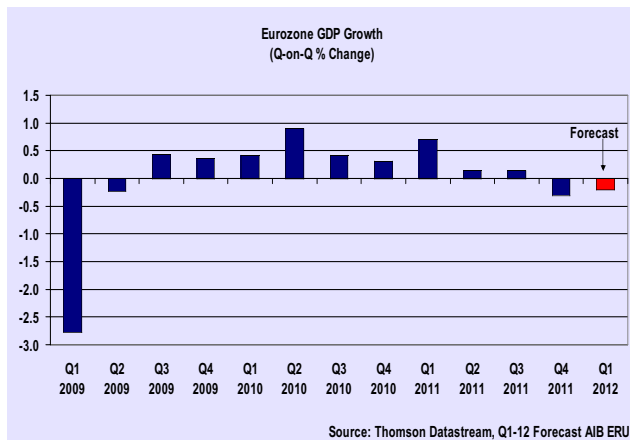


Highlights for the Week Ahead

- **The euro was under pressure going into the weekend, with this situation unlikely to change until we see some positive developments with regards to the Greek political impasse.** A positive conclusion to talks, however, could see the euro move back above the \$1.30 level versus the dollar.
- **Aside from politics, another key challenge for the euro this week will be Tuesday's release of the first estimate of eurozone Q1 GDP data.** The general expectation is that the data will confirm that the region has slipped back into technical recession.



- **After a contraction of 0.3% in Q4-2011, output is forecast to fall by 0.2%.** It had been hoped that the downturn in activity would be confined to two quarters but lead indicators are suggesting that the economy is likely to contract in Q2 as well, with unemployment on the rise again since last summer. This paints a difficult backdrop for the region as it looks to continue with its fiscal consolidation plans. Other data in the region this week include the German ZEW index for this month, March eurozone industrial production plus the eurozone final HICP for April. The latter should confirm the flash estimate of 2.6%.
- **In the US, a busy data schedule includes retail sales, CPI and industrial production reports for April, with the data likely to be closely analysed as markets look for clues on the policy front.** The housing market will also be in focus with housing starts and permits for April also due for release. Meanwhile, lead indicators for May include the Empire State and Philly Fed (manufacturing) indices, as well as the NAHB housebuilders' sentiment survey. The latest weekly jobless claimant numbers will also be of interest for indications of the latest unemployment trends.
- **The Bank of England's Quarterly Inflation Report is due for release on Wednesday.** This will contain updated growth and inflation forecasts and provide a good steer for markets on the MPC's latest thinking on the policy front. Growth forecasts could be revised downward, while near term inflation projections are likely to be revised upwards to reflect the impact of energy prices. Any further indication from the MPC that policy is on hold from here could provide a further boost to an already buoyant GBP, especially versus the euro if the Greek political situation remains a problem. **On the data front, meanwhile, there is little of note in the UK this week, with trade data for March and last month's labour market report** the main features.
- **The first estimate of Q1 GDP also features in Japan this week.** The economy has had a bumpy ride since last year's earthquake and tsunami but following a contraction of 0.2% in Q4-2011, growth is expected to be a solid 0.9% for the period, with reconstruction spending and a recovery in exports helping boost activity. This would translate into a 3.5% annualised growth rate, considerably stronger than the 2.2% seen in the US for the same period. **Other data of note from Japan include machinery orders for March.** The data are seen as a good lead indicator for private capital spending, one area of the economy that is likely to have remained weak in Q1.

	Interest Rate Forecasts			
	Current	End Q2	End Q3	End Q4
	2012			
Fed Funds	0-0.25	0-0.25	0-0.25	0-0.25
ECB Refi	1.00	1.00	1.00	1.00
BoE Repo	0.50	0.50	0.50	0.50
BoJ OCR	0-0.1	0-0.1	0-0.1	0-0.1

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q2	End Q3	End Q4
	2012			
US\$/EUR	1.2925	1.32	1.32	1.34
STG/EUR	0.8034	0.82	0.82	0.83
YEN/EUR	103.23	107	108	111
US\$/STG	1.6079	1.61	1.61	1.61
YEN/US\$	79.87	81	82	83

Current Rates Reuters, Forecasts AIB's ERU



ECONOMIC DIARY

Monday 14th May - Friday 18th May 2012



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	Date	UK & Irish Time (GMT+1)	Release	Previous ◆	Forecast ◆
	This Week:	Fed Speakers:	Duke (Tuesday); Bullard (Wednesday); Bullard (Thursday)		
		ECB Speakers:	Noyer (Monday); Draghi, Gonzalez-Paramo (Wednesday)		
	Mon 14th	EU:	Eurogroup/ECOFIN Finance Ministers' Meetings (To Tuesday 15th)		
		JPN: 00.50	Domestic Wholesale Prices (April)	+0.6% (+0.6%)	+0.1% (-0.3%)
		GER: 07.00	Wholesale Prices (April)	+0.9% (+2.2%)	+0.4% (+2.3%)
		ITL: 09.00	Final CPI (April)	+0.5% (+3.3%) (p)	+0.5% (+3.3%)
			- HICP	+0.9% (+3.8%) (p)	+0.9% (+3.8%)
		EU-17: 10.00	Industrial Production (March)	+0.5% (-1.8%)	+0.4% (-1.2%)
	Tues 15th	JPN: 06.00	Consumer Confidence (April)	40.3	
		FRN: 06.30	Preliminary GDP (Q1)	+0.2%	0.0%
		FRN: 06.30	Final HICP (April)	+0.9% (+2.6%)	+0.2% (+2.5%)
		GER: 07.00	Flash GDP (Q1)	-0.2% (+1.5%)	+0.1% (+0.8%)
		ITL: 09.00	Preliminary GDP (Q1)	-0.7% (-0.4%)	-0.6% (-1.1%)
		UK: 09.30	Trade Balance (March)	£-8.77bn	£-8.4bn
			- Non EU Trade Balance	£-5.02bn	£-4.65bn
		EU-17: 10.00	Flash GDP (Q1)	-0.3% (+0.7%)	-0.2% (-0.2%)
		GER: 10.00	ZEW Index (May)	23.4	19.0
		US: 13.30	CPI (April)	+0.3 (+2.7%)	+0.1% (+2.3%)
			- Core CPI	+0.2% (+2.3%)	+0.2% (+2.3%)
		US: 13.30	Retail Sales (April)	+0.8%	+0.2%
			- Core Retail Sales	+0.8%	+0.2%
		US: 13.30	Empire State/NY Fed Mfg Index (May)	6.56	9.65
		US: 14.00	Net Capital Inflows (March)	\$10.1bn	
		US: 15.00	Business Inventories (March)	+0.6%	+0.4%
		US: 15.00	NAHB House Builders' Sentiment (May)	25	26
	Wed 16th	JPN: 00.50	Core Machinery Orders (March)	+4.8% (+8.9%)	-3.5% (+4.4%)
		UK: 09.30	Claimant Count (April)	+3,600	+5,000
			- ILO Unemployment Rate (March)	8.3%	8.3%
		UK: 09.30	Average Earnings (3 Mths to March)	(+1.1%)	(+1.0%)
			- Ex Bonuses	(+1.6%)	(+1.4%)
		EU-17: 10.00	Final HICP (April)	+1.3% (+2.7%)	+0.5% (+2.6%)
		UK: 10.30	BoE Publishes Quarterly Inflation Report		
		IRL: 11.00	Trade Balance (March)	€3.62bn	€3.40bn
		US: 13.30	Housing Starts (April)	0.654m s.a.a.r. / -5.8%	0.68m / +4.0%
			- Permits	0.764m s.a.a.r. / +6.9%	0.725m / -5.1%
		US: 14.15	Industrial Production (April)	+0.0%	+0.6%
			- Capacity Utilisation	78.6	79.0
	Thurs 17th	JPN: 00.50	Preliminary GDP (Q1)	-0.2% / -0.7% s.a.a.r.	+0.9% / +3.5%
		US: 13.30	Weekly Jobless Claims (w/e 12th May)	367,000	365,000
		US: 15.00	Philly Fed Index (May)	8.5	11.0
		US: 15.00	Leading Indicators (April)	+0.3%	+0.1%
	Fri 18th	G8:	G8 Summit (To Saturday 19th)		
		GER: 07.00	PPI (April)	+0.6% (+3.3%)	+0.3% (+2.6%)
		ITL: 09.00	Industrial Orders (March)	-2.5% (-13.2%)	

◆ 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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