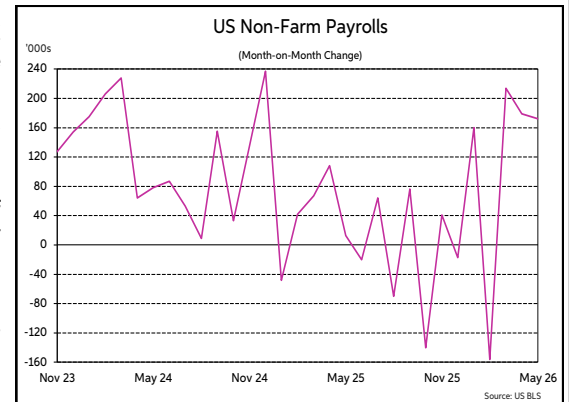


Burnham baby burn

- The removal of yet another UK Prime Minister raises the risk of a further shift in economic policy.** Nonetheless, bond markets remain becalmed for now, as investors await details on the political programme of the expected successor Andy Burnham. What little detail given by the prospective PM has majored on areas such as re-nationalising private utility companies, boosting public sector investment, and a further push towards devolution of powers to regional authorities. Burnham's record as Mayor of Greater Manchester has also been marked by a consensual approach between public and private sectors, suggesting his premiership may not see too significant of a lurch to the left versus the current administration. He has also committed to operating within the bounds of the existing fiscal rules set down by Chancellor Rachel Reeves less than two years ago.
- Nonetheless, the incoming PM will face the same economic challenges of his predecessor, with economic growth moribund, public debt set to rise further, inflation consistently above target for five years, and the Bank of England forced to maintain interest rates at near 4%.** Indeed, in the first two months of the UK fiscal year in April and May, government borrowing is already well above what was forecast by the Office for Budget Responsibility in March. **While the fall in oil prices and inflation could help to unwind some of this fiscal overshoot, the uncertainty created by the change of Government could see GDP growth and tax revenues disappoint expectations for the rest of 2026.** Businesses and households could potentially hold back on investment and spending decisions ahead of a first budget statement in the Autumn by an expected new Chancellor.
- On the tenth anniversary of Brexit, business investment stands out as the most obvious area of damage following the rupture with the EU market.** While services exports from the UK have held up well, goods exports have fallen, as UK firms have faced increased red tape and costs in trading with EU countries. Alongside other shocks such as Covid and the Ukraine war, Brexit has dampened private sector investment in the UK economy in recent years, which has likely fed into structurally weaker productivity growth. Indeed, over a longer time frame, UK investment trends have even lagged the less-than-stellar Eurozone, averaging around 17% of GDP between 2009-2024, compared to 20% in the currency bloc. With the UK economy underinvesting in its 'supply side', inflation has taken root to a greater extent than other G7 countries. This daunting economic inheritance is what faces Burnham and his new Chancellor in the coming months.
- Turning to the week ahead, the main highlight of a holiday shortened week in the US will be the labour market report for June.** Overall, conditions in the jobs market have firmed in recent months. Payrolls have increased sharply in the last three months. Between March and May, payrolls expanded by 188k per month on average. This compares to an average of just 12k per month last year and 168k per month during 2024. At the same time, the unemployment rate has oscillated between 4.3-4.5% since July. It is currently at the bottom of this range. The consensus is for a more modest, albeit a still solid increase of 110k in payrolls in June, while the unemployment rate is set to stay at 4.3%. Against that backdrop, wage inflation is expected to rise, with average earnings growth accelerating to +3.5% y/y in Q2. Elsewhere in the US, the manufacturing ISM is forecast to be unchanged, at 54.0 in June.
- In the Eurozone, the focus will be on the flash reading of inflation for June.** Price pressures appeared to be relatively stable in the region ahead of the recent surge in energy prices. Following a gradual downtrend in the first half of 2025, inflation remained in and around the ECB's 2% target rate for a number of months. Meantime, the core rate averaged 2.5% in 2025. However, amid the war in the Middle East, headline inflation has increased sharply in the past three months. It rose from 1.9% in February to 2.6% in March, and to 3.0% in April, before moving higher again to 3.2% in May. In contrast though, the core rate has edged only slightly higher, and stood at just 2.3% in May, having printed at 2.1% in April, its lowest level since October 2021. Investors will be paying close attention to the release for any evidence of a potential broadening of inflationary pressures. The headline rate is expected to slow to 3.0% in June, while the core rate is projected to stay at 2.3%. Meanwhile, a modest improvement is pencilled in for the EC sentiment indices in June. In terms of more lagging indicators, the Eurozone unemployment rate is expected to inch slightly higher to 6.4% from 6.3% in April. On the monetary policy front, the ECB Forum on Central Banking will feature speeches and panel discussions from a number of central bank officials. The final panel discussion of the symposium will include ECB President Lagarde, BoE Governor Bailey and Fed Chair Warsh. President Lagarde and BoE Governor Bailey appear together at a separate even on Friday also.
- In the UK, the macro calendar is barren this week.** However, a slew of Irish macro updates are due. They include the flash reading of HICP inflation, the monthly unemployment rate, the manufacturing and services PMIs, as well as the Exchequer figures, for June. Retail sales (May) and the full year national accounts data for 2025 will be released as well.



	Interest Rate Forecasts			
	Current	End Q2	End Q3	End Q4
		2026	2026	2026
Fed Funds	3.625	3.625	3.625	3.625
ECB Deposit	2.25	2.25	2.50	2.50
BoE Repo	3.75	3.75	3.75	3.75
BoJ OCR	1.00	1.00	1.00	1.25

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q2	End Q3	End Q4
		2026	2026	2026
EUR/USD	1.1420	1.18	1.19	1.20
EUR/GBP	0.8634	0.87	0.88	0.88
EUR/JPY	184.56	185	187	187
GBP/USD	1.3223	1.36	1.35	1.36
USD/JPY	161.59	157	157	156

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
This Week:	ECB Speakers:	Lagarde (Mon); Vujčić, Schnabel, Cipollone, Lane (Tue); Cipollone, Lane, Lagarde (Wed); Lagarde (Fri)		
	BoE Speakers:	Pill (Mon); Breeden (Tue); Bailey (Wed); Mann (Thu); Bailey (Fri)		
	Fed Speakers:	Warsh (Wed)		
Mon 29th	SPA: 08:00	Flash HICP Inflation (June)	+0.1% (+3.6%)	
	EU-21: 09:00	M3 Annual Money Growth (May) - Loans to Households	(+2.7%) (+3.0%)	(+2.7%)
	EU-21: 10:00	EC Business Climate (June)	-0.26	
	EU-21: 10:00	EC Economic Sentiment (June) - Consumer / Industrial / Services	93.5 -17.7 / -8.0 / 2.2	94.3 -17.7 / -7.0 / 2.9
	IRE: 11:00	Retail Sales (May)	-0.2% (-0.5%)	
Tue 30th	JPN: 00:30	Unemployment Rate (May)	2.5%	2.5%
	JPN: 00:30	Jobs/Applicants Ratio	1.18	1.18
	UK: 07:00	GDP (Q1: Final Reading)	+0.6% (+1.1%)	+0.6% (+1.1%)
	FRA: 07:45	Flash HICP Inflation (June)	+0.1% (+2.8%)	+0.0% (+2.1%)
	GER: 08:55	Unemployment Rate (June)	6.3%	6.4%
	ITA: 10:00	Flash HICP Inflation (June)	+0.3% (+3.2%)	
	IRE: 11:00	Flash HICP Inflation (June)	-0.2% (+3.5%)	
	GER: 13:00	Flash HICP Inflation (June)	-0.1% (+2.7%)	+0.1% (+2.6%)
	US: 15:00	Conference Board Consumer Confidence (Jun)	93.1	94.8
	US: 15:00	JOLTS Job Openings (May)	7.62m	7.30m
Wed 1st	IRE: 01:01	AIB Irish Manufacturing PMI (June)	55.9	
	EU-21: 09:00	Final S&P Manufacturing PMI (June)		
	EU-21: 10:00	Flash HICP Inflation (June) - Ex-Food & Energy - Ex-Food, Energy, Alcohol & Tobacco	(+3.2%) (+2.3%) +0.3% (+2.6%)	(+3.0%) (+2.3%) (+2.6%)
	IRE: 11:00	Unemployment Rate (June)	4.9%	
	US: 13:15	ADP National Employment (June)	122,000	113,000
	US: 15:00	ISM Manufacturing PMI (June)	54.0	54.0
Thu 2nd	EU-21: 10:00	Unemployment Rate (May)	6.3%	6.3%
	IRE: 11:00	Annual National Accounts (2025) - Modified Domestic Demand	+4.9%	
	US: 13:30	Non-Farm Payrolls (June) - Unemployment Rate - Average Earnings	172,000 4.3% +0.3% (+3.4%)	110,000 4.3% +0.3% (+3.5%)
	US: 13:30	Initial Jobless Claims (w/e 22nd June)	+215,000	+220,000
Fri 3rd	US:	Independence Day Public Holiday		
	IRE: 01:01	AIB Irish Services PMI (June)	50.8	
	JPN: 01:30	Final S&P Composite PMI (June)	52.5	52.5
	FRA: 08:50	Final HCOB Composite PMI (June)	47.6	47.6
	GER: 08:55	Final HCOB Composite PMI (June)	48.0	48.0
	EU-21: 09:00	Final HCOB Composite PMI (June) - Final HCOB Services PMI	49.5 48.9	49.5 48.9
	UK: 09:30	Final S&P Composite PMI (June) - Final S&P Services PMI	49.4 48.7	49.4 48.7
	IRE: 17:30	Exchequer Returns (June)	-€2.3bn	

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