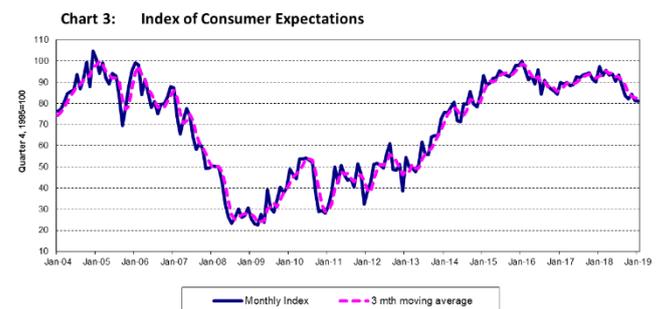
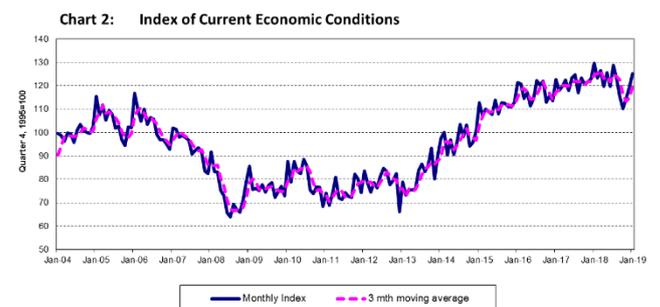
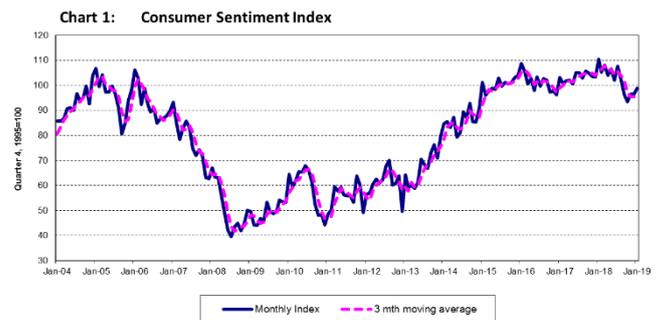


The Consumer Sentiment Index (Chart 1) starts the New Year with a modest 2.3 index point rise between December and January. This positive shift in sentiment is a common feature of sentiment indices, often referred to as the 'January Effect'. While overall sentiment has somewhat improved, this was entirely driven by perceived improvements incomes and household purchases, as captured by the Current Economic Conditions index.

Current Economic Situation

The Index of Current Economic Conditions tracks developments in consumers' personal financial situations over the past 12 month as well as their views on whether the present represents a good time to make major purchases. The Index (Chart 2) increased by 5.9 index points between December and January, increasing to 125.1. This improvement relative to December was driven primarily by a greater appetite for major household purchases. From an annualised perspective, the Index experienced its fifth consecutive monthly decline, falling by 4.5 points between January of 2018 and 2019. Household views towards current conditions remains positive, owed largely to the strong recovery period since 2013.

The Index of Consumer Expectations tracks consumers' outlook with respect to future economic developments over the next year, taking into account expectations of their future personal finances as well as broader economic performance. Compared to December, the Index (Chart 3) fell by 0.1 index points to 81.1. Concerns about the domestic economy and future financial circumstances only slightly outweighed an improved perspective of labour market prospects. As of January 2019, the general economic outlook remains mostly negative (-1.2 points), suggesting the majority of individuals expect weaker economic performance over the next 12 months. This is likely driven by Brexit concerns. In comparison, employment outlooks remain far more optimistic.



Personal Financial Situation

Households have remained confident about their respective financial situations over the last 12 months, as reflected by a 2.0 index point rise between December and January. However, the index is down slightly on a year-on-year basis. Furthermore, fewer households expect future improvements in their personal finances as (-3.0 points) compared to December. Reviewing positions held in the previous year, this marks a 9.3 index point decline from January 2018. Should Brexit negotiations struggle further over the coming weeks, this may further weaken households' views as measured by this indicator.

Table 1: Survey Index Results

| Measure ¹ | Long-Run average ² | Δ month-on-month | Jan. 2018 | Dec. 2018 | Jan. 2019 |
|--|-------------------------------|------------------|-----------|-----------|-----------|
| Overall Consumer Sentiment Index | 98.7 | ↑2.3 | 110.4 | 96.5 | 98.8 |
| Index of Current Conditions | 113.7 | ↑5.9 | 129.6 | 119.2 | 125.1 |
| Index of Consumer Expectations | 88.5 | ↓0.1 | 97.5 | 81.2 | 81.1 |
| Personal Financial Situation over last 12 months | 91.9 | ↑2.0 | 108.0 | 105.2 | 107.2 |
| Personal Financial Situation over next 12 months | 110.8 | ↓3.0 | 125.6 | 119.3 | 116.3 |
| General Economic Outlook | 67.9 | ↓1.2 | 73.4 | 48.5 | 47.3 |
| Outlook for Unemployment | 91.5 | ↑6.0 | 98.0 | 82.1 | 88.1 |
| Major Purchases | 131.7 | ↑9.0 | 147.4 | 130.8 | 139.8 |

(1) Index values: Quarter 4, 1995 = 100.

(2) Average value between January 2014 and January 2019

Disclaimer

This report has been reviewed prior to publication. The authors are solely responsible for the content and the views expressed.

Notes

The Index of Consumer Expectations is based on consumers' perceptions of their future financial situation, their economic outlook for the country as a whole and employment expectations. The Index of Current Economic Conditions is based on how consumers feel about their current financial circumstance compared with 12 months ago, as well as their perception of the current buying environment for large household purchases.

The data are obtained from telephone interviews during the first two weeks of the month with around 800 completed questionnaires. The data are re-weighted in line with gender, age and level of educational attainment to ensure the data were fully representative of the national population of adults. Each index is calculated by computing the relative scores (the percent giving favourable replies minus the percent giving unfavourable replies (the balance), plus 100) for each question used in the different indices. Those who reply "Don't Know", "Remain the same" are excluded from the index calculations. Each relative score is rounded to the nearest whole number. The sum of the relative scores is then divided by the base period total for each index. More details on www.esri.ie.

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Historic data from April 1996 are available on the ESRI website, www.esri.ie and on the KBC Bank Ireland website, www.kbc.ie. The most recent releases are also available on the website.

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