

Irish Monthly Economic Bulletin – Feb. '07

TOPIC OF THE DAY FROM AIB GLOBAL TREASURY SERVICES

Highlights from our full five page Irish Monthly Economic Bulletin publication for February 2007 covering: The Irish Labour Market, Consumer Sector, Investment / Housing Market, Public Finance, Trade / Balance of Payments, Industrial Production, Inflation, Wages, Monetary Conditions / Banking Statistics, and our Irish Macro Economic Forecasts.

For the full text of this publication please click below: -

<http://www.aibeconomics.com/PDFs/Irish%20Economy%20Bulletin%20February%202007.pdf>

Highlights from our Irish Economic Bulletin – Feb. '07

- The annual headline rate of CPI inflation increased further to 5.2% in January from 4.9% in December. Headline inflation has more than doubled from 2.5% at the end of 2005 and the January figure was the highest rate recorded since June 2001.
- The volume of retail sales grew by 6.2% y-on-y in 2006, the fastest pace of growth since 2000, and well up on the previous year's growth rate of 4.8%. We expect consumer spending to stay buoyant over the course of this year and are forecasting growth in total personal spending of 7.5%.
- Housing market data continue to show that rising interest rates are impacting on activity levels, as well as dampening price pressures. Housing registrations declined 17.7% in January. Meanwhile, the rate of house price inflation continues to decelerate.

Irish Labour Market Remains Firm

Recent weeks have seen several announcements of job losses or risks to jobs in the future. These though are not reflected in the labour market data contained in the Quarterly National Household Survey for Q4 2006, published last week.

Indeed, the rate of jobs growth accelerated slightly in Q4 2006, and the data confirm that the labour market remained strong at end 2006. Overall, there were 85,500 jobs added in the year to Q4 2006, an increase of 4.3% year-on-year, which is up slightly on the 4.2% year-on-year increase recorded in Q3 last year.

Non-Irish nationals remain an important driver of overall labour force and employment growth, accounting for more than half of the additional jobs created for the second consecutive quarter. However, there was still continued strong growth in employment amongst Irish national workers and a fall in the number unemployed, which saw their unemployment rate decline to 3.9%.

Jobs gains over the year to Q4 2006 were mainly in the public sector (notably health and education), construction and financial services areas. There must continue to be concerns about the extent to which Ireland's strong employment growth is being fuelled by the construction sector. Indeed the pace of jobs growth in the construction sector reaccelerated again in the second half of 2006.

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