

# Consumers and the Economic Outlook: Quarterly Update - UK - September 2016

Report Price: £1750.00 | \$2834.04 | €2223.04

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“For the UK, the EU referendum is one of the defining moments of the 21st Century so far, with long-term implications that will rival events as seismic as the financial crisis. The truth is, though, that this early in the process there has been little direct impact on most people’s financial situation.”

– Toby Clark, Director of Research, EMEA

This report looks at the following areas:

- Consumer sentiment
- The economic environment
- Key economic indicators

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### Key Findings

#### Consumer sentiment

Sentiment was hit post-vote, but rebounded in August

84% say that they're either "confident", or that they're "concerned but should be fine"

Possibility of a hit to spending on the home

The economic environment

A campaign fought on economic territory

Early macro-economic indicators suggest no immediate crisis...

...but two months is far too early for the full effects to be felt

Key economic indicators

Figure 1: Key economic indicators, August 2016

### Consumers' Response to the EU Referendum Result

#### What you need to know

Macro-economic expectations

Consumers expect the worst for the UK...

Figure 2: Consumer views on the impact of the EU Referendum on the UK economy, July 2016

...with the cost of living being a particular concern

Will the income squeeze return?

Personal expectations

People are much less negative about their own finances

Figure 3: Consumer views on the impact of the EU Referendum on their own finances, July 2016

Regional and demographic differences

A complex regional split

Younger people fear for the impact on their own finances

Figure 4: Expected impact of the EU vote on respondents' career prospects, by age, July 2016

Financial vulnerability shapes people's Brexit expectations

Figure 5: Expected impact of the EU vote on respondents' household income, by current financial situation, July 2016

### Current Financial Situation

#### What you need to know

Sentiment was shaken by the Brexit vote, but has recovered

Figure 6: "How would you generally describe your financial situation at the moment?", August 2016

Figure 7: The financial wellbeing index, February 2009-August 2016

A vote for change?

### Changes in Financial Wellbeing

#### What you need to know

A quarter of people say their finances have improved over the last year

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Figure 8: "How would you describe your finances compared to a year ago?", August 2016

Figure 9: The recovery index, July 2011-August 2016

A generation gap: Older workers are feeling the squeeze

The short-term outlook for consumer incomes looks positive...

Figure 10: Average wage growth and consumer price inflation, 2007-16

...but long term, prices are bound to be affected by Brexit

## Financial Confidence

What you need to know

Confidence rebounded strongly in August

Figure 11: "And how do you feel about your financial situation over the next year or so?", August 2016

Figure 12: The financial confidence index, January 2009-August 2016

The uncertainty is over...for now, at least

Retirees are the most optimistic

## Spending Plans

What you need to know

Spending patterns have remained steady post Brexit-vote

Figure 13: "Thinking about how you spend your money, which of the following have you done over the last three months? And which do you plan to do over the next three months?", August 2016

The income divide: It's still high earners who are driving spend

Figure 14: The financial activity index, June 2012-August 2016

## What Does the Brexit Vote Mean for Key Consumer Markets?

Financial services

Uncertainty could feed through into borrowing and saving choices

An easing of growth in the mortgage market

Further falls on interest rates hit saver...

...but for many, saving is about emotion, not financial returns

Figure 15: Level of savings and investments, August 2016

Brexit could be particularly damaging for those approaching retirement

Regulatory perspective

What it means

Grocery retailing

Intense competition will mitigate some of the impact of the falling pound

Figure 16: Consumer price inflation, overall index and food and drink categories, June 2014-June 2016

Any changes to legislation will have an impact on costs

Convenience has been the key driver in recent years

Upheaval creates new opportunities

What it means

Fashion

No immediate sign of a fall in spending intentions

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Exchange rates will have a major effect on an import-heavy market...

...but they'll also support overseas income

On-shoring some manufacturing would play to the move to fast fashion

What it means

Beauty and personal care

The "lipstick effect" underpins spend in tough times...

...although some sectors are vulnerable to trading down

Luxury BPC brands should benefit from a weaker pound

Little possibility of legislative disruption

What it means

Food

Little short-term reason to change food shopping behaviour...

...but the weakening pound poses threat of rising food prices

Continued savvy shopping on the cards

Marked uncertainty looms over the long term

What it means

Alcoholic drinks

No sign of people cutting back on nights out

A very different alcoholic drinks market

What it means

Travel

In the short-term, the weak pound could curb spending abroad

If airlines can keep fares low, this could stimulate spending

A shift in holiday destinations – both inbound and outbound

Long term – It's crucial that the UK keeps the EU's 'Open Sky' terms

What it means

Spending on the home

2015 was a strong year for spending on the home...

...but Brexit could well disrupt plans

Big ticket purchases will be affected most

Weaker pound will push up costs of goods in the medium term

What it means

Automotive

The industry is starting from a position of strength

Consumer confidence is key to the sector

Longer-term prospects are tied to the strength of the economy

What it means

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