



## *Economy loses some steam, but still performing solidly*

The labour market figures for the second quarter of 2019, published by the CSO last week, are the latest data to show that while the Irish economy is still performing quite well, it has lost momentum this year. Employment growth slowed to 2% year-on-year in the quarter, down from the rate of 3.0-3.5% seen in recent years. Indeed, it was the lowest annual rise in employment recorded since early 2013.

Meanwhile, the downtrend in unemployment has also slowed. The jobless rate averaged 5.2% in the second quarter, down from 5.5% at end 2018. There has also been an easing in the pace of decline in the Live Register since the spring.

There have been signs of weakness in some other indicators also. Total car registrations (i.e. new cars plus second-hand imports) fell by 3% in the first seven months of the year, though they remain at high levels. The fall may be partly due to weakening consumer confidence which fell close to a five year low in July, with ongoing Brexit uncertainty dampening sentiment.

Meanwhile, the AIB manufacturing PMI, a good measure of activity in that sector, hit six year lows over the summer. The index has now been in contraction territory for three months. Here again, Brexit uncertainty is weighing on activity, as is the downturn in global manufacturing this year.

The PMI for the construction sector has declined this year too, with the index falling to 51.4 by July from a recent high of 60.5 in February. Further evidence of slower growth in construction is provided by a levelling off in the numbers employed in the sector in recent quarters.

This would appear to be mainly due to a weakening in non-residential activity, as the number of housing commencements and completions both rose by 17% year-on-year in the opening half of 2019. However, this does represent a slower rate of growth in housing output compared to 2017/18.

The key services sector of the economy, though, is still performing strongly. The AIB services PMI has been confined to a 54-57 range this year, consistent with good growth in the industry. However, this is still below the levels seen in recent years, suggesting that activity is not quite as buoyant in 2019 as previously.

Consumer spending is holding up well, apart, from in the motor trade. It rose by a solid 2.9% year-on-year in the first quarter of 2019. Retail spending volumes in particular have remained strong, rising by 4.5% year-on-year in the first seven months of this year, following growth of just under 4% in 2017 and 2018.

Another indication that despite some spots of weakness, the economy is still growing at a healthy pace is provided by government tax receipts. These are up by 7.6% year-to-date, slightly ahead of schedule, with good performances across all the main tax headings.

There is no doubt that continuing uncertainty around Brexit, the downturn in manufacturing globally, a slowdown in international trade and weaker activity in our main export markets, especially in Europe, have all contributed to a deceleration in growth in the Irish economy this year. However, the economy is continuing to



perform solidly and is set to be one of the strongest growing advanced economies again in 2019.

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