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Bank of Ireland economic pulse

May 2020

 Economic
Pulse

 Consumer
Pulse

 Housing
Pulse

 Business
Pulse

Economic Pulse

May 2020

"The Economic Pulse was off its record low but still weak in May as COVID-19 concerns persist."

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

The Bank of Ireland Economic Pulse came in at 44.0 in May 2020. The index, which combines the results of the Consumer and Business Pulses, was up 9.6 on last month but 46.3 lower than a year ago.

Households and firms were on edge again this month as the country remained in lockdown, but with some improvement on the public health front and the Government setting out a roadmap for re-opening the economy, the expectations components of both the Consumer and Business Pulses were less negative than in April which contributed to a stabilisation in the former and helped lift the latter.

KEY POINTS

- Economic Pulse up in May
- Consumer confidence stabilises
- Business sentiment starts to rebound

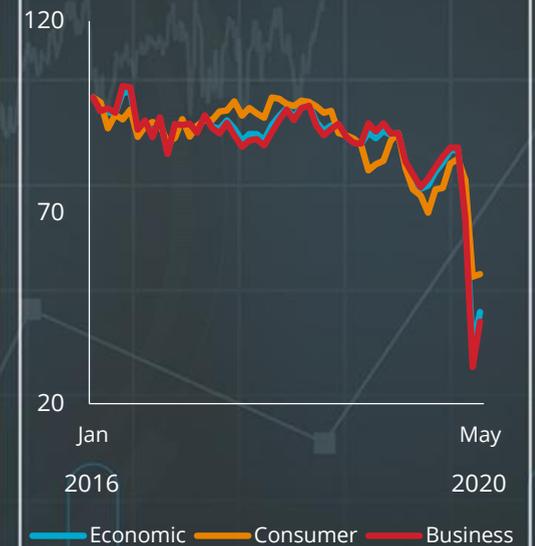
ECONOMIC PULSE

May 2020

44.0

+9.6 on previous index reading

PULSE TRENDS



Consumer Pulse

May 2020

“It looks like the Consumer Pulse has troughed, with the May reading stable on the month.”

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

KEY POINTS

- Consumer Pulse broadly unchanged in May
- One in six thinks it is a good time to buy big ticket items
- 75% likely to save in the next 12 months

CONSUMER PULSE

May 2020

53.9

+0.7 on previous index reading

GENERAL ECONOMIC SITUATION

	Past 12 Months	Next 12 Months
⤴	5%	4%
⤴	14%	20%
No Change	14%	5%
⤵	19%	23%
⤵	46%	46%
Balance	-44%	-44%
Change on previous reading	-31	+18

HOUSEHOLD FINANCIAL SITUATION

	Past 12 Months	Next 12 Months
⤴	3%	5%
⤴	15%	16%
No Change	56%	41%
⤵	18%	27%
⤵	7%	8%
Balance	-5%	-9%
Change on previous reading	-6	+9

The Consumer Pulse stood at 53.9 in May 2020, up 0.7 on last month’s record low but down 34.9 on a year ago. Households lowered their assessment of the current economic situation this month and with the COVID-19 shock impacting incomes and jobs and restricting travel, seven in ten indicated that they expect to spend less on holidays this year compared with last year. Households were also downbeat about the outlook for the economy this month, albeit less so than in April, likely reflecting the announcement of a phased easing of the public health restrictions over the summer.

Housing Pulse

May 2020

“After entering freefall in April, it was a case of steady as she goes for the Housing Pulse this month.”

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

KEY POINTS

- Housing Pulse little changed in May
- Price expectations in negative territory
- Housebuilding at a standstill

HOUSING PULSE

May 2020

25.3

+0.2 on previous index reading

HOUSE PRICE EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	6%
1% - 5%		10%
Stay more or less the same		24%
1% - 5%	Decrease ↓	27%
> 5%		30%

Balance -34%

0 on previous reading

RENT EXPECTATIONS

Next 12 Months

Change		Response
> 5%	Increase ↑	6%
1% - 5%		15%
Stay more or less the same		43%
1% - 5%	Decrease ↓	19%
> 5%		14%

Balance -10%

+1 on previous reading

At 25.3 in May 2020, the Housing Pulse was more or less flat on the month. With almost three in five households expecting house prices to fall over the coming year but just one in six expecting them to rise, the balance of responses remained deep in the red. While a pullback in the demand for housing is to be expected as the economy slows, the COVID-19 shock will also affect the supply of new homes. Indeed, nine in ten housebuilders reported a drop in business activity over the past three months as heightened uncertainty, material and equipment shortages and widespread site closures hampered output.

Business Pulse

May 2020

"Businesses are clearly worried about the here and now but were a little less negative about the outlook this month."

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

KEY POINTS

- Business Pulse rises in May
- All sectoral Pulses see some rebound
- But readings remain weak

BUSINESS PULSE

May 2020

41.5

+11.9 on previous index reading

SECTOR PULSES

Industry Pulse

56.9

+15.3 on previous index reading

Services Pulse

34.9

+12.6 on previous index reading

Retail Pulse

52.7

+12.0 on previous index reading

Construction Pulse

38.8

+1.3 on previous index reading

The Business Pulse recovered some ground in May 2020, coming in at 41.5. This was up 11.9 on last month's all-time low but down 49.1 on a year ago. While firms in the four sectors were extremely downbeat about the recent trading period and remained gloomy about near-term prospects for business activity and hiring, the proposed timetable for the lifting of the COVID-19 restrictions has provided some clarity, prompting them to take a slightly less negative view of the outlook this month. The May survey also finds that non-labour input cost pressures have softened over the past three months, and points to downward pressure on selling prices in the period ahead amid generally muted consumer demand.

Business Pulse

May 2020

BUSINESS ACTIVITY		Past 3 Months			
	Industry	Services	Retail	Construction	
^	8%	8%	14%	4%	
No Change	9%	14%	6%	5%	
∨	83%	78%	80%	90%	
Balance	-76%	-70%	-66%	-86%	
Change on previous reading	-30	-5	-9	-40	

BUSINESS ACTIVITY		Next 3 Months			
	Industry	Services	Retail	Construction	
^	39%	29%	29%	30%	
No Change	23%	37%	26%	26%	
∨	38%	34%	46%	44%	
Balance	+1%	-5%	-17%	-14%	
Change on previous reading	+59	+20	+44	+41	

JOBS		Past 3 Months			
	Industry	Services	Retail	Construction	
^	3%	1%	3%	2%	
No Change	59%	49%	58%	65%	
∨	39%	50%	38%	33%	
Balance	-36%	-48%	-35%	-32%	
Change on previous reading	-16	-7	-2	-12	

JOBS		Next 3 Months			
	Industry	Services	Retail	Construction	
^	14%	15%	9%	10%	
No Change	65%	70%	63%	67%	
∨	21%	15%	28%	23%	
Balance	-7%	0%	-18%	-13%	
Change on previous reading	+25	+4	+16	+24	

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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