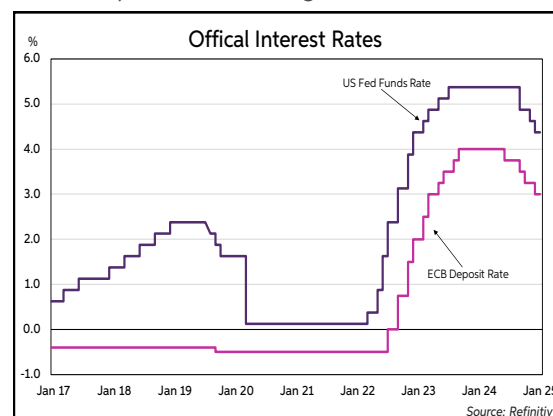


## Housing delivery lost momentum in 2024

- **The latest Irish housing completion statistics show the delivery pipeline lost momentum in 2024.** A total of 30,330 units were completed last year, well short of expectations, and undershooting the 2023 total of 32,500. The out-turn is also significantly behind the new c.50,000 target underpinning the Government's housing plan.
- **One bright spot was the continued rise in scheme housing, up 4.6% y/y to 16,200.** However, the data show an annual fall in overall completions in three of the four quarters in 2024, with a sharp contraction in the delivery of apartments the key driver. Apartments were down in every quarter of 2024 and fell to just 8,800 in the year, a drop of circa 24% on 2023. This decline in apartments could reflect the lagged impact of ECB rate hikes in 2022 and 2023, which dampened institutional investment in real estate across the Eurozone and into Ireland. This external capital has been a key source of financing for apartments in recent years. Domestically, policy uncertainty may also be a factor in the weakness in housing delivery, with the milestone Planning & Development Act working its way through the parliament for much of 2024, ahead of the general election. Finally, capacity remains an ongoing constraint on construction activity, with productivity growth lagging other sectors in recent years.
- **Whatever the sources of the decline in completions last year, it is clear there is a significant task for the incoming Government to meet its refreshed housing targets.** The state continues to expand its role in direct and indirect delivery through the Land Development Agency (LDA), local authorities and housing bodies, with a substantial uplift in capital investment planned in Budget 2025 by the Dept. of Housing to c.€4.5bn from €3.8bn in 2024, with other sources of public investment via the LDA and Housing Finance Agency also increasing. At an overall level, The Housing Commission estimated that an annual output of 56,000 homes would require €16 billion to €20 billion per annum from a variety of public and private sources. The surge in housing starts on the back of government supports last year to over 60,000 suggests the near term pipeline should be strong, but it remains to be seen how quickly the apartment sector can bounce back, given the complexities and long lead times to deliver units in this space.
- **Turning to the week ahead, the main highlights will be the first monetary policy meetings of the year for the US Federal Reserve and the European Central Bank.** Although both central banks delivered 100bps worth of policy easing last year, including 25bps rate cuts in December, expectations for policy this year have diverged markedly. Weak growth in the Eurozone, and downward revisions to the ECB inflation forecasts, laid the groundwork for a more dovish tone to the final ECB meeting of 2024. In contrast, still strong US growth, concerns regarding sticky inflationary pressures, and upward revisions to the FOMC's inflation projections, led to somewhat hawkish messaging at the Fed meeting in December. Against this backdrop, markets are pricing in a much shallower path of rate cuts in the US this year compared to in the Eurozone. Overall, around 40bps of easing is expected in the US in 2025, well below the circa 85bps of cuts anticipated from the ECB. **More pertinently, the Fed is widely forecast to leave rates on hold this week, while a 25bps rate cut is priced-in fully in the Eurozone.** Aside from the policy decisions, the respective post-meeting press conferences will garner significant attention.
- **In addition to the aforementioned monetary policy meetings, the macro calendar contains a jam-packed data schedule.** In the US, the December reading of core-PCE inflation will be in focus. Since bottoming-out at 2.6% last June (its lowest level since March 2021), core-PCE has proven to be stubbornly sticky. It rose to 2.7% in July and remained at that level throughout Q3, before rising again, to 2.8% in October and November. The consensus for core-PCE is for an unchanged reading of 2.8% in December. Meanwhile, in terms of wage inflation, the employment cost index is expected to stay elevated, rising by 0.9% in Q4. Elsewhere in the US, personal consumption is forecast to remain robust, increasing by 0.5% in nominal terms in December, facilitated by a 0.4% rise in incomes. Indeed, a number of strong data points (including consumption) throughout Q4 point to continued good GDP growth. Having expanded by a hefty 3.1% annualised rate in Q3, GDP is seen as expanding by 2.6% in the final quarter of 2024. Regarding more timely data, the Conference Board measure of consumer confidence for January is due.
- **The first reading of Eurozone Q4 GDP will also feature.** After growing by 0.4% in Q3, a meagre 0.1% expansion is pencilled in for Q4. Although the economy appears to have lost momentum in Q4, the unemployment rate is projected to remain at its all-time low of 6.3% in December. The EC sentiment indicators for January will provide some insight as to whether the economy continued to slow at the start of 2025. Expectations are for a marginal improvement across the board. Meantime, in relation to some important national level releases, the flash readings of German, French and Spanish inflation for January will be of keen interest for market participants.



	Interest Rate Forecasts			
	Current	End Q1	End Q2	End Q3
		2025	2025	2025
Fed Funds	4.375	4.125	3.875	3.625
ECB Deposit	3.00	2.50	2.25	2.00
BoE Repo	4.75	4.50	4.25	4.00
BoJ OCR	0.25	0.50	0.50	0.50

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q1	End Q2	End Q3
		2025	2025	2025
EUR/USD	1.0501	1.07	1.08	1.08
EUR/GBP	0.8430	0.83	0.84	0.84
EUR/JPY	163.71	161	161	160
GBP/USD	1.2454	1.28	1.28	1.28
USD/JPY	155.88	150	150	149

Current Rates Reuters, Forecasts AIB's ERU

# ECONOMIC DIARY

## Monday 27th - Friday 31st January

Date	UK & Irish Time		Release	Previous	Forecast
<b>This Week:</b>	<b>ECB Speakers:</b>				
	<b>BoE Speakers:</b>				
	<b>Fed Speakers:</b>		Bowman (Fri)		
<b>Mon 27th</b>	<b>GER:</b>	09:00	Ifo Business Climate (January)	84.7	84.6
	<b>US:</b>	15:00	New Home Sales (December)	+0.66m / +5.9%	+0.67m / +1.2%
<b>Tue 28th</b>	<b>IRE:</b>	<b>11:00</b>	<b>GDP (Q4 2024: Preliminary Estimate)</b>	<b>Q4'23: -1.4% (-9.1%)</b>	
	<b>US:</b>	13:30	Durable Goods (December)	-1.2%	+0.8%
			- Ex-Transport	-0.2%	+0.4%
			- Ex-Defence	-0.4%	
	<b>US:</b>	14:00	Case-Shiller House Price Index (November)	+0.3% (+4.2%)	
	<b>US:</b>	15:00	Conference Board Consumer Confidence (Jan)	104.7	107.3
<b>Wed 29th</b>	<b>GER:</b>	07:00	Gfk Consumer Sentiment (February)	-21.3	-20.0
	<b>SPA:</b>	08:00	GDP (Q4: First Reading)	+0.8% (+3.3%)	+0.6%
	<b>EU-20:</b>	09:00	M3 annual Money Growth (December)	+3.8%	+3.9%
			- Loans to Households (December)	+0.9%	
	<b>ITA:</b>	09:00	INSEE Business Confidence (January)	85.8	85.5
	<b>ITA:</b>	09:00	INSEE Consumer Confidence (January)	96.3	96.0
	<b>US:</b>	19:00	Fed FOMC Policy Announcement		
			- Fed Funds Rate Target Range	4.25-4.50%	4.25-4.50%
	<b>US:</b>	19:30	FOMC Post-Meeting Press Conference		
<b>Thu 30th</b>	<b>FRA:</b>	06:30	GDP (Q4: Preliminary Reading)	+0.4% (+1.3%)	+0.0%
	<b>SPA:</b>	08:00	Flash HICP Inflation (January)	+0.4% (+2.8%)	
	<b>GER:</b>	09:00	GDP (Q4: Flash Reading)	+0.1% (-0.3%)	-0.1% (+0.0%)
	<b>ITA:</b>	09:00	GDP (Q4: First Reading)	+0.0% (+0.4%)	+0.1% (+0.6%)
	<b>UK:</b>	09:30	Mortgage Approvals (December)	65,720	65,750
	<b>EU-20:</b>	10:00	GDP (Q4: Preliminary Reading)	+0.4% (+0.9%)	+0.1% (+1.0%)
	<b>EU-20:</b>	10:00	EC Economic Sentiment (January)	93.7	94.0
			- Consumer / Industrial / Services	-14.5 / -14.1 / 5.9	-14.2 / -13.5 / 6.0
	<b>EU-20:</b>	10:00	Unemployment Rate (December)	6.3%	6.3%
	<b>ITA:</b>	10:00	Unemployment Rate (December)	5.7%	5.7%
	<b>EU-20:</b>	13:15	ECB Monetary Policy Decision		
			- Deposit Rate	3.00%	2.75%
			- Re-fi Rate	3.15%	2.90%
	<b>EU-20:</b>	13:45	ECB Post-Meeting Press Conference		
	<b>US:</b>	13:30	GDP (Q4: Advanced Reading)	+3.1% S.a.a.r.	+2.6% S.a.a.r.
	<b>US:</b>	13:30	PCE Prices (Q4: Advanced Reading)	+1.5% S.a.a.r.	
			- Core-PCE Prices	+2.2% S.a.a.r.	+2.5% S.a.a.r.
	<b>US:</b>	13:30	Initial Jobless Claims (w/e 20th January)	+223,000	+220,000
	<b>JPN:</b>	23:30	CPI Tokyo Inflation (January)	(+3.0%)	
			- Ex-Fresh Food	(+2.4%)	(+2.5%)
	<b>JPN:</b>	23:30	Jobs/Applicants Ratio (December)	1.25	1.25
	<b>JPN:</b>	23:30	Unemployment Rate (December)	2.5%	2.5%
<b>Fri 31st</b>	<b>GER:</b>	07:00	Retail Sales (December)	-0.6% (+2.5%)	+0.0%
	<b>FRA:</b>	07:45	Flash HICP Inflation (January)	+0.2% (+1.8%)	+0.0% (+1.9%)
	<b>GER:</b>	08:55	Unemployment Rate (January)	6.1%	6.2%
	<b>GER:</b>	13:00	Flash HICP Inflation (January)	+0.7% (+2.8%)	-0.2% (+2.9%)
	<b>US:</b>	13:30	Personal Income / Consumption	+0.3% / +0.4%	+0.4% / +0.5%
	<b>US:</b>	13:30	PCE Prices (December)	+0.1% (+2.4%)	+0.3% (+2.6%)
			- Core-PCE Prices	+0.1% (+2.8%)	+0.2% (+2.8%)
	<b>US:</b>	13:30	Employment Cost Index (Q4)	+0.8%	+0.9%
			- Wages	+0.8%	+0.9%
	<b>IRE:</b>	<b>11:00</b>	<b>Flash HICP Inflation (January 2025)</b>	<b>+0.9% (+1.0%)</b>	

♦ Month-on-month changes (year-on-year shown in brackets)

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