

# Economic Update



## Update

12 March 2020

### Irish Economy

Bright residential price data amongst the stormclouds.

Inflation rate slips back to 1.1%

### Contact us:

**T:** +353 (0) 1 421 0091

**E:** [treasury@investec.ie](mailto:treasury@investec.ie)



## **Irish Economy: Bright residential price data amongst the stormclouds**

Residential property prices rebounded (relatively speaking) in January, posting a 0.7% m/m gain, following a 1.0% m/m decline in December.

The y/y growth in prices increased to 1.8% in January, a six month high. Dublin prices led the way with a 1.6% m/m gain, the largest rise in 30 months, although this simply offsets a fall of a similar magnitude in the prior month. On a 12-month basis, prices in Dublin were back in positive territory and 0.5% higher. Prices were unchanged outside of the capital and +3.1% y/y. The latest data is encouraging following a dip in the annual growth rate at the end of 2019 to its lowest level since mid-2013, and is more in line with the favourable labour market dynamics that have prevailed in recent periods.

However the outlook from here is particularly murky at present with COVID-19 concerns likely to weigh in the short-term on transaction volumes and, probably to a lesser extent, price inflation. Should the economic impact of the spread of the virus prove more longer lasting than presently thought, there is likely to be downward pressure on the property market during the year. That said, we would be more concerned for the tourism and leisure sectors in particular at this stage where the economic effects are already beginning to be felt.

## **Irish Economy: Inflation rate slips back to 1.1%**

The annual inflation rate in Ireland declined to 1.1% in February from 1.3% the previous month.

Services prices were +2.2% in the past twelve months, while goods prices were -0.4% in the same period. Amongst the 12 categories, the most significant price increases were in Education (+4.1%), due to third-level cost increases, Alcoholic Beverages & Tobacco (+3.1%), due to higher tobacco prices, and Transport (+3.0%), due to higher fuel costs. The most significant price decreases in the past year were in Communications (-9.5%), due to lower phone equipment and services, and Household Equipment & Maintenance (-2.5%), due to the reduced cost of furniture and goods.

Of particular note in the data is the Private Rents subindex which showed that annual rental inflation was 3.9% in February, unchanged on January but remaining at close to a seven year low. This subindex is based on data collated from estate agents and includes both new and existing tenancies (rather than asking prices for new tenancies).

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