

# Irish Economy Watch

AIB Treasury Economic Research Unit



17 July 2019

|                                                                                                                  | Nov-18  | Dec-18  | Jan-19  | Feb-19  | Mar-19  | Apr-19  | May-19  | Jun-19  |                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>MANUFACTURING</b>                                                                                             |         |         |         |         |         |         |         |         |                                                                                                                                                              |
| ALB Manufacturing PMI                                                                                            | 55.4    | 54.5    | 52.6    | 54.0    | 53.9    | 52.5    | 50.4    | 49.8    | Manufacturing PMI fell to 49.8 in June, the first time it has dipped below the key 50 level since 2013. Partly reflects a marked decline in new orders       |
| OECD Leading Indicator                                                                                           | 98.7    | 98.9    | 99.0    | 99.3    | 99.5    | 99.8    | 100.0   | #N/A    |                                                                                                                                                              |
| Industrial Production (Ex-Modern)                                                                                | 113.3   | 108.3   | 109.7   | 113.3   | 114.9   | 114.0   | 113.2   | #N/A    | Industrial output (ex-modern) growth has remained strong—+9.6% YoY in 3 months to May                                                                        |
| Production (Ex-Modern) : 3mma YoY%                                                                               | 9.9     | 8.5     | 6.8     | 6.5     | 10.3    | 11.8    | 9.6     | #N/A    |                                                                                                                                                              |
| 3mth / 3mth % seas. adj.                                                                                         | 3.1     | 3.0     | -1.8    | -2.3    | -0.2    | 3.3     | 3.3     | #N/A    |                                                                                                                                                              |
| <b>SERVICES / RETAIL</b>                                                                                         |         |         |         |         |         |         |         |         |                                                                                                                                                              |
| ALB Services PMI                                                                                                 | 57.1    | 56.3    | 54.2    | 55.9    | 55.3    | 54.7    | 57.0    | 56.9    | Services PMI broadly unchanged at 56.9 in June—consistent with a strong level of activity. New orders growth remains robust                                  |
| CSO Services Index (Value)                                                                                       | 123.7   | 116.6   | 122.0   | 124.2   | 123.4   | 124.8   | 124.6   | #N/A    |                                                                                                                                                              |
| - YoY %                                                                                                          | 12.3    | 5.6     | 7.3     | 12.1    | 12.2    | 6.1     | 6.0     | #N/A    | Volatile CSO services index little changed in May, leaving YoY growth rate at 6%                                                                             |
| - 3mth / 3mth % seas. adj.                                                                                       | 6.2     | 2.4     | -0.1    | -2.0    | 1.6     | 2.8     | 2.8     | #N/A    |                                                                                                                                                              |
| SIMI Car Registrations                                                                                           | 643     | 142     | 32,367  | 15,063  | 16,676  | 8,891   | 6,312   | 1,406   | New car sales strong in Q2 but 7.4% lower YTD. Second hand imports have failed to fully offset the decline, with total registrations down 3.6% in H1         |
| - 12 mth cum total                                                                                               | 125,574 | 125,557 | 120,901 | 118,953 | 117,903 | 118,733 | 118,990 | 119,148 |                                                                                                                                                              |
| - 3 mma YoY %                                                                                                    | -15.5   | -11.2   | -12.4   | -12.2   | -10.7   | -5.1    | 0.1     | 8.2     |                                                                                                                                                              |
| Retail Sales Index                                                                                               | 117.7   | 117.4   | 116.0   | 117.6   | 116.9   | 119.9   | 117.0   | #N/A    | Core retail sales sluggish in Q2, with softness broad-based. Surge in sales in Q1, though, leaves YoY growth at 3.6% as of May                               |
| - YoY %                                                                                                          | 3.0     | 3.3     | -0.4    | 4.3     | 5.1     | 4.5     | 1.0     | #N/A    |                                                                                                                                                              |
| - 3mth / 3mth % seas. adj.                                                                                       | 1.1     | 0.6     | -0.6    | -1.1    | -1.0    | 0.9     | 0.8     | #N/A    |                                                                                                                                                              |
| Ex Autos Index                                                                                                   | 116.4   | 116.3   | 117.1   | 119.2   | 120.2   | 120.2   | 119.0   | #N/A    |                                                                                                                                                              |
| - YoY %                                                                                                          | 1.8     | 3.8     | 4.0     | 5.7     | 7.8     | 6.2     | 3.6     | #N/A    |                                                                                                                                                              |
| - 3mth / 3mth % seas. adj.                                                                                       | 1.4     | 0.5     | 0.5     | 1.0     | 2.3     | 2.8     | 1.9     | #N/A    |                                                                                                                                                              |
| <b>CONSTRUCTION PMI: Ulster Bank</b>                                                                             |         |         |         |         |         |         |         |         |                                                                                                                                                              |
| - Housing Activity                                                                                               | 55.5    | 56.3    | 54.6    | 60.5    | 55.9    | 56.6    | 54.9    | 53.1    | In June, construction PMI declined for a 2nd consecutive month, to 53.1. Housing activity index, though, continues to point to strong rise in house building |
| - Commercial Activity                                                                                            | 58.2    | 56.0    | 55.7    | 64.3    | 60.8    | 60.5    | 58.3    | 58.4    |                                                                                                                                                              |
| - New Orders                                                                                                     | 57.5    | 58.5    | 55.4    | 62.2    | 55.5    | 54.6    | 53.1    | 52.8    |                                                                                                                                                              |
| - Business Expectations                                                                                          | 59.1    | 56.2    | 57.1    | 60.2    | 58.5    | 59.6    | 56.4    | 56.6    |                                                                                                                                                              |
|                                                                                                                  | 68.1    | 70.2    | 71.5    | 67.6    | 65.1    | 66.5    | 67.1    | 65.5    |                                                                                                                                                              |
| <b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>                                                                         |         |         |         |         |         |         |         |         |                                                                                                                                                              |
| Housing Registrations: 12Mth Total                                                                               | 10,107  | 10,265  | 10,807  | 10,863  | 11,004  | 10,817  | 10,614  | #N/A    | Registrations (measure of developer activity) 10.6% lower in 3 months to May compared to same period in 2018                                                 |
| - 3 Month Avg YoY %                                                                                              | 35.8    | 36.9    | 65.8    | 40.4    | 36.7    | 0.4     | -10.6   | #N/A    |                                                                                                                                                              |
| Commencements: 12mth Total                                                                                       | 21,836  | 22,467  | 22,719  | 23,392  | 23,851  | 23,479  | 22,681  | #N/A    | Commencements move lower in Q2. 12 month cumulative total back below 23k in May                                                                              |
| - 3 Month Avg YoY %                                                                                              | 30.2    | 47.3    | 38.6    | 39.0    | 31.6    | 15.1    | -13.5   | #N/A    |                                                                                                                                                              |
| <b>HOUSING MARKET ACTIVITY</b>                                                                                   |         |         |         |         |         |         |         |         |                                                                                                                                                              |
| BPFI Mortgage Approvals : Month                                                                                  | 3,208   | 2,292   | 2,438   | 2,741   | 3,276   | 3,307   | 3,960   | #N/A    | Mortgage approvals continue to pick up, with the 12 month total now close to 38k                                                                             |
| - 3 Month Avg YoY %                                                                                              | 1.1     | 1.8     | -2.4    | 0.8     | 7.8     | 12.5    | 12.6    | #N/A    |                                                                                                                                                              |
| - 12 Mth Total                                                                                                   | 36,664  | 36,655  | 36,507  | 36,725  | 37,264  | 37,540  | 37,905  | #N/A    | Transactions very volatile month-to-month, but 12 month total stable at close to 57k in May                                                                  |
| RPPR Transactions : Month                                                                                        | 5,505   | 6,249   | 3,575   | 4,536   | 4,610   | 4,781   | 3,134   | #N/A    |                                                                                                                                                              |
| - 3 Month Avg YoY %                                                                                              | 2.7     | 3.2     | 4.1     | 5.2     | 10.0    | 14.6    | -2.0    | #N/A    |                                                                                                                                                              |
| - 12 Mth Total                                                                                                   | 56,692  | 56,514  | 56,675  | 57,216  | 57,580  | 58,449  | 56,962  | #N/A    | CSO house price growth continues to slow—at 2.8% in May. Ex-Dublin YoY price growth (+5.2%) outpacing the capital (+0.6%)                                    |
| CSO Price Index - MoM                                                                                            | -0.3    | -0.4    | -0.6    | -0.1    | 0.1     | 0.2     | 0.5     | #N/A    |                                                                                                                                                              |
| - YoY %                                                                                                          | 7.2     | 6.3     | 5.2     | 4.3     | 3.8     | 3.0     | 2.8     | #N/A    |                                                                                                                                                              |
| Daft Asking Prices: MoM %                                                                                        | -2.3    | 1.8     | 0.8     | 1.5     | 1.3     | -0.6    | -1.4    | 3.6     | CSO rent inflation at 5.5% in June. Rents now 28.7% above previous peak                                                                                      |
| - YoY %                                                                                                          | 5.7     | 4.5     | 5.3     | 5.1     | 6.3     | 3.9     | 1.9     | 5.4     |                                                                                                                                                              |
| RENTS: CSO Private Rents - MoM%                                                                                  | 0.5     | 0.2     | 0.4     | 0.3     | 0.4     | 0.4     | 0.3     | 0.3     | Affordability improves in H1, helped by good earnings growth and moderating house price inflation                                                            |
| - YoY %                                                                                                          | 7.0     | 6.4     | 6.6     | 5.7     | 5.6     | 5.4     | 5.2     | 5.5     |                                                                                                                                                              |
| <b>AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB</b> |         |         |         |         |         |         |         |         |                                                                                                                                                              |
| - Mortgage as % of Disposable Income                                                                             | 18.2    | 18.1    | 17.8    | 17.6    | 17.6    | 17.6    | 17.7    | #N/A    |                                                                                                                                                              |

|                                                                | Nov-18  | Dec-18  | Jan-19  | Feb-19  | Mar-19  | Apr-19  | May-19  | Jun-19  |                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CONSUMER PRICES - YoY %</b>                                 | 0.6     | 0.7     | 0.7     | 0.6     | 1.1     | 1.7     | 1.0     | 1.1     | CPI inflation edged up slightly to 1.1% in June. Service inflation relatively strong at 2.6%, but price pressures remain contained by goods deflation. HICP inflation also slightly higher at 1.1%                                                                                                                   |
| - MoM %                                                        | -0.5    | 0.0     | -0.7    | 0.8     | 0.8     | 0.4     | -0.1    | 0.2     |                                                                                                                                                                                                                                                                                                                      |
| HICP - YoY %                                                   | 0.8     | 0.8     | 0.8     | 0.7     | 1.1     | 1.7     | 1.0     | 1.1     |                                                                                                                                                                                                                                                                                                                      |
| - MoM %                                                        | -0.4    | -0.1    | -0.7    | 0.8     | 0.8     | 0.4     | -0.1    | 0.2     |                                                                                                                                                                                                                                                                                                                      |
| <b>PERSONAL / FINANCIAL</b>                                    |         |         |         |         |         |         |         |         |                                                                                                                                                                                                                                                                                                                      |
| KBC/ESRI Consumer Confidence                                   | 96.5    | 96.5    | 98.8    | 86.5    | 93.1    | 87.7    | 89.9    | 90.7    | Consumer confidence moved up from lows for a 2nd consecutive month in June, as Brexit newsflow abated somewhat<br><br>Contraction of outstanding credit slowing. Household credit down by just 0.3% YoY in May                                                                                                       |
| Credit Growth YoY %                                            |         |         |         |         |         |         |         |         |                                                                                                                                                                                                                                                                                                                      |
| - Private Sector (Underlying)                                  | -1.6    | -2.8    | -3.2    | -3.3    | -3.6    | -3.2    | -2.7    | #N/A    |                                                                                                                                                                                                                                                                                                                      |
| - of which : Household                                         | -1.1    | -0.8    | -0.7    | -0.7    | -0.5    | -0.4    | -0.3    | #N/A    |                                                                                                                                                                                                                                                                                                                      |
| - of which : Mortgage Lending                                  | -1.2    | -1.1    | -1.1    | -1.1    | -1.1    | -1.0    | -0.8    | #N/A    |                                                                                                                                                                                                                                                                                                                      |
| <b>LABOUR MARKET</b>                                           |         |         |         |         |         |         |         |         |                                                                                                                                                                                                                                                                                                                      |
| Live Register                                                  | 205,800 | 203,500 | 200,300 | 197,100 | 195,100 | 194,700 | 191,300 | 190,100 | Unemployment rate held at 4.5% in June. Lowest rate since March 2005. Live Register at 11-year low, having declined by 1,200 in June<br><br>PMI employment subcomponents suggest jobs growth slowed in Q2. However, each sector's index moved higher in June, especially construction                                |
| - Change In Month                                              | -2,900  | -2,300  | -3,200  | -3,200  | -2,000  | -400    | -3,400  | -1,200  |                                                                                                                                                                                                                                                                                                                      |
| Unemployment Rate %                                            | 5.6     | 5.5     | 5.2     | 5.0     | 4.7     | 4.6     | 4.5     | 4.5     |                                                                                                                                                                                                                                                                                                                      |
| PMI Employment Indices                                         |         |         |         |         |         |         |         |         |                                                                                                                                                                                                                                                                                                                      |
| - AIB Manufacturing                                            | 53.2    | 52.7    | 52.4    | 54.0    | 54.1    | 53.8    | 51.4    | 51.8    |                                                                                                                                                                                                                                                                                                                      |
| - AIB Services                                                 | 57.4    | 57.4    | 56.3    | 55.5    | 55.6    | 54.6    | 54.7    | 55.3    |                                                                                                                                                                                                                                                                                                                      |
| - Ulster Bank Construction                                     | 54.8    | 55.5    | 54.6    | 56.1    | 59.6    | 58.8    | 53.5    | 56.0    |                                                                                                                                                                                                                                                                                                                      |
| <b>MERCHANDISE TRADE</b>                                       |         |         |         |         |         |         |         |         |                                                                                                                                                                                                                                                                                                                      |
| Export Values - 3M / 3M %                                      | 2.7     | 6.3     | 9.5     | 10.3    | 1.7     | -5.1    | -7.5    | #N/A    | YoY growth in value of goods exported at 11.2% in 3 months to May as chemical, energy and machinery exports rise<br><br>Import growth moderated to 3.2% YoY in 3 months to May as machinery imports declined                                                                                                         |
| - 3MMA YoY %                                                   | 20.0    | 21.5    | 16.6    | 16.8    | 12.1    | 13.0    | 11.2    | #N/A    |                                                                                                                                                                                                                                                                                                                      |
| Import Values - 3M / 3M %                                      | 3.8     | 3.9     | -3.4    | -9.2    | -18.8   | -11.1   | -7.9    | #N/A    |                                                                                                                                                                                                                                                                                                                      |
| - 3MMA YoY %                                                   | 23.8    | 23.3    | 16.4    | 9.9     | 2.1     | 3.9     | 3.2     | #N/A    |                                                                                                                                                                                                                                                                                                                      |
| <b>PUBLIC FINANCES</b>                                         |         |         |         |         |         |         |         |         |                                                                                                                                                                                                                                                                                                                      |
| Total Tax Receipts: Cum YTD %                                  | 8.8     | 9.5     | 7.0     | 3.7     | 7.1     | 5.7     | 5.7     | 6.9     | Tax receipts and government spending broadly in line with profile YTD. Exchequer recorded a surplus of €260m in H1 '19 vs a deficit of €823m in H1 '18                                                                                                                                                               |
| Voted Spending : Cum YTD %                                     | 11.0    | 9.0     | 6.5     | 8.1     | 7.2     | 5.4     | 8.0     | 5.9     |                                                                                                                                                                                                                                                                                                                      |
| Exchequer Bal: 12 Mth Total €m                                 | -769    | 106     | 220     | 28      | 254     | 344     | 68      | 1,189   |                                                                                                                                                                                                                                                                                                                      |
| <b>QUARTERLY DATA</b>                                          |         |         |         |         |         |         |         |         |                                                                                                                                                                                                                                                                                                                      |
|                                                                | Q2-17   | Q3-17   | Q4-17   | Q1-18   | Q2-18   | Q3-18   | Q4-18   | Q1-19   |                                                                                                                                                                                                                                                                                                                      |
| <b>GDP - YoY %</b>                                             | 7.2     | 14.2    | 6.5     | 12.1    | 10.4    | 7.4     | 3.6     | 6.3     | Irish GDP expanded by 6.3% YoY in Q1'19. Data distorted by multi-nationals. GNP up 1.8%<br><br>3 quarter moving average growth rate of modified domestic demand, which aims to strip out multi-national distortions, +2.9% as of Q1'19                                                                               |
| *Domestic Demand - YoY% (3Q Avg)                               | 3.8     | 2.4     | 3.0     | 4.1     | 5.2     | 5.4     | 4.5     | 2.9     |                                                                                                                                                                                                                                                                                                                      |
| Consumer Spending - YoY %                                      | 2.6     | 4.3     | 3.0     | 3.1     | 4.5     | 3.4     | 2.8     | 2.9     |                                                                                                                                                                                                                                                                                                                      |
| Services Exports - YoY % (3Q Avg)                              | 18.0    | 16.8    | 16.7    | 11.7    | 10.1    | 6.5     | 7.4     | 9.8     |                                                                                                                                                                                                                                                                                                                      |
| * Excludes Some Investment Related to the Multinational Sector |         |         |         |         |         |         |         |         |                                                                                                                                                                                                                                                                                                                      |
| <b>EMPLOYMENT &amp; EARNINGS</b>                               |         |         |         |         |         |         |         |         |                                                                                                                                                                                                                                                                                                                      |
| Employment YoY %                                               | 2.6     | 2.3     | 3.1     | 2.9     | 3.4     | 3.0     | 2.3     | 3.7     | Employment growth accelerated in Q1—increasing to 3.7%. Jobs gains broad-based. Labour force growth also picked up momentum in the quarter, rising by 2.7% YoY<br><br>Weekly earnings growth at 3.4% YoY in Q1. Growth relatively broad based but gains have been more substantial in the private than public sector |
| Labour Force YoY %                                             | 0.1     | 0.5     | 1.9     | 1.4     | 2.5     | 2.0     | 1.5     | 2.7     |                                                                                                                                                                                                                                                                                                                      |
| Average Earnings YoY %                                         |         |         |         |         |         |         |         |         |                                                                                                                                                                                                                                                                                                                      |
| - Hourly                                                       | 1.4     | 2.8     | 1.9     | 3.1     | 3.0     | 2.1     | 3.2     | 2.3     |                                                                                                                                                                                                                                                                                                                      |
| - Weekly                                                       | 2.0     | 2.1     | 2.0     | 2.7     | 3.4     | 3.5     | 3.5     | 3.4     |                                                                                                                                                                                                                                                                                                                      |
| Weekly Earnings YoY %                                          |         |         |         |         |         |         |         |         |                                                                                                                                                                                                                                                                                                                      |
| - Private Sector                                               | 1.5     | 1.7     | 1.5     | 2.1     | 3.7     | 3.9     | 3.9     | 4.2     |                                                                                                                                                                                                                                                                                                                      |
| - Public Sector                                                | 3.4     | 2.7     | 2.9     | 4.0     | 2.8     | 2.1     | 1.8     | 1.2     |                                                                                                                                                                                                                                                                                                                      |
| <b>CSO DWELLING COMPLETIONS</b>                                |         |         |         |         |         |         |         |         |                                                                                                                                                                                                                                                                                                                      |
|                                                                | 3275    | 3787    | 4567    | 3470    | 4404    | 4671    | 5522    | 4275    | Completions rise 23% YoY in Q1. At nearly 19k in the year to Q1'19—supply continues to trail demand (estimated at 35k)                                                                                                                                                                                               |
| - YoY %                                                        | 36.5    | 51.7    | 50.1    | 24.9    | 34.5    | 23.3    | 20.9    | 23.2    |                                                                                                                                                                                                                                                                                                                      |
| - Cum 12 Mth Total                                             | 11593   | 12883   | 14407   | 15099   | 16228   | 17112   | 18067   | 18872   |                                                                                                                                                                                                                                                                                                                      |



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