Q4
2020

Ibec Quarterly Economic Outlook

Hope and change

As we head into the Winter, the recent progress toward an effective vaccine for COVID-19 provides some hope of a return to normality over the next twelve months. Although it is not a panacea, effective take-up and rollout would significantly mitigate the economic and societal damage from COVID-19. Thus far, the Irish exporting business model has proven resilient in the face of COVID and will be central to our economic recovery. We may well be the only country in the OECD to see our economy grow in 2020. The other crucial element of recovery will be delivering record household savings into the domestic economy. If we find the right incentives and channels, 2021 could be an extraordinarily strong year for consumer spending. This would, in turn, help to heal the labour market scarring from COVID.

The New Year will also bring change. No matter what happens when it comes to the trade negotiations, in the coming weeks or in 2021, the UK's transition out of the EU will end and a new relationship will begin both on this island and with Britain. This will bring significant additional costs and unavoidable disruption to both in the UK and the EU. It also means that the prospect of an ongoing 'no-deal' scenario is not one either party can afford to countenance. Recent months have shown how our resilient supply chains can continue to function in delivering goods on and off the island, in the midst of an ongoing disruption, but sectors and communities worst impacted will need ongoing support to adapt.

Key indicators

Annual % change	**2020** (relative to 2019)	**2021** (relative to 2020)	**2021** (relative to 2019)
Consumer spending	-12.0	15.1	1.3
Investment	-19.7	12.7	-9.6
Exports	5.3	2.1	7.5
Imports	-5.3	5.5	-0.1
GDP	0.8	5.3	6.2
Inflation	-0.5	1.2	0.7
Employment	-10.8	7.7	-4.0

Ibec
For Irish Business

Overview

Economic overview

Despite the significant challenges of COVID already with us and of Brexit on the horizon, there are reasons to be optimistic for the Irish economy heading into 2021. The last number of months have again demonstrated the resilience of Ireland's export-driven growth model during challenging times. We look to be on course to be the only country in Europe with growing exports in 2020. The 'experience economy' and large parts of the retail sector have been significantly disrupted by public health restrictions. However, most of our economic sectors have shown significant and growing resilience during the crisis. Irish households have saved almost €11 billion in the first nine months of the year. There has also been rapid and meaningful progress on a COVID vaccine. Taken as a whole, the ingredients are in place for the Irish economy to recover lost momentum rapidly over the next 12 to 24 months. The biggest outstanding threat to that recovery remains the prospect of a failure to agree on an EU/UK trade deal which avoids tariffs and quotas on goods entering and leaving the country. Our forecasts continue to operate on the basis that, even if a deal is not agreed by the New Year, the prospect of there not being a deal in the medium-term is a non-credible scenario. The disruption to economic linkages between the EU and UK and the damage increased costs would do to business and consumers make an ongoing 'no-deal' scenario untenable.

Unemployment overview

In normal times, the labour market remains our best read of the health of the Irish economy. However, reading those signals has become more difficult in recent times due to COVID. Many workers who may be out of work temporarily due to COVID may not be looking for work and thus are counted as inactive rather than unemployed. Including all those workers on the Pandemic Unemployment Payment (PUP), the unemployment rate in October rose to over 20%, for the first time since June. On a positive note, our expectations that the second lockdown would have a less devastating impact on employment have played out. As of December 1st, there were 350,000 people on the PUP. This compares with 598,000 at the peak of the first lockdown in May. This reflects both a greater share of sectors remaining open and increased resilience in some sectors as firms get to grips with alternative delivery mechanisms such as click-and-collect or online ordering.

Brexit trade and the supply chain

The impact of a failure to agree on a new trading relationship with the UK after December would be significant across the economy. In the macro-economic data, however, the impact may be more evident in spending in domestic supply chains than in rapidly falling exports. The Irish food and drink sector, for example, is by far the most exposed of any sector in Europe to a no-deal end to the Brexit transition. In 2019, over 37% of Irish food and drink exports went to the UK market with Irish food products accounting for seven of the ten most exposed food and drink product categories in the EU. The sector is also Ireland's largest exporting sector dominated by indigenous firms. It accounts for 31% of total indigenous exports and over 54% of indigenous goods exports. However, the sector only accounts for 14% of total Irish exports. A significant blow to the exports of the sector, may therefore not be mirrored in rapidly falling Irish exports. The supply chain impact would, however, be significant. Over the past decade, the food and drink sector has spent over €120 billion in payroll and purchases in the Irish economy. This amounts to 45% of the total of all manufacturing exporters – indigenous or multinational. If a trade deal is not agreed before January, that will not be the end of the process. The clock will begin to tick again on negotiations to agree a deal in 2021 which limits this significant damage to both the British and European economies.

Figure 1: European goods exports growth, first 3Q of 2020

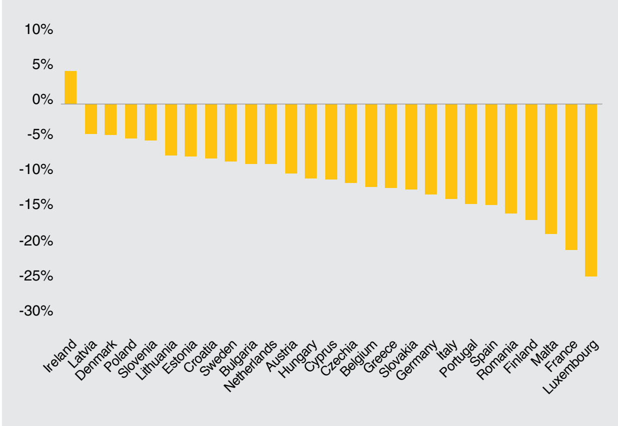


Figure 2: Unemployment rate, %

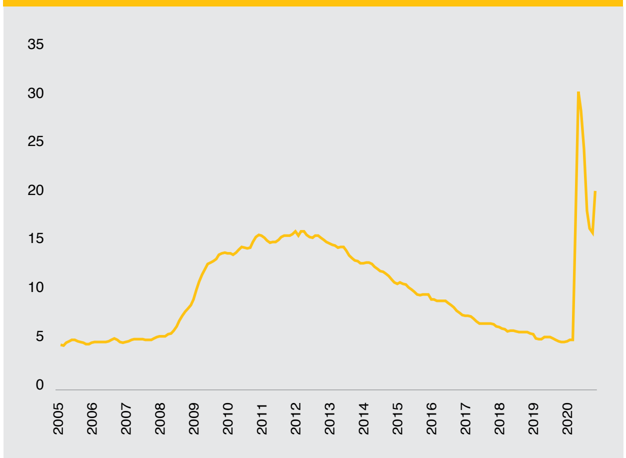
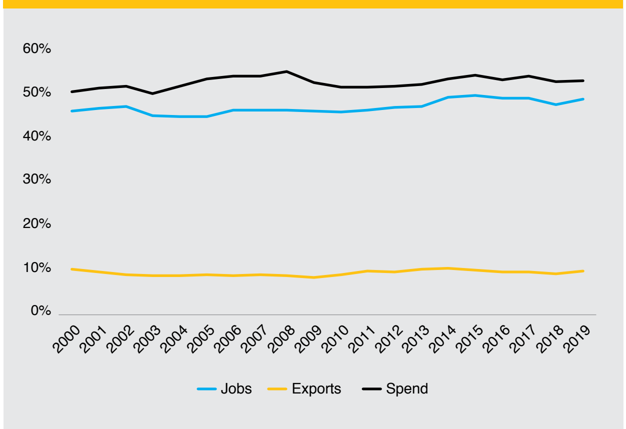


Figure 3: Indigenous exporters' share of total exports, exporter employment, and exporter spend in the domestic economy



COVID-19 developments

Investment

COVID has had an appreciable impact on borrowing in the Irish SME sector. With balance sheets and cashflow damaged by COVID, SME borrowing fell by almost 50% in Q2 compared with the same period in 2019. This was the lowest level of SME borrowing (€727 million) since Q3 2014. One positive, despite significant balance sheet damage, is that the debt outstanding from firms as we entered the COVID crisis was significantly down on the financial crisis. As of Q3 2020 Irish firms, excluding the construction, real estate, and financial sectors, have €28 billion in debt. This compares to almost €60 billion in the period before the last crisis. This deleveraging has been mirrored across the private sector in households and in larger firms. As a result of this improved financial position, there is some hope that growth following the current crisis may not be slowed by excessive debt like the last one.

Spending pattern changes

In the first nine months of 2020 Irish households saved almost €11 billion. This is an increase from €5.3 billion in the first nine months of 2019. Data from the Central Bank can give us some insight into where spending patterns have changed due to COVID-19. When it comes to personal credit and debit cards, the biggest changes in usage since March have been a fall in ATM withdrawals (€4.6 billion), spending on socialising (€1.6 billion) and transport (€1.6 billion). In a sign of changing patterns of retail and recreation, e-commerce transactions (which mostly are imported) rose by €1.6 billion, whereas spending by Irish people whilst abroad fell by €2.2 billion or 45%. The news is not all negative, however. Card spending has also increased in several sectors, such as groceries (€2.2 billion), hardware (€405 million), utilities (€300 million) and electrical goods (€200 million). Although in some cases this may reflect displacement from cash to card transactions in retail. Overall total card spending and ATM withdrawals are down by 10%, or €4.3 billion, on last year. The clear pattern is an intuitive one. It shows a country which has replaced socialising, domestic travel and foreign trips with saving more, eating in more, buying one-off household items and spending more online.

Pre-purchase of vaccines

As of late November, data from Duke University shows that 6.8 billion doses of prospective COVID vaccines have already been pre-ordered, with another 2.8 billion under negotiation or optioned as part of existing deals. As it stands, there are expected to be three vaccines available by the end of 2020 with another six available by Q2 of 2021. Those three earlier vaccines (Pfizer/BioNTech, Moderna, and Oxford/AstraZeneca) make up around half of the total 6.8 billion doses already pre-ordered. Oxford/AstraZeneca alone accounts for 35% of those pre-orders, though some doubts have been raised about the vaccines approval timelines in recent weeks. As such there is expected to be about 3.3 billion doses available in 2020 and early 2021. The largest pre-purchasers of vaccines overall are India, the US and EU with over 4 billion of the 6.8 billion pre-orders coming from those three blocs. The story on a per-capita basis is different, however. Figure 6 shows the number of doses per capita, which have been pre-ordered. There is a clear gap between developed countries and developing countries. Pre-orders of all vaccines average about 3.4 doses per capita for the billion, or so, people in the EU, US, Japan and other developed countries. This compares to one dose for every two people for the almost 7 billion people in developing countries. When it comes to doses of earlier vaccines that gap is two doses per person in developed countries versus one dose for every five people in developing countries. Best estimates are that full roll-out globally could take until 2023 or 2024 – with knock-on impacts for patterns in global trade and travel.

Figure 4: Total outstanding lending to SMEs (€bn) (excluding financial and property sectors)

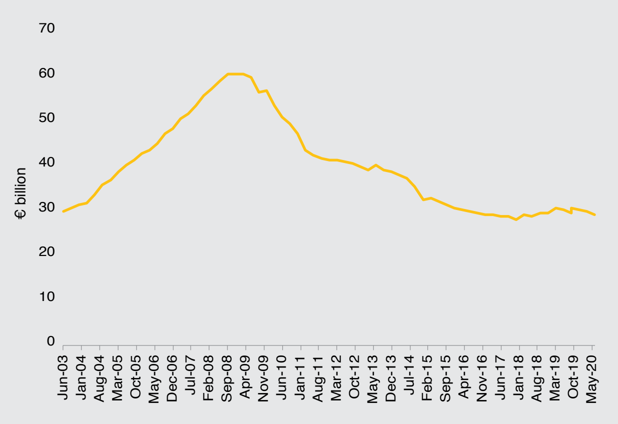


Figure 5: Card usage and saving (€bn), March to September, 2019 versus 2020

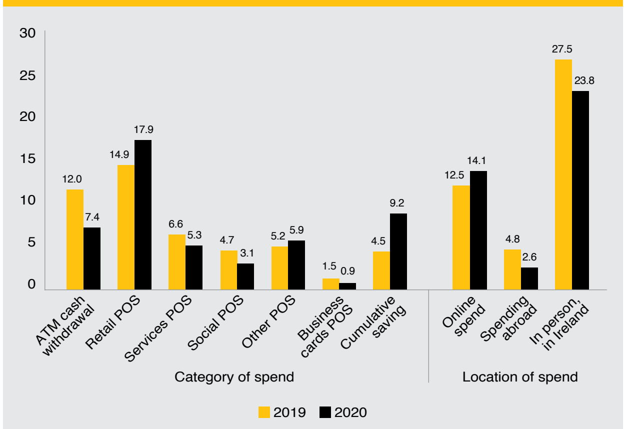
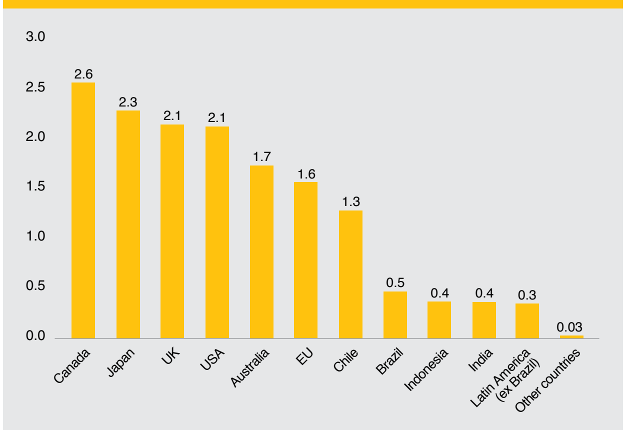


Figure 6: Pre-ordered vaccine doses per capita for Moderna, Pfizer, and Oxford/Astra Zeneca vaccines



Labour market

Wages

Pay intention data from Ibec's 2020 HR Update survey further reflects the differing experience of COVID-19 among businesses. Just 55% of all 401 surveyed businesses indicated they are increasing basic pay in 2020. This contrasts with the 77% of businesses in last years' survey who intended to increase basic pay this year. This illustrates how COVID-19 has rapidly changed the landscape for wage and hiring decisions. Looking into next year, just 49% of businesses intend to increase pay, with 49% freezing pay and 2% anticipating a decrease in basic pay. For those businesses which did increase basic pay this year, the average increase was 2.6%. This is in line with the rate of pay increase expected last year. For the 49% of businesses that are expecting to increase pay next year, the average increase is expected to be 2.6%.

Regional unemployment

Substantial differences are emerging between the counties in which employment is most and least affected by COVID-19. A total of 29% of all employees resident in Kerry are currently receiving the PUP and 26% in Donegal. These counties have the highest proportions in the country. This is in contrast with counties Offaly, Roscommon, Kilkenny, and Laois which have the lowest proportion of workers on the PUP at 17% each. The major urban centres of Dublin, Galway and Limerick are at the national average of 21% while Cork is relatively less impacted at 18%. This highlights the disparities not just between urban and rural areas but also between rural counties which are more dependent on tourism-related employment and those with employment concentrated in less impacted sectors. Similar divisions are evident in the recovery in employment over the summer months across counties. Donegal experienced a 75% reduction in numbers on the PUP from peak to trough, on foot of the summer reopening. On the other hand, Dublin witnessed only a 57% decrease over the same period. This gives an early indication of how a post-COVID recovery in employment may be uneven across counties, something that will need to be considered in labour market supports going forward.

Figure 7: Basic pay increases

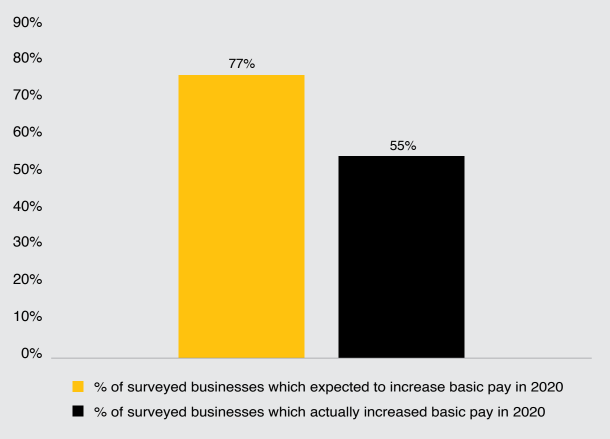
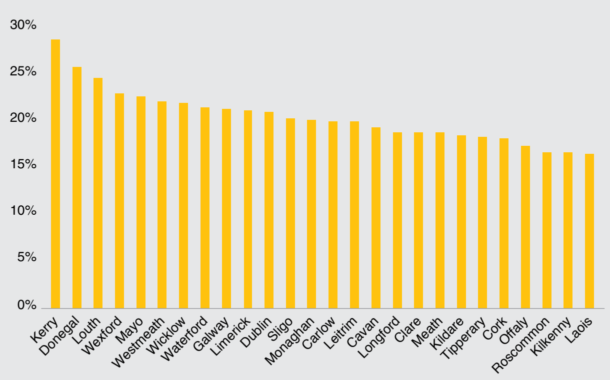


Figure 8: Share of employees resident in county* on PUP as of November 17th



*As per 2016 census

Table 1: Employment 000s annual average

	2019	2020	2021
Agriculture	103	100	100
Industry & Construction	435	397	431
Services	1,779	1,568	1,693
Total	2,317	2,066	2,224
Employment growth (%)	2.9	-10.8	7.7
Unemployed	121	412	254
Unemployment rate (annual average %)	4.9	16.6	10.3
Unemployment (by Q4, %)	4.7	18.2	6.5

Source: Ibec forecasts

Gender and age divide in unemployment

Data on the PUP brings no relief when it comes to concerning increases in youth unemployment. An additional 34,600 of the under-25 cohort have joined the PUP since mid-October. The second lockdown and the closure of much of the retail and hospitality sectors, which employ large numbers of young workers, mean that this group are still feeling an outsized impact of COVID on their employment prospects. The decision to keep construction and more manufacturing businesses open throughout the second lockdown, while reducing total numbers on the PUP, has highlighted an existing gender divide in terms of employment and income. While construction and manufacturing have a higher proportion of male employees, women are more likely to work both in part-time jobs and in the retail and hospitality sectors. Consequently, while women are now 50.4% of total PUP recipients, they make up just 41% of those receiving the highest rate of PUP payment of €350. In contrast, women make up 59% of the recipients on the two lowest PUP rates of €203 and €250 weekly.

Skills in demand

Despite the widespread disruption in the labour market and more than 500,000 on the Live Register and PUP, there are still several areas of employment with skills in high demand. In Ibec's recent HR update survey, 40% of surveyed businesses indicated that they had experienced skills shortages in the past 12 months. The three most in-demand areas were in engineering, IT and software, and scientists and laboratory specialists. Given the strong performance of BioPharma and medical exporting sectors, the demand for laboratory skills is unsurprising. Likewise, the shift to remote working has exacerbated the demand for IT and software specialists. There is evidence that COVID-19 has negatively impacted demand for skills in some areas, with finance skills falling from the second most in-demand skill last year, down to fifth-highest this year. Just 9% of businesses indicated they had a current vacancy or expected to have a vacancy in the next 12 months requiring finance skills. With a relatively strong recovery anticipated post-COVID, there is a risk that, despite increased unemployment, Ireland will still return to the skills shortages seen over recent years.

Prices

Prices in October were 1.5% lower on average than the same month last year. Inflation in Ireland has been persistently low for several years, remaining below 1% since 2013. This moderate price growth rapidly turned negative following the emergence of COVID-19 in the early part of the year. In addition to a cut in the VAT rate reducing prices, the main categories driving falling prices are lower costs of transport, home heating oil, and gas, partly driven by the dramatic fall in global oil prices this year. Additionally, communications continued their pre-COVID downward trend as the cost of telephone services and equipment continue to fall. Slowed wage growth and reduced demand due to COVID are likely to keep inflation relatively low, as we expect a return to moderate inflation of 1.2% in 2021.

Figure 9: PUP recipients by payment rate and gender

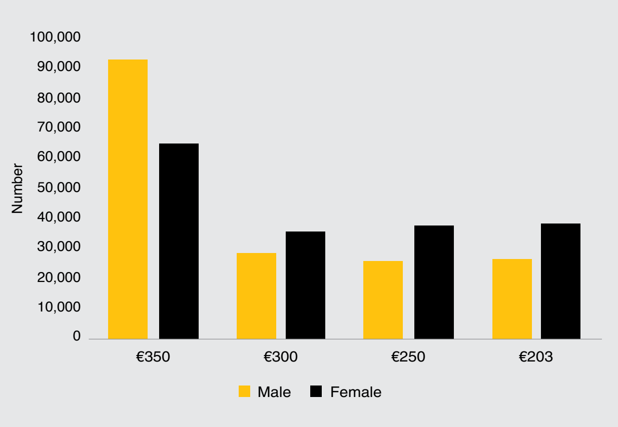


Figure 10: Top five in demand skills, % of businesses with a current or expected vacancy in these areas

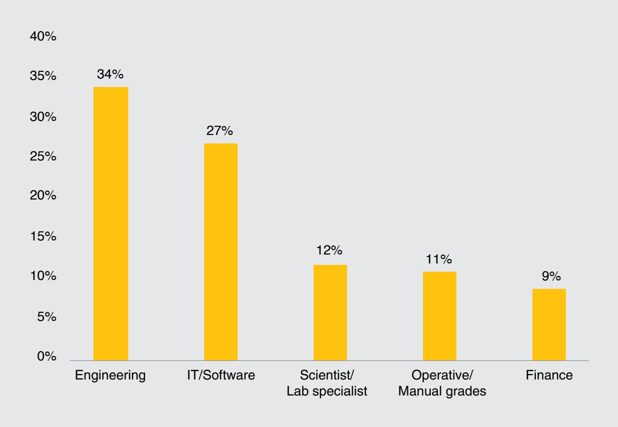
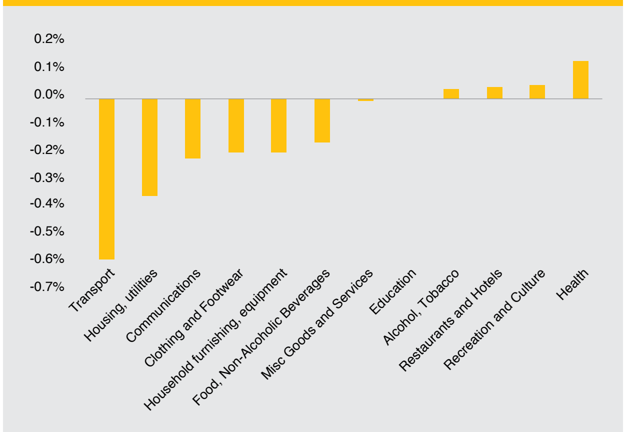


Figure 11: % Contribution to total inflation by category



Consumption

Christmas shopping

The months of the summer reopening after the first COVID lockdown saw substantial jumps in retail activity, as pent-up demand meant consumers were eager to spend when able. This is likely to be the case again as we exit the lockdown of October and November and begin to reopen retail in advance of Christmas. Households were already spending significantly more in November than had been the case during the previous lockdown. €2.7bn was spent on debit and personal credit cards, including ATM withdrawals, in the first two weeks of November, a 51% increase over the first half of April. Looking forward to Christmas, we expect that Irish households will spend about €700 on average this Christmas over and above what they would spend in a normal month. Total retail sales over December are expected to reach €4.8 billion, marginally lower than in 2019. For some sectors, such as toys, books, department stores, and pharmacies the Christmas period is crucial to their year. One-quarter of total turnover in non-grocery or motor retail comes through the tills in November and December. Including January sales this rises to between 30% and 40% for many of those sectors.

Online trading for a digital Christmas

The arrival of COVID has precipitated a rapid acceleration towards digitalisation, as social distancing requirements encourage a shift to online activity. This year, online trading is likely to make up a more significant proportion of the Christmas retail period than ever before. The registry of Irish website domain names in the '.ie domain registry' has recorded a 26% increase in the number of new websites using an Irish domain address in the first half of the year. The number of Irish domain names registered internationally has also increased by 13% over the same period, with the majority being registered in the United Kingdom. This is possibly in anticipation of the end of the Brexit transition period on December 31st. A pre-COVID report from the registry found that just one-third of SME websites were capable of processing online sales in 2019. There is reason to believe that this is rapidly changing, with 3,962 applications received for the State's 'SME Trading Online Voucher' scheme between March and June. This is equivalent to three times the number of applications in the entirety of 2019.

Consumer spending across the EU

The impact of COVID-19 has had a similar effect on consumption across much of the EU, with households consuming dramatically less as public health measures curtailed their spending opportunities and a sharp increase in unemployment reduced incomes. As of Q2, the height of the COVID restrictions across the EU, Ireland had seen the 2nd largest decrease in household consumption. Household spending was 23% lower than the same period last year. This is second only to Spain, at 24%, and considerably above the decrease for the whole of the EU, at 17%. This reflects the relative severity and length of the first Irish lockdown, with other EU Member States opting to loosen restrictions earlier and more widely. As EU households spent less in Q2, they saved more, with the EU savings rate jumping to an all-time high of 26.5%. EU households saved over €250 billion more than would have been expected pre-COVID in the first half of 2020. Before COVID, household consumption accounted for over half of the EU's GDP. Consequently, it will be vital to give consumers the confidence to release some of these savings and spend again for an EU-wide recovery.

Figure 12: Debit and personal credit card spending, 7 day rolling average

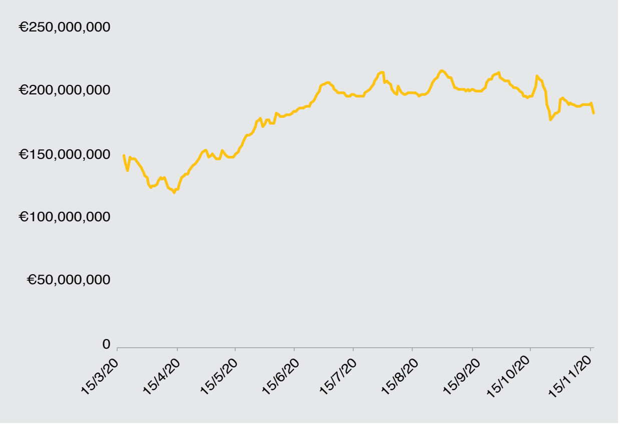


Figure 13: Total '.ie' registered domains at June 30th

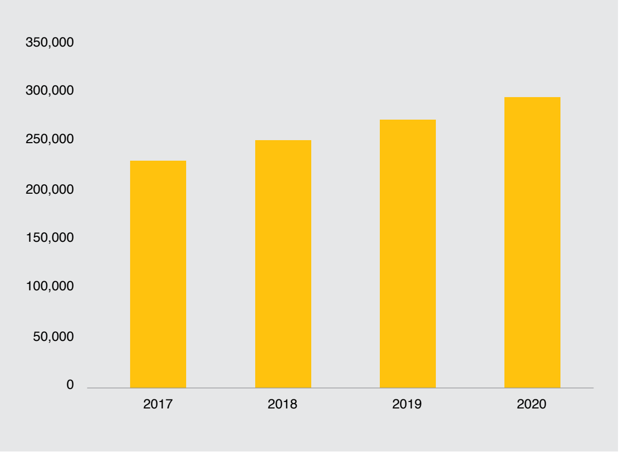
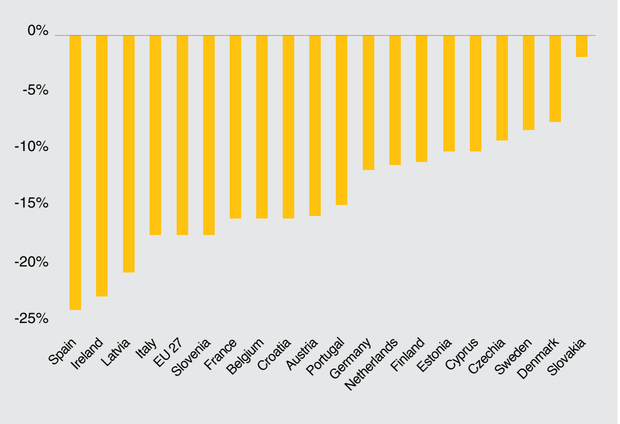


Figure 14: Household consumption, y-on-y % change in Q2



Ireland and US trade post-election

Recent decades have seen a significant deepening of the Trans-Atlantic economic and trade relationship between Ireland and the US. This relationship has grown in both directions with Ireland accounting for 11% of EU exports to the US and 8% of imports from the US despite accounting for under 1% of the EU population. Whilst it is well known that US firms employ over 160,000 workers in the Irish economy, what is less well known is the growth of Irish firms in the US. Irish firms now employ over 100,000 US workers in sectors such as food, building materials and manufacturing.

The exporting side of this relationship is increasingly important to Ireland. Irish exports to the US have grown from 8% of our total exports in 1990 to 31% today. This is second only to the EU (37%). Even excluding the pharmaceutical trade, Irish exports to the US (20%) outstrip the UK (19%) and have grown significantly in recent years. This expanding trade has not just been driven by sectors dominated by US multinationals, such as BioPharma, ICT or MedTech, but also by sectors such as the food and drink industry which now exports more than €1 billion annually to the US.

In recent years, trade tensions between the US and EU have resulted in a series of escalating tariffs on goods crossing the Atlantic. These tariffs have had material impacts of trade and consumers. For example, previous Ibec analysis has shown how, on a per capita basis, Irish goods have been most exposed to US tariffs on European goods, arising from the Boeing/Airbus State Aid dispute. Meanwhile, the material impact of EU tariffs on US goods is clear in the 20% fall in European imports of American Whiskey which followed tariffs introduced on those goods in 2018.

There are real hopes for an improvement in EU-US relations following the election of Joe Biden as US President. The Biden campaign's platform and Biden's political history suggests greater support for multilateralism, less focus on bilateral trade balances as a measure of economic relations, and general support for improving trade relations with allies. It is not a one-way street, however, with large parts of the 'America First' strategy now mainstream in US politics. The Biden campaign for example promised to prioritise the interest of American workers in any new trade deals, to introduce tax benefits for re-onshoring, and to introduce a 'Buy American' pledge for US Government procurement. The change in trade policy under the new administration could best be described as a change in tone and approach rather than a change in focus.

The changing centre of gravity in the US, when it comes to trade policy, means that any hopes of bilateral reductions of tariffs will only come on acceptable terms. They will also have to wait, with the Biden administration only to be sworn in on January 20th and facing significant and immediate domestic challenges – not least COVID-19. This medium-term nature of any walk back of tariffs was central to the EU's decision to exercise its option to levy €3.4 billion of WTO compliant tariffs on US goods only days after the US election. This was an attempt to put in place countermeasures for leverage in future negotiations.

There may be a significant potential upside, in time, for Ireland if the EU and US can de-escalate tariffs on key products areas in 2021. Most significantly any US move to be more supportive of solving international issues through multilateral institutions, such as the WTO or OECD, will be of benefit to smaller countries. This may be the biggest shift in policy from an Irish perspective.

Table 2: Irish export shares by destination, 1990 to 2019

	1990	1995	2000	2005	2010	2015	2020
EU (ex UK)	41%	48%	43%	46%	42%	39%	37%
UK	34%	26%	20%	17%	15%	14%	10%
US	8%	8%	17%	18%	24%	24%	31%
Rest of world	17%	18%	20%	18%	19%	23%	22%

International economies

Global FDI

Data from the UN shows that global flows of foreign direct investment (FDI) fell by 49% in the first half of 2020. Even with a pickup expected in the second half of the year, 2020 is on track to see the largest single-year fall in global FDI activity since the collapse of the dotcom bubble in the early 2000s. From an Irish perspective, the IDA's half-year results were somewhat more promising. In the first half of 2020, the agency announced 132 new inward FDI projects and a total of 9,600 job approvals. This compared with 13,500 job approvals in the first half of 2019 and 11,300 in the first half of 2018. This suggests that Ireland's fall in FDI is significantly less than other developed countries, which have seen FDI falls averaging 75%. This can be linked back to Ireland's sectoral mix with BioPharma, ICT, and Finance proving the most resilient sectors in terms of FDI performance globally.

Global government spending

One of the long-term impacts of COVID has been significant increases in Government spending globally. Government spending, in cash terms, has grown by 21% across the developed world and by 13% in the EU this year. For developed countries, the enormous fiscal response to COVID will leave the State at its largest size, relative to the economy, since World War II. Even though many emergency measures may be unwound over the coming years, this will still lead to increased Government debt. This debt remains sustainable under current financial conditions, but it will mean increased demands for greater post-COVID spending or the resources needed to address built-in spending pressures, such as ageing, will have to be funded by increasing tax revenue. A permanently bigger State across the developed world may be the long-term impact of the pandemic.

Figure 15: IDA half-year result job approvals

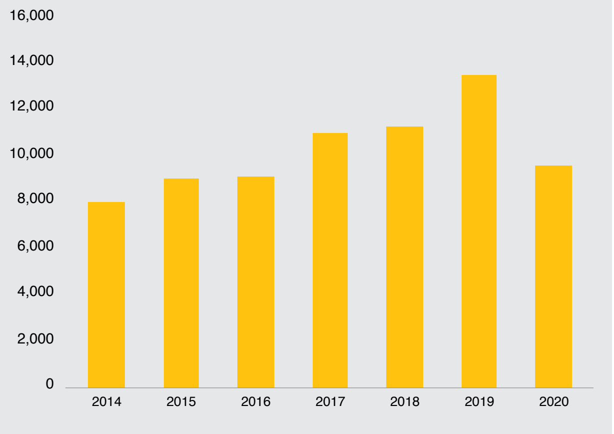


Figure 16: Government spending, % of GDP

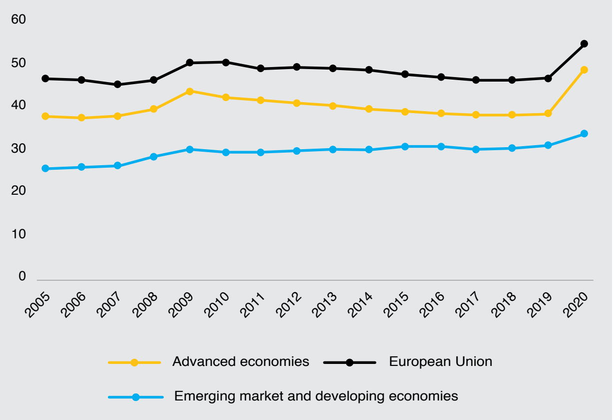


Table 3: International economic forecasts, GDP growth % change

	2020	2021
Eurozone	-8.3	5.2
US	-4.3	3.1
Germany	-6.0	4.2
Developing markets	-3.3	6.0

Source: IMF Economic Outlook, October

A shared Island focus

Cross-border traffic flows

One of the most significant cross-border linkages on the island is the flow of cross border people and skills. In 2020, public health restrictions and changing work patterns have significantly reduced flows of traffic across the border – particularly of passengers. At several of the busiest road crossings along the border, passenger traffic is down on average 28% annually. This varies between 21% at Derry and a 34% fall in traffic on the A1 between Dundalk and Newry. On the other hand, the continued resilience in goods trade cross-border is mirrored in more resilient HGV activity. HGV traffic has fallen, across the five crossings, by only 4.2% annually with the most significant falls at Belleek and on the A1/N1. Given the links between these movements and employment, it can be expected that the trend witnessed in 2020 will reverse materially in 2021.

All-island labour market

Different policy responses between Ireland and Northern Ireland, have led to a large variance between changes in official unemployment rates and changes in actual hours worked. This is because whilst the majority of impacted workers in Ireland have become officially unemployed on the PUP scheme, the Coronavirus Job Retention Scheme (or Furlough scheme) in the UK has kept people officially in jobs, albeit with much fewer hours. This has important implications for how we understand the impact of COVID on the all-island labour market. In Northern Ireland, officially measured unemployment only rose by 1 percentage point annually in Q3 2020 to 3.6%. On the other hand, the COVID adjusted unemployment rate in Ireland rose to 15.9%, an increase of eleven percentage points on Q3 2019. However, a more reflective data point may be the total number of hours worked in each jurisdiction. What the data shows is that the actual economic impact of COVID in Q2 was relatively even across the island – with both labour markets seeing a fall of around 11% in the number of hours worked.

Cross-border trade

Cross border trade in goods has grown significantly in recent years with the total value of trade growing from €2.7 billion a decade ago to €3.8 billion in 2019. This number has, thus far, proved resilient in the face of COVID and Brexit. In addition to goods trade, measured services trade across the border stands in the region of €3.5 billion. In truth, this is likely an underestimate of the true scale of cross-border services linkages given that the data is based on import and export records of NI business only and excludes primary agriculture, financial services and trade of the self-employed. This measurement challenge can be seen in the fact that whilst services trade between Ireland and the UK as a whole is 1.5 times as large as goods trade, measured cross-border services trade on the island of Ireland is actually 10% smaller than goods trade.

Figure 17: Changes in cross-border traffic, Jan to November 2020 versus 2019

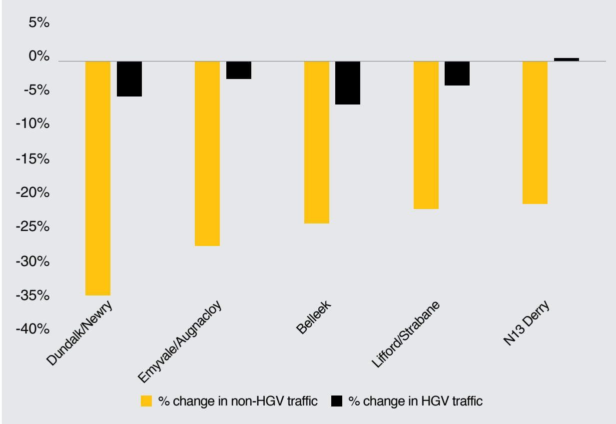


Figure 18: Change in unemployment rates and hours actually worked

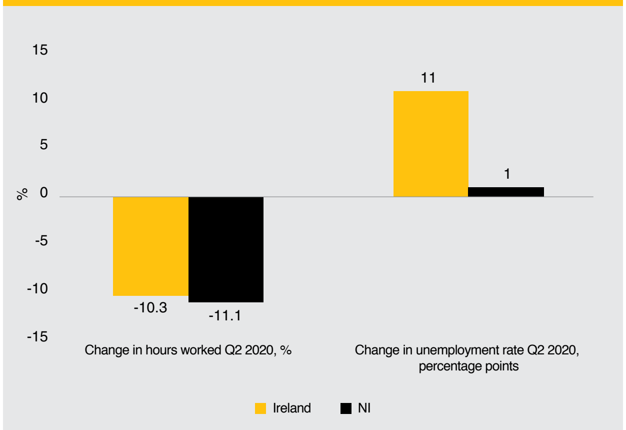
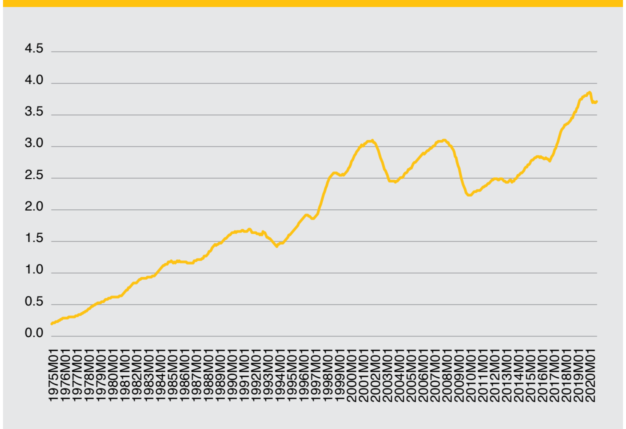


Figure 19: 12-month moving total value (€bn) of cross-border goods trade, 1975 to 2020



Housing and construction

Mortgage approvals and lending

In the first half of 2020, there were 15,288 new mortgages with a total value of €3.6bn. This compares to 18,260 new mortgages with a value of €4.2bn over the same period in 2019. This marks a 16% decrease in the number of new mortgages offered in the first half of this year versus the same period last year. According to the Banking and Payments Federation, mortgage approvals have recovered in the third quarter of the year, after a substantial drop off from April through June, with €1.1bn in mortgages approved in September, more than April and May combined. As of June, 10% of the total value of mortgages on properties used as primary dwellings was subject to payment breaks, as banks offered postponed payments of 3 to 6 months to households in difficulty. In total value, €9.4bn in mortgages were subject to payment breaks. By September this had decreased to 6% or €5.7bn. As of September, half of all payments breaks on mortgages for properties used as primary dwellings had expired, with the majority returning to full repayments.

Housing completions

After a difficult first half of the year, housing completions recovered strongly over the third quarter, with 5,118 new units completed, a 58% increase over the previous quarter. Completions had dropped off sharply in Q2 amid the COVID-19 lockdown, with 32% fewer completions than Q2 of 2019. While the number of housing completions rebounded in Q3, there were still 9% fewer completions than the same period in 2019 showing the ongoing impact of COVID in the sector. Most of the decrease is in apartment and scheme house completions, down 28% and 13% respectively from their 2019 Q3 levels. Impressively given a challenging year, single house completions have risen 15% over their Q3 2019 level. Total completions for the year so far stand at 13,335, which is 1,388 fewer than the same period last year. This means an additional 7,772 completions would be needed in Q4 just to match completions last year, which were already insufficient to meet housing demand. We are unlikely to see such a surge in completions in Q4. However, the decision to keep the construction sector largely open even as other sectors were shuttered again during the second COVID-19 lockdown should enable the recovery in completions to continue.

Construction PMI

The IHS Markit-Ulster Bank construction PMI has confirmed the ongoing disruption within the construction sector due to COVID-19. The PMI gives an indication of total activity within the construction sector, with a value above 50 indicating growing construction activity and below 50 indicating a contraction in activity. The index recorded a value of 48.5 in October, up from 47 the month before and an all-time low of 4 during April. The index showed a brief return to growth in June and July before falling again in August. October's result implies that, while activity is still shrinking, it is at a slower rate than in the previous two months, as construction activity begins to stabilise. The PMI represents a range of indicators, with areas like housing activity, the volume of new orders and levels of employment all showing a positive, if marginal, return to growth. However, the effect of these growth areas was outweighed by increasing input prices, supply chain difficulties due to COVID and continued weakness in commercial and civil engineering activity.

Figure 20: Total value of mortgage lending (€m)

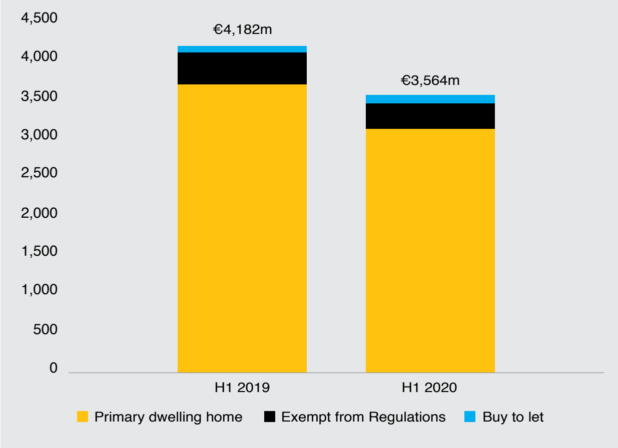


Figure 21: Housing completions by type

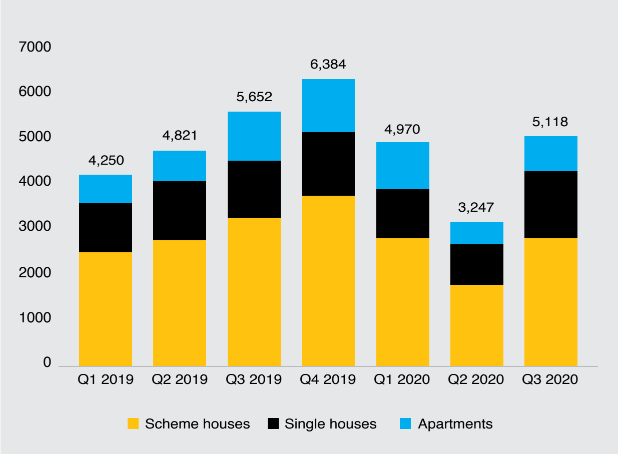
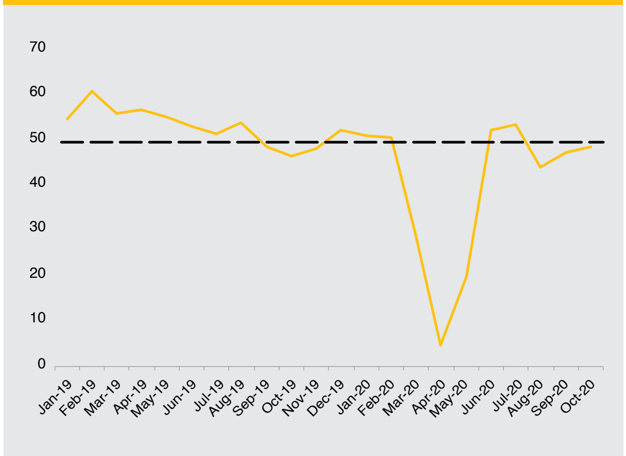


Figure 22: Ulster Bank-IHS Markit construction PMI



Further information

Fergal O'Brien
Director of Policy and Public Affairs
T: 01 605 1544
E: fergal.obrien@ibec.ie

Gerard Brady
Chief Economist
T: 01 605 1515
E: gerard.brady@ibec.ie

Hazel Ahern-Flynn
Economist
T: 01 605 1603
E: hazel.ahern-flynn@ibec.ie

Web: www.ibec.ie
Twitter: Join the conversation @ibec_irl

Ibec Head Office
84/86 Lower Baggot Street
Dublin 2
T: + 353 1 605 1500
E: membership@ibec.ie
W: www.ibec.ie/membership

Galway
Ross House
Victoria Place
Galway
T: + 353 91 561109
E: galway@ibec.ie
W: www.ibec.ie/west

Cork
Knockrea House
Douglas Road
Cork
T: + 353 21 4295511
E: cork@ibec.ie
W: www.ibec.ie/cork

Brussels
Avenue de Cortenbergh
89, Box 2
B-1000 Brussels
BELGIUM
T: + 32 (0)2 512.33.33
F: + 32 (0)2 512.13.53
E: europe@ibec.ie
W: www.ibec.ie/europe

Limerick
Gardner House Bank Place
Charlotte Quay Limerick
T: + 353 61 410411
E: midwest@ibec.ie
W: www.ibec.ie/midwest

Donegal
3rd Floor, Pier One Quay Street
Donegal Town Donegal
T: + 353 74 9722474
E: northwest@ibec.ie
W: www.ibec.ie/northwest

Waterford
Waterford Business Park
Cork Road Waterford
T: + 353 51 331260
E: southeast@ibec.ie
W: www.ibec.ie/southeast