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# Confidence at record low as the squeeze on consumers worsens

# The Deloitte Consumer Tracker

**Q3 2022**

MAKING AN IMPACT THAT MATTERS since 1845

# Contents

# Four key takeaways this quarter

Unprecedented levels of uncertainty saw consumer confidence fall for the fifth consecutive quarter to its lowest level on record in Q3 2022. Since our previous confidence reading at the end of Q2 2022, the picture for households' finances has worsened. Despite the announcement of an energy price cap, much higher energy and food costs compared with the same period a year ago, have pushed the Deloitte Consumer Confidence Index to a new record low at -20% in Q3 2022, twice as low as it was a year ago.

## Takeaway 1

### Confidence in personal finances plummets

After falling significantly in the previous quarter, consumer confidence in levels of disposable income remained near a historic low at -54%. Meanwhile, sentiment regarding levels of debt reached its lowest level since the Deloitte Consumer Tracker began in 2011, falling by two percentage points to -17% compared with Q2 2022.

## Takeaway 2

### The gap between incomes and the cost of living widens

With inflation at a 40-year high, many consumers are using their savings or taking on debt to finance their spending and maintain their living standards. In Q3 2022, 41% of consumers said their savings decreased compared with 26% for the same period a year ago. Perhaps more worrying is that 7% of consumers claimed to be using a 'buy now pay later' service more than they used to.

## Takeaway 3

### Demand is contracting

For the second consecutive quarter, consumers have been reducing their overall expenditure by cutting spending in both the day-to-day and non-essential categories. With spending on essentials such as energy and food taking a bigger share of wallet, the share of discretionary expenditures is falling. Categories relating to socialising fell in Q3, with spending on going out and on restaurants down four percentage points and three percentage points, respectively. Indeed, according to our survey, 40% of consumers are deliberately reducing their spending on going out and leisure activities to control their budgets.

## Takeaway 4

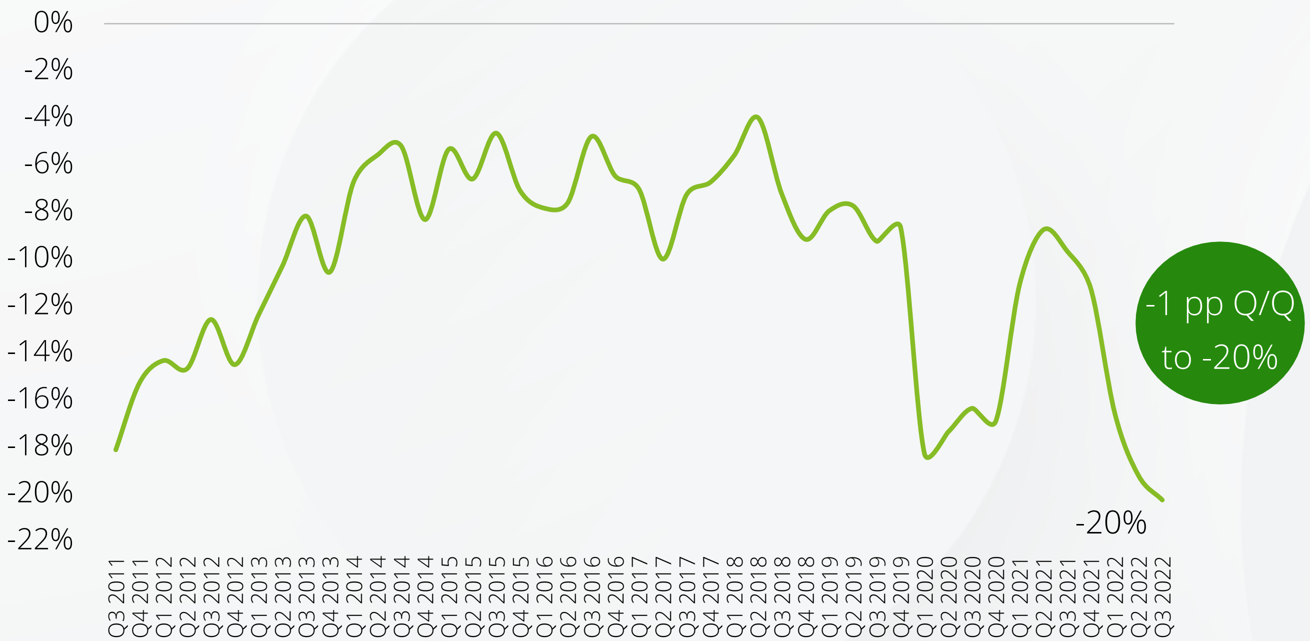
### Consumers are starting to adopt more recessionary behaviours

Our data also shows that consumers are not only cutting down on larger expenses, but they are also trading down by buying cheaper brands including supermarkets' own labels or buying more on promotions. However, consumers are not cutting down as much on purchases seen as relatively inexpensive indulgences such as some items in the beauty and personal care categories.

# Consumer confidence

# Deloitte consumer confidence index*

Net % of UK consumers who said their level of confidence has improved in the past three months




Source: The Deloitte Consumer Tracker

* The Deloitte consumer confidence index is an average of the net % of consumers who said their level of confidence improved in the past three months for six individual measures of confidence (see next slide).

## Confidence at record low as the squeeze on consumers worsens

Unprecedented levels of uncertainty saw consumer confidence fall for the fifth consecutive quarter to its lowest level on record in Q3 2022. Since our previous confidence reading at the end of Q2 2022, the picture for households' finances has worsened. Despite the announcement of an energy price cap, much higher energy and food costs compared with the same period a year ago, have pushed the Deloitte Consumer Confidence Index  to a new record low at -20% in Q3 2022, twice as low as it was a year ago.

Our survey took place days before the government's mini-budget on 23 September. While the measures announced had a significant impact on the financial markets, they are likely to have also resulted in further deterioration of consumer confidence given the unexpected rise in mortgage rates and the falls in asset prices that followed.

# Individual measures of consumer confidence

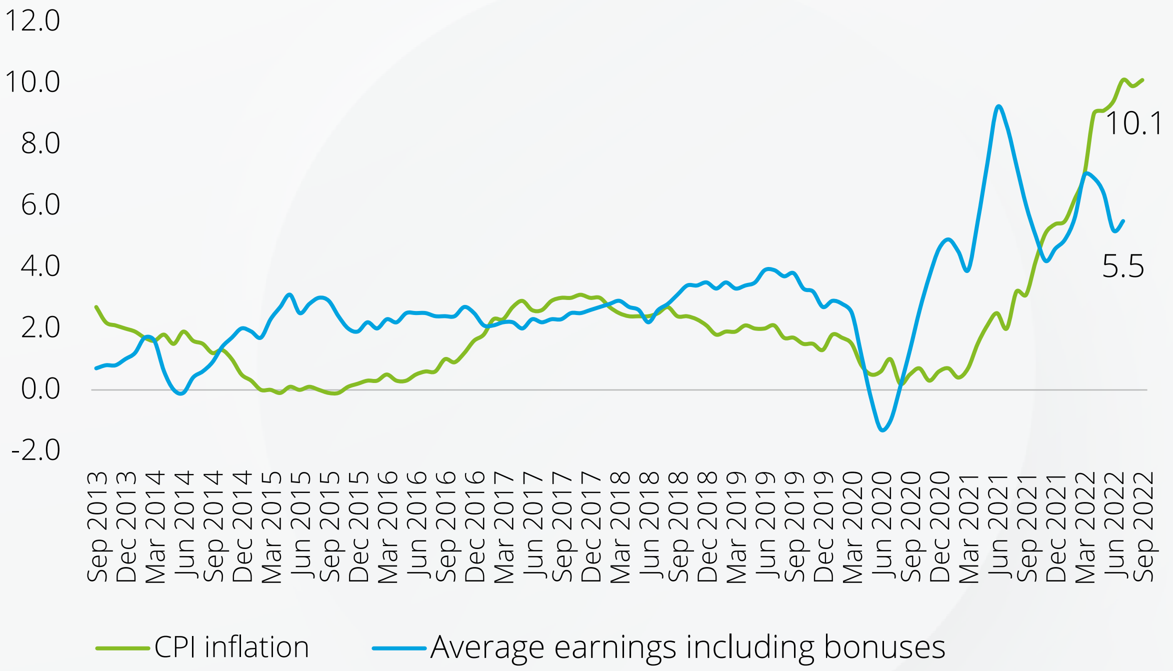
Net % of UK consumers who said their level of confidence has improved in the past three months

| Individual measures of consumer confidence | **Q3 2022** net balances | % point change quarter on quarter | % point change year on year |
|---|---|---|---|
| Your children's education and welfare | **-7%** | -0 | -4 |
| Your job security | **-9%** | +0 | -4 |
| Your job opportunities/career progression | **-9%** | -2 | -5 |
| Your level of debt | **-17%** | -2 | -12 |
| Your general health and wellbeing | **-27%** | -3 | -5 |
| Your household disposable income | **-54%** | +1 | -33 |
| **NEW MEASURE** The state of the economy* | **-80%** | +4 | -35 |

Source: The Deloitte Consumer Tracker
*Please note this measure is not included in the overall index

# Rising food costs push UK inflation up to a 40-year high of 10.1%

CPI inflation vs average earnings (incl. bonuses) (year-on-year % growth)




## UK inflation hits 40-year high of 10.1% in September

The rate of UK inflation rose to a fresh 40-year high of 10.1% in September, as the highest food price increases in decades more than offset fuel price declines at petrol pumps.

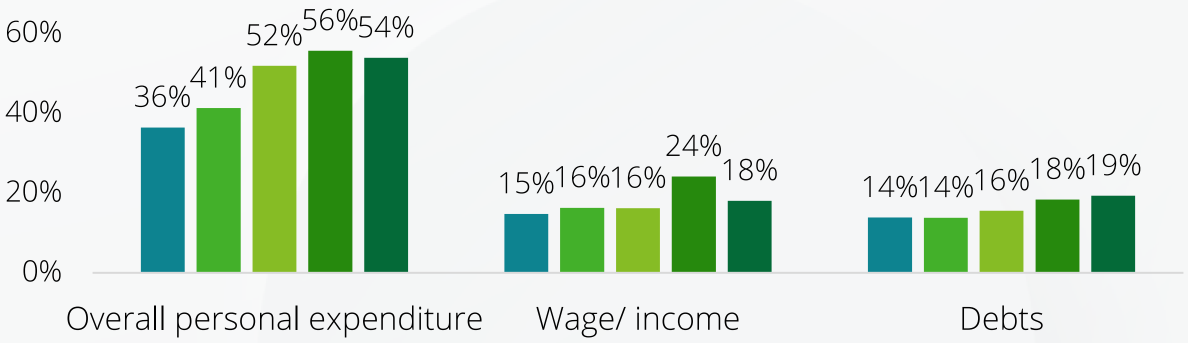
With the rate of inflation continuing to outpace earnings, many consumers have been using their savings or taken on debt to finance their spending and maintain similar living standards.

With signs that the UK economy is weakening, many will worry that inflation remains strong.

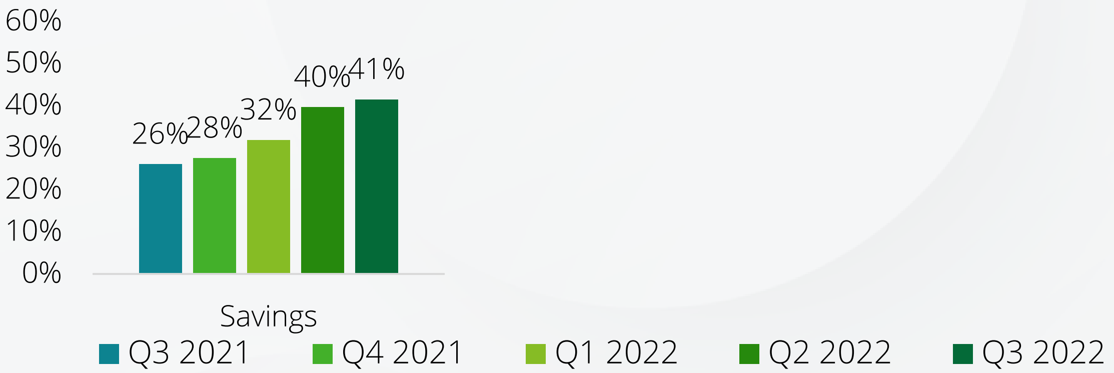
Source: Refinitiv Datastream

# Personal finances sentiment – Last 3 months

% of UK consumers who said they saw an increase in the last three months




% of UK consumers who said they saw a decrease in the last three months




Source: The Deloitte Consumer Tracker

## Rising cost of living increased pressures on personal finances

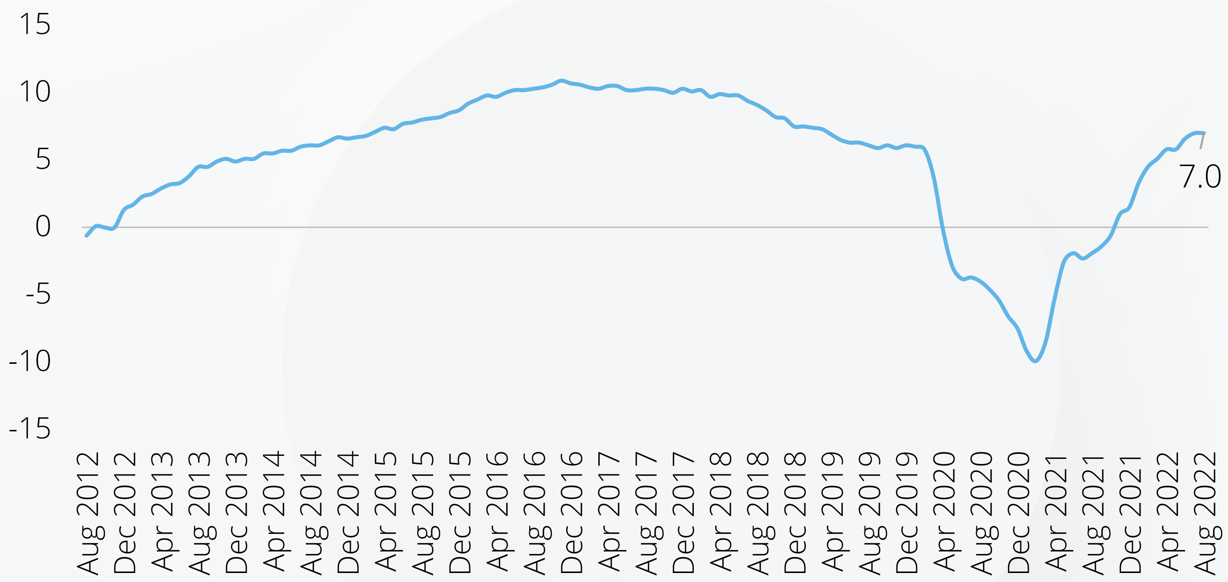
Our data shows that in Q3 2022 fewer consumers (18%) saw an increase in their income compared to Q2 (24%).

Meanwhile, one in five consumers (19%) reported increasing debts and 41% said their savings decreased in Q3 2022 compared with 26% for the same period a year ago.

Perhaps more worrying is that 7% of consumers claimed to be using a ‘buy now pay later’ service more than they used to *(see data on page 22)*.

# Household borrowing rose at its fastest pace in 17 years

Net lending to individuals (year-on-year % growth)




Source: Refinitiv Datastream

## Borrowing jumps as consumers face high inflation

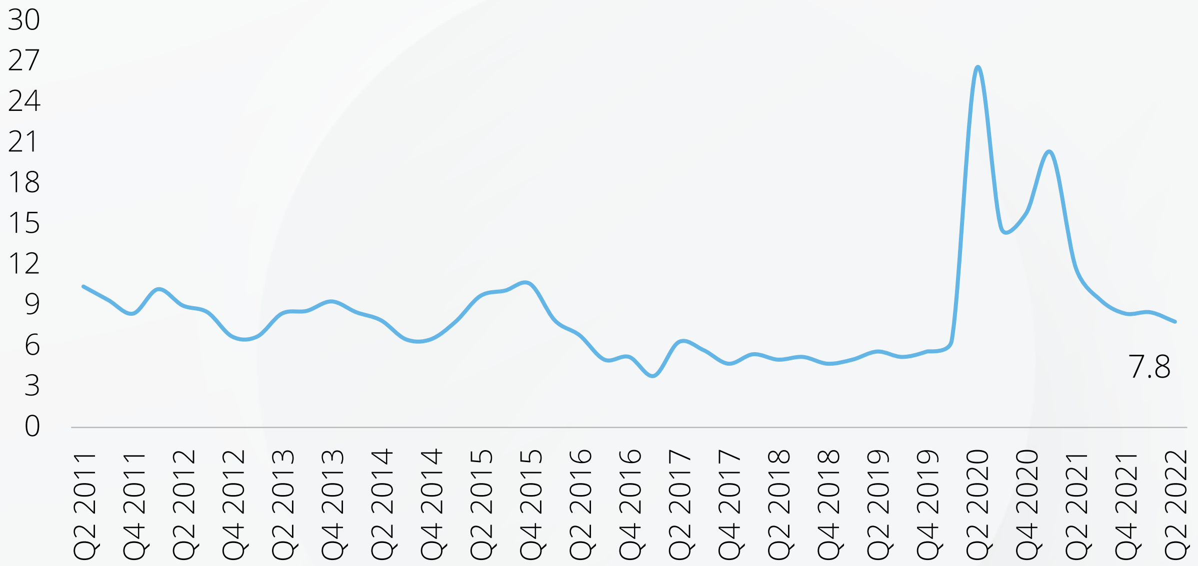
Official data from the Bank of England showed consumer credit, which includes borrowing on credit cards, car dealership finance, personal loans and overdrafts, increased by 7% annually in August.

Credit card borrowing was 13% higher in July than a year before, picking up to the fastest pace since October 2005.

The figures showed that individuals took on a net additional £1.4bn in consumer credit in July, above the 12-month pre-pandemic average up to February 2020 of £1bn.

# Savings ratio growth slows

UK households' savings ratio




Source: Refinitiv Datastream

## Savings ratio growth slows as consumers forced to spend more

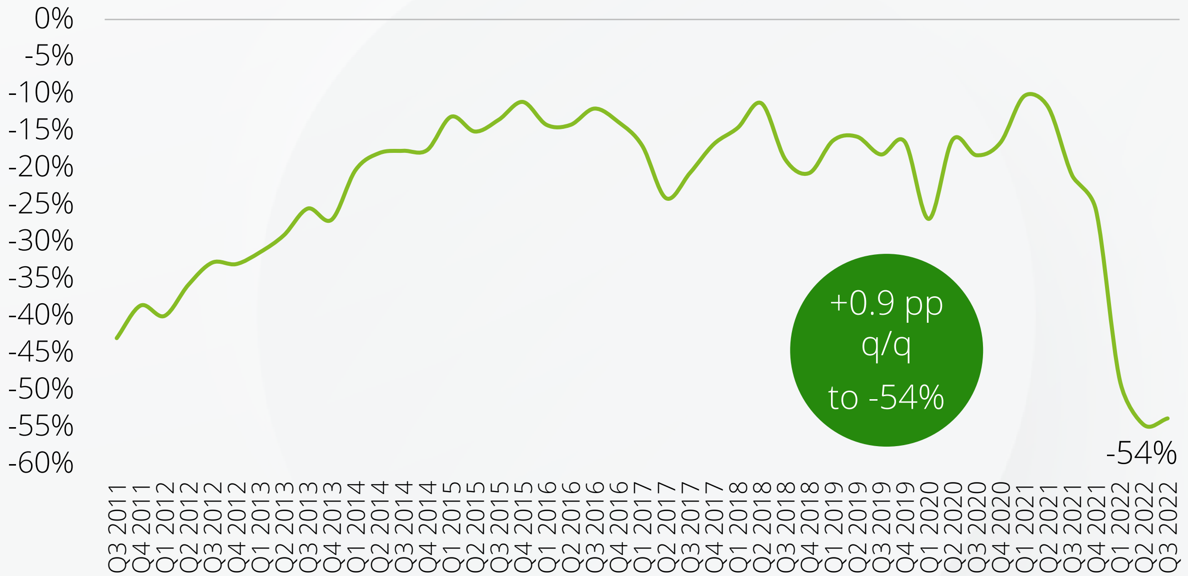
While the latest official savings ratio here reports data up to Q2 2022 it coincides with a strong rise in household spending for the period.

The household saving ratio fell to 7.8%, from 8.5% per cent in Q1 2022 and from 26.5% per cent at its peak in Q2 2020, when the country was in a stringent lockdown.

However, at 7.8% the savings ratio is still above pre-pandemic levels, suggesting households may have scope to absorb some future income shocks.

# Consumer confidence about their levels of household disposable income

Net % of UK consumers who said that their confidence in their levels of household disposable income has improved in the past three months



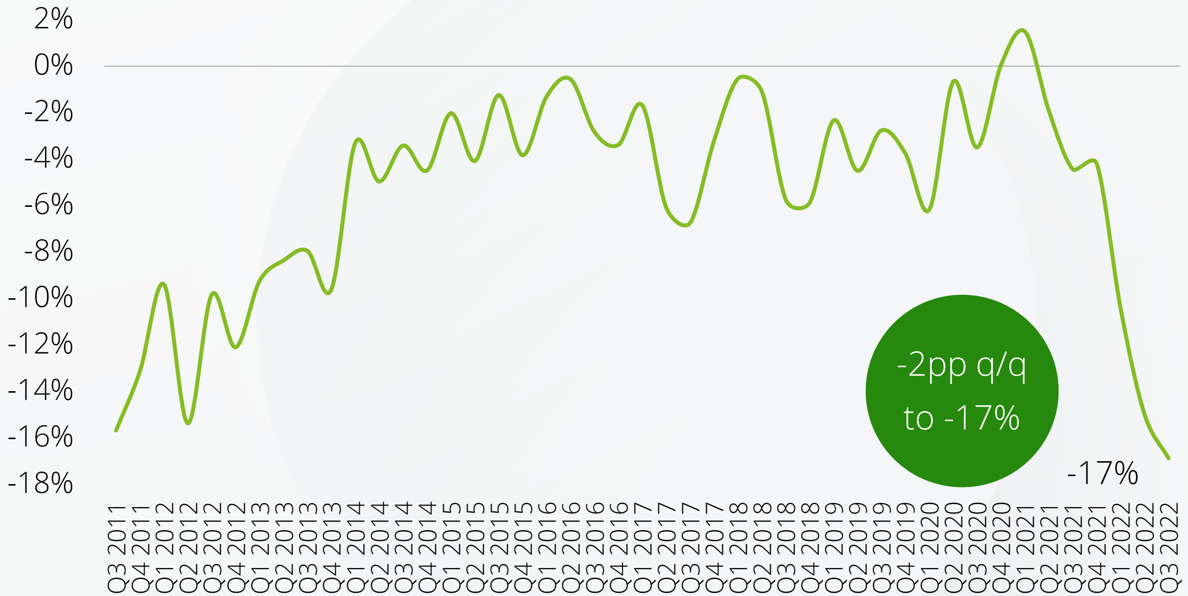

## Sentiment around personal finances remains low

After falling significantly in the previous quarter, consumer confidence in levels of disposable income remained near a historic low at -54%.

Source: The Deloitte Consumer Tracker

# Consumer confidence about their levels of debt

Net % of UK consumers who said that their confidence in their levels of debt has improved in the past three months



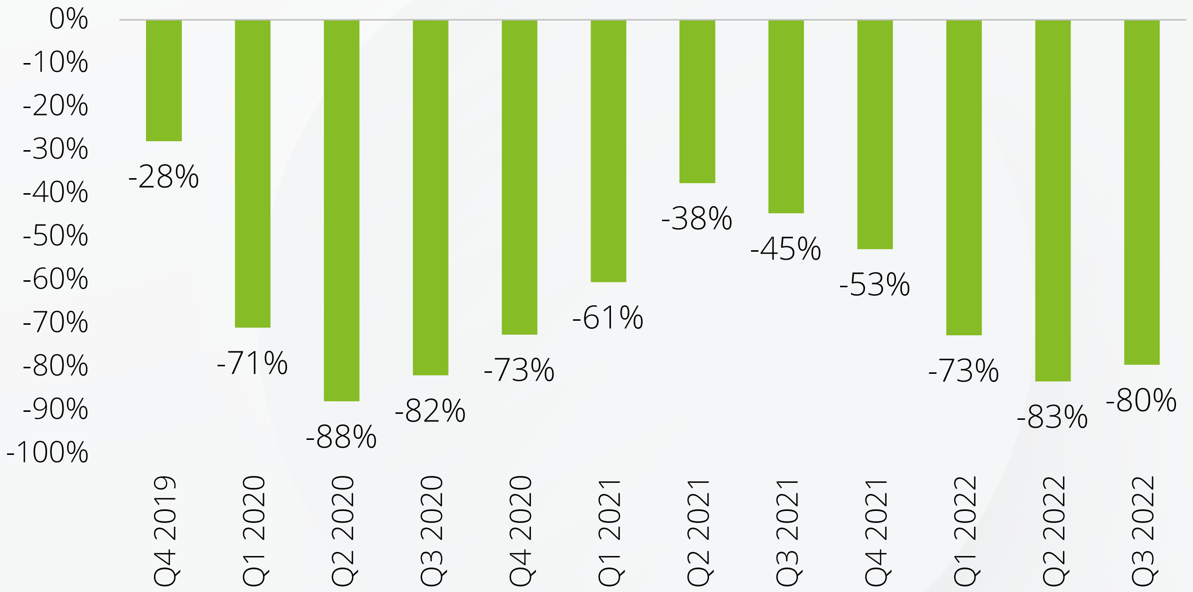

## Confidence in levels of debt hits a record low

Meanwhile, sentiment regarding levels of debt reached its lowest level since the Deloitte Consumer Tracker began in 2011, falling by two percentage points to -17% compared with Q2 2022.

Source: The Deloitte Consumer Tracker

# Consumer confidence about the state of the UK economy

Net % of UK consumers who said that their confidence in the state of the UK economy has improved in the past three months



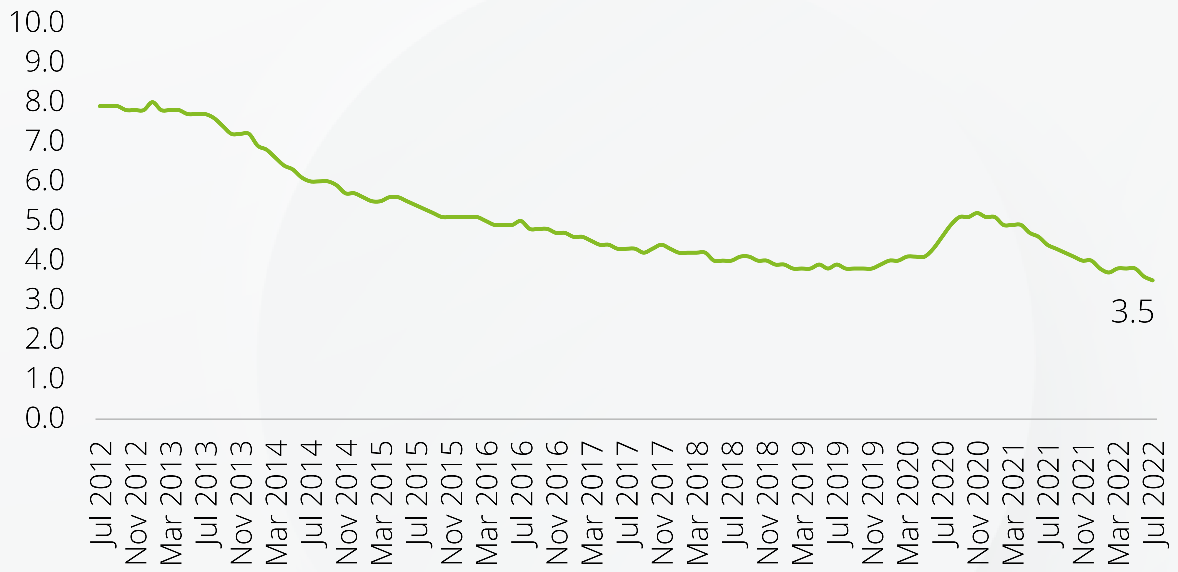

## Low confidence in the state of the UK economy

Consumers are not just concerned about their personal finances, their confidence in the state of the UK economy, at -80%, remains lower than when COVID restrictions were introduced in the UK back in Q1 2020.

Source: The Deloitte Consumer Tracker

# Unemployment remains low albeit due to a rise in economic inactivity

UK unemployment rate (all aged 16 and over)




## UK unemployment falls to lowest level in 48 years

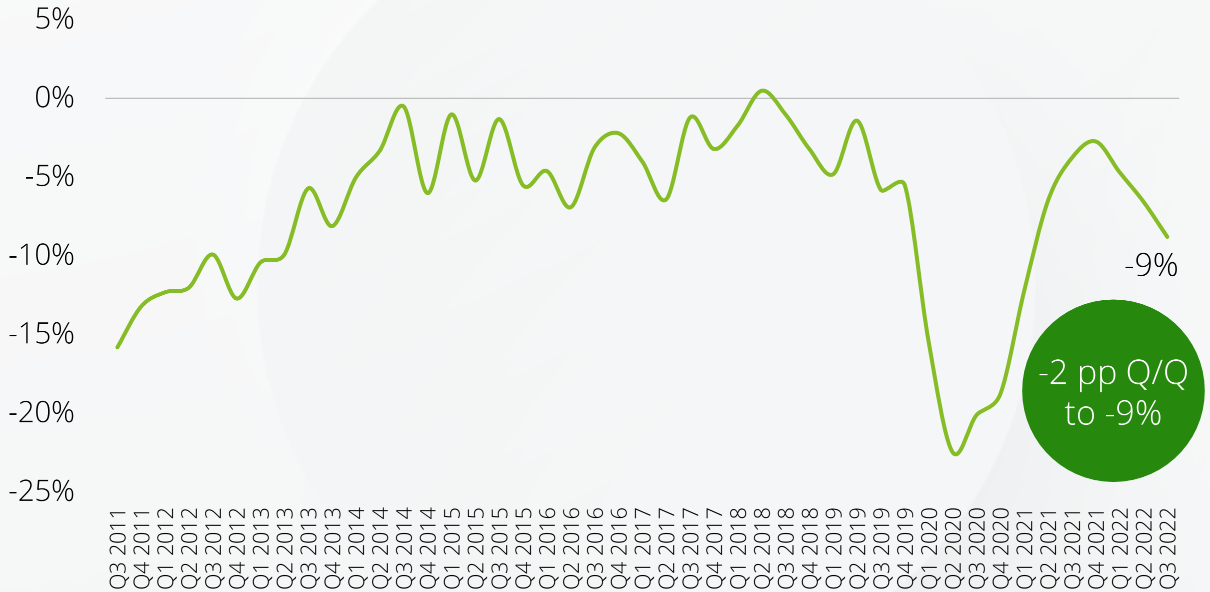
The Office for National Statistics said unemployment stood at 3.5% because of a rise in the number of people who are counted as inactive, rather than unemployed, because they are not job-seeking or available to start work.

However, the employment rate fell in the three months to August pointing to the start of a cooling labour market.

Source: Refinitiv Datastream

# Consumer confidence about job opportunities

Net % of UK consumers who said that their confidence in their job opportunities and their career progression has improved in the past three months



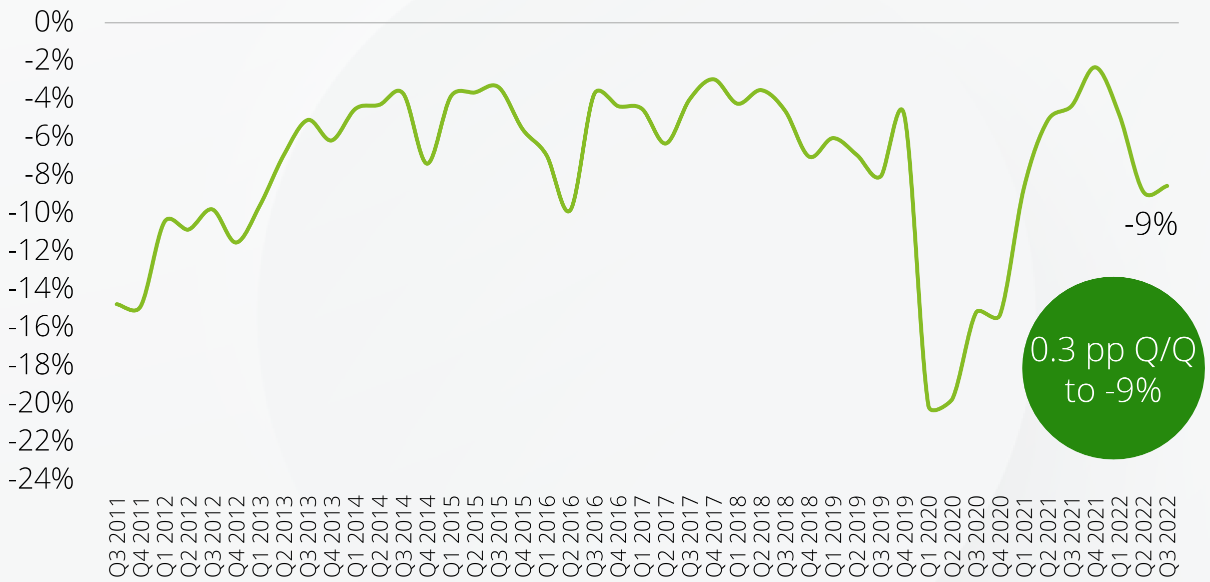

## Job prospects sentiment down for the third consecutive quarter

Our data also shows that despite unemployment at a near 50-year low, consumers are increasingly concerned about their job prospects with confidence in job opportunities declining for the third consecutive quarter.

Source: The Deloitte Consumer Tracker

# Consumer confidence about job security

Net % of UK consumers who said that their confidence in their job security has improved in the past three months




## Sentiment around job security remains flat in Q3 2022

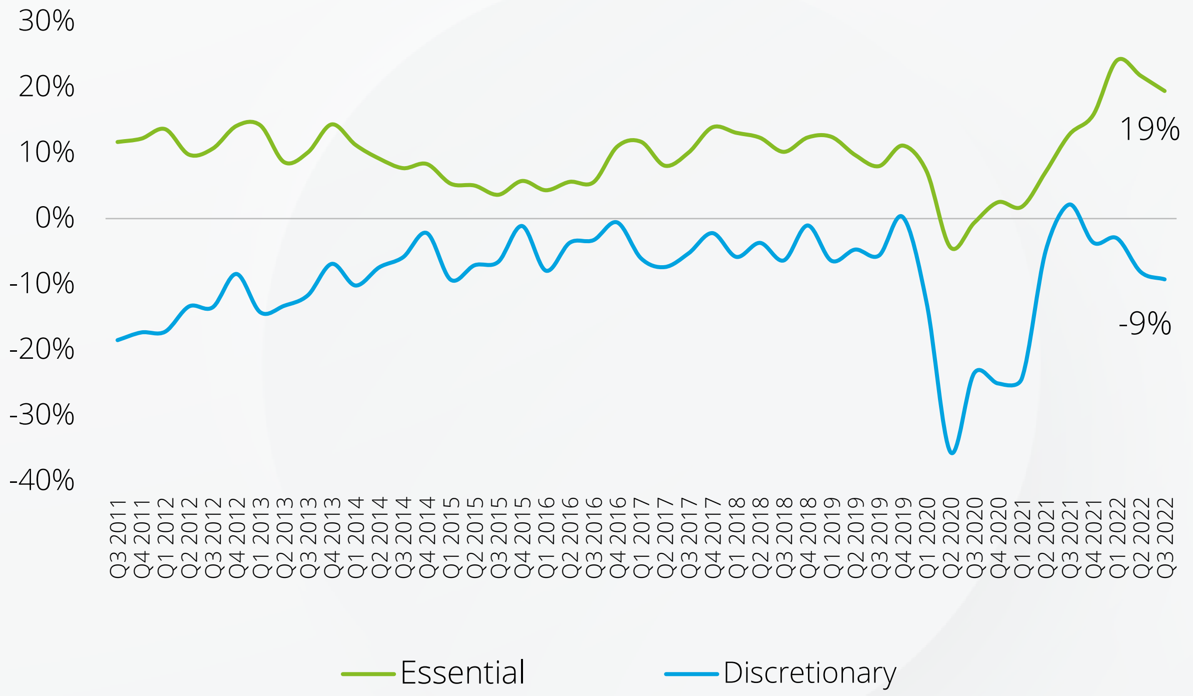
In a sign consumers remain unsure about the job market, sentiments around job security saw no change this quarter and stayed at -9%.

Source: The Deloitte Consumer Tracker


Consumer spending

# Consumer spending in the last three months by category

Net % of UK consumers spending more by category




Note: New categories were added to Essential spending in Q2 2020

Source: The Deloitte Consumer Tracker

## Day-to-day spending slows for the second consecutive quarter

For the second consecutive quarter, consumers have been reducing their overall expenditure by cutting spending in both the day-to-day and non-essential categories.

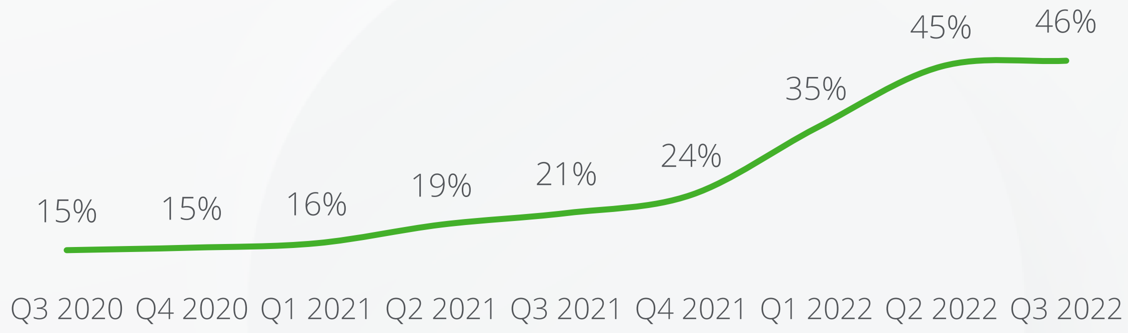
With spending on essentials such as energy and food taking a bigger share of wallet, the share of discretionary expenditures is falling for the third consecutive quarter.

Categories relating to socialising fell in Q3, with spending on going out and on restaurants down four percentage points and three percentage points, respectively. Indeed, according to our survey, 40% of consumers are deliberately reducing their spending on going out and leisure activities to control their budgets.

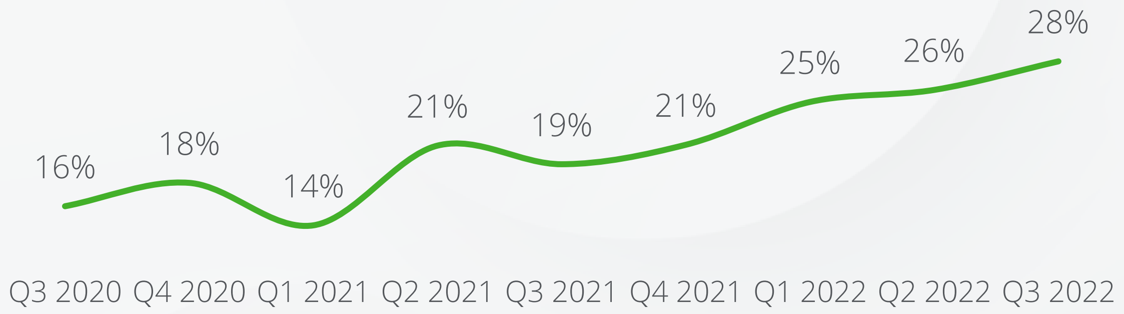
# Reasons people they are spending less

Net % of UK consumers who said they spent less in the last three months

I chose cheaper **items /brands /stores /activities**




I took advantage of **sales/discounts**




Source: The Deloitte Consumer Tracker

## Consumers turn to recessionary behaviours

With food inflation rising to 14.5% in September the highest since 1980, our data shows that of those consumers spending less, 46% are trading down by buying cheaper brands including supermarkets' own labels more than twice as high compared with a year ago (21%).

Consumers are also buying more on promotions. Of those spending less, 28% are taking advantage of sales and discounts compared to 19% in Q3 2021.

# Spending in essential categories in the last three months

Net % of UK consumers spending more by category over the last three months

| Consumer spending in the last three months by category | Q3 2022 net balances | % point change quarter on quarter | % point change year on year | % point change vs Q3 2019 |
|---|---|---|---|---|
| **Essential** | 19% | -2 | 7 | 14 |
| Utility bills | 66% | -2 | 32 | 51 |
| Grocery | 51% | 1 | 19 | 34 |
| Everyday household items | 29% | -2 | 9 | NA |
| Transport | 26% | -11 | 12 | 16 |
| Housing | 18% | -2 | 8 | 11 |
| Landline/mobile phone, Internet and cable/TV | 9% | -8 | 1 | 4 |
| Pensions and insurance | 5% | 0 | 0 | -0 |
| Health | 2% | -1 | -5 | -2 |
| Education | 2% | 2 | -2 | -1 |
| Beauty and personal care products | -12% | -1 | -8 | NA |

Source: The Deloitte Consumer Tracker

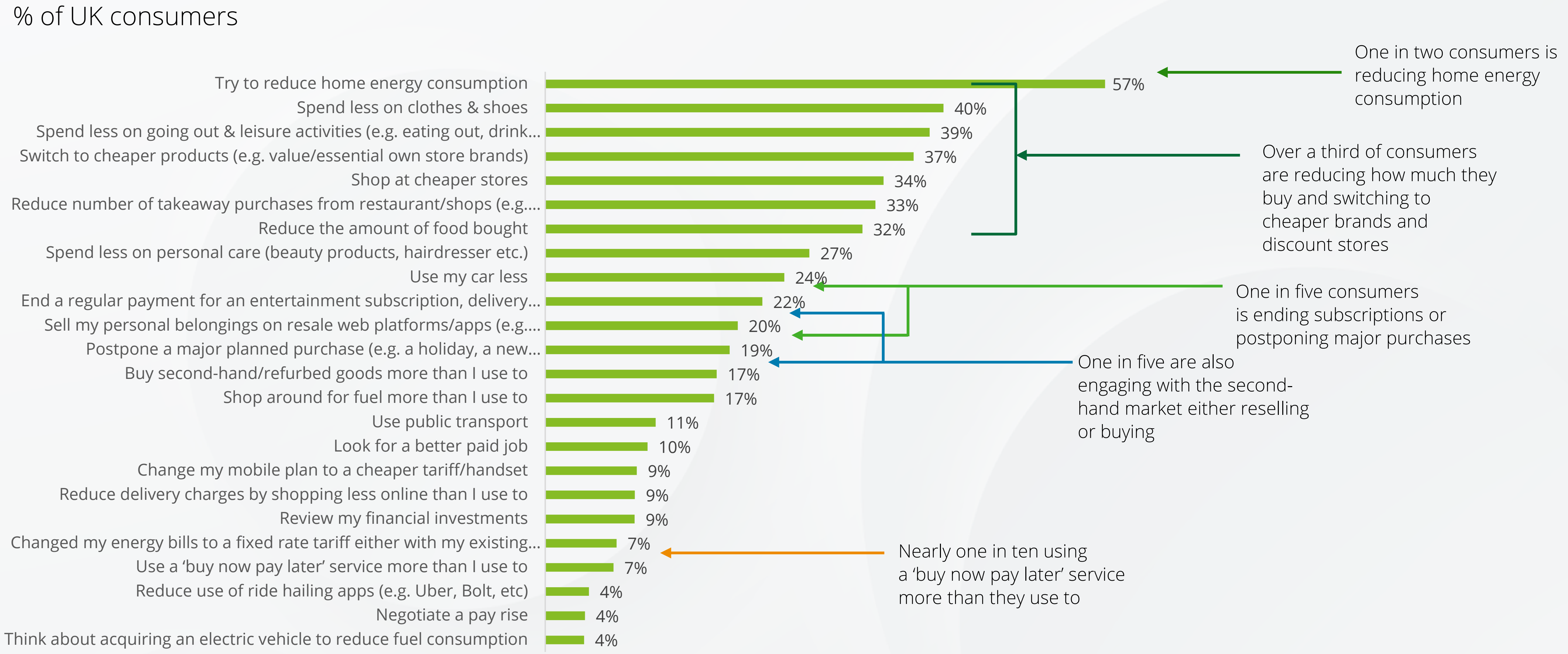
# Spending in discretionary categories in the last three months

Net % of UK consumers spending more by category over the last three months

| Consumer spending in the last three months by category | Q3 2022 net balances | % point change quarter on quarter | % point change year on year | % point change vs Q3 2019 |
|---|---|---|---|---|
| **Discretionary** | -9% | -1 | -11 | 5 |
| Holidays and hotels | 2% | 1 | -2 | -1 |
| Major household appliances | -4% | 0 | -5 | -1 |
| Alcoholic beverages and tobacco | -5% | 0 | -8 | 3 |
| Electrical equipment | -6% | 3 | -4 | -1 |
| Furniture and homeware | -12% | -1 | -12 | -5 |
| Restaurants | -14% | -3 | -24 | -8 |
| Clothing and footwear | -15% | -5 | -14 | -7 |
| Going out | -20% | -4 | -21 | -9 |

Source: The Deloitte Consumer Tracker

# What consumers are doing to cope with rising prices

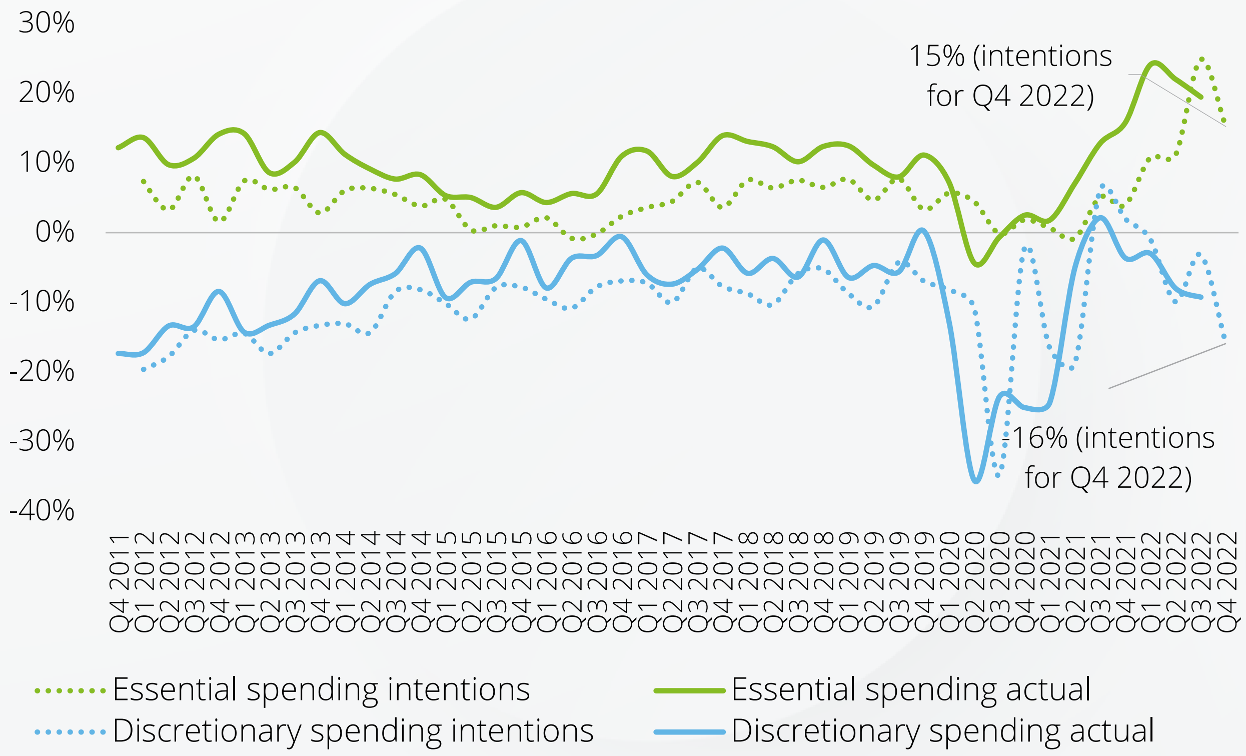



Source: The Deloitte Consumer Tracker

# Outlook

# Outlook for consumer spending – essential vs discretionary spending

Net % of UK consumers spending more by category over the next three months




Note: New categories were added to Essential spending in Q2 2020
Source: The Deloitte Consumer Tracker

## Spending expected to continue to fall

Our data shows that consumer spending will continue to decline in Q4 2022. This does not bode well for consumer facing businesses ahead of the Christmas period, with retailers particularly exposed.

Our spending intention data predicts a fall in both essential and discretionary categories in the next quarter.

Given the UK's uncertain economic prospects, including the acceleration in the cost of borrowing, rising taxes and a predicted weakening in the housing market, we expect further deterioration of consumer confidence into 2023.

Businesses will be gearing up for an increasingly price-sensitive consumer and should expect more demand contraction into 2023.

# Spending intentions in essential categories in the next three months

Net % of UK consumers intending to spend more by category over the next three months

| Consumer spending in the next three months by category | Q3 2022 net balances | % point change quarter on quarter | % point change year on year | % point change vs Q3 2019 |
|---|---|---|---|---|
| **Essential** | 15% | -3 | 4 | 10 |
| Utility bills | 67% | 4 | 25 | 49 |
| Grocery | 43% | -3 | 17 | 30 |
| Everyday household items | 19% | -3 | 8 | NA |
| Housing | 16% | 1 | 9 | 13 |
| Transport | 15% | -17 | 2 | 11 |
| Landline/mobile phone, Internet and cable/TV | 4% | -7 | -1 | 5 |
| Pensions and insurance | 3% | -2 | -1 | 2 |
| Education | -0% | 1 | -2 | 1 |
| Health | -1% | -2 | -4 | -2 |
| Beauty and personal care products | -13% | -0 | -8 | NA |

Source: The Deloitte Consumer Tracker

# Spending intentions in discretionary categories in the next three months

Net % of UK consumers intending to spend more by category over the next three months

| Consumer spending in the next three months by category | Q3 2022 net balances | % point change quarter on quarter | % point change year on year | % point change vs Q3 2019 |
|---|---|---|---|---|
| **Discretionary** | -16% | -5 | -15 | -7 |
| Major household appliances | -10% | -0 | -5 | -1 |
| Alcoholic beverages and tobacco | -11% | -3 | -7 | -3 |
| Electrical equipment | -14% | -2 | -8 | -4 |
| Holidays and hotels | -14% | -12 | -15 | -7 |
| Furniture and homeware | -15% | -3 | -11 | -6 |
| Clothing and footwear | -18% | -4 | -16 | -7 |
| Going out | -22% | -6 | -30 | -15 |
| Restaurants | -23% | -6 | -27 | -12 |

Source: The Deloitte Consumer Tracker

# Consumer attitudes to Christmas 2022

Thinking of this Christmas compared to Christmas 2021, to what extent do you agree or disagree with the following statements?

% of UK consumers


Source: The Deloitte Consumer Tracker

## No cheers this Christmas

There was hope that consumers would have had a strong desire to return to normal patterns of celebrating this Christmas. However, for many households, higher food and energy prices will impact their ability to spend, with low-income households most impacted.

Our data shows 59% of consumers believe they will have less money to spend on Christmas this year compared with 2021.

Consumers will take affordability into consideration when spending on gifts and get-togethers this year.

Nearly half of consumers (46%) intend to buy more gifts on discounts or on sale this year. Despite rising input costs, a more competitive promotional climate is likely as discretionary spending continues to weaken and retailers look to shed excess stock.

# Spending intentions for Christmas 2022

This Christmas, do you expect to spend more, less or the same compared to Christmas in 2021 for each of the following?

% of UK consumers


Source: The Deloitte Consumer Tracker

**On balance consumers will be spending less this Christmas compared with the same period in 2021.**

As a result, 39% of consumers are expected to spend less overall this Christmas compared with last year.

For the leisure and hospitality sector, overall trends such as eating out more, returning to the office and spending in the travel sector, will be tempered in the months ahead by households trying to save money by working from home, eating in, and cutting their holiday and Christmas socialising budgets.

According to our data, 34% of consumers intend to spend less on socialising this Christmas and 39% intend to reduce travelling during the festive period compared with Christmas in 2021 *(see chart on page 27)*.

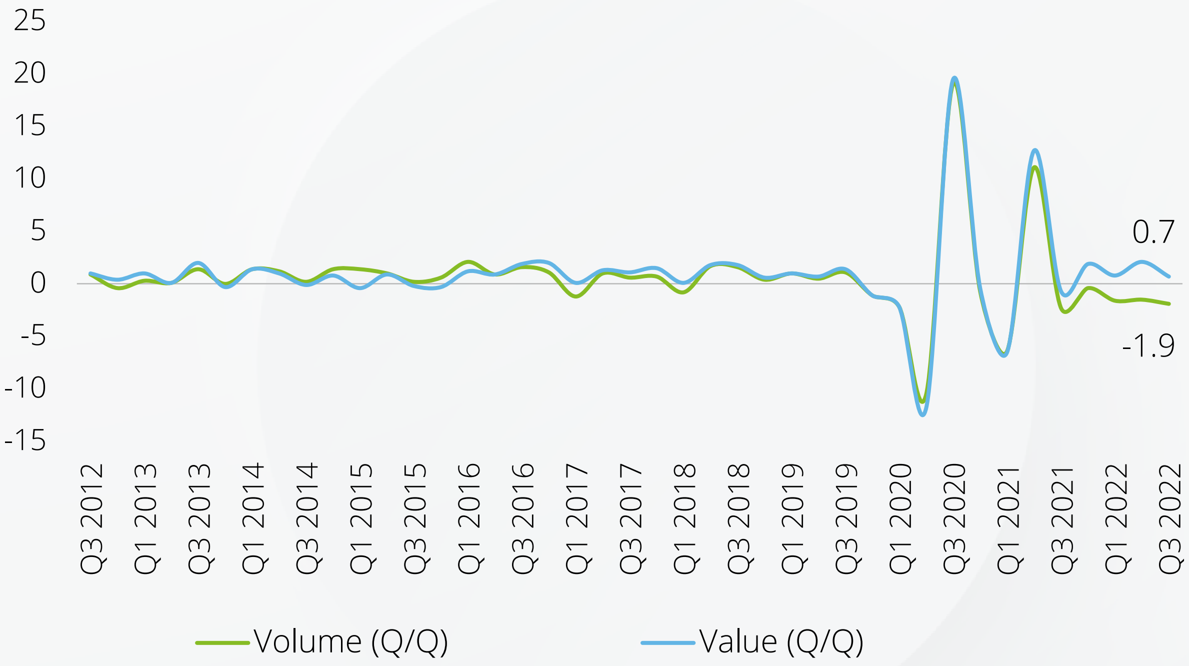
# Sector updates




# Retail

# Retail sales (incl. fuel SA)

% change in volume and value quarter on quarter




Source: Refinitiv Datastream

## Rising inflation hits retail sales

Retail sales have fallen for the fifth quarter in a row in Q3 2022 amid weakening demand and soaring inflation.

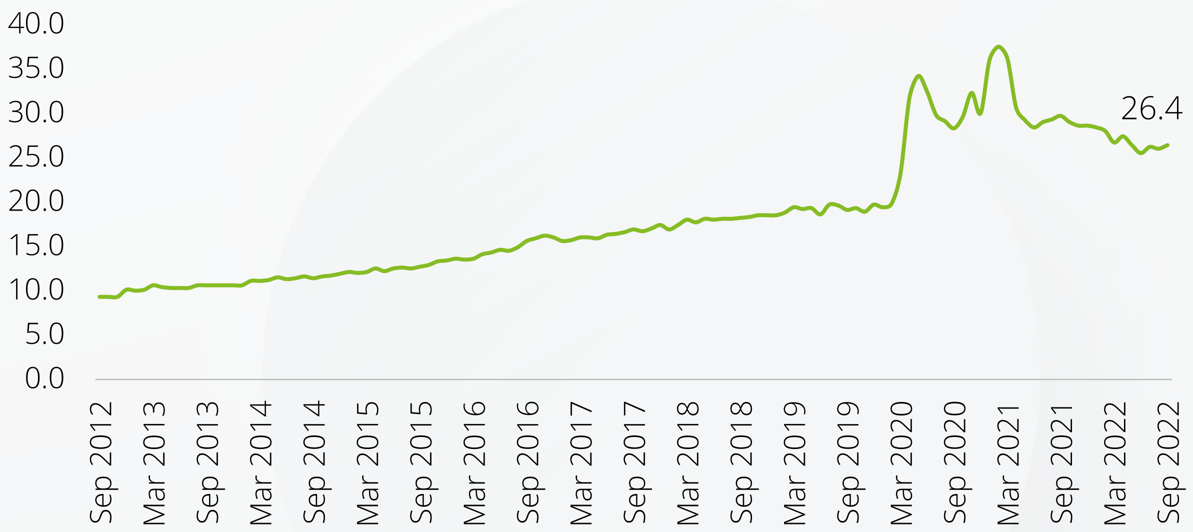
The Office for National Statistics (ONS) reported that retail sales volumes in the third quarter were down by -1.9% while retail sales values increased by 0.7% compared with Q2 2022.

Retail sales in September slowed faster than in August as the surge in prices means people have no choice but to cut back on how much and what they buy. While lower fuel prices at the pump will have brought some relief to consumers, they are facing higher prices in all other categories, especially with food inflation at its highest since 1980.

Falling volumes are a concern with discretionary demand already weak and showing signs of weakening further.

# Online sales

UK Internet sales as a % of total retail sales (exc. Fuel)




Source: Refinitiv Datastream

## Consumers spent more online in September

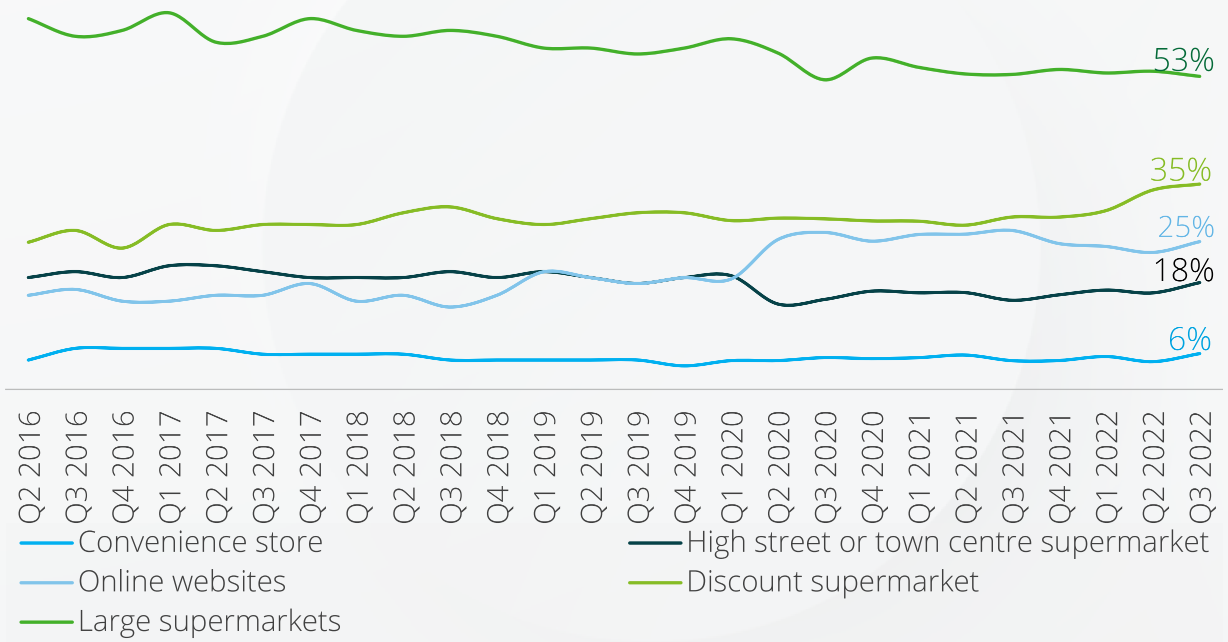
The ONS retail sales data showed that the value of online sales gained 1.2% in September compared with the previous month.

The data might suggest spending has now settled at a new post-pandemic level – the share of online sales as a proportion of total retail sales remained consistent in September (at 26.4%) and remains higher than the 19.6% of sales that took place online in February 2020, but lower than when it peaked in February 2021 (37%).

# Grocery shopping by channel

Channel usage for main grocery shops

% of UK consumers




Source: The Deloitte Consumer Tracker

## Switching to discounters

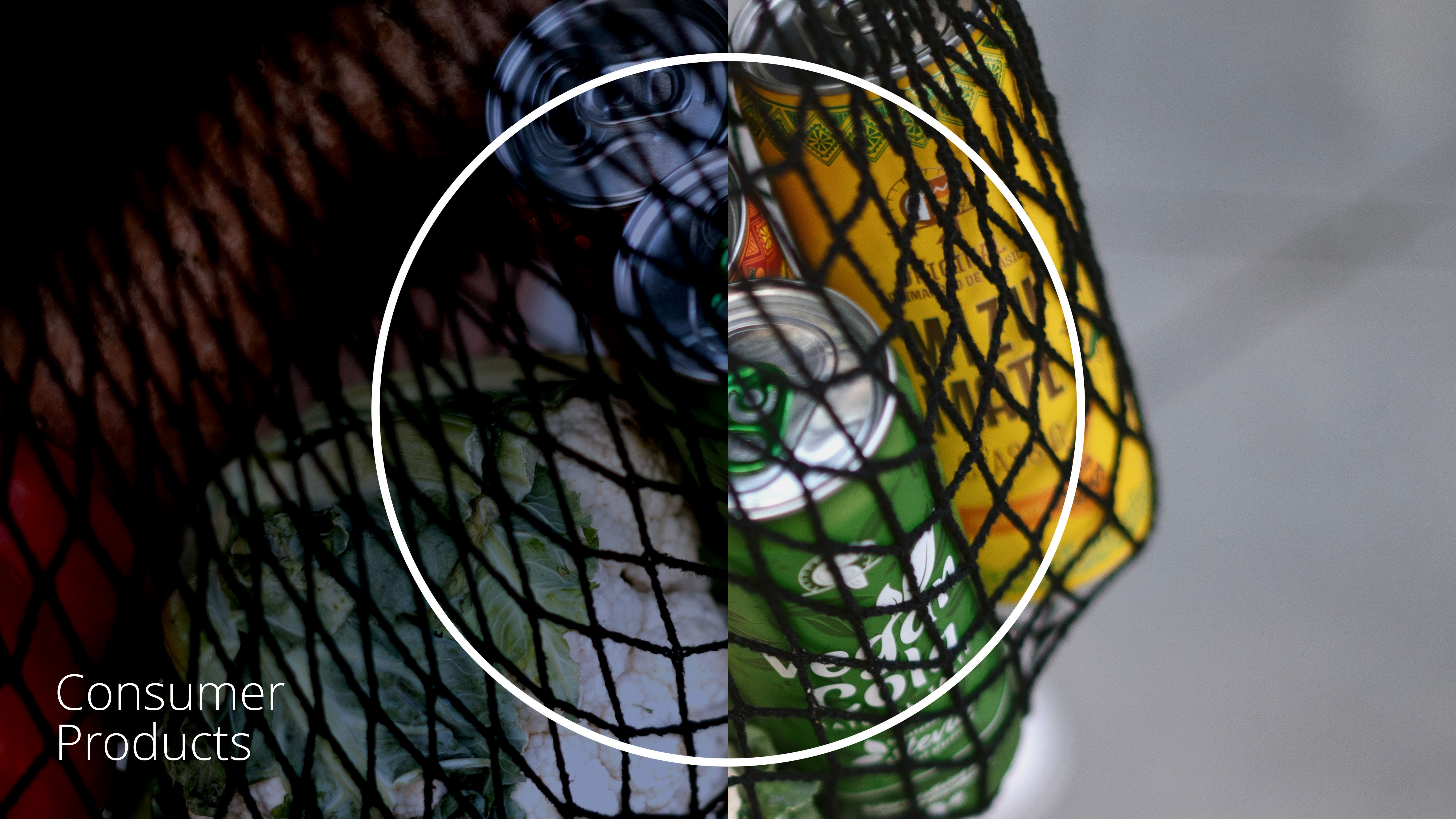
According to the ONS, food sales volumes were down 0.8% in Q3 2022 and have fallen every quarter since Q2 2021. While this has been in part because people have been eating less at home as offices and restaurants reopened, it also points to the impact of rising food prices on the cost of living. Grocery inflation currently is at 14.5%, the highest level since the 1980s.

In a sign that hard-pressed consumers continued to switch brands to ease pressure on their household budgets, our data shows that more than one in three (35%) consumers are now doing their main food shop at a discount store, up from 29% a year ago.

# Retail sales outlook

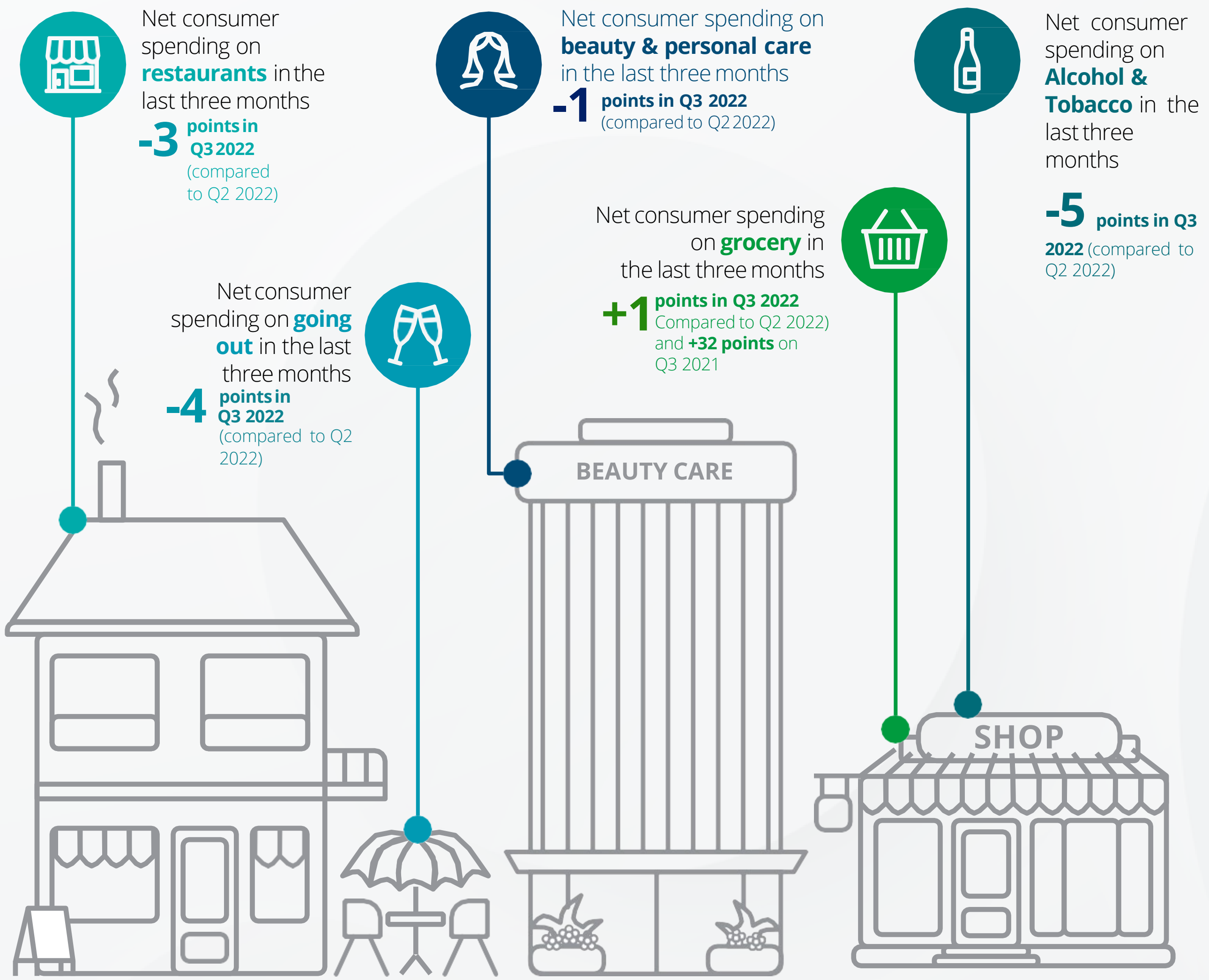
## Retailers are squeezed on all sides

- A decline in retail sales in September does not bode well ahead of the Christmas period.
- Nearly half of consumers (46%) intend to buy more gifts on discounts or on sale this year. A more competitive promotional climate is likely as discretionary spending continues to weaken.
- The clothing and gifting categories are expected to be the most affected by consumers reining in spending
- Food retailers could benefit as consumers reduce their spending on socialising and spend Christmas with family and friends at home instead, COVID-19 permitting.



# Consumer Products

# Inflation drives consumer spending growth




Source: The Deloitte Consumer Tracker

## Surging inflation dictates consumer spending

Consumers continued to rein in their spending across nearly all consumer products categories to cope with the increased pressures on their budgets. This could make it harder for companies to pass on price increases without risking sales.

Categories relating to socialising fell this quarter, with spending on going out and on restaurants down -4 percentage points and -3 percentage points, respectively. This will not be good news for on-trade sales. Around one in five consumers are also postponing major purchases (19%) such as buying a new car or rescheduling large home improvements. These results point to further contraction in the home related sectors such as the DIY and furniture categories. However, due to the increase in energy costs, many consumers are looking into more energy efficient solutions, which has led to a growth in spending in electrical equipment this quarter (+3 percentage points–*see page 21*).

# Consumer products outlook

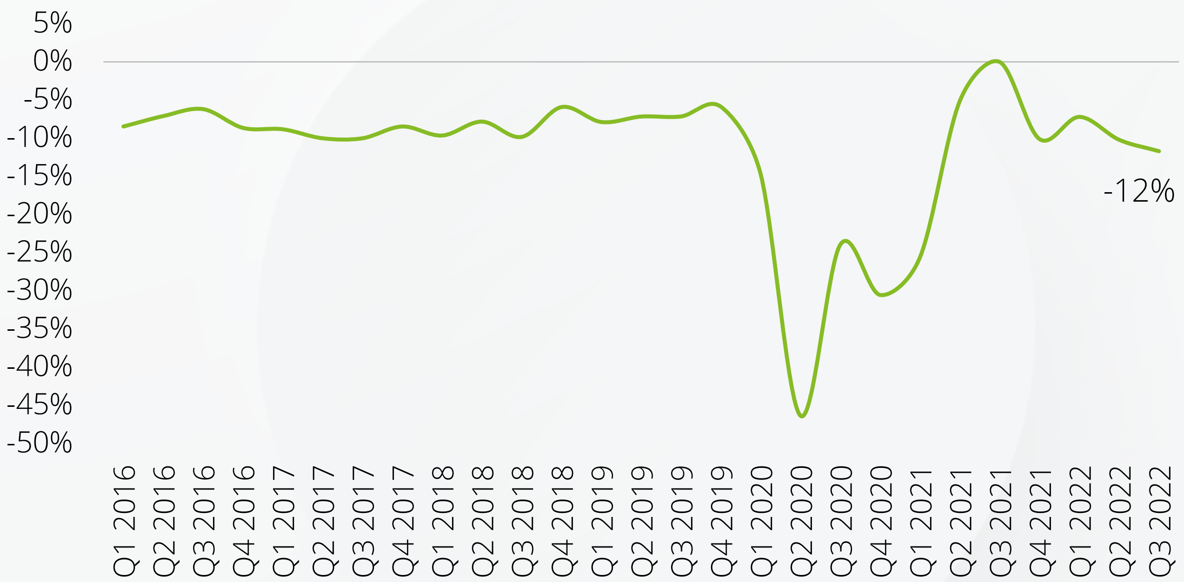
## Passing higher prices to consumers will become harder

- Consumer spending is expected to shrink across all consumer products categories next quarter and into 2023.
- With consumers increasingly switching products and stores, but also trading down to save, sales of premium categories are likely to decline in the coming months.
- Discretionary categories most at risk, with some consumers forced to cut all non-essential spending.
- Reduced product sizes or amounts to maintain price points are likely.
- Consumer businesses will also have a renewed focus on product profitability and the commercial terms they have in place with retailers.
- Businesses with an international footprint could be more shielded from the sharp downturn in UK consumer sentiment
- Businesses will have a renewed focus on cost reduction. As a result, the sector could see an increase in the number of divestitures and a pause on some major capital projects.


Leisure

# Total net leisure spending in the last three months

Net % of UK consumers spending more in all leisure categories over the last three months




## Leisure spending down in Q3 2022

Net spending in the leisure sector fell for the second consecutive quarter to -12% in Q3 compared with -10% in Q2.

The decline puts spending across the sector below its pre-pandemic average, and points to the squeeze on discretionary spending that is driven by the growing cost of living crisis. The outlook for the sector is also poor, with consumers expecting to spend less in Q4.

Spending on luxuries at Christmas is likely to be reserved for the home and socialising with immediate family rather than on going out.

Source: The Deloitte Consumer Tracker

# Spending in leisure categories the last three months

Net % of UK consumers spending more by category over the last three months

| Leisure spending in the last three months by category | Q3 2022 net balances | % point change quarter on quarter | % point change year on year | % point change vs Q3 2019 |
|---|---|---|---|---|
| Holidays, Hotel stays and leisure travel (long break) | -2% | 0 | -3 | -2 |
| Holidays, Hotel stays and leisure travel (short break) | -3% | -1 | -8 | -2 |
| Attending live sports events | -7% | 1 | -5 | -3 |
| Going to the gym or playing sport | -8% | -2 | -4 | -4 |
| Betting and gaming | -10% | -1 | -6 | -5 |
| Other leisure activities | -14% | -2 | -11 | -6 |
| Drinking in pubs/bars | -14% | -1 | -17 | -1 |
| Eating out | -15% | -3 | -27 | -5 |
| In home leisure activity | -17% | -2 | -12 | -8 |
| Drinking in coffee shops/sandwich shops | -18% | -1 | -17 | -4 |
| Culture and entertainment | -20% | -5 | -19 | -9 |

Source: The Deloitte Consumer Tracker

# Spending intentions in leisure categories in the next three months

Net % of UK consumers intending to spend more by category over the next three months

| Leisure spending in the last three months by category | Q3 2022 net balances | % point change quarter on quarter | % point change year on year | % point change vs Q3 2019 |
|---|---|---|---|---|
| Going to the gym or playing sport | -7% | -2 | -6 | -6 |
| Attending live sports events | -9% | -1 | -8 | -3 |
| Long holidays | -15% | -10 | -12 | -6 |
| Betting and gaming | -15% | -3 | -9 | -6 |
| Short holidays | -16% | -10 | -15 | -8 |
| Other leisure activities | -19% | -5 | -14 | -9 |
| Drinking in pubs/bars | -21% | -4 | -19 | -8 |
| Culture and entertainment | -23% | -8 | -27 | -14 |
| Drinking in coffee shops/sandwich shops | -25% | -5 | -21 | -10 |
| In home leisure activity | -26% | -4 | -17 | -14 |
| Eating out | -26% | -8 | -30 | -14 |

Source: The Deloitte Consumer Tracker

# Leisure sector outlook

## Christmas spent at home does not bode well for the leisure sector

- Despite this Christmas likely to be free of any COVID-19 restrictions for the first time in three years, sales performance threatens to be markedly different given the pressures on consumers' budgets.
- In Q4 2022, consumers expect to spend less across all leisure categories.
- Almost three-fifths of consumers (59%) say that they will have less money to spend this Christmas compared to last year. As a result, on balance more are expecting to spend less on travel (-14%), leisure activities (-21%) and socialising (-24%).
- Many businesses in the hospitality sector will be faced with an existential threat, for some it will mean not making it beyond the end of the year.


Automotive

# UK car registrations

## UK car registrations – Q3 2022

| | Q3 2022 | Q3 2021 | % change | Market share Q3 2022 | Market share Q3 2021 |
|---|---|---|---|---|---|
| **Diesel** | 20,995 | 24,518 | -14.4% | 5.2% | 6.0% |
| **Petrol** | 174,625 | 179,015 | -2.5% | 43.0% | 44.0% |
| **MHEV diesel** | 18,212 | 21,567 | -15.6% | 4.5% | 5.3% |
| **MHEV petrol** | 58,569 | 53,724 | 9.0% | 14.4% | 13.2% |
| **BEV** | 60,365 | 51,248 | 17.8% | 14.9% | 12.6% |
| **PHEV** | 22,698 | 28,833 | -21.3% | 5.6% | 7.1% |
| **HEV** | 50,825 | 47,736 | 6.5% | 12.5% | 11.7% |
| **Total** | 406,289 | 406,641 | -0.1% | | |

**BEV** – Battery Electric Vehicle; **PHEV** – Plug-in Hybrid Electric Vehicle;
**HEV** – Hybrid Electric Vehicle; **MHEV** – Mild Hybrid Electric Vehicle

Source: The Society of Motor Manufacturers and Traders (SMMT)

## Car sales remained flat in Q3 2022 compared to Q3 2021.

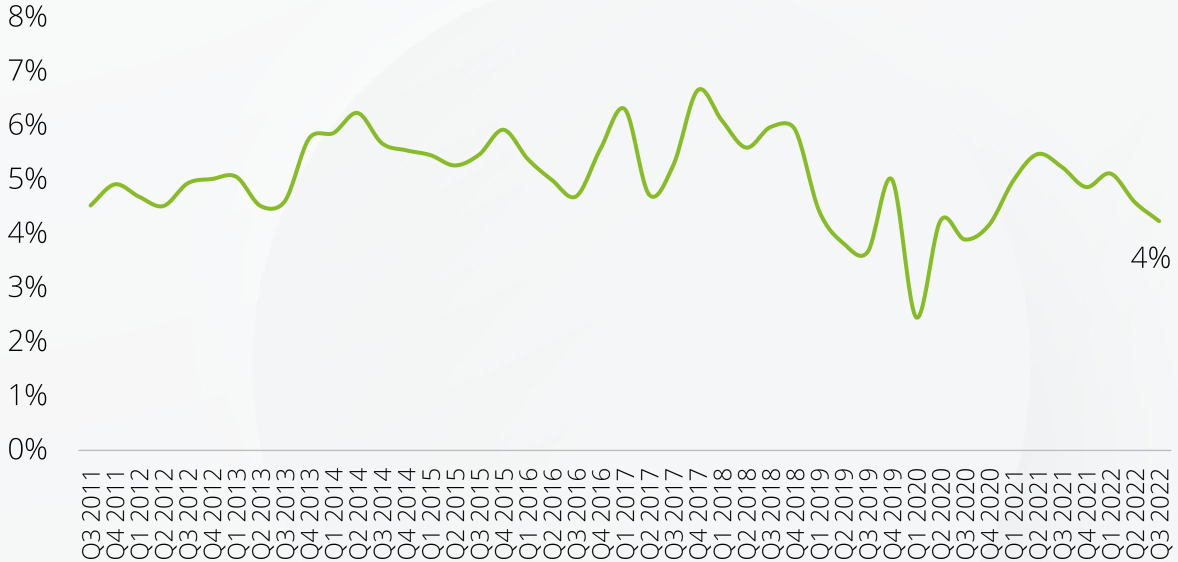
Despite a slight uptick in August (+1.2%) and September (+4.6%), lost sales in July (-9%) cancelled out any growth this quarter.

At the end of the quarter, all eyes were on September new car registrations and the introduction of the new 72 plate given that it is traditionally the second biggest month of the year for new car sales behind March. However, the results were mixed. While fleet sales saw a substantial increase growing by 12.5%, private sales declined by -3.6%. The top line growth came from an extremely low base and, with just 225,269 cars sold in September 2022, registrations remain below the pre-pandemic average.

Despite sales remaining flat in Q3 and a decline in year-to-date sales (-8.2%), car dealers benefited from record profits per car sold due to rising prices in both the new and used sectors reflecting the ongoing supply issues within the sector.

# Planned car purchases

% of UK consumers planning to purchase a car in the next three months




Note: This question was changed in Q2 2020

## Consumer demand drops

Looking to Q4, rising interest rates will make the cost of financing a new car more expensive and many consumers will be delaying major purchases due to the increase in bills elsewhere.

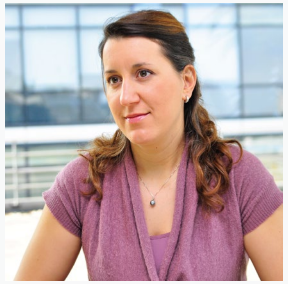
This is reflected in our data, with only 4% of consumers planning to purchase a car in the next three months.

Source: The Deloitte Consumer Tracker

# Automotive outlook

## Focus already shifting to 2023

- Although order books generally remain full for the rest of the year, it is likely that the number of enquiries will fall, raising concerns among some dealers about prospects for 2023.
- As demand falls, many dealers will hope that revenue growth from aftersales, parts and maintenance associated with drivers keeping their cars on the road for longer will help cover some of the shortfall. For many dealers, this important revenue stream offered a lifeline during the height of COVID-19 restrictions.



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## About this research

The Deloitte Consumer Tracker is based on a consumer survey carried out by independent market research agency, YouGov, on Deloitte's behalf. This survey was conducted online with a nationally representative sample of more than 3,000 UK adults aged 18+ between 16th to 18th September 2022.

## A note on the methodology

Some of the figures in this research show the results in the form of a net balance. This is calculated by subtracting the proportion of respondents that reported feeling more negative from the proportion that reported feeling more positive. For instance, assume that 30% of respondents reported they are spending more, 50% reported no change and 20% reported they are spending less. The net balance is calculated as 30% – 20% = 10%. This means 10% of consumers reported that they spent more rather than less.