

# Irish Economy Watch

AIB Treasury Economic Research Unit



Thursday 22 February 2024

Jun-23 Jul-23 Aug-23 Sep-23 Oct-23 Nov-23 Dec-23 Jan-24

## MANUFACTURING

AIB Manufacturing PMI	47.3	47.0	50.8	49.6	48.2	50.0	48.9	49.5
AIB Manufacturing PMI - Future Output	68.8	67.1	72.1	71.6	70.0	69.7	71.2	67.0
Industrial Production (Ex-Modern)	121.5	125.2	126.0	128.5	124.9	128.9	135.0	#N/A
Production (Ex-Modern) : 3mma YoY%	8.5	8.2	5.8	5.9	3.3	3.6	9.3	#N/A
3mth / 3mth % seas. adj.	1.8	3.7	1.2	2.6	1.4	2.6	2.4	#N/A

The manu. PMI improved marginally to 49.5 in Jan. A rise in output, export orders and employment, alongside marked destocking, were the key features of the survey

Traditional industrial production rose by 2.4% in Q4 and was 9.3% higher YoY

## SERVICES / RETAIL

AIB Services PMI	56.8	56.7	55.0	54.5	52.6	54.2	53.2	50.5
CSO Services Index (Value)	161.8	163.1	165.4	166.6	170.1	163.5	168.9	#N/A
- YoY %	2.3	2.7	3.2	4.5	9.1	2.9	7.3	#N/A
- 3mth / 3mth % seas. adj.	1.4	0.6	0.8	1.5	3.0	2.0	1.5	#N/A
SIMI Car Registrations	2,989	27,333	8,261	5,726	2,207	921	345	31,427
- 12 mth cum total	117,777	123,206	123,313	122,721	122,311	122,247	122,383	126,468
- 3 mma YoY %	27.0	29.0	19.8	13.6	-5.2	-10.7	-8.9	14.6
Retail Sales Index	131.3	130.7	130.8	129.2	129.2	129.8	130.9	#N/A
- YoY %	6.5	6.3	3.6	2.1	0.3	1.1	3.9	#N/A
- 3mth / 3mth % seas. adj.	4.2	-1.1	-2.2	-2.9	-1.1	-1.2	-0.2	#N/A
Ex Autos Index	132.6	126.8	129.5	128.8	128.4	130.0	130.4	#N/A
- YoY %	3.9	0.5	1.1	1.1	0.6	-0.7	1.9	#N/A
- 3mth / 3mth % seas. adj.	1.7	0.3	-0.6	-2.3	-0.9	-0.4	1.0	#N/A

The services PMI fell to 50.5 in Jan, signalling a slower pace of growth. However, new business, including new export orders expanded. Inflationary pressures strengthened though

The CSO services index was up by 7.3% YoY in Dec

New car sales recorded a strong start to 2024, with over 30k registrations in Jan for the first time post-COVID. 12 mth running total up to 126.5k

Despite rising by 0.8% in December, retail sales fell by 0.2% overall in Q4. However, core sales rose by 1% in Q4

## RESIDENTIAL CONSTRUCTION ACTIVITY

BNP Paribas Construction PMI	50.4	45.6	44.9	48.6	47.3	44.5	45.1	45.9
- Housing Activity	48.4	45.9	46.3	48.9	45.3	43.5	45.0	48.3
- Commercial Activity	51.1	45.4	41.9	49.2	50.9	43.8	42.8	44.7
- New Orders	51.0	45.7	45.2	49.4	49.6	46.7	47.2	47.4
- Business Expectations	58.0	59.5	59.4	59.2	53.6	57.2	59.9	58.6
Commencements: 12mth Total	28,369	28,916	29,565	29,961	30,744	31,429	32,801	#N/A
- 3 Month Avg YoY %	14.8	19.0	25.8	23.5	29.6	28.9	47.0	#N/A

The construction PMI remained in contraction territory, but improved slightly to 45.9 in Jan. New orders, housing and commercial activity moved higher, but stayed below the key 50 level

Commencements increased very strongly, by 47% YoY in Q4. In total, commencements rose by 21.7% in 2023, to 32.8k

## HOUSING MARKET ACTIVITY

BPFI Mortgage Approvals : Month	4,175	4,136	3,952	3,527	3,676	3,614	2,364	#N/A
- 3 Month Avg YoY %	6.7	11.4	10.1	7.3	3.7	-0.4	-2.2	#N/A
- 12 Mth Total	41,992	42,614	42,886	42,780	43,017	42,845	42,559	#N/A
RPPR Transactions : Month	5,456	5,353	5,671	5,483	5,592	5,602	6,897	3,017
- 3 Month Avg YoY %	1.2	2.0	2.8	1.1	3.2	-2.6	-0.1	-4.7
- 12 Mth Total	62,446	62,247	62,857	62,627	62,771	62,410	62,614	62,003

Mortgage approvals declined by 2.2% YoY in Q4. Full year total at 42.5k, up 3.8% on 2022

Transactions fell by 4.7% YoY in 3 mths to Jan. 12 mth running total declines slightly to 62k

House prices rose by 1.5% in Dec, and were 4.4% higher YoY. Overall, property prices increased by 3.1% in 2023

Asking prices on Daft.ie were revised higher for Q3, and were up 5.1% YoY in Q4

CSO rental index edged 0.1% higher in Jan. YoY rate stood at 6.0%

## HOUSING MARKET PRICES

CSO Price Index - MoM	0.6	0.5	0.5	1.0	1.1	1.0	1.5	#N/A
- YoY %	2.1	1.6	1.1	1.4	2.3	3.1	4.4	#N/A
Daft Asking Prices: MoM %	-0.5	1.6	-0.6	1.0	-2.0	-0.3	0.9	#N/A
- YoY %	2.3	4.5	4.2	4.5	5.4	5.2	4.8	#N/A
RENTS: CSO Private Rents - MoM%	0.6	0.6	1.3	0.8	0.0	0.1	0.3	0.1
- YoY %	7.7	7.2	7.1	7.1	6.6	6.2	6.2	6.0

## AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB

- Mortgage as % of Disposable Income	20.8	20.8	22.7	23.0	#N/A	#N/A	#N/A	#N/A
--------------------------------------	------	------	------	------	------	------	------	------

Affordability deteriorated at a faster pace in Q3, as mortgage rates and house prices rose

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24		
<b>CONSUMER PRICES - YoY %</b>	6.1	5.9	6.4	6.4	5.0	3.9	4.6	4.1	Consumer prices declined by 1.3% in Jan. this was largely caused by a sharp fall in clothing due to sales, and a reduction in transport costs. The YoY rate dropped to 4.1%. HICP inflation eased to 2.7% YoY also	
- MoM %	0.8	0.2	0.6	0.1	0.3	-0.8	0.5	-1.3		
HICP - YoY %	4.8	4.6	4.9	5.0	3.6	2.5	3.2	2.7		
- MoM %	0.8	0.2	0.5	0.1	0.2	-0.9	0.4	-1.4		
<b>PERSONAL / FINANCIAL</b>										
ILCU Consumer Sentiment Index	63.7	64.5	62.2	58.8	60.4	61.9	62.4	74.2	Consumer sentiment increased sharply to 74.2 in Jan. Consumers view of both current and future conditions improved	
Credit Growth YoY %										
- Private Sector	-1.9	-2.0	-1.8	-2.1	-2.2	-2.1	-1.8	#N/A	The growth rate of mortgage debt rose in Dec, pushing the rate of household debt higher	
- of which : Household	0.6	1.0	1.6	1.6	1.8	1.9	2.0	#N/A		
- of which : Mortgage Lending	0.4	0.9	1.3	1.5	1.6	1.6	1.8	#N/A		
<b>LABOUR MARKET</b>										
Live Register	181,500	181,000	174,600	178,800	176,200	175,200	175,300	176,700	The monthly unemployment rate was revised sharply lower to 4.5% throughout Q4. Overall, it averaged 4.3% in 2023 versus 4.5% in 2022. Furthermore, it stayed at 4.5% in Jan	
- Change In Month	-100	-500	-6,400	+4,200	-2,600	-1,000	+100	+1,400		
Unemployment Rate %	4.4	4.4	4.4	4.6	4.5	4.5	4.5	4.5		
PMI Employment Indices									In Jan, the employment sub-indices of the manufacturing, services and construction PMI's improved and printed above the key 50 mark	
- AIB Manufacturing	48.1	51.6	53.7	53.0	50.2	51.1	50.0	50.6		
- AIB Services	54.7	53.1	53.9	53.2	52.0	53.3	51.9	52.7		
- BNP Paribas Construction	52.0	53.4	51.1	51.2	53.4	49.1	52.3	53.5		
<b>MERCHANDISE TRADE</b>										
Export Values - 3M / 3M %	-1.2	-1.4	3.4	-1.3	0.6	-2.3	1.1	#N/A	Goods trade surplus fell by 14.7% to €57.8bn in 2023 as exports decreased by 5.5% (€11.5bn) to €197.3bn. Exports of Pharma and chemical products, as well as electrical parts fell by €16bn. Imports declined by 1% last year to €139.5bn.	
- 3MMA YoY %	-5.0	0.6	-3.1	-10.7	-11.8	-7.3	-3.8	#N/A		
Import Values - 3M / 3M %	2.1	4.1	0.3	-3.6	-8.0	3.4	4.4	#N/A		
- 3MMA YoY %	-3.7	-2.1	-7.2	-11.2	-15.3	-3.1	-0.6	#N/A		
<b>PUBLIC FINANCES</b>										
Total Tax Receipts: Cum YTD %	11.0	10.0	6.6	6.1	4.0	5.8	6.0	4.8	Total tax take up by 4.8% YoY in Jan. Voted expenditure rose by 20% YoY though, owing to increases in current and capital spending. 12mth rolling exchequer surplus fell to €0.6bn	
Voted Spending : Cum YTD %	9.8	9.9	11.0	10.0	9.9	12.9	7.6	20.0		
Exchequer Bal: 12 Mth Total €m	1,055	700	-1,615	-1,809	-3,185	-1,722	1,178	602		
<b>QUARTERLY DATA</b>										
		Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	Q4-24	
<b>GDP - YoY %</b>		8.8	9.3	9.4	10.2	2.6	-0.3	-5.8	-3.4	Preliminary estimate of GDP shows the economy contracted by 3.4% YoY in Q4. Overall, GDP declined by 1.9% in 2023
*Domestic Demand - YoY%		12.9	10.6	9.0	5.1	4.2	-1.2	-0.4	#N/A	
Consumer Spending - YoY %		18.6	8.6	5.8	6.5	5.6	2.6	2.6	#N/A	MDD fell by 0.4% YoY in Q3. Output from domestic sectors up 4% YTD though
Services Exports - YoY % (3Q Avg)		13.4	9.2	9.8	3.1	0.6	-0.2	2.0	#N/A	
* Excludes Some Investment Related to the Multinational Sector										
<b>EMPLOYMENT &amp; EARNINGS</b>										Employment rose by 3.4% YoY in Q4, putting it 13.8% above pre-COVID levels. Employment rate eased to 74% in Q4, down slightly from Q3. The labour force grew by 3.5% YoY in Q4
Employment YoY %		13.3	9.2	3.5	2.6	3.6	3.1	3.6	3.4	
Labour Force YoY %		10.5	6.0	2.1	1.8	2.8	3.0	3.8	3.5	
Average Earnings YoY %										Weekly average earnings rose by 4.6% YoY in Q3. Public sector pay was up 6.3% YoY. Private sector earnings rose by 3.9% YoY
- Hourly		2.2	2.5	3.6	6.0	4.0	5.4	6.2	#N/A	
- Weekly		2.9	2.5	3.6	4.5	4.4	4.5	4.6	#N/A	
Weekly Earnings YoY %										
- Private Sector		4.8	3.6	4.9	2.4	3.6	4.0	3.9	#N/A	
- Public Sector		-1.3	1.3	0.8	10.4	7.7	5.9	6.3	#N/A	
<b>CSO DWELLING COMPLETIONS</b>										New dwelling completions up by 13% YoY in Q4. Full year total rose to 32.7k in 2023, circa 10% higher than in 2022
- YoY %		5623	7611	7387	9105	6650	7306	8450	10289	
- Cum 12 Mth Total		22173	24806	27549	29726	30753	30448	31511	32695	



**David McNamara**  
Chief Economist  
david.g.mcnamara@aib.ie

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

**Daniel Noonan**  
Economist  
daniel.x.noonan@aib.ie

AIB, 10 Molesworth Street, Dublin 2

Tel: 353-1-6600311

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