

# Irish Economy Watch

AIB Treasury Economic Research Unit



12 November 2015

	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	
<b>MANUFACTURING</b>									
Industrial Production (Ex-Modern)	120.3	125.7	126.8	124.3	134.2	126.3	125.1	#N/A	Production (ex-modern sector) continued to grow strongly in Q3 (+2.3%) - but signs it may be beginning to 'level off'
Production (Ex-Modern) : 3mma YoY%	10.8	12.4	13.1	11.0	13.0	10.8	8.8	#N/A	
3mth / 3mth % seas. adj.	2.8	4.5	3.8	4.1	4.5	3.2	2.3	#N/A	
Investec Manufacturing PMI	56.8	55.8	57.1	54.6	56.7	53.6	53.8	53.6	Manufacturing PMI and OECD indicator have been pointing to a more modest pace of growth in recent months, but still at good levels
OECD Leading Indicator	101.6	101.8	102.0	102.1	102.1	101.9	101.6	#N/A	
<b>SERVICES / RETAIL</b>									
Monthly Services Index (Value)	117.5	114.7	114.0	116.4	122.8	117.5	118.8	#N/A	CSO services index rebounds strongly in Q3 (+4.1%) after falling in Q2 (-3%)
- YoY %	8.6	2.0	3.3	3.1	9.8	4.3	4.9	#N/A	
- 3mth / 3mth % seas. adj.	4.3	-0.3	-2.1	-3.0	1.4	3.0	4.1	#N/A	
Investec Services PMI	60.9	60.6	61.4	63.3	63.4	62.1	62.4	60.1	Services PMI fell to a near 2 year low in October, but at 60.1, it continues to suggest a very strong pace of growth
SIMI Car Registrations	18,948	9,465	6,923	1,449	27,591	6,404	4,770	2,562	Car sales have been strong—on course for over 125k sales in 2015, their best annual performance since 2008
- 12 mth cum total	110,972	112,614	113,241	113,000	121,869	123,409	124,269	124,795	
- 3 mma YoY %	29.3	26.9	24.4	12.9	34.8	40.3	41.0	27.1	
Retail Sales Index	106.2	106.9	105.6	99.6	113.1	108.2	108.5	#N/A	Core retail sales continued to grow strongly in Q3 (+1.2%), showing a 9th consecutive quarter of growth. Underlying data show generally broad based gains
- YoY %	9.8	11.9	8.6	4.3	10.2	8.7	8.6	#N/A	
- 3mth / 3mth % seas. adj.	4.3	3.6	2.9	-0.8	0.3	0.7	5.7	#N/A	
Ex Autos Index	107.4	110.9	109.8	109.5	110.7	111.4	112.1	#N/A	
- YoY %	5.2	7.7	6.5	5.0	6.4	6.9	8.0	#N/A	
- 3mth / 3mth % seas. adj.	1.5	2.0	1.7	2.4	1.2	1.1	1.2	#N/A	
<b>CONSTRUCTION PMI: Ulster Bank</b>									
- Housing Activity	52.9	57.2	63.3	65.7	59.1	56.5	55.8	56.3	Construction PMI picks up in Oct' after declining in Q3. It has pointed to more moderate growth in recent months, while remaining solid
- Commercial Activity	50.9	55.8	62.7	64.9	57.3	54.4	55.6	57.4	
- New Orders	54.8	59.3	64.2	66.4	60.5	56.9	56.4	55.7	
- Business Expectations	54.8	59.3	60.4	64.1	58.2	58.3	58.7	58.3	
	81.9	78.1	80.4	76.7	79.4	76.7	74.3	76.2	
<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>									
Housing Registrations: 12Mth Total	2,874	3,049	3,344	3,520	3,659	4,470	4,326	#N/A	Housing registrations remain on a broadly upward trajectory, but are still at low levels overall
- 3 Month Avg YoY %	61.3	64.3	134.5	126.4	110.5	192.8	118.7	#N/A	
Commencements: 12mth Total	3,811	4,551	5,263	5,838	6,459	6,851	7,407	#N/A	
- 3 Month Avg YoY %	-74.4	-57.9	1,424.5	587.5	319.3	200.1	153.9	#N/A	Commencements continue to improve on a 12mth cumulative basis. YoY comparison distorted by base effects from 2014
Completions: Month	1,100	946	991	1,059	1,120	949	1,220	#N/A	Housing completions stay very low—12mth total looks to be stalling around 12k
- 12 Mth Total	11,555	11,735	11,641	11,809	11,937	12,104	12,141	#N/A	
<b>HOUSING MARKET ACTIVITY</b>									
BPFI Mortgage Approvals : Month	2,228	2,070	2,347	2,362	2,700	2,133	#N/A	#N/A	Slowdown in YoY growth in mortgage approvals & housing transactions—may reflect new Central Bank lending rules and limited sale stock
- 3 Month Avg YoY %	40.6	28.8	17.3	7.5	4.6	1.1	#N/A	#N/A	
- 12 Mth Total	27,271	27,483	27,645	27,744	27,811	27,722	#N/A	#N/A	
RPPR Transactions : Month	3,589	3,626	3,623	4,169	4,547	3,464	#N/A	#N/A	House price growth has shown signs of reaccelerating, index up by 3.1% in Q3 after moderating in H1. Nonetheless, YoY growth was at 8.9% in Sept its weakest rate in 1½ yrs. Largely reflects slower growth in Dublin
- 3 Month Avg YoY %	55.2	43.8	31.0	25.9	15.6	10.4	#N/A	#N/A	
- 12 Mth Total	46,539	47,511	48,105	48,894	49,176	49,257	#N/A	#N/A	
<b>HOUSING MARKET PRICES</b>									
CSO (Mortgaged Transactions) - MoM	0.9	0.6	0.5	0.1	0.9	2.3	1.3	#N/A	Rents continue to rise strongly in October, YoY growth remains at 10.3%. Rents now 1.2% above pre-recessionary peak
- YoY %	16.8	15.8	13.8	10.7	9.4	9.5	8.9	#N/A	
Daft Asking Prices: MoM %	1.3	-0.3	0.6	-1.0	1.8	0.1	0.9	#N/A	
- YoY %	15.3	13.6	11.4	9.5	9.5	8.3	7.6	#N/A	Lower mortgage interest rates mean affordability remains accommodative
<b>RENTS:</b> CSO Private Rents - MoM%	0.6	0.6	0.6	0.9	1.0	0.9	1.2	0.5	
- YoY %	8.3	8.7	8.9	9.3	10.4	10.5	10.3	10.3	
<b>AFFORDABILITY:</b> Couple on Avg Industrial Wage, 90% LTV, 30Yr Mortgage, AIB Mortgage Rate, Prices: CSO/Perm' TSB									
- Mortgage as % of Disposable Income	16.8	16.9	17.1	16.6	16.7	17.1	17.4	#N/A	

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<b>CONSUMER PRICES</b> YoY %	-0.6	-0.7	-0.3	-0.1	-0.2	0.0	-0.3	-0.2
- MoM %	0.6	0.0	0.4	0.3	-0.3	0.4	-0.5	-0.2
HICP - YoY %	-0.3	-0.4	0.2	0.4	0.2	0.2	0.0	0.0
- MoM %	0.6	-0.1	0.6	0.4	-0.3	0.3	-0.5	-0.3

Pace of decline in prices eases slightly in October. But, remains heavily weighed down by decline in energy prices

HICP inflation remains flat as it excludes mortgage interest which is down 9.3% YoY

#### PERSONAL / FINANCIAL

KBC/ESRI Consumer Confidence	97.8	98.7	98.5	102.8	99.7	101.1	100.6	101.3
Credit Growth YoY %								
- Private Sector (Underlying)	-10.6	-10.1	-10.8	-10.8	-10.2	-9.5	-10.0	#N/A
- of which : Household	-3.0	-2.9	-2.8	-2.9	-2.7	-2.7	-2.7	#N/A
- of which : Mortgage Lending	-2.7	-2.6	-2.5	-2.6	-2.6	-2.6	-2.5	#N/A

Consumer confidence remains very strong in October. Reflects a more positive view of the economy and expectations of improved personal finances

Fall in financial sector borrowing continues to weigh on private sector credit growth

#### LABOUR MARKET

Live Register	352,000	350,200	347,400	345,000	342,700	340,500	336,600	332,200
- Change In Month	-4,400	-1,800	-2,800	-2,400	-2,300	-2,200	-3,900	-4,400
Unemployment Rate %	9.8	9.7	9.6	9.5	9.5	9.5	9.4	9.3
Redundancies	439	400	419	475	#N/A	#N/A	#N/A	#N/A
-12 Mth Total	5,843	5,726	5,684	5,533	#N/A	#N/A	#N/A	#N/A
PMI Employment Indices								
- Investec Manufacturing	59.2	57.1	57.6	55.8	56.3	54.0	54.4	53.5
- Investec Services	59.3	57.6	60.9	60.1	60.3	60.8	59.6	61.0
- Ulster Bank Construction	52.7	56.4	59.1	61.4	57.6	57.7	56.4	55.7

Live Register falls further in October, now down 32k YTD. Unemployment rate falls to 9.3%, lowest since end 2008

Redundancies continue to decline on a 12mth cumulative basis in Q2

PMI employment components continue to point to a solid pace of employment growth at the start of Q4—services index particularly strong

#### MERCHANDISE TRADE

Export Values - 3M / 3M %	6.9	8.0	3.1	7.9	0.1	-3.6	#N/A	#N/A
- 3MMA YoY %	19.8	24.6	21.5	21.6	19.8	17.6	#N/A	#N/A
Import Values - 3M / 3M %	-5.5	1.2	6.7	4.3	-0.6	-6.4	#N/A	#N/A
- 3MMA YoY %	9.5	13.1	11.7	10.6	4.6	0.9	#N/A	#N/A

YoY growth in the value of exports remains very strong, partly reflecting currency effects from a weaker euro

Growth in the value of imports has slowed further, reflecting, in part, lower oil prices

#### PUBLIC FINANCES

Total Tax Receipts: Cum YTD %	13.4	11.3	10.9	11.7	9.7	9.7	9.5	9.6
Voted Spending : Cum YTD %	-0.1	0.5	-1.0	-0.5	-12.4	-0.5	-0.4	-0.7
Exchequer Bal: 12 Mth Total €m	-5,670	-5,748	-4,073	-3,537	-3,651	-3,142	-2,326	-1,857

Growth in tax receipts remains very strong, up 9.6% YTD

Budget deficit continues to show a marked decline, may be below 2% in 2015

### QUARTERLY DATA

	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15
<b>GDP</b> - YoY %	4.9	2.9	4.1	7.0	3.6	6.0	7.2	6.7
- QoQ% seas. adj.	4.7	-1.4	1.7	1.2	2.1	1.0	2.1	1.9
<b>Total Exports</b> - Volume YoY %	4.9	2.2	6.9	11.9	15.5	13.8	14.2	13.6
<b>Total Imports</b> - Volume YoY %	1.5	0.8	6.8	12.8	18.8	20.2	15.5	16.9

Irish GDP up 7% YoY in H1, primarily driven by strong performances by exports and investment. We could see growth average around 6% in 2015

Trade data remain distorted by contract manufacturing

#### EMPLOYMENT & EARNINGS

Employment YoY %	3.2	3.3	2.3	1.7	1.5	1.5	2.2	3.0
Labour Force YoY %	0.8	0.9	0.4	-0.7	-0.4	-0.5	-0.2	0.6
Average Earnings YoY %								
- Hourly	-2.0	-0.7	-0.3	-2.2	-1.6	1.4	0.5	1.5
- Weekly	-2.1	-0.4	0.0	-1.5	-1.0	1.9	1.0	1.8
Weekly Earnings YoY %								
- Private Sector	-1.2	0.3	1.1	-1.0	-0.6	2.7	1.2	2.3
- Public Sector	-1.3	-1.5	-1.4	-1.1	-1.1	0.4	0.4	0.0

Pace of YoY growth in employment picked up further in Q2, from 2.2% to 3%. Underlying data show broad based improvement across employment sectors

Weekly earnings growth picks up to 1.8% YoY in Q2. Growth in private sector wages (2.3%) remains far stronger than in public sector (0%)



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