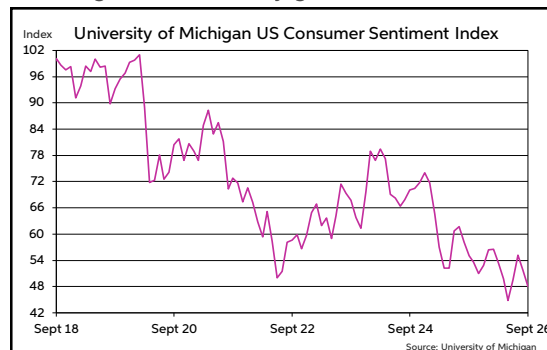


Ode to Joy

- **Amid a plethora of announcements by the new UK Prime Minister in a major speech at his party conference, the most consequential for European partners was the commitment to re-visit the UK's relationship with the EU.** PM Andy Burnham even opened the door to going “all the way” towards full EU membership. With Burnham seeking to fund new social programmes via tweaks to the pension system - and potentially - tax rises in the upcoming budget, driving stronger growth will be imperative for his new government. While no silver bullet exists, re-joining the EU could be as close as it gets.
- **A recent research paper provides evidence of the damage the Brexit vote has caused the UK economy.** The paper, “The Economic Impact of Brexit”, published in the National Bureau of Economic Research estimates that Brexit has reduced UK GDP by between 6-8%, lowered investment by 12-18%, cut employment by 3-4% and dampened productivity by 3-4%. This exceeds predictions made around the time of the referendum, when economists estimated a leave vote could lower GDP by between 4-6%.
- **These estimates are subject to debate and are based on counterfactual analyses.** Indeed, in some respects, the UK government has been freer to negotiate new trade deals, including a favourable tariff rate from the US in 2025. However, in terms of trade - gravity matters. The EU market is on the UK's doorstep, and firms selling into that market have long-held relationships and institutional knowledge. In that context, trade deals with large economies such as India and Australia have been a boon to certain sectors, but the combined weight of these post-Brexit arrangements are unlikely to offset the negative impact of trade barriers with the UK's largest trade partner in the EU.
- **Given the current geopolitical context, the EU might be more open to some bespoke arrangements on a path to full membership, evidenced by the recent announcements on Canadian “associate membership”.** A re-entry to the customs markets could be a logical first step, ahead of more challenging discussions and concessions if the UK sought to re-join the single market or move towards full membership. These interim steps could even be concluded ahead of a full domestic debate and necessary referendum on seeking to re-join the bloc – a ‘try before you buy’ arrangement.
- **The early test of the détente will come at the EU-UK summit in November, when both sides will seek to make progress on public procurement, defence, and migration.** While France and Spain have indicated an openness to a potential “Breturn”, the question remains whether all EU members will be willing to concede any ground to welcome the UK back to the club.
- **Turning to the week ahead, the macro calendar is relatively limited on both sides of the Atlantic.** On the monetary policy front, the ECB meeting account and the Fed FOMC meeting minutes from September will be in focus. Both central banks unanimously voted to hike rates last month, and market pricing indicates that they are expected to raise rates further before year end. As a result, investors will examine the releases for any guidance regarding the pace and level of rate hikes in the coming months. Remarks from a number of central bank officials from the ECB, Fed and BoE - including Governor Bailey, will also warrant close attention.
- **In terms of the data, the only release of note in the US will be the Michigan measure of consumer sentiment for October and the non-manufacturing ISM for September.** Consumer sentiment has been moribund for the past two years, and it has remained at quite weak levels in 2026 amid renewed concerns of inflation. Indeed, the index printed at an all-time low in May, and registered its second lowest reading ever in August. However, it should be noted that retail sales and other measures of household spending have remained robust in recent months. A slight deterioration is pencilled in for sentiment in October. Meantime, the non-manufacturing ISM is forecast to edge marginally lower but stay firmly in expansion mode in September.
- **In the Eurozone, retail sales figures for August are due.** The consensus is for a modest rebound of 0.4% m/m following a sharp 0.6% m/m contraction un July. Elsewhere, German industrial order and production data will feature. Orders are projected to contract by 0.8% in August, following a sharp 2.5% uplift in July but production is expected to increase by 0.5% in the month.
- **On the home front, the focus will be centred on Budget 2027, which will be announced on Tuesday.** The latest AIB services PMI, CPI inflation and Exchequer returns figures (all September) will also be released.



	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
		2026	2027	2027
Fed Funds	3.875	4.125	4.125	4.125
ECB Deposit	2.50	2.75	2.75	2.75
BoE Repo	3.75	4.00	4.25	4.25
BoJ OCR	1.25	1.25	1.50	1.50
Current Rates Reuters, Forecasts AIB's ERU				

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q4	End Q1	End Q2
		2026	2027	2027
EUR/USD	1.1266	1.16	1.17	1.17
EUR/GBP	0.8511	0.87	0.87	0.87
EUR/JPY	177.73	182	182	181
GBP/USD	1.3234	1.33	1.34	1.34
USD/JPY	157.75	157	156	155
Current Rates Reuters, Forecasts AIB's ERU				

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
This Week:	ECB Speakers:	Cipollone (Tue); Vujcic, Cipollone (Wed); Lane (Thu); Cipollone, Schnabel (Fri)		
	BoE Speakers:	Mann (Tue); Bailey , Lombardelli, Greene, Pill (Thu)		
	Fed Speakers:	Williams, Logan (Tue); Musalem (Thu)		
		Ireland Budget 2027 (Tuesday 6th October)		
Mon 5th	IRE: 01:01	AIB Irish Services PMI (September)	55.4	
	JPN: 01:30	Final S&P Composite PMI (September)	52.5	52.5
	ITA: 08:45	S&P Composite PMI (September)	53.6	53.6
	FRA: 08:50	Final S&P Composite PMI (September)	51.2	51.2
	GER: 08:55	Final S&P Composite PMI (September)	53.8	53.8
	EU-21: 09:00	Final S&P Composite PMI (September)	53.1	53.1
		- Final S&P Services PMI	53.0	53.0
	EU-21: 09:30	EU Sentix Index (October)	5.1	5.0
	UK: 09:30	Final S&P Composite PMI (September)	51.7	51.7
		- Final S&P Services PMI (September)	51.7	51.7
	EU-21: 10:00	Producer Prices (August)	+1.6% (+5.8%)	(+7.6%)
	US: 14:45	Final S&P Composite PMI (September)	58.4	58.4
		- Final S&P Services PMI	58.7	58.7
	US: 15:00	Non-Manufacturing ISM (September)	55.4	55.2
	IRE: 17:30	Exchequer Returns (September)	Sep'25: +€1.4bn	-€3.0bn
Tue 6th	GER: 07:00	Industrial Orders (August)	+2.5%	-0.8%
	EU-21: 10:00	Retail Sales (August)	-0.6% (+0.6%)	+0.4% (+1.2%)
	US: 13:30	International Trade (August)	-\$88.6bn	-\$101.0bn
Wed 7th	GER: 07:00	Industrial Output (August)	-1.1% (-1.6%)	+0.5% (+0.9%)
	FRA: 07:45	Trade Balance (August)	-€6.7bn	
		- Exports	€54.7bn	
	US: 19:30	Fed FOMC Meeting Minutes		
Thu 8th	UK: 00:01	RICS Housing Survey (September)	-28.0	
	JPN: 06:00	Economy Watchers Poll (September)	46.4	
	GER: 07:00	Trade Balance (August)	+€21.3bn	+€19.0bn
		- Exports	-0.8%	+0.5%
	EU-21: 10:00	ECB Monetary Policy Meeting Account		
	IRE: 11:00	CPI Inflation (September)	+0.7% (+3.7%)	+0.2% (+4.1%)
		- HICP Inflation	Flash: +0.2% (+3.9%)	+0.2% (+3.9%)
	US: 13:30	Initial Jobless Claims (w/e 28th September)	+197,000	
Fri 9th	US: 15:00	Prel. Uni. Michigan Consumer Sentiment (Oct)	48.1	47.8

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

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