

Northern Ireland Consumer Confidence Index

Confidence levels fell in 2020 Q3 as coronavirus, Brexit and the performance of the economy weighed on consumers

Consumer confidence summary

Consumer confidence in Northern Ireland decreased in the third quarter of 2020 as the coronavirus pandemic, Brexit and the performance of the economy all took a toll on local people.

The Danske Bank Northern Ireland Consumer Confidence Index decreased to **119** in 2020 Q3, down from **122** in the second quarter of the year and well below the reading of **131** posted in the third quarter of 2019 (see Figure 1).

The survey was carried out during September, before the four-week period of more stringent coronavirus restrictions was announced.

Factors which positively impacted confidence

When asked what factor had the largest positive impact on their confidence levels, 20% of respondents pointed to the restrictions put in place to limit the spread of coronavirus. However, for 14% of people, it was the gradual easing of restrictions that impacted them positively.

A further 13% of people said that government measures aimed at protecting jobs and incomes, such as the Furlough scheme, had a positive impact on sentiment (see Figure 2).

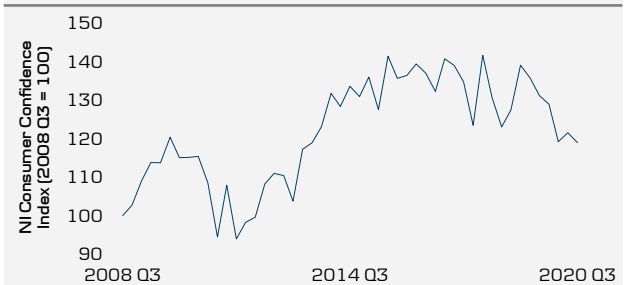
Factors which negatively impacted confidence

Figure 3 shows that 16% of people said that the coronavirus restrictions made them feel less confident.

Brexit was another major area of concern with 16% of people stating that the status of the Brexit negotiations had negatively affected how they were feeling and an additional 10% of people saying that the UK Government's longer-term Brexit objectives was the factor that had the largest adverse impact on them.

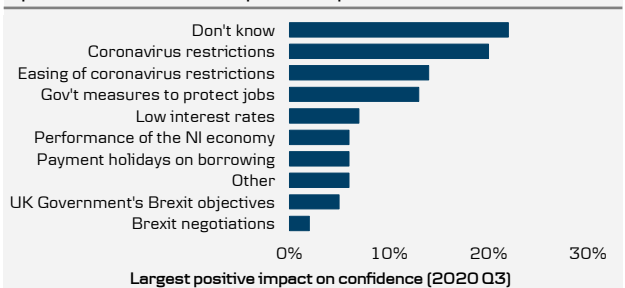
Thirteen per cent of people said the overall performance of the local economy negatively impacted them in the third quarter of the year.

Figure 1: Consumer confidence in Northern Ireland decreased over the quarter and over the twelve months to 2020 Q3



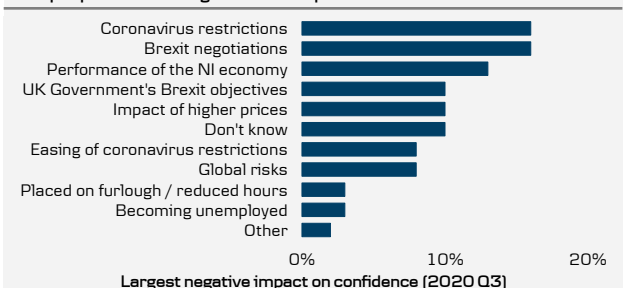
Source: Danske Bank analysis

Figure 2: One in five people said that restrictions put in place to limit the spread of coronavirus had a positive impact on them



Source: Danske Bank analysis

Figure 3: Coronavirus restrictions and Brexit had negative impacts on how people were feeling in the third quarter of 2020



Source: Danske Bank analysis

Current financial position compared with last year

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

Twenty-one per cent of people felt their financial position had improved over the past twelve months, but 33% felt it had deteriorated.

Expectations for finances over the next 12 months

The component of the index that focuses on how people expect their finances to change over the year ahead decreased over the quarter and when compared with 12 months ago.

Twenty-six per cent of people expected their finances to worsen over the next year, compared with 18% 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 Q3 (see Figure 5).

Ten per cent of people expected to become more secure in their job, but 15% expected their job security to worsen.

Expectations around spending on high value items

Figure 6 shows that the part of the index that indicates the amount consumers expect to spend on high-value items over the next twelve months decreased in 2020 Q3.

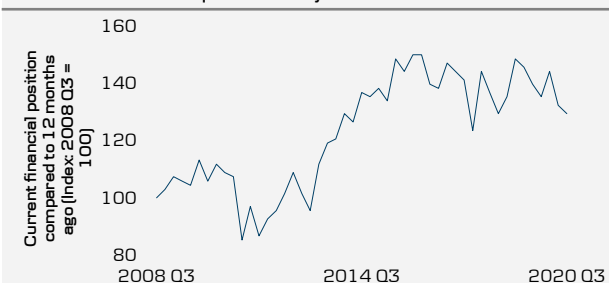
Twenty per cent of consumers expected to spend more on expensive items, but 48% expected to spend less.

Saving expectations

The index reading related to consumers' saving expectations decreased over the quarter but increased over the year (see Figure 7).

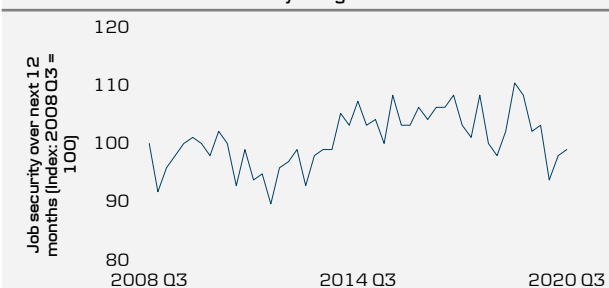
Twenty-five per cent of people expected to save more this year than they did last year, but 30% thought they wouldn't be able to save as much over the year ahead.

Figure 4: Confidence around people's current financial positions decreased in the third quarter of the year



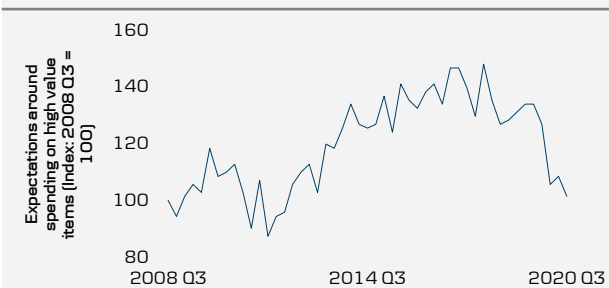
Source: Danske Bank analysis

Figure 5: Confidence around job security increased slightly in 2020 Q3 but remained lower than it was a year ago



Source: Danske Bank analysis

Figure 6: Confidence around future spending on expensive items fell to its lowest level since the start of 2012 in 2020 Q3



Source: Danske Bank analysis

Figure 7: The parts of the index focused on current finances, expectations around future finances and spending on high value items all decreased over the quarter but confidence around job security increased slightly

Sub-index readings	2019 Q3	2020 Q2	2020 Q3	Q-o-Q	Y-o-Y
Consumer confidence index	131	122	119	↓	↓
Current financial position compared with last year	140	132	129	↓	↓
Expectations for finances over the next 12 months	149	148	146	↓	↓
Expectations around job security	102	98	99	↑	↓
Expectations around spending on high value items	134	108	101	↓	↓
Savings expectations	137	162	158	↓	↑

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 third quarter of 2020 in Belfast City, the North region and the West region. However, confidence levels increased in the South 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 Q3. The headline index declined from a reading of 134 in 2020 Q2 to 125 in the third quarter of the year.

Quarterly falls were observed across the parts of the index related to people’s current finances, job security and expected future spending, with confidence around future financial positions increasing compared with the second quarter of the year.

North

The consumer confidence index for the North region decreased from 131 in 2020 Q2 to 127 in 2020 Q3. But when compared over the year, confidence levels in the region were higher than in 2019 Q3.

Declines were observed across the parts of the index which examine current finances and expected future finances, but the components of the index that focus on job security and expected future spending on expensive items increased.

South

Consumer confidence increased from 115 in the second quarter of the year to 121 in the third quarter of 2020 in the South region, marking it out as the only region to experience a quarterly rise in confidence levels. However, confidence was lower than it was in 2019 Q3.

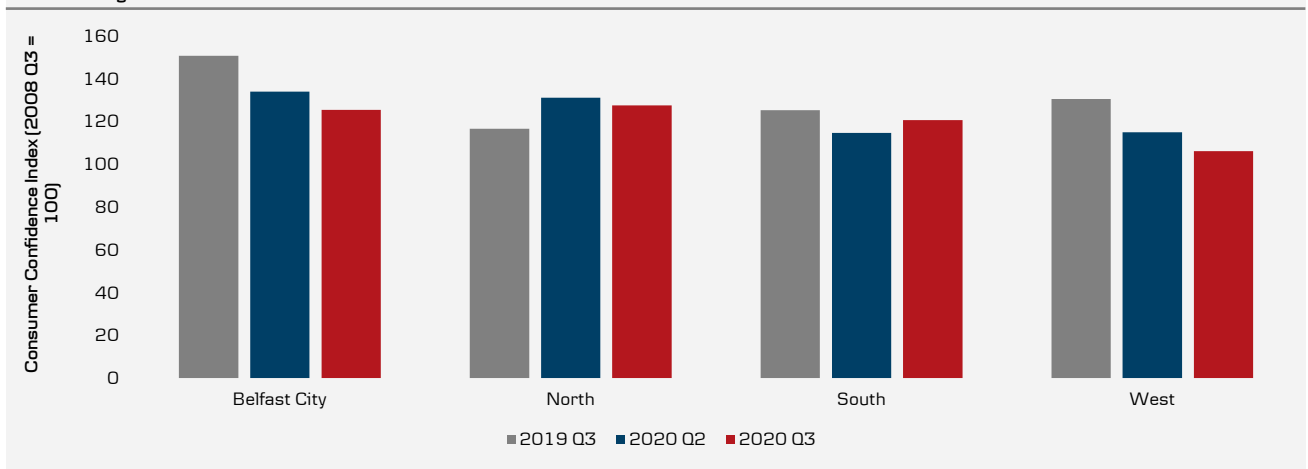
The parts of the index based on current finances, future finances and expected future spending all increased over the quarter, but a decline was recorded for the sub-index related to job security.

West

Confidence levels fell over the quarter in the West region, with the index posting a reading of 106 in 2020 Q3. Sentiment was also lower than a year ago when the index was at 130.

People reported feeling worse about their current finances, future financial positions and the amount they expect to spend on expensive items over the next twelve months. But consumers felt more confident about their job security than they did in 2020 Q2.

Figure 8: Compared with the previous quarter, confidence levels in 2020 Q3 were lower in Belfast City, the North region and the West region but higher in the South region



Source: Danske Bank analysis

Commentary

Consumer confidence declined as economic headwinds started picking up

Consumer confidence levels in Northern Ireland declined in the third quarter of the year as the coronavirus pandemic, Brexit and the performance of the local economy negatively impacted sentiment.

The 2020 Q3 Consumer Confidence Index reading of 119, based on our September survey, was lower than the 122 recorded in the second quarter of the year and the 131 posted in the third quarter of last year. This latest reading saw consumer confidence return to a similar level to where it was in March, at the time of our Q1 survey.

Coronavirus restrictions had a significant impact on confidence levels

Our survey showed that the extent of the restrictions put in place to limit the spread of coronavirus had a significant impact on confidence levels, affecting some people positively and others negatively.

Sixteen per cent of those surveyed stated that the restrictions put in place by the Government to limit the spread of the coronavirus had the largest negative impact on how they were feeling. However, for some people restrictions had a positive impact, with 20 per cent of respondents saying that the restrictions made them feel more confident.

In addition, 14 per cent of people expressed the view that the gradual easing of restrictions impacted them positively while 8 per cent of respondents said the easing of restrictions negatively affected them.

It is important to note that our survey took place in September, when coronavirus case numbers were higher than they were during the summer, but before the four-week period of heightened restrictions was announced.

Policy measures continued to support labour market confidence

The part of our index which focuses on job security was the only component that experienced a rise in 2020 Q3. This sub-index increased slightly from a reading of 98 in the second quarter of the year to 99 in quarter three. However, the percentage of people who expected to become less secure in their job (15 per cent) was still larger than the percentage that thought their job security would improve (10 per cent). The index rose due to the relative difference being smaller than in Q2.

The rise in this part of the index can perhaps be explained by the continued operation of the Coronavirus Job Retention Scheme, or Furlough scheme. Thirteen per cent of people highlighted policy measures aimed at protecting jobs and incomes as the factor that had the largest positive impact on them. While the number of people who said that becoming unemployed due to the pandemic had the largest negative impact on them was relatively low at 3 per cent.

However, despite the measures put in place by the Government to support jobs, unemployment in Northern Ireland is still expected to rise sharply over the months ahead. The latest Coronavirus Job Retention Scheme statistics show that there were still 70,500 jobs furloughed in Northern Ireland at the end of August, and the local labour market data shows that between the start of September and the middle of October, there were 1,720 proposed redundancies.

The performance of the economy negatively impacted consumers

Following the sharp drop in economic activity during the first half of the year, the performance of the Northern Ireland economy was another factor that negatively impacted people in 2020 Q3. Thirteen per cent of those surveyed said the performance of the economy had the largest negative impact on them, compared with 6 per cent of respondents who felt more positive about the local economy.

Brexit uncertainty a concern for consumers as well as businesses

With the end of the transition period just two months away, the continued uncertainty around Brexit represents a key challenge for local businesses trying to prepare for a new trading relationship between the UK and the EU, and the implementation of the Northern Ireland Protocol.

However, our survey showed that Brexit is also impacting consumers. Sixteen per cent of people said that the status of the Brexit negotiations had the largest negative impact on how confident they were feeling, and an additional 10 per cent said the UK Government's longer term Brexit objectives affected them negatively.

We continue to believe that the UK and the EU will reach an agreement over the coming weeks but the possibility of the transition period ending without a new agreement in place represents a significant downside risk to the Northern Ireland and UK economies.

Survey details, disclaimer and copyright

Survey Details

- The survey was carried out by Cognisense in September 2020 with 1,000 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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