

# Irish Economy Watch

AIB Treasury Economic Research Unit



Friday 16 July 2021

|   | Nov-20 | Dec-20 | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 | Jun-21 |   |
|---|--------|--------|--------|--------|--------|--------|--------|--------|---|
| MANUFACTURING   |        |        |        |        |        |        |        |        | Manufacturing PMI at 64 in June as activity in the sector continues to grow at a robust pace. Supply chains remain under severe pressure though, resulting in broad based price rises<br><br>Traditional industrial production output inched 0.5% lower in May, but 3mma up 2.1%  |
| AIB Manufacturing PMI   | 52.2   | 57.2   | 51.8   | 52.0   | 57.1   | 60.8   | 64.1   | 64.0   |   |
| OECD Leading Indicator  | 99.8   | 99.9   | 100.0  | 100.1  | 100.4  | 100.6  | 100.9  | 101.1  |   |
| Industrial Production (Ex-Modern)   | 109.4  | 115.0  | 116.4  | 114.8  | 110.4  | 121.8  | 121.1  | #N/A   |   |
| Production (Ex-Modern) : 3mma YoY%  | -2.6   | -0.1   | -0.3   | 2.3    | -0.7   | 15.3   | 30.2   | #N/A   |   |
| 3mth / 3mth % seas. adj.  | 5.4    | 2.4    | 3.8    | 5.1    | 1.9    | 1.8    | 2.1    | #N/A   |   |
| SERVICES / RETAIL   |        |        |        |        |        |        |        |        | In June, the services PMI rose to 63.1, driven by a release of pent up demand. Growth in activity was very strong across all sub-sectors. Cost pressures continue to intensify, as input prices rise faster than prices charged<br><br>CSO Services Index edged slightly lower again in May, but was up 1.8% on a 3m/3m basis<br><br>New car sales up 20.8% YTD vs. 2020 sales. However, they are down 20.9% YTD vs. 2019 levels<br><br>Total retail sales rose by 1.8% in May. Ex-autos sales up by 9.1% also as the retail sector re-opened in the month  |
| AIB Services PMI  | 45.4   | 50.1   | 36.2   | 41.2   | 54.6   | 57.7   | 62.1   | 63.1   |   |
| CSO Services Index (Value)  | 113.5  | 121.6  | 115.4  | 119.2  | 121.5  | 121.0  | 120.2  | #N/A   |   |
| - YoY %   | -10.0  | -0.9   | -7.9   | -5.4   | -1.1   | 23.7   | 18.5   | #N/A   |   |
| - 3mth / 3mth % seas. adj.  | 2.1    | 0.3    | -0.3   | 1.9    | 1.5    | 3.2    | 1.8    | #N/A   |   |
| SIMI Car Registrations  | 913    | 601    | 25,142 | 13,700 | 9,192  | 7,148  | 5,915  | 2,764  |   |
| - 12 mth cum total  | 87,947 | 88,324 | 82,817 | 83,379 | 86,564 | 93,369 | 97,543 | 99,301 |   |
| - 3 mma YoY %   | 39.5   | 20.6   | -15.7  | -10.4  | -3.5   | 54.1   | 175.1  | 412.2  |   |
| Retail Sales Index  | 113.4  | 127.9  | 101.8  | 121.6  | 121.4  | 123.0  | 125.2  | #N/A   |   |
| - YoY %   | -4.5   | 7.1    | -14.7  | 0.7    | 12.4   | 82.5   | 43.9   | #N/A   |   |
| - 3mth / 3mth % seas. adj.  | -0.6   | -4.8   | -12.3  | -6.7   | -6.8   | 6.7    | 5.2    | #N/A   |   |
| Ex Autos Index  | 114.8  | 129.1  | 108.7  | 116.6  | 118.2  | 116.4  | 127.0  | #N/A   |   |
| - YoY %   | -3.2   | 7.1    | -9.9   | -2.9   | 0.0    | 28.3   | 22.6   | #N/A   |   |
| - 3mth / 3mth % seas. adj.  | -0.1   | -3.1   | -9.8   | -6.2   | -8.4   | -0.4   | 2.0    | #N/A   |   |
| RESIDENTIAL CONSTRUCTION ACTIVITY   |        |        |        |        |        |        |        |        | Construction PMI printed at 65.0 in June as activity in the sector expanded rapidly. Housing and commercial activity remained exceptionally strong, as the sector continued to experience a post-lockdown bounce<br><br>Commencements ramped up significantly again in May. 12 mth total moved above 25k for the first time since April 2020  |
| Construction PMI: Ulster Bank   | 53.5   | 52.3   | 21.2   | 27.0   | 30.9   | 49.3   | 66.4   | 65.0   |   |
| - Housing Activity  | 53.0   | 56.2   | 19.0   | 23.8   | 33.8   | 54.8   | 73.4   | 68.8   |   |
| - Commercial Activity   | 50.0   | 49.7   | 24.2   | 31.2   | 31.3   | 42.2   | 63.5   | 63.8   |   |
| - New Orders  | 57.3   | 55.6   | 29.4   | 30.5   | 39.7   | 55.1   | 68.2   | 63.7   |   |
| - Business Expectations   | 60.5   | 62.5   | 59.9   | 64.2   | 73.9   | 73.9   | 73.6   | 71.9   |   |
| Commencements: 12mth Total  | 21,830 | 21,686 | 21,019 | 19,122 | 17,708 | 21,405 | 25,501 | #N/A   |   |
| - 3 Month Avg YoY %   | -3.3   | -1.4   | 3.7    | -43.9  | -58.0  | 6.6    | 148.5  | #N/A   |   |
| HOUSING MARKET ACTIVITY   |        |        |        |        |        |        |        |        | Mortgage approvals continue to rise in May. 3mma up 2.2% on same period in 2019. 12mth total above 40k for the first time since the pandemic began also<br><br>Transactions continued to gather momentum in Q2. 3mma up 45.4% YoY in June<br><br>House prices rose 0.9% in May, YoY growth rate at 5.5%. Ex-Dublin price inflation (+6.2%) outpaces the capital (+4.9%)<br><br>Daft.ie asking prices up 12.7% YoY in June<br><br>CSO rental index rose by 0.2% June. YoY rate increased to 3.0%, largely due to base effects<br><br>Affordability index holds steady in Q1 as industrial wages rise |
| BPFI Mortgage Approvals : Month   | 4,372  | 3,247  | 2,696  | 2,964  | 3,420  | 3,537  | 3,814  | #N/A   |   |
| - 3 Month Avg YoY %   | 25.4   | 27.5   | 23.6   | 13.8   | 7.7    | 51.7   | 114.5  | #N/A   |   |
| - 12 Mth Total  | 33,302 | 34,156 | 34,258 | 34,384 | 34,809 | 37,640 | 40,134 | #N/A   |   |
| RPPR Transactions : Month   | 5,357  | 7,413  | 3,146  | 4,354  | 5,140  | 4,169  | 4,077  | 3,783  |   |
| - 3 Month Avg YoY %   | -3.5   | 5.5    | 3.4    | 7.7    | 8.7    | 27.5   | 39.0   | 45.4   |   |
| - 12 Mth Total  | 48,387 | 49,151 | 48,755 | 49,448 | 50,161 | 51,706 | 53,201 | 53,918 |   |
| HOUSING MARKET PRICES   |        |        |        |        |        |        |        |        |   |
| CSO Price Index - MoM   | 0.6    | 0.7    | 0.4    | 0.4    | 0.5    | 0.9    | 0.9    | #N/A   |   |
| - YoY %   | 0.4    | 2.2    | 2.5    | 3.1    | 3.5    | 4.5    | 5.5    | #N/A   |   |
| Daft Asking Prices: MoM %   | 0.4    | 1.0    | 1.7    | -1.2   | 1.9    | 1.7    | 0.6    | 0.5    |   |
| - YoY %   | 8.9    | 7.4    | 8.7    | 6.9    | 7.1    | 15.0   | 11.5   | 12.7   |   |
| RENTS: CSO Private Rents - MoM%   | 0.0    | 0.4    | 0.3    | 0.2    | 0.8    | 1.2    | -0.2   | 0.1    |   |
| - YoY %   | -3.2   | -2.9   | -2.5   | -2.5   | -1.4   | 1.6    | 2.6    | 3.0    |   |
| AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB |        |        |        |        |        |        |        |        |   |
| - Mortgage as % of Disposable Income  | 17.4   | 17.5   | 17.5   | 17.4   | 17.6   | #N/A   | #N/A   | #N/A   |   |

|  | Nov-20  | Dec-20  | Jan-21  | Feb-21  | Mar-21  | Apr-21  | May-21  | Jun-21  |   |   |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---|---|
| <b>CONSUMER PRICES - YoY %</b>                                 |         |         |         |         |         |         |         |         | Prices rose by 0.2% in June, led by increases in energy, fuel and transport costs. Annual CPI edged lower to 1.6% from 1.7%, although the index remains impacted by base effects. HICP rate at 1.6% in June also                      |   |
| - MoM %  | -1.1    | -1.0    | -0.2    | -0.4    | 0.0     | 1.1     | 1.7     | 1.6     |   |   |
|  | 0.3     | 0.3     | 0.1     | 0.4     | 0.8     | 0.7     | 0.1     | 0.2     |   |   |
| HICP - YoY %   | -1.0    | -1.0    | -0.1    | -0.4    | 0.1     | 1.1     | 1.9     | 1.6     |   |   |
| - MoM %  | 0.3     | 0.2     | 0.2     | 0.3     | 0.9     | 0.6     | 0.2     | 0.1     |   |   |
|  |         |         |         |         |         |         |         |         |   |   |
| <b>PERSONAL / FINANCIAL</b>                                    |         |         |         |         |         |         |         |         | Consumer sentiment improved again in June, hitting its highest level in two years, as the economy continues to re-oper  |   |
| KBC/ESRI Consumer Confidence                                   | 65.5    | 74.6    | 64.9    | 70.8    | 77.1    | 77.9    | 85.8    | 87.2    |   |   |
| Credit Growth YoY %  |         |         |         |         |         |         |         |         |   |   |
| - Private Sector (Underlying)                                  | -2.8    | -2.6    | -2.2    | -2.3    | -5.7    | -4.1    | -3.3    | #N/A    |   |   |
| - of which : Household   | -1.5    | -1.5    | -1.7    | -1.8    | -1.8    | -1.8    | -1.6    | #N/A    | Household credit declined by 1.6% YoY in May. Mortgage lending down by 1.3% YoY also  |   |
| - of which : Mortgage Lending                                  | -1.0    | -1.0    | -1.1    | -1.1    | -1.2    | -1.3    | -1.3    | #N/A    |   |   |
|  |         |         |         |         |         |         |         |         |   |   |
| <b>LABOUR MARKET</b>   |         |         |         |         |         |         |         |         | Official unemployment rate fell to 7.6% in June, from 7.8% in May. The Covid adjusted rate fell bellow 20% for the first time since September, to 18.3% as the number of PUP payments continue to trend downwards                     |   |
| Live Register  | 204,700 | 193,800 | 189,800 | 187,200 | 185,000 | 180,100 | 174,400 | 170,900 |   |   |
| - Change In Month  | -5,900  | -10,900 | -4,000  | -2,600  | -2,200  | -4,900  | -5,700  | -3,500  |   |   |
| Unemployment Rate %  | 6.2     | 6.3     | 7.1     | 7.6     | 7.7     | 7.9     | 7.8     | 7.6     |   |   |
| PMI Employment Indices   |         |         |         |         |         |         |         |         | Employment subcomponent of the manufacturing, services and construction PMIs all remained well above 50 in June   |   |
| - AIB Manufacturing  | 51.2    | 53.0    | 50.8    | 52.9    | 55.7    | 57.7    | 60.0    | 59.4    |   |   |
| - AIB Services   | 49.0    | 51.1    | 49.8    | 48.6    | 52.6    | 53.0    | 54.8    | 58.6    |   |   |
| - Ulster Bank Construction                                     | 52.4    | 54.3    | 34.6    | 34.5    | 43.7    | 51.6    | 58.2    | 56.9    |   |   |
|  |         |         |         |         |         |         |         |         |   |   |
| <b>MERCHANDISE TRADE</b>                                       |         |         |         |         |         |         |         |         | Goods trade surplus increased by 10% to €5bn in May. Exports increased by 5.5% YoY in May, but were 2% lower YTD. Imports were up 33.2% YoY in May, and were 14.4% higher YTD, driven by an increase in chemical & machinery imports. |   |
| Export Values - 3M / 3M %                                      | 0.4     | -2.8    | 0.3     | -4.5    | -1.5    | -3.1    | 3.0     | #N/A    |   |   |
| - 3MMA YoY %   | 3.6     | 1.5     | 2.5     | -0.8    | -8.9    | -2.9    | -2.9    | #N/A    |   |   |
| Import Values - 3M / 3M %                                      | 3.8     | 8.4     | 14.0    | -0.2    | -3.4    | -0.6    | 11.0    | #N/A    |   |   |
| - 3MMA YoY %   | -1.9    | 3.7     | 4.9     | -7.9    | 0.2     | 16.8    | 38.9    | #N/A    |   |   |
|  |         |         |         |         |         |         |         |         |   |   |
| <b>PUBLIC FINANCES</b>   |         |         |         |         |         |         |         |         | Exchequer deficit of €5.3bn recorded to end of June. Tax intake up 9.8% YTD due to base effects. Total net voted spending up 1.3% YTD. 12 Mth running balance improves to -€12.3bn  |   |
| Total Tax Receipts: Cum YTD %                                  | -6.9    | -3.6    | -8.8    | -8.1    | 1.0     | 4.2     | 9.1     | 9.8     |   |   |
| Voted Spending : Cum YTD %                                     | 23.7    | 25.3    | 2.4     | 11.0    | 13.9    | 7.3     | 1.9     | 1.3     |   |   |
| Exchequer Bal: 12 Mth Total €m                                 | -11,627 | -12,316 | -12,741 | -14,038 | -13,953 | -12,472 | -12,212 | -12,285 |   |   |
|  |         |         |         |         |         |         |         |         |   |   |
| <b>QUARTERLY DATA</b>  |         |         |         |         |         |         |         |         |   |   |
|  | Q2-19   | Q3-19   | Q4-19   | Q1-20   | Q2-20   | Q3-20   | Q4-20   | Q1-21   |   |   |
| GDP - YoY %  |         | 4.0     | 6.0     | 5.1     | 6.5     | 1.4     | 10.8    | 4.5     | 10.7  | Q1 GDP up 10.7 YoY%, largely due to distortionary effect from MNC's. GNP up 2.2% YoY  |
| *Domestic Demand - YoY%  |         | -0.2    | 3.3     | 2.0     | -2.7    | -12.2   | -2.8    | -2.2    | -4.8  |   |
| Consumer Spending - YoY %                                      |         | 3.8     | 3.2     | 2.9     | -5.8    | -19.5   | -7.7    | -8.8    | -11.8   |   |
| Services Exports - YoY % (3Q Avg)                              |         | 15.9    | 17.2    | 17.4    | 13.1    | 5.8     | 0.0     | 1.0     | 4.7   |   |
| * Excludes Some Investment Related to the Multinational Sector |         |         |         |         |         |         |         |         |   |   |
| <b>EMPLOYMENT &amp; EARNINGS</b>                               |         |         |         |         |         |         |         |         | Employment declined by 5.0% YoY in Q1. However, this likely understates labour market weakness, as many jobs still rely on government supports  |   |
| Employment YoY %   |         | 2.1     | 2.4     | 3.6     | 2.1     | -6.9    | -3.2    | -3.4    |   | -5.0  |
| Labour Force YoY %   |         | 1.4     | 1.6     | 2.6     | 2.0     | -6.9    | -0.9    | -2.0    |   | -2.5  |
| Average Earnings YoY %   |         |         |         |         |         |         |         |         |   |   |
| - Hourly   |         | 3.3     | 4.0     | 3.9     | 3.0     | 7.2     | 3.6     | 5.5     | 8.6   | Weekly earnings growth at +8.4% YoY in Q1. Although, the changing composition of the work force is distorting the data, with job losses concentrated amongst lower paid workers |
| - Weekly   |         | 3.6     | 3.6     | 3.8     | 3.7     | 6.0     | 3.3     | 7.7     | 8.4   |   |
| Weekly Earnings YoY %  |         |         |         |         |         |         |         |         |   |   |
| - Private Sector   |         | 4.0     | 4.0     | 4.0     | 4.0     | 6.0     | 3.1     | 9.1     | 8.7   |   |
| - Public Sector  |         | 1.9     | 1.3     | 3.1     | 3.1     | 2.9     | 2.5     | 3.0     | 4.9   |   |
|  |         |         |         |         |         |         |         |         |   |   |
| <b>CSO DWELLING COMPLETIONS</b>                                |         |         |         |         |         |         |         |         | Completions down 20.1% YoY in Q1, not a bad as expected. Although, 12 mth running total falls back below 20k  |   |
| - YoY %  |         | 4800    | 5649    | 6379    | 4945    | 3230    | 5065    | 7344    |   | 3953  |
|  |         | 9.3     | 21.9    | 17.5    | 16.4    | -32.7   | -10.3   | 15.1    |   | -20.1   |
| - Cum 12 Mth Total   |         | 19110   | 20126   | 21076   | 21773   | 20203   | 19619   | 20584   |   | 19592   |



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