

All three of the main sentiment indices weakened in the month of December. The overall sentiment Index decreased albeit marginally to 96.2 in December from 97.8 in November. The Index of Current Economic Conditions fell to 113.6 this month from 115.6 in November. The Index of Consumer Expectations which focuses on the economic outlook over the next year also continued to decline in December, falling by 1.3 index points down to 84.5.

General Economic Situation

With respect to future economic conditions, sentiment fell back close to July levels at 60.1. There was a 6 percentage point fall in the proportion of people having a positive perception of future economic conditions this month. There was however, a small improvement in unemployment prospects with 2 percentage point increase in the proportion who felt positive, accompanied by a 2 percentage point fall in the proportion of people feeling negative. This result is consistent with an improving labour market performance in the Irish economy in 2016. Consumer's view of making major purchases worsened this month, falling to 127.6 from 129.3 in November. This is however, higher than the level observed in December 2015, showing a moderate improvement in the buying climate compared to this time last year.

Chart 1: Consumer Sentiment Index

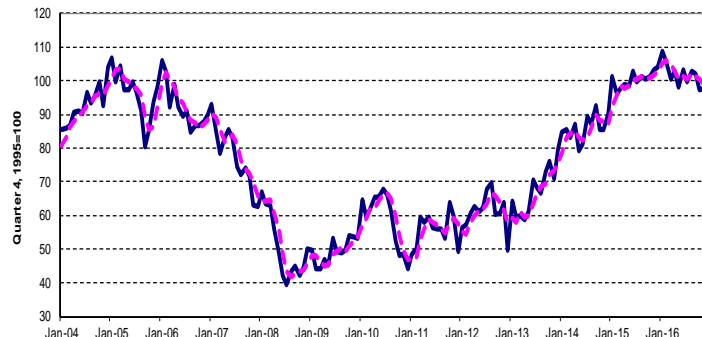


Chart 2: Index of Consumer Expectations

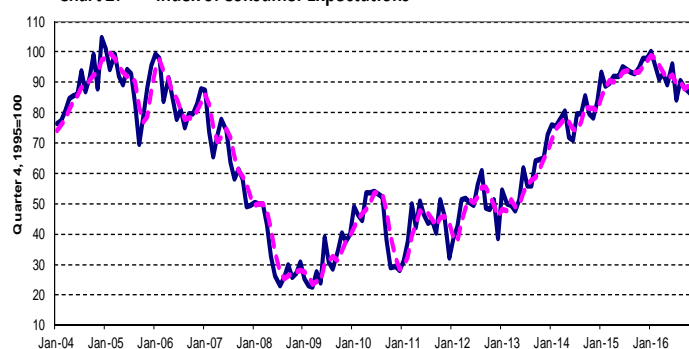


Chart 3: Index of Current Economic Conditions



Personal Financial Situation

Consumer's perception of their financial situation's broadly worsened in December. The component asking how people feel about their personal financial situation compared with 12 months ago experienced a decrease of 2.4 index points. This consisted mainly in a fall in the proportion of positive responses while the proportion of negative responses remained unchanged in December.

Consumer's perceptions of their future finances have been broadly declining towards the latter half of the year. In December, this component fell by 3.2 index points having fallen by 0.7 index points in November. Although the majority of respondents remain neutral in their view, there was an increase in the proportion of negative responses and a fall in the proportion of positive responses this month.

Recent trends in this component likely reflect growing uncertainty in the outlook for the international economy in 2017 following events such as Brexit and the US election.

Table 1: Survey Index Results

| Measure ¹ | Long-Run average ² | Δ month-on-month | Dec 2015 | Nov 2016 | Dec 2016 |
|--|-------------------------------|------------------|----------|----------|----------|
| Overall Consumer Sentiment Index | 82.7 | ↓1.6 | 103.9 | 97.8 | 96.2 |
| Index of Current Conditions | 96.8 | ↓2.0 | 112.9 | 115.6 | 113.6 |
| Index of Consumer Expectations | 73.1 | ↓1.3 | 97.9 | 85.8 | 84.5 |
| Personal Financial Situation over last 12 months | 68.0 | ↓2.4 | 96.4 | 98.9 | 96.5 |
| Personal Financial Situation over next 12 months | 87.7 | ↓3.2 | 121.2 | 115.2 | 112.0 |
| General Economic Outlook | 58.8 | ↓2.2 | 76.6 | 62.3 | 60.1 |
| Outlook for Unemployment | 76.7 | ↑3.1 | 100.5 | 83.3 | 86.4 |
| Major Purchases | 120.6 | ↓1.7 | 126.5 | 129.3 | 127.6 |

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

²) Average value between Dec 2011 and Dec 2016.

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 February 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.