

# Irish Economy Watch

AIB Treasury Economic Research Unit



10 August 2018

	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	
<b>MANUFACTURING</b>									
Investec Manufacturing PMI	59.1	57.6	56.2	54.1	55.3	55.4	56.6	56.3	Manufacturing PMI remained at a strong level in July at 56.3. This is above its Q2 avg of 55.8 and points to healthy expansion
OECD Leading Indicator	100.4	100.1	99.7	99.3	98.9	98.5	#N/A	#N/A	
Industrial Production (Ex-Modern)	104.3	101.6	104.1	102.4	101.7	109.9	106.8	#N/A	Production (ex-modern) rose by a strong 3.3% in Q2. This reflected a relatively broad based increase in output after the sector declined in Q1
Production (Ex-Modern) : 3mma YoY%	1.7	-0.8	-1.5	-8.2	-7.1	-4.3	3.4	#N/A	
3mth / 3mth % seas. adj.	3.1	1.0	0.2	-1.3	-0.3	1.3	3.3	#N/A	
<b>SERVICES / RETAIL</b>									
Investec Services PMI	60.4	59.8	57.2	56.5	58.4	59.3	59.5	57.4	The services PMI fell back in July, though at 57.4 it remains consistent with a strong pace of growth in the sector
Monthly Services Index (Value)	110.6	114.4	111.6	109.7	117.7	117.0	116.3	#N/A	
- YoY %	4.3	8.3	1.5	2.9	9.9	8.5	9.3	#N/A	Volatile services index up +4.6% in Q2. Underlying data show that the hotel sector performed particularly well
- 3mth / 3mth % seas. adj.	1.3	2.4	2.1	1.3	0.9	2.3	4.6	#N/A	
SIMI Car Registrations	159	37,024	17,011	17,744	8,061	6,062	1,248	26,933	New car sales down by 4.1% YTD. The decline is being offset by imports of used cars, primarily from the UK
- 12 mth cum total	131,347	129,366	129,283	127,134	127,351	127,419	127,266	126,492	
- 3 mma YoY %	-18.5	-5.8	-4.1	-5.5	-4.5	-5.5	0.9	-2.4	
Retail Sales Index	111.3	111.1	111.3	109.3	112.5	113.4	109.5	#N/A	Core retail sales rose by 1.7% in Q2, after Q1's weather impacted 0.6% rise. Growth in sales in Q2 was broad based, with household equipment the best performer
- YoY %	5.5	1.6	2.2	-1.1	5.9	4.3	7.0	#N/A	
- 3mth / 3mth % seas. adj.	-1.1	1.4	0.9	-0.4	-0.4	0.4	1.1	#N/A	
Ex Autos Index	108.8	109.8	110.0	108.7	110.3	111.9	112.0	#N/A	
- YoY %	6.5	5.3	5.6	2.6	4.4	4.6	4.6	#N/A	
- 3mth / 3mth % seas. adj.	1.0	1.6	0.9	0.6	0.1	0.7	1.7	#N/A	
<b>CONSTRUCTION PMI: Ulster Bank</b>									
- Housing Activity	58.0	61.4	59.2	57.5	60.7	61.8	58.4	#N/A	Construction PMI averaged 60.3 in Q2 vs 59.4 in Q1. Expectations remain very strong. Overall, the PMI indicates construction sector continues its recovery
- Commercial Activity	59.4	60.4	61.0	60.4	62.0	65.2	60.4	#N/A	
- New Orders	56.1	61.9	59.4	58.0	63.1	65.6	62.0	#N/A	
- Business Expectations	59.4	60.5	60.3	58.5	61.6	62.8	62.2	#N/A	
	75.1	76.2	80.5	80.4	76.3	78.4	75.7	#N/A	
<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>									
Housing Registrations: 12Mth Total	9,466	9,464	9,521	9,269	9,385	9,458	9,036	#N/A	Growth in registrations, a measure of developer activity, was disappointing in H1, falling by 8.3% in YoY terms
- 3 Month Avg YoY %	12.4	1.6	0.5	-8.9	-3.0	-2.6	-7.8	#N/A	
Commencements: 12mth Total	17,572	17,913	18,544	18,086	18,392	#N/A	#N/A	#N/A	YoY growth in commencements has slowed. They are up 15% in the year to April after increasing by 33% in 2017
- 3 Month Avg YoY %	6.2	24.2	29.5	13.3	10.5	#N/A	#N/A	#N/A	
<b>HOUSING MARKET ACTIVITY</b>									
BPFI Mortgage Approvals : Month	2,301	2,586	2,523	2,737	3,031	3,595	3,512	#N/A	Mortgage approvals decline by 1.3% YoY in H1—perhaps partly due to Central Bank rules
- 3 Month Avg YoY %	9.1	3.7	2.2	-3.9	-3.6	-1.9	0.8	#N/A	
- 12 Mth Total	36,868	37,026	36,981	36,551	36,712	36,798	36,628	#N/A	Growth in transactions slowed significantly in H1, with some signs that the market may be levelling off
RPPR Transactions : Month	6,415	3,305	3,976	4,228	3,876	4,535	4,231	#N/A	
- 3 Month Avg YoY %	24.5	24.6	21.9	4.9	4.1	3.5	0.4	#N/A	
- 12 Mth Total	54,494	54,716	55,091	55,034	55,195	55,531	55,089	#N/A	CSO house price growth remained very strong in June (+12.4%). Ex-Dublin growth (14.1%) still outpacing price inflation in the Capital (10.7%)
CSO Price Index - MoM	0.5	0.4	0.8	0.6	1.1	0.6	#N/A	#N/A	
- YoY %	12.1	11.8	12.5	12.6	13.5	12.4	#N/A	#N/A	
Daft Asking Prices: MoM %	2.9	0.1	1.7	0.1	1.6	0.5	0.1	#N/A	CSO rent inflation remains in a 6-7% range. Rents now 22.3% above previous peak
- YoY %	9.4	6.9	7.5	7.5	5.5	5.1	6.2	#N/A	
RENTS: CSO Private Rents - MoM%	0.8	0.2	1.1	0.5	0.6	0.6	0.0	0.3	Lower mortgage rates and personal taxes, as well as higher wages helping housing remain relatively affordable
- YoY %	6.1	6.3	6.2	6.4	6.5	7.0	6.1	6.0	
<b>AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB</b>									
- Mortgage as % of Disposable Income	17.4	17.2	17.3	17.4	17.6	17.7	#N/A	#N/A	

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<b>CONSUMER PRICES - YoY %</b>	0.4	0.2	0.5	0.2	-0.4	0.4	0.4	0.8	CPI inflation picked up sharply in July, to 0.8%. This reflected higher fuel prices and a diminished drag from the insurance sector HICP inflation at 1% in July, its highest level since Feb'13
- MoM %	-0.1	-0.7	0.9	0.3	-0.2	0.6	0.1	0.4	
HICP - YoY %	0.5	0.3	0.7	0.5	-0.1	0.7	0.7	1.0	
- MoM %	-0.1	-0.7	0.9	0.4	-0.2	0.6	0.1	0.4	
<b>PERSONAL / FINANCIAL</b>									
KBC/ESRI Consumer Confidence	103.2	110.4	105.2	108.1	104.0	106.7	102.1	#N/A	Consumer confidence remains at a strong level—averaged 104.3 in Q2 versus 107.9 in Q1
Credit Growth YoY %									
- Private Sector (Underlying)	-2.2	-1.7	-0.8	0.0	0.2	0.2	-0.1	#N/A	Private sector credit has been broadly stable in recent months—first time since 2011
- of which : Household	-1.5	-1.5	-1.6	-1.5	-1.5	-1.6	-1.4	#N/A	
- of which : Mortgage Lending	-2.0	-1.9	-1.9	-1.8	-1.8	-1.7	-1.5	#N/A	
<b>LABOUR MARKET</b>									
Live Register	241,400	238,300	235,000	232,400	228,800	224,700	219,900	217,700	Live Register continued to decline in July—down 39k in the last 12 months. The unemployment rate held at an 11-year low of 5.1%
- Change In Month	-3,500	-3,100	-3,300	-2,600	-3,600	-4,100	-4,800	-2,200	
Unemployment Rate %	6.2	6.0	5.8	5.6	5.4	5.2	5.1	5.1	Services and manufacturing PMI employment sub-indices remained strong at very healthy levels in July. Services index at 57.9 (vs 57 in Q2). Mfg index 53.3 (vs 54). Construction index averaged a particularly strong 61.3 in Q2 (from 57.6)
Redundancies	175	132	211	152	163	315	178	#N/A	
-12 Mth Total	3,056	3,050	3,036	2,922	2,854	2,795	2,743	#N/A	
PMI Employment Indices									
- Investec Manufacturing	60.2	57.6	57.3	55.8	55.0	53.3	53.9	53.3	
- Investec Services	58.4	56.1	55.9	54.2	57.1	56.4	57.5	57.9	
- Ulster Bank Construction	53.7	57.1	57.3	58.5	62.9	59.9	61.2	#N/A	
<b>MERCHANDISE TRADE</b>									
Export Values - 3M / 3M %	3.3	12.3	14.1	11.4	-1.9	-2.1	#N/A	#N/A	YoY growth in value of goods exports at 1.2% in 3 months to May. March weather conditions a factor
- 3MMA YoY %	-1.6	7.5	9.1	4.6	1.3	4.5	#N/A	#N/A	
Import Values - 3M / 3M %	8.9	6.3	4.9	-1.3	-3.6	-6.6	#N/A	#N/A	Imports down 6.6%. Weather also an issue. Fall in aircraft and pharma imports also impacting
- 3MMA YoY %	6.9	4.9	5.3	3.7	-0.8	-3.9	#N/A	#N/A	
<b>PUBLIC FINANCES</b>									
Total Tax Receipts: Cum YTD %	6.0	5.2	4.1	4.0	4.5	6.0	6.5	6.7	Tax receipts +6.7% in the year to July—broadly in line with expectations
Voted Spending : Cum YTD %	5.2	25.9	5.0	3.9	8.6	8.4	8.5	8.2	
Exchequer Bal: 12 Mth Total €m	1,908	1,967	1,538	1,697	1,015	1,501	-1,400	-1,735	Government targeting deficit of just 0.2% of GDP in 2018
<b>QUARTERLY DATA</b>									
	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	
<b>GDP - YoY %</b>	3.3	1.4	12.7	2.9	6.2	13.2	6.5	9.1	Irish GDP grew by 9.1% YoY in Q1'18. The data remain heavily distorted by the activity of multi-nationals  Modified final domestic demand (ex-some multi-national activity) +4.6% YoY in the three quarters to Q1'18
*Domestic Demand - YoY% (3Q Avg)	4.0	5.0	5.8	4.9	3.7	2.3	3.7	4.6	
Consumer Spending - YoY %	3.6	2.9	3.1	-0.3	1.0	3.1	2.8	2.7	
Services Exports - YoY % (3Q Avg)	10.1	9.6	11.7	16.3	17.9	17.0	15.0	9.2	
* Excludes Some Investment Related to the Multinational Sector									
<b>EMPLOYMENT &amp; EARNINGS</b>									
Employment YoY %	3.8	3.8	3.8	3.7	2.5	2.2	3.1	2.9	Employment grew by a strong 2.9% YoY in Q1. Numbers in work now above pre-recessionary peak, though participation remains well down
Labour Force YoY %	2.3	2.3	1.7	1.8	0.1	0.4	1.9	1.4	
Average Earnings YoY %									Weekly earnings growth picks up to 2.4% in Q1. Dichotomy between sectors remains, with some areas showing strong pick-up in wages, while a few are flat or declining
- Hourly	0.5	0.3	1.3	0.7	1.4	2.8	1.9	2.7	
- Weekly	1.0	1.4	0.9	1.6	2.1	2.2	2.0	2.4	
Weekly Earnings YoY %									
- Private Sector	2.2	2.1	1.8	1.7	1.6	1.8	1.6	1.8	
- Public Sector	-1.0	1.2	-0.8	1.8	3.4	2.7	2.9	3.8	
<b>CSO DWELLING COMPLETIONS</b>									
	2395	2511	3041	2779	3298	3785	4584	3526	CSO completions show housing output lower than old Dept. of Housing estimates. Around 15k completions in 4 quarters to Q1
- YoY %	52.5	23.5	35.5	41.2	37.7	50.7	50.7	26.9	
- Cum 12 Mth Total	8641	9119	9915	10726	11629	12903	14446	15193	



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