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Bank of Ireland economic pulse

December 2017

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

December 2017

"After an action packed year of economic and political events at home and overseas, the Economic Pulse has ended 2017 on a softer note than it started it."

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

The Bank of Ireland Economic Pulse stood at 88.9 in December 2017. The index, which combines the results of the Consumer and Business Pulses, was down 1.5 on November's reading and 3.5 on this time last year. The mood was generally more muted this month as the first phase of the Brexit negotiations - and the Irish Border issue in particular - reached a critical juncture.

2017 was a good year for households on the whole though, with consumer confidence on a broadly upward trajectory. Business sentiment, however, has largely been moving in the opposite direction and weighing on overall sentiment in the process.

KEY POINTS

- Economic Pulse down in December
- Consumer confidence eases back
- Business sentiment mixed across the sectors

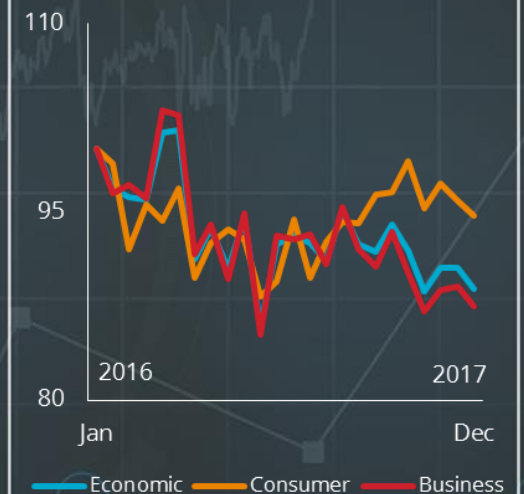
ECONOMIC PULSE

December 2017

88.9

-1.5 on previous index reading

PULSE TRENDS



Consumer Pulse

December 2017

"With jobs being created and incomes increasing, the Consumer Pulse has been on a broadly upward trajectory in 2017."

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

KEY POINTS

- Consumer Pulse softer in December
- Households more downbeat about the economy
- 70% likely to save in the next 12 months

CONSUMER PULSE

December 2017

94.7

-1.2 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⋈	9%	8%
⋈	48%	41%
No Change	21%	29%
⋇	13%	12%
⋇	8%	5%
Balance	+19%	+18%
Change on previous reading	-5	-1

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⋈	5%	6%
⋈	23%	30%
No Change	54%	52%
⋇	14%	8%
⋇	5%	1%
Balance	+4%	+15%
Change on previous reading	-1	0

The Consumer Pulse eased back in December 2017, to 94.7 from 95.9 in November. Households downgraded their assessment of the economic situation this month and were also a little less positive about the buying climate (34% considered it a good time to purchase big ticket items such as furniture and electrical goods compared with 36% last month). The index was up 5.3 on this time last year though, and with the growing economy and ongoing job and income gains providing support, consumer confidence gained ground in 2017.

Housing Pulse

December 2017

"Prices and rents have borne the brunt of the mismatch between supply and demand in the housing market this year and are set to do so again next year."

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

KEY POINTS

- Housing Pulse broadly unchanged in December
- Rising house prices a concern for 38%
- 43% worried about the cost of renting

HOUSING PULSE

December 2017

117.0

-0.4 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	40%
1% - 5%		39%
Stay more or less the same		16%
1% - 5%	Decrease	2%
> 5%		1%

Balance +58%

-1 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	34%
1% - 5%		38%
Stay more or less the same		22%
1% - 5%	Decrease	1%
> 5%		1%

Balance +52%

+2 on previous reading

The Housing Pulse was broadly unchanged in December 2017 at 117.0. House price expectations were in firm positive territory this month, as they have been all year. The data show that four in five survey respondents expect prices to rise in the next 12 months, with two in five anticipating gains in excess of 5%. While the supply of housing is increasing, it remains well shy of demand and is unlikely to catch up for some time to come. This is putting pressure on rents as well as prices, with 72% expecting rents to increase over the coming year.

Business Pulse

December 2017

"While the Consumer Pulse has been on a broadly upward trajectory in 2017, the Business Pulse has been largely moving in the opposite direction."

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

KEY POINTS

- Business Pulse falls in December
- Second lowest reading of the year
- Sentiment mixed across the sectors

BUSINESS PULSE

December 2017

87.5

-1.6 on previous index reading

SECTOR PULSES

Industry Pulse

93.8

+1.6 on previous index reading

Services Pulse

86.8

-1.7 on previous index reading

Retail Pulse

84.5

+2.5 on previous index reading

Construction Pulse

88.0

-17.0 on previous index reading

The Business Pulse came in at 87.5 in December 2017, down 1.6 on last month's reading and 5.7 on a year ago. It was a mixed picture this month, with the Industry and Retail Pulses (led by medium / larger firms) advancing, the Services Pulse retreating a little and the Construction Pulse retreating a lot (this comes after a strong November reading). All four sector Pulses ended the year below where they started it though. More generally, business sentiment softened in 2017 as a range of events played out, including the repercussions of the UK's decision to leave the EU. Progress has now been made on the first phase of the Brexit negotiations, which means the focus can turn to the new relationship between the UK and the EU and a transition period to it.

Business Pulse

December 2017

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	40%	36%	32%	47%
No Change	49%	52%	50%	43%
v	11%	12%	18%	10%
Balance	+28%	+25%	+13%	+37%
Change on previous reading	-1	-3	+8	+4

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	41%	37%	35%	44%
No Change	47%	54%	51%	45%
v	12%	9%	14%	10%
Balance	+30%	+28%	+21%	+34%
Change on previous reading	-5	+3	-15	-5

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	19%	12%	10%	15%
No Change	76%	83%	84%	79%
v	5%	5%	6%	6%
Balance	+15%	+7%	+4%	+9%
Change on previous reading	0	+3	-1	-8

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	18%	12%	9%	24%
No Change	78%	83%	85%	73%
v	4%	5%	5%	4%
Balance	+14%	+7%	+4%	+20%
Change on previous reading	-1	-1	-1	0

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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