Irish Economy Watch

AIB Treasury Economic Research Unit

16 April 2019

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
MANUFACTURING								
AIB Manufacturing PMI	57.5	56.3	54.9	55.4	54.5	52.6	54.0	53.9
OECD Leading Indicator	98.8	98.6	98.4	98.4	98.4	98.5	98.5	#N/A
Industrial Production (Ex-Modern)	111.8	109.0	116.9	113.4	108.4	109.7	113.2	#N/A
Production (Ex-Modern) : 3mma YoY%	8.8	8.6	10.6	9.9	8.5	6.8	6.4	#N/A
3mth / 3mth % seas. adj.	4.9	2.8	3.4	3.2	2.9	-1.8	-2.4	#N/A

Manufacturing PMI broadly unchanged in March. Continues to point to solid growth but remains below 2018 levels

Industrial output (ex-modern) fell by 2.4% on a 3mth/3mth basis in February. However, YoY output growth still strong

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
SERVICES / RETAIL								
AIB Services PMI	58.0	58.7	57.2	57.1	56.3	54.2	55.9	55.3
CSO Services Index (Value)	116.5	122.6	123.6	123.8	117.0	122.0	124.2	#N/A
- YoY %	5.7	13.0	13.6	12.0	5.5	7.2	12.4	#N/A
- 3mth / 3mth % seas. adj.	1.7	1.3	3.6	5.8	2.5	0.0	-1.8	#N/A
SIMI Car Registrations	5,898	3,183	1,732	643	142	32,331	15,100	16,703
- 12 mth cum total	126,609	125,895	125,683	125,574	125,557	120,865	118,916	117,847
- 3 mma YoY %	-2.3	-3.7	-6.6	-15.5	-11.2	-12.5	-12.3	-10.7
Retail Sales Index	116.0	118.4	118.8	117.7	117.4	116.0	118.4	#N/A
- YoY %	2.6	6.3	6.4	3.0	3.3	-0.4	5.1	#N/A
- 3mth / 3mth % seas. adj.	2.7	1.0	0.7	1.1	0.6	-0.6	-0.9	#N/A
Ex Autos Index	115.2	117.0	115.8	116.4	116.3	117.1	118.7	#N/A
- YoY %	3.8	6.1	4.2	1.8	3.8	4.0	5.2	#N/A
- 3mth / 3mth % seas. adj.	1.4	1.0	1.1	1.4	0.5	0.5	0.8	#N/A

Service PMI lower, at 55.3 in March, a level still consistent with strong growth. Dip coincided with a fall in the new exports orders sub-index

Volatile CSO services index improved again in February. Underlying data show ICT sector performing very strongly

Second hand imports have failed to offset the 11% fall in new car sales this year. Total regs down 7% YTD in March

Core retail rose by a strong 0.8% in three months to February. YoY growth (+5.2%) has been broad based

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
CONSTRUCTION PMI: Ulster Bank	58.3	56.2	52.9	55.5	56.3	54.6	60.5	55.9
- Housing Activity	60.4	56.1	53.6	58.2	56.0	55.7	64.3	60.8
- Commercial Activity	57.7	58.1	53.9	57.5	58.5	55.4	62.2	55.5
- New Orders	56.2	57.3	56.4	59.1	56.2	57.1	60.2	58.5
- Business Expectations	77.7	75.0	71.6	68.1	70.2	71.5	67.6	65.1
RESIDENTIAL CONSTRUCTION ACTIVITY								
Housing Registrations: 12Mth Total	9,263	9,593	9,824	10,107	10,265	10,807	10,863	#N/A
- 3 Month Avg YoY %	-6.8	22.9	23.1	35.8	36.9	65.8	40.4	#N/A
Commencements: 12mth Total	20,371	20,460	21,211	21,836	22,467	22,719	23,392	#N/A
- 3 Month Avg YoY %	44.2	40.8	40.3	30.2	47.3	38.6	39.0	#N/A

Construction PMI moved down to 55.9 in March, after spiking higher in February. However, the housing activity sub-index remained at a very high level

YoY growth in registrations continues to increase—at 40% in 3 months to February

12 month cumulative total of commencements remains on a steady upward trend (now close to 23.5k)

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
HOUSING MARKET ACTIVITY								
BPFI Mortgage Approvals : Month	3,324	3,013	3,430	3,208	2,292	2,438	2,741	#N/A
- 3 Month Avg YoY %	-2.3	-1.4	0.8	1.1	1.8	-2.4	0.8	#N/A
- 12 Mth Total	36,561	36,493	36,699	36,664	36,655	36,507	36,725	#N/A
RPPR Transactions : Month	4,889	4,518	5,376	5,505	6,249	3,219	3,948	#N/A
- 3 Month Avg YoY %	3.1	1.5	1.5	2.7	3.2	1.6	-3.6	#N/A
- 12 Mth Total	56,284	55,980	56,325	56,692	56,514	56,319	56,219	#N/A
HOUSING MARKET PRICES								
CSO Price Index - MoM	0.6	0.9	0.2	-0.3	-0.4	-0.6	-0.1	#N/A
- YoY %	8.9	8.5	8.3	7.2	6.3	5.2	4.3	#N/A
Daft Asking Prices: MoM %	-1.1	1.1	-0.5	-2.3	1.8	0.9	1.6	1.4
- YoY %	5.4	7.4	6.2	5.7	4.5	5.4	5.3	6.7
RENTS: CSO Private Rents - MoM%	1.0	0.5	0.8	0.5	0.2	0.4	0.3	0.4
- YoY %	6.2	6.1	6.5	7.0	6.4	6.6	5.7	5.6
AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB								
- Mortgage as % of Disposable Income	18.5	18.5	18.4	18.3	18.2	18.0	18.0	#N/A

Mortgage approvals have stagnated—reflecting both tighter Central Bank lending rules and affordability issues

Transactions showing flat trend overall. 12 month total holding steady in a 56-57k range

CSO house price inflation has slowed markedly in recent months—at 4.3% in Feb. Ex-Dublin YoY price growth (+7.5%) outpacing the capital (+1.4%)

CSO rent inflation at 5.6% in March. Rents now 27.4% above their previous peak

Strong earnings growth and a moderation of house price inflation has seen affordability improve somewhat recently

Sources: Thomson Datastream, CSO, DoF, DoECLG, Daft.ie, HomeBond, BPFI, KBC/ESRI, RSRA, SIMI, Ulster Bank, AIB ERU Calculations

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
CONSUMER PRICES - YoY %	0.7	0.9	0.9	0.6	0.7	0.7	0.6	1.1
- MoM %	0.3	-0.4	-0.1	-0.5	0.0	-0.7	0.8	0.8
HICP - YoY %	0.9	1.2	1.1	0.8	0.8	0.8	0.7	1.1
- MoM %	0.3	-0.3	-0.2	-0.4	-0.1	-0.7	0.8	0.8

CPI inflation picked up to 1.1% in March. This reflected an higher prices in the hostelry sector, as well as a rise in housing costs

HICP inflation also moved up to 1.1% in the month

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
PERSONAL / FINANCIAL								
KBC/ESRI Consumer Confidence	102.4	96.4	93.5	96.5	96.5	98.8	86.5	93.1
Credit Growth YoY %								
- Private Sector (Underlying)	0.8	0.7	-0.7	-1.6	-2.8	-3.2	-3.3	#N/A
- *of which* : Household	-1.4	-1.4	-1.2	-1.1	-0.8	-0.7	-0.7	#N/A
- *of which* : Mortgage Lending	-1.5	-1.4	-1.4	-1.2	-1.1	-1.1	-1.1	#N/A

Consumer confidence recovered some ground in March, having fallen sharply in February on Brexit related concerns

Private sector credit fell by 3.3% YoY in Feb. Household credit contracted by 0.7%

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
LABOUR MARKET								
Live Register	214,100	211,200	208,800	205,900	203,500	200,300	197,100	194,800
- Change In Month	-3,700	-2,900	-2,400	-2,900	-2,400	-3,200	-3,200	-2,300
Unemployment Rate %	5.6	5.7	5.7	5.6	5.7	5.7	5.6	5.4
Redundancies	174	228	362	269	340	#N/A	#N/A	#N/A
-12 Mth Total	2,649	2,628	2,699	2,680	2,845	#N/A	#N/A	#N/A
PMI Employment Indices								
- Investec Manufacturing	53.4	56.7	54.4	53.2	52.7	52.4	54.0	54.1
- Investec Services	58.0	58.2	58.3	57.4	57.4	56.3	55.5	55.6
- Ulster Bank Construction	55.4	54.3	56.1	54.8	55.5	54.6	56.1	59.6

The unemployment rate moved down to 5.4% in March, dropping out of the 5.6-5.7% range it occupied from August. Live Register declined by 2,300 in the same month

PMI employment sub-indices continued to point to good jobs growth in March. Construction index particularly strong (59.6). Services (55.6) and manufacturing (54.1) readings also encouraging

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
MERCHANDISE TRADE								
Export Values - 3M / 3M %	5.1	0.7	-0.4	2.9	6.6	10.0	10.8	#N/A
- 3MMA YoY %	19.9	17.6	19.8	20.0	21.7	17.0	17.3	#N/A
Import Values - 3M / 3M %	22.2	12.2	6.3	0.4	0.6	-6.2	-8.4	#N/A
- 3MMA YoY %	21.4	24.8	21.2	20.2	19.0	11.8	7.8	#N/A

YoY growth in value of goods exported at 17.3% in February. Increase driven by a rise in pharma and chemical exports

Weaker demand for imports sees YoY growth rate fall to 7.8% in the same month

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
PUBLIC FINANCES								
Total Tax Receipts: Cum YTD %	6.4	6.6	8.1	8.8	9.5	7.0	3.7	7.1
Voted Spending : Cum YTD %	8.3	8.9	9.2	11.0	9.0	6.5	8.1	7.2
Exchequer Bal: 12 Mth Total €m	-1,728	-1,907	-1,112	-769	106	220	28	254

Tax receipts up 7.1% YTD. Spending up 7.2% YTD but is 2.6% below profile. Overall, public finances close to target at end Q1

QUARTERLY DATA

	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18
GDP - YoY %	2.9	6.2	13.2	6.5	9.6	9.5	5.4	3.0
*Domestic Demand - YoY% (3Q Avg)	4.9	3.7	2.3	3.7	4.9	6.0	5.6	4.1
Consumer Spending - YoY %	-0.3	1.0	3.1	2.8	2.6	3.8	3.0	2.6
Services Exports - YoY % (3Q Avg)	16.3	17.9	17.0	15.0	8.9	5.7	3.7	6.6

** Excludes Some Investment Related to the Multinational Sector*

Irish GDP expanded by 6.7% in 2018. Data remains distorted by activity of multi-nationals

Modified final domestic demand, which excludes some multi-national activity, increased by 4.5% in 2018, though slowed in H2 of the year

	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18
EMPLOYMENT & EARNINGS								
Employment YoY %	3.7	2.6	2.3	3.1	2.9	3.4	3.0	2.3
Labour Force YoY %	1.8	0.1	0.5	1.9	1.4	2.5	2.0	1.5
Average Earnings YoY %								
- Hourly	0.6	1.4	2.8	1.9	3.1	3.0	2.1	3.8
- Weekly	1.5	2.0	2.1	2.0	2.7	3.4	3.5	4.1
Weekly Earnings YoY %								
- Private Sector	1.6	1.5	1.7	1.5	2.1	3.7	3.9	4.4
- Public Sector	1.8	3.4	2.7	2.9	4.0	2.8	2.1	2.3

Employment growth slowed in Q4, with average 2018 growth rate at 2.9%. Strong construction jobs growth of 11.6% encouraging

Weekly earnings growth picked up to 4.1% YoY in Q4. Growth relatively broad based, although gains were more substantial in the private than in the public sector

	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18
CSO DWELLING COMPLETIONS	2775	3295	3786	4579	3490	4404	4671	5522
- YoY %	41.3	37.6	50.9	50.6	25.8	34.5	23.3	20.9
- Cum 12 Mth Total	10718	11619	12896	14435	15150	16233	17117	18072

CSO data show completions up 25% (to 18k) in 2018. However, supply continues to trail demand (estimated at 35k)

AIB

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 Bankcentre, Ballsbridge, Dublin 4 Tel: 353-1-6600311 www.aibeconomics.com