# Irish Economy Watch

AIB Treasury Economic Research Unit

AIB

**13 October 2017**

| | Feb-17 | Mar-17 | Apr-17 | May-17 | Jun-17 | Jul-17 | Aug-17 | Sep-17 |
|---|---|---|---|---|---|---|---|---|
| **MANUFACTURING** | | | | | | | | |
| Industrial Production (Ex-Modern) | 123.0 | 124.7 | 119.6 | 121.4 | 119.8 | 121.5 | 117.7 | #N/A |
| Production (Ex-Modern) : 3mma YoY% | 3.0 | 3.6 | 1.1 | 1.2 | -1.5 | 0.2 | -1.7 | #N/A |
| 3mth / 3mth % seas. adj. | 0.5 | 2.4 | -1.2 | -1.6 | -3.5 | -1.3 | -1.8 | #N/A |
| Investec Manufacturing PMI | 53.8 | 53.6 | 55.0 | 55.9 | 56.0 | 54.6 | 56.1 | 55.4 |
| OECD Leading Indicator | 100.9 | 100.9 | 100.8 | 100.7 | 100.5 | 100.4 | 100.2 | #N/A |
| **SERVICES / RETAIL** | | | | | | | | |
| Monthly Services Index (Value) | 128.6 | 127.6 | 125.8 | 127.8 | 125.3 | 131.9 | 123.7 | #N/A |
| - YoY % | 3.7 | 3.2 | 1.7 | 3.2 | 0.7 | 8.3 | -1.8 | #N/A |
| - 3mth / 3mth % seas. adj. | 1.2 | 2.4 | -0.1 | -0.6 | -2.1 | 0.8 | -0.1 | #N/A |
| Investec Services PMI | 60.6 | 59.1 | 61.1 | 59.5 | 57.6 | 58.3 | 58.4 | 58.7 |
| SIMI Car Registrations | 17,098 | 19,888 | 7,833 | 5,993 | 1,396 | 27,725 | 5,741 | 3,901 |
| - 12 mth cum total | 141,394 | 139,753 | 137,204 | 136,698 | 136,470 | 134,312 | 132,767 | 131,980 |
| - 3 mma YoY % | -8.3 | -8.3 | -16.2 | -12.2 | -17.7 | -7.6 | -10.1 | -10.7 |
| Retail Sales Index | 128.0 | 127.0 | 126.1 | 128.7 | 121.6 | 136.1 | 130.4 | #N/A |
| - YoY % | 1.9 | 3.0 | 1.5 | 4.3 | 4.3 | 2.8 | 4.7 | #N/A |
| - 3mth / 3mth % seas. adj. | 1.8 | 1.7 | 0.3 | 0.1 | -1.6 | 1.4 | 1.7 | #N/A |
| Ex Autos Index | 120.2 | 120.6 | 121.3 | 122.8 | 122.7 | 123.1 | 123.4 | #N/A |
| - YoY % | 5.6 | 6.1 | 6.6 | 7.2 | 7.0 | 7.5 | 6.7 | #N/A |
| - 3mth / 3mth % seas. adj. | 1.3 | 1.9 | 1.7 | 2.1 | 1.8 | 1.8 | 1.2 | #N/A |
| **CONSTRUCTION PMI:** Ulster Bank | 57.9 | 60.8 | 61.3 | 63.6 | 58.2 | 56.6 | 55.1 | 56.5 |
| - Housing Activity | 63.3 | 61.3 | 61.9 | 69.2 | 59.5 | 57.4 | 57.4 | 56.1 |
| - Commercial Activity | 58.9 | 63.5 | 59.6 | 65.3 | 60.8 | 56.1 | 55.7 | 58.4 |
| - New Orders | 59.6 | 59.3 | 63.7 | 66.2 | 61.2 | 62.5 | 59.9 | 56.7 |
| - Business Expectations | 73.9 | 77.9 | 78.2 | 76.0 | 81.0 | 74.9 | 77.7 | 75.7 |
| **RESIDENTIAL CONSTRUCTION ACTIVITY** | | | | | | | | |
| Housing Registrations: 12Mth Total | 6,537 | 6,573 | 6,932 | 7,155 | 8,281 | 8,468 | 8,623 | #N/A |
| - 3 Month Avg YoY % | 173.0 | 75.0 | 70.4 | 34.4 | 132.3 | 107.0 | 104.0 | #N/A |
| Commencements: 12mth Total | 13,169 | 14,192 | 14,979 | 15,579 | 16,277 | 16,604 | 16,945 | #N/A |
| - 3 Month Avg YoY % | 7.1 | 33.0 | 56.2 | 81.8 | 62.7 | 47.1 | 46.0 | #N/A |
| Completions (ESB Connection): Month | 1,263 | 1,389 | 1,413 | 1,686 | 1,541 | 1,744 | 1,606 | #N/A |
| - 12 Mth Total | 15,327 | 15,684 | 15,948 | 16,340 | 16,826 | 17,460 | 17,651 | #N/A |
| **HOUSING MARKET ACTIVITY** | | | | | | | | |
| BPFI Mortgage Approvals : Month | 2,586 | 3,261 | 2,928 | 3,557 | 3,767 | 3,431 | 3,376 | #N/A |
| - 3 Month Avg YoY % | 41.8 | 61.4 | 44.3 | 39.8 | 26.2 | 27.5 | 20.6 | #N/A |
| - 12 Mth Total | 31,590 | 33,098 | 33,425 | 34,366 | 35,224 | 35,747 | 36,175 | #N/A |
| RPPR Transactions : Month | 3,568 | 4,260 | 3,664 | 4,143 | 4,596 | 4,761 | 4,372 | #N/A |
| - 3 Month Avg YoY % | -5.5 | 11.3 | 6.4 | 9.7 | 7.4 | 9.8 | 10.2 | #N/A |
| - 12 Mth Total | 47,800 | 48,603 | 48,599 | 48,867 | 49,453 | 49,802 | 50,135 | #N/A |
| **HOUSING MARKET PRICES** | | | | | | | | |
| CSO Price Index - MoM | 0.2 | 0.4 | 0.3 | 1.5 | 1.4 | 2.4 | 2.0 | #N/A |
| - YoY % | 9.7 | 9.8 | 9.5 | 10.9 | 11.4 | 11.6 | 12.2 | #N/A |
| Daft Asking Prices: MoM % | 1.1 | 0.1 | 3.5 | 0.9 | -0.9 | 0.6 | 0.4 | -0.7 |
| - YoY % | 10.3 | 8.0 | 12.5 | 12.6 | 10.0 | 9.7 | 9.1 | 7.7 |
| **RENTS:** CSO Private Rents - MoM% | 1.2 | 0.3 | 0.5 | 0.1 | 0.8 | 0.4 | 0.8 | 0.7 |
| - YoY % | 8.5 | 8.6 | 7.9 | 7.6 | 7.9 | 7.3 | 7.3 | 6.1 |
| **AFFORDABILITY:** Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB | | | | | | | | |
| - Mortgage as % of Disposable Income | 16.3 | 16.5 | 16.7 | 17.2 | 17.4 | 17.9 | 18.1 | #N/A |

Production (ex-modern) 3mth/3mth growth rate remains negative at -1.8%, while YoY growth is showing a similar pace of decline

But, the manufacturing PMI remained solid in Q3, averaging 55.4 (vs 55.6 in Q2). It suggests further expansion in the sector

Volatile services index flat on a 3mth/3mth basis in August

The services PMI averaged 58.5 in Q3, suggesting further strong growth in the sector

New car sales are down 10% in the year to Sept. The decline is being offset by rise in imports of second hand cars, largely due to the sharp fall in sterling

Core retail sales continue to grow very strongly, up 6.7% YoY. Underlying data show broad based improvement in sales

Construction PMI eased back somewhat in Q3, while remaining at a strong level (56.1)

Housing registrations up 82% in the year to August. But, remain at an overall low level

12mth cumulative total of commencements on a strong upward trend (now c.17k), though still at low level

Steady improvement in level of completions, which could reach almost 20k in 2017. Still well below market demand

Mortgage approvals up 20% YoY. But, transactions growth remains more muted (10%) as lack of supply remains an issue

CSO house price growth accelerates further in Aug (now 12.2%). Reflects acceleration in Dublin price growth to 12.6%

CSO rent prices continue to rise in September, now 17.1% above previous peak. Although, pace of YoY growth has slowed further to 6.1%

Strong house price rises have impacted affordability, though it remains at accommodative levels

*Sources: Thomson Datastream, CSO, DoF, DoECLG, Daft.ie, HomeBond, BPFI, KBC/ESRI, Investec, RSRA, SIMI, Ulster Bank, AIB ERU Calculations*

| | Feb-17 | Mar-17 | Apr-17 | May-17 | Jun-17 | Jul-17 | Aug-17 | Sep-17 | |
|---|---|---|---|---|---|---|---|---|---|
| **CONSUMER PRICES** - YoY % | 0.5 | 0.7 | 0.9 | 0.2 | -0.4 | -0.2 | 0.4 | 0.2 | CPI inflation remains very weak, edging down to 0.2% in September. The slowdown in the month reflects a fall in personal transport costs, including the very volatile airfares component |
| - MoM % | 0.6 | 0.6 | 0.4 | -0.2 | 0.1 | 0.0 | 0.4 | -0.6 | |
| HICP - YoY % | 0.3 | 0.6 | 0.7 | 0.0 | -0.6 | -0.2 | 0.4 | 0.2 | |
| - MoM % | 0.5 | 0.6 | 0.4 | -0.2 | 0.1 | 0.1 | 0.4 | -0.6 | |
| **PERSONAL / FINANCIAL** | | | | | | | | | Consumer confidence improved in Q3, averaging 104.6 vs Q2's 102.5. Views on household finances have improved |
| KBC/ESRI Consumer Confidence | 100.7 | 101.9 | 102.0 | 100.5 | 105.0 | 105.1 | 102.9 | 105.8 | |
| Credit Growth YoY % | | | | | | | | | Pace of private sector credit decline still strong. Although, household credit contraction has eased further to -1.7% YoY |
| - Private Sector (Underlying) | -4.6 | -4.5 | -5.7 | -5.8 | -6.0 | -6.1 | -5.7 | #N/A | |
| - *of which* : Household | -2.3 | -2.2 | -2.1 | -2.0 | -1.9 | -1.8 | -1.7 | #N/A | |
| - *of which* : Mortgage Lending | -2.8 | -2.7 | -2.6 | -2.6 | -2.5 | -2.4 | -2.3 | #N/A | |
| **LABOUR MARKET** | | | | | | | | | Live Register declined modestly in Sept, following on from August's very large fall. The unemployment rate remained at a 9-year low of 6.1% |
| Live Register | 275,100 | 271,200 | 266,600 | 263,900 | 259,200 | 256,600 | 249,500 | 249,200 | |
| - Change In Month | -3,200 | -3,900 | -4,600 | -2,700 | -4,700 | -2,600 | -7,100 | -300 | |
| Unemployment Rate % | 6.8 | 6.6 | 6.4 | 6.2 | 6.1 | 6.2 | 6.1 | 6.1 | |
| Redundancies | 225 | 266 | 231 | 374 | 230 | 252 | 337 | 249 | The services PMI employment sub-component strengthened in Q3 (58.9 from 57.5) pointing to further strong jobs growth in the sector. The construction (59.2 from 60.5) and mfg (52.9 vs 56.2) slowed slightly, but are still very encouraging |
| -12 Mth Total | 4,213 | 3,809 | 3,601 | 3,359 | 3,171 | 3,086 | 3,085 | 2,973 | |
| PMI Employment Indices | | | | | | | | | |
| - Investec Manufacturing | 53.8 | 53.9 | 56.2 | 57.5 | 54.9 | 53.4 | 53.3 | 51.8 | |
| - Investec Services | 60.5 | 58.7 | 58.1 | 55.8 | 58.6 | 59.4 | 58.5 | 58.6 | |
| - Ulster Bank Construction | 62.9 | 58.6 | 61.0 | 60.8 | 59.7 | 60.7 | 60.9 | 56.0 | |
| **MERCHANDISE TRADE** | | | | | | | | | YoY growth in the value of exports has slowed somewhat, partly due to softer chemical and machinery exports |
| Export Values - 3M / 3M % | 2.9 | 5.3 | 1.0 | -2.3 | -7.6 | -5.2 | #N/A | #N/A | |
| - 3MMA YoY % | 9.5 | 15.3 | 10.2 | 8.4 | 2.2 | 2.1 | #N/A | #N/A | |
| Import Values - 3M / 3M % | -2.5 | -4.1 | 2.9 | 4.0 | 10.4 | -3.8 | #N/A | #N/A | Import values weighed down recently in part by weak sterling and lower trade in aircraft |
| - 3MMA YoY % | 4.4 | 7.9 | 8.3 | 6.4 | 6.8 | -0.8 | #N/A | #N/A | |
| **PUBLIC FINANCES** | | | | | | | | | Tax receipts close to target at the end of September. Spending also close to profile |
| Total Tax Receipts: Cum YTD % | 4.1 | 3.2 | 0.5 | 2.9 | 4.0 | 4.5 | 4.9 | 5.4 | |
| Voted Spending : Cum YTD % | 6.9 | 5.7 | 4.0 | 5.3 | 5.0 | 5.1 | 5.2 | 5.2 | On target for Govt' deficit of just –0.3% in 2017 |
| Exchequer Bal: 12 Mth Total €m | -735 | -745 | -2,494 | -504 | 2,615 | -1,874 | 477 | 1,357 | |

## QUARTERLY DATA

| | Q3-15 | Q4-15 | Q1-16 | Q2-16 | Q3-16 | Q4-16 | Q1-17 | Q2-17 | |
|---|---|---|---|---|---|---|---|---|---|
| **GDP** - YoY % | 26.7 | 26.6 | 2.5 | 5.4 | 2.7 | 9.9 | 5.2 | 5.8 | Irish GDP grew by 5.8% YoY in Q2, up from 5.2% in Q1 |
| *Core Domestic Exp - YoY% (3Q Avg) | 4.9 | 4.5 | 4.7 | 4.8 | 5.2 | 5.5 | 5.0 | 3.8 | Growth in core domestic expenditure has slowed, notably consumer spending. Services exports growth still very strong |
| Consumer Spending - YoY % | 5.4 | 4.4 | 5.9 | 3.1 | 1.9 | 2.2 | 1.8 | 1.7 | |
| Services Exports - YoY % (3Q Avg) | 16.1 | 14.7 | 12.4 | 10.7 | 10.2 | 10.6 | 13.4 | 13.8 | |
| ** Excludes Aircraft, R&D/Intangibles* | | | | | | | | | |
| **EMPLOYMENT & EARNINGS** | | | | | | | | | Employment grows at a strong 3% YoY in H1. Underlying data show jobs growth in most sectors, with construction particularly encouraging |
| Employment YoY % | 2.9 | 2.3 | 2.4 | 2.9 | 2.9 | 3.3 | 3.5 | 2.4 | |
| Labour Force YoY % | 0.6 | 0.8 | 0.6 | 1.5 | 1.5 | 1.2 | 1.6 | 0.1 | |
| Average Earnings YoY % | | | | | | | | | YoY growth in weekly earnings rose further to 2.2% in Q2, partly due to rise in hours worked. Wages now up in nearly all sectors |
| - Hourly | 1.4 | -0.7 | 0.9 | 0.4 | 0.2 | 1.0 | 0.6 | 1.6 | |
| - Weekly | 2.4 | 1.2 | 1.5 | 0.9 | 1.3 | 0.7 | 1.5 | 2.2 | |
| Weekly Earnings YoY % | | | | | | | | | |
| - Private Sector | 3.3 | 1.0 | 2.7 | 2.1 | 1.9 | 1.4 | 1.7 | 1.9 | |
| - Public Sector | 0.3 | 1.8 | -0.5 | -1.0 | 1.2 | -0.7 | 1.7 | 3.3 | |


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