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Bank of Ireland economic pulse

April 2017

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

April 2017

"The Economic Pulse reading this month is the highest since the UK voted to leave the EU, though it is still off pre-Brexit levels."

Dr Loretta O'Sullivan,
Group Chief Economist, Bank of Ireland

The Bank of Ireland Economic Pulse came in at 95.1 in April 2017. The index, which combines the results of the Consumer and Business Pulses, was up 4 on March but down 0.9 on this time last year.

While the unsettled external environment and Brexit in particular remains a worry, households and firms appear to have taken the triggering of Article 50 – and also the recent industrial unrest at home – in their stride. Both consumer and business sentiment picked up this month, and the Economic Pulse registered its highest reading since the UK's decision to leave the EU.

KEY POINTS

- Economic Pulse rises in April
- Highest reading since Brexit vote
- Business and consumer sentiment up

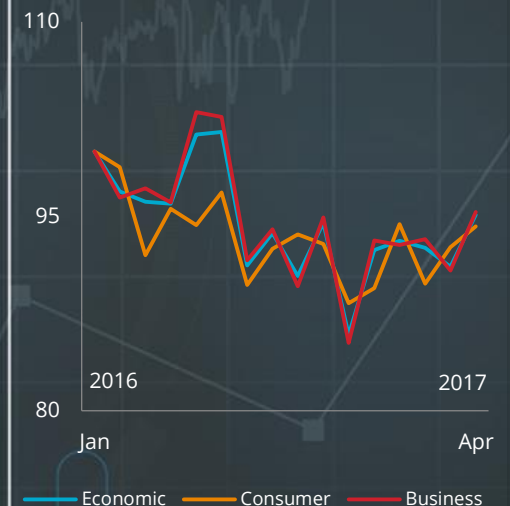
ECONOMIC PULSE

April 2017

95.1

+4.0 on previous index reading

PULSE TRENDS



Consumer Pulse

April 2017

"27% are likely to buy a car in the next 12 months, though in line with the recent trend some of these purchases may be used car imports rather than new sales."

Dr Loretta O'Sullivan,
Group Chief Economist, Bank of Ireland

KEY POINTS

- Consumer Pulse up in April
- Buying climate positive
- One in two expect the unemployment rate to fall in the next 12 months

CONSUMER PULSE

April 2017

94.2

+1.6 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⬆️	10%	8%
⬆️	46%	43%
No Change	22%	28%
⬆️	13%	12%
⬆️	7%	5%
Balance	+19%	+18%
Change on previous reading	+1	+3

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⬆️	6%	6%
⬆️	20%	28%
No Change	55%	52%
⬆️	12%	9%
⬆️	6%	3%
Balance	+4%	+12%
Change on previous reading	+2	-2

The Consumer Pulse rose for a second month running in April 2017, to 94.2. This was up 1.6 on March's reading but down 1.4 on a year ago. Households took a more positive view of the economy this month and, with the Budget 2017 increases in pension and other social welfare payments kicking in, were also more upbeat about their current financial situation. Buying sentiment improved in the month as well. 38% considered it a good time to purchase big ticket items such as furniture and electrical goods (36% in March), while just over one in four is likely to buy a car in the next year.

Housing Pulse

April 2017

"When comparing the typical monthly mortgage repayment and the typical monthly rent for similar properties, 63% think it is cheaper to buy than rent in their area."

Dr Loretta O'Sullivan,
Group Chief Economist, Bank of Ireland

KEY POINTS

- Sharp rise in Housing Pulse in April
- One in two consider it a good time to sell
- 57% think it is a good time to buy

HOUSING PULSE

April 2017

116.2

+6.0 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	39%
1% - 5%		39%
Stay more or less the same		17%
1% - 5%	Decrease	1%
> 5%		1%

Balance +57%

+6 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	28%
1% - 5%		38%
Stay more or less the same		28%
1% - 5%	Decrease	1%
> 5%		0%

Balance +46%

-2 on previous reading

The Housing Pulse stood at 116.2 in April 2017. The share of respondents expecting future price gains in excess of 5% jumped from 32% in March to 39% this month, which helped take the series to a new record high. Sentiment was particularly strong in Dublin, with more than half confident that prices will rise by more than 5% in the next 12 months (up from 37% last month) and 65% considering now a good time to sell (51% nationally). For some, doing up or renovating an existing property rather than moving is the way to go and one in four indicated that they are likely to spend a large sum of money on home improvements in the coming year.

Business Pulse

April 2017

"On the wage front, 41% of firms in industry, 33% in the services and construction sectors, and 28% of retailers expect to increase basic pay in the next 12 months."

Dr Loretta O'Sullivan,
Group Chief Economist, Bank of Ireland

KEY POINTS

- Business Pulse strengthens in April
- Highest reading since Brexit vote
- Majority of firms on a growth trajectory

BUSINESS PULSE

April 2017

95.3

+4.6 on previous
index reading

SECTOR PULSES

Industry
Pulse

89.4

+2.0 on previous
index reading

Services
Pulse

101.6

+6.9 on previous
index reading

Retail
Pulse

80.2

+1.0 on previous
index reading

Construction
Pulse

96.4

-0.3 on previous
index reading

At 95.3 in April 2017, the Business Pulse was up 4.6 on March though down 0.7 on this time last year. The services sector (particularly medium / larger firms) led the way this month. The Industry and Retail Pulses picked up as well, while the Construction Pulse was broadly unchanged. The April survey also finds that the majority of firms are on a growth trajectory, with two in three having ambitions to expand their businesses in the next 1 to 3 years. This is unchanged from January when this question was last asked but, reflecting the general air of uncertainty in the wake of the UK's decision to leave the EU and the US Presidential election outcome, is down from three in four in January 2016.

Business Pulse

April 2017

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	39%	43%	28%	37%
No Change	46%	48%	44%	47%
v	15%	9%	27%	16%
Balance	+24%	+34%	+1%	+20%
Change on previous reading	+3	+5	+7	+1

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	55%	54%	50%	54%
No Change	38%	41%	39%	41%
v	7%	4%	11%	5%
Balance	+47%	+50%	+38%	+49%
Change on previous reading	-6	-3	-2	-4

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	18%	13%	7%	16%
No Change	78%	81%	89%	74%
v	5%	5%	4%	10%
Balance	+13%	+8%	+3%	+7%
Change on previous reading	+4	+3	0	-4

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	19%	19%	10%	29%
No Change	79%	78%	86%	65%
v	3%	3%	4%	5%
Balance	+16%	+16%	+6%	+24%
Change on previous reading	+3	-3	-1	-2

Business activity refers to production in the case of industry, demand/turnover for services, sales for retail and building activity for construction.

Background

“The Economic Pulse provides a timely, comprehensive and robust picture of the economic environment and consumer and business confidence in Ireland.”

Dr Loretta O’Sullivan,
Group Chief Economist, Bank of Ireland

ABOUT THE PULSE

The Economic Pulse is a new indicator for Ireland based on a series of surveys. Each month households and firms are asked for their views on a wide range of topics including the economy, their financial situation, spending plans, house price expectations, business activity and hiring intentions. Key business sectors such as industry, services, retail and construction are covered, as well as regions. The information gathered is combined into high level indices, with responses to individual questions also provided along with analysis and insights.

GATHERING THE DATA

Ipsos MRBI are undertaking the fieldwork for the surveys on behalf of Bank of Ireland. A best practice approach to data collection and methodology has been adopted within a harmonised EU framework.

1000 households, 500 firms in industry, 800 services firms, 500 retailers and 250 construction firms participate in the surveys each month.

USING THE INFORMATION

Business and consumer surveys provide essential information for economic surveillance, short-term forecasting and research.

They are also useful for policymakers, as well as helping firms with business planning.

Survey data are a key complement to official statistics, with high frequency and timeliness among their main qualities.

THE EU DIMENSION

Bank of Ireland is partnering with the European Commission on the surveys. The data collected will feed into the Joint Harmonised EU Programme of Business and Consumer Surveys. This is a Europe-wide sentiment study which has been running since the 1960s. The data generated within this framework are particularly useful for monitoring economic developments at EU and Euro area level and also allow the situation in Ireland to be compared with that of other Member States.

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Notes: Balances are calculated as the difference between positive and negative responses (using weighted averages for questions with multiple options). For the Economic, Consumer, Housing and Business Pulses, January 2016 = 100.

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