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economic pulse

September 2017

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

September 2017

"The rebound in consumer confidence lost some steam this month, and with business sentiment also subdued, the Economic Pulse posted its weakest reading since last November."

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

The Bank of Ireland Economic Pulse came in at 88.7 in September 2017. The index, which combines the results of the Consumer and Business Pulses, was down 3.1 on August and 1.6 lower than this time last year.

With Budget 2018 fast approaching at home, the UK and the EU making little progress in the latest round of withdrawal negotiations and geopolitical tensions on the international stage, the September data point to softer sentiment across the board. Households were less positive about the economy and their own finances this month, while on the business side, all four sector Pulses gave up ground.

KEY POINTS

- Economic Pulse down in September
- Lowest reading this year
- Households and firms more downbeat

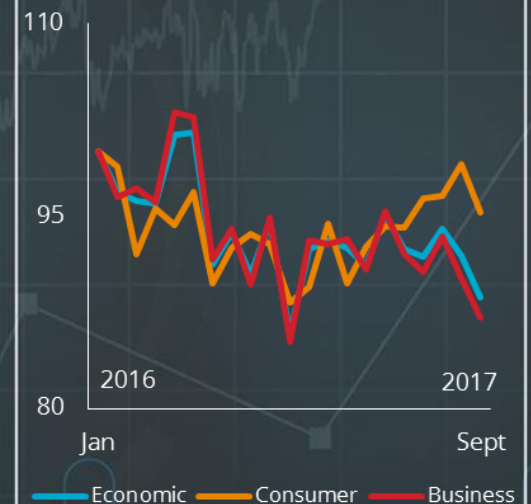
ECONOMIC PULSE

September 2017

88.7

-3.1 on previous index reading

PULSE TRENDS



Consumer Pulse

September 2017

"Paying bills and the tax burden, along with the cost of renting and rising house prices, topped the list of household concerns this month."

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

KEY POINTS

- Consumer Pulse down in September
- Broad based softening
- Half still expect the unemployment rate to fall in the next 12 months

CONSUMER PULSE

September 2017

95.3

-3.7 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⋈	10%	9%
⋈	48%	43%
No Change	22%	28%
⋇	10%	11%
⋇	8%	5%
Balance	+20%	+20%
Change on previous reading	-6	-6

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⋈	5%	6%
⋈	21%	30%
No Change	56%	52%
⋇	12%	7%
⋇	6%	3%
Balance	+4%	+15%
Change on previous reading	-2	-2

The Consumer Pulse lost ground in September 2017, coming in at 95.3. While this was down 3.7 on August's near-record high, it was up 1.6 on this time last year. Households were more muted this month and scaled back their assessment of both the economy and their own financial situation. Buying sentiment was also softer following a seasonal bounce in August, with 36% considering it a good time to purchase big ticket items such as furniture and electrical goods (40% last month). On the savings front, 69% indicated that they are likely to put some money aside over the coming year.

Housing Pulse

September 2017

"One in three firms in Connacht/Ulster and almost half in Dublin, the Rest of Leinster and Munster rate the housing infrastructure in their region as inadequate."

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

KEY POINTS

- Housing Pulse ticks up in September
- 78% of households think prices will rise in the next 12 months
- 69% expect rents to increase

HOUSING PULSE

September 2017

117.0

+1.0 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	41%
1% - 5%		37%
Stay more or less the same		17%
1% - 5%	Decrease	2%
> 5%		1%

Balance +58%

+1 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	33%
1% - 5%		36%
Stay more or less the same		26%
1% - 5%	Decrease	1%
> 5%		0%

Balance +50%

+3 on previous reading

The Housing Pulse stood at 117.0 in September 2017, up 1.0 on last month and 11.9 on a year ago. With demand continuing to outstrip supply, house price and rent expectations were in firm positive territory again this month. While housing infrastructure has an impact on people's quality of life, it is also relevant for businesses in attracting staff. Many firms consider the housing infrastructure in their region to be inadequate however, with those in Dublin, the Rest of Leinster and Munster citing it as the priority area for investment to help strengthen local economies and the business environment.

Business Pulse

September 2017

"The business mood was subdued again this month, with the Industry, Services, Retail and Construction Pulses all losing ground."

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

KEY POINTS

- Business Pulse falls in September
- Second lowest reading in the series' history
- Brexit a headwind

BUSINESS PULSE

September 2017

87.1

-3.0 on previous
index reading

SECTOR PULSES

Industry
Pulse

93.2

-1.3 on previous
index reading

Services
Pulse

88.0

-1.6 on previous
index reading

Retail
Pulse

77.5

-5.9 on previous
index reading

Construction
Pulse

92.1

-10.4 on previous
index reading

The Business Pulse fell for a second month running in September 2017 to 87.1, with sentiment down in the four sectors. Firms downgraded their assessment of the current jobs situation this month, and were generally more subdued about near-term prospects for business activity and / or hiring. The UK's decision to leave the EU continues to be a concern, with the majority of businesses – led by those in Connacht/Ulster – expecting it to have a negative impact on the local economy in their region over the next 12 months. In terms of the broader operating environment, the September results point to a broad level of satisfaction among firms with basic infrastructure such as water, waste and energy; whereas transport, telecommunications and housing infrastructure falls somewhat short.

Business Pulse

September 2017

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	39%	42%	30%	40%
No Change	48%	51%	48%	50%
v	12%	7%	22%	10%
Balance	+27%	+35%	+8%	+30%
Change on previous reading	+2	+4	+1	+1

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	52%	40%	48%	45%
No Change	40%	48%	39%	50%
v	8%	12%	13%	5%
Balance	+44%	+28%	+35%	+39%
Change on previous reading	-5	-2	+2	-2

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	18%	12%	9%	18%
No Change	77%	83%	85%	77%
v	5%	5%	6%	5%
Balance	+14%	+7%	+3%	+14%
Change on previous reading	-1	-4	-7	-4

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	20%	15%	8%	22%
No Change	77%	78%	87%	73%
v	4%	6%	5%	5%
Balance	+16%	+9%	+3%	+16%
Change on previous reading	+1	0	-1	-6

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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