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economic pulse

September 2020

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

September 2020

"The Economic Pulse was back on track this month and has now recovered almost 60% of its COVID-related losses."

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

The Bank of Ireland Economic Pulse stood at 65.1 in September 2020. The index, which combines the results of the Consumer and Business Pulses, was up 5.8 on last month but down 11.1 on a year ago.

The improvement this month comes on foot of a rebound in the Business Pulse after last month's dip. Sentiment rose in all four sectors, though Brexit was back on firms' radar as the end of the transition period approaches and the talks on the future UK-EU trade relationship floundered. For households, the heightened uncertainty on this front added to growing concerns about the virus and kept the Consumer Pulse at a low ebb in September.

KEY POINTS

- Economic Pulse up in September
- Businesses lead the way
- Consumer mood remains subdued

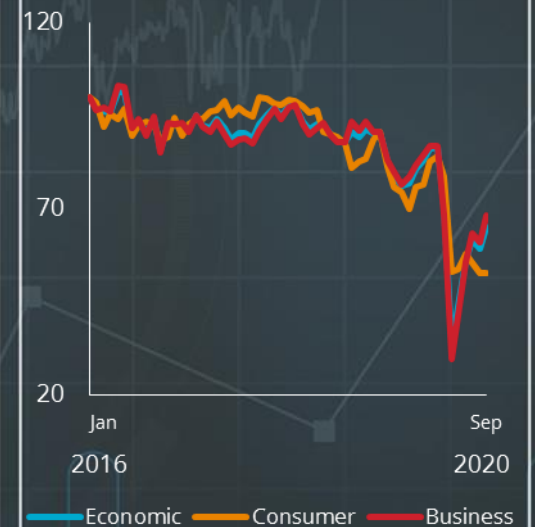
ECONOMIC PULSE

September 2020

65.1

+5.8 on previous index reading

PULSE TRENDS



Consumer Pulse

September 2020

"September was another month of bumping along the bottom for the Consumer Pulse."

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

KEY POINTS

- Consumer Pulse at a low ebb in September
- Caution prevailing
- Virus and Brexit uncertainty

CONSUMER PULSE

September 2020

52.8

-0.1 on previous index reading

GENERAL ECONOMIC SITUATION

| | Past 12 Months | Next 12 Months |
|----------------------------|----------------|----------------|
| ⤴ | 0% | 3% |
| ⤵ | 4% | 19% |
| No Change | 9% | 14% |
| ⤶ | 32% | 25% |
| ⤷ | 54% | 36% |
| Balance | -68% | -36% |
| Change on previous reading | -3 | -1 |

HOUSEHOLD FINANCIAL SITUATION

| | Past 12 Months | Next 12 Months |
|----------------------------|----------------|----------------|
| ⤴ | 3% | 4% |
| ⤵ | 12% | 18% |
| No Change | 57% | 56% |
| ⤶ | 20% | 14% |
| ⤷ | 7% | 5% |
| Balance | -7% | +1% |
| Change on previous reading | +1 | -1 |

At 52.8 in September 2020, the Consumer Pulse was effectively flat on the month but down 21.6 on a year ago. Households' take on their own finances and on the current and future state of the economy was little changed this month and remained subdued on the whole amid the resurgence in the virus. With the lifting of the 'midlands' lockdown, households in the Rest of Leinster were a little less downbeat compared with last month though, whereas households in Dublin and Connacht/Ulster were gloomier as the prospect of tighter restrictions loomed large for the former and the souring mood music around Brexit rattled the latter.

Housing Pulse

September 2020

"Expectations for future house price gains were up in all regions of the country this month."

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

KEY POINTS

- Housing Pulse increases in September
- Price expectations back in the black
- Broad-based improvement

HOUSING PULSE

September 2020

62.8

+4.6 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

| Change | | Response |
|----------------------------|----------|----------|
| > 5% | Increase | 10% |
| 1% - 5% | | 24% |
| Stay more or less the same | | 36% |
| 1% - 5% | Decrease | 18% |
| > 5% | | 10% |

Balance +4%

+5 on previous reading

RENT EXPECTATIONS

Next 12 Months

| Change | | Response |
|----------------------------|----------|----------|
| > 5% | Increase | 11% |
| 1% - 5% | | 26% |
| Stay more or less the same | | 43% |
| 1% - 5% | Decrease | 11% |
| > 5% | | 5% |

Balance +13%

-2 on previous reading

The Housing Pulse rose for a fifth month running in September 2020, to 62.8. This was up 4.6 on last month's reading but 12.4 lower than a year ago. The share of households expecting house prices to rise over the coming year edged higher again this month to just over a third, while the share anticipating a fall ticked down towards a quarter, meaning the balance of positive and negative responses moved back into the black for the first time since March. On the rents side, expectations were also in positive territory in September, albeit a touch softer on the month.

Business Pulse

September 2020

"Telecommunications pipped housing to the post in September as the priority area for infrastructure investment."

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

KEY POINTS

- Business Pulse rises in September
- Sentiment up in all sectors
- Infrastructure and Brexit headwinds

BUSINESS PULSE

September 2020

68.2

+7.3 on previous
index reading

SECTOR PULSES

Industry
Pulse

76.1

+4.5 on previous
index reading

Services
Pulse

63.9

+8.0 on previous
index reading

Retail
Pulse

76.1

+9.3 on previous
index reading

Construction
Pulse

69.3

+3.9 on previous
index reading

The Business Pulse came in at 68.2 in September 2020, up 7.3 on last month but 8.4 lower than a year ago. All four sectoral Pulses posted higher readings this month, with firms generally reporting an improvement in order books / sales and hiring. Escalating tensions between Downing Street and the EU are a concern for businesses though, with three in four expecting the fallout from the UK's decision to leave the EU to negatively impact the local economy in their region over the next 12 months. The September survey also finds that telecommunications infrastructure is coming under pressure as many employees are still working from home - almost a third of firms identified it as the priority area for investment in their region, up sharply from the pre-COVID (February) figure of 18%.

Business Pulse

September 2020

BUSINESS ACTIVITY

Past 3 Months

| | Industry | Services | Retail | Construction |
|----------------------------|----------|----------|--------|--------------|
| ^ | 28% | 26% | 34% | 31% |
| No Change | 31% | 32% | 27% | 31% |
| v | 41% | 42% | 39% | 38% |
| Balance | -13% | -15% | -4% | -8% |
| Change on previous reading | +12 | +5 | +16 | +9 |

BUSINESS ACTIVITY

Next 3 Months

| | Industry | Services | Retail | Construction |
|----------------------------|----------|----------|--------|--------------|
| ^ | 37% | 29% | 30% | 29% |
| No Change | 42% | 45% | 41% | 51% |
| v | 21% | 26% | 29% | 20% |
| Balance | +16% | +3% | +1% | +8% |
| Change on previous reading | -2 | 0 | -1 | 0 |

JOBS

Past 3 Months

| | Industry | Services | Retail | Construction |
|----------------------------|----------|----------|--------|--------------|
| ^ | 12% | 8% | 9% | 9% |
| No Change | 69% | 68% | 77% | 75% |
| v | 19% | 24% | 14% | 16% |
| Balance | -8% | -16% | -6% | -8% |
| Change on previous reading | +5 | +4 | +1 | 0 |

JOBS

Next 3 Months

| | Industry | Services | Retail | Construction |
|----------------------------|----------|----------|--------|--------------|
| ^ | 16% | 12% | 13% | 15% |
| No Change | 76% | 78% | 80% | 75% |
| v | 8% | 10% | 7% | 10% |
| Balance | +9% | +2% | +5% | +5% |
| Change on previous reading | +4 | 0 | +4 | +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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