

# Irish Economy Watch

AIB Treasury Economic Research Unit



21 December 2017

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	
<b>MANUFACTURING</b>									
Investec Manufacturing PMI	55.0	55.9	56.0	54.6	56.1	55.4	54.4	58.1	Manufacturing PMI jumps to an 18-year high of 58.1 in November. Suggests sector performing strongly
OECD Leading Indicator	101.0	101.0	100.9	100.8	100.6	100.5	100.4	#N/A	
Industrial Production (Ex-Modern)	119.6	121.3	119.7	121.3	117.0	117.3	121.8	#N/A	Production (ex-modern) jumped in October. However, in contrast to the PMIs, its remains in decline on a YoY basis
Production (Ex-Modern) : 3mma YoY%	1.1	1.2	-1.5	0.1	-1.9	-3.9	-3.5	#N/A	
3mth / 3mth % seas. adj.	-1.1	-1.6	-3.6	-1.4	-2.1	-1.4	-1.7	#N/A	
<b>SERVICES / RETAIL</b>									
Investec Services PMI	61.1	59.5	57.6	58.3	58.4	58.7	57.5	56.0	The services PMI averaged 56.8 in Oct/Nov. While this is softer than Q3's 58.5, it still points to strong growth in the sector
Monthly Services Index (Value)	125.8	127.8	125.3	131.2	123.0	125.5	126.9	#N/A	
- YoY %	1.8	3.2	0.6	8.3	-2.4	-0.6	1.0	#N/A	Volatile services index jumps in October. It is up 1% YoY
- 3mth / 3mth % seas. adj.	-0.2	-0.8	-2.0	0.6	-0.4	0.2	-2.3	#N/A	
SIMI Car Registrations	7,844	5,994	1,401	27,711	5,735	3,900	1,947	684	New car sales are down 10% in the year to November. The decline is being offset by rise in imports of second hand cars, largely due to the sharp fall in sterling
- 12 mth cum total	137,231	136,726	136,503	134,331	132,780	131,992	131,699	131,634	
- 3 mma YoY %	-16.2	-12.2	-17.6	-7.6	-10.2	-10.8	-18.5	-14.9	
Retail Sales Index	126.3	129.0	121.6	136.1	130.2	129.9	129.9	#N/A	Core retail sales continue to perform strongly. They are up 0.9% on a 3mth/3mth basis
- YoY %	1.5	4.3	4.3	2.9	4.7	5.0	4.5	#N/A	
- 3mth / 3mth % seas. adj.	0.4	0.2	-1.5	1.4	1.5	5.1	0.9	#N/A	
Ex Autos Index	121.3	122.8	122.7	123.2	123.3	124.6	124.2	#N/A	Construction PMI averaged 55.6 in Oct/Nov, little changed from 56.1 in Q3
- YoY %	6.6	7.2	7.0	7.6	6.6	7.4	6.0	#N/A	
- 3mth / 3mth % seas. adj.	1.6	2.1	1.8	1.8	1.2	1.2	0.9	#N/A	
<b>CONSTRUCTION PMI: Ulster Bank</b>									
- Housing Activity	61.3	63.6	58.2	56.6	55.1	56.5	54.5	56.7	Housing registrations up 60% YoY in the three months to Nov, but still at low levels
- Commercial Activity	61.9	69.2	59.5	57.4	57.4	56.1	55.5	58.6	
- New Orders	59.6	65.3	60.8	56.1	55.7	58.4	54.7	55.6	
- Business Expectations	63.7	66.2	61.2	62.5	59.9	56.7	56.1	57.2	
<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>									
Housing Registrations: 12Mth Total	6,932	7,155	8,281	8,468	8,623	9,265	9,441	9,511	12mth cumulative total of commencements total above 17k, though still at a low level overall
- 3 Month Avg YoY %	70.4	34.4	132.3	107.0	104.0	67.8	68.1	60.4	
Commencements: 12mth Total	14,979	15,579	16,277	16,604	16,945	17,323	17,151	#N/A	Steady improvement in level of completions, which should total c.19k in 2017. But, still well below market demand
- 3 Month Avg YoY %	56.2	81.8	62.7	47.1	46.0	34.7	14.3	#N/A	
Completions (ESB Connection): Month	1,413	1,686	1,541	1,744	1,606	1,647	1,529	#N/A	
- 12 Mth Total	15,948	16,340	16,826	17,460	17,651	17,958	18,197	#N/A	
<b>HOUSING MARKET ACTIVITY</b>									
BPFI Mortgage Approvals : Month	2,870	3,509	3,682	3,415	3,380	3,081	#N/A	#N/A	YoY growth in mortgage approvals slowed in Q3 to 14.5%. It continues to outpace transactions growth (9.1% in 3mth to Oct) as lack of supply remains key issue
- 3 Month Avg YoY %	41.5	37.0	23.8	25.8	19.5	14.5	#N/A	#N/A	
- 12 Mth Total	33,218	34,111	34,884	35,391	35,823	36,138	#N/A	#N/A	
RPPR Transactions : Month	3,676	4,143	4,596	4,761	4,372	4,736	4,762	#N/A	CSO house price growth still c.12%. Ex-Dublin growth (12.8%) still outpacing price inflation in the Capital (11.6%)
- 3 Month Avg YoY %	6.6	9.7	7.4	9.8	10.2	9.9	9.1	#N/A	
- 12 Mth Total	48,629	48,867	49,453	49,802	50,135	50,790	51,084	#N/A	
<b>HOUSING MARKET PRICES</b>									
CSO Price Index - MoM	0.3	1.5	1.4	2.4	1.6	1.5	0.5	#N/A	CSO rent price inflation has slowed in recent months (at 5.6% in Nov). Although, rents are now 17.7% above their previous peak
- YoY %	9.5	10.9	11.4	11.6	11.8	12.2	12.1	#N/A	
Daft Asking Prices: MoM %	3.5	0.9	-0.9	0.6	0.4	-0.7	#N/A	#N/A	House price rises are impacting affordability, but it remains at relatively accommodative levels
- YoY %	12.5	12.6	10.0	9.7	9.1	7.7	#N/A	#N/A	
<b>RENTS:</b> CSO Private Rents - MoM%	0.5	0.1	0.8	0.4	0.8	0.7	0.5	0.0	
- YoY %	7.9	7.6	7.9	7.3	7.3	6.1	5.6	5.6	
<b>AFFORDABILITY:</b> Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB									
- Mortgage as % of Disposable Income	16.7	17.2	17.4	17.9	18.2	18.5	18.5	#N/A	

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	
<b>CONSUMER PRICES - YoY %</b>	0.9	0.2	-0.4	-0.2	0.4	0.2	0.6	0.5	CPI inflation remains very soft in November at just 0.5%, as goods prices remain a drag
- MoM %	0.4	-0.2	0.1	0.0	0.4	-0.6	-0.1	-0.2	
HICP - YoY %	0.7	0.0	-0.6	-0.2	0.4	0.2	0.5	0.5	HICP inflation also very subdued at 0.5%
- MoM %	0.4	-0.2	0.1	0.1	0.4	-0.6	-0.1	-0.1	

<b>PERSONAL / FINANCIAL</b>									
KBC/ESRI Consumer Confidence	102.0	100.5	105.0	105.1	102.9	105.8	104.8	103.6	Consumer confidence remains very strong in Nov, suggesting that spending growth should remain at a healthy pace
Credit Growth YoY %									
- Private Sector (Underlying)	-5.7	-5.8	-6.0	-6.1	-5.7	-4.8	-3.7	#N/A	Pace of private sector credit decline eases, but is still down by 3.7%
- of which : Household	-2.1	-2.0	-1.9	-1.8	-1.7	-1.5	-1.6	#N/A	
- of which : Mortgage Lending	-2.6	-2.6	-2.5	-2.4	-2.3	-2.1	-2.1	#N/A	


<b>LABOUR MARKET</b>									
Live Register	266,600	263,900	259,300	256,600	249,500	249,300	246,900	244,300	Live Register declined further in Nov, now down 38k YTD. The unemployment rate fell to a new 9½-year low of 6.1%
- Change In Month	-4,500	-2,700	-4,600	-2,700	-7,100	-200	-2,400	-2,600	
Unemployment Rate %	6.7	6.6	6.5	6.5	6.4	6.4	6.3	6.1	The Mfg PMI employment component jumped to a strong level of 57.1 in Nov. The key services index edged lower, while remaining encouraging at 57.6. Construction sector employment also strong at 56.7. Employment likely remained solid in Q4
Redundancies	231	374	230	252	337	249	#N/A	#N/A	
-12 Mth Total	3,601	3,359	3,171	3,086	3,085	2,973	#N/A	#N/A	
PMI Employment Indices									
- Investec Manufacturing	56.2	57.5	54.9	53.4	53.3	51.8	53.7	57.1	
- Investec Services	58.1	55.8	58.6	59.4	58.5	58.6	58.3	57.6	
- Ulster Bank Construction	61.0	60.8	59.7	60.7	60.9	56.0	54.8	56.7	

<b>MERCHANDISE TRADE</b>									
Export Values - 3M / 3M %	1.2	-1.5	-6.3	-4.7	-6.5	-3.4	-3.0	#N/A	Value of goods exports down 6.3% YoY in 3mths to Oct, largely due to fall in value of chemical & aircraft related sales
- 3MMA YoY %	9.2	8.1	2.4	2.3	-4.5	-4.9	-6.3	#N/A	
Import Values - 3M / 3M %	3.0	5.2	13.8	-1.2	-6.8	-12.7	-5.8	#N/A	Import values down by a more modest 0.7% as sterling related drag wanes
- 3MMA YoY %	7.9	7.5	8.3	1.2	-2.0	-4.7	-0.7	#N/A	

<b>PUBLIC FINANCES</b>									
Total Tax Receipts: Cum YTD %	0.5	2.9	4.0	4.5	4.9	5.4	6.2	5.8	Tax receipts on profile at the end of November. Spending slightly below expectations
Voted Spending : Cum YTD %	4.0	5.3	5.0	5.1	5.2	5.2	5.0	5.0	
Exchequer Bal: 12 Mth Total €m	-2,494	-504	2,615	-1,874	477	1,357	1,743	2,063	Thus, finances on track for Govt' deficit of just -0.3% in 2017

<b>QUARTERLY DATA</b>									
	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	
<b>GDP - YoY %</b>	26.6	2.5	5.4	2.7	9.9	5.1	6.3	10.5	Irish GDP grew by 10.5% YoY in Q3, but data remain distorted
*Domestic Demand - YoY% (3Q Avg)	7.6	5.7	3.3	3.2	5.0	6.2	6.2	4.9	
Consumer Spending - YoY %	4.4	5.9	3.1	1.9	2.2	1.6	1.5	2.7	Growth in modified domestic spending (excludes some multinational investment) rose by a strong 4.9% in Q1-Q3, suggesting firm 'underlying' domestic growth
Services Exports - YoY % (3Q Avg)	14.7	12.4	10.7	10.2	10.6	13.4	14.0	12.9	
* Excludes Some Investment Related to the Multinational Sector									

<b>EMPLOYMENT &amp; EARNINGS</b>									
Employment YoY %	2.3	2.4	2.9	2.9	3.3	3.5	2.4	#N/A	Employment grows at a strong 3% YoY in H1. Underlying data show jobs growth in most sectors, with construction particularly encouraging
Labour Force YoY %	0.8	0.6	1.5	1.5	1.2	1.6	0.1	#N/A	
Average Earnings YoY %									YoY growth in weekly earnings modest at 1.7% in Q3. Large discrepancies between sectors, with some showing very strong wage growth, while others broadly flat or even declining
- Hourly	-0.7	0.9	0.4	0.2	1.0	0.6	1.2	2.3	
- Weekly	1.2	1.5	0.9	1.3	0.7	1.5	1.8	1.7	
Weekly Earnings YoY %									
- Private Sector	1.0	2.7	2.1	1.9	1.4	1.7	1.4	1.5	
- Public Sector	1.8	-0.5	-1.0	1.2	-0.7	1.7	3.2	2.7	

	<b>Oliver Mangan</b> Chief Economist oliver.n.mangan@aib.ie	<b>John Fahey</b> Senior Economist john.j.fahey@aib.ie	<b>Dara Turnbull</b> Economist dara.c.turnbull@aib.ie
	AIB Bankcentre, Ballsbridge, Dublin 4		Tel: 353-1-6600311      www.aibconomics.com

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, plc and Allied Irish Banks (GB). In Northern Ireland it is distributed by First Trust Bank. In the United States of America it is distributed by Allied Irish Banks, plc. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and First Trust Bank are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI 018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.