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Bank of Ireland economic pulse

November 2017

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

November 2017

"The Economic Pulse was unchanged this month but well ahead of last November when the result of the US Presidential election was making waves."

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

The Bank of Ireland Economic Pulse came in at 90.5 in November 2017. The index, which combines the results of the Consumer and Business Pulses, was flat on the month. Households were less upbeat about economic prospects this month, while the business picture was little changed.

The latest reading is 4.6 higher than a year ago though, when the outcome of the US Presidential election – coming soon after the Brexit vote and amid some industrial tension at home – unsettled households and firms. But with little actual policy implementation to date, the hit to economic sentiment from Trump's agenda looks to be waning.

KEY POINTS

- Economic Pulse holds steady in November
- Dip in consumer confidence
- Business sentiment broadly unchanged

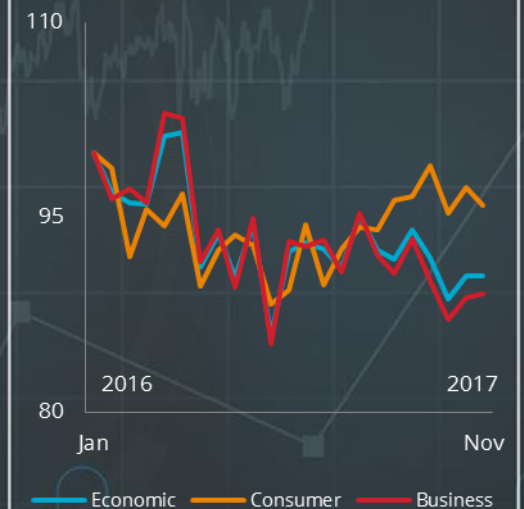
ECONOMIC PULSE

November 2017

90.5

No change on previous index reading

PULSE TRENDS



Consumer Pulse

November 2017

"It's full steam ahead for Christmas, and while the weak pound will see some shopping being done over the Border, trading expectations are broadly positive."

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

KEY POINTS

- Consumer Pulse softer in November
- Households less upbeat about the economic outlook
- 36% think it is a good time to buy big ticket items

CONSUMER PULSE

November 2017

95.9

-1.4 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⬆️	10%	7%
⬆️	49%	45%
No Change	24%	29%
⬆️	10%	10%
⬆️	6%	6%
Balance	+24%	+19%
Change on previous reading	0	-6

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⬆️	5%	7%
⬆️	22%	29%
No Change	55%	50%
⬆️	13%	9%
⬆️	5%	3%
Balance	+5%	+15%
Change on previous reading	0	+2

At 95.9 in November 2017, the Consumer Pulse was down 1.4 on last month's reading but up 7.6 on this time last year. Households were less positive about the economic outlook this month, though their assessment of their own financial situation was little changed. With the festive season approaching, one in five indicated that they plan on spending more on Christmas presents this year compared with last year, while 57% intend to spend about the same. Similarly, 28% of retailers expect their Christmas turnover to be up on last year, with around half expecting it to be much the same.

Housing Pulse

November 2017

"Data from the CSO indicate that house prices are growing strongly, with the Housing Pulse suggesting that more is to come."

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

KEY POINTS

- Housing Pulse down in November
- 35% worried about rising house prices
- Cost of renting a concern for 42%

HOUSING PULSE

November 2017

117.4

-2.5 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%		1%

Balance +59%

-2 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	32%
1% - 5%		39%
Stay more or less the same		23%
1% - 5%	Decrease	1%
> 5%		0%

Balance +50%

-3 on previous reading

The Housing Pulse stood at 117.4 in November, down 2.5 on last month but up 9.2 on a year ago. The results show that the majority of survey respondents expect house prices and rents to increase over the coming 12 months, with Dublin ahead on both fronts. With CSO data also indicating that annual house price growth is back in double digit territory and that rents are well above their previous peak, it is not surprising to see rising house prices and the cost of renting featuring on the list of household concerns, and high up on it for younger cohorts.

Business Pulse

November 2017

"Two in five firms expect to increase their investment spend in 2018, with replacing and maintaining plant and equipment the main area of focus."

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

KEY POINTS

- Business Pulse broadly unchanged in November
- Two in five firms to invest more in 2018
- Brexit-related uncertainty a drag

BUSINESS PULSE

November 2017

89.1

+0.3 on previous index reading

SECTOR PULSES

Industry Pulse

92.2

+1.0 on previous index reading

Services Pulse

88.5

+1.3 on previous index reading

Retail Pulse

82.0

-7.7 on previous index reading

Construction Pulse

105.0

+11.7 on previous index reading

The Business Pulse was broadly unchanged in November 2017, coming in at 89.1. Sentiment among construction firms rose sharply this month, with the Industry and Services Pulses also ticking up. While the Retail Pulse lost some ground, this comes on the back of a strong performance last month and broadly positive expectations for the Christmas trading period. The November data also show that two in five businesses expect to spend more on investment in 2018 compared with this year. A range of factors were mentioned as having an impact on firms' plans, with demand from customers, financial and technical conditions generally seen as supportive. The 'wait and see' approach to investment decisions that many firms adopted this year in response to Brexit-related uncertainty seems set to continue into next year though, with around half of those affected by the UK's decision to leave the EU putting their plans on hold.

Business Pulse

November 2017

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	39%	39%	25%	44%
No Change	50%	50%	54%	45%
v	11%	11%	20%	11%
Balance	+29%	+28%	+5%	+33%
Change on previous reading	+2	-4	-7	+3

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	45%	38%	48%	45%
No Change	46%	50%	41%	49%
v	9%	12%	12%	6%
Balance	+35%	+25%	+36%	+39%
Change on previous reading	-7	+1	0	+2

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	20%	10%	11%	22%
No Change	74%	84%	83%	74%
v	5%	6%	6%	5%
Balance	+15%	+4%	+5%	+17%
Change on previous reading	+3	-1	+1	+5

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	19%	12%	10%	25%
No Change	77%	85%	85%	70%
v	4%	4%	5%	5%
Balance	+15%	+8%	+5%	+20%
Change on previous reading	-2	0	-2	+5

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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