

Northern Ireland Consumer Confidence Index

Consumer confidence picked up slightly but remained low in the final quarter of 2022

Consumer confidence summary

Consumer confidence in Northern Ireland increased modestly in the fourth quarter of 2022 but remained low as the impact of higher prices on household finances continued to weigh on sentiment.

The Danske Bank Northern Ireland Consumer Confidence Index rose slightly to **95** in 2022 Q4, up from **92** in the third quarter of the year but below the reading of **134** posted in the fourth quarter of 2021 (see Figure 1). The survey was carried out in December 2022.

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

Inflation is expected to decline during 2023 but it will likely take some time for it to return to the 2 percent target. As such, and when combined with relatively low confidence levels, consumer spending is projected to remain under pressure.

Factors which positively impacted confidence

Figure 2 shows that thirty-six percent of people said that the adjustment of society to living with Covid-19 had the largest positive impact on sentiment.

Twenty-three percent of respondents did not know what was making them feel more positive.

For fifteen percent of people, the overall performance of the local economy had the biggest positive impact on confidence.

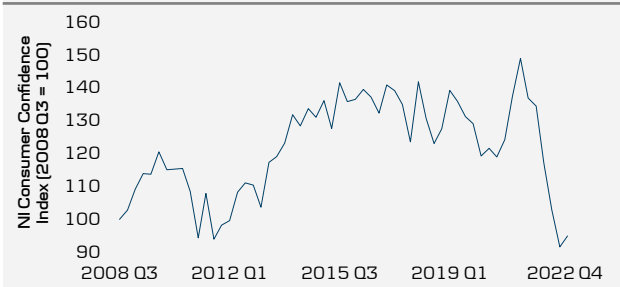
Factors which negatively impacted confidence

Forty percent of respondents felt that the impact of higher prices on household finances had the largest negative impact on them (see Figure 3).

Fourteen percent of people who completed the survey said that the performance of the local economy was the main factor that made them feel less confident.

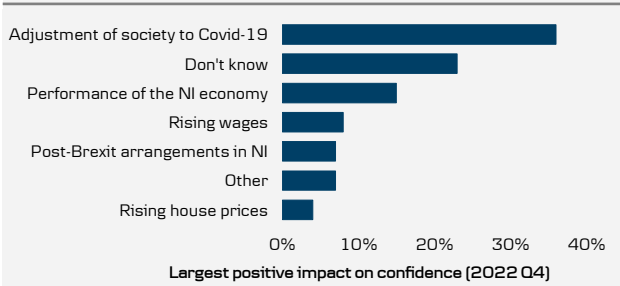
For another 14 percent of people, rising interest rates had the largest negative impact on sentiment.

Figure 1: Consumer confidence in Northern Ireland increased over the quarter but fell over the year in 2022 Q4



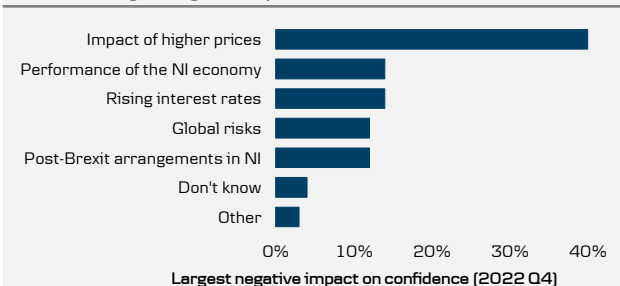
Source: Danske Bank analysis

Figure 2: The adjustment of society to living with Covid-19 had the largest positive impact on consumer confidence at the end of 2022



Source: Danske Bank analysis

Figure 3: The impact of higher prices on household finances continued to have the largest negative impact on confidence levels in 2022 Q4



Source: Danske Bank analysis

Current financial position compared with last year

The component of the index which examines how people felt about their current finances compared with a year ago fell over the quarter and over the year in 2022 Q4.

Fourteen percent of people felt their financial position had improved over the previous twelve months but 58 percent believed their finances had deteriorated.

Expectations for finances over the next 12 months

Figure 4 shows that the part of the index based on how people expect their finances to change over the year increased over the quarter but fell over the year.

Sixteen percent of people expected their financial position to improve over the next twelve months but 51 percent thought their finances would worsen.

Expectations around job security

The sub-index focused on peoples' rating of their job security declined over the quarter and over the year (see Figure 5).

Eight percent of people expected to become more secure in their job while 12 percent expected their job security to worsen. Sixty-two percent of respondents felt their job security would remain unchanged.

Expectations around spending on high-value items

The part 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 increased over the quarter but decreased over the year (see Figure 6).

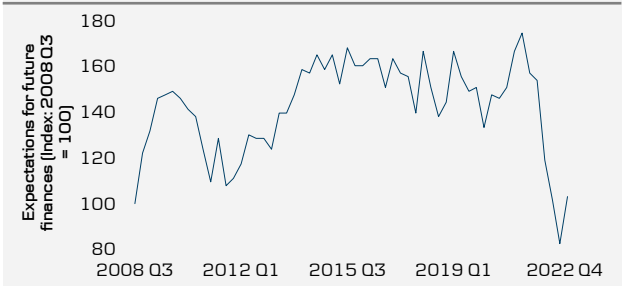
Seventeen percent of consumers expected to spend more on expensive items compared with 50 percent who expected to spend less.

Saving expectations

The index reading related to consumers' saving expectations increased over the quarter but fell over the year in the fourth quarter of 2022 (see Figure 7).

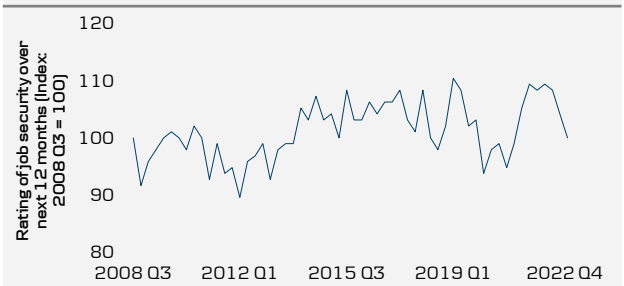
Sixteen percent of people expected to save more this year than they did last year however 52 percent thought they wouldn't save as much over the year ahead.

Figure 4: Confidence around how people expected their financial positions to change over the next year improved in 2022 Q4



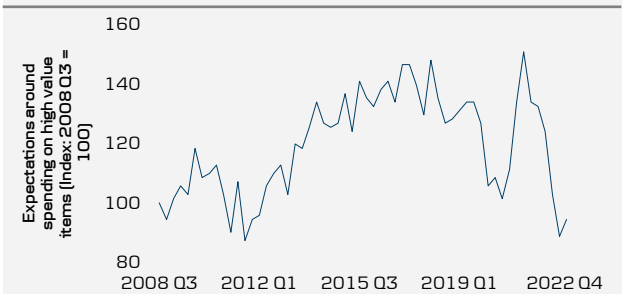
Source: Danske Bank analysis

Figure 5: Confidence related to people's expectations around their job security declined at the end of 2022



Source: Danske Bank analysis

Figure 6: There was a slight rise 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 and job security weakened over the quarter but the components based on expectations around future finances and spending on high value items increased in 2022 Q4

Sub-index readings	2021 Q4	2022 Q3	2022 Q4	Q-o-Q	Y-o-Y
Consumer confidence index	134	92	95	↑	↓
Current financial position compared with last year	143	91	82	↓	↓
Expectations for finances over the next 12 months	154	83	103	↑	↓
Expectations around job security	108	104	100	↓	↓
Expectations around spending on high value items	132	89	94	↑	↓
Savings expectations	168	97	107	↑	↓

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 over the quarter but declined over the year in all four regions of Northern Ireland in the final 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

Consumer confidence in Belfast City increased slightly over the quarter but fell over the year. The index reading of 103 was above the 101 posted in the previous quarter but below the 159 recorded in the same quarter of the previous year.

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

North

Consumer sentiment improved in the North region in the fourth quarter of 2022. The overall index improved from a reading of 97 in the third quarter of the year to 101 in the final quarter of the year. However, the latest reading was lower than the 134 recorded in 2021 Q4.

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

South

Consumer confidence increased modestly in the fourth quarter of 2022 in the South region. The index reading of 86 was higher than the 84 recorded in 2022 Q3 but lower than the 124 posted in the fourth quarter of 2021.

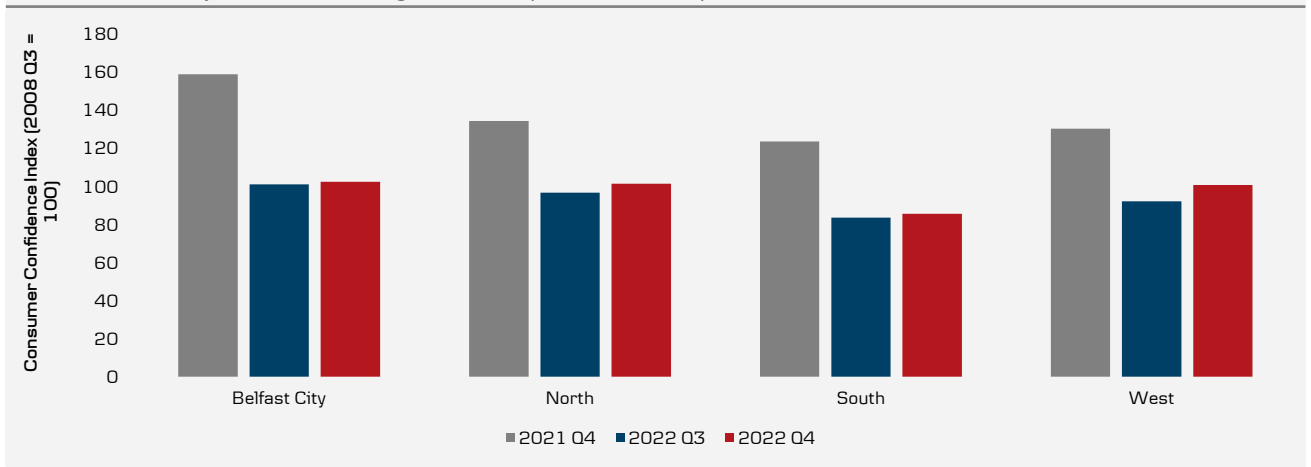
Quarterly increases were observed across the parts of the index focused on people’s future finances and the amount they expect to spend on expensive items. The components of the index based on respondent’s current finances and job security decreased.

West

Confidence levels in the West region increased from 92 in 2022 Q3 to 101 in the fourth quarter of the year. Confidence was weaker than the 130 reading posted in 2021 Q4.

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

Figure 8: Compared with the previous quarter, consumer confidence levels in 2022 Q4 were higher in Belfast City, the West region, the South region and the North of the country but lower in all four regions when compared with the final quarter of 2021



Source: Danske Bank analysis

Commentary

Consumer confidence increased slightly in 2022 Q4

Consumer confidence in Northern Ireland increased slightly in the final quarter of 2022. The Danske Bank Northern Ireland Consumer Confidence Index posted a reading of 95 and increased for the first time since the second quarter of 2021. However, despite the rise, overall consumer sentiment remained relatively low.

High prices had the largest negative impact on confidence levels

Inflation in the UK remains at elevated levels and is continuing to exert a squeeze on household spending power. In December 2022 – the month our survey was completed – the inflation rate was 10.5 percent and in January 2023, it was 10.1 percent.

This high inflation is weighing down on peoples' confidence levels. In 2022 Q4, 40 percent of our survey respondents stated that the impact of higher prices on their household finances had the biggest negative impact on sentiment. This was down from 47 percent in quarter three but inflation was still the factor highlighted by the largest proportion of people when asked what had the biggest adverse impact on confidence.

The overall inflation rate remained in double figures at the end of 2022, but did start to decline in the last couple of months of the year. Inflation was 11.1 percent in October but fell to 10.7 percent in November and then declined again to 10.5 percent in December. For some spending categories, such as clothing and footwear and transport, the annual rate of price rises is slowing. However, food inflation was still rising at the end of last year. The annual rate of price increases for food increased in every month from February 2022 to December, when the inflation rate was 16.8 percent. Household energy prices were also still much higher than a year previously – the annual inflation rate for electricity, gas and other fuels in December was 88.7 percent.

Rising interest rates are having an increasingly negative impact on confidence

The Bank of England's Monetary Policy Committee has increased Bank Rate at each of its last ten policy meetings. The rate was increased from 3 percent in November to 3.5 percent in December and increased again to 4 percent in February 2023.

Our survey showed that in the final quarter of 2022, 14 percent of respondents said that rising interest rates had the biggest negative impact on them. That was up from 10 percent in quarter three and 7 percent in quarter two.

A number of factors impacted confidence levels positively and supported the rise in sentiment

As has been the case in recent quarters, the adjustment of society to living with Covid-19 was the factor highlighted by the largest proportion of people as the biggest positive driver of confidence. Thirty-six percent of the people who completed our survey said this boosted sentiment, similar to the 35 percent recorded in quarter three but down from 40 percent in quarter two.

Fifteen percent of people said that the performance of the Northern Ireland economy had the largest positive impact on them, despite the Composite Economic Index – a measure of economic output – posting declines in both the second and third quarters of 2022.

For 8 percent of people, rising wages was the factor that had the largest positive impact on sentiment. The labour market in Northern Ireland is in a relatively strong position. In the final quarter of 2022, the unemployment rate was just 2.5 percent while the HMRC Pay As You Earn data showed that the number of payroll employees increased over the month in December. When compared over the year, median monthly pay in Northern Ireland has also been increasing in recent months, though at a lower rate than inflation.

Twenty-three percent of survey respondents said they did not know what factor had the biggest positive impact on their confidence levels in the final quarter of 2022.

Consumer confidence remains low but inflation is likely to decline during 2023

While it was encouraging to see a small rise in consumer confidence in the final quarter of 2022, it should be noted that overall confidence levels remain relatively low.

One of the main factors behind this low level of consumer sentiment is the high rate of inflation, which is squeezing household purchasing power.

As we move through 2023, inflation is expected to continue declining but it will likely take some time for it to return to the 2 percent target. As such, and when combined with relatively low confidence levels, consumer spending is projected to remain under pressure.

Survey details, disclaimer and copyright

Survey Details

- The survey was carried out by Cognisense in December 2022 with 1,018 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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