

News Release
11 February 2020

Consumer confidence fell for the third consecutive quarter at the end of 2019

Consumer confidence in Northern Ireland fell again in the fourth quarter of 2019 as the lack of an Executive, Brexit and the impact of higher prices negatively impacted how people were feeling, according to analysis published today by Danske Bank.

The Danske Bank Northern Ireland Consumer Confidence Index fell to **129** in Q4 2019, down from **131** in the third quarter of the year but above the reading of **127** posted in the fourth quarter of 2018.

Local political uncertainty was the factor that had the most significant negative impact on confidence at the end of 2019, with **40 per cent** of respondents noting the absence of devolved government as the largest drag on confidence levels. Brexit was another factor that adversely impacted how people were feeling. And **18 per cent** of people selected the impact that higher prices had on their household finances as having the most negative influence on them.

Danske Bank Chief Economist Conor Lambe said: *“Consumers had been pointing to the lack of an Executive as one of the biggest drags on their confidence levels since we introduced this question to our survey in the third quarter of 2017, so the return of the devolved institutions at the start of this year is undoubtedly a welcome development.*

“Despite the UK now having left the EU, I believe that Brexit will continue to dampen the confidence of local people throughout this year. There is still a high degree of uncertainty around how the UK and EU will trade with each other once the transition period comes to an end, and how the Northern Ireland protocol within the Brexit Withdrawal Agreement will be applied in practice. If progress in the negotiations around these areas can’t be evidenced relatively quickly, then nervousness related to Brexit could begin to build and confidence levels could soften further.

“It is somewhat surprising to see such a large proportion of people continuing to point to the impact of higher prices as the factor having the biggest negative impact on how they were feeling, particularly given the relatively strong rate of wage growth. The latest figures show that inflation in the UK was running at just 1.3 per cent at the end of 2019, considerably below the 2.1 per cent observed at the end of 2018 and the 3.0 per cent at the end of 2017. But despite the lower headline inflation rate, prices are still increasing and local people are signalling that those rises are negatively impacting how they view their financial position.”

With regards to factors that positively impacted how local people were feeling, **25 per cent** highlighted rising wages, **11 per cent** selected low interest rates and **ten per cent** identified increasing house prices.

Conor Lambe added: *“The local labour market is one bright spot from a local economic perspective. The employment rate in Northern Ireland is currently the highest on record and the unemployment rate is the joint lowest on record. The local economy has also enjoyed quarterly increases in the number of jobs from the start of 2016. This strong labour market performance has contributed to the recently observed higher rate of wage growth, which in turn has supported consumer purchasing power.”*

Current financial position compared with last year

The part of the index focused on how consumers felt about their current financial position relative to a year ago fell over the quarter, but was unchanged when compared with the fourth quarter of 2018.

Seventeen per cent of people felt their financial position had improved over the past year, but **25 per cent** felt it had deteriorated.

Expectations for finances over the next twelve months

Compared with the previous quarter, there was a rise in the component of the index which examines consumers' expectations of how their financial position will change over the next twelve months. This part of the index also improved over the year.

Twenty-three per cent of people expected their finances to worsen over the next year, compared with **18 per cent** who expected their financial position to improve. But this was relatively stronger than observed in the third quarter of the year.

Expectations around job security

The part of the index that looks at job security experienced a slight rise over the quarter and over the year.

Eleven per cent of people expected to become more secure in their job, but **12 per cent** expected their job security to worsen.

Expectations around spending on high value items

The part of the index that indicates the amount consumers expect to spend on high-value items over the next twelve months fell over the quarter and over the year.

Fifteen per cent of consumers expected to spend more on expensive items, such as holidays and home improvements over the next year, but **25 per cent** expected to spend less.

Saving expectations

The index reading related to consumers' saving expectations increased over the quarter and over the year.

Ten per cent of people expected to save more this year than they did last year, but **22 per cent** thought they wouldn't be able to save as much over the year ahead.

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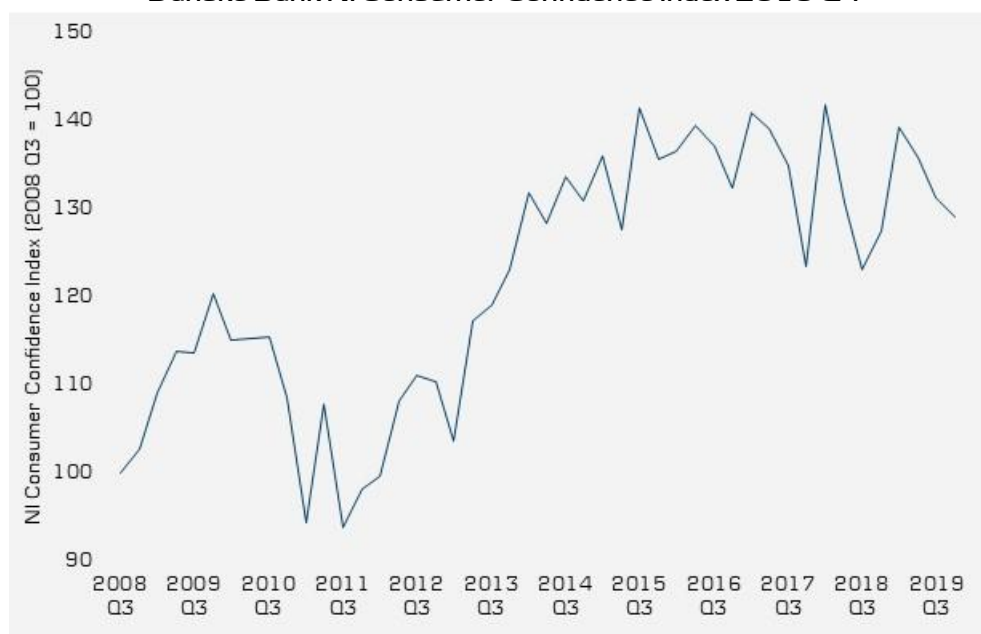
Danske Bank Northern Ireland Consumer Confidence Index 2019 Q4: Sub-index readings

	2019 Q4	2019 Q3	2018 Q4
Consumer confidence index	129	131	127
Current financial position compared with last year	135	140	135
Expectations for finances over the next 12 months	151	149	144
Expectations around job security	103	102	102
Expectations around spending on high value items	127	134	128
Savings expectations	147	137	138

Source: Danske Bank analysis

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

Danske Bank NI Consumer Confidence Index 2019 Q4



Source: Danske Bank analysis

Notes to editors:

- The survey was carried out by Cognisense in December 2019 with 1,024 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 consumers' opinions of how their current financial position compares to 12 months ago; expectations of how their household financial position 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.