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Bank of Ireland economic pulse

February 2017

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

February 2017

“ Household confidence retreated this month, while business sentiment picked up a little. The upshot is a broadly unchanged Economic Pulse reading for February.”

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

The Bank of Ireland Economic Pulse came in at 92.6 in February 2017. The index, which combines the results of the Consumer and Business Pulses, was down 0.6 on January and 4.4 lower than this time a year ago.

With Brexit and Trump weighing on minds, households were in a more downbeat mood about the general economy and their own financial situation this month.

In contrast, the Business Pulse saw a small uptick in February, led by improved sentiment among firms in the industry and services sectors. The Retail and Construction Pulses fell back however, unwinding the gains they made last month.

KEY POINTS

- Economic Pulse down marginally in February
- Consumers pull back
- Firms slightly more positive

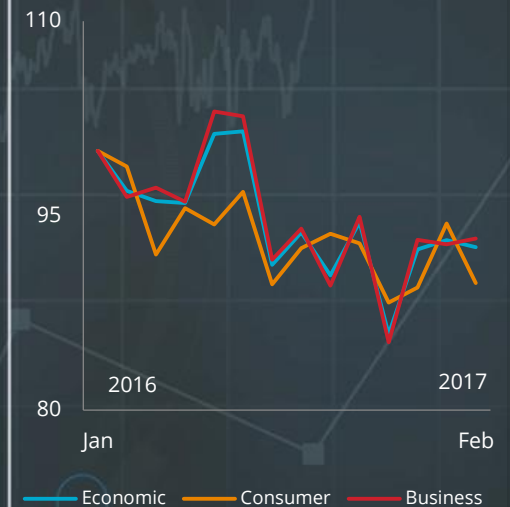
ECONOMIC PULSE

February 2017

92.6

-0.6 on previous index reading

PULSE TRENDS



Consumer Pulse

February 2017

"Consumers sounded a note of caution in February as seasonal effects wore off and concerns about Brexit and Trump took over."

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

KEY POINTS

- Consumer Pulse down in February
- Households less positive about the economy
- And their own finances

CONSUMER PULSE

February 2017



-4.6 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
↑↑	9%	7%
↑	45%	39%
No Change	22%	27%
↓	12%	15%
↓↓	9%	8%
Balance	+16%	+11%
Change on previous reading	-5	-6

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
↑↑	4%	5%
↑	20%	30%
No Change	53%	50%
↓	15%	9%
↓↓	7%	4%
Balance	-1%	+12%
Change on previous reading	-5	-2

The Consumer Pulse gave up some ground in February 2017, coming in at 89.8. With Prime Minister May setting out the UK's plan for after it leaves the EU and the Supreme Court and MPs paving the way for the triggering of Article 50 by the end of March, Brexit was back on the agenda this month. The protectionist policy actions that President Trump has taken since assuming office also made the headlines. Concerns about these developments led households to scale back their assessment of the general economic situation in February. Consumers were also more downbeat about their own finances and with the January seasonal bounce wearing off, buying sentiment softened (33% considered it a good time to purchase big ticket items such as furniture and electrical goods this month, compared with 44% last month).

Housing Pulse

February 2017

"Some 15,000 new houses were built last year. As this is only around half of what is needed to meet estimated demand, prices look set to continue on an upward trajectory."

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

KEY POINTS

- Housing Pulse softer in February
- Three in four expect prices to rise in the next 12 months
- Cost of renting a concern for two in five

HOUSING PULSE

February 2017

108.2

-3.3 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change	Response
> 5%	31%
1% - 5%	42%
Stay more or less the same	21%
1% - 5%	2%
> 5%	1%

Balance +49%

-4 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change	Response
> 5%	27%
1% - 5%	40%
Stay more or less the same	28%
1% - 5%	1%
> 5%	0%

Balance +46%

-2 on previous reading

The Housing Pulse eased back to 108.2 in February 2017, from a 13 month high of 111.5 in January. Price expectations remained in firm positive territory though, with the majority also of the view that rents will rise over the coming year. While it is still early days for the new rent caps – which came into effect in Dublin and Cork city at the end of 2016 and in the additional pressure zones in late January - there may be some tentative signs emerging that these are starting to impact expectations. For example, the percentage of survey respondents anticipating rent increases in excess of 5% has fallen steadily in Dublin, from 44% last November to 32% this month.

Business Pulse

February 2017

“While the weak pound is expected to push down on import prices, the uptick in oil prices in recent months is working in the opposite direction, with 40% of firms reporting an increase in input costs over the past 3 months.”

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

KEY POINTS

- Business Pulse rises slightly in February
- Sentiment up in the industry and services sectors
- Down in retail and construction

BUSINESS PULSE

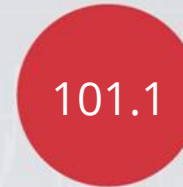
February 2017



+0.5 on previous index reading

SECTOR PULSES

Industry Pulse



+7.0 on previous index reading

Services Pulse



+3.2 on previous index reading

Retail Pulse



-8.5 on previous index reading

Construction Pulse



-10.4 on previous index reading

The Business Pulse stood at 93.2 in February 2017, broadly unchanged on January’s reading but mixed across the sectors. The Industry and Services Pulses put in good performances this month, with firms upgrading their expectations for near-term business activity, as well as hiring. Retailers were also more upbeat about sales prospects for the next 3 months, though the Retail Pulse fell back, as did the Construction Pulse which was weighed down in part by softer order books. Brexit and Trump-related uncertainty was called out by a number of firms again this month and remains a downside risk for the wider economy. The February findings show that the majority of businesses do not expect to change their selling prices in the period ahead, but generally point to pressure on input costs (excluding labour costs) over the past 3 months.

Business Pulse

February 2017

BUSINESS ACTIVITY		Past 3 Months			
	Industry	Services	Retail	Construction	
^	40%	35%	27%	38%	
No Change	48%	54%	49%	48%	
∨	12%	12%	24%	14%	
Balance	+28%	+23%	+2%	+24%	
Change on previous reading	-4	-2	-13	-11	

BUSINESS ACTIVITY		Next 3 Months			
	Industry	Services	Retail	Construction	
^	58%	52%	48%	56%	
No Change	38%	44%	41%	37%	
∨	4%	4%	12%	7%	
Balance	54%	+48%	+36%	+49%	
Change on previous reading	+8	+10	+6	-6	

JOBS		Past 3 Months			
	Industry	Services	Retail	Construction	
^	16%	10%	12%	12%	
No Change	78%	85%	81%	79%	
∨	6%	5%	7%	10%	
Balance	+10%	+5%	+5%	+2%	
Change on previous reading	0	+1	+1	-8	

JOBS		Next 3 Months			
	Industry	Services	Retail	Construction	
^	20%	18%	10%	28%	
No Change	79%	79%	86%	66%	
∨	1%	2%	4%	6%	
Balance	+19%	+16%	+6%	+23%	
Change on previous reading	+4	+5	-1	-3	

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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