

**News Release**  
**13 February 2018**

### **Consumer confidence in Northern Ireland falls to lowest level since the end of 2013**

Consumer confidence in Northern Ireland fell sharply in the fourth quarter of 2017 as local political uncertainty and high inflation weighed down on people's confidence levels, according to analysis published by Danske Bank today.

The Danske Bank Northern Ireland Consumer Confidence Index registered a reading of 123 in the fourth quarter of 2017. This was significantly below the 135 registered in the third quarter of 2017 and the 132 reading in the fourth quarter of 2016.

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

*"At the end of last year, consumer confidence in Northern Ireland fell to its lowest level since the fourth quarter of 2013.*

*"Confidence fell very sharply in 2017 Q4, with falls observed over the quarter and over the year across all four of the sub-indices that make up the overall consumer confidence index.*

*"It's safe to conclude that the factors negatively impacting confidence outweighed the factors having a positive impact. More than a third of survey respondents said that political uncertainty and the lack of a Northern Ireland Executive had the largest negative impact on their confidence levels. It is clear that people want to see the return of the devolved institutions and so we must hope that the political parties can reach a deal sooner rather than later.*

*"The rate of price rises also had a detrimental effect on confidence levels. 16 per cent of consumers stated that the impact of high inflation on their household finances had the largest negative impact on sentiment.*

*"Despite the interest rate rise last November, 19 per cent of people still highlighted low interest rates as the factor having the largest positive impact on their confidence levels in 2017 Q4. But this was down slightly from the third quarter of 2017."*

#### **Current financial position compared with last year**

The sub-index based on how consumers feel about their current financial position compared with a year earlier recorded a fall both over the quarter and over the year.

Mr Lambe said: *"Inflation in the UK was around 3 per cent at the end of last year, whereas at the end of 2016 it was 1.6 per cent. With consumers facing significantly higher prices at the checkouts, it is not hard to explain why there was such a large fall in sentiment around current household finances."*

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

The component of the index that examines households' expectations of how their financial position will change over the next twelve months registered a reading of 140 in the fourth quarter of 2017, down from 156 in Q3 and 151 the previous year.

Mr Lambe said: *"The inflation rate is expected to decrease gradually in 2018, but we are forecasting that it will remain above the Bank of England's target and average 2.6 per cent over the year as a whole. Falling inflation should see the squeeze on consumers ease a little as we go through the year, but we still expect household spending power to remain under pressure. The fall in this part of the index suggests that consumers have similar expectations."*

## **Expectations around job security**

The part of the index based on job security posted a decline in Q4.

The majority of respondents expected their job security to remain unchanged over the next twelve months. However, some differences occur across regions. The percentage of people not expecting any change in their job security was 64 per cent in Belfast City and 65 per cent in the North. But the percentage was higher in the West and the South, at 79 per cent and 76 per cent respectively.

## **Expectations around spending on high value items**

The sub-index on the amount consumers expect to spend on high value items, such as furniture and holidays, over the next twelve months, recorded a reading of 130 in 2017 Q4, down from 139 in Q3 and 134 the previous year.

17 per cent of respondents expect to spend more on expensive items over the next twelve months, but 25 per cent of people think they will spend less.

## **Saving expectations**

The part of the index focused on savings expectations also fell sharply in the last quarter of 2017.

8 per cent of people expect to save more over the next twelve months than they did last year, but 30 per cent of people think they will save less.

Mr Lambe said: *"When considered alongside the other parts of our analysis, especially the falls observed in the sub-indices related to households' future financial positions and expected spending on big-ticket items, it appears that consumers don't believe they will have sufficient disposable income over the next twelve months to substantially increase the amount they hold in savings."*

ENDS

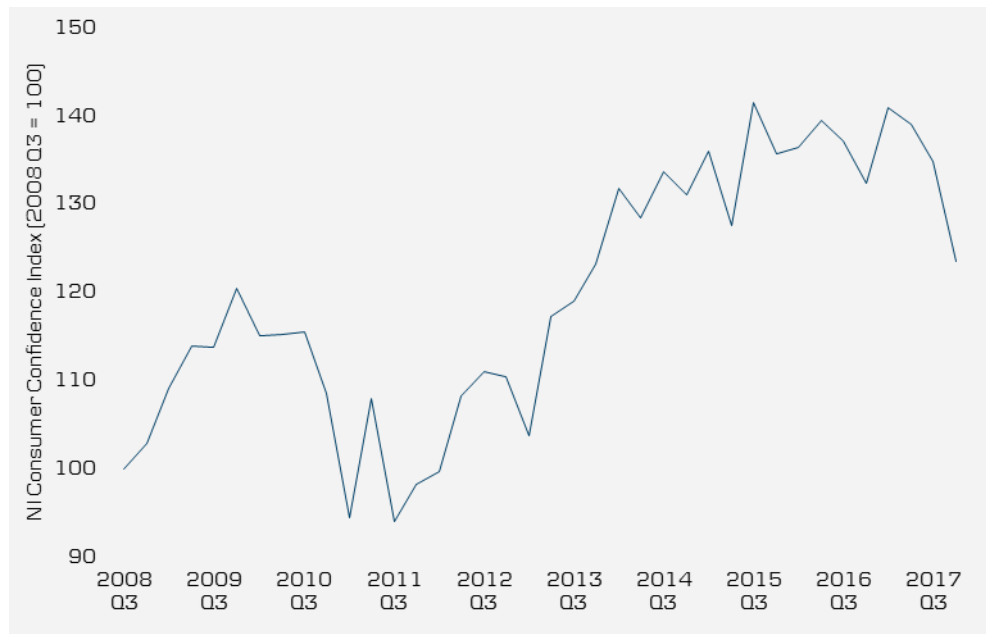
**Danske Bank Northern Ireland Consumer Confidence Index 2017 Q4: Sub-index readings**

	2017 Q4	2017 Q3	2016 Q4
<b>Consumer confidence index</b>	<b>123</b>	<b>135</b>	<b>132</b>
Current financial position compared with last year	124	141	138
Expectations for finances over the next 12 months	140	156	151
Expectations around job security	101	103	106
Expectations around spending on high value items	130	139	134
Savings expectations	130	147	148

Source: Danske Bank analysis

Note: All index values are relative to a reading of 100 in 2008 Q3

**Danske Bank NI Consumer Confidence Index 2017 Q4**



Source: Danske Bank analysis

## Notes to Editors:

- The survey was carried out by Millward Brown in December 2017 with 1,016 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.