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Bank of Ireland economic pulse

May 2022

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

May 2022

“The Economic Pulse edged higher this month, albeit the picture was nuanced.”

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

The Bank of Ireland Economic Pulse came in at 82.7 in May 2022. The index, which combines the results of the Consumer and Business Pulses, was up 1.4 on last month but 6.8 lower than a year ago.

It was a nuanced picture this month, with the Consumer Pulse regaining some lost ground whereas the Business Pulse more or less stalled. While households remain cautious in the main, the arrival of the holiday season looks to have raised spirits a bit. The mood among firms was little changed though, with three in five still saying that they are finding it difficult to predict the future development of their business situation at present.

KEY POINTS

- Economic Pulse up in May
- Consumer confidence rallies
- Business sentiment broadly unchanged

ECONOMIC PULSE

May 2022

82.7

+1.4 on previous index reading

PULSE TRENDS



Consumer Pulse

May 2022

“After a hat-trick of declines, the Consumer Pulse staged a rally this month.”

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

KEY POINTS

- Consumer Pulse rises in May
- Buying sentiment a touch firmer
- Pent up demand for holidays

CONSUMER PULSE

May 2022

55.5

+4.1 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	2%	4%
⤵	11%	16%
No Change	7%	14%
⤶	40%	33%
⤷	38%	32%
Balance	-50%	-37%
Change on previous reading	+7	+6

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	4%	4%
⤵	14%	18%
No Change	41%	32%
⤶	28%	29%
⤷	12%	16%
Balance	-16%	-17%
Change on previous reading	+3	+1

At 55.5 in May 2022, the Consumer Pulse was 4.1 higher than last month but down 21.2 on a year ago. Helped by falling unemployment and the roll-out of Government measures to address the cost of living squeeze, households were a little more assured about the economy and their own finances this month. Some 22% considered it a good time to purchase big ticket items like furniture and electrical goods (versus 19% in April), while almost two in five said that they are planning on spending more on holidays this year compared with last year (well up on the pre-pandemic average of a quarter or so).

Housing Pulse

May 2022

“While the Housing Pulse slipped in May, price expectations are still in positive territory.”

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

KEY POINTS

- Housing Pulse down in May
- 79% think house prices will rise in the next year
- Affordability on the radar

HOUSING PULSE

May 2022

115.5

-3.6 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	41%
1% - 5%		38%
Stay more or less the same		14%
1% - 5%	Decrease ↓	3%
> 5%		2%

Balance +57%

-3 on previous reading

RENT EXPECTATIONS

Next 12 Months

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

Balance +54%

-2 on previous reading

The Housing Pulse stood at 115.5 in May 2022, down 3.6 on last month’s reading but 3.3 higher than a year ago. The share of survey respondents expecting house prices to increase by more than 5% over the coming year ticked down this month (to 41% from 44% in April), which accounted for the slippage in the index. The fallout from the war in Ukraine is adding to inflation in the Euro area and with the European Central Bank gearing up to raise interest rates in response, affordability is likely to be on the radar for existing and potential homeowners here in the period ahead.

Business Pulse

May 2022

“The Business Pulse more or less stalled in May but remains above its pre-pandemic level.”

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

KEY POINTS

- Business Pulse broadly unchanged in May
- Firms lower expectations for activity
- Upward cost pressures at a series high

BUSINESS PULSE

May 2022

89.5

+0.8 on previous index reading

SECTOR PULSES

Industry Pulse

87.3

-2.8 on previous index reading

Services Pulse

93.5

+1.0 on previous index reading

Retail Pulse

79.9

+4.7 on previous index reading

Construction Pulse

83.2

-3.3 on previous index reading

The Business Pulse came in at 89.5 in May 2022, 0.8 higher than last month but down 3.2 on a year ago. While the sectoral Pulses moved in different directions this month - Services and Retail advanced but Industry and Construction softened - the current inflationary environment is a headwind for firms across the board. 87% of businesses reported an increase in non-labour input costs over the past three months in May, though the share expecting to raise their selling prices in the near term eased to 64% (from 67% in April). This may reflect the emergence of competitiveness concerns - a deterioration on this front is evident in the industry survey data of late for firms selling domestically as well as those selling on foreign markets.

Business Pulse

May 2022

BUSINESS ACTIVITY				Past 3 Months
	Industry	Services	Retail	Construction
^	31%	43%	27%	26%
No Change	54%	44%	48%	60%
∨	15%	14%	24%	13%
Balance	+16%	+29%	+3%	+13%
Change on previous reading	+7	-5	+3	-8

BUSINESS ACTIVITY				Next 3 Months
	Industry	Services	Retail	Construction
^	36%	38%	37%	23%
No Change	49%	49%	44%	66%
∨	16%	12%	18%	11%
Balance	+20%	+26%	+19%	+13%
Change on previous reading	-5	-5	-5	-6

JOBS				Past 3 Months
	Industry	Services	Retail	Construction
^	14%	14%	7%	9%
No Change	74%	79%	88%	85%
∨	12%	6%	5%	6%
Balance	+1%	+8%	+2%	+4%
Change on previous reading	-2	+2	-2	-1

JOBS				Next 3 Months
	Industry	Services	Retail	Construction
^	19%	19%	14%	21%
No Change	78%	79%	81%	74%
∨	3%	3%	5%	4%
Balance	+16%	+16%	+9%	+17%
Change on previous reading	+1	-3	-2	+7

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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