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Bracing for another storm

The Deloitte Consumer Tracker

Q3 2020

Contents

Q3 2020 at a glance

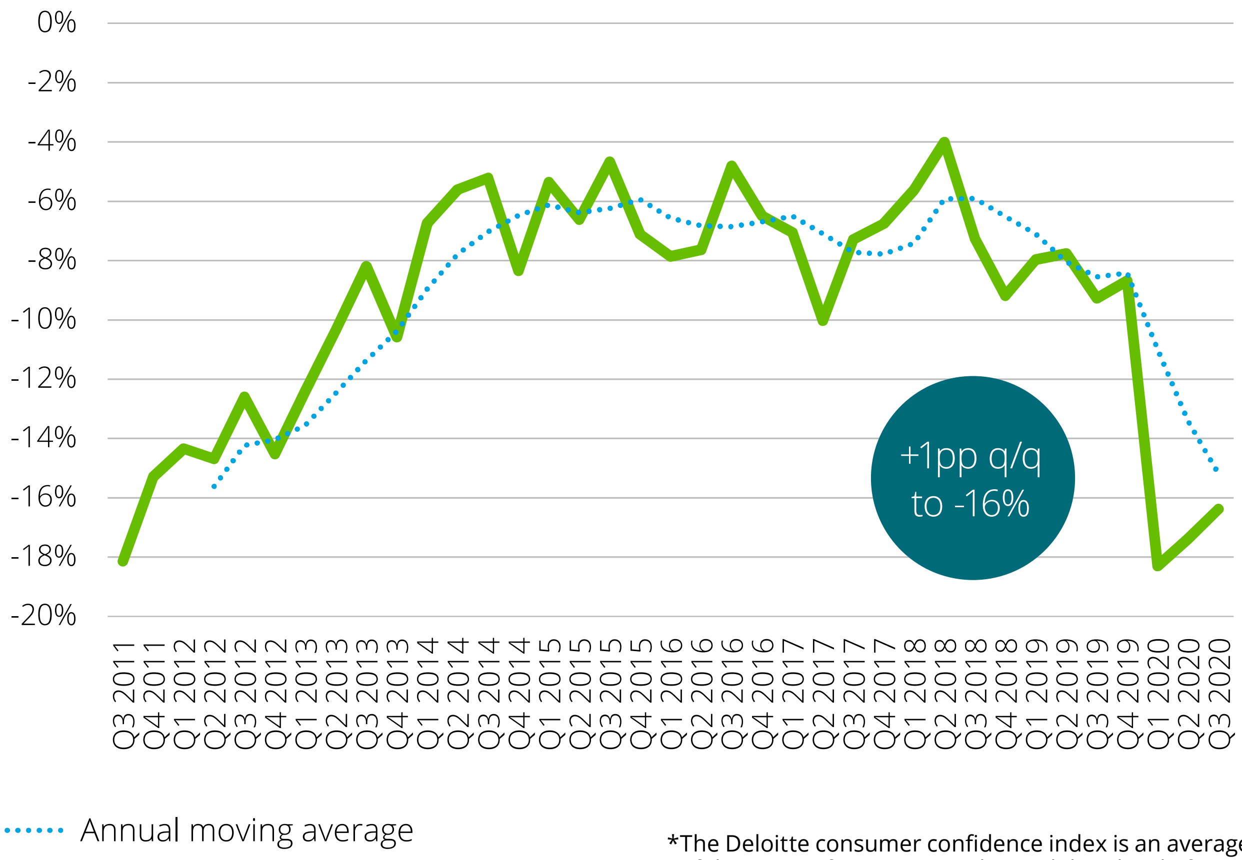
	Previous	Latest
Overall consumer confidence (q/q)*	-17.4%	-16.4%
Confidence in job security (q/q)*	-19.8%	-15.2%
Confidence in levels of disposable income (q/q)*	-16.2%	-18.3%
Confidence in job opportunities (q/q)*	-22.5%	-20.1%
Confidence in levels of debt (q/q)*	-0.7%	-3.5%

*Net balances

Consumer confidence

Deloitte consumer confidence index *

Net % of 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).

Consumer confidence on upwards trajectory but pessimism looms

Despite a weak uptick for the second consecutive quarter, the Deloitte consumer confidence index continued to trend at record low levels in Q3 2020. The index gained one percentage point quarter on quarter, to -16%, as the partial reopening of the hospitality sector helped to brighten the mood of consumers during the summer months.

As lockdown measures were progressively eased throughout Q3, consumers remained extremely cautious, but felt slightly more confident than at the outset of the lockdown, when uncertainty was even higher.

Individual measures of consumer confidence

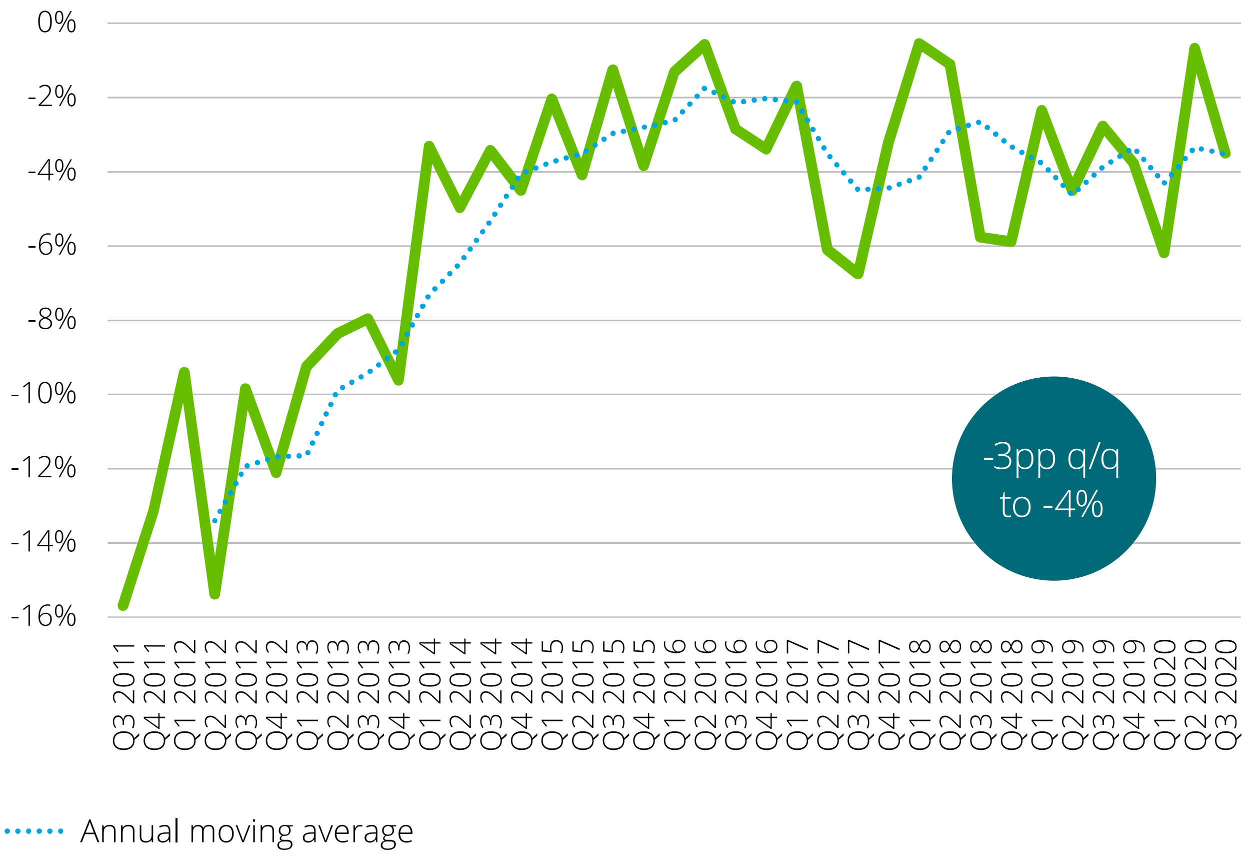
Our overall confidence index is based on six individual measures of confidence

	Current Q3 2020 net balances	% point change quarter on quarter	% point change year on year
Levels of debt	-4%	-3	-1
Children's education and welfare	-13%	+6	-10
Job security	-15%	+5	-7
Household disposable income	-18%	-2	0
Job opportunities/career progression	-20%	+2	-14
General health and wellbeing	-28%	-2	-10
NEW MEASURE The state of the UK economy*	-82%	+6	-27

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

Consumer confidence about their levels of debt

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



Source: The Deloitte Consumer Tracker

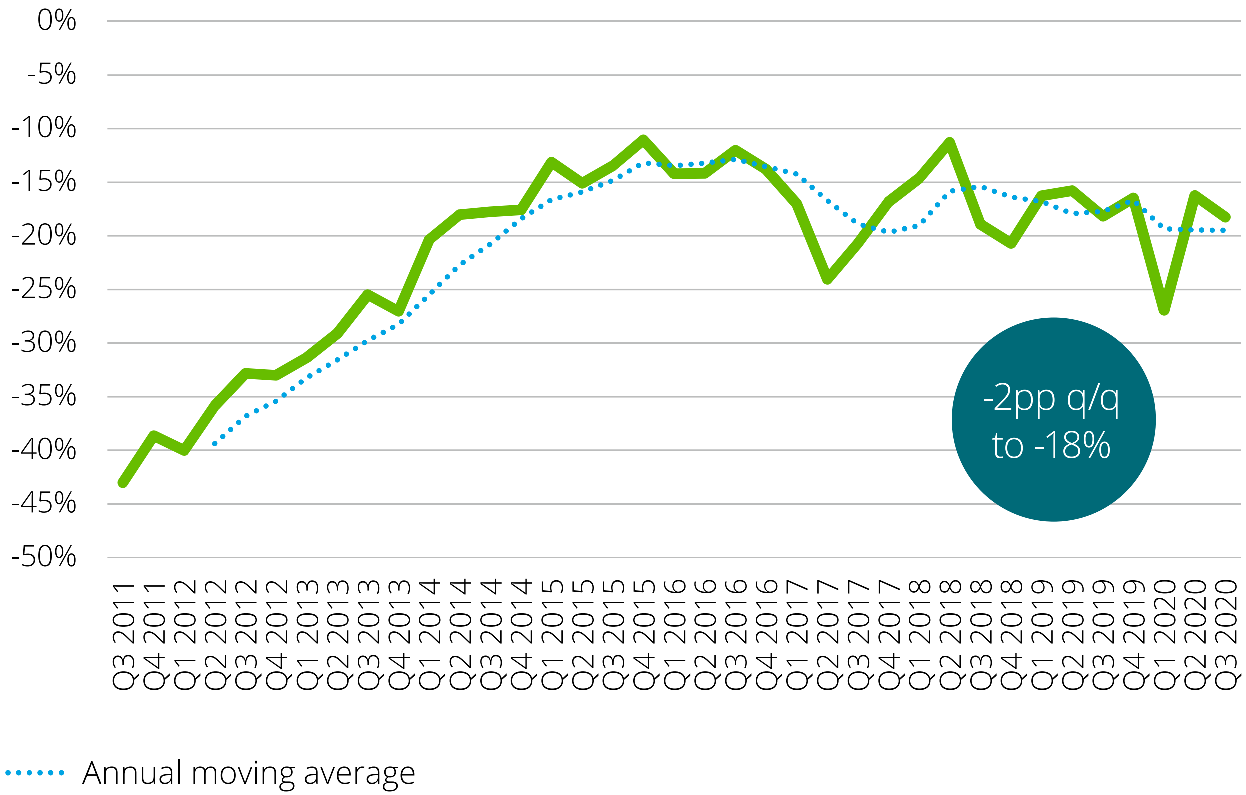
Confidence in personal finances deteriorates slightly as spending resumes

Confidence in personal finances improved in Q2 2020 as the government and private sector introduced major income-support measures. In Q3, sentiment around personal finances deteriorated slightly as spending cautiously resumed, but concerns grew around the upcoming end of both the furlough scheme and mortgage payment holidays.

As such, confidence around levels of debt decreased by three percentage points quarter on quarter to -4%.

Consumer confidence about their levels of household disposable income

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



Source: The Deloitte Consumer Tracker

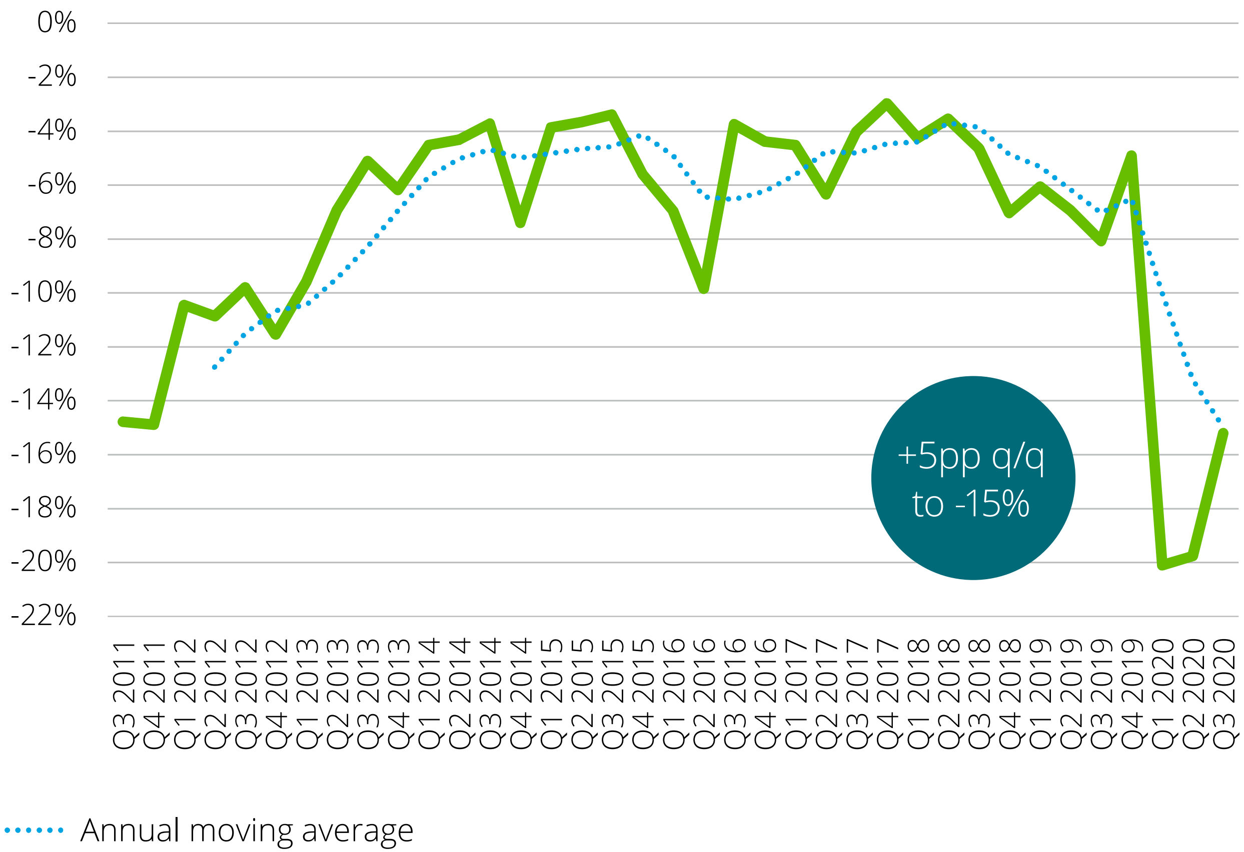
Sentiment in personal finances likely to deteriorate further

In Q3, confidence about levels of household disposable income fell two percentage points to -18%.

Consumers remain cautious as they brace for the impact of a second wave of infections on their finances as well as on the wider economy. Indeed, sentiment around personal finances is likely to deteriorate further, with the Deloitte Global State of the Consumer Tracker indicating that 19% of consumers are concerned about not being able to make upcoming payments, while another 39% are delaying large purchases (as at early October 2020).

Consumer confidence about job security

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



Source: The Deloitte Consumer Tracker

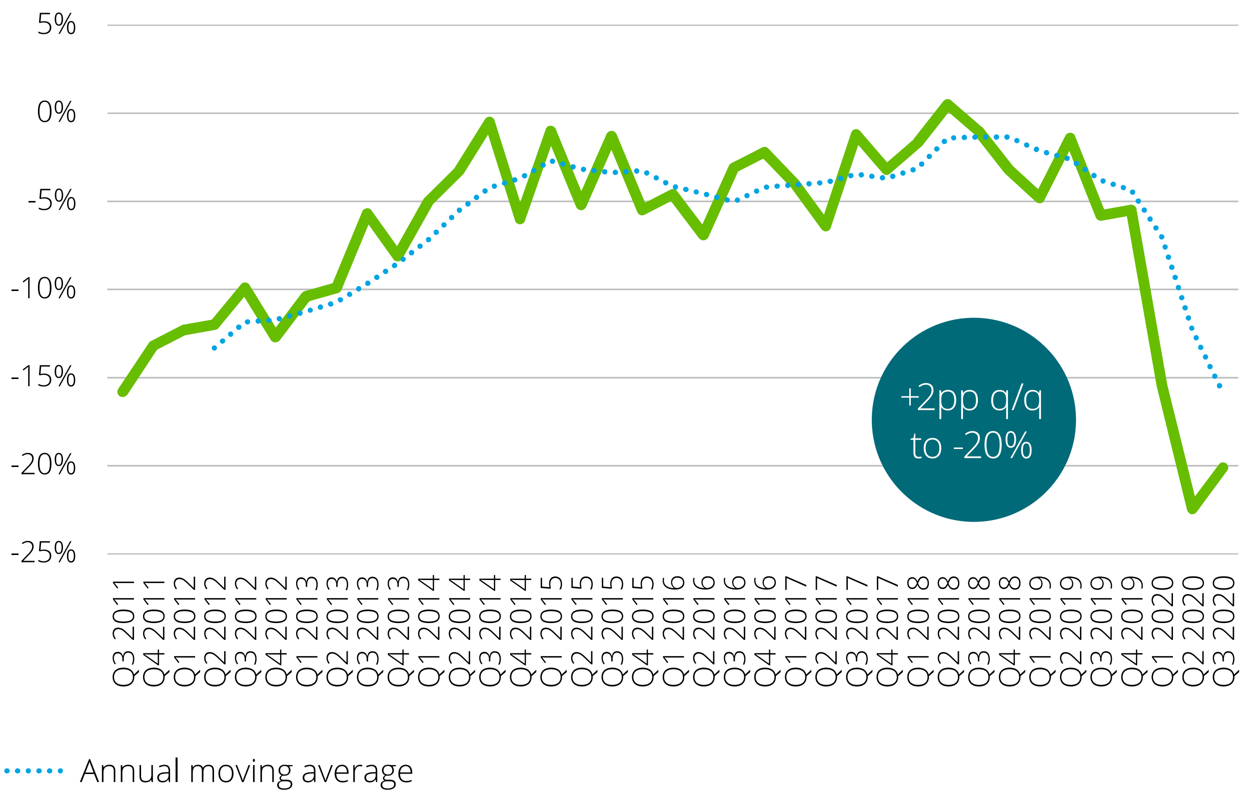
Post-lockdown rebound in activity benefits sentiment about the job market

Consumer sentiment about the job market in Q3 showed an improvement for the first time since the pandemic started, despite remaining at a historically low level.

Confidence about job security improved by five percentage points to -15%.

Consumer confidence about job opportunities

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



Source: The Deloitte Consumer Tracker

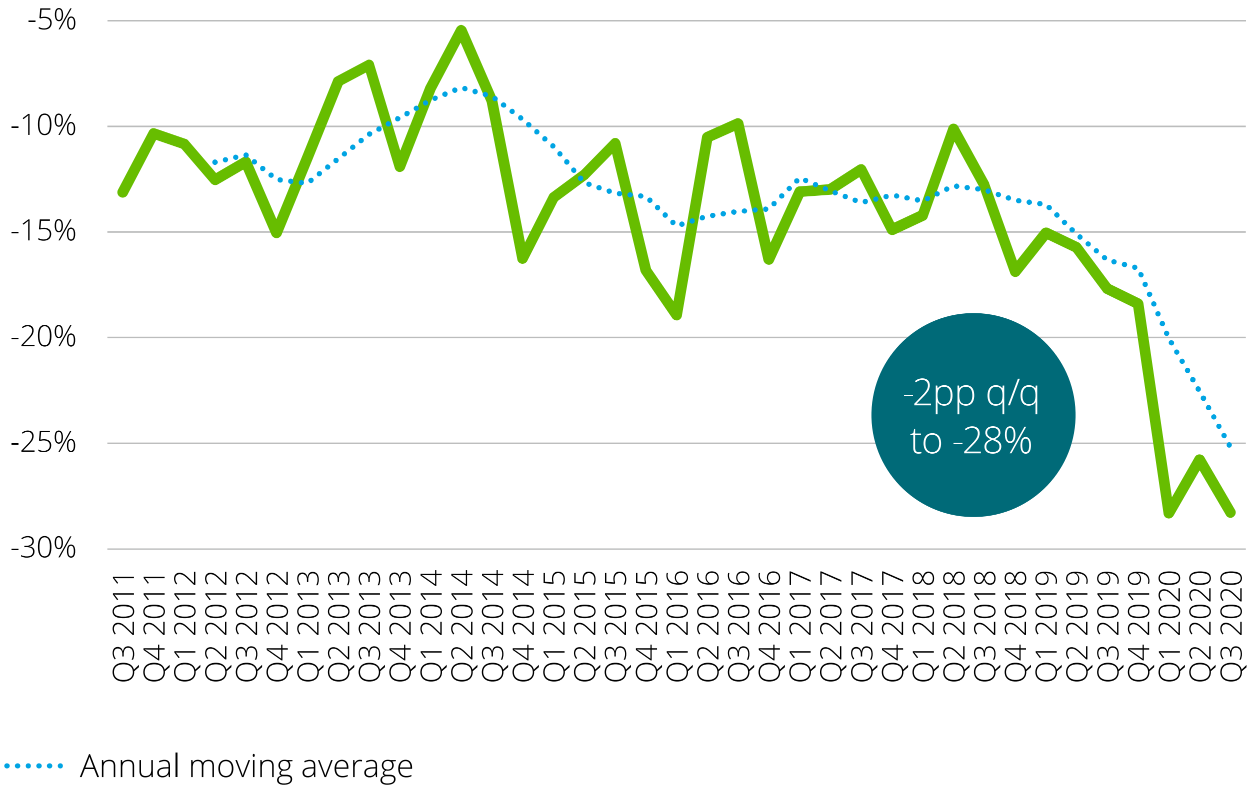
Sentiment about the job market likely to drop as original furlough scheme comes to an end

Sentiment around job opportunities and career progression gained two percentage points to -20%.

However, sentiment might shift considerably over the next few months, as the original furlough scheme ends on 31 October, and the government announced an extension that will only cover up to 67% of wages of workers in hospitality venues forced to close due to local lockdowns.

Consumer confidence about their general health and wellbeing

Net % of consumers who said that their confidence in their general health and wellbeing has improved in the past three months



Source: The Deloitte Consumer Tracker

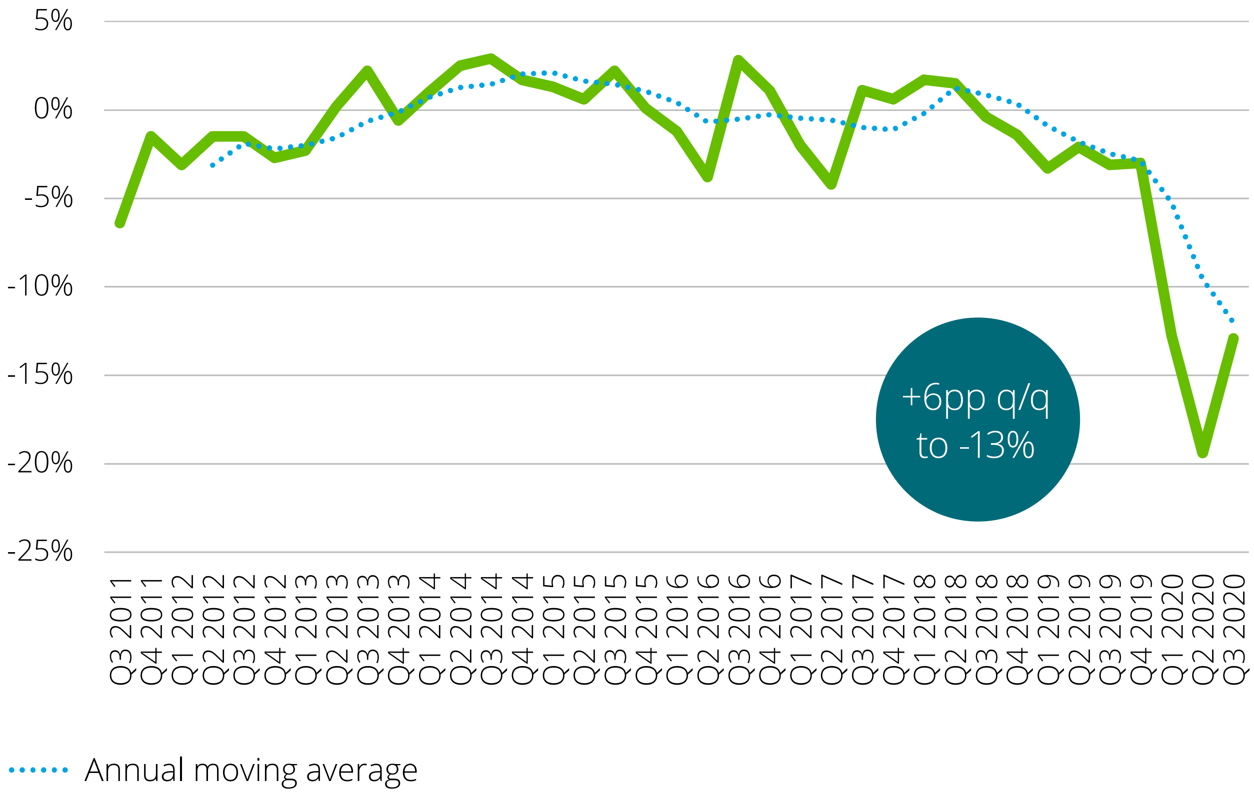
Sentiment around health and wellbeing dropped back to record low level

Between early August and the end of September the UK reported a tenfold increase in new daily COVID-19 cases, which led to the introduction of stricter rules around social gatherings, mask wearing and closing times for pubs and restaurants towards the end of the quarter.

It is thus unsurprising that in Q3 confidence around health and wellbeing dropped back to -28%, the same record low level registered at the outset of lockdown.

Consumer confidence about their children's education and welfare

Net % of consumers who said that their confidence in their children's education and welfare has improved in the past three months



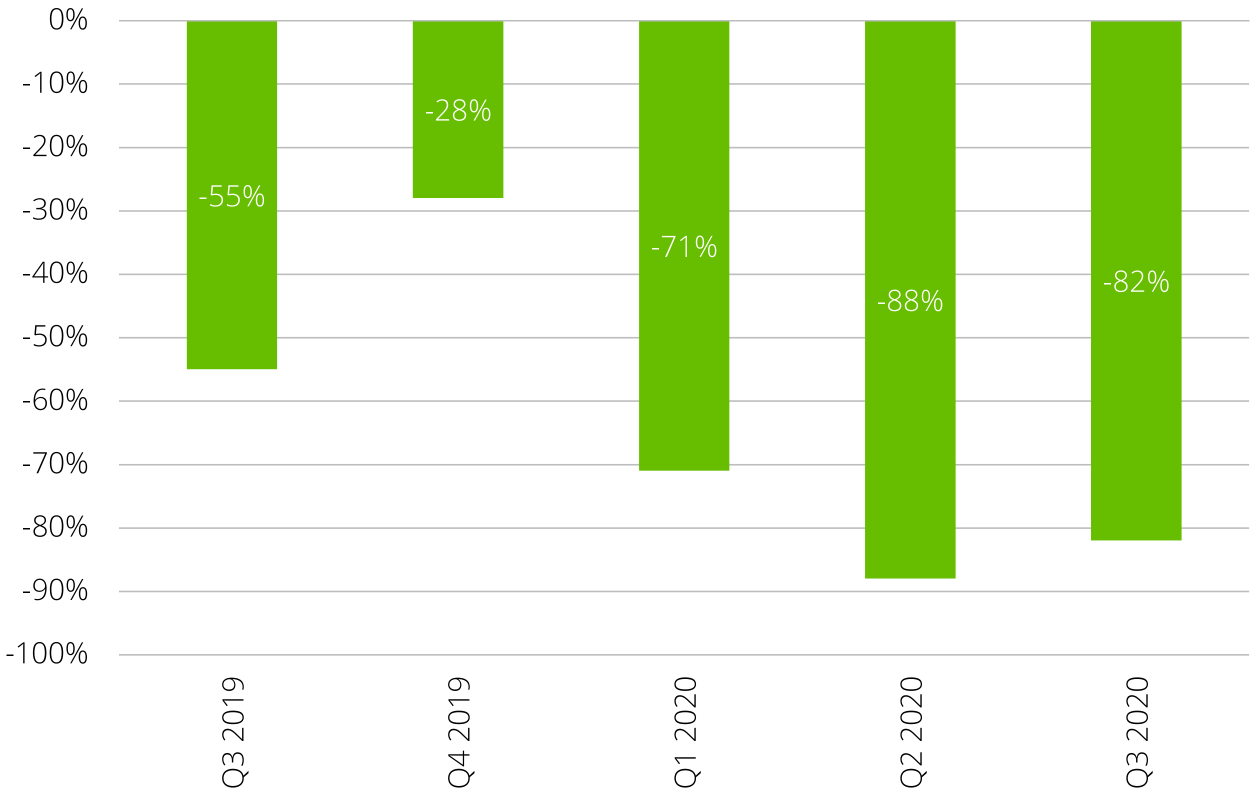
Source: The Deloitte Consumer Tracker

Positive impact of school reopenings on sentiment about children's education and welfare

The full reopening of schools in the new academic year drove a six percentage point gain in confidence around children's education and welfare, though sentiment remains at historical lows and on a par with Q1 2020.

Consumer confidence about the state of the UK economy

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



Source: The Deloitte Consumer Tracker

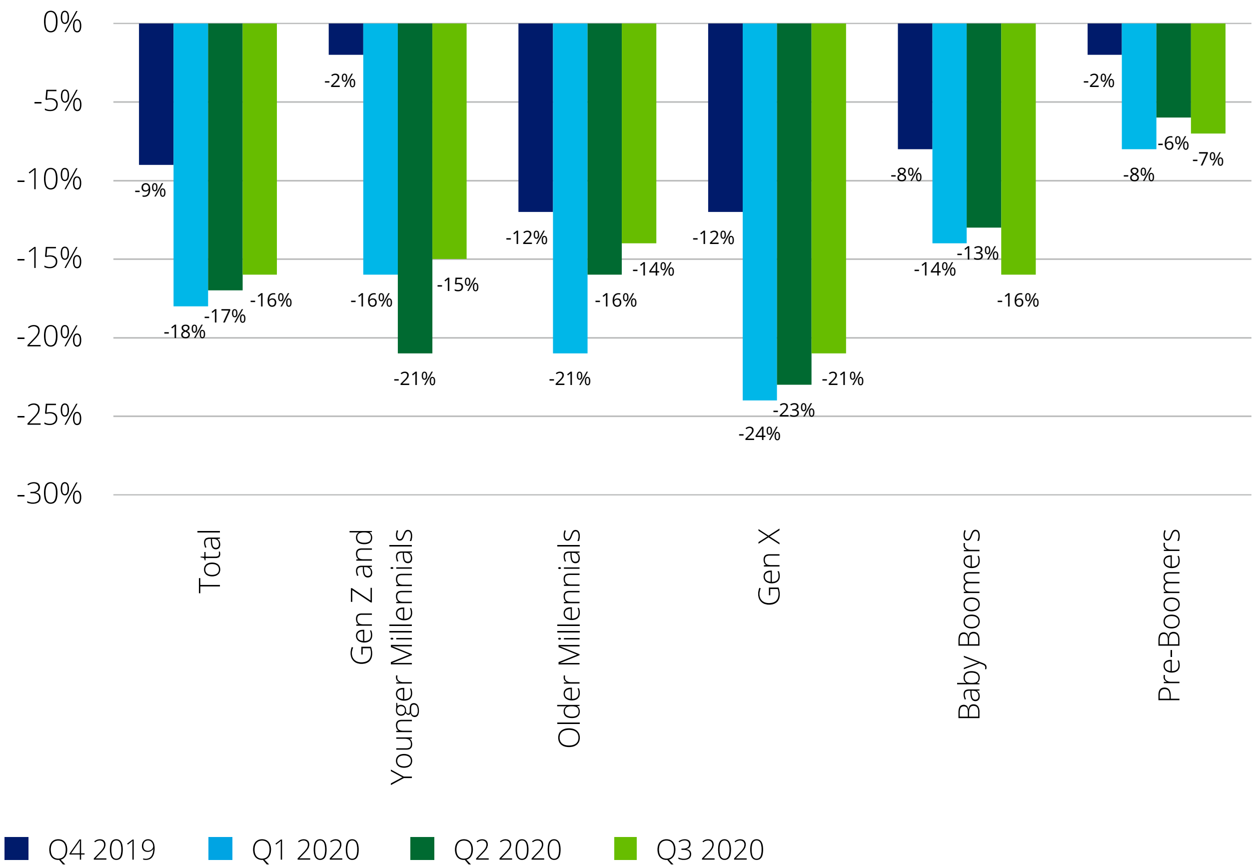
Consumers remain extremely negative about the state of the UK economy

Apart from the six measures included in the confidence index, in Q3 2020 sentiment around the state of the UK economy bounced back six percentage points from the low level registered during the lockdown.

However, it remained extremely negative at -82% – the second lowest score ever registered as the approaching Brexit deadline heightened concerns over the impact of COVID-19 on the UK economy.

Deloitte consumer confidence index by generation

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



Source: The Deloitte Consumer Tracker

Generational divide in confidence shrinks in Q3

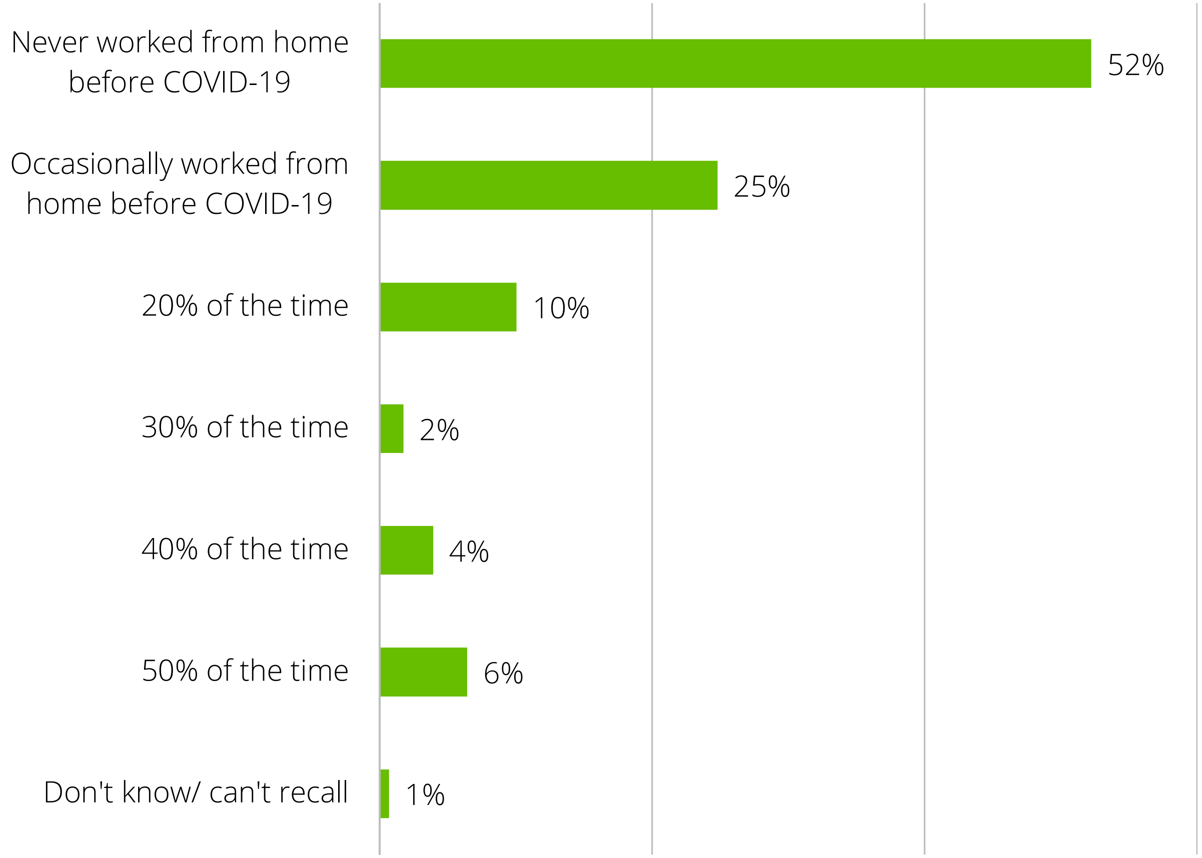
Since the beginning of the pandemic, older generations have proved more confident than younger generations, whose sentiment has been negatively affected by economic uncertainty.

This remains true in Q3, but the gap in confidence between younger and older consumers has shrunk. Over the summer, generation Z and younger millennials became more optimistic around disposable income and job security. Meanwhile, baby boomers became the most pessimistic generation around health; and both baby and pre-boomers showed a change in sentiment around disposable income.

Return to the office

Working from home not common practice before COVID-19

Average % of working week spent working from home before COVID-19



Source: The Deloitte Consumer Tracker

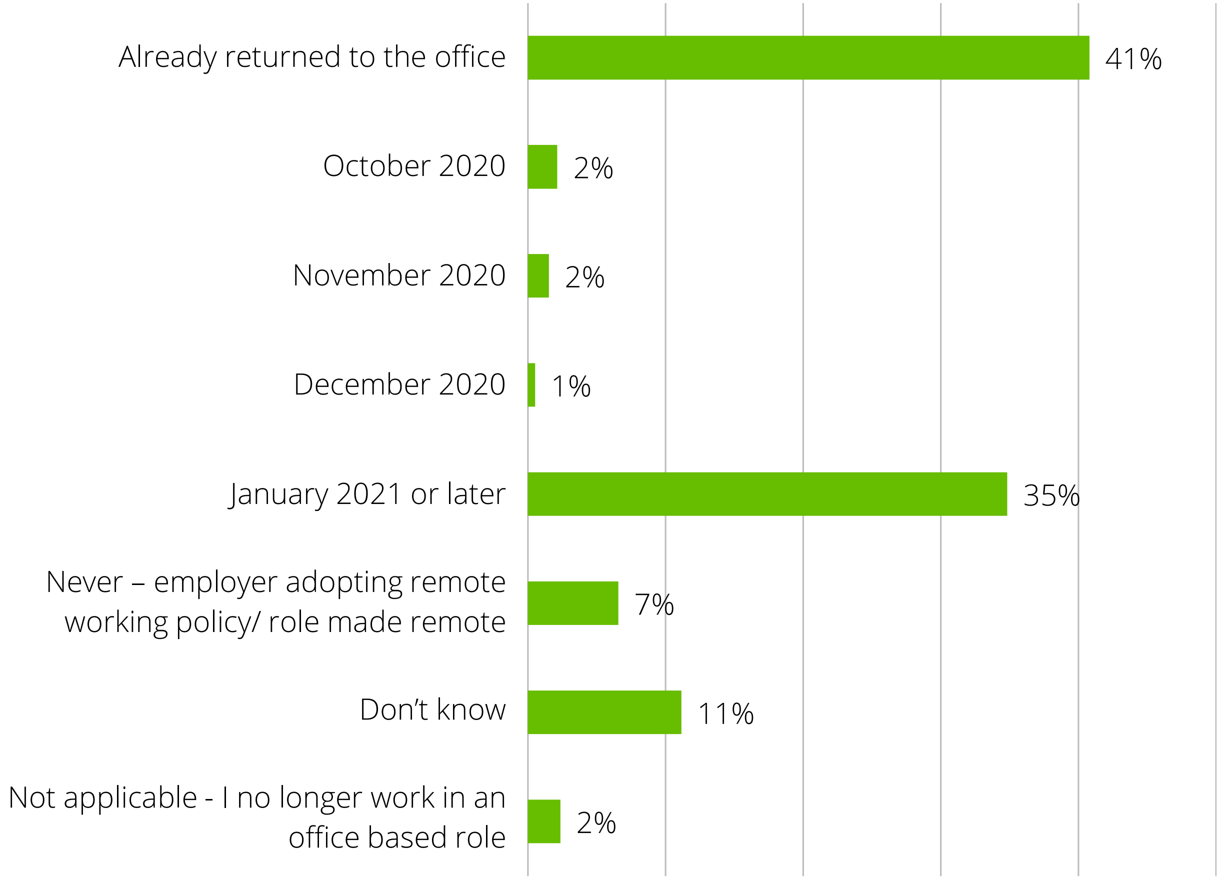
Working from home far from a common practice before COVID-19

Half of those who were office-based before COVID-19 (i.e. those who spent at least 50% of their working week in an office) never worked from home, with another quarter only doing so occasionally.

Meanwhile, close to half of those with a regular work from home arrangement before COVID-19 only worked remotely for 20% of their week – one day out of a traditional five-day work week.

Opposite approaches to returning to the office

Expected return to the office following COVID-19 lockdown



Source: The Deloitte Consumer Tracker

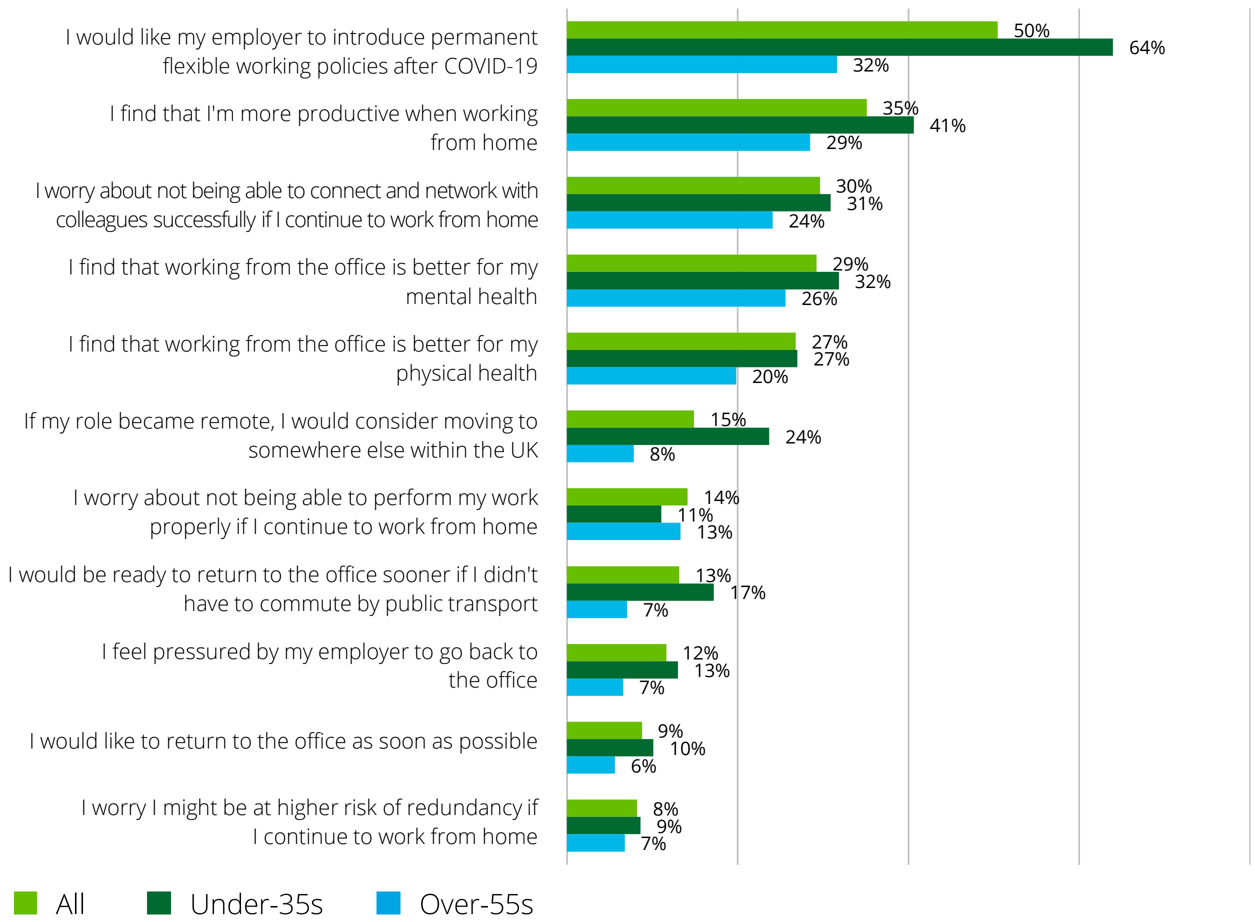
Employers adopting entirely opposite approaches to returning to the office

Despite the renewed government advice to work from home where possible, 41% of those who were office-based before COVID-19 claimed to have already returned to the office in some capacity, while 35% did not expect to return at all until at least January 2021.

However, 39% of those who had already returned to the office said they continued to work from home more than they did before COVID-19, suggesting a phased and gradual return to office life. In addition, the vast majority (87%) of those already back in the office are workers who hardly worked from home before COVID-19.

Changing attitudes to return to the office

% of consumers who selected each statement, by age



Source: The Deloitte Consumer Tracker

COVID-19 drives permanent shift in workers' expectations around flexible working

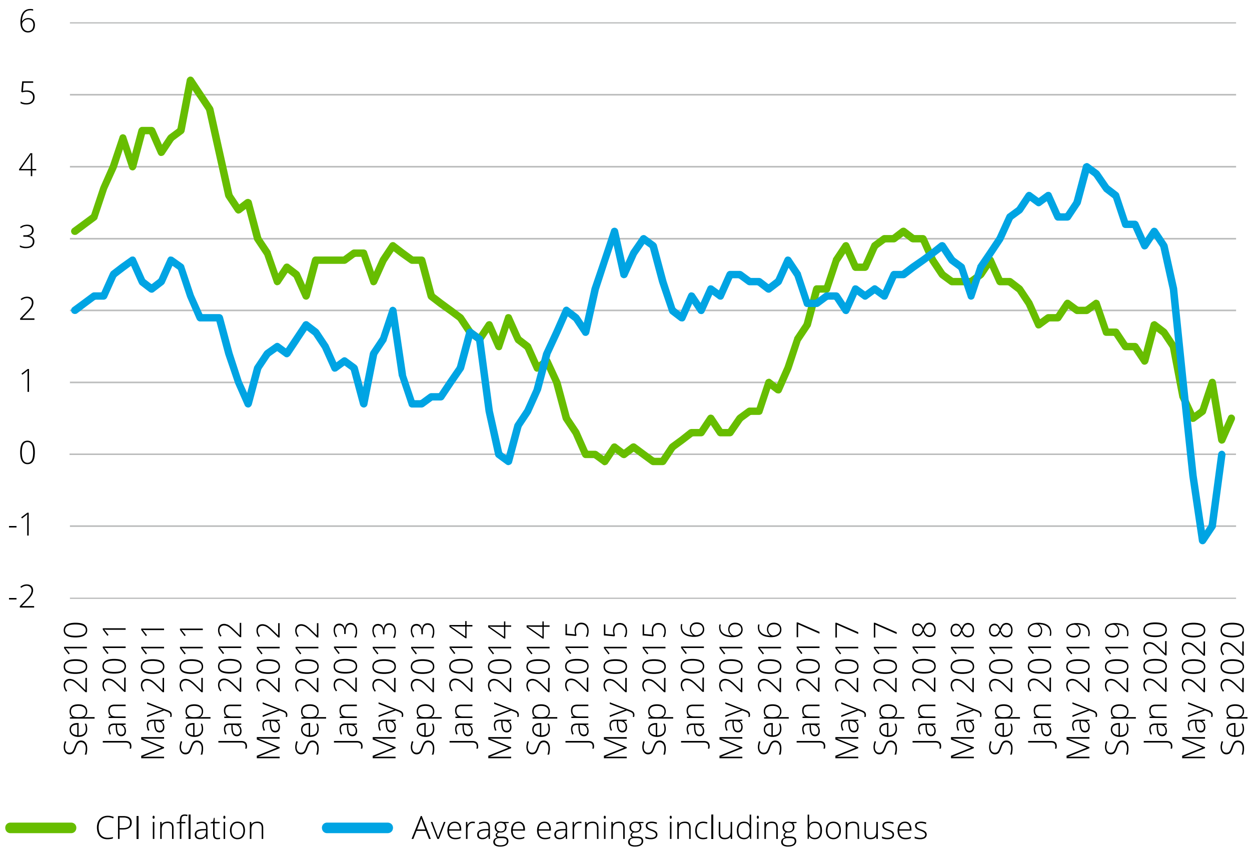
On average, office-based workers would like to work from home for half of their working week in the long term.

However, striking the balance between office- and home-based working will pose a number of challenges. In particular, younger generations are more likely than their older counterpart to feel more productive at home, but are also more inclined to think that the office environment is better for their mental or physical health. They also tend to worry more about their ability to connect and network, which is critical for career growth and development.

The wider economy

UK economy remains in a context of heavy deflation

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



Source: Refinitiv Datastream

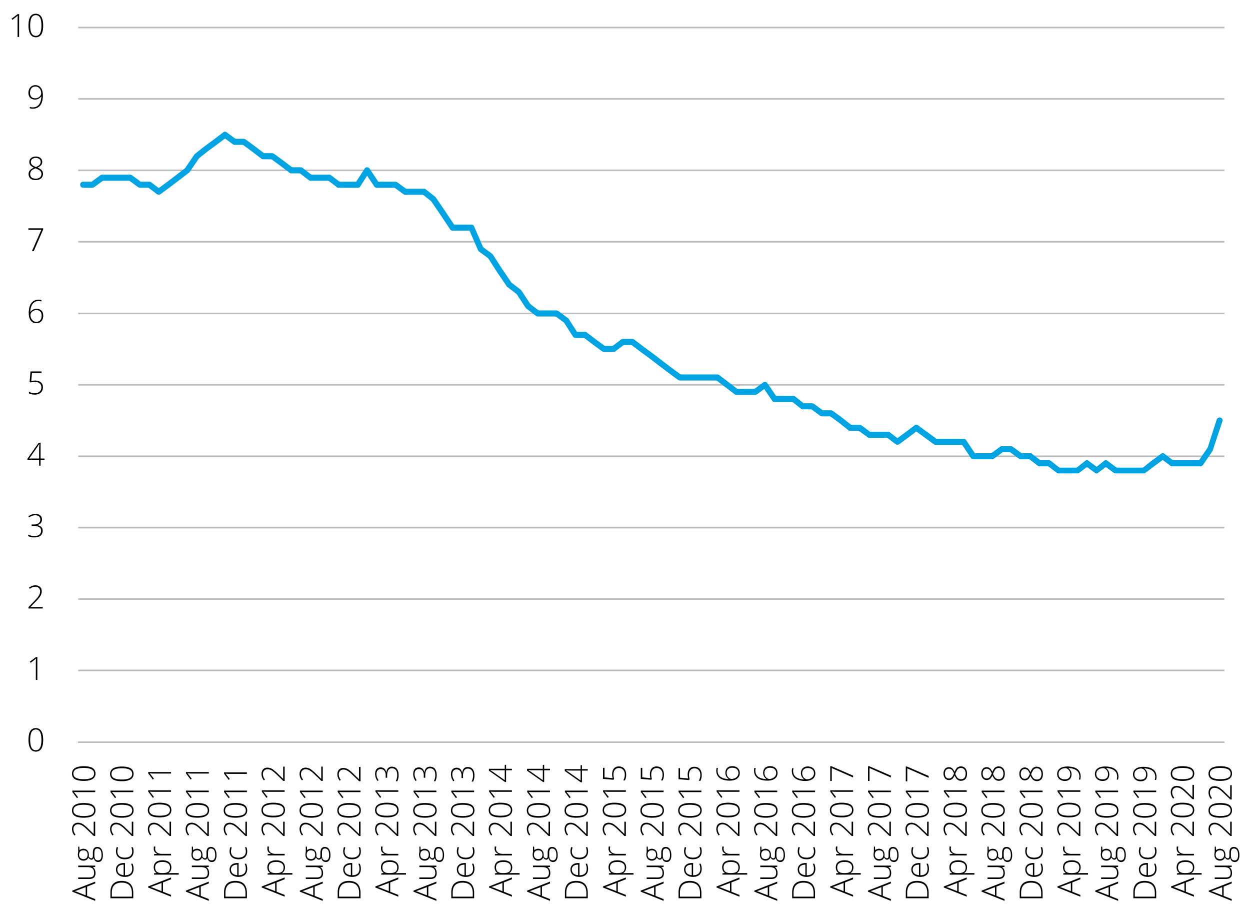
Consumers' purchasing power weakening

The deflationary shock caused by the pandemic to the UK economy continued into Q3 2020, with inflation falling to 0.5% in September 2020.

Meanwhile, with wage growth in negative territory earlier in the quarter, and at 0% in August, consumers' purchasing power continued to weaken throughout the summer months.

Unemployment increases for the first time since the beginning of the pandemic

UK unemployment rate (all aged 16 and over)



Source: Refinitiv Datastream

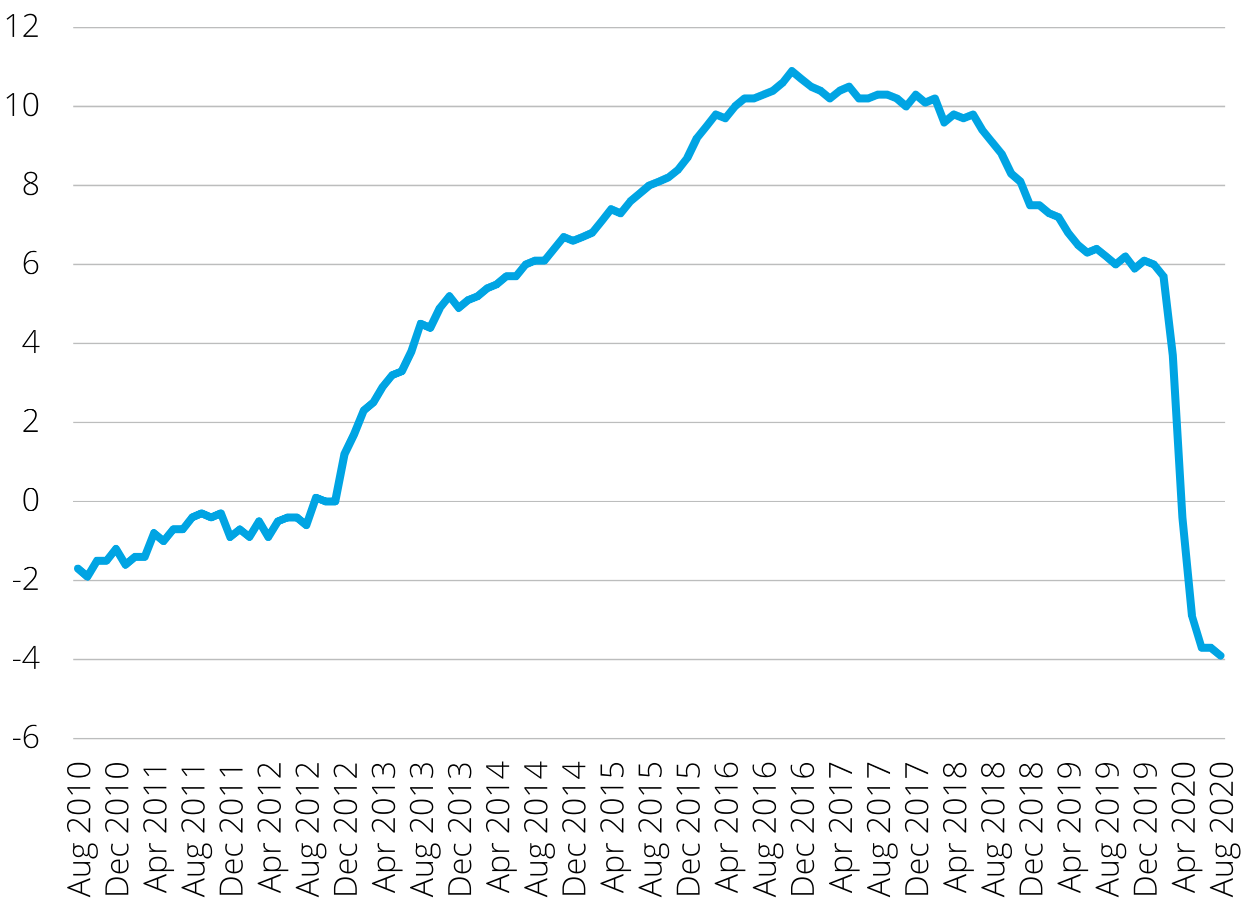
However job market also showed some signs of rebound

The Job Retention Scheme has successfully prevented sharp increases in unemployment during the UK lockdown. However, in July the [Office for National Statistics reported] the first marginal increase in unemployment since the beginning of the pandemic, with a further increase to 4.5% in August.

Despite this, the job market also started to show some signs of a post-lockdown rebound in Q3, with a recovery in total hours worked and a record quarterly increase in vacancies as lockdown measures were increasingly mitigated, and the retail, hospitality and leisure sectors largely reopened.

Households continue to reduce debt

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



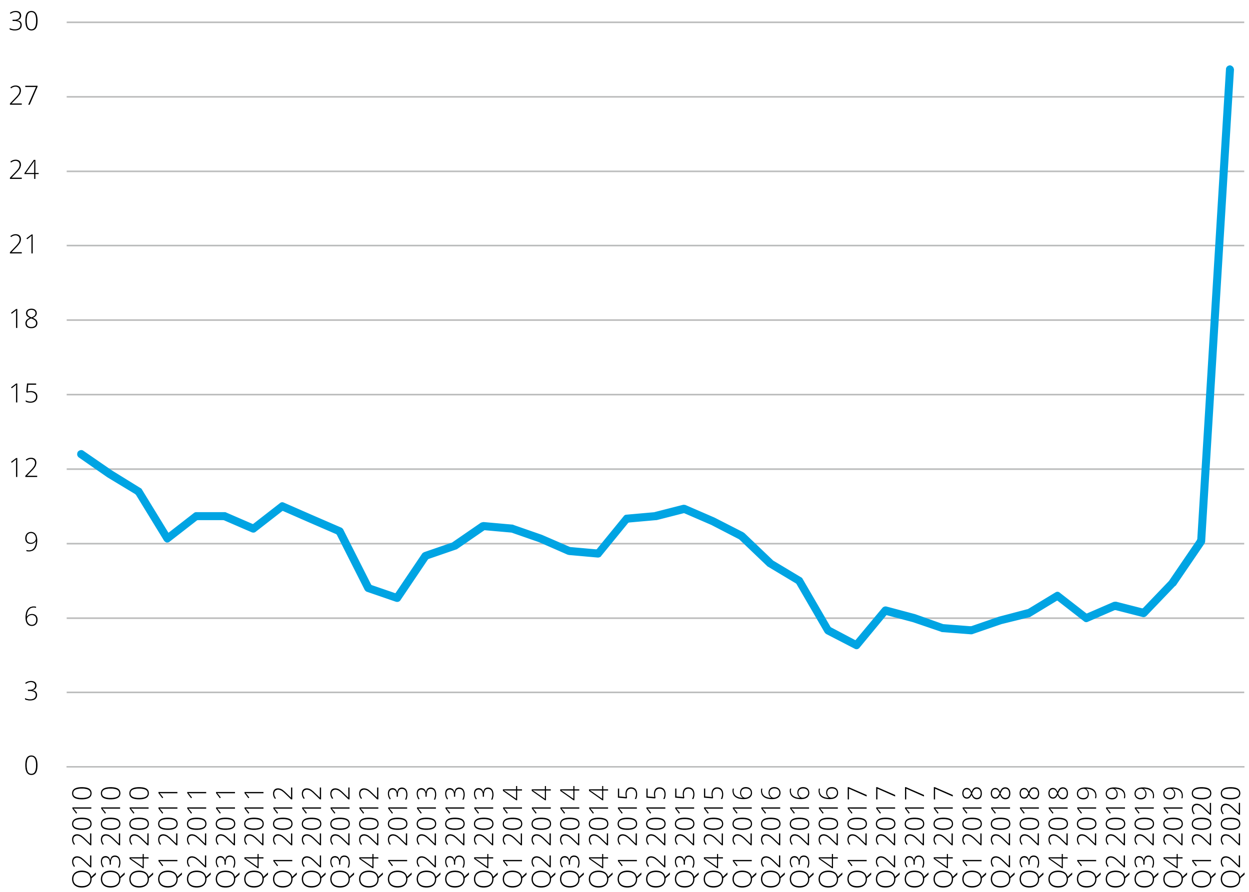
Source: Refinitiv Datastream

New record low for unsecured lending

Households continued to deleverage over summer, with a further slowdown in consumer credit of -3.9% in August 2020.

Savings ratio trebled during the lockdown

UK households' savings ratio



Source: Refinitiv Datastream

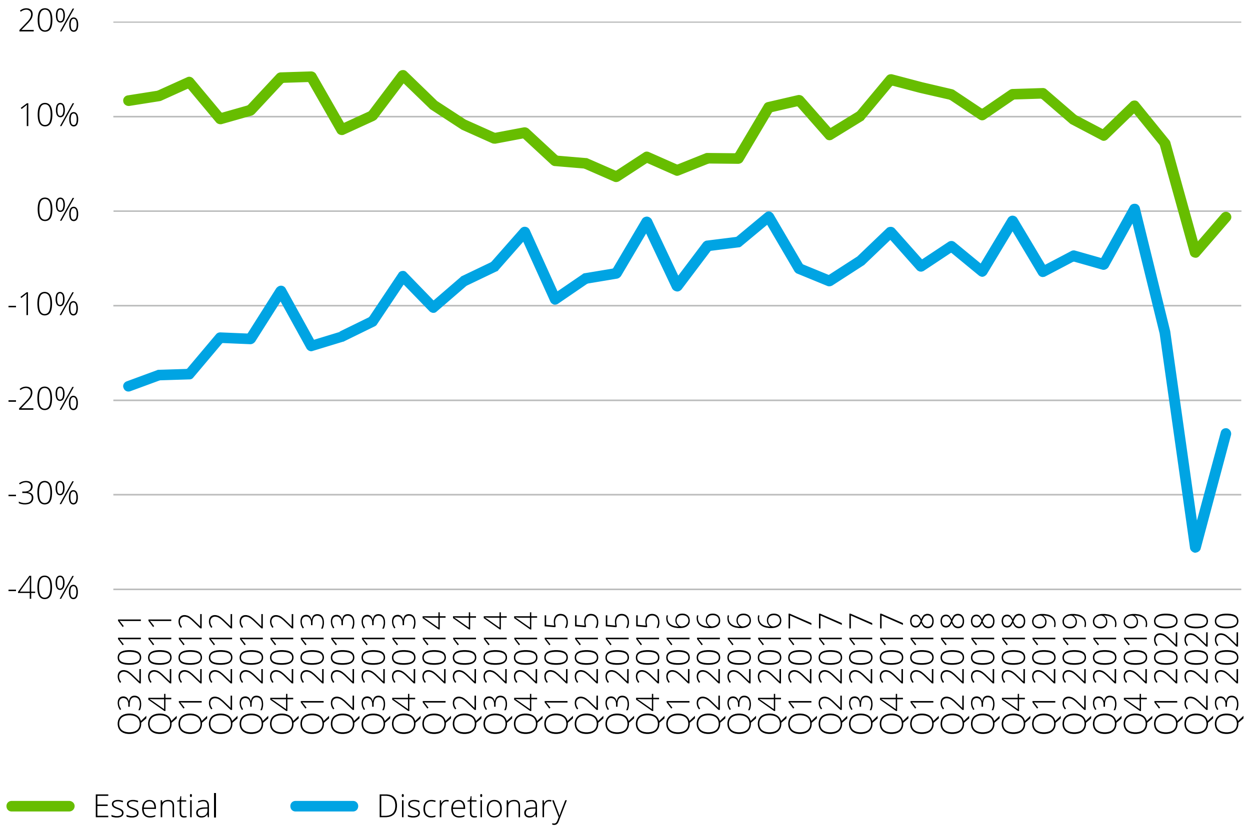
The lockdown drives surge in savings

UK households' savings ratio trebled to 28.1% in Q2, with spending severely suppressed during the lockdown.

Consumer spending

Consumer spending in the last three months – essential vs discretionary spending

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



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

Source: The Deloitte Consumer Tracker

Consumer demand bounces back following lockdown but remains subdued overall

Net consumer spending recovered quarter on quarter, though it remained in negative territory and below this time last year.

Net essential spending registered a three percentage point uptick quarter on quarter but remained below zero at -1%. Discretionary net spending bounced back 12 percentage points, with all discretionary categories except alcohol and tobacco seeing a positive quarterly shift fuelled by the lifting of lockdown restrictions. However, overall discretionary net spending remained largely subdued at -24%.

Consumer spending in the last three months by category

Category	Current Q3 2020 net balances	% point change quarter on quarter	% point change year on year
Essential	-1%	+3	-9
Grocery	+29%	-11	+12
Utility bills	+16%	-6	+1
Everyday household items	+6%	0	N/A
Housing	+4%	+5	-3
Phone, Internet and cable/TV subscriptions	+3%	-1	-2
Health	+1%	+4	-3
Pensions and insurance	-1%	+2	-6
Education	-1%	+4	-4
Beauty and personal care products	-19%	+11	N/A
Transport	-43%	+29	-53

Category	Current Q3 2020 net balances	% point change quarter on quarter	% point change year on year
Discretionary	-24%	+12	-18
Alcoholic beverages and tobacco	-1%	-3	+7
Electrical equipment	-4%	+3	+1
Major household appliances	-5%	+5	-2
Furniture and homeware	-8%	+12	-1
Clothing and footwear	-30%	+18	-24
Holidays & Hotels	-42%	+15	-45
Restaurants	-43%	+28	-35
Going out	-56%	-18	-45

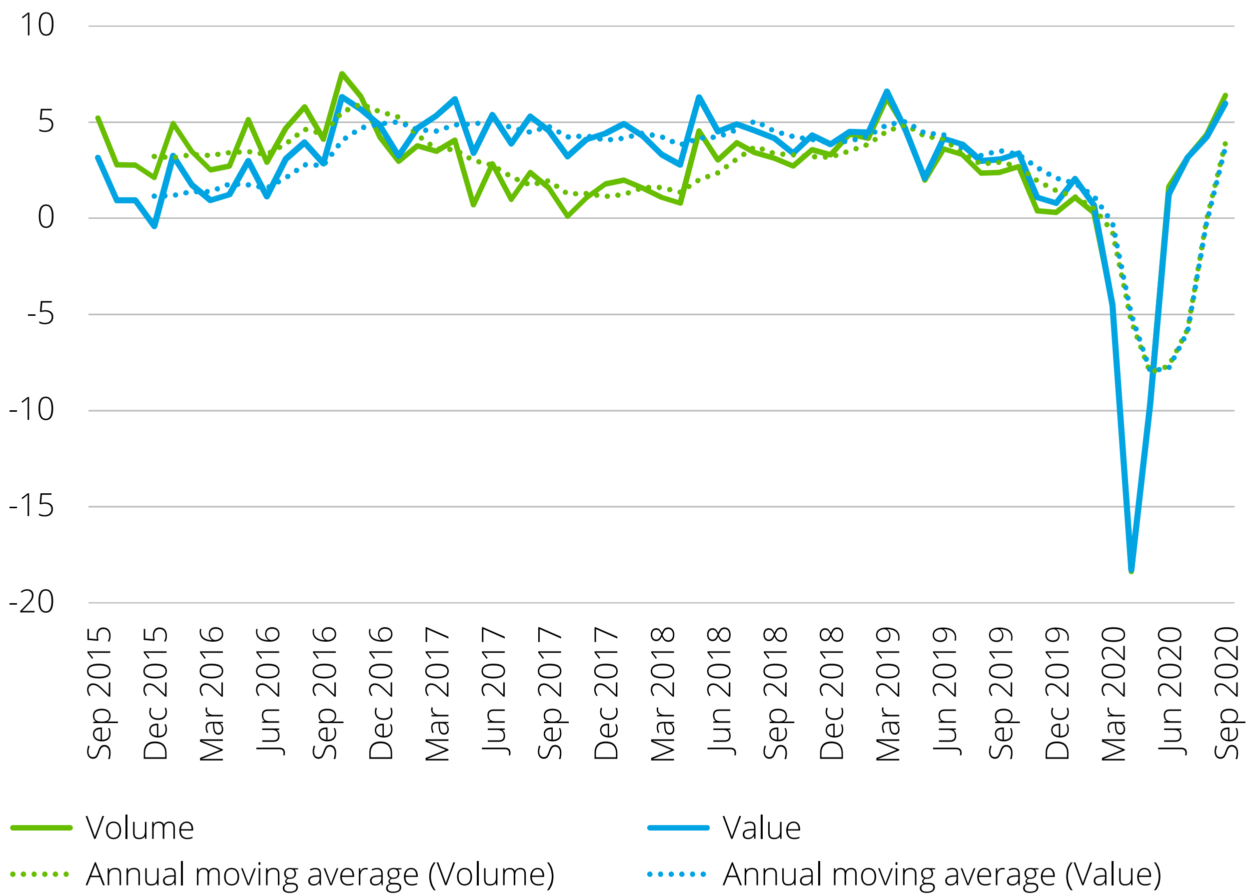
Source: The Deloitte Consumer Tracker

Retail


HERITAGE
TOMATO SAUCE
BROWN SAUCE
SALAD CREAM
BUY ANY TWO
FOR ONLY
£1.80

Retail sales (excl. fuel SA)

% change in volume and value year on year



Source: Refinitiv Datastream

Retail sales rebound in a 'V-shaped' recovery

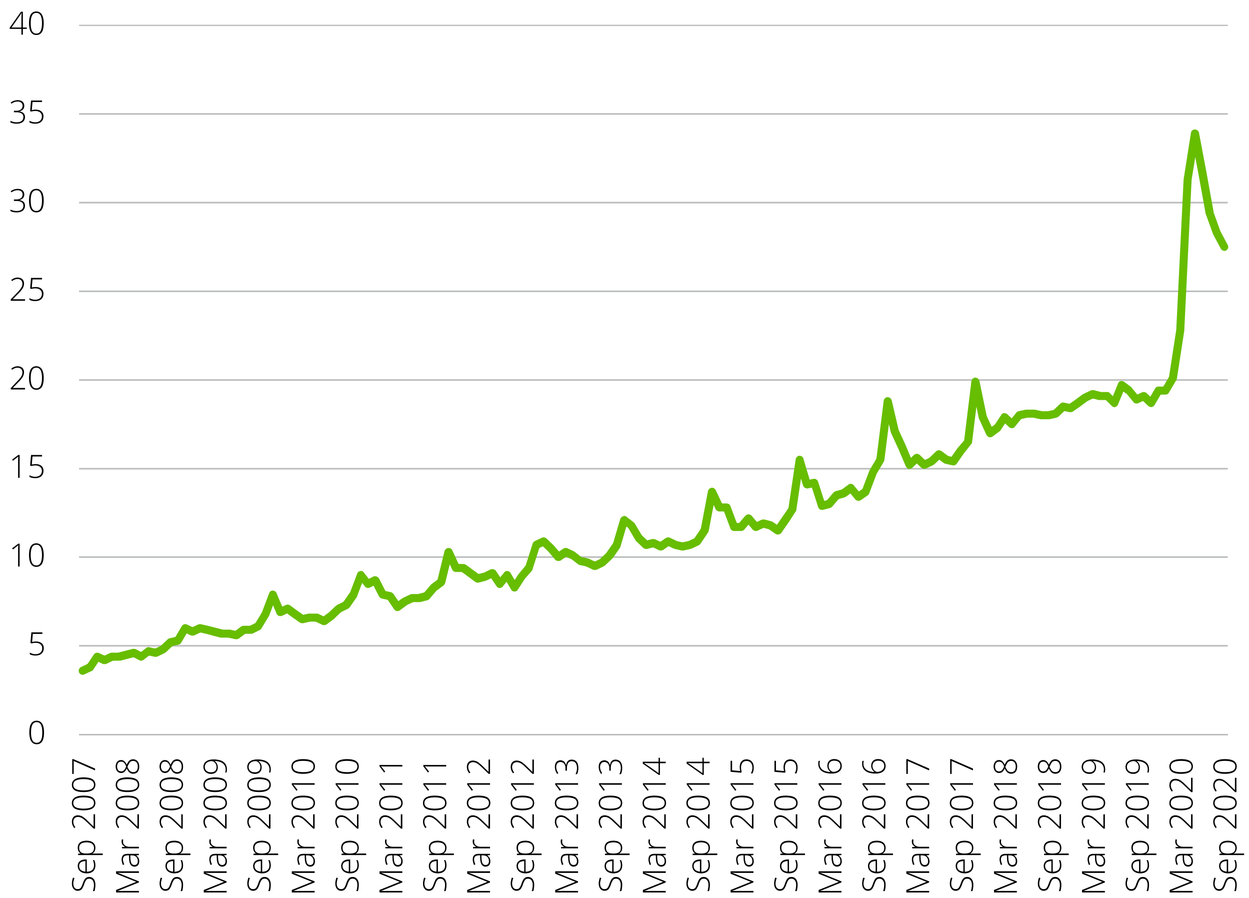
In September 2020, retail sales values and volumes increased by 1.4% and 1.5% respectively compared with August and are now back to levels seen before the beginning of the COVID-19 pandemic.

Food sales remained higher than before the pandemic as retailers continue to benefit from the shift to online with the ongoing restrictions.

Non-food retail sales also recovered to levels last seen before February. Personal grooming and beauty categories benefited from the re-opening of restaurants and bars while office workers staying at home is good news for the sales of electronics and household goods.

Online sales

UK Internet sales as a % of total retail sales



Source: Refinitiv Datastream

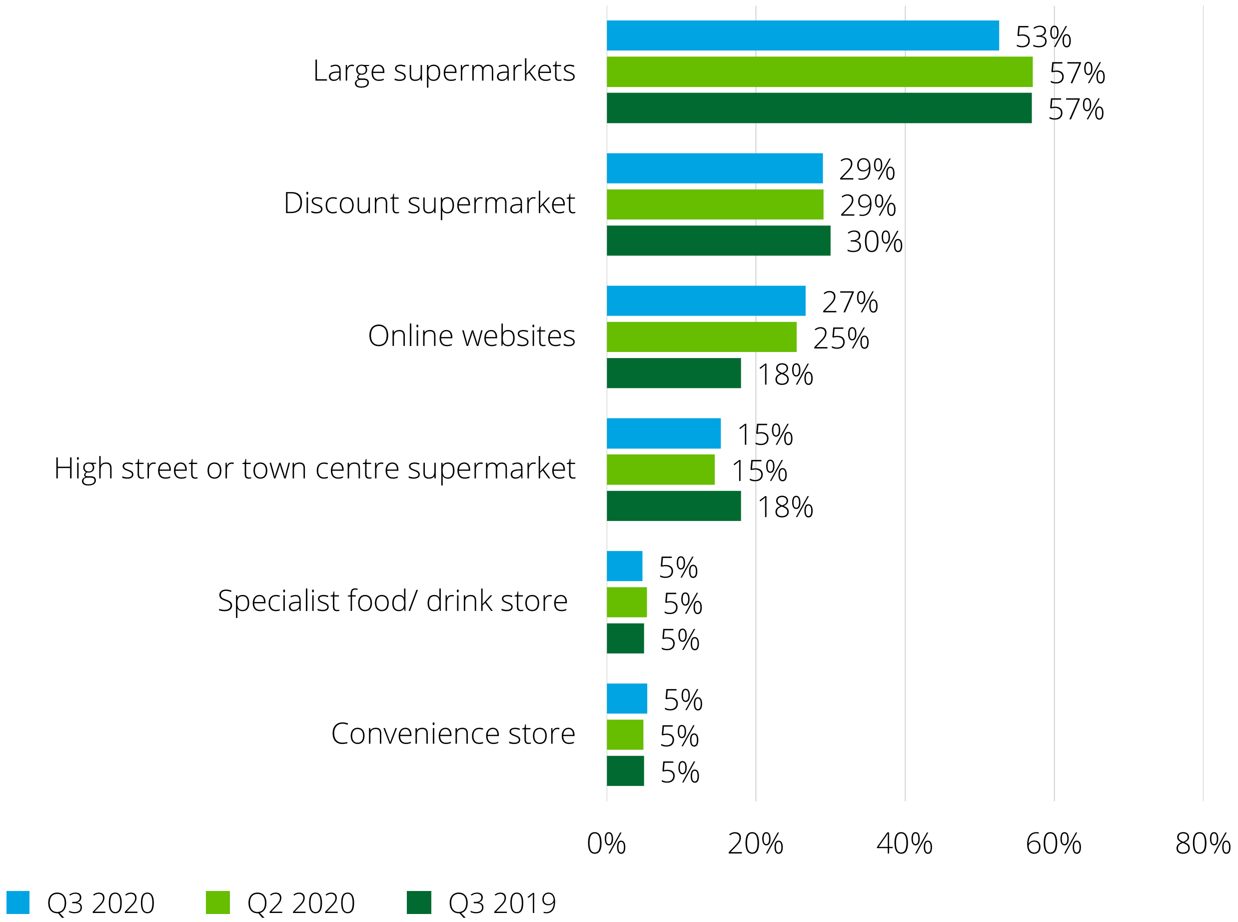
Online sales still significantly higher than pre-pandemic levels

While the shift to online had been occurring in the sector before the COVID-19 pandemic, online growth has been exponential since Q2 2020 – shopping patterns that would have normally evolved over a period of years, were taking place in only a few months.

Despite non-essential stores reopening in June, the performance of online remained strong in Q3 2020. Although online retail sales fell by 1.2% in September when compared with August, they still account for 27.5% of all retail spending and remain 7.4 percentage points higher than February's pre-pandemic levels.

Grocery shopping by channel

Channel usage for main grocery shop



Source: The Deloitte Consumer Tracker

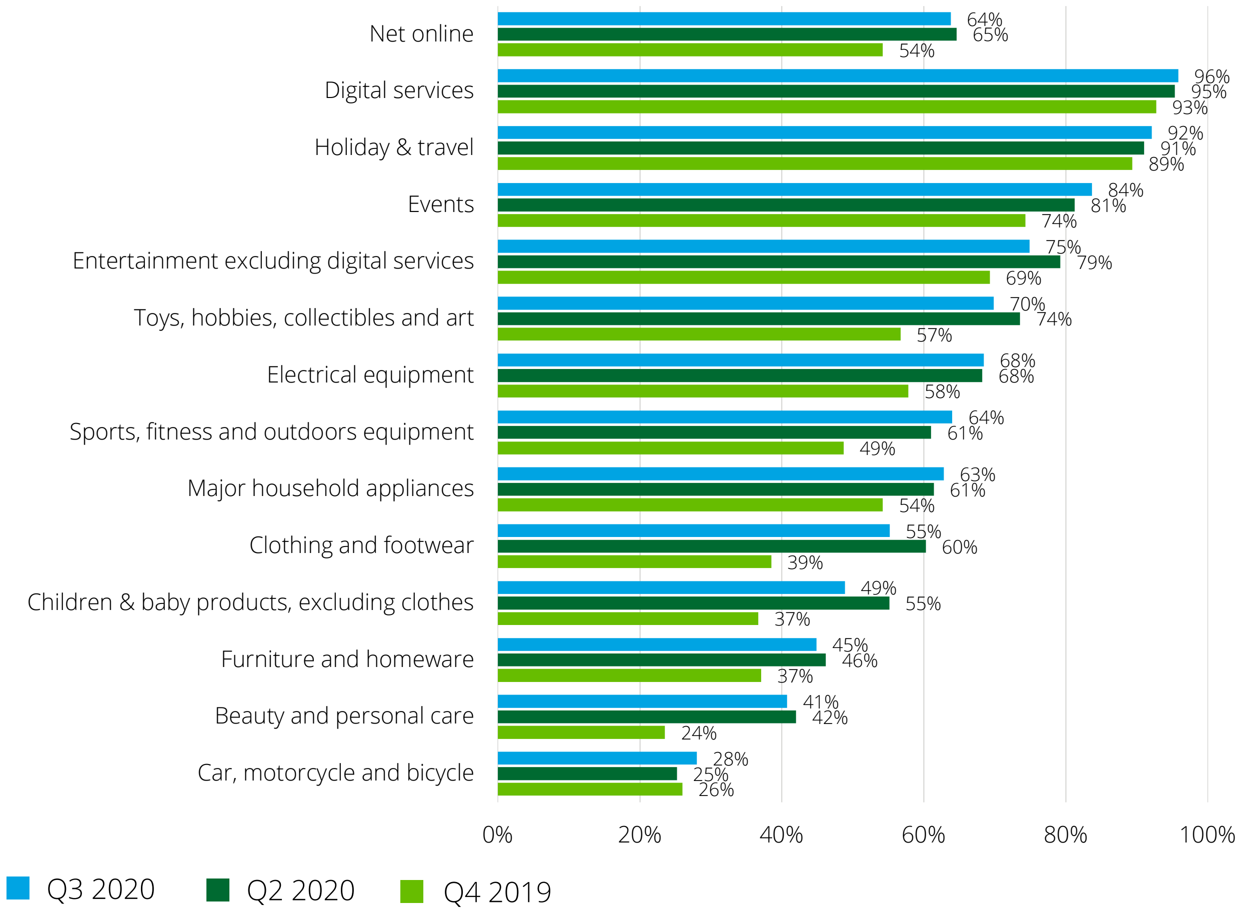
Online grocery continues to take market share from other channels

Our data shows that 27% of consumers did their main weekly/ monthly grocery shop online in Q3 compared with 18% a year ago. What was a temporary channel shift is becoming permanent and this is mainly to the detriment of the large supermarket channel.

Meanwhile, compared to Q2 discounters managed to retain their market share of 29%. There are also signs of a slow pick up in convenience and town centre stores as people continue to work from home and are more likely to visit their local high street as a result.

Purchases of product and service categories by channel

% consumers who last bought **online** in the category



Source: The Deloitte Consumer Tracker

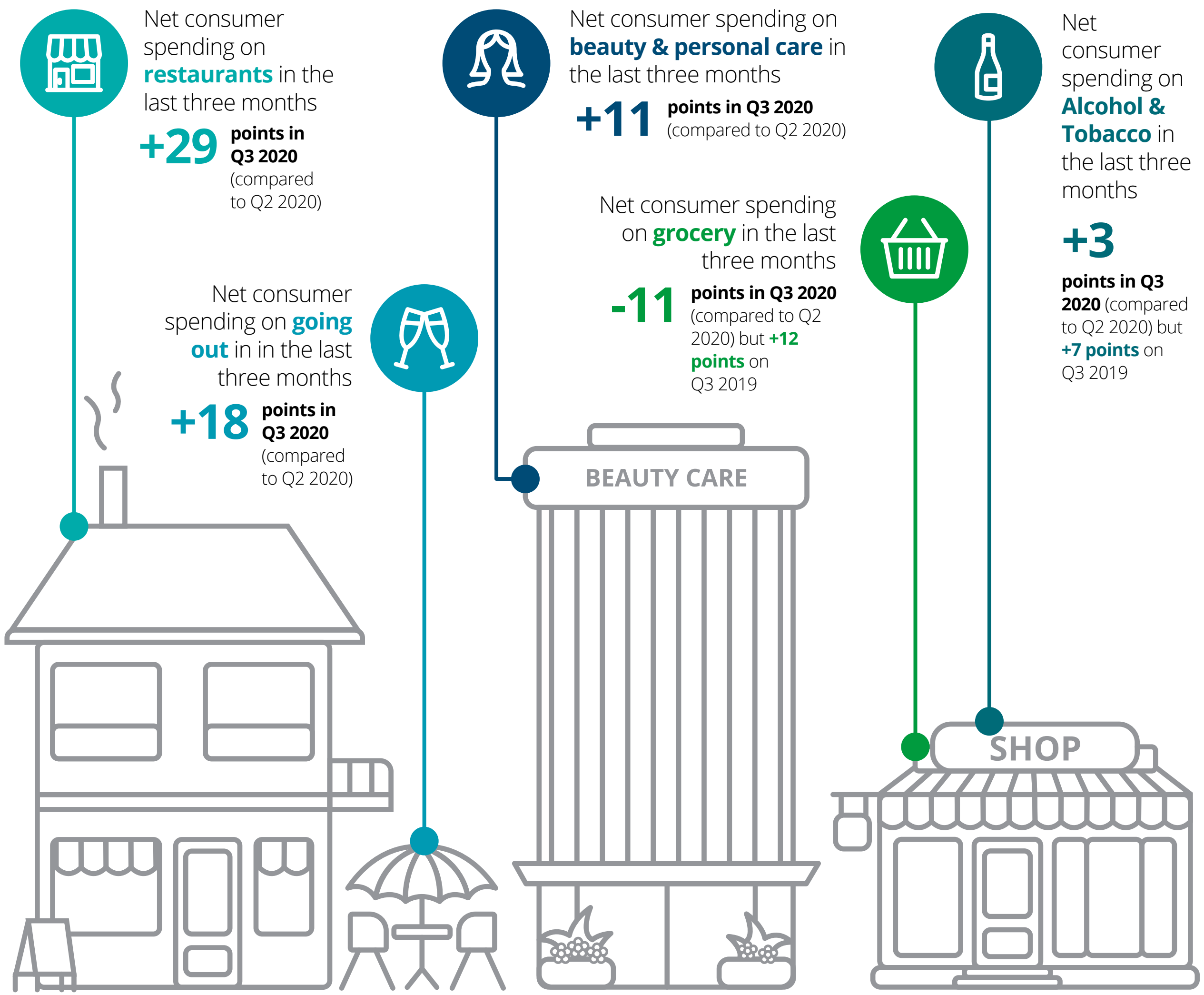
Some of the non-food categories see a return to in-store purchasing

In-store shopping remains lower than pre-pandemic levels for all categories. In Q3 2020, 64% of all the last purchases made in the non-food categories, were made online, an increase of ten percentage points compared to Q4 2019.

There was some good news for the non-food sector in Q3 with stores reopening more widely from June, and some customers returning. Categories including toys and hobbies, books and music, children and baby products, and clothing and footwear saw a slight improvement in in-store purchases.

Consumer Products

Not out of the woods yet



Source: The Deloitte Consuumer Tracker

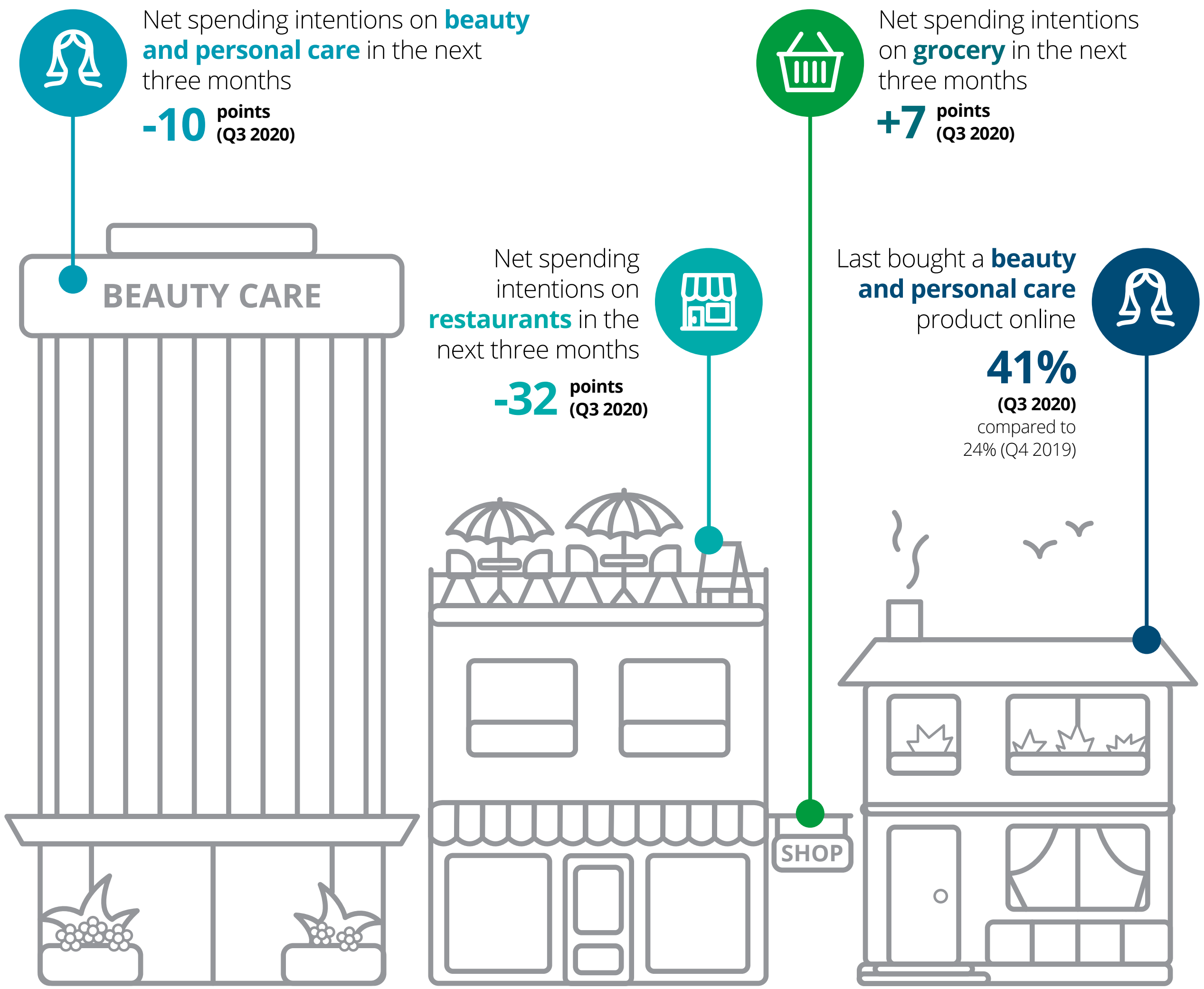
Signs of a recovery but not out of the woods yet

While the reopening of restaurants and bars in July improved sales in the on-trade categories, net spending on grocery fell compared to Q2 2020.

However, with consumers continuing to work from home, both grocery and alcohol and tobacco net spending were higher than for the same period a year ago.

In a further boost to the consumer product sector, net spending on beauty and personal care products increased in Q3, with people experiencing a taste for going out or going on holiday as restrictions were lifted.

Some change becomes permanent as uncertainty persists



Source: The Deloitte Consuumer Tracker

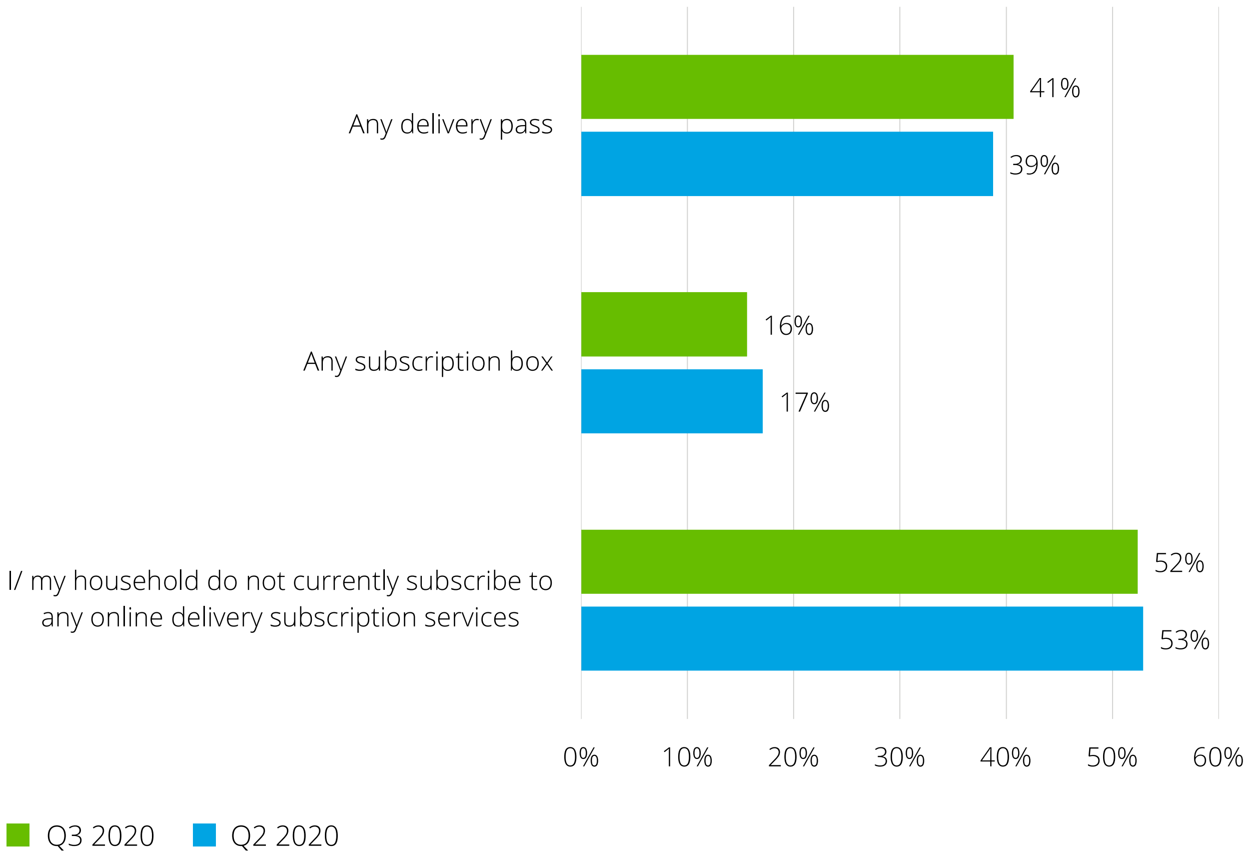
Every cloud has a silver lining

Our research shows that in Q3 2020, 41% of UK consumers claimed that the last beauty and personal care product they bought was online, compared to only 24% in Q4 2019. This shift is rapidly becoming structural and consumer product manufacturers need to step up and invest in their direct to consumer capabilities.

Ahead of the Christmas season, consumers are planning to increase their spending in grocery in Q4 2020. However, anticipating more restrictions, people are not only planning to reduce their spending in beauty and personal care in the next three months, they are also preparing for a lower key Christmas as they expect a drop in their net spending on going out and eating out.

Ongoing subscription delivery services (1/2)

% of UK consumers subscribing to ongoing subscription delivery services



Source: The Deloitte Consumer Tracker

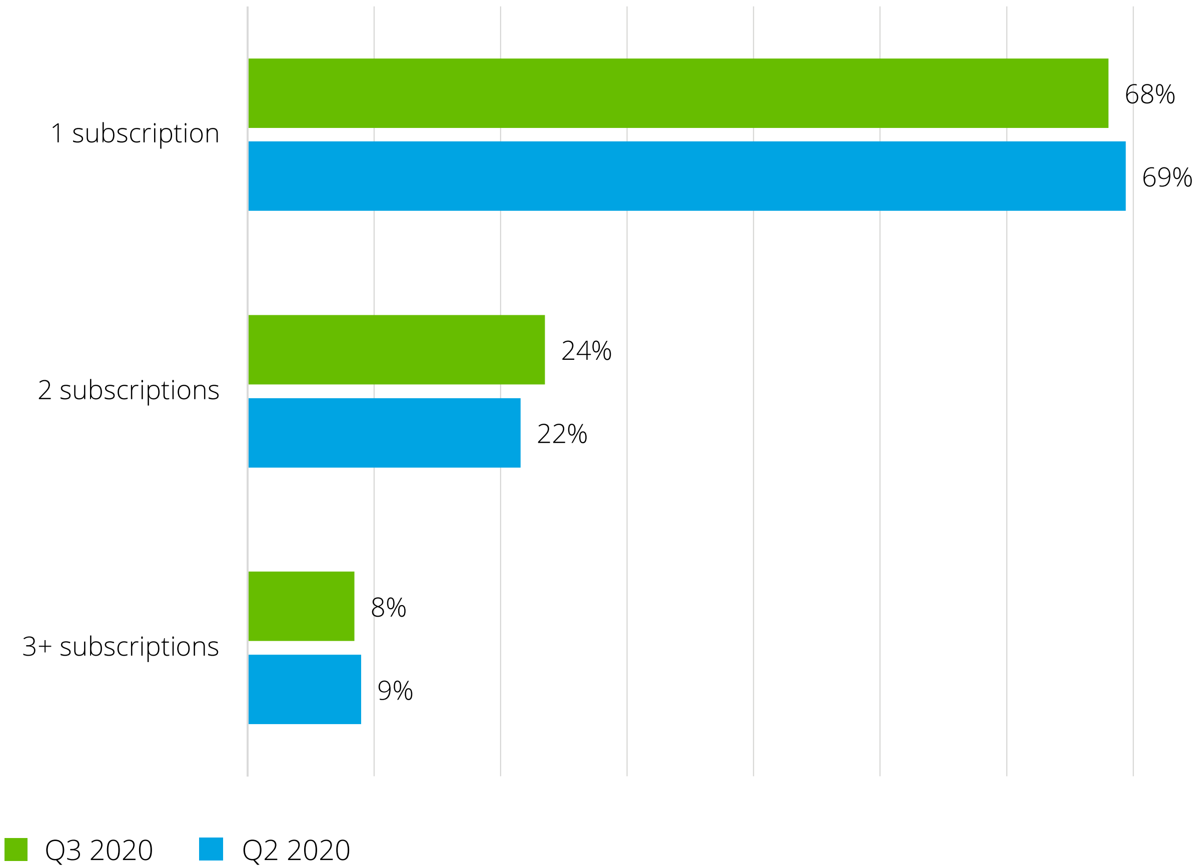
Seeking convenience more consumers pay for subscription boxes and delivery passes

Our data shows that there was a two percentage point increase, from 39% to 41%, in the total percentage of consumers paying for delivery passes. Encouraging consumers to move to delivery pass models not only represent an opportunity to increase loyalty, such models can also drive sales.

Meanwhile, the subscription box market lost one percentage point this quarter. With the festive season approaching, tempting consumers with promotional offers to join a subscription scheme, as well as proposing flexible terms and conditions will be key to attracting and holding onto new consumers.

Ongoing subscription delivery services (2/2)

Number of ongoing subscription delivery services consumers have in place



Source: The Deloitte Consumer Tracker

Seven in ten only have one subscription

Our research also shows that nearly seven in ten consumers who pay for subscription and/or delivery pass services (68%) currently subscribe to only one service.

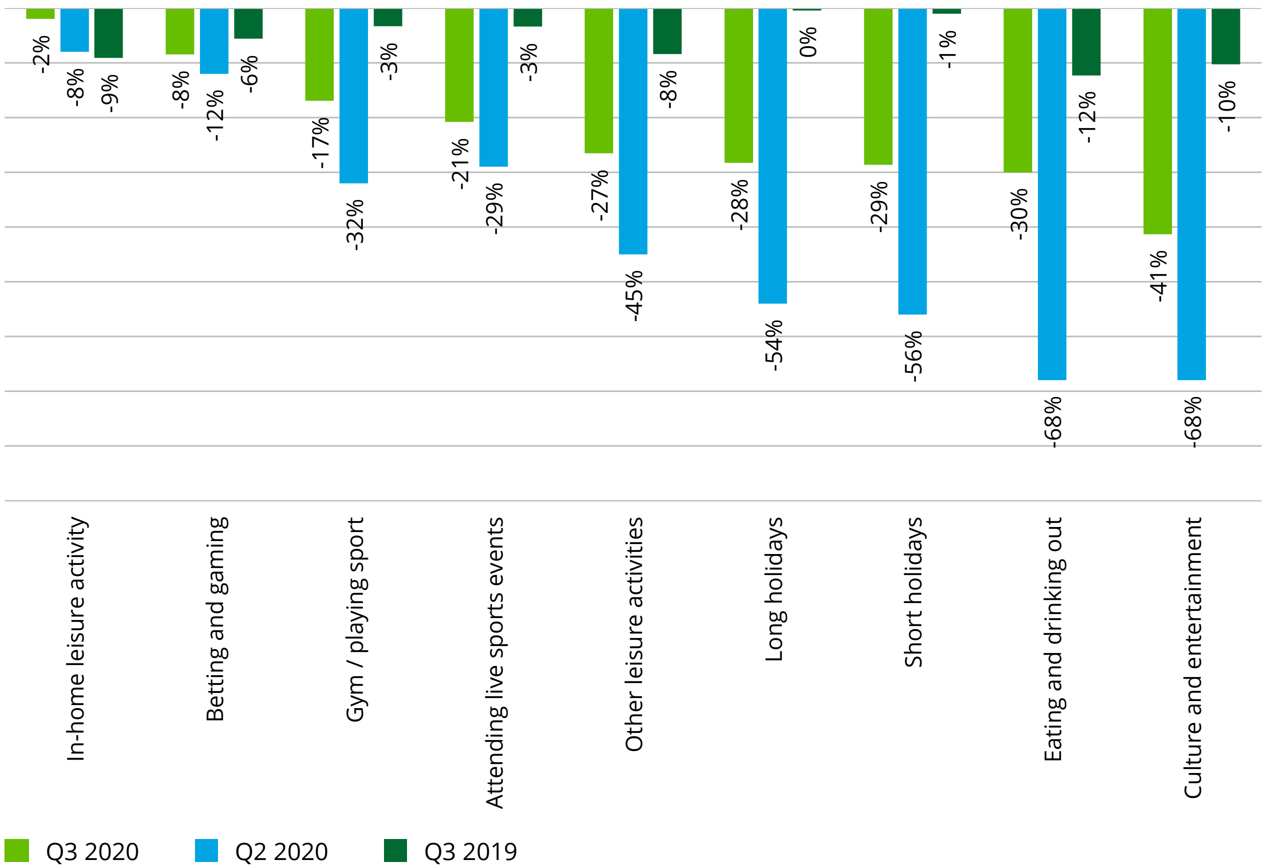
As a result, delivery passes are more likely to be consumers' first venture into the subscription markets.

With the shift to online likely to become more permanent the longer the restrictions continue, businesses should increase their Direct-to-Consumer (D2C) investment including subscription services. While the battleground online used to be on price, it is now more about speed and flexibility.

Leisure

UK consumer leisure spending in the last three months

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



Source: The Deloitte Consumer Tracker

Latent demand and government schemes fuel leisure net spending

In the last three months, leisure spending saw a significant uplift compared with the previous quarter. However, spending in most of the leisure categories remains much lower than it was a year ago.

This quarter's upward trend was driven by the easing of some of the COVID-19 restrictions in early July which led to the release of pent-up demand. The increase in leisure spending in Q3 2020 was not only supported by factors such as the warm weather and summer holidays, but also by the continued financial support from various government schemes which encouraged consumers to spend. As a result, businesses that reopened saw a significant boost in sales.

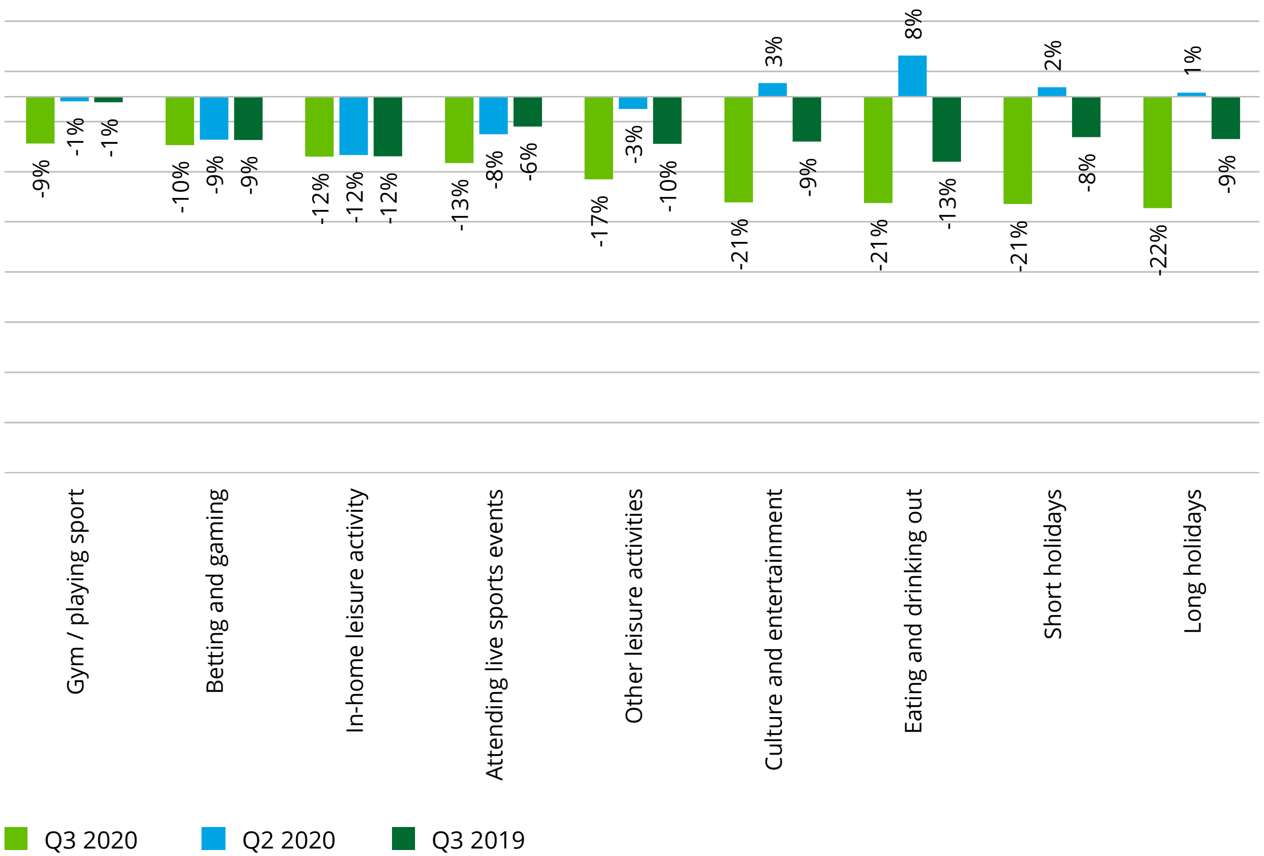
Leisure spending in the last three months by category

	Current Q3 2020 net balances	% point change quarter on quarter	% point change year on year
In-home leisure activity	-2%	+6	+7
Betting and gaming	-8%	+4	-2
Going to the gym or playing sport	-17%	+15	-14
Attending live sports events	-21%	+8	-18
Other leisure activities	-27%	+18	-19
Long holidays	-28%	+26	-28
Drinking in pubs and bars	-28%	+35	-15
Short holidays	-29%	+27	-28
Eating out	-29%	+47	-20
Drinking in coffee houses and sandwich shops	-33%	+33	-18
Culture and entertainment	-41%	+27	-31

Source: The Deloitte Consumer Tracker

UK consumer leisure spending in the next three months

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



Source: The Deloitte Consumer Tracker

New restrictions threaten to delay the sector's rebound

In the coming months, consumers intend to spend less on leisure activities than they did in the previous quarter. Some categories such as dining out, holidays and entertainment are likely to see a substantial decrease, as the summer comes to an end and new restrictions are enforced.

In addition to the drop in activities due to the end of summer break, restrictions such as localised tier-based lockdowns, guidance to work from home, the 'rule of six' and curfews on pubs and restaurants, will harm consumer confidence. With the continued focus on the sector, underlying demand is likely to be impacted significantly.

Leisure spending in the next three months by category

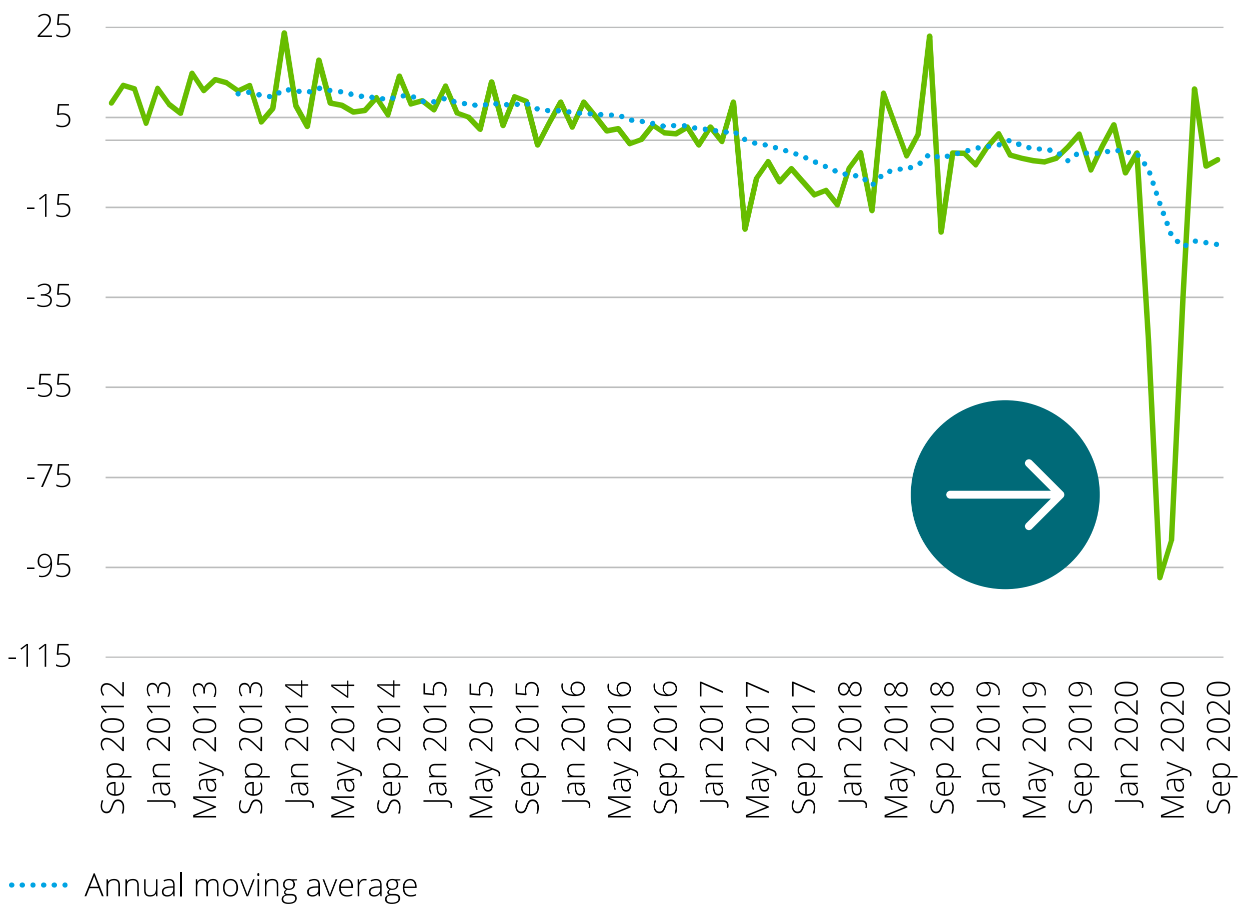
	Current Q3 2020 net balances	% point change quarter on quarter	% point change year on year
Going to the gym or playing sport	-9%	-8	-8
Betting and gaming	-10%	-1	-1
In-home leisure activity	-12%	0	0
Attending live sports events	-13%	-5	-7
Other leisure activities	-17%	-14	-7
Drinking in coffee houses and sandwich shops	-21%	-26	-6
Drinking in pubs and bars	-21%	-28	-8
Culture and entertainment	-21%	-24	-12
Short holidays	-21%	-23	-13
Eating out	-22%	-34	-10
Long holidays	-22%	-23	-13

Source: The Deloitte Consumer Tracker


Automotive

UK car registrations (1/2)

UK car registrations % change year on year



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

New car sales fell by just 0.5% in Q3 compared to the same period last year as a flurry of post-lockdown activity hinted at a rapid recovery for the sector

Latent demand that had built up over the second quarter of 2020 drove an 11% increase in car registrations in July compared to the same period a year ago. However, both manufacturers and dealers were right to treat these results with caution as there was a slower rate of sale in August (-6%) and September (-4%).

UK car registrations (2/2)

UK car registrations – YTD 2020

	YTD 2020	YTD 2019	% change	Market share YTD 2020	Market share YTD 2019
Diesel	209,093	478,147	-56.3%	16.8%	25.7%
Petrol	719,908	1,204,719	-40.2%	57.9%	64.7%
BEV	66,611	25,097	165.4%	5.4%	1.3%
PHEV	42,277	23,015	83.7%	3.4%	1.2%
HEV	83,993	77,679	8.1%	6.8%	4.2%
MHEV diesel	44,351	21,731	104.1%	3.6%	1.2%
MHEV petrol	77,423	31,883	142.8%	6.2%	1.7%
Total	**1,243,656**	**1,862,271**	**-33.2%**		

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)

COVID-19 cuts year to date sales by a third

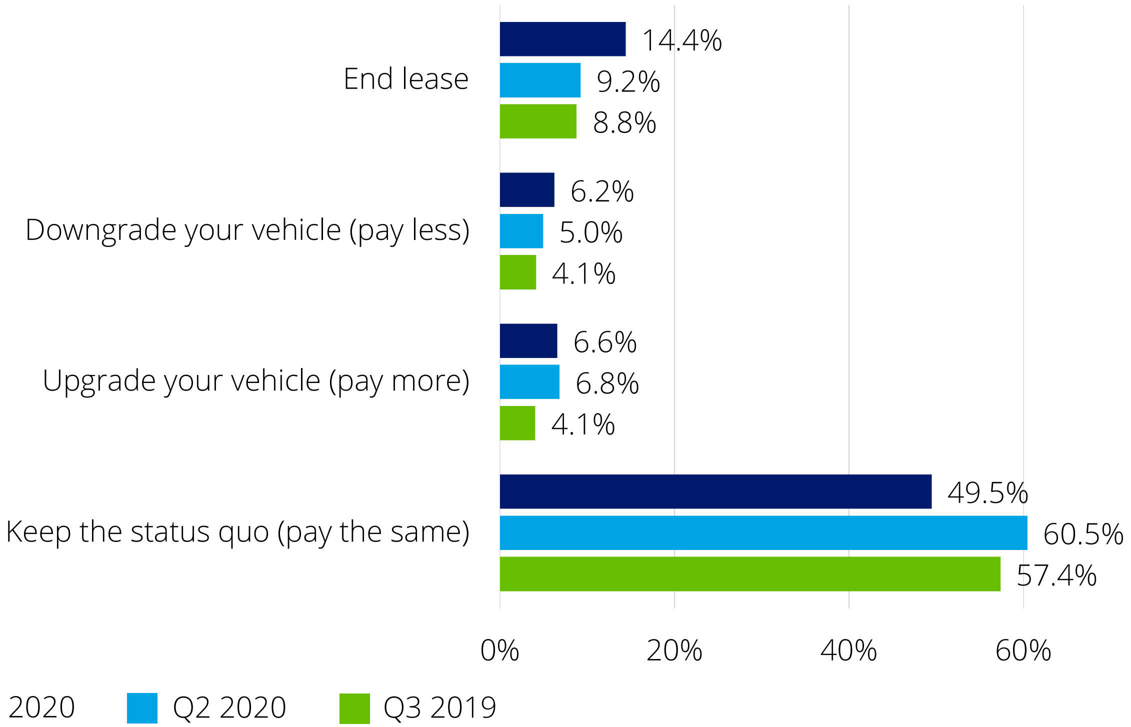
Sales lost during the most restrictive COVID-19 lockdown measures means that year-to-date figures are down by 33% – and look unlikely to recover.

As pent up demand dissipates, sales will likely remain in negative territory for the rest of the year, or at least until the economic uncertainty associated with the COVID-19 pandemic is removed.

Affordability of car repayments

Thinking about your current financial situation, if you were offered the chance to change the terms of your finance/lease plan of your car(s) with no penalty which of the following would apply to you?

% of consumers who own a car on finance



Source: The Deloitte Consumer Tracker

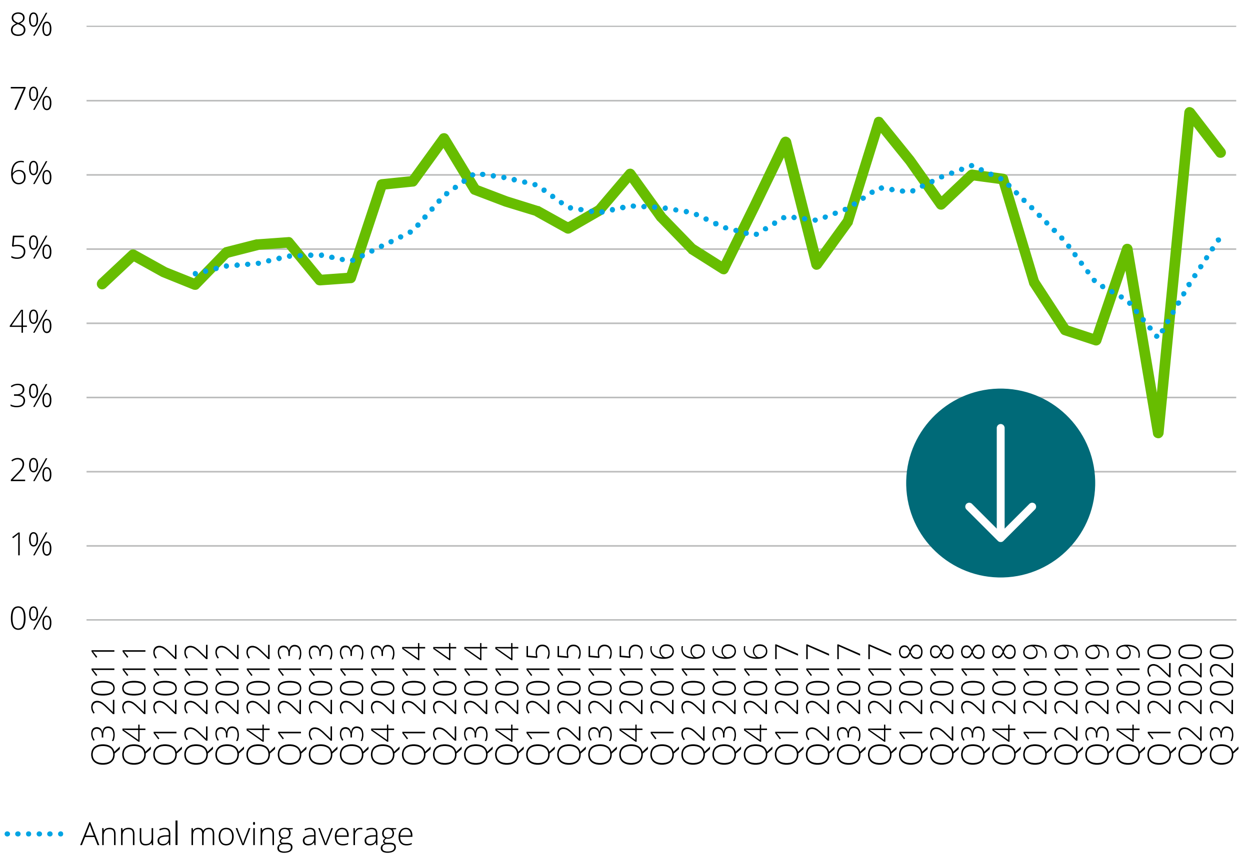
Consumers begin to show signs that they are concerned over the affordability of their car payments

After housing, car repayments are often the single biggest monthly expenditure for a consumer. As a result, lenders have worked hard throughout the pandemic to prioritise and support consumers in financial difficulty.

Despite the support offered by lenders, over a fifth of consumers (21%) stated that they would like to pay less or end their lease this quarter compared to just 14% in Q2 and 13% in the same period last year.

Planned car purchases

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



Note: This question was changed in Q2 2020

Source: The Deloitte Consumer Tracker

Planned car purchases in Q3 fall by one percentage point compared to Q2

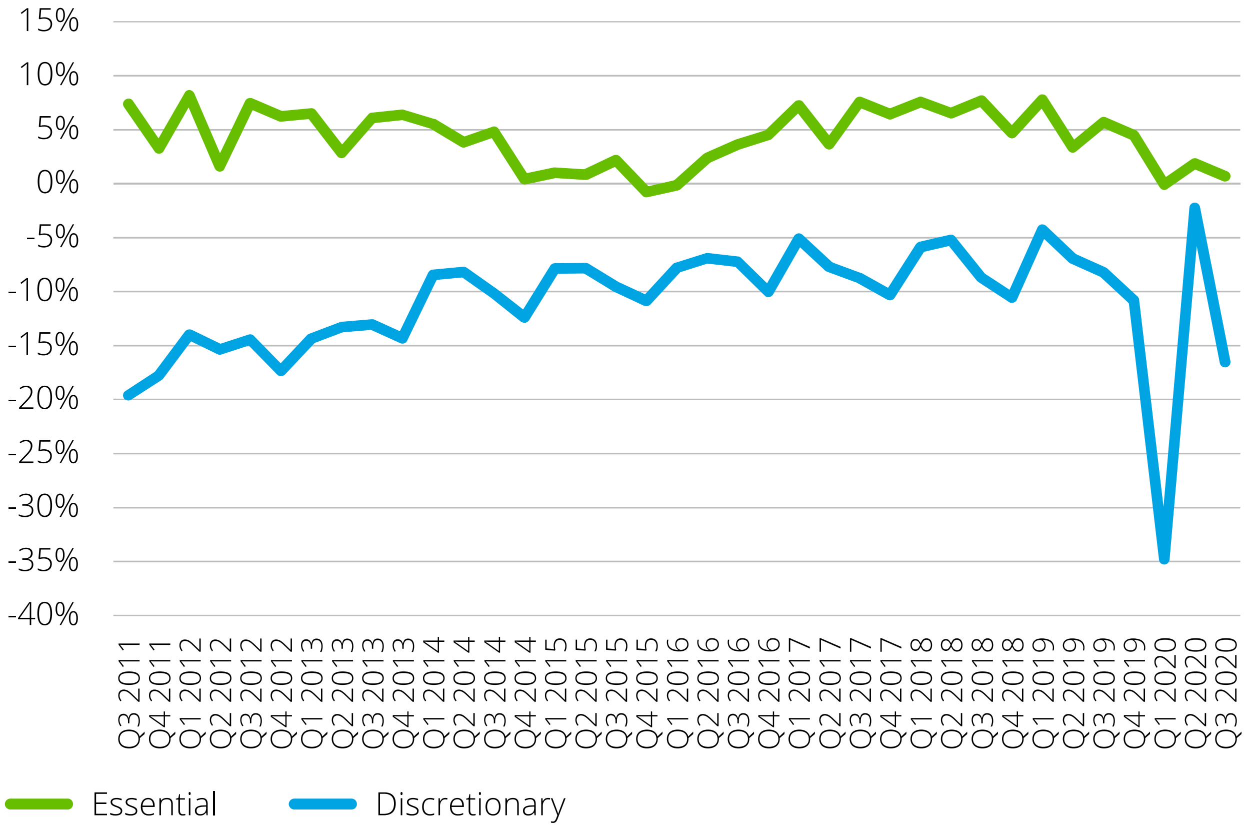
6% of consumers plan to buy a car in the next three months, down one percentage point from Q2 2020.

Demand for cars over the course of the year will likely depend on how affected consumers' personal financial situations are. While confidence over job opportunities and job security have improved this quarter, new car sales could stall if the recent rise in the unemployment rate continues.

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

Consumers brace for a second wave

With parts of the country under stricter local lockdown rules, the 'rule of six' limiting social gatherings (where still allowed) and a new curfew for pubs and restaurants, net spending for Q4 is expected to be back in negative territory, at -7%, as consumers anticipate to cut back on their discretionary net spending by 15 percentage points to -17%.

Overall, net essential spending is expected to remain largely unchanged quarter on quarter, although consumers anticipate shifting their spending from going out categories such as transport and beauty to in-home categories, including grocery and utility bills.

Consumer spending in the next three months by category

	Current Q3 2020 net balances	% point change quarter on quarter	% point change year on year
Essential	+1%	-1	-5
Utility bills	+23%	+21	+5
Grocery shopping	+11%	+7	-2
Housing	+2%	-1	-1
Health	0%	-1	-1
Landline/mobile phone, Internet and cable/TV	0%	+1	+1
Education	-1%	0	0
Everyday household items	-2%	-3	N/A
Pensions and insurance	-2%	-1	-3
Beauty and personal care products	-11%	-10	N/A
Transport	-13%	-26	-17

	Current Q3 2020 net balances	% point change quarter on quarter	% point change year on year
Discretionary	-17%	-15	-9
Alcoholic beverages and tobacco	-7%	-2	+1
Electrical equipment	-9%	0	+1
Furniture and homeware	-11%	-5	-2
Major household appliances	-11%	-2	-2
Clothing and footwear	-15%	-20	-4
Restaurants	-26%	-32	-15
Going out	-27%	-29	-20
Holidays & Hotels	-27%	-24	-20

Source: The Deloitte Consumer Tracker

The last word

Despite an initial rebound in activity as restrictions were lifted, pessimism remains high and the recovery is losing momentum as consumers brace for a second wave and anticipate shifting their spending from going out to in-home categories. As winter forces people indoors, social distancing, mask wearing and curfew rules might put many off spending time at leisure venues.

Takeaway 1

The Deloitte consumer confidence index continued to trend at record low levels in Q3 2020.

The index registered a weak uptick for the second consecutive quarter. In Q3 it gained one percentage point quarter on quarter, to -16%, as the partial reopening of the hospitality sector helped to brighten the mood of consumers during the summer months.

Takeaway 2

Consumer confidence on upwards trajectory but pessimism looms.

As lockdown measures were progressively eased in Q3, consumers remained extremely cautious, but felt slightly more confident than at the outset of the lockdown.

While concern over health and wellbeing remained high, sentiment around the job market improved following the reopening of retail and hospitality, which allowed many to return to work. However, optimism around personal finances waned due to growing fears about the economic and financial impact of a second wave of infections.

Takeaway 3

Sentiment around the state of the UK economy bounced back but remained extremely negative at -82%.

This is the second lowest score ever registered as consumers are concerned about the impact of reduced government stimulus, rising insolvencies, unemployment, Brexit uncertainty and stricter social distancing requirements on activity and the UK economy.

Takeaway 4

Net consumer spending recovered from last quarter but remained negative.

Net essential spending registered a small quarterly uptick but remained below zero, while discretionary net spending bounced back 12 percentage points, fuelled by the lifting of lockdown restrictions, but was well below this time last year.

With parts of the country already under stricter local lockdown rules, consumers entered Q4 bracing for the impact of a second wave. Net spending for Q4 is expected to be back in negative territory, as consumers anticipate to cut back on leisure spending in particular.

The Chief Economist's view

Ian Stewart
Chief Economist, Deloitte UK

The path of the virus continues to dictate the direction of the economy as a whole, and that of consumer spending in particular. Despite the boost from pent-up demand, staycations and the Eat Out to Help Out scheme, there's less bounce in August's GDP figure than expected. Now, with case rates rising, new restrictions and government support reducing, the outlook is for an even slower pace of growth in the coming months, as consumers brace for the worse and plan to cut right back on their discretionary spending.

The last, last word

Ian Geddes
Retail lead partner

Despite a tumultuous six months, retail sales rebounding beyond pre-pandemic levels will be a welcome boost to retailers that continue to navigate through the ongoing COVID-19 pandemic. As the nine-week countdown to Christmas begins, retailers will be keen to maintain the momentum, especially online, and ensure distribution can continue to cope throughout the festive season. As a result, we may see earlier-than-ever discounting from retailers, enticing consumers to spread out their Christmas shopping and thereby stage demand over a longer, more manageable period. For some retailers, Black Friday will be an important supply chain 'dress rehearsal' for an increasingly online Christmas.

Craig Turnbull
Consumer Products lead partner

While strong grocery sales continued to boost food-product sales, there were signs of a recovery in the personal care and on-trade sectors with the easing of COVID-19 restrictions in July. As the shift online becomes more permanent, manufacturers should increase their Direct-to-Consumer (D2C) investments. The manufacturers that had their purchase and fulfilment capabilities set up before the outbreak managed to quickly reorganise their distribution and sales channels to mitigate the impact of the pandemic. With Christmas approaching, businesses should step up their investment in D2C including offering subscription and flexible delivery services.

Simon Oaten
Hospitality and Leisure lead partner

Even as the sector reopens and seeks to focus on recovery, with the government schemes undoubtedly resulting in encouraging signs for the dining out and domestic holiday sectors, the recently announced restrictions and the threat of another national lockdown may undo the small advances made in Q3 2020.

The new restrictions will further delay the sector's recovery as consumer confidence takes another blow. While the government recognises the value and concerns of the sector, whether the support offered are enough to revive the industry remains unclear. The sustained interruptions to the sector, through inhibited underlying demand and the ability to operate, will inevitably result in structural change to the sector. How deep will be determined over the next six months.

Mike Woodward
Automobile lead partner

Despite a flurry of activity in July, sales lost during the most restrictive COVID-19 lockdown measures means that year-to-date new car registrations are down by 33% – and look unlikely to recover. Demand for cars over the course of the year will likely depend on how affected consumers' personal financial situations are. While confidence over job opportunities and job security have improved this quarter, new car sales are likely to stall if the recent rise in the unemployment rate continues.

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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.

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 25 and 29 September.

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