



April dip in Irish business and consumer confidence not yet sufficient to delay key spending decisions

The past week has seen a flurry of surveys on Irish business and consumer confidence in April, helping to gauge the impact of US tariff related uncertainty. Sentiment has clearly taken a hit. Irish consumer confidence fell to a 2-year low in April but remains well above the previous trough in 2022 when CPI inflation was close to 10%. Hence, the damage to key spending decisions looks limited so far. Households' savings intentions or plans to make a major purchase were little changed in April. Questions on the likelihood Irish households will renovate their existing home, or plan to buy a new home in the next 12-months, continued to improve. Similarly, despite the challenging global outlook a net majority of Irish firms still expect output to expand over the next 12-months, evident in PMIs above the 50 no-change level, whereas European/UK readings point to contraction. Hence, Irish firms' employment intentions were little changed in April, still pointing to further jobs growth in 2025.

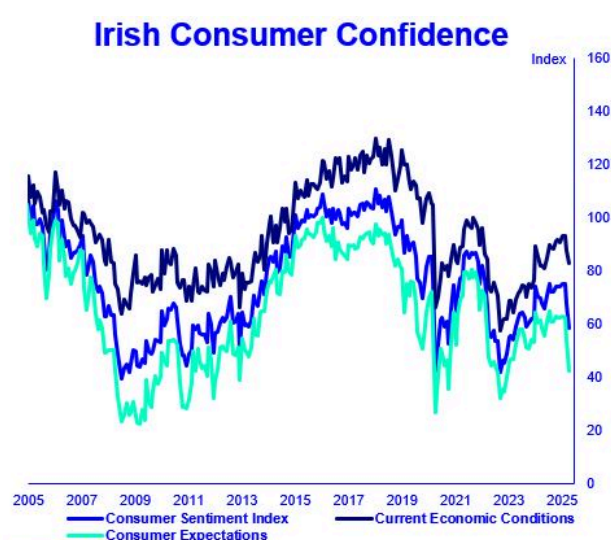
Irish Consumer Confidence falls to 2-year low in April: The Irish Credit Union Consumer Sentiment Survey, published May 6th, showed consumer confidence falling to a two-year low in April (see chart below). Notably, the deterioration was driven by weaker expectations for the general economic outlook and personal finances, rather than current conditions. Indeed, the gap between current conditions and expectations for the future rose to the highest level since the threat of a 'no-deal' Brexit in late 2020. That said, the survey was carried out from April 5th-15th so may not fully capture the 90-day delay to US reciprocal tariffs and more conciliatory poise from the White House on trade negotiations.

But not sufficiently to affect key household spending decisions: The consumer sentiment index is still well above the previous trough in September 2022, when CPI inflation was running at 8-9%, eating into households' real incomes and demonstrably affecting consumer spending. However, the European Commission's (EC) April 29th survey of consumer confidence showed despite a marked decline, households' plans for savings or major purchases were little changed on the month. The survey question on consumers' plan to buy, or build, a home over the next 12-months actually rose to a 10-year high. Similarly, consumers' plans for home improvements were up markedly on the year.

Irish household sector coming from conservative position, with high savings: The Irish household savings ratio was 15.3% in Q4 2024, already well above the 12% long-run average. This conservative behavior is evident in savings translating into 5.1% growth in the stock household deposits in the Irish banking system to €162bn, in twelve months to March. The key point here is that any negative impact onto Irish consumer spending, due to precautionary savings as households take on board the more uncertain outlook, will likely be limited. Savings are already at a high level.

European Commission survey of business confidence dips: The EC business confidence survey also showed sentiment amongst Irish industrial and service sector firms slipping in April. Expectations for output and demand over the next 3-months also fell back, hurt by US tariffs and uncertainty, holding back sentiment and orders. However, these headline readings remain close to averages over the past four years, so there has not been a marked deterioration in sentiment yet. Notably, Irish firms' employment intentions fell back only slightly in April (see chart below) and remain above average levels in 2024.

PMI readings also point to resilient outlook: The relatively benign view from the EC business confidence survey is consistent with Ireland's Purchasing Manager Indices (PMIs) in April; manufacturing (53.0), services (52.8). These readings are still above the 50 no-change level, exceeding both euro area and UK private sector output in April. So the PMIs indicate Ireland is outperforming peers. The PMI's showed a net majority of Irish firms (19% in services, 26% in manufacturing) still expect output to expand over the next 12-months. The PMIs indicated employment expanded at a steady, if modest pace in April. That said, the PMI readings clearly point to softening growth in export order books, with tariffs related uncertainty weighing on sentiment.



Contact Us at economics@boi.com

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