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Bank of Ireland economic pulse

January 2022

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

January 2022

“The Economic Pulse was on the front foot this month as Omicron fears receded.”

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

The Bank of Ireland Economic Pulse came in at 84.5 in January 2022. The index, which combines the results of the Consumer and Business Pulses, was up 4.6 on last month and 22.9 higher than a year ago.

With the acceleration of the vaccine booster campaign and signs that the Omicron wave of the virus may be less severe and relatively short-lived, the mood this month was one of cautious hope. Households sounded a brighter note about the economy and firms were more optimistic about near-term prospects for business activity, all of which helped the headline Economic Pulse reverse some of its recent decline.

KEY POINTS

- Economic Pulse rises in January
- Re-gains some ground
- Consumer and business sentiment improve

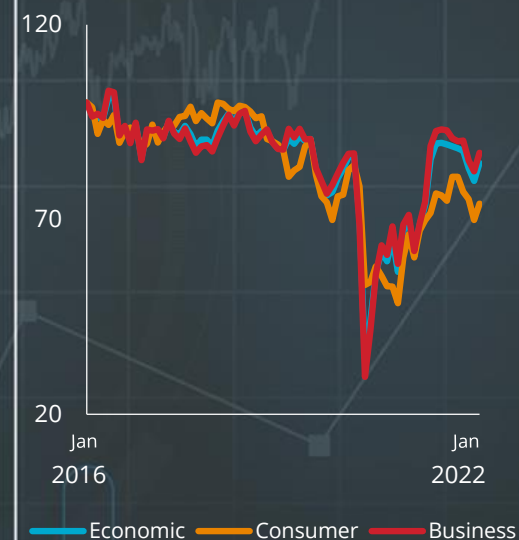
ECONOMIC PULSE

January 2022

84.5

+4.6 on previous index reading

PULSE TRENDS



Consumer Pulse

January 2022

“January brought some respite for the Consumer Pulse, which rose for the first time since last autumn.”

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

KEY POINTS

- Consumer Pulse increases in January
- Households less worried about the economy
- 56% think it is easy to find or change jobs

CONSUMER PULSE

January 2022

74.1

+4.2 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	4%	5%
⤴	16%	34%
No Change	14%	18%
⤵	37%	26%
⤵	27%	14%
Balance	-34%	-5%
Change on previous reading	+4	+7

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	4%	7%
⤴	18%	24%
No Change	53%	48%
⤵	17%	15%
⤵	7%	4%
Balance	-2%	+8%
Change on previous reading	+2	+4

The Consumer Pulse stood at 74.1 in January 2022, up 4.2 on last month and 13.8 higher than a year ago. Receding Omicron fears raised households’ spirits this month, with good news on the FDI and tax fronts – 2021 was a record breaking year for employment in the multinational sector according to the IDA, while the State recorded its highest ever tax take – also providing reassurance about the economy’s resilience. Households were more upbeat about their own finances in January too, though buying sentiment was unchanged on the month (one in four considered it a good time to make major purchases like furniture and electrical equipment).

Housing Pulse

January 2022

“The Housing Pulse did its own thing this month, tracking lower notwithstanding the improvement in the consumer mood.”

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

KEY POINTS

- Housing Pulse down in January
- Almost four in five think house prices will rise
- Buying still beating renting

HOUSING PULSE

January 2022

114.1

-3.4 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ^	38%
1% - 5%		39%
Stay more or less the same		16%
1% - 5%	Decrease v	2%
> 5%		2%

Balance +55%
-4 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ^	31%
1% - 5%		39%
Stay more or less the same		24%
1% - 5%	Decrease v	1%
> 5%		1%

Balance +49%
-1 on previous reading

The Housing Pulse came in at 114.1 in January 2022. This was down 3.4 on last month’s reading but up 27.6 on the same time a year ago. The share of households expecting house prices to increase by more than 5% over the coming year ticked down this month (to 38% from 43% in December), contributing to the slippage in the index and hinting at affordability concerns. That said, seven in ten still 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

January 2022

“The Business Pulse got some of its swagger back in January, with three of the four Sectoral Pulses rising.”

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

KEY POINTS

- Business Pulse up in January
- Half of firms plan to increase basic wages in the next 12 months
- 46% of workers anticipating a pay rise

BUSINESS PULSE

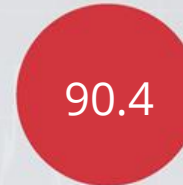
January 2022



+4.7 on previous index reading

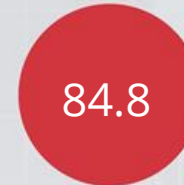
SECTOR PULSES

Industry Pulse



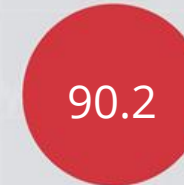
+3.8 on previous index reading

Services Pulse



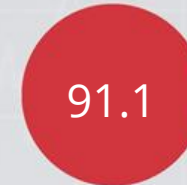
+5.0 on previous index reading

Retail Pulse



+7.7 on previous index reading

Construction Pulse



-1.0 on previous index reading

At 87.1 in January 2022, the Business Pulse was up 4.7 on December’s reading and 25.2 higher than a year ago. The underlying picture was mixed though. Amid restrictions and virus-related staff absences, firms in all sectors apart from retail were more downbeat about the recent trading period. But with the public health situation expected to improve in the weeks ahead, prospects for near-term business activity were revised up across the board (services firms led the way). Downing Street’s decision to temporarily postpone the introduction of customs controls on goods moving between Ireland and Great Britain also saw firms in industry upgrade their outlook for exports. There are hints in the January data that supply bottlenecks may be starting to ease as well, however labour shortages remain a concern for businesses, especially those in the construction sector.

Business Pulse

January 2022

BUSINESS ACTIVITY		Past 3 Months			
	Industry	Services	Retail	Construction	
^	36%	28%	37%	32%	
No Change	52%	47%	42%	55%	
∨	12%	26%	22%	13%	
Balance	+24%	+2%	+15%	+19%	
Change on previous reading	-5	-7	0	-9	

BUSINESS ACTIVITY		Next 3 Months			
	Industry	Services	Retail	Construction	
^	47%	49%	31%	37%	
No Change	46%	42%	48%	58%	
∨	6%	9%	22%	4%	
Balance	+41%	+40%	+9%	+33%	
Change on previous reading	+25	+34	+1	+5	

JOBBS		Past 3 Months			
	Industry	Services	Retail	Construction	
^	13%	8%	10%	8%	
No Change	81%	80%	85%	84%	
∨	6%	11%	5%	8%	
Balance	+7%	-3%	+5%	0%	
Change on previous reading	-5	0	-1	-8	

JOBBS		Next 3 Months			
	Industry	Services	Retail	Construction	
^	25%	15%	13%	24%	
No Change	73%	81%	84%	75%	
∨	2%	4%	3%	1%	
Balance	+23%	+10%	+9%	+23%	
Change on previous reading	+7	+3	0	+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, 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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