

**Reasons why consumer confidence is severely depressed**



Retail Sales Data - seasonally adjusted						Source ONS
	Value growth			Volume Growth		
	Food	Non Food	All	Food	Non Food	All
	% on Prior Year			% on Prior Year		
<b>Jan</b>	5.2	5.1	5.3	2.2	8.3	6.3
<b>Feb</b>	6.1	3.6	5.0	3.3	5.9	5.4
<b>Mar</b>	4.5	1.2	3.1	2.4	4.4	4.2
<b>Apr</b>	3.7	0.6	2.3	1.6	3.9	3.3
<b>May</b>	8.6	6.5	7.0	1.0	9.7	7.3
<b>Jun</b>	6.1	-0.8	2.7	1.4	1.4	2.3
<b>Jul</b>	7.3	1.1	3.9	1.3	2.7	2.7
<b>Aug</b>	5.6	2.4	4.0	-0.2	4.9	3.4

As can be seen from the data table above sales up to August 2008 were showing value growth of 5.6% over 2007 in the **food sector**. This being entirely driven by inflation, with volume entering the negative zone (-0.2%) for the first time.

**Non food** benefited from the “On Sale” effect driving up volume by 4.9% over 2007, most likely at the expense of margin as value growth lagged 2.5% behind at 2.4%.

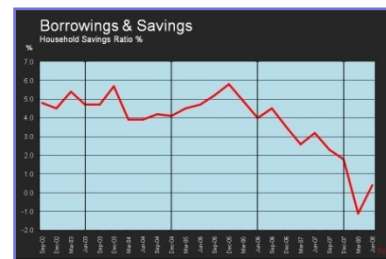
Reviewing a selection of the **trends which are influencing the consumer** it can be safely said that confidence levels are being severely depressed.



**Retail Prices** are on an upward curve touching 5% over last year.  
 The only saving grace is that oil has come off its \$147 level to sub £100 a barrel which will feed some relief into the system in the coming months



**Residential Property Prices** are on a continuing downward trend, albeit the August decline was less severe.  
 With new mortgages approved at just 32,000 in August, compared to 115,000 last year, the demand needed to hold prices is missing.



**Household Saving Ratio**  
 This quarterly ratio has for the first 2 quarters of 2008 tipped into zero to negative territory. This from a level of around 5% between from 2002 to 2006.  
 Consumer “working capital” is drying up.

Looking forward, it would seem that the worsening global, UK and personal economic situation being headline news on a daily basis, for what is now a very extended period, will deepen the pressure on consumer confidence.

It can only be feared that forthcoming months will be hard pressed to remain in positive sales territory.

Also worth noting as a backdrop to the probable flat growth in sales values, is a rising cost base in retail, this combined with falling margins in Non Food retail as a reactive attempt to increase volume.

**Consumer Indicators - trends which influence and derive from consumer behaviour**

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