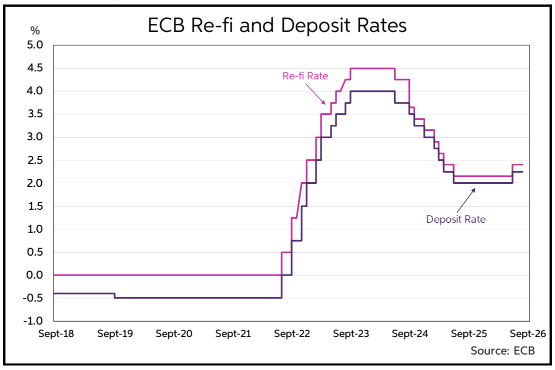
# Weekly Market Brief

AIB Treasury Economic Research Unit

7th – 11th September 2026

## State of the Union

- **The latest set of national accounts data for Ireland provide further evidence of the volatility of GDP growth on paper, masking more moderate trends in the domestic economy.** As ever, a small number of very large multinationals continue to drive the headline trends and highlight the growing interdependency of Ireland with the US economy. GDP growth surged 10.2% q/q in Q2 2026, albeit still down -0.4% y/y. This quarterly rise was driven by a renewed uptick in goods export growth (+17% q/q, +13% y/y), almost entirely driven by the pharma sector. Specifically, the export sales of weight-loss drug ingredients manufactured in Ireland has contributed to the exceptional volatility in both domestic stocks and exports/GDP over the past year. This was also demonstrated in the 11.2% quarterly rise in multinational sector output (+4.6% y/y), while domestic sector output rose 0.7% q/q and 1.8% y/y.
- **The big picture is the multinational sector has contributed to nearly 50% of economic activity (in GVA terms) since 2020, a level shift from the 35% average of the previous decade.** This activity is not only being seen in the GDP figures, but also in the surge in corporation tax (CT) receipts to a third of all tax collected by the Exchequer, much of it generated by a handful of US firms. This reliance is growing year-on-year. In August alone, CT receipts were up 33% on August 2025, leaving year-to-date receipts at €17.8bn (+8% y/y). The activities of the multinationals also underpin income taxes and PRSI, given the heavy skew towards higher income households in the personal tax base in Ireland.
- **Beneath the noisy data, domestic indicators point to a moderate growth picture so far in 2026.** Consumer spending was up 1% q/q and 2.9% y/y in Q2, pointing to solid underlying demand in the economy, despite rising geopolitical risks. Modified investment rose 1.4% y/y, reflecting a rise in machinery and equipment (+24%), but much weaker growth in building & construction (-7% y/y). The Central Statistics Office has previously noted that much of this surge in machinery and equipment investment relates to the fit-out of data centres and related software, suggesting some structural uplift in capex in the FDI sector related to the AI investment cycle.
- **However, investment in these categories has been lumpy in recent quarters and is increasingly driving volatility in Modified Domestic Demand (MDD) growth.** MDD fell 0.8% q/q, but on an annual basis was up 1.7% compared to Q2 2025. In H1 2026, MDD was up 3.1% y/y. Other reliable indicators point to continued domestic growth in the Irish economy, such as average weekly earnings, up 4% y/y. This is also in line with the 2% growth in annual payroll employment.
- **Turning to the week ahead, the focus will be on the ECB monetary policy meeting.** The ECB hiked rates by 25bps in June, but left policy unchanged in July. At that meeting, President Lagarde stated that there would be a "volume of data" to inform the ECB's decision this month, and that the "burden of proof" would be on the data. In this regard, headline HICP inflation has re-accelerated recently, rising to 3.3% in August from 2.9% previously, amid a re-escalation in the conflict in the Middle East. However, there still remains few signs of underlying inflation in the Eurozone, as the core rate has stayed within a narrow 2.1-2.3% range over the past six months. Nevertheless, remarks from ECB officials, including the influential board member Schnabel, suggest that a 25bps rate hike is likely this week. The market is also fully pricing in a rate hike. This would bring the deposit rate up to 2.5%, which is considered by the ECB to be the upper end of estimates of the "neutral rate". Any further tightening beyond 2.5% would bring policy into restrictive territory. With this in mind, markets will be paying close attention to the post-meeting press conference for any guidance on the policy outlook. Similarly, the updated staff macroeconomic projections will be in focus. Currently, futures contracts indicate that the market sees a 70% probability that the deposit rate rises to 2.75% by year end.




- **On the data front, the August reading of US CPI inflation due this week, will be a crucial release ahead of the upcoming Fed policy decision later this month.** In the initial aftermath of the outbreak of the US-Iran war, headline inflation moved sharply higher, rising from 2.4% in February to 4.2% in May. Similarly, core-CPI also increased, reaching a peak of 2.9% in May, up from 2.5% in February. However, both rates have declined markedly in the past two months. The headline rate printed at 3.4% in July, while the core rate fell back to its pre-war level of 2.5%. The consensus is for the former to remain at 3.4% in August but the latter is expected to edge down to 2.4%. Elsewhere, the Michigan measure of consumer sentiment for September is due.
- **In the UK, the main highlight will be the monthly reading of GDP for July.** Following a weak start to Q2, in which GDP contracted marginally in April before stagnating in May, the economy gathered some momentum in June. GDP expanded by 0.3% m/m, the fastest pace of monthly growth bar February in a year. However, GDP is projected to flatline in July. Meantime, industrial production is forecast to increase by a meagre 0.1% in July.

Interest Rate Forecasts

| | Current | End Q3 2026 | End Q4 2026 | End Q1 2027 |
|---|---|---|---|---|
| Fed Funds | 3.625 | 3.625 | 3.625 | 3.375 |
| ECB Deposit | 2.25 | 2.50 | 2.50 | 2.50 |
| BoE Repo | 3.75 | 3.75 | 3.75 | 3.50 |
| BoJ OCR | 1.00 | 1.25 | 1.25 | 1.25 |

Current Rates Reuters, Forecasts AIB's ERU

Exchange Rate Forecasts (Mid-Point of Range)

| | Current | End Q3 2026 | End Q4 2026 | End Q1 2027 |
|---|---|---|---|---|
| EUR/USD | 1.1616 | 1.15 | 1.16 | 1.17 |
| EUR/GBP | 0.8592 | 0.87 | 0.88 | 0.88 |
| EUR/JPY | 180.93 | 184 | 184 | 185 |
| GBP/USD | 1.3517 | 1.34 | 1.33 | 1.33 |
| USD/JPY | 155.73 | 159 | 159 | 158 |

Current Rates Reuters, Forecasts AIB's ERU

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# ECONOMIC DIARY

## Monday 7th - Friday 11th September

| *Date* | *UK & Irish Time (GMT+1)* | | *Release* | *Previous* | *Forecast* |
|---|---|---|---|---|---|
| **This Week:** | **ECB Speakers:** | | Lane (Fri) | | |
| | **BoE Speakers:** | | | | |
| | **Fed Speakers:** | | | | |
| **Mon 7th** | **US:** | | **Labour Day (Market Holiday)** | | |
| | **GER:** | 07:00 | Industrial Output (July) | +0.2% (+0.0%) | +0.1% (-0.1% |
| | **EU-21:** | 09:30 | EU Sentix Index (September) | 0.9 | 2.0 |
| | **EU-21:** | 10:00 | Employment (Q2: Final Reading) | +0.1% (+0.5%) | +0.1% (+0.5%) |
| | **EU-21:** | 10:00 | GDP (Q2: Revised Reading) | +0.4% (+1.0%) | +0.4% (+1.0%) |
| **Tue 8th** | **JPN:** | 00:50 | GDP (Q2: Revised Reading) | +0.3% | +0.3% |
| | ***IRE:*** | ***01:01*** | ***AIB Irish Construction PMI (August)*** | ***53.0*** | |
| | **JPN:** | 06:00 | Economy Watchers Poll (August) | 45.7 | |
| | **GER:** | 07:00 | Trade Balance (July) | +€15.4bn | |
| | | | - Exports | +0.9% | +0.0% |
| | **FRA:** | 07:45 | Trade Balance (July) | -€5.9bn | |
| | **US:** | 11:00 | NFIB Business Optimism (August) | 99.8 | |
| **Wed 9th** | **FRA:** | 07:45 | Industrial Output (July) | +0.1% | +0.3% |
| **Thu 10th** | **UK:** | 00:01 | RICS Housing Survey (August) | -30.0 | |
| | **GER:** | 07:00 | Final HICP Inflation (august) | +0.2% (+2.9%) | +0.2% (+2.9%) |
| | **ITA:** | 09:00 | Industrial Output (July) | -1.0% (-0.6%) | +0.3% (-0.7%) |
| | ***IRE:*** | ***11:00*** | ***CPI Inflation (August)*** | ***+0.1% (+3.4%)*** | ***+0.6% (+4.0%)*** |
| | | | ***- HICP Inflation*** | ***Flash: +0.6% (+3.4%)*** | ***+0.6% (+3.4%)*** |
| | **EU-21:** | 13:15 | ECB Monetary Policy Announcement | | |
| | | | - Deposit Rate | 2.25% | 2.50% |
| | | | - Re-fi Rate | 2.40% | 2.65% |
| | **EU-21:** | 13:45 | ECB Post-meeting Press Conference | | |
| | **US:** | 13:30 | Initial Jobless Claims (w/e 31st August) | +206,000 | +205,000 |
| | **US:** | 13:30 | PPI Final Demand (August) | +0.0% (+4.7%) | +0.4% (+5.3%) |
| | | | - Ex-Food & Energy | +0.2% (+4.2%) | +0.3% |
| | **US:** | 15:00 | Existing Home Sales (August) | 4.06m / -1.7% | 4.00m / -1.5% |
| **Fri 11th** | **UK:** | 07:00 | GDP (July) | +0.3% (+1.1%) | +0.0% (+1.2%) |
| | | | - 3 months / 3 months | +0.4% | +0.3% |
| | **UK:** | 07:00 | Industrial Output (July) | -0.2% (-0.2%) | +0.1% (+0.5%) |
| | | | - Manufacturing Output | -0.5% (+0.5%) | +0.1% (+2.0%) |
| | **UK:** | 07:00 | Goods Trade Balance (July) | -£23.0bn | -£22.3bn |
| | | | - Non-EU | -£10.4bn | |
| | **US:** | 13:30 | CPI Inflation (August) | +0.1% (+3.4%) | +0.4% (+3.4%) |
| | | | - Core-CPI | +0.4% (+2.5%) | +0.2% (+2.4%) |
| | **US:** | 15:00 | Preli. Uni. Michigan Consumer Sentiment (Sep) | 51.7 | 51.1 |

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