

# Irish Economy Watch

AIB Treasury Economic Research Unit



Thursday 24 September 2020

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	
MANUFACTURING									Manufacturing PMI fell to 52.3 in August from 57.3. Growth of output and new orders both slowed noticeably as uncertainty about the outlook remains
AIB Manufacturing PMI	51.4	51.2	45.1	36.0	39.2	51.0	57.3	52.3	
OECD Leading Indicator	100.0	99.7	98.7	93.0	93.8	97.3	99.0	99.1	
Industrial Production (Ex-Modern)	119.7	108.2	112.5	86.3	82.9	93.5	108.3	0.0	
Production (Ex-Modern) : 3mma YoY%	4.2	2.7	1.7	-10.0	-17.7	-21.2	-15.0	0.0	Industrial output bounced back by 30% in June & July but still below Q1 level
3mth / 3mth % seas. adj.	1.4	0.1	2.4	-9.5	-16.1	-22.8	-7.3	#N/A	
SERVICES / RETAIL									Services PMI moved up to 52.4 with total activity rising at a faster rate than in July. However, suggests only a tentative recovery following a severe lockdown  CSO Services Index moved higher in August but remained well below pre-Covid levels  Recovery in new car sales in August continues, but weakness in H1 means they are still down circa 30% YTD on last year  Strong rebound in retail sales continued in July. Sales 5.4% above pre-Covid levels and up 5.9% YoY
AIB Services PMI	56.9	59.9	32.5	13.9	23.4	39.7	51.9	52.4	
CSO Services Index (Value)	125.5	125.8	124.8	97.3	100.1	113.6	115.1	116.1	
- YoY %	1.8	0.6	-0.3	-22.0	-19.7	-10.3	-10.6	-8.3	
- 3mth / 3mth % seas. adj.	-1.7	-0.9	1.1	-6.5	-13.7	-17.3	-5.5	7.0	
SIMI Car Registrations	30,650	13,098	6,007	343	1,741	1,006	21,183	4,826	
- 12 mth cum total	115,380	113,409	102,729	94,168	89,589	89,187	85,689	85,428	
- 3 mma YoY %	-4.6	-7.6	-22.4	-52.2	-74.6	-81.4	-26.2	-13.3	
Retail Sales Index	119.7	118.7	103.9	66.7	88.4	122.4	124.3	0.0	
- YoY %	5.4	0.0	-11.4	-43.8	-25.0	3.6	6.4	0.0	
- 3mth / 3mth % seas. adj.	0.0	-0.6	-5.6	-19.8	-28.0	-18.9	15.8	#N/A	
Ex Autos Index	120.9	120.0	118.3	90.1	101.8	123.1	126.5	0.0	
- YoY %	3.0	0.8	-0.3	-25.0	-14.2	3.5	5.9	0.0	
- 3mth / 3mth % seas. adj.	0.1	0.3	-0.6	-9.2	-14.3	-12.3	7.0	#N/A	
RESIDENTIAL CONSTRUCTION ACTIVITY									Construction PMI fell back in August to 44.0 from 53.2 in July. Housing, commercial and civil engineering sub sectors all reported declines in activity. New orders also fell.  In Q2, commencements plummeted by 45.7% YoY. In July, 12 month cumulative total remained below 24K, but commencements almost double from their May low
Construction PMI: Ulster Bank	50.9	50.6	28.9	4.5	19.9	51.9	53.2	44.0	
- Housing Activity	48.0	49.7	32.4	4.9	21.4	55.8	57.8	44.7	
- Commercial Activity	55.7	52.1	28.2	3.1	25.6	50.9	50.2	41.6	
- New Orders	54.9	53.6	33.9	10.1	24.6	46.0	53.8	46.5	
- Business Expectations	69.4	64.7	36.0	37.1	48.6	54.6	55.9	53.5	
Commencements: 12mth Total	26,785	26,635	26,541	25,606	24,617	23,929	23,379	#N/A	
- 3 Month Avg YoY %	-2.9	11.0	4.6	-16.8	-32.0	-45.7	-37.7	#N/A	
HOUSING MARKET ACTIVITY									
BPFI Mortgage Approvals : Month	2,594	2,838	2,995	706	1,320	1,688	2,713	#N/A	
- 3 Month Avg YoY %	5.1	4.7	-0.3	-29.9	-52.4	-66.1	-51.8	#N/A	
- 12 Mth Total	39,909	40,006	39,725	37,124	34,484	32,480	30,966	#N/A	
RPPR Transactions : Month	3,518	3,627	4,395	2,620	2,558	3,023	3,594	2,418	
- 3 Month Avg YoY %	2.3	1.0	-1.3	-17.9	-30.3	-40.4	-37.7	-39.2	
- 12 Mth Total	58,657	58,142	58,251	56,333	53,989	52,683	50,773	48,171	
HOUSING MARKET PRICES									Residential property transactions declined in August. 12 month total now below 50k  House prices rose by 0.3% in July, YoY growth rate at -0.5%. Ex-Dublin price inflation (+0.3%) continues to outpace the capital (-1.3%)  CSO rental index edges up 0.2% again in August, after sharp fall in March-June period  Affordability relatively stable, though volatility in industrial wages sees measure move around somewhat in Q1/Q2
CSO Price Index - MoM	0.2	-0.2	0.1	-0.1	-0.1	0.1	0.3	#N/A	
- YoY %	1.0	1.0	1.0	0.7	0.4	0.0	-0.5	#N/A	
Daft Asking Prices: MoM %	0.5	0.4	1.7	-5.3	3.8	-0.5	2.3	#N/A	
- YoY %	-1.1	-2.2	-1.7	-6.5	-1.3	-3.3	0.1	#N/A	
RENTS: CSO Private Rents - MoM%	-0.1	0.3	-0.4	-1.8	-1.1	-0.3	0.2	0.2	
- YoY %	3.9	3.9	3.1	0.8	-0.7	-1.2	-1.4	-1.8	
AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB									
- Mortgage as % of Disposable Income	17.5	17.3	17.3	17.9	17.9	17.9	#N/A	#N/A	

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	
<b>CONSUMER PRICES - YoY %</b>									In August, CPI inflation moved further into deflationary territory, with prices down 1% YoY. Reflects VAT cut and decreases in transport. HICP registered at lower rate of –1.1%
- MoM %	1.3	1.1	0.7	-0.1	-0.5	-0.4	-0.4	-1.0	
HICP - YoY %	-0.7	0.6	0.4	-0.4	-0.5	0.3	-0.2	-0.1	
- MoM %	1.1	0.9	0.5	-0.3	-0.8	-0.6	-0.6	-1.1	
- MoM %	-0.7	0.6	0.4	-0.4	-0.6	0.4	-0.2	-0.1	
<b>PERSONAL / FINANCIAL</b>									Consumer sentiment slipped back in August. Index remains well below its Feb. level  Covid impact saw household credit outstanding fall by 1.3% YoY in July. Pace of decline in mortgage stock picks up to -0.7% YoY
KBC/ESRI Consumer Confidence	85.5	85.2	77.3	42.6	52.3	61.6	62.6	58.9	
Credit Growth YoY %									
- Private Sector (Underlying)	-3.4	-2.6	-1.0	-0.7	-1.8	-2.2	-2.2	#N/A	
- of which : Household	0.0	0.0	-0.1	-0.5	-0.8	-0.9	-1.3	#N/A	
- of which : Mortgage Lending	-0.4	-0.3	-0.3	-0.3	-0.5	-0.6	-0.7	#N/A	
<b>LABOUR MARKET</b>									Official unemployment rate at 5.2% in August. Covid adjusted measure declines to 15.4% from peak of near 29% in April, however rate of decline slowing  Employment subcomponent of manufacturing PMI below 50 in August. Service and construction sub-indices remain contractionary, as uncertainty weighs on businesses
Live Register	185,000	184,300	209,200	217,200	227,100	212,800	226,100	213,700	
- Change In Month	-700	-700	+24,900	+8,000	+9,900	-14,300	+13,300	-12,400	
Unemployment Rate %	4.9	4.9	5.0	4.8	4.8	5.0	5.1	5.2	
PMI Employment Indices									
- AIB Manufacturing	51.2	48.4	42.6	30.5	40.1	46.1	50.8	47.5	
- AIB Services	54.5	55.0	47.3	31.1	32.9	40.1	46.1	47.3	
- Ulster Bank Construction	53.6	51.3	39.4	22.6	26.7	43.3	47.5	48.3	
<b>MERCHANDISE TRADE</b>									Goods trade surplus narrowed in July to €4.8bn from €6.2n. Value of goods exports rises, particularly in medical and pharma products, up 14%. Imports up 22% after weak Q2, led by organic chemicals. Maybe driven by restocking
Export Values - 3M / 3M %	-2.6	-3.2	10.3	6.2	9.0	-13.2	-5.0	#N/A	
- 3MMA YoY %	2.8	1.3	16.5	9.4	9.0	-1.5	2.1	#N/A	
Import Values - 3M / 3M %	-2.1	1.5	-3.6	-8.5	-18.1	-14.3	3.3	#N/A	
- 3MMA YoY %	-8.6	1.3	1.1	-4.0	-14.3	-14.4	-4.8	#N/A	
<b>PUBLIC FINANCES</b>									Tax receipts down 2.3% in year to end August, driven by VAT & excise receipts. Corporation tax take remains strong. Increase in net-voted expenditure of 28.0% YTD boosts the budget deficit
Total Tax Receipts: Cum YTD %	10.0	13.8	1.1	-0.6	0.0	0.7	-2.5	-2.3	
Voted Spending : Cum YTD %	8.5	1.7	13.5	23.4	24.9	27.3	29.5	28.0	
Exchequer Bal: 12 Mth Total €m	670	1,509	-922	-3,634	-5,434	-4,944	-7,654	-8,180	
<b>QUARTERLY DATA</b>									Irish GDP contracted by 6.1% in Q2 much smaller than expected. Due to favourable export product mix (Pharma etc.)  However, modified final domestic demand down 16.4% in Q2, with consumer spending falling by 20%
	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	
GDP - YoY %	7.9	3.4	4.4	5.6	6.3	5.9	5.7	-3.0	
*Domestic Demand - YoY%	5.4	3.1	3.8	2.0	4.5	2.9	-0.9	-15.7	
Consumer Spending - YoY %	3.1	2.0	3.4	3.6	3.0	2.7	-2.5	-22.1	
Services Exports - YoY % (3Q Avg)	11.0	12.2	12.5	13.2	13.4	13.6	10.1	3.4	
* Excludes Some Investment Related to the Multinational Sector									
<b>EMPLOYMENT &amp; EARNINGS</b>									Employment declined by 3.4% YoY in Q2, but the true number is likely higher as some are classified as having left the labour force instead  Weekly earnings growth higher in Q2 2020, as the composition of the labour market changed with more lower paid workers falling out of the labour force than higher paid
Employment YoY %	3.0	2.3	3.7	2.0	2.4	3.5	2.2	-3.4	
Labour Force YoY %	2.0	1.5	2.7	1.3	1.6	2.6	2.1	-3.7	
Average Earnings YoY %									
- Hourly	2.1	3.2	2.8	3.3	4.0	3.9	3.0	7.9	
- Weekly	3.5	3.5	3.6	3.6	3.6	3.8	3.7	6.2	
Weekly Earnings YoY %									
- Private Sector	3.9	3.9	4.5	4.0	4.0	4.0	4.0	6.4	
- Public Sector	2.1	1.8	0.8	1.9	1.3	3.1	3.1	2.3	
<b>CSO DWELLING COMPLETIONS</b>									Completions down 31.9% YoY in Q2 as pandemic saw constructions sites close. 12 month total falls to 20.3k
- YoY %	4635	5443	4253	4829	5661	6390	4968	3290	
- Cum 12 Mth Total	23.0	19.4	22.7	9.8	22.1	17.4	16.8	-31.9	
- Cum 12 Mth Total	17058	17944	18730	19160	20186	21133	21848	20309	



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