NI CONSUMER CONFIDENCE SUFFERS A SET BACK

Local consumer confidence has taken a significant hit in the first quarter of 2013, eroding any progress that was made last year, according to the latest report from Danske Bank published today.

Danske Bank’s survey of Consumer Confidence in the local economy looks at the financial position of local households and their expectations for the year ahead. The latest report shows that the overall confidence index fell from 110 in December 2012 to 104 in quarter one. The index has now fallen below the 12 month average of 108.

Commenting on the survey, Danske Bank’s Chief Economist, Angela McGowan said:

“Our latest confidence survey revealed a decline in all five aspects of the survey, something that we have not seen since the middle of 2011. The survey also reveals a significant gap between the confidence levels of people who are either unskilled manual workers or unemployed and those in higher socio-economic groups. Confidence for higher socio-economic groups fell only very marginally over the quarter, but fell significantly for lower socio-economic groups and unemployed people. With nearly 86,000 households expected to be negatively impacted by welfare reform it is not surprising that low income households have seen such a dramatic drop in confidence levels”.

Financial position relative to last year

When it came to the respondents’ current financial position relative to last year, this aspect of the index fell from 101 in the previous quarter to 96. The survey found that 45 per cent of those interviewed believed they were worse off now relative to one year ago. However when it came to unemployed people this figure rose to 65 per cent. Overall, there was also a small decline in the proportion of people who felt that they were better off relative to last year [a decrease from 12 per cent to 10 per cent].
Expectations for finances in the year ahead

In terms of expectations for future finances, the overall index fell from 129 to 124 over the quarter. While the majority of respondents (48%) expected their finances would not change much in the year ahead, 34 per cent anticipated that they would be worse off financially over the next 12 months and only 12 per cent of respondents expected their finances to improve. Those living in Housing Executive homes were the least confident about their future financial position, with 44 per cent of this cohort expecting their finances to deteriorate.

Ms McGowan said: “Welfare reform is a huge issue that will impact upon the lives of many people in Northern Ireland. Those receiving housing benefit could potentially have their payments reduced by up to 25 per cent for under-occupation of two or more bedrooms, amounting to £765 less a year”.

Expectations for spending

The ‘spending expectations’ element of the survey experienced quite a significant fall, from 113 to 103 over the latest quarter. On average 41 per cent of people plan to spend less and 14 per cent of people plan to spend more. The figure is higher for unemployed people, 54% of whom plan to spend less in the year ahead. There was significant variation within different age-cohorts around their expectations for spending, with young people most confident and 50-64 year olds the least confident.

Job Security

The job security index fell from 99 to 93 over the latest quarter. While the majority (67%) of respondents believed that their job security would not change in the next 12 months, 16 per cent believed that their job security would deteriorate. Skilled manual workers in particular were the most downbeat about this aspect of the survey, with 21 per cent of this group expecting their job security to deteriorate relative to only 12 per cent of managerial and professional workers.
Savings

Expectations for savings also took a significant hit this quarter, falling from 122 last quarter to 107. Although the majority of people surveyed (49%) said their savings levels would remain the same, 41 per cent believe that they will be saving less in the year ahead and only 5 per cent believe they will be saving more.

Ms McGowan said: “The psychology around savings can stem from two very different things. Sometimes people save because they feel that they have sufficient disposable income to do so; but sometimes they save as a precautionary measure. However, when we look at movements in the other aspects of this confidence survey, it is fair to assume that in this instance local households will save less in the year ahead simply because they do not have sufficient disposable income to do so”.

Commenting on the report overall, Ms McGowan concluded: “The latest consumer confidence survey underlines the significant pressures that low income households in particular are under. Confidence is clearly much lower for the unemployed, lower income groups and those in social housing. Northern Ireland has a much higher level of households that are dependent on welfare benefits so it is not surprising that confidence levels in the region have dropped even when household confidence in the rest of the UK is reported to have remained stable in the month of March”.

![NI Consumer Confidence Index: Sept 2008 to March 2013](chart.png)
For further information, or to arrange an interview with Angela McGowan, please contact Jonathan Ireland at MCE Public Relations on 028 90 267099 or email jonathan@mcepublicrelations.com.

Notes to Editors:

- The ‘Consumer Confidence Index for Northern Ireland’ examines four key areas which include information on personal finances compared to 12 months ago, as well as consumers’ expectations for spending, job security and their general financial position over the next 12 months. In addition, the survey gathers information on household savings.
- The Consumer Confidence Index for Northern Ireland published by Danske Bank is the first of its kind to be made available locally.
- The study was carried out by Millward Brown in March 2013 with 1,000 people. It is statistically representative of the Northern Ireland population with a variance of -/ + 3 per cent.