

# Irish Economy Watch

AIB Treasury Economic Research Unit



13 July 2016

|   | Nov-15  | Dec-15  | Jan-16  | Feb-16  | Mar-16  | Apr-16  | May-16  | Jun-16  |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>MANUFACTURING</b>  |         |         |         |         |         |         |         |         |
| Industrial Production (Ex-Modern)   | 124.8   | 116.3   | 123.2   | 123.1   | 122.1   | 124.5   | 120.7   | #N/A    |
| Production (Ex-Modern) : 3mma YoY%  | 5.8     | 3.1     | 3.0     | 0.5     | 1.7     | 0.3     | -1.6    | #N/A    |
| 3mth / 3mth % seas. adj.  | -2.6    | -4.9    | -2.5    | -2.9    | 1.0     | 1.5     | 1.3     | #N/A    |
| Investec Manufacturing PMI  | 53.3    | 54.2    | 54.3    | 52.9    | 54.9    | 52.6    | 51.5    | 53.0    |
| OECD Leading Indicator  | 100.8   | 100.6   | 100.4   | 100.2   | 100.0   | 99.8    | #N/A    | #N/A    |
| <b>SERVICES / RETAIL</b>  |         |         |         |         |         |         |         |         |
| Monthly Services Index (Value)  | 120.1   | 117.5   | 123.8   | 124.1   | 123.3   | 122.4   | 122.8   | #N/A    |
| - YoY %   | 7.5     | 0.8     | 0.9     | 8.0     | 5.1     | 6.3     | 7.8     | #N/A    |
| - 3mth / 3mth % seas. adj.  | 0.4     | -0.8    | 1.6     | 2.0     | 4.0     | 2.3     | 0.8     | #N/A    |
| Investec Services PMI   | 63.6    | 61.8    | 64.0    | 62.1    | 62.8    | 59.8    | 61.7    | 61.2    |
| SIMI Car Registrations  | 940     | 342     | 39,722  | 21,574  | 21,531  | 10,383  | 6,503   | 1,625   |
| - 12 mth cum total  | 124,953 | 124,945 | 134,859 | 140,655 | 143,253 | 144,185 | 143,769 | 143,946 |
| - 3 mma YoY %   | 22.9    | 21.2    | 32.5    | 34.2    | 28.4    | 21.1    | 8.8     | 3.9     |
| Retail Sales Index  | 109.9   | 109.3   | 114.3   | 114.6   | 111.9   | 113.0   | 113.7   | #N/A    |
| - YoY %   | 9.5     | 6.3     | 10.9    | 10.8    | 4.7     | 5.3     | 8.1     | #N/A    |
| - 3mth / 3mth % seas. adj.  | 1.8     | -0.5    | 3.0     | 3.9     | 4.3     | 1.8     | 0.1     | #N/A    |
| Ex Autos Index  | 114.3   | 113.1   | 114.0   | 114.5   | 114.5   | 115.1   | 116.5   | #N/A    |
| - YoY %   | 8.9     | 5.2     | 6.5     | 6.7     | 6.1     | 3.3     | 6.5     | #N/A    |
| - 3mth / 3mth % seas. adj.  | 1.8     | 1.4     | 2.1     | 1.3     | 1.3     | 0.8     | 1.3     | #N/A    |
| <b>CONSTRUCTION PMI: Ulster Bank</b>  |         |         |         |         |         |         |         |         |
| - Housing Activity  | 55.5    | 58.6    | 63.6    | 68.8    | 62.3    | 56.4    | 55.9    | 59.7    |
| - Commercial Activity   | 55.2    | 58.3    | 65.9    | 71.2    | 63.6    | 58.4    | 57.4    | 61.8    |
| - New Orders  | 56.0    | 59.7    | 62.4    | 68.5    | 65.1    | 56.5    | 59.7    | 62.0    |
| - Business Expectations   | 60.9    | 60.4    | 62.5    | 67.4    | 64.0    | 59.4    | 56.7    | 59.8    |
|   | 81.5    | 79.7    | 79.6    | 81.4    | 77.7    | 83.8    | 73.4    | 84.9    |
| <b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>  |         |         |         |         |         |         |         |         |
| Housing Registrations: 12Mth Total  | 4,384   | 4,290   | 4,242   | 4,257   | 4,764   | 4,831   | 4,973   | #N/A    |
| - 3 Month Avg YoY %   | -9.9    | -4.0    | -17.1   | -15.7   | 60.1    | 63.0    | 66.2    | #N/A    |
| Commencements: 12mth Total  | 8,074   | 8,098   | 8,425   | 8,867   | 8,848   | 8,790   | 9,231   | #N/A    |
| - 3 Month Avg YoY %   | 103.6   | 64.9    | 79.2    | 80.8    | 56.3    | 19.7    | 15.8    | #N/A    |
| Completions: Month  | 1,262   | 1,352   | 920     | 1,192   | 1,032   | 1,149   | #N/A    | #N/A    |
| - 12 Mth Total  | 12,503  | 12,666  | 12,893  | 13,249  | 13,181  | 13,384  | #N/A    | #N/A    |
| <b>HOUSING MARKET ACTIVITY</b>  |         |         |         |         |         |         |         |         |
| BPMI Mortgage Approvals : Month   | 2,110   | 1,756   | 1,627   | 1,699   | 1,767   | 2,631   | 2,642   | #N/A    |
| - 3 Month Avg YoY %   | -13.5   | -20.3   | -20.3   | -18.9   | -17.0   | -4.6    | 5.9     | #N/A    |
| - 12 Mth Total  | 26,634  | 26,030  | 25,840  | 25,446  | 24,985  | 25,546  | 25,841  | #N/A    |
| RPPR Transactions : Month   | 4,045   | 5,511   | 2,616   | 3,646   | 3,362   | 3,601   | 3,647   | #N/A    |
| - 3 Month Avg YoY %   | 4.8     | -10.0   | -14.5   | -17.0   | -9.6    | -3.0    | -3.2    | #N/A    |
| - 12 Mth Total  | 50,244  | 48,566  | 47,813  | 47,825  | 47,543  | 47,483  | 47,474  | #N/A    |
| <b>HOUSING MARKET PRICES</b>  |         |         |         |         |         |         |         |         |
| CSO (Mortgaged Transactions) - MoM  | -0.5    | 0.5     | -0.5    | 0.0     | 0.4     | 0.4     | 0.2     | #N/A    |
| - YoY %   | 6.5     | 6.6     | 7.6     | 8.0     | 7.4     | 7.1     | 6.9     | #N/A    |
| Daft Asking Prices: MoM %   | -0.9    | 0.3     | 1.9     | 0.7     | 2.3     | -0.6    | 0.8     | 1.4     |
| - YoY %   | 8.6     | 7.8     | 8.2     | 4.5     | 5.5     | 5.3     | 5.5     | 8.1     |
| <b>RENTS:</b> CSO Private Rents - MoM%  | 0.4     | 0.3     | 1.2     | 1.1     | 0.2     | 1.0     | 0.5     | #N/A    |
| - YoY %   | 10.0    | 9.6     | 9.4     | 9.7     | 9.2     | 9.7     | 9.7     | #N/A    |
| <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    | 16.8    | 16.4    | 16.3    | 16.4    | 16.5    | 16.5    | #N/A    |

Production (ex-modern) fell in May. 3mth/3mth growth slowed, but at 1.3%, it remains at a solid level

Timelier manufacturing PMI records healthy increase in June, after falling in May. Suggests sector finished Q2 on a solid footing

Services index continues to show very strong pace of YoY growth—at 7.8% in May

Services PMI remained very strong in Q2, averaging 60.9. Suggests sector continued to grow at a robust pace

Car sales slow further in June ahead of new number plate in July. Sales still up 23% YTD

Growth in core retail sales (ex-cars) has been solid so far in Q2, gaining 1.3% in April/May after increasing by the same amount in Q1. Underlying data show improvement is relatively broad based

Construction PMI rises in June. New orders component back up at 60. Expectations sub-index at its highest level since end 2014

Growth in housing registrations has continued to pick up pace, after a somewhat sluggish start to 2016

Commencements have shown improvement so far this year. YoY comparison still distorted by 2014 policy change

Housing completions on course for improved performance in 2016, up 20% YTD

Mortgage approvals growth picking up again. YoY growth back in positive territory (6%) in 3mths to May—sector still negatively impacted by Central Bank mortgage rules

Annual house price inflation of around 7%. Data show that ex-Dublin prices continue to grow more strongly than Dublin prices, in part due to CB rules. Although, Dublin prices have shown signs of reaccelerating

Rents rise strongly in May (+9.7% YoY)—now 6.1% above previous peak

Pick-up in earnings and lower mortgage interest means affordability remains at favourable levels

|                              | Nov-15 | Dec-15 | Jan-16 | Feb-16 | Mar-16 | Apr-16 | May-16 | Jun-16 |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>CONSUMER PRICES</b> YoY % | -0.2   | 0.1    | 0.1    | -0.1   | -0.3   | -0.1   | 0.0    | #N/A   |
| - MoM %                      | -0.3   | -0.1   | -0.8   | 0.4    | 0.4    | 0.2    | 0.5    | #N/A   |
| HICP - YoY %                 | -0.1   | 0.2    | 0.0    | -0.2   | -0.6   | -0.2   | -0.2   | #N/A   |
| - MoM %                      | -0.3   | -0.1   | -0.9   | 0.4    | 0.3    | 0.3    | 0.5    | #N/A   |

CPI inflation flat in May, as increased drag from oil prices is offset by higher insurance costs

HICP inflation remains in negative territory at 0.2% in May

#### PERSONAL / FINANCIAL

|                               |       |       |       |       |       |       |      |       |
|-------------------------------|-------|-------|-------|-------|-------|-------|------|-------|
| KBC/ESRI Consumer Confidence  | 103.1 | 103.9 | 108.6 | 105.8 | 100.6 | 102.7 | 98.1 | 103.4 |
| Credit Growth YoY %           |       |       |       |       |       |       |      |       |
| - Private Sector (Underlying) | -11.7 | -7.9  | -7.3  | -7.8  | -7.1  | -6.5  | -5.8 | #N/A  |
| - of which : Household        | -2.7  | -2.8  | -2.6  | -2.7  | -2.6  | -2.4  | -2.3 | #N/A  |
| - of which : Mortgage Lending | -2.6  | -2.6  | -2.5  | -2.4  | -2.4  | -2.3  | -2.2 | #N/A  |

Consumer confidence rises in June, from already strong level. Increase led by improved view of job prospects. Survey done pre-Brexit vote—index may fall back in coming months

Pace of decline in private sector credit slows further in May

#### LABOUR MARKET

|                            |         |         |         |         |         |         |         |         |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Live Register              | 330,100 | 328,200 | 323,500 | 320,700 | 317,200 | 312,700 | 309,100 | 305,600 |
| - Change In Month          | -2,200  | -1,900  | -4,700  | -2,800  | -3,500  | -4,500  | -3,600  | -3,500  |
| Unemployment Rate %        | 9.1     | 8.9     | 8.6     | 8.3     | 8.1     | 7.9     | 7.8     | 7.8     |
| Redundancies               | 388     | 260     | 282     | 223     | 670     | #N/A    | #N/A    | #N/A    |
| -12 Mth Total              | 4,467   | 4,342   | 4,203   | 4,101   | 4,332   | #N/A    | #N/A    | #N/A    |
| PMI Employment Indices     |         |         |         |         |         |         |         |         |
| - Investec Manufacturing   | 53.4    | 52.0    | 52.1    | 54.0    | 54.8    | 52.0    | 51.8    | 53.5    |
| - Investec Services        | 62.0    | 58.6    | 59.7    | 61.0    | 59.7    | 59.4    | 60.1    | 57.2    |
| - Ulster Bank Construction | 57.9    | 58.2    | 60.7    | 61.5    | 58.4    | 55.2    | 55.5    | 57.1    |

Live Register continues to decline at a healthy pace—down 23k in first half of 2016. Unemployment rate held at a 7½-year low of 7.8% in June

Slight spike in redundancies in March, but they remain at low levels overall

The main PMI employ' indices continue to point to labour market improvement. But, they did slow slightly in Q2 versus the levels seen in Q1

#### MERCHANDISE TRADE

|                           |      |      |      |       |       |       |      |      |
|---------------------------|------|------|------|-------|-------|-------|------|------|
| Export Values - 3M / 3M % | 6.2  | 12.4 | 0.7  | -3.1  | -11.3 | -7.4  | #N/A | #N/A |
| - 3MMA YoY %              | 26.1 | 24.7 | 15.0 | 5.6   | 3.8   | 0.9   | #N/A | #N/A |
| Import Values - 3M / 3M % | 5.5  | 9.7  | -2.6 | -13.0 | -22.3 | -13.4 | #N/A | #N/A |
| - 3MMA YoY %              | 13.4 | 16.0 | 6.2  | 0.3   | -6.6  | -8.2  | #N/A | #N/A |

The firmer tone to the euro has weighed on the value of Irish exports this year

Lower import prices, especially oil, have seen the value of imports decline too—YoY growth -8.2% in 3mths to April

#### PUBLIC FINANCES

|                                |        |      |      |       |        |       |      |      |
|--------------------------------|--------|------|------|-------|--------|-------|------|------|
| Total Tax Receipts: Cum YTD %  | 10.0   | 10.5 | 7.4  | 7.1   | 6.4    | 9.1   | 9.0  | 9.2  |
| Voted Spending : Cum YTD %     | -0.4   | 1.5  | -7.2 | -4.6  | -0.7   | -0.5  | -0.5 | 1.8  |
| Exchequer Bal: 12 Mth Total €m | -2,081 | -62  | 356  | 1,651 | -1,429 | 1,202 | -828 | -912 |

Tax receipts continued to show strong YoY growth in first half of 2016

Budget deficit of below 1% of GDP possible this year

#### QUARTERLY DATA

|                                     | Q2-14 | Q3-14 | Q4-14 | Q1-15 | Q2-15 | Q3-15 | Q4-15 | Q1-16 |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>GDP</b> - YoY %                  | 7.9   | 3.6   | 11.1  | 28.1  | 24.3  | 24.3  | 28.4  | 2.3   |
| - QoQ% seas. adj.                   | 2.6   | 3.2   | -0.1  | 21.4  | -0.4  | 3.1   | 2.3   | -2.1  |
| <b>Total Exports</b> - Volume YoY % | 12.2  | 17.9  | 16.6  | 39.1  | 29.8  | 31.9  | 37.3  | 1.3   |
| <b>Total Imports</b> - Volume YoY % | 12.7  | 19.1  | 19.6  | 21.5  | 21.6  | 23.1  | 20.6  | 2.6   |

Irish GDP data were heavily distorted in 2015 by the impact of corporate restructuring, relocation & reclassification as well as aircraft leasing

Domestic economy continues to perform strongly, consumer spending rose by 4.5% in 2015. Spending up 5% YoY in Q1

#### EMPLOYMENT & EARNINGS

|                        |      |      |      |      |      |     |      |      |
|------------------------|------|------|------|------|------|-----|------|------|
| Employment YoY %       | 1.7  | 1.5  | 1.5  | 2.2  | 3.0  | 2.9 | 2.3  | 2.4  |
| Labour Force YoY %     | -0.7 | -0.4 | -0.5 | -0.2 | 0.6  | 0.6 | 0.8  | 0.6  |
| Average Earnings YoY % |      |      |      |      |      |     |      |      |
| - Hourly               | -2.2 | -1.6 | 1.4  | 0.5  | 1.4  | 2.1 | -0.7 | 0.7  |
| - Weekly               | -1.5 | -1.0 | 1.9  | 1.2  | 1.9  | 3.2 | 1.1  | 1.1  |
| Weekly Earnings YoY %  |      |      |      |      |      |     |      |      |
| - Private Sector       | -1.0 | -0.6 | 2.8  | 1.2  | 2.5  | 4.1 | 0.9  | 2.5  |
| - Public Sector        | -1.1 | -1.1 | 0.4  | 0.4  | -0.1 | 0.3 | 1.9  | -1.2 |

YoY employment growth edges up to 2.4% in Q1. Underlying data show broad based gains in employment—construction sector particularly encouraging

YoY growth in earnings remained very modest in Q1. Underlying data show unbalanced growth, with wages falling in many sectors, while others see double digit rises



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