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Bank of Ireland economic pulse

November 2018

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

November 2018

"With the Brexit negotiations entering the endgame, the Economic Pulse headed south this month and posted its lowest reading of 2018 to date."

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

The Bank of Ireland Economic Pulse came in at 89.9 in November 2018. The index, which combines the results of the Consumer and Business Pulses, was down 2.7 on last month and 0.6 lower than a year ago.

Brexit developments have dominated the news flow in recent weeks, with the negotiations intensifying and speculation rife as the UK and EU sides worked towards a draft deal (a breakthrough came at the end of the November survey period but has been met with a mixed response). Against this backdrop, consumer and business sentiment was at a low ebb this month.

KEY POINTS

- Economic Pulse softer in November
- Consumer Pulse moves sideways
- Business sentiment down

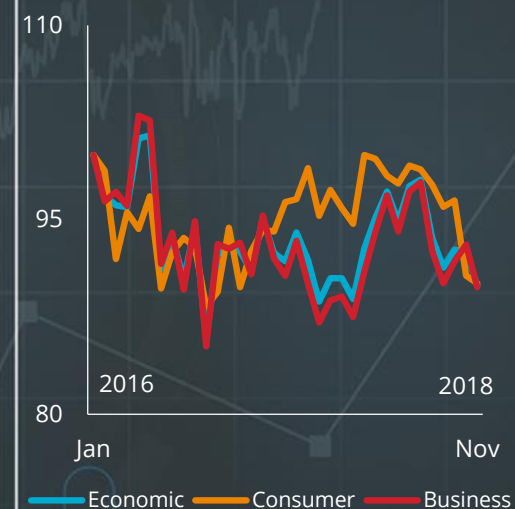
ECONOMIC PULSE

November 2018

89.9

-2.7 on previous
index reading

PULSE TRENDS



Consumer Pulse

November 2018

"The Consumer Pulse moved sideways this month amid a mix of Brexit gloom and festive cheer."

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

KEY POINTS

- Consumer Pulse broadly unchanged in November
- 35% think it is a good time to buy big ticket items
- 72% likely to save over the next 12 months

CONSUMER PULSE

November 2018

90.1

-0.5 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	10%	5%
⤵	43%	35%
No Change	24%	31%
⤶	13%	17%
⤷	8%	8%
Balance	+17%	+6%
Change on previous reading	0	+1

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	4%	7%
⤵	22%	30%
No Change	53%	50%
⤶	14%	10%
⤷	5%	2%
Balance	+3%	+15%
Change on previous reading	-3	+3

After last month's sharp drop, the Consumer Pulse was broadly unchanged in November 2018 at 90.1. Brexit uncertainty was a worry again this month and kept a lid on the mood, but with the festive season approaching and the countdown to promotional events like Black Friday underway, Christmas shopping was also on households' minds. One in five indicated that they intend to spend more on presents this year compared to last year (with younger age groups leading the charge), while just over half are planning on spending about the same.

Housing Pulse

November 2018

"There was some reprieve for the Housing Pulse this month, with the share of households expecting price gains over the next year ticking up."

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

KEY POINTS

- Housing Pulse up in November
- House price expectations in positive territory
- Same for rents

HOUSING PULSE

November 2018

105.1

+3.6 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	29%
1% - 5%		42%
Stay more or less the same		22%
1% - 5%	Decrease	4%
> 5%		1%

Balance +46%

+3 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	28%
1% - 5%		42%
Stay more or less the same		25%
1% - 5%	Decrease	1%
> 5%		0%

Balance +48%

+5 on previous reading

The Housing Pulse recovered some ground in November 2018, coming in at 105.1. This was up 3.6 on last month's reading but 12.3 lower than a year ago. Rising supply and the ongoing adjustment to the Central Bank's mortgage rules have contributed to some softening in house price inflation and a cooling in expectations over the past while. However, with employment and incomes increasing and house completions still running below what is needed, seven in ten households expect prices to rise in the next 12 months, up from two thirds in October.

Business Pulse

November 2018

"The weak pound is likely to prompt some cross border shopping over the Christmas period and is also a concern for exporters to the UK."

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

KEY POINTS

- Business Pulse down in November
- Brexit uncertainty at play
- Retail Pulse bucks the trend

BUSINESS PULSE

November 2018

89.8

-3.2 on previous
index reading

SECTOR PULSES

Industry
Pulse

97.4

-2.0 on previous
index reading

Services
Pulse

88.0

-5.9 on previous
index reading

Retail
Pulse

85.5

+3.4 on previous
index reading

Construction
Pulse

99.7

-0.3 on previous
index reading

At 89.8 in November 2018, the Business Pulse was down 3.2 on last month. With the Brexit negotiations entering the endgame, the Industry and Services Pulses posted softer readings this month while the Construction Pulse was little changed. The Retail Pulse rose however, buoyed by broadly positive expectations for the festive trading period - three in ten retailers expect their turnover to be higher than last year, while 54% think it will be much the same. The weak pound is a headwind for the sector though as some consumers will likely travel to the North to do their shopping. Retailers in the border area are particularly exposed in this respect and, unsurprisingly, were less upbeat about Christmas trading prospects than firms in other parts of the country.

Business Pulse

November 2018

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	41%	36%	31%	48%
No Change	46%	50%	50%	40%
v	14%	13%	18%	12%
Balance	+27%	+23%	+13%	+36%
Change on previous reading	+1	-4	+5	0

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	46%	35%	49%	38%
No Change	46%	54%	39%	57%
v	9%	11%	12%	5%
Balance	+37%	+24%	+38%	+32%
Change on previous reading	-8	+1	+9	0

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	16%	11%	9%	17%
No Change	77%	83%	83%	78%
v	7%	6%	7%	5%
Balance	+10%	+5%	+2%	+12%
Change on previous reading	-2	+2	-2	-4

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	17%	14%	12%	21%
No Change	81%	81%	84%	76%
v	2%	4%	3%	3%
Balance	+15%	+10%	+9%	+17%
Change on previous reading	-4	+2	+4	-4

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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