

# Irish Economy Watch

AIB Treasury Economic Research Unit



Thursday 29 April 2021

	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
<b>MANUFACTURING</b>								
AIB Manufacturing PMI	52.3	50.0	50.3	52.2	57.2	51.8	52.0	57.1
OECD Leading Indicator	99.4	99.7	100.0	100.2	100.4	100.5	100.6	100.7
Industrial Production (Ex-Modern)	108.6	108.5	110.7	109.1	114.2	115.6	113.9	#N/A
Production (Ex-Modern) : 3mma YoY%	-5.4	-1.3	-1.6	-2.7	-0.2	-0.4	2.1	#N/A
3mth / 3mth % seas. adj.	11.3	24.7	14.4	5.0	2.0	3.4	4.7	#N/A

Manufacturing PMI jumped to 57.1 in March from 52.0. Output returned to growth having contracted in Jan & Feb. New orders improved markedly also

Traditional industrial production contracted in February, but underlying trend remains strong with 3mma up 4.7%

<b>SERVICES / RETAIL</b>								
AIB Services PMI	52.4	45.8	48.3	45.4	50.1	36.2	41.2	54.6
CSO Services Index (Value)	114.8	120.8	115.3	112.4	120.9	114.9	118.2	#N/A
- YoY %	-9.1	-4.2	-7.5	-10.2	-1.3	-7.9	-5.2	#N/A
- 3mth / 3mth % seas. adj.	5.9	11.5	6.5	1.5	-0.3	-0.8	1.6	#N/A
SIMI Car Registrations	4,808	5,651	2,296	913	601	25,145	13,713	9,216
- 12 mth cum total	85,437	87,673	87,792	87,947	88,324	82,819	83,394	86,604
- 3 mma YoY %	-13.4	-4.7	19.4	39.5	20.6	-15.7	-10.3	-3.5
Retail Sales Index	128.8	130.9	129.1	113.3	127.1	100.7	119.2	116.9
- YoY %	8.5	10.6	7.4	-4.5	7.0	-14.7	0.1	8.5
- 3mth / 3mth % seas. adj.	44.3	36.5	13.3	-2.4	-4.5	-12.3	-7.0	-8.8
Ex Autos Index	128.3	130.7	130.9	115.6	129.6	109.0	117.2	118.7
- YoY %	6.8	9.2	9.5	-2.9	7.1	-9.8	-2.7	0.3
- 3mth / 3mth % seas. adj.	21.5	21.9	10.4	-0.4	-2.6	-9.2	-5.7	-8.3

In March the services PMI staged a strong, broad based rebound, rising to 54.6 from 41.2. New business rose for the first time since last August, while firms outlook was the most optimistic since June 2018

CSO Services Index improved in February, but 5.2% lower YoY

New car sales up 53.4% YoY in March, from depressed Covid hit levels a year ago. Q1 sales down 3.5% YoY

Total retail sales fell by 8.8% in Q1. Ex-autos sales declined by 8.3%, down 4.1% YoY, though well off their January low

<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>								
Construction PMI: Ulster Bank	44.0	47.0	48.6	53.5	52.3	21.2	27.0	30.9
- Housing Activity	44.7	44.1	50.3	53.0	56.2	19.0	23.8	33.8
- Commercial Activity	41.6	49.2	46.7	50.0	49.7	24.2	31.2	31.3
- New Orders	46.5	48.8	51.8	57.3	55.6	29.4	30.5	39.7
- Business Expectations	53.5	48.7	51.9	60.5	62.5	59.9	64.2	73.9
Commencements: 12mth Total	22,066	21,774	20,823	21,830	21,686	20,657	18,746	#N/A
- 3 Month Avg YoY %	-36.8	-28.4	-29.7	-3.3	-1.4	-3.2	-50.0	#N/A

Construction PMI printed at a very low level for the third month running (30.9) in March, as most of the sector remained closed. Firms outlook improved further, reaching its highest level in over two years

Commencements 50% lower YoY in the 3 months to February, due to Covid restrictions. 12 mth running total falls below 19K

<b>HOUSING MARKET ACTIVITY</b>								
BPFI Mortgage Approvals : Month	3,337	3,927	4,419	4,372	3,247	2,696	2,964	3,420
- 3 Month Avg YoY %	-32.7	-8.4	12.8	25.4	27.5	23.6	13.8	7.7
- 12 Mth Total	30,722	31,561	32,288	33,302	34,156	34,258	34,384	34,809
RPPR Transactions : Month	2,959	4,304	5,545	5,350	7,403	3,133	4,327	4,637
- 3 Month Avg YoY %	-34.8	-29.9	-17.8	-3.6	5.4	3.2	7.4	4.1
- 12 Mth Total	48,931	48,181	48,212	48,361	49,115	48,712	49,379	49,590

Approvals continue to rise in March. 3mma up 7.7% YoY

Transactions gaining momentum in Q1 despite restrictions, with the 3mma up 4.1% YoY

House prices rose by 0.3% in February, YoY growth rate at 3%. Ex-Dublin price inflation (+4.7%) continues to outpace the capital (+1.2%)

Daft.ie asking prices up 7.1% YoY in March

CSO rental index rose by 0.8% in March, its largest monthly rise since September 2019. However, YoY rate at -1.4%

<b>HOUSING MARKET PRICES</b>								
CSO Price Index - MoM	0.1	0.2	0.5	0.7	0.7	0.4	0.3	#N/A
- YoY %	-0.9	-0.8	-0.5	0.4	2.3	2.6	3.0	#N/A
Daft Asking Prices: MoM %	1.9	0.3	0.8	0.4	1.0	1.7	-1.2	1.9
- YoY %	2.7	5.3	6.1	8.9	7.4	8.7	6.9	7.1
<b>RENTS:</b> CSO Private Rents - MoM%	0.2	0.4	-0.5	0.0	0.4	0.3	0.2	0.8
- YoY %	-1.8	-2.6	-3.2	-3.2	-2.9	-2.5	-2.5	-1.4

<b>AFFORDABILITY:</b> Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB								
- Mortgage as % of Disposable Income	18.3	18.3	17.7	17.5	17.6	#N/A	#N/A	#N/A

Affordability index improves as average industrial wages rise sharply in Q4

	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	
<b>CONSUMER PRICES - YoY %</b>									Prices rose by 0.8% in March as the VAT cut for many goods was unwound. Lifts annual CPI rate to 0.0% from -0.4%. Annual HICP subdued also, at +0.1%, reflecting depressed clothing and transport prices
- MoM %	-1.0	-1.2	-1.5	-1.1	-1.0	-0.2	-0.4	0.0	
HICP - YoY %	-0.1	-0.4	-0.6	0.3	0.3	0.1	0.4	0.8	
- MoM %	-1.1	-1.2	-1.5	-1.0	-1.0	-0.1	-0.4	0.1	
- MoM %	-0.1	-0.4	-0.5	0.3	0.2	0.2	0.3	0.9	
<b>PERSONAL / FINANCIAL</b>									Consumer sentiment index rose to 77.1 in March, as employment and future activity expectations rose sharply  Private sector credit declined by 2.3% YoY in February. Mortgage lending down by 1.1% YoY also
KBC/ESRI Consumer Confidence	58.9	60.7	52.6	65.5	74.6	64.9	70.8	77.1	
Credit Growth YoY %									
- Private Sector (Underlying)	-1.8	-2.6	-3.4	-2.8	-2.6	-2.2	-2.3	#N/A	
- of which : Household	-1.3	-1.5	-1.4	-1.5	-1.5	-1.7	-1.8	#N/A	
- of which : Mortgage Lending	-0.8	-1.0	-0.9	-1.0	-1.0	-1.1	-1.1	#N/A	
<b>LABOUR MARKET</b>									Official unemployment rate remained unchanged at 5.8% in March, for the fourth month in a row. Covid adjusted rate edged lower to 24.2% from 24.8%  Employment subcomponent of the manufacturing PMI rose further in March. Service sector employment above 50 for the first time in 2021. Construction improved but remains below 50.
Live Register	213,000	213,900	210,000	203,700	195,300	191,600	189,000	186,300	
- Change In Month	-12,300	+900	-3,900	-6,300	-8,400	-3,700	-2,600	-2,700	
Unemployment Rate %	6.6	6.8	6.2	6.0	5.8	5.8	5.8	5.8	
PMI Employment Indices									Goods trade surplus widened by 1% to €6.2bn in February. Exports in Jan & Feb down 3.2% YoY, despite Pharma exports rising 20.3% YoY. Imports down 16% YoY in 2021. UK imports (-53% YoY) & exports (-11% YoY) remain subdued
- AIB Manufacturing	47.5	49.1	50.8	51.2	53.0	50.8	52.9	55.7	
- AIB Services	47.3	47.0	47.4	49.0	51.1	49.8	48.6	52.6	
- Ulster Bank Construction	48.3	48.9	51.6	52.4	54.3	34.6	34.5	43.7	
<b>MERCHANDISE TRADE</b>									Exchequer deficit of €4.2bn recorded in Q1. Total net voted expenditure up 13.9% YoY in Q1, but €161m (1%) below profile. 12 Mth cumulative balance at -€14bn.
Export Values - 3M / 3M %	-1.9	9.9	2.5	0.8	-2.7	1.3	-3.7	#N/A	
- 3MMA YoY %	8.0	7.7	1.6	3.7	1.3	2.4	-0.8	#N/A	
Import Values - 3M / 3M %	14.0	13.1	-4.5	3.4	10.2	16.7	-3.2	#N/A	
- 3MMA YoY %	-5.9	-7.4	-12.2	-2.8	3.2	3.7	-8.6	#N/A	
<b>PUBLIC FINANCES</b>									Irish GDP grew by 1.5 YoY% in Q4. Overall, the economy expanded by 3.4% in 2020  However, modified domestic demand contracted by 5.4% in 2020, driven by a 9% fall in personal consumption
Total Tax Receipts: Cum YTD %	-2.3	-3.0	-5.3	-6.9	-3.6	-8.8	-8.1	1.0	
Voted Spending : Cum YTD %	28.0	24.9	24.6	23.7	25.3	2.4	11.0	13.9	
Exchequer Bal: 12 Mth Total €m	-8,180	-8,764	-9,337	-11,627	-12,316	-12,741	-14,038	-13,953	
<b>QUARTERLY DATA</b>									Employment declined by 2.3% YoY in Q4. However, this understates labour market weakness, as many jobs rely on government supports  Weekly earnings growth at +7.5% YoY in Q4. Although, the changing composition of the work force is distorting the data, with job losses concentrated amongst lower paid workers
	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20	
GDP - YoY %	4.4	5.6	6.3	5.9	5.8	-2.6	8.7	1.5	
*Domestic Demand - YoY%	3.8	2.0	4.5	2.9	-1.8	-15.5	-1.9	-3.1	
Consumer Spending - YoY %	3.4	3.6	3.0	2.7	-2.4	-21.4	-5.2	-7.6	Completions up 15.9% YoY in Q4. Held up much better than expected in 2020 with total above 20k, down just 1.9% YoY
Services Exports - YoY % (3Q Avg)	12.5	13.2	13.4	13.6	10.1	3.3	-2.1	-1.6	
* Excludes Some Investment Related to the Multinational Sector									
<b>EMPLOYMENT &amp; EARNINGS</b>									
Employment YoY %	3.7	2.0	2.4	3.5	2.2	-3.4	-1.4	-2.3	
Labour Force YoY %	2.7	1.3	1.6	2.6	2.1	-3.7	0.6	-1.1	
Average Earnings YoY %									
- Hourly	2.8	3.3	4.0	3.9	3.0	7.2	3.6	5.5	
- Weekly	3.6	3.6	3.6	3.8	3.7	6.0	3.3	7.5	
Weekly Earnings YoY %									
- Private Sector	4.5	4.0	4.0	4.0	4.0	6.0	3.1	8.5	
- Public Sector	0.8	1.9	1.3	3.1	3.1	2.9	2.5	3.4	
<b>CSO DWELLING COMPLETIONS</b>									
- YoY %	4249	4801	5650	6387	4966	3237	5073	7400	
- Cum 12 Mth Total	22.8	9.2	22.0	17.6	16.9	-32.6	-10.2	15.9	
	18708	19113	20131	21087	21804	20240	19663	20676	



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