

# Irish Economy Watch

AIB Treasury Economic Research Unit



Thursday 24 September 2020

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	
<b>MANUFACTURING</b>									
AIB Manufacturing PMI	51.4	51.2	45.1	36.0	39.2	51.0	57.3	52.3	Manufacturing PMI fell to 52.3 in August from 57.3. Growth of output and new orders both slowed noticeably as uncertainty about the outlook remains
OECD Leading Indicator	100.0	99.7	98.7	93.0	93.8	97.3	99.0	99.1	
Industrial Production (Ex-Modern)	119.7	108.2	112.5	86.3	82.9	93.5	108.3	0.0	
Production (Ex-Modern) : 3mma YoY%	4.2	2.7	1.7	-10.0	-17.7	-21.2	-15.0	0.0	Industrial output bounced back by 30% in June & July but still below Q1 level
3mth / 3mth % seas. adj.	1.4	0.1	2.4	-9.5	-16.1	-22.8	-7.3	#N/A	
<b>SERVICES / RETAIL</b>									
AIB Services PMI	56.9	59.9	32.5	13.9	23.4	39.7	51.9	52.4	Services PMI moved up to 52.4 with total activity rising at a faster rate than in July. However, suggests only a tentative recovery following a severe lockdown
CSO Services Index (Value)	125.5	125.8	124.8	97.3	100.1	113.6	115.1	116.1	
- YoY %	1.8	0.6	-0.3	-22.0	-19.7	-10.3	-10.6	-8.3	
- 3mth / 3mth % seas. adj.	-1.7	-0.9	1.1	-6.5	-13.7	-17.3	-5.5	7.0	CSO Services Index moved higher in August but remained well below pre-Covid levels
SIMI Car Registrations	30,650	13,098	6,007	343	1,741	1,006	21,183	4,826	
- 12 mth cum total	115,380	113,409	102,729	94,168	89,589	89,187	85,689	85,428	Recovery in new car sales in August continues, but weakness in H1 means they are still down circa 30% YTD on last year
- 3 mma YoY %	-4.6	-7.6	-22.4	-52.2	-74.6	-81.4	-26.2	-13.3	
Retail Sales Index	119.7	118.7	103.9	66.7	88.4	122.4	124.3	0.0	Strong rebound in retail sales continued in July. Sales 5.4% above pre-Covid levels and up 5.9% YoY
- YoY %	5.4	0.0	-11.4	-43.8	-25.0	3.6	6.4	0.0	
- 3mth / 3mth % seas. adj.	0.0	-0.6	-5.6	-19.8	-28.0	-18.9	15.8	#N/A	
Ex Autos Index	120.9	120.0	118.3	90.1	101.8	123.1	126.5	0.0	Construction PMI fell back in August to 44.0 from 53.2 in July. Housing, commercial and civil engineering sub sectors all reported declines in activity. New orders also fell.
- YoY %	3.0	0.8	-0.3	-25.0	-14.2	3.5	5.9	0.0	
- 3mth / 3mth % seas. adj.	0.1	0.3	-0.6	-9.2	-14.3	-12.3	7.0	#N/A	
<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>									
Construction PMI: Ulster Bank	50.9	50.6	28.9	4.5	19.9	51.9	53.2	44.0	In Q2, commencements plummeted by 45.7% YoY. In July, 12 month cumulative total remained below 24K, but commencements almost double from their May low
- Housing Activity	48.0	49.7	32.4	4.9	21.4	55.8	57.8	44.7	
- Commercial Activity	55.7	52.1	28.2	3.1	25.6	50.9	50.2	41.6	
- New Orders	54.9	53.6	33.9	10.1	24.6	46.0	53.8	46.5	Strong bounce back in mortgage approvals continued in July. However, 12 month total at its lowest level since Jan '17
- Business Expectations	69.4	64.7	36.0	37.1	48.6	54.6	55.9	53.5	
Commencements: 12mth Total	26,785	26,635	26,541	25,606	24,617	23,929	23,379	#N/A	
- 3 Month Avg YoY %	-2.9	11.0	4.6	-16.8	-32.0	-45.7	-37.7	#N/A	Residential property transactions declined in August. 12 month total now below 50k
<b>HOUSING MARKET ACTIVITY</b>									
BPFI Mortgage Approvals : Month	2,594	2,838	2,995	706	1,320	1,688	2,713	#N/A	House prices rose by 0.3% in July, YoY growth rate at -0.5%. Ex-Dublin price inflation (+0.3%) continues to outpace the capital (-1.3%)
- 3 Month Avg YoY %	5.1	4.7	-0.3	-29.9	-52.4	-66.1	-51.8	#N/A	
- 12 Mth Total	39,909	40,006	39,725	37,124	34,484	32,480	30,966	#N/A	
RPPR Transactions : Month	3,518	3,627	4,395	2,620	2,558	3,023	3,594	2,418	CSO rental index edges up 0.2% again in August, after sharp fall in March-June period
- 3 Month Avg YoY %	2.3	1.0	-1.3	-17.9	-30.3	-40.4	-37.7	-39.2	
- 12 Mth Total	58,657	58,142	58,251	56,333	53,989	52,683	50,773	48,171	
<b>HOUSING MARKET PRICES</b>									
CSO Price Index - MoM	0.2	-0.2	0.1	-0.1	-0.1	0.1	0.3	#N/A	Affordability relatively stable, though volatility in industrial wages sees measure move around somewhat in Q1/Q2
- YoY %	1.0	1.0	1.0	0.7	0.4	0.0	-0.5	#N/A	
Daft Asking Prices: MoM %	0.5	0.4	1.7	-5.3	3.8	-0.5	2.3	#N/A	
- YoY %	-1.1	-2.2	-1.7	-6.5	-1.3	-3.3	0.1	#N/A	Affordability relatively stable, though volatility in industrial wages sees measure move around somewhat in Q1/Q2
<b>RENTS:</b> CSO Private Rents - MoM%	-0.1	0.3	-0.4	-1.8	-1.1	-0.3	0.2	0.2	
- YoY %	3.9	3.9	3.1	0.8	-0.7	-1.2	-1.4	-1.8	
<b>AFFORDABILITY:</b> Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB									
- Mortgage as % of Disposable Income	17.5	17.3	17.3	17.9	17.9	17.9	#N/A	#N/A	

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<b>CONSUMER PRICES - YoY %</b>	1.3	1.1	0.7	-0.1	-0.5	-0.4	-0.4	-1.0	In August, CPI inflation moved further into deflationary territory, with prices down 1% YoY. Reflects VAT cut and decreases in transport. HICP registered at lower rate of -1.1%	
- MoM %	-0.7	0.6	0.4	-0.4	-0.5	0.3	-0.2	-0.1		
HICP - YoY %	1.1	0.9	0.5	-0.3	-0.8	-0.6	-0.6	-1.1		
- MoM %	-0.7	0.6	0.4	-0.4	-0.6	0.4	-0.2	-0.1		
<b>PERSONAL / FINANCIAL</b>										
KBC/ESRI Consumer Confidence	85.5	85.2	77.3	42.6	52.3	61.6	62.6	58.9	Consumer sentiment slipped back in August. Index remains well below its Feb. level  Covid impact saw household credit outstanding fall by 1.3% YoY in July. Pace of decline in mortgage stock picks up to -0.7% YoY	
Credit Growth YoY %										
- Private Sector (Underlying)	-3.4	-2.6	-1.0	-0.7	-1.8	-2.2	-2.2	#N/A		
- of which : Household	0.0	0.0	-0.1	-0.5	-0.8	-0.9	-1.3	#N/A		
- of which : Mortgage Lending	-0.4	-0.3	-0.3	-0.3	-0.5	-0.6	-0.7	#N/A		
<b>LABOUR MARKET</b>										
Live Register	185,000	184,300	209,200	217,200	227,100	212,800	226,100	213,700	Official unemployment rate at 5.2% in August. Covid adjusted measure declines to 15.4% from peak of near 29% in April, however rate of decline slowing	
- Change In Month	-700	-700	+24,900	+8,000	+9,900	-14,300	+13,300	-12,400		
Unemployment Rate %	4.9	4.9	5.0	4.8	4.8	5.0	5.1	5.2		
PMI Employment Indices										
- AIB Manufacturing	51.2	48.4	42.6	30.5	40.1	46.1	50.8	47.5	Employment subcomponent of manufacturing PMI below 50 in August. Service and construction sub-indices remain contractionary, as uncertainty weighs on businesses	
- AIB Services	54.5	55.0	47.3	31.1	32.9	40.1	46.1	47.3		
- Ulster Bank Construction	53.6	51.3	39.4	22.6	26.7	43.3	47.5	48.3		
<b>MERCHANDISE TRADE</b>										
Export Values - 3M / 3M %	-2.6	-3.2	10.3	6.2	9.0	-13.2	-5.0	#N/A	Goods trade surplus narrowed in July to €4.8bn from €6.2n. Value of goods exports rises, particularly in medical and pharma products, up 14%. Imports up 22% after weak Q2, led by organic chemicals. Maybe driven by restocking	
- 3MMA YoY %	2.8	1.3	16.5	9.4	9.0	-1.5	2.1	#N/A		
Import Values - 3M / 3M %	-2.1	1.5	-3.6	-8.5	-18.1	-14.3	3.3	#N/A		
- 3MMA YoY %	-8.6	1.3	1.1	-4.0	-14.3	-14.4	-4.8	#N/A		
<b>PUBLIC FINANCES</b>										
Total Tax Receipts: Cum YTD %	10.0	13.8	1.1	-0.6	0.0	0.7	-2.5	-2.3	Tax receipts down 2.3% in year to end August, driven by VAT & excise receipts. Corporation tax take remains strong. Increase in net-voted expenditure of 28.0% YTD boosts the budget deficit	
Voted Spending : Cum YTD %	8.5	1.7	13.5	23.4	24.9	27.3	29.5	28.0		
Exchequer Bal: 12 Mth Total €m	670	1,509	-922	-3,634	-5,434	-4,944	-7,654	-8,180		
<b>QUARTERLY DATA</b>										
		Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	Irish GDP contracted by 6.1% in Q2 much smaller than expected. Due to favourable export product mix (Pharma etc.)  However, modified final domestic demand down 16.4% in Q2, with consumer spending falling by 20%
<b>GDP - YoY %</b>		7.9	3.4	4.4	5.6	6.3	5.9	5.7	-3.0	
*Domestic Demand - YoY%		5.4	3.1	3.8	2.0	4.5	2.9	-0.9	-15.7	
Consumer Spending - YoY %		3.1	2.0	3.4	3.6	3.0	2.7	-2.5	-22.1	
Services Exports - YoY % (3Q Avg)		11.0	12.2	12.5	13.2	13.4	13.6	10.1	3.4	
* Excludes Some Investment Related to the Multinational Sector										
<b>EMPLOYMENT &amp; EARNINGS</b>										
Employment YoY %		3.0	2.3	3.7	2.0	2.4	3.5	2.2	-3.4	Employment declined by 3.4% YoY in Q2, but the true number is likely higher as some are classified as having left the labour force instead
Labour Force YoY %		2.0	1.5	2.7	1.3	1.6	2.6	2.1	-3.7	
Average Earnings YoY %										
- Hourly		2.1	3.2	2.8	3.3	4.0	3.9	3.0	7.9	
- Weekly		3.5	3.5	3.6	3.6	3.6	3.8	3.7	6.2	Weekly earnings growth higher in Q2 2020, as the composition of the labour market changed with more lower paid workers falling out of the labour force than higher paid
Weekly Earnings YoY %										
- Private Sector		3.9	3.9	4.5	4.0	4.0	4.0	4.0	6.4	
- Public Sector		2.1	1.8	0.8	1.9	1.3	3.1	3.1	2.3	
<b>CSO DWELLING COMPLETIONS</b>										
- YoY %		4635	5443	4253	4829	5661	6390	4968	3290	Completions down 31.9% YoY in Q2 as pandemic saw constructions sites close. 12 month total falls to 20.3k
- Cum 12 Mth Total		23.0	19.4	22.7	9.8	22.1	17.4	16.8	-31.9	
		17058	17944	18730	19160	20186	21133	21848	20309	



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