

News Release  
8 August 2017

### Confidence falls as consumer squeeze is underway

- Consumer confidence in Northern Ireland fell by two points between the first quarter of the year and July 2017.
- Households' expectations of how their financial position will change over the next twelve months fell by six points compared with 2017 Q1.
- The component of the index that examines job security experienced a rise of two points in July 2017.
- Consumers' expectations of how much they will save relative to last year decreased by seven points compared with the first quarter of the year.

Consumer confidence in Northern Ireland fell in July 2017 as the consumer squeeze continued to take its toll, according to Danske Bank research published today.

The Danske Bank Northern Ireland Consumer Confidence Index decreased from 141 in 2017 Q1 to 139 in July 2017.

Commenting on the latest release of the index, Danske Bank Economist Conor Lambe, said:

*"A consumer squeeze has gripped the UK and the local economies and this was likely the main driver behind the fall in consumer confidence in July. Factors such as Brexit-related uncertainty, which seems to have increased further following the general election, and the continued political impasse in Northern Ireland are also likely to have acted as a drag on confidence levels."*

### Financial position compared to last year

Compared with the first quarter of 2017, the component of the index that examines how consumers feel about their current financial position compared with a year earlier fell by three points.

Broadly speaking, younger people feel more positive about their current financial position than older people. 24 per cent of 16-24 year olds and 35 per cent of 25-34 year olds believe their finances have improved over the last year. However, 21 per cent of 35-49 year olds, 28 per cent of 50-64 year olds and 18 per cent of people older than 65, think that their current financial position is worse than it was last year.

Mr Lambe said: *"Over the first six months of 2016, the average inflation rate was 0.4 per cent. Over the same period this year, inflation averaged 2.4 per cent. This high inflation has led to falling real wages and is exerting downward pressure on consumers' purchasing power. In this environment, a fall back in consumer sentiment around current finances was to be expected."*

## **Expectations for finances over the next twelve months**

Household expectations of how their financial position will change over the next twelve months decreased by six points in July 2017, compared with 2017 Q1.

15 per cent of consumers surveyed expect their finances to improve over the next year, but 16 per cent think their financial position will deteriorate.

Full-time workers feel more confident about their future finances than part-time workers. 22 per cent of full-time workers expect their finances to improve, compared with 14 per cent who expect to become worse off. Only 9 per cent of part-time workers believe their financial position will improve over the next year and 15 per cent think it will get worse.

Mr Lambe said: *“Inflation is forecast to remain above target over the rest of 2017 and into 2018. Wage increases are unlikely to be sufficient to push real earnings growth well into positive territory. Therefore, the squeeze on consumers is expected to continue and the fall in this part of the index suggests that households in Northern Ireland recognise this to be the case.”*

## **Expectations around job security**

Consumers’ expectations around job security increased by two points in July 2017.

10 per cent of consumers surveyed expect to become more secure in their job over the next year and 6 per cent expect their job to become less secure.

The majority of consumers do not expect their job security to change. In the west region, 83 per cent of consumers aren’t anticipating any changes in job security. This proportion stands at 74 per cent in the south region and 70 per cent in the north. In Belfast City, 67 per cent of people expect job security to remain the same.

## **Spending expectations**

The part of the index based on expectations of the amount consumers will spend on high value items, such as furniture or holidays, over the next twelve months was unchanged in July 2017 compared with the first quarter of the year.

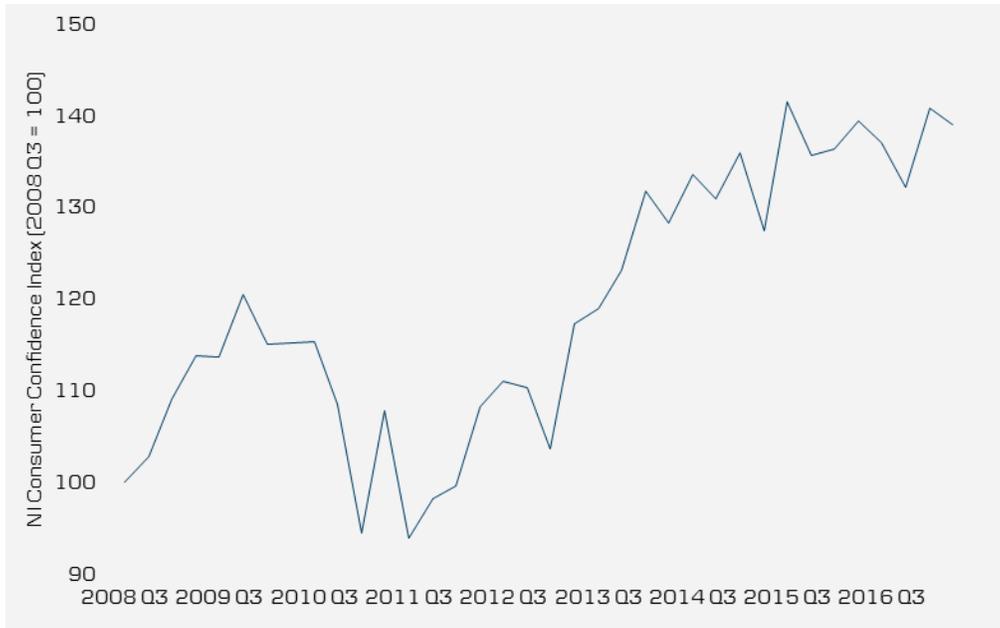
22 per cent of consumers expect to spend more on expensive items over the next year while 18 per cent expect to spend less.

## **Saving expectations**

The part of the survey that examines households’ expectations of how much they will save in the next twelve months experienced a fall of seven points in July 2017.

20 per cent of people expect to save less than they did last year. Only 8 per cent of people think that they will save more than in the last twelve months.

ENDS



Source: Danske Bank analysis

#### Notes to Editors:

- The survey was carried out by Millward Brown in July 2017 with 1,004 people.
- Due to the date of the survey being moved from June to July, this release of the Consumer Confidence Index has been positioned as July 2017, rather than Q2 as July falls within the third quarter of the year. Therefore, this release only considers changes relative to the first quarter of 2017, and not over the year.
- The next release will be the 2017 Q3 Consumer Confidence Index and will be issued in the autumn.
- All numbers in this release are rounded to the nearest whole number.
- The 'Danske Bank Northern Ireland Consumer Confidence Index' consists of four sub-indexes based on consumer's opinions of how their financial position compares to 12 months ago; expectations of how household financial positions 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.