Irish Economy Watch

AIB Treasury Economic Research Unit

14 December 2018

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
MANUFACTURING								
Investec Manufacturing PMI	55.3	55.4	56.6	56.3	57.5	56.3	54.9	55.4
OECD Leading Indicator	99.8	99.5	99.2	98.9	98.6	98.3	97.9	#N/A
Industrial Production (Ex-Modern)	101.9	109.4	109.0	108.7	112.1	108.6	116.2	#N/A
Production (Ex-Modern) : 3mma YoY%	-7.1	-4.3	3.9	6.9	8.8	8.6	10.4	#N/A
3mth / 3mth % seas. adj.	0.0	1.3	3.8	5.9	5.0	2.8	3.0	#N/A

Manufacturing PMI edged upwards in November. Index pointing to a good pace of activity. OECD indicator, though, on a weakening trend

Industrial output (ex-modern) jumped in October. Food sector performing strongly.

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
SERVICES / RETAIL								
Investec Services PMI	58.4	59.3	59.5	57.4	58.0	58.7	57.2	57.1
CSO Services Index (Value)	117.6	117.0	115.8	116.3	116.2	122.9	123.9	#N/A
- YoY %	9.9	8.5	8.0	6.0	5.7	13.2	13.9	#N/A
- 3mth / 3mth % seas. adj.	1.2	2.6	4.7	3.0	1.2	1.4	4.0	#N/A
SIMI Car Registrations	8,053	6,055	1,248	26,888	5,898	3,183	1,732	643
- 12 mth cum total	127,351	127,419	127,266	126,441	126,609	125,895	125,683	125,574
- 3 mma YoY %	-4.5	-5.5	0.9	-2.6	-2.3	-3.7	-6.6	-15.5
Retail Sales Index	114.9	116.5	117.8	117.8	116.9	119.0	119.0	#N/A
- YoY %	4.6	4.3	6.4	5.4	2.8	6.4	5.7	#N/A
- 3mth / 3mth % seas. adj.	-0.4	0.8	3.3	3.7	2.9	1.3	0.8	#N/A
Ex Autos Index	113.5	115.1	115.2	114.6	115.4	117.1	115.8	#N/A
- YoY %	3.7	3.6	4.5	3.0	3.9	6.1	4.1	#N/A
- 3mth / 3mth % seas. adj.	0.1	0.8	1.8	2.0	1.4	1.0	1.0	#N/A

The services PMI edged down to 57.1 in November, although the index remains at a level consistent with strong growth

Pace of YoY growth in the volatile services index continues to pick-up—at 13.9% in Sept.

New car sales down by 4.4% YTD. The decline is being more than offset by imports of used cars, primarily from the UK

Core retail sales fell in October but index remains at an elevated level. Most sectors have recorded solid YoY growth, with core sales up 4.1%

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
CONSTRUCTION PMI: Ulster Bank	60.7	61.8	58.4	60.7	58.3	56.2	52.9	55.5
- Housing Activity	62.0	65.2	60.4	63.9	60.4	56.1	53.6	58.2
- Commercial Activity	63.1	65.6	62.0	60.9	57.7	58.1	53.9	57.5
- New Orders	61.6	62.8	62.2	58.8	56.2	57.3	56.4	59.1
- Business Expectations	76.3	78.4	75.7	76.7	77.7	75.0	71.6	68.1
RESIDENTIAL CONSTRUCTION ACTIVITY								
Housing Registrations: 12Mth Total	9,385	9,458	9,036	9,269	9,263	#N/A	#N/A	#N/A
- 3 Month Avg YoY %	-3.0	-2.6	-7.8	-3.9	-6.8	#N/A	#N/A	#N/A
Commencements: 12mth Total	18,392	18,453	18,805	19,451	20,371	#N/A	#N/A	#N/A
- 3 Month Avg YoY %	10.5	-1.7	13.3	20.9	44.2	#N/A	#N/A	#N/A

Construction PMI improved in November but remains below the Q3 average of 58.4. Housing sub-index at 58.2

Growth in registrations (measure of developer activity) has remained soft—down 3% in the year to August

12mth cumulative total of commencements on a steady upward trend (now above 20k), though still at low level

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
HOUSING MARKET ACTIVITY								
BPFI Mortgage Approvals : Month	3,031	3,595	3,512	3,404	3,324	3,013	3,430	#N/A
- 3 Month Avg YoY %	-3.6	-1.9	0.8	-0.9	-2.3	-1.4	0.8	#N/A
- 12 Mth Total	36,712	36,798	36,628	36,617	36,561	36,493	36,699	#N/A
RPPR Transactions : Month	3,912	4,621	4,583	5,174	4,855	4,473	5,147	#N/A
- 3 Month Avg YoY %	4.5	4.5	4.1	4.7	2.6	0.8	-0.6	#N/A
- 12 Mth Total	55,336	55,757	55,664	55,979	56,126	55,777	55,893	#N/A
HOUSING MARKET PRICES								
CSO Price Index - MoM	1.0	0.7	1.0	0.7	0.6	0.9	0.3	#N/A
- YoY %	13.3	12.4	11.9	10.0	8.9	8.5	8.4	#N/A
Daft Asking Prices: MoM %	1.6	0.5	0.1	1.4	-1.1	1.1	#N/A	#N/A
- YoY %	5.5	5.1	6.2	7.1	5.4	7.4	#N/A	#N/A
RENTS: CSO Private Rents - MoM%	0.6	0.6	0.0	0.3	1.0	0.5	0.8	0.5
- YoY %	6.5	7.0	6.1	6.0	6.2	6.1	6.5	7.0
AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB								
- Mortgage as % of Disposable Income	17.7	17.9	18.1	18.3	18.4	18.6	18.7	#N/A

Mortgage approvals have stagnated—partly reflects tighter Central Bank lending rules and affordability issues

Transactions fell back by 0.6% YoY in the 3 months to October. Flat trend overall

CSO house price growth continues to moderate—at 8.4% in the year to October. YoY ex-Dublin price inflation (10.6%) continues to outpace the capital (6.3%)

CSO rent inflation still in a 6-7% range. Rents now 25.9% above their previous peak

Higher house prices means that housing affordability has continued to dis-improve

Sources: Thomson Datastream, CSO, DoF, DoECLG, Daft.ie, HomeBond, BPFI, KBC/ESRI, Investec, RSRA, SIMI, Ulster Bank, AIB ERU Calculations

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	
CONSUMER PRICES - YoY %	-0.4	0.4	0.4	0.8	0.7	0.9	0.9	0.6	CPI inflation moderated to 0.6% in November—a very subdued level. HICP edged down to 0.8%, but has risen since earlier in the year
- MoM %	-0.2	0.6	0.1	0.4	0.3	-0.4	-0.1	-0.5	
HICP - YoY %	-0.1	0.7	0.7	1.0	0.9	1.2	1.1	0.8	
- MoM %	-0.2	0.6	0.1	0.4	0.3	-0.3	-0.2	-0.4	
PERSONAL / FINANCIAL									
KBC/ESRI Consumer Confidence	104.0	106.7	102.1	107.6	102.4	96.4	93.5	96.5	Consumer confidence recovered somewhat in November after recent falls
Credit Growth YoY %									
- Private Sector (Underlying)	0.2	0.2	-0.1	0.6	0.8	0.7	-0.7	#N/A	YoY growth in private sector credit turned negative in October. Household credit contraction slowed to 1.2%
- *of which* : Household	-1.5	-1.6	-1.4	-1.4	-1.4	-1.4	-1.2	#N/A	
- *of which* : Mortgage Lending	-1.8	-1.8	-1.6	-1.5	-1.5	-1.4	-1.4	#N/A	
LABOUR MARKET									
Live Register	228,800	224,600	220,000	217,700	211,000	212,100	210,300	207,200	The Live Register continued its decline in November, falling to a level not seen since May 2008 . Contracted by 38k in the last 12 months. The unemployment rate dipped to just 5.3%, near an 11-year low
- Change In Month	-3,300	-4,200	-4,600	-2,300	-6,700	+1,100	-1,800	-3,100	
Unemployment Rate %	5.8	5.9	5.8	5.8	5.7	5.6	5.4	5.3	
Redundancies	163	315	178	321	174	228	362	#N/A	
-12 Mth Total	2,854	2,795	2,743	2,812	2,649	2,628	2,699	#N/A	
PMI Employment Indices									The PMI employment sub-indices suggest that the pace of new jobs creation may have slowed slightly in November, while remaining strong
- Investec Manufacturing	55.0	53.3	53.9	53.3	53.4	56.7	54.4	53.2	
- Investec Services	57.1	56.4	57.5	57.9	58.0	58.2	58.3	57.4	
- Ulster Bank Construction	62.9	59.9	61.2	59.6	55.4	54.3	56.1	54.8	
MERCHANDISE TRADE									
Export Values - 3M / 3M %	-1.6	-2.5	2.1	8.3	5.0	0.7	1.4	#N/A	YoY growth in value of goods exports has accelerated, largely due to a rise in chemical and pharmaceutical exports
- 3MMA YoY %	2.2	5.4	14.6	17.3	20.2	17.7	21.9	#N/A	
Import Values - 3M / 3M %	-3.1	-6.0	4.2	10.3	18.4	12.9	7.8	#N/A	Imports up 23.3% in value terms, as imports of aircraft have rebounded
- 3MMA YoY %	0.7	-2.0	1.2	13.0	22.4	27.5	23.3	#N/A	
PUBLIC FINANCES									
Total Tax Receipts: Cum YTD %	4.5	6.0	6.5	6.7	6.4	6.6	8.1	8.8	Tax receipts running ahead of target, reflecting strong corporation tax take
Voted Spending : Cum YTD %	8.6	8.4	8.5	8.2	8.3	8.9	9.2	11.0	Government could be on course to run a small budget surplus
Exchequer Bal: 12 Mth Total €m	1,015	1,501	-1,400	-1,735	-1,728	-1,907	-1,112	-769	

QUARTERLY DATA

	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	
GDP - YoY %	12.7	2.9	6.2	13.2	6.5	9.0	8.7	4.9	Irish GDP slowed to 4.9% YoY in Q3'18, reflecting base effects from 2017. Data distorted by activity of multi-nationals
*Domestic Demand - YoY% (3Q Avg)	5.8	4.9	3.7	2.3	3.7	4.7	5.6	5.1	Modified final domestic demand, which excludes some multi-national activity, +5.1% YoY in three quarters to Q3'18
Consumer Spending - YoY %	3.1	-0.3	1.0	3.1	2.8	2.6	3.8	2.9	
Services Exports - YoY % (3Q Avg)	11.7	16.3	17.9	17.0	15.0	8.9	5.7	4.3	

** Excludes Some Investment Related to the Multinational Sector*

	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	
EMPLOYMENT & EARNINGS									
Employment YoY %	3.8	3.7	2.6	2.3	3.1	2.9	3.4	3.0	YoY employment growth remained strong at 3.0% in Q3. Labour force growth at 2.0% YoY, aided by stronger inward migration
Labour Force YoY %	1.7	1.8	0.1	0.5	1.9	1.4	2.5	2.0	
Average Earnings YoY %									Weekly earnings growth moderated slightly to +3.2% YoY in Q3. Growth relatively broad based, although gains were more substantial in the private than in the public sector
- Hourly	1.2	0.6	1.4	2.8	1.9	3.1	3.0	2.1	
- Weekly	0.9	1.5	2.0	2.1	2.0	2.7	3.4	3.2	
Weekly Earnings YoY %									
- Private Sector	1.9	1.6	1.5	1.7	1.5	2.1	3.7	3.6	
- Public Sector	-0.8	1.8	3.4	2.7	2.9	4.0	2.8	1.9	
CSO DWELLING COMPLETIONS	3040	2775	3295	3786	4579	3490	4419	4673	CSO data show completions up 23.4% (to 17k) in year to Q3. However, supply continues to trail demand (estimated at 35k)
- YoY %	35.4	41.3	37.6	50.9	50.6	25.8	34.1	23.4	
- Cum 12 Mth Total	9907	10718	11619	12896	14435	15150	16274	17161	

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