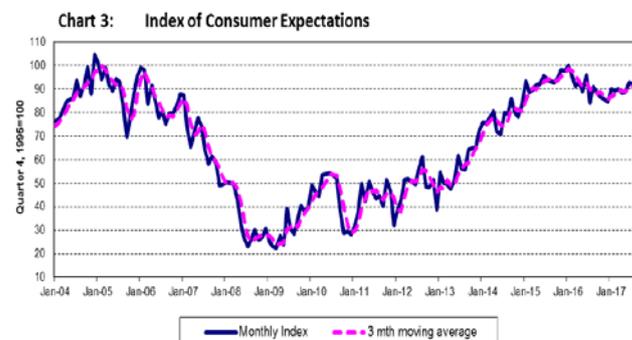
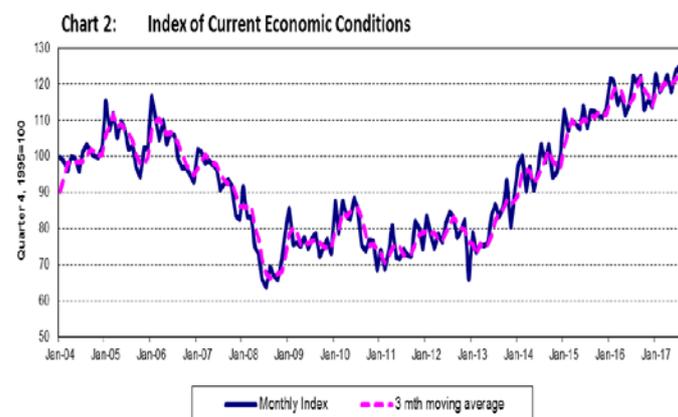
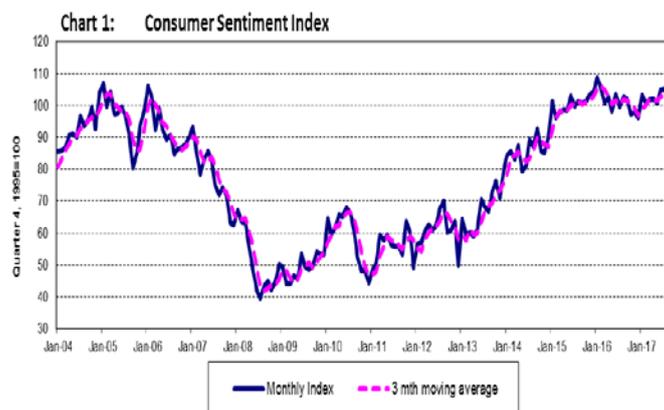


Consumer Sentiment Index fell in August 2017, down from 105.1 to 102.9 (Chart 1). This represents the first decline in the index since February and bucks the trend of rising sentiment seen since the beginning of the year. However, sentiment is still rising on a three month moving average basis. The fall in the index has been driven by heightened negativity amongst Irish households in regard to their views on current economic conditions. Consumer expectations regarding future developments continue to improve.

Current Economic Situation

The general decline in the Consumer Sentiment Index in August 2017 has been driven by a marked deterioration in households views on current economic conditions. The Index of Current Economic Conditions (Chart 2) fell by 7.6 index points to 117.0 in August 2017. This is below the level one year ago. A look under the hood as to what is driving these dynamics shows the fall is mainly driven by a sizable decline in households’ views of the current period being a good time to make purchases of large household items.

Consumers’ outlook on future economic developments, as captured by the Index of Consumer Expectations (Chart 3), posted a modest rise in August 2017. This is driven by strong, positive expectations for economic growth and improvements in the labour market. However, such bullish expectations on the general economic outlook are contrasted with deteriorating views on consumers’ own financial situation for the coming 12 months.



Personal Financial Situation

In August 2017, households reported a deterioration in their current financial situation relative to 12 months ago, with the index falling by a modest 0.1 index points. Furthermore, households are even more pessimistic in regard to the outlook for their own personal finances over the next 12 months with the index falling 1.8 points relative to July 2017. The evidence indicates an ongoing split between household's views on the broader economy, which point to a strong recovery, and their own personal circumstances, about which they are more pessimistic.

Table 1: Survey Index Results

Measure ¹	Long-Run average ²	Δ month-on-month	August 2016	July 2017	August 2017
Overall Consumer Sentiment Index	88.3	↓2.3	102.7	105.1	102.9
Index of Current Conditions	102.3	↓7.6	120.4	124.6	117.0
Index of Consumer Expectations	78.9	↑1.3	90.8	92.0	93.3
Personal Financial Situation over last 12 months	75.7	↓0.1	96	103.3	103.2
Personal Financial Situation over next 12 months	95.4	↓1.8	119	120.0	118.2
General Economic Outlook	62.8	↑3.7	67	68.0	71.7
Outlook for Unemployment	82.5	↑1.8	92	92.6	94.4
Major Purchases	124.2	↓13.8	141	142.2	128.4

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

(2) Average value between August 2012 and August 2017.



CONSUMER SENTIMENT INDEX, AUGUST 2017



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. A detailed methodology note outlining how the indices are constructed and the most recent release are also available on the websites.