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Bank of Ireland economic pulse

July 2022

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

July 2022

“A case of the summertime blues saw the Economic Pulse hit a seventeen month low in July.”

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

The Bank of Ireland Economic Pulse came in at 70.2 in July 2022. The index, which combines the results of the Consumer and Business Pulses, was down 8.5 on last month’s reading and 19.0 lower than a year ago.

A pullback in consumer and business confidence dragged the Economic Pulse lower this month. With households feeling the pinch from elevated inflation while also fretting about the economy and firms more circumspect about business activity, the series fell for a second consecutive month.

The July research looked at wage expectations as well and finds that 44% of workers and just over half of firms predict pay rises in the next 12 months.

KEY POINTS

- Economic Pulse drops in July
- Consumer mood at a low ebb
- Sentiment down across business

ECONOMIC PULSE

July 2022

70.2

-8.5 on previous index reading

PULSE TRENDS



Consumer Pulse

July 2022

“The Consumer Pulse was at a low ebb this month, posting a reading below its COVID-19 nadir.”

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

KEY POINTS

- Consumer Pulse down in July
- Buying sentiment weakens
- Three in five think it is easy to find or change jobs

CONSUMER PULSE

July 2022

43.4

-7.9 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	1%	2%
⤴	5%	10%
No Change	6%	9%
⤵	33%	33%
⤵	53%	43%
Balance	-66%	-53%
Change on previous reading	-8	-9

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	3%	4%
⤴	9%	16%
No Change	34%	24%
⤵	33%	33%
⤵	20%	20%
Balance	-29%	-25%
Change on previous reading	-5	-8

Households’ gloomier assessment of the economy and their own finances saw the Consumer Pulse hit an all-time low of 43.4 in July 2022. Against the prevailing backdrop of high inflation and uncertainty, the index was down 7.9 on last month and 31.4 lower than a year ago. Buying sentiment took a knock this month too, with just one in six considering it a good time to make major purchases like furniture and electrical equipment and a record 64% saying that they are holding out on spending because they are not sure which way economic policy is going to go.

Housing Pulse

July 2022

"The Housing Pulse notched a hat-trick in July, falling for a third month in a row."

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

KEY POINTS

- Housing Pulse falls sharply in July
- Softer readings in all regions
- Borrowing costs on the rise

HOUSING PULSE

July 2022

97.7

-12.9 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	32%
1% - 5%		31%
Stay more or less the same		21%
1% - 5%	Decrease ↓	9%
> 5%		4%

Balance +39%

-13 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	32%
1% - 5%		36%
Stay more or less the same		25%
1% - 5%	Decrease ↓	2%
> 5%		2%

Balance +48%

-7 on previous reading

At 97.7 in July 2022, the Housing Pulse was 12.9 lower than in June and down 21.8 on a year ago. Households lowered their expectations for future house price gains this month, albeit more than three in five still think they will increase over the coming year (this compares with three in four last month). Interest rate hiking by the European Central Bank means higher mortgage repayments for some and may have contributed to the slippage in the share of respondents saying it is cheaper to buy a property than rent in the July survey (68% versus 76% in April).

Business Pulse

July 2022

“The Industry, Services, Retail and Construction Pulses all lost ground this month.”

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

KEY POINTS

- Business Pulse declines in July
- Sixteen month low for the series
- Pay increases on the cards

BUSINESS PULSE

July 2022

76.9

-8.7 on previous index reading

SECTOR PULSES

Industry Pulse

85.2

-7.8 on previous index reading

Services Pulse

79.0

-6.0 on previous index reading

Retail Pulse

61.4

-21.3 on previous index reading

Construction Pulse

78.2

-5.7 on previous index reading

The Business Pulse stood at 76.9 in July 2022, down 8.7 on last month’s reading and 15.9 on a year ago. Firms in the four sectors were more downbeat about the ‘here and now’ this month and also pared back their expectations for business activity in the near term. For retailers, waning consumer confidence at home is a worry, with firms in industry and services concerned about the outlook for the world economy and their export order books as well. More positively, the share of businesses struggling with material, equipment and space shortages edged lower in July, to 27% from 31% in April. A third are continuing to experience labour shortages though, with the figure running a little higher for those in the construction trade (two in five).

Business Pulse

July 2022

BUSINESS ACTIVITY		Past 3 Months			
	Industry	Services	Retail	Construction	
^	23%	35%	27%	24%	
No Change	52%	50%	42%	55%	
v	25%	16%	31%	22%	
Balance	-2%	+19%	-4%	+2%	
Change on previous reading	-18	-16	-11	-10	

JOBS		Past 3 Months			
	Industry	Services	Retail	Construction	
^	17%	13%	11%	13%	
No Change	75%	81%	85%	79%	
v	8%	6%	5%	8%	
Balance	+9%	+8%	+6%	+5%	
Change on previous reading	+2	-1	-3	-1	

BUSINESS ACTIVITY		Next 3 Months			
	Industry	Services	Retail	Construction	
^	27%	30%	28%	23%	
No Change	55%	55%	42%	66%	
v	18%	15%	30%	12%	
Balance	+9%	+15%	-2%	+11%	
Change on previous reading	-10	-8	-18	-8	

JOBS		Next 3 Months			
	Industry	Services	Retail	Construction	
^	15%	10%	9%	14%	
No Change	80%	84%	84%	83%	
v	5%	6%	7%	4%	
Balance	+10%	+4%	+2%	+10%	
Change on previous reading	-2	-7	-8	-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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