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Bank of Ireland economic pulse

November 2016

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

November 2016

“Following closely on the heels of the UK’s decision to leave the EU, the outcome of the US election and industrial unrest at home look to have unsettled consumers and firms in November, with the Economic Pulse taking a hit.”

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

The Bank of Ireland Economic Pulse stood at 85.8 in November 2016, its lowest reading this year. The index, which combines the results of the Consumer and Business Pulses, was down 8.6 on October.

The November data show a broad based softening in sentiment, as developments abroad and at home over the past few months took their toll. Households were more downbeat about the economy and their own financial prospects this month, while firms in all sectors pared back their expectations for near-term business activity.

KEY POINTS

- Economic Pulse loses ground in November
- New low for this year
- Consumer and business confidence down

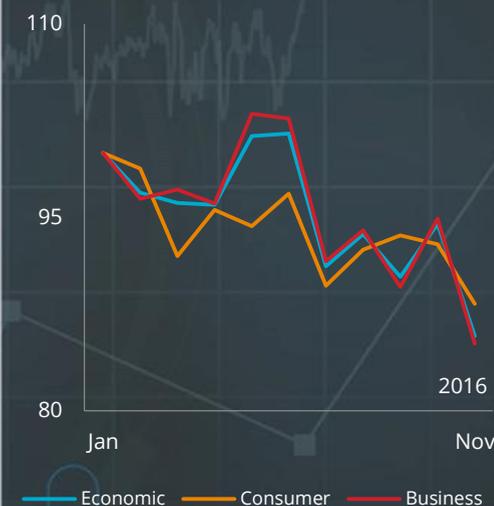
ECONOMIC PULSE

November 2016

85.8

-8.6 on previous index reading

PULSE TRENDS



Consumer Pulse

November 2016

“With the festive season fast approaching, one in five households expect to spend more on presents this year compared to last, though some Christmas shopping is likely to be done over the Border.”

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

KEY POINTS

- Consumer Pulse falls in November
- Households more downbeat about the economy
- And their own financial prospects

CONSUMER PULSE

November 2016



-4.6 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
↑↑	7%	5%
↑	44%	38%
No Change	24%	29%
↓	14%	16%
↓↓	10%	8%
Balance	+12%	+9%
Change on previous reading	-8	-8

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
↑↑	5%	5%
↑	19%	28%
No Change	51%	50%
↓	16%	9%
↓↓	8%	4%
Balance	-1%	+10%
Change on previous reading	0	-3

The Consumer Pulse fell for a second month running in November, coming in at 88.3. This was down 4.6 on last month’s reading and a new low for 2016. With the external backdrop unsettled and some industrial unrest at home, households downgraded their assessment of the economy and their own financial prospects this month, and also scaled back expectations for further falls in unemployment. Even so, three in four plan to spend the same or more on Christmas presents this year compared to last, while 36% of retailers expect turnover to be up. The weakness of Sterling is a headwind for this sector however, with some consumers set to travel to the North to do their shopping.

Housing Pulse

November 2016

“The mismatch between demand and supply is continuing to put pressure on house prices and rents. A shortage of labour is becoming an issue for the construction sector, with 37% of builders finding it difficult to get workers.”

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

KEY POINTS

- Housing Pulse up in November
- 71% think house prices will rise in the next 12 months
- Rent expectations also in positive territory

HOUSING PULSE

November 2016

108.1

+0.7 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change	Response
> 5%	33%
1% - 5%	38%
Stay more or less the same	22%
1% - 5%	2%
> 5%	2%

Balance +49%

No change on previous reading

RENT EXPECTATIONS

Next 12 Months

Change	Response
> 5%	33%
1% - 5%	34%
Stay more or less the same	26%
1% - 5%	0%
> 5%	0%

Balance +50%

+3 on previous reading

The Housing Pulse bucked the broader trend this month, rising to 108.1 and a 2016 high. The share of respondents expecting price gains in excess of 5% over the next 12 months increased in November, with a notable uptick in Connacht/ULster. Disequilibrium in the market is impacting rents as well and the cost of renting remains a worry for two in five households. On the supply side, the November data show that uncertainty and concerns around sustained demand are key factors currently limiting building activity. There has been a spate of policy announcements in recent months - including the new help-to-buy scheme for first time buyers and tweaks to the Central Bank’s mortgage rules - which should provide some comfort in this respect, though a shortage of labour is emerging as a growing issue.

Business Pulse

November 2016

“External headwinds were to the fore this month, dampening business sentiment and weighing on investment plans. But with customer demand and other factors providing support, two in five firms expect to increase their investment spend in 2017.”

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

KEY POINTS

- Large drop in Business Pulse in November
- Broad based softness
- Developments abroad weighing on confidence

BUSINESS PULSE

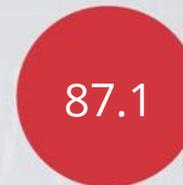
November 2016



-9.7 on previous index reading

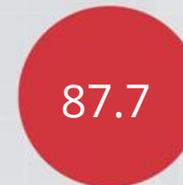
SECTOR PULSES

Industry Pulse



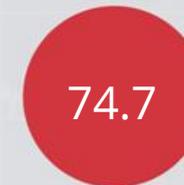
-8.2 on previous index reading

Services Pulse



-7.5 on previous index reading

Retail Pulse



-15.0 on previous index reading

Construction Pulse



-16.2 on previous index reading

The Business Pulse stood at 85.2 in November, down 9.7 on last month and at a 2016 low. Sentiment was softer across the board, with the outcome of the US election adding to the air of uncertainty post the Brexit vote and contributing to a general paring back of expectations for business activity over the next three months. All four Sector Pulses fell this month, with retail particularly hard hit and construction also down from last month’s high. The Retail Pulse did see a strong gain in October though, while seasonal factors may be at play for the building industry as we head into winter. More positively, the November data show that two in five firms expect to spend more on investment in 2017 compared to this year, with one in two planning to spend the same amount.

Business Pulse

November 2016

BUSINESS ACTIVITY		Past 3 Months			
	Industry	Services	Retail	Construction	
^	42%	34%	27%	47%	
No Change	48%	55%	44%	43%	
v	10%	10%	29%	10%	
Balance	+32%	24%	-3%	+37%	
Change on previous reading	+4	-2	-14	-1	

JOBS		Past 3 Months			
	Industry	Services	Retail	Construction	
^	19%	12%	11%	24%	
No Change	75%	81%	82%	70%	
v	6%	7%	7%	6%	
Balance	+12%	+5%	+4%	+18%	
Change on previous reading	-2	0	-8	+5	

BUSINESS ACTIVITY		Next 3 Months			
	Industry	Services	Retail	Construction	
^	45%	35%	47%	44%	
No Change	46%	54%	37%	47%	
v	9%	11%	15%	9%	
Balance	36%	+24%	+32%	+35%	
Change on previous reading	-6	-1	-6	-8	

JOBS		Next 3 Months			
	Industry	Services	Retail	Construction	
^	17%	11%	7%	22%	
No Change	79%	86%	86%	71%	
v	4%	3%	8%	7%	
Balance	+13%	+7%	-1%	+15%	
Change on previous reading	-2	+1	-9	-9	

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, 800 firms in industry, 800 services firms, 250 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.

Contact us at

EconomicPulse@boi.com

Dr Loretta O’Sullivan,
Group Chief Economist,
+353 (0) 766 244 267

Conn Creedon,
Senior Economist,
+353 (0) 766 235 134

Mark Leech,
Media Relations Manager,
+353 (0) 766 234 773

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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