Weekly Market Brief

AIB Treasury Economic Research Unit

21st – 25th April 2025

Hasta la vista, baby

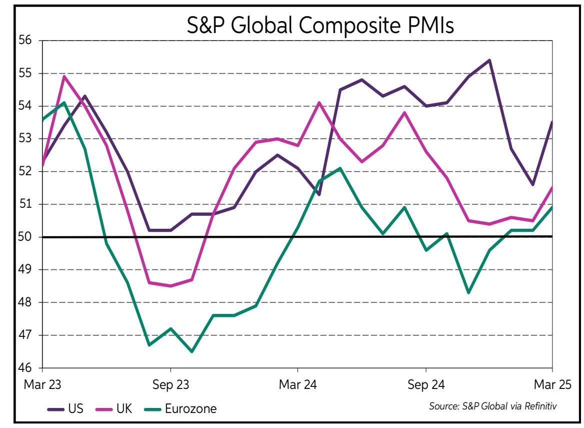
- **Amid the current heightened economic and trade uncertainty, the ECB delivered, as expected, a 25bps rate cut, bringing its main deposit rate to 2.25%.** While priced in, the focus was on the accompanying statement from the Governing Council and President Lagarde's press conference. What was clear from the messaging was an emphasis on the downside risks to the economy from the current trade tensions, and in extension, a more dovish outlook for interest rates.

- **The ECB meeting statement contained most of the recent greatest hits, including an emphasis that the central bank will follow a "data-dependent" and "meeting-by-meeting approach".** However, the statement did reflect something of a dovish tilt stating "the outlook for growth has deteriorated owing to rising trade tensions. Increased uncertainty is likely to reduce confidence among households and firms." It further states that "these factors may further weigh on the economic outlook for the euro area". While the ECB did not publish forecasts this time around, the shift in tone is clearly teeing up investors for another rate cut in June, and a cut to their economic outlook in the forecasts published alongside that monetary policy decision.

- **The expected downgrade to the global outlook was further underlined by IMF Managing Director Kristalina Georgieva, who in a speech to its Annual Spring Meeting, laid out the broad stagflationary impacts of the current trade tensions.** She stated "our new growth projections will include notable markdowns, but not recession. We will also see markups to the inflation forecasts for some countries." That final sentence likely alludes to the expectation that the largest impact, in terms of inflation, will be on US consumers. Indeed, domestic US forecasters have begun to quantify the Trump tariffs already in place, with some predicting US inflation might top 4% by the end of the year.

- **This places the Fed in a tight spot ahead of its monetary policy decision in May, a dilemma referred to by Chair Powell in remarks to the Economic Club of Chicago this week.** He stated that tariffs are likely to generate "at least a temporary rise in inflation" and warned that they may place the Fed's dual mandate (stable prices and maximum employment) in tension. This has drawn the ire of President Trump, who called for Powell to be "terminated", bringing renewed focus on the Fed's independence as it charts a path for monetary policy amid the current uncertainty.

- **Turning to the week ahead, the flash PMIs for April in the UK, US and Eurozone will be released.** The UK manufacturing PMI moved into contraction territory at the start of Q4 2024 and deteriorated further throughout the opening three months of 2025. Indeed, its reading of 44.9 in March was its lowest level since October 2023. In contrast, the services sector has remained in expansion mode, averaging 51.4 in Q1, largely unchanged from its reading of 51.3 in Q4. However, the consensus is for both sectors to decline markedly in April. Elsewhere, the US manufacturing PMI rose above the key 50 level in January, for the first time since June, and stayed in expansion mode thereafter, albeit the index fell sharply to just 50.2 in March. Meantime, the services PMI has been consistent with rising activity levels in the sector since February 2023. In the Eurozone, the manufacturing PMI has remained firmly in contraction mode, since July 2022, but it rose to 48.6 in March, its highest level in two years. Overall, it averaged 47.6 in Q1, up from 45.4 in Q4. Meanwhile, the services PMI has stayed in expansion territory, averaging 51.0 in Q1, broadly similar to the reading of 50.9 in Q4. Both surveys are forecast to deteriorate slightly in April.



- **Elsewhere in the Eurozone, a slew of other key survey data are also due throughout a holiday shortened week.** Notably, the bloc wide measure of consumer confidence is projected to drop back to -15.8 in April from -14.5. In terms of some key indicators from the large Eurozone national economies, the bellwether German Ifo is expected to end a run of three successive months of improvement, by falling to 85.2 in April, amid ongoing economic uncertainty. French consumer and business confidence are also forecast to decline.

- **In the UK, retail sales figures for March will be the highlight.** Retail sales have had a strong start to the year, increasing by 1.4% in January and by 1.0% in February, amid a broad-based rise in spending. At the same time, UK consumer confidence has improved in February and March. However, retail sales are expected to decline by 0.3% in March, while consumer confidence is forecast to fall in April. **In the US, a sparse data calendar includes durable goods orders and new home sales numbers for March.** Remarks from a plethora of Fed officials will garner attention throughout the week also.

Interest Rate Forecasts

	Current	End Q2 2025	End Q3 2025	End Q4 2025
Fed Funds	4.375	4.375	4.125	3.875
ECB Deposit	2.25	2.00	2.00	2.00
BoE Repo	4.50	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 2025	End Q3 2025	End Q4 2025
EUR/USD	1.1360	1.09	1.10	1.11
EUR/GBP	0.8573	0.85	0.85	0.85
EUR/JPY	161.69	160	161	161
GBP/USD	1.3248	1.28	1.29	1.31
USD/JPY	142.35	147	146	145

Current Rates Reuters, Forecasts AIB's ERU

AIB Treasury Economic Research

David McNamara
Chief Economist

John Fahey
Senior Economist

Daniel Noonan
Economist

ECONOMIC DIARY

Monday 21st - Friday 25th April

Date	*UK & Irish Time*		*Release*	*Previous*	*Forecast*
This Week:	**ECB Speakers:**		Lane (Wed); Lane (Thu)		
	BoE Speakers:		**Bailey,** Pill, Breeden (Wed); Lombardelli (Thu); Greene (Fri)		
	Fed Speakers:		Jefferson, Harker (Tue); Goolsbee, Musalem, Hammack (Wed); Kashkari (Thu)		
			IMF World Economic Outlook April 2025 (Tue)		
Mon 21st	***IRE/UK/EU-20:***		***Easter Monday (Market Holiday)***		
Tue 22nd	**EU-20:**	15:00	Flash Consumer Confidence (April)	-14.5	-15.8
Wed 23rd	**JPN:**	01:30	Flash Jibun Composite PMI (April)	48.9	
	FRA:	08:15	Flash HCOB Composite PMI (April)	48.0	47.5
	GER:	08:30	Flash HCOB Composite PMI (April)	51.3	50.5
	EU-20:	09:00	Flash HCOB Composite PMI (April)	50.9	50.3
			- Manufacturing / Services	48.6 / 51.0	47.9 / 50.5
	UK:	09:30	Flash S&P Composite PMI (April)	51.5	50.0
			- Manufacturing / Services	44.9 / 52.5	44.1 / 51.0
	EU-20:	10:00	Total Trade Balance (February)	+€14.0bn	
			- Eurostat Trade	+€1.0bn	
	US:	14:45	Flash S&P Composite PMI (April)	53.5	
			- Manufacturing / Services	50.2 / 54.4	
	US:	15:00	New Home Sales (March)	+0.68m / +1.8%	+0.68m / +0.3%
Thu 24th	**FRA:**	07:45	INSEE Consumer Confidence (April)	92.0	91.0
	GER:	09:00	Ifo Business Climate (April)	86.7	85.2
	UK:	11:00	CBI Trends - Orders (April)	-29.0	
	US:	13:30	Durable Goods (March)	+1.0% (+%)	+1.8%
			- Ex-Transport	+0.7%	-0.1%
Fri 25th	**UK:**	00:01	Gfk consumer Confidence (April)	-19.0	-21.0
	JPN:	00:30	Tokyo CPI Inflation (April)	(+2.4%)	
	UK:	07:00	Retail Sales (March)	+1.0% (+2.2%)	-0.3% (+2.0%)
			- Ex-Fuel	+1.0% (+2.2%)	+0.0%
	FRA:	07:45	INSEE Business Climate (April)	97.0	96.0
	US:	15:00	Final Uni. Michigan consumer Sentiment (April)	50.8	50.7

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