



Consumer Outlook Index

A report by the Consumer Council - November 2014



The economic landscape

The Northern Ireland economy is reported to be showing some “green shoots” of recovery.

The Consumer Council has examined whether consumers are seeing the benefits of this or still feeling the pain of recession. The results provide an insight into how consumers are coping financially, their spending priorities, areas of concern, financial security and overall consumer confidence.

Results from the first survey show that consumers remain cautious. Although there are positive signs, many household budgets are still stretched, suggesting there is a lag in how quickly household budgets are recovering compared to the general economy. It is these “kitchen table” concerns that the Consumer Council wants to understand more about through the development of a **Consumer Outlook Index**.

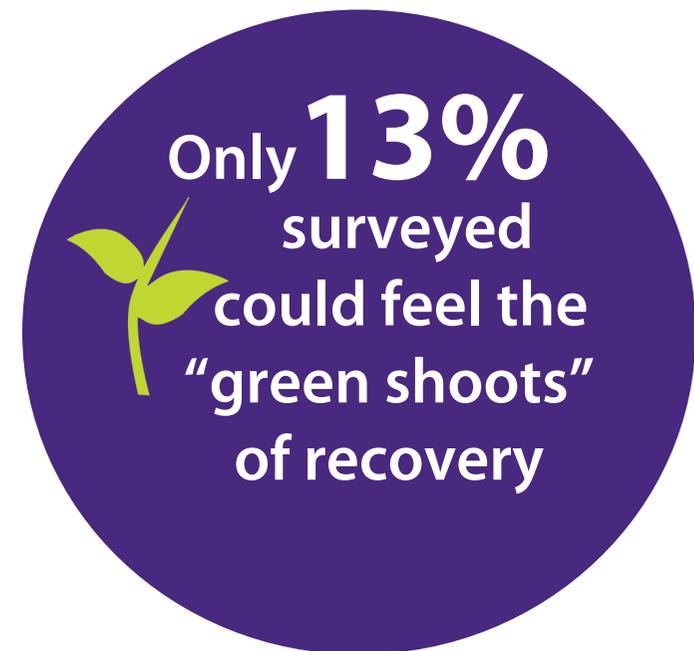


Green shoots

An overwhelming 70% of consumers across Northern Ireland said they are not feeling any evidence of economic recovery in their pockets.

Only 13% of people surveyed agreed that they could feel the “green shoots” of recovery in the economy. Younger consumers, those with children under five and home owners were found to be those most likely to be seeing increased disposable income.

Consumers least likely to be seeing any improvements in their household budgets were those not working, those retired on a state pension and people renting.



Kitchen table concerns

What we found

What consumers worry most about



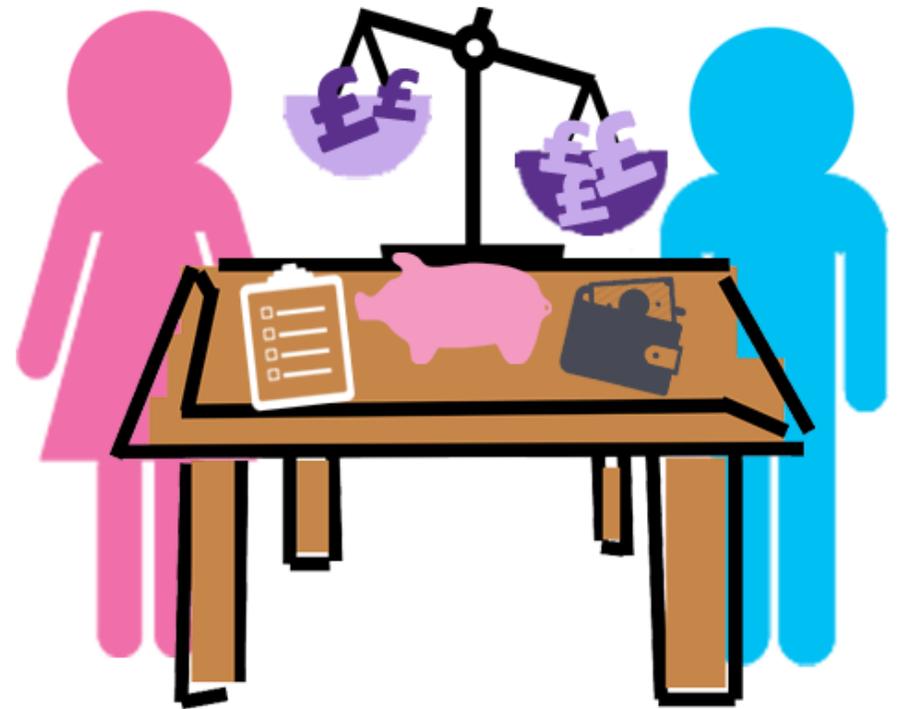
Keeping up with bills
and credit card
commitments



Running out
of money



Dealing with
expenses



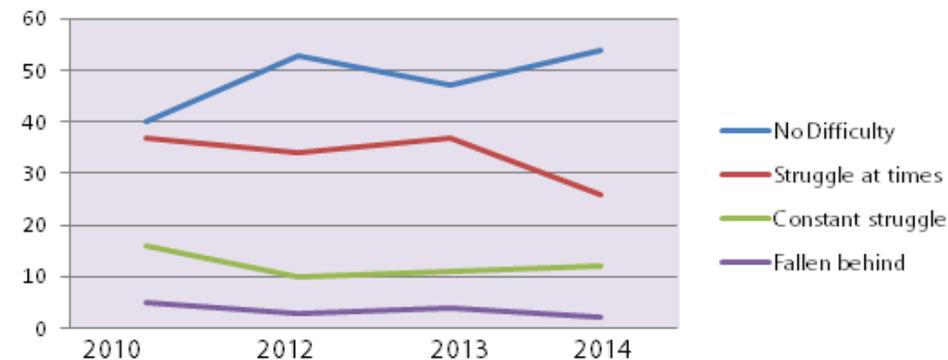
Keeping up with bills and credit card commitments

When asked about keeping up with financial commitments more than half of respondents (54%) said they are keeping up well. This is a positive change, up from 47% (+7%) compared to when consumers were asked this in December 2013.

However, 26% admitted that they struggle keeping up with bills and credit card commitments from time to time with 12% saying it is a constant struggle and 2% falling behind with bills and credit commitments. This figure rises to 27% and 23% respectively for people who are unemployed or on state pensions.

Data from previous Consumer Council research indicates that consumers are doing better at keeping up with their finances. Research in 2010 showed that 37% of consumers were struggling to keep up with financial commitments with 16% admitting it was a constant struggle and 5% saying they had fallen behind.

Keeping up with bills/credit card commitments



* Figures from Cost of Living Research 2013, Canny Consumers Report 2012 and Consumer 2010 Report

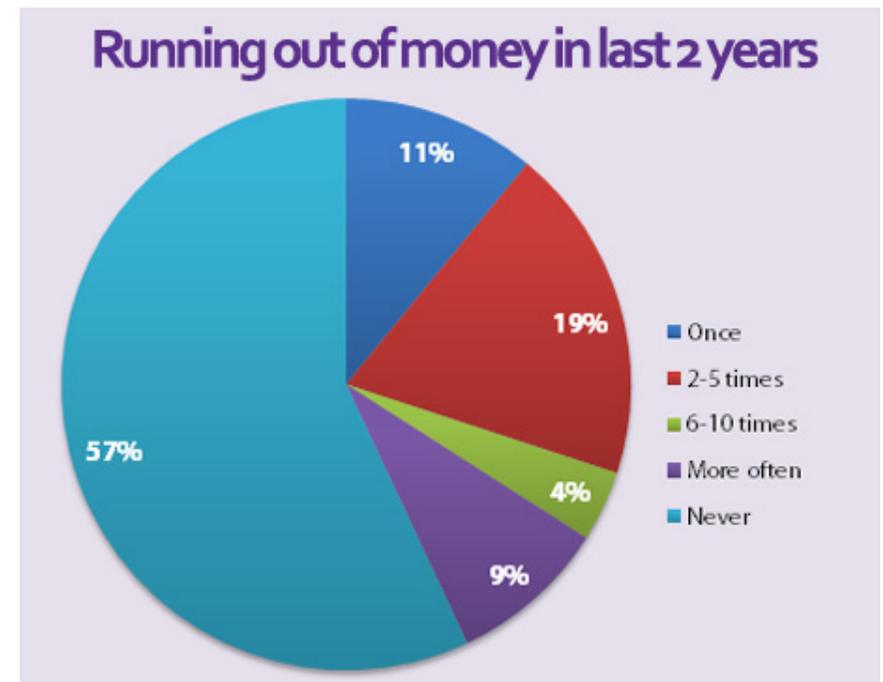
Running out of money

Around 3 in 5 consumers report having a surplus of funds available at the end of the month. Most typically this was in the range of £0-£100.

But 43% of those surveyed had run out of money at some point before the end of the month within the past two years. Of these consumers, 19% state they had run out of money 2-5 times over the past two years and 9% say they had run out of money more than ten times.

This is significant because 37% of Northern Ireland consumers report having no credit or loan arrangements.

In addition, 5% of those surveyed said they didn't have any type of bank account, credit union, building society or post office account.



Dealing with expenses

Consumers were asked what three areas of household bills they were most concerned about.

The top areas of concern were:

- **Home energy – 40 %**
- **Rent/ Mortgage- 23%**
- **Repair or replacement of big ticket household item – 20%**
- **Cost of Christmas/family event – 19%**
- **Food /groceries – 18%**
- **Running a car – 14%**

Despite stability in gas and electricity prices and a reduction in home heating oil costs (17%) over the last year, home energy costs remain a key worry for consumers across Northern Ireland.

Budgeting and putting money aside to meet energy costs is important for many households with 35% actively doing this. This may also explain why Pay as You Go (PAYG) meters are so popular in Northern Ireland, with around 45% of consumers choosing to pay for their energy this way compared to 15% in GB.



Energy 40%



Rent/Mortgage 23%



Repair/Replacement of household item 20%

Dealing with expenses

In addition, 13% of those surveyed have to either dip into savings or borrow to pay for their home energy. Although a low figure at 1%, it is worrying that anyone goes without heat because they simply can't afford it.

Although recently energy prices have been stable, looking over a longer period there has been significant volatility in prices which may continue to be a factor for many families. Additionally, there is a reluctance by Northern Ireland consumers to shop around or switch supplier which could provide benefits in terms of price and service.

Unsurprisingly, those with children under the age of 15 were twice as concerned about rent/mortgage, clothes and footwear, cost of family holidays or Christmas than those with no children at home.

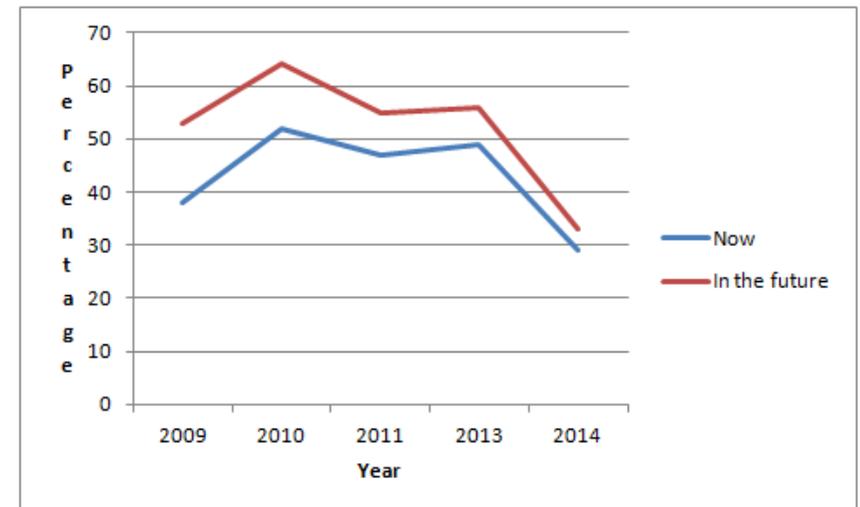


Making ends meet

Consumers were asked about their ability to make ends meet right now with 29% saying it was a worry - down from 52% in previous research carried out in 2010. When asked about making ends meet in the future 33% said they remained worried compared to 64% in 2010.

When asked about the impact of a potential rise in interest rates, 44% said it would have no impact on their disposable income and 34% said they would be worse off – a worrying figure given that 43% of consumers are already running out of money by the end of the month.

Worried about making ends meet now and in the future



Figures from NISRA research 2009, Consumer 2010 report, Canny Consumers report 2011 and Cost of Living report 2013

Rainy day savings

Almost three fifths (58%) said they always made sure they had money saved for a rainy day. This was most prevalent in the 65 plus age group.

Meanwhile 23% don't have any rainy day savings and struggle to cover the cost of big ticket household goods such as washing machines, or pay for Christmas and family holidays.

Other responses (16%) reflected that it was not always possible to put money away for a rainy day but they would try to from time to time.



So are consumers better or worse off now?

Just under a quarter of consumers (24%) believe they are better off than two years ago, mainly due to pay rises, promotions at work, obtaining employment or increased hours. 13% said they had become better at budgeting and 11% said it was due to cutting back.

However, almost a third (30%) think they are worse off due to the increased cost of fuel and domestic energy, increased cost of food and reduced pay or job loss.

Meanwhile just under a half (47%) see no change in their financial situation.



Looking ahead

When asked about the future almost 30% believe they will be better off, while 14% believe they will be worse off. Those in the 35- 64 age group were the most pessimistic. More than half (56%) feel that their financial position will stay the same.



The Consumer Council view

The first Consumer Outlook provides a mixed picture. There are areas where consumer confidence has improved and pressures on household budgets have decreased. The two key concerns for consumers are the cost of energy and paying their rent or mortgage. The third biggest concern for consumers relates to unexpected costs - repairing or replacing a 'big ticket' household item. This suggests that some household budgets are still tight with little resilience to financial shocks.

43% of households have reported running out of money in the last two years making it difficult to deal with unexpected expenses. In addition only half of consumers have money saved for a rainy day to deal with these types of things.

Although consumers report that keeping up with bills and making ends meet is less of a struggle now than it was in 2010, there is an underlying uncertainty or caution about what the future may hold. This is hardly unsurprising given the pressures families have faced over the last six years but is clearly having an impact on consumer confidence.

The positive signs emerging in the wider economy are not filtering through to consumers' pockets with 70% not yet feeling the "green shoots" of recovery. Optimism remains flat - the majority of consumers report that over the last two years things have got no better or no worse for them and expect this to be the case for the next few years.

Although only 29% are worried about making ends meet compared to 52% in 2010, it is clear that from a consumer's perspective a sense of fragility regarding the economic recovery continues to be the key opinion. This will have a knock on impact on Northern Ireland's recovery given consumer spending accounts for 60% of the economy's value as confident and optimistic consumers are an essential part to a sustained recovery.

Methodology

The Consumer Council commissioned Millward Brown Ulster to conduct an assessment of Northern Ireland consumer confidence in the general economy which can be tracked over time.

The tracking is conducted through two six monthly dips via omnibus (bi-annual), circa 1,000 interviews per wave. The sample is representative of the Northern Ireland 16+ population in terms of age, gender, region and socio-economic group covering issues relating to consumer confidence and experience. The first wave of tracking for 2014 was undertaken between 17 and 28 July 2014 n=1,046.

Alongside this summary report the full findings from the tracking research and additional infographics are available from the Consumer Council website.

<http://www.consumercouncil.org.uk/>

Future Developments

This first wave of tracking has provided an initial set of results (and benchmark) on consumer confidence, experience and views regarding the economy. The ongoing six monthly tracking will allow for greater trend analysis against these initial benchmarks.

In addition an **Economic Outlook Index** has been developed as a barometer of consumer confidence that can be tracked over time. This is based on a weighted average across a broad range of questions (19) that give consumer insight into affordability, financial security and consumer confidence. The index is expressed as a proportion of 100. The **Economic Outlook Index** score for this initial wave is **65.9** but only when further tracking is undertaken can a more in-depth analysis of this index (and how it is changing) be completed.