

Tough times ahead as spending confidence weakens

As the UK prepares to trigger Article 50, the UK consumer looks set to batten down the hatches as the reality of the exit process from the European Union begins.

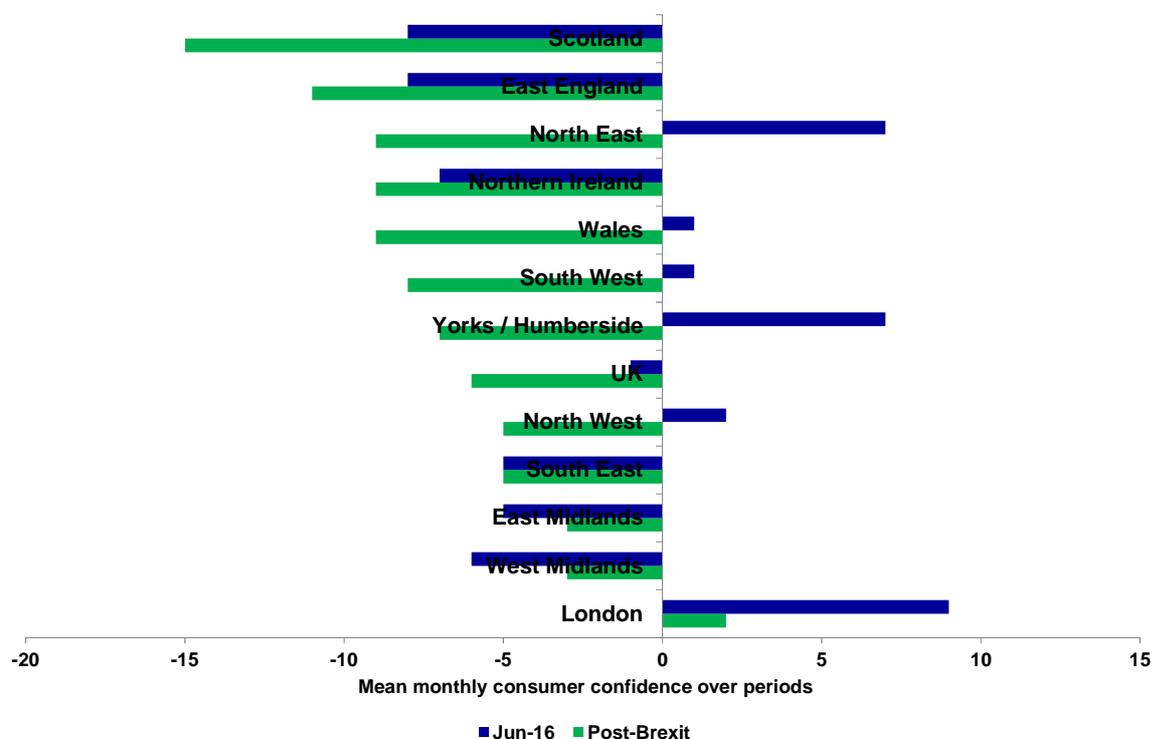
UK consumer confidence* slipped by 1 point to -6 in February, and is down 6 points on a year ago. There was a lack of a notable New Year spending bounce in January, with spending confidence weakening further in February to its lowest since last July. Weaker economic growth may follow given the mini consumer spending boom in the wake of the Brexit vote appears to be over.

Both personal finance measures in the headline GfK CCB measure fell in February; the current v past measure shedding 2 points to +1 and the forward measure losing 4 points to +3. The overall current measure of household finances weakened slightly on the month with more struggling households (running down savings and falling into debt).

Compared to a year ago both current v past and future economic situation measures in the headline CCB are much worse, although both improved in February. The former measure gained 3 points to -21, the latter also rose, by 3 points to -20.

Across the UK confidence varies considerably with negative sentiment in all regions apart from London. Weakest Confidence is in Scotland (-18). Since the vote for Brexit the biggest falls in confidence have been in the North

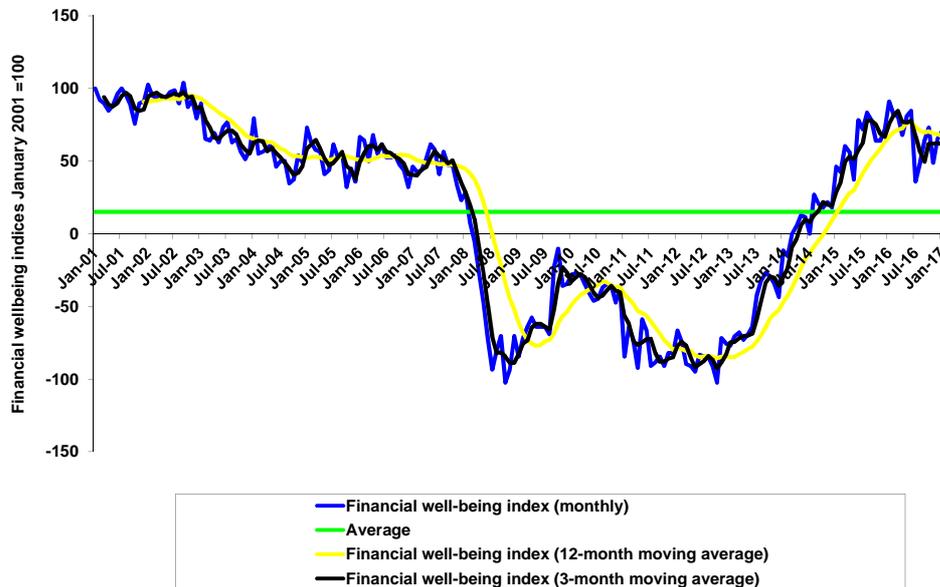
Regional changes in confidence post-Brexit (July 2016-February 2017) vs June 2016



Source: GfK / European Commission / JGFR

A feature in the economic recovery years of 2014 – 2016 has been the improvement of consumers’ financial wellbeing. The JGFR Financial Wellbeing Index gained 103 points between January 2014 and January 2016, where it reached its highest level since before the financial crash.

JGFR Financial Wellbeing Index, 2001-17



Source: GfK / European Commission / JGFR

Since Brexit financial wellbeing has fluctuated below the levels of a year ago, but has picked up strongly from the slump in financial wellbeing immediately after the Referendum. In February the monthly index measure (FWI) fell by 22 points to 49, its lowest score since November, and well down on a year ago (82).

The FWI measure, a combination of personal finances, saving and spending confidence, provides some indication of living standards as it reflects spending / savings power.

For the past 4 months the JGFR Feel-Good Index that measures consumers attitudes towards future levels of inflation, unemployment, the economy and personal finances has tumbled as inflation expectations especially have surged.

The measure, the difference between the long-run average across the 4 underlying measures and the current measure, has been negative since October and is currently at -17, down from +39 a year ago, and looks set to stay at below average levels as uncertainty over Brexit grows.

For UK exporters to the euro-area prospects should be better as the key euro-area economic sentiment index has improved notably over the past 12 months, up from 102.9 to 108 between March 2016 and February 2017, with euro-area consumer confidence, up 4 points to -6 over the same period. However a more confident and buoyant euro-area may prove a tougher negotiator.

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*February CCB carried out by GfK between 1-15 February among 2,001 adults aged 16+, representative of the UK population online for The European Commission