

UK Consumer Confidence Monitor December 2010

Key Findings

- GfK NOP's Consumer Confidence Barometer (CCB) is unchanged at -21 for December. The Nationwide (NCCI) is a month behind. The November measure capturing initial reaction to the Comprehensive Spending Review (CSR) slumped 11 points to 47, a 21-month low.
- This month's CCB is greatly influenced by the pick up in the spending climate measure (up 10 points to -7) offsetting falls in all other sub-indices.
- By contrast all November NCCI sub-indices were very weak reflecting the concerns about jobs and household income in the next 6 months.
- Spending confidence among respondents to the NCCI survey was much weaker than the GfK measures, but may pick up in December reflecting the view among many GfK respondents that now is the good time to make major purchases in advance of the VAT rise in January.
- Both forward and backward looking GfK measures of the economic situation weakened. Optimism about the economy has evaporated in the past year – down 17 points.
- A drop in the numbers of savings households in recent months suggests more households are suffering from a squeeze on disposable income. Fewer households are saving (43% compared with 44% in November).
- GfK inflation expectations continue to be well above official rates. Consumers expect prices to rise some 8% in the coming 12 months – way above the official inflation indices - and suggesting the MPC is losing control of inflation. In the past 12 months consumers believe prices to have to have risen 11% (14% women).
- JGFR Financial Wellbeing Index gained 10 points to -37, boosted by rising spending confidence. The Misery Index also made gains, up 3 points to 127.
- Regionally confidence is strongest in the East of England and London and weakest in the West Midlands and Northern Ireland.
- With inflation continuing to be higher than target, and job losses likely to worsen in the coming months, the near term outlook for confidence is gloomy. The current wave of student protests and the threat in the spring of widespread industrial reaction provide little cheer to welcome in the New Year.
- Economic policy making is becoming extremely difficult in the face of steep price rises. There is a growing case for the BOE's MPC to raise interest rates
- We see little pick up in confidence in the near term and expect it to drift lower in the coming months as the spending climate worsens to the -20 to -24 level