

## The Deloitte Consumer Tracker

### The calm before the storm?

The latest Deloitte Consumer Tracker shows a recovery in consumer confidence after three continuous quarters of decline. Although consumer confidence remains negative, the Tracker reports a three percentage point increase for the third quarter of 2017 compared to the previous three months. The quarter-on quarter-growth in the headline rate of consumer confidence has occurred against a well-publicised backdrop of high levels of unsecured debt and rising inflation.

In a sign that consumers are showing resilience at a time when Brexit and other factors could be causing uncertainty, five of the six measures that drive consumer confidence increased. In particular, consumer confidence in job security and job opportunities/career progression have seen significant growth compared to the previous quarter, returning to levels last seen before the EU referendum in 2016. This confidence in job security and prospects is driven by unemployment figures which have continued to fall, reaching 4.3% in August 2017.

Despite the improvement in consumer confidence, caution remains as to how consumers will respond over the coming months. For example, consumers are increasingly pessimistic about their levels of debt, with net confidence falling four percentage points compared to last year. Household disposable income is also an area of concern with net confidence falling by nine percentage points compared to the third quarter of 2016.

Concerns about rising levels of unsecured debt, commitments to pay the debt off, and the growing disparity between earnings growth and inflation in the last year has created a squeeze on disposable incomes, meaning that consumers are having to make a choice between essential and discretionary purchases. As a result, spending has declined in discretionary categories such as electrical equipment, going out, and restaurants and hotels compared to last year. This looks set to become a trend with consumers expecting to spend more on essentials such as groceries, utility bills and housing in the next three months.

Given the concerns about debt and disposable income, it is not clear whether the growth in consumer confidence represents the start of an upward trend, or rather an anomaly in a long-term downward trend. Which scenario plays out over the coming months may be determined by the decision of the Bank of England over interest rates.

With inflation well above the target rate of 2%, the Bank of England has so far resisted the urge to raise interest rates above their all-time low of 0.25%. However, the prospect of an interest rate rise in the coming months remains a real possibility. Rising interest payments at a time when consumers are concerned about their debt levels could lead to a downturn in confidence and a squeeze on spending.

### Key indicators



\* Net balances

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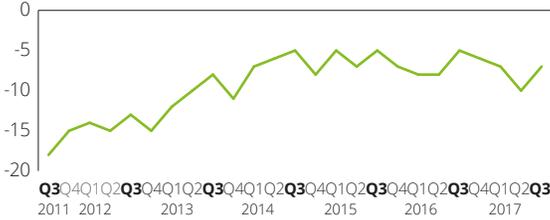
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# Key survey messages

To access additional charts, please visit [www.deloitte.co.uk/consumertracker](http://www.deloitte.co.uk/consumertracker).

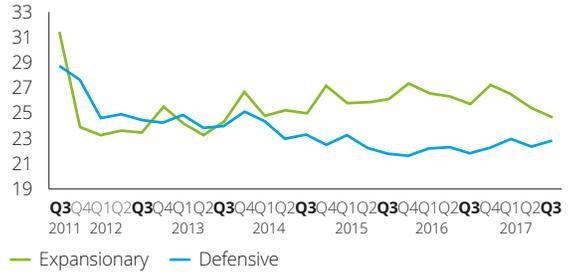
## Deloitte consumer confidence index

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



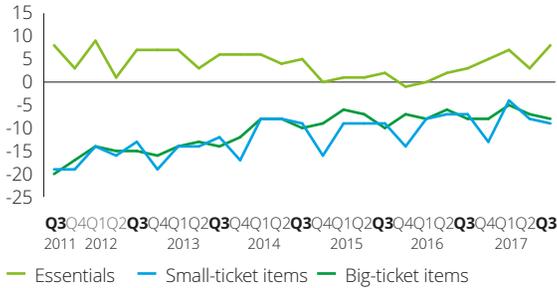
## Expansionary vs. defensive spending behaviours

Net % UK consumers spending more by behaviour



## Planned consumer spending – next three months

Net % UK consumers spending more by category/item



Source: Thomson Reuters DataStream

## % Growth in average wages vs. CPI inflation

% change year-on-year



Source: Thomson Reuters DataStream

### About this research

The Deloitte Consumer Tracker is based on a consumer survey carried out by independent market research agency, YouGov, on our behalf. This survey was conducted online with a nationally representative sample of over 3,000 UK adults aged 18+ between 15 September and 18 September 2017. For more information on the methodology, and access to additional charts, please visit [www.deloitte.co.uk/consumertracker](http://www.deloitte.co.uk/consumertracker).



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