

# Irish Economy Watch

AIB Treasury Economic Research Unit



Monday 20 April 2020

	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	
<b>MANUFACTURING</b>									
AIB Manufacturing PMI	48.6	48.7	50.7	49.7	49.5	51.4	51.2	45.1	Manufacturing PMI drops from 51.2 to 45.1 in March as Covid-19 outbreak hits output and orders. Looks set to fall further in the coming months
OECD Leading Indicator	99.6	99.8	100.0	100.1	100.2	100.2	100.2	99.2	
Industrial Production (Ex-Modern)	110.9	111.2	114.1	112.1	106.9	121.6	107.6	#N/A	Industrial output drops sharply in February following outsized increase in January
Production (Ex-Modern) : 3mma YoY%	2.8	3.4	1.8	1.9	0.4	4.2	2.5	#N/A	
3mth / 3mth % seas. adj.	-1.4	0.4	0.4	1.2	-0.7	1.3	-0.4	#N/A	
<b>SERVICES / RETAIL</b>									
AIB Services PMI	54.6	53.1	50.6	53.7	55.9	56.9	59.9	32.5	Services PMI plummets to an over 10 year low of 32.5 in March from 59.9. Collapse reflects sudden imposition of lockdown restrictions
CSO Services Index (Value)	126.1	128.0	124.8	124.9	123.9	125.3	125.3	#N/A	
- YoY %	9.1	5.5	-0.1	-0.8	6.2	2.0	0.4	#N/A	Volatile CSO Services Index unchanged in Feb but YoY growth rate slows to 0.4%
- 3mth / 3mth % seas. adj.	2.0	1.4	0.0	-0.7	-2.1	-1.3	-0.8	#N/A	
SIMI Car Registrations	5,087	3,415	2,177	758	224	31,193	13,887	6,150	Outbreak sees 2nd hand and new car sales plunge in March. 33% YoY drop in total number of cars licensed for first time
- 12 mth cum total	116,362	116,413	116,903	117,018	117,100	115,923	114,725	103,671	
- 3 mma YoY %	-7.9	-7.7	-0.8	15.2	27.8	-3.0	-4.8	-20.9	
Retail Sales Index	118.9	120.9	122.3	120.9	122.5	122.1	116.8	#N/A	Core retail sales declined by a sharp 2.4% in Feb following a weak Jan. Fall may reflect impact of bad weather. Index will likely drop sharply in March
- YoY %	2.1	2.9	3.6	2.3	5.3	5.7	-0.3	#N/A	
- 3mth / 3mth % seas. adj.	0.0	0.7	3.3	3.3	2.8	0.9	-0.7	#N/A	
Ex Autos Index	120.0	121.5	120.6	120.5	122.9	122.2	119.3	#N/A	
- YoY %	4.1	4.1	3.8	2.5	5.6	3.3	1.6	#N/A	
- 3mth / 3mth % seas. adj.	0.5	1.2	1.7	1.4	0.9	1.0	0.5	#N/A	
<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>									
Construction PMI: Ulster Bank	53.7	48.3	46.2	48.2	52.0	50.9	50.6	28.9	Construction PMI slumps to an 11-year low of 28.9 in March. Index to fall further in April as activity grinds to a halt following the implementation of more stringent Covid-19 restrictions
- Housing Activity	58.4	52.9	51.3	47.7	51.8	48.0	49.7	32.4	
- Commercial Activity	55.1	47.6	46.9	51.2	53.6	55.7	52.1	28.2	Commencements total circa 26,000 in 2019, up a robust 17% on 2018 level. Data softer in Nov/Dec after pick up in activity in Oct ahead of introduction of new building regulations
- New Orders	52.6	50.8	48.8	48.3	52.4	54.9	53.6	33.9	
- Business Expectations	51.3	52.4	57.6	57.3	63.1	69.4	64.7	36.0	
Commencements: 12mth Total	25,112	26,106	26,940	26,022	26,237	#N/A	#N/A	#N/A	
- 3 Month Avg YoY %	10.8	32.9	40.4	14.4	2.1	#N/A	#N/A	#N/A	
<b>HOUSING MARKET ACTIVITY</b>									
BPFI Mortgage Approvals : Month	3,581	3,088	3,692	3,358	2,393	2,594	2,838	#N/A	12 month running total of mortgage approvals edges above 40k in Feb, but data to deteriorate from March
- 3 Month Avg YoY %	12.3	11.9	6.1	5.0	5.7	5.1	4.7	#N/A	
- 12 Mth Total	39,165	39,240	39,502	39,652	39,753	39,909	40,006	#N/A	Cumulative 12 month total of transactions holds in tight range but outbreak will dampen activity in the coming months
RPPR Transactions : Month	5,013	5,054	5,514	5,201	6,649	3,495	3,543	3,714	
- 3 Month Avg YoY %	1.1	6.7	5.4	2.4	1.4	2.3	0.4	-7.9	
- 12 Mth Total	57,588	58,154	58,292	57,988	58,388	58,634	58,037	57,465	
<b>HOUSING MARKET PRICES</b>									
CSO Price Index - MoM	0.3	0.2	0.1	-0.2	-1.1	0.2	-0.1	#N/A	House prices 0.1% lower in February, leaving YoY growth rate at 1.1%. Ex-Dublin price inflation (+2.4%) continues to outpace the capital (-0.1%)
- YoY %	2.0	1.1	1.0	1.1	0.3	1.1	1.1	#N/A	
Daft Asking Prices: MoM %	-0.5	-2.2	-0.1	-2.2	2.4	0.5	0.4	1.7	CSO rental index declines by 0.4% MoM in March. YoY growth at a 7-year low of 3.1%
- YoY %	1.3	-2.0	-1.5	-1.4	-0.8	-1.1	-2.2	-1.7	
<b>RENTS:</b> CSO Private Rents - MoM%	0.6	1.1	0.2	0.0	0.0	-0.1	0.3	-0.4	
- YoY %	5.2	5.8	5.1	4.5	4.3	3.9	3.9	3.1	
<b>AFFORDABILITY:</b> Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB									
- Mortgage as % of Disposable Income	18.6	18.6	18.6	18.6	17.9	18.0	17.8	#N/A	Affordability improves since autumn on flat house price growth and rising wages

	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20		
<b>CONSUMER PRICES - YoY %</b>	0.7	0.9	0.7	1.1	1.3	1.3	1.1	0.7	CPI inflation moderates to 0.7% in March on lower communication costs and a fall in food & beverage prices. HICP at 0.5%. Lower oil prices to impact in the near term	
- MoM %	0.5	-0.2	-0.3	-0.1	0.2	-0.7	0.6	0.4		
HICP - YoY %	0.6	0.6	0.6	0.8	1.1	1.1	0.9	0.5		
- MoM %	0.4	-0.3	-0.2	-0.2	0.2	-0.7	0.6	0.4		
<b>PERSONAL / FINANCIAL</b>										
KBC/ESRI Consumer Confidence	77.2	75.3	69.5	77.1	81.4	85.5	85.2	77.3	Consumer sentiment declines in March but remains above 2019 lows. Will drop sharply in April as virus weighs on confidence	
Credit Growth YoY %										
- Private Sector (Underlying)	-3.8	-3.7	-3.3	-3.3	-3.0	-3.4	-2.6	#N/A	YoY growth of household credit outstanding flat in Feb. Pace of decline in existing mortgage stock eases since summer	
- of which : Household	-0.2	0.1	0.0	0.0	0.1	0.0	0.0	#N/A		
- of which : Mortgage Lending	-0.8	-0.7	-0.6	-0.5	-0.4	-0.4	-0.3	#N/A		
<b>LABOUR MARKET</b>										
Live Register	188,700	188,900	189,600	186,800	185,200	184,000	182,800	207,200	Official jobless rate at 5.4% in March but Covid-19 adjusted figure at 16.5%. Latest figures show circa 530k in receipt of Pandemic Unemployment Payment, in addition to the 210k on the Live Register	
- Change In Month	-1,200	+200	+700	-2,800	-1,600	-1,200	-1,200	+24,400		
Unemployment Rate %	5.0	4.8	4.7	4.7	4.7	4.8	4.8	5.4		
PMI Employment Indices										
- AIB Manufacturing	50.5	50.0	51.2	49.2	49.7	51.2	48.4	42.6	Employment subcomponents of the PMIs all in contraction territory in March, reflecting the impact of Covid-19	
- AIB Services	53.1	53.3	54.3	54.5	53.4	54.5	55.0	47.3		
- Ulster Bank Construction	51.3	50.6	50.6	51.9	53.2	53.6	51.3	39.4		
<b>MERCHANDISE TRADE</b>										
Export Values - 3M / 3M %	1.2	3.3	1.4	5.2	1.2	-1.3	-2.8	#N/A	YoY growth in value of goods exports continues to ease. Slowdown largely reflects decline in chemical exports	
- 3MMA YoY %	5.0	10.2	9.1	8.0	5.1	2.9	1.0	#N/A		
Import Values - 3M / 3M %	3.6	4.7	3.8	1.2	3.2	-0.9	0.3	#N/A	In contrast, a pick up in imports of organic chemicals has seen imports increase YoY in Jan/Feb	
- 3MMA YoY %	-6.4	-6.3	-7.6	-9.2	-7.5	-8.5	-2.6	#N/A		
<b>PUBLIC FINANCES</b>										
Total Tax Receipts: Cum YTD %	8.1	8.7	6.7	6.7	6.8	10.0	13.8	1.1	Tax receipts 5.7% below profile in March as VAT take collapses due to Covid-19. Crisis sees government spending rise 7.6% above profile. Significant budget deficit now expected this year	
Voted Spending : Cum YTD %	6.8	6.9	7.7	6.2	7.3	8.5	1.7	13.5		
Exchequer Bal: 12 Mth Total €m	1,299	1,615	1,103	1,542	647	670	3,175	1,745		
<b>QUARTERLY DATA</b>										
		Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Irish GDP expanded by 5.5% YoY in 2019 but data remain heavily distorted by the activities of multi-nationals  Modified domestic demand, which aims to strip out some of these distortions, rises by a solid 3% in 2019
<b>GDP - YoY %</b>		12.1	10.4	7.4	3.6	7.6	3.9	4.5	6.2	
*Domestic Demand - YoY% (3Q Avg)		4.1	5.2	5.4	4.5	3.0	2.2	2.8	3.3	
Consumer Spending - YoY %		3.1	4.5	3.4	2.8	2.9	3.4	2.9	2.0	
Services Exports - YoY % (3Q Avg)		11.7	10.1	6.5	7.4	9.5	11.9	14.0	14.4	
* Excludes Some Investment Related to the Multinational Sector										
<b>EMPLOYMENT &amp; EARNINGS</b>										
Employment YoY %		2.9	3.4	3.0	2.3	3.7	2.0	2.4	3.5	Employment growth robust at 3.5% YoY in Q4, leaving average annual rate for 2019 at 2.9%. Labour force growth also picks up to 2.6% YoY at end 2019. Average annual growth at 2.1%
Labour Force YoY %		1.4	2.5	2.0	1.5	2.7	1.3	1.6	2.6	
Average Earnings YoY %										
- Hourly		3.1	3.0	2.1	3.2	2.8	3.3	4.0	3.6	
- Weekly		2.7	3.4	3.5	3.5	3.6	3.6	3.6	3.5	Weekly earnings growth little changed at 3.5% in Q4. Average annual growth rate strong at 3.6% in 2019, driven by gains for private sector workers
Weekly Earnings YoY %										
- Private Sector		2.1	3.7	3.9	3.9	4.5	4.0	4.0	3.5	
- Public Sector		4.0	2.8	2.1	1.8	0.8	1.9	1.3	2.7	
<b>CSO DWELLING COMPLETIONS</b>										
		3469	4400	4638	5445	4256	4837	5698	6450	Completions up 18% to over 21k in 2019. However, supply continues to trail demand (estimated at near 35k)
- YoY %		25.1	34.6	22.9	19.5	22.7	9.9	22.9	18.5	
- Cum 12 Mth Total		15070	16200	17065	17952	18739	19176	20236	21241	



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

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

**Conor Beakey**  
Economist  
conor.x.beakey@aib.ie

AIB, 10 Molesworth Street, Dublin 2

Tel: 353-1-6600311

<https://aib.ie/investorrelations/economic-research-unit>