

# Irish Economy Watch

AIB Treasury Economic Research Unit



11 April 2017

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	
<b>MANUFACTURING</b>									
Industrial Production (Ex-Modern)	121.0	126.7	119.8	123.0	122.3	126.3	122.6	#N/A	Production (ex-modern) fell back in February, after January's strong increase—still on course for a strong rise in Q1, after Q4's 0.9% decline
Production (Ex-Modern) : 3mma YoY%	-3.9	-3.0	-1.2	-0.4	0.2	2.5	2.8	#N/A	
3mth / 3mth % seas. adj.	0.7	0.9	1.3	1.4	-0.9	1.1	0.5	#N/A	
Investec Manufacturing PMI	51.7	51.3	52.1	53.7	55.7	55.5	53.8	53.6	Manufacturing PMI modestly firmer in Q1 vs Q4 (avg. 54.3 vs 53.8), though it did weaken during the quarter
OECD Leading Indicator	99.0	99.3	99.7	100.2	100.7	101.1	101.4	#N/A	
<b>SERVICES / RETAIL</b>									
Monthly Services Index (Value)	124.7	125.2	125.8	127.7	124.7	130.7	128.5	#N/A	Services index performs strongly in Jan/Feb, rising by 2.8% versus Q4'16
- YoY %	6.1	4.9	5.1	6.6	7.5	6.1	2.6	#N/A	
- 3mth / 3mth % seas. adj.	1.3	1.5	1.0	1.4	0.9	2.0	1.4	#N/A	
Investec Services PMI	59.7	56.2	54.6	56.0	59.1	61.0	60.6	59.1	Services PMI supports the view that growth in the sector rose strongly in Q1—avg of 60.2 compared to 56.6 in Q4
SIMI Car Registrations	7,286	4,688	2,240	749	430	38,970	17,081	19,894	
- 12 mth cum total	147,108	147,027	146,708	146,517	146,603	145,853	141,361	139,726	New car sales decline by 8.3% YoY in Q1. Big jump in second hand imports from the UK offsetting this
- 3 mma YoY %	9.4	8.0	3.5	-7.1	-11.0	-2.1	-8.4	-8.3	
Retail Sales Index	124.5	123.8	124.2	126.7	126.3	127.4	126.8	#N/A	Core retail sales remain very robust, rising further in February. Underlying data show relatively broad based growth
- YoY %	5.0	4.2	4.4	6.0	4.6	3.5	1.1	#N/A	
- 3mth / 3mth % seas. adj.	0.7	5.4	-0.2	0.3	-1.4	2.1	1.5	#N/A	
Ex Autos Index	115.5	116.4	116.9	119.0	117.4	119.4	120.7	#N/A	Construction PMI slightly softer in Q1 (58.1) vs Q4'16 (60.3), but back above 60 at end quarter
- YoY %	4.3	4.3	4.4	5.9	3.5	6.2	5.9	#N/A	
- 3mth / 3mth % seas. adj.	0.7	0.8	1.2	2.1	2.0	2.0	1.5	#N/A	
<b>CONSTRUCTION PMI: Ulster Bank</b>									
- Housing Activity	58.4	58.7	62.3	59.8	58.9	55.7	57.9	60.8	Housing registrations continued to improve on a 12mth basis, while remaining at a low level
- Commercial Activity	63.1	59.5	63.5	63.9	60.6	59.1	63.3	61.3	
- New Orders	63.9	61.3	64.5	62.8	61.0	56.5	58.9	63.5	
- Business Expectations	60.8	61.4	65.9	59.5	62.6	58.1	59.6	59.3	
<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>									
Housing Registrations: 12Mth Total	4,675	4,864	5,075	5,359	5,626	5,859	6,537	#N/A	Commencements improve over the winter, perhaps aided by the mild weather, but they still remain at low levels
- 3 Month Avg YoY %	-17.4	-2.3	-2.1	87.1	88.7	114.1	173.0	#N/A	
Commencements: 12mth Total	9,906	9,965	11,053	11,667	13,234	13,334	#N/A	#N/A	Completions have also shown improvement, now above 15k on a 12mth cumulative basis—but this remains below demand
- 3 Month Avg YoY %	29.2	15.2	64.1	73.3	66.3	35.6	#N/A	#N/A	
Completions: Month	1,415	1,340	1,290	1,579	1,556	1,244	#N/A	#N/A	Mortgage approvals surge, while transactions decline—suggests lack of supply remains a key issue
- 12 Mth Total	14,139	14,259	14,411	14,728	14,932	15,256	#N/A	#N/A	
<b>HOUSING MARKET ACTIVITY</b>									
BPFI Mortgage Approvals : Month	2,948	2,766	2,628	3,155	2,255	2,465	2,586	#N/A	CSO house price growth remains around 8% YoY. Price growth outside Dublin (11.3%) continues to exceed that in the Capital (5.3%); partly due to CB mortgage rules
- 3 Month Avg YoY %	22.9	23.5	26.6	29.8	31.1	42.3	41.8	#N/A	
- 12 Mth Total	27,474	28,030	28,391	29,436	29,935	30,730	31,590	#N/A	
RPPR Transactions : Month	4,040	4,411	4,468	4,257	4,532	3,010	3,419	#N/A	CSO rent prices jump by 1.2% in February after period of subdued growth. YoY growth in rents edges up to 8.5%, but is still below recent highs
- 3 Month Avg YoY %	0.3	4.1	6.0	3.7	-5.3	-3.3	-7.3	#N/A	
- 12 Mth Total	47,948	48,175	48,201	48,413	47,434	47,803	47,544	#N/A	Low mortgage rates and higher wages help to keep affordability at very accommodative levels
<b>HOUSING MARKET PRICES</b>									
CSO (Stamp Duties) - MoM	1.4	1.5	0.5	1.1	-0.6	0.6	#N/A	#N/A	CSO rent prices jump by 1.2% in February after period of subdued growth. YoY growth in rents edges up to 8.5%, but is still below recent highs
- YoY %	6.8	7.6	6.8	8.1	7.9	7.9	#N/A	#N/A	
Daft Asking Prices: MoM %	0.9	0.6	-1.7	0.2	1.6	2.4	1.1	0.1	Low mortgage rates and higher wages help to keep affordability at very accommodative levels
- YoY %	8.1	7.7	6.7	7.9	9.3	9.8	10.3	8.0	
<b>RENTS: CSO Private Rents - MoM%</b>									
- YoY %	0.7	1.9	0.9	0.0	0.3	0.0	1.2	#N/A	Low mortgage rates and higher wages help to keep affordability at very accommodative levels
- YoY %	8.9	9.7	10.0	9.7	9.6	8.3	8.5	#N/A	
<b>AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB</b>									
- Mortgage as % of Disposable Income	16.3	16.4	16.4	16.5	16.4	16.4	#N/A	#N/A	

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<b>CONSUMER PRICES - YoY %</b>	-0.1	0.0	-0.3	-0.1	0.0	0.3	0.5	#N/A	CPI inflation rises further to 0.5% in February—largely reflects transportation costs as fuel prices pick up. Overall, inflation remains very subdued
- MoM %	-0.2	-0.4	-0.5	-0.1	0.0	-0.5	0.6	#N/A	
HICP - YoY %	-0.4	-0.3	-0.4	-0.2	-0.2	0.2	0.3	#N/A	
- MoM %	-0.2	-0.4	-0.4	-0.1	-0.1	-0.5	0.5	#N/A	Meantime, HICP inflation edged up to 0.3% in February

<b>PERSONAL / FINANCIAL</b>									
KBC/ESRI Consumer Confidence	102.7	102.0	97.3	97.8	96.2	103.1	100.7	101.9	Consumer confidence improved in Q1 (avg 101.9) after dipping slightly in Q4 (97.1)
Credit Growth YoY %									
- Private Sector (Underlying)	-5.5	-4.9	-3.8	-3.9	-3.8	-4.2	-4.8	#N/A	Decline in private sector credit accelerated in Jan/Feb, but pace of contraction in household credit continues to ease—now -0.6% YoY
- of which : Household	-1.9	-1.9	-1.5	-1.3	-1.1	-0.8	-0.6	#N/A	
- of which : Mortgage Lending	-2.0	-1.9	-1.7	-1.6	-1.3	-1.2	-1.0	#N/A	

<b>LABOUR MARKET</b>									
Live Register	298,600	291,000	288,000	285,600	282,300	278,700	275,600	271,700	Live Register continues to decline at a solid pace. The unemployment rate fell yet again in March to 6.4%, its lowest level since June 2008
- Change In Month	-1,500	-7,600	-3,000	-2,400	-3,300	-3,600	-3,100	-3,900	
Unemployment Rate %	7.9	7.5	7.3	7.0	6.9	6.7	6.6	6.4	PMI employment indices were strong in Q1, with pick ups in both the services (Q1 59.8 vs Q4 57.2) and construction sectors (61.6 vs 61), while manufacturing sector growth 'steady' (54.6 in Q1 & Q4)
Redundancies -12 Mth Total	338	361	212	257	202	138	225	#N/A	
PMI Employment Indices									
- Investec Manufacturing	52.8	49.9	52.1	55.5	56.4	56.1	53.8	53.9	
- Investec Services	58.7	54.4	54.7	56.4	60.7	60.1	60.5	58.7	
- Ulster Bank Construction	59.7	54.7	60.2	61.5	61.5	63.3	62.9	58.6	

<b>MERCHANDISE TRADE</b>									
Export Values - 3M / 3M %	4.1	1.3	7.8	3.4	3.4	1.4	#N/A	#N/A	YoY value of exports rise, aided by pick-up in pharmaceutical sector output
- 3MMA YoY %	8.4	8.7	6.4	3.7	1.2	7.9	#N/A	#N/A	
Import Values - 3M / 3M %	1.5	0.1	-5.3	0.7	-0.2	0.7	#N/A	#N/A	Imports weighed down by weak sterling, but higher oil prices are boosting total
- 3MMA YoY %	4.4	3.8	-0.8	0.4	-5.4	0.2	#N/A	#N/A	

<b>PUBLIC FINANCES</b>									
Total Tax Receipts: Cum YTD %	6.2	5.7	4.7	6.5	5.0	6.0	4.1	3.2	Exchequer tax receipts were 2.4% below profile in Q1, partly due to weaker than anticipated corporation tax returns
Voted Spending : Cum YTD %	1.2	2.0	1.3	2.7	2.6	4.7	6.9	5.7	
Exchequer Bal: 12 Mth Total €m	1,558	17	-307	1,116	-1,012	-740	-735	-745	

<b>QUARTERLY DATA</b>									
	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16	
<b>GDP - YoY %</b>	28.1	24.3	24.4	28.4	3.9	3.3	6.2	7.2	Irish GDP rose by 5.2% in 2016. However, the data remain highly distorted by the activities of multi-nationals
*Core Domestic Expd - YoY% (3Q Avg)	6.4	6.7	7.0	5.6	4.4	3.8	3.2	#N/A	
Consumer Spending - YoY %	4.9	4.0	5.0	4.2	5.7	2.6	2.4	1.6	
Services Exports - YoY % (3Q Avg)	15.7	13.4	12.0	10.4	7.0	6.2	6.5	9.2	Consumer spending increased by 3% in 2016. Construction recorded a strong increase of 11.4%, while services exports rose by 7.8%
* Excludes Aircraft, R&D/Intangibles									

<b>EMPLOYMENT &amp; EARNINGS</b>									
Employment YoY %	2.2	3.0	2.9	2.3	2.4	2.9	2.9	3.3	Employment grows at a very strong 3.3% YoY in Q4. Underlying data show improvement in all job sectors. Labour force growth slower
Labour Force YoY %	-0.2	0.6	0.6	0.8	0.6	1.5	1.5	1.2	
Average Earnings YoY %									YoY growth in weekly earnings slowed to 0.6% in Q4, partly due to fewer hours worked. Data show that wage growth still unbalanced—some sectors rising, others flat or declining
- Hourly	-0.2	0.3	1.4	-0.7	0.9	0.4	0.2	1.1	
- Weekly	0.4	0.8	2.4	1.2	1.5	0.9	1.3	0.6	
Weekly Earnings YoY %									
- Private Sector	0.5	1.3	3.3	1.0	2.7	2.1	1.9	1.4	
- Public Sector	0.4	-0.1	0.3	1.8	-0.5	-1.0	1.2	-0.7	



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