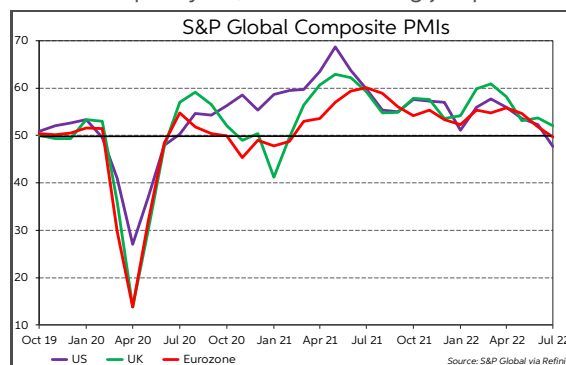


## That's Gas

- Inflation and the cost of living crisis continue to dominate the news headlines and remain the key pre-occupation of financial markets and central banks.** The UK CPI report for July maintained the trend this year of inflation exceeding forecasts. The headline rate climbed to 10.1%, up from 9.4% in June, with the core rate accelerating to 6.2% from 5.8%. The upside surprise in the data was mainly accounted for by food price inflation which jumped to 12.6% from 9.8% in June. Inflationary pressures, though, are evident right across the UK economy at this stage as the surges in producer prices, energy costs and higher wages get passed on to consumers. This is the first time that UK inflation has risen above 10% in 40 years and leaves it with the highest rate among G7 nations. The peak has not been reached yet, though, with expectations that a sharp hike in household energy bills this autumn will see UK inflation hit 13% in October.
- The Eurozone HICP inflation rate also picked up in July, rising from 8.6% to 8.9%, while the Irish rate was unchanged at 9.6%.** Notably, as elsewhere, Irish food price inflation has been on a sharp upward trend in recent months, climbing to 7.7% in July, up from 6.7% in June and 3.5% back in April. In looking at the Irish CPI data, the very high inflation is concentrated in a number of categories that form a large part of household spending. Food, alcohol & tobacco price inflation is running at 8%, housing and utility bills 22%, transport 19% and restaurants & hotels 7.5%. Together, these account for 63% of the CPI. Irish inflation is likely to rise further, with yet more increases in energy bills in particular taking effect in August.
- Expectations remain that CPI rates will fall back sharply next year, a view that is supported by recent trends in leading indicators of inflation.** Oil prices have fallen by 20% since June, with Brent Oil declining from circa \$120 to \$95 per barrel. Most commodity prices have seen similar large declines, including iron ore, lumber and steel. The UN Global Food Commodity Price index fell by 5.8% in July, its fourth consecutive monthly decline. Shipping costs have seen very big falls as indicated by the Baltic Dry Index. Meanwhile, inventory levels are being rebuilt by firms as shown in recent S&P PMI surveys, while Fitch has reported clear signs of an easing in supply chain disruptions in the past couple of months. Both these developments should ease the upward pressure on prices.
- A marked deceleration in the pace of global activity this year is a key factor behind the easing of upstream inflationary pressures in recent months.** With growth set to remain weak next year, this should translate into a sharp fall in CPI inflation during 2023. However, risks remain. Gas prices have risen tenfold in the past year, with further big jumps in the last week on continuing concerns about a shortage of supplies this winter as a result of a big decline in imports from Russia. This is a real worry. Wage inflation has also picked up, increasing the risk of second-round price effects and a wage-price spiral. Thus, central banks are taking nothing for granted and are set to continue on an aggressive rate tightening path in the coming months as they seek to put the inflation genie back into the bottle.
- This week, the flash PMI readings for August in the US, Eurozone and UK will feature.** Last month, the composite PMIs fell below the key 50 mark in the US and the Eurozone, consistent with a contraction in activity. In the UK, the composite measure edged lower but remained in expansion mode. The PMI indices are all expected to weaken further, bar the US services index.
- A slew of other survey data are due in the Eurozone also.** Consumer confidence, which is at an all-time low, is anticipated to edge downwards once again in August. Meantime, a number of key updates in terms of business and consumer confidence from the large Euro-area economies for August, including the bellwether German Ifo will feature. The latest ECB monetary policy meeting account from July will garner some attention as well.
- In the US, Fed Chair Powell's speech at the Jackson-Hole Economic Symposium on Friday will be very much the centre of attention later this week.** The market will be hoping for some updated guidance regarding the magnitude of the rate hike that is on the cards at its next meeting on September 21st. However, the degree of guidance may be limited as the Fed has adapted a data dependent, meeting-by-meeting approach to setting policy. This was very much emphasised in the minutes from its July meeting. Since this meeting, labour market data have remained strong, while CPI inflation data for July showed an unexpected easing. The July core-PCE inflation reading, due Friday is an important release as the central bank contemplates the merits of a 50bps or 75bps hike in September (forecast to fall from 4.8% to 4.7%) Elsewhere, personal income and consumption are projected to rise by 0.6% and 0.4%, respectively in July.



|             | Interest Rate Forecasts |        |        |        |
|-------------|-------------------------|--------|--------|--------|
|             | Current                 | End Q3 | End Q4 | End Q1 |
|             | 2022                    | 2022   | 2022   | 2023   |
| Fed Funds   | 2.375                   | 2.875  | 3.375  | 3.625  |
| ECB Deposit | 0.00                    | 0.50   | 1.00   | 1.25   |
| BoE Repo    | 1.75                    | 2.25   | 3.00   | 3.25   |
| 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 Q3 | End Q4 | End Q1 |
|         | 2022   | 2022   | 2022   | 2023   |
| EUR/USD | 1.0049                                       | 1.02   | 1.03   | 1.05   |
| EUR/GBP | 0.8499                                       | 0.84   | 0.85   | 0.86   |
| EUR/JPY | 137.63                                       | 138    | 141    | 142    |
| GBP/USD | 1.1819                                       | 1.21   | 1.21   | 1.22   |
| USD/JPY | 136.93                                       | 135    | 137    | 135    |

Current Rates Reuters, Forecasts AIB's ERU

| Date              | UK & Irish Time      |              | Release  | Previous       | Forecast        |
|-------------------|----------------------|--------------|--|----------------|-----------------|
| <b>This Week:</b> | <b>ECB Speakers:</b> |              | Panetta (Tue);                                     |                |                 |
|                   | <b>BoE Speakers:</b> |              |  |                |                 |
|                   | <b>Fed Speakers:</b> |              | Kashkari (Tue); <b>Powell (Fri)</b>                |                |                 |
|                   |                      |              | <b>Jackson Hole Economic Symposium (Thurs-Sat)</b> |                |                 |
| <b>Mon 22nd</b>   |                      |              |  |                |                 |
| <b>Tue 23rd</b>   | <b>JPN:</b>          | 01:30        | Flash Jibun Composite PMI (Aug)                    | 50.2           |                 |
|                   | <b>FRA:</b>          | 08:15        | Flash S&P Composite PMI (Aug)                      | 51.7           | 50.8            |
|                   | <b>GER:</b>          | 08:30        | Flash S&P Composite PMI (Aug)                      | 48.1           | 47.4            |
|                   | <b>EU-19:</b>        | 09:00        | Flash S&P Composite PMI (Aug)                      | 49.9           | 49.0            |
|                   |                      |              | - Manufacturing /Services                          | 49.8 / 51.2    | 49.0 / 50.5     |
|                   | <b>UK:</b>           | 09:30        | Flash CIPS / S&P Composite PMI (Aug)               | 52.1           | 51.3            |
|                   |                      |              | - Manufacturing /Services                          | 52.1 / 52.6    | 51.3 / 52.0     |
|                   | <b>US:</b>           | 14:45        | Flash S&P Composite PMI (Aug)                      | 47.7           | 48.5            |
|                   |                      |              | - Manufacturing /Services                          | 52.2 / 47.3    | 51.5 / 49.0     |
|                   | <b>EU-19:</b>        | 15:00        | Flash Consumer Confidence (August)                 | -27.0          | -28.0           |
|                   | <b>US:</b>           | 15:00        | New Home Sales (July)                              | +0.59m / -8.1% | +0.575m / -2.5% |
| <b>Wed 24th</b>   | <b>IRL:</b>          | <b>11:00</b> | <b>Population and Migration Estimates (2022)</b>   |                |                 |
|                   | <b>US:</b>           | 13:30        | Durable Goods (July)                               | +2.0%          | +0.4%           |
|                   | <b>US:</b>           | 15:00        | Pending Home Sales (July)                          | -8.6%          | -5.0%           |
| <b>Thu 25th</b>   | <b>GER:</b>          | 07:00        | GDP (Q2: Detailed Reading)                         | +0.0% (+1.4%)  | +0.0% (+1.4%)   |
|                   | <b>FRA:</b>          | 07:45        | INSEE Business Sentiment (August)                  | 103            |                 |
|                   | <b>GER:</b>          | 09:00        | Ifo Business Climate (August)                      | 88.6           | 86.7            |
|                   | <b>IRL:</b>          | <b>11:00</b> | <b>Labour Force Survey (Q2)</b>                    |                |                 |
|                   |                      |              | - <b>Unemployment rate</b>                         | <b>4.9%</b>    | <b>4.4%</b>     |
|                   | <b>EU-19:</b>        |              | ECB Monetary Policy Account (20th-21st July)       |                |                 |
|                   | <b>US:</b>           | 13:30        | GDP (Q2: Second Reading)                           | -0.9% s.a.a.r. | -0.8% s.a.a.r.  |
|                   | <b>US:</b>           | 13:30        | PCE Prices (Q2: Second Reading)                    | +7.1%          |                 |
|                   |                      |              | - Core-PCE   | +4.4%          |                 |
|                   | <b>US:</b>           | 13:30        | Initial Jobless Claims (w/e 15th August)           | +250,000       |                 |
| <b>Fri 26th</b>   | <b>GER:</b>          | 07:00        | Gfk Consumer Sentiment (September)                 | -30.6          | -31.5           |
|                   | <b>FRA:</b>          | 07:45        | INSEE Consumer Confidence (August)                 | 80             |                 |
|                   | <b>EU-19:</b>        | 09:00        | M3 Annual Growth (July)                            | (+5.7%)        | (+5.6%)         |
|                   | <b>ITA:</b>          | 09:00        | ISTAT Business Confidence (August)                 | 106.7          | 104.5           |
|                   | <b>ITA:</b>          | 09:00        | ISTAT Consumer Confidence (August)                 | 94.8           | 93.0            |
|                   | <b>US:</b>           | 13:30        | Personal Income (July)                             | +0.6%          | +0.6%           |
|                   | <b>US:</b>           | 13:30        | Consumption (July)                                 | +1.1%          | +0.4%           |
|                   | <b>US:</b>           | 13:30        | PCE Prices (July)                                  | +1.0% (+6.8%)  |                 |
|                   |                      |              | - Core-PCE Prices                                  | +0.6% (+4.8%)  | +0.3% (+4.7%)   |
|                   | <b>US:</b>           | 13:30        | Final Uni. Michigan Consumer Sentiment (Aug)       | 55.1           | 55.2            |

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

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