



Dublin Consumers More Cautious as Confidence Improves Slightly Outside the Capital

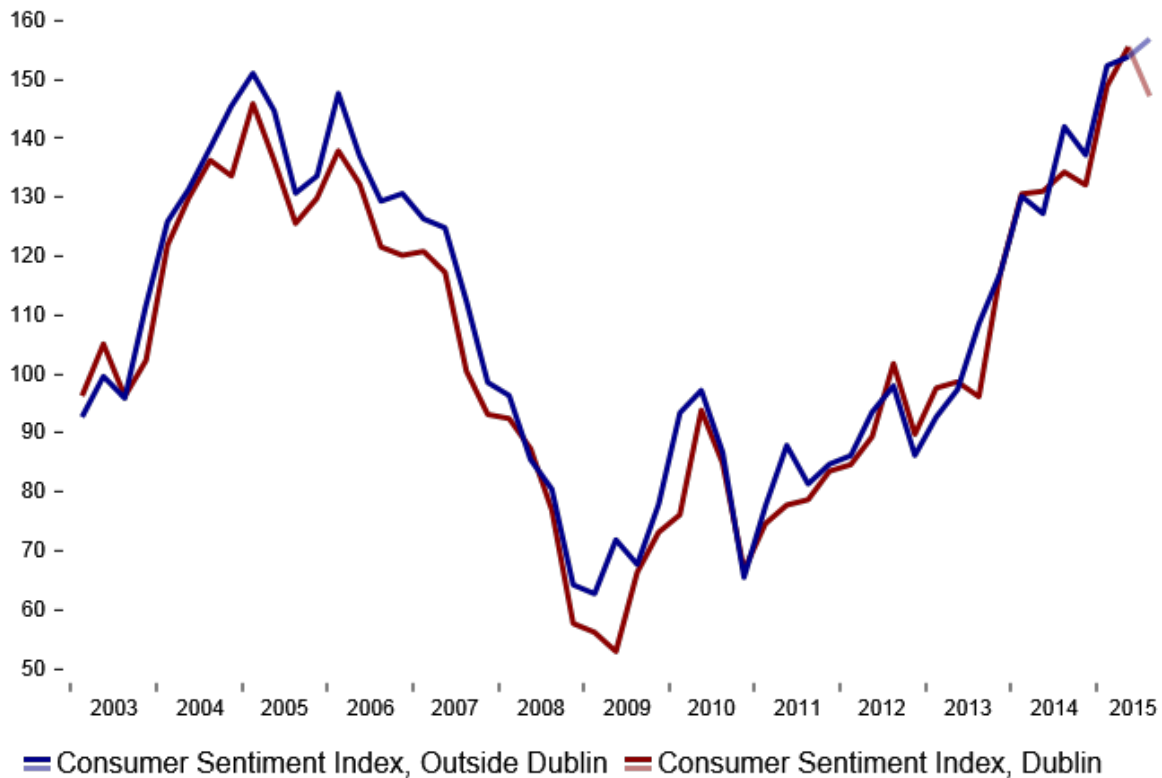
- Consumer Sentiment weakened in Dublin while it improved marginally in the rest of Ireland in the 3rd quarter of 2015.
- At current levels of these indices, consumer sentiment should be seen as still reasonably positive both in Dublin and in the rest of Ireland and the underlying trend remains unevenly upward.
- However, the 3rd quarter reading suggests a measure of caution among consumers-particularly in Dublin, as to how far and how fast a strong Irish economy should be translating into an improvement in their personal circumstances.
- The divergence in sentiment readings between consumers in the capital and elsewhere may reflect differences in the nature, pace and stage of recovery. There may be some negative spill-over effects from a relatively rapid but uneven upswing in Dublin.
- Dublin consumers grew more concerned about jobs and more cautious in their spending plans than their counterparts elsewhere in the past three months.

Key Data

		Dublin Consumer Sentiment		Rest of Ireland Consumer Sentiment
Q3 2015		147.2		156.9
Q2 2015		155.6		153.9
Q3 2014		134.2		142
Series peak	Q2 2015	155.6	Q3 2015	156.9
Series trough	Q2 2009	52.9	Q1 2009	62.7

Dublin Consumer Sentiment Somewhat Weaker In Q3

Ireland

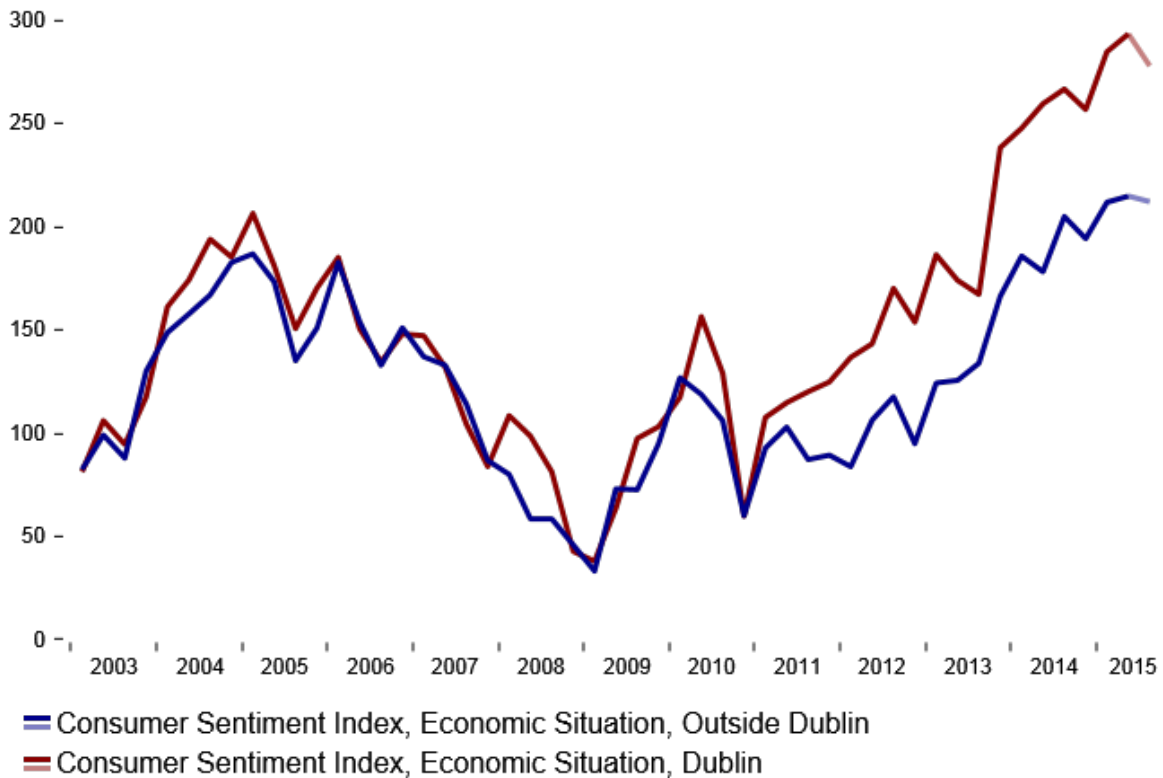


Source: Macrobond

- Sentiment among Dublin consumers weakened somewhat in the third quarter of 2016 while consumers across the rest of Ireland became marginally more confident. While conditions in the broad Irish economy have clearly strengthened of late, this is not delivering a correspondingly clear improvement in the circumstances of many consumers.
- It is the case that, at the aggregate level, household incomes are increasing and this is reflected in what we still consider to be an improving trend in sentiment. However, the combination of considerable uncertainty about the health of the global economy and continuing pressure on personal finances mean confidence is not surging forward in the same manner as many other economic indicators.
- The clear divergence between the sentiment readings for Dublin and the rest of Ireland in the past three months is unusual but not unprecedented. In broad terms, sentiment has tended to develop along fairly similar lines. However, there was a somewhat similar underperformance in the Dublin measure in the corresponding quarters of the previous two years. So, there may be some statistical or seasonal influence at play. However, the consistency of the results across all the main elements of the survey suggests also hints at underlying difference in the thinking of consumers in the capital and their counterparts elsewhere of late.

What Does The Recovery Mean For The Average Irish Consumer?

Ireland

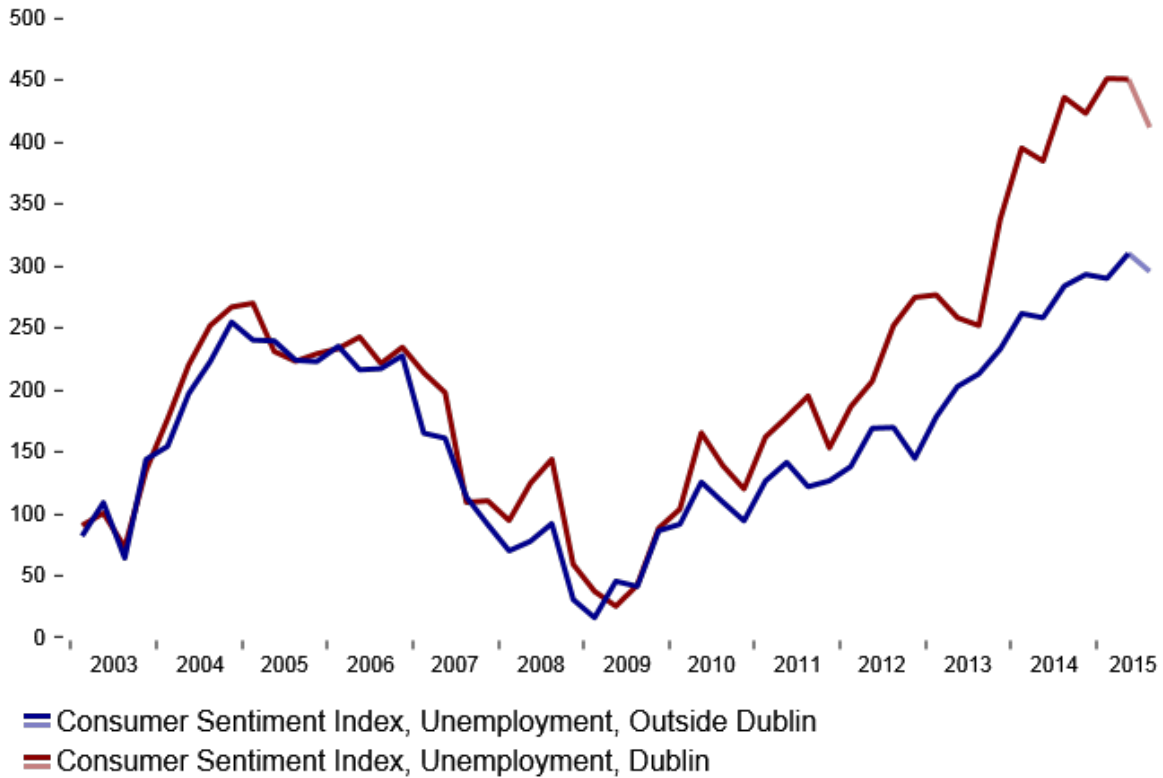


Source: Macrobond

- The comparatively weak sentiment reading for Dublin may seem at odds with the general perception that the recovery in the Irish economy has been significantly centred on Dublin. In part, there may be some greater concern in Dublin about a seemingly more fragile global economic outlook of late.
- Results for the latest quarter may also reflect an element of catch-up in the remainder of the country of late. However, they also hint at an element of caution among consumers in the capital about the extent to which they are benefiting from the upswing.
- The nature and pace of the upswing in Dublin may be such that it isn't being broadly felt across all households in the capital. This might be because the positive spill-over from a buoyant multinational sector is uneven.
- It could also be that consumers are expressing an element of concern about some negative spill-over from a rapid turnaround in the property market. An initially sharp acceleration in house prices followed by tentative signs of some cooling of late alongside on-going rapid increases in rents suggests the Dublin housing market is developing in a manner that is some way from ideal from the perspective of either existing or prospective households in the capital.

Job Sentiment Still Positive But Not Quite As Strong

Ireland

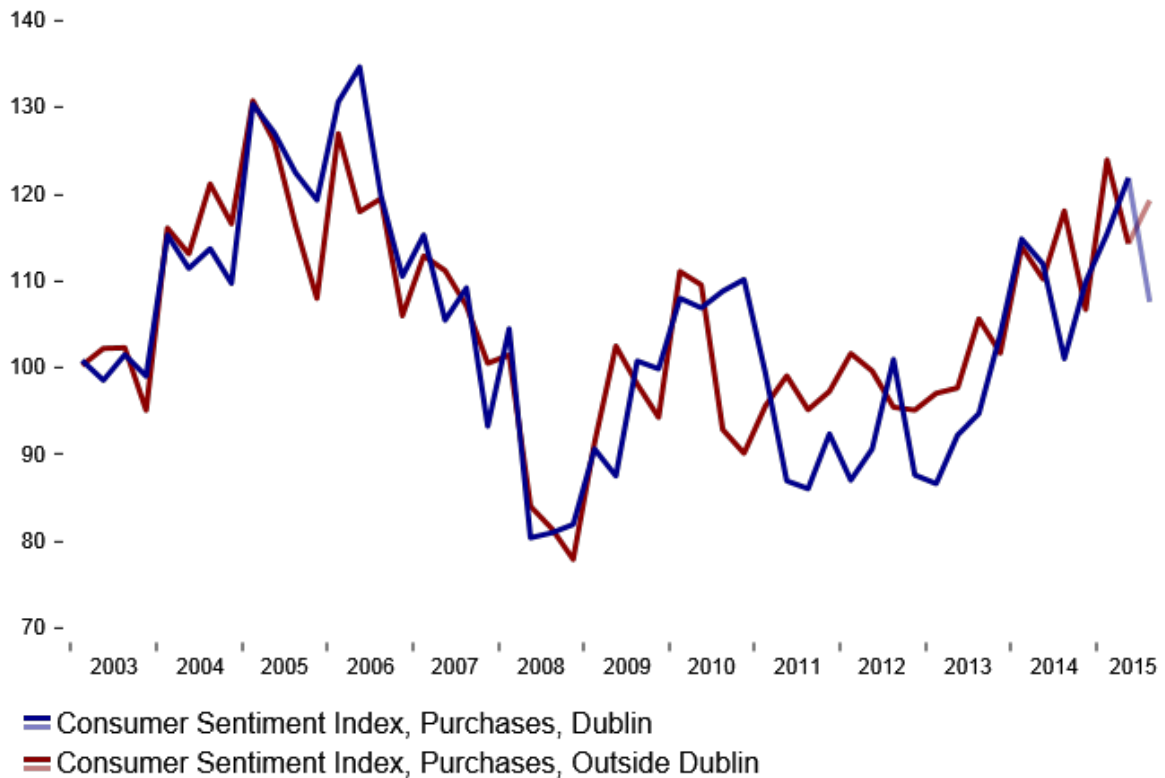


Source: Macrobond

- Consumers in Dublin have been notably more upbeat on employment throughout the economic upswing reflecting the earlier turnaround in the capital. However, the third quarter survey shows a significantly more downbeat responses in Dublin.
- This may be explained at least in part by some shift in the geographic pattern of employment gains of late. The pace of jobs growth in Dublin, while still healthy, fell below that in the rest of Ireland in the second quarter of 2016. There were also some high profile job losses such as those in Clerys and Boyers in the survey period. As job losses were relatively large in Dublin through the downturn, news of significant closures may have resonated more strongly in the capital in the past three months.
- It is important to emphasise again that the most recent reading still represents a generally positive assessment of the jobs market in Dublin. However, the survey signals that we are not seeing a straight line improvement in consumers' views as to how the jobs market in Dublin is developing. Elsewhere in Ireland, consumers may be responding to what is still a comparatively early stage in the improvement in employment and unemployment trends.

Spending Plans Pulled Back In Dublin But Picking Up Elsewhere

Ireland



Source: Macrobond

- It is important to note that the survey results reflect the views of Irish consumers taken at a time when the broad parameters of Budget 2016 were known but the specific details as to how they might affect individual consumers were still unclear.
- Compared to responses to the previous survey, consumers in Dublin were a little more negative in their assessment of how their personal finances had developed in the past twelve months but a little more positive about the outlook for the next twelve months.
- One in three Dublin consumers expects an improvement in their household finances in the coming year while one in five expects a further deterioration. In the rest of Ireland views on both the past and future improved of late. Again, there is an element of catch-up in that roughly one in four consumers outside the capital expects their spending power to improve compared to one in five that expect a further weakening.
- The broad sense of increased caution among Dublin consumers of late also prompted some weakening of the buying climate in Dublin in the third quarter that again contrasted with an improvement in this area of the survey on the part

of consumers outside the capital. Again, this likely reflects some element of catch-up in the buying plans of consumers in the rest of Ireland as the recovery broadens.

- The more cautious Dublin reading in respect of purchasing intentions may also highlight continuing constraints on household spending power in that a majority of consumers do not anticipate an improvement in their financial circumstances even in the comparatively 'mature' recovery in the capital. The Dublin reading may also owe something to a measure of uncertainty about the global economic outlook that means consumers in the capital are reluctant to embark on a spending spree.

Survey Notes

- This note describes a breakdown of Irish consumer sentiment into components focussed on Dublin consumers and their counterparts across the rest of Ireland. Data limitations preclude a more detailed breakdown of regions outside of Dublin at this time. The starting point of the survey is 2003.
- The KBC Bank Ireland/ESRI Dublin Consumer Sentiment Index is being released as part of the 'Dublin Economic Monitor' by the four Dublin local authorities. The index for the remainder of Ireland is presented for comparative purposes. It is envisaged that a short analysis of the latest trends in consumer sentiment indices for Dublin and the rest of Ireland will be released to coincide with future quarterly releases of the Dublin Economic Monitor.
- The KBC Bank Ireland/ESRI consumer sentiment indices for Dublin and the rest of Ireland are quarterly series based on phone interviews with representative samples of consumers over the three months of the relevant quarter. As with the corresponding national survey, these regional sentiment indices are derived from responses given to 5 questions about the outlook for the Irish economy, the outlook for unemployment, recent and expected trends in household finances and the buying climate
- The data are obtained from telephone interviews during the first two weeks of each month of the quarter. The data are re-weighted in line with gender, age, economic status, level of educational attainment, region and household size to ensure the data was fully representative of the national population of adults. The sentiment index for Dublin is based on approximately 700 responses per quarter. The sentiment index for the rest of Ireland is based on approximately 1700 responses per quarter.
- The Consumer Sentiment 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.

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