

Irish Economy Watch

AIB Treasury Economic Research Unit



08 October 2015

	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	
MANUFACTURING									
Industrial Production (Ex-Modern)	122.6	120.1	125.6	126.9	124.4	134.4	127.6	#N/A	Industrial production (ex-modern) fell back in August, but still shows very strong growth of 4.3% in July/Aug vs Q2
Production (Ex-Modern) : 3mma YoY%	9.0	10.8	12.4	13.1	11.0	13.0	10.9	#N/A	
3mth / 3mth % seas. adj.	1.7	2.7	4.5	3.8	4.2	4.7	3.7	#N/A	
Investec Manufacturing PMI	57.5	56.8	55.8	57.1	54.6	56.7	53.6	53.8	Manufacturing PMI suggests softer growth in the sector in Q3 overall (avg 54.6 vs 55.8 in Q2)
OECD Leading Indicator	101.0	101.4	101.6	101.9	102.1	102.3	#N/A	#N/A	
SERVICES / RETAIL									
Monthly Services Index (Value)	116.2	117.6	114.9	114.3	116.8	123.1	121.3	#N/A	Services index edges back in August, but remains strong. YoY growth is solid
- YoY %	7.7	8.7	2.0	3.3	3.3	9.8	8.7	#N/A	
- 3mth / 3mth % seas. adj.	4.4	4.4	-0.1	-1.9	-2.7	1.6	4.2	#N/A	
Investec Services PMI	61.4	60.9	60.6	61.4	63.3	63.4	62.1	62.4	Strength in the sector reflected in the survey data. Services PMI average 62.6 in Q3—best performance since Q2'06
SIMI Car Registrations	15,776	18,948	9,465	6,923	1,449	27,591	6,404	4,784	
- 12 mth cum total	106,321	110,972	112,614	113,241	113,000	121,869	123,409	124,283	Volume of monthly car sales slows further from July's new number plate related spike, but sales remain up 30% YTD
- 3 mma YoY %	28.2	29.3	26.9	24.4	12.9	34.8	40.3	41.0	
Retail Sales Index	104.2	106.3	106.9	105.7	99.8	113.1	108.5	#N/A	Core retail sales continue to perform strongly, +1.1% in July/Aug vs Q2—thus they are on course for a 9th consecutive quarter of growth
- YoY %	9.2	9.8	11.9	8.7	4.4	10.2	9.3	#N/A	
- 3mth / 3mth % seas. adj.	3.2	4.4	3.7	2.9	-0.8	0.4	0.8	#N/A	
Ex Autos Index	107.8	107.5	110.9	109.8	109.6	110.8	111.8	#N/A	Construction PMI falls for second month, but new orders component remains very strong
- YoY %	5.1	5.2	7.8	6.5	5.0	6.4	7.5	#N/A	
- 3mth / 3mth % seas. adj.	2.6	1.5	2.0	1.8	2.4	1.2	1.2	#N/A	
CONSTRUCTION PMI: Ulster Bank									
- Housing Activity	52.0	52.9	57.2	63.3	65.7	59.1	56.5	#N/A	Housing registrations remain on an upward trajectory, but they are still at low levels overall
- Commercial Activity	50.1	50.9	55.8	62.7	64.9	57.3	54.4	#N/A	
- New Orders	54.6	54.8	59.3	64.2	66.4	60.5	56.9	#N/A	
- Business Expectations	52.0	54.8	59.3	60.4	64.1	58.2	58.3	#N/A	
RESIDENTIAL CONSTRUCTION ACTIVITY									
Housing Registrations: 12Mth Total	2,724	2,874	3,049	3,344	3,520	3,659	#N/A	#N/A	Commencements remain soft—data distorted by Feb'14 surge ahead of revised guidelines
- 3 Month Avg YoY %	78.8	61.3	64.3	134.5	126.4	110.5	#N/A	#N/A	
Commencements: 12mth Total	3,112	3,811	4,551	5,263	5,838	6,459	#N/A	#N/A	Housing completions continue to pick up, but pace of improvement in 12mth total has slowed
- 3 Month Avg YoY %	-83.2	-74.4	-57.9	1,424.5	587.5	319.3	#N/A	#N/A	
Completions: Month	836	1,100	946	991	1,059	1,120	#N/A	#N/A	
- 12 Mth Total	11,258	11,555	11,735	11,641	11,809	11,937	#N/A	#N/A	
HOUSING MARKET ACTIVITY									
BPFI Mortgage Approvals : Month	2,093	2,228	2,070	2,347	2,362	2,700	#N/A	#N/A	Further slowdown in the pace of growth of mortgage approvals and transactions in July as new Central Bank lending criteria continue to impact
- 3 Month Avg YoY %	49.2	40.6	28.8	17.3	7.5	4.6	#N/A	#N/A	
- 12 Mth Total	26,664	27,271	27,483	27,645	27,744	27,811	#N/A	#N/A	
RPPR Transactions : Month	3,606	3,589	3,616	3,612	4,121	4,486	#N/A	#N/A	House prices pick up strongly in August, though pace of YoY growth remains well off its recent highs—largely reflects rapid moderation in Dublin price growth (now +8.2% vs +22.8% at end Q1)
- 3 Month Avg YoY %	57.0	55.2	43.6	30.7	25.1	14.5	#N/A	#N/A	
- 12 Mth Total	45,536	46,539	47,493	48,076	48,817	49,038	#N/A	#N/A	
HOUSING MARKET PRICES									
CSO (Mortgaged Transactions) - MoM	-0.4	0.9	0.6	0.5	0.1	0.9	2.3	#N/A	Rents continue to rise sharply, growing by 2.8% in Q3. As a result, they are now above their pre-recessionary peak
- YoY %	14.9	16.8	15.8	13.8	10.7	9.4	9.5	#N/A	
Daft Asking Prices: MoM %	4.3	1.3	-0.3	0.6	-1.0	1.8	0.1	0.9	Lower mortgage interest rates mean affordability remains accommodative
- YoY %	18.4	15.3	13.6	11.4	9.5	9.5	8.3	7.6	
RENTS: CSO Private Rents - MoM%	0.9	0.6	0.6	0.6	0.9	1.0	0.9	1.2	
- YoY %	8.5	8.3	8.7	8.9	9.3	10.4	10.5	10.3	
AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30Yr Mortgage, AIB Mortgage Rate, Prices: CSO/Perm' TSB									
- Mortgage as % of Disposable Income	16.6	16.8	16.9	17.1	16.6	16.7	17.1	#N/A	

	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
CONSUMER PRICES YoY %	-0.5	-0.6	-0.7	-0.3	-0.1	-0.2	0.0	-0.3
- MoM %	0.6	0.6	0.0	0.4	0.3	-0.3	0.4	-0.5
HICP - YoY %	-0.4	-0.3	-0.4	0.2	0.4	0.2	0.2	0.0
- MoM %	0.7	0.6	-0.1	0.6	0.4	-0.3	0.3	-0.5

CPI inflation falls back into negative territory in September—largely reflects fresh fall in oil prices

HICP inflation slightly less subdued as it excludes mortgage interest payments

PERSONAL / FINANCIAL

KBC/ESRI Consumer Confidence	96.1	97.8	98.7	98.5	102.8	99.7	101.1	100.6
Credit Growth YoY %								
- Private Sector (Underlying)	-10.7	-10.6	-10.1	-10.8	-10.8	-10.2	-9.5	#N/A
- of which : Household	-3.1	-3.0	-2.9	-2.8	-2.9	-2.7	-2.7	#N/A
- of which : Mortgage Lending	-2.6	-2.7	-2.6	-2.5	-2.6	-2.6	-2.6	#N/A

Consumer confidence showed best performance in Q3 for 9yrs—boosted by positive view of the economy, but concerns over personal finances remain

Fall in financial sector borrowing continues to impact on private sector credit growth

LABOUR MARKET

Live Register	356,200	351,700	349,900	347,200	345,000	342,800	341,000	337,300
- Change In Month	-4,000	-4,500	-1,800	-2,700	-2,200	-2,200	-1,800	-3,700
Unemployment Rate %	10.0	9.8	9.7	9.6	9.5	9.5	9.5	9.4
Redundancies	325	439	400	419	475	#N/A	#N/A	#N/A
-12 Mth Total	6,104	5,843	5,726	5,684	5,533	#N/A	#N/A	#N/A
PMI Employment Indices								
- Investec Manufacturing	57.8	59.2	57.1	57.6	55.8	56.3	54.0	54.4
- Investec Services	60.5	59.3	57.6	60.9	60.1	60.3	60.8	59.6
- Ulster Bank Construction	53.6	52.7	56.4	59.1	61.4	57.6	57.7	#N/A

Live Register continues to fall in September, now down 26k YTD. Unemployment rate falls to 9.4%, lowest since end 2008

Redundancies continue to decline on a 12mth cumulative basis in Q2

PMI employment components point to solid jobs growth in Q3. Thus, the unemployment rate should continue to edge lower in the coming months

MERCHANDISE TRADE

Export Values - 3M / 3M %	14.8	7.7	8.9	4.0	8.1	0.0	#N/A	#N/A
- 3MMA YoY %	18.8	19.9	24.7	21.8	21.9	19.9	#N/A	#N/A
Import Values - 3M / 3M %	-6.9	-3.7	3.0	8.8	4.3	-0.8	#N/A	#N/A
- 3MMA YoY %	9.1	9.5	12.8	11.6	10.5	4.1	#N/A	#N/A

YoY growth in the value of exports remains very strong, partly reflects currency effects from a weaker euro

Growth in the value of imports has slowed, reflecting, in part, lower energy prices

PUBLIC FINANCES

Total Tax Receipts: Cum YTD %	15.9	13.4	11.3	10.9	11.7	9.7	9.7	9.5
Voted Spending : Cum YTD %	-2.4	-0.1	0.5	-1.0	-0.5	-12.4	-0.5	-0.4
Exchequer Bal: 12 Mth Total €m	-6,711	-5,670	-5,748	-4,073	-3,537	-3,651	-3,142	-2,326

Growth in tax receipts remains very strong, up 9.5% YTD

Budget deficit continues to show a marked decline, should be comfortably below 3% in 2015

QUARTERLY DATA

	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15
GDP - YoY %	4.9	2.9	4.1	7.0	3.6	6.0	7.2	6.7
- QoQ% seas. adj.	4.7	-1.4	1.7	1.2	2.1	1.0	2.1	1.9
Total Exports - Volume YoY %	4.9	2.2	6.9	11.9	15.5	13.8	14.2	13.6
Total Imports - Volume YoY %	1.5	0.8	6.8	12.8	18.8	20.2	15.5	16.9

Irish GDP up 7% YoY in H1, primarily driven by strong performances by exports and investment. We could see growth average around 6% in 2015

Trade data remain distorted by contract manufacturing

EMPLOYMENT & EARNINGS

Employment YoY %	3.2	3.3	2.3	1.7	1.5	1.5	2.2	3.0
Labour Force YoY %	0.8	0.9	0.4	-0.7	-0.4	-0.5	-0.2	0.6
Average Earnings YoY %								
- Hourly	-2.0	-0.7	-0.3	-2.2	-1.6	1.4	0.5	1.5
- Weekly	-2.1	-0.4	0.0	-1.5	-1.0	1.9	1.0	1.8
Weekly Earnings YoY %								
- Private Sector	-1.2	0.3	1.1	-1.0	-0.6	2.7	1.2	2.3
- Public Sector	-1.3	-1.5	-1.4	-1.1	-1.1	0.4	0.4	0.0

Pace of YoY growth in employment picks up further in Q2, from 2.2% to 3%. Underlying data show broad based improvement across employment sectors

Weekly earnings growth picks up to 1.8% YoY in Q2. Growth in private sector wages (2.3%) remains far stronger than in public sector (0%)



Oliver Mangan
Chief Economist
oliver.n.mangan@aib.ie

John Fahey
Senior Economist
john.j.fahey@aib.ie

Dara Turnbull
Economist
dara.c.turnbull@aib.ie

AIB Bankcentre, Ballsbridge, Dublin 4

Tel: 353-1-6600311

www.aibeconomicresearch.com