



November 17 2011

Double dip recession inevitable

Such are the negative feedback loops resulting from poor economic data and political indecisiveness that it is inevitable that the mood of consumers both in the UK and across many countries in Europe is at or nearing record sentiment lows with a recession in prospect.

The October Nationwide Consumer Confidence Index fell 5 points to 41 on a non-seasonally adjusted basis, only 2 points above February's all-time low of 39, and 17 points below a year ago.

All 3 sub-indices fell with the biggest drop in the Expectations Index, down 8 points to 54, 1 point higher than the February low and 24 points lower than a year ago. Only 13% of consumers believe the economic situation in 6 months' time is likely to be good, 2 points lower than in September and 10 points down on a year ago. The net balance of people expecting the employment situation to improve fell from -34% in October to -41% in October while the net balance of people expecting their household income to be lower in 6 months' time widened from -4% to -6% month-on-month.

Only 3% of adults believe the current economic situation to be good – a survey low – with the Present Situations Index down 3 points to 20 on the month and 9 points lower than a year ago.

Spending confidence fell to its lowest level (73) since July (78) and is 19 points lower than a year ago. There is little seasonal cheer in prospect in terms of major purchases, with both spending measures – on major purchases such as houses or cars – and on household goods – the lowest on a 3-month basis since the spring. The spending outlook in the run up to Christmas is weak.

Consumers' downbeat mood extended to the housing market where prices are expected to fall by 0.6% over the next 6 months.

Commented John Gilbert: *“Very weak consumer data coupled with the latest jobs figures showing unemployment at a 17-year high and political tight-rope walking in Europe make for a very uncomfortable fortnight for the Chancellor as he ponders measures to stimulate elusive growth while being mindful of the key policy priority to cut the deficit. 25 years after the first City Big Bang another one seems set to occur brought on by banking and Eurozone over indebtedness, with enormous implications for the future of the City and UK economy. “*

To see full analysis of the October Nationwide CCI subscribe to the annual (or monthly) UK Consumer Confidence Monitor. For a free October copy of the CCM please contact info@jgfr.co.uk

*The Nationwide CCI in October, carried out by TNS-RI research took place from 26 September – October 23 2011 with 1,000 people