

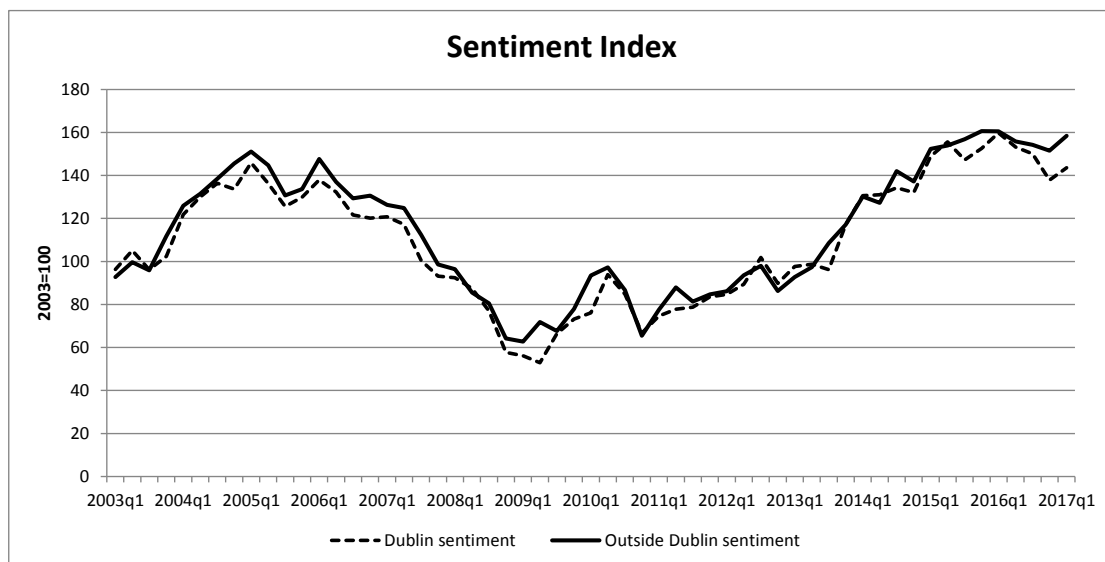


## DUBLIN CONSUMER SENTIMENT INDEX, QUARTER 1, 2017

Austin Hughes, chief economist KBC Bank Ireland, noted:

*'Dublin consumer sentiment showed a welcome improvement in the first three months of 2017 having weakened in each of the three previous quarters. The recovery in confidence reflects an easing in worries about household spending power and an associated rise in their spending plans. While consumers in the capital remain cautious because of an uncertain global economic outlook, the survey suggests they are seeing some modest improvement in their own financial circumstances.'*

The Consumer Sentiment Index recovered in Q1 2017 after weakening over the course of 2016. The Dublin index increased by 5.7 index points in the first quarter of the year as optimism towards expectations of future finances and employment prospects returned. Although the index increased back up to 143.5 in Q1, the sustained impact of worsening expectations for much of last year means that the index is still 16.3 index points below the level observed in Q1 2016. Developments outside Dublin closely mirrored that of the capital with an improvement in overall sentiment of a similar magnitude this quarter. The pace of growth outside Dublin increased at a faster rate than in Dublin this quarter as diverging perceptions of the general economic outlook over the next 12 months became apparent between the two regions.



Consumer expectations improved in both regions in the first quarter of the year after a significant weakening for much of 2016. Increasingly optimistic expectations of personal finances over the next year appear to be driving much of the increase likely reflecting the robust performance of the labour market over the last number of quarters feeding into higher wage expectations over the next 12 months. Despite the labour market performing

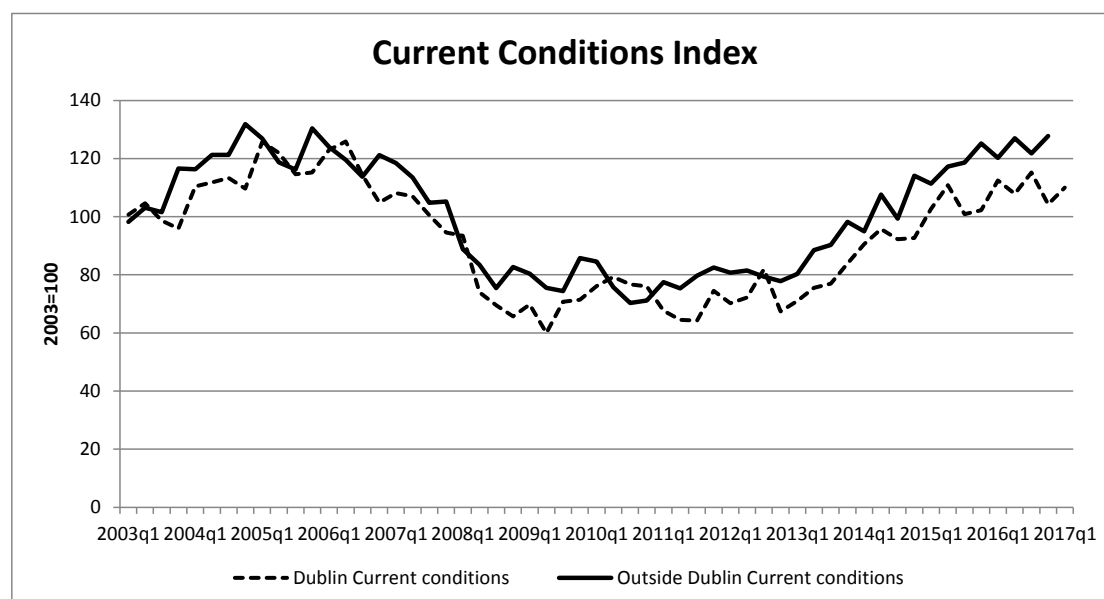
very well in 2016, perceptions of employment prospects appeared to be out of sync with the data, particularly in Dublin. The results this quarter suggest that the continuing fall in the unemployment rate is beginning to have an impact on consumer's expectations with the outlook for employment improving in both regions. The heightened awareness of risk appears to continue to weigh on Dublin consumers as expectations of the future economic climate decline further this quarter. Interestingly, this trend is not reflected in the rest of Ireland with consumers in other regions expecting the economy to improve next year.

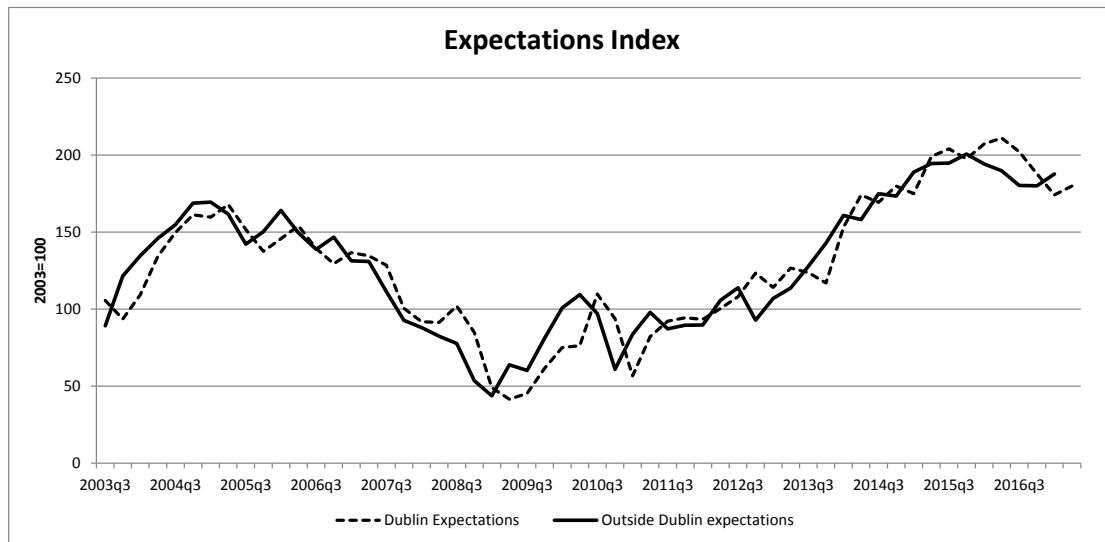
*Table: Survey Index Results*

	2003=100				
	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1
Dublin Consumer Sentiment Index	159.8	153.2	150.1	137.8	143.5
Dublin Index of Current Conditions	112.5	107.9	115.2	104.3	110.0
Dublin Index of Consumer Expectations	211.0	202.2	187.8	174.1	179.8

The Index of Current Conditions for Dublin and Outside Dublin also increased this quarter rising by 5.7 and 6.1 index points respectively. The positive economic data released over the quarter appears to be impacting improving perceptions of current conditions. Personal financial situations compared to last year have improved with the latest survey, increasing by 6 index points in Dublin and by 7.5 in the rest of the country. This likely reflects the boost in jobs over the quarter as wages improve and relatively low inflation keep real incomes in a healthy position. The results reflect a significant fall in the proportion of respondents having a negative view of their personal finances compared to Q4 2016.

The improvement in consumer's perceptions of the buying climate this quarter is also a good indication that household finances are in a better position at the start of 2017. After a substantial fall in both regions last quarter, there was an improvement of 5.6 and 5.0 points in Dublin and outside Dublin respectively.





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**Notes:**

*This report has been reviewed prior to publication. The authors are solely responsible for the content and the views expressed.*

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.