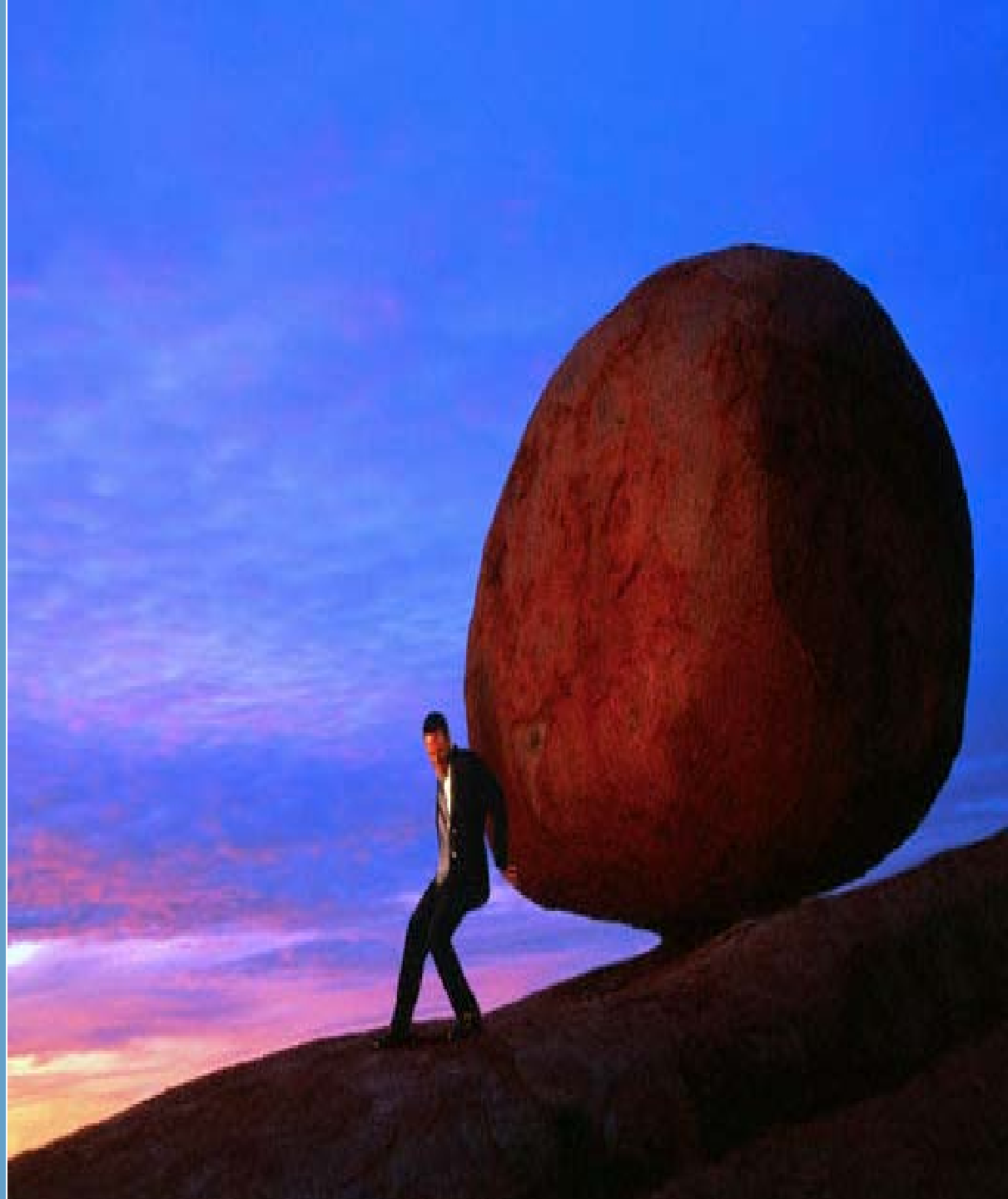




# Consumer Confidence Tracker

May 2011

Prepared by John J Clarke  
& Luke Reaper



# Introduction

- This report presents the findings of the latest phase of the Behaviour & Attitudes' Consumer Confidence Tracker.
- Survey results for this phase are based on a sample of 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.
- All interviewing on the survey is conducted on our fortnightly face-to-face Barometer by trained members of the B&A field force working under ESOMAR guidelines.
- Fieldwork on the latest wave was carried out between 8<sup>th</sup> April to 19<sup>th</sup> April 2011.
- At the end of this report we have also included some of the latest CSO data on GNP, retail sales, unemployment and inflation.
- The figures contained within the B&A Consumer Confidence Barometer have an estimated margin of error 3.2%.

# About Behaviour & Attitudes

- Behaviour and Attitudes is Ireland's largest and most experienced independently owned research company. We have 30 permanent staff members which includes 10 directors, the most experienced team in the Irish market. In addition, we have a team of over 150 experienced, fully trained face-to-face interviewers nationwide. Our Dublin CATI (telephone) Unit is based in our offices in Milltown and has a capacity for over 60 interviewers.
- 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.
- Despite being 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.
- Behaviour & Attitudes is fully owned by its Research Directors. These Directors are fully involved in day-to-day research on behalf of their clients. Hence our clients have access to the most senior team in the Irish marketplace.
- For more information please visit our website at: [www.banda.ie](http://www.banda.ie)

# Summary

- The previous Behaviour & Attitudes Consumer Confidence Barometer, January 2011 saw a deepening of negative sentiment in consumer confidence, primarily due to the 2011 austerity Budget, the details of the EU/IMF/ECB banking recapitalisation programme and the introduction of the Universal Social Charge.
- In the intervening period to the current survey, two key elements which underpin consumer confidence have changed.
- Firstly the general election provided an opportunity for consumers to elect a political party with a mandate to deal with overhanging economic issues. The increase in political stability and the removal of the previous government has created a level of buoyancy in terms of reducing negative sentiment, to a degree.
- However, the effect of this change in economic leadership and increased political stability on consumer confidence has, to a degree, been undermined by the return of interest rate increases for households. While the initial rate increase will only modestly reduce current disposable income levels, the anticipation of increases of up to 3 percentage points across the next 18-24 months, will add considerably to reduced spending, as preparations are made for declines in real income levels. These increases are particularly concerning as inflation (without mortgage interest being a driving factor, due to its current low level) has already reached 3%, a level not seen since the end of 2008.
- Current consumer spending intentions remain distinctively negative, albeit at slightly lower levels than before.
- It is important also to take into consideration that the current survey was conducted prior to the announcement of the May Jobs Initiative. The effects of which will be factored into the analysis of the next Consumer Confidence Barometer.

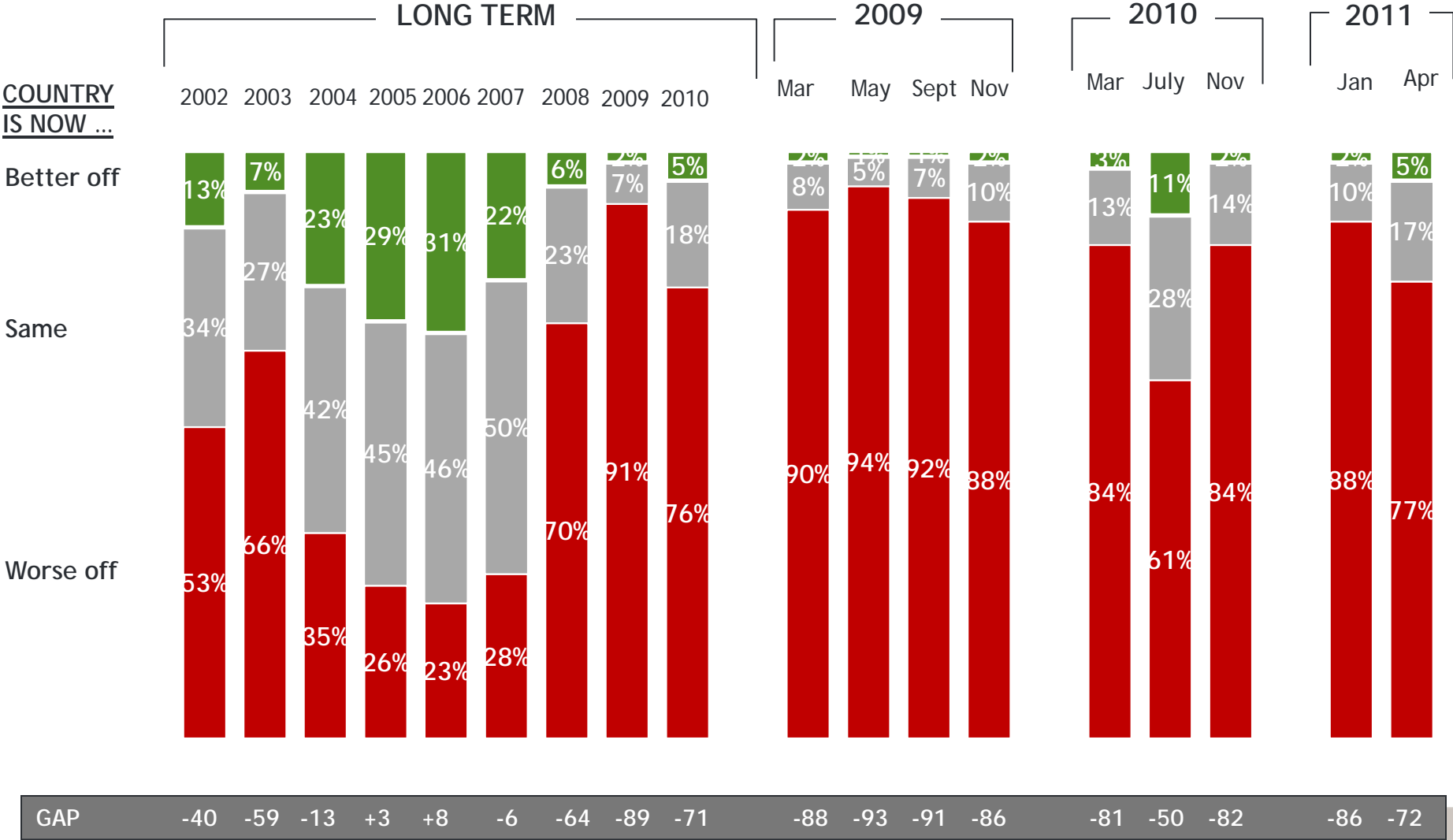
# Summary

- The table below summarises the net scores for each element of the April survey, alongside those from previous waves since 2009.

	Pre 2008 Historic Low		2009				2010			2011	
	Date	Net Score	Net Scores				Net Scores			Net Scores	
UNWTD. SAMPLE	Date	Score	Mar	May	Sept	Nov	March	July	November	January	April
	%	%	%	%	%	%	%	%	%	%	%
Economy - looking back a year	Nov '02	-62	-88	-93	-91	-86	-81	-50	-82	-86	-72
Economy - looking forward one year	Nov '02	-63	-74	-76	-65	-58	-54	-20	-74	-70	-58
Personal finance - looking back a year	Nov '02	-40	-57	-62	-67	-63	-65	-43	-67	-72	-64
Personal income - looking forward a year	Nov '02	-20	-54	-63	-63	-55	-54	-33	-65	-69	-55
Personal assets - looking forward one year	Jan'02	-2	-55	-53	-55	-47	-49	-26	-55	-50	-44
Purchasing intentions - the year ahead	Nov '02	-24	-61	-55	-60	-53	-51	-36	-56	-67	-55
Savings - the year ahead	Nov '02	-35	-56	-56	-60	-51	-53	-37	-54	-60	-54

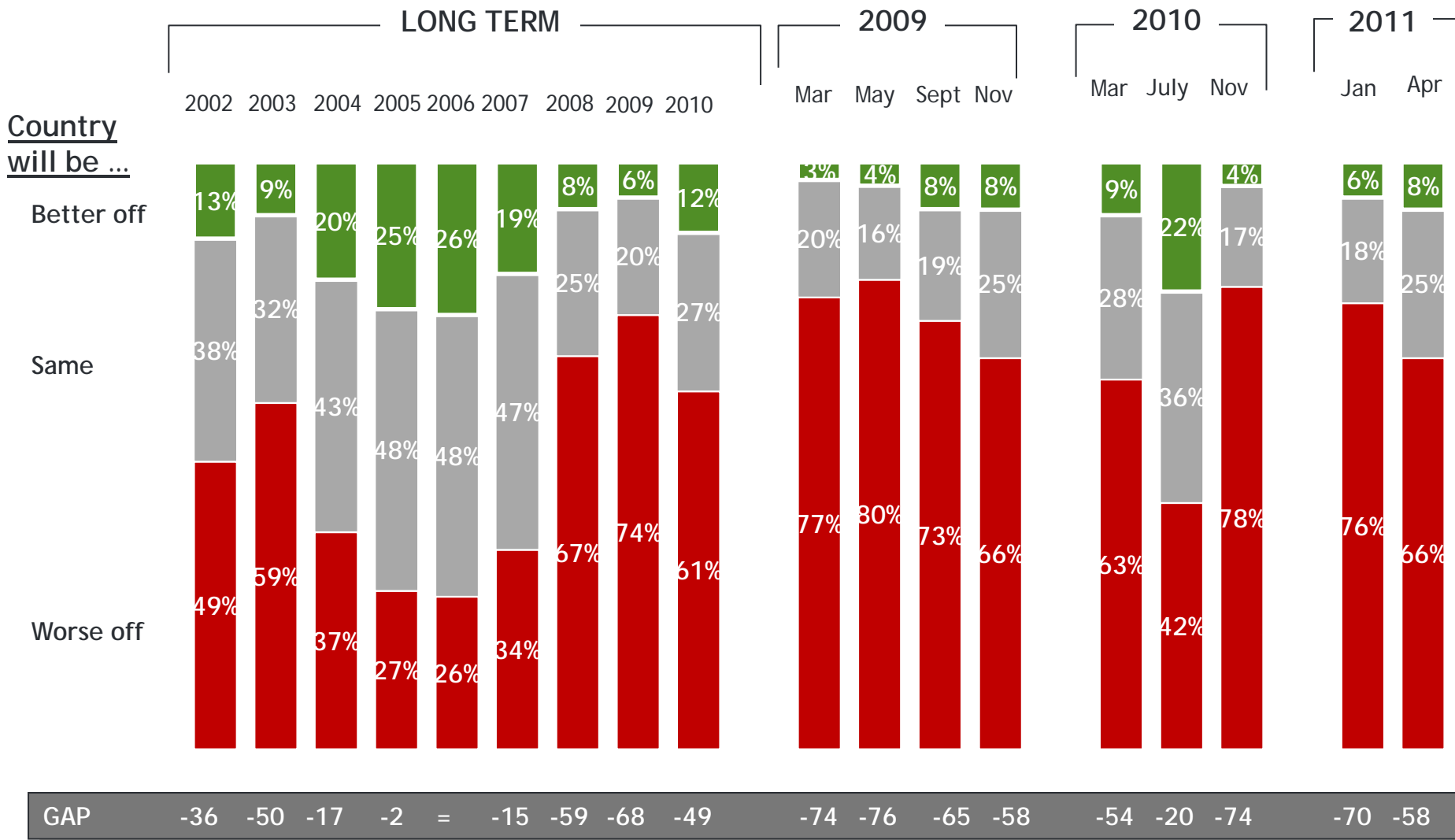
Despite continuing economic underperformance, the change in political leadership appears to have had a modest effect on consumer confidence. Although indicators, as a whole, remain distinctly negative.

# Economy - Looking Back

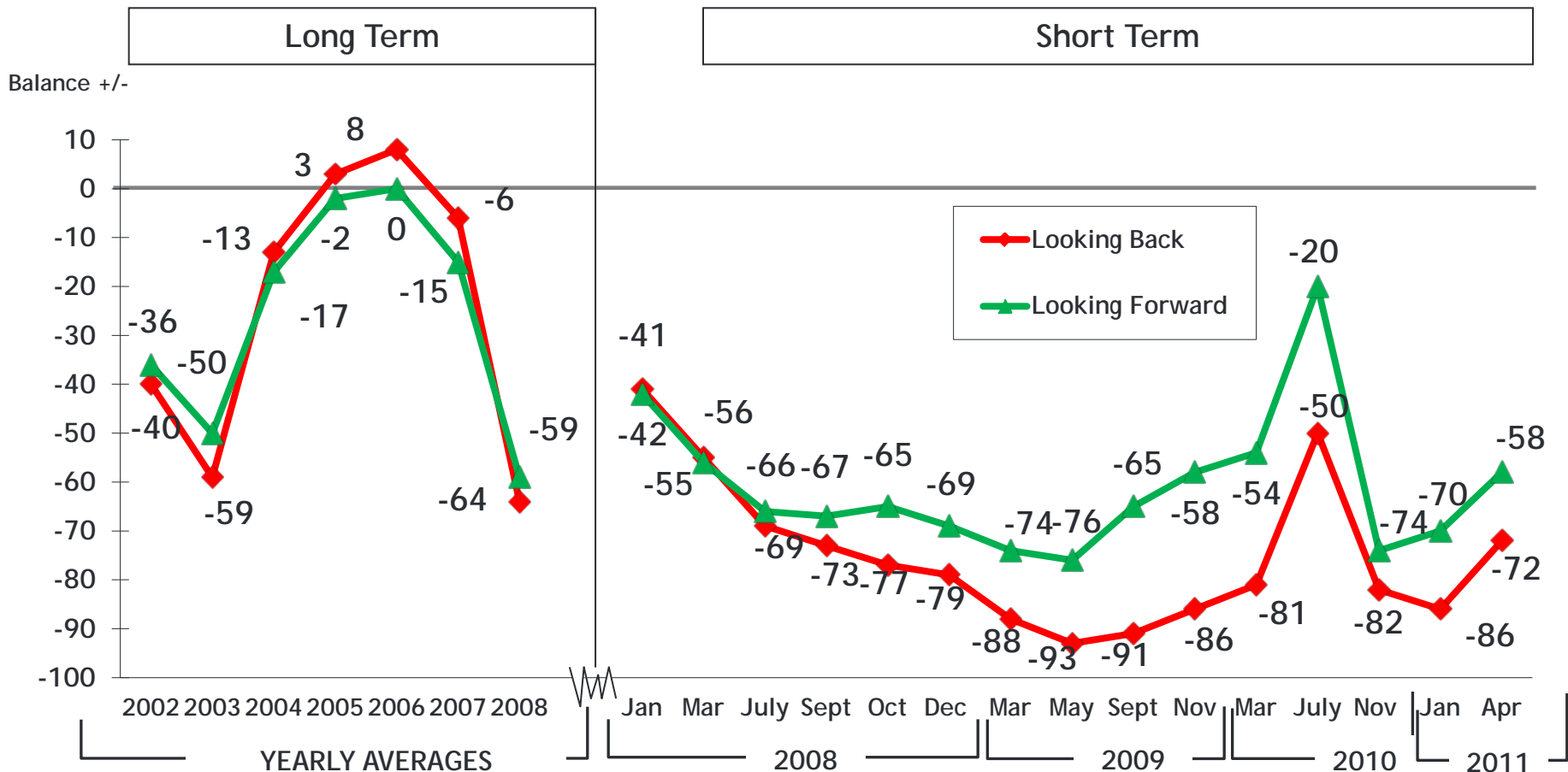


Q.1 Thinking about the economy as a whole, do you think that the country is better off, worse off, or about the same as last year?

# Economy - Looking Forward



# Balance Of Opinion - Economy

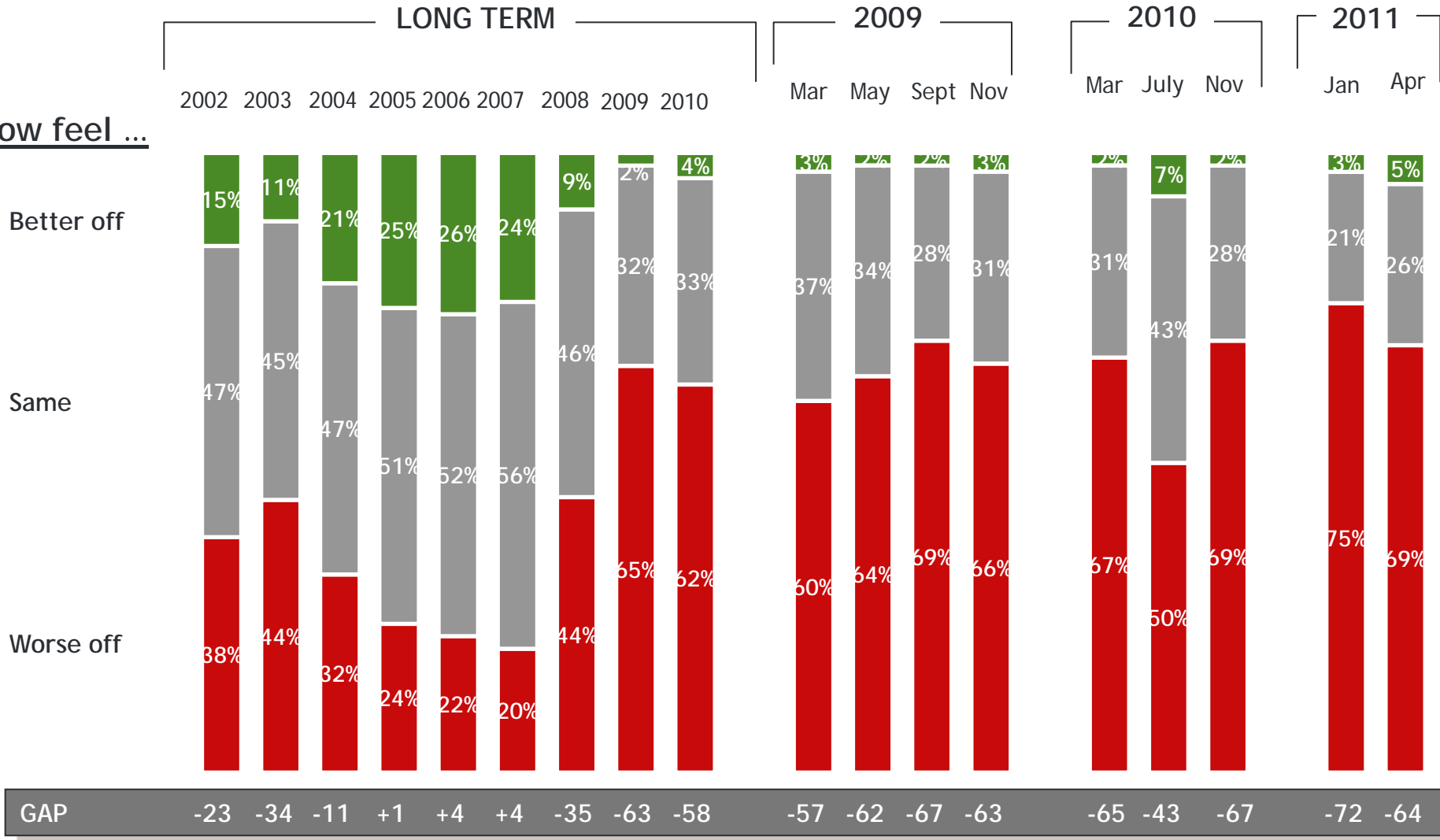


In comparison to last year economic performance, current sentiment remains distinctly negative as there has been little appreciable improvement in lifestyle, cost of living or employment prospects for consumers. A discreet level of optimism, possibly due to increased political stability, in terms of future prospects is apparent in the reduction in negative sentiment of this measure.



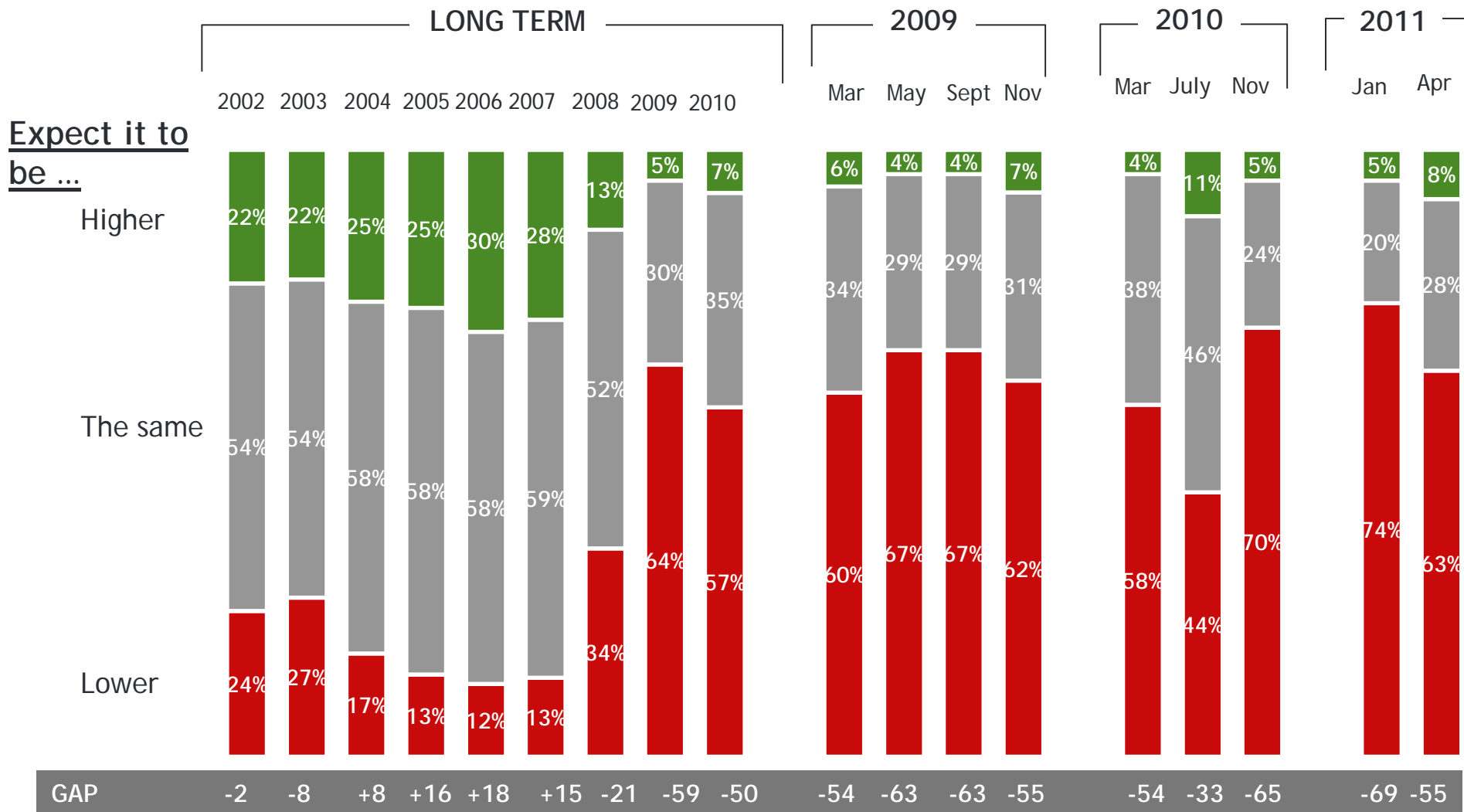
# Personal Finances - Looking Back

Now feel ...

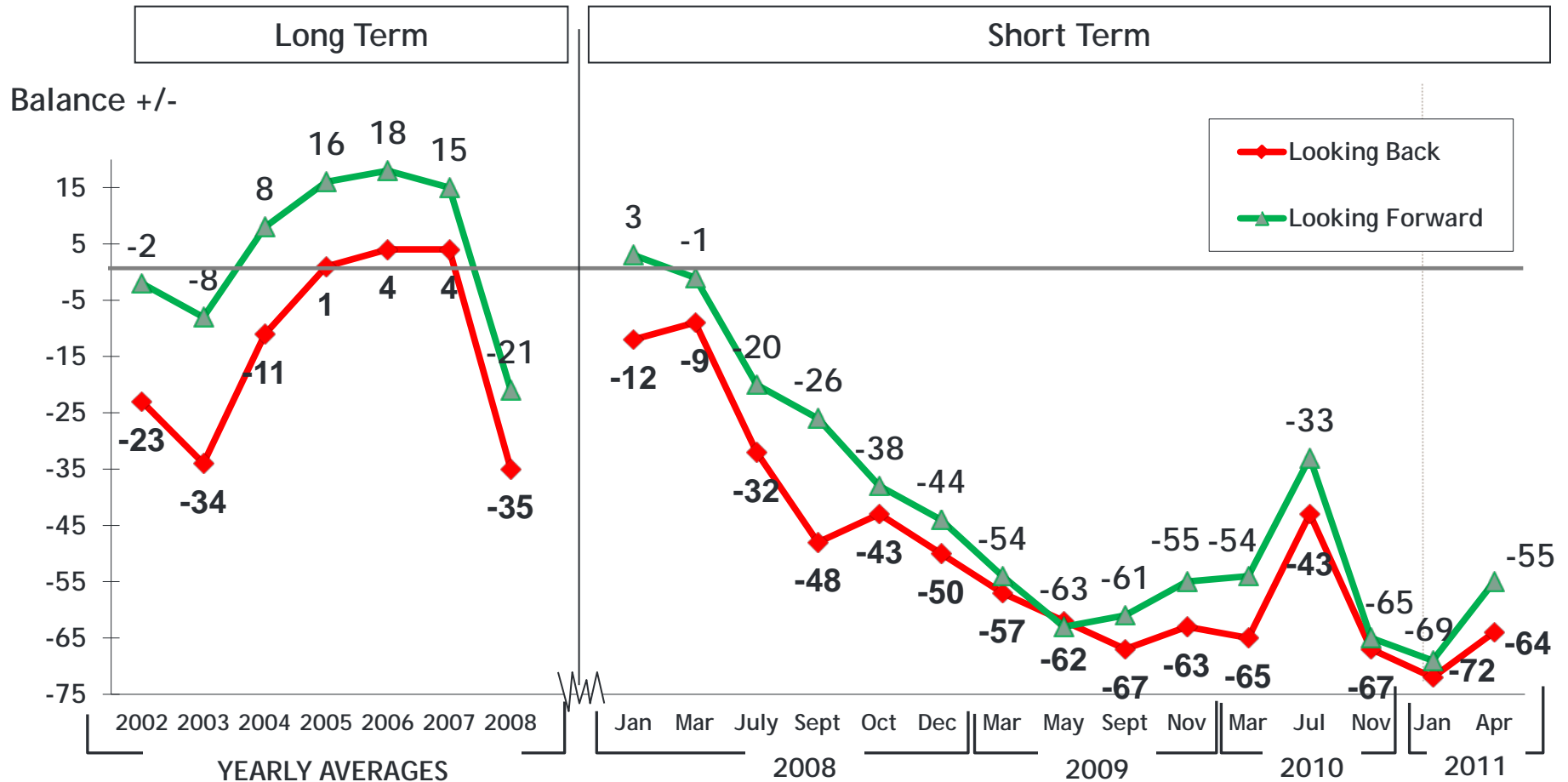


Q.3 Do you feel better off financially, worse off financially or about the same compared to last year?

# Personal Finances - Looking Forward

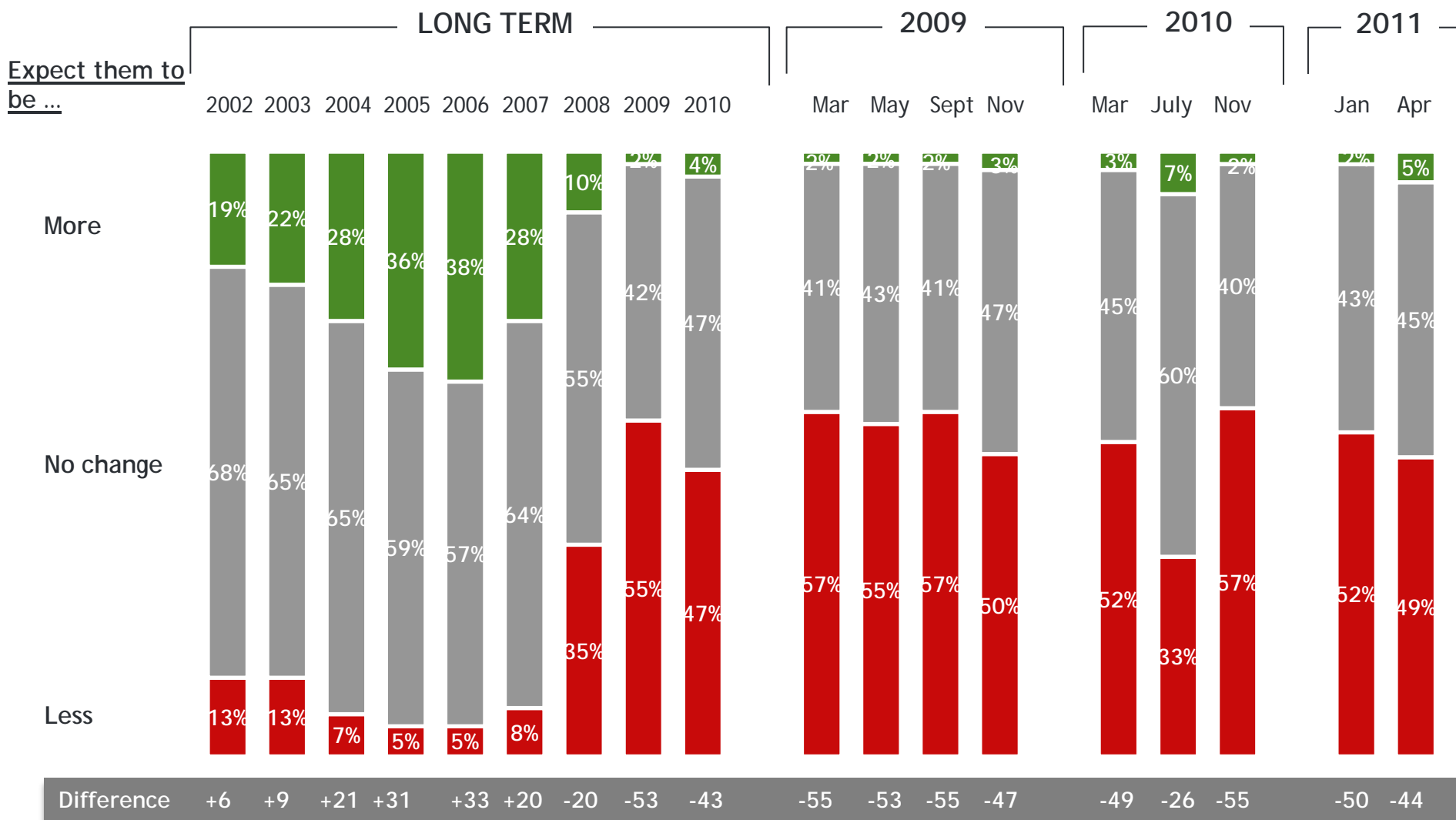


# Balance Of Opinion - Personal Finances

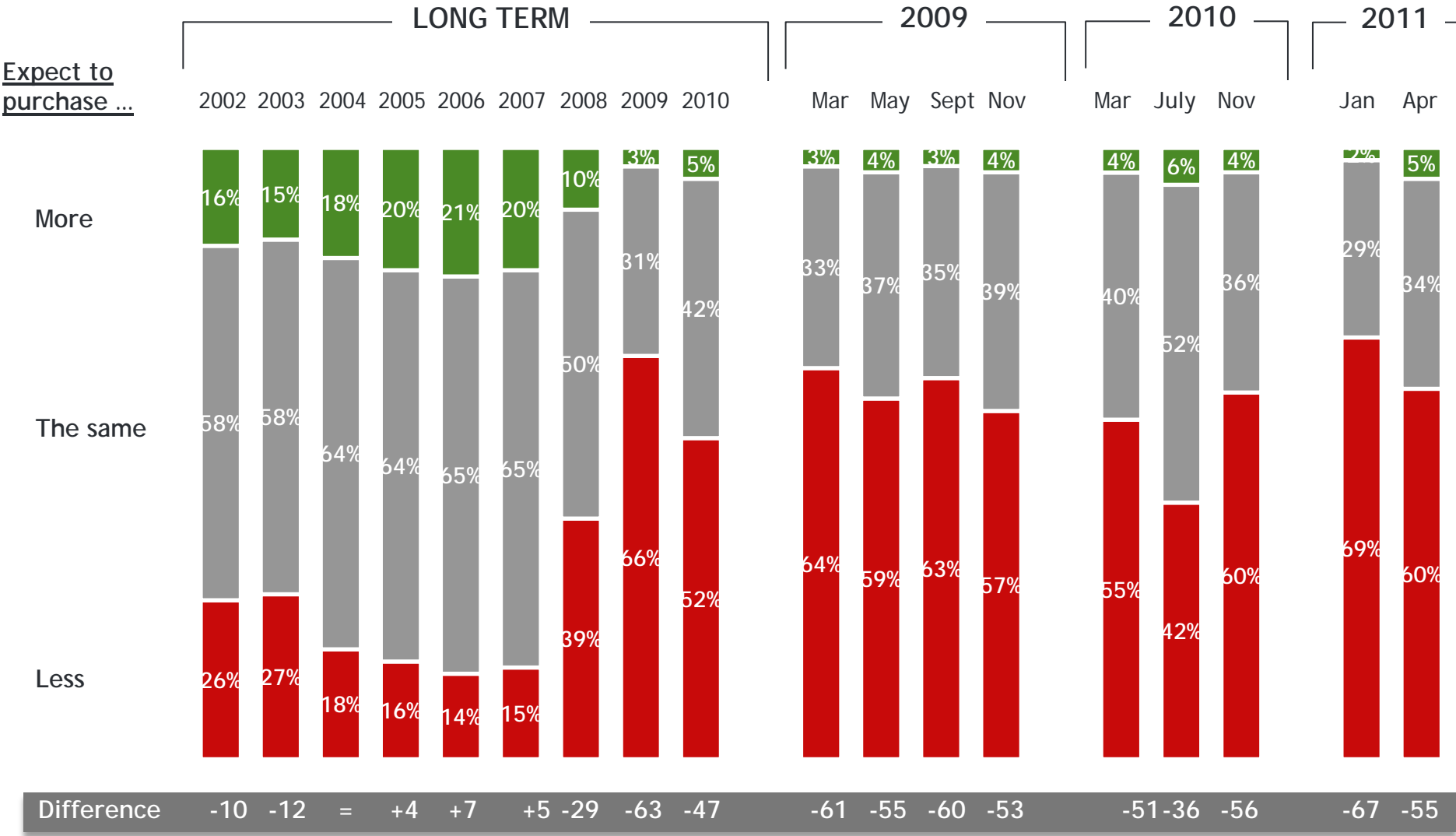


There has been little change in how consumers perceive their financial situation in comparison to last year. That there has been any reduction in negative sentiment during the timeframe when the effects of the USC are being felt and increased interest rates have been announced is surprising. In terms of financial prospects in the future, negative sentiment appears to be reducing. This may be due to renewed belief among consumers of the governments ability to take control of the struggling economy. Alternately, it may reflect consumer 'nadir', a point at which people believe that their personal circumstances could not possibly degrade further.

# Personal Assets- Looking Forward



# Purchasing Goods And Services - Looking Forward



**Q.7 In the year ahead, do you expect to purchase more, less or the same amount of goods and services as in the past year?**

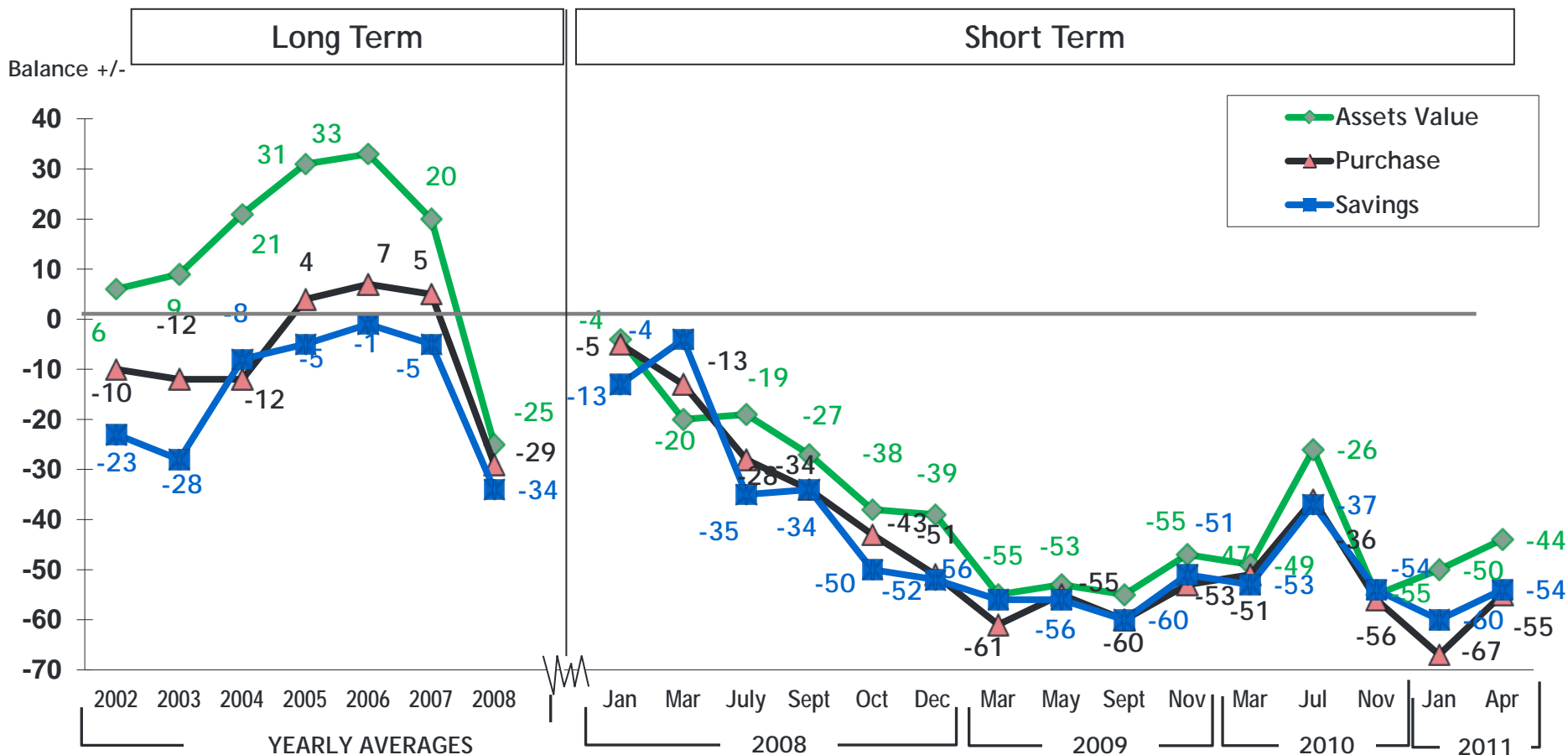
# Savings - Looking Forward



**Q.8 Do you expect to save more, less or the same amount in the year ahead compared with the last twelve months?**

# Balance Of Opinion - The Year Ahead

Expectations in regard to assets value, purchases, and savings



Purchases and savings intention levels remain defiantly negative, as continued reduced income and lack of economic buoyancy continue to erode confidence in domestic consumption. Asset values continue to drift towards a plateau, a stage at which value can drop no further. Upward movements in the asset measure combined with depressed spending and savings levels (indicators of reduced disposable income level) provide a reasonably sound indication of further expectations of asset value decline in the short to medium term.

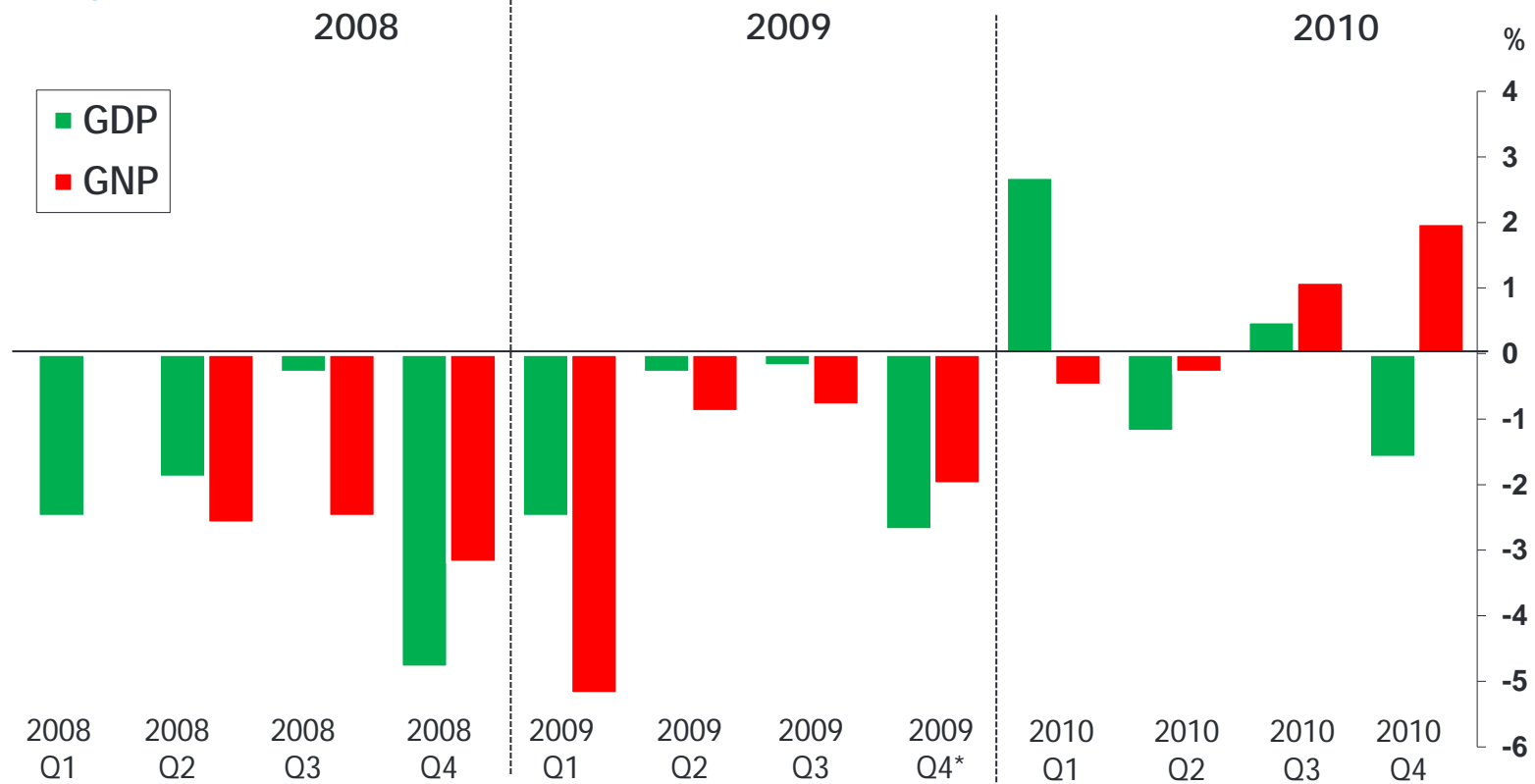
# CSO DATA

(latest estimates 2011)



# Initial Estimates: Quarterly Increase in GDP but GNP down slightly

% Change on previous quarter



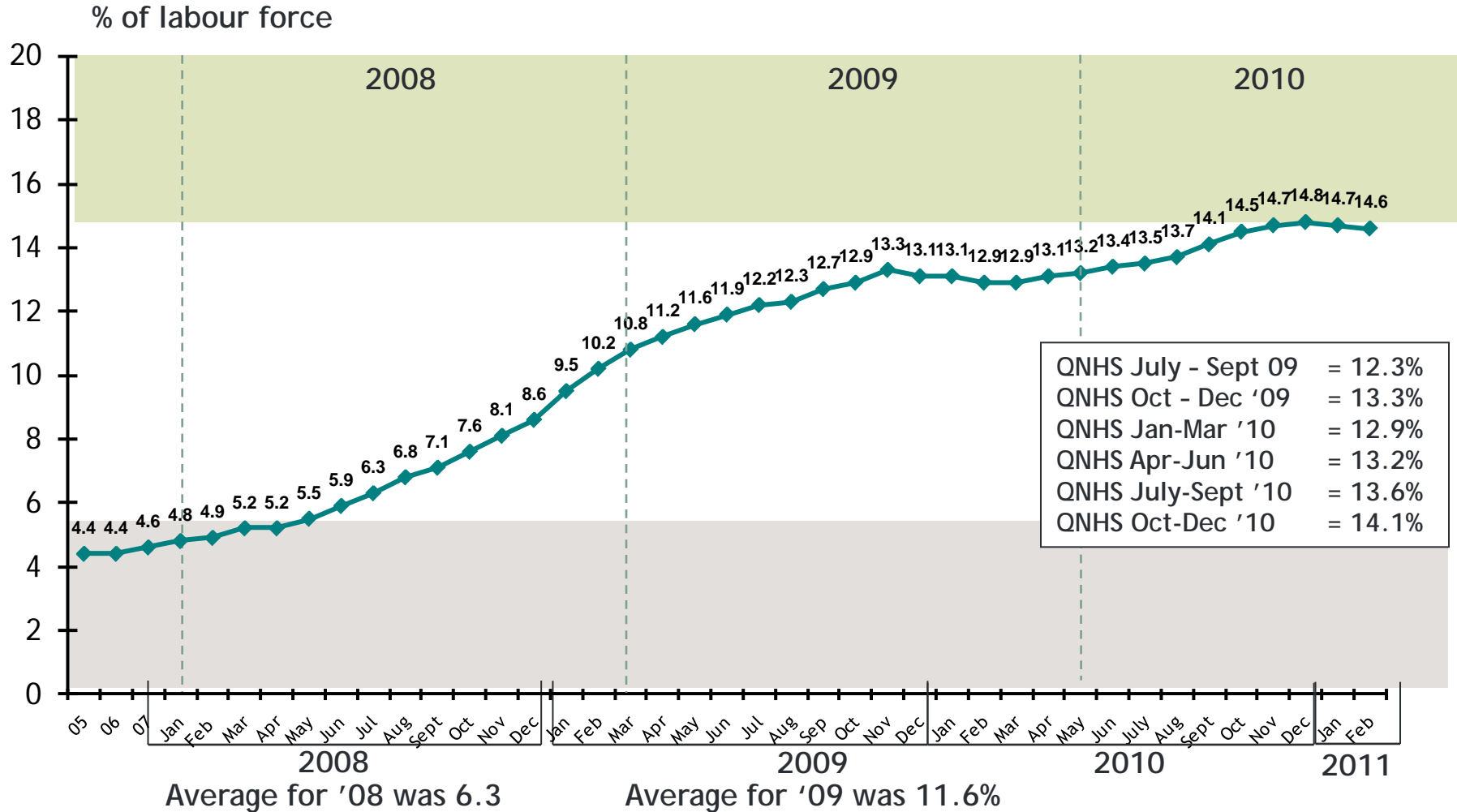
Figures - GDP and GNP at constant market prices seasonally adjusted.

\*Source: CSO Estimates as of 16<sup>th</sup> December 2010

Initial estimates for the fourth quarter of 2010 show a decrease, on a seasonally adjusted basis, of 1.6 per cent in GDP and an increase of 2 per cent in GNP compared with the previous quarter.

# Unemployment Rate - Continues to Stabilise

Seasonally adjusted

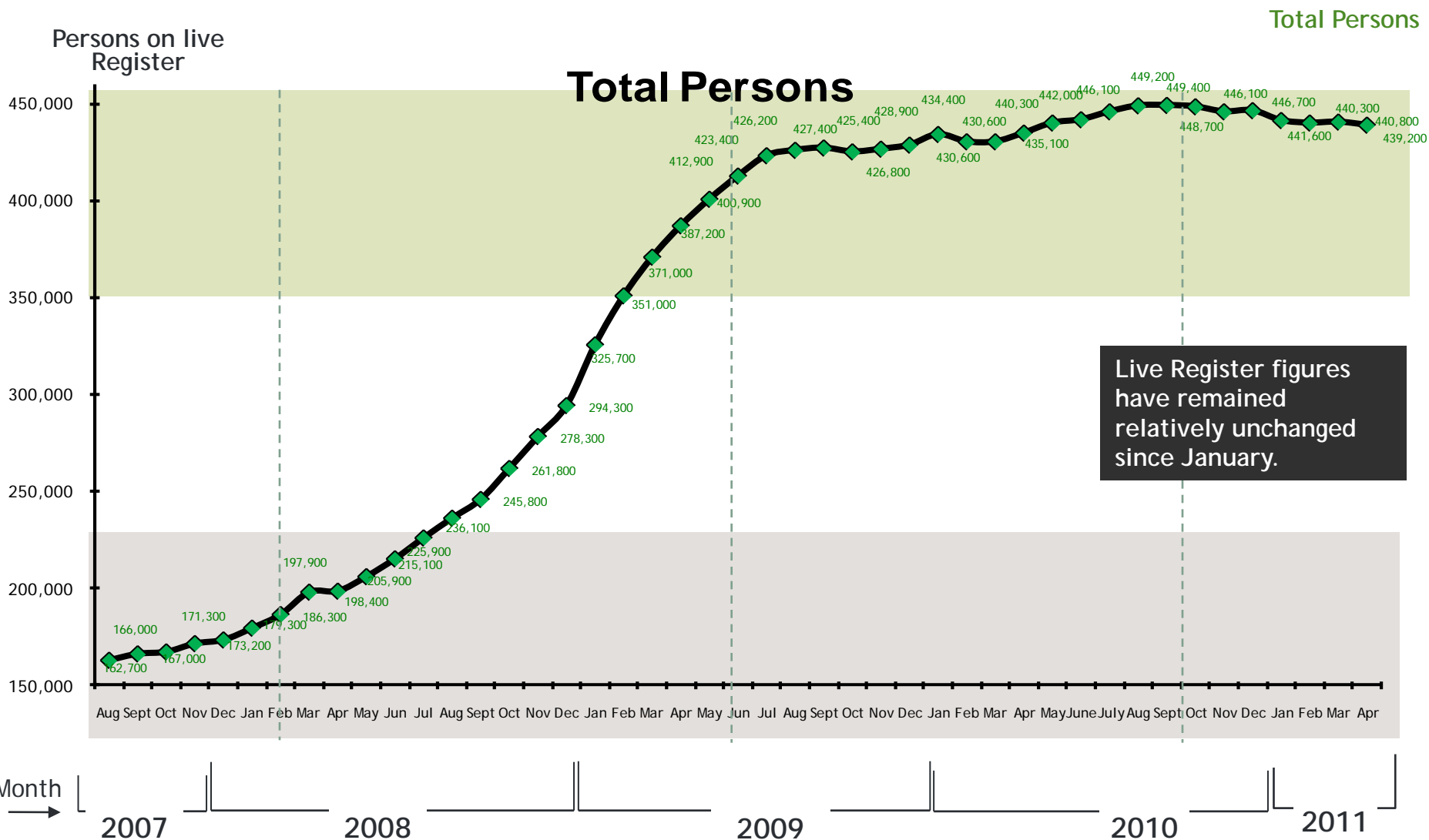


\*Source: Line chart relates to CSO latest estimates published April 2011 (seasonally adjusted standardised unemployed rates (SUR))

The unemployment rate does not take into account reduced working hours up to 3 days a week, etc as does the Live Register

# The Live Register

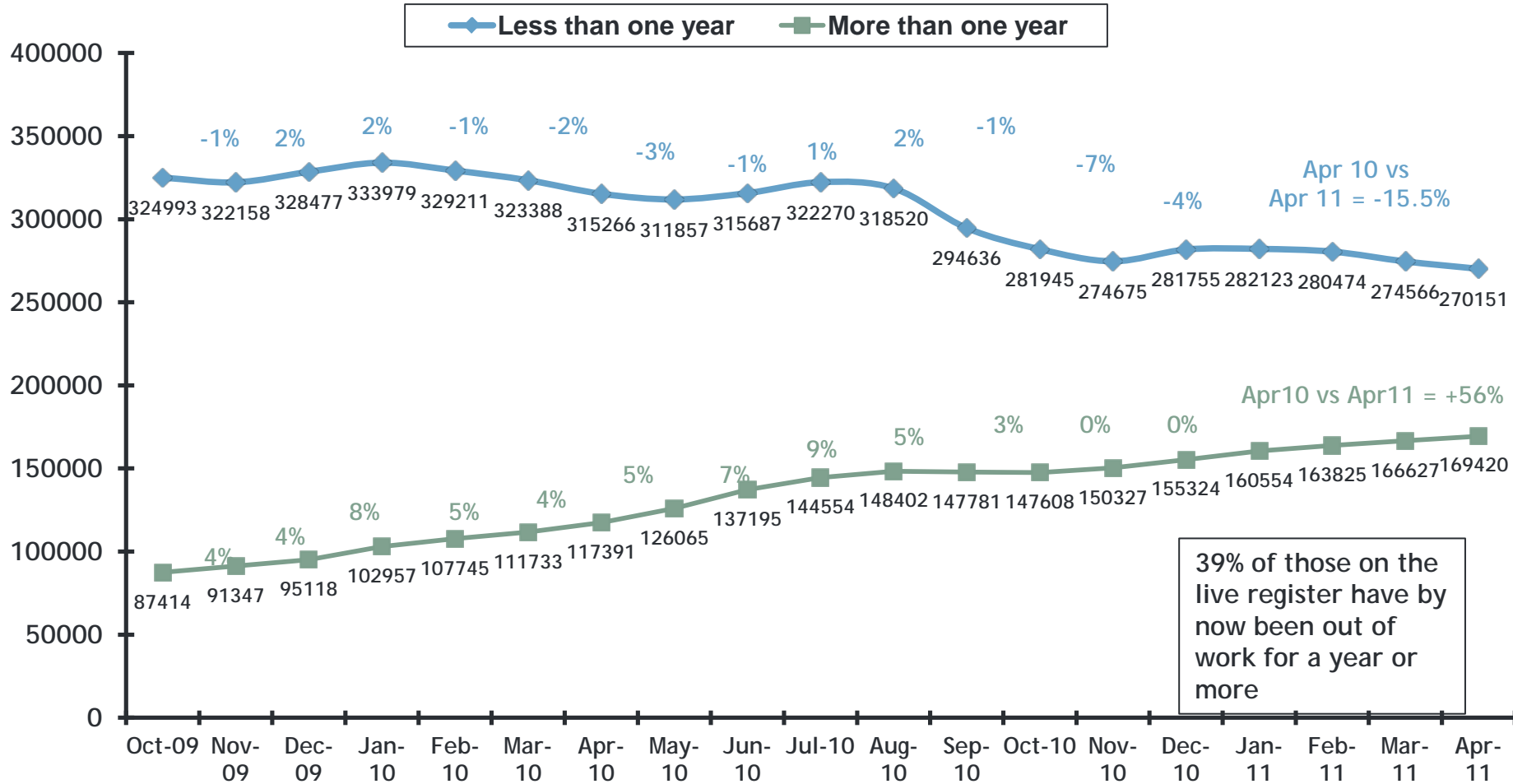
Seasonally adjusted



\*Source: CSO latest estimates May 2011

\* The Live Register is not designed to measure unemployment. It includes part-time work e.g. seasonal & casual workers who work up to 3 days per week

# Duration of Time on Live Register



39% of those on the live register have by now been out of work for a year or more

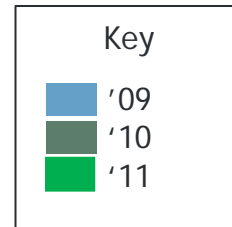
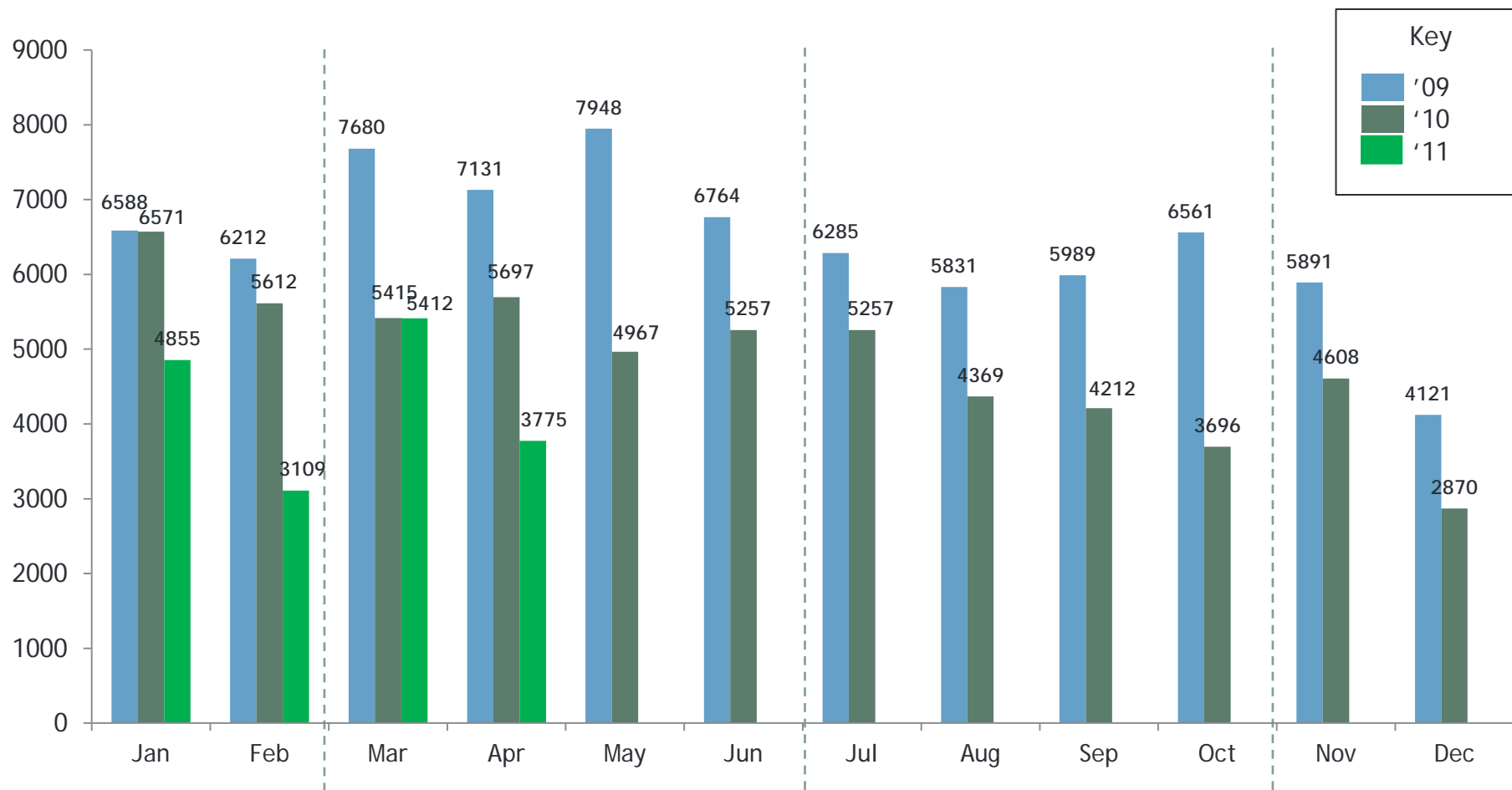
\*Source: CSO, Latest Estimates May 2011.

Long term unemployment remains a key concern for the short to medium term future.



# Actual Redundancies January - April 2011

Monthly Redundancy comparison 2011 vs 2010/ 2009



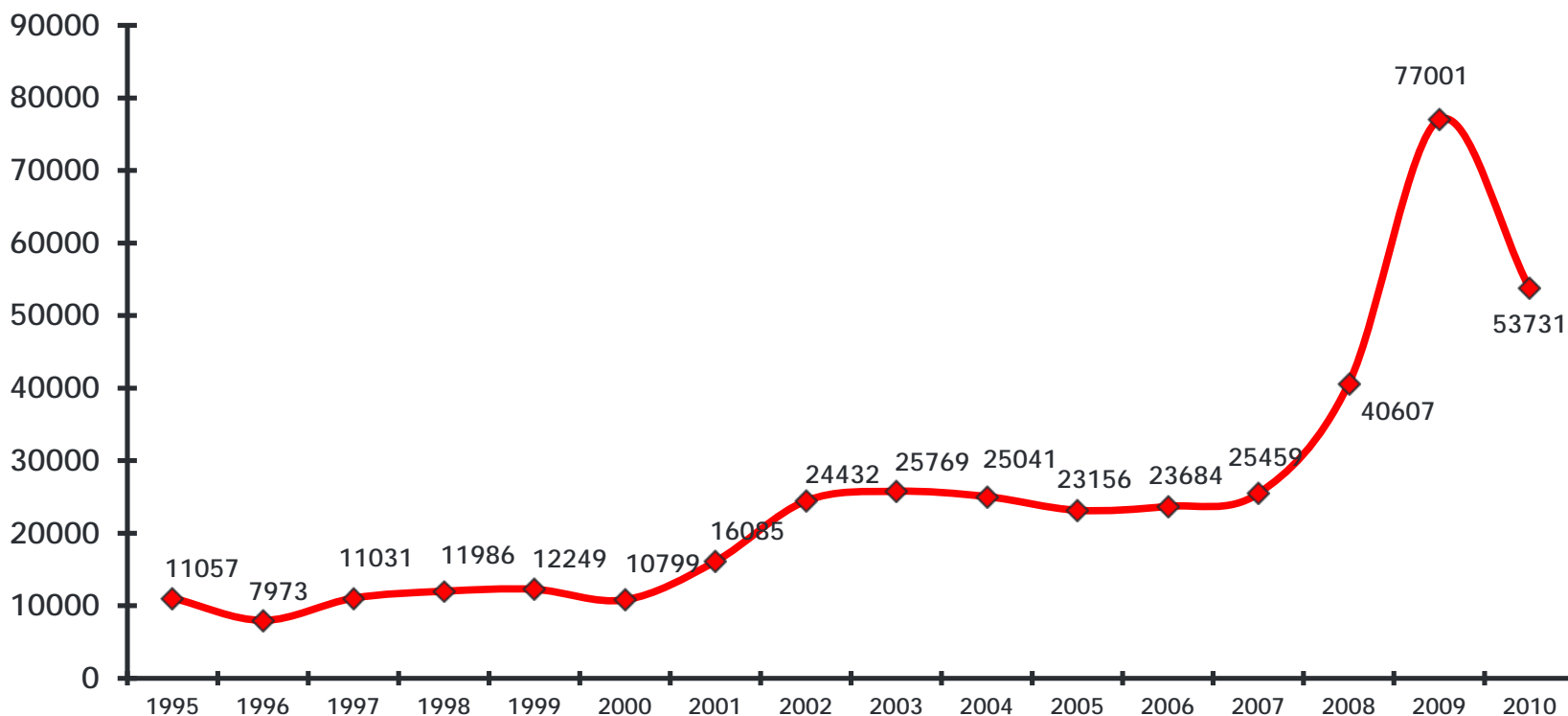
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
% diff10-11	-26.1	-44.6%	-0.5%	-33.7%								
% diff.09-10	-0.3%	-9.7%	-29.5%	-20.1%	-37.5%	-22.3%	-16.4%	-25.0%	-29.7%	-40.6%	-21.8%	-30.4%

\*Source: DETI, Redundancy Statistics April 2011.



Redundancy levels while declining year on year remain significant.

# Total annual redundancy figures 1995 to 2010



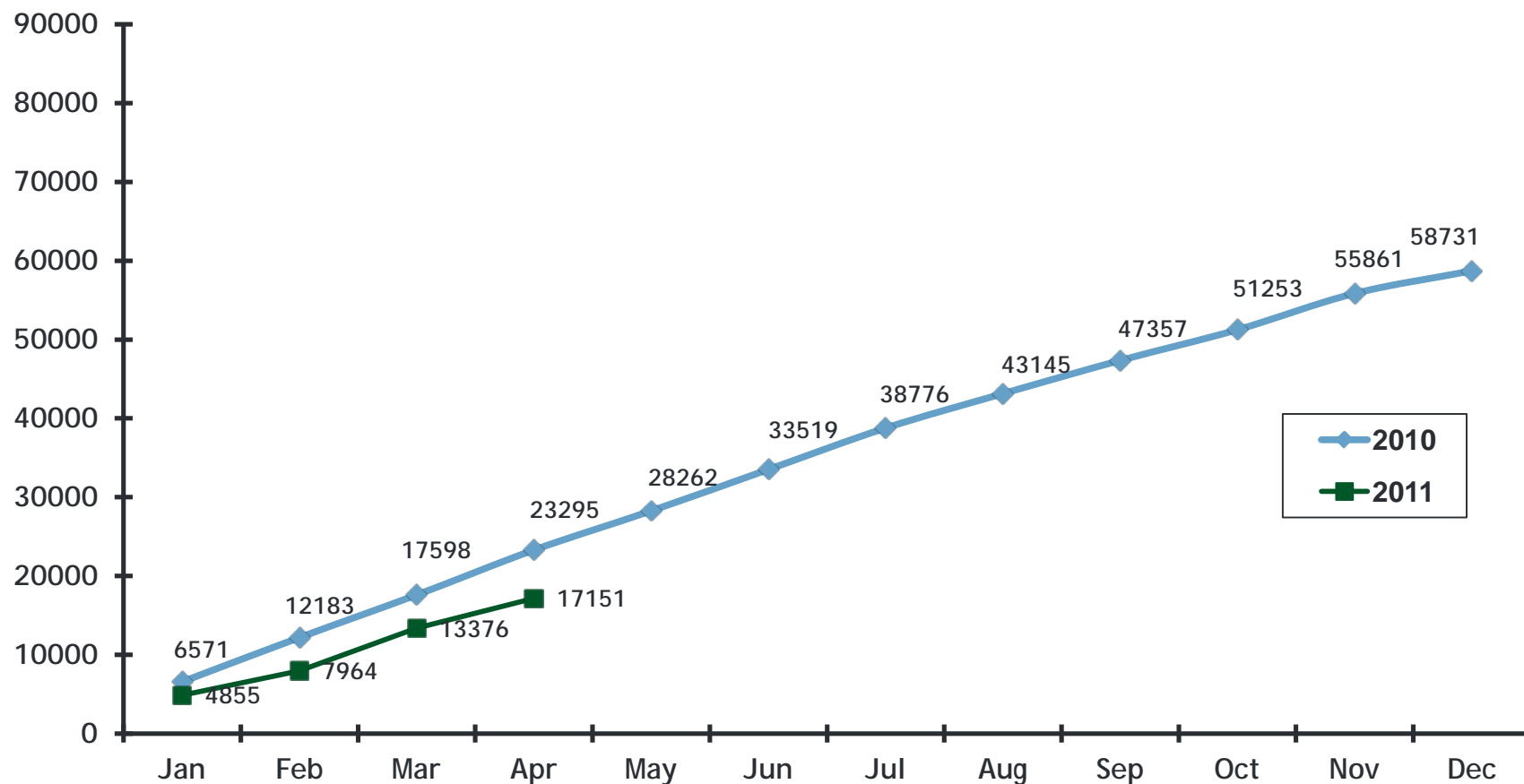
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
At work '000 (April)	1281.8	1328.5	1380	1494	1589.1	1671.4	1721.9	1760.6	1790.01	1834.6	1931.6	2021.1	2101.6	2108.5	1938.5	1859.5
Increase/Decrease in working population		4%	4%	8%	6%	5%	3%	2%	2%	2%	5%	5%	4%	0%	-8%	-4%

\*Source: DETI, Redundancy Statistics January 2011.

The annual total redundancy rate peaked in 2009 at 77,001 redundancies for the year end. Total redundancy figures for 2010 were 53,731. While this constitutes a significant reduction over the 2009 peak year, it remains a staggering number for a small open economy. The impact of these job losses on the domestic economy will remain considerable across 2011.

# Actual Redundancies January 2010 - April 2011

## Cumulative Redundancy comparison 2010 vs 2011



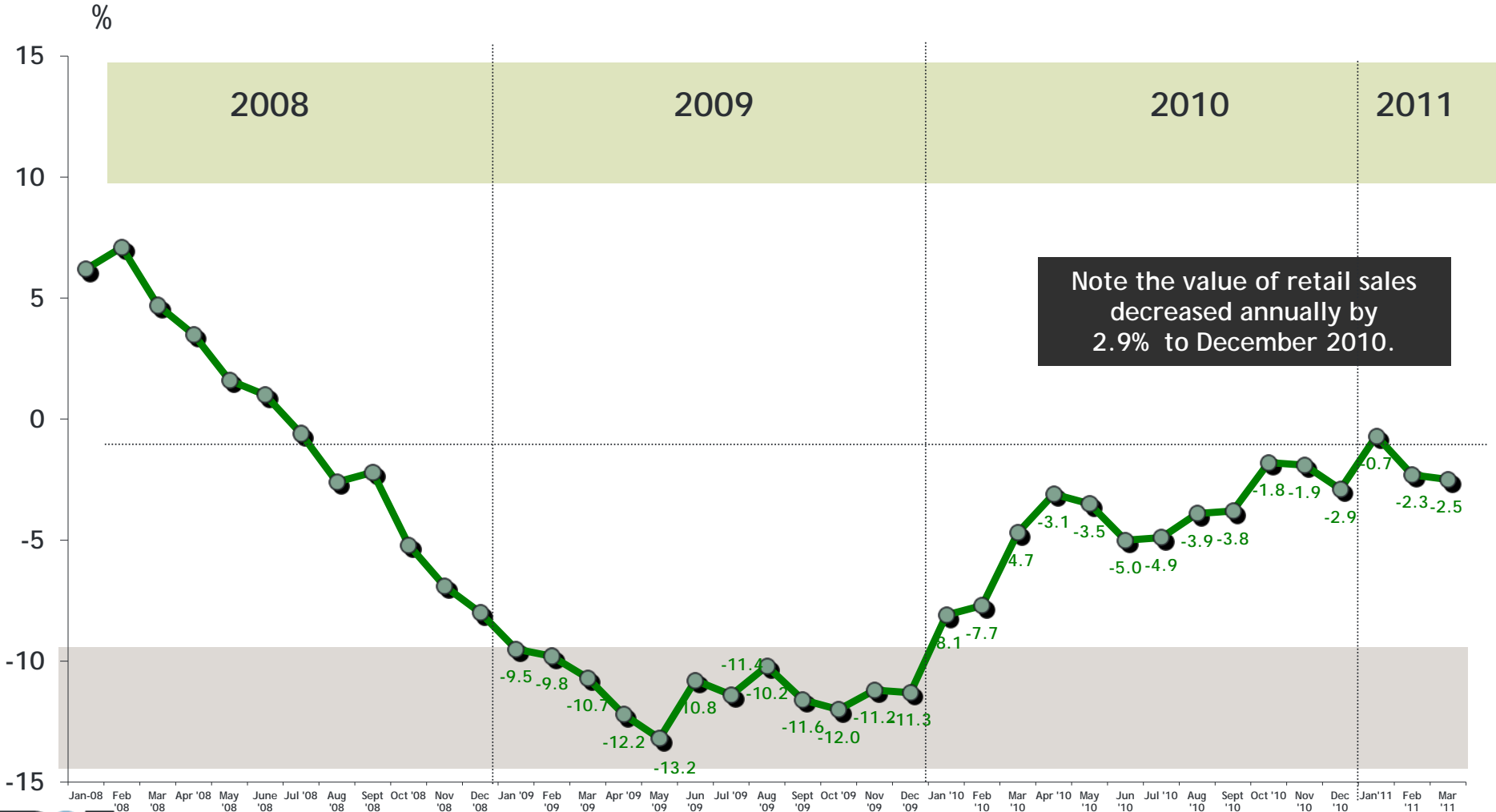
% diff 2011 v 2010    -25.5%    -34.2%    -23.9%    -26.3%

*\*Source: DETI, Redundancy Statistics April 2011.*

The rate of redundancies has reduced year on year by a quarter. The level remains considerably high for an economy into its third year of recession. The continued level of redundancies indicates a domestic economy which is continuing to contract regardless of policy interventions and cost reductions within work places. Stagnant domestic consumer demand is a key driver of this continued contraction in employment levels.

# Value of Retail Sales (Excluding Motor Trade) Seasonally Adjusted Annual % Change

Base: Year 2005 = 100



Note the value of retail sales decreased annually by 2.9% to December 2010.

\* Source: CSO latest estimates January 2011. Base year : 2005 = 100



# Retail Sales

Value & Volume Growth: 2011 vs 2005 (= 100). Seasonally adjusted.

<u>Period March 2011</u>	Value		Volume	
	Index	Annual % Ch	Index	Most recent % annual vol. Change
Motor Trades	63.0	+4.7	67.8	+8.7
Department Stores	88.0	0.9	114.5	2.1
Food beverages & Tobacco	88.4	-3.5	87.7	-3.6
Fuel	106.8	0.3	78.1	-12.6
Pharmaceuticals Medical & Cosmetic Articles	104.6	-4.1	113	-5.5
Clothing, footwear & textiles	87.7	-0.6	122.3	2.8
Furniture and Lighting	57.8	-17.8	76.5	-13.9
Hardware, Paints and Glass	81.9	-2.8	85.3	-1.8
Electrical Goods	71.7	-12.0	120.0	-6.7
Books, Newspapers and Stationery	73.1	-8.8	67.3	-10.4
Other retail sales	83.3	-10.9	97.6	-14.2
Bars	75.6	-9.2	69.2	-9.6

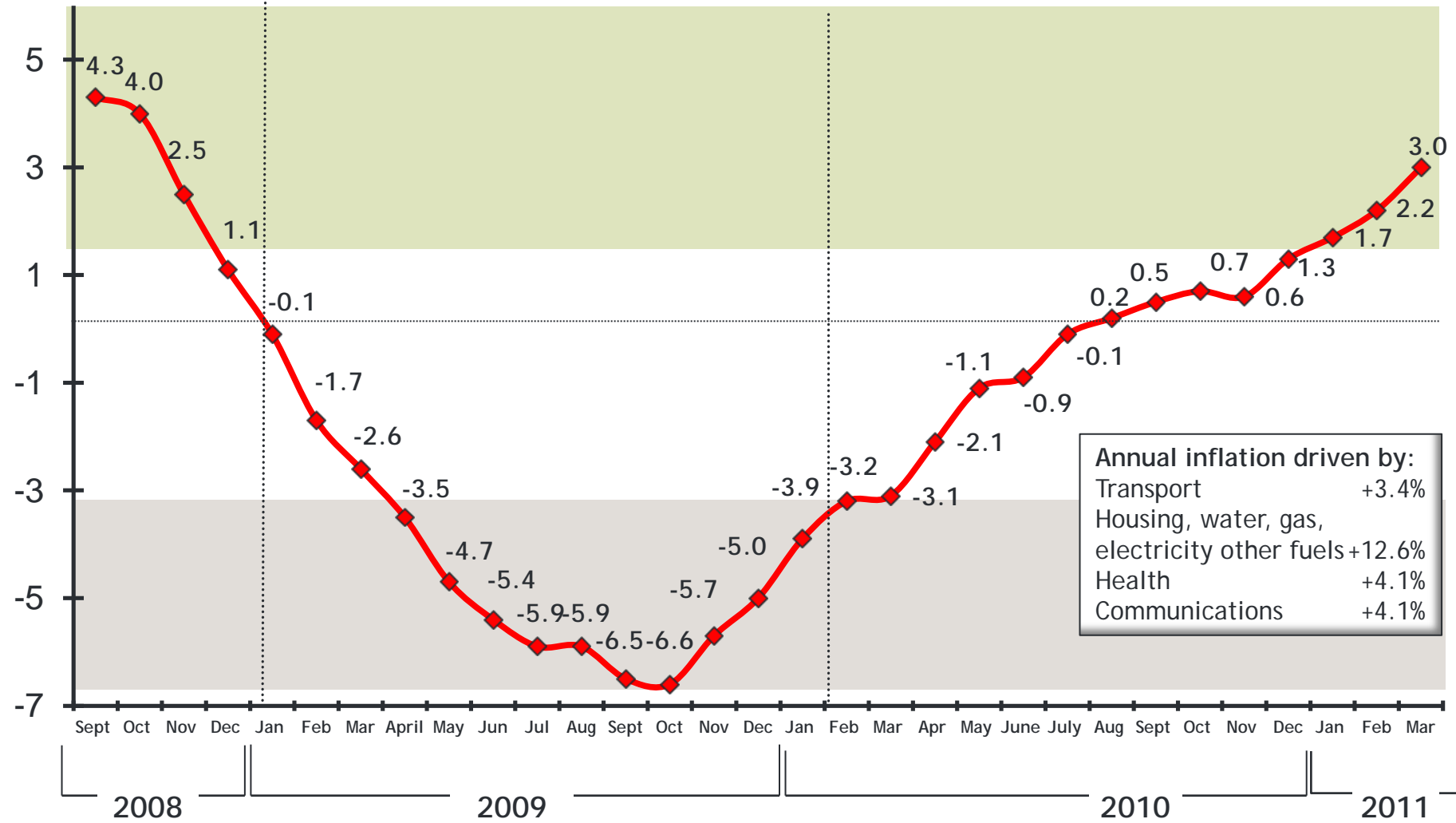
\*Source: CSO latest estimates Apr 2011 (seasonally adjusted).

Retail Business - NACE REV 2

Early year recovery for the motor trade over the first four months of the year, as expected, yet overall value and volume remains low against 2005 benchmark. Continued price surges and income reductions are undermining the volume of fuel sales, if not their value. Furniture, books & stationery, on trade sales and ancillary retail sales are all being directly affected by reduced disposable consumer income for the third year.

# Inflation Strengthening due to Government Controlled Costs rather than Consumer Spending.

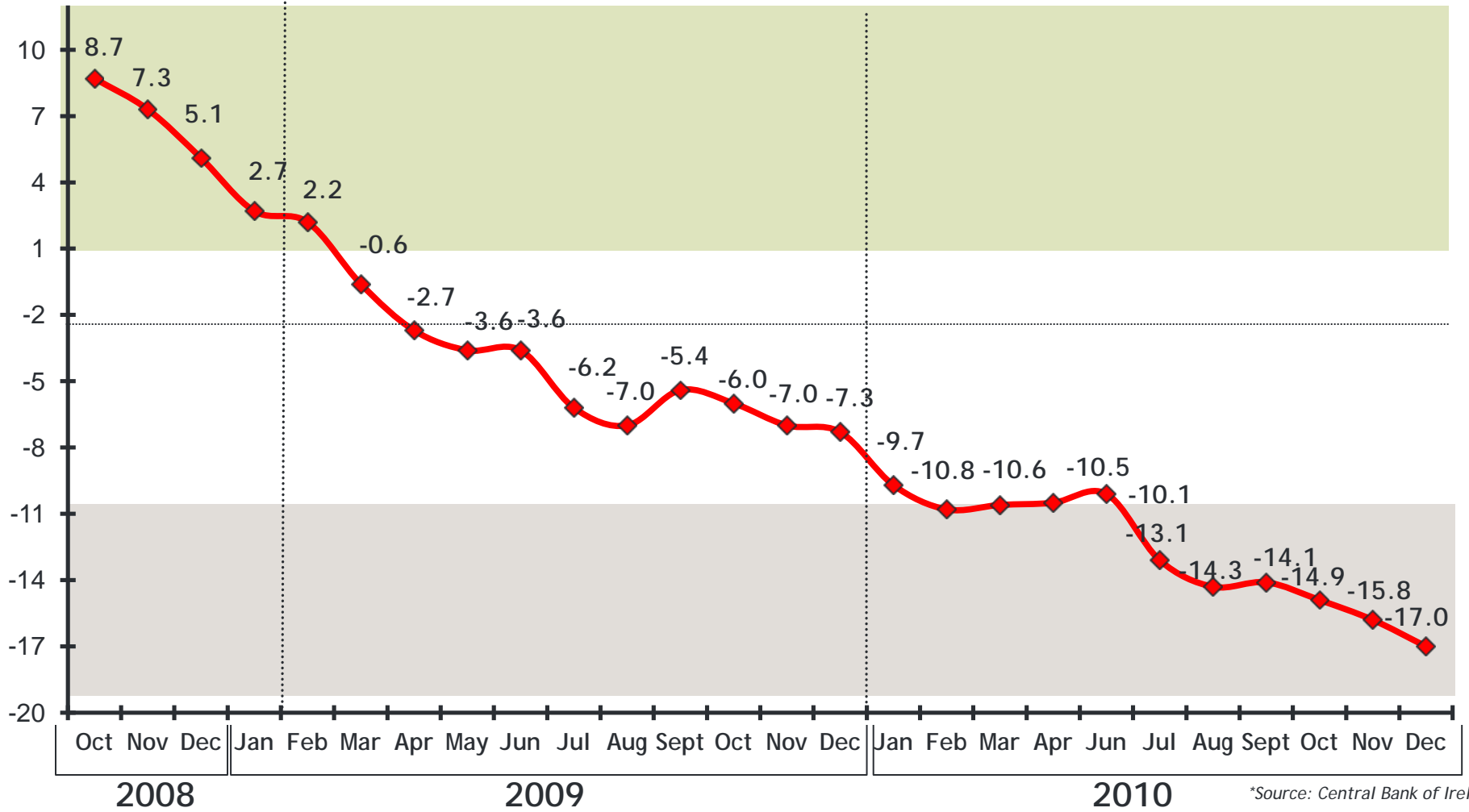
% Annual Change



Inflation back to late 2008 levels. The opportunity for cost reduction on a macro scale appears to be abating as inflation expected, over time, to drive wage demands, particularly in lower income employment situations. Centrally controlled costs remain the key drivers of inflation. With interest rate increases expected over the short to medium term, consumer demand may see further reductions among the blue collar sector.

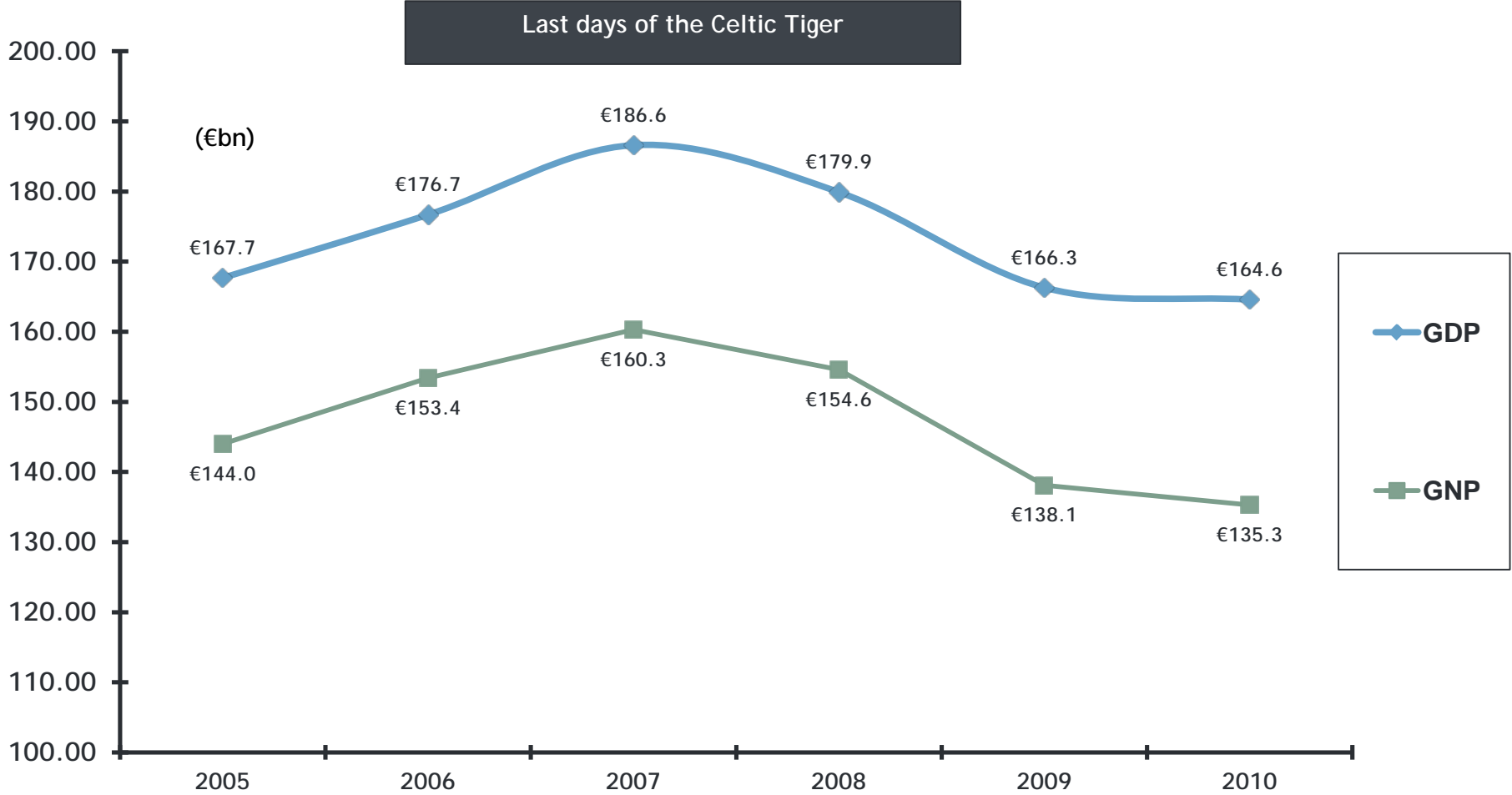
# Growth Rate in Extended Consumer Credit

% Annual Change



\*Source: Central Bank of Ireland.

# GDP and GNP Value Changes (at Current Market Prices)

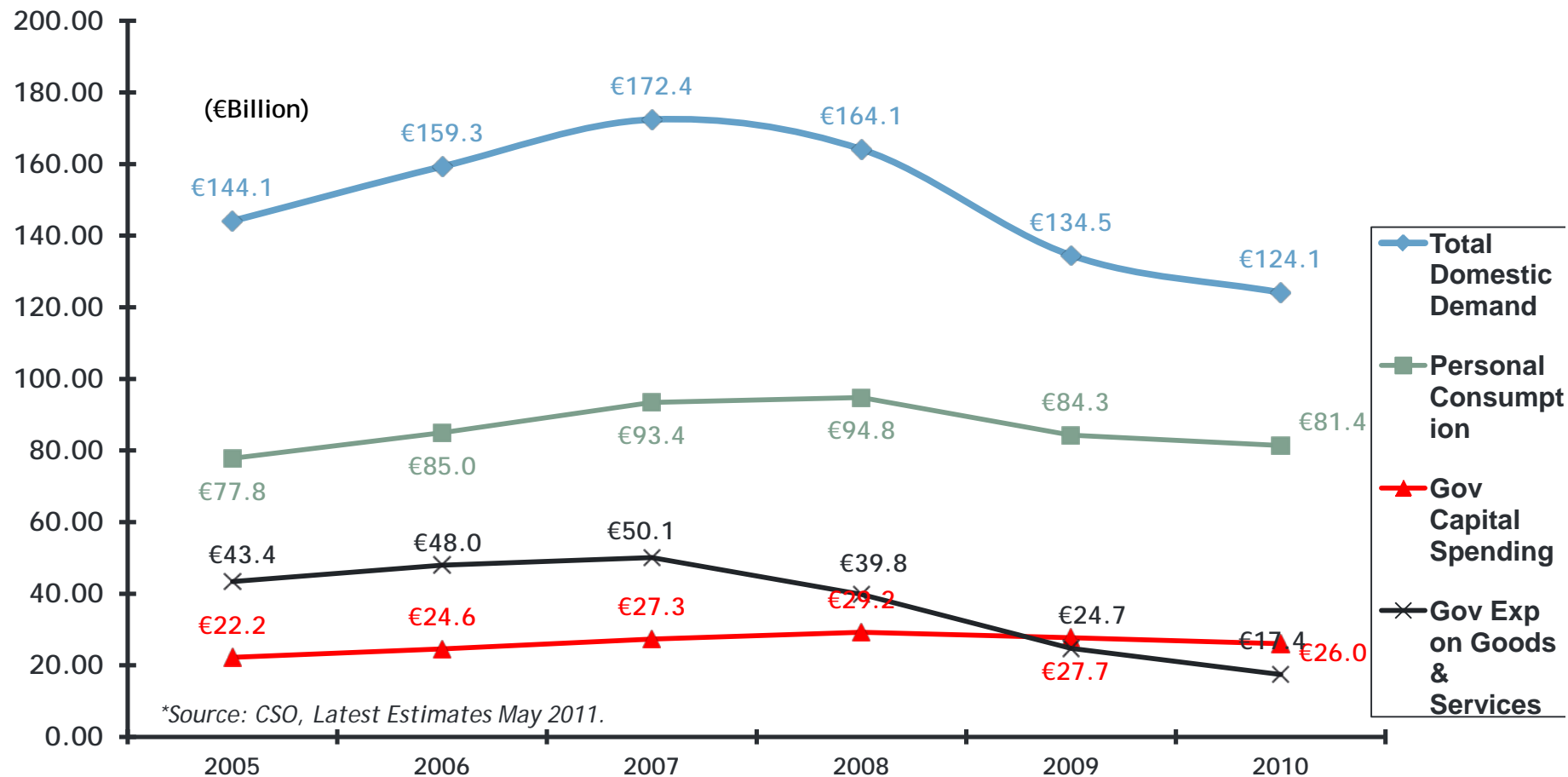


\*Source: CSO, Latest Estimates May 2011.



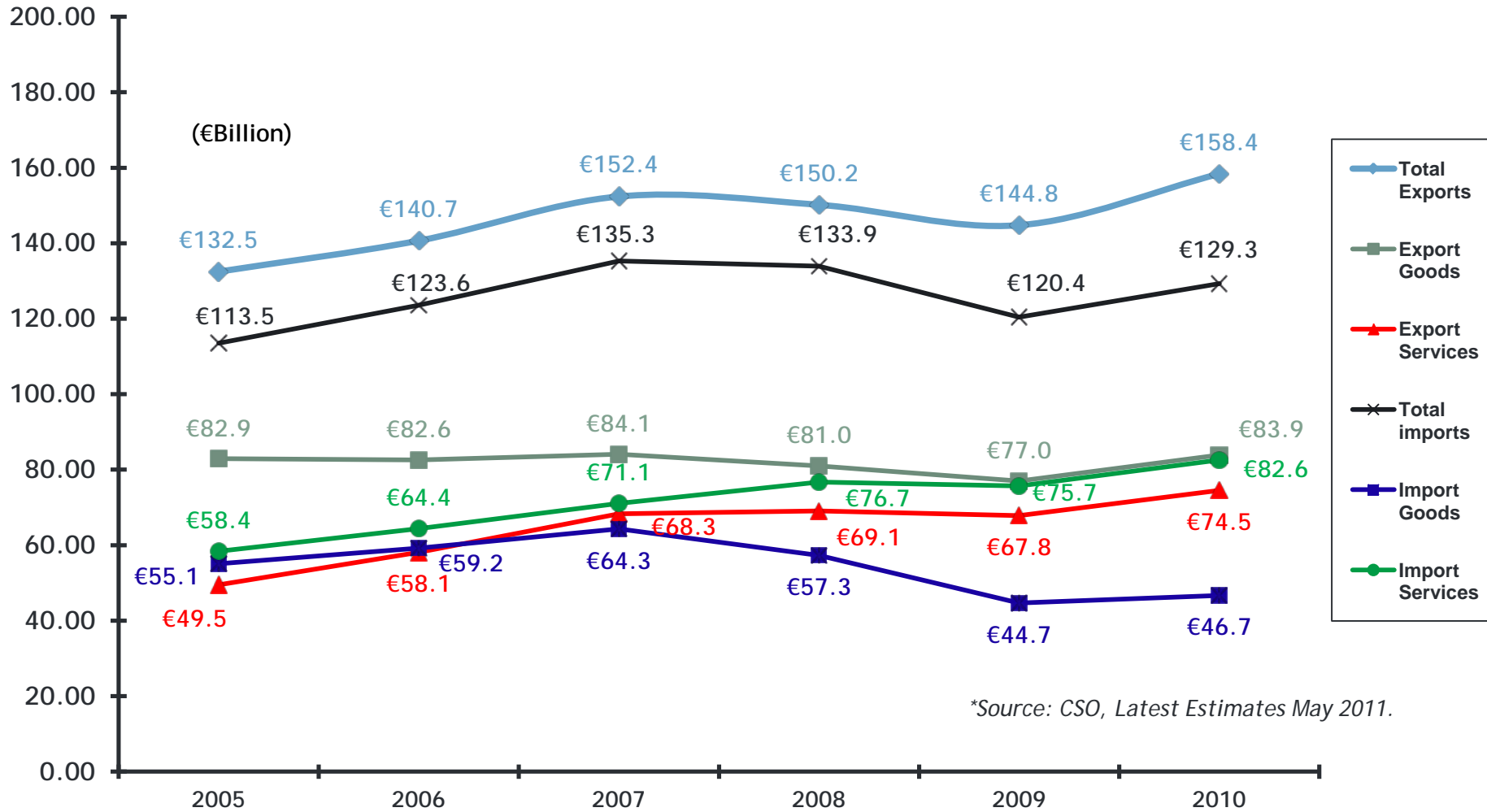
GDP and GNP values have declined back to pre 2005 levels. From peak year 2008, GDP has declined by 11.7% and GNP decline has been 15.6%. The decline in GNP indicates the severity of the recession in the domestic economy, this decline has accounted for all declines in GDP. In comparison the FDI sector has remained relatively static, making a marginal gain across the same time period.

# Trends in Macro Domestic Demand (at Current Market Prices)



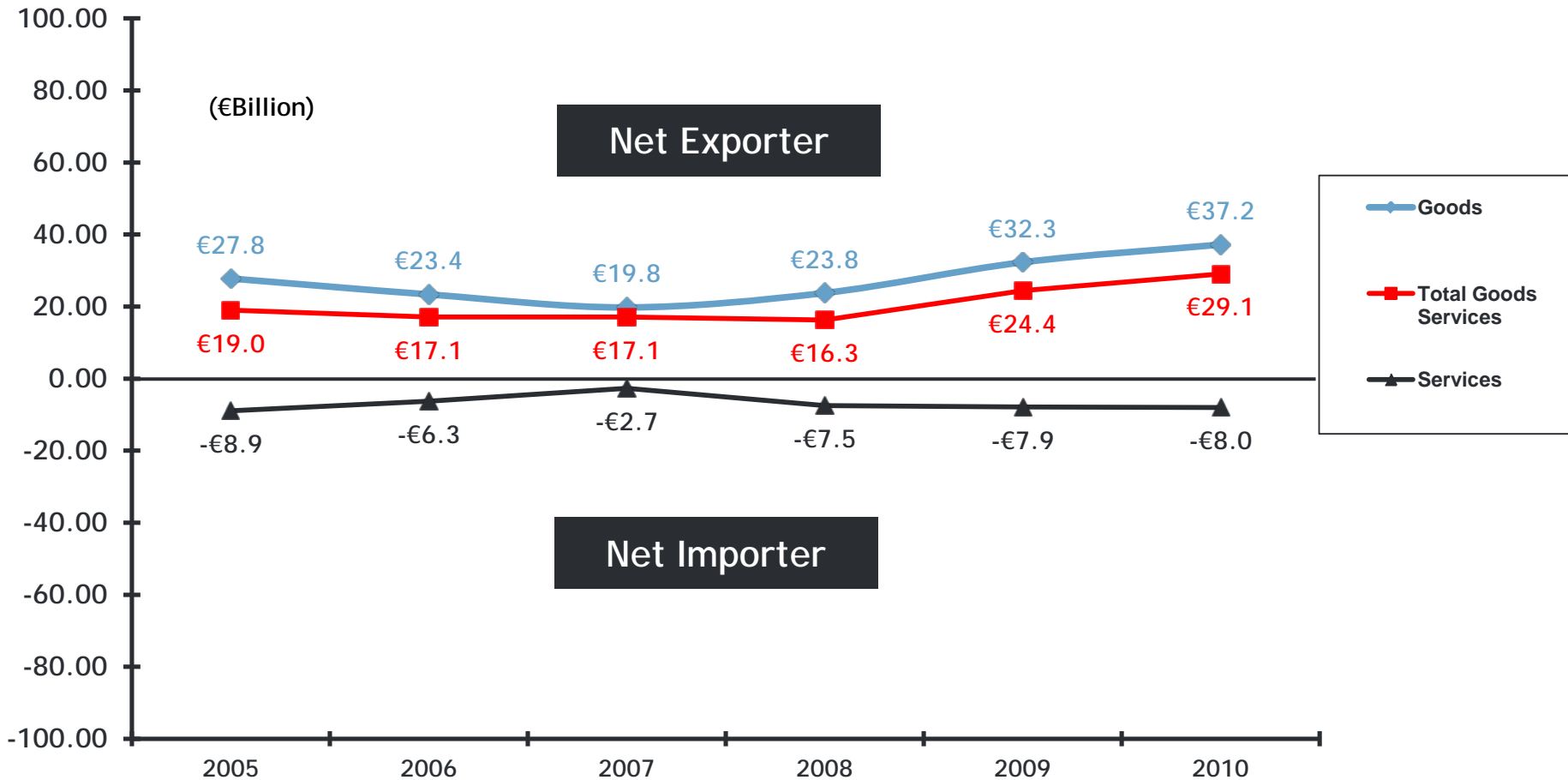
The contraction in domestic demand since 2007 to the end of 2010 has been significant. Demand has been most severely effected by the reduction in central capital infrastructure spend (down 64.8% since 2007) and the reduction in direct consumer demand of 14.1% over the same period. This equates to a reduction of €48.3bn (pre multiplier, at current market prices) from the economy.

# Balance of Payment: Exports vs Imports (at current market prices)



Exports remain key to Irish economic recovery, with a significant increase noted for 2010. Import levels have declined from the peak year 2007 due to reduced disposable income among consumers and also due to reduced business input requirements, although service imports have continued to increase.

# Balance of Payment: Exports vs Imports (at current market prices)



Ireland remains a net export country, making more from exports than we pay out in imports. In particular we are a net exporter of goods and products, primarily due to the level of FDI companies located here. In terms of services Ireland remains a net importer, as value levels of import services increase.

# APPENDICES

The Questionnaire



## SECTION 'F' - ECONOMY

### ASK ALL RESPONDENTS aged 16+

Q.1	Thinking about the economy as a whole, do you think that the country is better off, worse off, or about the same as last year?	Better off                    1 Worse off                    2 The same                    3
Q.2	And what about the coming year, do you think that the country will be better off, worse off or about the same as this year?	Better off                    1 Worse off                    2 The same                    3
Q.3	Do you yourself feel better off financially, worse off financially or about the same compared to last year?	Better off                    1 Worse off                    2 The same                    3
Q.4	In terms of your own economic well-being over the year ahead, are you more confident, less confident or is your confidence about the same as last year?	More confident                1 Less confident                2 No change                    3
Q.5	Do you expect your income in the next year, after inflation and taxes, to be higher, lower or the same as in the last twelve months?	Higher                        1 Lower                         2 The same                    3
Q.6	Do you expect your assets (your house, shares, pension entitlements, savings) In the next year to be higher, lower or the same as in the past year? <b>PROBE:</b> A lot or a little	A lot higher                    1 A little higher                2 No change                    3 A little lower                4 A lot lower                    5
Q.7	In the year ahead, do you expect to purchase more, less or the same amount of goods and services as in the past year?	More                            1 Less                            2 The same                    3
Q.8	Do you expect to save more, less or the same amount in the year ahead compared with the last twelve months?	More                            1 Less                            2 The same                    3