

Northern Ireland Consumer Confidence Index

Coronavirus pandemic led to a sharp fall in consumer confidence in the first quarter of 2020

Consumer confidence summary

Consumer confidence in Northern Ireland declined sharply in the first quarter of 2020 as the coronavirus pandemic had a negative impact on how people were feeling.

The Danske Bank Northern Ireland Consumer Confidence Index fell to **119** in 2020 Q1, down from **129** in the fourth quarter of last year and significantly below the reading of **139** posted in the first quarter of 2019. The 2020 Q1 index reading was the lowest since 2013.

The survey was carried out during March and only partly captures the impact of the lockdown measures on sentiment levels.

Factors which negatively impacted confidence

When asked what factor had the largest negative impact on their confidence levels, 43% of respondents pointed to global risks. This is considerably higher than in previous surveys and can be attributed to the coronavirus pandemic, given the extent to which it had impacted countries across the globe at the time of the survey.

Brexit also remained an area of concern with 10% of people saying that the status of the Brexit negotiations had adversely impacted them, and a further 11% of people stating that the UK Government's longer-term Brexit objectives was the factor that had the largest negative impact on how they were feeling.

Factors which positively impacted confidence

Regarding the factors that positively impacted people, 23% said the return of the Stormont Executive had made them feel more confident.

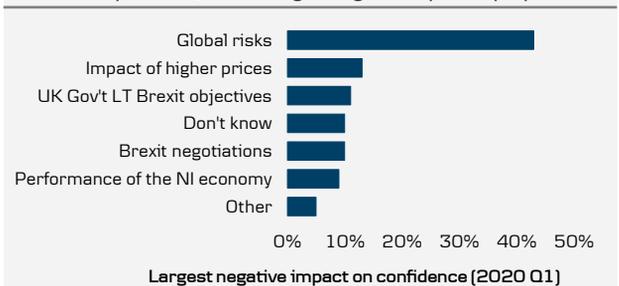
A large number of people were unable to provide an answer when asked what was making them feel confident, which is consistent with the fall in sentiment observed during the quarter.

Figure 1: Consumer confidence in Northern Ireland fell over the quarter and over the year in the first quarter of 2020



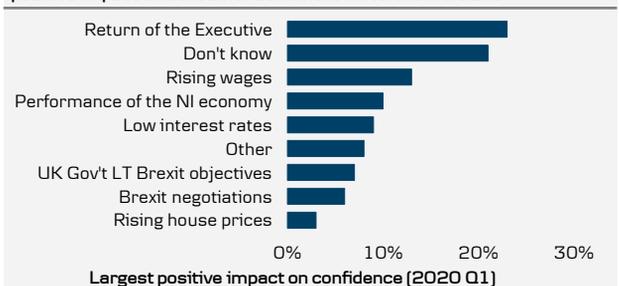
Source: Danske Bank analysis

Figure 2: Global risks, which is believed to relate mainly to the coronavirus pandemic, had the largest negative impact on people



Source: Danske Bank analysis

Figure 3: The return of the Stormont Executive in January 2020 had a positive impact on consumer sentiment in Northern Ireland



Source: Danske Bank analysis

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 increased over the quarter but fell over the year. However, the rise over the quarter is most likely due to the survey taking place during March and only partly reflecting the effects of the lockdown.

Twenty-five per cent of people felt their financial position had improved over the past twelve months, but 27% felt it had deteriorated.

Expectations for finances over the next 12 months

The index reading related to consumers' expectations of how their financial position will change over the next year decreased.

Thirty-six per cent of people expected their finances to worsen over the next twelve months, compared with 20% who expected their financial position to improve.

Expectations around job security

There was a fall in the component of the index which examines job security.

Ten per cent of people expected to become more secure in their job, but 20% 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 in 2020 Q1.

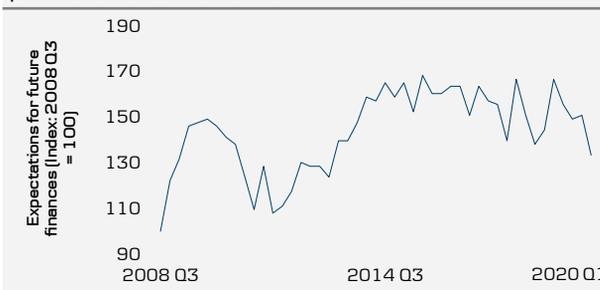
Seventeen per cent of consumers expected to spend more on expensive items, but 42% expected to spend less.

Saving expectations

The index reading related to consumers' saving expectations was unchanged compared with the previous quarter but increased over the year.

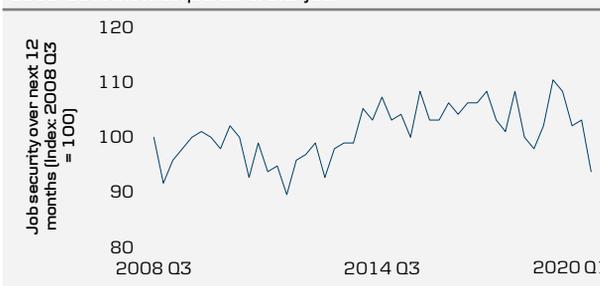
Nineteen per cent of people expected to save more this year than they did last year, but 31% thought they wouldn't be able to save as much over the year ahead.

Figure 4: Over a third of the survey respondents expected their financial position to worsen over the next twelve months



Source: Danske Bank analysis

Figure 5: Confidence around job security fell to its lowest level since 2013 Q1 in the first quarter of this year



Source: Danske Bank analysis

Figure 6: Confidence around future spending on expensive items has not been weaker since the start of 2013



Source: Danske Bank analysis

Figure 7: The parts of the index focused on expectations around future finances, job security and spending on high value items all fell over the quarter and the year in 2020 Q1

Sub-index readings	2019 Q1	2019 Q4	2020 Q1	Q-o-Q	Y-o-Y
Consumer confidence index	139	129	119	↓	↓
Current financial position compared with last year	149	135	144	↑	↓
Expectations for finances over the next 12 months	167	151	133	↓	↓
Expectations around job security	110	103	94	↓	↓
Expectations around spending on high value items	131	127	106	↓	↓
Savings expectations	143	147	147	↔	↑

Source: Danske Bank analysis

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

Regional Confidence Indices

Summary of regional indices

Consumer confidence fell in the first quarter of 2020 in Belfast City and the South region. Confidence levels were unchanged in the West region and picked up, albeit from a low base, in the North of the country.

It is important to note that the regional indices are based on smaller samples than the overall Northern Ireland measure, so caution should be exercised when interpreting the data at a regional level.

Belfast City

Confidence levels in Belfast City fell both over the quarter and the year in 2020 Q1. The headline index dropped from a reading of 164 in 2019 Q4 to 136 in the first quarter of the year.

Falls were observed across all four parts of the index, signalling that people felt more pessimistic about their current finances, future finances, job security and future spending plans.

North

The consumer confidence index for the North region increased from 94 in 2019 Q4 to 106 in 2020 Q1. However, it is important to note that the reading from the end of last year was the lowest since the beginning of 2013, so the increase over the quarter was from a low base. When compared over the year, confidence levels in the region were lower than in 2019 Q1.

The component of the index that focuses on expected future spending was the only one that experienced a fall over the quarter.

South

The overall confidence reading fell from 129 at the end of last year to 116 in the first part of 2020 in the South region. Confidence levels in the South region were the lowest they have been since the first quarter of 2013.

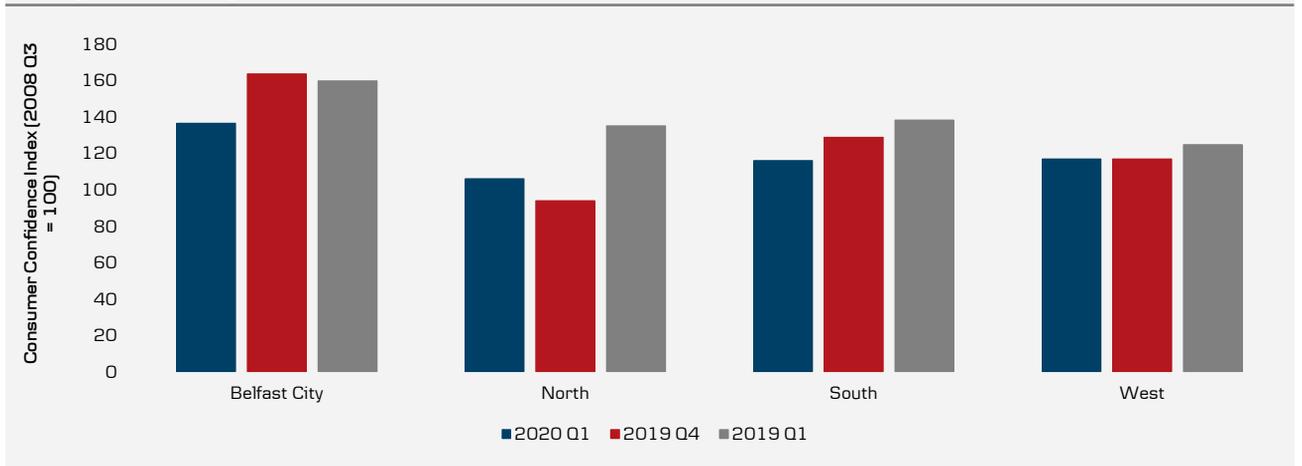
Consumers felt more confident about their current financial position but sentiment was weaker for the three forward looking parts of the index – expectations around future finances, job security and future spending. As noted for the overall index, the rise in the index reading related to peoples’ current financial position is likely due to the survey taking place during March and only partly reflecting the effects of the lockdown.

West

Confidence levels were unchanged over the quarter in the West region, with the index continuing to post a reading of 117. However sentiment was lower than a year ago when the index was at 125.

Similar to the South region, people felt better about their current finances, but were more pessimistic about how they might fare going forward.

Figure 8: Compared with the previous quarter, confidence levels in Q1 2020 were lower in Belfast City and the South region, higher in the North region and unchanged in the West region



Source: Danske Bank analysis

Focus on: Consumer spending and the coronavirus pandemic

Lockdown measures expected to bring about a large fall in consumer spending

In March 2020, Northern Ireland and the rest of the UK went into a 'lockdown' in order to limit the spread of coronavirus. Total consumer spending is expected to be significantly lower than usual while the restrictions are in place, but there will likely be some goods and services on which spending does not change, or actually increases.

Based on the average weekly household expenditure data for Northern Ireland, published by the Office for National Statistics (ONS), we have categorised the different goods and services that consumers previously spent their money on according to whether spending is likely to decrease or be delayed during the lockdown, spending is expected to remain unchanged or spending is likely to temporarily increase. This will provide some insight into which consumer-focused businesses are likely to be most impacted by the restrictions.

Spending on goods and services that previously made up one fifth of household spending may rise temporarily

We estimate that spending on goods and services which used to account for 20% of average household spending may temporarily increase during the lockdown. This includes spending on food and drink, and on take away meals, as people are now only eating at home and are not able to visit bars and restaurants. Spending on cleaning materials, toiletries and soap is also likely to rise as people comply with government hygiene advice. We also expect spending on goods and services aimed at providing entertainment whilst staying at home, such as TV subscriptions, books and games to temporarily increase.

The proportion of sales conducted online is also expected to rise during the lockdown period. Increased online purchasing may be through already established online sellers or via some firms that have adapted their business model and are now offering customers the ability to order online and avail of a new home delivery service. This increase in online shopping may result in a permanent change in consumers' spending behaviour.

Expenditure on items that used to make up around 28% of weekly spending is unlikely to change

Our analysis suggest that spending on items which previously made up about 28% of average weekly spending is likely to remain unchanged in the short-term. This includes spending on necessities such as rent for housing, utility bills and medical products. It also includes items such as insurance, pet food and telephone and internet services.

Households may reduce or delay spending on things that used to make up just over half of weekly spending

Spending on goods and services which previously accounted for 52% of average household expenditure is likely to decrease or be delayed during the lockdown. The purchase of vehicles, operation of personal transport and spending on other transport services is expected to decline as many car showrooms are closed and people are travelling much less due to workplace closures and other restrictions. Spending on clothing and footwear, furniture and in restaurants is likely to fall given the closure of many retail establishments and eateries. Holiday spending is also expected to be lower as international travel is reduced by the pandemic. Given the decision to defer the issuing of domestic rates bills and the fact that many people have requested a mortgage payment holiday, we expect spending on mortgage interest payments and rates to be delayed for a period of time.

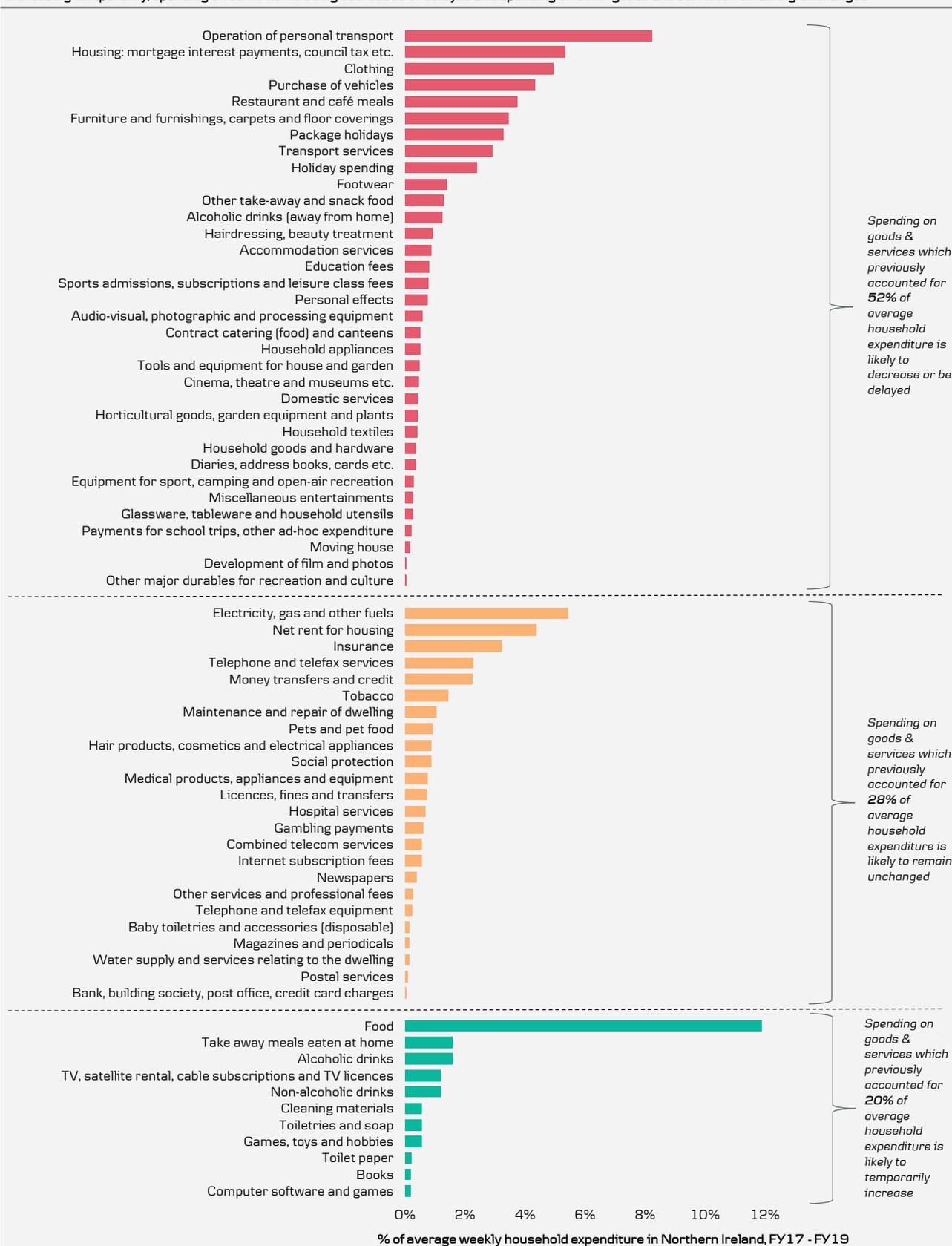
Confidence levels will be an important factor in the consumer spending recovery

It is important to note that while, for example, spending on goods and services that used to make up just over half of household spending is likely to decrease or be delayed during the lockdown, this is not the same as expecting total consumer spending to fall by close to 50% as the extent of the decline in spending on individual items will likely vary and spending is expected to pick up once the restrictions begin to be lifted.

With regards to the impacts on spending at an aggregate level, in our [April 2020 Northern Ireland Quarterly Sectoral Forecasts](#) report, we projected that consumer spending would contract by around 8% this year with the negative shock concentrated in the first half of 2020.

In addition to the lockdown measures, lower confidence levels among consumers is a key factor likely to contribute to the expected fall in total spending. How quickly consumer confidence rises again will be an important factor in determining the pace at which consumer spending in Northern Ireland begins to recover.

Figure 9: The coronavirus-related restrictions are likely to impact the way households spend money in different ways, with spending in some categories increasing temporarily, spending on some items being decreased or delayed and spending on other goods and services remaining unchanged



Source: Danske Bank analysis, ONS Family Spending in the UK statistics

Survey details, disclaimer and copyright

Survey Details

- The survey was carried out by Cognisense in March 2020 with 1,001 people.
- All survey data is 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.

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