Irish Economy Watch

AIB Treasury Economic Research Unit

22 September 2017

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
MANUFACTURING								
Industrial Production (Ex-Modern)	126.2	123.0	124.8	119.8	121.6	120.2	122.1	#N/A
Production (Ex-Modern) : 3mma YoY%	2.5	3.1	3.7	1.1	1.2	-1.4	0.2	#N/A
3mth / 3mth % seas. adj.	1.1	0.6	2.4	-1.0	-1.5	-3.3	-1.0	#N/A
Investec Manufacturing PMI	55.5	53.8	53.6	55.0	55.9	56.0	54.6	56.1
OECD Leading Indicator	100.5	100.6	100.7	100.8	100.9	101.0	101.2	#N/A

Production (ex-modern) 3mth/3mth growth rate remains negative at -1%, while YoY growth is flat

The manufacturing PMI rose to a 25 month high in August. This suggests the sector continues to expand at a solid pace

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
SERVICES / RETAIL								
Monthly Services Index (Value)	130.6	128.4	127.8	126.0	128.2	125.9	134.7	#N/A
- YoY %	5.9	3.7	3.2	1.7	3.3	0.9	10.0	#N/A
- 3mth / 3mth % seas. adj.	1.8	1.4	2.4	-0.1	-0.4	-1.7	1.7	#N/A
Investec Services PMI	61.0	60.6	59.1	61.1	59.5	57.6	58.3	58.4
SIMI Car Registrations	38,986	17,098	19,888	7,833	5,993	1,396	27,725	5,741
- 12 mth cum total	145,869	141,394	139,753	137,204	136,698	136,470	134,312	132,767
- 3 mma YoY %	-2.0	-8.3	-8.3	-16.2	-12.2	-17.7	-7.6	-10.1
Retail Sales Index	127.8	126.8	126.3	125.5	127.7	122.2	136.8	#N/A
- YoY %	3.6	1.5	3.3	1.3	3.8	4.4	2.1	#N/A
- 3mth / 3mth % seas. adj.	2.1	1.6	1.0	-0.5	-0.3	-1.4	2.1	#N/A
Ex Autos Index	119.2	119.7	121.1	121.1	122.8	122.7	122.5	#N/A
- YoY %	6.2	5.5	6.2	6.4	7.3	7.0	7.0	#N/A
- 3mth / 3mth % seas. adj.	2.2	1.1	1.6	1.5	2.3	1.8	1.7	#N/A

Volatile services index jumps to +10% YoY in July

The services PMI was little changed in Aug at 58.4, still pointing to strong growth

New car sales are down 10% in the year to August. 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 7% YoY. Underlying data show broad based improvement in sales

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
CONSTRUCTION PMI: Ulster Bank	55.7	57.9	60.8	61.3	63.6	58.2	56.6	55.1
- Housing Activity	59.1	63.3	61.3	61.9	69.2	59.5	57.4	57.4
- Commercial Activity	56.5	58.9	63.5	59.6	65.3	60.8	56.1	55.7
- New Orders	58.1	59.6	59.3	63.7	66.2	61.2	62.5	59.9
- Business Expectations	79.2	73.9	77.9	78.2	76.0	81.0	74.9	77.7
RESIDENTIAL CONSTRUCTION ACTIVITY								
Housing Registrations: 12Mth Total	5,859	6,537	6,573	6,932	7,155	8,281	8,468	#N/A
- 3 Month Avg YoY %	114.1	173.0	75.0	70.4	34.4	132.3	107.0	#N/A
Commencements: 12mth Total	13,334	13,169	14,192	14,979	15,579	#N/A	#N/A	#N/A
- 3 Month Avg YoY %	35.6	7.1	33.0	56.2	81.8	#N/A	#N/A	#N/A
Completions (ESB Connection): Month	1,244	1,263	1,389	1,413	1,686	#N/A	#N/A	#N/A
- 12 Mth Total	15,256	15,327	15,684	15,948	16,340	#N/A	#N/A	#N/A

Construction PMI has eased back somewhat in Q3, while remaining at a strong level

Housing registrations up over 100% YoY in July, but still very low in level terms

12mth cumulative total of commencements remains on a solid upward trend (now above 15k), though still at low level

Steady improvement in level of completions, but at c.16k on a 12mth cumulative basis, still well below market demand

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
HOUSING MARKET ACTIVITY								
BPFI Mortgage Approvals : Month	2,465	2,586	3,261	2,928	3,557	3,767	3,431	#N/A
- 3 Month Avg YoY %	42.3	41.8	61.4	44.3	39.8	26.2	27.5	#N/A
- 12 Mth Total	30,730	31,590	33,098	33,425	34,366	35,224	35,747	#N/A
RPPR Transactions : Month	3,038	3,545	4,245	3,660	4,135	4,576	4,699	#N/A
- 3 Month Avg YoY %	-2.7	-5.8	10.9	6.3	9.6	7.1	9.1	#N/A
- 12 Mth Total	47,896	47,763	48,567	48,587	48,847	49,413	49,700	#N/A
HOUSING MARKET PRICES								
CSO Price Index - MoM	0.7	0.2	0.4	0.3	1.5	1.5	3.0	#N/A
- YoY %	8.8	9.7	9.8	9.5	10.9	11.5	12.3	#N/A
Daft Asking Prices: MoM %	2.4	1.1	0.1	3.8	0.7	-0.7	#N/A	#N/A
- YoY %	9.8	10.3	8.0	12.7	12.6	10.3	#N/A	#N/A
RENTS: CSO Private Rents - MoM%	0.0	1.2	0.3	0.5	0.1	0.8	0.4	0.8
- YoY %	8.3	8.5	8.6	7.9	7.6	7.9	7.3	7.3
AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB								
- Mortgage as % of Disposable Income	16.3	16.3	16.5	16.7	17.2	17.4	17.9	#N/A

Mortgage approvals growing strongly YoY. But, transactions growth remains more muted as lack of supply remains and issue

CSO house price growth accelerates further in July (now 12.3%). Reflects acceleration in Dublin price growth to 12.7%

CSO rent prices continue to rise in July, now 16.3% above previous peak. Although, YoY growth remains off its recent highs, at 7.3%

Strong house price rises have diminished affordability recently, though it still remains at accommodative levels overall

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

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
CONSUMER PRICES - YoY %	0.3	0.5	0.7	0.9	0.2	-0.4	-0.2	0.4
- MoM %	-0.5	0.6	0.6	0.4	-0.2	0.1	0.0	0.4
HICP - YoY %	0.2	0.3	0.6	0.7	0.0	-0.6	-0.2	0.4
- MoM %	-0.5	0.5	0.6	0.4	-0.2	0.1	0.1	0.4

CPI inflation back in positive territory in August, however at 0.4% it remains very subdued. Increase in inflation in the month reflects higher electricity and fuel costs

PERSONAL / FINANCIAL	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
KBC/ESRI Consumer Confidence	103.1	100.7	101.9	102.0	100.5	105.0	105.1	102.9
Credit Growth YoY %								
- Private Sector (Underlying)	-4.1	-4.6	-4.5	-5.7	-5.8	-6.0	-6.1	#N/A
- *of which* : Household	-2.4	-2.3	-2.2	-2.1	-2.0	-1.9	-1.8	#N/A
- *of which* : Mortgage Lending	-2.9	-2.8	-2.7	-2.6	-2.6	-2.5	-2.4	#N/A

Consumer confidence edges back in August, but still at a very high level

Private sector credit decline accelerating. Although, household credit contraction eases to -1.8% YoY

LABOUR MARKET	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Live Register	278,900	275,700	271,600	266,500	263,800	258,900	255,800	248,500
- Change In Month	-3,700	-3,200	-4,100	-5,100	-2,700	-4,900	-3,100	-7,300
Unemployment Rate %	6.9	6.8	6.6	6.4	6.2	6.1	6.2	6.1
Redundancies	138	225	266	231	374	230	#N/A	#N/A
-12 Mth Total	4,211	4,213	3,809	3,601	3,359	3,171	#N/A	#N/A
PMI Employment Indices								
- Investec Manufacturing	56.1	53.8	53.9	56.2	57.5	54.9	53.4	53.3
- Investec Services	60.1	60.5	58.7	58.1	55.8	58.6	59.4	58.5
- Ulster Bank Construction	63.3	62.9	58.6	61.0	60.8	59.7	60.7	60.9

Live Register declined very strongly in August, while the unemployment rate edged back down to 6.1%

The services and construction PMI employment sub-components point to a further improvement in the pace of jobs growth in Q3. However, the manufacturing sub-index is lower, averaging 53.4 in July/Aug versus 56.2 in Q2

MERCHANDISE TRADE	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Export Values - 3M / 3M %	0.4	2.9	5.3	1.0	-2.3	-7.6	-5.2	#N/A
- 3MMA YoY %	6.8	9.5	15.3	10.2	8.4	2.2	2.1	#N/A
Import Values - 3M / 3M %	3.2	-2.5	-4.1	2.9	4.0	10.4	-3.8	#N/A
- 3MMA YoY %	5.1	4.4	7.9	8.3	6.4	6.8	-0.8	#N/A

YoY growth in the value of exports fallen somewhat, as chemical and machinery exports slow

Imports weighed down in part by weak sterling and lower aircraft imports

PUBLIC FINANCES	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Total Tax Receipts: Cum YTD %	6.0	4.1	3.2	0.5	2.9	4.0	4.5	4.9
Voted Spending : Cum YTD %	4.7	6.9	5.7	4.0	5.3	5.0	5.1	5.2
Exchequer Bal: 12 Mth Total €m	-740	-735	-745	-2,494	-504	2,615	-1,874	477

Tax receipts close to target at the end of August

Spending also close to profile

Deficit on target

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
*Core Domestic Exp - YoY% (3Q Avg)	4.9	4.5	4.7	4.8	5.2	5.5	5.0	3.8
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*

Irish GDP grew by 5.8% YoY in Q2, up from 5.2% in Q1. GDP data remain distorted by the activities of multi-nationals

Growth in core domestic expenditure remains strong. Services exports growth still very encouraging

EMPLOYMENT & EARNINGS	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17
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 %								
- 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

Employment grows at a strong 3% YoY in H1. Underlying data show jobs growth in most sectors, with construction particularly encouraging

YoY growth in weekly earnings rose further to 2.2% in Q2, partly due to rise in hours worked. Wages now up in all employment sectors, with the exception of construction

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