

# Irish Economy Watch

AIB Treasury Economic Research Unit



Friday 23 September 2022

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
<b>MANUFACTURING</b>								
AIB Manufacturing PMI	59.4	57.8	59.4	59.1	56.4	53.1	51.8	51.1
OECD Leading Indicator	102.6	102.6	102.7	102.6	102.5	102.4	102.2	102.0
Industrial Production (Ex-Modern)	132.5	133.5	127.3	126.3	134.0	120.8	133.5	#N/A
Production (Ex-Modern) : 3mma YoY%	9.7	11.9	18.8	13.4	11.9	6.8	12.0	#N/A
3mth / 3mth % seas. adj.	7.5	3.4	7.5	2.6	1.7	-3.1	0.3	#N/A

The manu. PMI declined to 51.1 in August. Both new orders and output fell for the third consecutive month. Input and output price inflation remained high by historical standards

Traditional industrial production rebounded sharply in July. 3mma to July up 12% YoY also

<b>SERVICES / RETAIL</b>								
AIB Services PMI	56.2	61.8	63.4	61.7	60.2	55.6	56.3	54.7
CSO Services Index (Value)	138.2	147.9	159.1	150.7	152.9	156.7	157.4	#N/A
- YoY %	17.8	23.8	31.9	25.4	24.5	22.5	21.5	#N/A
- 3mth / 3mth % seas. adj.	2.6	2.4	6.3	9.1	8.5	3.4	2.0	#N/A
SIMI Car Registrations	25,020	11,969	12,898	7,851	5,282	2,153	21,857	8,134
- 12 mth cum total	104,812	103,083	106,789	107,493	106,861	106,252	101,632	103,800
- 3 mma YoY %	-0.5	-5.2	3.9	8.9	17.0	-3.4	-16.7	-8.7
Retail Sales Index	123.5	124.0	123.2	127.6	125.6	123.5	121.5	#N/A
- YoY %	20.7	1.1	-0.1	1.6	-3.3	-7.4	-8.2	#N/A
- 3mth / 3mth % seas. adj.	-4.6	-4.8	-3.6	-0.9	1.0	1.6	-1.1	#N/A
Ex Autos Index	128.7	128.2	129.0	131.9	128.8	127.3	125.3	#N/A
- YoY %	18.5	9.9	9.3	13.4	2.7	-6.1	-3.5	#N/A
- 3mth / 3mth % seas. adj.	-1.0	-2.4	-1.7	-0.4	1.0	0.5	-2.0	#N/A

The services PMI moved lower to 54.7 in August. New business, remained strong, but slowed for the sixth month running.

Meanwhile, firms continued to hire at a robust pace. Inflationary pressures moderated slightly.

The CSO services index moved higher again in June, and was up 21.5% YoY

New car sales were 8.7% lower YoY in the 3mths to Augsut, and 14% lower YTD vs 2019

Retail sales fell by 1.1% in the 3mths to July, and 8.2% YoY. Core retails sales were down by 3.5% YoY in July

<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>								
BNP Paribas Construction PMI	56.1	58.4	53.9	52.5	51.5	46.4	41.8	46.9
- Housing Activity	55.1	58.5	56.7	56.1	56.6	49.7	37.9	47.4
- Commercial Activity	56.7	61.4	56.7	55.7	52.2	45.7	44.5	47.5
- New Orders	56.8	61.0	54.0	49.4	48.0	40.4	40.6	40.7
- Business Expectations	75.4	69.5	57.1	57.7	52.7	49.1	48.5	49.2
Commencements: 12mth Total	31,201	33,006	34,846	32,456	30,233	29,343	28,450	#N/A
- 3 Month Avg YoY %	4.7	71.5	143.4	20.2	-26.0	-43.5	-35.6	#N/A

Construction PMI remained below 50 in August, indicating a third consecutive contraction in the sector. However, housing and commercial sector activity shrunk at a slower pace. New orders remained weak

Commencements were down 12.1% YTD in July vs 2021 level. 12 mth rolling total fell back further, to 28.5k

<b>HOUSING MARKET ACTIVITY</b>								
BPFI Mortgage Approvals : Month	2,762	2,976	3,461	3,299	3,841	3,947	3,514	#N/A
- 3 Month Avg YoY %	-4.9	-0.9	1.3	-1.9	-1.6	-3.7	-6.8	#N/A
- 12 Mth Total	43,224	43,236	43,277	43,039	43,066	42,846	42,216	#N/A
RPPR Transactions : Month	3,603	4,606	4,792	4,517	4,668	5,359	5,466	4,468
- 3 Month Avg YoY %	-10.5	-9.1	2.1	1.0	3.0	11.1	10.4	4.8
- 12 Mth Total	57,672	57,891	57,506	57,809	58,295	58,964	59,263	58,993

Mortgage approvals trending slightly lower, with the 3mma down 6.8% YoY

Transactions have been trending higher in 2022. 3mma up 4.8% YoY in August. 12 month running total remains near 59k.

<b>HOUSING MARKET PRICES</b>								
CSO Price Index - MoM	0.9	0.6	0.5	0.4	0.8	1.1	0.8	#N/A
- YoY %	14.7	15.0	15.0	14.5	14.4	14.0	13.0	#N/A
Daft Asking Prices: MoM %	0.9	1.7	2.6	0.7	1.0	0.4	#N/A	#N/A
- YoY %	6.9	9.7	9.9	9.5	9.7	9.3	#N/A	#N/A
<b>RENTS:</b> CSO Private Rents - MoM%	0.4	0.9	0.8	1.3	1.6	0.8	1.1	1.4
- YoY %	8.4	9.2	9.2	9.3	11.2	11.9	12.9	12.7

House prices rose by 0.8% in June. However, the YoY rate declined further to 13%

Asking prices rose by 3.8% in Q2, and were up 9.5% YoY

The pace of increase in rents remained elevated at 1.4% in August. Rents now 12.7% higher YoY

<b>AFFORDABILITY:</b> Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB								
- Mortgage as % of Disposable Income	19.5	19.4	19.3	19.8	20.1	20.5	#N/A	#N/A

Affordability deteriorated in Q2 as house price growth outpaced wage growth

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	
<b>CONSUMER PRICES - YoY %</b>									Consumer prices rose by 0.2% in August, as all divisions bar transport increased. CPI YoY rate fell to 8.7%. Higher energy, transport & food prices the main upward factors influencing inflation in YoY terms
- MoM %	5.0	5.6	6.7	7.0	7.8	9.1	9.1	8.7	
	-0.4	0.9	1.9	0.9	0.9	1.3	0.4	0.2	
HICP - YoY %	5.1	5.7	7.0	7.3	8.3	9.6	9.6	9.0	Consumer sentiment remained very weak in Aug, on concerns regarding the cost of living
- MoM %	-0.4	0.9	2.1	0.9	1.1	1.4	0.4	0.2	
<b>PERSONAL / FINANCIAL</b>									Securities financing the main driver of the increase in private sector credit. Household debt levels very static
KBC/ESRI Consumer Confidence	81.9	77.0	67.0	57.7	55.2	57.7	53.7	53.4	
Credit Growth YoY %									
- Private Sector (Underlying)	1.6	1.4	3.3	1.7	2.0	4.5	3.3	#N/A	The unemployment rate has been comfortably below its pre-pandemic level of 4.8% since April. Jobless rate at 4.3% in August
- of which : Household	0.2	0.2	0.1	0.2	0.3	-0.1	-0.4	#N/A	
- of which : Mortgage Lending	1.1	1.1	1.0	0.9	0.9	0.6	0.2	#N/A	
<b>LABOUR MARKET</b>									The employment measures of the manu. and services PMIs fell in August, In contrast, the construction metric moved higher. Crucially, all three were above the key 50 level also
Live Register	163,500	162,800	180,700	178,700	177,800	185,600	184,200	186,100	
- Change In Month	-2,500	-700	+17,900	-2,000	-900	+7,800	-1,400	+1,900	
Unemployment Rate %	5.0	4.7	5.0	4.5	4.2	4.3	4.2	4.3	Goods trade surplus narrowed to €4bn in July. Exports fell by 5% in the month, but were up 28% YTD. Exports were higher across all 10 major categories when compared to 2021. Imports rose by 0.5% in July, but were 35% higher YTD
PMI Employment Indices									
- AIB Manufacturing	54.9	53.7	56.6	58.6	59.3	55.7	52.9	52.4	
- AIB Services	55.6	56.5	58.2	57.6	58.5	56.4	57.5	56.5	Exchequer finances continued to perform very strongly in August. Tax intake, up 26.3% YTD. Net voted spending down 3.9% YTD. 12 mth rolling Exchequer surplus rises to €5.6bn
- BNP Paribas Construction	55.0	53.5	52.1	52.5	54.9	50.1	49.8	50.6	
<b>MERCHANDISE TRADE</b>									Exchequer finances continued to perform very strongly in August. Tax intake, up 26.3% YTD. Net voted spending down 3.9% YTD. 12 mth rolling Exchequer surplus rises to €5.6bn
Export Values - 3M / 3M %	3.2	6.1	17.8	16.1	14.2	0.2	-4.6	#N/A	
- 3MMA YoY %	10.2	18.0	29.6	36.4	37.8	30.4	21.5	#N/A	
Import Values - 3M / 3M %	13.6	13.5	11.3	8.6	13.3	15.6	11.5	#N/A	Irish GDP grew by 11.1% YoY in Q2, as investment rose sharply vs. Q2 2021. Consumption and export growth were robust also
- 3MMA YoY %	24.7	32.1	31.6	29.8	36.4	38.7	38.2	#N/A	
<b>PUBLIC FINANCES</b>									Domestic Demand up by 10.6% YoY in Q2, led by a significant rebound in investment
Total Tax Receipts: Cum YTD %	23.7	19.3	31.8	31.1	26.9	25.0	23.4	26.3	
Voted Spending : Cum YTD %	3.0	1.7	-2.0	-5.9	-3.1	-3.8	-4.4	-3.9	
Exchequer Bal: 12 Mth Total €m	-6,399	-5,718	-3,044	-833	32	2,116	3,364	5,600	Employment rose by 8.8% YoY in Q2, leaving it 8.6% above pre-pandemic levels. Strong labour force growth of 5.6% YoY recorded in Q2 also
<b>QUARTERLY DATA</b>									Weekly average earnings rose by 2.4% YoY in Q2. Stronger growth in the private sector than in the public sector, most notably ICT, construction and hospitality
	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	
GDP - YoY %	11.4	3.9	11.4	19.5	10.4	13.8	10.8	11.1	
*Domestic Demand - YoY%	-3.5	-4.8	-5.1	14.7	3.9	10.4	12.8	10.6	Having slowed in H2 2021, completions have regained momentum in H1 2022. 12 mth running total rises to circa 25k
Consumer Spending - YoY %	-7.6	-10.0	-13.0	17.1	6.5	9.4	15.5	5.6	
Services Exports - YoY % (3Q Avg)	3.0	5.6	8.0	14.5	14.3	13.6	12.5	8.6	
<i>* Excludes Some Investment Related to the Multinational Sector</i>									
<b>EMPLOYMENT &amp; EARNINGS</b>									
Employment YoY %	-3.2	-3.4	-5.0	9.9	9.8	10.1	12.3	8.8	
Labour Force YoY %	-0.9	-2.0	-2.5	12.1	7.9	8.9	9.6	5.6	
Average Earnings YoY %									
- Hourly	3.6	5.5	8.4	2.7	3.7	2.8	2.2	2.7	
- Weekly	3.3	7.7	7.5	4.1	5.4	1.9	2.9	2.4	
Weekly Earnings YoY %									
- Private Sector	3.1	9.1	7.7	5.0	5.8	2.8	4.8	3.6	
- Public Sector	2.5	3.0	4.9	2.2	5.3	0.2	-1.3	1.2	
<b>CSO DWELLING COMPLETIONS</b>									
- YoY %	5053	7343	3967	4990	4645	6968	5662	7654	
- Cum 12 Mth Total	-10.5	14.3	-19.9	53.7	-8.1	-5.1	42.7	53.4	
	19673	20593	19610	21353	20945	20570	22265	24929	



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