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Bank of Ireland economic pulse

June 2018

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

June 2018

"At the half way mark for 2018, it is a case of so far so good for economic sentiment which was up again this month."

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

The Bank of Ireland Economic Pulse came in at 98.1 in June 2018. The index, which combines the results of the Consumer and Business Pulses, was up 0.5 on last month's reading and 6.3 higher than a year ago.

Sentiment among households was broadly unchanged this month and remains upbeat, while the Business Pulse posted a two year high. Concerns about the stuttering Brexit talks, political developments in Europe and potential disruptions to global trade have come to a head in recent weeks though and may muddy the waters going forward, with a number of firms more circumspect about near-term prospects for business activity this month than in May.

KEY POINTS

- Economic Pulse ticks up in June
- Consumer confidence moves sideways
- Business Pulse at a two year high

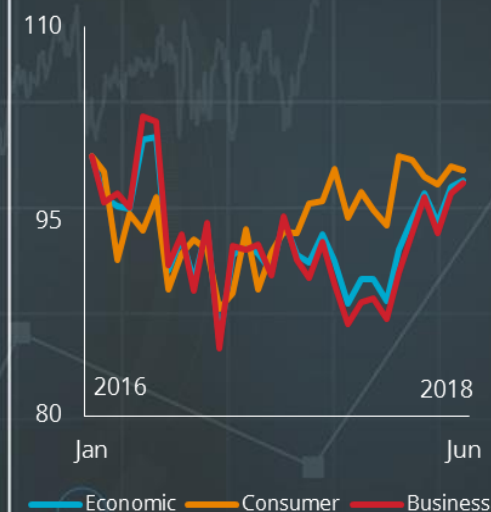
ECONOMIC PULSE

June 2018

98.1

+0.5 on previous index reading

PULSE TRENDS



Consumer Pulse

June 2018

"Households remain in a positive frame of mind, with the Consumer Pulse reading in June not far off the series high."

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

KEY POINTS

- Consumer Pulse little changed in June
- 53% think the economy will improve in the next 12 months
- Over a third expect their own finances to get better

CONSUMER PULSE

June 2018

98.9

-0.3 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	13%	9%
⤴	52%	44%
No Change	20%	29%
⤵	9%	11%
⤵	4%	5%
Balance	+30%	+21%
Change on previous reading	+1	-1

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	5%	6%
⤴	25%	31%
No Change	55%	51%
⤵	11%	9%
⤵	4%	2%
Balance	+8%	+15%
Change on previous reading	+1	-1

The Consumer Pulse stood at 98.9 in June 2018. Households' assessment of the economy and their own finances was little changed on the month, resulting in a sideways move in the headline index (it was up 2.5 on this time last year though). The buying climate improved this month, with 39% considering it a good time to purchase big ticket items such as furniture and electrical goods, compared with 36% in May. The survey results show that households are keeping an eye on their savings as well and that seven in ten are likely to put some money aside over the coming year.

Housing Pulse

June 2018

"The June survey finds that 37% of households are worried about rising house prices, while 43% are concerned about the cost of renting."

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

KEY POINTS

- Housing Pulse down in June
- Softer readings in all regions bar Connacht/Ulster
- Majority still expect house price gains

HOUSING PULSE

June 2018

113.8

-2.8 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	38%
1% - 5%		38%
Stay more or less the same		18%
1% - 5%	Decrease	2%
> 5%		1%

Balance +55%

-3 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	31%
1% - 5%		42%
Stay more or less the same		23%
1% - 5%	Decrease	0%
> 5%		0%

Balance +51%

+1 on previous reading

The Housing Pulse gave up some ground in June 2018, coming in at 113.8. This was down 2.8 on last month but broadly unchanged on a year ago. Expectations remain in firm positive territory however, with 76% of survey respondents expecting house prices to increase in the next 12 months and 73% expecting rents to go up. Rising prices and the cost of renting are at the top of the worry list for younger households and may be influencing the higher incidence of savings among this cohort - almost nine in ten 16-29 year olds are planning on putting money aside in the next 12 months.

Business Pulse

June 2018

"Business sentiment was at a two year high in June, but external tensions abound and may muddy the waters."

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

KEY POINTS

- Business Pulse up in June
- Mixed sectoral picture
- Firms sound a note of caution on the near-term outlook

BUSINESS PULSE

June 2018

97.9

+0.7 on previous index reading

SECTOR PULSES

Industry Pulse

99.8

-2.9 on previous index reading

Services Pulse

98.5

-1.2 on previous index reading

Retail Pulse

92.2

+8.7 on previous index reading

Construction Pulse

102.4

+3.1 on previous index reading

At 97.9 in June 2018, the Business Pulse was up 0.7 on last month and 7.2 higher than this time last year. The picture was somewhat mixed, with the Retail and Construction Pulses up on the month but the Industry and Services Pulses down. Firms in all four sectors were more positive about business activity over the past while, but against the backdrop of increased political and policy uncertainty on the global stage, there was a general scaling back of expectations for the coming 3 months (and of hiring intentions in the case of industry and services). The Business Pulse has put in a good performance in the first half of the year though and is now at a two year high.

Business Pulse

June 2018

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	41%	42%	36%	39%
No Change	47%	51%	47%	50%
v	12%	7%	17%	10%
Balance	+30%	+36%	+19%	+29%
Change on previous reading	+5	+1	+13	+5

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	42%	43%	40%	50%
No Change	50%	52%	50%	47%
v	7%	5%	10%	3%
Balance	+35%	+39%	+31%	+47%
Change on previous reading	-11	-8	-10	0

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	22%	12%	13%	19%
No Change	73%	83%	82%	75%
v	5%	5%	6%	5%
Balance	+18%	+7%	+7%	+14%
Change on previous reading	+7	+1	+2	+6

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	17%	18%	12%	28%
No Change	80%	79%	86%	70%
v	3%	3%	2%	2%
Balance	+14%	+15%	+9%	+27%
Change on previous reading	-12	-3	+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, 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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