BPFI SME Market Monitor

Final Report

June 2019

Banking & Payments Federation Ireland

EY DKM

Strong labour market performance supports domestic economy

For many, Brexit remains at the forefront of the public psyche, despite the positive economic news at home. The withdrawal date has been extended to the end of October 2019, and the Tory party is set for new leadership after Theresa May announced she would step down. The extension of the withdrawal date should, in theory, allow for more breathing space for the British Parliament to agree on a deal and get it through the House of Commons. However, our Brexit analysis puts the probability of No Deal (WTO rules) at 30%, a Free Trade Agreement at 20% and stopping Brexit at 20%. All three probabilities have increased since the British prime minister's announcement that she will resign. Until such a time as there is a clear outcome for Brexit, the ambiguity is likely to continue to weigh on consumer and business sentiment.

This is particularly evident from the KBC Consumer Sentiment Index. Consumer sentiment has decreased from 98.8 in January 2019 to 89.9 in May 2019. Understandably, less than stellar global growth, Brexit uncertainty and increased trade tensions between the USA and China, and now the USA and Mexico, have weighed on consumer sentiment and eroded the positive outlook for the future. However, there remains a significant mismatch between weaker sentiment and the buoyant labour market and household spending indicators.

Indeed, Irish households continue to loosen the purse strings. In April, retail sales reached a record high, increasing by 2.1% on the month. Excluding the motor trade sector, retail sales fell by 0.5% from the previous month, albeit they were still 5.6% higher on the year. The monthly increase in retail sales was largely driven by increases in motor trades (+7.4%), retail sales of books, newspapers and stationery (+7%) and specialised store sales of food, beverages and tobacco products (+5.9%). The big picture is one of broad-based growth across most retail sub-sectors in 2019 compared to the same period in 2018.

In the tourism sector, visitor numbers from Great Britain increased for the second consecutive quarter in Q1 2019, rising 1.4% on the year, while total visitor numbers to Ireland were 6.7% in the same period, driven by strong growth in the North American market.

The AIB manufacturing PMI remained in positive growth territory (>50) for the 72nd consecutive month in May, although the index level decreased for the third consecutive month, approaching the 50 mark. Business confidence increased to a five month high despite a decrease in both output and total new orders. Stocks of finished goods among manufacturers declined with panellists citing that they had made an effort to reduce inventories as a result of receiving fewer orders. The reduction in finished goods in May contrasted with the series high expansion posted in April.

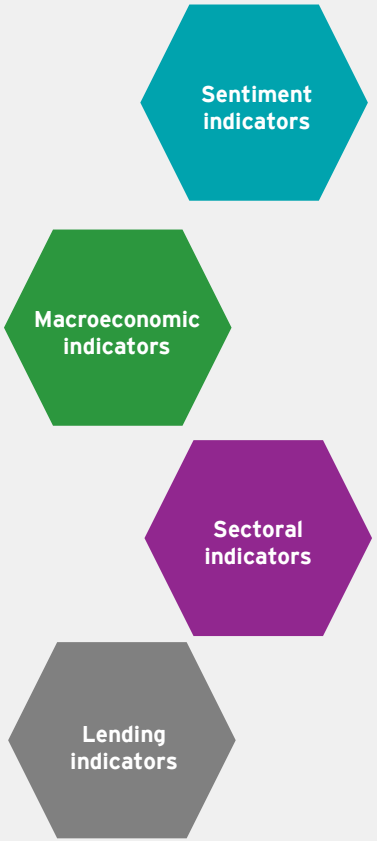
Exchequer returns in the first four months of 2019 show strong growth in tax revenues, up 5.6%, reflecting buoyant growth in the domestic economy. Income tax, VAT, and excise duties have all contributed to an improving fiscal profile for the government.

Q1 2019 saw significant improvement in labour market indicators. Annual employment growth accelerated to 3.7% in Q1 2019 - the largest increase since Q3 2007 - and unemployment fell to a cycle-low of 4.6% in April. Weekly earnings by employees in medium (50-250 employees) and large (250+) businesses increased by 5.1% and 2.1% YoY respectively, while employees in smaller (<50) firms saw a 4% increase. With inflation still muted at 1.7%, household's spending power continues to increase month-on-month.

While new SME lending dipped in Q4 2018, new lending was 7.6% higher overall in 2018. Property lending accounted for just over one-third of 2018 new lending, while agricultural sector loans accounted for over 15%, with pockets of strong growth also evident in manufacturing and business services.

While Brexit brings potentially severe implications for Irish consumers and businesses alike and is weighing on sentiment, current indicators point to a more positive story in the domestic economy. The labour market continues to outperform expectations - driving strong growth in consumer spending. Meanwhile, new SME lending has accelerated sharply, particularly in the property and agri-food sectors in the past year.

Introduction



This is the seventeenth publication of the BPFI SME Market Monitor, prepared for the Banking & Payments Federation Ireland (BPFI). The purpose of this Market Monitor is to present up to date trends across a range of indicators which are important for the performance of the SME sector. With SMEs (employing less than 250 persons) accounting for the overwhelming majority of enterprises, 69% of persons engaged, 50% of turnover and 42% of Gross Valued Added (GVA), their performance is very closely linked with the overall health of the economy. How consumers feel about the overall state of the economy, their personal financial situation and their ability to make purchases will influence the performance of SMEs. The level of confidence amongst businesses is equally important, as the more confident business owners and managers are, the greater the prospects for their companies, overall employment and incomes. They are also more likely to make investment and purchase decisions.

The highest concentration of Irish SMEs are in Accommodation and Food services, Construction, Wholesale and Retail Trades, Professional, Scientific and Technical services and Transportation and Storage, while the first four also figure prominently in terms of employment. The economic environment has improved over recent years, with a return to more sustainable growth and trading conditions, ensuring that SMEs remain central to Ireland's economic and jobs recovery. However, there exists a number of challenges for SMEs, including the increased possibility of a No Deal Brexit as well as a slowdown in the global economy, each of which could prove to be extremely difficult for SMEs, particularly for those operating in the sectors which are most vulnerable to Brexit.

This publication monitors a number of indicators that influence the circumstances under which SMEs conduct their business. A total of 15 indicators, which are published on a quarterly and/or monthly basis, are presented in tabular and graphical form with a brief commentary. This publication also contains a summary commentary which seeks to bring an overall assessment of what these indicators are telling us about the environment for SMEs. The indicators presented are grouped under four headings: sentiment, macroeconomic, sectoral and lending.

The data includes a number of the published sentiment indicators, including those from the ESRI, KBC and AIB. Much of the macroeconomic and sectoral data comes from the Central Statistics Office and the Department of Finance, while the SME lending data is from the Central Bank of Ireland. Where data is known to be affected by seasonal patterns, the CSO presents seasonally adjusted (SA) data which allow month on month (MoM) or quarter on quarter (QoQ) trends to be analysed. The seasonally adjusted data can vary each month/quarter as new observations are added and these changes will be reflected in subsequent issues of the BPFI SME Market Monitor. Unadjusted data are analysed on a year-on-year (YoY) basis.

This publication appears in electronic form on BPFI's website: http://www.bpfi.ie and is available on http://www.ey.com/ie/en/services/transactions/ey-dkm-economic-advisory . The analysis is based on data available up to 5th June 2019.

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Note: Where possible, all year-on-year changes reflect annual changes in non-seasonally adjusted figures, while quarterly changes reflect changes in seasonally adjusted figures.

Indicator	Latest Trends	Highlight	Level	MoM % Change	QoQ % Change	YoY % Change	Date
Consumer Sentiment		Consumer sentiment slightly increased in May	89.9	Sentiment and current economic conditions posted modest monthly increases			May-19
Manufacturing PMI		Manufacturing sector continues to lose momentum	50.4	Overseas new business declines at its fastest rate in six years			May-19
Modified Domestic Demand		Quarterly growth in MTDD rebounds	€43,537m	-	0.5%	-1.7%	Q4'18
Unemployment rate		Unemployment rate decreases by 0.6 percentage points QoQ	5.0%	-	-0.6pp	-0.9pp	Q1'19
Disposable Income		Savings ratio remains in double digit figures	€28,518m	-	+2.1%	+6.4%	Q4'18
Employment		Employment up 3.7% across all sectors	2.30m	-	+0.9%	+3.7%	Q1'19
Exchequer Returns		Capital Gains Tax records largest YoY increase	€15,571m	-	-	+5.7%	Apr-19
Retail Sales		Retail sales bounce back	119.3	+2.1%	-	+4.0%	Apr-19
Retail Sales excl. Motor Trades		MoM change decreases when car sales are removed	119.5	-0.6	-	+5.6%	Apr-19
Overseas Trip		YoY increase in number of visitors	2.76m	-	+1.3%	+8.2%	Q1'19
Construction Production		Output growth shrinks to single digit figures	160.8	-	+3.2%	+9.4%	Q4'18
Services		The Service Index increases in April	124.1	+1.0%	-	+5.6%	Apr-19
Credit and Debt Card spending (Online)		Total e-commerce spending up €251m YoY	€1,545m	-	-	+19.5%	Mar-19
New SME Lending		New lending to SMEs down after 4 quarters of strong YoY growth	€1,464m	-	-	-5.6%	Q4'18

1) For latest trends, upward trend is where monthly / quarterly change is above +1%, downwards trends is below -1%, while no change is classified as being between 0% and 1% (- or +).
2) Where possible, YoY % changes relate to NSA data, whereas monthly / quarterly data refers to SA data.

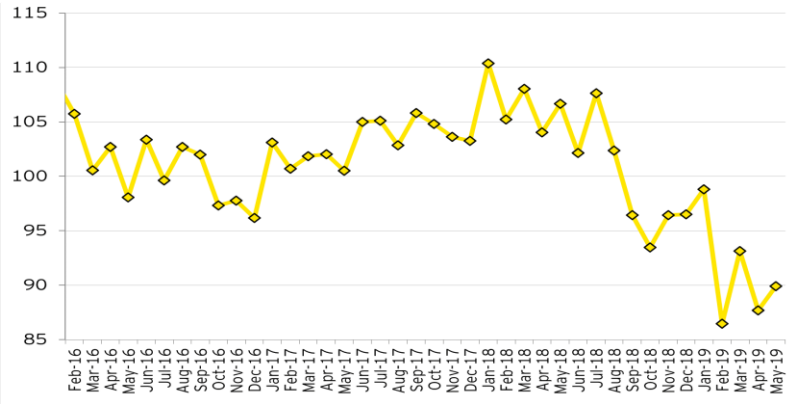
Section 1

Sentiment Indicators

Sentiment indicators

Consumer Sentiment Index

Figure 1: Consumer Sentiment Index



Source: KBC

Consumer sentiment decreases 16.8% YoY

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19
Monthly Index	96.5	98.8	86.5	93.1	87.7	89.9
Annual change in the level	-6.7	-11.6	-18.8	-14.9	-16.3	-16.8
Monthly change in the level	0.1	2.3	-12.3	6.7	-5.4	2.2
3 month moving average	95.5	97.3	93.9	92.8	89.1	90.2

Source: KBC

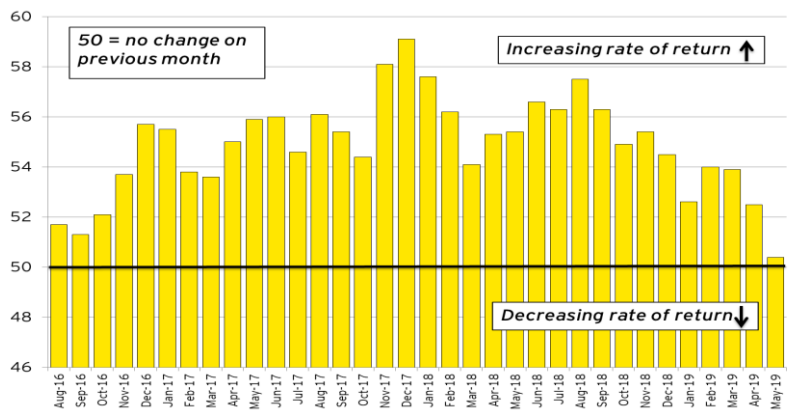
The Consumer Sentiment Index increased marginally in May to 89.9 from 87.7 in April. Brexit continues to weigh on consumer sentiment in Ireland with 69% of consumers fearing a Brexit-induced increase in living costs, 30% expect an increase in housing costs and 18% of consumers see Brexit negatively affecting their job prospects. The imminent threat of Brexit has been removed, or rather, postponed until October. The stable consumer sentiment indicator may reflect a sigh of relief due to the extension of the withdrawal date.

Consumer sentiment slightly rebounded in May from April, but the potential threats facing consumers– such as Brexit, cooling of global economies and trade disputes – may still influence consumer decisions over the coming months.

Irish consumer sentiment in May contrasted with the stronger sentiment readings in other western countries. In regard to other sentiment indices, there was a marked increase in the USA, a slight increase in the UK and an increase in Euro area consumer sentiment. It is expected that while the withdrawal date has been pushed out, the looming threat of Brexit has cast a long shadow over Irish consumers.

Manufacturing PMI

Figure 2: Manufacturing PMI (SA)



Source: AIB

PMI decreases for the third month running, approaching 50, the point of no change

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19
PMI (SA)	54.5	52.6	54	53.9	52.5	50.4
Monthly Change	-0.9	-1.9	1.4	-0.1	-1.4	-2.1

Source: AIB

Brexit preparations in the beginning of 2019 boosted activity across the sector. However, the sector continues to lose momentum. The AIB Ireland Manufacturing PMI Index fell from 52.5 in April to 50.4 in May, representing the smallest improvement in the PMI since the aftermath of the Brexit referendum in July 2016. The Index fell to almost 50, the point of no change on the previous month.

Stocks of finished goods declined in May despite the series-high increase in April. This was due to receiving fewer orders from customers. April represented the 33rd successive month of growth in new orders, while exports also increased, albeit at a lower rate than the previous month. However, new orders declined in May. Yet, Irish manufacturers continued to expand their workforce in May, although job creation was the slowest in 32 months. This is in marked contrast to the overall strong labour market performance in Q1 2019.

Despite continued uncertainty over Brexit, optimism amongst Irish manufacturing firms regarding the forthcoming 12 months remained strong in May, with 52% of firms confident that output would rise over the coming year.

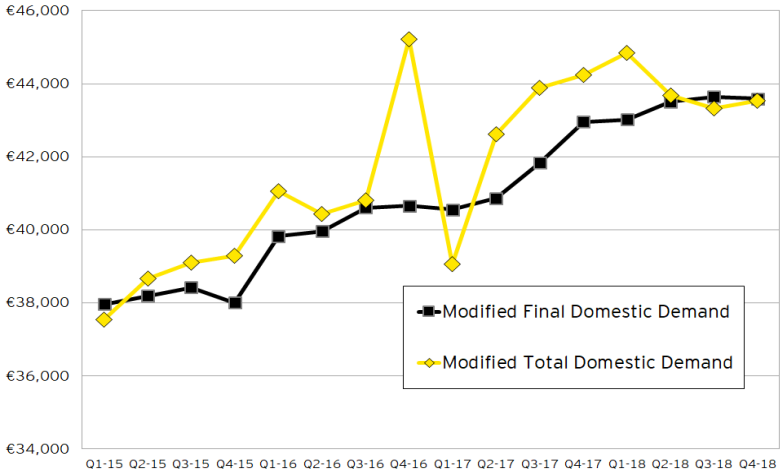
Section 2

Macroeconomic indicators

Macroeconomic indicators

Modified Domestic Demand

Figure 3: Domestic Demand SA (€m, constant 2016 prices)*



Source: CSO, National Accounts (SA)

Modified total domestic demand increases marginally QoQ

	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18
Modified Total Domestic Demand (€m) (SA)	43,882	44,243	44,850	43,679	43,331	43,537
QoQ % Change	3.0%	0.8%	1.4%	-2.6%	-0.8%	0.5%
Modified Total Domestic Demand (€m) (NSA)	44,572	44,948	44,856	42,277	44,047	44,206
YoY % Change	7.7%	-2.2%	14.8%	2.5%	-1.2%	-1.7%

Source: CSO, (SA): *Difference between Total and Final Modified Domestic Demand is the change in the value of physical stocks. This item measures the actual value change in stocks between the start and end of the Quarter.

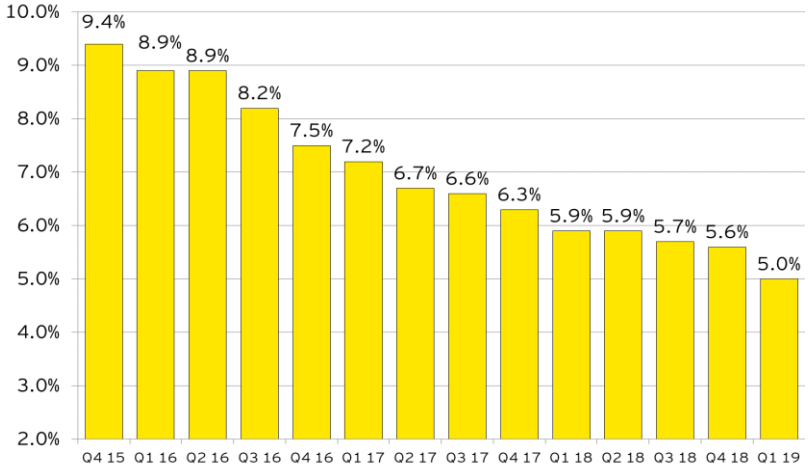
Modified Total Domestic Demand fell, on a non-seasonally adjusted basis at constant 2016 prices, by 1.7% in Q4 2018, which was the second successive quarter of a decline. Despite these declines, Modified Total Domestic Demand for 2018 as a whole rose by 3.3% or €5.5 billion to €175.4 billion.

Of the three components that make up domestic activity, Gross Domestic Fixed Capital Formation (GDFCF) experienced the largest YoY growth in 2018, increasing by 6.9% or €2.7 billion over the course of the year. Specifically, investments in Aircraft leasing and Building and Construction were the fastest growing categories of GDFCF, with YoY growth of 96.6% and 15.9% respectively. Investment in Machinery and Equipment was up 2.3% relative to 2017.

Relative to the previous year, the remaining categories of domestic activity also saw solid annual growth, with Personal Consumption and Government Expenditure up by 3% and 6.4% respectively.

Unemployment Rate

Figure 4: Unemployment Rate (SA)



Source: CSO, Labour Force Survey (LFS), (SA)

Total number of unemployed down 18,500 YoY

	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19
Rate (SA)	6.3%	5.9%	5.9%	5.7%	5.6%	5.0%
Number (000s SA)	150.1	138.8	140.7	134.9	134.6	120.3
Rate (NSA)	6.1%	5.7%	6.0%	6.0%	5.4%	4.8%
Number (000s NSA)	144.0	132.9	144.3	143.8	128.8	114.4

Source: CSO, Labour Force Survey (LFS)

The seasonally adjusted (SA) unemployment rate was 5.0% in Q1'19, with the total number of persons unemployed amounting to 120,300. This equated to a decrease of 14,300 compared to the previous quarter. On a non-seasonally adjusted basis, unemployment was down 18,500 compared to Q1'18.

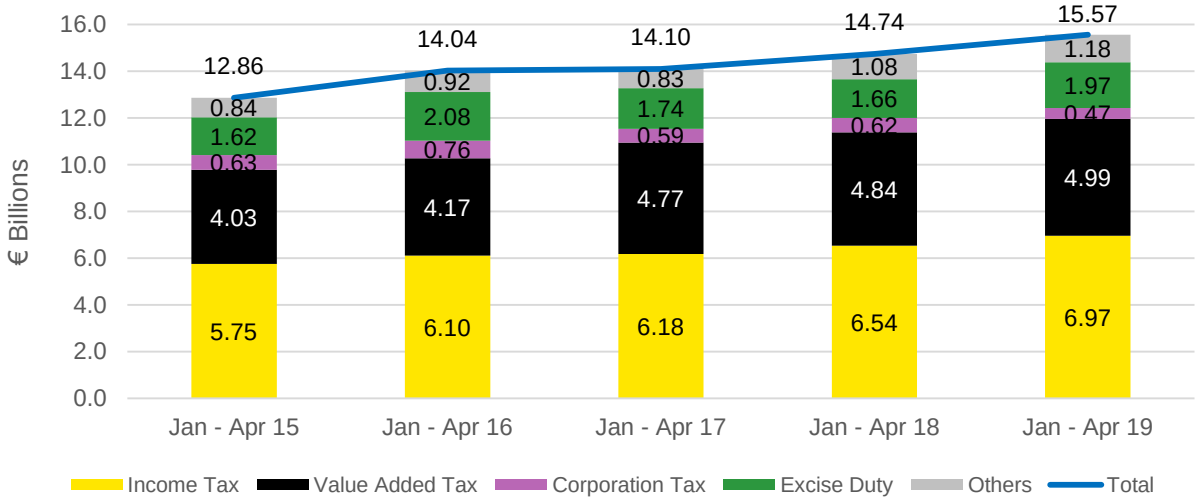
The monthly unemployment rate (SA) decreased from 4.6% in April 2019 to 4.4% in May 2019. The seasonally adjusted number of persons unemployed went down from 111,300 in April to 108,200 in May.

As the economy rapidly approaches full employment, new challenges are beginning to emerge, most notably a tighter labour market, making recruitment more difficult and invariably contributing to greater wage inflation. This is likely to result in increased inward migration to address labour shortages.

Macroeconomic indicators

Exchequer Tax Receipts

Figure 5: Composition of Exchequer Tax Receipts, 2015-2018, € (billion)



Source: Department of Finance

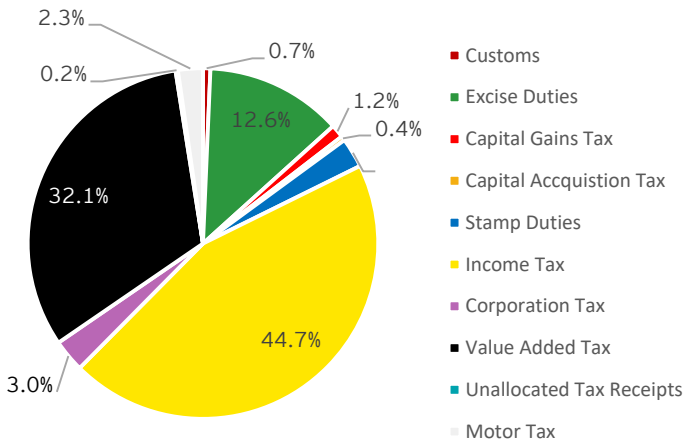
80,000 jobs could be at risk due to hard Brexit

(€m)	YTD Tax Revenue 2019 (€m)	% Share of YTD Tax Revenue 2019	Percentage point change in share 2019 vs 2018	% change in outturn 2019 vs 2018	Apr 19 Outturn (€m)	% change in outturn Apr 19 vs Apr 18
Total Tax Revenue	€15,571	100.0%	-	5.7%	€2,776	-0.3%
Customs	€106	0.7%	0.0%	6.6%	€16	80%
Excise Duties	€1,967	12.6%	1.4%	18.4%	€593	139%
Capital Gains Tax	€191	1.2%	0.2%	26.5%	€16	137%
Capital Acquisition Tax	€63	0.4%	0.0%	14.5%	€16	108%
Stamp Duties	€428	2.7%	0.0%	6.6%	€104	104%
Income Tax	€6,965	44.7%	0.4%	6.6%	€1,992	107%
Corporation Tax	€468	3.0%	-1.2%	-24.2%	-€56	-65%
Value Added Tax	€4,992	32.1%	-0.8%	3.0%	€6	4%
Unallocated Tax Receipts	€34	0.2%	0.1%	37.3%	-€1	-115%
Motor Tax	€356	2.3%	-0.1%	2.8%	€90	101%

Source: Department of Finance

YTD = January to April 2019

Figure 6: Composition of Exchequer Tax Receipts, YTD 2019 (% of total)



Total tax revenue amounted to €15,571 million from January to April 2019, which was 5.7% or €833 million higher than the corresponding tax take in January to April 2018.

Income Tax was the largest revenue stream for the State, accounting for almost 45% of total (Exchequer) taxation YTD in 2019. This represented a slight increase of 0.4 percentage points on its corresponding share during the same period (January to April) in 2018. In absolute terms, income tax receipts have reached almost €7,000 million in the first four months of 2019, representing an increase of 6.6% (€400m) relative to the same period in 2018.

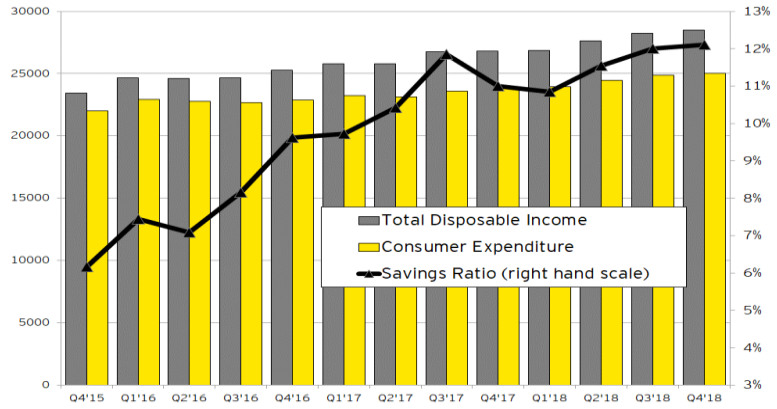
The **tax revenue stream** which registered the largest increase in its share of the overall tax base was excise duties, with its contribution increasing from 11.3% in the first four months of 2018 to 12.6% in same period in 2019. Nine out of the ten revenue streams showed growth YTD compared to the same period in 2018. With the exception of corporation tax, all tax revenue streams were higher relative to the previous year, with the largest YoY increases seen in unallocated tax receipts (+37.3%), Capital Gains Tax (+26.5%), Excise Duties (+18.4%) and Capital Acquisition Tax (+14.5%).

The full effects of Brexit have not yet been fully realised by the Irish economy. The economic outcome of Brexit depends on whether there is a 'soft' or 'hard' exit by the UK from the EU. Research by the Department of Finance and the ESRI outlines that a no-deal Brexit could put 80,000 jobs at risk in Ireland, which could significantly impact income tax receipts going forward.

Macroeconomic indicators

Disposable Income and Savings

Figure 7: Household Disposable Income and Savings Ratio (€ millions, current prices) SA



Source: CSO. *Consumption Expenditure (CE) here excludes Government social transfers which are included in the CE definition for National Accounts purposes

Total disposable income reaches a new high

	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18
Total Disp. Income	26,736	26,810	26,863	27,646	28,217	28,518
QoQ % Change	3.6%	0.3%	0.2%	2.9%	2.1%	1.1%
Consumption Exp.	23,592	23,852	23,960	24,450	24,877	25,000
QoQ % Change	2.0%	1.1%	0.5%	2.0%	1.7%	0.5%
Gross Saving	3,168	2,949	2,912	3,192	3,386	3,452
QoQ % Change	17.8%	-6.9%	-1.3%	9.6%	6.1%	1.9%
Savings Ratio	11.8%	11.0%	10.8%	11.5%	12.0%	12.1%

Source: CSO (SA).

Total household disposable income increased to €28.5 billion in Q4 2018, representing an annual increase of 1.1% on the corresponding period last year. For 2018 as a whole, total disposable income amounted to €111.2 billion, up 5.8% or €6.1 billion on the equivalent figure in 2017.

Consumer expenditure rose by 0.5% to €25 billion in the quarter, with annual growth easing for the second successive quarter. In 2018, consumer expenditure totalled €98.3 billion, an increase of 4.8% or €4.5 billion relative to the previous year.

Gross savings amounted to €12.9 billion in 2018 following a significant double digit annual growth of 14.4% or €1.6 billion. The savings ratio consistently rose throughout 2018, with the ratio at 12.1% in Q4 2018, an increase of 1.1 percentage points compared to Q4 2017.

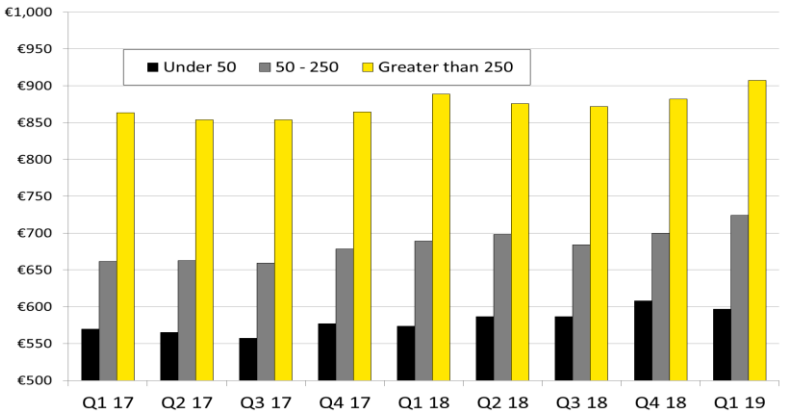
Section 3

Sectoral Indicators

Sectoral indicators

Weekly Earnings by size of Business

Figure 8: Weekly Earnings by Size of Business (€) NSA



Source: CSO (NSA)

Medium and large company employees see wage increases

	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19
Under 50	577.3	573.6	586.4	586.6	607.9	596.6
YoY% Change	0.7%	0.7%	3.8%	5.2%	5.3%	4.0%
50 - 250	678.2	689.3	698.0	684.3	699.7	724.3
YoY% Change	3.3%	4.2%	5.3%	3.7%	3.2%	5.1%
250 +	864.5	888.9	876.0	871.7	881.8	907.3
YoY% Change	1.9%	3.0%	2.6%	2.1%	2.0%	2.1%

Source: CSO, (NSA).

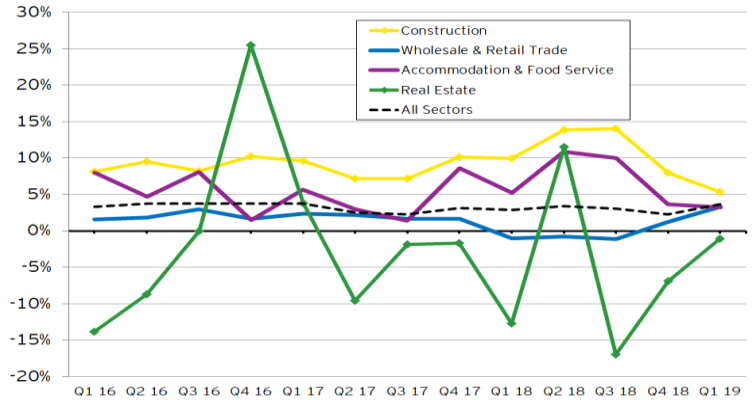
Average weekly earnings in the Irish economy rose to €742.70 or €38,622 per annum in Q1 2019, following robust annual growth of 4.0%.

A breakdown of the data shows that earnings in medium sized companies (50-250 employees), experienced the strongest rate of growth at 5.1% in Q1 2019, with earnings growth accelerating in each of the last eight quarters. For the year as a whole, earnings in small (<50) companies were up 4.0% YoY.

Average earnings in large companies (>250 employees) rose to €907.25 per week or €47,177 in Q1 2019, up 2.1% compared to Q1 2018.

Employment by Sector

Figure 9: Employment by Sector YoY % Change (NSA)



Source: CSO, LFS, NSA

Largest employment gain since Q3 2007 with an additional 81,200 jobs

YoY% Change	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19
All sectors	3.1%	2.9%	3.4%	3.0%	2.3%	3.7%
Construction	10.2%	9.9%	13.8%	14.0%	7.9%	5.3%
Wholesale and retail trade	1.6%	-1.0%	-0.8%	-1.1%	1.2%	3.3%
Accommodation and food	8.6%	5.2%	10.8%	10.0%	3.6%	3.2%
Real estate activities	-1.7%	-12.7%	11.5%	-17.0%	-6.9%	-1.0%

Source: CSO, LFS, (NSA)

Total employment increased by 3.7% or 81,200 over the course of the year, bringing total employment to 2.30 million in Q1 2019. This is the largest annual employment gain since Q3 2007. The net increase in employment between Q4 2018 and Q1 2019 was 35,100 (SA).

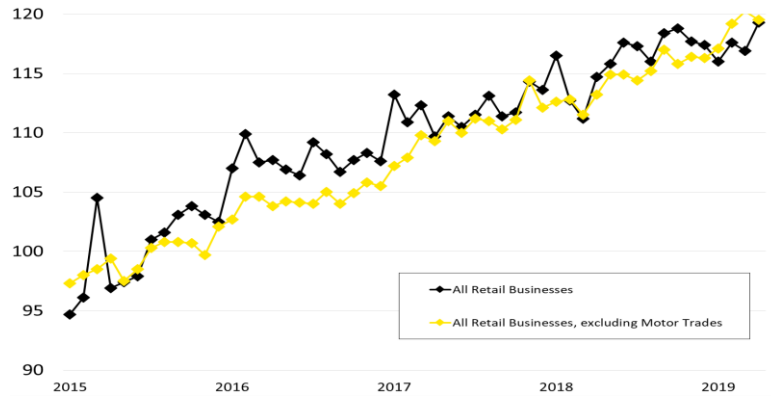
The services sector accounted for the largest share of QoQ employment creation in Q1 2019, with 13,800 new jobs created in the sector.

The Construction industry continues to register the largest rate of growth, with employment up by 3.7% (15,600) YoY. There was solid growth in the education sector of 7.4% (12,400). Transportation and storage say an increase of 11.5% (10,900) and administrative and support services increased by 10.5% (10,500). The only sector to register a YoY decrease was agriculture, forestry and fishing which decreased by 8.4% (9,500).

Sectoral indicators

Retail Sales Volume Index

Figure 10: Retail Sales Volume Index (2015 = 100) SA



Source: CSO

Retails sales index bounces back with MoM increase

	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Retail Sales Index	117.7	117.4	116	117.6	116.9	119.3
MoM % Change	-0.9%	-0.3%	-1.2%	1.4%	-0.6%	2.1%
Index ex. Motor	116.4	116.3	117.1	119.2	120.2	119.5
MoM % Change	0.5%	-0.1%	0.7%	1.8%	0.8%	-0.6%

Source: CSO. (SA)

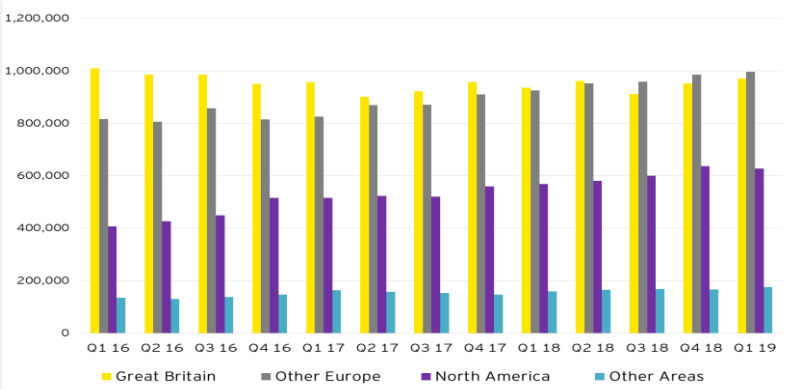
The Retail Sales Index increased by 2.1% MoM in April. However, with the exclusion of car sales, the Index was 0.6% lower than the previous month. This decrease comes off the back of three successive months of growth.

Over half of all retail categories recorded monthly decreases in sales in April. Relative to previous months, this is broadly in line with recent monthly trends. The individual retail categories to record a monthly decline included Furniture and Lighting (-7.5%), Bars (-5.4%), Automotive Fuel (-4.3%), Textiles, Clothing and Footwear (-4.1%), non-specialised stores with Food, Beverages and Tobacco (-1.4%), Department Stores (-0.2%) and other retail sales (-0.2%).

That said, significant increases were recorded in the retail sales of books, newspaper and stationary (+7.0%) and Retail Sales of Food, Beverages and Tobacco in specialised stores (+5.9%).

Overseas Trips to Ireland

Figure 11: Overseas Trips to Ireland SA



Source: CSO

British visitors increase for second quarter running

	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19
Overseas Visitors (SA)	2.57	2.54	2.70	2.65	2.72	2.75
QoQ % Change	4.0%	-0.9%	6.0%	-1.6%	2.6%	0.9%

Source: CSO. (SA).*CSO Business in Ireland 2016

A total of 2.75 million visits were made to Ireland in Q1 2019, an increase of 0.9% on the previous quarter, while YoY growth was up by 8.2%. As per the latest data from Fáilte Ireland, tourism was worth more than €6 billion in 2018, representing a 10% increase on the previous year. Such growth will be welcome news to the Irish SME sector given that 99.8% of total enterprises operating in the Accommodation and Food Service activities were classified as SMEs*.

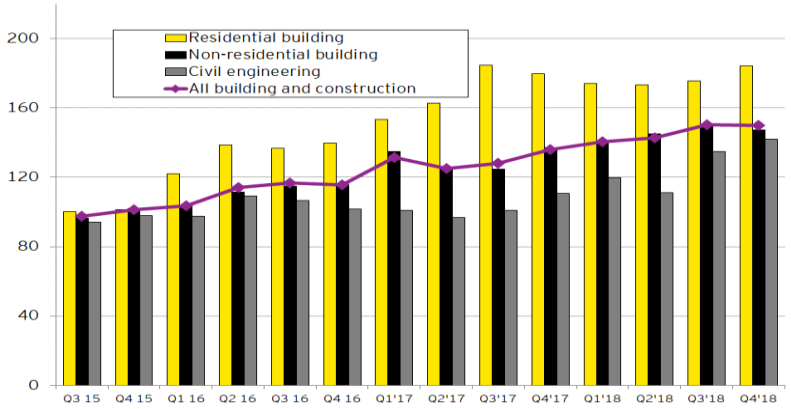
In spite of the continued instability from Brexit negotiations and following two successive quarters of decline, the number of visitors coming from Great Britain (GB) rose to 970,900 in Q1 2019, representing a YoY increase of 3.8%.

That said there continues to be similar growth in other markets, as the number of visitors coming from North America and other European countries grew by 7.6% and 10.5% over the course of the year respectively. Visitors from other areas (outside of GB, US and Europe) also recorded double digit annual growth of 11.0% in the quarter.

Sectoral indicators

Construction Production Index

Figure 12: Industrial Production Index SA (Vol. 2015 = 100)



Source: CSO. (SA)

Sentiment amongst construction firms quite positive, despite Brexit concerns

	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18
All building and construction NSA	132.1	147	124.5	143	155.8	160.8
YoY% Change	9.5%	16.9%	8.1%	13.9%	17.9%	9.4%
All building and construction SA	127.9	136.1	140.5	142.8	150.5	150
QoQ % Change	2.3%	6.4%	3.2%	1.6%	5.4%	-0.3%

Source: CSO.

The B&C Production Index registered significant growth throughout 2018, with Q4'18 recording substantial YoY growth of 9.4%, on a non-seasonally adjusted basis. Despite such growth, output in the industry still remains 56.7% off its previous peak in Q4'06.

Of the three components that make up the Index, Civil Engineering was the fastest growing sub sector, up 28.6% on the previous year. There was also strong growth of 6.7% in Non-Residential building activity, with output only 3.4% off its pre-crash peak in Q4'07 (NSA). Residential building grew by 2.2% YoY in Q4'18, having rebounded from the previous quarter's annual decline of 4.7%.

According to the latest Ulster Bank Construction PMI, Irish construction firms have made a strong start in Q2 2019, with housing activity being the strongest performing sub sector for the fourth month running. The latest results indicates that construction remains the fastest-growing major sector in the Irish economy, with growth continuing to outperform the equivalent rates recorded in both manufacturing and services

Services Index

Figure 13: Services Index (Value 2015 = 100, SA)

Source: CSO. This is an output value Index with 2015 as the base year.

Service index rebounds in April

	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Services	123.8	116.7	122.1	124.4	122.9	124.1
MoM % Change	-0.1%	-5.7%	4.6%	1.9%	-1.2%	1.0%
W&R & Motor Trade	107.6	107.8	107.3	110.1	105.7	105.7
MoM % Change	-1.8%	0.2%	-0.5%	2.6%	-4.0%	0.0%

Source: CSO. (SA): Index covers non-financial traded services. This index covers all enterprises with a turnover of over €20m and more than 100 persons engaged.

The Services Index recorded a marginal monthly increase of 1.0% in April following a slight decrease in March. Overall, the Index was up 5.6% compared to the same period last year.

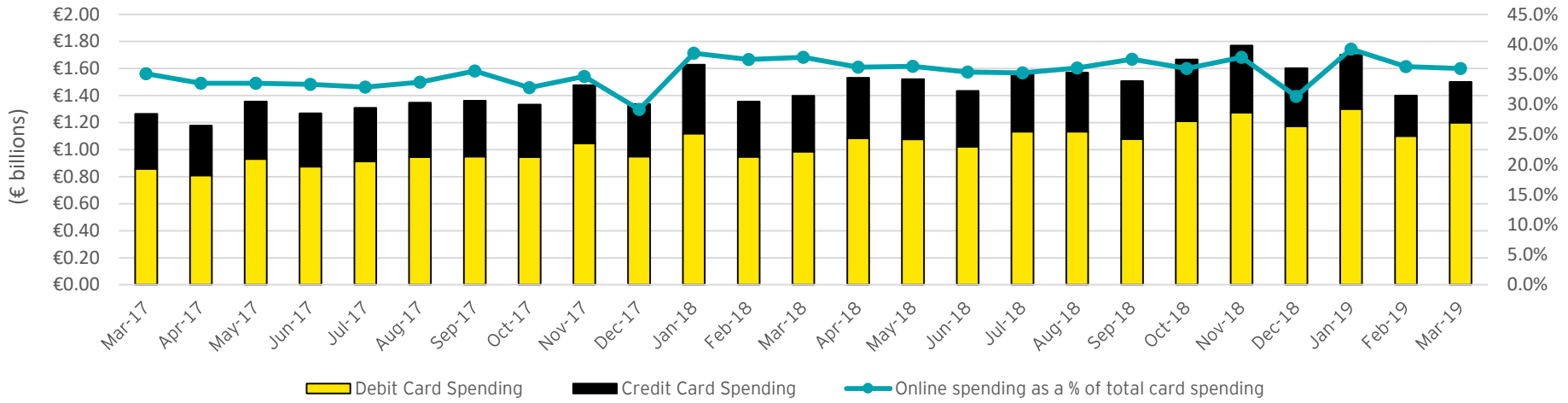
The marginal increase in April can be attributed to the mixed performance with respect to the sub-sectors. Monthly increases in output were registered in Administrative and Support Services activities (+6.3%), Transportation and Storage (+3.5%), Information and Communication (+3.3%) and Food and Beverage Service activities (+2.8%).

However, there was a significant decline in the output from Professional, Scientific and Technical activities (-8.8%) and Wholesale Trade (-1.3%).

Sectoral indicators

Credit and Debit Card spending (e-commerce)

Figure 14: Credit and Debit Card Spending, online (NSA)



Source: Central Bank of Ireland

E-commerce spending bounces back in March from February decline

E-Commerce *(€ billions)*	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Online Debit Card Spending	€1.210	€1.273	€1.173	€1.291	€1.131	€1.207
YoY % Change	28.22%	21.83%	23.67%	15.31%	19.43%	22.58%
As % of Total Debit Card Spending	33.14%	34.94%	28.87%	38.33%	35.94%	35.67%
Online Credit Card Spending	€0.340	€0.377	€0.327	€0.414	€0.324	€0.338
YoY % Change	20.47%	16.33%	11.13%	4.51%	6.79%	9.52%
As % of Total Credit Card Spending	34.45%	36.70%	31.32%	41.97%	37.59%	37.32%
Total Online Card Spending	€1.551	€1.650	€1.500	€1.704	€1.455	€1.545
YoY % Change	26.43%	20.53%	20.70%	12.5%	16.4%	19.5%
As % of Total Card Spending	33.42%	35.33%	29.37%	39.15%	36.30%	36.02%

Source: Central Bank of Ireland

E-commerce expenditure using credit (excluding business credit card) and debit cards grew by at a robust pace of 19.5% YoY in March 2019, reaching €1.5 billion. During the first quarter of 2019 online card spending reached approximately €4.7 billion. As a percentage of total card spending, e-commerce accounted for 36% in March 2019, which was 0.28 percentage points lower than the corresponding figure in the previous month and an increase of 0.9 percentage points YoY.

Of the total €1.5 billion, 78% represented debit card spending (€1.2 billion) and the remaining 22% represented credit card spending (€0.3 billion). A significant rise was observed in debit card e-commerce expenditure which increased 22.6% or €222 million YoY. Total credit card e-commerce expenditure also experienced growth in the month, albeit at a lower rate, rising by 9.5% or €29 million YoY.

The Central Bank of Ireland's point of sale sectoral card expenditure analysis outlines the high growth sub-categories for point of sale purchases. The retail sector records the highest magnitude of spend for debit cards (€1.7 billion) while total services is the largest sector for credit cards (€352 million). The largest sub-category for magnitude of spending was groceries/perishables (€778 million) for debit cards and transport (€148 million) for credit cards. The magnitude of debit card expenditure is much higher than that of credit card expenditure in March e.g. €778m for groceries/perishables versus €80 million respectively.

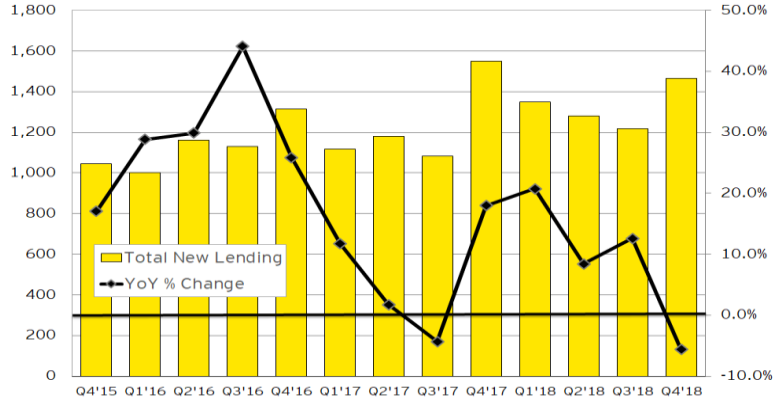
Section 4

Lending indicators

Lending indicators

New Lending to SMEs

Figure 15: New Lending to SMEs (€m) and Rate of Change



Source: Central Bank

New lending to SMEs reaches highest value in a year

	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18
Total New Lending (€m)	1,082	1,551	1,350	1,279	1,218	1,464
YoY % Change	-4.3%	17.9%	20.8%	8.4%	12.6%	-5.6%

Source: Central Bank *Total lending ex Financial Intermediation

In Q4 2018, new lending to Irish SMEs totalled €1.46 billion, down 5.6% on the corresponding figure last year, following four strong quarters of annual growth. In 2018 as a whole, total new lending to Irish SMEs amounted to €5.31 billion, up €380 million or 7.7% relative to the previous year.

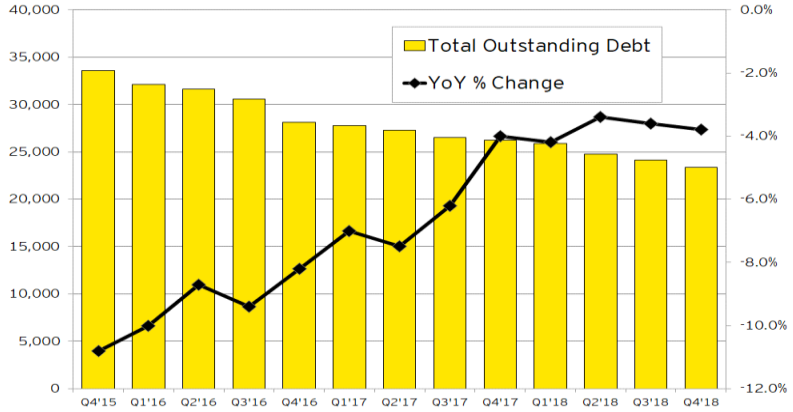
Real Estate Activities accounted for the largest share of total new SME lending, accounting for 28.8%, which was 3.2 percentage points higher than the previous year's share. Other sectors to record notable shares in the quarter included:

- Primary Industries (17.3% of total new lending)
- Wholesale and Retail Trade (15.8%)
- Business and Administrative Services (9.2%)
- Hotels and Restaurants (7.9%)
- Manufacturing (5.8%)

Electricity and Gas sector recorded the largest absolute annual decline, dropping by €76 million, while the largest absolute increase is seen in Primary Industries (+€32 million)

Outstanding Debt of SMEs

Figure 16: Outstanding Debt (€m) and Rate of Change



Source: Central Bank: *Total outstanding debt ex Financial Intermediation

Outstanding debt of SMEs continues to decrease

	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18
Total Outstanding Debt (€m)	26,476	26,249	25,885	24,752	24,163	23,385
Quarterly change (€m)**	-602	-1	-341	4	-549	-54
Annual Growth (%)**	-6.4%	-4.1%	-4.2%	-3.5%	-3.5%	-3.7%

Source: Central Bank **Data relates to Transactions and the growth rates of outstanding debt amounts that take account of adjustments in debt reclassifications, foreign exchange revaluations and other revaluations

According to the above definition*, total outstanding debt accumulated by Irish SMEs came to €23.4 billion in Q4 2018, down 3.7% or €54 million compared to the previous year**.

Of the twelve sectors under examination, ten recorded annual declines in the quarter. The sector that registered the largest absolute decline in debt was Real Estate Activities, €2.0 billion over the course of the year. The following sectors also registered significant reductions in debt:

- Wholesale and Retail Trade (-€0.4 billion YoY)
- Hotels and Restaurants (-€0.1 billion YoY)
- Construction (-€0.1 billion YoY)

These trends suggest that Irish SMEs have used the return of strong economic growth as an opportunity to pay off legacy debt accumulated during the financial crisis, in an effort to improve their balance sheets. That said, the rate of deleveraging has been slowing since 2015.

Indicators - Data sources

Indicators – Data sources

Indicator		Source	Frequency
Sentiment Indicators			
1	Consumer Sentiment Index	ESRI/KBC	Monthly
2	Purchasing Managers' Index	AIB	Monthly
Macroeconomic Indicators			
3	Domestic Demand	CSO National Accounts	Quarterly
4	Unemployment	CSO	Quarterly
5	Exchequer Tax Receipts	Department of Finance	Monthly
6	Disposable Income	CSO	Quarterly
Sectoral Indicators			
7	Earnings by Business Size	CSO	Quarterly
8	Employment by sector (QNHS)	CSO	Quarterly
9	Retail Sales Volume Index	CSO	Monthly
10	Overseas Trips to Ireland	CSO	Quarterly
11	Building and Construction Production Index	CSO	Quarterly
12	Services Index	CSO	Monthly
13	Credit and Debit Card Spending (Online)	Central Bank	Monthly
Lending Indicators			
14	New Lending to SMEs by sector	Central Bank	Quarterly
15	Outstanding SME debt by sector	Central Bank	Quarterly

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