

# Irish Economy Watch

AIB Treasury Economic Research Unit



Friday 21 April 2023

|  | Aug-22  | Sep-22  | Oct-22  | Nov-22  | Dec-22  | Jan-23  | Feb-23  | Mar-23  |  |  |
|--|---------|---------|---------|---------|---------|---------|---------|---------|--|--|
| <b>MANUFACTURING</b>   |         |         |         |         |         |         |         |         |  |  |
| AIB Manufacturing PMI  | 51.1    | 51.5    | 51.4    | 48.7    | 48.7    | 50.1    | 51.3    | 49.7    | The manu. PMI eased back to 49.7 in Mar, indicating a modest softening in business conditions. New orders, including exports, and output fell. Meantime, there was a further easing in inflation                           |  |
| EC Economic Sentiment Indicator  | 96.2    | 95.7    | 91.4    | 91.9    | 96.8    | 104.1   | NA      | NA      |  |  |
| Industrial Production (Ex-Modern)  | 122.3   | 116.5   | 125.1   | 123.4   | 111.3   | 121.4   | 118.9   | #N/A    |  |  |
| Production (Ex-Modern) : 3mma YoY%   | 2.5     | 8.5     | 11.7    | 10.6    | 10.1    | 6.4     | 4.3     | #N/A    | Traditional industrial production declined by 3.7% in the 3 months to Feb, but was up 4.3% YoY   |  |
| 3mth / 3mth % seas. adj.   | -0.5    | 3.8     | 4.3     | 4.4     | 0.4     | -2.1    | -3.7    | #N/A    |  |  |
| <b>SERVICES / RETAIL</b>   |         |         |         |         |         |         |         |         |  |  |
| AIB Services PMI   | 54.7    | 54.1    | 53.2    | 50.8    | 52.7    | 54.1    | 58.2    | 55.7    | In Mar, the services PMI posted a strong reading of 55.7, though this was down from 58.2. There was a further marked rise in new business, including exports. Inflationary pressures eased slightly, but remained elevated |  |
| CSO Services Index (Value)   | 160.6   | 160.3   | 157.4   | 158.7   | 158.9   | 164.6   | 167.1   | #N/A    |  |  |
| - YoY %  | 21.6    | 17.3    | 13.7    | 11.8    | 11.4    | 19.3    | 13.2    | #N/A    |  |  |
| - 3mth / 3mth % seas. adj.   | 3.2     | 4.0     | 2.2     | 0.1     | -0.8    | 0.8     | 3.0     | #N/A    | The CSO services index rose by 1.5% in Feb, and was up 13.2% YoY also  |  |
| SIMI Car Registrations   | 8,154   | 6,318   | 2,617   | 985     | 209     | 27,326  | 13,114  | 17,640  |  |  |
| - 12 mth cum total   | 103,905 | 105,774 | 105,711 | 105,576 | 105,398 | 107,700 | 108,840 | 113,573 | New car sales enjoy a strong start to 2023, up 16.4% YoY in Q1. 12 mth total rises above 113k  |  |
| - 3 mma YoY %  | -8.5    | -1.4    | 30.5    | 20.3    | -9.0    | 7.5     | 8.7     | 16.4    |  |  |
| Retail Sales Index   | 127.7   | 126.3   | 127.4   | 127.0   | 125.4   | 125.6   | 126.5   | #N/A    | Retail sales rose by 0.7% in Mar, and were 3.5% higher YoY. Core sales remained flat in Mar, but were up 0.5% YoY  |  |
| - YoY %  | -4.4    | -5.4    | -2.3    | -3.8    | 1.5     | 3.1     | 3.5     | #N/A    |  |  |
| - 3mth / 3mth % seas. adj.   | -0.3    | -0.4    | 2.1     | 1.3     | 0.5     | -0.9    | -0.8    | #N/A    |  |  |
| Ex Autos Index   | 128.3   | 127.0   | 126.9   | 130.5   | 128.6   | 128.7   | 128.6   | #N/A    | The construction PMI was little changed at 49.5 in Mar, compared to 49.8 in Feb. The commercial, and new orders components edged further above 50, but housing remained firmly in contraction territory                    |  |
| - YoY %  | -2.1    | -5.8    | -3.5    | -1.6    | 0.4     | 0.5     | 0.5     | #N/A    |  |  |
| - 3mth / 3mth % seas. adj.   | -1.6    | -2.2    | 0.1     | 0.7     | 1.5     | 1.5     | 0.4     | #N/A    |  |  |
| <b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>   |         |         |         |         |         |         |         |         |  |  |
| BNP Paribas Construction PMI   | 46.9    | 50.2    | 47.4    | 46.8    | 43.2    | 47.7    | 49.8    | 49.5    | Commencements rose sharply in Mar. As a result, they were up 5% YoY in Q1 overall. 12 mth rolling total rises up above 27k   |  |
| - Housing Activity   | 47.4    | 50.8    | 49.7    | 41.6    | 40.6    | 45.2    | 46.2    | 46.5    |  |  |
| - Commercial Activity  | 47.5    | 51.1    | 45.1    | 49.5    | 46.9    | 49.0    | 51.5    | 51.9    |  |  |
| - New Orders   | 40.7    | 49.5    | 49.6    | 44.2    | 43.5    | 49.6    | 50.4    | 52.5    | Mortgage approvals trending lower, with the 3mma down 6.9% YoY in Feb  |  |
| - Business Expectations  | 49.2    | 52.8    | 58.0    | 50.9    | 55.0    | 58.6    | 60.4    | 58.0    |  |  |
| Commencements: 12mth Total   | 28,409  | 27,417  | 26,608  | 26,898  | 26,957  | 27,204  | 26,874  | 27,309  |  |  |
| - 3 Month Avg YoY %  | -21.6   | -22.1   | -23.0   | -19.0   | -7.1    | 10.4    | -0.4    | 5.0     | Transactions fell sharply in Q1, down 8% YoY. 12 mth total levelling off at 61k  |  |
| <b>HOUSING MARKET ACTIVITY</b>   |         |         |         |         |         |         |         |         |  |  |
| BPFI Mortgage Approvals : Month  | 3,680   | 3,633   | 3,439   | 3,786   | 2,650   | 2,820   | 2,744   | #N/A    |  |  |
| - 3 Month Avg YoY %  | -7.6    | -8.2    | -5.4    | -6.2    | -8.2    | -5.6    | -6.9    | #N/A    | House prices fell for the second consecutive month, down by 0.4% in Feb. YoY rate declined to 5% also.   |  |
| - 12 Mth Total   | 42,147  | 41,875  | 41,597  | 41,426  | 40,988  | 41,046  | 40,814  | #N/A    |  |  |
| RPPR Transactions : Month  | 5,061   | 5,713   | 5,448   | 5,963   | 6,693   | 3,599   | 4,235   | 4,182   | Asking prices fell for the second quarter running, down 0.3% in Q1, but they were up 2.7% YoY  |  |
| - 3 Month Avg YoY %  | 9.8     | 7.2     | 4.0     | 6.2     | 11.8    | 13.8    | 6.5     | -8.0    |  |  |
| - 12 Mth Total   | 59,878  | 60,266  | 60,178  | 60,881  | 62,181  | 62,155  | 61,765  | 61,134  |  |  |
| <b>HOUSING MARKET PRICES</b>   |         |         |         |         |         |         |         |         |  |  |
| CSO Price Index - MoM  | 1.0     | 0.6     | 0.2     | 0.2     | 0.2     | -0.6    | -0.4    | #N/A    | CSO rental index rose by 0.3% in Mar. The YoY rate edged lower to 10.0%  |  |
| - YoY %  | 11.8    | 10.7    | 9.7     | 8.4     | 7.7     | 6.1     | 5.0     | #N/A    |  |  |
| Daft Asking Prices: MoM %  | -0.3    | 0.7     | -0.8    | -0.9    | 1.6     | -1.9    | 1.1     | 0.3     |  |  |
| - YoY %  | 7.1     | 7.8     | 6.0     | 5.1     | 6.8     | 3.9     | 3.3     | 1.0     | Affordability improved slightly in Q4 as wage growth outpaced house price growth   |  |
| <b>RENTS:</b> CSO Private Rents - MoM%   | 1.4     | 0.7     | 0.4     | 0.5     | 0.3     | 0.2     | 1.0     | 0.3     |  |  |
| - YoY %  | 12.7    | 11.6    | 11.1    | 11.0    | 10.6    | 10.4    | 10.6    | 10.0    |  |  |
| <b>AFFORDABILITY:</b> Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB |         |         |         |         |         |         |         |         |  |  |
| - Mortgage as % of Disposable Income   | 21.2    | 21.3    | 20.9    | 20.7    | 20.6    | #N/A    | #N/A    | #N/A    |  |  |

|  | Aug-22  | Sep-22  | Oct-22  | Nov-22  | Dec-22  | Jan-23  | Feb-23  | Mar-23  |  |   |
|--|---------|---------|---------|---------|---------|---------|---------|---------|--|---|
| <b>CONSUMER PRICES - YoY %</b>                                 | 8.7     | 8.2     | 9.2     | 8.9     | 8.2     | 7.8     | 8.5     | 7.7     | Consumer prices jumped by 1.1% in Mar, led by increases in transport and food costs. All sub-sectors bar communications and alcohol rose in the month. However, due to base effects the YoY rate fell to 7.7%                                |   |
| - MoM %  | 0.2     | 0.0     | 1.6     | 0.4     | -0.2    | -0.8    | 1.6     | 1.1     |  |   |
| HICP - YoY %   | 9.0     | 8.6     | 9.4     | 9.0     | 8.2     | 7.5     | 8.1     | 7.0     |  |   |
| - MoM %  | 0.2     | 0.0     | 1.5     | 0.2     | -0.3    | -1.0    | 1.5     | 1.0     |  |   |
| <b>PERSONAL / FINANCIAL</b>                                    |         |         |         |         |         |         |         |         |  |   |
| ILCU Consumer Sentiment Index                                  | 53.4    | 42.1    | 46.1    | 45.3    | 48.7    | 55.2    | 55.6    | 53.9    | Consumer sentiment declined slightly in Mar, and was well below its Mar 2022 level of 67   |   |
| Credit Growth YoY %  |         |         |         |         |         |         |         |         |  |   |
| - Private Sector (Underlying)                                  | 3.4     | 2.6     | 2.9     | 2.5     | 2.2     | -0.6    | -0.4    | #N/A    | Private sector credit growth remained negative in Feb, as the stock of household debt continued to contract  |   |
| - of which : Household   | -0.7    | -0.8    | -1.0    | -1.0    | -1.1    | -0.7    | -0.5    | #N/A    |  |   |
| - of which : Mortgage Lending                                  | -0.1    | -0.4    | -0.6    | -0.7    | -0.9    | -0.8    | -0.5    | #N/A    |  |   |
| <b>LABOUR MARKET</b>   |         |         |         |         |         |         |         |         |  |   |
| Live Register  | 186,200 | 185,400 | 184,900 | 185,000 | 185,200 | 184,000 | 182,100 | 180,500 | The unemployment rate has been consistently between 4.3-4.5% since mid-2022, comfortably below its pre-pandemic level of 4.8%. Remained at 4.3% in Mar   |   |
| - Change In Month  | +1,400  | -800    | -500    | +100    | +200    | -1,200  | -1,900  | -1,600  |  |   |
| Unemployment Rate %  | 4.4     | 4.4     | 4.5     | 4.5     | 4.4     | 4.4     | 4.3     | 4.3     |  |   |
| PMI Employment Indices   |         |         |         |         |         |         |         |         | The employment sub-indices of the manufacturing, services and construction PMIs all stayed above the key 50 level in Mar. Only services improved though  |   |
| - AIB Manufacturing  | 52.4    | 53.8    | 52.9    | 49.7    | 50.2    | 52.6    | 53.9    | 51.5    |  |   |
| - AIB Services   | 56.5    | 56.3    | 56.6    | 55.3    | 54.4    | 52.7    | 53.3    | 54.0    |  |   |
| - BNP Paribas Construction                                     | 50.6    | 51.1    | 50.9    | 49.9    | 48.1    | 50.6    | 54.7    | 53.1    |  |   |
| <b>MERCHANDISE TRADE</b>                                       |         |         |         |         |         |         |         |         |  |   |
| Export Values - 3M / 3M %                                      | -2.7    | 4.2     | 12.8    | 1.4     | -6.5    | -14.8   | -5.9    | #N/A    | Goods trade surplus widened to €5.3bn in Feb. Exports rose by 10.2% in Feb, and stood at €32bn YTD, unchanged vs 2022. Imports were 14% higher YTD in Feb. Trade with GB picked-up, with imports and exports up 28% and 7% YTD, respectively |   |
| - 3MMA YoY %   | 26.6    | 31.0    | 31.8    | 19.2    | 13.9    | 6.1     | 4.7     | #N/A    |  |   |
| Import Values - 3M / 3M %                                      | 4.1     | 5.4     | 6.3     | -0.4    | -7.9    | -9.4    | -2.6    | #N/A    |  |   |
| - 3MMA YoY %   | 41.3    | 50.9    | 50.8    | 35.1    | 21.4    | 15.4    | 13.7    | #N/A    |  |   |
| <b>PUBLIC FINANCES</b>   |         |         |         |         |         |         |         |         |  |   |
| Total Tax Receipts: Cum YTD %                                  | 26.3    | 26.2    | 25.5    | 24.5    | 21.5    | 12.2    | 12.5    | 14.6    | Exchequer finances performing well so far in 2023. Tax intake, up 14.6% YoY in Q1. 12 mth rolling exchequer surplus at €2.8bn in Mar, despite €4bn transfer to NRF   |   |
| Voted Spending : Cum YTD %                                     | -3.9    | -2.6    | -1.6    | 0.9     | 1.8     | 8.8     | 9.4     | 4.6     |  |   |
| Exchequer Bal: 12 Mth Total €m                                 | 5,600   | 6,751   | 7,350   | 6,196   | 4,985   | 5,609   | 1,506   | 2,757   |  |   |
| <b>QUARTERLY DATA</b>  |         |         |         |         |         |         |         |         |  |   |
|  |         | Q1-21   | Q2-21   | Q3-21   | Q4-21   | Q1-22   | Q2-22   | Q3-22   | Q4-22  |   |
| <b>GDP - YoY %</b>   |         | 11.4    | 19.5    | 10.4    | 13.8    | 11.7    | 12.6    | 11.6    | 12.0   | GDP expanded by 12% in 2022, with both the multi-national and domestic sectors performing strongly  |
| *Domestic Demand - YoY%  |         | -5.1    | 14.7    | 3.9     | 10.4    | 13.4    | 10.6    | 6.1     | 2.8  |   |
| Consumer Spending - YoY %                                      |         | -13.0   | 17.1    | 6.5     | 9.4     | 15.6    | 5.7     | 2.5     | 4.5  | Modified domestic demand rose by 8.2% in 2022, but slowed in the second half of the year  |
| Services Exports - YoY % (3Q Avg)                              |         | 8.0     | 14.5    | 14.3    | 13.6    | 12.5    | 8.6     | 10.4    | 4.5  |   |
| * Excludes Some Investment Related to the Multinational Sector |         |         |         |         |         |         |         |         |  |   |
| <b>EMPLOYMENT &amp; EARNINGS</b>                               |         |         |         |         |         |         |         |         |  | Employment rose by 2.7% YoY in Q4, leaving it 9.2% above pre-pandemic levels. The labour force grew by 2% YoY in Q4, and is up 8.9% since end 2019                                |
| Employment YoY %   |         | -5.0    | 9.9     | 9.8     | 10.1    | 12.3    | 8.8     | 3.4     | 2.7  |   |
| Labour Force YoY %   |         | -2.5    | 12.1    | 7.9     | 8.9     | 9.6     | 5.6     | 2.0     | 2.0  |   |
| Average Earnings YoY %   |         |         |         |         |         |         |         |         |  |   |
| - Hourly   |         | 8.4     | 2.7     | 3.7     | 2.8     | 2.2     | 2.5     | 3.6     | 5.5  | Weekly average earnings rose by 4.2% YoY in Q4, with all sectors registering an increase. Public sector pay rose by 3% on average in 2022, compared to 3.8% in the private sector |
| - Weekly   |         | 7.5     | 4.1     | 5.4     | 1.9     | 2.9     | 2.5     | 3.6     | 4.2  |   |
| Weekly Earnings YoY %  |         |         |         |         |         |         |         |         |  |   |
| - Private Sector   |         | 7.7     | 5.0     | 5.8     | 2.8     | 4.8     | 3.6     | 4.9     | 2.0  |   |
| - Public Sector  |         | 4.9     | 2.2     | 5.3     | 0.2     | -1.3    | 1.3     | 0.8     | 10.8   |   |
| <b>CSO DWELLING COMPLETIONS</b>                                |         |         |         |         |         |         |         |         |  | Completions rose to just below 30k in 2022, up 45% on 2021. Over 9k apts. completed, more than in 2020 & 2021 combined  |
| - YoY %  |         | 3966    | 4982    | 4643    | 6962    | 5640    | 7648    | 7415    | 9148   |   |
| - Cum 12 Mth Total   |         | -19.8   | 53.6    | -8.0    | -5.1    | 42.2    | 53.5    | 59.7    | 31.4   |   |
|  |         | 19594   | 21333   | 20927   | 20553   | 22227   | 24893   | 27665   | 29851  |   |



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