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Bank of Ireland economic pulse

October 2021

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

October 2021

“The business mood remained sanguine this month but the consumer mood dipped.”

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

The Bank of Ireland Economic Pulse posted a reading of 87.6 in October 2021. The index, which combines the results of the Consumer and Business Pulses, was down 0.6 on last month but up 31.1 on a year ago.

Budget Day, rising costs and prices, along with emerging doubts over plans to fully lift the remaining public health restrictions made for an uneasy setting this month. And while the headline index was not much changed in October, consumer confidence slipped a bit. Business sentiment held steady, though the picture across the sectors was more nuanced.

KEY POINTS

- Economic Pulse marginally softer in October
- Drop in consumer confidence
- Business sentiment holds up

ECONOMIC PULSE

October 2021

87.6

-0.6 on previous index reading

PULSE TRENDS



Consumer Pulse

October 2021

“Various concerns, among them the rise in virus cases, tempered households’ confidence in October.”

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

KEY POINTS

- Consumer Pulse down in October
- Households less upbeat about the economy’s prospects
- Higher inflation squeezing purchasing power

CONSUMER PULSE

October 2021

77.1

-4.0 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	4%	11%
⤵	17%	34%
No Change	13%	13%
⤶	33%	24%
⤷	30%	17%
Balance	-33%	-1%
Change on previous reading	+1	-6

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	5%	7%
⤵	17%	25%
No Change	52%	40%
⤶	19%	19%
⤷	7%	6%
Balance	-3%	+5%
Change on previous reading	-6	-5

The Consumer Pulse came in at 77.1 in October 2021, down 4.0 on last month but 28.5 higher than a year ago. Households lowered their assessment of the economic outlook this month and were also more downbeat about their own financial situation. The cost of living was very much on minds, with a further softening in buying sentiment evident in the October data – some 27% considered it a good time to buy big ticket items versus almost a third during the summer – while the share of households expecting consumer prices to increase over the next year rose to a series high of 85%.

Housing Pulse

October 2021

“With too few properties available to buy, it’s something of a sellers’ market at present.”

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

KEY POINTS

- Housing Pulse stable in October
- House price expectations elevated
- Three in ten to spend on home improvements

HOUSING PULSE

October 2021

118.8

-0.1 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	43%
1% - 5%		39%
Stay more or less the same		11%
1% - 5%	Decrease ↓	1%
> 5%		2%

Balance +60%

0 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	38%
1% - 5%		37%
Stay more or less the same		20%
1% - 5%	Decrease ↓	1%
> 5%		1%

Balance +55%

+2 on previous reading

The Housing Pulse stood at 118.8 in October 2021, down 0.1 on last month’s reading but 54.0 higher than a year ago. With factors like excess savings and the extension of the help-to-buy scheme adding to demand, four in five respondents expect house prices to increase over the coming 12 months. On the supply side, the October survey finds that 74% now think it is a good time to sell a property. This is up from just 25% during the first lockdown and points to a rebound in selling sentiment which bodes well for an uptick in activity in the second-hand market.

Business Pulse

October 2021

"Business sentiment was steady this month, albeit not everything in the garden was rosy."

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

KEY POINTS

- Business Pulse little changed in October
- Mixed sectoral picture
- Competitiveness headwinds

BUSINESS PULSE

October 2021

90.3

+0.2 on previous index reading

SECTOR PULSES

Industry Pulse

94.5

+1.0 on previous index reading

Services Pulse

87.0

-1.4 on previous index reading

Retail Pulse

91.4

+1.4 on previous index reading

Construction Pulse

103.1

+7.4 on previous index reading

At 90.3 in October 2021, the Business Pulse was up 0.2 on last month and 31.7 higher than a year ago. The Construction Pulse led the way this month, with the Industry and Retail Pulses also a little firmer. The Services Pulse slipped however, with many firms indicating that uncertainty about economic policy - in general and specific to the sector - is holding them back. The October research also considered the ability of businesses to compete in foreign markets. The results show some softening in competitiveness for firms in industry over the past 3 months, which had less to do with exchange rate moves (the euro has been relatively stable against both sterling and the dollar) than with global supply chain disruption and higher costs (three in five are experiencing material and equipment shortages, while four in five have seen an increase in non-labour input costs).

Business Pulse

October 2021

BUSINESS ACTIVITY		Past 3 Months			
	Industry	Services	Retail	Construction	
^	41%	51%	41%	44%	
No Change	43%	36%	43%	45%	
∨	16%	13%	17%	11%	
Balance	+25%	+38%	+24%	+33%	
Change on previous reading	0	-2	+2	-8	

BUSINESS ACTIVITY		Next 3 Months			
	Industry	Services	Retail	Construction	
^	44%	47%	48%	41%	
No Change	47%	43%	39%	54%	
∨	9%	10%	14%	5%	
Balance	+35%	+38%	+34%	+36%	
Change on previous reading	-4	+7	+4	-1	

JOBS		Past 3 Months			
	Industry	Services	Retail	Construction	
^	19%	16%	13%	13%	
No Change	71%	73%	79%	82%	
∨	9%	10%	7%	6%	
Balance	+10%	+6%	+6%	+7%	
Change on previous reading	-3	-2	0	-2	

JOBS		Next 3 Months			
	Industry	Services	Retail	Construction	
^	24%	18%	16%	27%	
No Change	74%	77%	78%	72%	
∨	3%	5%	6%	1%	
Balance	+21%	+13%	+9%	+26%	
Change on previous reading	+2	+2	-5	+5	

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, 300 firms in industry, 500 services firms, 350 retailers and 200 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 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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