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Bank of Ireland economic pulse

August 2019

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

August 2019

"The Economic Pulse headed south again in August and sentiment could remain ropery for a while yet given the unsettled Brexit backdrop."

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

The Bank of Ireland Economic Pulse stood at 79.1 in August 2019. The index, which combines the results of the Consumer and Business Pulses, was down 3.7 on last month and 12.2 lower than a year ago.

With Boris Johnson taking up office as UK Prime Minister and raising the stakes on the Brexit front, and the Central Bank here publishing estimates of the damage a no deal departure would potentially do to the Irish economy in the short run, the mood among households and firms was gloomier this month and the Economic Pulse hit a new low.

KEY POINTS

- Economic Pulse down in August
- Consumers lead the charge lower
- Business confidence also softer

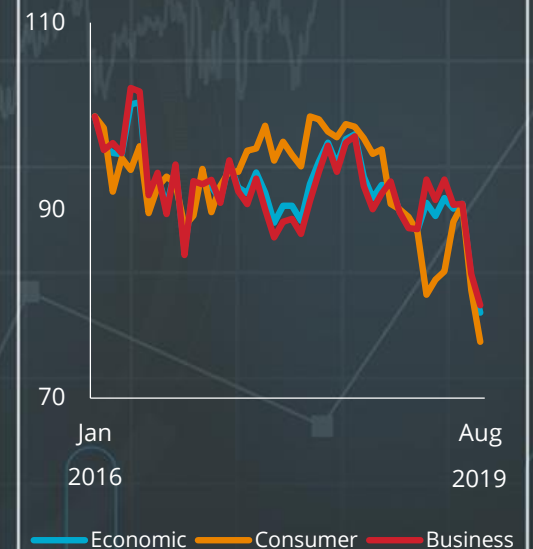
ECONOMIC PULSE

August 2019

79.1

-3.7 on previous
index reading

PULSE TRENDS



Consumer Pulse

August 2019

"Households remain on edge about the economy, with around one in two now expecting things to get worse over the coming year."

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

KEY POINTS

- Consumer Pulse falls in August
- Lowest reading to date
- Expectations for the economy move deeper into the red

CONSUMER PULSE

August 2019

76.0

-5.5 on previous
index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⬆️	8%	3%
⬆️	34%	18%
No Change	30%	20%
⬆️	19%	33%
⬆️	9%	21%
Balance	+7%	-26%
Change on previous reading	-1	-14

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⬆️	5%	6%
⬆️	20%	23%
No Change	59%	50%
⬆️	12%	13%
⬆️	4%	5%
Balance	+4%	+6%
Change on previous reading	+1	-3

The Consumer Pulse came in at 76.0 in August 2019. This was down 5.5 on last month and marks a new low for the series. Brexit uncertainty is continuing to fray nerves and prompted households to further scale back their assessment of the economy's prospects this month. The buying mood was also softer in August despite the summer sales, whereas savings sentiment was a touch firmer. 32% considered it a good time to purchase big ticket items such as furniture and electrical goods, while 73% indicated that they are likely to put money aside in the next 12 months.

Housing Pulse

August 2019

"It was a fresh low for the Housing Pulse this month as households in all regions pared back their expectations for future price gains."

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

KEY POINTS

- Large drop in the Housing Pulse in August
- Uncertainty starting to bite
- 48% think house prices will increase in the next 12 months

HOUSING PULSE

August 2019

82.1

-10.4 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	19%
1% - 5%		29%
Stay more or less the same		34%
1% - 5%	Decrease	10%
> 5%		5%

Balance +23%

-11 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	20%
1% - 5%		40%
Stay more or less the same		32%
1% - 5%	Decrease	2%
> 5%		1%

Balance +38%

-5 on previous reading

The Housing Pulse continued on its downward trajectory in August 2019, coming in at 82.1. This was 10.4 lower than last month's reading. While house price inflation and expectations have been softening for some time amid increasing supply and stretched affordability in parts of the country (making the Central Bank's mortgage rules more binding), heightened uncertainty is also becoming a factor. Brexit and what it might mean for the economy is unsettling households and builders alike, with speculation about the future of the 'Help to Buy' incentive for first buyers rife as well.

Business Pulse

August 2019

"With Brexit-related uncertainty at an elevated level, the Business Pulse lost further ground this month."

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

KEY POINTS

- Business Pulse softer in August
- New low for the series
- Brexit weighing on sentiment

BUSINESS PULSE

August 2019

79.9

-3.3 on previous
index reading

SECTOR PULSES

Industry
Pulse

88.9

+0.2 on previous
index reading

Services
Pulse

80.0

-1.8 on previous
index reading

Retail
Pulse

70.0

-7.9 on previous
index reading

Construction
Pulse

84.3

-9.7 on previous
index reading

The Business Pulse stood at 79.9 in August 2019, down 3.3 on last month and its weakest print to date. While the Industry Pulse was little changed, the Retail and Construction Pulses took quite a tumble this month and the Services Pulse eased back as firms downgraded their near-term expectations for business activity and hiring. Fears of a no deal Brexit come October have risen tempering the general mood, with the lack of clarity around domestic policy measures like 'Help to Buy' also weighing on building sentiment. More positively, the August survey points to some easing in non-labour input cost pressures over the past three months for firms in the industry, services and construction sectors as the weak pound feeds through to lower import prices.

Business Pulse

August 2019

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	34%	31%	24%	30%
No Change	50%	54%	43%	59%
v	16%	15%	32%	11%
Balance	+19%	+15%	-8%	+19%
Change on previous reading	+6	-4	-4	+5

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	39%	31%	33%	32%
No Change	51%	51%	48%	59%
v	9%	18%	19%	10%
Balance	+30%	+14%	+14%	+22%
Change on previous reading	+8	-11	-11	-13

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	20%	10%	12%	13%
No Change	76%	83%	81%	82%
v	5%	7%	7%	5%
Balance	+15%	+2%	+5%	+8%
Change on previous reading	+1	-3	-1	-4

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	11%	10%	8%	10%
No Change	86%	83%	84%	85%
v	3%	7%	8%	5%
Balance	+7%	+3%	0%	+5%
Change on previous reading	0	-6	-4	-10

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 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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