

# Northern Ireland Consumer Confidence Index

Gradual easing of the lockdown restrictions led to a slight rise in consumer confidence in the second quarter of 2020

## Consumer confidence summary

Consumer confidence in Northern Ireland increased slightly in the second quarter of 2020 as the lockdown restrictions began to be eased, but confidence levels remained well below where they were at the same time last year.

The Danske Bank Northern Ireland Consumer Confidence Index increased to **122** in 2020 Q2, up from **119** in the first quarter of the year but still significantly below the reading of **136** posted in the second quarter of 2019 (see Figure 1).

The survey was carried out during June when the lockdown restrictions had started to be gradually eased.

## Factors which positively impacted confidence

When asked what factor had the largest positive impact on their confidence levels, 30% of respondents pointed to the gradual easing of the lockdown restrictions.

A further 16% of people said that government measures aimed at protecting jobs and incomes, such as the furlough scheme, had a positive impact on sentiment.

Ten per cent of consumers said low interest rates had a positive effect on them (see Figure 2).

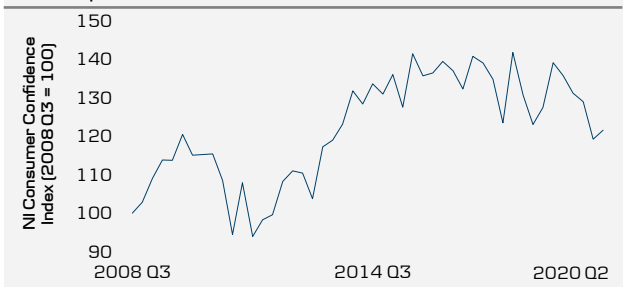
## Factors which negatively impacted confidence

Figure 3 shows that 18% of people said that the lockdown restrictions made them feel less confident.

Brexit was another area of concern with 15% of people stating that the UK Government's longer-term Brexit objectives had adversely impacted them and a further 9% of people saying that the status of the Brexit negotiations was the factor that had the largest negative impact on how they were feeling.

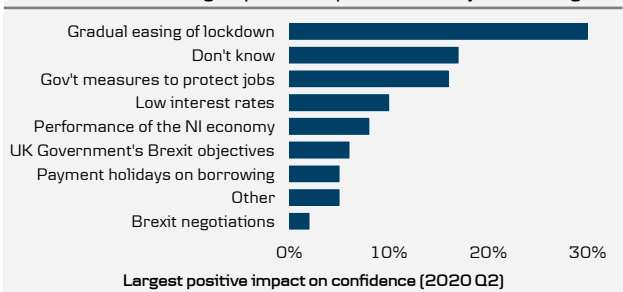
Eight per cent of people said being furloughed or experiencing a reduction in working hours negatively impacted them, while 6% pointed to becoming unemployed due to the coronavirus pandemic.

Figure 1: Consumer confidence in Northern Ireland increased slightly over the quarter but fell over the twelve months to 2020 Q2



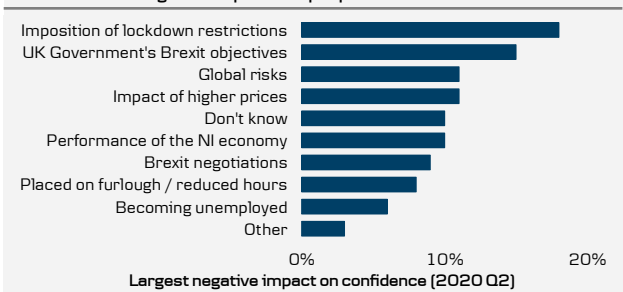
Source: Danske Bank analysis

Figure 2: Three in ten people said the gradual easing of the lockdown restrictions had the largest positive impact on how they were feeling



Source: Danske Bank analysis

Figure 3: The lockdown restrictions due to the coronavirus pandemic and Brexit had negative impacts on people in 2020 Q2



Source: Danske Bank analysis

### Current financial position compared with last year

Twenty-one per cent of people felt their financial position had improved over the past twelve months, but 31% felt it had deteriorated, which likely reflects the challenges many people have faced due to the impacts of the coronavirus pandemic.

This was relatively weaker than in the previous quarter and in 2019 Q2.

### Expectations for finances over the next 12 months

Figure 4 shows that this part of the index increased over the quarter but fell over the year.

Thirty per cent of people expected their finances to worsen over the next twelve months, compared with 23% who expected their financial position to improve.

### Expectations around job security

There was a slight rise in the component of the index which examines job security compared with the previous quarter, but the index reading was lower than in 2019 Q2 (see Figure 5).

Eleven per cent of people expected to become more secure in their job, but 17% expected their job security to worsen.

### Expectations around spending on high value items

Figures 6 and 7 show that there was a quarterly increase in the part of the index that indicates the amount consumers expect to spend on high-value items over the next twelve months, but a fall when compared over the year.

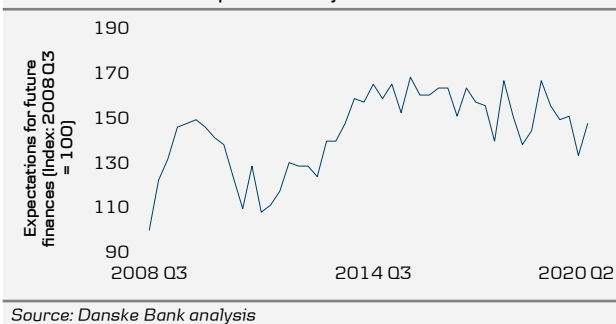
Twenty-one per cent of consumers expected to spend more on expensive items, but 44% expected to spend less.

### Saving expectations

The index reading related to consumers' saving expectations increased.

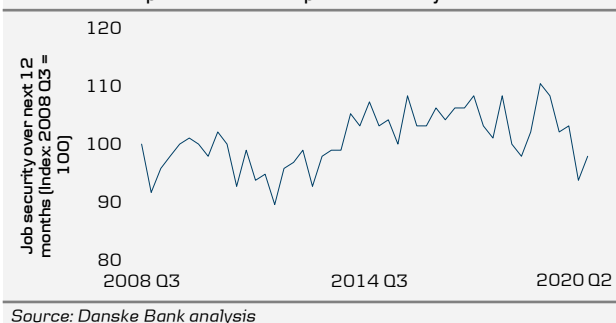
Twenty-seven per cent of people expected to save more this year than they did last year, but 30% thought they wouldn't be able to save as much over the year ahead.

Figure 4: Confidence around people's future financial positions increased in the second quarter of the year



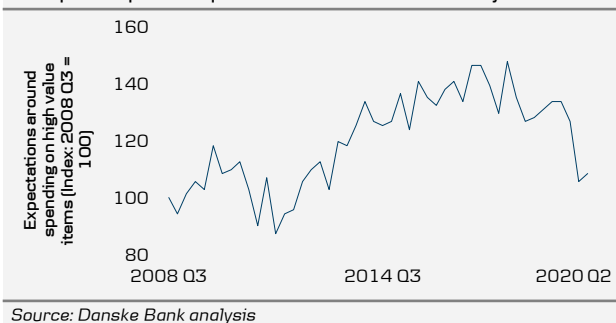
Source: Danske Bank analysis

Figure 5: Confidence around job security increased slightly in 2020 Q2 but remained depressed when compared with last year



Source: Danske Bank analysis

Figure 6: Confidence around future spending on expensive items was also up on the previous quarter but remained at a relatively low level



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 increased somewhat over the quarter but were lower than observed in the second quarter of last year

Sub-index readings	2019 Q2	2020 Q1	2020 Q2	Q-o-Q	Y-o-Y
Consumer confidence index	136	119	122	↑	↓
Current financial position compared with last year	146	144	132	↓	↓
Expectations for finances over the next 12 months	156	133	148	↑	↓
Expectations around job security	108	94	98	↑	↓
Expectations around spending on high value items	134	106	108	↑	↓
Savings expectations	143	147	162	↑	↑

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 slightly in the second quarter of 2020 in Belfast City, the South region and the West region. However, confidence levels increased quite strongly in the North of the country (see Figure 8).

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 Q2. The headline index dropped from a reading of 136 in 2020 Q1 to 134 in the second quarter of the year.

Quarterly falls were observed across the parts of the index focused on job security and expected future spending, with confidence around people’s current finances and future financial positions unchanged from the first quarter of the year.

### North

The consumer confidence index for the North region increased from a relatively low base of 106 in 2020 Q1 to 131 in 2020 Q2. It was the only region to experience a quarterly rise in confidence levels. But when compared over the year, confidence levels in the region were lower than in 2019 Q2.

Increases were observed across all four parts of the index when compared with the previous quarter, signalling that people felt more confident about their current finances, future finances, job security and future spending plans.

### South

The overall confidence reading fell from 116 in the first quarter of the year to 115 in the second quarter of 2020 in the South region. Confidence levels were also lower than in 2019 Q2.

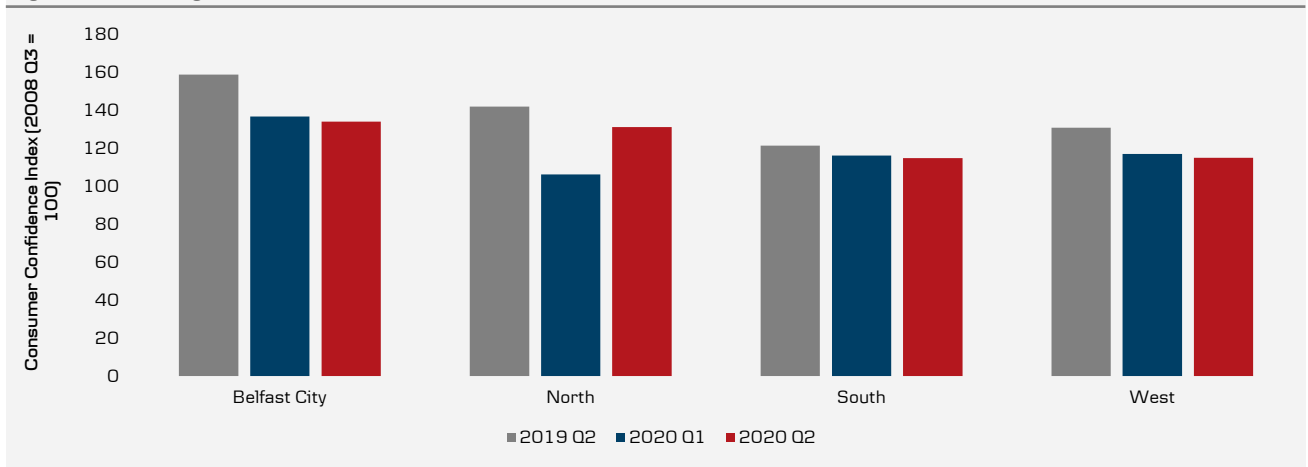
There was a sharp fall over the quarter with regards to how people felt about the current financial position but the parts of the index focused on people’s future finances, job security and expected future spending all increased.

### West

Confidence levels fell over the quarter in the West region, with the index posting a reading of 115 in 2020 Q2. Sentiment was also lower than a year ago when the index was at 131.

People reported feeling better about their future financial positions compared with the previous quarter and there was a small increase in the part of the index based on job security. But consumers felt less confident about their current finances and their expected spending on expensive items over the next twelve months.

Figure 8: Compared with the previous quarter, confidence levels in 2020 Q2 were slightly lower in Belfast City, the South region and the West region but higher in the North region



Source: Danske Bank analysis

# Commentary

## **Increase in sentiment is welcome but confidence levels remained lower than a year ago**

The Northern Ireland economy, like the wider UK, is expected to have experienced a staggering decline in economic activity during the second quarter of the year as the lockdown restrictions led many businesses, schools and other organisations to temporarily close.

While the output data is likely to show an unprecedented quarterly fall in 2020 Q2, April probably represented the low point for the economy, with activity beginning to recover in May as the lockdown restrictions began to be gradually eased. That appears to have been the case in the UK where GDP declined in both March and April, but then returned to relatively modest growth in May.

As the economy started to reopen, consumer confidence levels increased slightly in Northern Ireland. Our 2020 Q2 Consumer Confidence Index reading of 122, based on our June survey, is slightly higher than the 119 posted back in the first quarter of the year. This modest increase in sentiment is welcome, but confidence levels were lower than they were in the second quarter of last year and so we must hope for further increases going forward to provide some momentum to what is likely to be a very gradual economic recovery.

## **The lockdown restrictions heavily influenced confidence levels**

The lockdown restrictions put in place to limit the spread of coronavirus featured at the top of the list of factors that impacted people both positively and negatively during the second quarter. Thirty per cent of people said that the gradual easing of the restrictions positively impacted them during June but 18% said that the imposition of the lockdown had the largest negative impact on how they were feeling.

This suggests that while the easing of the measures and the reopening of businesses was a welcome development for many people, the unprecedented step of having to shut down large parts of the economy due to the pandemic is likely to influence consumer behaviour and willingness to spend for some time to come.

## **The labour market impacts of the pandemic are yet to fully materialise**

For some of the respondents to our survey, being placed on furlough or experiencing a reduction in working hours (8% of people), or becoming unemployed (6% of people), had the largest negative impact on how they were feeling. Whereas 16% of people highlighted government measures to protect jobs and incomes, such as the furlough scheme, as positively affecting them.

The introduction of the furlough scheme appears to have had some success in limiting the labour market impacts of the pandemic so far, but as the scheme begins to be unwound in August ahead of it coming to an end in October, the number of people losing their jobs is, unfortunately, likely to increase. Some early signs of this are already evident in the data, with the number of proposed redundancies in Northern Ireland reaching a record high in June.

The part of our index that relates to consumers expectations of job security increased slightly in 2020 Q2, but the percentage of people who expected to become less secure in their job was still larger than the percentage that thought their job security would improve (the index rose due to the relative difference being smaller than in Q1). And similar to the overall index, the job security reading was lower than observed at the same time last year.

## **Brexit remains a concern for local people**

With the risk of the UK and EU not being able to reach an agreement on their future relationship persisting, and a continued lack of clarity on how the Protocol on Ireland and Northern Ireland will be implemented, many consumers continued to regard Brexit as having a negative impact on their confidence levels.

Fifteen percent of people stated that the UK Government's longer-term Brexit objectives had the largest negative impact on them during 2020 Q2, with a further 9% of people saying the status of the negotiations adversely impacted them. That compares with 6% and 2% of people who viewed these respective factors as a positive.

For local businesses, there is still considerable uncertainty around what will happen when the transition period ends, including with regards to the movement of goods between Great Britain and Northern Ireland. It is important that firms recognise that Brexit remains a live issue and take what steps they can now to be as prepared as possible for the changes that will take effect from the beginning of next year.

# Survey details, disclaimer and copyright

## Survey Details

- The survey was carried out by Cognisense in June 2020 with 1,009 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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