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Bank of Ireland economic pulse

May 2017

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

May 2017

"A mixed picture this month, with consumer sentiment holding steady but some softness on the business side weighing on the headline Economic Pulse."

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

The Bank of Ireland Economic Pulse stood at 92.4 in May 2017. The index, which combines the results of the Consumer and Business Pulses, was down 2.7 on April's reading and 8.9 on this time last year.

Household confidence held up reasonably well amid much activity on the international stage - Prime Minister May calling a general election in the UK, the Presidential election in France, President Trump setting out his tax plans and the European Council its guidelines for the Brexit negotiations - as did sentiment among firms in the industry, retail and construction sectors. The Services Pulse fell back in the month though, which pulled down the Business Pulse.

KEY POINTS

- Economic Pulse loses ground in May
- Consumer sentiment little changed
- Business Pulse down

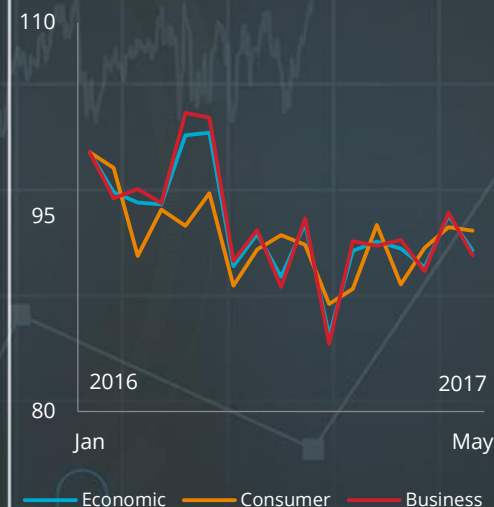
ECONOMIC PULSE

May 2017

92.4

-2.7 on previous index reading

PULSE TRENDS



Consumer Pulse

May 2017

"The sun is out and households are getting summer ready, with two in three planning on spending the same or more on holidays this year compared with last year."

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

KEY POINTS

- Consumer Pulse steady in May
- Positive buying climate
- One in two expect the unemployment rate to fall in the next 12 months

CONSUMER PULSE

May 2017

94.1

-0.1 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	10%	8%
⤴	47%	44%
No Change	22%	26%
⤵	13%	13%
⤵	7%	5%
Balance	+21%	+18%
Change on previous reading	+2	0

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	5%	7%
⤴	20%	28%
No Change	54%	49%
⤵	13%	10%
⤵	8%	3%
Balance	0%	+13%
Change on previous reading	-4	+1

At 94.1, the Consumer Pulse was broadly unchanged in May 2017. Households were a little more upbeat about the current economic situation this month, but a bit more unsure about their own finances. The buying climate remained positive though, with 38% considering it a good time to purchase big ticket items such as furniture and electrical goods (the same as in April), while 27% expect to increase instore spending over the coming year and one in five expect to spend more online.

Housing Pulse

May 2017

"While builders are generally positive about near-term prospects and housing supply is picking up, it is still well shy of demand which is putting pressure on prices."

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

KEY POINTS

- Housing Pulse slightly softer in May
- House price expectations remain in firm positive territory
- Same for rents

HOUSING PULSE

May 2017

115.3

-0.9 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	38%
1% - 5%		41%
Stay more or less the same		18%
1% - 5%	Decrease	1%
> 5%		1%

Balance +57%

No change on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	31%
1% - 5%		39%
Stay more or less the same		24%
1% - 5%	Decrease	1%
> 5%		0%

Balance +50%

+4 on previous reading

The Housing Pulse stood at 115.3 in May 2017. This was down 0.9 on last month's record high but up 11.3 on a year ago. The findings show that four in five think house prices will rise over the coming year, while 70% expect rents to increase. The market continues to be characterised by disequilibrium, with the new help-to-buy scheme for first time buyers and the loosening of the Central Bank's loan-to-value restrictions for this group supporting demand, whereas a shortage of labour and uncertainty top the list of factors currently weighing on building activity.

Business Pulse

May 2017

"Sterling was on the agenda for a number of firms this month, as the news flow coming out of the UK and Europe led to some volatility."

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

KEY POINTS

- Business Pulse down in May
- Services sector subdued
- Input costs (excluding labour) up for two in five firms over the past 3 months

BUSINESS PULSE

May 2017

92.0

-3.3 on previous index reading

SECTOR PULSES

Industry Pulse

91.1

+1.6 on previous index reading

Services Pulse

94.2

-7.4 on previous index reading

Retail Pulse

82.3

+2.1 on previous index reading

Construction Pulse

100.4

+4.0 on previous index reading

The Business Pulse came in at 92.0 in May 2017, down 3.3 on April and a drop of 11 on this time last year. The softer reading this month owes much to the Services Pulse, which gave up last month's strong gains. More positively, sentiment among industrial firms and retailers ticked up in May, with the construction sector also putting in a good performance and leading the charge on the hiring intentions front. While the majority of businesses do not expect to change their selling prices in the period ahead, the survey finds that builders are more likely to pass on rising input costs (excluding labour) with just over one in three looking to increase prices in the next 3 months.

Business Pulse

May 2017

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	39%	43%	34%	43%
No Change	47%	49%	43%	44%
v	14%	8%	23%	13%
Balance	+25%	+35%	+11%	+31%
Change on previous reading	+1	+1	+10	+11

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	53%	49%	45%	55%
No Change	41%	46%	43%	40%
v	5%	4%	12%	5%
Balance	+48%	+45%	+32%	+51%
Change on previous reading	+1	-5	-6	+2

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	17%	12%	11%	17%
No Change	78%	82%	85%	78%
v	5%	5%	4%	5%
Balance	+12%	+7%	+7%	+11%
Change on previous reading	-1	-1	+4	+4

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	22%	18%	12%	29%
No Change	75%	80%	83%	66%
v	3%	2%	5%	4%
Balance	+19%	+16%	+7%	+25%
Change on previous reading	+3	0	+1	+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, 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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