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economic pulse

January 2018

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

January 2018

"The Economic Pulse started the new year on a positive note, with consumer confidence at a two year high and business sentiment up on the month."

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

The Bank of Ireland Economic Pulse came in at 92.8 in January 2018. The index, which combines the results of the Consumer and Business Pulses, was up 3.9 on December but broadly unchanged on last January.

A general improvement in sentiment took the Consumer Pulse to a two year high this month. Households also tend to be more upbeat about the buying climate when the post-Christmas sales are underway and this was the case again this year.

On the business side, the Industry, Services and Construction Pulses were up on the month though the Retail Pulse was a bit softer.

KEY POINTS

- Economic Pulse rises in January
- Households in an upbeat mood
- Business picture also brighter

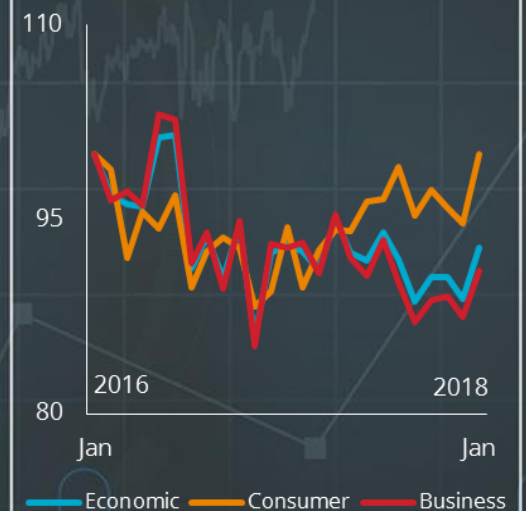
ECONOMIC PULSE

January 2018

92.8

+3.9 on previous index reading

PULSE TRENDS



Consumer Pulse

January 2018

"In January 2016, just 28% of households thought it was easy to find or change job. Two years on and this number has increased to 45%."

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

KEY POINTS

- Consumer Pulse at a two year high in January
- 27% likely to buy a car in the next 12 months
- Almost half of workers expect a pay rise

CONSUMER PULSE

January 2018

100.0

+5.3 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⬆️	12%	10%
⬆️	51%	51%
No Change	19%	26%
⬆️	9%	8%
⬆️	5%	3%
Balance	+28%	+28%
Change on previous reading	+9	+10

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⬆️	5%	6%
⬆️	25%	32%
No Change	53%	48%
⬆️	12%	9%
⬆️	5%	2%
Balance	+7%	+16%
Change on previous reading	+3	+1

The Consumer Pulse gained ground in January 2018, coming in at 100. This was up 5.3 on last month's reading and 5.6 on a year ago. Households upgraded their assessment of the economy this month and, to a lesser extent, their own financial situation. With the post-Christmas sales underway, they were also more upbeat about the buying climate (41% considered it the right time to make major purchases like furniture and electrical goods compared with 34% in December). While some of the improvement this month is due to seasonal effects, the Budget day changes to social welfare payments and income taxes lined pockets in January, as did the rise in the national minimum wage, which helped lift the mood.

Housing Pulse

January 2018

"The majority of Dublin households expect house prices and rents to increase in the next 12 months. The same goes for households outside of the capital."

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

KEY POINTS

- Housing Pulse little changed in January
- 48% consider it a good time to buy
- 59% think it is a good time to sell

HOUSING PULSE

January 2018

117.2

+0.3 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	39%
1% - 5%		40%
Stay more or less the same		16%
1% - 5%	Decrease	1%
> 5%		0%

Balance +58%

0 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	32%
1% - 5%		39%
Stay more or less the same		24%
1% - 5%	Decrease	1%
> 5%		0%

Balance +51%

-1 on previous reading

At 117.2 in January 2018, the Housing Pulse was more or less flat on the month, though it was 5.8 higher than this time last year. House price inflation picked up during 2017 and further increases are expected this year as demand continues to outpace supply. The rental market is also under pressure, and with rents now well above their previous peak (in contrast to house prices), 71% think it is cheaper to buy than rent in their area. On the home improvements front, 29% indicated that they are likely to spend a large sum of money on doing up or renovating a property over the coming 12 months.

Business Pulse

January 2018

"The January survey finds that 44% of firms expect to increase basic pay over the next 12 months, to the tune of 3.6% on average."

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

KEY POINTS

- Business Pulse strengthens in January
- Sentiment up in three out of four sectors
- Pay increases on the cards

BUSINESS PULSE

January 2018

91.0

+3.5 on previous
index reading

SECTOR PULSES

Industry
Pulse

96.4

+2.6 on previous
index reading

Services
Pulse

91.7

+4.9 on previous
index reading

Retail
Pulse

82.1

-2.4 on previous
index reading

Construction
Pulse

96.6

+8.6 on previous
index reading

The Business Pulse stood at 91.0 in January 2018, up 3.5 on last month but down 1.8 on a year ago. Firms in all sectors upgraded their near-term expectations for business activity this month, with those in industry, services and construction also more positive about employment prospects. The January data show that 44% of businesses are planning on increasing basic wages over the coming 12 months – this is up from 37% this time last year and reflects the tightening of the labour market in the intervening period, as well as the higher national minimum wage that came into effect at the start of 2018 – while 48% of workers are expecting a pay rise. Looking further ahead, the majority of firms remain on a growth trajectory, with two in three having ambitions to expand in the next 1 to 3 years.

Business Pulse

January 2018

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	41%	37%	42%	44%
No Change	49%	54%	41%	46%
v	10%	9%	17%	10%
Balance	+31%	+28%	+25%	+34%
Change on previous reading	+3	+3	+12	-3

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	55%	47%	41%	56%
No Change	40%	46%	47%	39%
v	6%	7%	11%	5%
Balance	+49%	+39%	+30%	+52%
Change on previous reading	+19	+11	+9	+18

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	17%	9%	13%	14%
No Change	76%	86%	82%	81%
v	7%	5%	6%	5%
Balance	+9%	+3%	+7%	+9%
Change on previous reading	-6	-4	+3	0

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	19%	15%	10%	30%
No Change	78%	83%	83%	66%
v	4%	2%	7%	4%
Balance	+15%	+14%	+4%	+26%
Change on previous reading	+1	+7	0	+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, 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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