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Bank of Ireland economic pulse June 2022

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

June 2022

"Sentiment soured this month among consumers but was mixed across the business sectors."

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

The Bank of Ireland Economic Pulse came in at 78.8 in June 2022. The index, which combines the results of the Consumer and Business Pulses, was down 3.9 on last month and 11.0 lower than a year ago.

Brussels, Frankfurt and London have taken centre stage in recent weeks, with the European Union announcing a ban on most Russian oil imports to the bloc, the European Central Bank flagging an imminent tightening of monetary policy, and the UK government planning action to override much of the Northern Ireland Protocol. These developments re-ignited households' fears for the economy, while the post-restrictions rebound in some consumer-facing services sectors faltered a little this month amid cost of living woes.

KEY POINTS

- Economic Pulse falls in June
- Consumer confidence weakens
- Mixed business picture

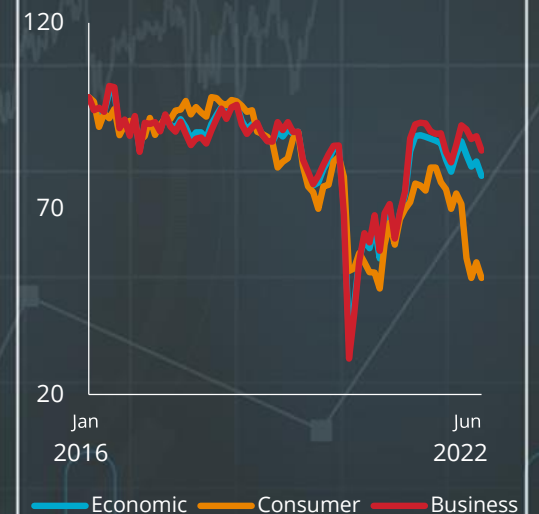
ECONOMIC PULSE

June 2022

78.8

-3.9 on previous
index reading

PULSE TRENDS



Consumer Pulse

June 2022

"Last month's rally proved to be short-lived, with the Consumer Pulse backpedalling in June."

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

KEY POINTS

- Consumer Pulse down in June
- Households gloomier about the economy
- Income squeeze

CONSUMER PULSE

June 2022

51.3

-4.1 on previous
index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⋈	3%	3%
⋈	8%	13%
No Change	8%	12%
⋇	33%	33%
⋇	48%	37%
Balance	-58%	-44%
Change on previous reading	-8	-7

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⋈	3%	6%
⋈	12%	19%
No Change	35%	28%
⋇	32%	26%
⋇	17%	20%
Balance	-24%	-17%
Change on previous reading	-8	0

The Consumer Pulse came in at 51.3 in June 2022, down 4.1 on May and 24.8 lower than a year ago. The series posted its joint second lowest reading this month, with households taking a more downbeat view of the economy in particular. And as consumer price inflation has accelerated, so has the share of households reporting that they are 'just making ends meet'. This stood at a third in June's survey (up from a quarter at the start of the year), albeit with some dispersion – the figure for those at the lower end of the income distribution was 51% versus 14% at the upper end.

Housing Pulse

June 2022

"The Housing Pulse softened this month as the ECB signalled a summer 'lift-off' for interest rates."

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

KEY POINTS

- Housing Pulse slips in June
- Higher borrowing costs ahead
- House price expectations remain positive

HOUSING PULSE

June 2022

110.7

-4.9 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	39%
1% - 5%		35%
Stay more or less the same		16%
1% - 5%	Decrease	4%
> 5%		3%

Balance +52%

-5 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	36%
1% - 5%		40%
Stay more or less the same		19%
1% - 5%	Decrease	1%
> 5%		1%

Balance +55%

+1 on previous reading

The Housing Pulse lost ground for a second consecutive month in June 2022. At 110.7, the index was 4.9 lower than last month and down 5.6 on a year ago. With the European Central Bank announcing that it will raise interest rates in July and again in September - by 0.25 percentage points in the first instance and at least that much in the second - households were more circumspect about prospects for house prices this month. While 74% still expect growth over the coming year, this was down from 79% in May, with Dublin and Connacht/Ulster leading the move lower.

Business Pulse

June 2022

"June saw the Business Pulse dip below its pre-pandemic level for the first time this year."

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

KEY POINTS

- Business Pulse declines in June
- Mixed sectoral readings
- Selling price expectations ease again

BUSINESS PULSE

June 2022

85.6

-3.9 on previous
index reading

SECTOR PULSES

Industry
Pulse

93.0

+5.7 on previous
index reading

Services
Pulse

84.9

-8.6 on previous
index reading

Retail
Pulse

82.8

+2.9 on previous
index reading

Construction
Pulse

83.9

+0.7 on previous
index reading

The Business Pulse stood at 85.6 in June 2022, 3.9 lower than in May and 7.5 lower than a year ago. The Industry, Retail and Construction Pulses actually rose this month but a drop in the Services Pulse - after a solid five-month run of gains - pulled the overall index down. The backdrop for firms in general remains challenging, with three in five finding it difficult to predict the future development of their business situation at present. On the costs and pricing fronts, the share reporting an increase in non-labour input costs over the past three months was stable in June (although still elevated at 87%), while the share expecting to up their selling prices in the near term eased for a second month running (to 62%).

Business Pulse

June 2022

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	35%	46%	29%	28%
No Change	46%	43%	49%	55%
v	19%	11%	22%	16%
Balance	+16%	+35%	+7%	+12%
Change on previous reading	0	+6	+4	-1

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	35%	37%	34%	28%
No Change	49%	49%	48%	63%
v	16%	14%	18%	9%
Balance	+19%	+23%	+16%	+19%
Change on previous reading	-1	-3	-3	+6

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	16%	13%	11%	11%
No Change	75%	83%	86%	84%
v	9%	4%	3%	5%
Balance	+7%	+9%	+9%	+6%
Change on previous reading	+6	+1	+7	+2

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	18%	15%	14%	21%
No Change	77%	81%	82%	76%
v	6%	4%	4%	4%
Balance	+12%	+11%	+10%	+17%
Change on previous reading	-4	-5	+1	0

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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