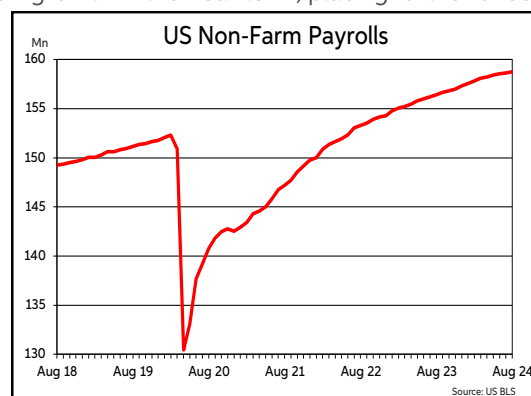


## PMIs signal fragile growth picture

- The flash October PMI surveys for the Eurozone, while inching higher, signal a fragile growth picture.** Meantime, UK surveys suggest sentiment is being dampened by uncertainty around the upcoming Budget on October 30th. The Eurozone composite PMI ticked marginally higher to 49.7 from 49.6 in September, but remained in contraction mode for a second consecutive month. Output in the private sector fell back in response to a weak demand environment, with new orders down for the fifth successive month. Employment also fell at the sharpest pace in nearly four years. At country level, Germany and France continued to see declines in activity, offset somewhat by increases elsewhere in the Eurozone. Overall, the surveys suggest Eurozone growth has weakened throughout the second half of 2024, which combined with waning inflationary pressures, firms the case for a further cut in ECB rates in December and in the new year.
- Elsewhere, the UK PMI data pointed to a modest increase in UK private sector output, but the rate of expansion slowed for the second month running.** Survey respondents cited the impact of delayed decision-making among clients and heightened economic uncertainty ahead of the Budget. While some potential Budget measures have emerged in media reports, such as a rise in National Insurance Contributions for employers and inheritance taxes, the information vacuum created by the relatively long period between the July election and October Budget is now clearly impacting business and consumer sentiment in the UK. This is also evident in the further fall in consumer confidence in the UK in October, with the GFK survey highlighting heightened uncertainty dampening expectations amongst consumers around general economic conditions and personal finances.
- Nonetheless, Chancellor Reeves has provided some forward guidance, writing in the Financial Times, that she will adjust the national debt rule to provide more headroom to boost investment spending,** while sticking close to the current fiscal rule to balance day-to-day expenditure. The Chancellor also confirmed the expected tax rises, stating “alongside tough decisions on spending and welfare, that means taxes will need to rise to ensure this rule is met”. With tax hikes ruled out on the major revenue streams of income tax and VAT, this implies relatively small sums will need to be raised from a wide array of tax streams, which are likely to focus on wealth and asset-based taxes. While the boost to infrastructure investment is to be welcomed and should support long term growth, the tight spending reins and tax hikes could dampen UK growth in the near term, placing further onus on the Bank of England to ease monetary policy in the coming months.
- The aforementioned Budget will be the main UK macro highlight this week, amid a sparse data schedule. **In contrast, there is a very busy data calendar in the US, including updates on the labour market, inflation and GDP.** Recently, the Fed has placed a growing emphasis on the labour market side of its dual mandate, amid signs over the summer months that conditions in the job’s market were softening. However, conditions appear to have tightened once again in Q3. Payroll growth has risen sharply, coming in at +254k in September. Indeed, the much stronger than anticipated payrolls report in September saw a marked hardening in US futures contracts. A more modest rise in payrolls of 125k is pencilled in for October. Meantime, the unemployment rate has declined recently to 4.1% in September, while earnings growth has re-accelerated. The unemployment rate and average earnings growth are forecast to be unchanged at 4.1% and +4.0% y/y, respectively. Elsewhere, the employment cost index for Q3 is projected to rise by 0.9%, matching the +0.9% increase in Q2. **In terms of inflation, core-PCE is set to resume its downward trajectory in September, having levelled off at 2.6% in June and July, before edging higher to 2.7% in August.** A fall back to 2.6% is expected in September. Elsewhere, the first reading of Q3 GDP is likely to confirm economic growth remained robust in the quarter. The US economy expanded by 1.4% and 3.0% annualised in Q1 and Q2. A 3.0% increase in output is envisaged in Q3 also.
- In the Eurozone, inflation, labour market and GDP data are also due.** Headline inflation has been on a clear downward trend so far this year, largely owing to a fall in energy prices. However, the decline in energy prices is likely to reverse throughout Q4, which may see the headline rate move higher once again between now and year end. Indeed, it is projected to rise to 1.9% in October from 1.7% in September. Meantime, core inflation has proven to be somewhat sticky. It fell slightly to 2.7% in September, having printed at 2.8% in the three months prior. A key driver of this has been elevated services inflation, which remains high at 3.9%. The consensus is for the core rate to inch down to 2.6% in October. In relation to the labour market, the unemployment rate is forecast to remain at 6.4% in September. Meanwhile, despite evidence of waning momentum in survey data in Q3, GDP growth is expected to print at +0.2% in the quarter, in-line with the Q2 reading. **On the monetary policy front, the BoJ is anticipated to leave rates on hold this week.** However, market participants will be paying close attention to the post-meeting press conference for any guidance on the future path of policy.



	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	3.25	3.00	2.50	2.25
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	1.0829	1.09	1.10	1.11
EUR/GBP	0.8333	0.84	0.84	0.85
EUR/JPY	164.65	160	160	162
GBP/USD	1.2989	1.30	1.31	1.31
USD/JPY	152.03	147	145	146

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time	Release	Previous	Forecast
<b>This Week:</b>	<b>ECB Speakers:</b>	Schnabel (Mon)		
	<b>BoE Speakers:</b>	Breedon (Thu)		
	<b>Fed Speakers:</b>			
		<b>UK Budget (Wednesday 30th October)</b>		
<b>Mon 28th</b>	<b>IRE:</b>	<b>October Bank Holiday</b>		
	<b>SPA:</b> 08:00	Retail Sales (September)	(+2.3%)	
	<b>JPN:</b> 23:30	Jobs/Applicants Ratio (September)	1.23	1.23
	<b>JPN:</b> 23:30	Unemployment Rate (September)	2.5%	2.5%
<b>Tue 29th</b>	<b>GER:</b> 07:00	Gfk Consumer Sentiment (November)	-21.2	-20.5
	<b>IRE:</b> 11:00	<b>Retail Sales (September)</b>	<b>-1.5% (-2.5%)</b>	
	<b>IRE:</b> 11:00	<b>GDP (Q3: Preliminary Estimate)</b>	<b>Q2: -1.0% (-4.0%)</b>	
	<b>US:</b> 13:00	Case-Shiller House Prices (August)	+0.0% (+5.9%)	+0.3%
	<b>US:</b> 14:00	Conference Bboard Consumer Confidence (Oct)	98.7	99.3
	<b>US:</b> 14:00	JOLTS job Openings (September)	8.0m	7.9m
<b>Wed 30th</b>	<b>FRA:</b> 06:30	GDP (Q3: Preliminary Reading)	+0.2% (+1.0%)	+0.4%
	<b>SPA:</b> 08:00	GDP (Q3: Preliminary Reading)	+0.8% (+3.1%)	+0.6% (+2.9%)
	<b>SPA:</b> 08:00	Flash HICP Inflation (October)	-0.1% (+1.5%)	+0.3% (+1.8%)
	<b>GER:</b> 08:55	Unemployment Rate (October)	6.0%	6.1%
	<b>GER:</b> 09:00	GDP (Q3: Preliminary Reading)	-0.1% (+0.3%)	-0.1%
	<b>ITA:</b> 09:00	GDP (Q3: Preliminary Reading)	+0.2% (+0.9%)	+0.2% (+0.7%)
	<b>EU-20:</b> 10:00	GDP (Q3: Flash Reading)	+0.2% (+0.6%)	+0.2% (+0.8%)
	<b>EU-20:</b> 10:00	EC Economic Sentiment (October)	96.2	96.3
		- Consumer / Industrial / Services	-12.3 / -10.9 / 6.7	-12.5 / -10.5 / 6.5
	<b>IRE:</b> 11:00	<b>Flash HICP Inflation (October)</b>	<b>-1.0% (+0.0%)</b>	
	<b>US:</b> 12:15	ADP National Employment (October)	+143,000	+112,000
	<b>US:</b> 12:30	GDP (Q3: Advanced Reading)	+3.0% S.a.a.r.	+3.0% s.a.a.r.
	<b>US:</b> 12:30	PCE Prices (Q3: Advanced Reading)	+2.5% S.a.a.r.	
		- Core-PCE Prices	+2.8% S.a.a.r.	
	<b>GER:</b> 13:00	Flash HICP Inflation (October)	-0.1% (+1.8%)	+0.2% (+2.1%)
	<b>JPN:</b> 23:50	Industrial Output (September)	-3.3% (-3.3%)	+1.0%
<b>Thu 31st</b>	<b>GER:</b> 07:00	Retail Sales (September)	+1.6% (+2.1%)	
	<b>FRA:</b> 07:45	Flash HICP Inflation (October)	-1.3% (+1.4%)	+0.2% (+1.5%)
	<b>FRA:</b> 07:45	Producer Price Inflation (September)	+0.2% (-6.3%)	
	<b>ITA:</b> 09:00	Unemployment Rate (September)	6.2%	
	<b>EU-20:</b> 10:00	Flash HICP Inflation (October)	+0.0% (+1.7%)	+0.2% (+1.9%)
		- Ex-Food & Energy	+0.0% (+2.7%)	+0.2% (+2.6%)
		- Ex-Food, Energy, Alcohol & Tobacco	+0.1% (+2.7%)	+0.2% (+2.6%)
	<b>ITA:</b> 10:00	Flash HICP Inflation (October)	+1.2% (+0.7%)	
	<b>US:</b> 12:30	Personal Income / Consumption (September)	+0.2% / +0.2%	+0.3% / +0.4%
	<b>US:</b> 12:30	PCE Prices (September)	+0.1% (+2.2%)	+0.2% (+2.1%)
		- Core-PCE Prices	+0.1% (+2.7%)	+0.3% (+2.6%)
	<b>US:</b> 12:30	Initial Jobless Claims (w/e 21st October)	+227,000	+234,000
	<b>US:</b> 12:30	Employment Cost Index (October)	+0.9%	+0.9%
		- Wages	+0.9%	+0.9%
	<b>JPN:</b>	BoJ Interest Rate Decision	+0.25%	+0.25%
<b>Fri 1st</b>	<b>IRE:</b> 01:01	<b>AIB Manufacturing PMI (October)</b>	<b>49.4</b>	
	<b>UK:</b> 09:30	Final S&P Manufacturing PMI (October)	50.3	50.3
	<b>US:</b> 12:30	Non-Farm Payrolls (October)	+254,000	+125,000
		- Unemployment Rate	4.1%	4.1%
		- Average Earnings	+0.4% (+4.0%)	+0.3% (+4.0%)
	<b>US:</b> 14:00	Manufacturing ISM (October)	47.2	47.5
	<b>US:</b> 14:45	Final S&P Manufacturing PMI (October)	47.8	47.8

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

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