

## The Deloitte Consumer Tracker

### Consumers display resilience

Consumers continued to show resilience in the second half of 2017. After a +3% point rise in consumer confidence in Q3, the latest Deloitte Consumer Tracker remains flat at -7%.

The Q4 2017 results represent the first time since our survey began in 2011 that confidence has not fallen in the final quarter of the year. However, overall confidence remains negative as consumers continue to face headwinds caused by the UK's muted economic growth.

The individual drivers of consumer confidence tell a mixed story. Consumers feel less confident about their general health and wellbeing. We have seen record levels of confidence around job security, but consumers are less optimistic about their job opportunities and career progression. And, following a year worrying about debt and real-wage growth, consumers are more confident about both their disposable income and managing their levels of debt compared to Q3.

However, results from Deloitte's Consumer Tracker survey show that consumer spending is under pressure. Spending on essentials in Q4 has been driven by price inflation. While consumer spending on discretionary goods has grown quarter on quarter (as consumers splurged on sale items and gifts during the Black Friday and Christmas shopping periods), discretionary spend is marginally down year on year.

After disappointing December retail sales results, any growth in consumer spending through 2018 would be a welcome boost for the economy. While prospects for global growth continued to improve over Q4, the UK entered 2018 with an elevated level of Brexit uncertainty. The pace of economic activity slowed between 2016 and 2017 and is widely expected to remain below trend in 2018 and 2019.

However, there are also some positive factors for the UK. Brexit negotiations have progressed to include talks on a trade deal and a weak pound has boosted manufacturing and exports. Unemployment has continued to decline, with the jobless rate now at the lowest level since 1975 (4.3% August to October 2017), and the ONS has reported that after reaching a six-year high in November, inflation fell back to 3% in December.

Inflationary pressures are expected to continue to ease in 2018. In November 2017, the Bank of England raised interest rates for the first time in over a decade (+0.25% points to 0.5%) and the markets are pricing in another 25 basis point rise in 2018. Although stuttering wage growth remains a concern, falling levels of inflation should ensure that real-wage growth in 2018 is under less pressure than in 2017.

A faster than expected fall in inflation could provide some well needed support to real-wage growth and spending.

### Key indicators



\* Net balances

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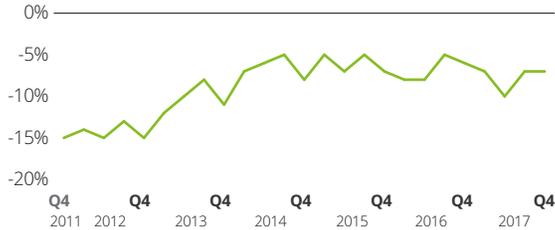
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# Summary of key survey messages

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

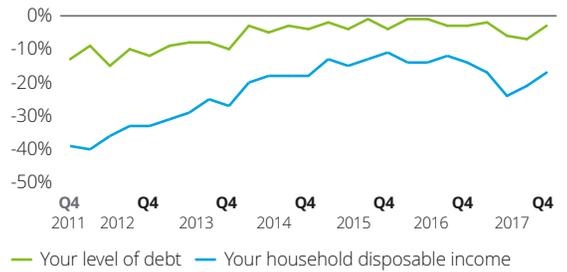
## Deloitte consumer confidence index

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



## Deloitte consumer confidence index

Net balance – consumer confidence in level of debt and disposable income



## Deloitte consumer confidence index

Net balance – consumer confidence in job security and job opportunities/career progression

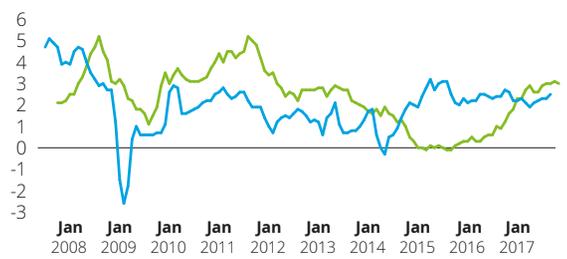


— Your job security — Your job opportunities/career progression

Source: Thomson Reuters DataStream

## % Growth in average wages vs. CPI inflation

% change year-on-year



— Average earnings including bonuses — CPI harmonisation inflation

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 05 January and 10 January 2018. 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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