

# Irish Economy Watch

AIB Treasury Economic Research Unit



20 March 2019

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	
<b>MANUFACTURING</b>									
AIB Manufacturing PMI	56.3	57.5	56.3	54.9	55.4	54.5	52.6	54.0	Manufacturing PMI increased to 54.0 in February. Rise in index driven by stronger growth in output and new orders
OECD Leading Indicator	99.1	98.9	98.7	98.6	98.5	98.5	98.5	#N/A	
Industrial Production (Ex-Modern)	108.3	111.7	108.9	116.6	113.3	108.1	109.8	#N/A	Industrial output (ex-modern) fell by 1.8% on a 3mth/3mth basis in February. However, YoY output growth remains very strong
Production (Ex-Modern) : 3mma YoY%	6.9	8.8	8.6	10.5	9.9	8.5	6.9	#N/A	
3mth / 3mth % seas. adj.	5.8	4.8	2.8	3.3	3.0	2.8	-1.8	#N/A	
<b>SERVICES / RETAIL</b>									
AIB Services PMI	57.4	58.0	58.7	57.2	57.1	56.3	54.2	55.9	Service PMI rose to 55.9 in February, having fallen for 4 consecutive months previously. Recovery accompanied by a marked increase in the new business sub-index
CSO Services Index (Value)	115.4	115.8	125.6	124.7	123.8	117.1	120.5	#N/A	
- YoY %	5.6	5.4	14.7	13.8	11.8	5.4	6.3	#N/A	Volatile CSO services index improved in January, leaving the YoY growth rate at 6.3%
- 3mth / 3mth % seas. adj.	3.0	1.3	2.1	5.4	7.9	2.5	-1.3	#N/A	
SIMI Car Registrations	26,888	5,898	3,183	1,732	643	142	32,331	15,100	
- 12 mth cum total	126,441	126,609	125,895	125,683	125,574	125,557	120,865	118,916	Car sales down circa 10% YTD in February. Second hand imports have failed to offset the 12% fall in new car sales this year
- 3 mma YoY %	-2.6	-2.3	-3.7	-6.6	-15.5	-11.2	-12.5	-12.3	
Retail Sales Index	117.5	116.5	118.4	118.7	117.9	116.9	115.6	#N/A	Core retail sales increased by a solid 0.7% in January. However, sales growth has weakened somewhat in recent months
- YoY %	5.3	2.7	6.3	6.3	3.1	3.2	1.2	#N/A	
- 3mth / 3mth % seas. adj.	3.4	2.6	0.9	0.5	0.9	0.3	-0.9	#N/A	
Ex Autos Index	114.4	115.2	117.0	115.8	116.4	116.3	117.1	#N/A	
- YoY %	2.9	3.8	6.1	4.2	1.8	3.8	4.0	#N/A	
- 3mth / 3mth % seas. adj.	2.0	1.4	1.0	1.1	1.4	0.5	0.5	#N/A	
<b>CONSTRUCTION PMI: Ulster Bank</b>									
- Housing Activity	60.7	58.3	56.2	52.9	55.5	56.3	54.6	60.5	Construction PMI rebounded to a 7-month high in February. The rise was partly driven by a rapid increase in pace of activity in the residential sector
- Commercial Activity	63.9	60.4	56.1	53.6	58.2	56.0	55.7	64.3	
- New Orders	60.9	57.7	58.1	53.9	57.5	58.5	55.4	62.2	Growth in registrations (measure of developer activity) picking up again—3 month average +36.9% YoY in December
- Business Expectations	58.8	56.2	57.3	56.4	59.1	56.2	57.1	60.2	
	76.7	77.7	75.0	71.6	68.1	70.2	71.5	67.6	
<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>									
Housing Registrations: 12Mth Total	9,269	9,263	9,593	9,824	10,107	10,265	#N/A	#N/A	12 month cumulative total of commencements remains on a steady upward trend (now above 22k)
- 3 Month Avg YoY %	-3.9	-6.8	22.9	23.1	35.8	36.9	#N/A	#N/A	
Commencements: 12mth Total	19,451	20,371	20,460	21,211	21,836	22,467	#N/A	#N/A	
- 3 Month Avg YoY %	20.9	44.2	40.8	40.3	30.2	47.3	#N/A	#N/A	
<b>HOUSING MARKET ACTIVITY</b>									
BPMI Mortgage Approvals : Month	3,404	3,324	3,013	3,430	3,208	2,292	2,438	#N/A	Mortgage approvals have stagnated—reflecting both tighter Central Bank lending rules and affordability issues
- 3 Month Avg YoY %	-0.9	-2.3	-1.4	0.8	1.1	1.8	-2.4	#N/A	
- 12 Mth Total	36,617	36,561	36,493	36,699	36,664	36,655	36,507	#N/A	Transactions showing flat trend overall. 12 month total holding steady in a 56-57k range
RPPR Transactions : Month	5,193	4,889	4,518	5,376	5,505	6,249	3,089	#N/A	
- 3 Month Avg YoY %	5.2	3.1	1.5	1.5	2.7	3.2	-0.4	#N/A	
- 12 Mth Total	56,103	56,284	55,980	56,325	56,692	56,514	56,281	#N/A	CSO house price growth continues to decelerate—at 5.6% in year to Jan. Ex-Dublin price inflation (9.5%) significantly outpacing the capital (1.9%)
<b>HOUSING MARKET PRICES</b>									
CSO Price Index - MoM	0.7	0.6	0.9	0.2	-0.3	-0.2	-0.4	#N/A	CSO rent inflation moderated to 5.7% in February. Rents now 26.9% above their previous peak
- YoY %	10.0	8.9	8.5	8.3	7.2	6.4	5.6	#N/A	
Daft Asking Prices: MoM %	1.4	-1.1	1.1	-0.5	-2.3	1.8	#N/A	#N/A	Strong earnings growth and a moderation of house price inflation has seen affordability improve somewhat recently
- YoY %	7.1	5.4	7.4	6.2	5.7	4.5	#N/A	#N/A	
<b>RENTS: CSO Private Rents - MoM%</b>									
- YoY %	0.3	1.0	0.5	0.8	0.5	0.2	0.4	0.3	
	6.0	6.2	6.1	6.5	7.0	6.4	6.6	5.7	
<b>AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB</b>									
- Mortgage as % of Disposable Income	18.3	18.5	18.5	18.4	18.3	18.2	18.0	#N/A	

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<b>CONSUMER PRICES - YoY %</b>	0.8	0.7	0.9	0.9	0.6	0.7	0.7	0.6	CPI inflation slowed to just 0.6% in Feb, despite the budget hike in the VAT rate. Similarly, HICP inflation moderated to 0.7%. Goods price deflation has meant price pressures have remained very subdued
- MoM %	0.4	0.3	-0.4	-0.1	-0.5	0.0	-0.7	0.8	
HICP - YoY %	1.0	0.9	1.2	1.1	0.8	0.8	0.8	0.7	
- MoM %	0.4	0.3	-0.3	-0.2	-0.4	-0.1	-0.7	0.8	
<b>PERSONAL / FINANCIAL</b>									
KBC/ESRI Consumer Confidence	107.6	102.4	96.4	93.5	96.5	96.5	98.8	86.5	Consumer confidence plummeted in February as Brexit weighed heavily on sentiment
Credit Growth YoY %									
- Private Sector (Underlying)	0.6	0.8	0.7	-0.7	-1.6	-2.8	-3.2	#N/A	Private sector credit outstanding fell by 3.2% YoY in Jan. Rate of household credit contraction slowed to 0.7%
- of which : Household	-1.4	-1.4	-1.4	-1.2	-1.1	-0.8	-0.7	#N/A	
- of which : Mortgage Lending	-1.5	-1.5	-1.4	-1.4	-1.2	-1.1	-1.1	#N/A	
<b>LABOUR MARKET</b>									
Live Register	218,100	214,300	211,300	208,900	205,900	203,300	200,000	196,500	The unemployment rate has been stuck in a 5.6-5.7% range for the last 7 months. However, the steady contraction of the Live Register has continued—down by 38k in last 12 months
- Change In Month	-2,300	-3,800	-3,000	-2,400	-3,000	-2,600	-3,300	-3,500	
Unemployment Rate %	5.8	5.6	5.7	5.7	5.6	5.7	5.7	5.6	PMI employment sub-indices were mixed in Feb. Key services index moved down to 55.5, an 11-month low. In contrast, the sub-indices for both the manufacturing and construction sectors improved in the month
Redundancies	321	174	228	362	269	340	#N/A	#N/A	
-12 Mth Total	2,812	2,649	2,628	2,699	2,680	2,845	#N/A	#N/A	
PMI Employment Indices									
- Investec Manufacturing	53.3	53.4	56.7	54.4	53.2	52.7	52.4	54.0	
- Investec Services	57.9	58.0	58.2	58.3	57.4	57.4	56.3	55.5	
- Ulster Bank Construction	59.6	55.4	54.3	56.1	54.8	55.5	54.6	56.1	
<b>MERCHANDISE TRADE</b>									
Export Values - 3M / 3M %	8.6	5.0	0.8	-0.6	2.7	6.4	9.9	#N/A	YoY growth in value of goods exported at 16.6% in January. Increase driven by a rise in pharma and chemical exports
- 3MMA YoY %	17.2	19.9	17.6	19.5	19.7	21.4	16.6	#N/A	
Import Values - 3M / 3M %	11.8	20.2	14.4	7.4	1.4	-0.1	-6.1	#N/A	Imports up 11.1% as demand for fuels, machinery and transport goods rises
- 3MMA YoY %	10.5	19.3	24.8	20.2	19.3	18.2	11.1	#N/A	
<b>PUBLIC FINANCES</b>									
Total Tax Receipts: Cum YTD %	6.7	6.4	6.6	8.1	8.8	9.5	7.0	3.7	Tax receipts up 3.7% YTD, slightly behind profile. Public finances close to target, though, as government spending also undershot expectations by 2.1%
Voted Spending : Cum YTD %	8.2	8.3	8.9	9.2	11.0	9.0	6.5	8.1	
Exchequer Bal: 12 Mth Total €m	-1,735	-1,728	-1,907	-1,112	-769	106	220	28	
<b>QUARTERLY DATA</b>									
	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	
<b>GDP - YoY %</b>	2.9	6.2	13.2	6.5	9.6	9.5	5.4	3.0	Irish GDP expanded by 6.7% in 2018. Data remains distorted by activity of multi-nationals
*Domestic Demand - YoY% (3Q Avg)	4.9	3.7	2.3	3.7	4.9	6.0	5.6	4.1	
Consumer Spending - YoY %	-0.3	1.0	3.1	2.8	2.6	3.8	3.0	2.6	Modified final domestic demand, which excludes some multi-national activity, increased by 4.5% in 2018, though slowed in H2 of the year
Services Exports - YoY % (3Q Avg)	16.3	17.9	17.0	15.0	8.9	5.7	3.7	6.6	
* Excludes Some Investment Related to the Multinational Sector									
<b>EMPLOYMENT &amp; EARNINGS</b>									
Employment YoY %	3.7	2.6	2.3	3.1	2.9	3.4	3.0	2.3	Employment growth slowed in Q4, with average 2018 growth rate at 2.9%. Strong construction jobs growth of 11.6% encouraging
Labour Force YoY %	1.8	0.1	0.5	1.9	1.4	2.5	2.0	1.5	
Average Earnings YoY %									Weekly earnings growth picked up to 4.1% YoY in Q4. Growth relatively broad based, although gains were more substantial in the private than in the public sector
- Hourly	0.6	1.4	2.8	1.9	3.1	3.0	2.1	3.8	
- Weekly	1.5	2.0	2.1	2.0	2.7	3.4	3.5	4.1	
Weekly Earnings YoY %									
- Private Sector	1.6	1.5	1.7	1.5	2.1	3.7	3.9	4.4	
- Public Sector	1.8	3.4	2.7	2.9	4.0	2.8	2.1	2.3	
<b>CSO DWELLING COMPLETIONS</b>									
	2775	3295	3786	4579	3490	4404	4671	5522	CSO data show completions up 25% (to 18k) in 2018. However, supply continues to trail demand (estimated at 35k)
- YoY %	41.3	37.6	50.9	50.6	25.8	34.5	23.3	20.9	
- Cum 12 Mth Total	10718	11619	12896	14435	15150	16233	17117	18072	



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