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economic pulse

January 2020

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

January 2020

"The Economic Pulse beats the January blues, with consumer and business sentiment both up on the month."

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

The Bank of Ireland Economic Pulse came in at 86.1 in January 2020. The index, which combines the results of the Consumer and Business Pulses, was up 3.1 on last month but 1.8 lower than a year ago.

While the UK is set to leave the EU on January 31st, the Conservative Party's decisive election win has paved the way for an orderly exit on the basis of Prime Minister Johnson's revised Withdrawal Agreement, as opposed to a crash out departure. A 'status quo' transition period will apply until the end of 2020, providing some breathing space and helping to lift spirits at the start of the New Year.

KEY POINTS

- Economic Pulse rises in January
- Households more upbeat
- Business confidence also firmer

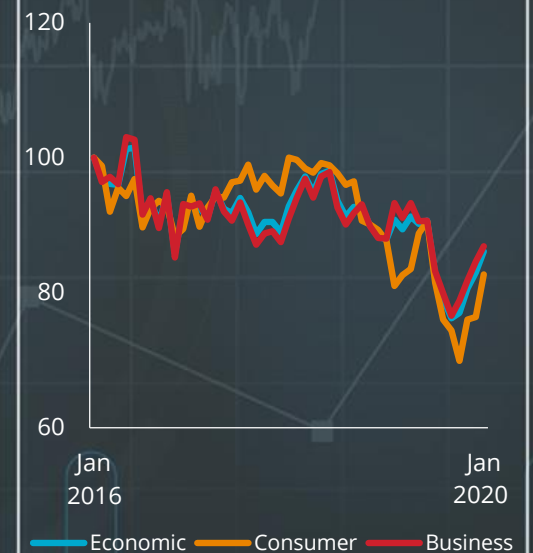
ECONOMIC PULSE

January 2020

86.1

+3.1 on previous index reading

PULSE TRENDS



Consumer Pulse

January 2020

"The mood among households throughout the country took a turn for the better in January."

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

KEY POINTS

- Consumer Pulse jumps in January
- Buying climate improves
- 47% of workers expecting a pay rise in the next 12 months

CONSUMER PULSE

January 2020

82.7

+6.3 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⬆️	7%	4%
⬆️	33%	23%
No Change	24%	29%
⬆️	22%	28%
⬆️	11%	10%
Balance	+2%	-8%
Change on previous reading	+8	+8

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⬆️	4%	5%
⬆️	20%	28%
No Change	59%	53%
⬆️	13%	8%
⬆️	5%	2%
Balance	+3%	+13%
Change on previous reading	+2	+7

At 82.7 in January 2020, the Consumer Pulse was up 6.3 on last month but down 5.0 on a year ago. While seasonal effects were at play this month – as they usually are in January – a no deal Brexit was avoided, and with almost half of workers expecting a larger pay packet in the coming year, households were more upbeat about the economy and their own finances. The post-Christmas sales also contributed to an improvement in the buying climate – some 34% considered it a good time to purchase big ticket items like furniture and electrical goods compared to 31% in December.

Housing Pulse

January 2020

"Having picked up in November and December, the Housing Pulse reversed course this month."

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

KEY POINTS

- Housing Pulse down in January
- Three in four think it is cheaper to buy than rent
- 27% to spend on home improvements in the next 12 months

HOUSING PULSE

January 2020

78.3

-6.2 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	15%
1% - 5%		29%
Stay more or less the same		38%
1% - 5%	Decrease	14%
> 5%		3%

Balance +20%

-6 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase	16%
1% - 5%		41%
Stay more or less the same		37%
1% - 5%	Decrease	3%
> 5%		1%

Balance +34%

-4 on previous reading

The Housing Pulse stood at 78.3 in January 2020, down 6.2 on last month's reading. Households in all regions pared back their expectations for future house price gains this month, though the balance of positive and negative responses remained in the black across the board. The data also show that one in ten is planning on buying or building a property in the coming year. This month's survey was carried out before the general election campaign got underway so it remains to be seen what impact the political parties' policy proposals have on price expectations and housing demand.

Business Pulse

January 2020

"With the economy effectively at 'full employment' wage increases are on the cards for many in 2020."

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

KEY POINTS

- Business Pulse up in January
- 43% of firms to raise pay over the coming year
- Three in five on a growth trajectory

BUSINESS PULSE

January 2020

86.9

+2.4 on previous
index reading

SECTOR PULSES

Industry
Pulse

84.3

+6.1 on previous
index reading

Services
Pulse

88.1

+0.6 on previous
index reading

Retail
Pulse

81.4

+1.4 on previous
index reading

Construction
Pulse

95.1

+10.0 on previous
index reading

The Business Pulse came in at 86.9 in January 2020, up 2.4 on December's reading but down 1.1 on a year ago. The four sectoral Pulses rose this month as some of the fog surrounding the Brexit process lifted. The pound has also rallied against the euro and with global trade tensions easing as well, industrial and services firms expect their export order books to strengthen in the period ahead. On the pay front, the January survey finds that just over two in five businesses are planning on increasing basic wages in the next 12 months – to the tune of 3.6% on average – while on the growth front, three in five have ambitions to expand in the next 1 to 3 years.

Business Pulse

January 2020

BUSINESS ACTIVITY

Past 3 Months

	Industry	Services	Retail	Construction
^	29%	31%	33%	33%
No Change	59%	55%	49%	56%
v	13%	13%	18%	11%
Balance	+16%	+18%	+14%	+21%
Change on previous reading	+2	+6	+15	-3

BUSINESS ACTIVITY

Next 3 Months

	Industry	Services	Retail	Construction
^	42%	40%	32%	42%
No Change	49%	50%	52%	48%
v	9%	9%	16%	10%
Balance	+33%	+31%	+16%	+32%
Change on previous reading	+15	+13	-3	+14

JOBS

Past 3 Months

	Industry	Services	Retail	Construction
^	10%	9%	8%	10%
No Change	83%	84%	87%	85%
v	7%	7%	5%	6%
Balance	+3%	+3%	+3%	+4%
Change on previous reading	0	0	-2	-1

JOBS

Next 3 Months

	Industry	Services	Retail	Construction
^	18%	15%	7%	21%
No Change	79%	82%	87%	76%
v	2%	3%	6%	3%
Balance	+16%	+12%	0%	+19%
Change on previous reading	+7	+4	-2	+1

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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