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Bank of Ireland economic pulse

February 2020

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

February 2020

"Economic sentiment held up this month as Brexit got done with a whimper rather than a bang."

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

The Bank of Ireland Economic Pulse came in at 86.4 in February 2020. The index, which combines the results of the Consumer and Business Pulses, was up 0.3 on last month but 4.4 lower than a year ago.

This month's survey took place in the wake of the UK leaving the EU and in the midst of a general election at home. The former event passed off in an orderly manner, buttressing consumer and business confidence and allaying some concerns about the economic outlook. But with the latter delivering a hung Dáil, a period of domestic policy uncertainty lies ahead which may temper sentiment over the coming months.

KEY POINTS

- Economic Pulse little changed in February
- Consumer Pulse up a notch
- Business Pulse steady

ECONOMIC PULSE

February 2020

86.4

+0.3 on previous
index reading

PULSE TRENDS



Consumer Pulse

February 2020

"The Consumer Pulse has staged a rebound in recent months which continued in February."

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

KEY POINTS

- Consumer Pulse up in February
- Households more positive about the economy
- 35% think it is a good time to buy big ticket items

CONSUMER PULSE

February 2020

84.0

+1.3 on previous
index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⬆️	8%	4%
⬆️	34%	30%
No Change	28%	31%
⬆️	17%	22%
⬆️	12%	7%
Balance	+4%	+1%
Change on previous reading	+2	+9

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⬆️	5%	5%
⬆️	17%	26%
No Change	57%	54%
⬆️	14%	8%
⬆️	6%	3%
Balance	+1%	+11%
Change on previous reading	-2	-2

The Consumer Pulse came in at 84.0 in February 2020, up 1.3 on last month's reading and 2.9 higher than a year ago. Households – who appear to have put their concerns about Brexit on the back burner for the moment – were more upbeat about the economy's prospects this month, with the balance of positive and negative responses moving into the black for the first time since last June. And while they were a tad gloomier about their own finances, the buying climate remained resilient.

Housing Pulse

February 2020

"Housing infrastructure is seen as sub-par by many firms, with almost half rating it as inadequate."

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

KEY POINTS

- Housing Pulse rises in February
- Price expectations firmer
- Housing infrastructure gets a thumbs down from businesses

HOUSING PULSE

February 2020

84.6

+6.3 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	18%
1% - 5%		32%
Stay more or less the same		36%
1% - 5%	Decrease	10%
> 5%		3%

Balance +26%

+6 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	18%
1% - 5%		39%
Stay more or less the same		35%
1% - 5%	Decrease	4%
> 5%		1%

Balance +34%

0 on previous reading

The Housing Pulse stood at 84.6 in February 2020, up 6.3 on last month but down 15.2 on a year ago. Having pared them back in January, households upped their expectations for future house price gains this month. Housing was one of the defining issues of Election 2020, with the continuing shortage of accommodation a hot topic on the campaign trail. The February survey finds that this is also a concern for businesses, with firms in all regions calling out housing as the priority area for investment in order to strengthen local economies.

Business Pulse

February 2020

"The 'status quo' transition period has taken the edge off Brexit for businesses for the time being."

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

KEY POINTS

- Business Pulse steady in February
- Brexit done but not dusted
- Infrastructure coming under strain

BUSINESS PULSE

February 2020

87.0

+0.1 on previous
index reading

SECTOR PULSES

Industry
Pulse

84.5

+0.2 on previous
index reading

Services
Pulse

87.7

-0.4 on previous
index reading

Retail
Pulse

82.9

+1.5 on previous
index reading

Construction
Pulse

95.1

+0.1 on previous
index reading

The Business Pulse stood at 87.0 in February 2020. While the headline reading was more or less flat on the month, the UK's orderly departure from the EU saw firms in each of the four sectors upgrade their near-term expectations for business activity. Brexit is still a headwind for the economy of course, so it is not surprising that seven in ten businesses expect their region to be negatively impacted over the coming year; though this is down from almost nine in ten last September when fears of a 'no deal' exit were to the fore. On the infrastructure front, the February scorecard was mixed with firms generally satisfied with the basics like water, waste and energy, underwhelmed by the telecommunications network and scoring transport and housing poorly.

Business Pulse

February 2020

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	31%	30%	26%	26%
No Change	54%	56%	50%	58%
v	15%	14%	24%	16%
Balance	+16%	+16%	+2%	+10%
Change on previous reading	0	-2	-12	-11

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	47%	44%	37%	46%
No Change	50%	49%	53%	50%
v	3%	7%	10%	4%
Balance	+44%	+38%	+27%	+42%
Change on previous reading	+11	+7	+11	+10

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	11%	8%	6%	11%
No Change	80%	84%	87%	82%
v	9%	7%	7%	7%
Balance	+2%	+1%	-1%	+4%
Change on previous reading	-1	-2	-4	0

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	12%	19%	10%	25%
No Change	83%	79%	86%	70%
v	5%	2%	4%	5%
Balance	+7%	+16%	+7%	+21%
Change on previous reading	-9	+4	+7	+2

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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