

Northern Ireland Consumer Confidence Index

Confidence continued to increase in 2021 Q2, spurred on by the rollout of the coronavirus vaccine programme

Consumer confidence summary

Consumer confidence in Northern Ireland increased in the second quarter of 2021 as the coronavirus vaccine programme continued to be rolled out. Local people once again 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 **149** in 2021 Q2, up from **137** in the first quarter of 2021, and significantly above the reading of **122** posted in the second quarter of last year (see Figure 1). The survey was carried out in June 2021.

This latest rise in confidence is another positive development which, looking forward, should support consumer spending and wider economic growth.

Factors which positively impacted confidence

Figure 2 shows that 48% of people said that the rollout of the coronavirus vaccine programme had the largest positive impact on their confidence levels.

For 12% of people, the gradual easing of coronavirus restrictions impacted them positively.

A further 9% said that the measures still in place to limit the spread of coronavirus had a positive impact on sentiment.

Factors which negatively impacted confidence

When asked what factor had the largest negative impact on their confidence levels, 40% of respondents said that the post-Brexit trading arrangements in Northern Ireland made them feel less confident.

Twelve per cent stated that the coronavirus restrictions had negatively affected how they were feeling.

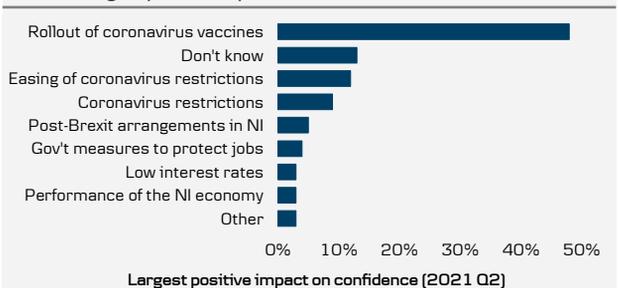
A similar percentage of people said that the impact of higher prices on their household finances was the factor that had the largest adverse impact on them.

Figure 1: Consumer confidence in Northern Ireland increased strongly over the quarter and over the year to 2021 Q2



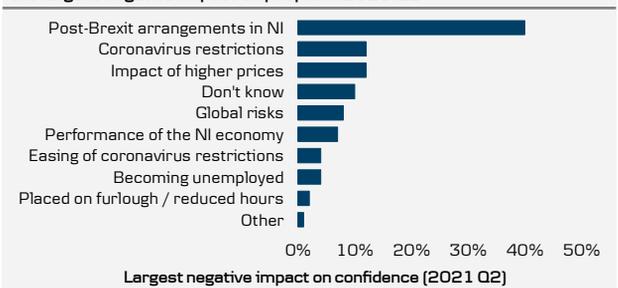
Source: Danske Bank analysis

Figure 2: The rollout of the coronavirus vaccine programme continued to have the largest positive impact on sentiment



Source: Danske Bank analysis

Figure 3: The post-Brexit trading arrangements in Northern Ireland had the largest negative impact on people in 2021 Q2



Source: Danske Bank analysis

Current financial position compared with last year

Figure 4 shows that the part of the index related to how people felt about their current finances compared with a year ago increased in 2021 Q2.

Thirty-three per cent of people felt their financial position had improved over the past twelve months while 21% felt their finances 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 increased over the quarter and over the year (see Figure 5).

Twenty-six per cent of people expected their financial position to improve over the next year, compared with 16% that thought their finances would worsen.

Expectations around job security

There was also an improvement in the sub-index which examines job security.

Eleven per cent of people expected to become more secure in their job, while 10% expected their job security to worsen.

Fifty-seven per cent thought their job security would remain unchanged.

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 and the year to 2021 Q2.

Thirty per cent of consumers expected to spend more on expensive items, compared with 23% that expected to spend less.

Saving expectations

The index reading related to consumers' saving expectations improved in 2021 Q2 (see Figure 7).

Twenty-seven per cent of people expected to save more this year than they did last year and 20% thought they wouldn't save as much over the year ahead.

Figure 4: Confidence around how people felt about their current financial position relative to last year improved in the second quarter of 2021



Source: Danske Bank analysis

Figure 5: Sentiment related to people's expectations for their future finances increased over the quarter and over the year



Source: Danske Bank analysis

Figure 6: Confidence related to future spending on expensive items increased sharply in the second 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 Q2

Sub-index readings	2020 Q2	2021 Q1	2021 Q2	Q-o-Q	Y-o-Y
Consumer confidence index	122	137	149	↑	↑
Current financial position compared with last year	132	150	165	↑	↑
Expectations for finances over the next 12 months	148	167	175	↑	↑
Expectations around job security	98	99	105	↑	↑
Expectations around spending on high value items	108	134	151	↑	↑
Savings expectations	162	170	178	↑	↑

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 second 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 Q2. The headline index improved from a reading of 150 in the first part of the year to 161 in the second quarter of 2021.

Quarterly increases were observed across the parts of the index focused on people's current finances and the amount they expect to spend on expensive items. Confidence around respondents' future finances was unchanged and there was a modest decline in sentiment related to job security.

North

Confidence levels in the North region rose from 139 in 2021 Q1 to 154 in 2021 Q2. Sentiment was also higher when compared with the second quarter of 2020.

The components of the index based on people's current finances, future financial positions, job security and expected spending on high value items all posted a rise over the quarter.

South

Consumer confidence improved in the second quarter of the year in the South of the country. The index reading of 141 was higher than the 132 posted in 2021 Q1.

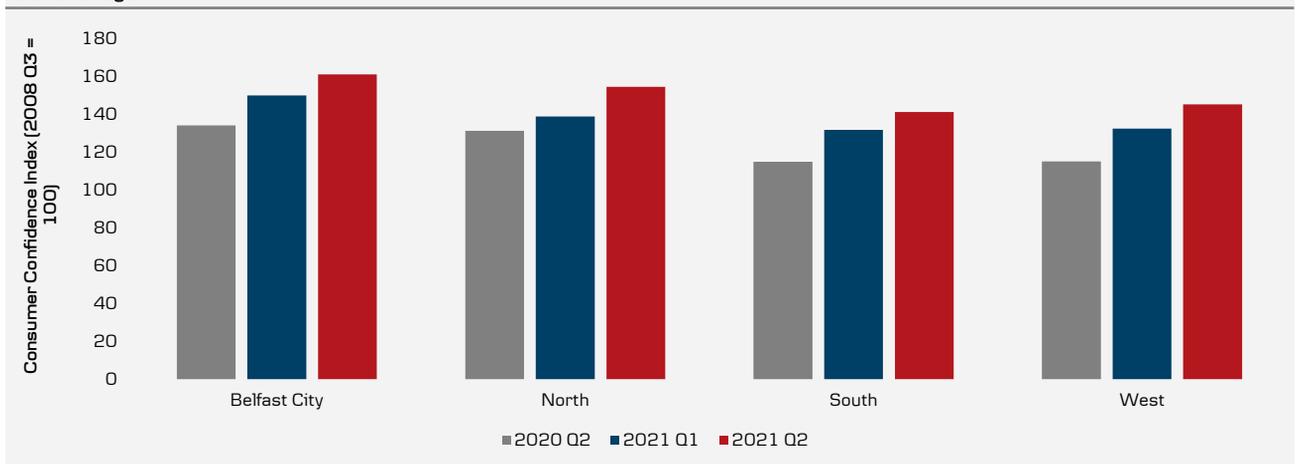
People reported that their confidence about their current finances, future finances, job security and future spending had improved relative to the first quarter of the year.

West

When compared with the previous quarter (132) and the same time one year ago (115), confidence levels increased in the West region, with the index posting a reading of 145 in 2021 Q2.

When compared with the previous quarter, confidence among people in this part of the country was higher with regards to their current and future financial positions, as well as their job security and expected spending on expensive items.

Figure 8: Compared with the previous quarter, consumer confidence levels in 2021 Q2 were higher in Belfast City, the West region, the South region and the North region



Source: Danske Bank analysis

Commentary

Consumer confidence increased once more in 2021 Q2

Consumer confidence in Northern Ireland increased for the third quarter in succession to a reading of 149 in the second quarter of 2021, with people continuing to point to the rollout of the coronavirus vaccine programme as a key driver of the improved sentiment.

Coronavirus vaccine programme still the main factor boosting confidence

The coronavirus vaccine programme has been rolled out at pace in Northern Ireland with over one million people having received both doses by the final week of July. This programme was the biggest driver of consumer confidence in the second quarter of 2021, with 48% of the people who completed our survey identifying it as the factor that had the largest positive impact on how they were feeling.

The success of the vaccine rollout has helped to facilitate the reopening of many consumer-focused parts of the economy, such as non-essential retail stores, restaurants and hotels, and this was another factor that positively influenced people. Twelve per cent of people said that the gradual easing of coronavirus restrictions made them feel more confident.

However, it is important to note that 12% of people also said that coronavirus restrictions had the largest negative impact on their confidence levels, and given the sharp rise in confirmed cases during recent weeks, the pandemic remains a significant risk to the prospects for consumer confidence going forward.

Issues related to the post-Brexit trading arrangements weighed on sentiment

Brexit-related impacts are continuing to act as a source of uncertainty for consumers and businesses in Northern Ireland. Forty per cent of the people who completed our survey stated that the post-Brexit trading arrangements in Northern Ireland was the factor that had the largest negative impact on their confidence levels.

One issue that recently arose was around the movement of chilled meat products from Great Britain into Northern Ireland. Following a request from the UK, the EU agreed to extend the grace period permitting the flow of these goods until the end of September 2021. However, there is still a lack of clarity around what will happen when that extension comes to an end.

On 21 July 2021, the UK Government published its proposals for amending the Northern Ireland Protocol but the EU has said it will not enter into a full renegotiation of the Protocol.

Businesses need long-term clarity around how the post-Brexit trading arrangements will be implemented, both with regards to overcoming the challenges brought about by the new requirements and having the information and certainty needed to allow them to identify and begin to pursue any opportunities that may exist. Resolving the current issues in a long-term, sustainable way would also benefit consumers and hopefully reduce or remove some of the negative impacts that the current uncertainty is having on confidence levels.

Higher prices a cause for concern for local people

In the UK, the rate of price rises has been on an upward trajectory for a number of months. In March, at the end of the first quarter, the CPI inflation rate was 0.7%. But by June inflation had increased to 2.5%, above the Bank of England's 2% target, with a strong possibility that it could rise further in the second half of the year. This rise in prices is due to a number of factors including the reopening of the economy, disruption to global supply chains, higher fuel prices and Brexit-related costs.

This high inflation is expected to be a temporary occurrence with the rate of price rises projected to move back towards its target next year, but it is one factor that weighed on confidence in 2021 Q2. Twelve per cent of people said the impact of higher prices on their household finances had a negative impact on how they were feeling.

Improved consumer confidence another positive sign for the economic recovery

As the coronavirus restrictions have been gradually eased, the economy appears to have begun to recover at a reasonably strong pace. At Danske Bank, we recently upgraded our forecast for economic growth in Northern Ireland in 2021 from 4.8% to 6.2% (see the [2021 Q2 Northern Ireland Quarterly Sectoral Forecasts](#) report for further details). This latest rise in consumer confidence is another positive development which should support consumer spending as we move forward and adds more credence to the view that the recovery from the economic impacts of the coronavirus pandemic will hopefully occur more quickly than had previously been expected.

Survey details, disclaimer and copyright

Survey Details

- The survey was carried out by Cognisense in June 2021 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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