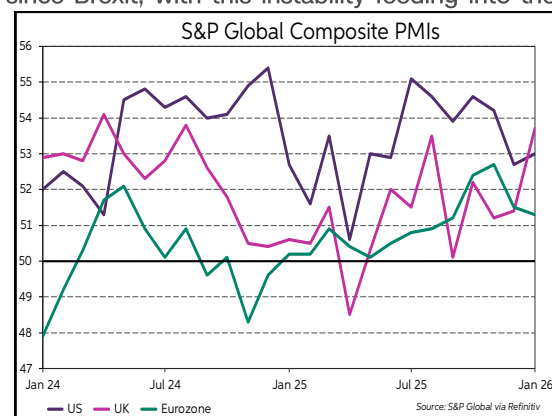


## Lucky number seven?

- **In recent months, incoming macro data suggest the global economy continues to grow at a solid pace, despite the heightened uncertainty related to US trade and economic policy.** Indeed, this week's US payrolls numbers were a positive surprise, with 130,000 jobs created in January, and unemployment falling to 4.3%. However, digging a little deeper, shows a more fragile picture. Healthcare accounted for the vast majority of jobs gains in January, and over the past year, while other major sectors like retail, manufacturing and government have contracted. Annual benchmark revisions also saw the average monthly change of 49,000 last year revised down to just 15,000 jobs. Nevertheless, despite the clear signs of weakness in the labour market, other activity indicators suggest the US economy continues to move along robustly.
- **A key driver of this resilience has been the surge in AI-related investment.** Technology investment as a share of US GDP has risen to the highest level since 2001. Although this surge has been concentrated in the US, it is also generating spillovers globally, most notably to Asia's computer and chip exports, and in the investment of European firms in adopting the technology. Therefore, the upside surprise to global growth in the last year was driven by business investment rather than consumption. If this surge in investment ultimately boosts the productive capacity of the economy, then GDP growth could be structurally higher in the medium term. However, given the narrow growth base there are also downside risks if the predicted productivity gains are more slowly realised.
- **In Europe, activity remains subdued outside of the spike in exports to the US in 2025 ahead of tariffs.** Ongoing geopolitical uncertainty has dampened consumer and business confidence though. Furthermore, most indicators suggest growth remained weak in the Eurozone and UK at the end of last year. Indeed, this week's UK GDP numbers confirmed a loss of momentum in Q4 2025, which was not surprising, given the negativity around another tax-raising budget in November. The 0.1% quarterly gain was below consensus (+0.2%), leaving annual growth at just 1%, a sharp slowdown from the near 2% rate at the turn of 2025.
- **Forward-looking indicators point to continued muted growth in early 2026, with the current flare up in political uncertainty around the future of the Prime Minister a further risk to confidence.** A replacement of PM Starmer in the coming months would see the UK parliament elect its seventh Prime Minister in the decade since Brexit, with this instability feeding into the volatility of sterling and gilt markets in recent years.
- **Turning to the week ahead, a busy data schedule will provide a further update on economic conditions in the UK.** Regarding the labour market, conditions softened throughout last year. The unemployment rate increased steadily, from 4.4% at the start of the year to 5.1% in October/November, its highest level since January 2021. Against this backdrop, wage inflation cooled, but remained elevated, with average earnings growth fell to +4.7% y/y in the three months to November. The consensus is for the jobless rate to stay at 5.1% in December, while wage inflation is set to ease marginally to +4.6% y/y. Similarly, CPI inflation is expected to edge slightly lower in January, with the headline rate falling to 3.0% and the core rate to 3.1%. Meanwhile, a modest 0.2% m/m increase in retail sales is pencilled in for January.
- **In terms of more timely data, the flash reading of the UK PMIs for February are due.** Similar to elsewhere, the services sector has been outperforming manufacturing, albeit the gap between the two appears to have narrowed recently. This trend is set to continue in February, with the former edging back to 53.6 and the latter staying at 51.8. Meantime, in the Eurozone, a modest improvement is anticipated for both sector readings. Crucially, the manufacturing PMI is forecast to rise to the 50.0 mark, indicating a stabilisation of conditions this month. At the same time, the US PMIs are also expected to increase in February, despite already being firmly in expansion mode.
- **Elsewhere in the US, the macro calendar is quite full.** Most notably, the December reading of core-PCE inflation will be released on Friday. The consensus is for a slight increase to 2.9% from 2.8% in the month. The aforementioned rise in core-PCE inflation is caused by a 0.3% m/m increase, which means that the expected 0.3% m/m jump in nominal personal income and the 0.4% rise in consumption, is much less impressive in real terms. Meanwhile, the first estimate of GDP for Q4 is expected to show the US economy expanded by 3.0% annualised in the quarter, down from 4.4% in Q3. On the monetary policy front, the minutes from the January FOMC meeting will garner close attention, as investors look for insights on the future path of interest rates. Finally, US industrial production is forecast to maintain solid momentum in January, with output rising by 0.3%, following consecutive 0.4% monthly increases in November and December. **In the Eurozone, aside from the PMIs, industrial production (Dec) will also feature, as will the flash reading of consumer confidence (Feb).**



	Interest Rate Forecasts			
	Current	End Q1	End Q2	End Q3
		2026	2026	2026
Fed Funds	3.625	3.625	3.375	3.125
ECB Deposit	2.00	2.00	2.00	2.00
BoE Repo	3.75	3.75	3.50	3.25
BoJ OCR	0.75	0.75	1.00	1.00
Current Rates Reuters, Forecasts AIB's ERU				

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q1	End Q2	End Q3
		2026	2026	2026
EUR/USD	1.1862	1.19	1.20	1.20
EUR/GBP	0.8704	0.87	0.88	0.88
EUR/JPY	181.48	185	186	185
GBP/USD	1.3625	1.37	1.36	1.36
USD/JPY	152.98	155	155	154
Current Rates Reuters, Forecasts AIB's ERU				

Date	UK & Irish Time (GMT+1)		Release	Previous	Forecast
<b>This Week:</b>	<b>ECB Speakers:</b>		Schnabel (Wed); Cipollone, de Guindos (Thu); <b>Lagarde</b> (Fri)		
	<b>BoE Speakers:</b>		<b>Bailey</b> (Tue)		
	<b>Fed Speakers:</b>		Bowman (Mon); Daly (Tue); Bostic, Kashkari (Thu); Bostic (Fri)		
<b>Mon 16th</b>	<b>US:</b>		<b>President's Day (Market Holiday)</b>		
	<b>EU-21:</b>	10:00	Industrial Production (December)	+0.7% (+2.5%)	-1.5% (+1.3%)
<b>Tue 17th</b>	<b>GER:</b>	07:00	Final HICP Inflation (January)	-0.1% (+2.1%)	-0.1% (+2.1%)
	<b>UK:</b>	07:00	Unemployment Rate (December)	5.1%	5.1%
	<b>UK:</b>	07:00	HMRC Payrolls (January)	-43,000	
	<b>UK:</b>	07:00	Claimant Count (January)	+17,900	
	<b>UK:</b>	07:00	Average Earnings (December)	(+4.7%)	(+4.6%)
			- Ex-Bonus	(+4.5%)	(+4.2%)
	<b>GER:</b>	10:00	ZEW Economic Sentiment (February)	59.6	65.0
	<b>US:</b>	13:30	NY Fed / Empire State Index (February)	7.70	6.95
	<b>US:</b>	15:00	NAHB Homebuilder Sentiment (February)	37.0	
<b>Wed 18th</b>	<b>UK:</b>	07:00	CPI Inflation (January)	+0.4% (+3.4%)	-0.5% (+3.0%)
			- Core-CPI Inflation	+0.3% (+3.2%)	-0.7% (+3.1%)
			- Services CPI	+0.4% (+4.5%)	(+4.3%)
	<b>FRA:</b>	07:45	Final HICP Inflation (January)	-0.4% (+0.4%)	-0.4% (+0.4%)
	<b>IRE:</b>	<b>11:00</b>	<b>Residential Property Price Inflation (Dec)</b>	<b>+0.3% (+6.6%)</b>	<b>+0.3% (+6.3%)</b>
	<b>US:</b>	13:00	Durable Goods (December)	5.3%	-1.6%
			- Ex-Transport	+0.4%	+0.4%
			- Ex-Defence	+6.5%	
	<b>US:</b>	13:30	Housing Starts (December)	1.25m / -4.6%	1.31m / -7.5%
			- Building Permits	1.411m / -0.3%	
	<b>US:</b>	14:15	Industrial Production (January)	+0.4%	+0.3%
			- Manufacturing Output	+0.2%	
			- Capacity Utilisation	76.3%	76.5%
	<b>US:</b>	19:30	Fed FOMC Meeting Minutes (27-28th January)		
<b>Thu 19th</b>	<b>IRE:</b>	<b>11:00</b>	<b>Labour Force Survey (Q4 2025)</b>		
	<b>IRE:</b>	<b>11:00</b>	<b>CPI Inflation (January)</b>	<b>+0.5% (+2.8%)</b>	<b>-0.1% (+2.6%)</b>
			<b>- Final HICP Inflation</b>	<b>Flash: -0.1% (+2.6%)</b>	<b>-0.1% (+2.6%)</b>
	<b>US:</b>	13:30	Initial Jobless Claims (w/e 9th February)	+227,000	+225,000
	<b>US:</b>	13:30	Philly Fed Business Index (February)	12.6	9.9
	<b>EU-21:</b>	15:00	Flash Consumer Confidence (February)	-12.4	-11.5
	<b>JPN:</b>	23:30	CPI Inflation (January)	(+2.4%)	
			- Core-CPI	(+2.1%)	(+2.0%)
<b>Fri 20th</b>	<b>UK:</b>	07:00	Retail Sales (January)	+0.3% (+2.5%)	+0.3% (+2.8%)
			- Ex-Fuel	+0.3% (+3.1%)	+0.2% (+3.5%)
	<b>FRA:</b>	08:15	Flash HCOB Composite PMI (February)	49.1	49.6
	<b>GER:</b>	08:30	Flash HCOB Composite PMI (February)	52.1	52.2
	<b>EU-21:</b>	09:00	Flash HCOB Composite PMI (February)	51.3	51.5
			- Manufacturing / Services	49.5 / 51.6	50.0 / 52.0
	<b>UK:</b>	09:30	Flash S&P Composite PMI (February)	53.7	53.4
			- Manufacturing / Services	51.8 / 54.0	51.8 / 53.6
	<b>US:</b>	13:30	Personal Income / Consumption (December)	+0.3% / +0.5%	+0.3% / +0.4%
	<b>US:</b>	13:30	PCE Prices (December)	+0.2% (+2.8%)	+0.3% (+2.8%)
			- Core-PCE Prices	+0.2% (+2.8%)	+0.3% (+2.9%)
	<b>US:</b>	13:30	GDP (Q4: Advanced Reading)	+4.4% S.a.a.r.	+3.0% S.a.a.r.
	<b>US:</b>	14:45	Flash S&P Composite PMI (February)	53.0	53.1
			- Manufacturing / Services	52.4 / 52.7	52.6 / 53.0
	<b>US:</b>	15:00	Final Uni. Michigan Consumer Sentiment (Dec)	57.3	57.3

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

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