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economic pulse

August 2018

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

August 2018

"The Economic Pulse was down for a second month running in August as Brexit-related uncertainty continued to weigh on sentiment."

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

The Bank of Ireland Economic Pulse stood at 91.3 in August 2018. The index, which combines the results of the Consumer and Business Pulses, was down 2.3 on last month's reading and 0.6 lower than this time last year.

The mood among households and firms was more subdued this month. Heightened uncertainty as the Brexit negotiations enter a crucial phase and increased speculation about the possibility of a 'no deal' outcome, coupled with renewed sterling volatility, dampened sentiment and took a toll on the headline index in August.

KEY POINTS

- Economic Pulse down in August
- Consumer confidence dips
- Likewise for business sentiment

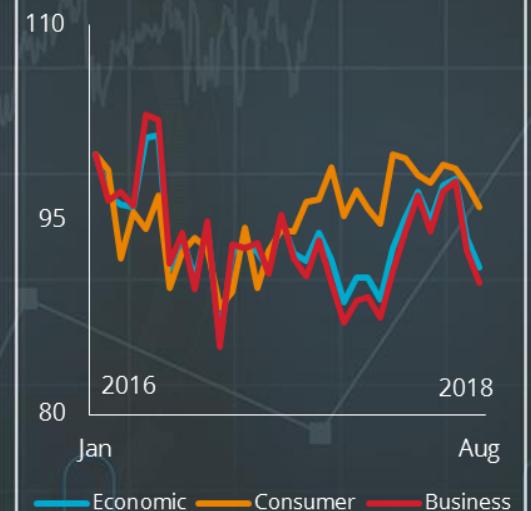
ECONOMIC PULSE

August 2018

91.3

-2.3 on previous
index reading

PULSE TRENDS



Consumer Pulse

August 2018

"There looks to be a touch of a summer spending 'hangover' in the August data, with the number of households worried about paying bills up on last month."

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

KEY POINTS

- Consumer Pulse softer in August
- Households generally more downbeat
- One in two worried about paying bills

CONSUMER PULSE

August 2018

96.0

-1.8 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⬆️	13%	7%
⬆️	48%	41%
No Change	20%	28%
⬆️	11%	14%
⬆️	6%	5%
Balance	+26%	+16%
Change on previous reading	-2	-1

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⬆️	4%	7%
⬆️	24%	30%
No Change	54%	50%
⬆️	12%	9%
⬆️	5%	2%
Balance	+5%	+16%
Change on previous reading	-6	+2

The Consumer Pulse came in at 96.0 in August 2018. With Brexit concerns and seasonal effects at play, this was down 1.8 on last month's reading. Households pared back their assessment of the economy and were also less positive about their current financial situation this month. They were a bit more upbeat about their finances over the coming year though, and with the summer sales in full swing, the buying climate was a little stronger (41% considered it a good time to purchase big ticket items such as furniture and electrical goods, compared with 39% in July).

Housing Pulse

August 2018

"While house price expectations have cooled a little recently, a majority of households think further increases are on the cards over the next 12 months."

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

KEY POINTS

- Housing Pulse flat in August
- 74% think house prices will rise in the next 12 months
- Two in three expect rents to go up

HOUSING PULSE

August 2018

111.7

-0.1 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	38%
1% - 5%		36%
Stay more or less the same		21%
1% - 5%	Decrease	2%
> 5%		2%

Balance +53%

0 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	29%
1% - 5%		39%
Stay more or less the same		27%
1% - 5%	Decrease	1%
> 5%		1%

Balance +48%

0 on previous reading

At 111.7, the Housing Pulse was little changed in August 2018. Notwithstanding some softening in the index over the last while, house price expectations remain in positive territory with most survey respondents anticipating price increases in the next 12 months. The same goes for rents and with the college year about to kick off, it is not surprising that accommodation woes are currently top of mind for students, with three in four indicating that they are worried about the cost of renting.

Business Pulse

August 2018

"Business sentiment dipped again this month amid heightened Brexit uncertainty and renewed sterling volatility."

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

KEY POINTS

- Business Pulse drops in August
- Brexit uncertainty a drag
- Non-labour input costs up for 44% of firms

BUSINESS PULSE

August 2018

90.1

-2.4 on previous
index reading

SECTOR PULSES

Industry
Pulse

93.4

+0.3 on previous
index reading

Services
Pulse

88.2

-2.8 on previous
index reading

Retail
Pulse

88.2

-2.4 on previous
index reading

Construction
Pulse

103.2

-4.6 on previous
index reading

The Business Pulse stood at 90.1 in August 2018, down 2.4 on last month and flat on a year ago. The Industry Pulse was broadly unchanged this month, whereas the Services, Retail and Construction Pulses fell back. Brexit uncertainty was on firms' radar again in August and with the pound losing some ground against the euro, export order books came under a bit of strain. Input costs also remained a pressure point for many businesses, with over two in five firms in the industry and services sectors, one in three retailers and almost two thirds of builders reporting an increase in costs excluding labour in the past three months. Nonetheless, the majority expect to keep their near-term selling prices the same.

Business Pulse

August 2018

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	42%	39%	35%	43%
No Change	46%	51%	42%	48%
v	12%	10%	23%	10%
Balance	+30%	+29%	+12%	+33%
Change on previous reading	+13	-1	-6	-4

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	51%	40%	44%	47%
No Change	43%	49%	43%	48%
v	5%	11%	14%	5%
Balance	+46%	+29%	+30%	+42%
Change on previous reading	+7	-5	+1	-5

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	18%	14%	14%	14%
No Change	76%	81%	82%	82%
v	6%	6%	5%	3%
Balance	+12%	+8%	+9%	+11%
Change on previous reading	+1	+1	-2	-6

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	18%	13%	10%	22%
No Change	80%	81%	86%	74%
v	2%	5%	5%	5%
Balance	+15%	+8%	+5%	+17%
Change on previous reading	0	-3	-2	-11

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, 300 firms in industry, 1000 services firms, 400 retailers and 200 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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