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[www.BankofIrelandEconomicPulse.com](http://www.BankofIrelandEconomicPulse.com)

## Bank of Ireland economic pulse

August 2021

 Economic Pulse  Consumer Pulse  Housing Pulse  Business Pulse

# Economic Pulse

August 2021

"It was a mixed picture this month, with consumer confidence rising but business sentiment slipping."

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

The Bank of Ireland Economic Pulse came in at 88.8 in August 2021. The index, which combines the results of the Consumer and Business Pulses, was 0.4 lower than last month but up 29.5 on a year ago.

While the headline reading was little changed on the month, the underlying picture was mixed. The Consumer Pulse was in catch up mode and moved higher as households upgraded their assessment of both the general economic and their own financial situations. The Business Pulse slipped though, not least because the rebound in sentiment across the four sectors - industry, services, retail and construction - is already complete.

## KEY POINTS

- Economic Pulse marginally softer in August
- Remains above its pre-COVID level
- But big re-opening gains largely behind us

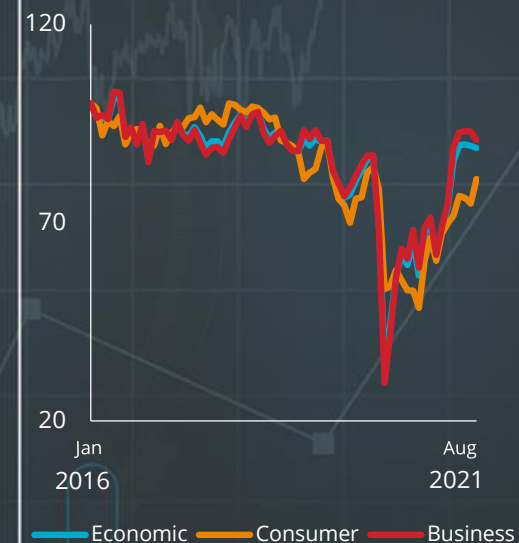
## ECONOMIC PULSE

August 2021

88.8

-0.4 on previous index reading

## PULSE TRENDS



# Consumer Pulse

## August 2021

“A jump in August took the Consumer Pulse closer to its pre-pandemic reading.”

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

### KEY POINTS

- Consumer Pulse up in August
- 55% think the economy will get better in the next 12 months
- One in three sees their finances improving

### CONSUMER PULSE

August 2021

81.0

+6.2 on previous index reading

### GENERAL ECONOMIC SITUATION

|                            | Past 12 Months | Next 12 Months |
|----------------------------|----------------|----------------|
| ⤴                          | 3%             | 13%            |
| ⤵                          | 15%            | 42%            |
| No Change                  | 12%            | 11%            |
| ⤶                          | 35%            | 17%            |
| ⤷                          | 33%            | 15%            |
| Balance                    | -40%           | +10%           |
| Change on previous reading | +11            | +8             |

### HOUSEHOLD FINANCIAL SITUATION

|                            | Past 12 Months | Next 12 Months |
|----------------------------|----------------|----------------|
| ⤴                          | 6%             | 8%             |
| ⤵                          | 21%            | 26%            |
| No Change                  | 52%            | 54%            |
| ⤶                          | 16%            | 9%             |
| ⤷                          | 6%             | 3%             |
| Balance                    | +2%            | +14%           |
| Change on previous reading | +3             | +2             |

After moving sideways in June and dipping slightly in July, the Consumer Pulse re-gained traction in August 2021, coming in at 81.0. This was 6.2 higher than last month and up 28.1 on a year ago. The improvement was broad-based across the components, with households more optimistic about the economy, their personal finances and job prospects this month. A slew of positive developments – the strong vaccine uptake, the resumption of indoor hospitality and the fall in the numbers receiving the Pandemic Unemployment Payment – helped lift consumer confidence, which is now not far off its pre-COVID level.

# Housing Pulse

## August 2021

“The Housing Pulse dipped in August, bringing to an end a fifteen month run of gains.”

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

### KEY POINTS

- Housing Pulse eases in August
- Majority still expecting house prices to rise over the next year
- Same for rents

### HOUSING PULSE

August 2021

118.0

-1.5 on previous index reading

### HOUSE PRICE EXPECTATIONS

Next 12 Months

| Change                     |            | Response |
|----------------------------|------------|----------|
| > 5%                       | Increase ↑ | 43%      |
| 1% - 5%                    |            | 38%      |
| Stay more or less the same |            | 12%      |
| 1% - 5%                    | Decrease ↓ | 3%       |
| > 5%                       |            | 2%       |

**Balance +59%**

-2 on previous reading

### RENT EXPECTATIONS

Next 12 Months

| Change                     |            | Response |
|----------------------------|------------|----------|
| > 5%                       | Increase ↑ | 31%      |
| 1% - 5%                    |            | 40%      |
| Stay more or less the same |            | 24%      |
| 1% - 5%                    | Decrease ↓ | 2%       |
| > 5%                       |            | 1%       |

**Balance +50%**

-1 on previous reading

The Housing Pulse was down 1.5 on the month in August 2021, its first drop since the throes of the pandemic. At 118.0, the series remained at a high level though and well up (+59.8) on a year ago. With demand continuing to outstrip supply, four in five households expect house prices to rise in the next 12 months, while only 5% are anticipating a fall. Expectations for rents also ticked down a notch this month but remain elevated - some seven in ten think increases are in the offing over the coming year whereas just 3% think they will ease.

# Business Pulse

## August 2021

"Bottlenecks are becoming apparent and impacting a range of business sectors."

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

### KEY POINTS

- Business Pulse down in August
- Costs a concern for firms
- And putting upward pressure on selling prices

### BUSINESS PULSE

August 2021



-2.1 on previous index reading

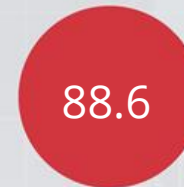
### SECTOR PULSES

Industry Pulse



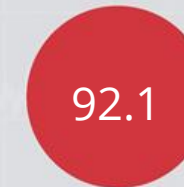
-6.8 on previous index reading

Services Pulse



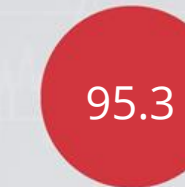
-3.6 on previous index reading

Retail Pulse



+6.4 on previous index reading

Construction Pulse



-0.2 on previous index reading

At 90.8 in August 2021, the Business Pulse was down 2.1 on July's reading but 29.9 higher than a year ago. While the Retail Pulse rose this month, the Construction Pulse moved sideways and the Industry and Services Pulses softened. Not only are the big gains from the re-opening of the economy mostly behind us, but businesses are grappling with pandemic and post-Brexit related bottlenecks. These are having spill-over effects, with 88% of builders, 78% of firms in industry, 58% of retailers and 53% of services firms reporting an increase in non-labour input costs over the past three months (all of which are near or series highs), and many saying that they are likely to hike selling prices in the period ahead.

# Business Pulse

## August 2021

| <b>BUSINESS ACTIVITY</b>   |          |          |        | Past 3 Months |
|----------------------------|----------|----------|--------|---------------|
|                            | Industry | Services | Retail | Construction  |
| ^                          | 42%      | 50%      | 42%    | 47%           |
| No Change                  | 43%      | 36%      | 38%    | 40%           |
| ∨                          | 15%      | 14%      | 20%    | 13%           |
| Balance                    | +27%     | +37%     | +22%   | +35%          |
| Change on previous reading | -5       | +2       | -2     | +3            |

| <b>JOBS</b>                |          |          |        | Past 3 Months |
|----------------------------|----------|----------|--------|---------------|
|                            | Industry | Services | Retail | Construction  |
| ^                          | 20%      | 20%      | 14%    | 17%           |
| No Change                  | 70%      | 69%      | 80%    | 80%           |
| ∨                          | 11%      | 11%      | 6%     | 3%            |
| Balance                    | +9%      | +9%      | +9%    | +14%          |
| Change on previous reading | -7       | -2       | -1     | +7            |

| <b>BUSINESS ACTIVITY</b>   |          |          |        | Next 3 Months |
|----------------------------|----------|----------|--------|---------------|
|                            | Industry | Services | Retail | Construction  |
| ^                          | 52%      | 48%      | 45%    | 38%           |
| No Change                  | 42%      | 42%      | 39%    | 56%           |
| ∨                          | 6%       | 9%       | 17%    | 7%            |
| Balance                    | +46%     | +39%     | +28%   | +31%          |
| Change on previous reading | +10      | 0        | +4     | -6            |

| <b>JOBS</b>                |          |          |        | Next 3 Months |
|----------------------------|----------|----------|--------|---------------|
|                            | Industry | Services | Retail | Construction  |
| ^                          | 22%      | 19%      | 14%    | 16%           |
| No Change                  | 74%      | 74%      | 82%    | 82%           |
| ∨                          | 4%       | 7%       | 4%     | 2%            |
| Balance                    | +18%     | +12%     | +10%   | +14%          |
| Change on previous reading | -6       | 0        | +4     | -9            |

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, 500 services firms, 350 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 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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