











# Economic Pulse October 2020

"Heightened COVID and Brexit uncertainty weighed on consumer and business confidence this month."

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

The Bank of Ireland Economic Pulse came in at 56.6 in October 2020. The index, which combines the results of the Consumer and Business Pulses, was down 8.6 on last month and 20.5 lower than a year ago.

The twin threats of the pandemic and Brexit were to the fore this month, with the entire country moving to Level 3 of the 'Plan for Living with COVID-19' and tensions between the UK and EU over future trading arrangements coming to a head. Mounting speculation that the rise in virus cases would necessitate the imposition of further restrictions added to the air of anxiety, knocking confidence among households and firms.

#### **KEY POINTS**

- Economic Pulse falls sharply in October
- New low for the Consumer Pulse
- Large drop in the Business Pulse











# Consumer Pulse October 2020

"The October print is the weakest reading on record for the Consumer Pulse."

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

#### **KEY POINTS**

- Consumer Pulse down in October
- Households gloomier about the economic outlook
- Three in four expect unemployment to rise

#### **CONSUMER PULSE**

October 2020



-4.3 on previous index reading

### GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months	
*	1%	3%	
^	2%	17%	
No Change	9%	10%	
~	34%	28%	
₩	52%	39%	
Balance	-68%	-41%	
Change on previous reading	0	-5	

### HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
*	3%	5%
^	12%	16%
No Change	60%	56%
~	17%	15%
*	8%	6%
Balance	-8%	0%
Change on previous reading	-1	-1

At 48.5 in October 2020, the Consumer Pulse was down 4.3 on last month and 21.4 lower than a year ago. Households took a more pessimistic view of prospects for the economy and jobs this month as public health-related restrictions were tightened and fears of a 'no deal' Brexit increased. Reflecting the uncertain environment, buying sentiment was also a touch softer than in September while savings sentiment was a little firmer – a fifth of households considered it a good time to purchase big ticket items (down from a quarter) whereas four in five considered it an appropriate time to save (up from 75%).







# Housing Pulse October 2020

"The Housing Pulse rose in October, bucking the trend of softening sentiment elsewhere."

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

#### **KEY POINTS**

- Housing Pulse up in October
- Over a third expect house prices to increase in the next 12 months
- Buying trumps renting

#### **HOUSING PULSE**

October 2020



+2.0 on previous index reading

### HOUSE PRICE EXPECTATIONS

Next 12 Months

Change	^	Response
> 5%	rease	14%
1% - 5%	Inc	22%
Stay more or	Stay more or less the same	
1% - 5%	ase	17%
> 5%	Decrease	10%
	~	

#### Balance +6%

+2 on previous reading

#### **RENT EXPECTATIONS**

Next 12 Months

Change	^	Response
> 5%	Increase	13%
1% - 5%	Inc	23%
Stay more or	less the same	45%
1% - 5%	ase	9%
> 5%	Decrease	5%
	~	

+3 on previous reading

With households in Dublin, the Rest of Leinster and Munster a little more positive about the outlook for house prices, the Housing Pulse ticked up to 64.8 in October 2020. This was 2.0 higher than last month's reading but down 8.5 on a year ago. This month's survey also finds that one in ten is planning on buying or building a home over the coming year, and that three in four think it is cheaper to buy than rent in their area when the typical monthly mortgage repayment and the typical monthly rent for similar properties are compared.







# Business Pulse October 2020

"The Business Pulse suffered a setback this month, with the Services Pulse leading the move lower."

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

#### **KEY POINTS**

- Business Pulse drops in October
- Firms downgrade near-term expectations for activity
- And jobs

#### **BUSINESS PULSE**

October 2020



-9.6 on previous index reading



The Business Pulse stood at 58.6 in October 2020, down 9.6 on last month and 20.2 lower than a year ago. While Budget 2021 included additional supports for firms, COVID-19 and Brexit-related uncertainty weighed on the mood. All four sectoral Pulses posted weaker readings this month, with the Services Pulse seeing the biggest drop amid further restrictions on social interactions and the hospitality sector (businesses in the latter were extremely downbeat about prospects for activity over the coming 3 months). The October survey also looked at growth ambitions over the medium term. The results show that 56% of firms are planning on expanding in the next 1 to 3 years, a bit below the prepandemic (January) figure of three in five; while 11% intend to scale down (up from around 8%).







## Business Pulse

October 2020

BUSINESS				Past 3 Months
	Industry	Services	Retail	Construction
^	30%	25%	33%	39%
No Change	39%	30%	34%	36%
~	31%	45%	33%	25%
Balance	-1%	-20%	+1%	+14%
Change on previous readin	+12	-5	+5	+22

JOBS				Past 3 Months
	Industry	Services	Retail	Construction
^	13%	7%	9%	10%
No Change	73%	67%	78%	79%
~	15%	26%	13%	11%
Balance	-2%	-19%	-4%	-2%
Change on previous readi	+6 ng	-3	+2	+6

			Mary Mary	Next 3 Months
	Industry	Services	Retail	Construction
^	28%	16%	25%	17%
No Change	46%	48%	36%	63%
~	27%	36%	39%	20%
Balance	+1%	-20%	-14%	-3%
Change on previous reading	-15	-23	-15	-11

JOBS				Next 3 Months
	Industry	Services	Retail	Construction
^	11%	8%	9%	7%
No Change	79%	79%	84%	85%
~	10%	13%	7%	8%
Balance	+1%	-5%	+2%	-1%
Change on previous readir	ng -8	-7	-3	-6

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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