

# Irish Economy Watch

AIB Treasury Economic Research Unit



Tuesday 26 April 2022

|                                    | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>MANUFACTURING</b>               |        |        |        |        |        |        |        |        |
| AIB Manufacturing PMI              | 62.8   | 60.3   | 62.1   | 59.9   | 58.3   | 59.4   | 57.8   | 59.4   |
| OECD Leading Indicator             | 102.6  | 102.7  | 102.8  | 102.8  | 102.7  | 102.6  | 102.5  | 102.4  |
| Industrial Production (Ex-Modern)  | 112.4  | 117.4  | 121.7  | 129.2  | 113.8  | 132.8  | 133.0  | #N/A   |
| Production (Ex-Modern) : 3mma YoY% | 0.5    | -1.0   | 2.5    | 7.2    | 5.0    | 9.5    | 11.5   | #N/A   |
| 3mth / 3mth % seas. adj.           | 0.2    | -3.0   | -0.2   | 6.3    | 5.6    | 6.9    | 3.1    | #N/A   |

The manu. PMI rose to 59.4 in Mar, as new orders and output growth accelerated. Meanwhile, business sentiment weakened and inflationary pressures remained very elevated

Traditional industrial production unchanged in Feb. Output up 11.5% YoY in the 3 mths to Feb

|                            |         |         |         |         |         |         |         |         |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>SERVICES / RETAIL</b>   |         |         |         |         |         |         |         |         |
| AIB Services PMI           | 63.7    | 63.7    | 63.4    | 59.3    | 55.4    | 56.2    | 61.8    | 63.4    |
| CSO Services Index (Value) | 133.2   | 138.0   | 137.9   | 141.0   | 140.6   | 135.6   | 147.4   | #N/A    |
| - YoY %                    | 15.5    | 14.5    | 18.4    | 23.6    | 14.8    | 16.7    | 23.6    | #N/A    |
| - 3mth / 3mth % seas. adj. | 7.8     | 8.3     | 7.5     | 6.4     | 4.6     | 2.0     | 1.6     | #N/A    |
| SIMI Car Registrations     | 5,966   | 4,449   | 2,680   | 1,120   | 387     | 25,032  | 11,971  | 12,904  |
| - 12 mth cum total         | 105,640 | 104,555 | 104,823 | 105,030 | 104,932 | 104,824 | 103,097 | 106,809 |
| - 3 mma YoY %              | 30.5    | 16.6    | 2.7     | -6.9    | 9.9     | -0.4    | -5.2    | 3.9     |
| Retail Sales Index         | 132.7   | 130.9   | 129.2   | 129.2   | 125.5   | 124.2   | 125.3   | #N/A    |
| - YoY %                    | 4.5     | -1.9    | 0.8     | 14.5    | -1.8    | 21.4    | 2.1     | #N/A    |
| - 3mth / 3mth % seas. adj. | 4.3     | 1.0     | 0.1     | -1.5    | -2.3    | -3.5    | -3.7    | #N/A    |
| Ex Autos Index             | 131.6   | 132.7   | 130.8   | 133.2   | 129.1   | 129.1   | 129.5   | #N/A    |
| - YoY %                    | 2.7     | 0.7     | -0.2    | 15.8    | 0.2     | 18.9    | 11.1    | #N/A    |
| - 3mth / 3mth % seas. adj. | 10.1    | 4.2     | 1.4     | 0.2     | 0.0     | -0.9    | -2.3    | #N/A    |

The services PMI climbed to 63.4 in Mar, consistent with very strong growth in the sector. New business, exports, and prices continued to rise. However, business confidence fell sharply

The CSO services index jumped higher in Feb as COVID restrictions were removed

New car sales have picked-up recently, rising by 3.9% YoY in Q1. However, they were still 22.2% below their Q1 2019 levels

Retail sales have been relatively unchanged recently, but were 2.1% higher YoY in Feb. Core-retail sales up 11.1% YoY

|  |        |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>RESIDENTIAL CONSTRUCTION ACTIVITY</b> |        |        |        |        |        |        |        |        |
| Construction PMI: Ulster Bank            | 57.5   | 56.3   | 56.9   | 56.3   | 53.7   | 56.1   | 58.4   | 53.9   |
| - Housing Activity                       | 62.2   | 59.8   | 54.5   | 55.1   | 53.2   | 55.1   | 58.5   | 56.7   |
| - Commercial Activity                    | 54.9   | 56.7   | 60.4   | 56.3   | 54.6   | 56.7   | 61.4   | 56.7   |
| - New Orders                             | 61.7   | 57.5   | 57.2   | 58.6   | 56.3   | 56.8   | 61.0   | 54.0   |
| - Business Expectations                  | 71.1   | 68.1   | 69.7   | 69.0   | 69.2   | 75.4   | 69.5   | 57.1   |
| Commencements: 12mth Total               | 29,565 | 30,519 | 30,947 | 30,537 | 30,724 | 31,201 | 33,006 | 34,846 |
| - 3 Month Avg YoY %                      | 92.8   | 59.8   | 32.7   | 13.9   | 3.3    | 4.7    | 71.5   | 143.4  |

Construction PMI fell to 53.9 in Mar, as activity in the housing and commercial sectors grew at a slower pace. New orders and business expectations sub-indices declined also

Commencements maintained momentum in Mar, and were 2.1% higher in Q1 vs Q1 2020. 12mth rolling total climbed to a new cycle high, just below 35k

|                                 |        |        |        |        |        |        |        |        |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>HOUSING MARKET ACTIVITY</b>  |        |        |        |        |        |        |        |        |
| BPFI Mortgage Approvals : Month | 3,749  | 3,905  | 3,717  | 3,957  | 3,088  | 2,762  | 2,976  | #N/A   |
| - 3 Month Avg YoY %             | 55.9   | 18.3   | -2.7   | -9.0   | -10.6  | -4.9   | -0.9   | #N/A   |
| - 12 Mth Total                  | 44,456 | 44,434 | 43,732 | 43,317 | 43,158 | 43,224 | 43,236 | #N/A   |
| RPPR Transactions : Month       | 4,730  | 5,315  | 5,528  | 5,232  | 5,357  | 3,551  | 4,550  | 4,270  |
| - 3 Month Avg YoY %             | 50.6   | 39.2   | 21.5   | 5.7    | -12.0  | -11.3  | -10.1  | -2.8   |
| - 12 Mth Total                  | 58,333 | 59,340 | 59,318 | 59,193 | 57,137 | 57,522 | 57,689 | 56,780 |

Having slowed in Q4, mortgage approvals picked up at the start of 2022, up 1.4% YTD in Feb

Transactions were down 2.8% YoY in Q1, but were circa 6% higher vs 2019 and 2020 levels

House prices continued to trend higher in Feb, up 15.3% YoY. Ex-Dublin price inflation (+16.8%) continues to outpace the capital (+13.5%)

Daft.ie asking prices rose by 2.4% in Q1, meaning they were 8.4% higher vs Q1 2021

Rents rose by 0.8% in Mar. YoY rate though, unchanged at 9.2%

Affordability holds steady in Q4 as average industrial wages rose by 2.1% YoY in the quarter

|  |      |      |      |      |      |      |      |      |
|--|------|------|------|------|------|------|------|------|
| <b>HOUSING MARKET PRICES</b>           |      |      |      |      |      |      |      |      |
| CSO Price Index - MoM                  | 2.3  | 1.6  | 1.2  | 1.3  | 0.9  | 1.0  | 0.8  | #N/A |
| - YoY %                                | 10.9 | 12.4 | 13.2 | 14.0 | 14.2 | 14.8 | 15.3 | #N/A |
| Daft Asking Prices: MoM %              | 0.3  | 0.1  | 0.9  | -0.1 | -0.1 | 0.5  | 1.9  | 2.2  |
| - YoY %                                | 9.1  | 9.0  | 9.2  | 8.8  | 6.5  | 6.5  | 9.5  | 9.1  |
| <b>RENTS:</b> CSO Private Rents - MoM% | 1.5  | 1.8  | 0.9  | 0.6  | 0.6  | 0.4  | 0.9  | 0.8  |
| - YoY %                                | 4.5  | 5.9  | 7.5  | 8.1  | 8.4  | 8.4  | 9.2  | 9.2  |

|  |      |      |      |      |      |      |      |      |
|--|------|------|------|------|------|------|------|------|
| <b>AFFORDABILITY:</b> Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB |      |      |      |      |      |      |      |      |
| - Mortgage as % of Disposable Income   | 19.5 | 19.8 | 19.5 | 19.6 | 19.6 | #N/A | #N/A | #N/A |

|   | Aug-21  | Sep-21  | Oct-21  | Nov-21  | Dec-21  | Jan-22  | Feb-22  | Mar-22  |  |
|---|---------|---------|---------|---------|---------|---------|---------|---------|--|
| <b>CONSUMER PRICES - YoY %</b>  |         |         |         |         |         |         |         |         | Consumer prices rose by 1.9% in Mar, led by an increase in energy and transport costs. The YoY rate jumped to 6.7% largely due to the same factors. The HICP rate climbed to 6.9% from 5.7% previously   |
| - MoM %   | 2.9     | 3.8     | 5.1     | 5.3     | 5.5     | 5.0     | 5.6     | 6.7     |  |
| HICP - YoY %  | 0.6     | 0.5     | 0.7     | 0.6     | 0.5     | -0.4    | 0.9     | 1.9     |  |
| - MoM %   | 3.0     | 3.8     | 5.1     | 5.4     | 5.7     | 5.1     | 5.7     | 6.9     |  |
| - MoM %   | 0.7     | 0.4     | 0.8     | 0.6     | 0.5     | -0.4    | 0.9     | 2.1     |  |
| <b>PERSONAL / FINANCIAL</b>   |         |         |         |         |         |         |         |         | Consumer sentiment fell to 67 in March as concerns regarding living costs, particularly housing and energy cost increases, weighed on the outlook<br><br>Modest growth in the main credit metrics in Feb   |
| KBC/ESRI Consumer Confidence  | 86.5    | 86.4    | 86.8    | 83.1    | 74.9    | 81.9    | 77.0    | 67.0    |  |
| Credit Growth YoY %   |         |         |         |         |         |         |         |         |  |
| - Private Sector (Underlying)   | -1.3    | 0.2     | 0.5     | 0.7     | 1.5     | 1.6     | 1.3     | #N/A    |  |
| - of which : Household  | 0.4     | 0.5     | 0.6     | 0.7     | 0.6     | 0.7     | 0.8     | #N/A    |  |
| - of which : Mortgage Lending   | 1.0     | 1.1     | 1.1     | 1.2     | 1.2     | 1.1     | 1.1     | #N/A    |  |
| <b>LABOUR MARKET</b>  |         |         |         |         |         |         |         |         | Traditional unemployment rate rose to 5.5% in March from 5.2% in February as people moved off the PUP scheme<br><br>Employment subcomponents of the manu and services PMIs moved higher in March. Construction reading edged lower in contrast. However, all three remained firmly in expansion mood   |
| Live Register   | 168,200 | 167,600 | 169,800 | 172,000 | 168,600 | 166,400 | 164,900 | 181,900 |  |
| - Change In Month   | -600    | -600    | +2,200  | +2,200  | -3,400  | -2,200  | -1,500  | +17,000 |  |
| Unemployment Rate %   | 5.5     | 5.2     | 5.2     | 5.2     | 5.1     | 5.2     | 5.2     | 5.5     |  |
| PMI Employment Indices  |         |         |         |         |         |         |         |         |  |
| - AIB Manufacturing   | 58.0    | 55.6    | 55.7    | 55.0    | 54.3    | 54.9    | 53.7    | 56.6    |  |
| - AIB Services  | 58.3    | 56.8    | 57.6    | 55.7    | 54.0    | 55.6    | 56.5    | 58.2    |  |
| - Ulster Bank Construction  | 57.4    | 54.8    | 55.1    | 56.2    | 54.7    | 55.0    | 53.5    | 52.1    |  |
| <b>MERCHANDISE TRADE</b>  |         |         |         |         |         |         |         |         | Goods trade surplus widened by 14% in Feb to €6.1bn as exports rose by 3%. In contrast imports fell by 3%. Trade with the UK continued to pick-up sharply compared to the very depressed post-Brexit levels during the same period in 2021   |
| Export Values - 3M / 3M %   | 4.5     | 4.2     | 5.5     | 6.2     | 2.8     | 0.6     | 1.9     | #N/A    |  |
| - 3MMA YoY %  | 2.3     | 1.3     | 9.1     | 9.4     | 9.5     | 10.1    | 18.5    | #N/A    |  |
| Import Values - 3M / 3M %   | 3.9     | -1.4    | 0.9     | 2.9     | 9.2     | 11.8    | 11.1    | #N/A    |  |
| - 3MMA YoY %  | 20.7    | 15.0    | 24.4    | 16.2    | 14.3    | 21.7    | 30.4    | #N/A    |  |
| <b>PUBLIC FINANCES</b>  |         |         |         |         |         |         |         |         | Exchequer finances continued to perform very well in March. Strong tax intake, up 31.8% YTD. Net voted spending down 2% YTD. 12mth rolling Exchequer deficit almost halves to €3bn   |
| Total Tax Receipts: Cum YTD %   | 15.2    | 15.9    | 19.6    | 21.8    | 19.7    | 23.7    | 19.3    | 31.8    |  |
| Voted Spending : Cum YTD %  | 0.3     | 2.3     | 1.9     | 1.6     | 5.5     | 3.0     | 1.7     | -2.0    |  |
| Exchequer Bal: 12 Mth Total €m  | -9,546  | -9,162  | -8,073  | -4,862  | -7,372  | -6,399  | -5,718  | -3,044  |  |
| <b>QUARTERLY DATA</b>   |         |         |         |         |         |         |         |         | Irish GDP grew by 9.6% YoY in Q4. Overall, the economy expanded by 13.5% in 2021<br><br>Domestic Demand rebounded by 6.5% in 2021, led by a 5.3% recovery in Personal Consumption Expenditure  |
|   | Q1-20   | Q2-20   | Q3-20   | Q4-20   | Q1-21   | Q2-21   | Q3-21   | Q4-21   |  |
| GDP - YoY %   | 6.5     | 14      | 10.8    | 4.5     | 12.8    | 21.0    | 11.3    | 9.6     |  |
| *Domestic Demand - YoY%   | -2.7    | -12.2   | -2.8    | -2.2    | -4.9    | 15.9    | 5.9     | 9.8     |  |
| Consumer Spending - YoY %   | -5.8    | -19.5   | -7.7    | -8.8    | -11.7   | 19.1    | 7.9     | 9.3     |  |
| Services Exports - YoY % (3Q Avg)                                     | 13.1    | 5.8     | 0.0     | 1.0     | 4.7     | 12.1    | 14.6    | 15.2    |  |
| <i>* Excludes Some Investment Related to the Multinational Sector</i> |         |         |         |         |         |         |         |         |  |
| <b>EMPLOYMENT &amp; EARNINGS</b>                                      |         |         |         |         |         |         |         |         | Employment rose by 10.1% YoY in Q4, as the economy re-opened more fully. Up by 6.3% on 2019 levels. Strong labour force growth of 8.9% YoY also<br><br>Weekly average earnings rose by 2% YoY in Q4, and were 9% higher than in the same period in 2019. However, the changing composition of the labour force may still be impacting the data |
| Employment YoY %  | 2.1     | -6.9    | -3.2    | -3.4    | -5.0    | 9.9     | 9.8     | 10.1    |  |
| Labour Force YoY %  | 2.0     | -6.9    | -0.9    | -2.0    | -2.5    | 12.1    | 7.9     | 8.9     |  |
| Average Earnings YoY %  |         |         |         |         |         |         |         |         |  |
| - Hourly  | 3.0     | 7.2     | 3.6     | 5.5     | 8.4     | 2.7     | 3.7     | 2.6     |  |
| - Weekly  | 3.7     | 6.0     | 3.3     | 7.7     | 7.5     | 4.1     | 5.4     | 2.0     |  |
| Weekly Earnings YoY %   |         |         |         |         |         |         |         |         |  |
| - Private Sector  | 4.0     | 6.0     | 3.1     | 9.1     | 7.7     | 5.0     | 5.8     | 2.7     |  |
| - Public Sector   | 3.1     | 2.9     | 2.5     | 3.0     | 4.9     | 2.2     | 5.4     | 1.1     |  |
| <b>CSO DWELLING COMPLETIONS</b>                                       |         |         |         |         |         |         |         |         | Having performed well in H1, completions slowed in H2. Circa 20.4k completions overall in 2021, in line with 2020 total  |
| - YoY %   | 4928    | 3229    | 5043    | 7326    | 3923    | 4968    | 4605    | 6937    |  |
| - Cum 12 Mth Total  | 16.1    | -32.7   | -10.7   | 14.9    | -20.4   | 53.9    | -8.7    | -5.3    |  |
|   | 21750   | 20178   | 19576   | 20526   | 19521   | 21260   | 20822   | 20433   |  |



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