

# Irish Economy Watch

AIB Treasury Economic Research Unit



17 January 2018

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	
<b>MANUFACTURING</b>									
Investec Manufacturing PMI	55.9	56.0	54.6	56.1	55.4	54.4	58.1	59.1	Manufacturing PMI jumped further to 59.1 in Dec, its highest level since the index began in 1998. Suggests sector performing very strongly
OECD Leading Indicator	101.1	101.0	100.9	100.7	100.4	100.2	99.9	#N/A	
Industrial Production (Ex-Modern)	121.4	119.8	121.4	117.1	117.4	121.8	120.8	#N/A	Production (ex-modern) has been somewhat firmer. However, in contrast to the PMIs, its remains in decline YoY
Production (Ex-Modern) : 3mma YoY%	1.2	-1.5	0.2	-1.9	-3.9	-3.5	-2.5	#N/A	
3mth / 3mth % seas. adj.	-1.6	-3.5	-1.3	-2.0	-1.4	-1.7	0.5	#N/A	
<b>SERVICES / RETAIL</b>									
Investec Services PMI	59.5	57.6	58.3	58.4	58.7	57.5	56.0	60.4	The services PMI jumped to an 8mth high (60.4) in December, suggesting that the sector also ended 2017 strongly
Monthly Services Index (Value)	127.8	125.2	131.7	123.1	125.6	128.4	127.6	#N/A	
- YoY %	3.2	0.6	8.4	-2.4	-0.6	2.3	0.5	#N/A	Volatile services index up by a modest 0.4% in 3mths to Nov
- 3mth / 3mth % seas. adj.	-0.7	-2.1	0.7	-0.3	0.4	-2.0	0.4	#N/A	
SIMI Car Registrations	5,994	1,401	27,707	5,730	3,897	1,944	683	159	New car sales were down 10.4% in 2017 vs 2016. But, the decline was more than offset by the rise in imports of second hand cars, largely due to the sharp fall in sterling
- 12 mth cum total	136,726	136,503	134,327	132,771	131,980	131,684	131,618	131,347	
- 3 mma YoY %	-12.2	-17.6	-7.6	-10.2	-10.8	-18.6	-15.0	-18.5	
Retail Sales Index	128.9	122.0	136.1	130.6	130.5	130.4	133.8	#N/A	Core retail sales continue to perform strongly—up 2.1% on a 3mth/3mth basis in November
- YoY %	4.3	4.4	2.9	4.8	5.1	4.3	6.9	#N/A	
- 3mth / 3mth % seas. adj.	0.2	-1.4	1.6	1.8	5.3	1.2	1.5	#N/A	
Ex Autos Index	122.9	122.8	123.4	123.7	125.2	125.0	127.3	#N/A	
- YoY %	7.2	7.0	7.7	6.6	7.6	6.3	7.5	#N/A	
- 3mth / 3mth % seas. adj.	2.2	1.9	2.0	1.4	1.4	1.3	2.1	#N/A	
<b>CONSTRUCTION PMI: Ulster Bank</b>									
- Housing Activity	63.6	58.2	56.6	55.1	56.5	54.5	56.7	58.0	Construction PMI averaged 56.4 in Q4, points to continued solid growth. Housing activity sub-index averaged strong 57.8
- Commercial Activity	69.2	59.5	57.4	57.4	56.1	55.5	58.6	59.4	
- New Orders	65.3	60.8	56.1	55.7	58.4	54.7	55.6	56.1	Housing registrations totalled 9,466 in 2017 (+68% YoY), but this is still a low level
- Business Expectations	66.2	61.2	62.5	59.9	56.7	56.1	57.2	59.4	
<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>									
Housing Registrations: 12Mth Total	7,155	8,281	8,468	8,623	9,265	9,441	9,511	9,466	Continued rise in commencements in the 12mths to Nov, but still at a low level
- 3 Month Avg YoY %	34.4	132.3	107.0	104.0	67.8	68.1	60.4	12.4	
Commencements: 12mth Total	15,579	16,277	16,604	16,945	17,323	17,151	17,633	#N/A	Steady improvement in level of completions, which should total over 19k in 2017. But, still well below market demand
- 3 Month Avg YoY %	81.8	62.7	47.1	46.0	34.7	14.3	16.5	#N/A	
Completions (ESB Connection): Month	1,686	1,541	1,744	1,606	1,647	1,529	2,247	#N/A	
- 12 Mth Total	16,340	16,826	17,460	17,651	17,958	18,197	18,865	#N/A	
<b>HOUSING MARKET ACTIVITY</b>									
BPFI Mortgage Approvals : Month	3,509	3,682	3,415	3,380	3,081	3,224	3,243	#N/A	YoY growth in mortgage approvals has continued to slow—at 12% in 3mth to November. Transactions growth still close to 11% as lack of supply remains an issue
- 3 Month Avg YoY %	37.0	23.8	25.8	19.5	14.5	16.1	11.7	#N/A	
- 12 Mth Total	34,111	34,884	35,391	35,823	36,138	36,734	36,822	#N/A	CSO house price growth still 11-12%. Ex-Dublin growth (11.7%) still outpacing price inflation in the Capital (11.3%)
RPPR Transactions : Month	4,143	4,596	4,761	4,372	4,761	4,918	4,921	#N/A	
- 3 Month Avg YoY %	9.7	7.4	9.8	10.2	10.6	10.8	10.9	#N/A	CSO rent prices grew by 7.2% in 2017, a slight slowdown vs 9.5% in 2016. Rents 18.5% above previous peak in December
- 12 Mth Total	48,867	49,453	49,802	50,135	50,929	51,379	52,020	#N/A	
<b>HOUSING MARKET PRICES</b>									
CSO Price Index - MoM	1.5	1.4	2.4	1.6	1.3	0.4	1.1	#N/A	Decline in mortgage interest rates helps affordability, counteracting somewhat rising house prices
- YoY %	10.9	11.4	11.6	11.8	12.0	11.8	11.6	#N/A	
Daft Asking Prices: MoM %	0.9	-0.9	0.6	0.4	-0.7	0.6	-1.8	2.9	
- YoY %	12.6	10.0	9.7	9.1	7.7	10.2	7.9	9.4	
<b>RENTS:</b> CSO Private Rents - MoM%	0.1	0.8	0.4	0.8	0.7	0.5	0.0	0.8	
- YoY %	7.6	7.9	7.3	7.3	6.1	5.6	5.6	6.1	
<b>AFFORDABILITY:</b> Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB									
- Mortgage as % of Disposable Income	17.2	17.4	17.9	18.2	18.4	18.5	17.9	#N/A	

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<b>CONSUMER PRICES</b> - YoY %	0.2	-0.4	-0.2	0.4	0.2	0.6	0.5	0.4
- MoM %	-0.2	0.1	0.0	0.4	-0.6	-0.1	-0.2	-0.1
HICP - YoY %	0.0	-0.6	-0.2	0.4	0.2	0.5	0.5	0.5
- MoM %	-0.2	0.1	0.1	0.4	-0.6	-0.1	-0.1	-0.1

CPI inflation remains very soft in December at just 0.4%, as goods prices remain a drag

Overall, CPI rose by just 0.4% in 2017 after 0% in 2016. HICP inflation rose 0.2% in 2017

#### PERSONAL / FINANCIAL

KBC/ESRI Consumer Confidence	100.5	105.0	105.1	102.9	105.8	104.8	103.6	103.2
Credit Growth YoY %								
- Private Sector (Underlying)	-5.8	-6.0	-6.1	-5.7	-4.8	-3.7	-2.7	#N/A
- of which : Household	-2.0	-1.9	-1.8	-1.7	-1.5	-1.6	-1.5	#N/A
- of which : Mortgage Lending	-2.6	-2.5	-2.4	-2.3	-2.1	-2.1	-1.9	#N/A

Consumer confidence has edged back from Sept's 20mth high, while remaining strong. Sub-indices show some 'concern' on personal finances

Pace of decline in private sector credit has continued to ease, though it is still down 2.7% YoY

#### LABOUR MARKET

Live Register	263,900	259,300	256,600	249,500	249,300	246,900	244,200	241,300
- Change In Month	-2,700	-4,600	-2,700	-7,100	-200	-2,400	-2,700	-2,900
Unemployment Rate %	6.7	6.6	6.7	6.7	6.7	6.5	6.4	6.2
Redundancies	374	230	252	337	249	291	288	175
-12 Mth Total	3,359	3,171	3,086	3,085	2,973	3,052	3,083	3,056
PMI Employment Indices								
- Investec Manufacturing	57.5	54.9	53.4	53.3	51.8	53.7	57.1	60.2
- Investec Services	55.8	58.6	59.4	58.5	58.6	58.3	57.6	58.4
- Ulster Bank Construction	60.8	59.7	60.7	60.9	56.0	54.8	56.7	53.7

Live Register declined by 41k in 2017, close to 2016's 45k

The unemployment rate declined for a third consecutive month in December, falling to a 9½-year low of 6.2%

The PMI employment sub-indices suggest jobs growth remained solid in Q4. The manufacturing index averaged 57.0, services 58.1 and construction a solid 55.1

#### MERCHANDISE TRADE

Export Values - 3M / 3M %	-1.5	-6.4	-4.7	-6.5	-3.3	-3.2	-0.7	#N/A
- 3MMA YoY %	8.1	2.4	2.4	-4.4	-4.9	-6.4	-6.1	#N/A
Import Values - 3M / 3M %	6.0	13.0	-1.7	-7.2	-12.5	-5.7	-2.7	#N/A
- 3MMA YoY %	8.3	8.3	1.4	-1.8	-4.4	-0.5	-5.7	#N/A

Value of goods exports down 6.1% YoY in 3mths to Nov, largely due to fall in value of chemical & aircraft related sales

Import values down by similar 5.7% YoY, also reflecting fall in value of chemicals and aircraft

#### PUBLIC FINANCES

Total Tax Receipts: Cum YTD %	2.9	4.0	4.5	4.9	5.4	6.2	5.8	6.0
Voted Spending : Cum YTD %	5.3	5.0	5.1	5.2	5.2	5.0	5.0	5.2
Exchequer Bal: 12 Mth Total €m	-504	2,615	-1,874	477	1,357	1,743	2,063	1,908

Tax receipts broadly on profile in 2017. Spending slightly above expectations

Thus, Government deficit of 0.3% of GDP in 2017 likely

#### QUARTERLY DATA

	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17
<b>GDP</b> - YoY %	26.6	2.5	5.4	2.7	9.9	5.1	6.3	10.5
*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
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

Irish GDP grew by 10.5% YoY in Q3, but data remain distorted

Growth in modified domestic spending (excludes some multinational investment) rose by a strong 4.9% in Q1-Q3, suggesting firm 'underlying' domestic growth

#### EMPLOYMENT & EARNINGS

Employment YoY %	3.0	3.4	3.8	3.8	3.8	3.7	2.5	2.2
Labour Force YoY %	1.4	1.4	2.3	2.3	1.7	1.8	0.1	0.5
Average Earnings YoY %								
- 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

First iteration of new CSO Labour Force Survey (LFS) shows YoY employment growth of 2.2% in Q3. Surprising weakness in labour force growth

Weekly earnings growth modest in Q3 (1.7%). Dichotomy between sectors, with some showing strong growth, while others flat or declining



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