

## Consumer Confidence Dips for Second Time in 2014

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- Overall spending on essentials continues to fall, around 0.5% less than a year ago
- Supermarket 'price wars' help keep spending growth on food and drink low
- Spending on automotive fuel and gas & electricity bills continues to fall

The Lloyds Bank Spending Power Report for September finds that consumer confidence has dropped for the second time this year, falling six points to 146. September also saw a 15 point fall in sentiment towards the UK's economic situation from last month, to 275 points reflecting a level of uncertainty leading up to the Scottish Referendum. The current situation also saw a dip in confidence, dropping 13 points to 176.

For the third month in a row, continued falls in spending left overall essential spend around 0.5% lower than this time last year. Among categories of essential spending, there has been no growth on food and drink spend in the last three months. This could be attributed to supermarket price wars, which are having an impact on the frontline for consumers.

The fall in spending on fuel continues to accelerate, with average spending around 6% lower than this time last year, keeping a lid on the rise in the cost of living. The growth rate on gas and electricity is also slowing, with customer spend around 5% lower than this time last year.

Patrick Foley, Chief Economist at Lloyds Bank, said: "While confidence has moderated a little this month, consumer sentiment remains positive overall, reflecting the signs of continued economic recovery. Though wage growth remains only muted, with essential expenditure placing less demand on household finances, consumers are finding more scope for discretionary spending."

### Current Situation

Consumer sentiment towards the country's financial situation remains stable from August with the balance of opinion up 32 percentage points from this time last year, although the net sentiment balance remains negative at -27%. Despite continuing to be the most positive region, opinion has declined across Greater London from a balance of 5% to -12%, reducing the gap over the regions. Similarly, a drop in sentiment across Northern Ireland (-26% to -45%) this month brings it amongst the least positive regions, alongside Wales (-44%).

Feelings towards the housing market have remained broadly stable since June with a balance of -12%, reflecting a levelling off of price rises seen during the summer. This continues to see a positive improvement of six percentage points compared to this time last year. As a presumed result of uncertainty ahead of the referendum, September also saw a notable decline in opinion across Scotland (-26% from -14% in August). This brings Scotland amongst the least positive regions in September, along with the North East (-23%).

Attitude towards the current employment situation saw an eight point decline in September to -26%, after a fairly strong increase in August. This could be due to wage growth remaining low, with employment growth slowing following strong rates seen in the first half of the year. This decline has led to a fall in both the current and economic indices with a 13 and 15 point drop respectively. However, this is still a 31 percentage point improvement in opinion compared to this time last year.

Consumers' sentiment about their own personal financial situation remains a positive balance from last month at 18%. Opinion across Greater London saw a decline of 22 percentage points this month, taking the balance of opinion to -14%. This, together with an increase of 21 percentage points across the West Midlands, sees the West Midlands being the most positive region for September (28%).

Greg Coughlan, Director of Personal Current Accounts at Lloyds Bank said: "Despite the decline in sentiment we have seen this month, this is only the second dip of 2014. Overall we have instead noticed a continued improvement in consumer confidence throughout the course of the year, especially as consumers report stability in their own finances. The decline in spending over the last few months also shows that people are becoming more savvy with their money."

### Future Situation:

The balance of opinion on future discretionary income between those feeling they will have more versus

less money in the next six months remains at 5% for the third consecutive month. Wales saw a 26 percentage point increase in September to 14%, making it the the most negative region in August to the most positive in September, alongside Greater London at 12%. Those in the North East continue for the second consecutive month to be the most negative at -7%.

Sentiment towards future saving remains stable with a balance of 12%. All regions hold a positive balance for September, with Wales being the most positive region after a 16 percentage point increase to 22%,. A drop of nine percentage points across Yorkshire and Humberside made it the most negative region at 2%.The balance of opinion on future discretionary income between those feeling they will have more versus less money in the next six months remains at 5% for the third consecutive month. Wales saw a 26 percentage point increase in September to 14%, making it the the most negative region in August to the most positive in September, alongside Greater London at 12%. Those in the North East continue for the second consecutive month to be the most negative at -7%.

Meanwhile, the balance of opinion on future spending remains negative at -3% this month from -1%. A 17 percentage point drop across Greater London saw the region hold a -4% balance. Scotland is the most negative region with a balance of -9%, a six percentage point decline from August.

**Please find the full press release attached in PDF format, or you can navigate to the following link on the Lloyds Banking website:**

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