

Northern Ireland Consumer Confidence Index

Consumer confidence increased in 2021 Q1 as the coronavirus vaccine programme continued to be rolled out

Consumer confidence summary

Consumer confidence in Northern Ireland increased in the first quarter of 2021, supported by the rollout of the coronavirus vaccine programme. Local people reported feeling more confident about their current finances, future finances, job security and expected spending on expensive items.

The Danske Bank Northern Ireland Consumer Confidence Index increased to **137** in 2021 Q1, up from **124** in the fourth quarter of 2020, and above the reading of **119** posted in the first quarter of last year (see Figure 1). The survey was carried out in March 2021.

This rise in confidence is expected to support household spending as the coronavirus restrictions are gradually eased.

Factors which positively impacted confidence

When asked what factor had the largest positive impact on their confidence levels, 49% of respondents said it was the rollout of the coronavirus vaccine programme. For 15% of people, the restrictions put in place to limit the spread of coronavirus impacted them positively.

A further 5% said that government measures aimed at protecting jobs and incomes, such as the Furlough scheme, had a positive impact on sentiment (see Figure 2).

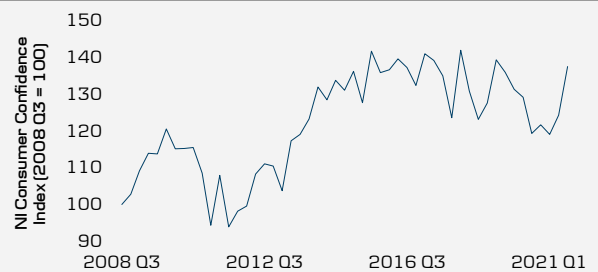
Factors which negatively impacted confidence

Figure 3 shows that 33% of people said that the new, post-Brexit trading arrangements in Northern Ireland made them feel less confident.

Twenty per cent stated that the coronavirus restrictions had negatively affected how they were feeling and an additional 12% of people said that the impact of higher prices on their household finances was the factor that had the largest adverse impact on them.

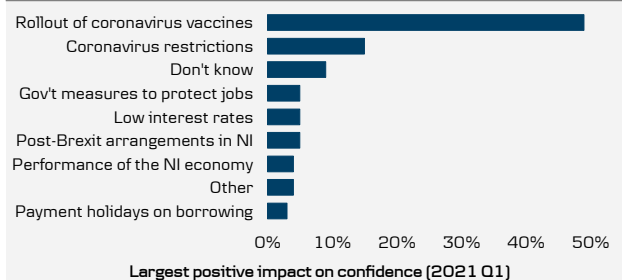
Ten per cent said the overall performance of the local economy negatively impacted them in 2021 Q1.

Figure 1: Consumer confidence in Northern Ireland increased over the quarter and over the year to 2021 Q1



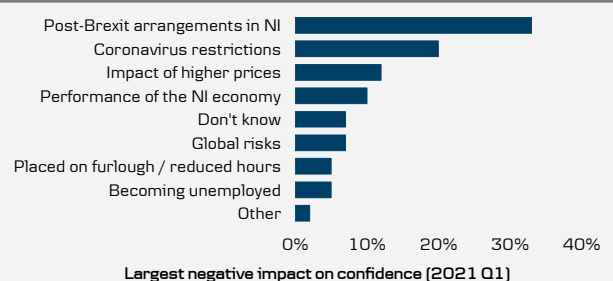
Source: Danske Bank analysis

Figure 2: Almost half of our survey respondents said that the rollout of the coronavirus vaccine programme impacted them positively



Source: Danske Bank analysis

Figure 3: The post-Brexit trading arrangements in Northern Ireland and coronavirus restrictions had a negative impact on people



Source: Danske Bank analysis

Current financial position compared with last year

The index reading related to how people felt about their current finances compared with a year ago increased in 2021 Q1.

Thirty per cent of people felt their financial position had improved over the past twelve months while 28% felt their finances had deteriorated.

Expectations for finances over the next 12 months

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

Twenty-six per cent of people expected their financial position to improve over the next year, compared with 21% that thought their finances would worsen.

Expectations around job security

There was an improvement in the sub-index which examines job security (see Figure 5).

Ten per cent of people expected to become more secure in their job, while 15% expected their job security to worsen. However, this was relatively stronger than in the final quarter of 2020.

Expectations around spending on high value items

Figure 6 shows that the component of the index that indicates the amount consumers expect to spend on high-value items over the next twelve months increased over the quarter and the year to 2021 Q1.

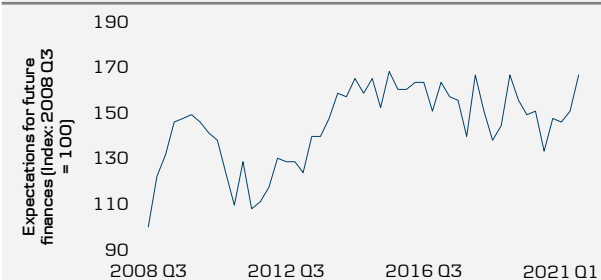
Thirty-one per cent of consumers expected to spend more on expensive items, compared with 36% that expected to spend less. However, this represented a stronger position than in the last quarter when the figures were 21% and 42% respectively.

Saving expectations

The index reading related to consumers' saving expectations improved in 2021 Q1 (see Figure 7).

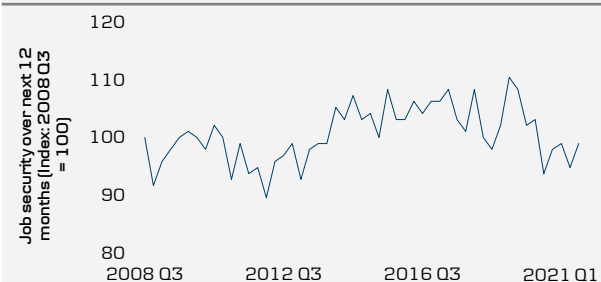
Twenty-six per cent of people expected to save more this year than they did last year and 24% thought they wouldn't save as much over the year ahead.

Figure 4: Confidence around how people expected their financial positions to change increased in the first quarter of 2021



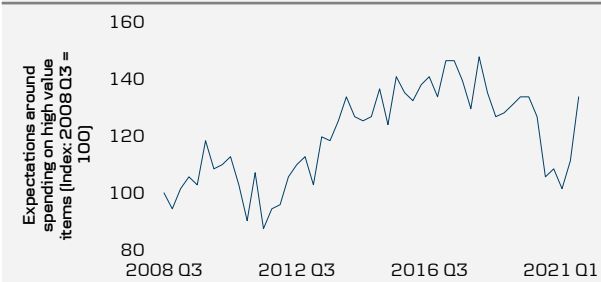
Source: Danske Bank analysis

Figure 5: Sentiment related to job security improved over the quarter and the year in the first part of 2021



Source: Danske Bank analysis

Figure 6: Confidence around future spending on expensive items increased sharply in the first quarter of the year



Source: Danske Bank analysis

Figure 7: The parts of the index focused on current finances, expectations around future finances, job security and spending on high value items all increased over both the quarter and the year in 2021 Q1

Sub-index readings	2020 Q1	2020 Q4	2021 Q1	Q-o-Q	Y-o-Y
Consumer confidence index	119	124	137	↑	↑
Current financial position compared with last year	144	140	150	↑	↑
Expectations for finances over the next 12 months	133	151	167	↑	↑
Expectations around job security	94	95	99	↑	↑
Expectations around spending on high value items	106	111	134	↑	↑
Savings expectations	147	157	170	↑	↑

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 first quarter of 2021 in all regions 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

Consumer confidence in Belfast City increased over the quarter and the year in 2021 Q1. The headline index improved from a reading of 132 in the final quarter of last year to 150 in the first part of 2021.

Quarterly increases were observed across all the parts of the index, showing that people in the region felt more confident about their current finances, future finances, job security and the amount they expect to spend on expensive items.

North

Confidence levels in the North region rose from 125 in 2020 Q4 to 139 in 2021 Q1. Sentiment was also higher when compared with the first quarter of 2020.

The component of the index based on current finances declined when compared with the final quarter of 2020, but the parts of the index related to peoples' future financial positions, job security and expected spending on high value items all posted a rise over the quarter.

South

Consumer confidence improved over the quarter and the year in the South of the country in the first quarter of 2021. The index reading of 132 was higher than the 121 posted in 2020 Q4.

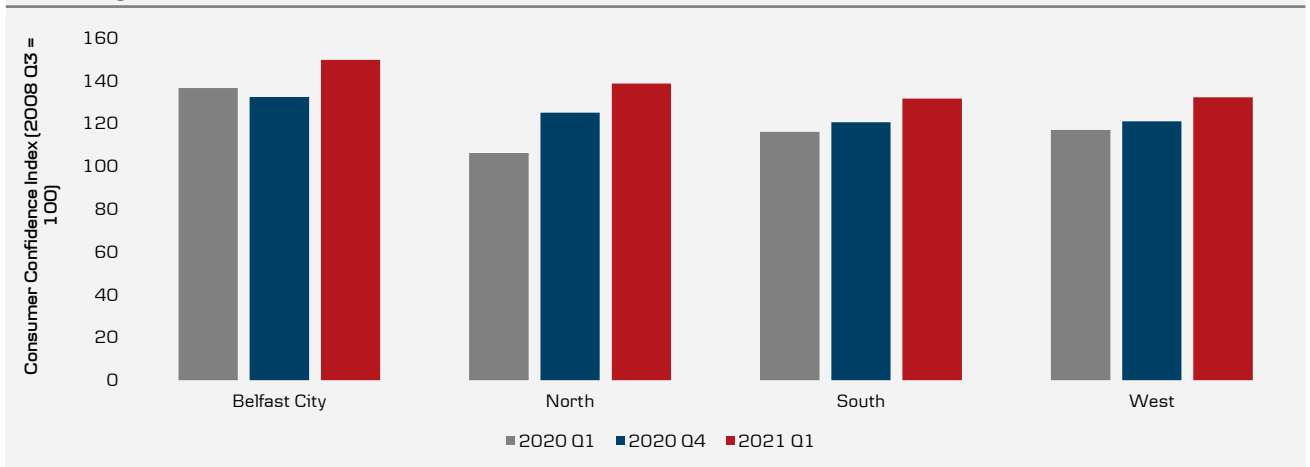
People reported feeling more confident about their current finances, future finances, job security and future spending than they did at the end of last year.

West

When compared with the previous quarter and the same time one year ago, confidence levels increased in the West region, with the index posting a reading of 132 in 2021 Q1.

Confidence among people in this part of the country was higher with regards to their current and future financial positions, as well as their expected future spending. However, the part of the index which focuses on job security declined in the first quarter of the year.

Figure 8: Compared with the previous quarter, consumer confidence levels in 2021 Q1 were higher in Belfast City, the West region, the South region and the North region



Source: Danske Bank analysis

Commentary

Consumer confidence increased for the second quarter in succession in 2021 Q1

Consumer confidence in Northern Ireland increased again to a reading of 137 in the first quarter of 2021, primarily due to the successful rollout of the coronavirus vaccine programme.

The coronavirus vaccine programme was a key driver behind the rise in sentiment

In Northern Ireland, the rollout of the coronavirus vaccine programme is well underway and this proved to be a key driver of the rise in consumer sentiment in the first quarter of the year. When asked what factor had the largest positive impact on their confidence levels, almost half of the people who completed our survey pointed to the rollout of the coronavirus vaccine programme.

With regards to the coronavirus restrictions, 20% of people told us that these had negatively impacted their confidence levels in the first quarter of the year but for 15% of respondents the restrictions had a positive impact on confidence levels, perhaps due to their apparent success in bringing down the number of positive coronavirus cases or because they made people feel safer when they did have to leave their home.

Given the progress of the vaccine programme to date and the fall in coronavirus case numbers relative to the beginning of the year, the restrictions in place to limit the spread of the virus are now beginning to be eased. Schools, close contact services, non-essential retail and the outside sections of some hospitality businesses are now open, with the remainder of the hospitality sector currently scheduled to reopen later in May. The planned gradual easing of the coronavirus restrictions is expected to lead to the return of positive rates of economic growth in Northern Ireland from the second quarter of the year onwards, as discussed in our 2021 Q1 Northern Ireland Quarterly Sectoral Forecasts report.

Brexit-related impacts are still taking a toll on people in Northern Ireland

Despite the conclusion of the Brexit negotiations between the UK and the EU at the end of 2020, Brexit-related factors are continuing to impact the confidence levels of local people. The implementation of the Northern Ireland Protocol has led some firms to experience challenges when moving goods from Great Britain to Northern Ireland. The UK and EU are continuing to take part in discussions around the Protocol but uncertainty still persists and it will take time for businesses to adapt and respond to the challenges, and to identify and bring forward new commercial opportunities.

In our March survey, 33% of people said that the new, post-Brexit trading arrangements in Northern Ireland had a negative impact on their confidence levels. That was much higher than the 5% that identified the new trading environment as a positive factor. This emphasises the continuing need for broad engagement in relation to the Northern Ireland Protocol to work through the challenges and support people and businesses to adapt to the changes as we move further into the UK's future outside the European Union.

Stronger confidence levels a positive sign for consumer spending

The gradual easing of the coronavirus restrictions and the reopening of the consumer-focused sectors of the economy are expected to lead to a rise in household spending over the coming months.

During the last year, many of the places in which people typically spend money including shops and restaurants have had to close at certain times. People have also not had the same ability to take foreign holidays as they did prior to the pandemic and have spent much more of their time at home. These factors have combined to cause a sharp rise in household savings. For the UK as a whole, the latest economic data showed the household savings ratio in the final quarter of 2020 was around 16% - lower than the 26% observed in the second quarter of the year, during the first lockdown, but well above the 2000-2019 average of 8%. In addition, the Office for Budget Responsibility estimated as part of its March 2021 *Economic and Fiscal Outlook*, that the level of excess savings in the UK would reach about £180bn by the middle of this year. It is unlikely that people will spend all this money as the economy reopens, but it will provide some support to household spending.

However, some people are likely to behave cautiously with regards to their spending levels. There is still considerable uncertainty around the future path of the pandemic, unemployment is projected to rise this year and people who have been furloughed may have seen their income squeezed, so it's important to note that some consumers may be less willing to spend than others as the economy opens up again.

Overall, this latest rise in consumer confidence in Northern Ireland is a welcome development which should support household spending and contribute to the local economy beginning to grow again.

Survey details, disclaimer and copyright

Survey Details

- The survey was carried out by Cognisense in March 2021 with 1,002 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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