

Consumer Confidence Remains Fragile

- Change in political leadership easing negative consumer sentiment.
- Over three quarters (77%) of consumers believe Irish economy is now worse off than last year, down from 88% in January.
- Early year increase in interest rates and expectation of further increases undermining return of spending levels.
- Consumer spending and saving intentions, alongside expected value of personal assets remain distinctly negative.

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The results of the latest Behaviour & Attitudes' Consumer Confidence Survey (May 2011) indicate that while negative sentiment among consumers has declined across the first quarter, the overall outlook for consumer spending remains fragile.

The current survey was carried out as part of the ongoing Behaviour & Attitudes' Consumer Confidence Tracking Project, which has been running since 2002. The survey was conducted between the 8th & 19th of April, 2011, among 1004 adults aged 16+, quota controlled in terms of age, gender, socio economic class and region, to reflect the profile of the adult population of the Republic of Ireland.

The impact of the change in political leadership and increased political stability has had a noticeable effect in reducing negative sentiment about the future of the economy from a net -70% in January 2011 to -58% in the current report

Unfortunately, this reduced negativity in confidence levels has occurred in the same time period as announcements of the return of mortgage interest rate increases, which will directly affect disposable income levels of consumers. So while belief in the macro economy has become less negative, fears among consumers over their personal financial security remain deeply entrenched.

Commenting on the findings of the latest survey, **Luke Reaper, Director at Behaviour & Attitudes** said *"While the change in political leadership has added a degree of optimism about the future prospects of the Irish economy, confidence levels among consumers have fallen so low over the last three years that it will take a longer period of time for confidence to become distinctly positive; all we can work towards right now is continuing to erode the negative sentiment"*



Results relating to the personal financial situation of consumers in the current survey, indicate that the majority expect their income to be lower next year, with a net 55% expecting income levels, after taxes and inflation, to be reduced.

With inflation now running at 3% for the first time since 2008 and being relatively unaffected so far, by increases in mortgage interest payments, this appears to be a safe assumption among consumers. **The impact of further reductions in real income levels among consumers will continue to weigh down demand in the domestic economy.**

The results of the latest survey also indicate that the majority of consumers expect to spend less and save less income next year in comparison to their current levels, with 60% of consumers expecting to spend less next year and 61% expecting to save less.

Discussing this point further, Mr. Reaper commented, *“This is a classic example of the effect of increasing costs on consumer behaviour, where consumer wage levels have not increased. Where you see both saving and spending intentions in decline over a prolonged period of time, it is usually due to the level of disposable income consistently reducing.”*

“By nature consumers have a tendency to favour either spending or saving as their preferred option for disposable income, depending on their current circumstances. Under stable economic conditions, these levels should interact, with one consistently higher than the other; having both indicators remain distinctly negative over a sustained period of time is quite disconcerting”

Finally consumers continue to believe that the value of their personal assets (houses, shares, pension entitlement & savings) will be lower next year than their current value, although the level of negative sentiment towards the value of personal assets, like all sentiment levels in the current survey has reduced mildly.

“Currently, we are at a stage when negative sentiment among consumers directed at the macro economy and personal financial viability is recovering by degrees from historic lows. While indicators are taking on a less downbeat skew, expectations of the return of en masse consumer spending in the economy, in the short term, would be very optimistic”, he concluded.

What we are seeing at the current time, is rigidity in the consumer mindset, where expectations related to the economy and personal financial situation are remaining considerably negative. To a degree these are influenced by the dramatic decline in living standards and the reputation of the Irish economy over the previous three years. Also not to be underestimated is the impact that numerous announcements of ‘recovery’, ‘turning the corner’ and ‘green shoots’ and consequent unanticipated economic regressions have had on the consumer.

For enquiries or further information please contact:

Luke Reaper
Director

John J Clarke
Research Executive



Behaviour & Attitudes
Milltown House, Mount St. Anne's, Milltown, Dublin 6

Email: luke@banda.ie

t: 00-353-01-2057500 F: 00-353-01-2057522 W: www.banda.ie

Behaviour & Attitudes

Email: john.clarke@banda.ie

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Established 25 years ago, Behaviour and Attitudes provides a full range of market research services, ranging from CAPI (Computer Aided Personal Interviewing), through to standard face-to-face interviewing surveys, CATI (Computer Aided Telephone Interviewing), central location interviewing, as well as an in-house CAWI (Computer Aided Web Interviewing) Unit. The company would be well known for having pioneered the development of qualitative research in Ireland.

As the second largest market research company in Ireland, Behaviour & Attitudes has a very well defined and tight company structure, which is built around excellent client service delivery principles.

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