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economic pulse

December 2020

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

December 2020

"The December Economic Pulse benefitted from the re-opening of the economy at the start of the month."

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

The Bank of Ireland Economic Pulse came in at 70.2 in December 2020. The index, which combines the results of the Consumer and Business Pulses, was up 3.2 on last month but down 12.8 on a year ago.

The backdrop to this month's survey was mixed – the fieldwork was being out carried out as the country exited a six week period of Level 5 restrictions and as plans for the rollout of a COVID-19 vaccine were being drawn up; but also as the Brexit transition period neared its end date with no clarity on the nature of the future EU-UK trading relationship. So while the former lifted the spirits of households and firms, the latter tempered the bounce in confidence.

KEY POINTS

- Economic Pulse increases in December
- Consumer and business sentiment improve
- COVID and Brexit both at play

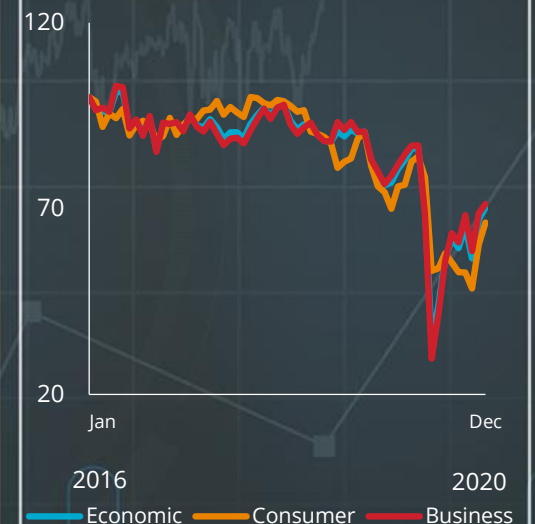
ECONOMIC PULSE

December 2020

70.2

+3.2 on previous index reading

PULSE TRENDS



Consumer Pulse

December 2020

"Buoyed by festive and vaccine cheer, the Consumer Pulse rose for a second month running in December."

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

KEY POINTS

- Consumer Pulse up in December
- Economy re-opens ahead of Christmas
- Increased spending opportunities

CONSUMER PULSE

December 2020

66.2

+5.9 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⬆️	1%	8%
⬆️	4%	36%
No Change	10%	11%
⬆️	38%	22%
⬆️	45%	21%
Balance	-61%	-6%
Change on previous reading	+4	+10

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⬆️	4%	6%
⬆️	16%	25%
No Change	58%	53%
⬆️	17%	11%
⬆️	5%	3%
Balance	-2%	+11%
Change on previous reading	+2	+3

The Consumer Pulse recovered further ground in December 2020, coming in at 66.2 (up 5.9 on last month but down 10.2 on a year ago). Helped by the easing of restrictions at the start of the month and the knowledge that a vaccine is on the way, households were more positive about the general economic situation and their own financial circumstances. Buying sentiment also firmed this month – just over a quarter considered it a good time to purchase big ticket items compared with 22% in November – whereas savings sentiment softened as opportunities for social consumption increased and concerns about job security eased.

Housing Pulse

December 2020

"Having risen for an eighth consecutive month in December, the Housing Pulse has almost returned to its pre-pandemic level."

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

KEY POINTS

- Housing Pulse rises in December
- Firmer readings in all regions
- One in two thinks house prices will increase in the coming year

HOUSING PULSE

December 2020

82.0

+10.4 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	17%
1% - 5%		33%
Stay more or less the same		33%
1% - 5%	Decrease	9%
> 5%		5%

Balance +23%
+10 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	13%
1% - 5%		32%
Stay more or less the same		40%
1% - 5%	Decrease	7%
> 5%		3%

Balance +23%
+4 on previous reading

At 82.0 in December 2020, the Housing Pulse was 10.4 higher than last month but 2.6 lower than a year ago. The improvement this month was broad based, with households in all regions upping their expectations for future house price gains. Housing demand has held up relatively well in the face of the COVID-19 shock and while the hit to supply has also been less than feared, the number of new homes coming on stream remains shy of what is needed. Cost pressures are picking up too, with over half of builders reporting an increase in non-labour input costs in the past three months.

Business Pulse

December 2020

"The rebound in the Business Pulse continued this month, though it was a nuanced picture."

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

KEY POINTS

- Business Pulse ticks up in December
- Hiring intentions strengthen
- One in five firms expects to increase selling prices

BUSINESS PULSE

December 2020

71.2

+2.5 on previous index reading

SECTOR PULSES

Industry Pulse

81.6

+1.5 on previous index reading

Services Pulse

66.4

+2.6 on previous index reading

Retail Pulse

78.4

+7.1 on previous index reading

Construction Pulse

72.1

-5.0 on previous index reading

The Business Pulse stood at 71.2 in December 2020, up 2.5 on last month but down 13.4 on a year ago. Unsurprisingly, the re-opening of non-essential retail / services businesses and the loosening of restrictions on the hospitality sector in the run up to Christmas lifted the Retail and Services Pulses. The Industry Pulse also rose this month, albeit more modestly – firms in Brexit-exposed indigenous sectors were more circumspect about near-term prospects for business activity – while uncertainty was a concern for larger building firms which weighed on the Construction Pulse. The December survey also finds that 22% of businesses expect to raise their selling prices in the next three months, in part because more red tape in trade with the UK (even with a deal) is set to add to costs.

Business Pulse

December 2020

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	43%	24%	23%	37%
No Change	32%	37%	29%	42%
v	25%	40%	48%	21%
Balance	+18%	-16%	-24%	+16%
Change on previous reading	+19	+14	-1	+16

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	34%	35%	30%	30%
No Change	47%	48%	41%	60%
v	19%	17%	30%	10%
Balance	+15%	+18%	0%	+19%
Change on previous reading	+2	+18	+5	+7

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	13%	7%	7%	7%
No Change	76%	72%	83%	83%
v	11%	22%	10%	9%
Balance	+2%	-15%	-3%	-2%
Change on previous reading	+3	+4	+1	+4

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	16%	16%	8%	19%
No Change	78%	76%	85%	77%
v	6%	8%	7%	4%
Balance	+10%	+8%	+2%	+15%
Change on previous reading	+2	+5	+3	+11

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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