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Bank of Ireland economic pulse

August 2017

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

August 2017

"The picture was mixed this month, with consumer confidence continuing to trend up but business sentiment softening."

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

The Bank of Ireland Economic Pulse stood at 91.9 in August 2017. The index, which combines the results of the Consumer and Business Pulses, was down 2.1 on last month's reading and 1.8 lower than this time last year.

The August findings highlight an emerging divergence between households and firms, with a rebound in consumer confidence evident in recent months but business sentiment more subdued. While households look to be taking comfort from the improving domestic economy and ongoing job gains, firms remain alert to the clouds on the horizon, with signs of softer activity in the UK and the renewed weakness of the pound of late a reminder of these.

KEY POINTS

- Economic Pulse loses ground in August
- Households upbeat again this month
- Business sentiment down

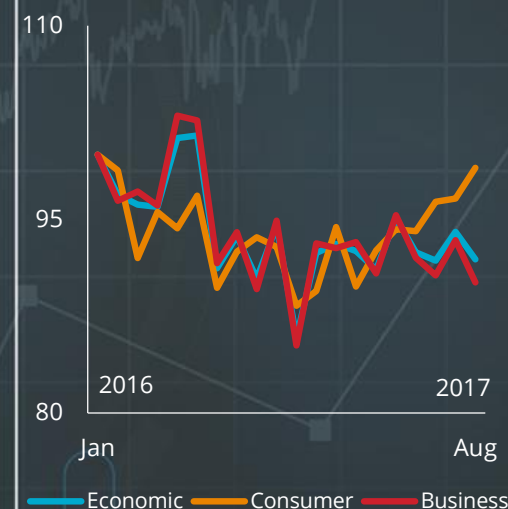
ECONOMIC PULSE

August 2017

91.9

-2.1 on previous
index reading

PULSE TRENDS



Consumer Pulse

August 2017

"Households were in an upbeat mood again this month, with the Consumer Pulse registering its highest reading since January 2016."

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

KEY POINTS

- Consumer Pulse strengthens in August
- Second highest reading in the series' history
- Broad based improvement

CONSUMER PULSE

August 2017

99.0

+2.4 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⬆️	11%	10%
⬆️	52%	49%
No Change	19%	26%
⬆️	10%	8%
⬆️	6%	5%
Balance	+26%	+26%
Change on previous reading	+3	+5

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⬆️	5%	6%
⬆️	22%	32%
No Change	56%	51%
⬆️	11%	7%
⬆️	5%	2%
Balance	+6%	+17%
Change on previous reading	0	+2

The Consumer Pulse rose to 99.0 in August 2017. Households were more positive about the economy and the outlook for unemployment this month, with three in five expecting the general economic situation to get better over the coming year and one in two expecting the number of people out of work to fall further. They also upgraded their assessment of their own financial prospects and, with the summer sales underway, buying sentiment saw a seasonal bounce (40% considered it a good time to purchase big ticket items such as furniture and electrical goods, compared with 36% last month).

Housing Pulse

August 2017

"House price expectations remained in positive territory in all regions in August, with Dublin leading the way and Connacht/Ulster bringing up the rear."

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

KEY POINTS

- Housing Pulse down in August
- 38% concerned about rising house prices
- Cost of renting a worry for 41%

HOUSING PULSE

August 2017

116.0

-2.3 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	41%
1% - 5%		37%
Stay more or less the same		16%
1% - 5%	Decrease	2%
> 5%		1%

Balance +57%

-2 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 +47%

-1 on previous reading

The Housing Pulse came in at 116.0 in August 2017, down 2.3 on last month's record high but up 13.2 on a year ago. The results show that two in five think that house prices will rise by more than 5% over the next 12 months. This has almost doubled from January 2016 (when just 22% were expecting increases of this magnitude), while the share of survey respondents expecting prices to stay more or less the same has almost halved, as the market continues to be characterised by a mismatch between supply and demand.

Business Pulse

August 2017

"With the UK economy showing signs of softening and the pound losing ground, export order books came under pressure this month."

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

KEY POINTS

- Business Pulse falls back in August
- Sentiment mixed across the sectors
- Some easing in input costs (excluding labour)

BUSINESS PULSE

August 2017

90.1

-3.2 on previous
index reading

SECTOR PULSES

Industry
Pulse

94.5

-6.2 on previous
index reading

Services
Pulse

89.6

-6.0 on previous
index reading

Retail
Pulse

83.4

+5.4 on previous
index reading

Construction
Pulse

102.5

+2.7 on previous
index reading

The Business Pulse stood at 90.1 in August 2017, down 3.2 on July's reading and 3.8 on this time last year. The Industry and Services Pulses gave up last month's gains, with softer order books weighing on the former and more muted expectations for business activity and hiring over the next 3 months pulling down the latter. The Retail and Construction Pulses put in good performances though, with both increasing on the month. The August findings also show that the majority of firms do not expect to change their selling prices in the period ahead, but point to some easing in input costs (excluding labour costs) in the industry, retail and construction sectors over the past 3 months as the weak pound feeds through to lower import prices.

Business Pulse

August 2017

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	38%	39%	27%	39%
No Change	50%	54%	53%	51%
v	13%	7%	20%	10%
Balance	+25%	+31%	+7%	+29%
Change on previous reading	-1	0	+3	-2

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	54%	38%	44%	46%
No Change	42%	53%	44%	49%
v	5%	9%	11%	5%
Balance	+49%	+30%	+33%	+41%
Change on previous reading	+7	-4	+7	+2

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	19%	15%	14%	22%
No Change	76%	81%	82%	74%
v	5%	4%	4%	4%
Balance	+15%	+11%	+10%	+18%
Change on previous reading	0	+2	+3	+5

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	17%	14%	9%	25%
No Change	80%	80%	85%	72%
v	3%	5%	5%	3%
Balance	+15%	+9%	+4%	+22%
Change on previous reading	0	-4	+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

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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