

Irish Economy Watch

AIB Treasury Economic Research Unit



15 May 2018

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	
MANUFACTURING									
Investec Manufacturing PMI	55.4	54.4	58.1	59.1	57.6	56.2	54.1	55.3	Mfg PMI showed some recovery in April after March weather related decline. Index still points to solid pace of growth
OECD Leading Indicator	100.6	100.4	100.2	100.1	100.0	99.8	#N/A	#N/A	
Industrial Production (Ex-Modern)	101.6	105.4	104.7	105.3	103.0	104.3	102.5	#N/A	
Production (Ex-Modern) : 3mma YoY%	-3.6	-1.9	-0.5	2.8	0.3	-1.0	-7.9	#N/A	Production (ex-modern) fell by 1.8% in Q1 after rising by 4.3% in Q4'17. This largely reflects a sharp fall in food output due to severe weather in March
3mth / 3mth % seas. adj.	-1.9	0.3	2.9	4.3	2.0	0.3	-1.8	#N/A	
SERVICES / RETAIL									
Investec Services PMI	58.7	57.5	56.0	60.4	59.8	57.2	56.5	58.4	The services PMI also recovered in April following March cold weather decline. It suggests the sector started Q2 very strongly
Monthly Services Index (Value)	108.8	109.9	111.0	110.4	113.7	110.9	108.9	#N/A	
- YoY %	2.9	3.1	3.4	4.4	8.1	1.4	2.5	#N/A	
- 3mth / 3mth % seas. adj.	1.6	1.4	1.2	1.1	2.0	1.6	0.7	#N/A	Volatile services index +0.7% in Q1 vs Q4'17
SIMI Car Registrations	3,897	1,944	683	159	37,024	17,014	17,753	8,087	
- 12 mth cum total	131,980	131,684	131,618	131,347	129,366	129,290	127,150	127,393	New car sales down by 4.7% YTD. The decline is being broadly offset by imports of used cars, primarily from the UK
- 3 mma YoY %	-10.8	-18.6	-15.0	-18.5	-5.8	-4.1	-5.5	-4.4	
Retail Sales Index	109.3	110.0	112.0	111.1	110.4	109.9	107.4	#N/A	Core retail sales recorded a modest 0.3% increase in Q1. The March weather depressed the quarterly average somewhat, with all retail sectors declining in the month
- YoY %	4.2	4.1	5.9	5.5	1.5	1.7	-2.7	#N/A	
- 3mth / 3mth % seas. adj.	5.8	0.5	0.4	-1.2	1.0	0.0	-1.6	#N/A	
Ex Autos Index	107.9	107.7	110.0	108.7	109.6	109.6	108.1	#N/A	Construction PMI rose to 60.7 in April, above its Q1 avg of 59.4. Housing sub-index very encouraging at a 1yr high of 62
- YoY %	6.2	5.8	7.7	6.5	5.3	5.4	2.3	#N/A	
- 3mth / 3mth % seas. adj.	0.9	0.3	0.8	0.9	1.5	0.7	0.3	#N/A	
CONSTRUCTION PMI: Ulster Bank									
- Housing Activity	56.5	54.5	56.7	58.0	61.4	59.2	57.5	60.7	Registrations declined by 8.9% YoY in Q1. They also remain at very low levels overall
- Commercial Activity	56.1	55.5	58.6	59.4	60.4	61.0	60.4	62.0	
- New Orders	58.4	54.7	55.6	56.1	61.9	59.4	58.0	63.1	YoY growth in commencements has accelerated again, at 29.5% in Feb, but still low overall
- Business Expectations	56.7	56.1	57.2	59.4	60.5	60.3	58.5	61.6	
RESIDENTIAL CONSTRUCTION ACTIVITY									
Housing Registrations: 12Mth Total	75.7	74.0	72.5	75.1	76.2	80.5	80.4	76.3	Completions totalled 20k in the 12mths to February. However, this is still well below estimated demand of 30-35k
- 3 Month Avg YoY %	67.8	68.1	60.4	12.4	1.6	0.5	-8.9	#N/A	
Commencements: 12mth Total	9,265	9,441	9,511	9,466	9,464	9,521	9,269	#N/A	
- 3 Month Avg YoY %	67.8	68.1	60.4	12.4	1.6	0.5	-8.9	#N/A	Mortgage approvals decline by 3.9% YoY in Q1—perhaps partly due to affordability issues
Completions (ESB Connection): Month	1,647	1,529	2,247	1,962	1,418	1,740	#N/A	#N/A	
- 12 Mth Total	17,323	17,151	17,633	17,572	17,913	18,544	#N/A	#N/A	
- 3 Month Avg YoY %	34.7	14.3	16.5	6.2	24.2	29.5	#N/A	#N/A	
HOUSING MARKET ACTIVITY									
BPFI Mortgage Approvals : Month	3,081	3,224	3,243	2,301	2,586	2,523	2,737	#N/A	Growth in transactions also slowed in Q1 to just 0.6% YoY, from 23% in Q4'17
- 3 Month Avg YoY %	14.5	16.1	11.7	9.1	3.7	2.2	-3.9	#N/A	
- 12 Mth Total	36,138	36,734	36,822	36,868	37,026	36,981	36,551	#N/A	CSO house price growth accelerates further to 12.7% in March. Ex-Dublin growth (13.4%) still outpacing price inflation in the Capital (12.1%)
RPPR Transactions : Month	4,786	4,959	5,070	6,338	3,283	3,904	3,819	#N/A	
- 3 Month Avg YoY %	11.0	11.5	12.6	23.0	23.4	20.7	0.6	#N/A	
- 12 Mth Total	51,051	51,542	52,332	54,114	54,329	54,647	54,179	#N/A	CSO rent price inflation has broadly stabilised recently just above 6%. Rents are now 21% above their previous peak
HOUSING MARKET PRICES									
CSO Price Index - MoM	1.3	0.3	0.8	0.5	0.4	0.8	0.7	#N/A	Lower mortgage rates and personal taxes, as well as higher wages helping housing affordability
- YoY %	12.0	11.7	11.2	12.1	11.8	12.5	12.7	#N/A	
Daft Asking Prices: MoM %	-0.7	0.6	-1.8	2.9	0.1	1.7	0.1	#N/A	RENTS: CSO Private Rents - MoM%
- YoY %	7.7	10.2	7.9	9.4	6.9	7.5	7.5	#N/A	
- YoY %	6.1	5.6	5.6	6.1	6.3	6.2	6.4	6.5	AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB
- Mortgage as % of Disposable Income	18.2	18.1	17.3	17.4	17.3	17.5	17.6	#N/A	

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CONSUMER PRICES - YoY %	0.2	0.6	0.5	0.4	0.2	0.5	0.2	-0.4
- MoM %	-0.6	-0.1	-0.2	-0.1	-0.7	0.9	0.3	-0.2
HICP - YoY %	0.2	0.5	0.5	0.5	0.3	0.7	0.5	-0.1
- MoM %	-0.6	-0.1	-0.1	-0.1	-0.7	0.9	0.4	-0.2

CPI inflation fell back into negative territory in April (-0.4%). This largely reflects a massive 29% fall in the volatile airfares component of the CPI

HICP inflation also negative in April, at -0.1%—rebound likely

PERSONAL / FINANCIAL

KBC/ESRI Consumer Confidence	105.8	104.8	103.6	103.2	110.4	105.2	108.1	104.0
Credit Growth YoY %								
- Private Sector (Underlying)	-4.9	-3.7	-2.6	-2.2	-1.7	-1.1	-0.6	#N/A
- of which : Household	-1.5	-1.5	-1.5	-1.5	-1.5	-1.6	-1.5	#N/A
- of which : Mortgage Lending	-2.1	-2.1	-2.1	-2.0	-1.9	-1.9	-1.8	#N/A

Consumer confidence softer in April after big jump in March. Index is still at a very high level, though.

Pace of decline in private sector credit eased further to 0.6% in March, a 6½ year low

LABOUR MARKET

Live Register	250,400	248,400	245,000	241,500	238,500	235,200	232,700	229,600
- Change In Month	+3,000	-2,000	-3,400	-3,500	-3,000	-3,300	-2,500	-3,100
Unemployment Rate %	6.6	6.5	6.4	6.3	6.2	6.1	6.0	5.9
Redundancies	249	291	288	175	132	211	152	#N/A
-12 Mth Total	2,973	3,052	3,083	3,056	3,050	3,036	2,922	#N/A
PMI Employment Indices								
- Investec Manufacturing	51.8	53.7	57.1	60.2	57.6	57.3	55.8	55.0
- Investec Services	58.6	58.3	57.6	58.4	56.1	55.9	54.2	57.1
- Ulster Bank Construction	56.0	54.8	56.7	53.7	57.1	57.3	58.5	62.9

Live Register continued to decline in April—down 40k in the last 12 months. The unemployment rate moves below 6% for the first time since May 2008

The PMI employment sub-indices pointed to encouraging jobs growth in April. The construction sector is particularly strong, rising to a 14 month high of 62.9. Services index at 57.1, Mfg solid at 55

MERCHANDISE TRADE

Export Values - 3M / 3M %	-3.2	-2.5	1.4	4.0	12.7	14.6	#N/A	#N/A
- 3MMA YoY %	-4.8	-5.8	-4.0	-1.2	7.6	9.3	#N/A	#N/A
Import Values - 3M / 3M %	-12.9	-2.5	3.7	8.7	5.7	4.8	#N/A	#N/A
- 3MMA YoY %	-1.8	6.1	3.4	6.4	4.1	4.8	#N/A	#N/A

Value of goods exports up 14.6% on a 3mth/3mth basis in February largely driven by jump in chemical & pharma sectors

Imports values up by 4.8%, which suggests trade may have a positive impact on GDP in Q1

PUBLIC FINANCES

Total Tax Receipts: Cum YTD %	5.4	6.2	5.8	6.0	5.2	4.1	4.0	4.5
Voted Spending : Cum YTD %	5.2	5.0	5.0	5.2	25.9	5.0	3.9	8.6
Exchequer Bal: 12 Mth Total €m	1,357	1,743	2,063	1,908	1,967	1,538	1,697	1,015

Tax receipts +4.5% YTD in April—broadly in line with expectations

Government targeting deficit of just 0.2% of GDP in 2018

QUARTERLY DATA

	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17
GDP - YoY %	2.5	5.4	2.7	9.9	5.3	6.3	10.9	8.4
*Domestic Demand - YoY% (3Q Avg)	5.7	3.3	3.2	5.0	6.2	6.4	5.5	3.4
Consumer Spending - YoY %	5.9	3.1	1.9	2.2	1.5	1.5	2.7	1.8
Services Exports - YoY % (3Q Avg)	12.4	10.7	10.2	10.6	13.4	14.0	12.9	12.1

* Excludes Some Investment Related to the Multinational Sector

Irish GDP grew by 8.4% YoY in Q4 and 7.8% in 2017 as a whole. The data remain heavily distorted by the activity of multi-nationals

Modified final domestic demand, which excludes some multi-national activity, grew by 4% in 2017

EMPLOYMENT & EARNINGS

Employment YoY %	3.4	3.8	3.8	3.8	3.7	2.5	2.2	3.1
Labour Force YoY %	1.4	2.3	2.3	1.8	1.8	0.1	0.5	1.9
Average Earnings YoY %								
- Hourly	0.9	0.4	0.2	1.0	0.6	1.2	2.8	2.3
- Weekly	1.5	0.9	1.3	0.7	1.5	1.8	2.1	2.5
Weekly Earnings YoY %								
- Private Sector	2.7	2.1	1.9	1.4	1.7	1.4	1.8	2.5
- Public Sector	-0.5	-1.0	1.2	-0.7	1.7	3.2	2.8	2.7

Employment grew by 3.1% YoY in Q4 and 2.9% in 2017. At 2.23m, the number in employment is now very close to its 2007 peak. Labour force growth accelerated in Q4

Weekly earnings growth picks up to 2.5% in Q4. Dichotomy between sectors, with some showing strong growth, while a few are flat or declining



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