

Consumers Borrowing More!

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***Did you know the consumer is increasing
the velocity of their non-mortgage borrowing!***

For those managers and funds invested in or seeking to invest in the consumer sector, be it retail or supply into retail, the current climate being experienced in UK is very difficult to read.

We have on the one hand the growth in value, and more importantly, the churn of residential property effectively cut off, due to the lack of liquidity in the credit and mortgage markets.

Whilst on the other hand consumer facing enterprises are taking a more cautious approach to medium term trading prospects and hence, rightly, being circumspect with investment. Investment, in many instances, which has fuelled growth in recent years.

- Such as; refurbishment or renewal of “the retail experience”, or more tactically simplistic, reduced marketing expenditure.

So at the basic level the energy supply of “performance improvement” is being reduced or limited. Set this against a backdrop of increasing costs and we may be facing a self fulfilling stagnant cycle.

Looking at what the consumer is actually doing, through commercial due diligence, has never been more important.

- An insight can be gained by looking at chart 1b in the **Consumer Indicators Section** of our site and note the recent trend of growth in **Retail Sales** where it remains at over 3.5% up on prior years.
- To see where consumers are getting the funds to keep up this level of spending look at chart 6b in Savings and Borrowings.
 - ***They are borrowing more outside mortgages!***
- They have increased the velocity at which they are borrowing since a low of 1% in mid 2007 to a current trend of over 6% more than last year! This trend is increasing.

If the consumer is prepared to continue borrowing and spending, great! However as we will no doubt see a falling off then as always strong companies with a well differentiated offer will succeed and marginal grey businesses will fail.

If you would like to further discuss this please feel free to call or email.

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