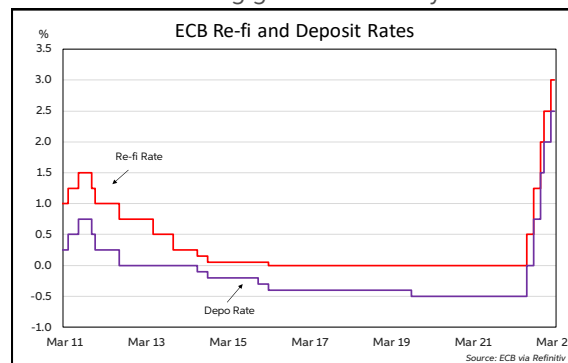


No Sham-Rock

- The latest Quarterly Bulletin from the Central Bank saw upgrades to its forecasts for the Irish economy.** This was largely due to a better than expected global economic backdrop as well as downward revisions to projections for the path of inflation in 2023. Irish HICP inflation is now forecast to fall to 5% this year from 8.1% last year, and moderate further to 3.2% in 2024, and 2.2% in 2025. **The Central Bank sees Irish GDP expanding at a 5.0-5.5% rate over the period 2023-2025.** Meanwhile, modified domestic demand is forecast to grow by around 3% in both 2023 and 2024 and circa 2.5% in 2025. These growth rates represent a marked deceleration from the exceptional pace of expansion registered in 2022, when GDP rose by 12% and modified domestic demand grew by 8.2%. Nonetheless, they are still strong growth rates. Meantime, the unemployment rate is projected to remain stable at 20-year lows of 4.3-4.4% out to 2025.
- The Central Bank's growth forecasts are somewhat more upbeat than the recently published projections from the European Commission.** It sees the Irish economy expanding by 5% this year and 4% in 2024. **Irish data published for the opening two months of 2023 show an economy continuing to perform well.** The PMIs for the manufacturing and services sectors have picked up, with a particularly sharp rise in the latter to 58.2 in February, helped by a strong rise in new business activity. New car sales were up by 9.5% in January/February on year earlier levels, while the unemployment rate has been stable in a 4.3-4.4% range. Tax receipts remain strong, rising by 13.5% year-on-year in the first two months of the year, with broad based strength in the main tax headings. Consumer confidence also continues to improve, having fallen sharply between last spring and autumn.
- Overall, the data indicate that the Irish economy is showing considerable resilience in the face of the sharp jump in inflation, marked increases in interest rates, and more subdued growth in its main export markets.** Another headwind facing the Irish economy is more binding capacity constraints. This is particularly evident in the labour market, with the economy at virtually full employment. Labour force growth last year was almost entirely driven by an influx of workers from outside the EU. The indigenous labour force actually contracted reflecting a decline in the participation rate and outward migration by Irish citizens.
- Surveys indicate that labour shortages are now the main factor inhibiting growth across the economy.** The problem is being made more acute by the marked decline in average hours worked per person in employment seen since 2019. There are also concerns about the severe shortage of housing becoming a constraint on economic growth, with the scarcity of stock and high levels of rents and house prices reducing Ireland's attractiveness as a place to work. Capacity constraints are also increasingly evident in terms of the growing pressures on public infrastructure and services, in particular the electricity grid. Addressing capacity constraints needs to remain a key focal point of public policy if Ireland is to remain a strong growth economy.
- Turning to the week ahead, the main highlight will be the ECB monetary policy decision.** Last time out, the ECB made clear its intention to hike rates by 50bps again this week. In total, the central bank has raised rates by 300bps so far. A third consecutive 50bps rate increase will bring the deposit rate up to 3%. However, while most members of the Governing Council appear to agree that further rate hikes will be required, there seems to be some disagreement regarding the pace and extent of future rate increases. The market is currently pricing in close to 150bps worth of rate hikes (including 50bps this week) between now and September. At the post meeting press conference, President Lagarde can expect to face questions on the magnitude of rate hikes moving forward. Meantime, the latest ECB staff projections will also garner close attention, particularly the inflation forecasts. Data-wise, having declined by 1.1% in December, a 0.5% rebound in industrial production is pencilled in for January.
- In the US, all eyes will be on the latest CPI inflation release, as Chair Powell's hawkish testimony to Congress strong labour market data have opened the door to a potential re-acceleration in the pace of Fed tightening.** Headline CPI is projected to decline to 6% from 6.4% in January, while core CPI is forecast to inch lower to 5.5% from 5.6%. PPI inflation data for February are also due. Meantime, the consensus is for a modest 0.1% fall in headline retail sales in February, following a substantial 3% increase in January. In contrast, industrial production is expected to rise by 0.4% in February. Regarding the housing market, homebuilder sentiment is anticipated to be unchanged in February. Likewise, the preliminary reading of the University of Michigan Consumer Sentiment Index is forecast to show no change in March, having trended higher recently.
- Labour market data are due in the UK this week.** Conditions remain very tight, despite the unemployment rate edging slightly higher to 3.7% in Q4, from a low of 3.5% last August. The jobless rate is projected to rise to 3.8% in January. Tight conditions have placed upward pressure on wages, which were 6.7% higher year-on-year in December. However, average earnings are expected to ease slightly to +6.6% y/y in January. **Meantime, Chancellor Hunt presents the UK Budget on Wednesday.**



	Interest Rate Forecasts			
	Current	End Q1	End Q2	End Q3
		2023	2023	2023
Fed Funds	4.625	4.875	5.375	5.375
ECB Deposit	2.50	3.00	3.75	3.75
BoE Repo	4.00	4.25	4.50	4.50
BoJ OCR	-0.10	-0.10	-0.10	-0.10

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q1	End Q2	End Q3
		2023	2023	2023
EUR/USD	1.0672	1.07	1.09	1.10
EUR/GBP	0.8826	0.88	0.88	0.89
EUR/JPY	143.68	144	145	143
GBP/USD	1.2090	1.22	1.24	1.24
USD/JPY	134.60	135	133	130

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time	Release	Previous	Forecast
This Week:	ECB Speakers:	Lagarde (Thu)		
	BoE Speakers:	Dhingra (Mon)		
	Fed Speakers:	Bowman (Tue)		
		UK Budget (Wednesday)		
Mon 13th				
Tue 14th	UK:	07:00 Claimant Count (February)	-12.9k	
	UK:	07:00 Employment Change (January)	74k	
	UK:	07:00 Unemployment Rate (January)	3.7%	3.8%
	UK:	07:00 Average Earnings (3mnths to January)	(+5.9%)	(+5.7%)
		- Ex-Bonus	(+6.7%)	(+6.6%)
	SPA:	08:00 Final HICP (February)	+1.0% (+6.1%)	+1.0% (+6.1%)
	ITA:	09:00 Industrial Output (January)	+1.6% (+0.1%)	-0.4% (+2.9%)
	US:	10:00 NFIB Small Business Optimism (February)	90.3	
	US:	12:30 CPI Inflation (February)	+0.5% (+6.4%)	+0.4% (+6.0%)
		- Core CPI	+0.4% (+5.6%)	+0.4% (+5.5%)
Wed 15th				
	CHINA:	02:00 Retail Sales (February)	(-1.8%)	(+3.4%)
	CHINA:	02:00 Industrial Production (February)	(+1.3%)	(+2.6%)
	FRA:	07:45 Final HICP Inflation (February)	+1.0% (+7.2%)	+1.0% (+7.2%)
	EU-20:	10:00 Industrial Production (January)	-1.1% (-1.7%)	+0.5% (+0.2%)
	IRL:	11:00 Residential Property Price Index (January)	+0.3% (+7.8%)	+0.3% (+7.2%)
	US:	12:30 NY Fed / Empire State Index (March)	-5.8	-7.5
	US:	12:30 PPI Final Demand (February)	+0.7% (+6.0%)	+0.3% (+5.5%)
		- Ex-Food & Energy	+0.5% (+5.4%)	+0.4% (+5.2%)
	US:	12:30 Retail Sales (February)	+3.0% (+6.4%)	-0.1% (+5.1%)
		- Ex-Autos	+0.3%	+0.3%
		- Control	+1.7%	-0.5%
	US:	14:00 NAHB Homebuilder Sentiment (March)	42	42
	JPN:	23:50 Trade Balance (February)	-¥3,496bn	-¥1,069bn
		- Exports	(+3.5%)	(+7.1%)
Thu 16th				
	ITA:	09:00 Final HICP Inflation (February)	+0.2% (+9.9%)	+0.2% (+9.9%)
	IRL:	11:00 CPI Inflation (February)	-0.8% (+7.8%)	+1.4% (+8.3%)
	US:	12:30 Housing Starts (February)	+1.31m / -4.5%	+1.31m / -0.3%
		- Building Permits	+1.34m / -0.1%	+1.34m / +0.1%
	US:	12:30 Initial Jobless Claims (w/e 6th March)	+211,000	
	US:	12:30 Philly Fed Index (March)	-24.3	-16.0
	EU-20:	13:15 ECB Deposit Rate	+2.50%	+3.00%
		- Refinancing Rate	+3.00%	+3.50%
	EU-20:	13:45 ECB Press Conference		
Fri 17th				
	IRL:	St. Patrick's Day (Bank Holiday)		
	EU-20:	10:00 Final HICP (February)	-0.2% (+8.5%)	-0.2% (+8.5%)
		- Ex-Food & Energy	-0.4% (+7.4%)	-0.4% (+7.4%)
		- Ex-Food, Energy, Alcohol & Tobacco	+0.8% (+5.6%)	+0.8% (+5.6%)
	EU-19:	10:00 Labour Costs (Q4)	(+2.9%)	
	US:	13:30 Industrial Production (February)	+0.0% (+0.8%)	+0.4% (+0.5%)
		- Manufacturing Output	+1.0%	
		- Capacity Utilisation	78.3%	78.4%
	US:	14:00 Preli. Uni. Michigan Consumer Sentiment (Mar)	67.0	67.0

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