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Bank of Ireland economic pulse

April 2020

 Economic Pulse  Consumer Pulse  Housing Pulse  Business Pulse

Economic Pulse

April 2020

“Consumer and business sentiment tanked this month as the country went into full lockdown.”

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

The Bank of Ireland Economic Pulse came in at 34.3 in April 2020. The index, which combines the results of the Consumer and Business Pulses, was down 36.1 on last month and 57.0 lower than a year ago.

While necessary from a public health perspective, the school and non-essential business closures and other containment measures the government has taken to limit the spread of the coronavirus have led to large swathes of the economy shutting down, and with households and firms bearing the brunt and uncertain about the future, both consumer and business confidence plummeted this month.

KEY POINTS

- Economic Pulse plunges in April
- Lowest reading in series’ history
- COVID-19 concerns dominate

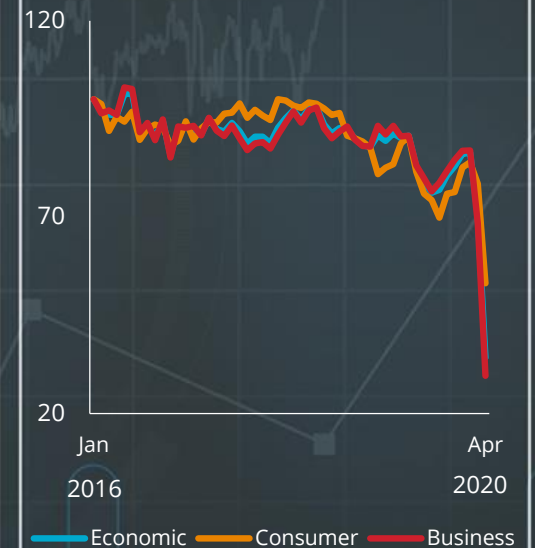
ECONOMIC PULSE

April 2020

34.3

-36.1 on previous index reading

PULSE TRENDS



Consumer Pulse

April 2020

“With the economy and the labour market going into reverse, consumer confidence tumbled in April.”

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

KEY POINTS

- Consumer Pulse falls sharply in April
- Households worried about slowing economy
- 45% fear a pay cut, 33% a reduction in working hours, 30% losing their job

CONSUMER PULSE

April 2020

53.2

-25.3 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	10%	3%
⤵	27%	9%
No Change	18%	4%
⤶	14%	22%
⤷	29%	59%
Balance	-13%	-62%
Change on previous reading	-15	-47

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	5%	3%
⤵	16%	12%
No Change	62%	43%
⤶	10%	26%
⤷	6%	13%
Balance	+1%	-18%
Change on previous reading	-1	-26

The Consumer Pulse stood at 53.2 in April 2020, down 25.3 on last month and 30.3 on a year ago. Households’ assessment of the economy and their own financial prospects moved deep into the red this month, taking the headline index to an all-time low. With the COVID-19 pandemic very much to the fore, just 13% considered it a good time to purchase big ticket items like furniture and electrical goods (down from 31% last month), while three in five (a series high) indicated that they are holding out on spending because they are not certain which way economic policy is going to go.

Housing Pulse

April 2020

“Expectations for house price increases took a battering this month, with buying and especially selling sentiment also softening.”

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

KEY POINTS

- Housing Pulse nosedives in April
- 25% think it is a good time to sell (down from 61% in January)
- Three in ten think it is a good time to buy (38% previously)

HOUSING PULSE

April 2020

25.0

-52.4 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	4%
1% - 5%		11%
Stay more or less the same		27%
1% - 5%	Decrease ↓	24%
> 5%		31%

Balance -34%

-53 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	5%
1% - 5%		13%
Stay more or less the same		44%
1% - 5%	Decrease ↓	20%
> 5%		13%

Balance -11%

-41 on previous reading

The Housing Pulse came in at 25.0 in April 2020. This was down 52.4 on last month and marks a fresh low for the series. Expectations for house price gains over the coming year fell sharply this month, and for the first time since sentiment started to be tracked in January 2016, more households now expect prices to decline (55%) than go up (one in seven). The COVID-19 health crisis has imparted a significant shock to the economy and with the government imposing a temporary rent freeze and ban on evictions, households’ expectations for future rent increases also headed into negative territory in April.

Business Pulse

April 2020

“With the public health emergency upending day-to-day commerce, the four sectoral Pulses were hard hit in April.”

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

KEY POINTS

- Huge drop in Business Pulse in April
- Firms downbeat about business activity and hiring
- One in five expects to cut basic wages in the coming year

BUSINESS PULSE

April 2020

29.6

-38.8 on previous index reading

SECTOR PULSES

Industry Pulse

41.6

-44.5 on previous index reading

Services Pulse

22.3

-39.7 on previous index reading

Retail Pulse

40.7

-27.9 on previous index reading

Construction Pulse

37.5

-45.4 on previous index reading

The Business Pulse posted a historic low in April 2020, coming in at 29.6. This was down 38.8 on March and 63.7 lower than a year ago. This month’s readings were weak across the board, with seven in ten firms reporting lower business activity in the recent trading period (led by services and retail), while three in five expect a further decline in the coming three months and just over a quarter anticipate having to lay off staff. The COVID-19 outbreak and the policy actions being taken at home and abroad to suppress the virus are affecting businesses through a number of channels – demand, supply chains, operations etc. – and mostly negatively, though around three in ten are seeing some new opportunities.

Business Pulse

April 2020

BUSINESS ACTIVITY		Past 3 Months			
	Industry	Services	Retail	Construction	
^	15%	9%	15%	14%	
No Change	25%	17%	13%	27%	
v	61%	74%	72%	59%	
Balance	-46%	-65%	-57%	-46%	
Change on previous reading	-49	-66	-45	-50	

JOBBS		Past 3 Months			
	Industry	Services	Retail	Construction	
^	6%	2%	5%	8%	
No Change	69%	55%	58%	63%	
v	26%	43%	37%	29%	
Balance	-20%	-41%	-33%	-20%	
Change on previous reading	-23	-43	-34	-21	

BUSINESS ACTIVITY		Next 3 Months			
	Industry	Services	Retail	Construction	
^	14%	23%	12%	10%	
No Change	14%	28%	15%	25%	
v	72%	48%	73%	65%	
Balance	-58%	-25%	-61%	-55%	
Change on previous reading	-82	-13	-66	-91	

JOBBS		Next 3 Months			
	Industry	Services	Retail	Construction	
^	4%	13%	6%	4%	
No Change	61%	70%	54%	55%	
v	36%	17%	40%	41%	
Balance	-32%	-4%	-34%	-37%	
Change on previous reading	-37	-5	-32	-50	

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, 1000 services firms, 400 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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