

News Release
31 October 2017

Consumer confidence falls amid continued political impasse

- Consumer confidence in Northern Ireland fell by four points in 2017 Q3 compared with July 2017.
- Over the year, consumer confidence dropped by two points.
- Households' feelings about how their current financial position compares to last year and expectations of how their financial position will change over the next twelve months fell by three points and two points respectively compared with July 2017.
- The component of the index that examines job security experienced a fall of five points compared with July 2017 and one point compared with the third quarter of 2016.
- Consumers' expectations of how much they will spend on high value items in the next year dropped by seven points compared with July 2017 and one point compared with the same period last year.

Consumer confidence in Northern Ireland fell again in the third quarter of 2017 as political uncertainty and the lack of an Executive continued to take its toll on the outlook of local people, according to Danske Bank research published today.

The Danske Bank Northern Ireland Consumer Confidence Index decreased from the reading of 139 taken in July 2017 to 135 in the third quarter of 2017.

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

"As part of this survey, we asked consumers which factor had the largest positive and which factor had the largest negative impact on their confidence levels. With regards to negative impacts, 18 per cent of respondents mentioned the impact of high inflation, but 36 per cent of consumers said that political uncertainty and the lack of a Northern Ireland Executive had the largest negative impact on their confidence levels.

"Perhaps unsurprisingly, some consumers said that Brexit was having a negative impact on their confidence levels, while others said it was affecting them positively.

"Of the factors having a positive impact on confidence levels, 22 per cent of people mentioned low interest rates. Many people, particularly those with variable rate borrowings, will be watching future monetary policy announcements closely as the Bank of England's Monetary Policy Committee (MPC) looks set to raise interest rates relatively soon. We expect to see interest rates increase to 0.5 per cent before the end of 2018 Q1, with a rise at Thursday's MPC meeting a distinct possibility."

Financial position compared to last year

Compared with July 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. However, it was one point higher than in the third quarter of 2016.

Of those in full-time employment or in education, more people felt better off compared with a year ago than felt worse off. However, a larger proportion of part-time workers, homemakers, retired people and unemployed individuals felt that their financial position had deteriorated over the past year than thought it had improved.

Expectations for finances over the next twelve months

Household expectations of how their financial position will change over the next twelve months decreased by two points in 2017 Q3, compared with July 2017. Over the year, there was a fall of eight points.

18 per cent of consumers surveyed expect their finances to improve over the next year, but 20 per cent think their financial position will deteriorate.

Younger people seem to feel more confident about their future finances than older people. 27 per cent of 16-24 year olds and 26 per cent of 25-34 year olds expect their finances to improve, compared with 12 per cent and 17 per cent respectively who expect to become worse off. For 35-49 year olds, 23 per cent expect to become better off but 22 per cent expect their financial position to worsen. Only 13 per cent of 50-64 year olds and six per cent of over 65s believe their financial position will improve over the next year, while 28 per cent and 20 per cent respectively think it will get worse.

Mr Lambe said: *"Inflation in the UK has now reached three per cent, and we are forecasting that it will average around 2.7 per cent in 2017 and 2018. As a result, household purchasing power is likely to remain under some pressure. The squeeze on consumers is still, very much, a key factor in the outlook for the UK and Northern Ireland economies."*

Expectations around job security

Consumers' expectations around job security fell by five points compared with July 2017 and by one point compared with 2016 Q3.

Eight per cent of consumers surveyed expect to become more secure in their job over the next year and nine per cent expect their job to become less secure. In July, the numbers were 10 per cent and six per cent respectively.

However, the vast majority of consumers do not expect their job security to change. In the south region, 85 per cent of consumers aren't anticipating any changes in job security. This proportion stands at 81 per cent in the north region and 76 per cent in the west. In Belfast City, 63 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 decreased by seven points compared with July 2017 and by one point compared with 2016 Q3.

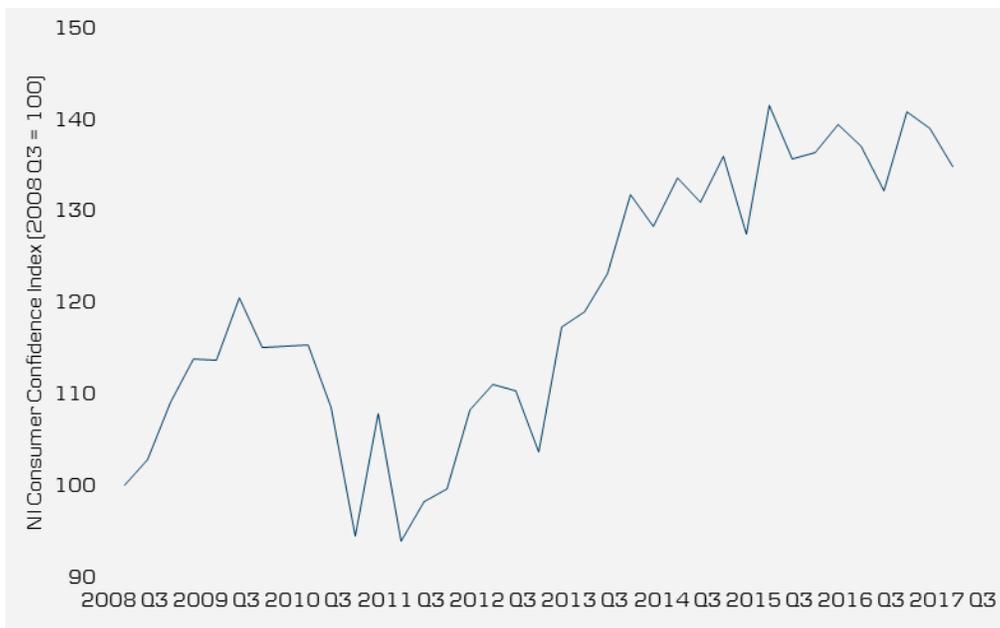
20 per cent of consumers expect to spend more on expensive items over the next year but 21 per cent expect to spend less.

Saving expectations

The part of the survey that examines households' expectations of how much they will save in the next twelve months was unchanged compared with July 2017, but three points lower than in the same period last year.

21 per cent of people expect to save less than they did last year. Only nine 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 September 2017 with 1,038 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-indices 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.