

# Irish Economy Watch

AIB Treasury Economic Research Unit



Friday 24 February 2023

	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	
MANUFACTURING									The manu. PMI rose to 50.1 in Jan, indicating a stabilisation in business conditions. New orders and output fell more slowly. Meantime, there was a further marked easing in inflation
AIB Manufacturing PMI	53.1	51.8	51.1	51.5	51.4	48.7	48.7	50.1	
OECD Leading Indicator	102.1	102.0	101.9	101.8	101.6	101.4	#N/A	#N/A	
Industrial Production (Ex-Modern)	123.2	133.4	137.4	126.6	142.7	141.6	138.2	#N/A	
Production (Ex-Modern) : 3mma YoY%	6.8	11.7	13.8	15.4	16.4	12.9	15.6	#N/A	Traditional industrial production rose by 6.3% in Q4, and was up 15.6% YoY also
3mth / 3mth % seas. adj.	-2.0	1.5	1.9	3.9	4.1	4.3	6.3	#N/A	
SERVICES / RETAIL									In Jan, the services PMI showed faster growth in activity, rising to 54.1. There was a significant pick-up in new business, including exports. Firms outlook improved also. However, inflationary pressures remained elevated
AIB Services PMI	55.6	56.3	54.7	54.1	53.2	50.8	52.7	54.1	
CSO Services Index (Value)	157.2	158.1	160.4	159.9	156.9	157.8	157.5	#N/A	
- YoY %	22.6	22.5	21.6	17.4	13.7	11.8	10.9	#N/A	
- 3mth / 3mth % seas. adj.	3.4	2.1	2.7	3.8	1.9	-0.2	-1.3	#N/A	The CSO services index was little changed in Dec, and up 10.9% YoY
SIMI Car Registrations	2,153	21,845	8,127	6,315	2,613	982	209	27,315	
- 12 mth cum total	106,241	101,609	103,770	105,636	105,569	105,431	105,253	107,554	
- 3 mma YoY %	-22.0	-17.5	36.2	41.9	-2.5	-12.3	-46.0	9.2	
Retail Sales Index	124.6	123.5	127.0	125.0	126.1	124.9	125.0	#N/A	New car sales strong in Jan, up 9.2% YoY. 12 mth running total rises above 107k
- YoY %	-6.5	-6.9	-4.6	-5.5	-2.4	-3.6	0.5	#N/A	
- 3mth / 3mth % seas. adj.	2.2	-0.4	-0.7	-0.9	1.1	0.2	0.1	#N/A	
Ex Autos Index	128.3	125.4	128.1	126.9	126.8	130.6	128.3	#N/A	
- YoY %	-5.3	-3.5	-2.1	-5.8	-3.6	-1.6	0.2	#N/A	Retail sales were flat in Q4, but down 1.8% YoY. Similarly, core sales rose by 1.4% in Q4, but fell by 1.7% YoY
- 3mth / 3mth % seas. adj.	1.3	-1.1	-1.4	-2.1	-0.2	0.7	1.4	#N/A	
RESIDENTIAL CONSTRUCTION ACTIVITY									Construction PMI printed at 47.7 in Jan, indicating activity in the sector contracted for the seventh time in eight month. The housing, commercial, and new orders components all rose, but remained below 50
BNP Paribas Construction PMI	46.4	41.8	46.9	50.2	47.4	46.8	43.2	47.7	
- Housing Activity	49.7	37.9	47.4	50.8	49.7	41.6	40.6	45.2	
- Commercial Activity	45.7	44.5	47.5	51.1	45.1	49.5	46.9	49.0	
- New Orders	40.4	40.6	40.7	49.5	49.6	44.2	43.5	49.6	Commencements down by 12.3% in 2022 versus 2021, but have stabilised at around 27k since September
- Business Expectations	49.1	48.5	49.2	52.8	58.0	50.9	55.0	58.6	
Commencements: 12mth Total	29,343	28,450	28,409	27,417	26,608	26,898	26,957	#N/A	
- 3 Month Avg YoY %	-43.5	-35.6	-21.6	-22.1	-23.0	-19.0	-7.1	#N/A	
HOUSING MARKET ACTIVITY									Mortgage approvals trending lower, down 8.2% YoY in Q4. Overall, 41k approvals in 2022, down from 43k in 2021
BPFI Mortgage Approvals : Month	3,947	3,514	3,680	3,633	3,439	3,786	2,650	#N/A	
- 3 Month Avg YoY %	-3.7	-6.8	-7.6	-8.2	-5.4	-6.2	-8.2	#N/A	
- 12 Mth Total	42,846	42,216	42,147	41,875	41,597	41,426	40,988	#N/A	
RPPR Transactions : Month	5,410	5,548	5,060	5,710	5,435	5,944	6,595	3,176	Transactions trending higher, despite Jan fall. 3mma up 10.1% YoY. 12mth total at 61.5k
- 3 Month Avg YoY %	12.2	11.7	9.7	7.1	3.9	6.0	11.0	10.1	
- 12 Mth Total	59,155	59,536	59,858	60,243	60,142	60,826	62,028	61,579	
HOUSING MARKET PRICES									House prices rose by 0.3% in Dec. The YoY rate eased to 7.8%. Overall, house prices rose by an average of 12.4% in 2022
CSO Price Index - MoM	1.1	1.0	1.0	0.6	0.2	0.2	0.3	#N/A	
- YoY %	13.9	13.2	11.8	10.7	9.7	8.5	7.8	#N/A	
Daft Asking Prices: MoM %	0.2	-0.5	-0.3	0.7	-0.7	-0.9	1.7	#N/A	
- YoY %	8.8	7.8	7.1	7.8	6.1	5.2	7.1	#N/A	Asking prices stagnated in Q4, but they were up 6.1% YoY
RENTS: CSO Private Rents - MoM%	0.8	1.1	1.4	0.7	0.4	0.5	0.3	0.2	
- YoY %	11.9	12.9	12.7	11.6	11.1	11.0	10.6	10.4	CSO rental index rose by 0.2% in Jan. The YoY rate decelerated slightly to 10.4%
AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB									
- Mortgage as % of Disposable Income	20.5	20.8	21.2	21.4	#N/A	#N/A	#N/A	#N/A	Affordability deteriorated further in Q3 as house price growth outpaced wage growth

	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23		
									Consumer prices fell by 0.8% in Jan, the largest monthly decline since Jan 2016. Clothing and transport costs fell sharply in the month, but housing and utility prices increased. The YoY rate declined to 7.8%.	
<b>CONSUMER PRICES - YoY %</b>										
- MoM %	9.1	9.1	8.7	8.2	9.2	8.9	8.2	7.8		
	1.3	0.4	0.2	0.0	1.6	0.4	-0.2	-0.8		
HICP - YoY %	9.6	9.6	9.0	8.6	9.4	9.0	8.2	7.5	Consumer sentiment improved to 55.2 in Jan, but remains well below its average 85.6	
- MoM %	1.3	0.4	0.2	0.0	1.5	0.2	-0.3	-1.0		
<b>PERSONAL / FINANCIAL</b>										
ILCU Consumer Sentiment Index	57.7	53.7	53.4	42.1	46.1	45.3	48.7	55.2	Securities financing the main driver of the increase in private sector credit. Stock of household debt continues to edge lower	
Credit Growth YoY %										
- Private Sector (Underlying)	4.5	3.3	3.4	2.6	2.9	2.5	2.2	#N/A		
- of which : Household	-0.1	-0.4	-0.7	-0.8	-1.0	-1.0	-1.1	#N/A		
- of which : Mortgage Lending	0.6	0.2	-0.1	-0.4	-0.6	-0.7	-0.9	#N/A	The unemployment rate has been consistently between 4.3-4.5% since mid-2022. At 4.4% in Jan, unchanged from Dec	
<b>LABOUR MARKET</b>										
Live Register	185,800	184,800	186,200	185,400	185,000	185,100	185,400	184,700		
- Change In Month	+8,300	-1,000	+1,400	-800	-400	+100	+300	-700	The employment measure of the services PMI fell in Jan, but remained well above 50. The manu component rose to 52.6, its highest level since Oct. The construction reading edged higher, just above 50 also	
Unemployment Rate %	4.2	4.3	4.4	4.4	4.5	4.5	4.4	4.4		
PMI Employment Indices										
- AIB Manufacturing	55.7	52.9	52.4	53.8	52.9	49.7	50.2	52.6		
- AIB Services	56.4	57.5	56.5	56.3	56.6	55.3	54.4	52.7	Goods trade surplus rose by 9.8% to €68bn in 2022 as, exports increased sharply, by 15.6% to a record €208.2bn. Imports rose by 35% last year to €140.2bn. Chemicals and pharma accounted for 64% of exports in 2022	
- BNP Paribas Construction	50.1	49.8	50.6	51.1	50.9	49.9	48.1	50.6		
<b>MERCHANDISE TRADE</b>										
Export Values - 3M / 3M %	1.1	-4.2	-2.6	4.3	12.9	1.4	-7.1	#N/A	Exchequer finances perform well in Jan, largely due to a strong tax intake, up 12.2% YoY. Net voted spending up 8.8% YoY in Jan. 12mth rolling exchequer surplus rises to €5.6bn	
- 3MMA YoY %	30.3	21.7	26.6	31.0	32.0	19.2	12.9	#N/A		
Import Values - 3M / 3M %	11.8	8.4	4.2	5.5	6.3	-0.2	-10.8	#N/A		
- 3MMA YoY %	39.1	39.3	41.7	51.3	51.1	35.1	17.5	#N/A		
									Flash estimate of Irish GDP shows growth of 13.5% YoY in Q4. Overall, GDP expanded by 12.2% in 2022	
<b>PUBLIC FINANCES</b>										
Total Tax Receipts: Cum YTD %	25.0	23.4	26.3	26.2	25.5	24.5	21.5	12.2		
Voted Spending : Cum YTD %	-3.8	-4.4	-3.9	-2.6	-1.6	0.9	1.8	8.8		
Exchequer Bal: 12 Mth Total €m	2,116	3,364	5,600	6,751	7,350	6,196	4,985	5,609	Domestic Demand up by 5.9% YoY in Q3, and by 10.1% for the first nine months of the year	
<b>QUARTERLY DATA</b>										
	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22		
GDP - YoY %	11.4	19.5	10.4	13.8	11.8	12.4	10.9	13.5	Employment rose by 2.7% YoY in Q4, leaving it 9.2% above pre-pandemic levels. The labour force grew by 2% YoY in Q4, and is up 8.9% since end 2019	
*Domestic Demand - YoY%	-5.1	14.7	3.9	10.4	13.3	10.6	5.9	#N/A		
Consumer Spending - YoY %	-13.0	17.1	6.5	9.4	15.2	5.7	2.2	#N/A		
Services Exports - YoY % (3Q Avg)	8.0	14.5	14.3	13.6	12.5	8.6	10.3	#N/A		
* Excludes Some Investment Related to the Multinational Sector										Weekly average earnings rose by 3.2% YoY in Q3. Stronger growth in the private sector than in the public sector, most notably in the ICT and hospitality sectors
<b>EMPLOYMENT &amp; EARNINGS</b>										
Employment YoY %	-5.0	9.9	9.8	10.1	12.3	8.8	3.4	2.7		
Labour Force YoY %	-2.5	12.1	7.9	8.9	9.6	5.6	2.0	2.0		
Average Earnings YoY %									Completions rose to just below 30k in 2022, up 45% on 2021. Over 9k apts. completed, more than in 2020 & 2021 combined	
- Hourly	8.4	2.7	3.7	2.8	2.2	2.5	3.5	#N/A		
- Weekly	7.5	4.1	5.4	1.9	2.9	2.5	3.2	#N/A		
Weekly Earnings YoY %										
- Private Sector	7.7	5.0	5.8	2.8	4.8	3.6	4.5	#N/A		
- Public Sector	4.9	2.2	5.3	0.2	-1.3	1.3	0.6	#N/A		
<b>CSO DWELLING COMPLETIONS</b>										
- YoY %	3966	4982	4643	6962	5640	7648	7415	9148		
- Cum 12 Mth Total	-19.8	53.6	-8.0	-5.1	42.2	53.5	59.7	31.4		
	19594	21333	20927	20553	22227	24893	27665	29851		



**Oliver Mangan**  
Chief Economist  
oliver.n.mangan@aib.ie

**John Fahey**  
Senior Economist  
john.j.fahey@aib.ie

**Daniel Noonan**  
Economist  
daniel.x.noonan@aib.ie

AIB, 10 Molesworth Street, Dublin 2

Tel: 353-1-6600311

<https://aib.ie/investorrelations/economic-research-unit>

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, plc and Allied Irish Banks (GB). In Northern Ireland it is distributed by Allied Irish Bank (NI). In the United States of America it is distributed by Allied Irish Banks, p.l.c. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and AIB (NI) are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI 018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.