

# Irish Economy Watch

AIB Treasury Economic Research Unit



Friday 22 March 2024

Jul-23 Aug-23 Sep-23 Oct-23 Nov-23 Dec-23 Jan-24 Feb-24

## MANUFACTURING

AIB Manufacturing PMI	47.0	50.8	49.6	48.2	50.0	48.9	49.5	52.2
AIB Manufacturing PMI - Future Output	67.1	72.1	71.6	70.0	69.7	71.2	67.0	65.6
Industrial Production (Ex-Modern)	125.2	126.0	128.6	125.6	129.0	133.9	133.5	#N/A
Production (Ex-Modern) : 3mma YoY%	8.3	5.9	5.9	3.4	3.6	8.5	12.5	#N/A
3mth / 3mth % seas. adj.	3.8	1.3	2.8	1.6	2.8	2.3	4.3	#N/A

The manu. PMI jumped to 52.2 in Feb, its highest level since June 2022. A sharp rise in output and employment, alongside growth in new orders were the key features of the survey

Traditional industrial production rose by 4.3% in the 3 mths to Jan and was 12.5% higher YoY

## SERVICES / RETAIL

AIB Services PMI	56.7	55.0	54.5	52.6	54.2	53.2	50.5	54.4
CSO Services Index (Value)	163.0	165.8	166.7	169.8	164.0	168.7	171.6	#N/A
- YoY %	2.7	3.4	4.6	9.1	3.1	6.8	8.6	#N/A
- 3mth / 3mth % seas. adj.	0.7	0.7	1.6	2.9	2.1	1.4	0.4	#N/A
SIMI Car Registrations	27,333	8,261	5,726	2,207	921	345	31,427	16,444
- 12 mth cum total	123,206	123,313	122,721	122,311	122,247	122,383	126,468	129,790
- 3 mma YoY %	29.0	19.8	13.6	-5.2	-10.7	-8.9	14.6	18.5
Retail Sales Index	130.7	130.7	129.1	129.0	129.5	129.9	130.6	#N/A
- YoY %	6.3	3.5	2.1	0.3	1.0	2.8	2.8	#N/A
- 3mth / 3mth % seas. adj.	-1.1	-2.2	-2.9	-1.2	-1.3	-0.5	0.3	#N/A
Ex Autos Index	126.9	129.5	128.7	128.3	129.3	129.9	129.7	#N/A
- YoY %	0.6	1.1	1.0	0.5	-0.7	1.4	0.4	#N/A
- 3mth / 3mth % seas. adj.	0.3	-0.6	-2.4	-1.0	-0.7	0.6	0.6	#N/A

The services PMI improved to 54.4 in Feb, signalling a marked acceleration in growth. New business, including new export orders expanded. However, inflationary pressures continued to strengthen

The CSO services index was up by 8.6% YoY in Jan

New car sales enjoy a strong start to 2024, up 18.3% YTD in Feb. 12mth running total rises to circa 130k

Retail sales rose slightly in Jan, and were 2.8% higher YoY. Core retail sales were marginally lower, and up by just 0.4% YoY

## RESIDENTIAL CONSTRUCTION ACTIVITY

BNP Paribas Construction PMI	45.6	44.9	48.6	47.3	44.5	45.1	45.9	47.4
- Housing Activity	45.9	46.3	48.9	45.3	43.5	45.0	48.3	49.8
- Commercial Activity	45.4	41.9	49.2	50.9	43.8	42.8	44.7	47.2
- New Orders	45.7	45.2	49.4	49.6	46.7	47.2	47.4	47.7
- Business Expectations	59.5	59.4	59.2	53.6	57.2	59.9	58.6	64.9
Commencements: 12mth Total	28,916	29,565	29,961	30,744	31,429	32,801	34,050	35,752
- 3 Month Avg YoY %	19.0	25.8	23.5	29.6	28.9	47.0	52.4	73.3

The construction PMI remained in contraction territory, but rose to 47.4 in Feb, its highest level since Sept. New orders, housing and commercial activity moved higher, but stayed below the key 50 level

Commencements markedly higher in 2024, up 72% YTD. 12 mth rolling total rises above 35.5k in Feb

## HOUSING MARKET ACTIVITY

BPFI Mortgage Approvals : Month	4,136	3,952	3,527	3,676	3,614	2,364	2,718	#N/A
- 3 Month Avg YoY %	11.4	10.1	7.3	3.7	-0.4	-2.2	-5.8	#N/A
- 12 Mth Total	42,614	42,886	42,780	43,017	42,845	42,559	42,399	#N/A
RPPR Transactions : Month	5,353	5,671	5,483	5,592	5,602	6,897	3,381	3,691
- 3 Month Avg YoY %	2.0	2.8	1.1	3.2	-2.6	-0.1	-2.5	-4.6
- 12 Mth Total	62,247	62,857	62,627	62,771	62,410	62,614	62,367	61,741

Mortgage approvals trending lower, with the 3mma down 5.8% YoY in Jan

Transactions fell by 4.6% YoY in 3 mths to Feb. 12 mth running total falls back below 62k

House prices continued to trend higher, up by 0.7% in Jan. They were 5.4% higher YoY

## HOUSING MARKET PRICES

CSO Price Index - MoM	0.5	0.5	1.0	1.1	0.9	1.3	0.7	#N/A
- YoY %	1.6	1.1	1.4	2.3	3.0	4.1	5.4	#N/A
Daft Asking Prices: MoM %	1.6	-0.6	1.0	-2.0	-0.3	0.9	#N/A	#N/A
- YoY %	4.5	4.2	4.5	5.4	5.2	4.8	#N/A	#N/A
RENTS: CSO Private Rents - MoM%	0.6	1.3	0.7	0.0	0.2	0.2	0.1	0.1
- YoY %	7.3	7.2	7.1	6.6	6.3	6.2	6.0	6.0

Asking prices on Daft.ie were revised higher for Q3, and were up 5.1% YoY in Q4

CSO rental index edged 0.1% higher for the second consecutive month in Feb. YoY rate remained at 6.0%

**AFFORDABILITY:** Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB

- Mortgage as % of Disposable Income	20.8	22.7	23.0	22.9	23.0	23.1	#N/A	#N/A
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Affordability deteriorated somewhat in Q4, as house prices continued to rise

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	
<b>CONSUMER PRICES - YoY %</b>	5.9	6.4	6.4	5.0	3.9	4.6	4.1	3.4	Consumer prices rose by 1.0% in Feb. This was largely caused by a rebound in clothing and transport costs. However, the YoY rate dropped to 3.4%, its lowest rate since August 2021. HICP inflation eased to 2.3% also
- MoM %	0.2	0.6	0.1	0.3	-0.8	0.5	-1.3	1.0	
HICP - YoY %	4.6	4.9	5.0	3.6	2.5	3.2	2.7	2.3	Consumer sentiment declined in Feb, but it was still the second highest reading in two years
- MoM %	0.2	0.5	0.1	0.2	-0.9	0.4	-1.4	1.1	

## PERSONAL / FINANCIAL

ILCU Consumer Sentiment Index	64.5	62.2	58.8	60.4	61.9	62.4	74.2	70.2	Private sector credit returned to growth in Jan. Household/ Mortgage credit growth rates unchanged
Credit Growth YoY %									
- Private Sector	-2.0	-1.8	-2.1	-2.2	-2.1	-1.8	2.1	#N/A	Overall, the unemployment rate averaged 4.3% in 2023 versus 4.5% in 2022. It printed at 4.5% in Jan, but fell to 4.2% in Feb, its lowest rate since May 2023
- of which : Household	1.0	1.6	1.6	1.8	1.9	2.0	2.0	#N/A	
- of which : Mortgage Lending	0.9	1.3	1.5	1.6	1.6	1.8	1.8	#N/A	

## LABOUR MARKET

Live Register	180,900	174,100	178,200	175,900	175,000	174,800	176,700	174,600	In Feb, the employment sub-indices of the manufacturing and services PMI's improved. The construction index deteriorated but stayed above the key 50 mark
- Change In Month	-600	-6,800	+4,100	-2,300	-900	-200	+1,900	-2,100	
Unemployment Rate %	4.4	4.4	4.6	4.5	4.4	4.5	4.5	4.2	Goods trade surplus widened markedly to €8.8bn in Jan. Exports rose sharply by 22% YoY to €18.9bn, led by a strong increase in pharma and medical products (up 48% YoY). Imports stood at €9.1bn in Jan, down 21% YoY
PMI Employment Indices									
- AIB Manufacturing	51.6	53.7	53.0	50.2	51.1	50.0	50.6	52.5	
- AIB Services	53.1	53.9	53.2	52.0	53.3	51.9	52.7	54.4	
- BNP Paribas Construction	53.4	51.1	51.2	53.4	49.1	52.3	53.5	52.5	Total tax take up by 5.5% YoY in Feb. Voted expenditure rose by 23% YoY, owing to increases in current and capital spending. 12mth rolling Exchequer surplus jumped to €3.6bn

## MERCHANDISE TRADE

Export Values - 3M / 3M %	-1.7	3.1	-1.5	0.9	-2.1	1.3	-0.6	#N/A	Overall GDP declined by 3.1% in 2023, owing to a normalisation in the Pharma sector. Domestic sector output rose by 3.8%
- 3MMA YoY %	0.3	-3.4	-11.0	-11.8	-7.3	-4.2	2.8	#N/A	
Import Values - 3M / 3M %	3.9	0.1	-4.0	-8.3	3.1	3.6	3.8	#N/A	MDD rose by 0.5% in 2023, boosted by a 3.1% increase in consumer spending
- 3MMA YoY %	-2.1	-7.3	-11.2	-15.3	-3.1	-1.1	-3.5	#N/A	

## PUBLIC FINANCES

Total Tax Receipts: Cum YTD %	10.0	6.6	6.1	4.0	5.8	6.0	4.8	5.5	Employment rose by 3.4% YoY in Q4, putting it 13.8% above pre-COVID levels. Employment rate eased to 74% in Q4, down slightly from Q3. The labour force grew by 3.5% YoY in Q4
Voted Spending : Cum YTD %	9.9	11.0	10.0	9.9	12.9	7.6	20.0	23.2	
Exchequer Bal: 12 Mth Total €m	700	-1,615	-1,809	-3,185	-1,722	1,178	602	3,612	

## QUARTERLY DATA

	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	
<b>GDP - YoY %</b>	8.8	9.3	9.4	10.2	2.7	-0.3	-5.8	-8.7	Weekly average earnings rose by 3.5% YoY in Q4. Public sector pay was down by 1.6% YoY. Private sector earnings rose by 3.5% YoY
*Domestic Demand - YoY%	12.9	10.6	9.0	5.1	4.3	-1.2	-0.1	-0.5	
Consumer Spending - YoY %	18.6	8.6	5.8	6.5	5.6	2.7	3.0	1.5	New dwelling completions up by 13% YoY in Q4. Full year total rose to 32.7k in 2023, circa 10% higher than in 2022
Services Exports - YoY % (3Q Avg)	13.4	9.2	9.8	3.1	0.6	-0.2	2.0	4.6	

\* Excludes Some Investment Related to the Multinational Sector

## EMPLOYMENT & EARNINGS

Employment YoY %	13.3	9.2	3.5	2.6	3.7	3.1	3.6	3.4	Weekly average earnings rose by 3.5% YoY in Q4. Public sector pay was down by 1.6% YoY. Private sector earnings rose by 3.5% YoY
Labour Force YoY %	10.5	6.0	2.1	1.8	2.8	3.0	3.8	3.5	
Average Earnings YoY %									New dwelling completions up by 13% YoY in Q4. Full year total rose to 32.7k in 2023, circa 10% higher than in 2022
- Hourly	2.2	2.5	3.6	6.0	4.0	5.4	6.1	2.1	
- Weekly	2.9	2.5	3.6	4.5	4.4	4.5	4.4	2.1	
Weekly Earnings YoY %									
- Private Sector	4.8	3.6	4.9	2.4	3.6	4.0	3.8	3.5	
- Public Sector	-1.3	1.3	0.8	10.4	7.7	5.9	5.8	-1.6	

## CSO DWELLING COMPLETIONS

- YoY %	41.8	52.9	59.1	31.4	18.3	-4.0	14.4	13.0
- Cum 12 Mth Total	22173	24806	27549	29726	30753	30448	31511	32695



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