

Northern Ireland Consumer Confidence Index

Consumer confidence declined sharply in 2022 Q2 as high prices continued to weigh heavily on household budgets

Consumer confidence summary

Consumer confidence in Northern Ireland declined at a sharp pace in the second quarter of 2022 as higher prices weighed heavily on household finances.

The Danske Bank Northern Ireland Consumer Confidence Index fell to **103** in 2022 Q2, down from **117** in the first quarter of the year and significantly below the reading of **149** posted in the second quarter of 2021 (see Figure 1). The survey was carried out in June 2022.

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

Given the high rate of inflation and the expectation that it could rise even further, the performance of the overall economy is likely to soften as we move through the rest of 2022 and into 2023.

Factors which positively impacted confidence

Figure 2 shows that, for 40% of respondents, the adjustment of society to living with Covid-19 had the largest positive impact on confidence.

Twenty percent of respondents did not know what was making them feel more positive, perhaps to be expected given the large fall in confidence levels.

Fifteen percent of people said the overall performance of the local economy made them feel more confident.

Factors which negatively impacted confidence

When asked what factor had the largest negative impact on their confidence levels, 47% of people pointed to the impact of higher prices on their household finances (see Figure 3).

Thirteen percent of respondents said that global risks, which includes the war in Ukraine, was a factor that made them feel less confident.

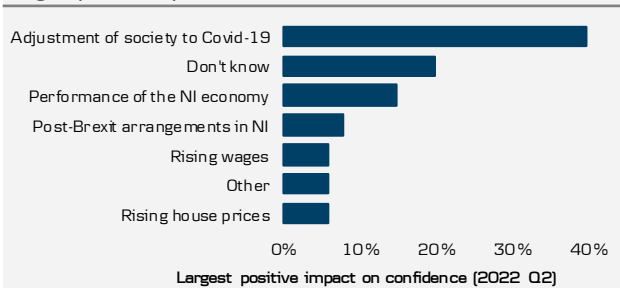
For 12% of people, the post-Brexit trading arrangements in Northern Ireland had an adverse impact on sentiment.

Figure 1: Consumer confidence in Northern Ireland decreased over the quarter and over the year in the second quarter of 2022



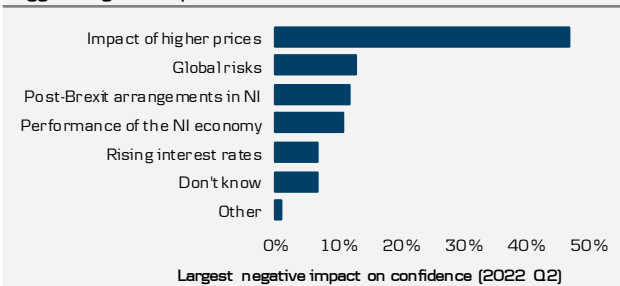
Source: Danske Bank analysis

Figure 2: The adjustment of society to living with Covid-19 had the largest positive impact on confidence levels



Source: Danske Bank analysis

Figure 3: The impact of higher prices on household finances had the biggest negative impact on consumer confidence in 2022 Q2



Source: Danske Bank analysis

Current financial position compared with last year

The sub-index based on how people felt about their current finances compared with a year ago decreased over the quarter and over the year in 2022 Q2.

Twenty percent of people felt their financial position had improved over the previous twelve months but 53% believed their finances had deteriorated.

Expectations for finances over the next 12 months

Figure 4 shows that the part of the index related to how people expect their finances to change over the year ahead declined over both the quarter and the year.

Nineteen percent of people expected their financial position to improve over the next year however 55% thought their finances would worsen.

Expectations around job security

The component of the index which examines job security fell slightly over the quarter but increased over the year (see Figure 5).

Thirteen percent of people expected to become more secure in their job though 9% expected their job security to worsen. Sixty percent of respondents felt their job security would remain unchanged.

Expectations around spending on high value items

The sub-index focused on the amount consumers expect to spend on high-value items over the next twelve months decreased over the quarter and over the year (see Figure 6).

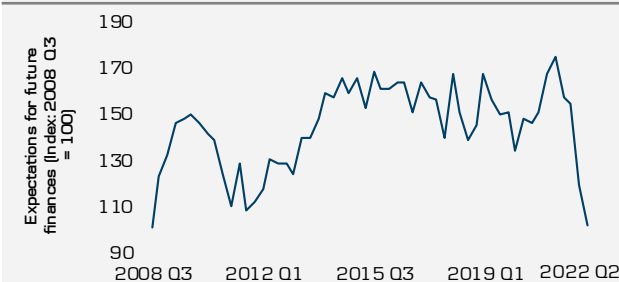
Twenty-two percent of consumers expected to spend more on expensive items compared with 49% that expected to spend less.

Saving expectations

The index reading related to consumers' saving expectations declined over the quarter and over the year in the second quarter of 2022 (see Figure 7).

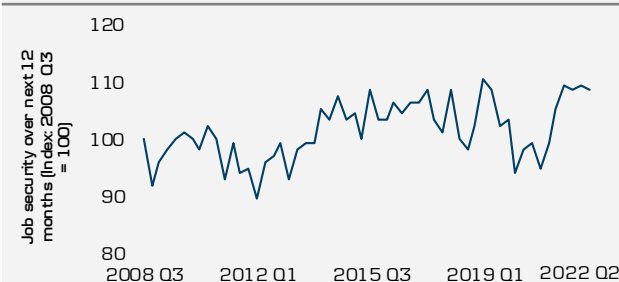
Eighteen percent of people expected to save more this year than they did last year however 51% thought they wouldn't save as much over the year ahead.

Figure 4: Confidence around how people expected their financial positions to change over the next year declined sharply in 2022 Q2



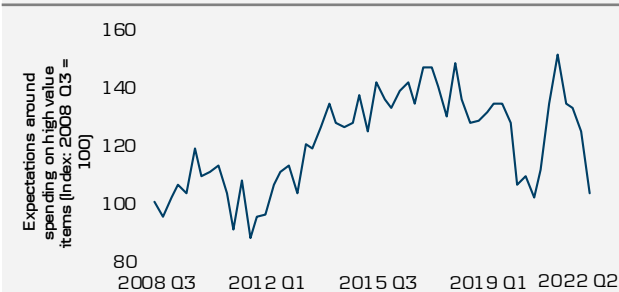
Source: Danske Bank analysis

Figure 5: Confidence related to people's expectations around their job security fell slightly over the quarter but increased over the year



Source: Danske Bank analysis

Figure 6: There was a sharp fall in confidence around the amount people expected to spend on expensive items over the next twelve months



Source: Danske Bank analysis

Figure 7: The parts of the index focused on current finances, expectations around future finances, job security and spending on high value items all decreased over the quarter in 2022 Q2

Sub-index readings	2021 Q2	2022 Q1	2022 Q2	Q-o-Q	Y-o-Y
Consumer confidence index	149	117	103	↓	↓
Current financial position compared with last year	165	116	99	↓	↓
Expectations for finances over the next 12 months	175	119	102	↓	↓
Expectations around job security	105	109	108	↓	↑
Expectations around spending on high value items	151	124	103	↓	↓
Savings expectations	178	125	112	↓	↓

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 declined over the quarter and the year in all four regions of Northern Ireland in the second quarter of 2022 (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

Confidence levels in Belfast City decreased from 140 in 2022 Q1 to 119 in 2022 Q2. Confidence was also considerably lower than in the second quarter of 2021 when the index posted a reading of 161.

The parts of the index based on people’s current finances, future finances, job security and expected spending on expensive items all declined compared with the previous quarter.

North

Consumer confidence in the North region declined over the quarter and over the year. The overall index fell from a reading of 119 in the first quarter of 2022 to 107 in the second quarter of the year. The latest reading was lower than the 154 recorded in 2021 Q2.

People signalled that the way they felt about their current finances, future finances and expected future spending deteriorated relative to the previous quarter but confidence around job security improved slightly.

South

Consumer sentiment decreased in the South region in 2022 Q2. The index reading of 94 was lower than the 108 posted in the previous quarter and the 141 recorded in the same quarter of the previous year.

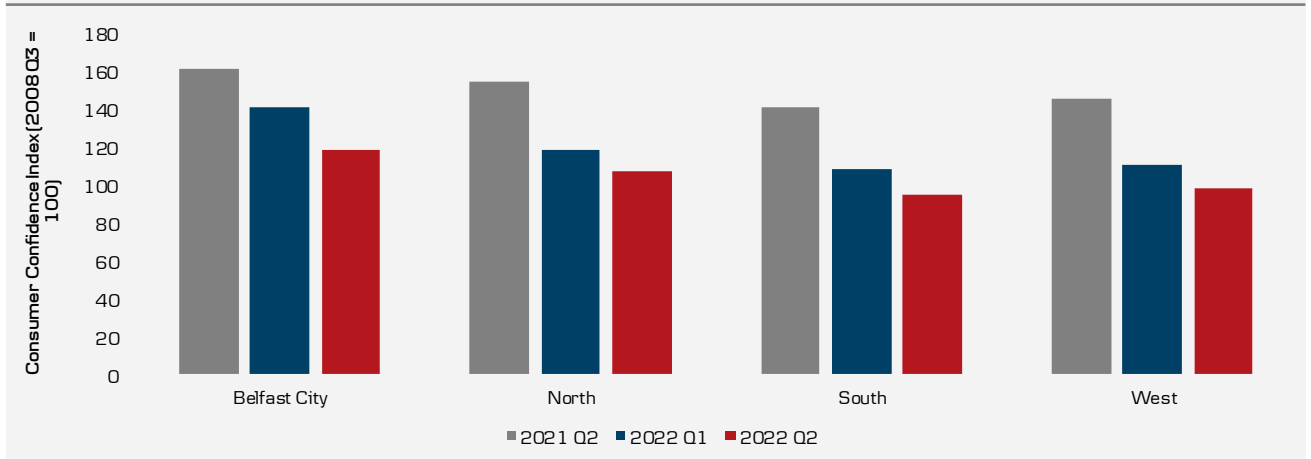
Quarterly falls were observed across the parts of the index focused on people’s current finances, future finances and the amount they expect to spend on expensive items. Confidence around job security was unchanged compared with the first quarter of the year.

West

Consumer confidence fell in the second quarter of 2022 in the West region. The index reading of 98 was weaker than the 110 posted in 2022 Q1 and also lower than the 145 recorded in the second quarter of 2021.

People reported feeling less confident about their current finances, future finances and the amount they expect to spend on expensive items. However, respondents were more confident about their job security compared with the previous quarter.

Figure 8: Compared with the previous quarter and the same quarter one year ago, consumer confidence levels in 2022 Q2 were lower in Belfast City, the West region, the South region and the North of the country



Source: Danske Bank analysis

Commentary

Consumer confidence decreased once more in 2022 Q2

Consumer confidence levels in Northern Ireland declined sharply in the second quarter of 2022 with the Danske Bank Northern Ireland Consumer Confidence Index posting a reading of 103. This was the fourth consecutive quarterly decline in sentiment.

High inflation was the largest driver of the fall in confidence levels

In June 2022, UK CPI inflation hit a multi-decade high of 9.4 percent, up from 7.0 percent at the end of the first quarter in March and much higher than the June 2021 reading of 2.5 percent. The latest inflation rate is also more than four times the Bank of England's 2 percent target. This sharp rise in inflation has been brought about by a combination of factors including higher fuel and energy prices and global supply chain disruption.

The latest UK data showed that the annual inflation rate in June was 70.2 percent for electricity, gas and other fuels, over 40 percent for petrol and diesel and 9.8 percent for food. As spending on household energy and food is considered essential and is therefore harder to cut back on, these sharp price rises are likely to add significant pressure to the budgets of those with lower incomes, where spending on these items typically accounts for a larger proportion of overall household spending.

Looking forward, it's likely that inflation will rise even higher with price pressures further up the supply chain also at elevated levels. The annual rate of input price inflation experienced by UK manufacturers was 24 percent in June while the output price inflation rate was 16.5 percent, with both measures also at multi-decade highs. The magnitude of the producer price inflation experienced by services businesses was lower than for manufacturers, but at 5.4 percent in the second quarter of the year, was still at the highest rate recorded since the data series began at the start of 1999. While not all of these cost pressures facing business will be passed on to consumers directly, it's possible that some will be and this is one of the factors that suggest that inflation could still have further to rise over the remainder of 2022.

With regards to how this inflation is impacting confidence, 47 percent of our survey respondents said that the impact of higher prices on their household finances was the factor that had the largest negative impact on sentiment in the second quarter of this year. That's higher than the 36 percent of people who cited this as the biggest adverse driver of sentiment in the first quarter of the year and the 24 percent who pointed to it in the final quarter of last year.

Another consequence of the rise in inflation is that the Bank of England's Monetary Policy Committee (MPC) has been increasing Bank Rate. The MPC increased base rate to 1.25 percent in June 2022 - its highest level since the beginning of 2009 - and we expect to see further monetary tightening before the end of this year. For 7 percent of the people who completed our survey, rising interest rates was the factor that most adversely impacted their confidence levels.

Global risks, including the war in Ukraine, also weighed on confidence during the second quarter

The war in Ukraine continued to weigh on confidence in the second quarter of the year. The war has contributed to the rise in fuel and energy prices and the supply chain disruption that are driving higher inflation rates and there is still considerable uncertainty around how and when the conflict will end.

Thirteen percent of respondents said that global risks, which includes factors such as climate change, terrorism, cyber crime and the war in Ukraine, was the factor that had the largest negative impact on how they were feeling. That was lower than the 18 percent figure reported in quarter one but still higher than the average of 9 percent reported throughout 2021 before the conflict in Ukraine began and therefore suggesting that the war has had an adverse impact on consumer sentiment.

Adjustment of society to living with Covid-19 positively impacted people

Despite the sharp drop in confidence levels observed in quarter two, there were some factors that positively impacted consumer sentiment. For example, 40 percent of people said that the adjustment of society to living with Covid-19, including the rollout of the vaccine programme and the easing of government restrictions, was the factor that had the largest positive effect on them.

High inflation and weaker confidence levels mean economic performance is likely to soften

Given the higher prices currently being experienced and the expectation that inflation could move even higher, it's likely that consumer spending in Northern Ireland and the wider UK will become increasingly squeezed. As such, the performance of the overall economy is expected to soften as we move through the remainder of 2022 and into 2023.

Survey details, disclaimer and copyright

Survey Details

- The survey was carried out by Cognisense in June 2022 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 - 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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