



Consumer Outlook Index

A report by the Consumer Council - January 2015



Falling prices but consumers still feeling the pressure

The second wave of research for the Consumer Council's "Consumer Outlook Index" reveals the pressures people continue to feel on their household budgets.

Recovery in the economy is still not being felt by all households across Northern Ireland (NI). Despite a reduction in some key areas of household spend, consumers are still concerned about making ends meet and the vast majority are not feeling the 'green shoots' of recovery.

The 'kitchen table' economy in terms of managing the household budget is what matters most to consumers. Although consumers are doing better in some areas such as managing their money, they remain nervous about the recovery. Consumers clearly reflect that hearing things are getting better in the wider economy and feeling it in their pocket are two different things.

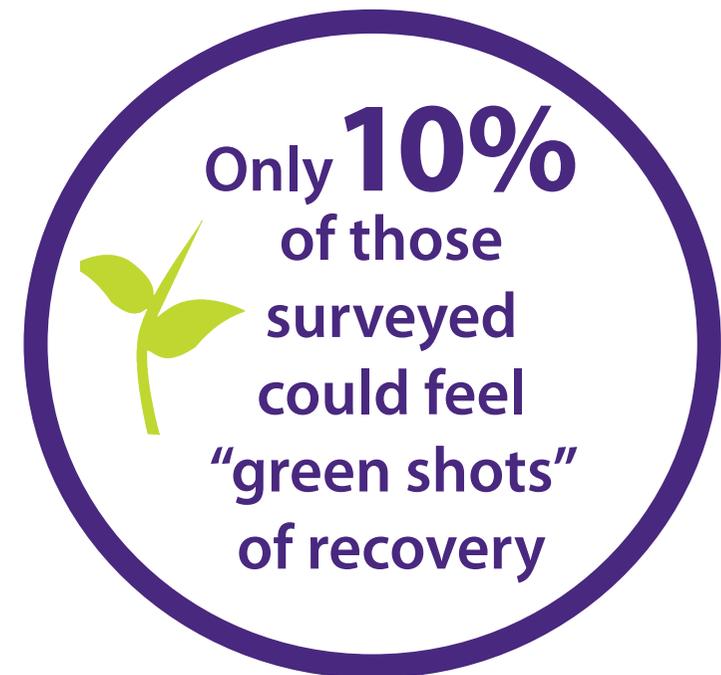
Our research shows that anxiety is still being felt regarding job security, wage stagnation and public expenditure cuts. Overall, consumers seem to be waiting to see if the current improvements can be sustained in the longer term.



Green shoots

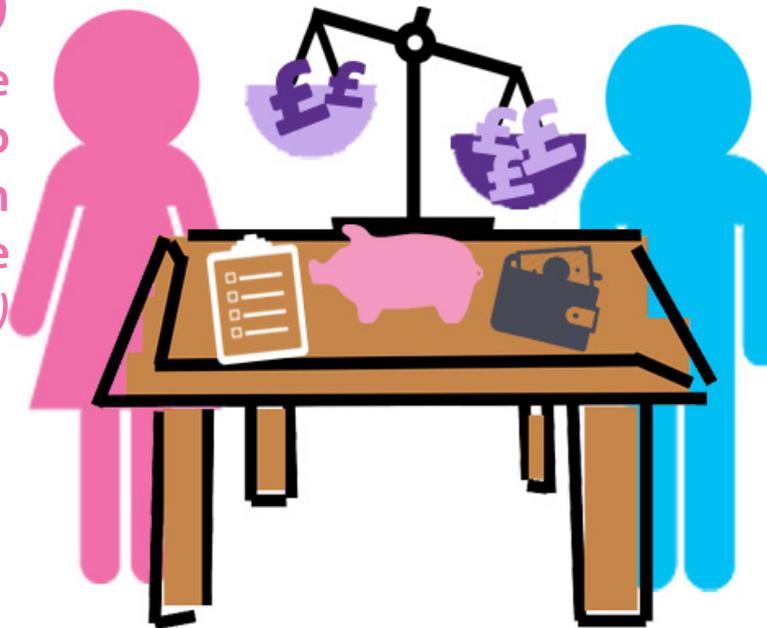
Over three quarters (76%) are not feeling the green shoots of recovery - up by 6% since the July survey and only one in ten are feeling evidence of economic recovery.

This is perhaps unsurprising considering the uncertainty within NI during the time of the survey (November 2014). Public spending cuts were announced at the time, possibly casting doubt over sustained economic recovery. This view is supported by Ulster Bank research which found a drop in economic growth in NI in December.



Kitchen Table Concerns

35%
of consumers are
struggling to keep
up with bills from
time to time
(Up 9% from July 2014)



Consumers
continue to
worry about
**dealing with
household
expenses**

Despite falling costs, consumers are **not** yet seeing
reduced pressure on their household budget

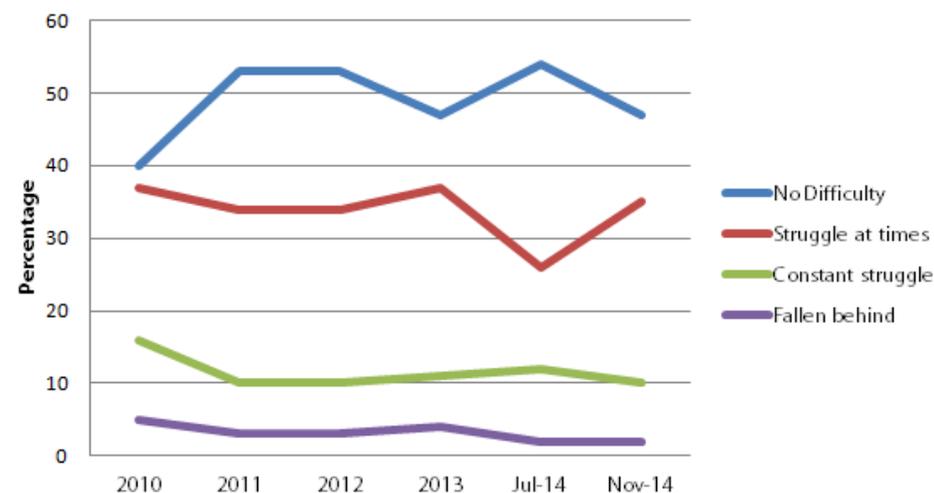
Keeping up with bills and credit card commitments

Consumers are doing marginally better at keeping up with their finances than they were in 2010.

When asked about keeping up with financial commitments, less than half of respondents (47%) said they are keeping up without difficulty. This is down 7% compared to July (54%) and is the same as the year before (December 2013).

However, more consumers (35%) reported they struggle to keep up with bills and financial commitments from time to time – up 9% from July (26%). 10% said it is a constant struggle and 2% report having fallen behind with some bills.

Keeping up with financial commitments



Dealing with expenses

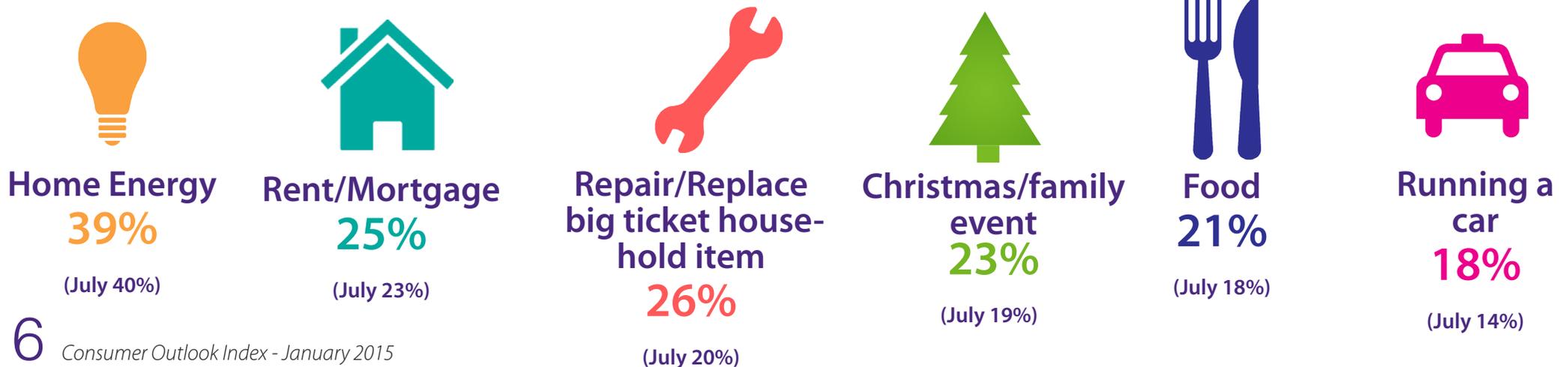
Consumers were asked what three household bills they were most concerned about.

The top six spending concerns remain the same as they were in July with home energy and rent or mortgage remaining top of the bill.

As the survey was conducted in November it is not surprising that the cost of Christmas or other family event remains a key concern for consumers. In addition, in the run up to Christmas consumers may struggle more, should they need to repair or replace an important household item.

Over one in five consumers (22%) had no rainy day savings to fall back on. Despite continued falling food and petrol and diesel prices, consumers are still concerned about the cost of food and running a car.

Seven out of ten consumers said that they can easily afford or put aside money to run a car, 10% reported that they do without as they aren't able to afford to run a car even though petrol and diesel prices have been steadily falling. We found that rural dwellers are more likely to afford to run a car than those living in urban areas. However, this may be a case of choice and prioritisation over other expenditure as they are more reliant on having their own car.



Family Finances

Banking

In NI 88% of people have access to a bank/building society with 4% reporting they have no access.

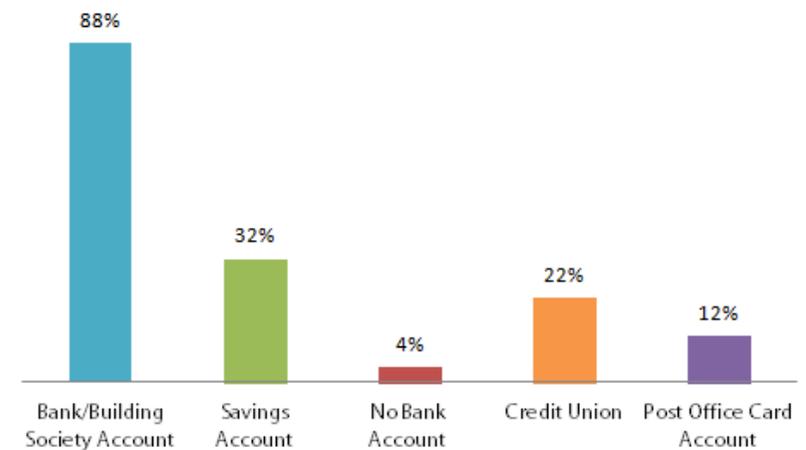
32% reported having a bank or building society savings account with 62% always making sure they had money saved for a rainy day.

In NI the prevalence and use of Credit Unions is much higher than in GB. This is supported in our research which shows 22% of consumers have a Credit Union Account.



The Post Office Card Account is used by 12% of the respondents. The decision to renew the Post Office Card Account contract will support ongoing access. However, further consideration should be given to how current POCA holders of working age will continue to access their benefits when Universal Credit is introduced.

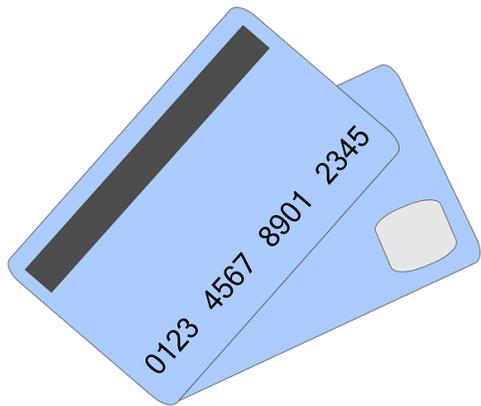
Family Finances



Loan/Credit arrangements

Credit cards are the most common form of credit arrangement with 39% of respondents reporting they have at least one, particularly those aged 25-64 years. Mortgages (22% of consumers) were the second most common credit arrangement, most notably in the 35-49 age bracket (43%).

More than a third of respondents (36%) said they have no loan or credit arrangements. Of these, half said it was because they had never borrowed and choose not to. A quarter (23%) manage their money so that they do not need to borrow, 12% have paid off previous debts and choose not to borrow, whilst 3% have had a bad experience with debt and a further 3% have a poor credit rating.



Loan / Credit Arrangements

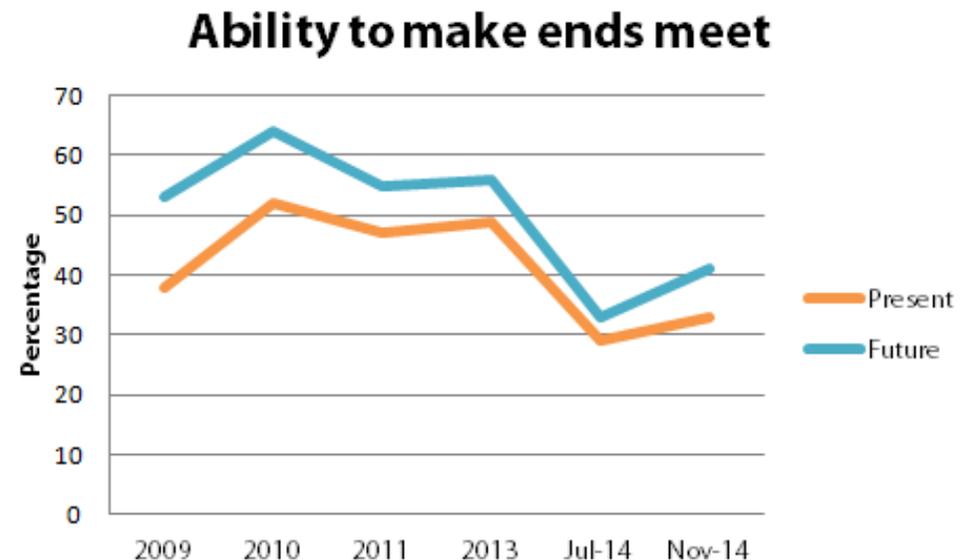


Making ends meet

People are worried about making ends meet now and more people are worried about their ability to make ends meet in future which is a concern for consumer confidence and economic recovery.

The overall number of consumers worried about making ends meet now and in the future has also increased since July which is a concern.

Consumers were asked about the effect of an increase in interest rates on their household budget. 44% said it would have no impact, 34% said they would be worse off and only 7% believed it would increase their disposable income.



Better or worse off?

Fewer consumers feel better off now than they were two years ago and fewer believe they will be better off in two years time.

Less than a fifth of consumers believe they are better off than two years ago, this has dropped by 5% since the survey was conducted in July.

Reasons for being in a better financial position included a new job/increased hours (28%); better at budgeting (24%); receiving a pay rise/promotion (23%).

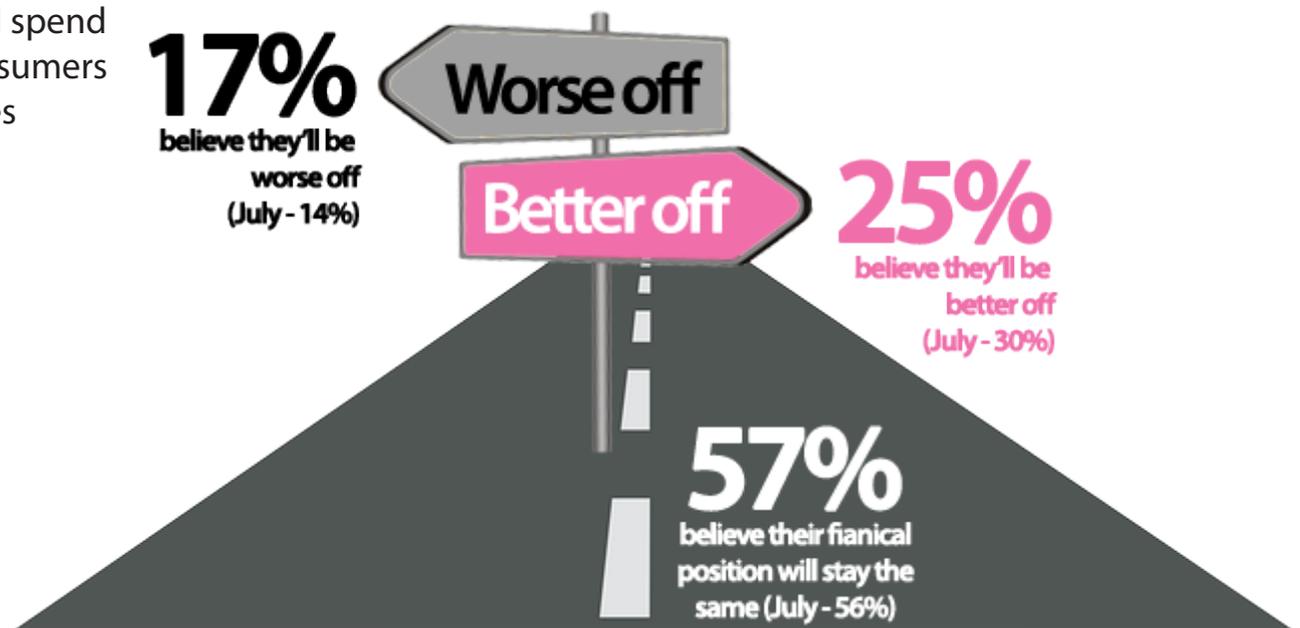


Looking ahead

Consumers outlook for economy is still weak and compared to the first tracking research there has been a slight increase in the number of consumers believing they will be worse off and a decrease in those consumers who felt they would be better off.

Reasons provided for a worsened financial position included increased cost of groceries (63%); increased cost of domestic energy (56%); and increased cost of petrol and diesel.

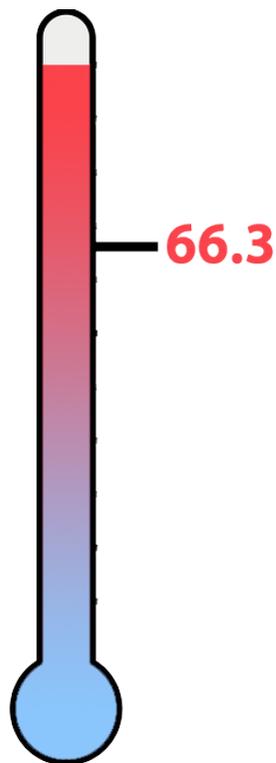
Despite the fact that these areas of essential spend have seen price decreases in real terms, consumers clearly still feel the pressure these necessities have on their household budgets.



Consumer Outlook Index

Through this research, the Consumer Council has developed a score out of 100 to show consumer confidence in their economic outlook.

In July the index was 65.9, in November it is 66.3.



The index has remained static with minimal change since July. Announcements about public expenditure cuts, their potential knock on effects and the impact of increased spending in the lead in to Christmas has not caused the index to dip.

Males (72.3) were feeling more positive than females (61.4) in their economic outlook by almost 11 points. Others that are more positive are professionals, those with mortgages, those working or retired with private pensions and those residing in a rural area.

The 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 second wave is 66.3.

The Consumer Council View

The second Consumer Outlook shows that more consumers are struggling to keep up with financial commitments than previously; the same issues are causing concern around the kitchen table, more consumers are concerned about their ability to make ends meet now and in the future, and fewer are feeling the green shoots of economic recovery. Almost one in five (19%) said they were in a better financial position than they were two years ago. A quarter of these stated this was due to better budgeting and one in ten said it was due to saving.

However, almost one in three (29%) believed they were worse off than two years ago. The main reasons given were the increasing cost of groceries, domestic energy and petrol/diesel costs. This is an interesting finding considering these costs have, in the main, come down while consumers' perception is that they have continued to rise. The reality for many consumers is that they have not yet felt the benefit of these price reductions in their household budget. The impact of these price reductions may take some time to filter through and it will be interesting to see if the next tracking research (May 2015) starts to identify the pressure reducing on some areas of household spend.

Many findings from July to November show moderate if any movement. This stagnation in consumer confidence shows the long lasting effects of continued pressure on wages and overall disposable income. Consumers still feel the pound in their pocket being squeezed despite falling prices across many essential items such as food, petrol and diesel and home heating oil.

This latest Consumer Outlook suggests that consumers are waiting to see if the economic recovery can be sustained in the longer term. Overall consumer confidence remains fragile with cautiousness capturing the overall mood.

Methodology

The Consumer Council commissioned Millward Brown Ulster to conduct an assessment of NI 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 NI 16+ population in terms of age, gender, region and socio-economic group covering issues relating to consumer confidence and experience. The second wave of tracking for 2014 was undertaken between 30 October and 10 November 2014 n=1,026.