UK Consumer Confidence Monitor May 2010

Key Findings

- GfK NOP consumer confidence is down 2 points to -18; the Nationwide CCI is down 8 points at 69.
- 3 of the 5 GfK sub-indices fell in May. Both forward-looking measures of household finances and economic optimism fell, along with the measure of spending sentiment on major purchases. All 3 Nationwide indices fell.
- Expected unemployment in the GfK survey increased in May, the Nationwide current and forward net balance measures of job availability are unchanged
- GfK inflation expectations reached their highest level since October 2008.
- The measure of current inflation improved in May. There is a big gender gap - 28% of women believe prices have risen a lot compared with 19% of men. As a result women's spending may be weaker.
- Spending sentiment about it being a good time to buy big-ticket items such as houses or cars is at its weakest in the past year
- The Nationwide household goods spending climate measure is slightly higher in the month; the GfK spending climate measure lower. The GfK spending intention measure on household goods improved on the month. Overall GfK spending confidence on household goods is unchanged in May.
- Savings confidence edged higher in May with both the savings climate and intentions measures improving.
- There is no change in the proportion of households saving at 44%. The measure of household's financial position is down 1 point to –16, up from –15 a year ago.
- The JGFR Financial Wellbeing index fell 6 points to –41 reflecting weaker household finances. It is down 31 points since its recovery from a January 2009 low of –85 to -10 last October and looks set to move lower.
- Confidence only rose in 3 of 12 regions – London, Yorkshire / Humberside and the North East. It slumped 11 points in Northern Ireland in May.
- With election uncertainty over, many people will be worried about the forthcoming emergency budget and its impact on them. At the same time sporting events such as the World Cup will occupy the nation, particularly in England.
- The Nationwide May measure suggests that the country is reacting negatively to the new coalition government. With great focus on the size of the tax rises / spending cuts to be announced a mood of increasing pessimism may prevail. We expect GfK confidence to be between –18 and –22.

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