

## **Business sentiment rises but households on edge**

### **The economic shock of Covid-19 is still being felt by businesses and households but there are signs of a healing on the horizon.**

Bank of Ireland's group chief economist Dr Loretta O'Sullivan has indicated a stabilisation in the bank's Consumer Pulse and a rise in sentiment in the Business Pulse.

The [Bank of Ireland Economic Pulse](#) survey is conducted in conjunction with the European Commission, with the data feeding into the EU Commission's Joint Harmonised EU Programme of Business and Consumer Surveys, a Europe-wide sentiment study running since the 1960s.

Findings from May indicate that households and firms were on edge again this month as Ireland remained in lockdown, but with some improvement on the public health front and the Government setting out a roadmap for re-opening the economy, expectations of both consumers and businesses were less negative than in April.

This contributed to a stabilisation in the Consumer Pulse and helped lift the Business Pulse.

"The Covid-19 shock is still being keenly felt by consumers and businesses nationwide but May's survey findings suggest that the sudden and severe blow to sentiment may have bottomed out," said Dr O'Sullivan.

"The Economic Pulse was a bit firmer this month and while nobody is losing the run of themselves, people are starting to see some light at the end of the tunnel.

"Efforts to contain the spread of the virus appear to be bearing fruit and the Government has set out a timetable to get society and business up and running again. Households and firms are hoping that as the restrictions are gradually lifted over the summer, the economy will begin the process of healing, which has led to somewhat less pessimistic expectations in the latest Economic Pulse," Dr O'Sullivan added.

She said that businesses are clearly worried at the moment but were less negative about the outlook in May than they were in April.

The Business Pulse recovered some ground in May 2020, coming in at 41.5. This was up 11.9 on April'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 their 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.”

## **Consumer Pulse**

O’Sullivan said that the Consumer Pulse appears to have troughed, with the May reading stable on the month.

The Consumer Pulse stood at 53.9 in May 2020, up 0.7 on last month’s all-time low but down 34.9 from a year ago.

“Households lowered their assessment of the current economic situation again this month and with the Covid-19 shock impacting incomes, jobs and restricting travel, seven in ten people indicated that they expect to spend less on holidays this year compared with 2019. Households were also downbeat about the outlook for the economy, albeit less so than in April, likely reflecting the announcement of a phased easing of the public health restrictions over the summer.”

## **Housing Pulse**

O’Sullivan said that in terms of the Housing Pulse: “After entering freefall in April, it was a case of steady as she goes for the Housing Pulse in May.

“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 this month.

“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.”

## **Regional Pulse**

The Bank of Ireland Regional Pulses brings together the views of households and firms around the country.

The results for May 2020 (three-month moving average basis) show that sentiment was down on the month across the board.

- Dublin Pulse: 44.4 (down 14.8 points on previous survey)
- Rest of Leinster: 53.1 (down 12.1 points)
- Munster: 52.9 (down 13 points)
- Connaught/Ulster: 48 (down 16.9 points)

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