

Northern Ireland Consumer Confidence Index

Consumer confidence declined in 2021 Q3 but was higher than in the third quarter of last year

Consumer confidence summary

Consumer confidence in Northern Ireland decreased in the third quarter of 2021 but was higher than at the same time in 2020. Compared with the previous quarter, people reported feeling less confident about their current finances, future finances and expected spending on expensive items, but more confident about their job security.

The Danske Bank Northern Ireland Consumer Confidence Index decreased to **137** in 2021 Q3, down from **149** in the second quarter of 2021, but above the reading of **119** posted in the third quarter of last year (see Figure 1). The survey was carried out in September 2021.

This fall in confidence suggests that, while still progressing relatively well, the economic recovery in Northern Ireland is facing some potential headwinds.

Factors which positively impacted confidence

Figure 2 shows that 45% of people said that the rollout of the coronavirus vaccine programme had the largest positive impact on how they were feeling.

For 11% of people, the gradual easing of coronavirus restrictions made them feel more confident.

A further 9% said that the measures in place to limit the spread of coronavirus positively impacted them.

Factors which negatively impacted confidence

When asked what factor had the largest negative impact on their confidence levels, 36% of respondents pointed to the post-Brexit trading arrangements in Northern Ireland (see Figure 3).

Eighteen per cent stated that the impact of higher prices on their household finances adversely impacted them.

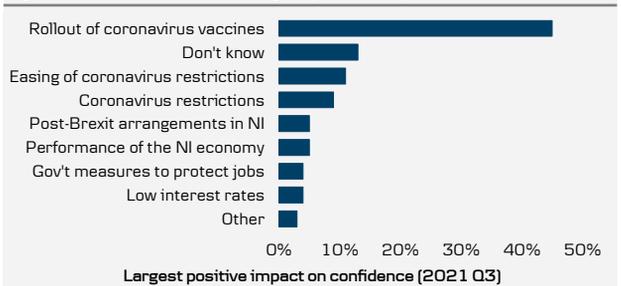
Ten per cent pointed to global risks – such as climate change, terrorism and cyber crime – and a further ten per cent highlighted coronavirus restrictions as factors which impacted them negatively.

Figure 1: Consumer confidence in Northern Ireland decreased over the quarter but increased over the year in 2021 Q3



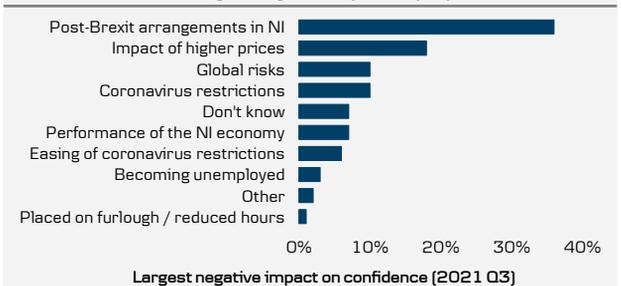
Source: Danske Bank analysis

Figure 2: The rollout of the coronavirus vaccine programme was once again the factor that had the largest positive impact on confidence



Source: Danske Bank analysis

Figure 3: The post-Brexit trading arrangements in Northern Ireland continued to have the largest negative impact on people in 2021 Q3



Source: Danske Bank analysis

Current financial position compared with last year

The sub-index related to how people felt about their current finances compared with a year ago decreased over the quarter but rose over the year in 2021 Q3.

Twenty-seven per cent of people felt their financial position had improved over the previous twelve months, the same as the proportion that believed their finances had deteriorated. In 2020 Q3, the figures were 21% and 33% respectively.

Expectations for finances over the next 12 months

The part of the index that focuses on how people expect their finances to change over the year ahead declined over the quarter and increased over the year (see Figure 4).

Twenty-four per cent of people expected their financial position to improve over the next year, compared with 25% that thought their finances would worsen.

Expectations around job security

Figure 5 shows that there was an improvement over the quarter and the year in the component of the index which examines job security.

Fourteen per cent of people expected to become more secure in their job, while 9% expected their job security to deteriorate.

Expectations around spending on high value items

The part of the index that indicates the amount consumers expect to spend on high-value items over the next twelve months decreased over the quarter but improved over the year (see Figure 6).

Twenty-eight per cent of consumers expected to spend more on expensive items, but 33% expected to spend less.

Saving expectations

The index reading related to consumers' saving expectations decreased over the quarter but increased over the year in 2021 Q3 (see Figure 7).

Twenty-three per cent of people expected to save more this year than they did last year and 27% thought they wouldn't save as much over the year ahead.

Figure 4: Confidence around how people felt their financial positions would change over the next year fell in the third quarter of 2021



Source: Danske Bank analysis

Figure 5: Sentiment related to people's expectations around their job security increased in 2021 Q3



Source: Danske Bank analysis

Figure 6: Confidence related to future spending on expensive items decreased in the third quarter of the year



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 in 2021 Q3, but all parts of the index were higher than in the third quarter of 2020

Sub-index readings	2020 Q3	2021 Q2	2021 Q3	Q-o-Q	Y-o-Y
Consumer confidence index	119	149	137	↓	↑
Current financial position compared with last year	129	165	147	↓	↑
Expectations for finances over the next 12 months	146	175	157	↓	↑
Expectations around job security	99	105	109	↑	↑
Expectations around spending on high value items	101	151	134	↓	↑
Savings expectations	158	178	160	↓	↑

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 decreased over the quarter but improved over the year in the third 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 fell over the quarter but rose over the year. The overall index fell from 161 in the second quarter of the year to 148 in the third quarter of 2021, but was higher than the 125 recorded in 2020 Q3.

Quarterly decreases were observed across all four parts of the index, showing that people were less 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 fell from 154 in 2021 Q2 to 148 in 2021 Q3. However, sentiment was higher when compared with the third quarter of 2020 when the index posted a reading of 127.

The parts of the index based on people's current finances, future financial positions and expected spending on high value items all declined over the quarter. However, the part of the index focused on job security improved.

South

Consumer confidence decreased in the third quarter of the year in the South of the country. The index reading of 131 was lower than the 141 posted in the previous quarter, but higher than the 121 recorded one year previously.

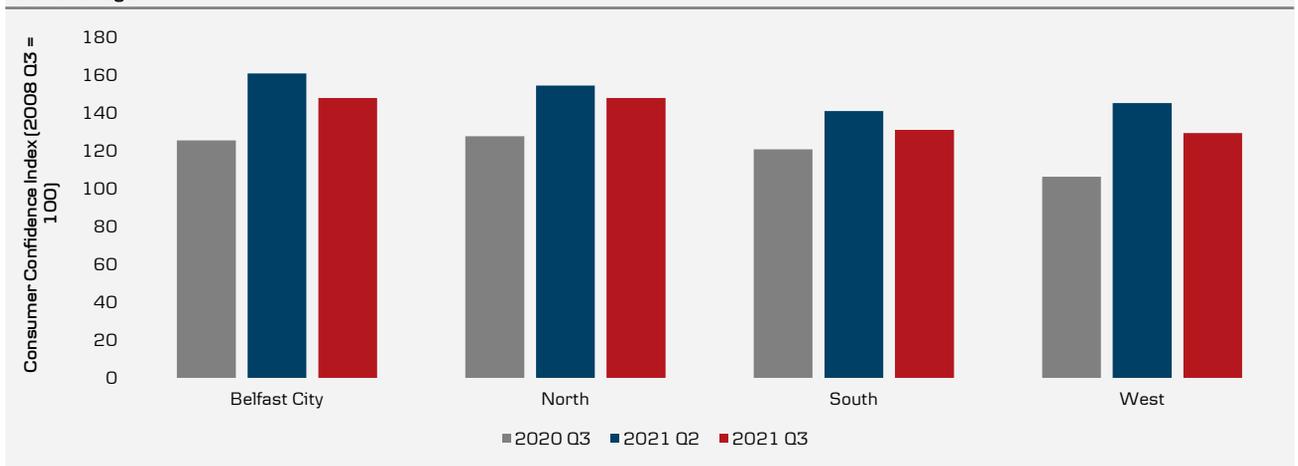
People signalled that their confidence about their current finances, future finances and expected future spending had declined relative to the second quarter of the year, but sentiment around job security increased.

West

When compared with the previous quarter (145) confidence levels decreased in the West region, with the index posting 129 in 2021 Q3. This was higher than recorded in 2020 Q3 (106).

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

Figure 8: Compared with the previous quarter, consumer confidence levels in 2021 Q3 were lower in Belfast City, the West region, the South region and the North region



Source: Danske Bank analysis

Commentary

Consumer confidence declined in 2021 Q3

Following three consecutive quarters of improving confidence levels, consumer sentiment in Northern Ireland declined in the third quarter of 2021 with the index falling to a reading of 137. People identified a number of factors which made them feel less confident including the post-Brexit trading arrangements in Northern Ireland, the impact of higher prices on household finances, global risks and coronavirus restrictions.

Post-Brexit trading arrangements adversely affected confidence levels

In the third quarter of the year, issues concerning the implementation of the post-Brexit trading arrangements in Northern Ireland was the factor highlighted most by people when asked what was having the largest negative impact on their confidence levels. Thirty-six per cent of survey respondents said this adversely impacted how confident they were feeling. This was lower than the 40% recorded in 2021 Q2 but above the 33% observed in 2021 Q1, after the Northern Ireland Protocol came into effect.

Since our survey was completed in September 2021, the EU has published a set of proposals in relation to the implementation of the Protocol. These proposals are based around food, plant and animal health, customs processes, the supply of medicines and engagement with stakeholders in Northern Ireland. This followed on from a Command Paper published by the UK Government in July 2021 with its proposals for amending the Protocol.

The UK and EU are currently negotiating in an attempt to agree a way forward on implementing the Protocol, with the hope being that an agreement can be reached to resolve the uncertainty being experienced by consumers and businesses in Northern Ireland.

High inflation became an issue for more people in quarter three

In the UK, CPI inflation has been at or above the Bank of England's 2% target rate since May 2021. The data for September 2021 showed inflation at 3.1% and it is expected to rise further over the coming months. In its *October 2021 Economic and Fiscal Outlook*, the Office for Budget Responsibility forecasted that inflation would rise to a peak of over 4% during 2022.

This higher inflation is being driven to a large degree by increased fuel and energy prices and disruption to global supply chains. The higher rate of price rises is expected to be temporary but inflation is likely to remain elevated as we move through at least part of 2022.

High inflation erodes consumers' purchasing power and it is one of the factors that contributed to the fall in consumer confidence in quarter three. Eighteen per cent of people said that the impact of higher prices on their household finances was the factor that had the largest negative impact on how confident they were feeling. This was higher than the 12% recorded in the second quarter of 2021 and the 10% observed in the third quarter of last year.

The coronavirus pandemic continued to influence confidence levels

The coronavirus pandemic continued to be a driver of confidence levels in quarter three. Despite many of the restrictions having been eased during the spring and summer months, ten per cent of people said that the restrictions still in place in September had the largest negative impact on their confidence levels, reinforcing that the pandemic remains a significant risk to the outlook for economic growth and consumer confidence going forward.

With regards to the factors that positively impacted confidence levels, 45% of people highlighted the rollout of the coronavirus vaccine programme and a further 11% of people said that the gradual easing of the coronavirus restrictions had the largest positive impact on them in quarter three.

Fall in confidence levels suggests that the economic recovery is facing potential headwinds

The economic recovery from the impacts of the coronavirus pandemic in Northern Ireland is progressing relatively well, with strong rates of annual output growth expected in both 2021 and 2022.

However a number of potential headwinds to the pace of the recovery have emerged including inflationary pressures, supply chain disruption, labour shortages, continued high numbers of positive Covid-19 cases and political uncertainty related to the post-Brexit trading arrangements in Northern Ireland.

Some of these factors were identified by local people as contributing to the fall in consumer confidence in the third quarter of the year and it will be important for businesses and policymakers to monitor them closely in the months ahead as the economic recovery hopefully continues.

Survey details, disclaimer and copyright

Survey Details

- The survey was carried out by Cognisense in September 2021 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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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)