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Bank of Ireland economic pulse

March 2021

 Economic Pulse  Consumer Pulse  Housing Pulse  Business Pulse

Economic Pulse

March 2021

"The Economic Pulse tracked higher this month and has now recovered three quarters of its COVID-related losses."

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

The Bank of Ireland Economic Pulse came in at 73.7 in March 2021. The index, which combines the results of the Consumer and Business Pulses, was up 5.0 on last month and 3.2 higher than a year ago.

The mood among households and firms brightened this month even as public health measures were extended again. The prospect of a cautious easing of Level 5 restrictions from early April onwards and widespread vaccination by the autumn – in line with the Government's recently published 'Path Ahead' – looks to have softened the blow, with a pick-up in economic and commercial activity anticipated as the year progresses.

KEY POINTS

- Economic Pulse rises in March
- 13 month high for the series
- Re-opening hopes offset lockdown drag

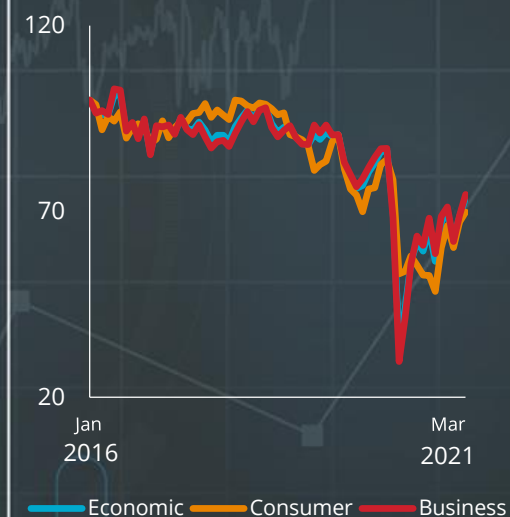
ECONOMIC PULSE

March 2021

73.7

+5.0 on previous index reading

PULSE TRENDS



Consumer Pulse

March 2021

“The Consumer Pulse rose for a second consecutive month in March as households keep the faith.”

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

KEY POINTS

- Consumer Pulse up in March
- Expectations for the economy back in the black
- Almost half think unemployment will fall

CONSUMER PULSE

March 2021

69.8

+2.6 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	1%	8%
⤴	3%	42%
No Change	8%	12%
⤵	35%	21%
⤵	52%	17%
Balance	-67%	+2%
Change on previous reading	+3	+6

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	5%	6%
⤴	16%	23%
No Change	51%	58%
⤵	19%	8%
⤵	8%	3%
Balance	-4%	+10%
Change on previous reading	-4	-2

The Consumer Pulse stood at 69.8 in March 2021, up 2.6 on last month but 8.8 lower than a year ago. With the vaccine rollout progressing and set to quicken during the second quarter and schools starting to return, households were more upbeat this month. The improvement in sentiment was centred on the economy and jobs; notably the balance of positive and negative responses to the question on how the general economic situation is expected to develop over the coming year moved into the black for the first time since February 2020.

Housing Pulse

March 2021

“Households in every region upped their expectations for future house price gains this month.”

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

KEY POINTS

- Housing Pulse strengthens in March
- Across the board improvement
- Building costs head north too

HOUSING PULSE

March 2021

97.3

+4.1 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	23%
1% - 5%		40%
Stay more or less the same		28%
1% - 5%	Decrease ↓	6%
> 5%		2%

Balance +39%
+5 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	18%
1% - 5%		36%
Stay more or less the same		36%
1% - 5%	Decrease ↓	6%
> 5%		1%

Balance +32%
+3 on previous reading

The Housing Pulse rose for an eleventh month running in March 2021. At 97.3, the index was 4.1 higher than February’s reading and up 19.9 on a year ago. Over three in five households now think house prices will increase in the next year, not least because current construction site closures are a headwind for supply which is already well short of demand. The March data also point to upward momentum on the costs front, with two thirds of builders reporting an increase in non-labour input costs in the past three months, partly because of Brexit-related disruption.

Business Pulse

March 2021

"It was also two in a row for the Business Pulse, with sentiment up in all sectors in March."

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

KEY POINTS

- Business Pulse firmer in March
- Lockdown and post-Brexit headaches
- Firms more optimistic about the outlook

BUSINESS PULSE

March 2021

74.6

+5.6 on previous index reading

SECTOR PULSES

Industry Pulse

82.6

+8.1 on previous index reading

Services Pulse

73.5

+5.5 on previous index reading

Retail Pulse

70.3

+3.0 on previous index reading

Construction Pulse

77.4

+7.5 on previous index reading

The Business Pulse came in at 74.6 in March 2021, up 5.6 on last month and 6.2 higher than a year ago. Firms in each of the four sectors – industry, services, retail and construction - upgraded their near-term expectations for activity and hiring this month as they looked past the here and now to the re-opening of the economy. Prolonged Level 5 restrictions are taking a toll on many businesses however, as are the new trading arrangements with the UK. The March survey took a closer look at the latter and finds that three in five firms for whom Brexit is relevant are experiencing supply chain disruptions, while 56% are incurring extra costs. More positively though, around one in seven said that they are seeing new opportunities emerge.

Business Pulse

March 2021

BUSINESS ACTIVITY		Past 3 Months			
	Industry	Services	Retail	Construction	
^	21%	16%	15%	11%	
No Change	34%	46%	37%	28%	
v	44%	38%	48%	62%	
Balance	-23%	-22%	-33%	-51%	
Change on previous reading	+12	+7	-2	-8	

JOBS		Past 3 Months			
	Industry	Services	Retail	Construction	
^	10%	5%	5%	4%	
No Change	74%	76%	82%	81%	
v	16%	19%	12%	15%	
Balance	-6%	-15%	-7%	-11%	
Change on previous reading	+4	+3	+5	-5	

BUSINESS ACTIVITY		Next 3 Months			
	Industry	Services	Retail	Construction	
^	48%	43%	43%	47%	
No Change	38%	44%	38%	44%	
v	14%	13%	19%	9%	
Balance	+34%	+30%	+24%	+39%	
Change on previous reading	+13	+12	+17	+11	

JOBS		Next 3 Months			
	Industry	Services	Retail	Construction	
^	19%	18%	12%	18%	
No Change	78%	78%	80%	79%	
v	4%	4%	8%	2%	
Balance	+15%	+14%	+4%	+16%	
Change on previous reading	+9	+7	+3	+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, 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 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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