

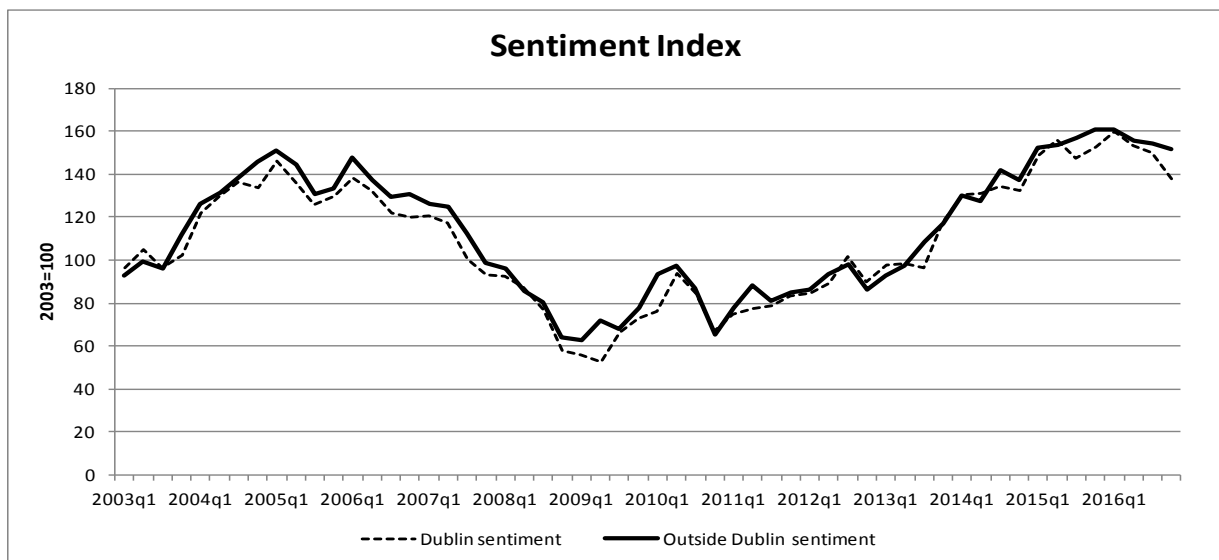


DUBLIN CONSUMER SENTIMENT INDEX, QUARTER 4, 2016

Austin Hughes, chief economist KBC Bank Ireland:

“Dublin consumer sentiment declined significantly in late 2016 as the mood of consumers in the capital weakened notably more than that of consumers in the rest of Ireland. In part, the drop in confidence stems from greater nervousness about the general economic outlook because of threats posed by Brexit and potential changes in US policymaking. However, a more influential factor was a downgrade of consumers’ own personal finances that may reflect pressure on living costs in Dublin.”

The overall Consumer Sentiment Index for Dublin weakened further in the last quarter of 2016 largely due to expectations for the economy next year declining as well as perceptions of the current economic climate dis-improving. The Dublin index fell by 12.3 points in the quarter down to 137.8; the largest quarterly fall since Q4 2012. Outside Dublin there was also a fall in sentiment, however, the magnitude of the fall was much smaller with the index only decreasing by 2.7 points in the quarter. Consumer Sentiment has been falling at a faster rate in the capital than elsewhere in the country for much of the year. This could reflect a higher level of sensitivity in the capital to international developments such as Brexit and the US election that inherently present a risk to the Irish economy. The further weakening in the index this quarter means that the upward trend observed over the last few years has begun to reverse as unease about the current and future path of the economy increases.



Consumer expectations have noticeably worsened in 2016. Despite the improvement in the Irish economy such as the robust labour market performance, the expectations component of the index continues to fall. Over the quarter, the index fell by 13.8 points down to 174.1 in Dublin. The fall this quarter, was driven by an increasing number of respondents having a

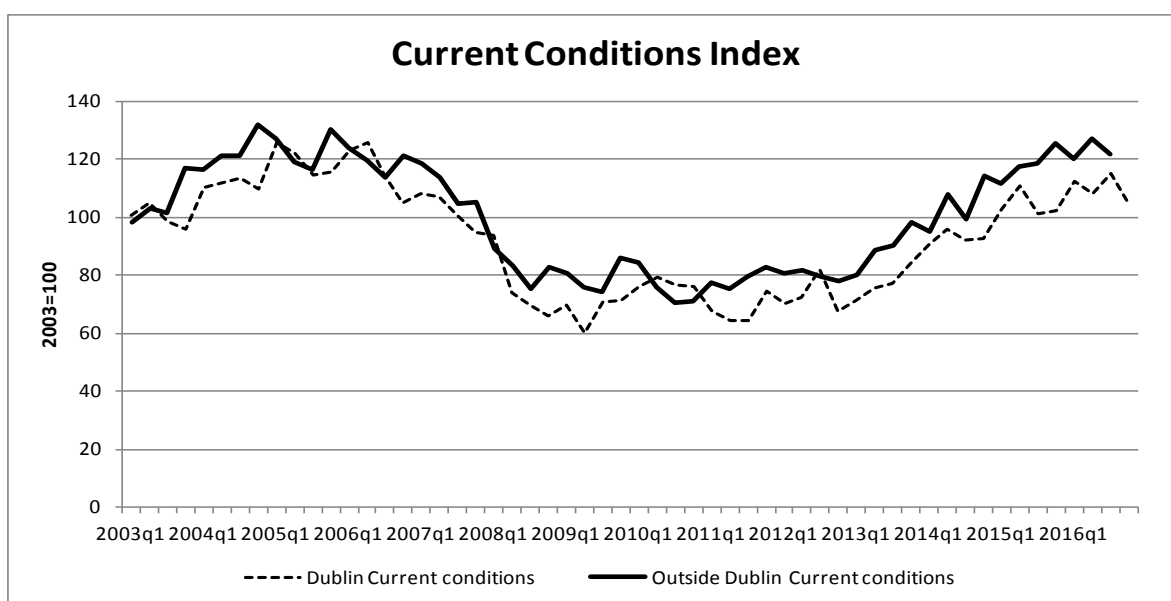
less positive view of economic activity as well as a less positive view of the labour market. The positive domestic data releases in 2016 suggest that this fall in expectations is likely being driven by international developments rather than domestic risks. The unexpected results of the November US election and the potential negative implications for trade policies have likely driven consumers to reduce their expectations for the Irish economy over the next year. Interestingly, the results outside Dublin in Q4 have remained relatively static at 180 index points as expectations for the labour market and the economy fell only marginally.

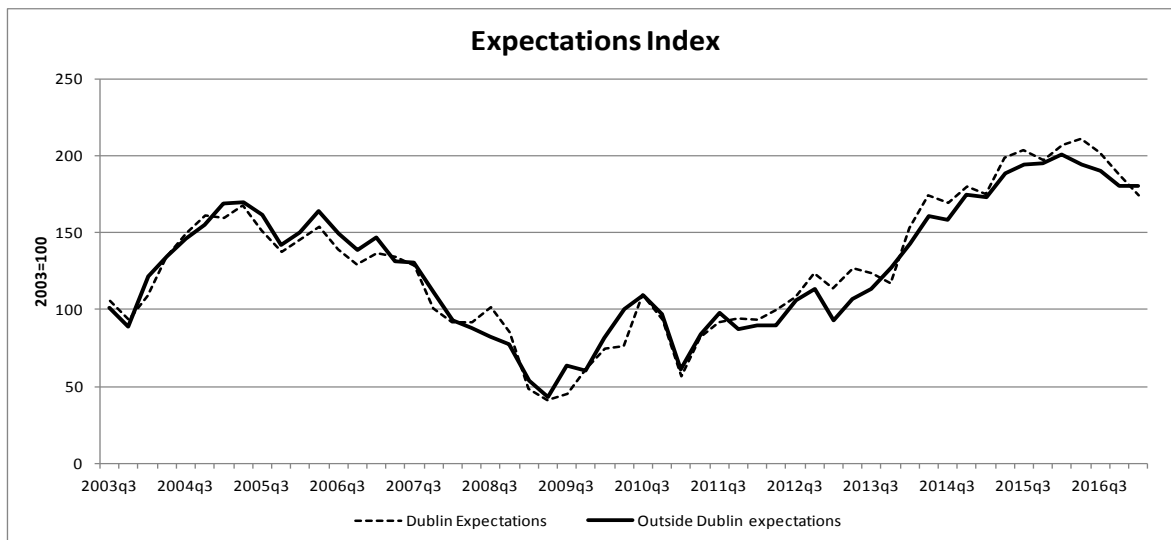
Table: Survey Index Results

	2003=100				
	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4
Dublin Consumer Sentiment Index	152.6	159.8	153.2	150.1	137.8
Dublin Index of Current Conditions	102.3	112.5	107.9	115.2	104.3
Dublin Index of Consumer Expectations	207.1	211.0	202.2	187.8	174.1

The Dublin Index of Current Conditions fell to 104.3 in Q4 down from 115.2 in Q3 2016. Similarly, the Index of Current Conditions outside of Dublin also declined, falling by 5.3 index points down to 121.7 in Q4. This quarter, a higher proportion of consumers, view their current financial situation as worse than last year. Despite the fact that household's, overall, continue to pay down debt, the overall level of debt burden on household's is quite high internationally. This, coupled with the continuing increase in housing in the capital could be having a negative effect on financial situations.

With respect to the buying climate, there was a noticeable reduction in this component of the survey for both Dublin and outside Dublin in Q4 fall by 13.7 and 7.2 index points respectively. This was, however, higher than Q4 2015 and suggests consumers are feeling more confident about buying large household goods compared to last year. As personal financial situations don't appear to have improved significantly from the survey results, this could perhaps reflect an increase in credit availability during the year and this is evident from the positive growth in loans for consumption towards the second half of the year.





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Notes:

The data are obtained from telephone interviews during the first two weeks of the month. 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 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.

The Dublin consumer sentiment index is calculated using the same methodology as the KBC Ireland/ESRI Consumer Sentiment Index. However, to ensure that the Dublin Index is representative of the Dublin region, a new set of weights was constructed taking account of the age and sex of the population. In the process of constructing the new weights, the latest data available were used, including adjustments to the QNHS data following the censuses of 2006 and 2011. Therefore, the Dublin index is not directly comparable to the published national index which was weighted based on the data available at the time of publication.