

# Irish Economy Watch

AIB Treasury Economic Research Unit



Thursday 24 February 2022

	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
<b>MANUFACTURING</b>								
AIB Manufacturing PMI	64.0	63.3	62.8	60.3	62.1	59.9	58.3	59.4
OECD Leading Indicator	102.1	102.5	102.8	102.9	103.0	102.9	102.9	102.8
Industrial Production (Ex-Modern)	117.2	115.5	109.7	115.0	118.8	128.2	110.9	#N/A
Production (Ex-Modern) : 3mma YoY%	16.9	7.5	0.2	-1.2	2.1	6.9	4.8	#N/A
3mth / 3mth % seas. adj.	5.1	2.1	-2.0	-4.8	-2.3	5.7	5.2	#N/A

The manufacturing PMI (Jan) rose to 59.4 from 58.3, led by an increase in new orders. Supply chain disruptions though, continued to add to longer delivery times and higher prices

Sharp rise in production reversed in Dec. Output though, was up 4.8% YoY in Q4 overall

<b>SERVICES / RETAIL</b>								
AIB Services PMI	63.1	66.6	63.7	63.7	63.4	59.3	55.4	56.2
CSO Services Index (Value)	129.4	130.1	133.1	137.8	138.0	140.6	140.0	#N/A
- YoY %	16.1	15.1	15.2	14.5	18.4	23.6	15.0	#N/A
- 3mth / 3mth % seas. adj.	3.8	5.8	8.2	8.0	7.2	6.1	4.4	#N/A
SIMI Car Registrations	2,762	26,477	5,966	4,449	2,680	1,120	387	25,032
- 12 mth cum total	99,175	104,599	105,640	104,555	104,823	105,030	104,932	104,824
- 3 mma YoY %	412.1	47.0	30.5	16.6	2.7	-6.9	9.9	-0.4
Retail Sales Index	133.3	129.9	133.3	131.4	129.4	129.1	125.0	#N/A
- YoY %	9.8	4.3	5.0	-1.5	0.9	14.5	-2.2	#N/A
- 3mth / 3mth % seas. adj.	11.6	5.8	4.7	1.5	0.3	-1.7	-2.8	#N/A
Ex Autos Index	135.5	129.1	131.4	132.6	131.0	133.4	129.3	#N/A
- YoY %	9.5	1.6	2.5	0.6	-0.1	16.0	0.3	#N/A
- 3mth / 3mth % seas. adj.	9.9	11.1	10.1	4.2	1.3	0.3	0.2	#N/A

The services PMI (Jan) edged higher to 56.2 from 55.4. The acceleration in growth was evident across all sub-sectors. Costs continued to rise, placing more upward pressure on prices

The CSO services index inched lower in Dec, albeit from very elevated levels

Having slowed in H2 2021, new car sales remained soft at the start of 2022. Sales were 18.3% below Jan 2020 levels

Headline and core retail sales fell in December as activity was curtailed by the Omicron wave of Covid-19

<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>								
Construction PMI: Ulster Bank	65.0	62.8	57.5	56.3	56.9	56.3	53.7	56.1
- Housing Activity	68.8	63.7	62.2	59.8	54.5	55.1	53.2	55.1
- Commercial Activity	63.8	60.9	54.9	56.7	60.4	56.3	54.6	56.7
- New Orders	63.7	65.4	61.7	57.5	57.2	58.6	56.3	56.8
- Business Expectations	71.9	73.6	71.1	68.1	69.7	69.0	69.2	75.4
Commencements: 12mth Total	27,264	28,974	29,565	30,519	30,947	30,537	30,724	#N/A
- 3 Month Avg YoY %	308.4	205.6	92.8	59.8	32.7	13.9	3.3	#N/A

Construction PMI jumped to 56.1 in January, as activity in the housing and commercial sectors grew at a faster pace. New orders expanded more quickly also. Firms business expectations rose from already elevated levels

Despite levelling off at year end, commencements were above 30k for the first time since 2007 in 2021, +17.1% on 2019 levels

<b>HOUSING MARKET ACTIVITY</b>								
BPFI Mortgage Approvals : Month	4,167	4,144	3,749	3,905	3,717	3,957	3,088	#N/A
- 3 Month Avg YoY %	210.1	111.9	55.9	18.3	-2.7	-9.0	-10.6	#N/A
- 12 Mth Total	42,613	44,044	44,456	44,434	43,732	43,317	43,158	#N/A
RPPR Transactions : Month	4,685	5,158	4,719	5,309	5,514	5,203	5,220	2,957
- 3 Month Avg YoY %	58.0	50.6	50.3	39.0	21.3	5.3	-13.0	-16.0
- 12 Mth Total	55,035	56,532	58,291	59,292	59,256	59,102	56,909	56,703

Mortgage approvals down by 10.6% YoY in Q4, but up 8.6% for the full year vs 2019

Less than 3k transactions in Jan for the first time since 2016. In 2021, transactions were 2.5% below 2019 levels

<b>HOUSING MARKET PRICES</b>								
CSO Price Index - MoM	1.5	1.7	2.3	1.6	1.2	1.3	1.1	#N/A
- YoY %	6.9	8.5	10.9	12.4	13.2	14.0	14.4	#N/A
Daft Asking Prices: MoM %	0.8	0.5	0.3	0.1	0.8	-0.1	-1.0	#N/A
- YoY %	13.1	10.9	9.1	9.0	9.1	8.8	5.4	#N/A

House prices continued to trend higher in Dec, up 14.4% YoY. Ex-Dublin price inflation (+15.4%) continues to outpace the capital (+13.1%)

Daft.ie asking prices fell in Dec resulting in a marked decline in the YoY rate to 5.4%

<b>RENTS: CSO Private Rents - MoM%</b>								
- YoY %	0.1	0.3	1.5	1.8	0.9	0.6	0.6	0.4
	3.0	3.1	4.5	5.9	7.5	8.1	8.4	8.4

CSO rental index rose by 0.4% in Jan. YoY rate remained at 8.4%

<b>AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB</b>								
- Mortgage as % of Disposable Income	18.7	19.0	19.5	19.8	#N/A	#N/A	#N/A	#N/A

Affordability declines in Q3, as prices rise by more than wages

	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	
<b>CONSUMER PRICES - YoY %</b>									
- MoM %	1.6	2.2	2.9	3.8	5.1	5.3	5.5	5.0	Consumer prices fell by 0.4% in Jan, led by a fall in clothing prices as winter sales returned. The YoY rate dropped to 5.0%. However, the reprieve in the upward trend in inflation is likely to be reversed in February
HICP - YoY %	0.2	0.4	0.6	0.5	0.7	0.6	0.5	-0.4	
- MoM %	1.6	2.2	3.0	3.8	5.1	5.4	5.7	5.1	
- MoM %	0.1	0.4	0.7	0.4	0.8	0.6	0.5	-0.4	
<b>PERSONAL / FINANCIAL</b>									
KBC/ESRI Consumer Confidence	87.2	84.9	86.5	86.4	86.8	83.1	74.9	81.9	Consumer sentiment jumped to 81.9 in Jan, as concerns regarding the Omicron wave of Covid-19 began to subside.
Credit Growth YoY %									Private sector credit was up by 1.5% YoY in Dec. Household credit, was down by 1.2% YoY
- Private Sector (Underlying)	-3.1	-1.6	-1.4	0.2	0.5	0.7	1.5	#N/A	
- of which : Household	-1.6	-1.3	-1.2	-1.2	-1.2	-1.1	-1.2	#N/A	
- of which : Mortgage Lending	-1.3	-1.2	-1.1	-1.1	-1.1	-1.1	-1.2	#N/A	
<b>LABOUR MARKET</b>									
Live Register	172,400	170,400	169,000	167,200	169,900	170,900	166,900	164,000	Traditional unemployment rate almost unchanged at 5.3% in Jan. The Covid adjusted rate rose to 7.8% from 7.5%, as the labour market recovery was halted by Covid restrictions
- Change In Month	-3,600	-2,000	-1,400	-1,800	+2,700	+1,000	-4,000	-2,900	
Unemployment Rate %	6.3	5.8	5.4	5.2	5.2	5.3	5.2	5.3	Employment subcomponents of the manufacturing, construction and services PMIs moved back towards their Nov levels in Jan, and were well above 50
PMI Employment Indices									
- AIB Manufacturing	59.4	57.7	58.0	55.6	55.7	55.0	54.3	54.9	
- AIB Services	58.6	60.0	58.3	56.8	57.6	55.7	54.0	55.6	
- Ulster Bank Construction	56.9	56.4	57.4	54.8	55.1	56.2	54.7	55.0	
<b>MERCHANDISE TRADE</b>									
Export Values - 3M / 3M %	2.8	5.2	3.7	3.1	5.5	6.1	3.8	#N/A	Goods trade surplus fell by 16.6% to €62.6bn in 2021 as, imports rebounded strongly, increasing by 17.8% to €102.6bn
- 3MMA YoY %	7.2	3.0	1.8	0.8	9.0	9.4	9.9	#N/A	Exports rose by 1.9% last year to €165.2bn. Exports to the UK were up 17% in 2021, while imports were down 13%
Import Values - 3M / 3M %	12.1	7.9	3.7	-1.9	0.3	2.0	7.9	#N/A	
- 3MMA YoY %	45.6	24.3	20.8	14.9	24.1	15.7	13.2	#N/A	
<b>PUBLIC FINANCES</b>									
Total Tax Receipts: Cum YTD %	9.8	13.0	15.2	15.9	19.6	21.8	19.7	23.7	Exchequer finances perform well in Jan, largely due to a strong tax intake, up 23.7% YoY. Net voted spending up 3% YoY in Jan. 12-mnth rolling exchequer deficit declines to €6.4bn
Voted Spending : Cum YTD %	1.3	0.5	0.3	2.3	1.9	1.6	5.5	3.0	
Exchequer Bal: 12 Mth Total €m	-12,285	-10,657	-9,546	-9,162	-8,073	-4,862	-7,372	-6,399	
<b>QUARTERLY DATA</b>									
	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	11.7	21.1	11.4	#N/A	GDP expanded by 11.4% YoY in Q3, due to strong exports, and an easing of restrictions
*Domestic Demand - YoY%	-2.7	-12.2	-2.8	-2.2	-5.1	15.6	5.3	#N/A	Modified domestic demand continued to recover in Q3, rising by 5.3% YoY. Consumer spending was up by 7.7% YoY
Consumer Spending - YoY %	-5.8	-19.5	-7.7	-8.8	-11.8	19.3	7.7	#N/A	
Services Exports - YoY % (3Q Avg)	13.1	5.8	0.0	1.0	4.7	12.1	14.5	#N/A	
* Excludes Some Investment Related to the Multinational Sector									
<b>EMPLOYMENT &amp; EARNINGS</b>									
Employment YoY %	2.1	-6.9	-3.2	-3.4	-5.0	9.9	9.8	10.1	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
Labour Force YoY %	2.0	-6.9	-0.9	-2.0	-2.5	12.1	7.9	8.9	
Average Earnings YoY %									Weekly earnings growth accelerated to +5.4% YoY in Q3, from 4.1% in Q2. Although, the changing composition of the labour force is distorting the data somewhat
- Hourly	3.0	7.2	3.6	5.5	8.4	2.7	3.8	#N/A	
- Weekly	3.7	6.0	3.3	7.7	7.5	4.1	5.4	#N/A	
Weekly Earnings YoY %									
- Private Sector	4.0	6.0	3.1	9.1	7.7	5.0	5.5	#N/A	
- Public Sector	3.1	2.9	2.5	3.0	4.9	2.2	6.3	#N/A	
<b>CSO DWELLING COMPLETIONS</b>									
- YoY %	4928	3229	5043	7326	3923	4968	4605	6937	Having performed well in H1, completions slowed in H2. Circa 20.4k completions overall in 2021, in line with 2020 total
- Cum 12 Mth Total	16.1	-32.7	-10.7	14.9	-20.4	53.9	-8.7	-5.3	
- Cum 12 Mth Total	21750	20178	19576	20526	19521	21260	20822	20433	



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