

# Irish Economy Watch

AIB Treasury Economic Research Unit



Thursday 20 July 2023

	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	<div>The manu. PMI declined to 47.3 in June, indicating a further softening in business conditions. New orders, and output fell. Meantime, there was a further easing in inflationary pressures</div> <div>Traditional industrial production rose by 3.8% in the 3 mths to May. 3 mma up 6.6% YoY also</div>
MANUFACTURING									
AIB Manufacturing PMI	48.7	48.7	50.1	51.3	49.7	48.6	47.5	47.3	
AIB Manufacturing PMI - Future Output	61.3	64.0	66.4	72.2	72.0	64.8	66.1	68.8	
Industrial Production (Ex-Modern)	124.6	111.4	123.0	120.3	120.9	120.4	126.9	#N/A	
Production (Ex-Modern) : 3mma YoY%	10.7	10.3	6.4	4.2	3.5	4.0	6.6	#N/A	<div>In May, the services PMI posted a strong reading of 56.8, down slightly from 57. There was yet another steep increase in new business, including exports. However, both input and output price inflation re-accelerated</div> <div>The CSO services index rose by 1.7% in the 3 mths to May, and was up 4.9% YoY</div> <div>New car sales performing very well, up by 18.8% YTD in the first half of 2023</div> <div>Retail sales rose by 4.6% in the 3 mths to May, and were 5.2% higher YoY. Core retail sales up 2.5% YoY in May</div>
3mth / 3mth % seas. adj.	5.3	0.9	-1.8	-3.6	0.5	0.7	3.8	#N/A	
SERVICES / RETAIL									
AIB Services PMI	50.8	52.7	54.1	58.2	55.7	58.4	57.0	56.8	
CSO Services Index (Value)	158.0	156.6	160.4	160.8	160.9	163.0	162.2	#N/A	
- YoY %	11.5	10.4	16.3	8.3	1.6	9.6	4.9	#N/A	
- 3mth / 3mth % seas. adj.	-0.1	-1.5	-0.5	0.5	2.2	2.0	1.7	#N/A	
SIMI Car Registrations	985	209	27,323	13,108	17,627	8,907	7,542	2,989	<div>The CSO services index rose by 1.7% in the 3 mths to May, and was up 4.9% YoY</div> <div>New car sales performing very well, up by 18.8% YTD in the first half of 2023</div> <div>Retail sales rose by 4.6% in the 3 mths to May, and were 5.2% higher YoY. Core retail sales up 2.5% YoY in May</div>
- 12 mth cum total	105,576	105,398	107,697	108,831	113,551	114,601	116,848	117,683	
- 3 mma YoY %	20.3	-9.0	7.5	8.7	16.3	21.1	30.8	27.0	
Retail Sales Index	127.5	126.0	126.8	128.1	131.1	134.7	132.6	#N/A	
- YoY %	-3.8	1.4	3.4	3.6	8.9	7.1	5.2	#N/A	
- 3mth / 3mth % seas. adj.	1.3	0.8	-0.4	-0.2	1.3	3.6	4.6	#N/A	
Ex Autos Index	130.8	128.3	129.0	129.2	129.7	131.1	131.2	#N/A	<div>The construction PMI rose to 50.4 in June, consistent with a stabilisation of conditions in the sector. The housing component improved, but stayed below 50. New orders and commercial sector activity expanded slightly</div> <div>Commencements increased strongly, by 12.4% YoY in the 3 mths to May. 12 mth rolling total up to just below 28k</div>
- YoY %	-1.6	0.5	0.5	0.8	0.7	0.2	2.5	#N/A	
- 3mth / 3mth % seas. adj.	0.8	1.5	1.5	0.5	0.5	0.5	1.4	#N/A	
RESIDENTIAL CONSTRUCTION ACTIVITY									
BNP Paribas Construction PMI	46.8	43.2	47.7	49.8	49.5	48.4	49.4	50.4	
- Housing Activity	41.6	40.6	45.2	46.2	46.5	42.8	45.4	48.4	
- Commercial Activity	49.5	46.9	49.0	51.5	51.9	51.4	53.7	51.1	
- New Orders	44.2	43.5	49.6	50.4	52.5	50.5	50.6	51.0	
- Business Expectations	50.9	55.0	58.6	60.4	58.0	59.4	60.2	58.0	
Commencements: 12mth Total	26,898	26,957	27,204	26,874	27,309	27,542	27,855	#N/A	<div>Mortgage approvals rose by 9% YoY in the 3 mths to May. 12 mth total increases to near 42k</div> <div>Transactions fell slightly in June. 3 mma down 4.5% YoY. 12 mth total eased down to 61.5k</div> <div>House prices declined for the fifth consecutive month in May, down 0.2%. The YoY rate, slowed to 2.4% also</div> <div>Asking prices on Daft.ie were around 0.5% lower in YoY terms in Q2</div> <div>CSO rental index rose by 0.6% in June. YoY rate at 7.7%, down from a peak of 12.7% last July</div> <div>Affordability improved slightly in Q1, as wage growth outpaced house price growth</div>
- 3 Month Avg YoY %	-19.0	-7.1	10.4	-0.4	5.0	4.5	12.4	#N/A	
HOUSING MARKET ACTIVITY									
BPFI Mortgage Approvals : Month	3,786	2,650	2,820	2,744	3,896	3,373	4,282	#N/A	
- 3 Month Avg YoY %	-6.2	-8.2	-5.6	-6.9	2.8	2.8	9.0	#N/A	
- 12 Mth Total	41,426	40,988	41,046	40,814	41,249	41,323	41,764	#N/A	
RPPR Transactions : Month	5,963	6,693	3,618	4,289	5,171	4,166	5,144	4,715	
- 3 Month Avg YoY %	6.2	11.8	14.0	7.0	0.1	-2.5	2.8	-4.5	
- 12 Mth Total	60,881	62,181	62,174	61,838	62,196	61,819	62,232	61,533	
HOUSING MARKET PRICES									
CSO Price Index - MoM	0.2	0.2	-0.5	-0.4	-0.6	-0.1	-0.2	#N/A	
- YoY %	8.4	7.7	6.2	5.2	4.0	3.4	2.4	#N/A	
Daft Asking Prices: MoM %	0.0	1.2	-2.4	0.9	1.0	0.2	1.8	0.0	
- YoY %	3.8	5.2	1.7	1.0	-0.7	-0.9	-0.2	-0.3	
RENTS: CSO Private Rents - MoM%	0.5	0.3	0.2	1.0	0.3	0.1	0.6	0.6	
- YoY %	11.0	10.6	10.4	10.6	10.0	8.8	7.8	7.7	
AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB									
- Mortgage as % of Disposable Income	20.7	20.6	20.3	19.8	19.3	#N/A	#N/A	#N/A	

Sources: Refinitiv, CSO, DoF, DoECLG, Daft.ie, HomeBond, BPFI, ILCU, PSRA, SIMI, BNP Paribas, European Commission, AIB ERU Calculations

	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	
									Consumer prices rose by 0.8% in June, led by increases in the transport and recreation sectors. Due to base effects though, the YoY rate fell to 6.1% from 6.6%. Similarly, HICP inflation eased to 4.8% YoY, from 54%
<b>CONSUMER PRICES - YoY %</b>									
- MoM %	8.9	8.2	7.8	8.5	7.7	7.2	6.6	6.1	
	0.4	-0.2	-0.8	1.6	1.1	0.5	0.3	0.8	
HICP - YoY %	9.0	8.2	7.5	8.1	7.0	6.3	5.4	4.8	
- MoM %	0.2	-0.3	-1.0	1.5	1.0	0.3	0.3	0.8	
<b>PERSONAL / FINANCIAL</b>									Consumer sentiment remained at a very low level, but improved for the sixth time in seven months, to 63.7 in June  Stock of private sector credit rose slightly in May, as household debt levels increased
ILCU Consumer Sentiment Index	45.3	48.7	55.2	55.6	53.9	59.2	62.4	63.7	
Credit Growth YoY %									
- Private Sector (Underlying)	2.5	2.2	-0.6	-0.4	-1.7	1.2	0.3	#N/A	
- of which : Household	-1.0	-1.1	-0.7	-0.5	-0.4	0.0	0.3	#N/A	
- of which : Mortgage Lending	-0.7	-0.9	-0.8	-0.5	-0.4	-0.1	0.0	#N/A	
<b>LABOUR MARKET</b>									The unemployment rate has continued to fall in 2023. It declined to 3.8% in May, the lowest level on record, and remained at that level in June  The employment sub-indices of the services and construction PMIs stayed above 50 in June. However, the manufacturing index, fell into contraction mode for the first time since Nov.
Live Register	185,000	185,600	184,800	183,200	181,900	181,900	182,600	182,700	
- Change In Month	+1,100	+600	-800	-1,600	-1,300	+0	+700	+100	
Unemployment Rate %	4.5	4.4	4.3	4.2	4.0	3.9	3.8	3.8	
PMI Employment Indices									
- AIB Manufacturing	49.7	50.2	52.6	53.9	51.5	51.5	50.8	48.1	
- AIB Services	55.3	54.4	52.7	53.3	54.0	56.4	54.5	54.7	
- BNP Paribas Construction	49.9	48.1	50.6	54.7	53.1	50.5	51.2	52.0	
<b>MERCHANDISE TRADE</b>									Goods trade surplus widened to €4.5bn in May. Exports are 5.5% lower YTD, led by a sharp fall in pharmaceuticals and medical products (down 15% YTD). Imports are up 5.1% YTD. Trade with the GB has rebounded significantly this year
Export Values - 3M / 3M %	2.6	-5.2	-13.3	-6.2	-2.0	3.2	-2.2	#N/A	
- 3MMA YoY %	19.3	14.4	6.6	5.0	-2.9	-5.4	-8.8	#N/A	
Import Values - 3M / 3M %	-0.5	-6.6	-9.7	-3.5	-2.2	-0.5	-4.0	#N/A	
- 3MMA YoY %	35.3	21.9	17.4	19.3	14.8	6.8	-4.0	#N/A	
<b>PUBLIC FINANCES</b>									Exchequer finances performing well in 2023. Tax intake, up 11% YTD, with strong spending growth also. 12 mth rolling exchequer surplus at €1.1bn, despite €4bn transfer to NRF
Total Tax Receipts: Cum YTD %	24.5	21.5	12.2	12.5	14.6	14.2	10.2	11.0	
Voted Spending : Cum YTD %	0.9	1.8	8.8	9.4	4.6	7.2	6.7	9.8	
Exchequer Bal: 12 Mth Total €m	6,196	4,985	5,609	1,506	2,757	2,412	3,021	1,055	
<b>QUARTERLY DATA</b>									
	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	
<b>GDP</b> - YoY %	21.7	12.4	14.3	8.8	9.3	9.4	10.2	2.2	Revised data show GDP contracted by 2.8% in Q1, due to a sharp fall in the MNE sector. However, it was up 2.2% YoY  Modified domestic demand rose by just 0.1% in Q1, but was 4.5% higher in YoY terns
*Domestic Demand - YoY%	17.2	5.4	11.1	12.9	10.6	9.0	5.1	4.5	
Consumer Spending - YoY %	21.1	10.5	14.1	18.6	8.6	5.8	6.5	5.1	
Services Exports - YoY % (3Q Avg)	15.7	15.6	15.3	13.4	9.2	9.8	3.1	0.6	
<i>* Excludes Some Investment Related to the Multinational Sector</i>									
<b>EMPLOYMENT &amp; EARNINGS</b>									Employment rose by 4.1% YoY in Q1, leaving it 10.6% above pre-pandemic levels. The labour force grew by 3.3% YoY in Q1, and is up 10.2% since end 2019  Weekly average earnings rose by 4.3% YoY in Q1. Public sector pay was up 7.7% YoY. Private sector earnings rose by 3.4% YoY in Q1, with a sharp increase in pay in the ICT sector
Employment YoY %	9.9	9.8	10.1	12.3	8.8	3.4	2.7	4.1	
Labour Force YoY %	12.1	7.9	8.9	9.6	5.6	2.0	2.0	3.3	
Average Earnings YoY %									
- Hourly	2.7	3.7	2.8	2.2	2.5	3.6	6.0	4.1	
- Weekly	4.1	5.4	1.9	2.9	2.5	3.6	4.5	4.3	
Weekly Earnings YoY %									
- Private Sector	5.0	5.8	2.8	4.8	3.6	4.9	2.4	3.4	
- Public Sector	2.2	5.3	0.2	-1.3	1.3	0.8	10.4	7.7	
<b>CSO DWELLING COMPLETIONS</b>									New dwelling completions rose steeply by 19.1% YoY in Q1. 12 mth running total rises to just below 31k
- YoY %	4982	4647	6957	5640	7637	7402	9143	6716	
	53.6	-7.9	-5.1	42.2	53.3	59.3	31.4	19.1	
- Cum 12 Mth Total	21329	20929	20553	22226	24881	27636	29822	30898	



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