

Irish Economy Watch

AIB Treasury Economic Research Unit



Thursday 19 October 2023

Feb-23 Mar-23 Apr-23 May-23 Jun-23 Jul-23 Aug-23 Sep-23

MANUFACTURING

AIB Manufacturing PMI	51.3	49.7	48.6	47.5	47.3	47.0	50.8	49.6
AIB Manufacturing PMI - Future Output	72.2	72.0	64.8	66.1	68.8	67.1	72.1	71.6
Industrial Production (Ex-Modern)	120.1	120.7	120.5	127.0	121.8	124.7	125.0	#N/A
Production (Ex-Modern) : 3mma YoY%	4.2	3.6	4.0	6.8	8.4	8.1	5.7	#N/A
3mth / 3mth % seas. adj.	-3.9	0.8	1.0	4.2	1.6	3.4	0.9	#N/A

The manu. PMI declined to 49.6 in Sep, indicating business conditions deteriorated slightly. New orders fell, including export orders. Output contracted for a seventh month running

Traditional industrial production rose by 0.9% in the three mths to Aug, and was up 5.7% YoY

SERVICES / RETAIL

AIB Services PMI	58.2	55.7	58.4	57.0	56.8	56.7	55.0	54.5
CSO Services Index (Value)	160.4	160.9	162.8	162.8	161.7	162.9	164.6	#N/A
- YoY %	8.4	2.4	8.2	6.3	1.8	3.2	2.7	#N/A
- 3mth / 3mth % seas. adj.	0.6	1.9	2.1	1.9	1.4	0.7	0.6	#N/A
SIMI Car Registrations	13,107	17,626	8,906	7,542	2,986	27,100	8,109	5,656
- 12 mth cum total	108,829	113,548	114,597	116,844	117,676	122,872	122,827	122,165
- 3 mma YoY %	8.7	16.3	21.1	30.8	27.0	28.2	18.6	12.3
Retail Sales Index	128.6	131.6	134.9	132.9	132.7	131.9	131.8	#N/A
- YoY %	3.7	8.9	7.1	5.9	6.8	6.5	3.6	#N/A
- 3mth / 3mth % seas. adj.	0.3	1.5	3.5	4.4	3.3	0.6	-0.8	#N/A
Ex Autos Index	129.2	129.7	130.9	131.1	132.2	127.2	130.1	#N/A
- YoY %	0.9	0.8	0.2	2.7	3.6	0.6	1.1	#N/A
- 3mth / 3mth % seas. adj.	0.7	0.7	0.6	1.3	1.6	0.2	-0.6	#N/A

The services PMI fell to 54.5 in Sep. However, this is still a solid reading overall. There was a further rise in new business, albeit at the slowest rate this year. Input and output price inflation remained elevated

The CSO services index rose by 0.6% in the three mths to Aug, and was 2.7% higher YoY

New car sales performing well, up by 16.5% YTD, with the 12 mth running total near 122k

Retail sales fell by 0.8% in the 3 mths to Aug. Similarly, core retail sales declined by 0.6% over the same period

RESIDENTIAL CONSTRUCTION ACTIVITY

BNP Paribas Construction PMI	49.8	49.5	48.4	49.4	50.4	45.6	44.9	48.6
- Housing Activity	46.2	46.5	42.8	45.4	48.4	45.9	46.3	48.9
- Commercial Activity	51.5	51.9	51.4	53.7	51.1	45.4	41.9	49.2
- New Orders	50.4	52.5	50.5	50.6	51.0	45.7	45.2	49.4
- Business Expectations	60.4	58.0	59.4	60.2	58.0	59.5	59.4	59.2
Commencements: 12mth Total	26,874	27,309	27,542	27,855	28,369	28,916	29,565	#N/A
- 3 Month Avg YoY %	-0.4	5.0	4.5	12.4	14.8	19.0	25.8	#N/A

The construction PMI improved in Sep, but remained in contraction territory, at 48.6. Similarly, new orders, housing and commercial activity also improved but stayed below the key 50 level

Commencements increased strongly, by 25.8% YoY in the three mths to Aug. 12 mth rolling total rises to 29.5k

HOUSING MARKET ACTIVITY

BPFI Mortgage Approvals : Month	2,744	3,896	3,373	4,282	4,175	4,136	3,952	#N/A
- 3 Month Avg YoY %	-6.9	2.8	2.8	9.0	6.7	11.4	10.1	#N/A
- 12 Mth Total	40,814	41,249	41,323	41,764	41,992	42,614	42,886	#N/A
RPPR Transactions : Month	4,299	5,192	4,190	5,187	5,435	5,305	5,599	4,749
- 3 Month Avg YoY %	7.1	0.4	-2.1	3.4	0.8	1.5	1.9	-4.1
- 12 Mth Total	61,852	62,231	61,878	62,334	62,355	62,108	62,646	61,682

Mortgage approvals rose by 10.1% YoY in the 3 mths to Aug. 12 mth total just below 43k

Transactions fell in Sep, with the 3 mma down 4.1% YoY. 12 mth total eased declined to 61.7k

House prices rose for a second consecutive month in July, up by 0.3%. However, the YoY rate, slowed to 1.5%

Asking prices on Daft.ie were revised significantly higher for Q2, and were up 3.7% YoY in Q3

HOUSING MARKET PRICES

CSO Price Index - MoM	-0.4	-0.6	-0.1	-0.1	0.6	0.3	#N/A	#N/A
- YoY %	5.2	4.0	3.5	2.6	2.1	1.5	#N/A	#N/A
Daft Asking Prices: MoM %	1.1	0.3	1.9	1.7	-0.5	0.9	-0.5	1.1
- YoY %	3.3	1.0	2.4	3.0	2.3	3.7	3.5	3.9
RENTS: CSO Private Rents - MoM%	1.0	0.3	0.1	0.6	0.6	0.6	1.3	0.8
- YoY %	10.6	10.0	8.8	7.8	7.7	7.2	7.1	7.1

CSO rental index rose by 0.8% in Sep. YoY rate holds steady at 7.1%

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

- Mortgage as % of Disposable Income	19.9	19.4	20.1	20.3	20.7	#N/A	#N/A	#N/A
--------------------------------------	------	------	------	------	------	------	------	------

Affordability deteriorated during Q2 despite a fall in house prices, as mortgage rates rose

	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
CONSUMER PRICES - YoY %	8.5	7.7	7.2	6.6	6.1	5.8	6.3	6.4
- MoM %	1.6	1.1	0.5	0.3	0.8	0.2	0.7	0.1
HICP - YoY %	8.1	7.0	6.3	5.4	4.8	4.6	4.9	5.0
- MoM %	1.5	1.0	0.3	0.3	0.8	0.2	0.5	0.1

Consumer prices rose by 0.1% in Sep, led by increases in fuel, housing, and clothing costs. The YoY rate edged up for the second consecutive month, to 6.4% from 6.3%. HICP inflation rose to 5% YoY, from 4.9%

PERSONAL / FINANCIAL

ILCU Consumer Sentiment Index	55.6	53.9	59.2	62.4	63.7	64.5	62.2	58.8
Credit Growth YoY %								
- Private Sector	-0.4	-1.7	1.2	0.3	-1.9	-2.0	-1.8	#N/A
- of which : Household	-0.5	-0.4	0.0	0.3	0.6	1.0	1.6	#N/A
- of which : Mortgage Lending	-0.5	-0.4	-0.1	0.0	0.4	0.9	1.3	#N/A

Consumer sentiment fell to 58.8 in Sep, its lowest level in six months, amid renewed concern of an increase in living costs

Stock of private sector credit declined in Aug, but growth rate of household debt accelerated

LABOUR MARKET

Live Register	183,200	181,900	181,900	182,600	182,700	182,300	176,000	180,200
- Change In Month	-1,600	-1,300	+0	+700	+100	-400	-6,300	+4,200
Unemployment Rate %	4.1	4.1	4.1	4.1	4.3	4.2	4.1	4.2
PMI Employment Indices								
- AIB Manufacturing	53.9	51.5	51.5	50.8	48.1	51.6	53.7	53.0
- AIB Services	53.3	54.0	56.4	54.5	54.7	53.1	53.9	53.2
- BNP Paribas Construction	54.7	53.1	50.5	51.2	52.0	53.4	51.1	51.2

The unemployment rate has operated in a very tight 4.1-4.3% range so far this year, which is near full employment. It stood at 4.2% in Sep

The employment sub-indices of the services and manufacturing, PMIs edged lower in Sep. The construction reading improved slightly. However, all three sub-indices were in expansion mode

MERCHANDISE TRADE

Export Values - 3M / 3M %	-5.9	-1.6	3.3	-2.4	-1.2	-1.2	3.5	#N/A
- 3MMA YoY %	5.2	-2.5	-5.3	-8.9	-5.2	0.5	-3.5	#N/A
Import Values - 3M / 3M %	-2.9	-3.7	-2.8	-4.9	1.9	4.0	0.6	#N/A
- 3MMA YoY %	19.3	12.8	3.7	-4.8	-4.9	-3.1	-8.2	#N/A

Value of goods trade surplus was €6bn narrower YTD to Aug compared to last year, at €42.3bn. Exports are 5% lower YTD, led by a sharp fall in pharmaceuticals and medical products (down 6% YTD). Imports are 1% lower YTD

PUBLIC FINANCES

Total Tax Receipts: Cum YTD %	12.5	14.6	14.2	10.2	11.0	10.0	6.6	6.1
Voted Spending : Cum YTD %	9.4	4.6	7.2	6.7	9.8	9.9	11.0	10.0
Exchequer Bal: 12 Mth Total €m	1,506	2,757	2,412	3,021	1,055	700	-1,615	-1,809

Tax intake up 6.1% YTD, led by higher Income, Vat & Corporate receipts However, spending growth up 10%. 12 mth rolling exchequer deficit at €1.8bn, in part due to €4bn transfer to NRF

QUARTERLY DATA

	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23
GDP - YoY %	12.4	14.3	8.8	9.3	9.4	10.2	1.1	-0.7
*Domestic Demand - YoY%	5.4	11.1	12.9	10.6	9.0	5.1	4.1	-0.3
Consumer Spending - YoY %	10.5	14.1	18.6	8.6	5.8	6.5	5.1	2.4
Services Exports - YoY % (3Q Avg)	15.6	15.3	13.4	9.2	9.8	3.1	0.6	0.1

* Excludes Some Investment Related to the Multinational Sector

GDP rose by 0.5% in Q2, after contracting by 2.6% in Q1. GDP was up by just 0.2% YoY in H1, on weaker ICT & Pharma output

Modified domestic demand rebounded by 1% in Q2, and was up by 1.9% YoY in H1

EMPLOYMENT & EARNINGS

Employment YoY %	9.8	10.1	12.3	8.8	3.4	2.7	4.1	3.5
Labour Force YoY %	7.9	8.9	9.6	5.6	2.0	2.0	3.3	3.4
Average Earnings YoY %								
- Hourly	3.7	2.8	2.2	2.5	3.6	6.0	4.0	5.1
- Weekly	5.4	1.9	2.9	2.5	3.6	4.5	4.4	4.3
Weekly Earnings YoY %								
- Private Sector	5.8	2.8	4.8	3.6	4.9	2.4	3.6	3.8
- Public Sector	5.3	0.2	-1.3	1.3	0.8	10.4	7.7	6.0

Employment rose by 3.5% YoY in Q2, leaving it 12.1% above pre-pandemic levels. Employment rate now at 74.2%, the highest level on record. The labour force grew by 3.4% YoY in Q2.

Weekly average earnings rose by 4.3% YoY in Q2. Public sector pay was up 6.0% YoY. Private sector earnings rose by 3.8% YoY in Q2

CSO DWELLING COMPLETIONS

- YoY %	4645	6949	5628	7619	7392	9137	6664	7353
- Cum 12 Mth Total	-7.9	-5.2	41.9	52.9	59.1	31.5	18.4	-3.5
	20928	20544	22205	24841	27588	29776	30812	30546

New dwelling completions down by 3.5% YoY in Q2. 12 mth running total edges back slightly to 30.5k



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

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

Daniel Noonan
Economist
daniel.x.noonan@aib.ie

AIB, 10 Molesworth Street, Dublin 2

Tel: 353-1-6600311

<https://aib.ie/investorrelations/economic-research-unit>