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# Weekly Brief

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## GBP

UK month-on-month GDP growth data is expected to fall from last month's figure but still show that the UK economy is growing when it's released this Friday. Forecasts expect GDP to show the economy grew 0.1% in March, which could indicate that the worst may be over from the impact of high interest rates. Any positive growth data could also give the Bank of England more flexibility and time on its path towards rate cuts this year.

However, if GDP falls below forecasts, at 0% or lower, policymakers may be forced to consider cutting rates earlier to reinvigorate economic growth.

Rate cuts are already looking likely in the UK this year, as CPI data continues to show that inflation is slowing. The most recent UK CPI reading printed below expectation at 3.4%.

The BoE believe that inflation may drop below 2% in the Spring before climbing again in the summer months, so slowing growth could give policymakers more of a reason to start cutting rates than slowing inflation.

MPC members Breeden and Greene are due to speak on various panel discussions this week. Although they are unlikely to give us a direct insight into the MPC's upcoming decision, they could drop a few subtle hints on their position regarding UK monetary policy.

## EUR

The ECB is expected to hold interest rates at 4.00% this Thursday, and markets are pricing in its first rate cut in June.

Christine Lagarde has given no clear guidance for the European Central Bank rate path, stating that economic performance will steer policy decisions. Market expectations are for the ECB to take a slow but consistent approach to their monetary policy, with rates projected to fall to 3.00% by the end of 2024 and 2.25% by the end of 2025.

What does this mean for the Euro? Although the ECB is expected to cut rates 100bp this year and only 70bp of cuts are priced in for the Fed, forecasters actually expect EURUSD to move higher, with the mean forecast at 1.1000 for the end of the year. GBPEUR is forecasted to remain stable throughout the year at 1.1600*.

Bloomberg also reported this week that Germany may avoid a recession despite economic growth declining by 0.3% in Q4 2023. Eurozone economies continued to show contraction in March, as German and French Composite PMIs both continued to print recently 50. However, if one of its strongest economies can avoid a technical recession, this could take some of the pressure off the ECB to cut rates as aggressively.

## Currency headlines

**GBP: Further growth for the UK economy?**

**EUR: Could this be the last pause for the ECB?**

**USD: Could US inflation surprise again?**

**Louis Kolliari**

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