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Bank of Ireland economic pulse

December 2021

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

December 2021

"The Economic Pulse ended the year on a soft note as Omicron woes added to Delta blues."

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

The Bank of Ireland Economic Pulse came in at 79.9 in December 2021. The index, which combines the results of the Consumer and Business Pulses, was down 3.4 on last month but up 9.7 on a year ago.

With high case numbers and the new variant of COVID-19 leading to a fresh raft of public health restrictions - mainly impacting hospitality and entertainment - and the possibility of more to come, households and firms were on edge this month. Both consumer and business sentiment headed south in December, while the headline Economic Pulse posted its lowest reading in nine months.

KEY POINTS

- Economic Pulse falls in December
- Hits a nine month low
- Consumer and business confidence down

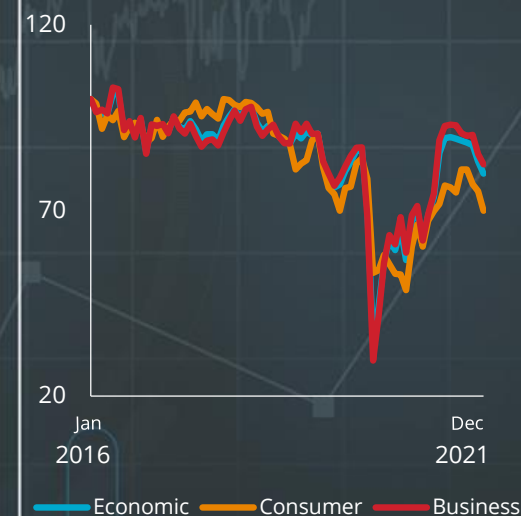
ECONOMIC PULSE

December 2021

79.9

-3.4 on previous index reading

PULSE TRENDS



Consumer Pulse

December 2021

“The drop in December made it a hat-trick of declines for the Consumer Pulse.”

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

KEY POINTS

- Consumer Pulse drops in December
- Households concerned about the economy
- And jobs

CONSUMER PULSE

December 2021



-5.3 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	4%	5%
⤴	15%	29%
No Change	12%	18%
⤵	36%	29%
⤵	31%	17%
Balance	-38%	-12%
Change on previous reading	-5	-6

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	4%	5%
⤴	16%	24%
No Change	53%	50%
⤵	18%	15%
⤵	8%	5%
Balance	-4%	+4%
Change on previous reading	-2	0

At 69.9 in December 2021, the Consumer Pulse was down 5.3 on last month but 3.6 higher than a year ago. Households were gloomier about the economic situation this month, with their assessment of the labour market also taking a turn for the worse amid rising virus cases and new restrictions - the share expecting unemployment to increase in the coming year (41%) is now greater than the share expecting a fall (36%). More positively, buying sentiment was steady on the month, though it remains down on the summer as households' finances feel the pinch from higher inflation.

Housing Pulse

December 2021

“The Housing Pulse bucked the wider trend, nudging up a touch this month.”

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

KEY POINTS

- Housing Pulse up in December
- House price expectations firmly in positive territory
- Same for rents

HOUSING PULSE

December 2021

117.5

+1.0 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	43%
1% - 5%		37%
Stay more or less the same		15%
1% - 5%	Decrease ↓	2%
> 5%		2%

Balance +59%
+1 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	31%
1% - 5%		40%
Stay more or less the same		23%
1% - 5%	Decrease ↓	1%
> 5%		1%

Balance +50%
-1 on previous reading

The Housing Pulse came in at 117.5 in December 2021, up 1.0 on last month’s reading and 35.5 higher than a year ago. With strong demand for accommodation pushing up against insufficient supply, four in five households think house prices will rise next year and seven in ten think rents will go up. While new homes are coming on stream, pandemic and post-Brexit related bottlenecks are impacting construction output, with some three in five builders on the residential side struggling with material and equipment shortages and over two in five facing labour shortfalls.

Business Pulse

December 2021

“The Business Pulse lost ground for a second month running in December.”

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

KEY POINTS

- Business Pulse down in December
- Heightened virus uncertainty
- And general nervousness among firms

BUSINESS PULSE

December 2021

82.4

-2.9 on previous index reading

SECTOR PULSES

Industry Pulse

86.7

-6.1 on previous index reading

Services Pulse

79.8

-2.0 on previous index reading

Retail Pulse

82.6

-0.9 on previous index reading

Construction Pulse

92.1

-6.7 on previous index reading

The Business Pulse stood at 82.4 in December 2021, down 2.9 on last month but 11.2 higher than a year ago. The deteriorating public health situation made for an unsettled backdrop this month and all four sectoral Pulses fell further. But with the experience economy very much in the eye of the COVID storm, the Services index came in quite a bit below the Industry, Retail and Construction indices. While the virus was clearly on the business radar in December, supply disruption is still an issue and is continuing to have spill-over effects - three in four firms reported increases in non-labour input costs over the past three months, while 55% said that they are likely to hike their selling prices in the period ahead.

Business Pulse

December 2021

BUSINESS ACTIVITY		Past 3 Months			
	Industry	Services	Retail	Construction	
^	41%	33%	35%	35%	
No Change	46%	43%	44%	57%	
∨	12%	24%	20%	8%	
Balance	+29%	+9%	+15%	+28%	
Change on previous reading	+4	-15	-3	-11	

JOBS		Past 3 Months			
	Industry	Services	Retail	Construction	
^	19%	10%	12%	13%	
No Change	74%	77%	82%	82%	
∨	7%	13%	6%	5%	
Balance	+12%	-3%	+6%	+8%	
Change on previous reading	+3	-7	-1	-1	

BUSINESS ACTIVITY		Next 3 Months			
	Industry	Services	Retail	Construction	
^	35%	28%	31%	32%	
No Change	47%	50%	45%	63%	
∨	18%	22%	23%	4%	
Balance	+16%	+6%	+8%	+28%	
Change on previous reading	-21	-15	-23	+1	

JOBS		Next 3 Months			
	Industry	Services	Retail	Construction	
^	21%	15%	12%	19%	
No Change	75%	77%	85%	78%	
∨	4%	8%	3%	3%	
Balance	+16%	+7%	+9%	+17%	
Change on previous reading	-2	-4	0	-4	

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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