

# Irish Economy Watch

AIB Treasury Economic Research Unit



15 March 2018

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	
<b>MANUFACTURING</b>									
Investec Manufacturing PMI	54.6	56.1	55.4	54.4	58.1	59.1	57.6	56.2	Mfg PMI has moved down from December's all-time high, while continuing to point to strong growth in the sector
OECD Leading Indicator	101.0	100.7	100.5	100.3	100.0	99.8	99.5	#N/A	
Industrial Production (Ex-Modern)	121.4	117.1	117.4	121.8	120.7	123.0	#N/A	#N/A	
Production (Ex-Modern) : 3mma YoY%	0.2	-1.9	-3.9	-3.4	-2.6	0.6	#N/A	#N/A	Production (ex-modern), which can be volatile, grew by an encouraging 2.7% in Q4 (-1.4% in Q3), largely reflecting a jump (+8%) in food output
3mth / 3mth % seas. adj.	-1.4	-2.1	-1.4	-1.7	0.5	2.7	#N/A	#N/A	
<b>SERVICES / RETAIL</b>									
Investec Services PMI	58.3	58.4	58.7	57.5	56.0	60.4	59.8	57.2	The services PMI averaged 58.5 in Jan/Feb vs 58 in Q4'17. Points to further strong growth
Monthly Services Index (Value)	109.1	109.8	108.9	110.1	111.3	111.0	114.5	#N/A	
- YoY %	5.6	6.1	2.9	3.1	3.3	4.5	8.8	#N/A	Volatile services index +2.4% in January on a 3mth/3mth basis
- 3mth / 3mth % seas. adj.	0.4	1.5	1.8	1.6	1.5	1.4	2.4	#N/A	
SIMI Car Registrations	27,707	5,730	3,897	1,944	683	159	37,051	17,050	New car sales down by 3.5% YoY in the first two months of 2018. Although, the decline continues to be more than offset by imports of used cars
- 12 mth cum total	134,327	132,771	131,980	131,684	131,618	131,347	129,393	129,353	
- 3 mma YoY %	-7.6	-10.2	-10.8	-18.6	-15.0	-18.5	-5.7	-4.0	
Retail Sales Index	119.7	110.7	109.2	109.9	112.3	111.6	110.9	#N/A	Core retail sales performing strongly, +5.8% YoY in January. Underlying data show broad based growth, though electrical goods sales have fallen back from Nov 'Black Friday' surge
- YoY %	2.8	2.4	4.1	4.0	5.8	5.6	1.3	#N/A	
- 3mth / 3mth % seas. adj.	2.3	2.8	7.2	-0.1	-0.1	-1.7	1.5	#N/A	
Ex Autos Index	107.6	107.7	107.9	107.7	110.1	109.0	110.3	#N/A	Construction PMI stronger in Jan/Feb, suggesting a firmer pace of expansion in the sector. Housing sub-index at 61
- YoY %	6.5	2.9	6.2	5.7	7.8	6.5	5.8	#N/A	
- 3mth / 3mth % seas. adj.	2.3	1.6	1.1	0.4	1.0	1.1	1.9	#N/A	
<b>CONSTRUCTION PMI: Ulster Bank</b>									
- Housing Activity	56.6	55.1	56.5	54.5	56.7	58.0	61.4	59.2	YoY growth in housing registrations has slowed recently—at 1.6% in 3mth to Jan
- Commercial Activity	57.4	57.4	56.1	55.5	58.6	59.4	60.4	61.0	
- New Orders	56.1	55.7	58.4	54.7	55.6	56.1	61.9	59.4	YoY growth in commencements accelerated to 24% in January, but they remain low overall
- Business Expectations	62.5	59.9	56.7	56.1	57.2	59.4	60.5	60.3	
<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>									
Housing Registrations: 12Mth Total	74.9	77.7	75.7	74.0	72.5	75.1	76.2	80.5	Completions totalled 19.5k in the 12mths to January. However, this is still well below estimated demand of 30-35k
- 3 Month Avg YoY %	107.0	104.0	67.8	68.1	60.4	12.4	1.6	#N/A	
Commencements: 12mth Total	8,468	8,623	9,265	9,441	9,511	9,466	9,464	#N/A	Growth in mortgage approvals still slowing—perhaps due to affordability issues
- 3 Month Avg YoY %	107.0	104.0	67.8	68.1	60.4	12.4	1.6	#N/A	
Completions (ESB Connection): Month	16,604	16,945	17,323	17,151	17,633	17,572	17,913	#N/A	But, transaction growth has picked up, perhaps pointing to a greater number of 'cash buyers'
- 12 Mth Total	17,460	17,651	17,958	18,197	18,865	19,271	19,445	#N/A	
<b>HOUSING MARKET ACTIVITY</b>									
BPFI Mortgage Approvals : Month	3,415	3,380	3,081	3,224	3,243	2,301	2,586	#N/A	CSO house price growth accelerates further to 12.5% in Jan. Ex-Dublin growth (13%) still outpacing price inflation in the Capital (12.1%)
- 3 Month Avg YoY %	25.8	19.5	14.5	16.1	11.7	9.1	3.7	#N/A	
- 12 Mth Total	35,391	35,823	36,138	36,734	36,822	36,868	37,026	#N/A	CSO rent price inflation has stabilised recently—at 6.2% in Feb. Rents now 20% above previous peak
RPPR Transactions : Month	4,761	4,664	4,786	4,959	5,070	6,338	3,122	#N/A	
- 3 Month Avg YoY %	9.8	13.6	11.0	11.5	12.6	23.0	22.1	#N/A	Lower mortgage interest rates and personal taxes have helped to mitigate rising prices, keeping housing relatively affordable
- 12 Mth Total	49,802	50,680	51,051	51,542	52,332	54,114	54,168	#N/A	
<b>HOUSING MARKET PRICES</b>									
CSO Price Index - MoM	2.4	1.6	1.3	0.3	0.8	0.6	0.9	#N/A	Lower mortgage interest rates and personal taxes have helped to mitigate rising prices, keeping housing relatively affordable
- YoY %	11.6	11.8	12.0	11.7	11.2	12.2	12.5	#N/A	
Daft Asking Prices: MoM %	0.6	0.4	-0.7	0.6	-1.8	2.9	#N/A	#N/A	Lower mortgage interest rates and personal taxes have helped to mitigate rising prices, keeping housing relatively affordable
- YoY %	9.7	9.1	7.7	10.2	7.9	9.4	#N/A	#N/A	
<b>RENTS: CSO Private Rents - MoM%</b>									
- YoY %	0.4	0.8	0.7	0.5	0.0	0.8	0.2	1.1	Lower mortgage interest rates and personal taxes have helped to mitigate rising prices, keeping housing relatively affordable
- YoY %	7.3	7.3	6.1	5.6	5.6	6.1	6.3	6.2	
<b>AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB</b>									
- Mortgage as % of Disposable Income	17.9	18.1	18.2	18.1	17.3	17.4	17.4	#N/A	

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<b>CONSUMER PRICES - YoY %</b>	-0.2	0.4	0.2	0.6	0.5	0.4	0.2	0.5	CPI inflation moved up to 0.5% in February. This partly reflects a pick up in prices in the volatile transport and accommodation services sectors
- MoM %	0.0	0.4	-0.6	-0.1	-0.2	-0.1	-0.7	0.9	
HICP - YoY %	-0.2	0.4	0.2	0.5	0.5	0.5	0.3	0.7	HICP inflation rose to 0.7% in January, but is still very low
- MoM %	0.1	0.4	-0.6	-0.1	-0.1	-0.1	-0.7	0.9	
<b>PERSONAL / FINANCIAL</b>									
KBC/ESRI Consumer Confidence	105.1	102.9	105.8	104.8	103.6	103.2	110.4	105.2	Consumer confidence falls back in Feb from Jan's 17-year high. But, it remains at a strong level as very few consumers see conditions worsening
Credit Growth YoY %									
- Private Sector (Underlying)	-6.1	-5.7	-4.9	-3.7	-2.6	-2.2	-1.7	#N/A	Pace of decline in private sector credit has eased further, at -1.7% in January
- of which : Household	-1.8	-1.7	-1.5	-1.5	-1.5	-1.6	-1.6	#N/A	
- of which : Mortgage Lending	-2.4	-2.3	-2.1	-2.1	-2.1	-2.0	-1.9	#N/A	
<b>LABOUR MARKET</b>									
Live Register	256,300	247,400	250,400	248,300	244,900	241,300	238,300	234,900	Live Register continued to decline in Feb—down 40k in the last 12 months
- Change In Month	-3,000	-8,900	+3,000	-2,100	-3,400	-3,600	-3,000	-3,400	
Unemployment Rate %	6.7	6.7	6.6	6.5	6.4	6.3	6.2	6.1	The unemployment rate declined for a sixth consecutive month in February, falling to a near 10-year low of 6.1%
Redundancies -12 Mth Total	252	337	249	291	288	175	#N/A	#N/A	
PMI Employment Indices									The PMI employment sub-indices suggest the pace of jobs growth has remained strong in January/February
- Investec Manufacturing	53.4	53.3	51.8	53.7	57.1	60.2	57.6	57.3	
- Investec Services	59.4	58.5	58.6	58.3	57.6	58.4	56.1	55.9	
- Ulster Bank Construction	60.7	60.9	56.0	54.8	56.7	53.7	57.1	57.3	
<b>MERCHANDISE TRADE</b>									
Export Values - 3M / 3M %	-6.0	-7.0	-3.3	-2.8	0.5	2.5	#N/A	#N/A	Value of goods exports down 2.6% YoY in Q4, largely due to fall in value of chemical & aircraft related sales
- 3MMA YoY %	2.4	-4.3	-4.7	-6.0	-4.8	-2.6	#N/A	#N/A	
Import Values - 3M / 3M %	-2.3	-7.2	-12.4	-2.0	2.8	6.7	#N/A	#N/A	Imports values up 2.4%, largely reflecting higher oil prices
- 3MMA YoY %	1.4	-1.2	-3.8	3.6	0.4	2.4	#N/A	#N/A	
<b>PUBLIC FINANCES</b>									
Total Tax Receipts: Cum YTD %	4.5	4.9	5.4	6.2	5.8	6.0	5.2	4.1	Tax receipts show an encouraging start to 2018, +4.1% YTD in February
Voted Spending : Cum YTD %	5.1	5.2	5.2	5.0	5.0	5.2	25.9	5.0	
Exchequer Bal: 12 Mth Total €m	-1,874	477	1,357	1,743	2,063	1,908	1,967	1,538	Government targeting deficit of just 0.2% of GDP in 2018

## QUARTERLY DATA

	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	
<b>GDP - YoY %</b>	2.5	5.4	2.7	9.9	5.3	6.3	10.9	8.4	Irish GDP grew by 8.4% YoY in Q4 and 7.8% in 2017 as a whole. The data remain heavily distorted by the activity of multi-nationals
*Domestic Demand - YoY% (3Q Avg)	5.7	3.3	3.2	5.0	6.2	6.4	5.5	3.4	
Consumer Spending - YoY %	5.9	3.1	1.9	2.2	1.5	1.5	2.7	1.8	Modified final domestic demand, which excludes some multi-national activity, grew by 4% in 2017
Services Exports - YoY % (3Q Avg)	12.4	10.7	10.2	10.6	13.4	14.0	12.9	12.1	
<i>* Excludes Some Investment Related to the Multinational Sector</i>									
<b>EMPLOYMENT &amp; EARNINGS</b>									
Employment YoY %	3.4	3.8	3.8	3.8	3.7	2.5	2.2	3.1	Employment grew by 3.1% YoY in Q4 and 2.9% in 2017. At 2.23m, the number in employment is now very close to its 2007 peak. Labour force growth accelerated in Q4
Labour Force YoY %	1.4	2.3	2.3	1.8	1.8	0.1	0.5	1.9	
Average Earnings YoY %									Weekly earnings growth picks up to 2.5% in Q4. Dichotomy between sectors, with some showing strong growth, while a few are flat or declining
- Hourly	0.9	0.4	0.2	1.0	0.6	1.2	2.8	2.3	
- Weekly	1.5	0.9	1.3	0.7	1.5	1.8	2.1	2.5	
Weekly Earnings YoY %									
- Private Sector	2.7	2.1	1.9	1.4	1.7	1.4	1.8	2.5	
- Public Sector	-0.5	-1.0	1.2	-0.7	1.7	3.2	2.8	2.7	



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