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economic pulse

July 2019

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

July 2019

"The Economic Pulse took a hit in July as the potential ramifications of political developments across the water unsettled households and firms alike."

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

The Bank of Ireland Economic Pulse came in at 82.8 in July 2019. The index, which combines the results of the Consumer and Business Pulses, was down 7.9 on last month and 10.8 lower than a year ago.

With the emergence of Boris Johnson as the favourite to win the Conservative Party leadership contest and succeed Theresa May as UK Prime Minister raising fears of a no deal Brexit on October 31st, and the government here upping its preparations for such a contingency, the mood music was downbeat this month and contributed to a broad based softening in sentiment across households and firms.

KEY POINTS

- Economic Pulse falls sharply in July
- New low for the series
- Consumer and business confidence both down

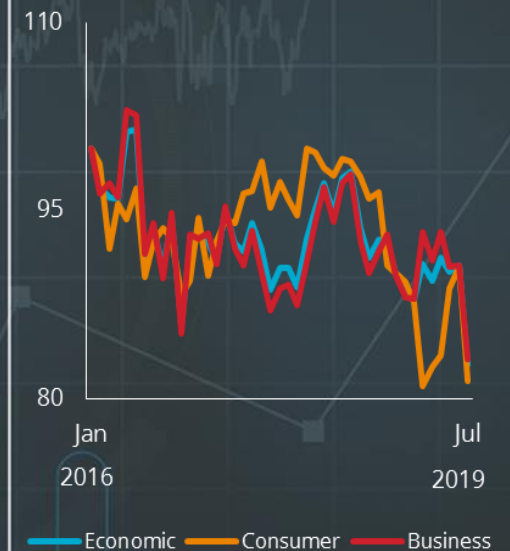
ECONOMIC PULSE

July 2019

82.8

-7.9 on previous
index reading

PULSE TRENDS



Consumer Pulse

July 2019

"Brexit jitters saw the Consumer Pulse reverse course this month, with the July print the second weakest on record."

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

KEY POINTS

- Large drop in the Consumer Pulse in July
- Brexit on households' minds
- 35% consider it a good time to purchase big ticket items

CONSUMER PULSE

July 2019

81.5

-9.1 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	8%	4%
⤴	37%	23%
No Change	25%	25%
⤵	18%	27%
⤵	10%	15%
Balance	+8%	-12%
Change on previous reading	-12	-13

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	5%	5%
⤴	21%	25%
No Change	54%	52%
⤵	14%	9%
⤵	5%	4%
Balance	+3%	+9%
Change on previous reading	-6	-6

The Consumer Pulse stood at 81.5 in July 2019, down 9.1 on last month. Brexit concerns were to the fore this month and with households taking a decidedly gloomier view of the economy and their own finances, the index headed back towards its February low point. More positively, one in two thinks it is easy to find or change jobs at the moment, up from just over a quarter in early 2016. This points to much improved labour market conditions and bodes well for further increases in consumer spending, even as uncertainty sees some households keep a rein on the purse strings.

Housing Pulse

July 2019

"The Housing Pulse softened again this month but price expectations remain in positive territory."

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

KEY POINTS

- Housing Pulse down in July
- Three in five think house prices will go up in the next 12 months
- Two thirds expect rents to increase

HOUSING PULSE

July 2019

92.5

-6.9 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	21%
1% - 5%		38%
Stay more or less the same		27%
1% - 5%	Decrease	7%
> 5%		3%

Balance +34%

-7 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	23%
1% - 5%		42%
Stay more or less the same		28%
1% - 5%	Decrease	2%
> 5%		1%

Balance +43%

-2 on previous reading

The Housing Pulse fell for a second month running in July 2019, to 92.5. Households in all regions pared back their expectations for future house price gains this month – which took the headline index to a fresh low – but the balance of responses remained in the black across the board. The July survey also finds that buying is continuing to trump renting, with three in four indicating that it is cheaper to buy than rent in their area when the typical monthly mortgage repayment and the typical monthly rent for similar properties are compared.

Business Pulse

July 2019

"With the pound slumping to 90p against the euro and increased chatter about a no deal Brexit, the business mood took a turn for the worse in July."

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

KEY POINTS

- Business Pulse heads south in July
- Lowest reading to date
- Growth ambitions further out hold steady

BUSINESS PULSE

July 2019

83.2

-7.6 on previous
index reading

SECTOR PULSES

Industry
Pulse

88.7

-0.5 on previous
index reading

Services
Pulse

81.8

-9.7 on previous
index reading

Retail
Pulse

77.9

-10.1 on previous
index reading

Construction
Pulse

94.0

+0.6 on previous
index reading

The Business Pulse came in at 83.2 in July 2019. This was down 7.6 on last month's reading and marks a new low for the series. The Services and Retail Pulses saw very steep falls this month, with the Industry Pulse also losing some ground. And with Brexit-related uncertainty stepping up a gear and the weak pound impacting competitiveness, firms in all four sectors downgraded their near-term expectations for business activity in July. Three in five still have ambitions to expand in the next 1 to 3 years though and reflecting the tightening labour market, more than a third are planning on increasing basic wages over the coming 12 months (broadly in line with the two in five workers expecting a pay rise).

Business Pulse

July 2019

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	32%	33%	25%	27%
No Change	50%	53%	46%	59%
v	18%	14%	29%	13%
Balance	+13%	+19%	-4%	+14%
Change on previous reading	-5	-10	-15	-6

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	32%	35%	35%	40%
No Change	58%	55%	54%	55%
v	10%	10%	10%	5%
Balance	+22%	+25%	+25%	+35%
Change on previous reading	-8	-11	-4	-2

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	20%	12%	12%	20%
No Change	74%	80%	83%	73%
v	6%	7%	5%	8%
Balance	+14%	+5%	+6%	+12%
Change on previous reading	+3	-4	-1	+9

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	12%	13%	9%	20%
No Change	84%	83%	86%	76%
v	4%	4%	5%	4%
Balance	+7%	+9%	+4%	+15%
Change on previous reading	-4	-4	-4	-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 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

Patrick Mullane,
Senior Economist,
+353 (0) 766 244 269

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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