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Bank of Ireland economic pulse

November 2021

 Economic Pulse  Consumer Pulse  Housing Pulse  Business Pulse

Economic Pulse

November 2021

"There was a step down in the Economic Pulse this month, with consumer and business sentiment both souring."

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

The Bank of Ireland Economic Pulse stood at 83.2 in November 2021. The index, which combines the results of the Consumer and Business Pulses, was down 4.4 on last month but up 16.2 on a year ago.

Setbacks on the COVID and Brexit fronts were to the fore this month, with households and firms anticipating some tweaks to the public health guidance and unsettled by UK threats to trigger Article 16 of the Northern Ireland Protocol and warnings from the EU that such a step could have serious consequences, including for the broader trade agreement. Against this backdrop, consumer and business confidence took a turn for the worse.

KEY POINTS

- Economic Pulse drops in November
- Lowest reading in eight months
- COVID concerns and Brexit blues

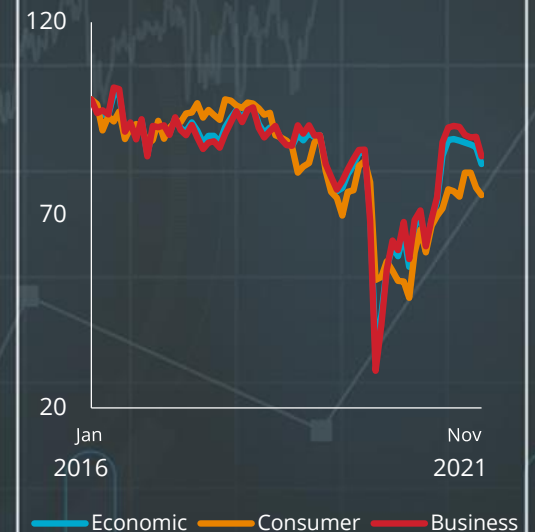
ECONOMIC PULSE

November 2021

83.2

-4.4 on previous
index reading

PULSE TRENDS



Consumer Pulse

November 2021

"While consumers remain cautious, the November survey suggests its beginning to look a lot like Christmas."

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

KEY POINTS

- Consumer Pulse slips in November
- Households worried about the economic outlook
- But some festive cheer

CONSUMER PULSE

November 2021

75.2

-1.9 on previous
index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	4%	7%
⤵	16%	33%
No Change	13%	16%
⤶	39%	26%
⤷	26%	16%
Balance	-33%	-6%
Change on previous reading	0	-5

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	5%	7%
⤵	18%	23%
No Change	52%	47%
⤶	18%	17%
⤷	7%	5%
Balance	-2%	+4%
Change on previous reading	+1	-1

The Consumer Pulse softened for a second month running in November 2021. At 75.2, the index was 1.9 lower than in October but 14.9 higher than a year ago. With virus cases increasing and UK-EU tensions elevated, households were more downbeat about the economy's prospects this month. Their assessment of their own financial situation was little changed though. As for Christmas shopping, 75% said they intend to spend the same or more on presents compared with last year. This is up from three in five in 2020 and back in line with the pre-pandemic figure.

Housing Pulse

November 2021

"Already high house prices are taking the edge off expectations for further sizeable increases."

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

KEY POINTS

- Housing Pulse down in November
- Index remains elevated
- Rent expectations softer this month too

HOUSING PULSE

November 2021

116.5

-2.3 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	40%
1% - 5%		40%
Stay more or less the same		15%
1% - 5%	Decrease	3%
> 5%		1%

Balance +58%

-2 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	30%
1% - 5%		45%
Stay more or less the same		21%
1% - 5%	Decrease	1%
> 5%		0%

Balance +51%

-4 on previous reading

The Housing Pulse came in at 116.5 in November 2021, down 2.3 on last month's reading but 44.8 higher than a year ago. While four in five households still think house prices will rise over the coming year, the share expecting them to go up by more than 5% eased to 40% in November, from 43% in October. This contributed to the slippage in the index this month and hints at affordability concerns. The rents picture was similar, with expectations for rent increases in excess of 5% also ticking down, perhaps in anticipation of the new cap that is being legislated for.

Business Pulse

November 2021

"Business sentiment took a hit this month as COVID and Brexit uncertainty made a comeback."

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

KEY POINTS

- Business Pulse falls in November
- Non-labour input costs up for 74% of firms
- Over half to raise their selling prices

BUSINESS PULSE

November 2021

85.2

-5.1 on previous
index reading

SECTOR PULSES

Industry
Pulse

92.7

-1.8 on previous
index reading

Services
Pulse

81.9

-5.1 on previous
index reading

Retail
Pulse

83.4

-8.0 on previous
index reading

Construction
Pulse

98.9

-4.3 on previous
index reading

The Business Pulse came in at 85.2 in November 2021, down 5.1 on last month but 16.6 higher than a year ago. All sectoral Pulses lost ground this month as uncertainty – both COVID and Brexit related – dulled the mood. Services firms were decidedly gloomier about near-term prospects for business activity; and while four in five retailers expect their Christmas turnover to be the same or higher than last year, this is a little lower than normal as the sector contends with stock shortages. Bottlenecks are also a problem for builders and firms in industry. More positively though, the November research finds that investment to expand production capacity is on the cards for next year. This suggests that adjustment is starting to happen on the supply side, which should help alleviate some of the pressure on business costs and consumer prices.

Business Pulse

November 2021

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	37%	42%	40%	48%
No Change	51%	40%	39%	42%
v	12%	18%	21%	9%
Balance	+25%	+24%	+18%	+39%
Change on previous reading	0	-14	-6	+6

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	43%	33%	45%	35%
No Change	50%	55%	41%	57%
v	7%	12%	14%	8%
Balance	+37%	+21%	+31%	+27%
Change on previous reading	+2	-17	-3	-9

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	17%	13%	14%	14%
No Change	76%	79%	79%	81%
v	8%	9%	7%	5%
Balance	+9%	+4%	+7%	+9%
Change on previous reading	-1	-2	+1	+2

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	20%	16%	13%	26%
No Change	78%	79%	82%	68%
v	2%	5%	5%	6%
Balance	+18%	+11%	+9%	+21%
Change on previous reading	-3	-2	0	-5

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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