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Bank of Ireland economic pulse

August 2016

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

August 2016

"August saw the Economic Pulse recover around a quarter of the loss it sustained in July in the wake of the UK's decision to leave the EU."

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

The Bank of Ireland Economic Pulse came in at 93.7 in August 2016. The index, which combines the results of the Consumer and Business Pulses, was up 2.5 on July.

The consumer picture brightened a little in August, with households more positive about the outlook for the economy and unemployment.

The Business Pulse also rose in the month, on the back of a pick up in confidence among firms in the industry, retail and construction sectors.

KEY POINTS

- Economic Pulse up in August
- Recoups a quarter of ground lost following Brexit vote
- Consumer and business sentiment both improve

ECONOMIC PULSE

August 2016

93.7

+2.5 on previous index reading

ABOUT THE PULSE

The Economic Pulse is a new indicator 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.

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.

Consumer Pulse

August 2016

“The latest data point to reasonably solid saving intentions, especially among younger cohorts and those living in rented accommodation and with family.”

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

KEY POINTS

- Consumer Pulse picks up in August
- Recovers two fifths of ground lost following Brexit vote
- Households more positive about economic prospects

CONSUMER PULSE

August 2016



+2.8 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
↑↑	8%	7%
↑	47%	43%
No Change	24%	28%
↓	11%	14%
↓↓	8%	5%
Balance	18%	17%
Change on previous reading	-1	+7

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
↑↑	4%	6%
↑	19%	28%
No Change	53%	49%
↓	16%	11%
↓↓	7%	3%
Balance	-1%	12%
Change on previous reading	+2	+2

The Consumer Pulse stood at 92.5 in August 2016, up 2.8 on the July reading. Households were a bit more positive about prospects for the economy and the unemployment outlook this month compared to last, which helped the index recoup some of the hit it took post the UK vote to exit the EU. Buying sentiment also ticked up a little in August, with 34% considering it a good time to purchase big ticket items such as furniture and electrical goods (the July figure was 32%), while two in three indicated that they are likely to save some money in the next 12 months.

Housing Pulse

August 2016

“Rents are now back above their previous peak and the widespread expectation is that they will rise further over the next 12 months.”

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

KEY POINTS

- Housing Pulse broadly unchanged in August
- House prices and rents expected to rise
- Dublin still the strongest region

HOUSING PULSE

August 2016

102.9

+0.4 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	26%
1% - 5%		41%
Stay more or less the same		28%
1% - 5%	Decrease ↓	2%
> 5%		1%

Balance +44%

No change on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	25%
1% - 5%		37%
Stay more or less the same		31%
1% - 5%	Decrease ↓	1%
> 5%		0%

Balance +43%

No change on previous reading

At 102.9, the Housing Pulse was broadly unchanged in August 2016. House price expectations remained in positive territory, with two out of three survey respondents anticipating increases over the next 12 months. At the regional level, Dublin continued to lead the way with 74% expecting price gains, compared with 64% in the Rest of Leinster, 70% in Munster and 54% in Connacht/Ulster. Similarly, the percentage of respondents expecting rents to rise in the coming year was greater in the capital and Munster.

Business Pulse

August 2016

“While the fall in sterling is a headwind for exporters, the August data show an easing in input costs in the industry and retail sectors as the weaker pound feeds through to lower import prices.”

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

KEY POINTS

- Business Pulse rises in August
- Recoups one fifth of ground lost following Brexit vote
- Medium / larger firms generally more upbeat

BUSINESS PULSE

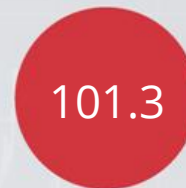
August 2016



+2.4 on previous index reading

SECTOR PULSES

Industry Pulse



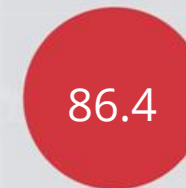
+7.7 on previous index reading

Services Pulse



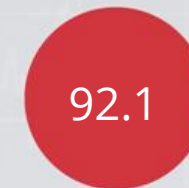
-0.3 on previous index reading

Retail Pulse



+6.1 on previous index reading

Construction Pulse



+4.6 on previous index reading

The Business Pulse picked up to 94.0 in August 2016. The Industry Pulse put in a strong performance this month (particularly medium / larger firms), while the Retail and Construction Pulses recovered some of the very steep losses sustained in July. In contrast, the Services Pulse saw a slight softening in the month. The August survey findings indicate that the majority of firms do not expect to change their selling prices in the near term, and also point to some easing in input costs (excluding labour costs) in the industry and retail sectors over the past three months.

Business Pulse

August 2016

BUSINESS ACTIVITY					Past 3 Months				
	Industry	Services	Retail	Construction		Industry	Services	Retail	Construction
^	37%	39%	32%	40%					
No Change	48%	52%	45%	51%					
v	16%	9%	23%	9%					
Balance	+21%	+30%	+9%	+31%					
Change on previous reading	-7	-3	+1	+6					

BUSINESS ACTIVITY					Next 3 Months				
	Industry	Services	Retail	Construction		Industry	Services	Retail	Construction
^	54%	43%	44%	49%					
No Change	40%	47%	44%	45%					
v	6%	10%	12%	6%					
Balance	+48%	+34%	+32%	+42%					
Change on previous reading	+9	0	-1	+3					

JOBS					Past 3 Months				
	Industry	Services	Retail	Construction		Industry	Services	Retail	Construction
^	22%	14%	15%	17%					
No Change	74%	82%	81%	77%					
v	4%	3%	5%	6%					
Balance	+18%	+11%	+10%	+11%					
Change on previous reading	+1	-4	+5	+4					

JOBS					Next 3 Months				
	Industry	Services	Retail	Construction		Industry	Services	Retail	Construction
^	19%	12%	12%	26%					
No Change	78%	82%	84%	68%					
v	3%	6%	4%	5%					
Balance	+16%	+7%	+8%	+21%					
Change on previous reading	0	-5	+4	+1					

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

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.

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, 800 firms in industry, 800 services firms, 250 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.

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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