

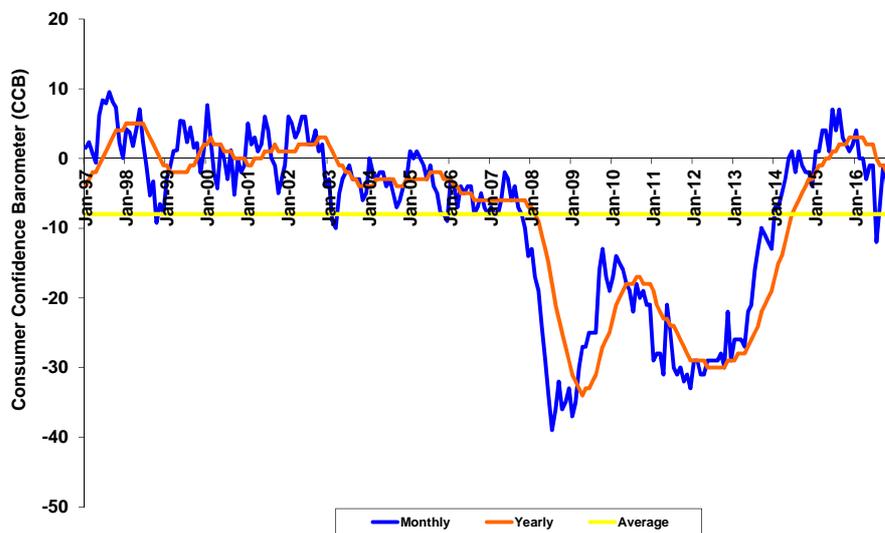
## Confidence up 1 point in December but ends year down 9 points at 3-year low

December's GfK Consumer Confidence Barometer (CCB) gained 1 point to -7, following a 5-point decline in November. In 2016 the CCB fell by 9 points, its third highest yearly fall since the Millennium. Only in 2008 and 2011 was the fall greater, down 24 points and 12 points respectively. It is the first year since 2011 that the annual change in sentiment has been negative.

The drop in sentiment was greater in the second half of the year (post-Brexit), down 6 points than in the first half, pre- Brexit, down 3 points.

Both quarterly (-6) and 12 –monthly (-3) moving average measures at year end are the lowest since 2013 and 2014 respectively.

### UK consumer confidence 1997-2016



Source: GfK / European Commission / JGFR

Throughout the year concerns about the economy weighed down on the headline measure, with the combined current and forward measures down 38 points over the past 12 months, with the greater fall post-Brexit, down 22 points, than pre-Brexit, down 16 points.

Both current and forward personal finance measures also fell back in 2016, down by 3 and 6 points respectively, with both measures falling entirely post-Brexit.

Despite both economic and personal finance measures falling back at the end of the year consumer resilience was evident in early autumn with spending confidence especially strong.

Indeed the December measure for spending confidence is up 5 points on a year ago; together with a pick-up in saving confidence in December, both have boosted the JGFR Financial Wellbeing Index (FWI), by 16 points on the month to 65, just 7 points down on a year ago.

Pre-Brexit, the FWI started 2016 at 91 in January, the highest score since November 2002. The measure collapsed by 49 points to 36 in July immediately post-Brexit but has recovered since by 29

points to its present level. The FWI is a proxy for living standards that have recovered in the past 2 years to pre-recession levels.

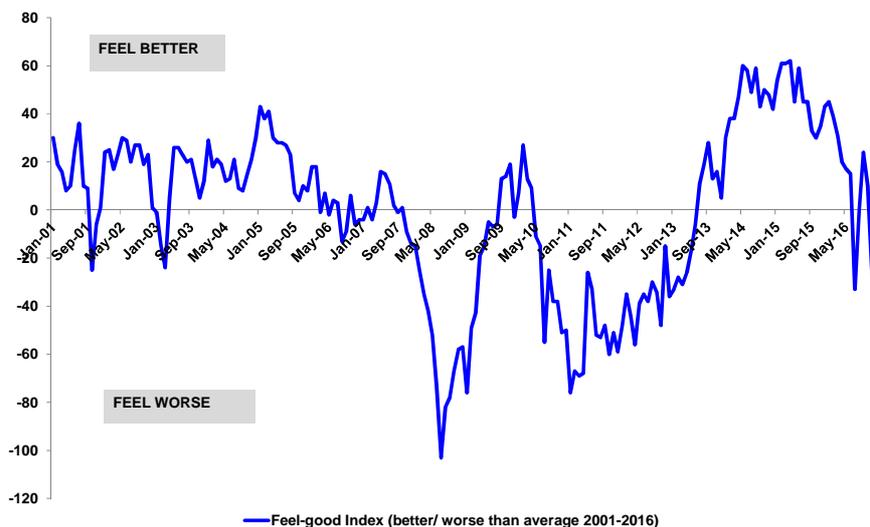
### JGFR Financial-Wellbeing Index 2001-16



Source: GfK / JGFR

Looking forward to 2017 the forward indicators measured in the JGFR Feel –Good Index are less promising. Inflation expectations have surged in the past 2 months, and look set to stay at such elevated levels and may even move higher.

### JGFR Feel-Good Index 2001-16



Source: GfK / JGFR

Unemployment expectations rose for much of the past year although they have not been reflected in the monthly jobs figures. This may change in 2017, especially among SME’s who may be squeezed by falling revenues and rising costs.

Both general economic and personal finance measures also look vulnerable to a challenging few months as the triggering of Article 50 due in March intensifies Brexit uncertainty, and the new Trump administration takes office with a very different set of policies. To date the financial markets and US consumers have taken to them well suggesting the US may drive world growth again.

US consumer sentiment in December rose to 98 according to the University of Michigan, the highest reading since January 2015 as consumers reacted positively to the new economic policies following Donald Trump’s election. Since October sentiment has jumped 11 points and is well above the 63-year average of 85.97.

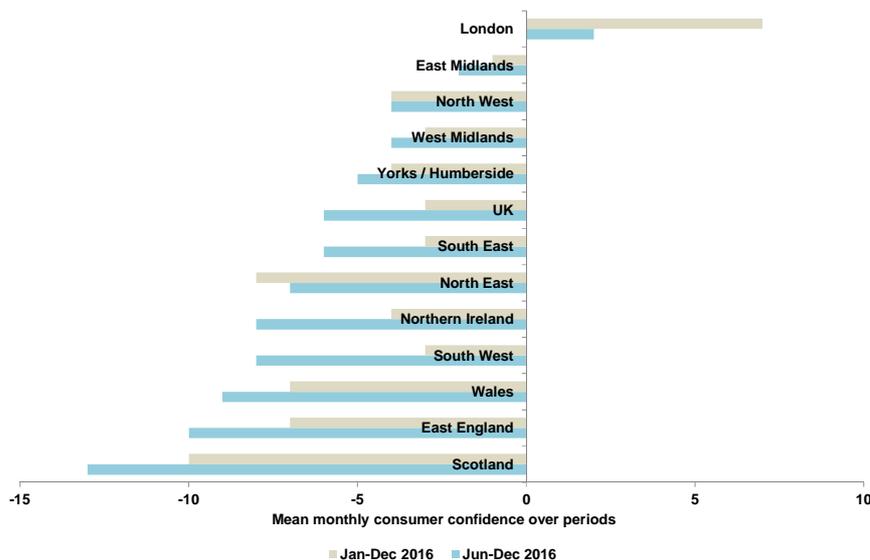
In Europe the December flash estimate of consumer confidence across the EU is up 1 point on the month at -5 (-4 December 2015), while in the euro-area the measure is also up 1 point to -5 (-6 December 2015). Since July both the EU and euro-area consumer confidence measures have gained 3 points despite Brexit and broader political uncertainty in many countries facing elections.

Across the UK regional differences have become more apparent over the past 12 months. The mood has darkened across all devolved administrations and the 3 English super regions apart from the Midlands.

Among Scots the mood is especially pessimistic in December (-20) compared to the overall CCB measure (-7). Celebrations in Scotland may be more downbeat this New Year’s Eve.

Only among Londoners has confidence stayed positive on average over the past 12 months and the past 7 months covering the Referendum. In most regions the average over 7 months has been lower following Brexit than over 12 months.

**Regional confidence, 2016 average over 12 months and 7 months.**



Source: GfK / JGFR

Confidence in 2017 looks set to retreat further into negative territory with a messy Brexit divorce in prospect and debt, both household and government, increasingly a matter of concern. Details: John Gilbert ([j.gilbert@jgfr.co.uk](mailto:j.gilbert@jgfr.co.uk)) or ring +44 (0) 7740 027968