

# Irish Economy Watch

AIB Treasury Economic Research Unit



Friday 26 February 2021

	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	
<b>MANUFACTURING</b>									Manufacturing PMI fell to 51.8 in January. Covid restrictions and post-Brexit regulations were sighted as headwinds. However, firms more optimistic on outlook  Traditional industrial production moved above its pre-Covid level in December. 3m\3m up 1.6%, but 3mma down 0.3% YoY
AIB Manufacturing PMI	51.0	57.3	52.3	50.0	50.3	52.2	57.2	51.8	
OECD Leading Indicator	97.3	99.0	99.4	99.7	100.1	100.3	100.6	100.9	
Industrial Production (Ex-Modern)	93.5	110.6	108.6	108.5	110.7	108.4	113.7	#N/A	
Production (Ex-Modern) : 3mma YoY%	-21.2	-14.2	-5.4	-1.2	-1.6	-2.9	-0.3	#N/A	
3mth / 3mth % seas. adj.	-23.0	-6.9	11.3	24.7	14.4	4.8	1.6	#N/A	
<b>SERVICES / RETAIL</b>									Services PMI fell sharply to 36.2 in January as the sector went back into lockdown. However, the index remained well above last spring's lows. Employment relatively stable and firms outlook remained upbeat  CSO Services Index rose to its highest level since March, up 8.6% m/m in December  New car sales down 17.9% YoY in January following a very tough year for the sector in 2020. 3mma down 15.7% YoY  Retail sales rebounded strongly in December, up 8.2% YoY. Core retail sales up 7.6% YoY
AIB Services PMI	39.7	51.9	52.4	45.8	48.3	45.4	50.1	36.2	
CSO Services Index (Value)	114.8	114.2	115.0	120.7	115.2	111.8	121.4	#N/A	
- YoY %	-10.0	-10.9	-9.1	-4.2	-7.3	-10.4	-0.3	#N/A	
- 3mth / 3mth % seas. adj.	-16.6	-5.5	5.9	11.5	6.3	1.1	-0.4	#N/A	
SIMI Car Registrations	1,006	21,171	4,808	5,651	2,296	913	601	25,152	
- 12 mth cum total	89,226	85,716	85,437	87,673	87,792	87,947	88,324	82,826	
- 3 mma YoY %	-81.4	-26.2	-13.4	-4.7	19.4	39.5	20.6	-15.7	
Retail Sales Index	125.6	127.1	129.0	131.6	130.6	114.7	131.1	#N/A	
- YoY %	5.0	9.0	8.6	10.7	7.7	-4.3	8.2	#N/A	
- 3mth / 3mth % seas. adj.	-17.8	17.9	46.9	37.8	14.6	-1.3	-2.9	#N/A	
Ex Autos Index	123.2	126.8	128.2	130.6	130.8	115.9	130.7	#N/A	
- YoY %	3.5	5.7	6.8	9.1	9.4	-2.9	7.6	#N/A	
- 3mth / 3mth % seas. adj.	-12.0	7.2	21.5	21.9	10.5	-0.2	-2.1	#N/A	
<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>									Construction PMI collapsed in January as most of the sector is closed due to Covid restrictions. However, business expectations remain elevated (59.9) reflecting firms optimism in the outlook  Commencements held up well in Q4, down just 1.4% YoY. Although, full year 2020 total of less than 22k, down 17% on 2019 total of over 26K
Construction PMI: Ulster Bank	51.9	53.2	44.0	47.0	48.6	53.5	52.3	21.2	
- Housing Activity	55.8	57.8	44.7	44.1	50.3	53.0	56.2	19.0	
- Commercial Activity	50.9	50.2	41.6	49.2	46.7	50.0	49.7	24.2	
- New Orders	46.0	53.8	46.5	48.8	51.8	57.3	55.6	29.4	
- Business Expectations	54.6	55.9	53.5	48.7	51.9	60.5	62.5	59.9	
Commencements: 12mth Total	23,929	23,379	22,066	21,774	20,823	21,830	21,686	#NA	
- 3 Month Avg YoY %	-45.7	-37.7	-36.8	-28.4	-29.7	-3.3	-1.4	#NA	
<b>HOUSING MARKET ACTIVITY</b>									Approvals continue to soar in December, up 35.7% YoY. However, total approvals in 2020 14% below 2019 level.  Transactions picked up pace in Q4, up 4.5% YoY. Although, national lockdown sees activity fall sharply in January, down 18.1% YoY  House prices rose by 0.9% in December, up 2.2% YoY. Ex-Dublin prices increased by 3.1% YoY, while house prices in the capital rose by 1.2% annually  Daft.ie asking prices up 1% in December and 7.4% YoY as supply for sale at very low levels throughout 2020  CSO rental index rose 0.3% in January. YoY rate at -2.5%
BPFI Mortgage Approvals : Month	1,688	2,713	3,337	3,927	4,419	4,372	3,247	#N/A	
- 3 Month Avg YoY %	-66.1	-51.8	-32.7	-8.4	12.8	25.4	27.5	#N/A	
- 12 Mth Total	32,480	30,966	30,722	31,561	32,288	33,302	34,156	#N/A	
RPPR Transactions : Month	3,062	3,654	2,950	4,252	5,528	5,325	7,297	2,896	
- 3 Month Avg YoY %	-40.0	-36.9	-34.9	-30.3	-18.3	-4.2	4.5	0.9	
- 12 Mth Total	52,811	50,961	48,891	48,089	48,103	48,227	48,875	48,235	
<b>HOUSING MARKET PRICES</b>									
CSO Price Index - MoM	0.1	0.2	0.1	0.2	0.4	0.5	0.9	#N/A	
- YoY %	0.0	-0.7	-0.9	-0.8	-0.5	0.2	2.2	#N/A	
Daft Asking Prices: MoM %	-0.5	2.5	1.9	0.3	0.8	0.4	1.0	#N/A	
- YoY %	-3.3	0.3	2.7	5.3	6.1	8.9	7.4	#N/A	
<b>RENTS:</b> CSO Private Rents - MoM%	-0.3	0.2	0.2	0.4	-0.5	0.0	0.4	0.3	
- YoY %	-1.2	-1.4	-1.8	-2.6	-3.2	-3.2	-2.9	-2.5	
<b>AFFORDABILITY:</b> Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB									
- Mortgage as % of Disposable Income	18.1	18.2	18.3	18.3	#N/A	#N/A	#N/A	#N/A	

	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	
<b>CONSUMER PRICES - YoY %</b>									Annual CPI inflation rate jumps sharply in January to -0.2% from -1.0% in December. HICP annual rate at -0.1%, up from -1.0%. Sharp acceleration reflects rebounding energy prices and much more muted winter sales
- MoM %	-0.4	-0.4	-1.0	-1.2	-1.5	-1.1	-1.0	-0.2	
HICP - YoY %	0.3	-0.2	-0.1	-0.4	-0.6	0.3	0.3	0.1	
- MoM %	-0.6	-0.6	-1.1	-1.2	-1.5	-1.0	-1.0	-0.1	
- MoM %	0.4	-0.2	-0.1	-0.4	-0.5	0.3	0.2	0.2	
<b>PERSONAL / FINANCIAL</b>									Consumer sentiment index fell in January, but remained well above its spring lows  Household credit declined by 1.5% YoY in December. Mortgage lending down by 1.0% YoY also
KBC/ESRI Consumer Confidence	61.6	62.6	58.9	60.7	52.6	65.5	74.6	64.9	
Credit Growth YoY %									
- Private Sector (Underlying)	-2.2	-2.2	-1.8	-2.6	-3.4	-2.8	-2.6	#N/A	
- of which : Household	-0.9	-1.3	-1.3	-1.5	-1.4	-1.5	-1.5	#N/A	
- of which : Mortgage Lending	-0.6	-0.7	-0.8	-1.0	-0.9	-1.0	-1.0	#N/A	
<b>LABOUR MARKET</b>									Official unemployment rate unchanged at 5.8% in January. Covid adjusted rate up to 25%, its highest level since May 2020  Employment subcomponent of manufacturing & services PMIs remained relatively unchanged in January. However, the construction employment sub-index fell to its lowest level since May, as many sites closed
Live Register	213,800	226,000	213,800	214,500	210,300	203,400	194,700	190,500	
- Change In Month	-14,300	+12,200	-12,200	+700	-4,200	-6,900	-8,700	-4,200	
Unemployment Rate %	5.3	6.2	6.6	6.8	6.2	6.0	5.8	5.8	
PMI Employment Indices									
- AIB Manufacturing	46.1	50.8	47.5	49.1	50.8	51.2	53.0	50.8	
- AIB Services	40.1	46.1	47.3	47.0	47.4	49.0	51.1	49.8	
- Ulster Bank Construction	43.3	47.5	48.3	48.9	51.6	52.4	54.3	34.6	
<b>MERCHANDISE TRADE</b>									Preliminary data shows that goods exports exceeded €160bn in 2020, up 5.4% YoY. This was largely due to a 25% increase in pharma exports. Goods imports (excluding aircraft) rose by 4.7%, while petroleum imports fell by 40%
Export Values - 3M / 3M %	-12.4	-3.0	-0.9	10.6	3.2	-0.6	-4.6	#N/A	
- 3MMA YoY %	-1.8	2.3	8.3	7.8	1.6	2.8	-0.5	#N/A	
Import Values - 3M / 3M %	-15.8	2.1	12.8	13.1	-5.0	2.2	6.8	#N/A	
- 3MMA YoY %	-16.7	-7.5	-6.1	-7.3	-12.0	-3.4	-0.3	#N/A	
<b>PUBLIC FINANCES</b>									Exchequer surplus of €1.2bn recorded in January, circa €0.4bn below January 2020 figure. 12 Mth cumulative balance -€12.7bn. Gross voted expenditure up 11.1% YoY
Total Tax Receipts: Cum YTD %	0.7	-2.5	-2.3	-3.0	-5.3	-6.9	-3.6	-8.8	
Voted Spending : Cum YTD %	27.3	29.5	28.0	24.9	24.6	23.7	25.3	2.4	
Exchequer Bal: 12 Mth Total €m	-4,944	-7,654	-8,180	-8,764	-9,337	-11,627	-12,316	-12,741	
<b>QUARTERLY DATA</b>									Irish GDP rebounded by 11.1% in Q3. YoY rate up 8.1%  Modified final domestic demand also rebounded strongly, up 18.7% in Q3, driven by domestic capital formation (+34.4%) and personal consumption (+21.3%)
	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	6.0	-3.2	8.1	#N/A	
*Domestic Demand - YoY%	3.8	2.0	4.5	2.9	-1.2	-15.7	-2.4	#N/A	
Consumer Spending - YoY %	3.4	3.6	3.0	2.7	-2.6	-21.6	-5.7	#N/A	
Services Exports - YoY % (3Q Avg)	12.5	13.2	13.4	13.6	10.1	3.3	-2.4	#N/A	
* Excludes Some Investment Related to the Multinational Sector									
<b>EMPLOYMENT &amp; EARNINGS</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 +3.7% YoY in Q3. However, the changing composition of the work force is distorting the data, with job losses concentrated amongst lower paid workers
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	3.9	#N/A	
- Weekly	3.6	3.6	3.6	3.8	3.7	6.0	3.7	#N/A	
Weekly Earnings YoY %									
- Private Sector	4.5	4.0	4.0	4.0	4.0	6.0	3.9	#N/A	
- Public Sector	0.8	1.9	1.3	3.1	3.1	2.9	2.3	#N/A	
<b>CSO DWELLING COMPLETIONS</b>									Completions up 15.9% YoY in Q4. Hold up much better than expected, with 2020 total above 20k, down just 1.9% YoY
- 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	



**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, plc. 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.