

# Irish Economy Watch

AIB Treasury Economic Research Unit



13 October 2017

	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	
<b>MANUFACTURING</b>									
Industrial Production (Ex-Modern)	123.0	124.7	119.6	121.4	119.8	121.5	117.7	#N/A	Production (ex-modern) 3mth/3mth growth rate remains negative at -1.8%, while YoY growth is showing a similar pace of decline
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	But, the manufacturing PMI remained solid in Q3, averaging 55.4 (vs 55.6 in Q2). It suggests further expansion in the sector
OECD Leading Indicator	100.9	100.9	100.8	100.7	100.5	100.4	100.2	#N/A	
<b>SERVICES / RETAIL</b>									
Monthly Services Index (Value)	128.6	127.6	125.8	127.8	125.3	131.9	123.7	#N/A	Volatile services index flat on a 3mth/3mth basis in August
- 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	The services PMI averaged 58.5 in Q3, suggesting further strong growth in the sector
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	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
- 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	Core retail sales continue to grow very strongly, up 6.7% YoY. Underlying data show broad based improvement in sales
- 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	Construction PMI eased back somewhat in Q3, while remaining at a strong level (56.1)
- 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	
<b>CONSTRUCTION PMI: Ulster Bank</b>									
- Housing Activity	57.9	60.8	61.3	63.6	58.2	56.6	55.1	56.5	Housing registrations up 82% in the year to August. But, remain at an overall low level
- Commercial Activity	63.3	61.3	61.9	69.2	59.5	57.4	57.4	56.1	
- New Orders	58.9	63.5	59.6	65.3	60.8	56.1	55.7	58.4	
- Business Expectations	59.6	59.3	63.7	66.2	61.2	62.5	59.9	56.7	
<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>									
Housing Registrations: 12Mth Total	6,537	6,573	6,932	7,155	8,281	8,468	8,623	#N/A	12mth cumulative total of commencements on a strong upward trend (now c.17k), though still at low level
- 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	Steady improvement in level of completions, which could reach almost 20k in 2017. Still well below market demand
- 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	
<b>HOUSING MARKET ACTIVITY</b>									
BPFI Mortgage Approvals : Month	2,586	3,261	2,928	3,557	3,767	3,431	3,376	#N/A	Mortgage approvals up 20% YoY. But, transactions growth remains more muted (10%) as lack of supply remains an issue
- 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	CSO house price growth accelerates further in Aug (now 12.2%). Reflects acceleration in Dublin price growth to 12.6%
- 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	
<b>HOUSING MARKET PRICES</b>									
CSO Price Index - MoM	0.2	0.4	0.3	1.5	1.4	2.4	2.0	#N/A	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%
- 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	
<b>RENTS:</b> CSO Private Rents - MoM%	1.2	0.3	0.5	0.1	0.8	0.4	0.8	0.7	Strong house price rises have impacted affordability, though it remains at accommodative levels
- YoY %	8.5	8.6	7.9	7.6	7.9	7.3	7.3	6.1	
<b>AFFORDABILITY:</b> 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	

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<b>CONSUMER PRICES - YoY %</b>	0.5	0.7	0.9	0.2	-0.4	-0.2	0.4	0.2
- 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

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

<b>PERSONAL / FINANCIAL</b>								
KBC/ESRI Consumer Confidence	100.7	101.9	102.0	100.5	105.0	105.1	102.9	105.8
Credit Growth 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

Consumer confidence improved in Q3, averaging 104.6 vs Q2's 102.5. Views on household finances have improved

Pace of private sector credit decline still strong. Although, household credit contraction has eased further to -1.7% YoY

<b>LABOUR MARKET</b>								
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
-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

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%

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

<b>MERCHANDISE TRADE</b>								
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
- 3MMA YoY %	4.4	7.9	8.3	6.4	6.8	-0.8	#N/A	#N/A

YoY growth in the value of exports has slowed somewhat, partly due to softer chemical and machinery exports

Import values weighed down recently in part by weak sterling and lower trade in aircraft

<b>PUBLIC FINANCES</b>								
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
Exchequer Bal: 12 Mth Total €m	-735	-745	-2,494	-504	2,615	-1,874	477	1,357

Tax receipts close to target at the end of September. Spending also close to profile

On target for Govt' deficit of just -0.3% in 2017

<b>QUARTERLY DATA</b>								
	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17
<b>GDP - YoY %</b>	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

Growth in core domestic expenditure has slowed, notably consumer spending. Services exports growth still very strong

<b>EMPLOYMENT &amp; EARNINGS</b>								
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 nearly all sectors



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