To begin the New Year, the Consumer Sentiment Index has experienced a strong surge across all indicators resulting in a monthly rise of 7.2 points to 110.4 for January 2018 (Chart 1). This marks the highest monthly rise in the Index over the last two years and returns the index back to pre-Brexit levels. The increase is broad-based with almost all of the underlying indicators increasing strongly: Irish consumers are starting the New Year in confident mood.

**Current Economic Situation**

The Index of Current Economic Conditions tracks developments in consumer's personal financial situation over the past 12 month as well as their views on whether the present represents a good time to make major purchases. The Index (Chart 2) increased by 6.7 index points to 129.6 in January 2018. Improvements in attitudes towards major household purchases acted as the main driver of this surge, rising by over ten index points within a single month. Households also reported an improvement in regard to their own personal financial situation over the past 12 months, with the sub-component of the Index rising by 1.9 index points.

The Index of Consumer Expectations (Chart 3) tracks consumers' outlook on future economic developments over the next year, more specifically regarding their personal finances while also aggregating attitudes towards the broader economy. The Index increased by 7.5 index points in January. This increase was driven by a strong acceleration in households views on how their own personal financial situation will improve over the next 12 months as well as very positive sentiment towards the broader economy. Most notably, perceptions towards the greater economy improved, increasing to levels unseen since February 2016. Positive sentiment towards the future prospects of the labour market also improved, showing a 3.3 index point rise on a monthly basis.



Chart 1: Consumer Sentiment Index



Chart 2: Index of Current Economic Conditions



Chart 3: Index of Consumer Expectations
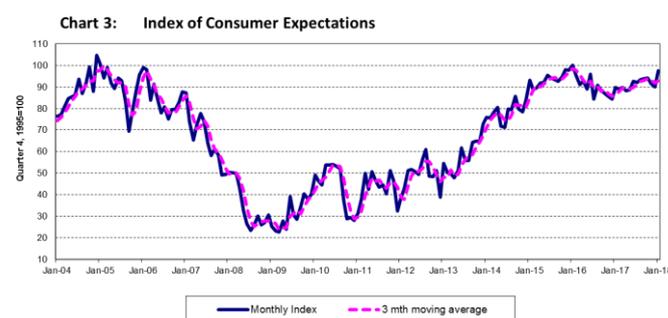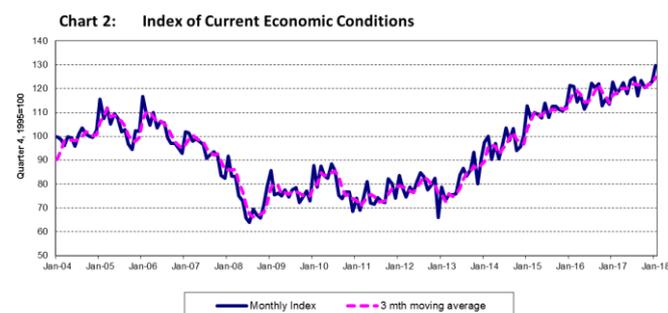
## Personal Financial Situation

January 2018 saw a major improvement in consumers' perceptions of their current and future financial situations: Irish households entered 2018 in positive mood. Relative to December, more households indicate that their personal financial situation improved in the past 12 months (+1.9 index points). Furthermore, their views on how their finances will change in the coming year improved far more rapidly, rising by 9.7 index points on a monthly basis. This data may suggest a trickle-down effect of the economic recovery is beginning to emerge. On a cautionary note, the series does remain relatively volatile.

**Table 1: Survey Index Results**

| Measure[1] | Long-Run average[2] | Δ month-on-month | Jan. 2016 | Dec. 2017 | Jan. 2017 |
|---|---|---|---|---|---|
| Overall Consumer Sentiment Index | 92.0 | ↑7.2 | 103.1 | 103.2 | 110.4 |
| Index of Current Conditions | 106.0 | ↑6.7 | 122.8 | 122.9 | 129.6 |
| Index of Consumer Expectations | 82.5 | ↑7.5 | 89.9 | 90.0 | 97.5 |
| | | | | | |
| Personal Financial Situation over last 12 months | 80.7 | ↑1.9 | 100.8 | 106.2 | 108.0 |
| Personal Financial Situation over next 12 months | 100.2 | ↑9.7 | 120.1 | 115.9 | 125.6 |
| General Economic Outlook | 65.3 | ↑8.1 | 63.3 | 65.3 | 73.4 |
| Outlook for Unemployment | 86.2 | ↑3.3 | 91.6 | 94.8 | 98.0 |
| Major Purchases | 126.9 | ↑10.6 | 140.9 | 136.8 | 147.4 |

(1) Index values: Quarter 4, 1995 = 100.
(2) Average value between January 2013 and January 2018

**Disclaimer**

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

**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.

<center>For further information contact</center>

<center>Austin Hughes – Chief Economist, KBC Bank Ireland– (01) 664 6889

or

Philip Economides – Research Assistant, ESRI – (01) 863 2045

Conor O'Toole – Senior Research Officer, ESRI – (01) 863 2046</center>

Historic data from April 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