time, there have been increasing concerns in relation to the bloc's near-term economic outlook, amid a number of poor data releases and rising uncertainty, including political developments in France and Germany as well as the incoming US administration. Against this backdrop, market expectations have softened, with an aggressive path of rate cuts now anticipated. Futures contracts currently indicate the ECB will lower rates by around 125bps next year. This would see the deposit rate bottoming out at 1.75%. There seems to be some disagreement on the Governing Council though, as to whether interest rates will be cut to that extent. Thus, at the press conference, President Lagarde can expect to face a number of questions on the future path of policy.
- On the data front, the main release of note will be US CPI inflation for November.** There have been some signs of stickiness in CPI recently. Headline inflation had been trending lower since March, but it rose slightly, to 2.6% in October. Meantime, core-CPI having slowly dissipated in the first seven months of the year, reaching a low of 3.2% in July and August, rose to 3.3% in September and stayed at this rate in October. The consensus is for headline CPI to edge higher to 2.7%, while core is expected to be unchanged again in November.
- In the UK, the monthly reading of GDP for October will feature.** While the UK economy performed well in the first half of the year, it has lost some momentum in recent months. GDP flat-lined in June and July before rising by 0.2% in August and contracting by 0.1% in September. A 0.2% rise is pencilled in for October, leaving GDP 1.6% higher in year-on-year terms. Meanwhile, UK industrial production is projected to have recovered some ground in October after declining by 0.5% in September, with a 0.3% gain envisaged. **In the Eurozone, industrial production data for October will also be released.** Overall, industrial output has been on a downward trajectory since the first quarter of 2023. Following a 2.0% fall in October, output is expected to fall marginally (f'cast for -0.1%) in the month, meaning it was down 1.9% in year-on-year terms.



	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
		2024	2025	2025
Fed Funds	4.625	4.375	4.125	3.875
ECB Deposit	3.25	3.00	2.50	2.25
BoE Repo	4.75	4.75	4.50	4.25
BoJ OCR	0.25	0.25	0.50	0.50

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	1.0594	1.05	1.06	1.06
EUR/GBP	0.8284	0.84	0.84	0.85
EUR/JPY	158.48	160	160	162
GBP/USD	1.2783	1.25	1.26	1.25
USD/JPY	149.58	152	151	153

Current Rates Reuters, Forecasts AIB's ERU

<i>Date</i>	<i>UK & Irish Time</i>	<i>Release</i>	<i>Previous</i>	<i>Forecast</i>
This Week:	ECB Speakers:	Cipollone (Mon); de Guindos (Tue)		
	BoE Speakers:	Ramsden (Mon)		
	Fed Speakers:			
Mon 9th	JPN: 05:00	Economy Watchers Poll (November)	47.5	
	EU-20: 09:30	EU Sentix Index (December)	-12.8	-13.5
Tue 10th	GER: 07:00	Final HICP Inflation (November)	-0.7% (+2.4%)	-0.7% (+2.4%)
	ITA: 09:00	Industrial Output (October)	-0.4% (-4.0%)	+0.2%
	US: 11:00	NFIB Small Business Optimism (November)	93.7	
Wed 11th	US: 13:30	CPI Inflation (November) - Core-CPI	+0.2% (+2.6%) +0.3% (+3.3%)	+0.2% (+2.7%) +0.3% (+3.3%)
Thu 12th	IRE: 11:00	CPI inflation (November) - HICP Inflation	+0.3% (+0.7%) Flash: -0.5% (+0.5%)	-0.5% (+0.5%)
	EU-20: 13:15	ECB Monetary Policy Decision - Deposit Rate - Re-fi Rate	3.25% 3.40%	3.00% 3.15%
	US: 13:30	Initial Jobless Claims (w/e 2nd December)	+224,000	+220,000
	US: 13:30	PPI Final Demand (November) - Ex-Food & Energy	+0.2% (+2.4%) +0.3% (+3.1%)	+0.2% (+2.5%) +0.3% (+3.3%)
	EU-20: 13:45	ECB Press Conference		
Fri 13th	UK: 00:01	Gfk Consumer Confidence (December)	-18.0	-18.0
	UK: 07:00	GDP (October) - 3m/3m	-0.1% (+1.0%) +0.1%	+0.2% (+1.6%) +0.1%
	UK: 07:00	Industrial Production (October) - Manufacturing Output	-0.5% (-1.8%) -1.0% (-0.7%)	+0.3% (+0.2%) +0.2% (+0.9%)
	UK: 07:00	Goods Trade Balance (October) - Non-EU	-16.3bn -£5.3bn	
	GER: 07:00	Trade Balance (October) - Exports	+€17.0bn -1.7%	
	FRA: 07:45	Final HICP Inflation (November)	+0.1% (+1.7%)	+0.1% (+1.7%)
	EU-20: 10:00	Industrial Production (October)	-2.0% (-2.8%)	-0.1% (-1.9%)

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

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