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Bank of Ireland economic pulse

October 2016

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

October 2016

“The Economic Pulse picked up in October and has now recovered around one third of the ground it lost in July following the UK’s decision to leave the EU.”

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

The Bank of Ireland Economic Pulse came in at 94.5 in October 2016, up 4.1 on September.

Consumer sentiment was softer this month, with households less positive about the outlook for the economy but more upbeat about their own financial prospects. Budget 2017 fell in the midst of the October survey period, with some interviews conducted before the details were unveiled and some after, though many of the measures announced had been signalled.

The Business Pulse saw a solid increase in October. A rebound in confidence among firms in the services and retail sectors helped, as did the Construction Pulse which continued to trend up.

KEY POINTS

- Economic Pulse strengthens in October
- Highest reading since Brexit vote
- Business sentiment picks up, consumer confidence eases

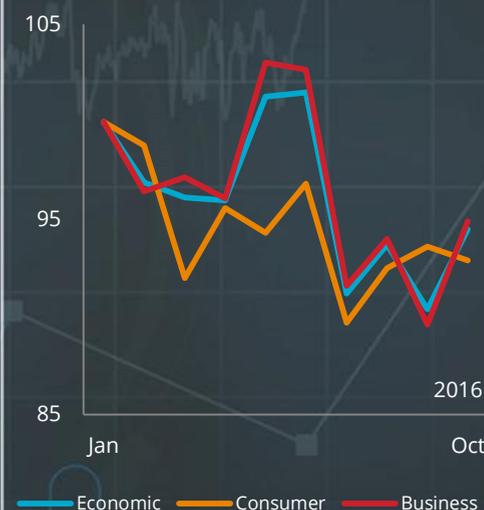
ECONOMIC PULSE

October 2016

94.5

+4.1 on previous index reading

PULSE TRENDS



Consumer Pulse

October 2016

“With the Budget aiming to put a little in everyone’s pocket, households were more upbeat in October about their financial prospects for the coming year.”

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

KEY POINTS

- Consumer Pulse slightly softer in October
- Households less positive about the economic outlook
- But more optimistic about their personal finances

CONSUMER PULSE

October 2016

92.9

-0.8 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	9%	8%
⤴	48%	43%
No Change	24%	26%
⤵	10%	14%
⤵	8%	6%
Balance	+20%	+17%
Change on previous reading	0	-5

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	6%	7%
⤴	19%	29%
No Change	50%	47%
⤵	16%	10%
⤵	9%	3%
Balance	-1%	+13%
Change on previous reading	0	+4

The Consumer Pulse stood at 92.9 in October 2016, down 0.8 on September’s reading. Budget 2017 was a key focus this month, with a number of measures impacting households announced including a reduction in USC rates and increases in social welfare payments. These should support disposable incomes and boost spending power, which prompted households to upgrade their assessment of their own financial situation for the coming year. Buying sentiment also improved in October, with 38% considering it a good time to purchase big ticket items (compared with 32% last month) and 29% likely to buy a car in the next 12 months. New car sales have put in a strong performance this year and demand remains strong, though the weakness of Sterling may see an increase in used car imports from the UK in 2017.

Housing Pulse

October 2016

“57% think that now is a good time to buy a property. Time of life and the cost of renting were among the main reasons given by those looking to purchase, especially younger cohorts.”

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

KEY POINTS

- Housing Pulse rises in October
- 66% think it is cheaper to buy than rent in their area
- One in four to spend on home improvements in the next 12 months

HOUSING PULSE

October 2016

107.4

+2.3 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	30%
1% - 5%		42%
Stay more or less the same		20%
1% - 5%	Decrease ↓	3%
> 5%		2%

Balance +49%
+3 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	29%
1% - 5%		37%
Stay more or less the same		29%
1% - 5%	Decrease ↓	1%
> 5%		1%

Balance +47%
+3 on previous reading

The Housing Pulse rose to a 2016 high of 107.4 in October. The share of respondents expecting prices to increase over the next 12 months jumped in the month, led by Munster and Dublin. While it is too early to assess the impact of the well flagged help-to-buy scheme for first time buyers introduced in Budget 2017, the October data show that almost one in five 25-44 year olds are planning on buying or building a property in the coming year. This is up from one in ten in July when this question was last asked and a little higher than earlier in the year. Around one in five renters are also looking to become home owners, which is not surprising given the difficulties in the rental market at present.

Business Pulse

October 2016

"A solid increase in overall business sentiment is a welcome feature of the October data."

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

KEY POINTS

- Business Pulse up in October
- Construction puts in another good performance
- Pay rises on the cards

BUSINESS PULSE

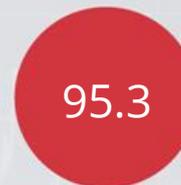
October 2016



+5.3 on previous index reading

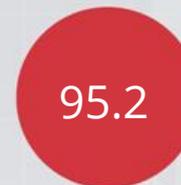
SECTOR PULSES

Industry Pulse



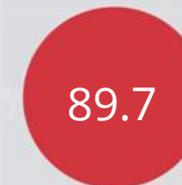
-2.4 on previous index reading

Services Pulse



+5.5 on previous index reading

Retail Pulse



+10.8 on previous index reading

Construction Pulse



+3.0 on previous index reading

The Business Pulse was up 5.3 in October 2016 to 94.9, its highest reading since the Brexit vote. Three of the four Sector Pulses rose in the month, with retail leading the way followed by services and construction (industry eased a little). While there has been a general paring back of near-term prospects for business activity and hiring in recent months, the October survey findings indicate that the majority of firms remain ambitious with two in three looking to expand in the next 1 to 3 years. On the wage front, 40% of firms in industry, 38% in services, 34% in construction and 28% of retailers are planning on increasing basic pay in the coming 12 months, to the tune of 2% to 4% in the main.

Business Pulse

October 2016

BUSINESS ACTIVITY		Past 3 Months			
	Industry	Services	Retail	Construction	
^	41%	36%	31%	47%	
No Change	47%	53%	50%	43%	
∨	13%	11%	20%	10%	
Balance	+28%	26%	+11%	+38%	
Change on previous reading	+1	-6	-1	+1	

BUSINESS ACTIVITY		Next 3 Months			
	Industry	Services	Retail	Construction	
^	52%	37%	51%	49%	
No Change	39%	51%	37%	45%	
∨	9%	12%	12%	6%	
Balance	+42%	+25%	+38%	+43%	
Change on previous reading	-4	-2	0	+1	

JOBS		Past 3 Months			
	Industry	Services	Retail	Construction	
^	20%	11%	16%	17%	
No Change	73%	83%	81%	79%	
∨	6%	6%	3%	4%	
Balance	+14%	+5%	+12%	+13%	
Change on previous reading	-1	-4	+5	-4	

JOBS		Next 3 Months			
	Industry	Services	Retail	Construction	
^	19%	10%	13%	30%	
No Change	76%	86%	83%	64%	
∨	4%	4%	5%	6%	
Balance	+15%	+6%	+8%	+24%	
Change on previous reading	-2	-1	+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, 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.

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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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