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Bank of Ireland economic pulse

January 2017

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

January 2017

"It was a steady start to the new year for the Economic Pulse, with sentiment among firms little changed on the month and households shaking off the January blues."

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

The Bank of Ireland Economic Pulse came in at 93.1 in January 2017. The index, which combines the results of the Consumer and Business Pulses, was up 0.7 on December but 6.9 below last January's reading.

Consumer confidence strengthened this month as households upgraded their assessment of the economy and their personal finances. With consumers focussed on the post-Christmas sales, the buying climate also experienced its usual seasonal bounce.

On the business side, confidence was broadly unchanged on the month, though sentiment was mixed across the sectors with the Retail and Construction Pulses up and the Industry and Services Pulses down.

KEY POINTS

- Economic Pulse up in January
- Households the driver
- Business sentiment slightly softer

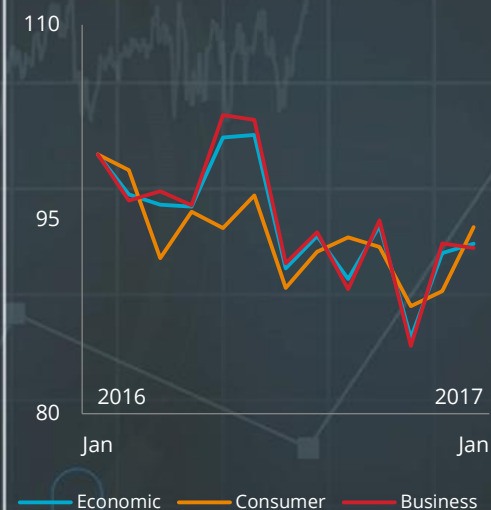
ECONOMIC PULSE

January 2017

93.1

+0.7 on previous index reading

PULSE TRENDS



Consumer Pulse

January 2017

"26% are likely to buy a car in the next 12 months which bodes well for new sales in 2017, though the continued weakness of the pound may see further used imports from the UK."

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

KEY POINTS

- Consumer Pulse strengthens in January
- Buying climate positive
- One in two expect unemployment to fall further

CONSUMER PULSE

January 2017

94.4

+4.9 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	10%	6%
⤴	49%	42%
No Change	20%	31%
⤵	11%	11%
⤵	8%	5%
Balance	+21%	+17%
Change on previous reading	+8	+5

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	6%	7%
⤴	21%	28%
No Change	55%	51%
⤵	12%	8%
⤵	6%	3%
Balance	+4%	+14%
Change on previous reading	+7	+1

The Consumer Pulse rose for a second consecutive month in January 2017, to 94.4. While some of the improvement this month can be attributed to seasonal effects, the positive flow of economic data around the turn of the year also played a part. News that the unemployment rate fell to an eight year low in December, that the IDA secured a record number of FDI investments during 2016 and that tax receipts came in ahead of target for the year reassured households, who took a more upbeat view of economic developments and their own financial situation over the past 12 months. With the post-Christmas sales underway, buying sentiment also picked up in the month (as it usually does in January). Some 44% of consumers considered it a good time to purchase big ticket items such as furniture and electrical goods, compared with 35% last month.

Housing Pulse

January 2017

“Three in four survey respondents think house prices will rise over the coming 12 months, with one in three expecting increases in excess of 5%.”

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

KEY POINTS

- Housing Pulse rises in January
- 66% think it is cheaper to buy than rent in their area
- One in four to spend on home improvements in the next 12 months

HOUSING PULSE

January 2017

111.5

+2.8 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change	Response
> 5%	34%
1% - 5%	41%
Stay more or less the same	20%
1% - 5%	2%
> 5%	1%

Balance +53%
+3 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change	Response
> 5%	30%
1% - 5%	37%
Stay more or less the same	27%
1% - 5%	1%
> 5%	0%

Balance +48%
No change on previous reading

The Housing Pulse stood at 111.5 in January 2017, up 2.8 on December’s reading and 11.5 on this time last year. House prices rose in 2016 and expectations are for further growth this year. Supply – although gathering pace - is still shy of what is needed, while policy changes including the new help-to-buy scheme for first time buyers and the loosening of the Central Bank’s loan-to-value restrictions for this cohort will support demand. With prices on the up, 46% consider it a good time to sell (the Dublin figure is higher at 56%); whereas 58% think it is a good time to buy. This may be because their personal circumstances are right, but also because renting has become relatively expensive for many.

Business Pulse

January 2017

"On the wage front, 37% of firms are planning on increasing basic pay in the next 12 months, while two in five workers are expecting a pay rise."

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

KEY POINTS

- Business Pulse down marginally in January
- Sectoral picture mixed
- Majority of firms on a growth trajectory

BUSINESS PULSE

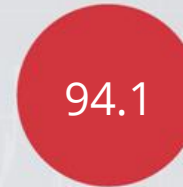
January 2017



-0.4 on previous index reading

SECTOR PULSES

Industry Pulse



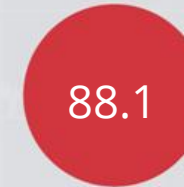
-2.9 on previous index reading

Services Pulse



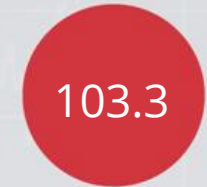
-2.3 on previous index reading

Retail Pulse



+4.6 on previous index reading

Construction Pulse



+7.0 on previous index reading

Following a sharp increase in December, the Business Pulse was broadly unchanged in January 2017 at 92.8. The Retail and Construction Pulses were up on the month, whereas the Industry and Services Pulses gave up some of December's gains. Brexit and the Trump administration's policy agenda were at the forefront of concerns, though the number of firms expecting business activity and hiring to increase in the near-term remains greater than the number expecting a decrease. The unsettled external environment may be starting to temper growth ambitions a little however – while two in three firms plan on expanding in the next 1 to 3 years, this is down from three in four last January. Given its domestic focus, the construction sector seems to be bucking this trend.

Business Pulse

January 2017

BUSINESS ACTIVITY		Past 3 Months			
	Industry	Services	Retail	Construction	
^	42%	35%	35%	45%	
No Change	48%	55%	45%	45%	
∨	10%	10%	20%	10%	
Balance	+32%	+25%	+15%	+35%	
Change on previous reading	-3	-1	+5	-1	

JOBBS		Past 3 Months			
	Industry	Services	Retail	Construction	
^	16%	10%	9%	16%	
No Change	78%	84%	86%	78%	
∨	6%	6%	5%	6%	
Balance	+10%	+4%	+4%	+10%	
Change on previous reading	-6	-2	-1	-4	

BUSINESS ACTIVITY		Next 3 Months			
	Industry	Services	Retail	Construction	
^	52%	46%	42%	59%	
No Change	42%	45%	45%	37%	
∨	6%	8%	13%	4%	
Balance	46%	+38%	+30%	+55%	
Change on previous reading	+9	+8	+5	+16	

JOBBS		Next 3 Months			
	Industry	Services	Retail	Construction	
^	18%	14%	11%	29%	
No Change	78%	83%	86%	68%	
∨	4%	3%	3%	3%	
Balance	+15%	+11%	+7%	+26%	
Change on previous reading	-2	+2	+6	+2	

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.

Contact us at

EconomicPulse@boi.com

Dr Loretta O’Sullivan,
Group Chief Economist,
+353 (0) 766 244 267

Conn Creedon,
Senior Economist,
+353 (0) 766 235 134

Mark Leech,
Media Relations Manager,
+353 (0) 766 234 773

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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