

News Release  
16 May 2017

### **Consumer confidence bounces back at the start of 2017**

- Consumer confidence in Northern Ireland increased by nine points between the last quarter of 2016 and the first quarter of 2017
- Over the year, the Consumer Confidence Index rose by four points
- 35 per cent of consumers plan to holiday abroad this year, but the same proportion of people don't plan to take a holiday in 2017
- Households' expectations of how their financial position will change over the next 12 months, and the amount they will spend on high value items in the next year, both increased by 13 points over the quarter
- Consumers' expectations around job security were unchanged in 2017 Q1 compared with 2016 Q4

Consumer confidence in Northern Ireland rose sharply in the first quarter of 2017 as consumers got some more clarity around the Brexit process, according to Danske Bank research published today.

The Danske Bank Northern Ireland Consumer Confidence Index increased from 132 in 2016 Q4 to 141 in 2017 Q1. The index was four points higher compared with the first quarter of 2016.

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

*“Despite the fact that inflation is rising and exerting some pressure on households’ spending power, consumer confidence surprised on the upside in the first quarter of 2017. Our Index shows that consumer confidence in Northern Ireland is at its highest level since the third quarter of 2015. This strong bounce back could, in part, be due to consumers now having more clarity about the UK Government’s planned approach to the Brexit negotiations, and that the UK and EU have both shown willingness to find a solution to the border issue. The rise in confidence could also be interpreted as a sign that, while economic growth is expected to slow, consumers now feel confident that the short-term impact of the EU referendum on the economy is not going to be as severe as first thought.”*

As part of the 2017 Q1 survey, consumers were also asked about their main holiday plans for this year. Their responses do not feed into the overall index value, but provide a useful piece of additional information.

## Holiday destination

In this survey, consumers were asked where they plan to spend their main holiday in 2017. 35 per cent of respondents expect to holiday abroad (i.e. outside of the UK or Ireland) this year, but 35 per cent of people are also not planning on going on holiday in 2017.

7 per cent of those surveyed said they planned to go on holiday within Northern Ireland, 7 per cent said they are planning on holidaying in England, Scotland or Wales, and 7 per cent are planning on visiting the Republic of Ireland. 10 per cent of consumers don't know where they will go on holiday in 2017.

Mr Lambe said: *"Given the depreciation of sterling since the referendum, we wanted to find out more about consumers' holiday plans for this year. We don't have any historical data on this question to compare the responses with, but the numbers do suggest that the relative weakness of the pound could be having an impact on consumers' holiday plans. 35 per cent of respondents plan to go abroad, and 7 per cent of respondents are planning to holiday south of the border, so they will be impacted by recent exchange rate movements. However, taken together, 59 per cent of consumers are either not planning on going on holiday, hope to holiday domestically or don't know where they will go and the weakness of the pound could be feeding into those decisions."*

## Financial position compared to last year

Over the quarter, there was an increase of nine points in the component of the index that examines how consumers feel about their current financial position compared with a year earlier. However, over the year there was a drop of three points.

25 per cent of full-time workers believe that their finances have improved over the last year. But the same is not true for the unemployed. Only 9 per cent of unemployed people feel better off than a year ago, while 40 per cent think that their current financial position is worse than it was last year.

## Expectations for finances over the next 12 months

Household expectations of how their financial position will change over the next 12 months improved by 13 points over the quarter. This reverses the sharp fall on this part of the index observed in the fourth quarter of 2016. This component of the index is now back at the level it was at in both the second and third quarters of last year.

Mr Lambe said: *"The sharp rise on this particular measure appears surprising given that rising inflation will have an adverse impact on real wage growth as we move through this year. However, when considered alongside the large fall observed on this part of the index at the end of 2016, the latest data really just shows that we are now back where we were in the second and third quarters of last year. While a reversal of the fall on this measure is encouraging, it does not necessarily mean that consumers now overwhelmingly believe that they are about to find themselves much better off."*

## **Expectations around job security**

Consumers' expectations around job security were unchanged over the quarter, but three points higher than they were in the first quarter of 2016.

A large majority of consumers aren't anticipating any changes in job security. In the South region, 81 per cent of people expect job security to remain the same, similar to 80 per cent of people in the West region. The proportions were a little bit lower in Belfast City and North region, where 72 per cent and 74 per cent of respondents respectively expect job security to remain as it is.

## **Spending expectations**

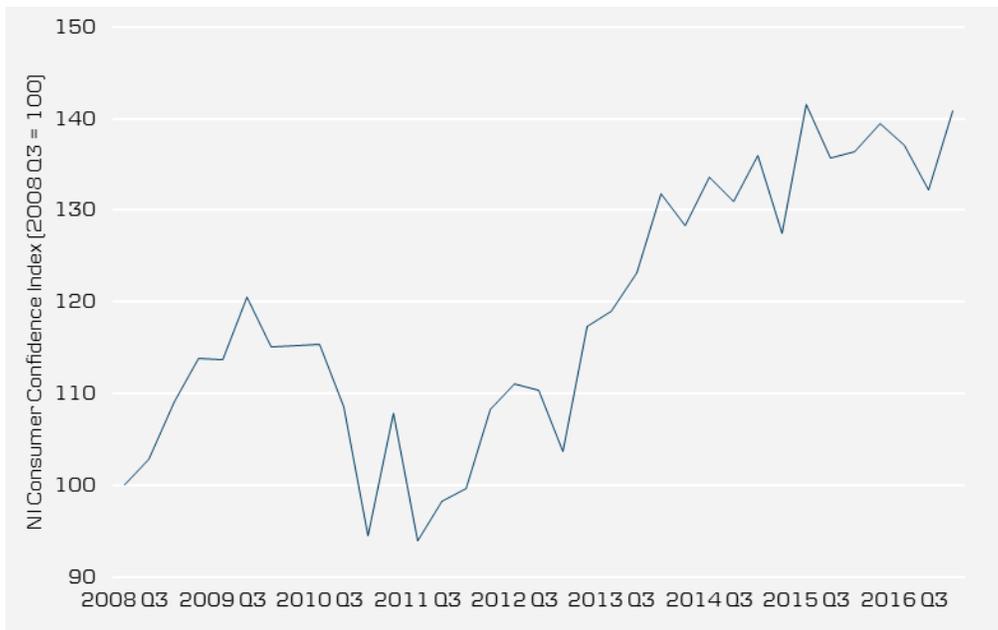
Expectations of the amount consumers will spend on high value items, such as furniture or holidays, witnessed a marked increase of 13 points over the quarter and 14 points over the year.

Mr Lambe said: *"Prices are rising, but consumers in Northern Ireland are still planning to spend over the next 12 months. We are expecting total consumer spending to be higher in 2017 than it was in 2016 and consumer sentiment around future spending seems to suggest that is likely. However, despite these intentions to spend more on expensive items, we still expect overall consumer spending growth in Northern Ireland to slow down through this year and into 2018. The preliminary GDP data for the first quarter of 2017 shows that, across the whole of the UK, the consumer squeeze already appears to be underway."*

## **Saving expectations**

The part of the survey that examines households' expectations of how much they will save in the next 12 months shows that 10 per cent of respondents expect to save more than in the last year, but 18 per cent think that they will save less.

ENDS



Source: Danske Bank analysis

#### Notes to Editors:

- The survey was carried out by Millward Brown in March 2017 with 1,020 people.
- 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.