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Bank of Ireland economic pulse

July 2018

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

July 2018

"The July Economic Pulse reading was off recent highs as uncertainty about the Brexit process put a dent in the mood."

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

The Bank of Ireland Economic Pulse came in at 93.6 in July 2018. The index, which combines the results of the Consumer and Business Pulses, was down 4.5 on last month's reading and broadly unchanged on a year ago.

With Brexit uncertainty taking centre stage - the UK government's White Paper on the future relationship with the EU has helped move the talks on after a period of inaction but it remains unclear whether a withdrawal agreement can be successfully concluded in line with the autumn timetable - businesses were somewhat more subdued this month, with households also a bit more wary.

KEY POINTS

- Economic Pulse down in July
- Households less positive about the economy
- Firms temper growth ambitions a little

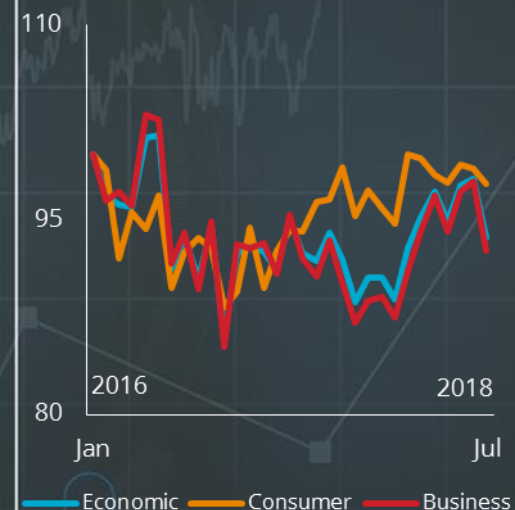
ECONOMIC PULSE

July 2018

93.6

-4.5 on previous
index reading

PULSE TRENDS



Consumer Pulse

July 2018

"With 42% of workers expecting a pay rise in the next 12 months and 38% of firms expecting to give one, the two sides are on the same page."

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

KEY POINTS

- Consumer Pulse dips in July
- Buying climate holds steady
- One in four likely to purchase a car in the next 12 months

CONSUMER PULSE

July 2018

97.7

-1.1 on previous
index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⋈	16%	10%
^	46%	40%
No Change	21%	27%
∨	10%	13%
⋇	5%	6%
Balance	+28%	+17%
Change on previous reading	-2	-4

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⋈	7%	6%
^	26%	28%
No Change	52%	52%
∨	11%	7%
⋇	3%	3%
Balance	+11%	+14%
Change on previous reading	+3	-1

The Consumer Pulse dipped to 97.7 in July 2018 from 98.9 last month, but was still 1.2 higher than a year ago. Households were more muted about the economy this month, whereas they were more upbeat about their current financial situation. The July survey finds that two in five workers are expecting a pay rise in the next 12 months and also illustrates the extent of the improvement in the labour market over the past few years, with 46% currently considering it easy to find or change jobs compared with 30% back in July 2016.

Housing Pulse

July 2018

"When comparing the typical monthly mortgage repayment and the typical monthly rent for similar properties, 69% think it is cheaper to buy than rent in their area."

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

KEY POINTS

- Housing Pulse down in July
- Rent expectations also a tad softer
- 27% to spend on home improvements in the next 12 months

HOUSING PULSE

July 2018

111.8

-2.0 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	35%
1% - 5%		39%
Stay more or less the same		21%
1% - 5%	Decrease	2%
> 5%		1%

Balance +53%

-2 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	29%
1% - 5%		39%
Stay more or less the same		26%
1% - 5%	Decrease	1%
> 5%		0%

Balance +48%

-3 on previous reading

The Housing Pulse eased back in July 2018, coming in at 111.8. While price expectations have cooled a little since the start of the year, they remain in positive territory. Some 74% of households think further increases are on the cards over the next 12 months. The data also show that almost one in ten is planning on buying or building a property in the coming year, with the cost of renting, time of life and space requirements topping the list of reasons for wanting to take this step, but unsurprisingly, high house prices topping the list of barriers to doing so.

Business Pulse

July 2018

"There has been an uptick in external risks lately which has dampened business sentiment a little in the process."

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

KEY POINTS

- Business Pulse drops in July
- Brexit back on the radar
- Pay increases in prospect

BUSINESS PULSE

July 2018

92.6

-5.3 on previous
index reading

SECTOR PULSES

Industry
Pulse

93.1

-6.6 on previous
index reading

Services
Pulse

91.0

-7.5 on previous
index reading

Retail
Pulse

90.7

-1.6 on previous
index reading

Construction
Pulse

107.8

+5.4 on previous
index reading

The Business Pulse stood at 92.6 in July 2018, down 5.3 on June's two year high. The Industry, Services and Retail Pulses all lost ground this month, with only the Construction Pulse bucking the trend and advancing. Global trade tensions and renewed uncertainty around the Brexit process look to have unsettled firms in July, leading them to slightly temper their growth ambitions – while three in five are planning on expanding their business in the next 1 to 3 years, this figure had been running at two thirds for the last while. On the wage front, 42% of firms in industry, 40% in services and a third of retailers and builders expect to increase basic pay for their employees over the coming 12 months.

Business Pulse

July 2018

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	34%	39%	37%	45%
No Change	49%	52%	43%	47%
v	17%	9%	19%	8%
Balance	+17%	+30%	+18%	+37%
Change on previous reading	-13	-6	-1	+8

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	45%	41%	40%	50%
No Change	49%	52%	48%	47%
v	6%	7%	12%	3%
Balance	+39%	+34%	+29%	+47%
Change on previous reading	+4	-5	-2	0

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	18%	13%	14%	21%
No Change	74%	81%	82%	75%
v	8%	6%	4%	4%
Balance	+11%	+7%	+11%	+17%
Change on previous reading	-7	0	+4	+3

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	19%	14%	12%	29%
No Change	77%	83%	84%	70%
v	4%	3%	5%	1%
Balance	+15%	+11%	+7%	+28%
Change on previous reading	+1	-4	-2	+1

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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