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## Bank of Ireland economic pulse

July 2016

 Economic  
Pulse

 Consumer  
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# Economic Pulse

## July 2016

"Brexit has generated a lot of uncertainty and, as expected, consumer and business confidence took a large hit in July. We will be closely monitoring the data to see if this is sustained over the coming months."

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

The Bank of Ireland Economic Pulse stood at 91.2 in July 2016, its lowest reading this year. The index, which combines the results of the Consumer and Business Pulses, was down 10.3 on June.

The Consumer Pulse fell 7.1 in the month, and a sharp fall in sentiment was also evident among firms, with the Business Pulse down 11.1.

The June surveys were conducted prior to the UK's referendum on the EU, whereas the July surveys were carried out post the vote to leave.

### KEY POINTS

- Economic Pulse down sharply in July
- Lowest reading this year
- Fall in both consumer and business sentiment

### ECONOMIC PULSE

July 2016

91.2

-10.3 on previous index reading

### ABOUT THE PULSE

The Economic Pulse is a new indicator 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.

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.

# Consumer Pulse

## July 2016

“Households were more downbeat in July. Following the UK’s decision to exit the EU, concerns about what this will mean for the Irish economy were to the fore.”

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

### KEY POINTS

- Large drop in Consumer Pulse in July
- Households concerned about the economic outlook
- One in four still likely to buy a car in the next 12 months

### CONSUMER PULSE

July 2016

89.7

-7.1 on previous index reading

### GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	9%	6%
⤴	47%	39%
No Change	24%	25%
⤵	11%	18%
⤵	8%	6%
Balance	19%	10%
Change on previous reading	0	-17

### HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	3%	6%
⤴	21%	28%
No Change	51%	47%
⤵	17%	10%
⤵	8%	5%
Balance	-3%	10%
Change on previous reading	-3	-7

The Consumer Pulse fell from 96.8 in June to a 2016 low of 89.7 in July. The latest data show households downgrading their assessment of their own financial situation and the outlook for the economy, as well as scaling back expectations for further falls in unemployment. Buying sentiment was a bit more mixed in the month, with 32% indicating that now is a good time to purchase big ticket items such as furniture and electrical goods (down from 37% in June) and 28% likely to buy a car in the next 12 months (up from 26% when this question was last asked in April). In addition, almost four in ten expect their wages to increase in the next year, boosting their spending power.

# Housing Pulse

## July 2016

“Pressures in the housing market have led to higher rents, and 66% of respondents are of the view that it is cheaper to buy a property than rent in their area.”

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

### KEY POINTS

- Housing Pulse softer in July
- Majority continue to expect house price gains
- 56% think it is a good time to buy, while 44% consider it a good time to sell

### HOUSING PULSE

July 2016

102.5

-3.4 on previous index reading

### HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	24%
1% - 5%		43%
Stay more or less the same		27%
1% - 5%	Decrease ↓	2%
> 5%		1%

**Balance +44%**

-3 on previous reading

### RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	24%
1% - 5%		38%
Stay more or less the same		32%
1% - 5%	Decrease ↓	1%
> 5%		0%

**Balance +43%**

-2 on previous reading

The Housing Pulse came in at 102.5 in July 2016, down 3.4 on June. While the number of respondents expecting house prices to increase in the coming year remained in the majority, the balance eased back a little in the month, as it did for rents. The July survey results also indicate that 7% are planning on buying or building a property in the next 12 months, with time of life, space requirements and the cost of renting cited as the main reasons for doing so. On the home improvement front, one in four is likely to spend a large sum of money on improvements or renovations in the next year.

# Business Pulse

## July 2016

“Over the course of the year, there has been a notable step up in service, retail and construction firms citing uncertainty as a key factor currently limiting their business.”

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

### KEY POINTS

- Business Pulse falls sharply in July
- Near-term prospects downgraded, fall in sterling a concern for some firms
- Hiring expectations ease

### BUSINESS PULSE

July 2016

91.6

-11.1 on previous index reading

### SECTOR PULSES

Industry Pulse

93.7

-1.5 on previous index reading

Services Pulse

95.4

-9.0 on previous index reading

Retail Pulse

80.3

-21.5 on previous index reading

Construction Pulse

87.5

-18.2 on previous index reading

The Business Pulse also fell to a 2016 low in July, coming in at 91.6 (down 11.1 on June’s reading). The Retail and Construction Pulses saw very steep drops in the month, with sentiment among service and industrial firms also down (less so for the latter). Firms in all four sectors pared back their assessment of business prospects and hiring plans for the coming 3 months, though looking further ahead, the majority have ambitions to grow their businesses over the next 1 to 3 years. The July survey findings also indicate that 38% of firms in industry and services, 25% in retail and 35% in construction are planning on increasing basic pay in the next 12 months.

# Business Pulse

## July 2016

<b>BUSINESS ACTIVITY</b>		Past 3 Months			
	Industry	Services	Retail	Construction	
^	40%	39%	29%	38%	
No Change	47%	54%	50%	49%	
v	13%	6%	21%	13%	
Balance	+28%	+33%	+8%	+25%	
Change on previous reading	-6	-4	-13	+2	

<b>JOBS</b>		Past 3 Months			
	Industry	Services	Retail	Construction	
^	21%	18%	8%	15%	
No Change	74%	79%	88%	77%	
v	4%	3%	3%	8%	
Balance	+17%	+15%	+5%	+7%	
Change on previous reading	+1	+2	-6	-1	

<b>BUSINESS ACTIVITY</b>		Next 3 Months			
	Industry	Services	Retail	Construction	
^	48%	42%	43%	45%	
No Change	43%	49%	48%	49%	
v	9%	8%	9%	6%	
Balance	+39%	+34%	+33%	+39%	
Change on previous reading	-5	-8	-8	-5	

<b>JOBS</b>		Next 3 Months			
	Industry	Services	Retail	Construction	
^	18%	14%	8%	24%	
No Change	79%	84%	88%	72%	
v	3%	2%	4%	4%	
Balance	+16%	+12%	+4%	+20%	
Change on previous reading	-3	-3	-7	-2	

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

## 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.

## 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.

## 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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