

# Irish Economy Watch

AIB Treasury Economic Research Unit



Thursday 24 June 2021

|  | Oct-20 | Nov-20 | Dec-20 | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 |   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|---|
| <b>MANUFACTURING</b>   |        |        |        |        |        |        |        |        |   |
| AIB Manufacturing PMI  | 50.3   | 52.2   | 57.2   | 51.8   | 52.0   | 57.1   | 60.8   | 64.1   | Manufacturing PMI soared to a new record high of 64.1 in May. The survey data indicates rapidly improving business conditions. However, supply chains remain under severe pressure                                    |
| OECD Leading Indicator   | 99.9   | 100.0  | 100.1  | 100.2  | 100.3  | 100.5  | 100.6  | 100.8  |   |
| Industrial Production (Ex-Modern)  | 110.7  | 109.3  | 114.5  | 115.4  | 114.2  | 110.9  | 120.4  | #N/A   | Traditional industrial production output increased by 8.6% in April. 3mma up 1.9%   |
| Production (Ex-Modern) : 3mma YoY%   | -1.6   | -2.6   | -0.1   | -0.3   | 2.1    | -0.7   | 14.7   | #N/A   |   |
| 3mth / 3mth % seas. adj.   | 14.6   | 5.2    | 2.2    | 3.3    | 4.6    | 1.8    | 1.9    | #N/A   |   |
| <b>SERVICES / RETAIL</b>   |        |        |        |        |        |        |        |        |   |
| AIB Services PMI   | 48.3   | 45.4   | 50.1   | 36.2   | 41.2   | 54.6   | 57.7   | 62.1   | In May, the services PMI rose to 62.1, its highest level in 5 years. Growth in activity was broad based across all sub-sectors. Input costs rose at quickest pace since 2008, while prices charged grew more modestly |
| CSO Services Index (Value)   | 115.7  | 113.3  | 121.6  | 115.4  | 119.2  | 121.5  | 120.9  | #N/A   |   |
| - YoY %  | -7.4   | -10.1  | -0.9   | -8.0   | -5.5   | -1.1   | 23.1   | #N/A   |   |
| - 3mth / 3mth % seas. adj.   | 6.8    | 2.0    | 0.3    | -0.2   | 1.9    | 1.6    | 3.2    | #N/A   | CSO Services Index edged slightly lower in April, but was up 3.2% on a 3m/3m basis  |
| SIMI Car Registrations   | 2,296  | 913    | 601    | 25,142 | 13,700 | 9,192  | 7,147  | 5,920  |   |
| - 12 mth cum total   | 87,792 | 87,947 | 88,324 | 82,817 | 83,379 | 86,564 | 93,368 | 97,547 |   |
| - 3 mma YoY %  | 19.4   | 39.5   | 20.6   | -15.7  | -10.4  | -3.5   | 54.1   | 175.1  | New car sales up 17.8% YTD vs. 2020 sales. However, they are down 23% YTD vs. 2019 levels   |
| Retail Sales Index   | 128.9  | 113.2  | 127.3  | 101.1  | 120.1  | 119.0  | 127.8  | #N/A   |   |
| - YoY %  | 7.4    | -4.6   | 7.0    | -14.8  | 0.4    | 11.6   | 89.9   | #N/A   | Total retail sales rose by 7.4% in April. Ex-autos sales declined by 4% in the month, though stayed well above their January low  |
| - 3mth / 3mth % seas. adj.   | 14.9   | -0.9   | -5.3   | -12.9  | -7.6   | -7.9   | 7.4    | #N/A   |   |
| Ex Autos Index   | 130.9  | 115.3  | 130.5  | 108.8  | 115.1  | 119.8  | 115.0  | #N/A   | Construction PMI jumped to 66.4 in May, above 50 for the first time in 2021. Housing activity, new orders and commercial activity all rose sharply. Firms outlook remained elevated also                              |
| - YoY %  | 9.6    | -3.0   | 7.2    | -9.9   | -3.3   | 0.4    | 27.6   | #N/A   |   |
| - 3mth / 3mth % seas. adj.   | 10.7   | 0.0    | -2.5   | -9.2   | -6.2   | -8.8   | -1.3   | #N/A   |   |
| <b>RESIDENTIAL CONSTRUCTION ACTIVITY</b>   |        |        |        |        |        |        |        |        |   |
| Construction PMI: Ulster Bank  | 48.6   | 53.5   | 52.3   | 21.2   | 27.0   | 30.9   | 49.3   | 66.4   | After a very weak Q1, commencements ramped up significantly in April as residential construction returned in full. 12 mth total moved back above 21k  |
| - Housing Activity   | 50.3   | 53.0   | 56.2   | 19.0   | 23.8   | 33.8   | 54.8   | 73.4   |   |
| - Commercial Activity  | 46.7   | 50.0   | 49.7   | 24.2   | 31.2   | 31.3   | 42.2   | 63.5   |   |
| - New Orders   | 51.8   | 57.3   | 55.6   | 29.4   | 30.5   | 39.7   | 55.1   | 68.2   |   |
| - Business Expectations  | 51.9   | 60.5   | 62.5   | 59.9   | 64.2   | 73.9   | 73.9   | 73.6   |   |
| Commencements: 12mth Total   | 20,823 | 21,830 | 21,686 | 21,019 | 19,122 | 17,708 | 21,405 | #N/A   |   |
| - 3 Month Avg YoY %  | -29.7  | -3.3   | -1.4   | 3.7    | -43.9  | -58.0  | 6.6    | #N/A   |   |
| <b>HOUSING MARKET ACTIVITY</b>   |        |        |        |        |        |        |        |        |   |
| BPFI Mortgage Approvals : Month  | 4,419  | 4,372  | 3,247  | 2,696  | 2,964  | 3,420  | 3,537  | #N/A   | Mortgage approvals continue to rise in April. 3mma up 51.7% YoY & 6.4% on same period in 2019   |
| - 3 Month Avg YoY %  | 12.8   | 25.4   | 27.5   | 23.6   | 13.8   | 7.7    | 51.7   | #N/A   |   |
| - 12 Mth Total   | 32,288 | 33,302 | 34,156 | 34,258 | 34,384 | 34,809 | 37,640 | #N/A   |   |
| RPPR Transactions : Month  | 5,550  | 5,357  | 7,413  | 3,146  | 4,352  | 5,128  | 4,152  | 3,756  | Transactions picked up pace as Q1 progressed, and remained strong so far in Q2. 3mma up 35.3% YoY in May  |
| - 3 Month Avg YoY %  | -17.8  | -3.5   | 5.5    | 3.4    | 7.6    | 8.6    | 27.3   | 35.3   |   |
| - 12 Mth Total   | 48,231 | 48,387 | 49,151 | 48,755 | 49,446 | 50,147 | 51,675 | 52,849 |   |
| <b>HOUSING MARKET PRICES</b>   |        |        |        |        |        |        |        |        |   |
| CSO Price Index - MoM  | 0.5    | 0.6    | 0.7    | 0.4    | 0.3    | 0.6    | 0.8    | #N/A   | House prices rose 0.8% in April, YoY growth rate at 4.5%. Ex-Dublin price inflation (+5.4%) outpaces the capital (+3.5%)  |
| - YoY %  | -0.4   | 0.4    | 2.2    | 2.5    | 3.0    | 3.5    | 4.5    | #N/A   |   |
| Daft Asking Prices: MoM %  | 0.8    | 0.4    | 1.0    | 1.7    | -1.2   | 1.9    | #N/A   | #N/A   | Daft.ie asking prices up 7.1% YoY in March  |
| - YoY %  | 6.1    | 8.9    | 7.4    | 8.7    | 6.9    | 7.1    | #N/A   | #N/A   |   |
| <b>RENTS:</b> CSO Private Rents - MoM%   | -0.5   | 0.0    | 0.4    | 0.3    | 0.2    | 0.8    | 1.2    | -0.2   | CSO rental index fell by 0.2% in May. However, YoY rate rose to 2.6% due to base effects  |
| - YoY %  | -3.2   | -3.2   | -2.9   | -2.5   | -2.5   | -1.4   | 1.6    | 2.6    |   |
| <b>AFFORDABILITY:</b> Couple on Avg Industrial Wage, 90% LTV, 30 Years, AIB Mortgage Rate, Prices: CSO/Perm' TSB |        |        |        |        |        |        |        |        |   |
| - Mortgage as % of Disposable Income   | 17.7   | 17.4   | 17.5   | 17.5   | 17.4   | 17.6   | #N/A   | #N/A   | Affordability index holds steady as average industrial wages continue to rise in Q1   |

|  | Oct-20  | Nov-20  | Dec-20  | Jan-21  | Feb-21  | Mar-21  | Apr-21  | May-21  |   |   |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---|---|
| <b>CONSUMER PRICES - YoY %</b>                                 | -1.5    | -1.1    | -1.0    | -0.2    | -0.4    | 0.0     | 1.1     | 1.7     | Prices rose by 0.1% in May, following much larger increases in March and April. Annual CPI rate jumped to 1.7% owing largely to base effects and higher energy prices. HICP rate increased to 1.9% from 1.1%                                |   |
| - MoM %  | -0.6    | 0.3     | 0.3     | 0.1     | 0.4     | 0.8     | 0.7     | 0.1     |   |   |
| HICP - YoY %   | -1.5    | -1.0    | -1.0    | -0.1    | -0.4    | 0.1     | 1.1     | 1.9     |   |   |
| - MoM %  | -0.5    | 0.3     | 0.2     | 0.2     | 0.3     | 0.9     | 0.6     | 0.2     |   |   |
| <b>PERSONAL / FINANCIAL</b>                                    |         |         |         |         |         |         |         |         |   |   |
| KBC/ESRI Consumer Confidence                                   | 52.6    | 65.5    | 74.6    | 64.9    | 70.8    | 77.1    | 77.9    | 85.8    | Consumer sentiment improved again in May, hitting its highest level since June 2019, as the economy continues to re-open  |   |
| Credit Growth YoY %  |         |         |         |         |         |         |         |         |   |   |
| - Private Sector (Underlying)                                  | -3.4    | -2.8    | -2.6    | -2.2    | -2.3    | -5.7    | -4.2    | #N/A    | Household credit declined by 1.8% YoY in April. Mortgage lending down by 1.3% YoY also  |   |
| - of which : Household   | -1.4    | -1.5    | -1.5    | -1.7    | -1.8    | -1.8    | -1.8    | #N/A    |   |   |
| - of which : Mortgage Lending                                  | -0.9    | -1.0    | -1.0    | -1.1    | -1.1    | -1.2    | -1.3    | #N/A    |   |   |
| <b>LABOUR MARKET</b>   |         |         |         |         |         |         |         |         |   |   |
| Live Register  | 210,700 | 204,100 | 195,400 | 191,200 | 188,400 | 184,900 | 180,200 | 174,200 | Official unemployment rate revised higher for the opening months of 2021. At 7.8% in May, while the Covid adjusted rate fell to 21.9% from 24.8%. The number of PUP payments continue to trend downwards                                    |   |
| - Change In Month  | -3,800  | -6,600  | -8,700  | -4,200  | -2,800  | -3,500  | -4,700  | -6,000  |   |   |
| Unemployment Rate %  | 6.4     | 6.2     | 6.3     | 7.1     | 7.5     | 7.6     | 7.9     | 7.8     |   |   |
| PMI Employment Indices   |         |         |         |         |         |         |         |         |   |   |
| - AIB Manufacturing  | 50.8    | 51.2    | 53.0    | 50.8    | 52.9    | 55.7    | 57.7    | 60.0    | Employment subcomponent of the manufacturing, services and construction PMIs all improved and were well above 50 in May   |   |
| - AIB Services   | 47.4    | 49.0    | 51.1    | 49.8    | 48.6    | 52.6    | 53.0    | 54.8    |   |   |
| - Ulster Bank Construction                                     | 51.6    | 52.4    | 54.3    | 34.6    | 34.5    | 43.7    | 51.6    | 58.2    |   |   |
| <b>MERCHANDISE TRADE</b>                                       |         |         |         |         |         |         |         |         |   |   |
| Export Values - 3M / 3M %                                      | 2.3     | 0.4     | -2.9    | 0.4     | -4.7    | -1.6    | -3.4    | #N/A    | Goods trade surplus narrowed by 14% to €4.7bn in April. Exports increased by 9.7% YoY in April, but were 4.8% lower YTD. Imports were up 45% YoY in April, and were 9.6% higher YTD, driven by an increase in chemical & machinery imports. |   |
| - 3MMA YoY %   | 1.6     | 3.7     | 1.5     | 2.5     | -0.8    | -8.5    | -2.5    | #N/A    |   |   |
| Import Values - 3M / 3M %                                      | -3.2    | 2.2     | 9.4     | 14.4    | -0.3    | -4.1    | -0.7    | #N/A    |   |   |
| - 3MMA YoY %   | -12.2   | -2.4    | 3.7     | 4.1     | -8.7    | 0.5     | 17.8    | #N/A    |   |   |
| <b>PUBLIC FINANCES</b>   |         |         |         |         |         |         |         |         |   |   |
| Total Tax Receipts: Cum YTD %                                  | -5.3    | -6.9    | -3.6    | -8.8    | -8.1    | 1.0     | 4.2     | 9.1     | Exchequer deficit of €6.0bn recorded to end of May. Tax intake up 9.1% YTD due to base effects. Total net voted spending up 1.9% YTD. 12 Mth running balance improves to -€12.2bn   |   |
| Voted Spending : Cum YTD %                                     | 24.6    | 23.7    | 25.3    | 2.4     | 11.0    | 13.9    | 7.3     | 1.9     |   |   |
| Exchequer Bal: 12 Mth Total €m                                 | -9,337  | -11,627 | -12,316 | -12,741 | -14,038 | -13,953 | -12,472 | -12,212 |   |   |
| <b>QUARTERLY DATA</b>  |         |         |         |         |         |         |         |         |   |   |
|  |         | Q2-19   | Q3-19   | Q4-19   | Q1-20   | Q2-20   | Q3-20   | Q4-20   | Q1-21   |   |
| <b>GDP - YoY %</b>   |         | 5.6     | 6.3     | 5.9     | 5.8     | -2.6    | 8.7     | 1.5     | 11.8  | Q1 GDP up 11.8 YoY%, largely due to distortionary effect from MNC's. GNP up 2.9% YoY  |
| *Domestic Demand - YoY%  |         | 2.0     | 4.5     | 2.9     | -1.8    | -15.5   | -1.9    | -3.1    | -5.0  |   |
| Consumer Spending - YoY %                                      |         | 3.6     | 3.0     | 2.7     | -2.4    | -21.4   | -5.2    | -7.6    | -11.9   | Modified domestic demand contracted by 5.0% YoY in Q1, driven by a 11.9% fall in personal consumption   |
| Services Exports - YoY % (3Q Avg)                              |         | 13.2    | 13.4    | 13.6    | 10.1    | 3.3     | -2.1    | -1.6    | 3.9   |   |
| * Excludes Some Investment Related to the Multinational Sector |         |         |         |         |         |         |         |         |   |   |
| <b>EMPLOYMENT &amp; EARNINGS</b>                               |         |         |         |         |         |         |         |         |   |   |
| Employment YoY %   |         | 2.1     | 2.4     | 3.6     | 2.1     | -6.9    | -3.2    | -3.4    | -5.0  | Employment declined by 5.0% YoY in Q1. However, this likely understates labour market weakness, as many jobs still rely on government supports                                  |
| Labour Force YoY %   |         | 1.4     | 1.6     | 2.6     | 2.0     | -6.9    | -0.9    | -2.0    | -2.5  |   |
| Average Earnings YoY %   |         |         |         |         |         |         |         |         |   | Weekly earnings growth at +7.5% YoY in Q4. Although, the changing composition of the work force is distorting the data, with job losses concentrated amongst lower paid workers |
| - Hourly   |         | 3.3     | 4.0     | 3.9     | 3.0     | 7.2     | 3.6     | 5.5     | #N/A  |   |
| - Weekly   |         | 3.6     | 3.6     | 3.8     | 3.7     | 6.0     | 3.3     | 7.5     | #N/A  |   |
| Weekly Earnings YoY %  |         |         |         |         |         |         |         |         |   |   |
| - Private Sector   |         | 4.0     | 4.0     | 4.0     | 4.0     | 6.0     | 3.1     | 8.5     | #N/A  | Completions down 20.1% YoY in Q1, not a bad as expected. Although, 12 mth running total falls back below 20k  |
| - Public Sector  |         | 1.9     | 1.3     | 3.1     | 3.1     | 2.9     | 2.5     | 3.4     | #N/A  |   |
| <b>CSO DWELLING COMPLETIONS</b>                                |         |         |         |         |         |         |         |         |   |   |
|  |         | 4800    | 5649    | 6379    | 4945    | 3230    | 5065    | 7344    | 3953  |   |
| - YoY %  |         | 9.3     | 21.9    | 17.5    | 16.4    | -32.7   | -10.3   | 15.1    | -20.1   |   |
| - Cum 12 Mth Total   |         | 19110   | 20126   | 21076   | 21773   | 20203   | 19619   | 20584   | 19592   |   |



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