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## Bank of Ireland economic pulse

December 2016

 Economic  
Pulse

 Consumer  
Pulse

 Housing  
Pulse

 Business  
Pulse

# Economic Pulse

## December 2016

“While sentiment picked up in December, developments over the course of 2016 have taken their toll and the Economic Pulse ended the year below where it started it.”

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

The Bank of Ireland Economic Pulse came in at 92.4 in December 2016. The index, which combines the results of the Consumer and Business Pulses, was up 6.6 on November.

The consumer picture brightened this month, as did the business picture. 2016 was an eventful year though, with the general election and industrial unrest at home, the UK voting to leave the EU, sterling falling and the outcome of the US Presidential election also making it an uncertain one. These developments weighed on confidence, with both the Consumer and Business Pulses in December down on their January readings.

### KEY POINTS

- Economic Pulse strengthens in December
- Households and firms more upbeat
- Sentiment softens during the year

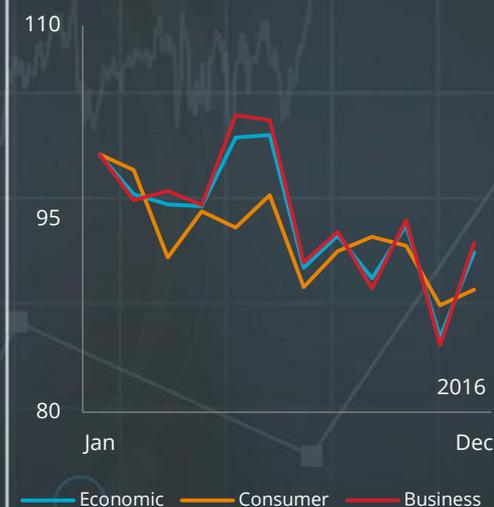
### ECONOMIC PULSE

December 2016

92.4

+6.6 on previous index reading

### PULSE TRENDS



# Consumer Pulse

## December 2016

"With the festive season in full swing, the gloom that descended on households last month lifted a little in December."

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

### KEY POINTS

- Consumer Pulse picks up in December
- Households more positive about the economy
- And the outlook for their pockets

### CONSUMER PULSE

December 2016

89.5

+1.2 on previous index reading

### GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	6%	6%
⤴	45%	40%
No Change	24%	28%
⤵	17%	16%
⤵	7%	6%
Balance	+13%	+12%
Change on previous reading	+1	+3

### HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	4%	6%
⤴	19%	29%
No Change	52%	50%
⤵	17%	9%
⤵	7%	3%
Balance	-3%	+13%
Change on previous reading	-2	+3

The Consumer Pulse stood at 89.5 in December 2016, up 1.2 on November's reading. Households were more upbeat about the outlook for the economy and their own finances this month, though buying sentiment was unchanged (35% considered it a good time to purchase big ticket items such as furniture and electrical goods). Two in three indicated that they are likely to put some money aside over the next 12 months, with younger cohorts, those living with family and in Dublin particularly avid in their saving intentions.

# Housing Pulse

## December 2016

“CSO data show that annual house price growth was somewhat stronger in Dublin in recent months, supporting expectations for further price gains over the coming months.”

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

### KEY POINTS

- Housing Pulse up in December
- Majority expect price gains in the next 12 months
- Dublin leading the way

### HOUSING PULSE

December 2016

108.7

+0.6 on previous index reading

### HOUSE PRICE EXPECTATIONS

Next 12 Months

Change	Response
> 5%	34%
1% - 5%	37%
Stay more or less the same	22%
1% - 5%	2%
> 5%	1%

**Balance +50%**  
+1 on previous reading

### RENT EXPECTATIONS

Next 12 Months

Change	Response
> 5%	31%
1% - 5%	36%
Stay more or less the same	27%
1% - 5%	1%
> 5%	1%

**Balance +48%**  
-2 on previous reading

The Housing Pulse rose to 108.7 in December 2016, from 108.1 the previous month. The data show that one in three expect house prices to increase by more than 5% over the next year, with the Dublin figure jumping to 47% in the month (from 38% in November). Rent expectations remained in positive territory in December, and as we head into 2017, it will be interesting to see how the new legislation capping rent increases at 4% per annum in the pressure zones of Dublin and Cork city feeds through to thinking.

# Business Pulse

## December 2016

"The Business Pulse rallied in December on the back of a pick-up in sentiment among firms in the industry, services, retail and construction sectors."

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

### KEY POINTS

- Business Pulse gains ground in December
- All sectors see an improvement
- Majority to keep selling prices unchanged

### BUSINESS PULSE

December 2016

93.1

+7.9 on previous index reading

### SECTOR PULSES

Industry Pulse

97.0

+9.9 on previous index reading

Services Pulse

95.2

+7.5 on previous index reading

Retail Pulse

83.5

+8.8 on previous index reading

Construction Pulse

96.3

+5.1 on previous index reading

At 93.1, the Business Pulse was up 7.9 in December 2016. All four Sector Pulses rose this month, as the initial shock associated with recent external events wore off. Firms in industry, services and construction were more upbeat about near-term prospects for business activity (retailers were less so) and hiring. The December findings indicate that most firms do not expect to change their selling prices in the period ahead, and also point to some pressure on the input costs front (excluding labour costs) over the past 3 months. Sterling has gained ground against the euro of late, while the dollar has strengthened post the US presidential election, which may go some way towards explaining this.

# Business Pulse

## December 2016

<b>BUSINESS ACTIVITY</b>		Past 3 Months			
	Industry	Services	Retail	Construction	
^	45%	37%	37%	45%	
No Change	44%	51%	36%	46%	
∨	10%	12%	27%	9%	
Balance	+35%	26%	+10%	+36%	
Change on previous reading	+3	+2	+13	-1	

<b>BUSINESS ACTIVITY</b>		Next 3 Months			
	Industry	Services	Retail	Construction	
^	47%	40%	44%	48%	
No Change	43%	51%	38%	43%	
∨	10%	9%	18%	9%	
Balance	37%	+30%	+25%	+39%	
Change on previous reading	+1	+6	-7	+4	

<b>JOBS</b>		Past 3 Months			
	Industry	Services	Retail	Construction	
^	21%	11%	10%	22%	
No Change	74%	85%	86%	71%	
∨	5%	5%	4%	8%	
Balance	+16%	+6%	+5%	+14%	
Change on previous reading	+4	+1	+1	-4	

<b>JOBS</b>		Next 3 Months			
	Industry	Services	Retail	Construction	
^	20%	12%	6%	30%	
No Change	76%	85%	88%	64%	
∨	3%	3%	5%	6%	
Balance	+17%	+9%	+1%	+24%	
Change on previous reading	+4	+2	+2	+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.

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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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