

# Irish Economy Watch

AIB Treasury Economic Research Unit



Thursday 24 June 2021

	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
<b>MANUFACTURING</b>								
AIB Manufacturing PMI	50.3	52.2	57.2	51.8	52.0	57.1	60.8	64.1
OECD Leading Indicator	99.9	100.0	100.1	100.2	100.3	100.5	100.6	100.8
Industrial Production (Ex-Modern)	110.7	109.3	114.5	115.4	114.2	110.9	120.4	#N/A
Production (Ex-Modern) : 3mma YoY%	-1.6	-2.6	-0.1	-0.3	2.1	-0.7	14.7	#N/A
3mth / 3mth % seas. adj.	14.6	5.2	2.2	3.3	4.6	1.8	1.9	#N/A

Manufacturing PMI soared to a new record high of 64.1 in May. The survey data indicates rapidly improving business conditions. However, supply chains remain under severe pressure

Traditional industrial production output increased by 8.6% in April. 3mma up 1.9%

<b>SERVICES / RETAIL</b>								
AIB Services PMI	48.3	45.4	50.1	36.2	41.2	54.6	57.7	62.1
CSO Services Index (Value)	115.7	113.3	121.6	115.4	119.2	121.5	120.9	#N/A
- YoY %	-7.4	-10.1	-0.9	-8.0	-5.5	-1.1	23.1	#N/A
- 3mth / 3mth % seas. adj.	6.8	2.0	0.3	-0.2	1.9	1.6	3.2	#N/A
SIMI Car Registrations	2,296	913	601	25,142	13,700	9,192	7,147	5,920
- 12 mth cum total	87,792	87,947	88,324	82,817	83,379	86,564	93,368	97,547
- 3 mma YoY %	19.4	39.5	20.6	-15.7	-10.4	-3.5	54.1	175.1
Retail Sales Index	128.9	113.2	127.3	101.1	120.1	119.0	127.8	#N/A
- YoY %	7.4	-4.6	7.0	-14.8	0.4	11.6	89.9	#N/A
- 3mth / 3mth % seas. adj.	14.9	-0.9	-5.3	-12.9	-7.6	-7.9	7.4	#N/A
Ex Autos Index	130.9	115.3	130.5	108.8	115.1	119.8	115.0	#N/A
- YoY %	9.6	-3.0	7.2	-9.9	-3.3	0.4	27.6	#N/A
- 3mth / 3mth % seas. adj.	10.7	0.0	-2.5	-9.2	-6.2	-8.8	-1.3	#N/A

In May, the services PMI rose to 62.1, its highest level in 5 years. Growth in activity was broad based across all sub-sectors. Input costs rose at quickest pace since 2008, while prices charged grew more modestly

CSO Services Index edged slightly lower in April, but was up 3.2% on a 3m/3m basis

New car sales up 17.8% YTD vs. 2020 sales. However, they are down 23% YTD vs. 2019 levels

Total retail sales rose by 7.4% in April. Ex-autos sales declined by 4% in the month, though stayed well above their January low

<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>								
Construction PMI: Ulster Bank	48.6	53.5	52.3	21.2	27.0	30.9	49.3	66.4
- Housing Activity	50.3	53.0	56.2	19.0	23.8	33.8	54.8	73.4
- Commercial Activity	46.7	50.0	49.7	24.2	31.2	31.3	42.2	63.5
- New Orders	51.8	57.3	55.6	29.4	30.5	39.7	55.1	68.2
- Business Expectations	51.9	60.5	62.5	59.9	64.2	73.9	73.9	73.6
Commencements: 12mth Total	20,823	21,830	21,686	21,019	19,122	17,708	21,405	#N/A
- 3 Month Avg YoY %	-29.7	-3.3	-1.4	3.7	-43.9	-58.0	6.6	#N/A

Construction PMI jumped to 66.4 in May, above 50 for the first time in 2021. Housing activity, new orders and commercial activity all rose sharply. Firms outlook remained elevated also

After a very weak Q1, commencements ramped up significantly in April as residential construction returned in full. 12 mth total moved back above 21k

<b>HOUSING MARKET ACTIVITY</b>								
BPFI Mortgage Approvals : Month	4,419	4,372	3,247	2,696	2,964	3,420	3,537	#N/A
- 3 Month Avg YoY %	12.8	25.4	27.5	23.6	13.8	7.7	51.7	#N/A
- 12 Mth Total	32,288	33,302	34,156	34,258	34,384	34,809	37,640	#N/A
RPPR Transactions : Month	5,550	5,357	7,413	3,146	4,352	5,128	4,152	3,756
- 3 Month Avg YoY %	-17.8	-3.5	5.5	3.4	7.6	8.6	27.3	35.3
- 12 Mth Total	48,231	48,387	49,151	48,755	49,446	50,147	51,675	52,849

Mortgage approvals continue to rise in April. 3mma up 51.7% YoY & 6.4% on same period in 2019

Transactions picked up pace as Q1 progressed, and remained strong so far in Q2. 3mma up 35.3% YoY in May

House prices rose 0.8% in April, YoY growth rate at 4.5%. Ex-Dublin price inflation (+5.4%) outpaces the capital (+3.5%)

Daft.ie asking prices up 7.1% YoY in March

CSO rental index fell by 0.2% in May. However, YoY rate rose to 2.6% due to base effects

Affordability index holds steady as average industrial wages continue to rise in Q1

<b>HOUSING MARKET PRICES</b>								
CSO Price Index - MoM	0.5	0.6	0.7	0.4	0.3	0.6	0.8	#N/A
- YoY %	-0.4	0.4	2.2	2.5	3.0	3.5	4.5	#N/A
Daft Asking Prices: MoM %	0.8	0.4	1.0	1.7	-1.2	1.9	#N/A	#N/A
- YoY %	6.1	8.9	7.4	8.7	6.9	7.1	#N/A	#N/A
<b>RENTS:</b> CSO Private Rents - MoM%	-0.5	0.0	0.4	0.3	0.2	0.8	1.2	-0.2
- YoY %	-3.2	-3.2	-2.9	-2.5	-2.5	-1.4	1.6	2.6
<b>AFFORDABILITY:</b> Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB								
- Mortgage as % of Disposable Income	17.7	17.4	17.5	17.5	17.4	17.6	#N/A	#N/A

	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	
<b>CONSUMER PRICES - YoY %</b>									Prices rose by 0.1% in May, following much larger increases in March and April. Annual CPI rate jumped to 1.7% owing largely to base effects and higher energy prices. HICP rate increased to 1.9% from 1.1%
- MoM %	-1.5	-1.1	-1.0	-0.2	-0.4	0.0	1.1	1.7	
HICP - YoY %	-0.6	0.3	0.3	0.1	0.4	0.8	0.7	0.1	
- MoM %	-1.5	-1.0	-1.0	-0.1	-0.4	0.1	1.1	1.9	
- MoM %	-0.5	0.3	0.2	0.2	0.3	0.9	0.6	0.2	
<b>PERSONAL / FINANCIAL</b>									Consumer sentiment improved again in May, hitting its highest level since June 2019, as the economy continues to re-open
KBC/ESRI Consumer Confidence	52.6	65.5	74.6	64.9	70.8	77.1	77.9	85.8	
Credit Growth YoY %									
- Private Sector (Underlying)	-3.4	-2.8	-2.6	-2.2	-2.3	-5.7	-4.2	#N/A	
- of which : Household	-1.4	-1.5	-1.5	-1.7	-1.8	-1.8	-1.8	#N/A	Household credit declined by 1.8% YoY in April. Mortgage lending down by 1.3% YoY also
- of which : Mortgage Lending	-0.9	-1.0	-1.0	-1.1	-1.1	-1.2	-1.3	#N/A	
<b>LABOUR MARKET</b>									Official unemployment rate revised higher for the opening months of 2021. At 7.8% in May, while the Covid adjusted rate fell to 21.9% from 24.8%. The number of PUP payments continue to trend downwards
Live Register	210,700	204,100	195,400	191,200	188,400	184,900	180,200	174,200	
- Change In Month	-3,800	-6,600	-8,700	-4,200	-2,800	-3,500	-4,700	-6,000	
Unemployment Rate %	6.4	6.2	6.3	7.1	7.5	7.6	7.9	7.8	
PMI Employment Indices									Employment subcomponent of the manufacturing, services and construction PMIs all improved and were well above 50 in May
- AIB Manufacturing	50.8	51.2	53.0	50.8	52.9	55.7	57.7	60.0	
- AIB Services	47.4	49.0	51.1	49.8	48.6	52.6	53.0	54.8	
- Ulster Bank Construction	51.6	52.4	54.3	34.6	34.5	43.7	51.6	58.2	
<b>MERCHANDISE TRADE</b>									Goods trade surplus narrowed by 14% to €4.7bn in April. Exports increased by 9.7% YoY in April, but were 4.8% lower YTD. Imports were up 45% YoY in April, and were 9.6% higher YTD, driven by an increase in chemical & machinery imports.
Export Values - 3M / 3M %	2.3	0.4	-2.9	0.4	-4.7	-1.6	-3.4	#N/A	
- 3MMA YoY %	1.6	3.7	1.5	2.5	-0.8	-8.5	-2.5	#N/A	
Import Values - 3M / 3M %	-3.2	2.2	9.4	14.4	-0.3	-4.1	-0.7	#N/A	
- 3MMA YoY %	-12.2	-2.4	3.7	4.1	-8.7	0.5	17.8	#N/A	
<b>PUBLIC FINANCES</b>									Exchequer deficit of €6.0bn recorded to end of May. Tax intake up 9.1% YTD due to base effects. Total net voted spending up 1.9% YTD. 12 Mth running balance improves to -€12.2bn
Total Tax Receipts: Cum YTD %	-5.3	-6.9	-3.6	-8.8	-8.1	1.0	4.2	9.1	
Voted Spending : Cum YTD %	24.6	23.7	25.3	2.4	11.0	13.9	7.3	1.9	
Exchequer Bal: 12 Mth Total €m	-9,337	-11,627	-12,316	-12,741	-14,038	-13,953	-12,472	-12,212	
<b>QUARTERLY DATA</b>									
	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	
GDP - YoY %	5.6	6.3	5.9	5.8	-2.6	8.7	1.5	11.8	Q1 GDP up 11.8 YoY%, largely due to distortionary effect from MNC's. GNP up 2.9% YoY
*Domestic Demand - YoY%	2.0	4.5	2.9	-1.8	-15.5	-1.9	-3.1	-5.0	
Consumer Spending - YoY %	3.6	3.0	2.7	-2.4	-21.4	-5.2	-7.6	-11.9	
Services Exports - YoY % (3Q Avg)	13.2	13.4	13.6	10.1	3.3	-2.1	-1.6	3.9	
* Excludes Some Investment Related to the Multinational Sector									Modified domestic demand contracted by 5.0% YoY in Q1, driven by a 11.9% fall in personal consumption
<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	#N/A	Weekly earnings growth at +7.5% YoY in Q4. 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	7.5	#N/A	
Weekly Earnings YoY %									
- Private Sector	4.0	4.0	4.0	4.0	6.0	3.1	8.5	#N/A	
- Public Sector	1.9	1.3	3.1	3.1	2.9	2.5	3.4	#N/A	
<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	
- Cum 12 Mth Total	9.3	21.9	17.5	16.4	-32.7	-10.3	15.1	-20.1	
	19110	20126	21076	21773	20203	19619	20584	19592	



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