

# Irish Economy Watch

AIB Treasury Economic Research Unit



Friday 24 March 2023

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
<b>MANUFACTURING</b>								
AIB Manufacturing PMI	51.8	51.1	51.5	51.4	48.7	48.7	50.1	51.3
EC Economic Sentiment Indicator	92.6	96.2	95.7	91.4	91.9	96.8	104.1	#N/A
Industrial Production (Ex-Modern)	119.8	122.3	116.7	125.3	123.6	111.5	122.4	#N/A
Production (Ex-Modern) : 3mma YoY%	-0.4	2.5	8.5	11.6	10.5	10.1	6.7	#N/A
3mth / 3mth % seas. adj.	0.9	-0.4	3.9	4.4	4.5	0.4	-1.9	#N/A

The manu. PMI rose to 51.3 in Feb, indicating an improvement in business conditions. New orders rose for the first time since May. Meantime, there was a further easing in inflation

Large revisions to production data. Ex-modern production 3mma up 6.7% YoY in Jan

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
<b>SERVICES / RETAIL</b>								
AIB Services PMI	56.3	54.7	54.1	53.2	50.8	52.7	54.1	58.2
CSO Services Index (Value)	158.1	160.7	160.3	157.2	158.6	158.7	163.8	#N/A
- YoY %	22.4	21.7	17.3	13.7	11.9	11.4	18.9	#N/A
- 3mth / 3mth % seas. adj.	2.7	3.3	4.0	2.1	0.0	-1.0	0.6	#N/A
SIMI Car Registrations	21,845	8,127	6,315	2,613	982	209	27,315	13,118
- 12 mth cum total	101,609	103,770	105,636	105,569	105,431	105,253	107,554	108,701
- 3 mma YoY %	-17.5	36.2	41.9	-2.5	-12.3	-46.0	9.2	9.6
Retail Sales Index	124.0	127.8	126.3	127.4	126.9	125.1	125.2	#N/A
- YoY %	-6.8	-4.5	-5.4	-2.3	-3.7	1.3	3.0	#N/A
- 3mth / 3mth % seas. adj.	0.0	-0.2	-0.3	2.0	1.1	0.3	-1.1	#N/A
Ex Autos Index	125.0	128.3	127.1	126.9	130.6	128.5	128.6	#N/A
- YoY %	-3.7	-2.1	-5.7	-3.5	-1.6	0.3	0.4	#N/A
- 3mth / 3mth % seas. adj.	-1.2	-1.5	-2.1	0.1	0.8	1.5	1.4	#N/A

In Feb, the services PMI posted strong growth, rising to 58.2. There was a further marked rise in new business, including exports. Firms outlook improved to its highest level in a year. However, inflationary pressures remained elevated

The CSO services index rose sharply in Jan, and was up 18.9% YoY

New car sales enjoy strong start to 2023, up 9.3% YTD in Feb. 12 mth total rises to circa 109k

Retail sales little changed in Jan, but 3% higher YoY. Core sales flat in Jan also, and up 0.4% YoY

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>								
BNP Paribas Construction PMI	41.8	46.9	50.2	47.4	46.8	43.2	47.7	49.8
- Housing Activity	37.9	47.4	50.8	49.7	41.6	40.6	45.2	46.2
- Commercial Activity	44.5	47.5	51.1	45.1	49.5	46.9	49.0	51.5
- New Orders	40.6	40.7	49.5	49.6	44.2	43.5	49.6	50.4
- Business Expectations	48.5	49.2	52.8	58.0	50.9	55.0	58.6	60.4
Commencements: 12mth Total	28,450	28,409	27,417	26,608	26,898	26,957	27,204	26,874
- 3 Month Avg YoY %	-35.6	-21.6	-22.1	-23.0	-19.0	-7.1	10.4	-0.4

Construction PMI picked-up to 49.8 in Feb, its highest level since September. The commercial, and new orders components edged above 50, but housing remained firmly in contraction territory

Commencements were down 2% YTD in Feb versus 2022 levels. 12 mth rolling total remains around 27k

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
<b>HOUSING MARKET ACTIVITY</b>								
BPFI Mortgage Approvals : Month	3,514	3,680	3,633	3,439	3,786	2,650	2,820	2,744
- 3 Month Avg YoY %	-6.8	-7.6	-8.2	-5.4	-6.2	-8.2	-5.6	-6.9
- 12 Mth Total	42,216	42,147	41,875	41,597	41,426	40,988	41,046	40,814
RPPR Transactions : Month	5,552	5,061	5,713	5,448	5,963	6,693	3,176	3,838
- 3 Month Avg YoY %	11.8	9.8	7.2	4.0	6.2	11.8	10.9	0.5
- 12 Mth Total	59,555	59,878	60,266	60,178	60,881	62,181	61,732	60,945

Mortgage approvals trending lower, with the 3mma down 6.9% YoY in Feb

Transactions levelling off, with the 3mma up just 0.5% YoY. 12 mth total at 61k

House prices fell for the first time since May 2020, down by 0.6% in Jan. Dublin house prices down by 1.1%. National YoY rate declined to 6.1% also.

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
<b>HOUSING MARKET PRICES</b>								
CSO Price Index - MoM	1.0	1.0	0.6	0.2	0.2	0.2	-0.6	#N/A
- YoY %	13.2	11.8	10.7	9.7	8.4	7.7	6.1	#N/A
Daft Asking Prices: MoM %	-0.5	-0.3	0.7	-0.7	-0.9	1.7	#N/A	#N/A
- YoY %	7.8	7.1	7.8	6.1	5.2	7.1	#N/A	#N/A

Asking prices stagnated in Q4, but they were up 6.1% YoY

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
<b>RENTS: CSO Private Rents - MoM%</b>								
- YoY %	1.1	1.4	0.7	0.4	0.5	0.3	0.2	1.0
	12.9	12.7	11.6	11.1	11.0	10.6	10.4	10.6

CSO rental index jumped 1% higher in Feb. The YoY rate accelerated slightly to 10.6%

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
<b>AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB</b>								
- Mortgage as % of Disposable Income	20.8	21.2	21.3	20.9	20.7	20.6	#N/A	#N/A

Affordability improved slightly in Q4 as wage growth outpaced house price growth

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23		
<b>CONSUMER PRICES - YoY %</b>	9.1	8.7	8.2	9.2	8.9	8.2	7.8	8.5	Consumer prices jumped by 1.6% in Feb, as clothing costs increased following the end of Jan sales. However, all sub-sectors bar communications rose in the month. The YoY rate climbed higher to 8.5%.	
- MoM %	0.4	0.2	0.0	1.6	0.4	-0.2	-0.8	1.6		
HICP - YoY %	9.6	9.0	8.6	9.4	9.0	8.2	7.5	8.1		
- MoM %	0.4	0.2	0.0	1.5	0.2	-0.3	-1.0	1.5		
<b>PERSONAL / FINANCIAL</b>										
ILCU Consumer Sentiment Index	53.7	53.4	42.1	46.1	45.3	48.7	55.2	55.6	Consumer sentiment was little changed in Feb and well below its level of 77 in Feb 2022	
Credit Growth YoY %										
- Private Sector (Underlying)	3.3	3.4	2.6	2.9	2.5	2.2	-0.6	#N/A	Private sector credit growth turned negative in Jan. Stock of household debt and mortgage lending continued to contract	
- of which : Household	-0.4	-0.7	-0.8	-1.0	-1.0	-1.1	-0.7	#N/A		
- of which : Mortgage Lending	0.2	-0.1	-0.4	-0.6	-0.7	-0.9	-0.8	#N/A		
<b>LABOUR MARKET</b>										
Live Register	184,800	186,100	185,300	184,900	185,000	185,200	184,200	182,500	The unemployment rate has been consistently between 4.3-4.5% since mid-2022, comfortably below its pre-pandemic level of 4.8%. Fell to 4.3% in Feb	
- Change In Month	-1,100	+1,300	-800	-400	+100	+200	-1,000	-1,700		
Unemployment Rate %	4.3	4.4	4.4	4.5	4.5	4.4	4.4	4.3	The employment sub-indices of the manufacturing, services and construction PMIs all improved in Feb, and were firmly above the key 50 level	
PMI Employment Indices										
- AIB Manufacturing	52.9	52.4	53.8	52.9	49.7	50.2	52.6	53.9		
- AIB Services	57.5	56.5	56.3	56.6	55.3	54.4	52.7	53.3		
- BNP Paribas Construction	49.8	50.6	51.1	50.9	49.9	48.1	50.6	54.7		
<b>MERCHANDISE TRADE</b>										
Export Values - 3M / 3M %	-4.2	-2.6	4.3	13.0	1.2	-6.7	-14.8	#N/A	Goods trade surplus narrowed to €3.4bn in Jan, as exports fell by 5%, and imports rose by 6%. Exports to NI were up 8.7% YoY, while exports to GB fell by 5% YoY. Chemical and pharma products continued to account for the largest share of exports	
- 3MMA YoY %	21.9	26.7	31.2	32.0	19.2	13.9	6.3	#N/A		
Import Values - 3M / 3M %	8.4	4.3	5.8	6.8	-0.3	-7.9	-8.9	#N/A		
- 3MMA YoY %	39.2	41.6	51.2	51.1	35.1	21.4	15.9	#N/A		
<b>PUBLIC FINANCES</b>										
Total Tax Receipts: Cum YTD %	23.4	26.3	26.2	25.5	24.5	21.5	12.2	12.5	Exchequer finances performing well so far in 2023. Tax intake, up 12.5% YTD in Feb. 12mth rolling exchequer surplus falls to €1.5bn as €4bn transferred to National Reserve Fund	
Voted Spending : Cum YTD %	-4.4	-3.9	-2.6	-1.6	0.9	1.8	8.8	9.4		
Exchequer Bal: 12 Mth Total €m	3,364	5,600	6,751	7,350	6,196	4,985	5,609	1,506		
<b>QUARTERLY DATA</b>										
		Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22	GDP expanded by 12% in 2022, with both the multi-national and domestic sectors performing strongly
<b>GDP - YoY %</b>		11.4	19.5	10.4	13.8	11.7	12.6	11.6	12.0	
*Domestic Demand - YoY%		-5.1	14.7	3.9	10.4	13.4	10.6	6.1	2.8	
Consumer Spending - YoY %		-13.0	17.1	6.5	9.4	15.6	5.7	2.5	4.5	
Services Exports - YoY % (3Q Avg)		8.0	14.5	14.3	13.6	12.5	8.6	10.4	4.5	Modified domestic demand rose by 8.2% in 2022, but slowed in the second half of the year
* Excludes Some Investment Related to the Multinational Sector										
<b>EMPLOYMENT &amp; EARNINGS</b>										
Employment YoY %		-5.0	9.9	9.8	10.1	12.3	8.8	3.4	2.7	Employment rose by 2.7% YoY in Q4, leaving it 9.2% above pre-pandemic levels. The labour force grew by 2% YoY in Q4, and is up 8.9% since end 2019
Labour Force YoY %		-2.5	12.1	7.9	8.9	9.6	5.6	2.0	2.0	
Average Earnings YoY %										Weekly average earnings rose by 4.2% YoY in Q4, with all sectors registering an increase. Public sector pay rose by 3% on average in 2022, compared to 3.8% in the private sector
- Hourly		8.4	2.7	3.7	2.8	2.2	2.5	3.6	5.5	
- Weekly		7.5	4.1	5.4	1.9	2.9	2.5	3.6	4.2	
Weekly Earnings YoY %										
- Private Sector		7.7	5.0	5.8	2.8	4.8	3.6	4.9	2.0	
- Public Sector		4.9	2.2	5.3	0.2	-1.3	1.3	0.8	10.8	
<b>CSO DWELLING COMPLETIONS</b>										
- YoY %		3966	4982	4643	6962	5640	7648	7415	9148	Completions rose to just below 30k in 2022, up 45% on 2021. Over 9k apts. completed, more than in 2020 & 2021 combined
- Cum 12 Mth Total		19594	21333	20927	20553	22227	24893	27665	29851	



**Oliver Mangan**  
Chief Economist  
oliver.n.mangan@aib.ie

**John Fahey**  
Senior Economist  
john.j.fahey@aib.ie

**Daniel Noonan**  
Economist  
daniel.x.noonan@aib.ie

AIB, 10 Molesworth Street, Dublin 2

Tel: 353-1-6600311

<https://aib.ie/investorrelations/economic-research-unit>