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## economic pulse

October 2018

 Economic  
Pulse

 Consumer  
Pulse

 Housing  
Pulse

 Business  
Pulse



# Economic Pulse

## October 2018

"Households' nerves were on edge this month but with business sentiment holding up, the Economic Pulse was little changed."

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

The Bank of Ireland Economic Pulse stood at 92.6 in October 2018. The index, which combines the results of the Consumer and Business Pulses, was down 0.1 on last month but up 2.1 on a year ago.

Budget 2019 took place during this month's survey period, with some interviews conducted prior to it and some after, though most of the details had been signalled. But with a deal on Brexit proving elusive and political rhetoric high, consumer confidence was down in October. While business sentiment ticked up in the month, the mood was mixed across the sectors with the Industry and Services Pulses rising but the Retail and Construction Pulses falling.

### KEY POINTS

- Economic Pulse flat in October
- Sharp drop in consumer confidence
- Mixed business picture

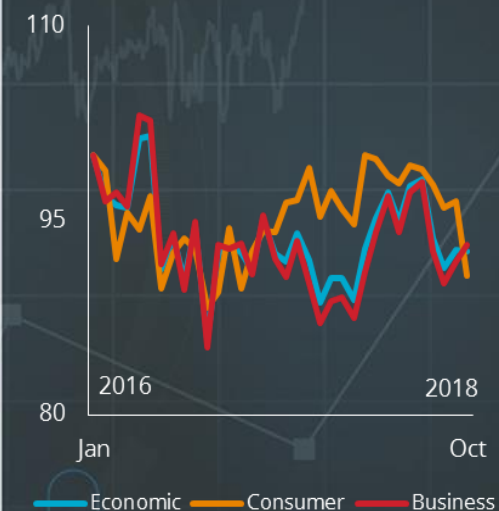
### ECONOMIC PULSE

October 2018

92.6

-0.1 on previous index reading

### PULSE TRENDS





# Consumer Pulse

## October 2018

"The Consumer Pulse took a bit of a nosedive this month as Brexit woes overshadowed Budget day giveaways."

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

### KEY POINTS

- Consumer Pulse falls in October
- Households more subdued about the economy
- 34% think it is a good time to buy big ticket items, down from 38% last month

### CONSUMER PULSE

October 2018

90.7

-5.8 on previous  
index reading

### GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⋈	10%	4%
⋈	44%	37%
No Change	21%	29%
⋇	15%	19%
⋇	8%	8%
Balance	+17%	+5%
Change on previous reading	-11	-14

### HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⋈	5%	6%
⋈	23%	27%
No Change	55%	54%
⋇	10%	9%
⋇	5%	2%
Balance	+6%	+12%
Change on previous reading	0	-2

The Consumer Pulse came in at 90.7 in October 2018, down 5.8 on September and posting its lowest reading in 20 months. With time running out and no breakthrough in the Brexit negotiations, households' were more downbeat about the general economic situation and the outlook for unemployment this month. Budget 2019 also made the headlines in October but as the income tax reductions and social welfare increases provided for were fairly modest, households' assessment of their own finances was little changed, though there may be more of a reaction when the measures take effect.



# Housing Pulse

## October 2018

"On the home improvements front, three in ten are likely to spend a large sum of money doing things up / renovations over the coming year."

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

### KEY POINTS

- Housing Pulse loses ground in October
- Rent expectations also ease
- 72% think it is cheaper to buy than rent in their area

### HOUSING PULSE

October 2018

101.5

-5.5 on previous index reading

### HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	26%
1% - 5%		40%
Stay more or less the same		25%
1% - 5%	Decrease	5%
> 5%		1%

**Balance +43%**

-5 on previous reading

### RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	24%
1% - 5%		40%
Stay more or less the same		28%
1% - 5%	Decrease	2%
> 5%		1%

**Balance +43%**

-5 on previous reading

The Housing Pulse fell for a fifth month running in October 2018, to 101.5. While two in three households think that prices will rise in the next 12 months, the share expecting increases in excess of 5% has been trending down over the past year, weighing on the headline index. This cooling in expectations is mirrored in developments on the ground, with data from the CSO showing a softening in house price inflation in recent months as supply ticks up (albeit by less than is needed) and the market adjusts to the Central Bank's mortgage rules.



# Business Pulse

## October 2018

"The Business Pulse was a touch firmer this month but remains off the two year high it registered mid-way through 2018."

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

### KEY POINTS

- Business Pulse up in October
- Sentiment mixed across the sectors
- Pay rises on the cards

### BUSINESS PULSE

October 2018

93.1

+1.3 on previous  
index reading

### SECTOR PULSES

Industry  
Pulse

99.4

+1.5 on previous  
index reading

Services  
Pulse

94.0

+4.0 on previous  
index reading

Retail  
Pulse

82.1

-5.3 on previous  
index reading

Construction  
Pulse

100.0

-4.6 on previous  
index reading

The Business Pulse stood at 93.1 in October 2018, up 1.3 on September's reading. The Services Pulse led the way this month (an improvement in medium/larger firms' order books helped) and the Industry Pulse was also a little higher. The Construction and Retail Pulses were down on the month however, with a large number of retailers and builders indicating that uncertainty is currently limiting their activity. The October survey finds that growth ambitions remain positive across the board though, with almost two thirds of firms looking to expand their business in the next 1 to 3 years. It also shows that 44% are planning on increasing employees' basic pay over the coming 12 months, by 3.8% on average.



# Business Pulse

## October 2018

### BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	37%	37%	31%	45%
No Change	51%	53%	47%	46%
v	11%	10%	22%	9%
Balance	+26%	+27%	+8%	+36%
Change on previous reading	-2	-3	-5	-5

### BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	51%	38%	43%	35%
No Change	43%	48%	43%	61%
v	6%	15%	14%	4%
Balance	+45%	+23%	+29%	+32%
Change on previous reading	-3	-4	-7	-16

### JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	19%	12%	10%	20%
No Change	73%	80%	83%	76%
v	8%	8%	6%	4%
Balance	+12%	+3%	+4%	+16%
Change on previous reading	-1	-2	-2	+4

### JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	23%	15%	10%	24%
No Change	73%	77%	86%	72%
v	4%	7%	4%	3%
Balance	+19%	+8%	+5%	+21%
Change on previous reading	0	-1	-1	0

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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