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## Bank of Ireland economic pulse

December 2018

 Economic  
Pulse

 Consumer  
Pulse

 Housing  
Pulse

 Business  
Pulse

# Economic Pulse

## December 2018

"The Economic Pulse ended 2018 on a soft note, with both consumer and business sentiment down in December."

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

The Bank of Ireland Economic Pulse stood at 88.3 in December 2018. The index, which combines the results of the Consumer and Business Pulses, was down 1.6 on last month and 0.6 lower than a year ago.

2018 was a year of two halves, with consumer confidence high and business sentiment strengthening in the opening months buoyed by the expanding domestic and global economies, but reversing course in the closing months amid heightened international trade tensions and Brexit uncertainty. On the latter, a draft deal is now on the table but as it will be difficult to get it through the UK Parliament, it failed to lift the mood in December.

### KEY POINTS

- Economic Pulse down in December
- Second lowest reading in series' history
- Consumer and Business Pulses give up ground

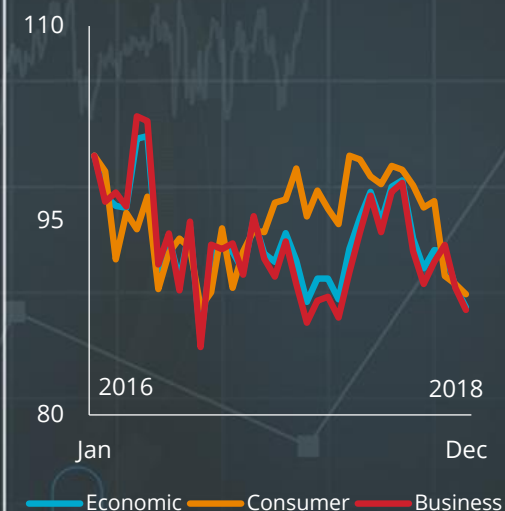
### ECONOMIC PULSE

December 2018

88.3

-1.6 on previous index reading

### PULSE TRENDS



# Consumer Pulse

## December 2018

"On the consumer front, the high spirits at the outset of the year have given way to an increased nervousness as 2018 comes to a close."

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

### KEY POINTS

- Consumer Pulse dips in December
- Households more cautious about the economy
- And their own financial prospects

### CONSUMER PULSE

December 2018

89.3

-0.9 on previous  
index reading

### GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⋈	10%	5%
⋈	43%	30%
No Change	20%	30%
⋇	15%	20%
⋇	9%	9%
Balance	+16%	+2%
Change on previous reading	-1	-4

### HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⋈	5%	6%
⋈	22%	28%
No Change	56%	51%
⋇	13%	10%
⋇	4%	3%
Balance	+5%	+12%
Change on previous reading	+2	-3

The Consumer Pulse came in at 89.3 in December 2018. This was down 0.9 on November's reading and 5.4 lower than this time last year. With the Brexit situation far from settled, households were more downbeat about the economy this month and also pared back their expectations for their own financial situation. The buying and savings climate held steady though. 36% considered December a good time to purchase big ticket items like furniture and electrical goods, while seven in ten indicated that they are likely to put some money aside over the next 12 months.

# Housing Pulse

## December 2018

"The Housing Pulse has softened over the course of the year, with a further cooling in house price expectations this month."

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

### KEY POINTS

- Drop in Housing Pulse in December
- House price expectations softer in all regions bar Munster
- But remain in positive territory

### HOUSING PULSE

December 2018

100.8

-4.3 on previous index reading

### HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	26%
1% - 5%		39%
Stay more or less the same		26%
1% - 5%	Decrease	4%
> 5%		2%

**Balance +42%**

-4 on previous reading

### RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	23%
1% - 5%		42%
Stay more or less the same		27%
1% - 5%	Decrease	1%
> 5%		1%

**Balance +43%**

-5 on previous reading

At 100.8 in December 2018, the Housing Pulse was down 4.3 on last month and 16.2 lower than a year ago. The data show that two in three households think house prices will rise over the coming year, compared with seven in ten last month. The Central Bank announced the outcome of its annual review of the mortgage rules in late November. It made no change but to the extent that some households view the measures as a constraint on demand, the decision to maintain the status quo may have partly contributed to the renewed cooling in price expectations this month.



# Business Pulse

## December 2018

"Having advanced at a good clip in the first half of 2018, the Business Pulse backtracked in the second half of the year."

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

### KEY POINTS

- Business Pulse softer in December
- Brexit uncertainty weighing on sentiment
- And firms' investment decisions

### BUSINESS PULSE

December 2018

88.1

-1.8 on previous  
index reading

### SECTOR PULSES

Industry  
Pulse

91.7

-5.7 on previous  
index reading

Services  
Pulse

87.8

-0.2 on previous  
index reading

Retail  
Pulse

79.8

-5.7 on previous  
index reading

Construction  
Pulse

102.6

+2.9 on previous  
index reading

The Business Pulse posted a reading of 88.1 in December 2018, down 1.8 on last month. The picture was mixed across the sectors this month but relatively muted on the whole; with the Industry and Retail Pulses easing back, the Services Pulse more or less flat and the Construction Pulse up a touch (this was also the only sectoral Pulse to finish the year above where it started it). Brexit developments have been buffeting business sentiment since the summer and, with things still up in the air and the November survey finding that half of firms impacted by the UK's decision to leave the EU have put their investment plans for next year on hold, it looks like they will continue to do so into the New Year.

# Business Pulse

## December 2018

### BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	43%	34%	32%	44%
No Change	47%	54%	43%	47%
v	11%	12%	25%	9%
Balance	+32%	+22%	+7%	+35%
Change on previous reading	+5	-1	-6	-1

### BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	39%	37%	37%	39%
No Change	48%	54%	46%	54%
v	13%	10%	17%	7%
Balance	+26%	+27%	+21%	+33%
Change on previous reading	-11	+3	-17	+1

### JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	15%	12%	10%	14%
No Change	81%	81%	86%	82%
v	4%	7%	4%	4%
Balance	+11%	+5%	+6%	+10%
Change on previous reading	+1	0	+4	-2

### JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	15%	13%	8%	25%
No Change	80%	82%	90%	72%
v	5%	4%	2%	2%
Balance	+10%	+9%	+6%	+23%
Change on previous reading	-5	-1	-3	+6

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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