

Overview

Bank of Ireland



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Bank of Ireland economic pulse

January 2021

Economic
Pulse

Consumer
Pulse

Housing
Pulse

Business
Pulse

Economic Pulse

January 2021

"The consumer and business mood soured this month as the country moved to full Level 5 restrictions."

Dr Loretta O'Sullivan,

Group Chief Economist, Bank of Ireland

The Bank of Ireland Economic Pulse stood at 61.6 in January 2021. The index, which combines the results of the Consumer and Business Pulses, was down 8.6 on last month and 24.5 lower than a year ago.

While the trade agreement reached by the EU and the UK has reduced Brexit-related uncertainty and the vaccine rollout has started, sentiment among households and firms headed south this month amid a deterioration in the public health situation and a return to Level 5 of the 'Plan for Living with COVID-19', with schools and non-essential construction closed this time too.

KEY POINTS

- Economic Pulse falls sharply in January
- Consumer and business confidence both down
- Virus woes to the fore

ECONOMIC PULSE

January 2021

61.6

-8.6 on previous index reading

PULSE TRENDS



Consumer Pulse

January 2021

"It wasn't just the January blues that weighed on the Consumer Pulse this month."

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

KEY POINTS

- Consumer Pulse down in January
- Households worried about the economy
- And the labour market

CONSUMER PULSE

January 2021

60.3

-5.9 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
▲	1%	7%
△	4%	28%
No Change	8%	12%
▼	36%	27%
▽	49%	25%
Balance	-65%	-17%
Change on previous reading	-4	-11

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
▲	4%	4%
△	15%	22%
No Change	57%	56%
▼	16%	12%
▽	8%	3%
Balance	-4%	+7%
Change on previous reading	-2	-4

At 60.3 in January 2021, the Consumer Pulse was down 5.9 on last month's reading and 22.3 lower than a year ago. The recent surge in the virus has set households on edge, and with further restrictions being put in place, they were gloomier about the economy and their own finances this month. Half also indicated that they are holding out on spending because they are not certain which way economic policy is going to go, while three in four think it is difficult to find or change jobs in the current environment (up from 39% in January 2020).

Housing Pulse

January 2021

"The Housing Pulse tracked higher in January and is now above its pre-pandemic level."

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

KEY POINTS

- Housing Pulse up in January
- 54% expect house prices to increase in the next 12 months
- Three in four think it is cheaper to buy than rent

HOUSING PULSE

January 2021

86.5

+4.5 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%		16%
1% - 5%		38%
Stay more or less the same		31%
1% - 5%		8%
> 5%		3%

Balance +28%

+5 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%		13%
1% - 5%		29%
Stay more or less the same		45%
1% - 5%		7%
> 5%		2%

Balance +22%

-1 on previous reading

The Housing Pulse rose for a ninth consecutive month in January 2021 to 86.5. This was up 4.5 on last month and 8.1 higher than a year ago. The shutting of building sites as part of the latest round of COVID-19 containment measures is a headwind for supply and as this is already lagging demand, households lifted their expectations for future house price increases again this month. The January survey also finds that 32% plan to undertake home improvements over the coming year - this was a bit above normal, likely reflecting higher savings and ongoing remote working.

Business Pulse

January 2021

"It was a weak start to the year for the Business Pulse, with sentiment down in every sector."

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

KEY POINTS

- Business Pulse drops in January
- Firms pare back near-term expectations for activity
- And hiring

BUSINESS PULSE

January 2021

61.9

-9.3 on previous index reading

SECTOR PULSES

Industry Pulse

76.5

-5.1 on previous index reading

Services Pulse

56.9

-9.6 on previous index reading

Retail Pulse

68.7

-9.7 on previous index reading

Construction Pulse

58.6

-13.6 on previous index reading

The Business Pulse came in at 61.9 in January 2021, down 9.3 on last month and 25.1 lower than a year ago. All four sectoral Pulses posted weaker readings this month as public health-related restrictions were tightened; and by more than had been expected in the case of construction which saw the biggest fall in sentiment. While firms were downbeat about business prospects for the coming 3 months in January, the survey results show that growth ambitions further out were back at their pre-pandemic level. Some three in five firms said that they are planning on expanding in the next 1 to 3 years, with the COVID-19 vaccine and clarity on the nature of the post-Brexit trading relationship tailwinds in this respect.

Business Pulse

January 2021

BUSINESS ACTIVITY				Past 3 Months
	Industry	Services	Retail	Construction
^	33%	15%	32%	28%
No Change	35%	39%	31%	44%
▼	32%	46%	38%	28%
Balance	+1%	-31%	-6%	-1%
Change on previous reading	-17	-15	+18	-17

BUSINESS ACTIVITY				Next 3 Months
	Industry	Services	Retail	Construction
^	25%	26%	17%	19%
No Change	40%	44%	32%	52%
▼	35%	30%	51%	28%
Balance	-10%	-4%	-34%	-9%
Change on previous reading	-25	-22	-34	-28

JOBS				Past 3 Months
	Industry	Services	Retail	Construction
^	14%	5%	7%	10%
No Change	75%	72%	84%	79%
▼	11%	23%	10%	10%
Balance	+3%	-19%	-3%	0%
Change on previous reading	+1	-4	0	+2

JOBS				Next 3 Months
	Industry	Services	Retail	Construction
^	14%	10%	7%	10%
No Change	77%	82%	78%	83%
▼	9%	8%	15%	7%
Balance	+5%	+2%	-9%	+3%
Change on previous reading	-5	-6	-11	-12

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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