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NI CONSUMERS IN MORE BUOYANT MOOD – NORTHERN BANK

Local consumers are in a more buoyant mood as encouraging figures show that consumer confidence has risen to its highest level since the peak of the financial crisis, Northern Bank economist Angela McGowan said today.

The latest findings from the 'Consumer Confidence Index for Northern Ireland' published by Northern Bank, shows that during the last quarter of 2009 consumer confidence, which was shattered during the last 18 months, is continuing to improve. The overall increase in confidence was driven by three factors: improvements in consumers' current financial position, expectations for saving and an unexpected rise in consumers' expectations for spending.

Angela McGowan, Northern Bank Chief Economist said: "The broad theme coming from the latest research is positive. There are encouraging signs across all key indicators used to measure consumer confidence. Low interest rates over the last year have certainly played an important role in how well people perceive themselves to be managing financially. Lower mortgage payments for those households on tracker mortgages combined with overall lower prices in 2009, has led to a reduction in the proportion of people feeling financially worse off in December compared to one year ago."

Overall, consumers' assessment of their current financial position has improved over the quarter. This is shown by a fall of 5 percentage points in the proportion of consumers' who feel financially worse off now relative to one year ago, combined with a small rise in those currently feeling better off.

Surprisingly, expectations for spending amongst consumers also improved. There was a fall of 8 percentage points in the proportion of people who plan to curb their spending. At the same time there was a 3 percentage point rise in the number of consumers who were planning to spend more on big value items such as holidays or furniture compared to the previous quarter.

Ms McGowan added: "Spending expectations showed a marked improvement although 28 percent of consumers still plan to spend less. The survey also shows a determination amongst households to improve their finances with expectations of the amount that they will save rising overall. This reflects a similar international trend which shows a widespread desire by household's to rebuild their savings. As household balance sheets improve there is an expectation that both saving and spending should return to more sustainable levels."

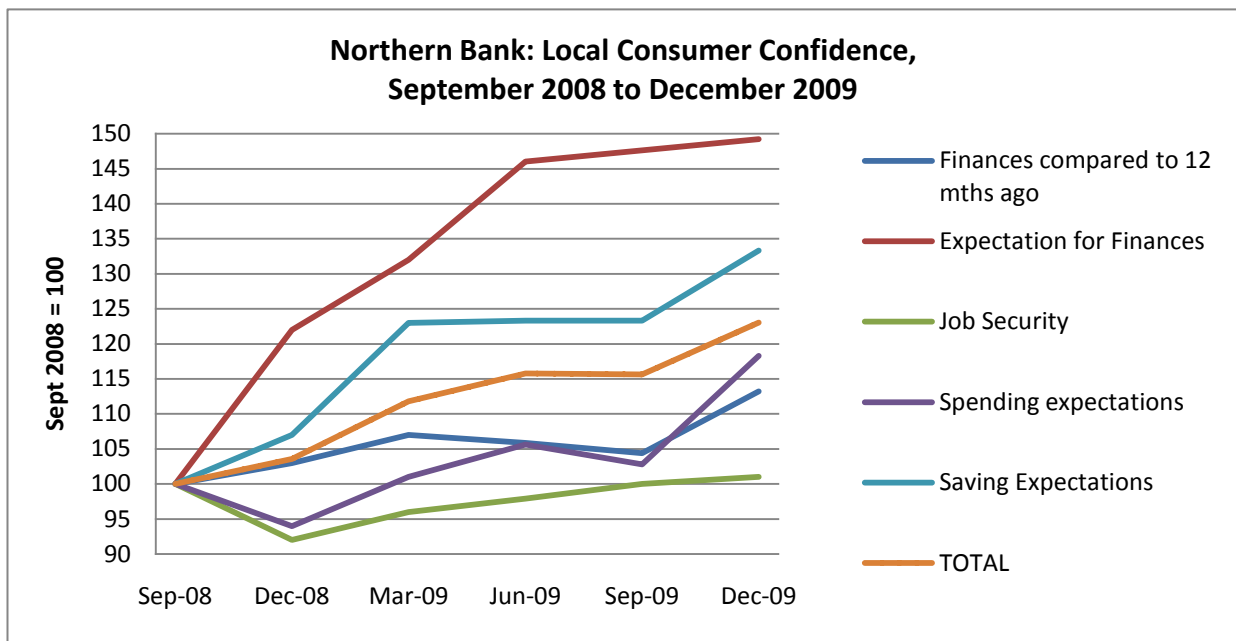
The report by Northern Bank shows that there was only a very marginal improvement in sentiment regarding future finances and job security. While there was a 4 per cent decrease in the number of households that think their financial position will get worse over the next 12 months, this improvement was offset by a decline in the proportion of households who think their financial position will improve which fell from 17 per cent to 14 per cent.

On the jobs front whilst there was a marginal improvement in the proportion of people who saw their job security improve, 11 per cent of people still think job security will deteriorate over the next 12 months.

Ms McGowan explained: "Recent unemployment statistics have shown that the large scale job losses experienced at the start of the recession appear to have tapered off and this might account for the marginal improvement. A number of factors such as reduced hours, pay freezes and a high proportion of public sector workers in the local labour market have

prevented unemployment levels in Northern Ireland from reaching the record highs experienced internationally. Typically confidence around job security falls at the start of a recession but this should start to improve as the economy recovers.”

The research found that year on year comparisons of local consumer confidence show a healthy gain in confidence since the height of the financial crisis. The biggest improvement over the entire year has been in consumers’ expectations for their financial circumstances. This aspect of the survey experienced a dramatic drop in the overall proportion of those who think that their financial situation would deteriorate - falling from 49 per cent in quarter three of 2008, to 20 per cent in the latest survey.



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Embedded caption: Angela McGowan, Northern Bank Chief Economist says the latest Northern Bank Consumer Confidence Index shows that during the last quarter of 2009 consumer confidence, which was shattered during the last 18 months, is continuing to improve.

Notes to editor:

- The Consumer Confidence Index for Northern Ireland published by Northern Bank is the most extensive and first of its kind to be made available locally
- The 'Consumer Confidence Index for Northern Ireland' published by Northern Bank today is statistically representative of the Northern Ireland population and all data carries a variance of ± 3 per cent.
- For up-to-date analysis and commentary on economic matters from Northern Bank please visit: www.northernbank.co.uk/economy