

# Irish Economy Watch

AIB Treasury Economic Research Unit



14 November 2017

	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
<b>MANUFACTURING</b>								
Investec Manufacturing PMI	53.6	55.0	55.9	56.0	54.6	56.1	55.4	54.4
OECD Leading Indicator	100.9	100.9	100.9	100.8	100.8	100.7	100.6	#N/A
Industrial Production (Ex-Modern)	124.6	119.7	121.1	119.4	120.7	116.4	115.1	#N/A
Production (Ex-Modern) : 3mma YoY%	3.6	1.1	1.2	-1.5	0.1	-1.9	-4.5	#N/A
3mth / 3mth % seas. adj.	2.3	-1.2	-1.7	-3.6	-1.7	-2.4	-2.2	#N/A
<b>SERVICES / RETAIL</b>								
Investec Services PMI	59.1	61.1	59.5	57.6	58.3	58.4	58.7	57.5
Monthly Services Index (Value)	127.4	125.5	127.5	125.2	131.7	122.4	122.6	#N/A
- YoY %	3.2	1.6	3.2	0.6	8.3	-2.5	-2.9	#N/A
- 3mth / 3mth % seas. adj.	2.1	-0.4	-1.0	-2.2	0.8	-0.3	-0.4	#N/A
SIMI Car Registrations	19,893	7,844	5,994	1,401	27,711	5,735	3,900	1,947
- 12 mth cum total	139,769	137,231	136,726	136,503	134,331	132,780	131,992	131,699
- 3 mma YoY %	-8.3	-16.2	-12.2	-17.6	-7.6	-10.2	-10.8	-18.5
Retail Sales Index	126.7	126.1	128.6	121.9	135.9	129.6	126.4	#N/A
- YoY %	3.1	1.4	4.3	4.4	2.8	4.6	1.2	#N/A
- 3mth / 3mth % seas. adj.	1.5	0.2	0.0	-1.5	1.5	1.6	4.1	#N/A
Ex Autos Index	120.6	121.3	122.8	122.8	123.3	123.5	125.1	#N/A
- YoY %	6.1	6.6	7.2	7.0	7.6	6.7	7.8	#N/A
- 3mth / 3mth % seas. adj.	1.9	1.7	2.1	1.8	1.9	1.3	1.4	#N/A
<b>CONSTRUCTION PMI: Ulster Bank</b>								
- Housing Activity	60.8	61.3	63.6	58.2	56.6	55.1	56.5	54.5
- Commercial Activity	61.3	61.9	69.2	59.5	57.4	57.4	56.1	55.5
- New Orders	63.5	59.6	65.3	60.8	56.1	55.7	58.4	54.7
- Business Expectations	59.3	63.7	66.2	61.2	62.5	59.9	56.7	56.1
	77.9	78.2	76.0	81.0	74.9	77.7	75.7	74.0
<b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>								
Housing Registrations: 12Mth Total	6,573	6,932	7,155	8,281	8,468	8,623	9,265	#N/A
- 3 Month Avg YoY %	75.0	70.4	34.4	132.3	107.0	104.0	67.8	#N/A
Commencements: 12mth Total	14,192	14,979	15,579	16,277	16,604	16,945	#N/A	#N/A
- 3 Month Avg YoY %	33.0	56.2	81.8	62.7	47.1	46.0	#N/A	#N/A
Completions (ESB Connection): Month	1,389	1,413	1,686	1,541	1,744	1,606	#N/A	#N/A
- 12 Mth Total	15,684	15,948	16,340	16,826	17,460	17,651	#N/A	#N/A
<b>HOUSING MARKET ACTIVITY</b>								
BPFI Mortgage Approvals : Month	3,167	2,870	3,509	3,682	3,415	3,380	3,081	#N/A
- 3 Month Avg YoY %	58.5	41.5	37.0	23.8	25.8	19.5	14.5	#N/A
- 12 Mth Total	32,949	33,218	34,111	34,884	35,391	35,823	36,138	#N/A
RPPR Transactions : Month	4,269	3,676	4,143	4,596	4,761	4,372	4,594	#N/A
- 3 Month Avg YoY %	11.5	6.6	9.7	7.4	9.8	10.2	8.8	#N/A
- 12 Mth Total	48,621	48,629	48,867	49,453	49,802	50,135	50,648	#N/A
<b>HOUSING MARKET PRICES</b>								
CSO Price Index - MoM	0.4	0.3	1.5	1.4	2.4	1.6	2.0	#N/A
- YoY %	9.8	9.5	10.9	11.4	11.6	11.8	12.8	#N/A
Daft Asking Prices: MoM %	0.1	3.5	0.9	-0.9	0.6	0.4	-0.7	#N/A
- YoY %	8.0	12.5	12.6	10.0	9.7	9.1	7.7	#N/A
<b>RENTS: CSO Private Rents - MoM%</b>	0.3	0.5	0.1	0.8	0.4	0.8	0.7	0.5
- YoY %	8.6	7.9	7.6	7.9	7.3	7.3	6.1	5.6
<b>AFFORDABILITY: Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB</b>								
- Mortgage as % of Disposable Income	16.5	16.7	17.2	17.4	17.8	18.1	18.4	#N/A

Manufacturing PMI averaged 55.3 in Q3, pointing to solid growth in the sector. The index remained at a very encouraging level in October

This is in contrast to production (ex-modern), which declined by 2.2% in Q3 after falling by 3.6% in Q2

The services PMI averaged 58.5 in Q3, suggesting further strong growth in the sector. Index still strong (57.5) in Oct

Volatile services index fell slightly (0.4%) in Q3

New car sales are down 10% in the year to October. The decline is being offset by rise in imports of second hand cars, largely due to the sharp fall in sterling

Core retail sales continue to grow very strongly, up 1.4% in Q3. Underlying data show broad based improvement

Construction PMI eased back in October. Expectations in the sector remain very strong

Housing registrations up 91% in the year to September. But, remain at an overall low level

12mth cumulative total of commencements on a strong upward trend (now c.17k), though still at low level

Steady improvement in level of completions, which could reach almost 20k in 2017. But, still well below market demand

YoY growth in mortgage approvals slowed in Q3 to 14.5%. But, it continues to outpace transactions growth (Q3 8.8%) as lack of supply remains key issue

CSO house price growth accelerates further in Sept (now 12.8%). Prices rising more strongly outside Dublin (13.2%) than in the Capital (12.2%) again

CSO rent prices continue to rise in October, now 17.7% above previous peak. Although, pace of YoY growth in rents has slowed further, now at 5.6%

House price rises are impacting affordability, but it remains at relatively accommodative levels

	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
<b>CONSUMER PRICES - YoY %</b>	0.7	0.9	0.2	-0.4	-0.2	0.4	0.2	0.6
- MoM %	0.6	0.4	-0.2	0.1	0.0	0.4	-0.6	-0.1
HICP - YoY %	0.6	0.7	0.0	-0.6	-0.2	0.4	0.2	0.5
- MoM %	0.6	0.4	-0.2	0.1	0.1	0.4	-0.6	-0.1

CPI inflation picked up to 0.6% in October, as drag from food & beverages abates and insurance costs rise

HICP inflation also edges higher, from 0.2% to 0.5%

<b>PERSONAL / FINANCIAL</b>								
KBC/ESRI Consumer Confidence	101.9	102.0	100.5	105.0	105.1	102.9	105.8	104.8
Credit Growth YoY %								
- Private Sector (Underlying)	-4.5	-5.7	-5.8	-6.0	-6.1	-5.7	-4.8	#N/A
- of which : Household	-2.2	-2.1	-2.0	-1.9	-1.8	-1.7	-1.5	#N/A
- of which : Mortgage Lending	-2.7	-2.6	-2.6	-2.5	-2.4	-2.3	-2.1	#N/A

Consumer confidence remains very strong in Oct, suggesting that spending growth should remain at a healthy pace

Pace of private sector credit decline eases, but is still severe. Household credit contraction has eased further to -1.5% YoY

<b>LABOUR MARKET</b>								
Live Register	271,100	266,600	263,900	259,200	256,600	249,600	249,300	246,900
- Change In Month	-4,000	-4,500	-2,700	-4,700	-2,600	-7,000	-300	-2,400
Unemployment Rate %	6.6	6.4	6.2	6.1	6.2	6.1	6.1	6.0
Redundancies	266	231	374	230	252	337	249	#N/A
-12 Mth Total	3,809	3,601	3,359	3,171	3,086	3,085	2,973	#N/A
PMI Employment Indices								
- Investec Manufacturing	53.9	56.2	57.5	54.9	53.4	53.3	51.8	53.7
- Investec Services	58.7	58.1	55.8	58.6	59.4	58.5	58.6	58.3
- Ulster Bank Construction	58.6	61.0	60.8	59.7	60.7	60.9	56.0	54.8

Live Register declined further in Oct, now down 35k YTD. The unemployment rate fell to a new 9-year low of 6%

The key services PMI employment sub-index remained at a very strong level in Oct (58.3). The less significant manufacturing sub-index jumped to 53.7, more than reversing Sept fall. Construction sub-index has eased to a 1yr low, but still encouraging

<b>MERCHANDISE TRADE</b>								
Export Values - 3M / 3M %	4.0	0.9	-1.6	-6.5	-5.7	-9.3	#N/A	#N/A
- 3MMA YoY %	13.1	9.0	7.8	2.2	1.1	-7.5	#N/A	#N/A
Import Values - 3M / 3M %	-6.2	2.6	5.8	13.4	-3.4	-12.7	#N/A	#N/A
- 3MMA YoY %	5.5	7.3	7.0	6.8	-1.7	-8.5	#N/A	#N/A

Value of goods exports down 7.5% YoY in 3mths to Aug, largely due to fall in value of chemical & aircraft related sales

Import values down by a greater 8.5% as sterling remains weak and aircraft orders fall

<b>PUBLIC FINANCES</b>								
Total Tax Receipts: Cum YTD %	3.2	0.5	2.9	4.0	4.5	4.9	5.4	6.2
Voted Spending : Cum YTD %	5.7	4.0	5.3	5.0	5.1	5.2	5.2	5.0
Exchequer Bal: 12 Mth Total €m	-745	-2,494	-504	2,615	-1,874	477	1,357	1,743

Tax receipts on profile at the end of October. Spending slightly below expectations

Thus, finances on track for Govt' deficit of just -0.3% in 2017

<b>QUARTERLY DATA</b>								
	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17
<b>GDP - YoY %</b>	26.7	26.6	2.5	5.4	2.7	9.9	5.2	5.8
*Core Domestic Exp - YoY% (3Q Avg)	4.9	4.5	4.7	4.8	5.2	5.5	5.0	3.8
Consumer Spending - YoY %	5.4	4.4	5.9	3.1	1.9	2.2	1.8	1.7
Services Exports - YoY % (3Q Avg)	16.1	14.7	12.4	10.7	10.2	10.6	13.4	13.8
<i>* Excludes Aircraft, R&amp;D/Intangibles</i>								

Irish GDP grew by 5.8% YoY in Q2, up from 5.2% in Q1

Growth in core domestic expenditure has slowed, notably consumer spending. Services exports growth still very strong

<b>EMPLOYMENT &amp; EARNINGS</b>								
Employment YoY %	2.9	2.3	2.4	2.9	2.9	3.3	3.5	2.4
Labour Force YoY %	0.6	0.8	0.6	1.5	1.5	1.2	1.6	0.1
Average Earnings YoY %								
- Hourly	1.4	-0.7	0.9	0.4	0.2	1.0	0.6	1.6
- Weekly	2.4	1.2	1.5	0.9	1.3	0.7	1.5	2.2
Weekly Earnings YoY %								
- Private Sector	3.3	1.0	2.7	2.1	1.9	1.4	1.7	1.9
- Public Sector	0.3	1.8	-0.5	-1.0	1.2	-0.7	1.7	3.3

Employment grows at a strong 3% YoY in H1. Underlying data show jobs growth in most sectors, with construction particularly encouraging

YoY growth in weekly earnings rose further to 2.2% in Q2, partly due to rise in hours worked. Wages now up in nearly all sectors



**Oliver Mangan**  
Chief Economist  
oliver.n.mangan@aib.ie

**John Fahey**  
Senior Economist  
john.j.fahey@aib.ie

**Dara Turnbull**  
Economist  
dara.c.turnbull@aib.ie

AIB Bankcentre, Ballsbridge, Dublin 4 Tel: 353-1-6600311 www.aibconomics.com