

# Northern Ireland Consumer Confidence Index

## Consumer confidence fell again in 2022 Q3 as high prices continued to squeeze household budgets

### Consumer confidence summary

Consumer confidence in Northern Ireland decreased again in the third quarter of 2022 as higher prices continued to squeeze household finances.

The Danske Bank Northern Ireland Consumer Confidence Index fell significantly to **92** in 2022 Q3, down from **103** in the second quarter of the year and well below the reading of **137** posted in the third quarter of 2021 (see Figure 1). The survey was carried out in September 2022.

Compared with the previous quarter, people reported feeling less confident about their current finances, future finances, job security and expected spending on expensive items.

High inflation is exerting a significant squeeze on purchasing power and with confidence also at low levels, the outlook for consumer spending is particularly challenging.

### Factors which positively impacted confidence

Thirty-five percent of people said that the adjustment of society to living with Covid-19 had the largest positive impact on confidence (see Figure 2).

Twenty-three percent of respondents did not know what was making them feel more positive, perhaps aligned with the fall in confidence levels observed.

For fourteen percent of people, the overall performance of the local economy boosted confidence.

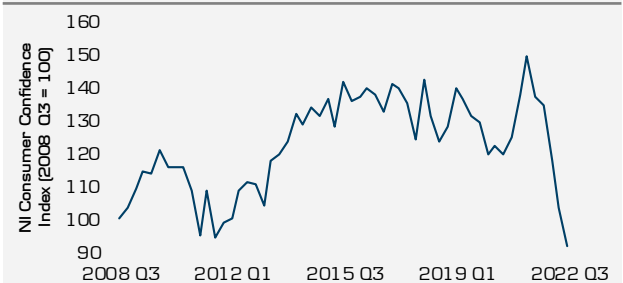
### Factors which negatively impacted confidence

Figure 3 shows that 47 percent of respondents felt that the impact of higher prices on their household finances had the largest negative impact on them.

Thirteen percent of people who completed the survey said that global risks, which includes the war in Ukraine, was the main factor that made them feel less confident.

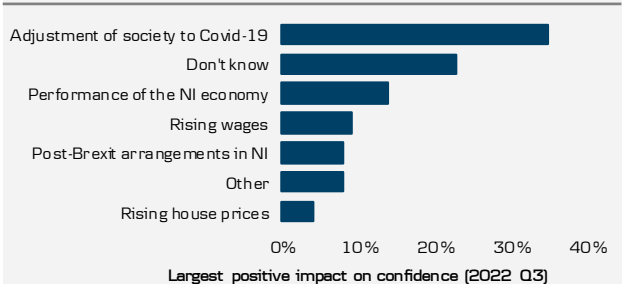
For 11 percent of people, the post-Brexit trading arrangements in Northern Ireland had the largest negative impact on sentiment.

Figure 1: Consumer confidence in Northern Ireland declined over the quarter and over the year in the third quarter of 2022



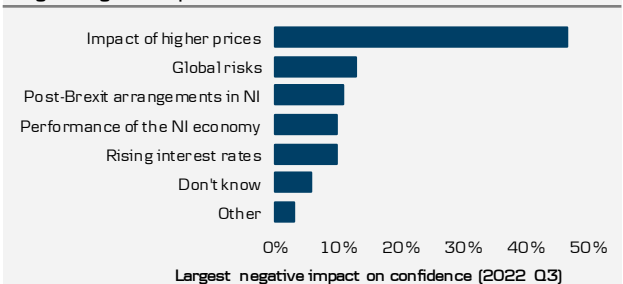
Source: Danske Bank analysis

Figure 2: The adjustment of society to living with Covid-19 continued to have the largest positive impact on confidence levels in 2022 Q3



Source: Danske Bank analysis

Figure 3: The impact of higher prices on household finances had the largest negative impact on consumer confidence in 2022 Q3



Source: Danske Bank analysis

### Current financial position compared with last year

The part of the index which examines how people felt about their current finances compared with a year ago declined over the quarter and over the year in 2022 Q3.

Eighteen percent of people felt their financial position had improved over the previous twelve months but 56 percent believed their finances had deteriorated.

### Expectations for finances over the next 12 months

The sub-index based on how people expect their finances to change over the year ahead fell over both the quarter and the year (see Figure 4).

Fifteen percent of people expected their financial position to improve over the next year however 63 percent thought their finances would worsen.

### Expectations around job security

Figure 5 shows that the part of the index focused on job security fell over the quarter and over the year.

Twelve percent of people expected to become more secure in their job and 12 percent also expected their job security to worsen. Fifty-eight percent of respondents felt their job security would remain unchanged. The other respondents didn't know what would happen to their job security.

### Expectations around spending on high-value items

The component of the index which examines the amount consumers expect to spend on high-value items, such as furniture and holidays, over the next twelve months decreased over the quarter and over the year (see Figure 6).

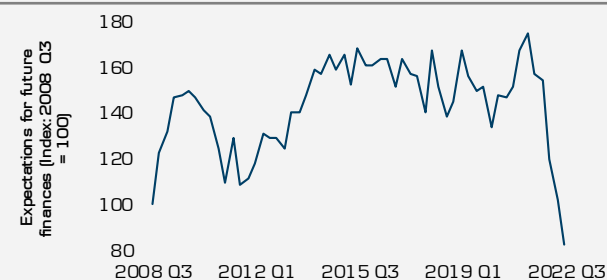
Eighteen percent of consumers expected to spend more on expensive items compared with 55 percent who expected to spend less.

### Saving expectations

The index reading related to consumers' saving expectations decreased over the quarter and over the year in the third quarter of 2022 (see Figure 7).

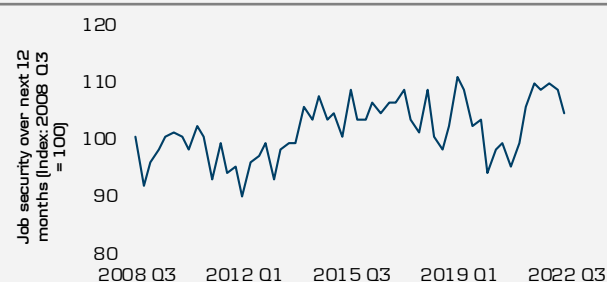
Fifteen percent of people expected to save more this year than they did last year however 57 percent thought they wouldn't save as much over the year ahead.

Figure 4: Confidence around how people expected their financial positions to change over the next year declined again in 2022 Q3



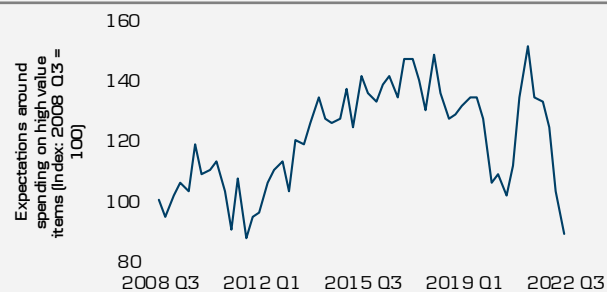
Source: Danske Bank analysis

Figure 5: Confidence related to people's expectations around their job security fell over the quarter and over the year



Source: Danske Bank analysis

Figure 6: There was another sharp fall in confidence around the amount people expected to spend on expensive items over the next 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 declined over the quarter and the year in 2022 Q3

Sub-index readings	2021 Q3	2022 Q2	2022 Q3	Q-o-Q	Y-o-Y
Consumer confidence index	137	103	92	↓	↓
Current financial position compared with last year	147	99	91	↓	↓
Expectations for finances over the next 12 months	157	102	83	↓	↓
Expectations around job security	109	108	104	↓	↓
Expectations around spending on high value items	134	103	89	↓	↓
Savings expectations	160	112	97	↓	↓

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 and the year in all four regions of Northern Ireland in the third quarter of 2022 (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, including when comparing across regions.

### Belfast City

Confidence levels in Belfast City fell from 119 in 2022 Q2 to 101 in the third quarter of the year. Confidence was also significantly weaker than the 148 reading posted in 2021 Q3.

The parts of the index based on people’s current finances, future finances and expected spending on expensive items all decreased compared with the previous quarter but the sub-index focused on job security increased.

### North

Consumer confidence in the North region declined over the quarter and over the year. The index reading of 97 was below the 107 posted in the previous quarter and the 148 recorded in the same quarter of the previous year.

People reported feeling less confident about their current finances, future finances, job security and expected future spending relative to the previous quarter.

### South

Consumer sentiment decreased in the South region in the third quarter of 2022. The overall index fell from a reading of 94 in the second quarter of the year to 84 in the third quarter of the year. The latest reading was also lower than the 131 recorded in 2021 Q3.

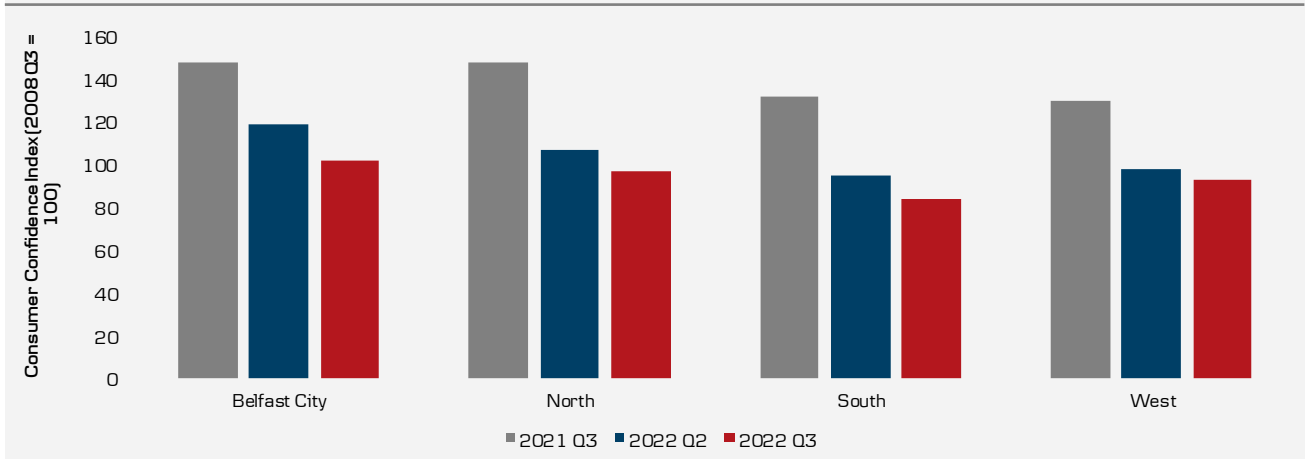
Quarterly falls were observed across the parts of the index focused on people’s current finances, future finances, job security and the amount they expect to spend on expensive items.

### West

Consumer confidence fell in the third quarter of 2022 in the West region. The index reading of 92 was lower than the 98 recorded in 2022 Q2 and also lower than the 129 posted in the third quarter of 2021.

People signalled that the way they felt about their current finances and future finances improved relative to the previous quarter but confidence around job security and the amount they expect to spend on expensive items deteriorated.

Figure 8: Compared with the previous quarter and the same quarter one year ago, consumer confidence levels in 2022 Q3 were lower in Belfast City, the West region, the South region and the North of the country



Source: Danske Bank analysis

# Commentary

## Consumer confidence declined again in 2022 Q3

Consumer confidence levels in Northern Ireland decreased once more in the third quarter of 2022 with the Danske Bank Northern Ireland Consumer Confidence Index posting a reading of 92. This was the fifth consecutive quarterly decline in sentiment.

## High prices continued to be the biggest driver of the fall in confidence levels

Inflation in the UK is at a multi-decade high and is exerting a significant squeeze on consumer spending power. In September, the month our survey was completed, the annual inflation rate in the UK was 10.1 percent and it increased to 11.1 percent in October, more than five times its 2 percent target rate.

This high inflation is the factor having the largest negative impact on confidence levels. In 2022 Q3, 47 percent of people who completed our survey said that the impact of higher prices on their household finances had the biggest adverse impact on sentiment. This was unchanged from 2022 Q2 but up from 36 percent in 2022 Q1.

Beneath the headline figures, price pressures are evident across a wide range of goods and services. Household energy continues to experience significant annual price increases. The inflation rate for electricity, gas and other fuels in September was 70.1 percent and this increased to 89.7 percent in October. The annual rate of price rises for motor fuels and lubricants was 22.2 percent in October though this was down from 26.5 percent in September and from 43.7 percent in July. Food inflation has also been rising with the annual change in prices increasing from 14.8 percent in September to 16.5 percent in October.

Higher prices can also be seen further up the supply chain, but there are early signs that these pressures may be starting to ease slightly. The annual rate of input price inflation for UK manufacturers was 19.5 percent in October, which was still elevated but this measure of price rises has fallen in each of the last four months. The pattern is similar for output price inflation which has fallen for three successive months and sat at 17.2 percent in October.

Looking forward, the rate of inflation is expected to decline gradually during 2023 as demand in the economy is projected to be weaker, the UK Government's Energy Price Guarantee should limit the inflationary impacts of energy prices and tighter monetary policy continues to weigh on the rate of price growth. However, the rate of price rises is still expected to exceed the 2 percent target when averaged over the year, with annual consumer spending being squeezed as a result.

## Rising interest rates also weighed on confidence for some consumers

The Bank of England's Monetary Policy Committee has now increased Bank Rate at each of its last eight policy meetings and the rate was 3.00 percent in November. Looking forward, Bank Rate is likely to rise even further – perhaps up to around 4.00 percent in the first quarter of next year.

In 2022 Q3, 10 percent of survey respondents said rising interest rates had the largest negative impact on how confident they were feeling, up from 7 percent in the previous quarter.

## Global risks adversely impacted sentiment

Global risks, which includes the war in Ukraine, had the largest negative impact on confidence for 13 percent of respondents, the same as in the second quarter of the year. The war in Ukraine is one factor that has contributed to high inflation and there is considerable uncertainty around when and how the war will end.

## Despite the fall in confidence, some factors affected people positively

There were some factors that had a positive impact on confidence in quarter three. Thirty-five percent of people said the adjustment of society to Covid-19 positively impacted them, a significant change compared with the quarter three survey from two years ago in 2020 when coronavirus restrictions was one of the largest negative drivers of sentiment. Fourteen percent said the performance of the local economy made them feel better and 9 percent pointed to rising wages as a factor boosting confidence.

## High inflation and low levels of confidence are putting pressure on consumer spending

In the UK, GDP contracted by 0.2 percent in the third quarter of the year and household spending declined by 0.5 percent. It's likely that spending by consumers in Northern Ireland declined as well. High inflation is exerting a significant squeeze on spending power and this looks set to remain the case over the coming months. With consumer confidence also at low levels, the outlook for consumer spending appears particularly challenging.

# Survey details, disclaimer and copyright

## Survey Details

- The survey was carried out by Cognisense in September 2022 with 1,006 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 - Belfast City Council area
  - North - Antrim & Newtownabbey, Mid & East Antrim, Causeway Coast & Glens
  - South - Lisburn & Castlereagh, North Down & Ards, Newry, Mourne & Down, Armagh, Banbridge & Craigavon
  - West - Mid Ulster, Fermanagh & Omagh, Derry & Strabane.

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