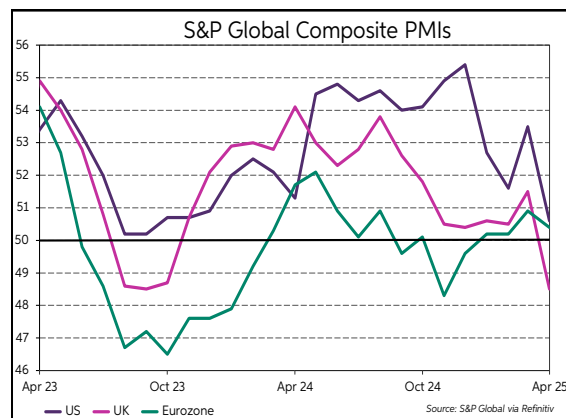


## Britpop?

- **Following several months of soft macro data, this week's UK GDP data suggest something of an upturn in activity of late and raises the question of whether the UK economy has turned a corner.** Those GDP data showed a solid 0.7% gain on the quarter in Q1 2024, up 1.1% year-on-year.
- **What was a solid nascent recovery at the start of 2024 petered out in the second half of the year as both consumer and business sentiment surveys sunk following the gloomy rhetoric of the new Government,** and the significant tax rises announced in the Autumn budget, particularly the hike to national insurance for employees. The uncertainty created by the Trump tariffs, and higher gilt yields also added to the general sense of malaise in the early months of 2025, culminating in the Chancellor announcing further spending cuts in the Spring Statement to meet her new fiscal targets. Following the Liberation Day tariffs, forecasters have also been trimming growth prospects for the UK and other European countries.
- **However, the UK was spared the worst of the reciprocal tariffs, receiving a 10% baseline rate,** while the framework trade deal announced by the US and UK in recent weeks suggests a willingness on the part of the Trump administration to move to a more favourable trade position with the UK, and at a faster pace than with the EU. While the UK is still worse off than the January 2025 baseline in terms of US tariffs, it did strike key concession for its steel and car industries.
- **Elsewhere, the reproachment with the EU, including sectoral agreements in defence, food standards and youth mobility, expected to be announced at a summit next week,** could provide a basis for a closer relationship with its largest trade partner in the coming years, using the cover of global trade uncertainty to undo some of the Brexit frictions. Nevertheless, the announced curbs on migration to the UK might offset some of the gains from a closer EU relationship, given the reliance on foreign labour to plug skills gaps across the economy.
- **Taken together, the near-term outlook is probably for continued modest growth, but if the Government can stay the course in deepening EU ties,** and its growth agenda in infrastructure and regulatory reform, there may be some upside to the UK economy in the medium term.
- **Turning to the week ahead, a busy data schedule in the UK includes updates on inflation, retail sales and consumer confidence.** Starting with inflation, while price pressures have softened somewhat, they are still elevated. Headline CPI inflation fell to a low of 1.7% last September but rose throughout the winter to 3.0% in January, before easing once again to 2.6% in March. Meantime, core-CPI jumped to 3.7% in January, its highest level since last April, but declined to 3.4% in March. Worryingly though, both rates are projected to rise sharply in April, to 3.3% and 3.7%, respectively, due to an increase in water/energy charges, and an expected jump in services inflation. Meanwhile, retail sales are forecast to maintain the momentum gathered in Q1, rising by 0.2% in April. Finally, a rebound in consumer confidence is anticipated in May, with the index rising to -21.0 from -23.0.
- **Elsewhere, the main highlight will be the flash PMI readings for May in the key advanced economies.** In the Eurozone, the manufacturing PMI has trended higher throughout the first four months of the year, albeit while remaining in contraction mode. In contrast, the services PMI has been above the key 50 threshold for the past five months, although, its April reading of 50.1, is more consistent with stabilisation in the sector rather than outright growth. The consensus is for both indices to improve marginally in May. Meantime in the UK, the PMIs printed in contraction territory in April. More broadly, the manufacturing PMI has been quite weak, with output levels declining at a sharp rate since October. The services PMI dropped to 49.0 in April, indicating a fall in activity for the first time since October 2023. However, as in the Eurozone, a slight improvement is pencilled in for both sectors in May. In the US, the indices have moved lower in recent months, but they remained above the 50 mark, at 50.2 (manufacturing) and 50.8 (services) in April. Furthermore, this trend is expected to continue in May.
- **A number of other survey data indicators will also feature in the Eurozone.** Most notably, the flash reading of consumer confidence for May is due. Confidence dropped to -16.7 in April, amid growing concerns in relation to the impact of US tariffs. A modest rebound to -16.0 is anticipated in May. Meanwhile, the bellwether German Ifo is forecast to rise to 87.5 in May. Elsewhere, the ECB monetary policy meeting account from the last gathering in April will garner attention. **On the home front, residential property prices (April) and the Labour force Survey for Q1 will feature.**



	Interest Rate Forecasts			
	Current	End Q2	End Q3	End Q4
	2025	2025	2025	2025
Fed Funds	4.375	4.375	4.125	3.875
ECB Deposit	2.25	2.00	2.00	2.00
BoE Repo	4.25	4.25	4.00	3.75
BoJ OCR	0.50	0.50	0.75	0.75

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q2	End Q3	End Q4
	2025	2025	2025	2025
EUR/USD	1.1140	1.09	1.10	1.11
EUR/GBP	0.8403	0.85	0.85	0.85
EUR/JPY	162.67	160	161	161
GBP/USD	1.3254	1.28	1.29	1.31
USD/JPY	145.97	147	146	145

Current Rates Reuters, Forecasts AIB's ERU

# ECONOMIC DIARY

## Monday 19th - Friday 23rd May

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
<b>This Week:</b>	<b>ECB Speakers:</b>	Cipollone (Tue); Lane, de Guindos (Wed); Lane (Fri)		
	<b>BoE Speakers:</b>	Pill (Tue); Breeden, Dhingra, Pill (Thu)		
	<b>Fed Speakers:</b>	Bostic, Jefferson, Williams, Logan, Kashkari (Mon); Bostic, Musalem, Barkin, Collins (Tue); Hammack, Daly, Barkin (Wed); Williams (Thu)		
		<b>EU-UK Summit (Monday 19th May)</b>		
<b>Mon 19th</b>	<b>EU-20:</b>	10:00 Final HICP Inflation (April)	+0.6% (+2.2%)	+0.6% (+2.2%)
		- Ex-Food & Energy	+0.8% (+2.7%)	+0.8% (+2.7%)
		- Ex-Food, Energy, Alcohol & Tobacco	+1.0% (+2.7%)	+1.0% (+2.7%)
<b>Tue 20th</b>	<b>EU-20:</b>	15:00 Flash Consumer Confidence (May)	-16.7	-16.0
<b>Wed 21st</b>	<b>JPN:</b>	00:50 Trade Balance (April)	+¥559.4bn	+¥227.1bn
		- Exports	(+4.0%)	(+2.0%)
	<b>UK:</b>	07:00 CPI Inflation (April)	+0.3% (+2.6%)	+1.1% (+3.3%)
		- Core-CPI	+0.5% (+3.4%)	(+1.3% (+3.7%))
		- Services CPI	(+4.7%)	(+4.9%)
	<b>IRE:</b>	<b>11:00 Residential Property Price Index (March)</b>	<b>+0.3% (+8.0%)</b>	<b>+0.4% (+7.5%)</b>
<b>Thu 22nd</b>	<b>JPN:</b>	00:50 Machinery Orders (March)	+4.3% (+1.5%)	-1.6% (-2.2%)
	<b>JPN:</b>	01:30 Flash Jibun Composite PMI (May)	51.2	
	<b>FRA:</b>	07:45 INSEE Business Climate (May)	96.0	96.0
	<b>FRA:</b>	08:15 Flash HCOB Composite PMI (May)	47.8	48.2
	<b>GER:</b>	08:30 Flash HCOB Composite PMI (May)	50.1	50.5
	<b>EU-20:</b>	09:00 Flash Composite PMI (May)	50.4	50.7
		- Manufacturing / Services	49.0 / 50.1	49.3 / 50.4
	<b>GER:</b>	09:00 German Ifo (May)	86.9	87.5
	<b>UK:</b>	09:30 Flash S&P Composite PMI (May)	48.5	50.0
		- Manufacturing / Services	45.4 / 49.0	46.0 / 50.0
	<b>EU-20:</b>	11:00 ECB Monetary Policy Meeting Account (16-17th April)		
	<b>UK:</b>	11:00 CBI Trends - Orders (May)	-26.0	
	<b>IRE:</b>	<b>11:00 Labour Force Survey (Q1 2025)</b>		
	<b>US:</b>	13:30 Initial Jobless Claims (w/e 12th May)	+229,000	
	<b>US:</b>	14:45 Flash S&P Composite PMI (May)	50.6	50.4
		- Manufacturing / Services	50.2 / 50.8	50.0 / 50.7
	<b>US:</b>	15:00 Existing Home Sales (April)	+4.0m / -5.9%	+4.1m / +2.0%
<b>Fri 23rd</b>	<b>UK:</b>	00:01 Gfk Consumer Confidence (May)	-23.0	-21.0
	<b>JPN:</b>	00:30 CPI Inflation (April)	(+3.6%)	
		- Core-CPI	(+3.2%)	(+3.4%)
	<b>GER:</b>	07:00 GDP (Q1: Detailed reading)	+0.2% (-0.4%)	+0.2% (-0.4%)
	<b>UK:</b>	07:00 Retail Sales (April)	+0.4% (+2.6%)	+0.2% (+4.4%)
		- Ex-Fuel	+0.5% (+3.3%)	+0.3% (+4.4%)
	<b>FRA:</b>	07:45 INSEE Consumer Confidence (May)	92.0	93.0
	<b>SPA:</b>	08:00 Overnight Stays (April)	Apr'24: 27.1m	
	<b>US:</b>	13:00 New Home Sales (April)	+0.72m / +7.4%	+0.69m / -4.7%

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

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