Irish Economy Watch

AIB Treasury Economic Research Unit

AIB

Thursday 20 February 2020

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
MANUFACTURING								
AIB Manufacturing PMI	49.8	48.7	48.6	48.7	50.7	49.7	49.5	51.4
OECD Leading Indicator	99.6	99.7	99.7	99.8	100.0	100.2	100.3	#N/A
Industrial Production (Ex-Modern)	110.2	118.4	115.2	116.8	119.7	115.9	112.3	#N/A
Production (Ex-Modern) : 3mma YoY%	6.1	5.7	4.6	6.8	5.1	4.9	3.0	#N/A
3mth / 3mth % seas. adj.	0.1	0.1	-0.4	3.1	2.3	2.5	-0.7	#N/A

Manufacturing PMI improved from 49.5 to a nine month high of 51.4 in January. Aided by greater certainty regarding Brexit and a better backdrop for the sector globally

Industrial output eases again in December but YoY growth rate remains solid at 3%

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
SERVICES / RETAIL								
AIB Services PMI	56.9	55.0	54.6	53.1	50.6	53.7	55.9	56.9
CSO Services Index (Value)	126.2	126.2	125.8	129.4	125.0	125.4	124.2	#N/A
- YoY %	10.7	9.7	8.9	5.6	0.2	-0.9	7.2	#N/A
- 3mth / 3mth % seas. adj.	0.6	1.0	1.6	1.7	0.9	0.4	-1.8	#N/A
SIMI Car Registrations	1,408	24,862	5,087	3,415	2,177	758	224	31,193
- 12 mth cum total	119,199	117,173	116,362	116,413	116,903	117,018	117,100	115,923
- 3 mma YoY %	8.3	-4.7	-7.9	-7.7	-0.8	15.2	27.8	-3.0
Retail Sales Index	117.2	112.0	118.3	122.9	123.4	119.9	124.2	#N/A
- YoY %	-0.3	-4.5	2.0	3.8	3.9	1.9	5.8	#N/A
- 3mth / 3mth % seas. adj.	0.9	-2.5	-1.6	-0.1	5.5	5.4	4.0	#N/A
Ex Autos Index	117.0	119.0	119.7	122.0	120.1	118.8	122.1	#N/A
- YoY %	1.8	4.0	3.9	4.3	3.7	2.1	5.0	#N/A
- 3mth / 3mth % seas. adj.	-0.3	-1.5	-0.8	1.5	2.2	1.5	0.1	#N/A

In January, the services PMI continued its sharp rebound since October, increasing to a 9-month high of 56.9

CSO services index remains volatile. Base effects lift YoY growth rate in December

Total car registrations down 6.8% YoY in January, with both new car sales and 2nd hand imports weak in the month

Core retail sales were soft in Q4, increasing by just 0.1% on previous quarter's levels. Possibly reflected impact of Brexit uncertainty. In 2019, core sales increased by robust 4.3%

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
CONSTRUCTION PMI: Ulster Bank	53.1	51.4	53.7	48.3	46.2	48.2	52.0	50.9
- Housing Activity	58.4	55.9	58.4	52.9	51.3	47.7	51.8	48.0
- Commercial Activity	52.8	54.7	55.1	47.6	46.9	51.2	53.6	55.7
- New Orders	56.6	53.7	52.6	50.8	48.8	48.3	52.4	54.9
- Business Expectations	65.5	59.0	51.3	52.4	57.6	57.3	63.1	69.4
RESIDENTIAL CONSTRUCTION ACTIVITY								
Housing Registrations: 12Mth Total	10,604	10,208	10,120	10,224	#N/A	#N/A	#N/A	#N/A
- 3 Month Avg YoY %	-14.5	-21.3	-18.4	-12.7	#N/A	#N/A	#N/A	#N/A
Commencements: 12mth Total	24,226	24,467	25,112	26,106	#N/A	#N/A	#N/A	#N/A
- 3 Month Avg YoY %	-6.8	-3.6	10.8	32.9	#N/A	#N/A	#N/A	#N/A

Construction PMI weaker in January, declining to 50.9. Key housing activity sub-index fell back into contraction territory, though notable that business expectations rose sharply

Registrations (measure of developer activity) down 12.7% in Q3 compared to Q3 2018

Commencements picked up strongly in Q3, ahead of introduction of new building regulations from November 1st

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
HOUSING MARKET ACTIVITY								
BPFI Mortgage Approvals : Month	3,692	4,227	3,581	3,088	3,692	3,358	2,393	#N/A
- 3 Month Avg YoY %	8.1	13.0	12.3	11.9	6.1	5.0	5.7	#N/A
- 12 Mth Total	38,085	38,908	39,165	39,240	39,502	39,652	39,753	#N/A
RPPR Transactions : Month	4,325	5,501	5,013	5,050	5,504	5,176	6,512	#N/A
- 3 Month Avg YoY %	4.4	1.9	1.1	6.6	5.3	2.1	0.4	#N/A
- 12 Mth Total	57,156	57,464	57,588	58,120	58,248	57,919	58,182	#N/A
HOUSING MARKET PRICES								
CSO Price Index - MoM	0.4	0.8	0.3	0.2	0.1	-0.2	-0.6	#N/A
- YoY %	2.0	2.2	1.9	1.1	1.0	1.1	0.9	#N/A
Daft Asking Prices: MoM %	1.5	-1.1	-0.5	-2.2	-0.1	-2.2	2.4	#N/A
- YoY %	3.3	0.7	1.3	-2.0	-1.5	-1.4	-0.8	#N/A
RENTS: CSO Private Rents - MoM%	0.3	0.3	0.6	1.1	0.2	0.0	0.0	-0.1
- YoY %	5.5	5.6	5.2	5.8	5.1	4.5	4.3	3.9
AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB								
- Mortgage as % of Disposable Income	18.2	18.4	18.6	18.6	18.6	18.6	18.5	#N/A

Mortgage approvals, which came in at close to 40k, rose by 8.5% in 2019 on 2018 levels

Transactions activity picked up in December, with 12 month total moving back above 58k

CSO house price index drops sharply in Nov/Dec, leaving 2019 average annual growth at 2.5%. Dublin prices flat on the year, while ex-Capital inflation registered at 4.8%

CSO rental index declines for first time since 2012 in January, having showed no change in November and December

Affordability stable as impact of modest house price rises negated by earnings growth

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

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
CONSUMER PRICES - YoY %	1.1	0.5	0.7	0.9	0.7	1.1	1.3	1.3
- MoM %	0.2	-0.2	0.5	-0.2	-0.3	-0.1	0.2	-0.7
HICP - YoY %	1.1	0.5	0.6	0.6	0.6	0.8	1.1	1.1
- MoM %	0.2	-0.2	0.4	-0.3	-0.2	-0.2	0.2	-0.7

CPI inflation holds at 1.3% in January. HICP inflation also unchanged at 1.1% in the month. VAT hike has been one factor behind higher inflation in recent months

PERSONAL / FINANCIAL	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
KBC/ESRI Consumer Confidence	90.7	85.5	77.2	75.3	69.5	77.1	81.4	85.5
Credit Growth YoY %								
- Private Sector (Underlying)	-2.2	-2.5	-3.8	-3.7	-3.3	-3.3	-2.9	#N/A
- *of which* : Household	-0.3	-0.2	-0.2	0.1	0.0	0.1	0.1	#N/A
- *of which* : Mortgage Lending	-0.9	-0.9	-0.8	-0.7	-0.6	-0.5	-0.4	#N/A

Consumer confidence continues to improve as Brexit uncertainty abates. Index does, though, remain below H1 '19 highs

YoY growth of household credit outstanding holds at 0.1% in Dec. Outstanding mortgage stock still in decline

LABOUR MARKET	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
Live Register	190,500	190,000	188,700	189,300	189,300	186,800	185,200	183,900
- Change In Month	-1,200	-500	-1,300	+600	+0	-2,500	-1,600	-1,300
Unemployment Rate %	5.2	5.1	5.0	4.8	4.7	4.7	4.7	4.8
PMI Employment Indices								
- AIB Manufacturing	51.8	50.1	50.5	50.0	51.2	49.2	49.7	51.2
- AIB Services	55.3	53.6	53.1	53.3	54.3	54.5	53.4	54.5
- Ulster Bank Construction	56.0	52.9	51.3	50.6	50.6	51.9	53.2	53.6

Unemployment rate edges up slightly to 4.8% in January. Meanwhile, gradual decline of Live Register continues. It is at lowest level since 'Jan 08

Employment sub-component of each sector's PMI improves in January, indicating that jobs growth may have picked up some momentum at the beginning of 2020.

MERCHANDISE TRADE	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
Export Values - 3M / 3M %	0.3	5.8	1.1	3.1	1.2	5.0	0.7	#N/A
- 3MMA YoY %	8.5	9.9	5.1	10.1	9.0	7.9	4.6	#N/A
Import Values - 3M / 3M %	-0.9	1.7	3.9	4.5	3.4	0.5	2.8	#N/A
- 3MMA YoY %	-0.5	-3.7	-7.3	-7.6	-9.0	-10.6	-9.2	#N/A

Value of goods exports at record high in 2019, increasing by 8% over 2018 levels. Pharma sector a significant contributor

Imports declined by 3% YoY in 2019, largely reflecting decline in chemicals imports

PUBLIC FINANCES	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
Total Tax Receipts: Cum YTD %	6.9	7.6	8.1	8.7	6.7	6.7	6.8	10.0
Voted Spending : Cum YTD %	5.9	6.6	6.8	6.9	7.7	6.2	7.3	8.5
Exchequer Bal: 12 Mth Total €m	1,189	1,279	1,299	1,615	1,103	1,542	647	670

Tax receipts up by 10% YoY in Jan, helped by strong income tax take. However, increase mostly offset by rise in fiscal expenditure. Exchequer surplus largely unchanged at €1.7bn

QUARTERLY DATA

	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19
GDP - YoY %	12.1	10.4	7.4	3.6	7.9	4.9	5.0	#N/A
*Domestic Demand - YoY% (3Q Avg)	4.1	5.2	5.4	4.5	3.0	2.3	2.5	#N/A
Consumer Spending - YoY %	3.1	4.5	3.4	2.8	3.3	3.7	3.3	#N/A
Services Exports - YoY % (3Q Avg)	11.7	10.1	6.5	7.4	9.5	11.9	13.8	#N/A

** Excludes Some Investment Related to the Multinational Sector*

Irish GDP expanded by 5% YoY in Q3 '19. Data remain distorted by multi-nationals

3 quarter moving average growth rate of modified domestic demand, which aims to strip out multi-national distortions, +2.5% as of Q3 '19

EMPLOYMENT & EARNINGS	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19
Employment YoY %	2.9	3.4	3.0	2.3	3.7	2.0	2.4	3.5
Labour Force YoY %	1.4	2.5	2.0	1.5	2.7	1.3	1.6	2.6
Average Earnings YoY %								
- Hourly	3.1	3.0	2.1	3.2	2.8	3.3	4.0	#N/A
- Weekly	2.7	3.4	3.5	3.5	3.6	3.6	3.4	#N/A
Weekly Earnings YoY %								
- Private Sector	2.1	3.7	3.9	3.9	4.5	4.0	3.9	#N/A
- Public Sector	4.0	2.8	2.1	1.8	0.8	1.9	1.3	#N/A

Employment growth robust at 3.5% YoY in Q4, leaving average annual rate for 2019 at 2.9%. Labour force growth also picks up to 2.6% YoY at end 2019. Average annual growth at 2.1%

Weekly earnings growth put at a robust 3.4% YoY in Q3. Wage inflation in private sector at 3.9%. Public gains more modest at 1.3% YoY

CSO DWELLING COMPLETIONS	3469	4400	4638	5445	4256	4837	5698	6450
- YoY %	25.1	34.6	22.9	19.5	22.7	9.9	22.9	18.5
- Cum 12 Mth Total	15070	16200	17065	17952	18739	19176	20236	21241

Completions up 18% to over 21k in 2019. However, supply continues to trail demand (estimated at 35k)

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