

Northern Ireland Consumer Confidence Index

Consumer confidence declined in 2021 Q4 as high inflation weighed more heavily on consumer sentiment

Consumer confidence summary

Consumer confidence in Northern Ireland decreased in the fourth quarter of 2021 as the proportion of people who pointed to the impact of higher prices as a negative driver of sentiment increased again.

The Danske Bank Northern Ireland Consumer Confidence Index decreased to **134** in 2021 Q4, down from **137** in the third quarter of 2021, but above the reading of **124** posted in the fourth quarter of 2020 (see Figure 1). The survey was carried out in December 2021.

Compared with the previous quarter, people reported feeling less confident about their current finances, future finances, job security and expected spending on expensive items.

Annual consumer spending is still expected to rise in 2022 as the recovery from the pandemic continues, but high inflation and falling confidence levels could influence the rate of spending growth.

Factors which positively impacted confidence

Figure 2 shows that 40% of people said that the rollout of the coronavirus vaccine programme had the largest positive impact on how they were feeling.

For 11% of people, the gradual easing of coronavirus restrictions was identified as having a positive impact.

Nine per cent said the measures in place to limit the spread of coronavirus made them feel more confident.

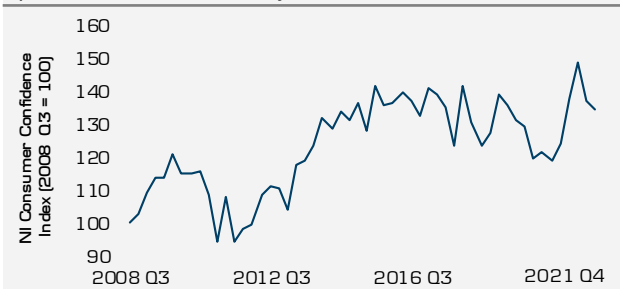
Factors which negatively impacted confidence

When asked what factor had the largest negative impact on their confidence levels, 25% of respondents pointed to the post-Brexit trading arrangements in Northern Ireland (see Figure 3).

This was closely followed by 24% of people who said that the impact of higher prices on their household finances adversely impacted them. This was up from 18% in the previous quarter.

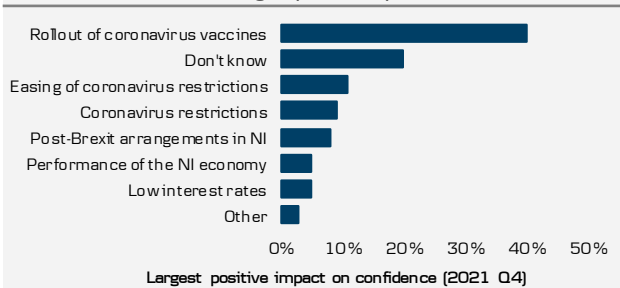
Twelve per cent pointed to coronavirus restrictions as the factor which impacted them most negatively.

Figure 1: Consumer confidence in Northern Ireland decreased over the quarter but increased over the year in 2021 Q4



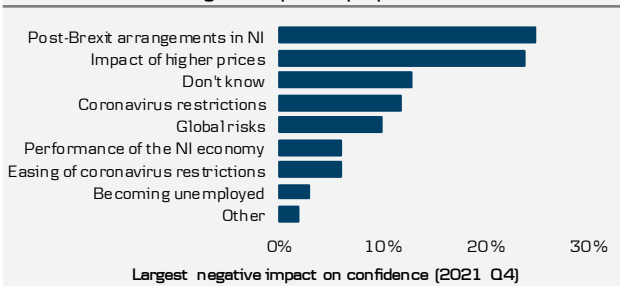
Source: Danske Bank analysis

Figure 2: The rollout of the coronavirus vaccine programme continued to be the factor that had the largest positive impact on confidence



Source: Danske Bank analysis

Figure 3: The post-Brexit trading arrangements in Northern Ireland continued to have a negative impact on people in 2021 Q4



Source: Danske Bank analysis

Current financial position compared with last year

The part of the index related to how people felt about their current finances compared with a year ago decreased over the quarter but increased over the year in 2021 Q4.

Twenty-five per cent of people felt their financial position had improved over the previous twelve months but 28% believed their finances had deteriorated. In 2020 Q4, the figures were 24% and 29% respectively.

Expectations for finances over the next 12 months

Figure 4 shows that the component of the index which examines how people expect their finances to change over the year ahead decreased over the quarter but increased over the year.

Twenty-three per cent of people expected their financial position to improve over the next year, compared with 26% that thought their finances would deteriorate.

Expectations around job security

The sub-index related to job security also declined over the quarter but increased over the year (see Figure 5).

Fourteen per cent of people expected to become more secure in their job, while 10% expected their job security to worsen.

Expectations around spending on high value items

The index reading related to the amount consumers expect to spend on high-value items over the next twelve months fell over the quarter but increased over the year (see Figure 6).

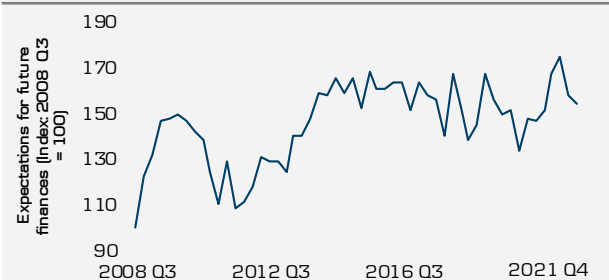
Twenty-three per cent of consumers expected to spend more on expensive items, but 29% expected to spend less.

Saving expectations

The part of the index based on consumers' saving expectations increased over the quarter and over the year in 2021 Q4 (see Figure 7).

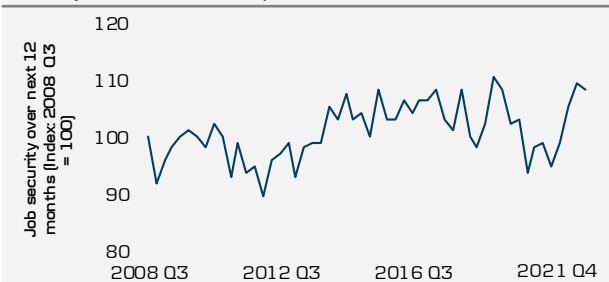
Twenty-four per cent of people expected to save more this year than they did last year and 23% thought they wouldn't save as much over the year ahead.

Figure 4: Confidence around how people felt their financial positions would change over the next year decreased in 2021 Q4



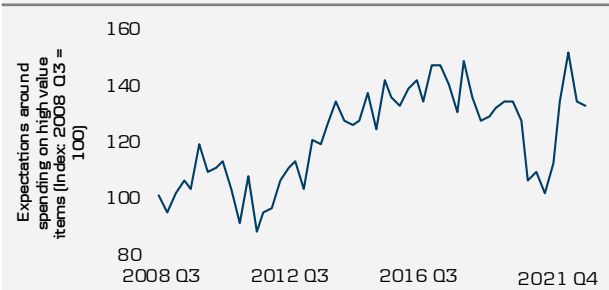
Source: Danske Bank analysis

Figure 5: Confidence related to people's expectations around their job security fell in 2021 Q4 compared with 2021 Q3



Source: Danske Bank analysis

Figure 6: Sentiment around future spending on expensive items declined in the fourth quarter of 2021



Source: Danske Bank analysis

Figure 7: The parts of the index focused on current finances, expectations around future finances, expectations around job security and spending on high value items all decreased over the quarter in 2021 Q4, but were all higher than in the fourth quarter of 2020

Sub-index readings	2020 Q4	2021 Q3	2021 Q4	Q-o-Q	Y-o-Y
Consumer confidence index	124	137	134	↓	↑
Current financial position compared with last year	140	147	143	↓	↑
Expectations for finances over the next 12 months	151	157	154	↓	↑
Expectations around job security	95	109	108	↓	↑
Expectations around spending on high value items	111	134	132	↓	↑
Savings expectations	157	160	168	↑	↑

Source: Danske Bank analysis

Note: All index values are relative to a reading of 100 in 2008 Q3

Regional Confidence Indices

Summary of regional indices

Consumer confidence increased over the quarter in Belfast City and the West region in 2021 Q4. However, confidence levels decreased in the North and South regions (see Figure 8).

It is important to note that the regional indices are based on smaller samples than the overall Northern Ireland measure, so caution should be exercised when interpreting the data at a regional level.

Belfast City

Consumer confidence in Belfast City increased over the quarter and over the year. The overall index improved from a reading of 148 in the third quarter of 2021 to 159 in the fourth quarter of the year. It was also higher than the 132 posted in 2020 Q4.

People signalled that the way they felt about their current finances, future finances, job security and the amount they expect to spend on expensive items all improved relative to the previous quarter.

North

Consumer confidence in the North region fell from 148 in 2021 Q3 to 134 in 2021 Q4. However, confidence levels were higher than in the fourth quarter of 2020 when the index posted a reading of 125.

Quarterly decreases were observed across all four parts of the index, showing that people were less confident about their current finances, future finances, job security and the amount they expect to spend on expensive items.

South

Confidence levels declined in the fourth quarter of 2021 in the South region. The index reading of 124 was lower than the 131 recorded in 2021 Q3, but higher than the 121 posted in the final quarter of 2020.

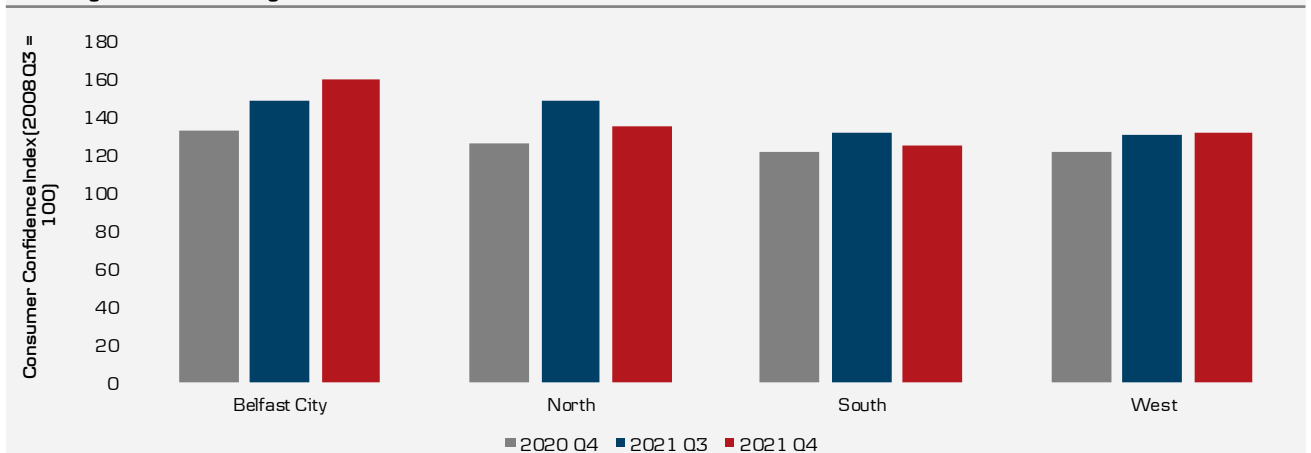
The parts of the index based on people’s current finances, future finances and expected future spending decreased compared with the third quarter of the year. However, the component of the index which examines job security increased.

West

Consumer sentiment increased in the West region in 2021 Q4. The index reading of 130 was higher than the 129 recorded in the previous quarter and the 121 posted in the same quarter of the previous year.

People reported feeling more confident about their current finances and the amount they expect to spend on expensive items. Confidence levels around people’s future financial positions were unchanged but sentiment related to job security was lower than in the previous quarter.

Figure 8: Compared with the previous quarter, consumer confidence levels in 2021 Q4 were higher in Belfast City and the West region but lower in the South region and the North region



Source: Danske Bank analysis

Commentary

Consumer confidence decreased in 2021 Q4

After falling in the third quarter of 2021, consumer confidence fell again in the final quarter of the year with the Danske Bank Northern Ireland Consumer Confidence Index posting a reading of 134. People highlighted a number of factors that contributed to this fall in confidence including the post-Brexit trading arrangements in Northern Ireland, the impact of higher prices on household finances and the coronavirus pandemic.

Inflation became an increasingly negative factor with regards to confidence levels in 2021 Q4

The rate of inflation in the UK has been on an upward trajectory for a number of months. In January 2021, the CPI inflation rate was just 0.7%. In December – the month that our survey was conducted – the rate of inflation was 5.4%. That was significantly above the Bank of England's 2.0% target rate and inflation then increased again at the start of 2022, with the January data showing that prices increased at a rate of 5.5%. That was estimated to be the highest rate of inflation in the UK since during the first quarter of 1992 and the rate of price rises is expected to move even higher. In its *February 2022 Monetary Policy Report*, the Bank of England's Monetary Policy Committee (MPC) projected that inflation could rise to around 7% in the second quarter of 2022. Given the rise in inflation, the MPC increased Bank Rate to 0.25% in December 2021 and to 0.5% in February 2022, with further rises in the Bank of England's base rate expected as we move through 2022.

This rise in inflation has been brought about by a number of factors including higher energy prices and supply chain disruption contributing to an increase in the price of goods. The price rises observed have also been broad-based. In December 2021, the annual rate of inflation was 11.9% for transport, 7.3% for furniture and household equipment, 6.9% for housing, electricity and other fuels and 6.0% for restaurants and hotels.

High inflation erodes households' purchasing power and our survey shows that inflationary pressures are becoming an increasingly negative driver of consumer confidence levels. In 2021 Q4, 24% of people said that the impact of higher prices on their household finances was the factor that had the largest negative impact on their confidence levels. That was higher than the 18% of people who highlighted this as their largest concern in the third quarter and the 12% figure recorded for the second quarter of 2021.

Post-Brexit trading arrangements also had a negative impact on sentiment

Issues surrounding the implementation of the post-Brexit trading arrangements in Northern Ireland was pointed to by the largest proportion of people as a factor which adversely impacted confidence levels at the end of 2021. Twenty-five per cent of people said this was the factor that had the largest negative impact on them at that time. However, this was lower than the 36% observed in the third quarter of the year.

The UK and EU are currently negotiating in an attempt to agree a way forward on implementing the Northern Ireland Protocol with the hope being that a deal can be reached to reduce the uncertainty related to this issue.

The coronavirus pandemic had an affect on confidence levels again in 2021 Q4

The coronavirus pandemic continued to have an affect on confidence levels in the final quarter of 2021 when the Omicron variant emerged. Twelve per cent of people stated that the coronavirus restrictions in place to limit the spread of the virus impacted them negatively. A further 9% of people said that the restrictions in place to limit the spread of Covid-19 had a positive impact on how they were feeling.

Once again, the rollout of the coronavirus vaccine programme had the largest positive impact on confidence levels. Forty per cent of people said it was the factor that had the largest positive impact on them at the end of 2021, a time when the booster programme was being rolled out at pace. Eleven per cent of people said that the gradual easing of coronavirus restrictions made them feel more confident.

Consumer spending expected to grow in 2022 but falling confidence and high inflation likely to have impacts

As the Northern Ireland economy continues to recover from the impacts of the pandemic, the annual rate of economic growth is expected to be relatively high again in 2022. We are currently forecasting that the local economy will expand by around 4% in 2022, with consumer spending projected to grow by about 5%.

The ongoing recovery from the pandemic and the fact that relatively strict coronavirus restrictions had an adverse impact on consumer spending in the first quarter of 2021 – something which we don't expect to see to the same extent in 2022 – are among the factors which are likely to support the rate of annual consumer spending growth. However, the negative impact of high inflation on peoples' spending power and falling confidence levels are also expected to hold back the rate of expansion in consumer spending in 2022.

Survey details, disclaimer and copyright

Survey Details

- The survey was carried out by Cognisense in December 2021 with 1,000 people.
- All survey data is rounded to the nearest whole number.
- The 'Danske Bank Northern Ireland Consumer Confidence Index' consists of four sub-indices based on consumers' opinions of how their current financial position compares to 12 months ago; expectations of how their household financial position will change over the next 12 months; job security over the next 12 months; and expectations of the amount that consumers will spend on high value items (e.g. furniture, holidays etc.) over the next 12 months.
- The survey also gathers information on household savings.
- The regions in the survey are defined as follows:
 - Belfast City - including most of Castlereagh and Newtownabbey.
 - North - Carrickfergus, Antrim, part of Newtownabbey, Ballymena, Larne, Ballymoney and Moyle.
 - South - Lisburn, North Down, Ards, Down, Newry and Mourne, Banbridge, Craigavon and Armagh.
 - West - Coleraine, L/Derry, Limavady, Magherafelt, Cookstown, Dungannon, Omagh, Fermanagh and Strabane.

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