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Bank of Ireland economic pulse

September 2016

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

September 2016

"The picture was somewhat mixed in September, with consumer confidence up in the month but business sentiment down."

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

The Bank of Ireland Economic Pulse stood at 90.4 in September, a new low for 2016. The index, which combines the results of the Consumer and Business Pulses, was down 3.3 on August. While household confidence rose for a second month running, firms in the industry, services and retail sectors were less upbeat this month, pulling the Business Pulse down.

The UK's decision to exit the EU has led to an increase in uncertainty, and a general softening in sentiment is evident when the recent Pulse readings are compared with those earlier in the year. That said, sentiment remains at a high level.

KEY POINTS

- Economic Pulse down in September
- Lowest reading this year
- Driven by a fall in business sentiment, consumer confidence up

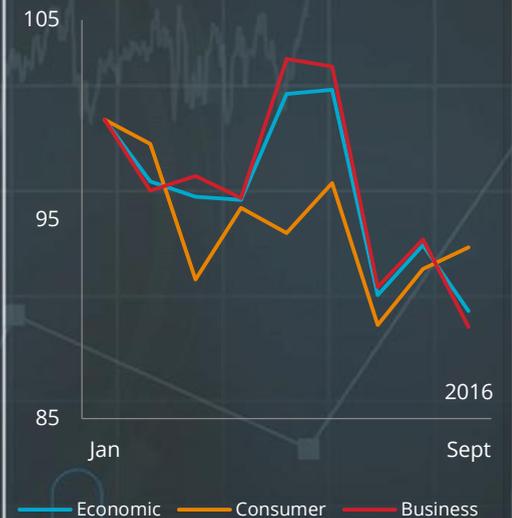
ECONOMIC PULSE

September 2016

90.4

-3.3 on previous index reading

PULSE TRENDS



Consumer Pulse

September 2016

“An interesting finding in the context of the upcoming budget is that four in ten households are concerned about the tax burden.”

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

KEY POINTS

- Consumer Pulse ticks up in September
- Households more positive about the economy
- Almost half expect unemployment to fall further

CONSUMER PULSE

September 2016

93.6

+1.1 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
↑↑	6%	8%
↑	53%	45%
No Change	21%	30%
↓	9%	10%
↓↓	8%	4%
Balance	+20%	+22%
Change on previous reading	+2	+5

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
↑↑	5%	5%
↑	19%	25%
No Change	54%	53%
↓	14%	10%
↓↓	8%	3%
Balance	-1%	+9%
Change on previous reading	0	-3

The Consumer Pulse gained further ground in September 2016, coming in at 93.6 and up 1.1 on August. Households upgraded their assessment of economic developments over the past and coming year, though they took a slightly less favourable view of their own financial prospects. Buying and savings sentiment was little changed in September, with 32% considering it a good time to purchase big tickets items (34% last month) and 64% likely to save some money in the next 12 months (65% in August).

Housing Pulse

September 2016

“New CSO data show that house prices rose in all regions in the first seven months of 2016. The Housing Pulse points to a general expectation that further increases are on the cards.”

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

KEY POINTS

- Housing Pulse up in September
- Majority expect house prices to rise
- Same for rents

HOUSING PULSE

September 2016

105.1

+2.2 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	28%
1% - 5%		40%
Stay more or less the same		27%
1% - 5%	Decrease ↓	2%
> 5%		1%

Balance +46%
+2 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	27%
1% - 5%		36%
Stay more or less the same		31%
1% - 5%	Decrease ↓	1%
> 5%		0%

Balance +44%
+1 on previous reading

The Housing Pulse picked up in September 2016, to 105.1 from 102.9 in August. Most survey respondents expect house prices to increase over the next 12 months, with the proportion anticipating gains in excess of 5% coming in at 28%, up 2 on last month. Rent expectations were also in positive territory in September and as with prices, the share anticipating increases of more than 5% was up 2 on the month.

Business Pulse

September 2016

“The construction sector is leading the way when it comes to job creation, with some 29% of firms planning on hiring in the next 3 months.”

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

KEY POINTS

- Business Pulse down in September
- Lowest reading this year
- Construction bucks the trend

BUSINESS PULSE

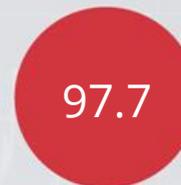
September 2016



-4.4 on previous index reading

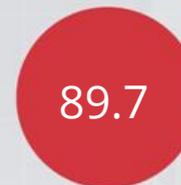
SECTOR PULSES

Industry Pulse



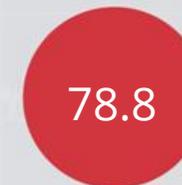
-3.6 on previous index reading

Services Pulse



-5.3 on previous index reading

Retail Pulse



-7.6 on previous index reading

Construction Pulse



+12.3 on previous index reading

The Business Pulse was down 4.4 in September 2016 to 89.6, its lowest reading this year. The jump in the Retail Pulse last month was more than reversed by a fall this month, with the Industry Pulse also giving up some of August’s strong gains. The data show that firms in the services sector scaled back their near-term expectations for business activity in September, which contributed to a drop in the Services Pulse. In contrast, the Construction Pulse rose in the month, helped by an improvement in order books and positive sentiment on the employment front.

Business Pulse

September 2016

BUSINESS ACTIVITY		Past 3 Months			
	Industry	Services	Retail	Construction	
^	38%	40%	34%	45%	
No Change	51%	53%	44%	47%	
∨	11%	7%	22%	8%	
Balance	+27%	+32%	+12%	+37%	
Change on previous reading	+6	+2	+3	+6	

BUSINESS ACTIVITY		Next 3 Months			
	Industry	Services	Retail	Construction	
^	54%	40%	51%	49%	
No Change	38%	47%	36%	43%	
∨	8%	13%	13%	7%	
Balance	+46%	+27%	+38%	+42%	
Change on previous reading	-2	-7	+6	0	

JOBS		Past 3 Months			
	Industry	Services	Retail	Construction	
^	20%	14%	13%	22%	
No Change	75%	81%	82%	74%	
∨	5%	5%	6%	4%	
Balance	+15%	+9%	+7%	+17%	
Change on previous reading	-3	-2	-3	+6	

JOBS		Next 3 Months			
	Industry	Services	Retail	Construction	
^	20%	13%	8%	29%	
No Change	76%	81%	88%	66%	
∨	3%	6%	4%	6%	
Balance	+17%	+7%	+4%	+23%	
Change on previous reading	+1	0	-4	+2	

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, 800 firms in industry, 800 services firms, 250 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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