

Northern Ireland Consumer Confidence Index

Confidence increased in 2020 Q4 following positive news about vaccines, but remained below pre-pandemic level

Consumer confidence summary

Consumer confidence in Northern Ireland increased in the fourth quarter of 2020 as the positive news about coronavirus vaccines provided a boost to local people. However sentiment was still lower than it had been at the end of 2019, before the pandemic began.

The Danske Bank Northern Ireland Consumer Confidence Index increased to **124** in 2020 Q4, up from **119** in the third quarter of the year, but below the reading of **129** posted in the fourth quarter of 2019 (see Figure 1). The survey was carried out in December.

Looking forward, consumer confidence and its impact on spending are likely to be important determinants of the speed of the economic recovery.

Factors which positively impacted confidence

When asked what factor had the largest positive impact on their confidence levels, 44% of respondents pointed to the positive news about coronavirus vaccines. For 13% of people, it was the restrictions put in place to limit the spread of coronavirus that impacted them positively.

A further 8% said that government measures aimed at protecting jobs and incomes, such as the Furlough scheme, had a positive impact on sentiment (see Figure 2).

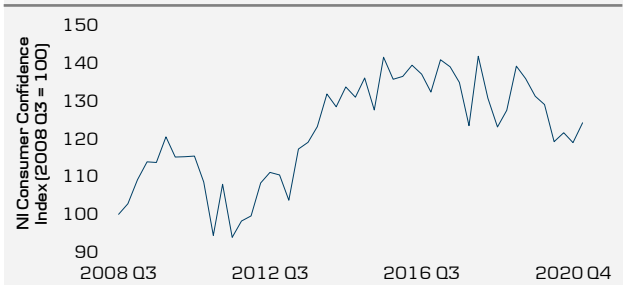
Factors which negatively impacted confidence

Figure 3 shows that 22% of people said that the coronavirus restrictions made them feel less confident.

Brexit continued to adversely impact confidence levels in 2020 Q4. Seventeen per cent stated that the status of the Brexit negotiations had negatively affected how they were feeling and an additional 12% of people said that the UK Government's longer-term Brexit objectives had the largest adverse impact on them.

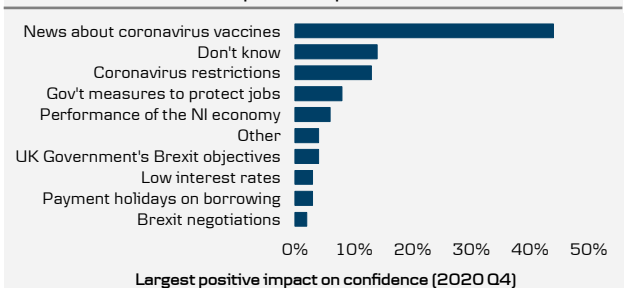
Twelve per cent said the overall performance of the local economy negatively impacted them in the final quarter of the year.

Figure 1: Consumer confidence in Northern Ireland increased over the quarter but fell over the year to 2020 Q4



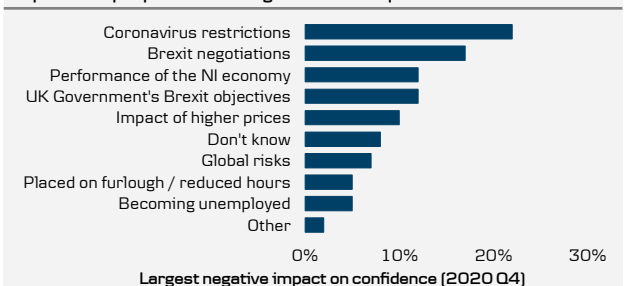
Source: Danske Bank analysis

Figure 2: More than 40 per cent of people said that the news about coronavirus vaccines had a positive impact on them



Source: Danske Bank analysis

Figure 3: Coronavirus restrictions and Brexit continued to negatively impact how people were feeling in the fourth quarter of 2020



Source: Danske Bank analysis

Current financial position compared with last year

This part of the index increased over the quarter and over the year.

Twenty-four per cent of people felt their financial position had improved over the past twelve months but 29% felt their finances had deteriorated. Despite more people feeling their finances had worsened than improved, the index increased as the relative difference was smaller than in the previous quarter.

Expectations for finances over the next 12 months

Figure 4 shows that the component of the index that focuses on how people expect their finances to change over the year ahead increased over the quarter and was unchanged when compared with 12 months ago.

Twenty-three per cent of people expected their finances to worsen over the next year, but 18% expected their financial position to improve.

Expectations around job security

There was a decline in the component of the index which examines job security (see Figure 5).

Seven per cent of people expected to become more secure in their job, but 16% 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 increased over the quarter to 2020 Q4, but fell over the year.

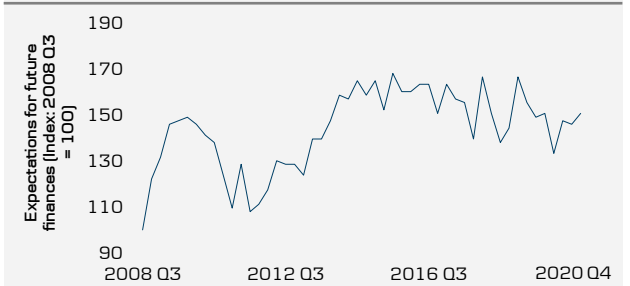
Twenty-one per cent of consumers expected to spend more on expensive items, but 42% expected to spend less.

Saving expectations

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

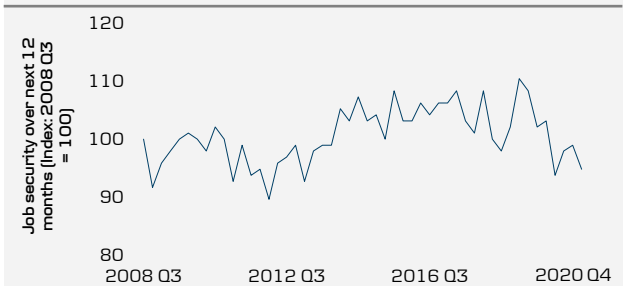
Twenty-two per cent of people expected to save more this year than they did last year, but 28% thought they wouldn't save as much over the year ahead.

Figure 4: Confidence around how people expected their financial positions to change increased in the final quarter of the year



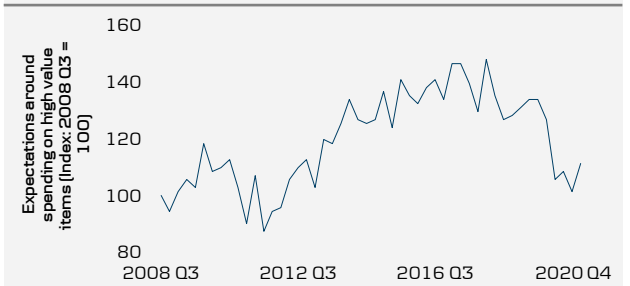
Source: Danske Bank analysis

Figure 5: Sentiment related to job security declined in the fourth quarter of 2020



Source: Danske Bank analysis

Figure 6: Confidence around future spending on expensive items increased in 2020 Q4, but was considerably weaker than in 2019



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 increased over the quarter but confidence around job security declined

Sub-index readings	2019 Q4	2020 Q3	2020 Q4	Q-o-Q	Y-o-Y
Consumer confidence index	129	119	124	↑	↓
Current financial position compared with last year	135	129	140	↑	↑
Expectations for finances over the next 12 months	151	146	151	↑	↔
Expectations around job security	103	99	95	↓	↓
Expectations around spending on high value items	127	101	111	↑	↓
Savings expectations	147	158	157	↓	↑

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 increased in the fourth quarter of 2020 in Belfast City and the West region. However, confidence levels were unchanged in the South of the country and decreased in the North region (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 increased over the quarter but fell over the year in 2020 Q4. The headline index rose from a reading of 125 in 2020 Q3 to 132 in the fourth quarter of the year.

Quarterly increases were observed across the parts of the index related to people’s current finances, future finances and expected future spending, with confidence around job security decreasing slightly compared with the third quarter of the year.

North

The consumer confidence index for the North region decreased from 127 in 2020 Q3 to 125 in 2020 Q4. But when compared over the year, confidence levels in the region were significantly higher than in 2019 Q4.

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

South

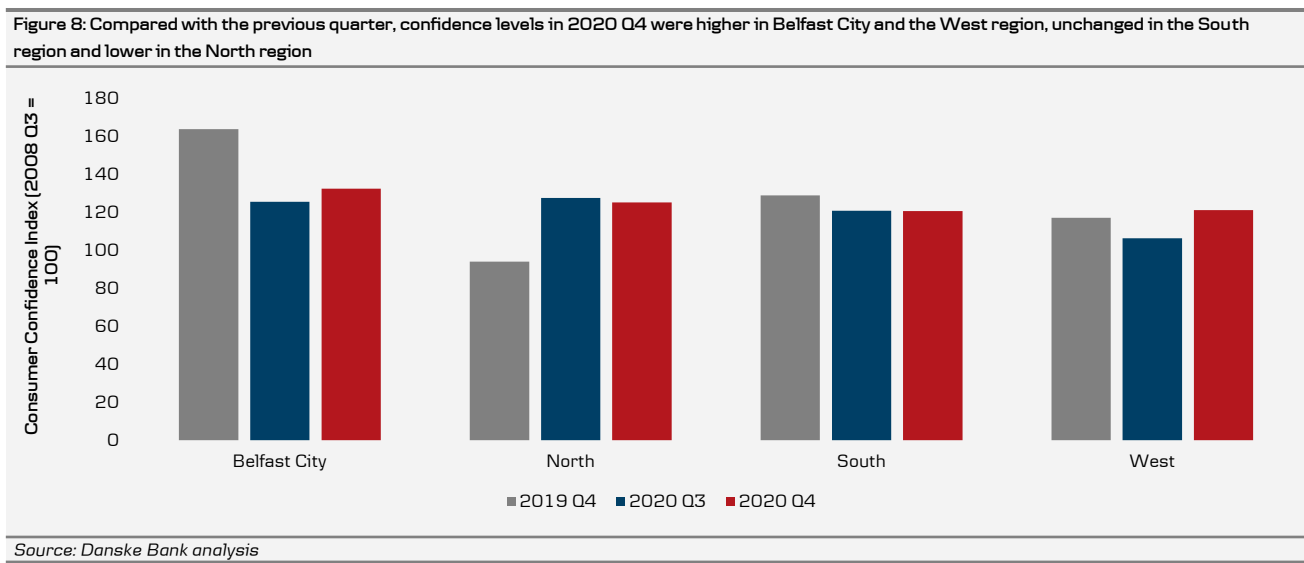
When compared with the previous quarter, consumer confidence remained unchanged at 121 in the fourth quarter of 2020 in the South region. However, confidence was lower than it was in 2019 Q4.

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

West

Confidence levels increased over the quarter in the West region, with the index posting a reading of 121 in 2020 Q4. Sentiment was also higher than a year ago when the index was at 117.

People reported feeling worse about their job security in the final quarter of 2020, but more positive about their current finances, future financial positions and the amount they expect to spend on expensive items over the next twelve months.



Commentary

Confidence increased at the end of 2020 but was still weaker than before the onset of the pandemic

Consumer confidence levels in Northern Ireland increased in the fourth quarter of 2020 as positive news about coronavirus vaccines boosted sentiment. However despite the quarterly rise, people were less confident than they were at the end of 2019, reemphasising the adverse impact that the pandemic had on people throughout most of 2020.

The 2020 Q4 Consumer Confidence Index reading of 124, based on our December survey, was higher than the 119 recorded in the third quarter of the year but lower than the 129 posted in the final quarter of 2019.

The coronavirus pandemic continued to be a key driver of consumer sentiment

As expected, the coronavirus pandemic continued to be a key driver of confidence levels at the end of 2020.

The news about coronavirus vaccines was the main factor that contributed to the quarterly increase in confidence levels, with 44 per cent of people saying that it had the largest positive impact on how they were feeling at the end of the year. For 13 per cent of people, it was the restrictions put in place to limit the spread of coronavirus that had had a positive affect on their confidence levels.

However, the fact that the case numbers were so high and that stringent restrictions were needed again weighed on confidence levels in the fourth quarter of 2020. Hospitality and close contact businesses in Northern Ireland had to close in October, a two-week circuit breaker came into effect in November and a further period of lockdown that was initially scheduled to last for six weeks, but has since been extended, was announced in the middle of December. Against this backdrop, 22 per cent of people said that the coronavirus restrictions were the factor that had the largest negative impact on confidence levels.

The performance of the economy remained a concern for people

The reintroduction of more stringent coronavirus restrictions in the latter part of 2020 stalled the economic recovery that had begun during the third quarter of the year and, for 12 per cent of people, the performance of the economy was the factor that had the largest negative impact on them in 2020 Q4.

With the restrictions requiring many businesses to remain closed, the first quarter of 2021 is proving to be another challenging one for the Northern Ireland economy. However, assuming that the restrictions can be gradually eased throughout the year as coronavirus case numbers hopefully come down and the vaccine programme is rolled out further, the local economy is expected to return to positive rates of growth from the second quarter of 2021 onwards.

Brexit uncertainty weighed on confidence as negotiations went down to the wire

The Brexit negotiations went down to the wire at the end of 2020, with a deal between the UK and the EU only being announced on 24 December. This led to high levels of uncertainty for businesses and consumers, with Brexit once again acting as a drag on sentiment in the final quarter of the year. Our survey took place in December and, given how late it was in the month that the deal was announced, the survey showed 17 per cent of people saying that the status of the Brexit negotiations had the largest negative impact on them. An additional 12 per cent said that the UK Government's longer-term Brexit objectives was the factor that most negatively affected them.

Despite the fact that a 'no-trade deal' Brexit was avoided, there have been challenges for businesses in the early part of 2021 as they begin to adapt to new trade processes, for example, when they move some goods from Great Britain to Northern Ireland. Political uncertainty also remains elevated around the implementation of the Northern Ireland Protocol and these Brexit-related factors are likely to continue to weigh down on business and consumer sentiment during at least the first part of 2021.

Consumer confidence and spending levels will be important determinants of the speed of the recovery

Assuming that the coronavirus restrictions are gradually eased throughout 2021, one of the factors that will influence the speed of the economic recovery is how confident people feel and how willing they are to spend. On balance, consumers are expected to remain relatively cautious with regards to their spending decisions given the uncertainty around the pandemic, but the quarterly rise in confidence at the end of 2020 was a welcome development and it must be hoped that sentiment can improve further as we move through 2021 and help the economic recovery to really take hold.

Survey details, disclaimer and copyright

Survey Details

- The survey was carried out by Cognisense in December 2020 with 1,008 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.

Danske Bank Disclaimer

Issued by Northern Bank Limited trading as Danske Bank (the "Bank" or "we").

This report is for information purposes only, is not intended as an offer or solicitation, nor is it the intention of the Bank to create legal relations on the basis of the information contained in it. So far as the law or regulation allow, we disclaim any warranty or representation as to the accuracy or reliability of the information and statements in this report. We will not be liable for any loss or damage suffered from relying on this report. This report does not purport to contain all relevant information. Recipients should not rely on its contents but should make their own assessment and seek professional advice relevant to their circumstances.

Danske Bank is a trading name of Northern Bank Limited which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in Northern Ireland (registered number R568). Registered Office: Donegall Square West Belfast BT1 6JS. Northern Bank Limited is a member of the Danske Bank Group.



Copyright

© Copyright Danske Bank. 2021. All rights reserved.

The contents of this publication, either in whole or in part, may not be reproduced, stored or transmitted without prior written permission from Danske Bank.

Contact details



Conor Lambe

Chief Economist

Email: conor.lambe@danskebank.co.uk

Twitter: [@ConorLambe](https://twitter.com/ConorLambe)

LinkedIn: [Conor Lambe](https://www.linkedin.com/in/ConorLambe)