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Bank of Ireland economic pulse

March 2022

 Economic Pulse  Consumer Pulse  Housing Pulse  Business Pulse

Economic Pulse

March 2022

"The Economic Pulse was down this month as the dark cloud of war descended on Europe."

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

The Bank of Ireland Economic Pulse came in at 84.4 in March 2022. The index, which combines the results of the Consumer and Business Pulses, was down 3.8 on last month but 10.7 higher than a year ago.

Consumer confidence took a big knock this month as households reacted to the escalation of the Russian-Ukraine conflict and the potential fallout for the economy and inflation. Firms were affected by this latest uncertainty too, with three in five saying that they are finding it difficult to predict the future development of their business situation at present (up from 53% in February).

KEY POINTS

- Economic Pulse falls in March
- Consumer confidence tumbles
- Business picture more mixed

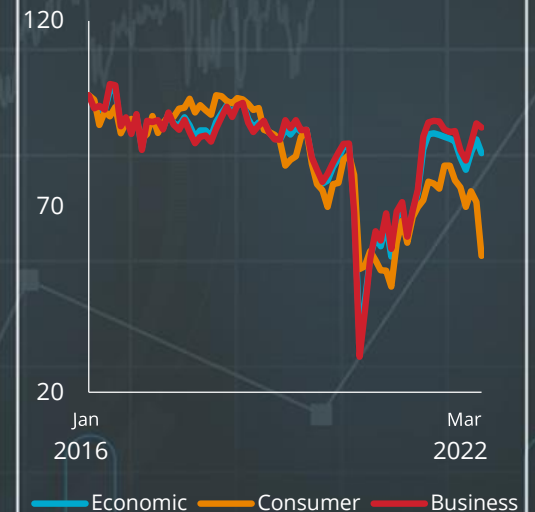
ECONOMIC PULSE

March 2022

84.4

-3.8 on previous
index reading

PULSE TRENDS



Consumer Pulse

March 2022

"Concerns for the economy in particular took the Consumer Pulse to a 17-month low in March."

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

KEY POINTS

- Consumer Pulse down sharply in March
- Second biggest monthly drop in the history of the series
- Broad-based weakness

CONSUMER PULSE

March 2022

56.7

-14.5 on previous
index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⋈	3%	4%
^	14%	12%
No Change	10%	10%
∨	36%	35%
⋇	35%	37%
Balance	-43%	-44%
Change on previous reading	-4	-35

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⋈	4%	5%
^	15%	17%
No Change	42%	30%
∨	25%	29%
⋇	14%	16%
Balance	-15%	-18%
Change on previous reading	-4	-13

The Consumer Pulse stood at 56.7 in March 2022. This was 14.5 lower than last month's reading and 13.1 lower than a year ago. Heightened uncertainty saw households take a more downbeat view of economic and employment prospects for the coming year this month, while soaring energy prices in the wake of Russia's invasion of Ukraine added to cost of living woes. Nine out of ten households now think that consumer prices will rise in the next twelve months - up from 82% in February - which contributed to the gloomier assessment of their own finances in the March survey.

Housing Pulse

March 2022

"Having reached a new peak last month, the Housing Pulse came unstuck this month."

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

KEY POINTS

- Housing Pulse drops in March
- House price and rent expectations slip
- But stay in positive territory

HOUSING PULSE

March 2022

116.1

-6.8 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	42%
1% - 5%		38%
Stay more or less the same		14%
1% - 5%	Decrease	3%
> 5%		2%

Balance +57%

-7 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	35%
1% - 5%		39%
Stay more or less the same		21%
1% - 5%	Decrease	1%
> 5%		1%

Balance +53%

-3 on previous reading

The Housing Pulse lost ground in March 2022, coming in at 116.1. This was down 6.8 on February but 18.7 higher than a year ago. Reflecting the unsettled mood this month, households in all regions pared back their expectations for future house price gains. Expectations for rent increases also dipped across the board. That said, four in five still think house prices will go up over the next year and three in four think rents will rise as the demand for accommodation remains in excess of the number of properties available to buy and let.

Business Pulse

March 2022

"The Business Pulse dipped in March as the lifting COVID fog was overshadowed by geopolitical headwinds."

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

KEY POINTS

- Business Pulse softer in March
- Firms pare back expectations for near-term activity
- Investment still on the cards

BUSINESS PULSE

March 2022

91.3

-1.1 on previous index reading

SECTOR PULSES

Industry Pulse

89.5

-6.7 on previous index reading

Services Pulse

92.4

+2.5 on previous index reading

Retail Pulse

87.6

-2.3 on previous index reading

Construction Pulse

93.3

-13.6 on previous index reading

The Business Pulse came in at 91.3 in March 2022, down 1.1 on last month but 16.7 higher than a year ago. The picture was mixed this month though, with the Services Pulse rising as the post-restrictions rebound continued, whereas the Retail Pulse slipped a little and the Industry and Construction Pulses fell quite a bit against the backdrop of the Russian-Ukraine war. The latter is likely to temper demand and exacerbate existing supply-side issues and cost pressures - firms in all sectors were more circumspect about the three-month outlook for business activity in March, while 83% reported that their non-labour input costs had increased in recent months (up from 79% in February). Even so, over a third indicated that they expect to spend more on investment this year compared with last year.

Business Pulse

March 2022

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	30%	46%	28%	28%
No Change	52%	42%	45%	60%
v	18%	12%	27%	11%
Balance	+12%	+34%	+1%	+17%
Change on previous reading	-1	+3	-6	-8

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	42%	51%	42%	34%
No Change	49%	42%	43%	57%
v	9%	8%	15%	9%
Balance	+32%	+43%	+27%	+26%
Change on previous reading	-12	-18	-15	-20

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	12%	10%	10%	12%
No Change	80%	81%	86%	81%
v	8%	8%	4%	7%
Balance	+4%	+2%	+6%	+5%
Change on previous reading	-1	0	+3	-3

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	23%	24%	18%	24%
No Change	73%	75%	79%	73%
v	4%	2%	4%	4%
Balance	+19%	+22%	+14%	+20%
Change on previous reading	0	-3	+2	-4

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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