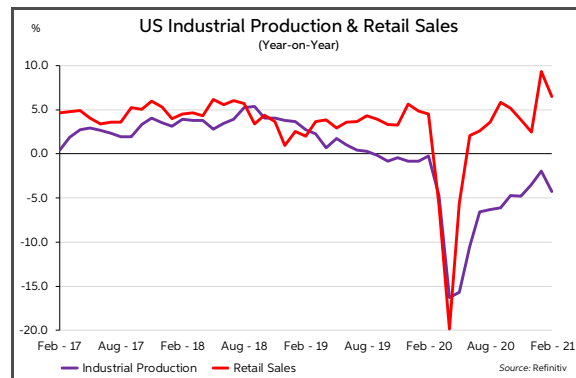


Race Against Time

- **Growth forecasts for the global economy continue to be revised upwards, with the IMF the latest organisation to do so.** It now sees the world economy expanding by 6% this year compared to 5.5% in its previous update in January. It is projecting global growth of 4.4% for next year, up from 4.2% previously. The IMF lists three main factors behind the upgrades. First, the arrival and roll out of multiple vaccines that can reduce both the frequency and severity of infections, with strong evidence of this in countries that are well advanced in their vaccination programmes such as the UK and Israel. Second, better adaptation to what the IMF calls “pandemic life” which has seen a stronger than expected global rebound since last summer despite continuing subdued mobility and the re-imposition of restrictions on activity in some countries, especially in Europe. Third, additional fiscal supports in some major economies on top of the enormous fiscal response put in place last year and the ongoing very loose stance of monetary policy. This latter factor would appear to be particularly important, with the biggest upgrades to 2021 growth forecasts occurring in the US (+1.2%) and UK (+0.8%), where significant additional fiscal stimulus has been put in place.
- **The IMF, though, expresses concern at the divergences in the pace of recovery across countries, linked to stark differences in the pace of vaccine rollout, the extent of policy support, and structural factors such as a reliance on tourism or commodities.** Notably amongst advanced economies, the US is expected to surpass its pre-Covid GDP level in this quarter, compared to 2022 for most other countries. In developing economies, China has already returned to pre-Covid GDP levels, whereas many other countries are not expected to do so until 2023. Furthermore, the IMF notes that income lost in this recession has been far greater in developing economies, at circa 20% excluding China, compared to in advanced economies, at 11%. Within countries, income losses have been more heavily concentrated among low paid workers, again widening income inequality. The IMF has lowered its medium term projection for global growth somewhat to 3.3%, reflecting the damage to potential supply from long-term scarring effects of the pandemic. This will make it harder for countries most affected by the crisis to recoup lost income.
- **However, the IMF sees the risks to its forecasts as balanced in the near term, and more to the upside further out.** To some extent, it boils down to a race between the virus and vaccines. The principal risk surrounds the effectiveness of vaccines against new strains of the virus. Delays in inoculating all parts of the world may result in new vaccine-resistant virus mutations. The IMF warns that this could lead to new outbreaks starting “anywhere and anytime”, necessitating the re-imposition of restrictions to slow transmission. On the upside, an intensified, globally coordinated vaccination effort could end the pandemic more quickly, and limit scarring. There may also be greater than expected longer-term positive effects on activity from the policy supports that have been put in place. It is encouraging that the IMF views the medium term risks as to the upside, but it is also a race against time to bring the virus under control and escape the crisis.
- **This week, there is a busy data docket in the US.** Starting with retail sales, the forecast is for the headline index to rise by 5.5% in March. This would put headline retail sales 12.3% above their pre-pandemic level. It is worth pointing out though, that when the March sales data were collected, not all households had yet received the latest round of stimulus cheques. Meantime, consumer confidence is expected to rise further to 88.9 from 84.9 in April. Industrial production is projected to increase by 2.8% in March, following a large 2.2% contraction in February due to inclement weather. Recent survey data indicate that the sector has quickly rebounded from the bad weather. Meanwhile, CPI inflation is forecast to rise from 1.7% to 2.5% in March, partly due to strong base effects. The core rate is forecast to print at 1.6%, up from 1.3% in February, indicating some firming of underlying price pressures. We will also get an update on the housing market, in the form of Homebuilder sentiment (April) and housing starts data (March).
- **In the Eurozone, retail sales and industrial production data will also feature, though with a greater lag than the US.** The consensus is for retail sales to increase by 1% in February, following a sharp contraction of circa 6% in January. This would still leave retail sales 5.7% below their pre-pandemic level. Industrial production is forecast to fall by 0.9% in February, meaning output would be 0.9% lower YoY also. Weaker than expected national production data suggests that the risk to the release are to the downside. Elsewhere, the German ZEW is projected to jump to 79.5 from 76.6 in April.
- **In the UK, the February reading of GDP will be the highlight.** The forecast is for output to rise by 0.6% in the month, following a fall of 2.9% in January. However, as the economy continues to re-open in the months ahead GDP should rebound more quickly in Q2, as it did in the third quarter of 2020. Industrial output is projected to rise by 0.5%, led by a 0.5% increase in manufacturing output. Though, this would still leave production close to 4.4% below its pre-pandemic level.



	Interest Rate Forecasts			
	Current	End Q2	End Q3	End Q4
		2021	2021	2021
Fed Funds	0.125	0.125	0.125	0.125
ECB Deposit	-0.50	-0.50	-0.50	-0.50
BoE Repo	0.10	0.10	0.10	0.10
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 Q2	End Q3	End Q4
		2021	2021	2021
EUR/USD	1.1888	1.17	1.18	1.19
EUR/GBP	0.8657	0.85	0.86	0.87
EUR/JPY	130.31	129	129	129
GBP/USD	1.3732	1.38	1.37	1.37
USD/JPY	109.60	110	109	108
Current Rates Reuters, Forecasts AIB's ERU				

Date	UK & Irish Time (GMT+1)		Release	Previous	Forecast
This Week:	ECB Speakers:		Panetta (Mon); de Guindos, Panetta, Lagarde , Schnabel (Wed); Lagarde , Panetta, de Guindos (Fri)		
	BoE Speakers:		Tenreyro (Mon); Haskel (Wed); Cunliffe (Fri)		
	Fed Speakers:		Harker, Daly, Mester, Bostic, Rosengren (Tue); Powell , Bostic, Clarida (Wed); Bostic, Daly, Mester (Thu)		
Mon 12th	EU-19:	10:00	Retail Sales (February)	-5.9% (-6.4%)	+1.0% (-5.7%)
Tue 13th	UK:	00:01	BRC Retail Sales (March)	(+9.5%)	
	CHINA:	03:00	Trade Balance (March)	\$103.3bn	\$52.55bn
			- Exports	(+22.2%)	(+32.7%)
	UK:	07:00	GDP (February)	-2.9% (-9.2%)	+0.6% (-8.3%)
	ITA:	09:00	Industrial Production (February)	+1.0% (-2.4%)	+0.6%
	UK:	09:30	Industrial Output (February)	-1.5% (-4.9%)	+0.5% (-4.5%)
			- Manufacturing	-2.3% (-5.2%)	+0.5% (-5.1%)
	UK:	09:30	Goods Trade Balance (February)	£9.8bn	£10.6bn
			- Non-EU	£1.8bn	
	GER:	10:00	ZEW Economic Sentiment (April)	76.6	79.5
	US:	11:00	NFIB Business Optimism (March)	95.8	
	US:	13:30	CPI (March)	+0.4% (+1.7%)	+0.5% (+2.5%)
			- Core	+0.1% (+1.3%)	+0.2% (+1.6%)
Wed 14th	JPN:	00:50	Machinery Orders (February)	-4.5% (+1.5%)	+2.8% (+2.3%)
	SPA:	08:00	Final HICP (March)	+1.9% (+1.2%)	+1.9% (+1.2%)
	EU-19:	10:00	Industrial Production (February)	+0.8% (+0.1)	-0.9% (-0.9%)
Thurs 15th	GER:	07:00	Final HICP (March)	+0.5% (+2.0%)	+0.5% (+2.0%)
	FRA:	07:45	Final HICP (March)	+0.7% (+1.4%)	+0.7% (+1.4%)
	ITA:	09:00	Final HICP (March)	+1.8% (+0.6%)	+1.8% (+0.6%)
	IRL:	11:00	Residential Property Prices (February)	+0.5% (+2.6%)	+0.3% (+3.0%)
	US:	13:30	NY Fed / Empire State Index (April)	17.4	18.2
	US:	13:30	Initial Jobless Claims (w/e 5th April)	+744,000	
	US:	13:30	Philly Fed Index (April)	51.8	43.0
	US:	13:30	Retail Sales (March)	-3.0% (+6.5%)	+5.5% (+12.3%)
			- Ex-Autos	-2.7%	+4.8%
			- Ex-Gas & Autos	-3.3%	
	US:	14:15	Industrial Production (March)	-2.2% (-4.3%)	+2.8% (-1.6%)
			- Capacity Utilisation	73.8%	75.4%
			- Manufacturing Output	-3.1% %	+4.0%
	US:	15:00	NAHB Housing Sentiment (April)	82	83
Fri 16th	CHINA:	03:00	GDP (Q1)	+2.6% (+6.5%)	+1.5% (+18.8%)
	CHINA:	03:00	Industrial Output (March)	(+35.1%)	(+15.6%)
	CHINA:	03:00	Retail Sales (March)	(+33.8%)	(27.2%)
	EU-19:	10:00	Final HICP (March)	+0.9% (+1.3%)	+0.9% (+1.3%)
			- Ex-Food & Energy	+0.1% (+1.0%)	+0.1% (+1.0%)
	US:	13:30	Housing Starts (March)	+1.42m / -10.3%	+1.60m / +12.7%
			- Building Permits	+1.72m / -8.8%	+1.75m / +1.7%
	US:	15:00	Prelim. Michigan Consumer Sentiment (April)	84.9	88.9

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

All forecasts AIB ERU, historical data in the Economic Diary derived from publicly available sources

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