

# Irish Economy Watch

AIB Treasury Economic Research Unit



25 August 2016

	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	
<b>MANUFACTURING</b>									
Industrial Production (Ex-Modern)	116.5	122.7	121.8	119.8	123.4	120.5	123.3	#N/A	Production (ex-modern) recorded another healthy increase in Q2 (0.8%), despite decline in the key 'food products' sector
Production (Ex-Modern) : 3mma YoY%	2.2	2.8	0.7	1.2	-0.4	-1.7	-2.0	#N/A	
3mth / 3mth % seas. adj.	-5.2	-2.4	-2.6	0.7	0.7	0.7	0.8	#N/A	
Investec Manufacturing PMI	54.2	54.3	52.9	54.9	52.6	51.5	53.0	50.2	Although, timelier manufacturing PMI fell to its lowest level (50.2) since May 2013 in July following UK vote to leave the EU
OECD Leading Indicator	100.6	100.4	100.2	100.0	99.8	#N/A	#N/A	#N/A	
<b>SERVICES / RETAIL</b>									
Monthly Services Index (Value)	117.2	123.0	124.1	123.4	122.6	123.4	125.2	#N/A	Services index grows by a modest 0.2% in Q2 following Q1's 3.6% jump
- YoY %	0.7	1.0	8.0	5.1	6.2	8.3	7.9	#N/A	
- 3mth / 3mth % seas. adj.	-0.6	1.5	1.4	3.6	2.5	1.4	0.2	#N/A	
Investec Services PMI	61.8	64.0	62.1	62.8	59.8	61.7	61.2	59.5	Services PMI moved lower in July following the UK Referendum. Although, at 59.5 it still points to strong growth
SIMI Car Registrations	342	39,722	21,574	21,531	10,383	6,501	1,624	29,898	
- 12 mth cum total	124,945	134,859	140,655	143,253	144,185	143,767	143,943	146,247	Car sales rise sharply in July on new number plate introduction. However, YTD growth in sales slowed further, now at 19%
- 3 mma YoY %	21.2	32.5	34.2	28.4	21.1	8.8	3.9	5.7	
Retail Sales Index	109.4	114.2	114.5	111.7	112.5	112.8	106.3	#N/A	Core retail sales in Q2 recorded a 7th consecutive quarter of 1% or above growth. Sales of clothing and electrical goods were particularly strong
- YoY %	6.4	10.9	10.7	4.7	5.1	7.5	5.4	#N/A	
- 3mth / 3mth % seas. adj.	-0.4	3.0	3.9	4.2	1.6	-0.3	-2.6	#N/A	
Ex Autos Index	113.0	113.9	114.4	114.3	114.7	116.2	115.1	#N/A	
- YoY %	5.1	6.5	6.6	6.0	3.2	6.2	4.9	#N/A	
- 3mth / 3mth % seas. adj.	1.3	2.0	1.2	1.2	0.6	1.1	1.0	#N/A	
<b>CONSTRUCTION PMI: Ulster Bank</b>									
- Housing Activity	58.6	63.6	68.8	62.3	56.4	55.9	59.7	61.0	Construction PMI rose further in July. New orders component is back above 60. Expectations remain at a very high level
- Commercial Activity	58.3	65.9	71.2	63.6	58.4	57.4	61.8	61.3	
- New Orders	59.7	62.4	68.5	65.1	56.5	59.7	62.0	66.2	
- Business Expectations	60.4	62.5	67.4	64.0	59.4	56.7	59.8	60.2	
	79.7	79.6	81.4	77.7	83.8	73.4	84.9	74.7	Housing registrations show some improvement during Q2 after a soft start to the year, but they remain weak overall
<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>									
Housing Registrations: 12Mth Total	4,290	4,242	4,257	4,764	4,831	4,973	4,898	#N/A	Commencements have shown improvement so far this year. YoY comparison still distorted by 2014 policy change
- 3 Month Avg YoY %	-4.0	-17.1	-15.7	60.1	63.0	66.2	11.6	#N/A	
Commencements: 12mth Total	8,098	8,425	8,867	8,848	8,790	9,231	9,577	#N/A	Housing completions on course for improved performance in 2016, up 18% in H1 vs H1'15
- 3 Month Avg YoY %	64.9	79.2	80.8	56.3	19.7	15.8	32.5	#N/A	
Completions: Month	1,352	920	1,192	1,032	1,149	1,294	1,055	#N/A	
- 12 Mth Total	12,666	12,893	13,249	13,181	13,384	13,687	13,683	#N/A	
<b>HOUSING MARKET ACTIVITY</b>									
BPFI Mortgage Approvals : Month	1,756	1,627	1,726	1,753	2,601	2,616	2,909	#N/A	Mortgage approvals grew by 20% YoY in Q2, following Q1's decline. The impact of the Central Bank's mortgage rules may be starting to wane
- 3 Month Avg YoY %	-20.3	-20.3	-17.8	-16.1	-4.9	4.9	19.9	#N/A	
- 12 Mth Total	26,030	25,840	25,516	25,041	25,572	25,841	26,388	#N/A	
RPPR Transactions : Month	5,511	2,616	3,651	3,376	3,641	3,786	3,793	#N/A	YoY growth in CSO house prices slowed in Q2 to 6.6% from 7.4%. Price inflation in Dublin (4.5%) continues to lag behind the rest of the country (8.6%), in part due to the CB mortgage lending rules
- 3 Month Avg YoY %	-10.0	-14.5	-17.0	-9.4	-2.5	-1.4	-3.0	#N/A	
- 12 Mth Total	48,566	47,813	47,834	47,566	47,546	47,676	47,216	#N/A	
<b>HOUSING MARKET PRICES</b>									
CSO (Mortgaged Transactions) - MoM	0.5	-0.5	0.0	0.4	0.4	0.2	-0.1	#N/A	CSO rents measure continued to rise strongly in July, up 9.1% YoY. They are now 7.6% above their previous peak
- YoY %	6.6	7.6	8.0	7.4	7.1	6.9	6.6	#N/A	
Daft Asking Prices: MoM %	0.3	1.9	0.7	2.3	-0.6	0.8	1.4	#N/A	Lower mortgage rates and taxes means affordability remains at favourable levels, despite lower wages
- YoY %	7.8	8.2	4.5	5.5	5.3	5.5	8.1	#N/A	
RENTS: CSO Private Rents - MoM%	0.3	1.2	1.1	0.2	1.0	0.5	0.5	0.9	
- YoY %	9.6	9.4	9.7	9.2	9.7	9.7	9.3	9.1	
<b>AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30Yr Mortgage, AIB Mortgage Rate, Prices: CSO/Perm' TSB</b>									
- Mortgage as % of Disposable Income	16.8	16.3	16.2	16.4	16.6	16.8	16.8	#N/A	

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<b>CONSUMER PRICES</b> YoY %	0.1	0.1	-0.1	-0.3	-0.1	0.0	0.4	0.5	CPI inflation edges up to 0.5% in July as increases in insurance and airfares more than offset lower electricity and water costs
- MoM %	-0.1	-0.8	0.4	0.4	0.2	0.5	0.7	-0.2	
HICP - YoY %	0.2	0.0	-0.2	-0.6	-0.2	-0.2	0.1	0.1	
- MoM %	-0.1	-0.9	0.4	0.3	0.3	0.5	0.7	-0.3	HICP inflation remained in positive territory at 0.1%
<b>PERSONAL / FINANCIAL</b>									
KBC/ESRI Consumer Confidence	103.9	108.6	105.8	100.6	102.7	98.1	103.4	99.6	Consumer confidence moves lower in July, reflecting some impact from the Brexit vote. But, the fall was not as large anticipated, with the index remaining near multi year highs
Credit Growth YoY %									
- Private Sector (Underlying)	-7.9	-7.3	-7.8	-7.1	-6.5	-5.8	-5.2	#N/A	
- of which : Household	-2.8	-2.6	-2.7	-2.6	-2.4	-2.3	-2.1	#N/A	Pace of decline in private sector credit slows further in June
- of which : Mortgage Lending	-2.6	-2.5	-2.4	-2.4	-2.3	-2.2	-2.0	#N/A	
<b>LABOUR MARKET</b>									
Live Register	328,300	323,500	320,700	317,100	312,400	308,800	305,400	300,300	Live Register continues to decline at a healthy pace. Unemployment rate has held around 8.3% recently, mainly due to growth in the labour force
- Change In Month	-1,900	-4,800	-2,800	-3,600	-4,700	-3,600	-3,400	-5,100	
Unemployment Rate %	8.9	8.5	8.3	8.3	8.3	8.4	8.4	8.3	
Redundancies	260	282	223	670	#N/A	#N/A	#N/A	#N/A	Slight spike in redundancies in March, but they remain at low levels overall
-12 Mth Total	4,342	4,203	4,101	4,332	#N/A	#N/A	#N/A	#N/A	
PMI Employment Indices									Service & manufacturing sector employment PMIs fell in July—reflecting some Brexit uncertainty, but remain consistent with solid job gains
- Investec Manufacturing	52.0	52.1	54.0	54.8	52.0	51.8	53.5	52.6	
- Investec Services	58.6	59.7	61.0	59.7	59.4	60.1	57.2	54.9	
- Ulster Bank Construction	58.2	60.7	61.5	58.4	55.2	55.5	57.1	58.5	
<b>MERCHANDISE TRADE</b>									
Export Values - 3M / 3M %	12.3	0.2	-3.6	-11.8	-6.9	-3.0	3.7	#N/A	The firmer tone to the euro has weighed on the value of Irish exports (-0.8% YoY in Q2)
- 3MMA YoY %	24.7	14.5	5.1	3.3	1.0	-0.2	-0.8	#N/A	
Import Values - 3M / 3M %	9.1	-2.4	-12.8	-22.0	-13.4	-4.2	2.6	#N/A	Lower import prices, especially oil, have seen the value of imports decline too (-10.3% YoY in Q2)
- 3MMA YoY %	16.0	7.0	1.1	-6.4	-7.8	-7.9	-10.3	#N/A	
<b>PUBLIC FINANCES</b>									
Total Tax Receipts: Cum YTD %	10.5	7.4	7.1	6.4	9.1	9.0	9.2	8.4	Tax receipts continue to show a strong pace of YoY growth, up 8.4% YTD in July
Voted Spending : Cum YTD %	1.5	-7.2	-4.6	-0.7	-0.5	-0.5	1.8	5.9	
Exchequer Bal: 12 Mth Total €m	-62	356	1,651	-1,429	1,202	-828	-912	1,448	Budget deficit of below 1% of GDP probable this year

## QUARTERLY DATA

	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	
<b>GDP</b> - YoY %	3.6	11.1	28.1	24.3	24.3	28.4	2.3	#N/A	Irish GDP data were heavily distorted in 2015 by the impact of corporate restructuring, relocation & reclassification as well as aircraft leasing
*Core Domestic Expd - YoY % (3Q Avg)	4.4	4.5	6.4	6.7	7.0	5.6	4.2	#N/A	
Consumer Spending - YoY %	1.5	2.7	4.9	4.1	4.9	4.2	5.0	#N/A	Domestic economy continues to perform strongly, consumer spending up 5% YoY in Q1. Strong growth in service exports
Services Exports - YoY % (3Q Avg)	12.8	14.4	15.7	13.4	12.0	10.4	8.2	#N/A	
* Excludes Aircraft, R&D/Intangibles									
<b>EMPLOYMENT &amp; EARNINGS</b>									
Employment YoY %	1.5	1.5	2.2	3.0	2.9	2.3	2.4	2.9	YoY employment growth rises to 2.9% in Q2. Underlying data show broad based gains. YoY growth in the labour force jumps to 1.5% (partly due to return to net inward migration)
Labour Force YoY %	-0.4	-0.5	-0.2	0.6	0.6	0.8	0.6	1.5	
Average Earnings YoY %									YoY growth in earnings slowed in Q2. Underlying data show unbalanced growth, with wages falling in some sectors, while rising strongly in others
- Hourly	-1.6	1.4	0.5	0.3	2.1	-0.7	1.2	0.2	
- Weekly	-1.0	1.9	1.2	0.8	3.2	1.1	1.8	0.5	
Weekly Earnings YoY %									
- Private Sector	-0.6	2.8	1.2	1.3	4.1	0.9	3.3	1.5	
- Public Sector	-1.1	0.4	0.4	-0.1	0.3	1.9	-0.5	-1.2	



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