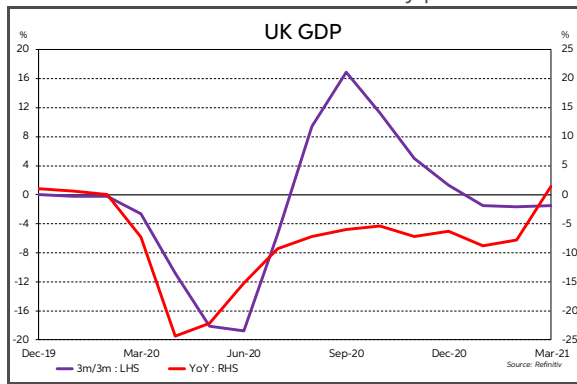


Vax Pack Racing Ahead

- **The mid-year update from the OECD on the world economic outlook , published this week, paints a relatively optimistic picture on the prospects for global growth.** World GDP is projected to rise by 5.8% in 2021 and 4.4% in 2022, having contracted by 3.5% last year. This is a marked upgrade from the projections made at end 2020, which were for global growth of 4.2% and 3.7% in 2021 and 2022, respectively. World trade is recovering strongly and is forecast to grow by 8.2% this year and 5.8% in 2022, having declined by 8.5% in 2020. The OECD, though, highlights that there are marked differences in economic performances across economies. It notes that in many emerging-market economies, slow vaccination deployment, further infection outbreaks and associated containment measures, will continue to hold down growth for some time, especially where the scope for policy support is limited. China is a notable exception, with output rebounding strongly over the past year and expected to remain on a robust growth path in H2 2021 and 2022.
 - **Meanwhile, in the advanced economies, the progressive rollout of vaccines has begun to allow many of the sectors that were severely impacted by containment measures to re-open gradually.** At the same time, additional fiscal stimulus this year is helping to boost demand, reduce spare capacity and lower the risks of sizeable long-term scarring from the pandemic. A large build-up of personal savings over the past year, combined with improved confidence and fewer public health restrictions, should encourage strong growth in household spending. GDP in the OECD area is forecast to rise by 5.3% in 2021, led by a strong upturn in the United States, easing to 3.8% growth in 2022.
 - **The OECD notes that signs of higher input cost pressures have appeared in recent months.** However, it believes that sizeable spare capacity throughout the world should prevent a significant and sustained pick-up in underlying inflation. The recent upturn in headline inflation rates reflect the recovery of oil and other commodity prices, a surge in shipping costs, the normalisation of prices in hard-hit sectors, and one-off factors such as tax changes. It expects these upward pressures on prices to ease. Furthermore, unemployment and employment rates are not expected to return to their pre-pandemic levels until 2023, at the earliest, in many countries. This should also contain the rise in inflationary pressures.
 - **The OECD notes that there are significant upside and downside risks to its forecasts.** A major uncertainty is the epidemiological outlook and the pace of vaccine deployment. A key downside risk is that the speed of vaccine distribution will not be fast enough to stop the spread of the virus or prevent the emergence of new variants. In such instances, confidence and private sector spending would fall, especially, if restrictions needed to be re-introduced. On the upside, the extent to which household saving rates are normalised and accumulated excess savings in 2020 are spent may prove greater than anticipated. Overall, the OECD believes that the distribution of risks around its projections have become more balanced, following the successful development and ongoing rollout of vaccines.
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UK GDP

Y-axis: % (LHS: 3m/3m, RHS: YoY)

X-axis: Dec-19, Mar-20, Jun-20, Sep-20, Dec-20, Mar-21

Source: Refinitiv
- **This week, the main focus will be the ECB monetary policy meeting for June.** A tricky test of the banks communication skills awaits. The latest economic forecasts will likely show an upward revision to GDP for this year and next, owing to better than expected data so far in 2021. However, the inflation outlook is likely to stay subdued, as the core rate printed at just 0.9% in May. Despite the ECB increasing the pace of bond purchases in Q2, Eurozone yields drifted higher, and spreads wider. Although, they have recently moved back lower, as a number of Governing Council members emphasised that strengthening activity will not trigger early monetary policy tightening. They argue rising bond yields reflect the re-opening of the economy, while fears of permanently higher inflation are misplaced. The ECB will have to continue to balance its message of an improved economic outlook with the need to maintain favourable financing conditions. As such, the central bank is not expected to alter the pace of asset purchases under its PEPP this summer.
 - **In the UK, the April reading of GDP will be the highlight.** The forecast is for output to rise by 2.4% in the month, having increased by 2.1% in March. A strong rebound is expected in the UK, due to the quick paced vaccine roll out, which has allowed for a gradual re-opening of the economy. Industrial output, is projected to rise by 1.2% led by a 1.5% increase in manufacturing. However, this would leave production just 0.6% below its pre-pandemic level.
 - **Meanwhile, in the US, CPI inflation (May) will garner close attention.** In April, headline CPI jumped by 0.8% in the month, lifting the annual rate to 4.2%. The core rate also rose sharply to 3.0% as underlying price pressures firmed, largely due to supply chain bottlenecks. The consensus is for a 0.4% m/m rise in both the headline rate, and the core rate in May, lifting them to 4.6% y/y and 3.4% y/y, respectively. Meantime, the Michigan measure of consumer sentiment index is expected to edge higher to 84.0 in June, having declined unexpectedly in May.

	Interest Rate Forecasts			
	Current	End Q2	End Q3	End Q4
	2021	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	2021
EUR/USD	1.2168	1.21	1.21	1.20
EUR/GBP	0.8576	0.86	0.87	0.87
EUR/JPY	133.21	132	132	131
GBP/USD	1.4185	1.41	1.39	1.38
USD/JPY	109.44	109	109	109

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time		Release	Previous	Forecast
This Week:	ECB Speakers:				
	BoE Speakers:		Haldane (Tue); Haldane (Thu)		
	Fed Speakers:				
Mon 7th	GER:	07:00	Industrial Orders (April)	+3.0%	+1.0%
	UK:	08:30	Halifax House Prices (May)	+1.4% (+8.2%)	+1.2% (+10.0%)
	EU-19:	09:30	Sentix Index (June)	21.0	26.0
Tue 8th	UK:	00:01	BRC Retail Sales (May)	(+39.6%)	
	JPN:	00:50	GDP (Q1: Final Reading)	-1.3% (-5.1%)	-1.2% (-4.8%)
	JPN:	06:00	Economy Watchers Poll (May)	39.1	
	GER:	07:00	Industrial Output (April)	+2.5% (+4.9%)	+0.7% (-29.1%)
	FRA:	07:45	Trade Balance (April)	-€6.1bn	
			- Exports	+€40.0bn	
	ITA:	09:00	Retail Sales (April)	(+22.9%)	
	GER:	10:00	ZEW Economic Sentiment (June)	84.4	85.3
	EU-19:	10:00	GDP (Q1 Final Reading)	-0.6% (-1.8%)	-0.6% (-1.8%)
	EU-19:	10:00	Employment (Q1 Final Reading)	-0.3% (-2.1%)	-0.3% (-2.1%)
	US:	11:00	NFIB Business Optimism (May)	99.8	
	US:	13:30	International Trade (April)	-\$74.4bn	-\$69.0bn
	US:	15:00	JOLTS Job Openings (April)	8.1m	
Wed 9th	CHINA:	02:30	PPI (May)	(+6.8%)	
	CHINA:	02:30	CPI (May)	-0.3% (+0.9%)	
	GER:	07:00	Trade Balance (April)	+€14.3bn	+€16.0bn
			- Exports	+1.2%	+0.5%
Thu 10th	UK:	00:01	RICS Housing Survey (May)	75	76
	FRA:	07:45	Industrial Output (April)	+0.8%	+0.5%
	ITA:	09:00	Industrial Output (April)	-0.1% (+37.7%)	+0.3% (+72.1%)
	IRL:	11:00	CPI (May)	+0.7% (+1.1%)	+0.2% (+1.7%)
	EU-19:	12:45	ECB Refi Rate (June)	+0.00%	+0.00%
			- Deposit Rate	-0.50%	-0.50%
	EU-19:	13:30	ECB Press Conference		
	US:	13:30	CPI (May)	+0.8% (+4.2%)	+0.4% (+4.6%)
			- Core	+0.9% (+3.0%)	+0.4% (+3.4%)
US:	13:30	Initial Jobless Claims (w/e 31st May)	+385,000	+368,000	
Fri 11th	UK:	07:00	GDP (April)	+2.1% (+1.4%)	+2.4% (+27.9%)
	UK:	07:00	Industrial Production (April)	+1.8% (+3.6%)	+1.2% (+30.2%)
			- Manufacturing	+2.1% (+4.8%)	+1.5% (+42.0%)
	UK:	07:00	Goods Trade Balance (April)	-£11.7bn	-£12.2bn
			- Non-EU	-£6.5bn	
	SPA:	08:00	Final HICP (May)	+0.5% (+2.4%)	+0.5% (+2.4%)
	US:	15:00	Prelim. Michigan Consumer Sentiment (June)	82.9	84.0

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

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