

Northern Ireland Consumer Confidence Index

Consumer confidence fell sharply in 2022 Q1 as high inflation put pressure on household finances

Consumer confidence summary

Consumer confidence in Northern Ireland decreased sharply in the first quarter of 2022 as high inflation put pressure on household finances.

The Danske Bank Northern Ireland Consumer Confidence Index declined to **117** in 2022 Q1, down from **134** in the fourth quarter of last year, and also below the reading of **137** posted in the first quarter of 2021 (see Figure 1). The survey was carried out in March 2022.

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

Economic output is still expected to grow this year but the high rate of inflation and lower confidence levels are examples of the significant headwinds currently facing the Northern Ireland economy.

Factors which positively impacted confidence

When asked what factor had the largest positive impact on their confidence levels, 34% of people pointed to the rollout of the coronavirus vaccine programme (see Figure 2).

Twenty-seven percent of respondents said the easing of coronavirus restrictions positively impacted them.

For 8% of people, the overall performance of the local economy made them feel more confident.

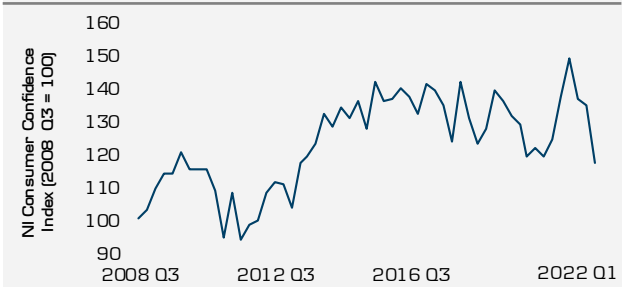
Factors which negatively impacted confidence

Figure 3 shows that, for 36% of respondents, the impact of higher prices on their household finances had the largest negative impact on confidence levels.

This was followed by 18% of people who pointed to global risks, including the war in Ukraine, as a factor that made them feel less confident.

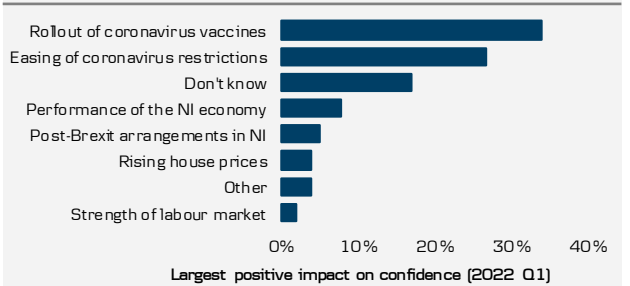
Fifteen percent of people said the post-Brexit trading arrangements in Northern Ireland adversely impacted them.

Figure 1: Consumer confidence in Northern Ireland declined over the quarter and over the year in 2022 Q1



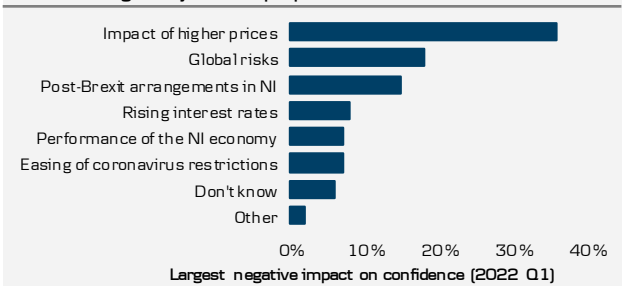
Source: Danske Bank analysis

Figure 2: The rollout of the coronavirus vaccine programme and the easing of restrictions had positive impacts on confidence levels



Source: Danske Bank analysis

Figure 3: Higher prices and global risks - which include the war in Ukraine - negatively affected people in 2022 Q1



Source: Danske Bank analysis

Current financial position compared with last year

The component of the index related to how people felt about their current finances compared with a year ago fell over the quarter and over the year in 2022 Q1.

Twenty-one percent of people felt their financial position had improved over the previous twelve months but 42% believed their finances had deteriorated.

Expectations for finances over the next 12 months

The sub-index which examines how people expect their finances to change over the year ahead decreased over both the quarter and the year (see Figure 4).

Eighteen percent of people expected their financial position to improve over the next year, compared with 43% that thought their finances would worsen.

Expectations around job security

Figure 5 shows that the part of the index related to job security increased over the quarter and the year.

Thirteen percent of people expected to become more secure in their job, while 8% expected their job security to worsen. Sixty-one percent of respondents felt their job security would remain unchanged.

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 declined over the quarter and over the year (see Figure 6).

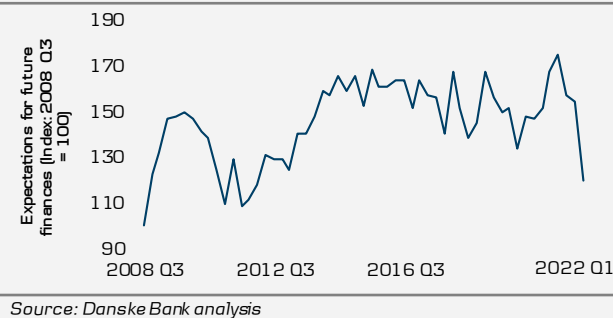
Twenty-six percent of consumers expected to spend more on expensive items, but 38% expected to spend less.

Saving expectations

The part of the index based on consumers' saving expectations decreased over the quarter and over the year in the first quarter of 2022 (see Figure 7).

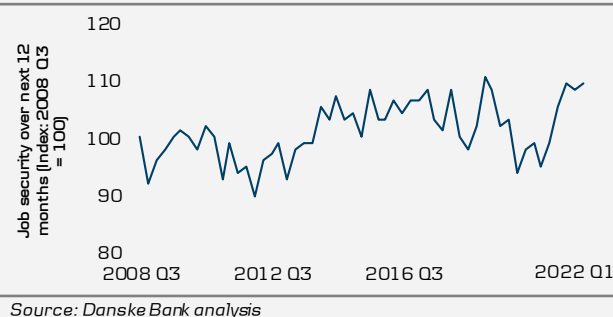
Eighteen percent of people expected to save more this year than they did last year but 43% thought they wouldn't save as much over the year ahead.

Figure 4: Sentiment related to how people felt their financial positions would change over the next year fell sharply in 2022 Q1



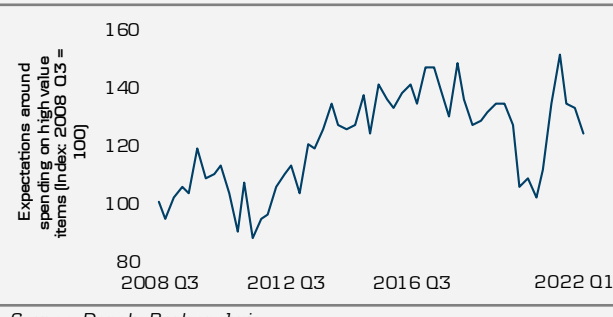
Source: Danske Bank analysis

Figure 5: Confidence related to people's expectations around their job security increased slightly in the first quarter of the year



Source: Danske Bank analysis

Figure 6: Confidence around future spending on expensive items decreased in the first quarter of 2022



Source: Danske Bank analysis

Figure 7: The parts of the index focused on current finances, expectations around future finances and spending on high value items all decreased over the quarter in 2022 Q1, but the component of the index based on expectations around job security increased

Sub-index readings	2021 Q1	2021 Q4	2022 Q1	Q-o-Q	Y-o-Y
Consumer confidence index	137	134	117	↓	↓
Current financial position compared with last year	150	143	116	↓	↓
Expectations for finances over the next 12 months	167	154	119	↓	↓
Expectations around job security	99	108	109	↑	↑
Expectations around spending on high value items	134	132	124	↓	↓
Savings expectations	170	168	125	↓	↓

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 decreased over the quarter and the year in all four regions of Northern Ireland (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, including when comparing across regions.

Belfast City

Consumer confidence in Belfast City declined over the quarter and over the year. The overall index fell from a reading of 159 in the final quarter of 2021 to 140 in the first quarter of 2022. The latest reading was also lower than the 150 recorded in 2021 Q1.

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

North

Confidence levels in the North region decreased from 134 in 2021 Q4 to 119 in 2022 Q1. Confidence was also lower than in the first quarter of 2021 when the index posted a reading of 139.

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

South

Consumer confidence fell in the first quarter of 2022 in the South region. The index reading of 108 was lower than the 124 posted in 2021 Q4 and also lower than the 132 recorded in the first quarter of 2021.

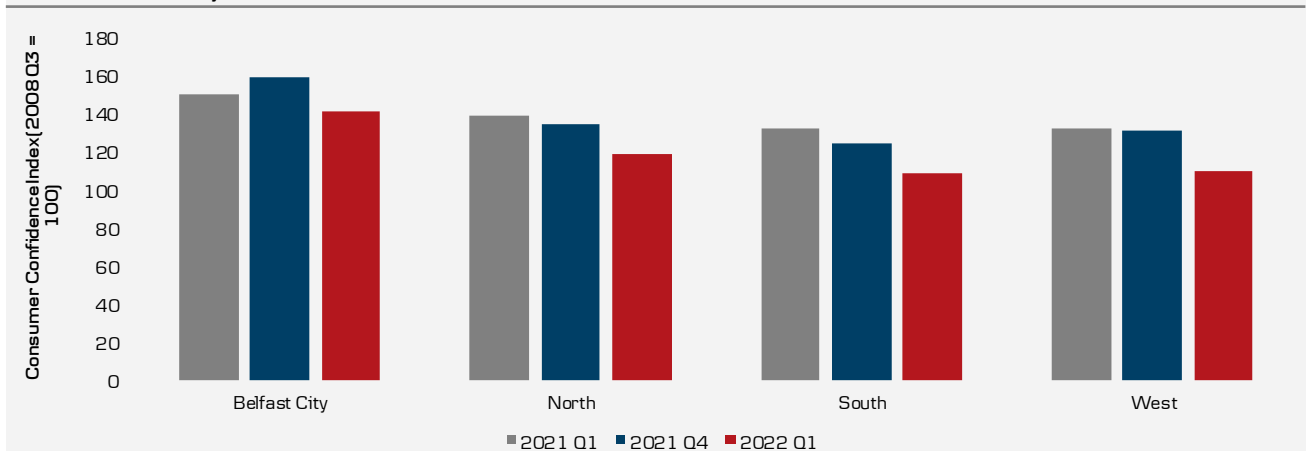
Quarterly decreases were observed across the parts of the index focused on people’s current finances, future finances and the amount they expect to spend on expensive items. Confidence around job security was unchanged compared with the fourth quarter of last year.

West

Consumer sentiment decreased in the West region in 2022 Q1. The index reading of 110 was weaker than the 130 posted in the previous quarter and the 132 recorded in the same quarter of the previous year.

People reported feeling less confident about their current finances, future finances, job security and the amount they expect to spend on expensive items.

Figure 8: Compared with the previous quarter, consumer confidence levels in 2022 Q1 were lower in Belfast City, the West region, the South region and the North of the country



Source: Danske Bank analysis

Commentary

Consumer confidence declined again in 2022 Q1

Consumer sentiment in Northern Ireland fell sharply in the first quarter of 2022 with the Danske Bank Northern Ireland Consumer Confidence Index posting a reading of 117. This was the third successive quarterly decline in confidence levels. More than half of the survey respondents pointed to either high inflation or global risks, including the war in Ukraine, as the factor which had the largest negative impact on confidence levels.

High inflation had the largest adverse impact on consumers

In March 2022, the rate of CPI inflation in the UK increased to 7.0% as factors including higher fuel and energy prices and supply chain disruption contributed to increased prices. The March outturn represented the highest inflation rate in 30 years and was more than triple the Bank of England's 2% target rate.

Looking beneath the headline number, the annual inflation rate in March was 29.5% for petrol, 24.8% for electricity, gas and other fuels, 17.2% for household furniture, 10.2% for clothing and 5.8% for food.

Higher prices, and their impacts on household finances, was the biggest driver behind the fall in confidence levels in 2022 Q1. Thirty-six percent of people said that high inflation had the largest negative impact on how they were feeling, up from 24% in the previous quarter. Inflation is expected to rise further and so it's possible that the impacts of higher prices could weigh even more heavily on confidence levels in the coming quarters.

In response to the rise in inflation, the Bank of England's Monetary Policy Committee has increased Bank Rate at each of its last four policy meetings. The most recent increase in May saw base rate increased from 0.75% to 1.0% and the policy tightening of the last few months has also negatively impacted consumer confidence. Eight percent of people said that rising interest rates negatively affected them in the first quarter of the year.

Global risks, notably the war in Ukraine, weighed on sentiment

The war in Ukraine was another factor which negatively impacted people during quarter one. There is considerable uncertainty around how and when the war will end. It is also one of the factors behind the higher energy prices and supply chain disruption that are contributing to the elevated inflation rates in the UK.

Eighteen per cent of people identified global risks, which can include factors such as climate change, terrorism, cyber crime and, from quarter one of this year, the war in Ukraine as the factor which had the largest adverse impact on them. That was up from 10% in the previous two quarters, suggesting that the war was the main reason behind the rise in the proportion of people who identified this as a major driver of the fall in confidence.

Post-Brexit trading arrangements continue to negatively impact consumers

In the first quarter of 2022, 15% of people said that the post-Brexit trading arrangements in Northern Ireland was the factor that had the biggest negative impact on them. That was down from 25% in the final quarter of last year and 36% in the third quarter of 2021. Only 5% of respondents said that the new trading arrangements had a positive impact on how they were feeling in the first quarter of this year.

There remains considerable uncertainty around how the issues related to the Northern Ireland Protocol will be resolved but it must be hoped that the UK and EU are able to reach an agreement that provides the clarity that consumers and businesses are seeking.

Coronavirus vaccines and the easing of restrictions had positive impacts on people

Despite the sharp fall in confidence levels, people did identify some factors that positively impacted how they were feeling.

When asked what factor had the largest positive impact on their confidence levels, 34% of people highlighted the rollout of the coronavirus vaccine programme and 27% of people pointed to the easing of coronavirus restrictions.

High inflation and lower confidence among the headwinds facing the NI economy

In Northern Ireland and the wider UK, consumer spending accounts for a considerable proportion of economic activity and is therefore an important driver of economic growth.

Inflation has already increased sharply and is likely to rise even higher in the months ahead, exerting a further squeeze on consumer spending.

Economic output is still expected to grow this year but it's important to recognise that there are significant headwinds, including high inflation and lower confidence levels, currently facing the Northern Ireland economy.

Survey details, disclaimer and copyright

Survey Details

- The survey was carried out by Cognisense in March 2022 with 1,003 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 - Belfast City Council area
 - North - Antrim & Newtownabbey, Mid & East Antrim, Causeway Coast & Glens
 - South - Lisburn & Castlereagh, North Down & Ards, Newry, Mourne & Down, Armagh, Banbridge & Craigavon
 - West - Mid Ulster, Fermanagh & Omagh, Derry & Strabane.

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