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Bank of Ireland economic pulse

July 2021

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

July 2021

"The Economic Pulse was marginally softer in July but remains above its pre-pandemic level."

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

The Bank of Ireland Economic Pulse came in at 89.3 in July 2021. The index, which combines the results of the Consumer and Business Pulses, was 0.5 lower than last month but up 27.4 on a year ago.

The Delta variant of COVID-19 and the delay to the resumption of indoor hospitality dominated the news flow this month but did little to dent the mood of cautious optimism. While households were a touch more circumspect, business sentiment moved sideways and with the recovery taking hold and an additional push on the vaccination front, the headline Economic Pulse remained above its pre-pandemic level.

KEY POINTS

- Economic Pulse down slightly in July
- Business sentiment little changed
- Consumer confidence dips

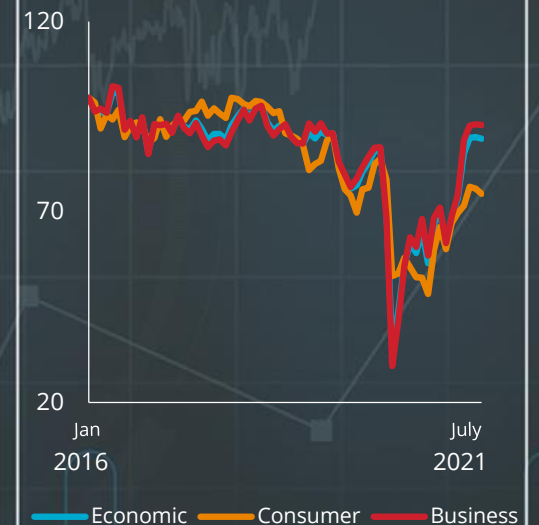
ECONOMIC PULSE

July 2021

89.3

-0.5 on previous
index reading

PULSE TRENDS



Consumer Pulse

July 2021

"Delta blues look to have curbed households' enthusiasm this month, albeit not by much."

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

KEY POINTS

- Consumer Pulse slips in July
- Buying sentiment holds up
- 43% of workers expecting a pay rise

CONSUMER PULSE

July 2021

74.8

-1.4 on previous
index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⬆️	2%	11%
⬆️	9%	37%
No Change	11%	13%
⬆️	37%	20%
⬆️	39%	18%
Balance	-51%	+2%
Change on previous reading	+6	-8

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⬆️	5%	6%
⬆️	18%	27%
No Change	54%	52%
⬆️	15%	9%
⬆️	8%	3%
Balance	-1%	+12%
Change on previous reading	0	-2

At 74.8 in July 2021, the Consumer Pulse was down 1.4 on last month but 19.3 higher than a year ago. While concerns about the new strain of the virus tempered expectations a bit, households were more upbeat about the current state of the economy this month. Labour market sentiment has also improved as the re-opening of the country has progressed, with two fifths of survey respondents indicating that it is easy to find or change jobs at present (up from 18% at the beginning of the year) and two in five workers anticipating a larger pay packet over the next 12 months.

Housing Pulse

July 2021

“Buoyed by new ways of working and elevated savings, home improvements are firmly on the agenda.”

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

KEY POINTS

- Housing Pulse rises in July
- Buying still trumping renting
- 35% to spend on home improvements over the coming year

HOUSING PULSE

July 2021

119.5

+3.3 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	45%
1% - 5%		37%
Stay more or less the same		14%
1% - 5%	Decrease	1%
> 5%		2%

Balance +61%

+4 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	32%
1% - 5%		41%
Stay more or less the same		22%
1% - 5%	Decrease	2%
> 5%		1%

Balance +51%

-1 on previous reading

The Housing Pulse stood at 119.5 in July 2021, up 3.3 on last month and 69.1 higher than a year ago. This was the fifteenth consecutive gain for the series which is now just shy of its all-time high. Four in five households think house price increases are on the cards over the next 12 months, with almost half expecting them to go up by more than 5%. Even so, seven in ten consider it cheaper to buy than rent in their area when the typical monthly mortgage repayment and the typical monthly rent for similar properties are compared.

Business Pulse

July 2021

"After a run of gains, it was a case of steady as she goes for the Business Pulse in July."

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

KEY POINTS

- Business Pulse moves sideways in July
- Firms seeing an improvement in trading conditions
- 27% struggling with labour shortages

BUSINESS PULSE

July 2021

92.9

-0.2 on previous
index reading

SECTOR PULSES

Industry
Pulse

102.3

+2.4 on previous
index reading

Services
Pulse

92.2

+0.3 on previous
index reading

Retail
Pulse

85.8

-3.8 on previous
index reading

Construction
Pulse

95.5

-1.5 on previous
index reading

The Business Pulse came in at 92.9 in July 2021. This was 0.2 lower than last month's reading but 29.5 higher than a year ago. The sectoral picture was mixed this month, with the Industry Pulse ticking up, the Services Pulse more or less flat and the Retail and Construction Pulses dipping a little. Each of the four indices remained above its pre-pandemic level though. On the pay side, the July survey finds that 44% of firms are planning on increasing basic wages in the next 12 months – up from 29% in April and driven in part by staffing shortfall worries as the recovery takes hold – while on the growth front, three in five have ambitions to expand their business in the next 1 to 3 years.

Business Pulse

July 2021

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	47%	48%	44%	45%
No Change	38%	39%	37%	42%
v	15%	13%	20%	13%
Balance	+32%	+35%	+24%	+32%
Change on previous reading	+12	+8	+13	+3

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	44%	48%	37%	44%
No Change	48%	44%	50%	48%
v	8%	8%	13%	7%
Balance	+36%	+39%	+24%	+37%
Change on previous reading	-12	-15	-15	-7

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	23%	19%	16%	12%
No Change	71%	73%	78%	82%
v	7%	8%	6%	6%
Balance	+16%	+11%	+10%	+7%
Change on previous reading	-1	+8	+1	+2

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	27%	17%	10%	25%
No Change	71%	79%	85%	73%
v	3%	4%	4%	2%
Balance	+24%	+12%	+6%	+23%
Change on previous reading	+3	-11	-7	+7

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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