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economic pulse
November 2017

 Pulse Insights
Geopolitics

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Geopolitics

November 2017

“The November Economic Pulse reading is up on a year ago when the outcome of the US Presidential election, coming soon after the Brexit vote, was making waves.”

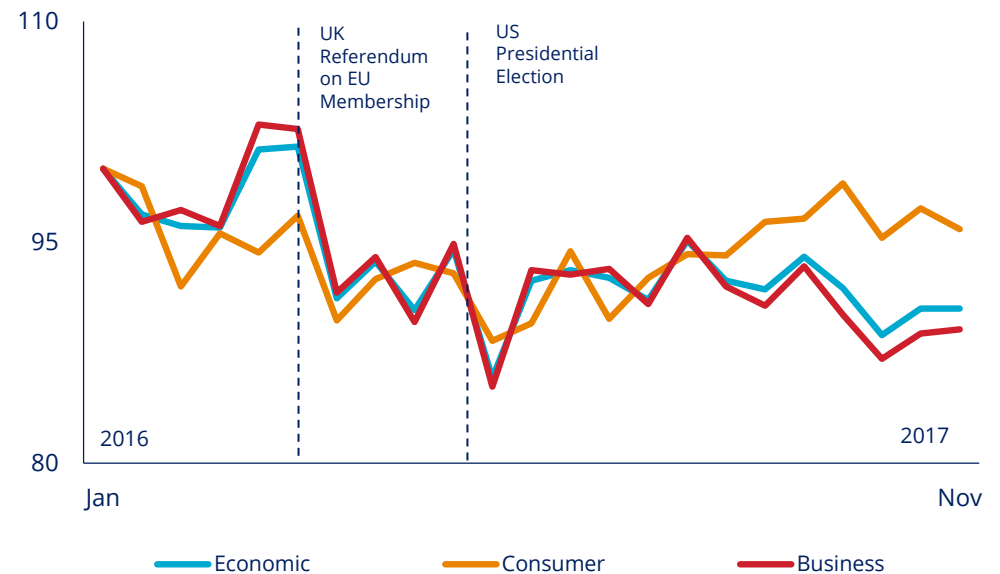
Dr Loretta O’Sullivan,
Group Chief Economist, Bank of Ireland

This time last year the outcome of the US Presidential election caught many by surprise. It followed closely on the heels of the UK’s decision to leave the EU and also came in the midst of some industrial tension at home. All of this served to unsettle households and firms, with the Economic Pulse reading in November 2016 the lowest in the series’ history. But with the Trump administration making little headway in implementing its agenda over the past year, the hit to sentiment looks to be waning, whereas Brexit-related uncertainty is continuing to take a toll.

KEY POINTS

- Economic sentiment well ahead of this time last year
- Trump hit fading
- Brexit-related uncertainty remains a drag

PULSE TRENDS



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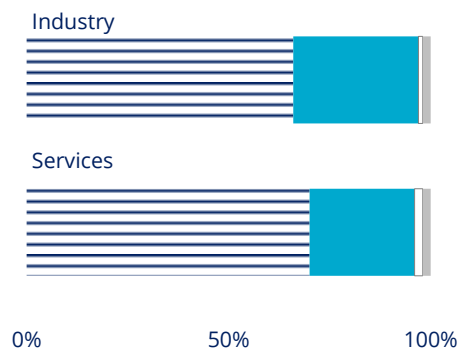
November 2017

“With not much happening on the policy implementation front State-side, firms look to be getting to grips with the Trump curve ball.”

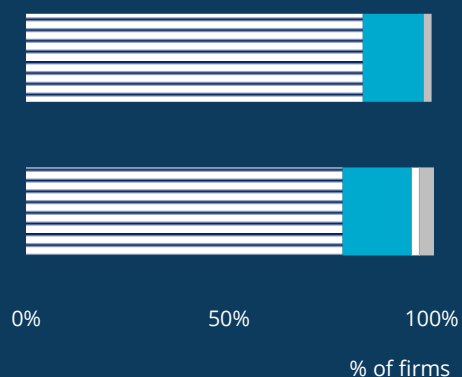
Dr Loretta O’Sullivan,
Group Chief Economist, Bank of Ireland

Impact of Prospective US Policy Changes on Investment Decisions*

This Year
March 2017



Next Year
November 2017



TRUMP

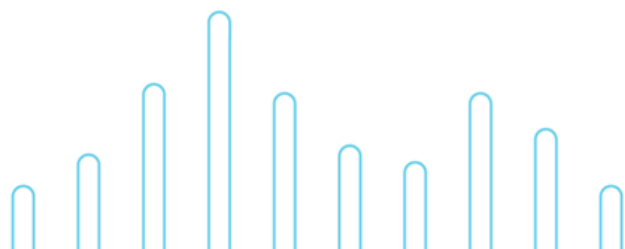
Donald Trump’s election as US President in November 2016 prompted speculation that a sizeable fiscal stimulus for the economy would follow, though there were also fears of a protectionist approach to trade policy. The new administration’s agenda has resonated globally and is of particular relevance to Ireland given the open, export-orientation of our economy and the importance of foreign direct investment by US multinationals.

Reflecting this, Economic Pulse research conducted earlier in the year with Irish firms for whom prospective US policy changes are a live issue, found that roughly one in four in the industry and services sectors had pressed the pause button on their investment plans for this year.

An update looking ahead to next year was carried out this month. The results suggest that firms are starting to factor in Trump’s bark being worse than his bite, with just 16% reporting that they are putting their investment plans for next year on hold.

This will be a space worth watching though as the current US tax reform proposals work their way through Congress.

* Analysis excludes respondents that indicated that US policy changes are not relevant for their business



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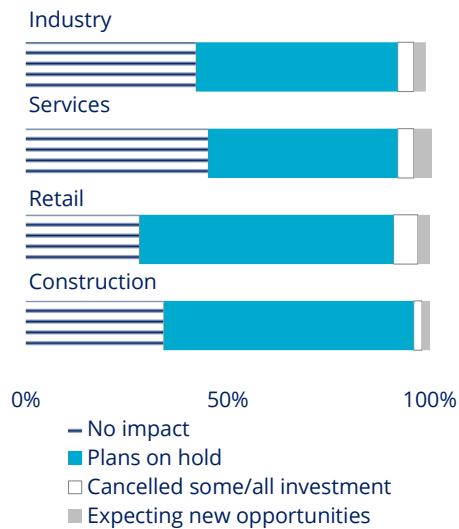
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“The ‘wait and see’ approach to investment decisions that many firms adopted this year in response to Brexit-related uncertainty is set to continue into 2018.”

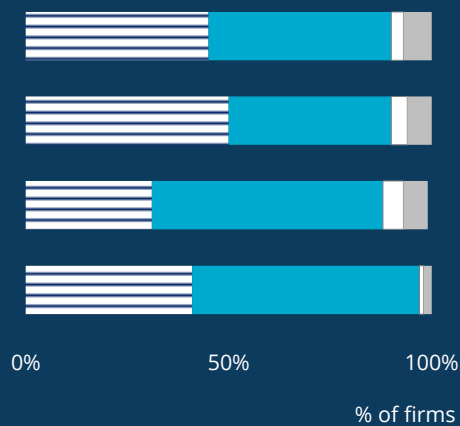
Dr Loretta O’Sullivan,
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Brexit Impact on Investment Decisions*

This Year
March 2017



Next Year
November 2017



BREXIT

In March 2017, nine months after the UK voted to leave the EU, Article 50 was triggered by Prime Minister May. Formal withdrawal negotiations did not get underway until after the snap general election in June, with the first phase concentrating on citizens’ rights, the UK’s financial settlement with the EU and the Irish Border. This phase has been difficult and is still continuing, with a view to making sufficient progress by the time of the European Council meeting in mid-December. Doing so would allow the negotiations to turn to the new trade relationship and possible transitional arrangements.

Brexit has the potential to significantly alter Ireland’s close economic, political, people and cultural ties with the UK. But with so much still up in the air, the ‘wait and see’ approach to investment decisions that many Irish firms adopted this year in response to Brexit-related uncertainty seems set to continue into 2018.

The latest Economic Pulse research finds that around half of the businesses affected by the UK’s decision to leave the EU are putting their plans for next year on hold. Interestingly though, there has been a slight uptick in those intending to increase investment because they are seeing or expect developments in the UK to bring new opportunities, albeit such firms are still few and far between.

* Analysis excludes respondents that indicated that Brexit is not relevant for their business

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

THE ECONOMIC 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.

METHODOLOGY

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, 500 firms in industry, 800 services firms, 500 retailers and 250 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 will 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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Note: Balances are calculated as the difference between positive and negative responses (using weighted averages for questions with multiple options).

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