



Another blow to confidence

The Deloitte Consumer Tracker

Q4 2020





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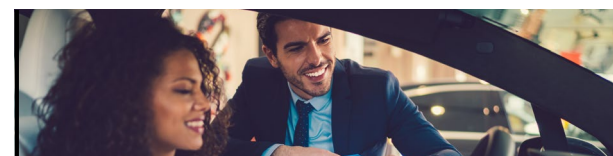
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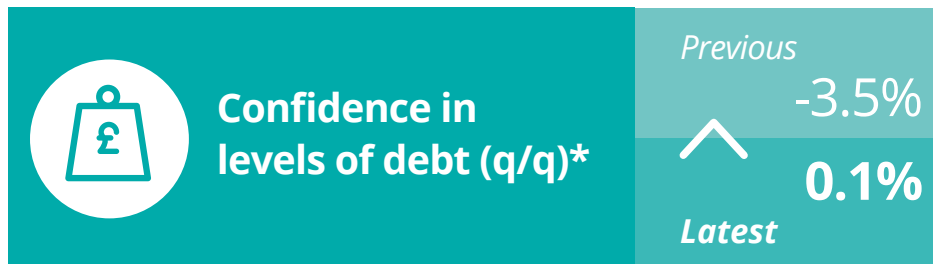
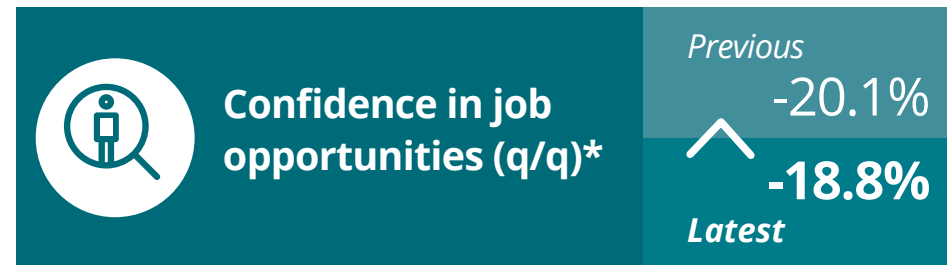
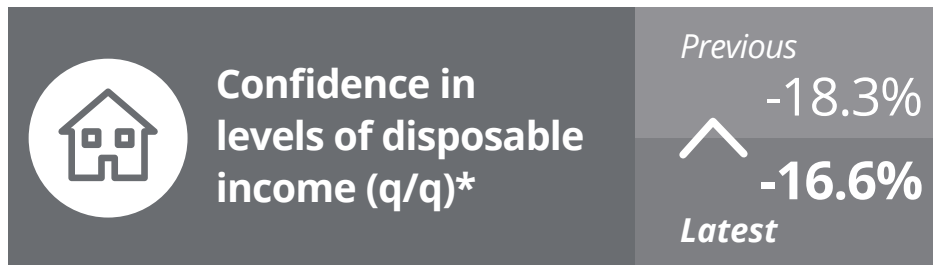
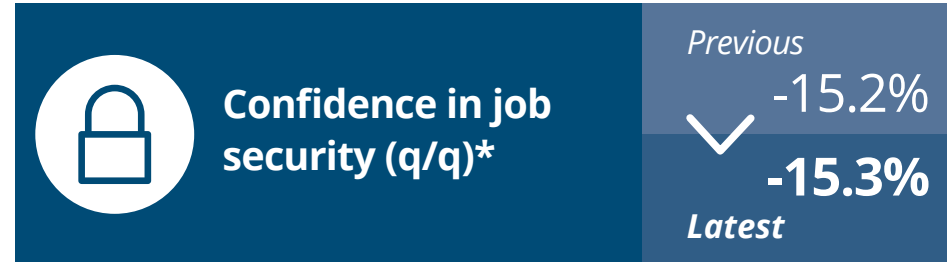
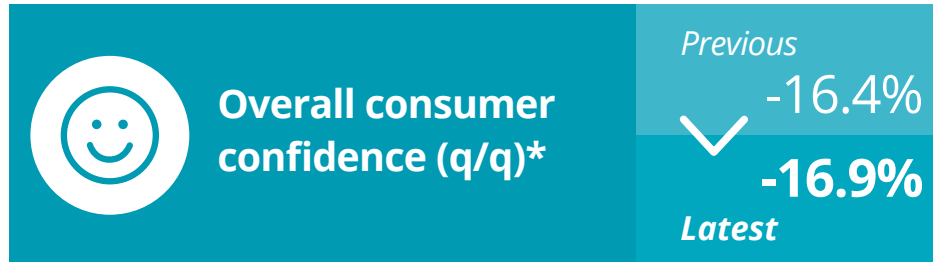
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Q4 2020 at a glance



*Net balances

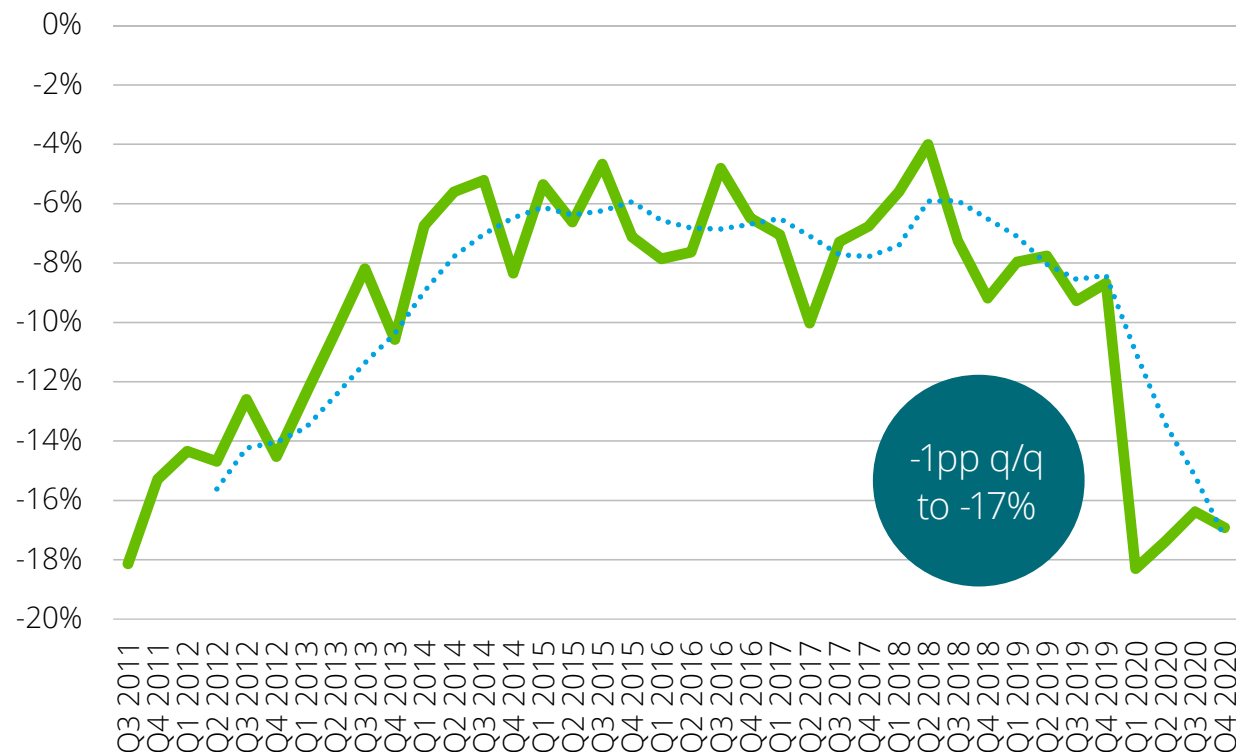


Consumer confidence



Deloitte consumer confidence index *

Net % of consumers who said their level of confidence has improved in the past three months



Consumer confidence on a downward trajectory as pessimism returns

Interviewed over the first three days of 2021, but before the latest lockdown was announced, consumers seemed resigned to COVID-19 restrictions tightening after most of the country had moved into tier 4 a few days before Christmas. The Deloitte consumer confidence index, which was already trending at record low levels, lost one percentage point quarter on quarter to -17% as a new strain of the virus brought much of the UK economy to a halt once again.

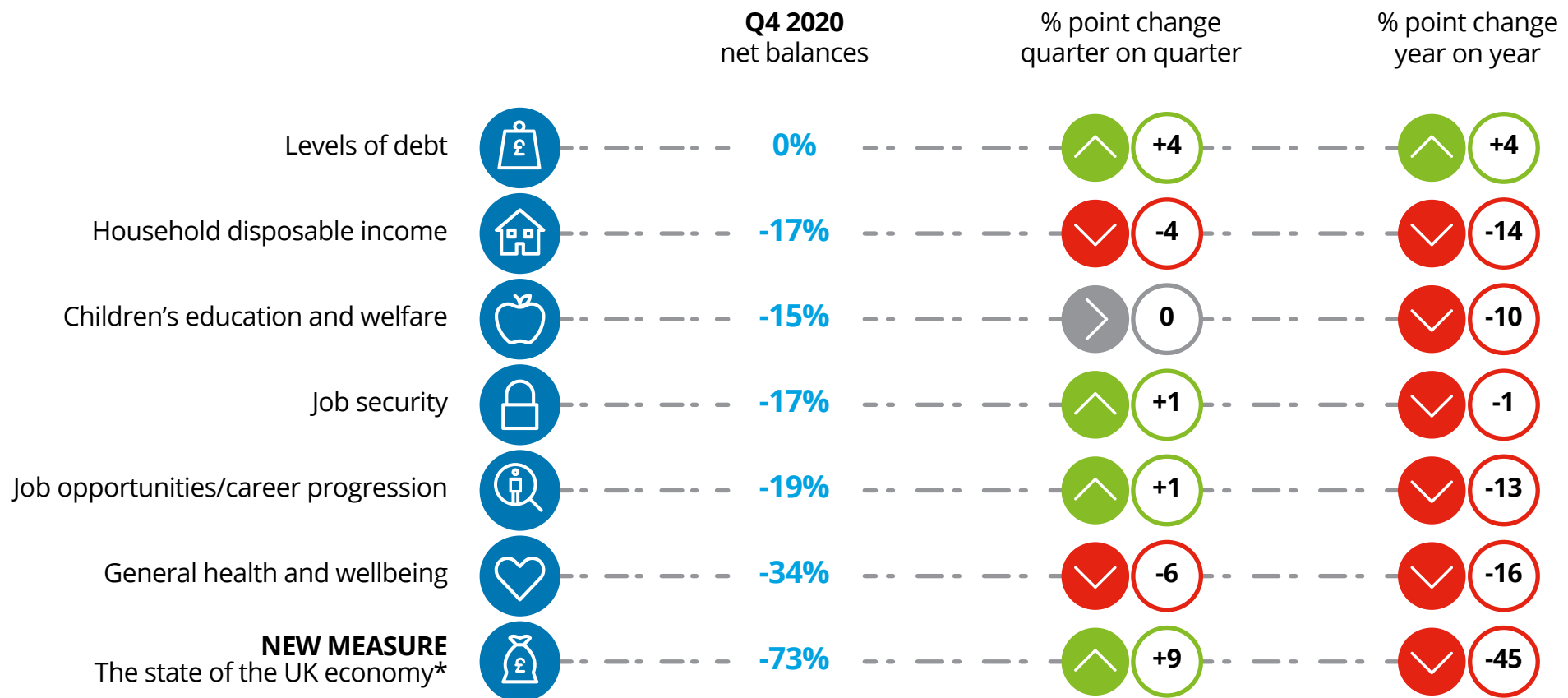
..... Annual moving average

*The Deloitte consumer confidence index is an average of the net % of consumers who said their level of confidence improved in the past three months for six individual measures of confidence (see next slide).

Source: The Deloitte Consumer Tracker

Individual measures of consumer confidence

Our overall confidence index is based on six individual measures of confidence



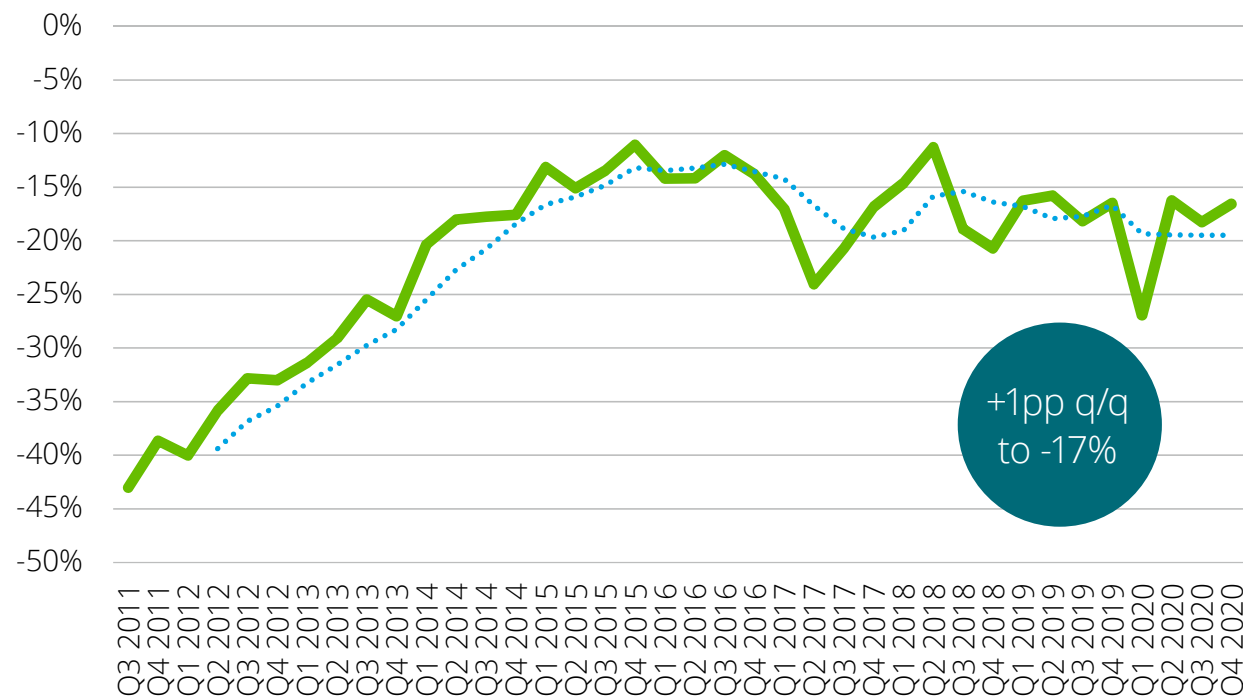
Source: The Deloitte Consumer Tracker

*Please note this measure is not included in the overall index



Consumer confidence about their levels of household disposable income

Net % of consumers who said that their confidence in their levels of household disposable income has improved in the past three months



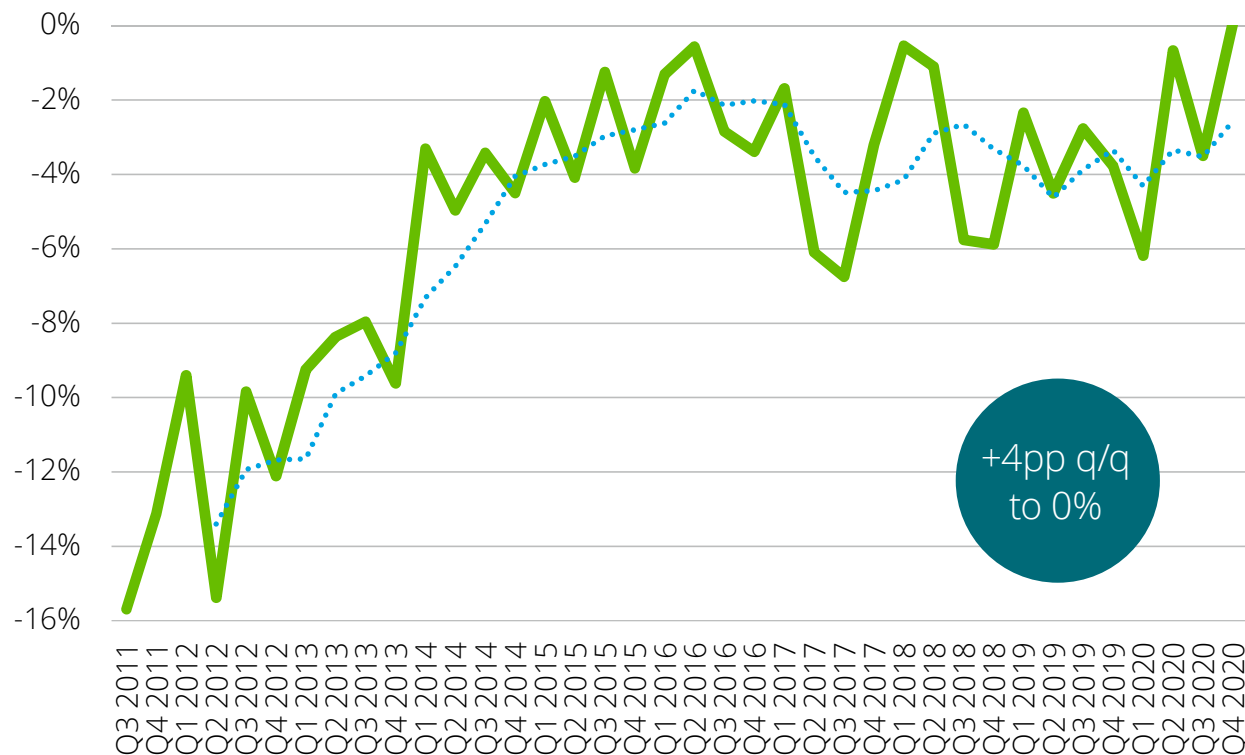
..... Annual moving average

Optimism surrounding disposable income improved in Q4 2020

In a sign that government support was helping but also as consumers stay at home unable to spend on holidays and socialising, sentiment about levels of household disposable income remained the same at -17% in Q4 2020 and was one percentage point higher than it was a year ago (-16% in Q4 2019).

Consumer confidence about their levels of debt

Net % of consumers who said that their confidence in their levels of debt has improved in the past three months



..... Annual moving average

Source: The Deloitte Consumer Tracker

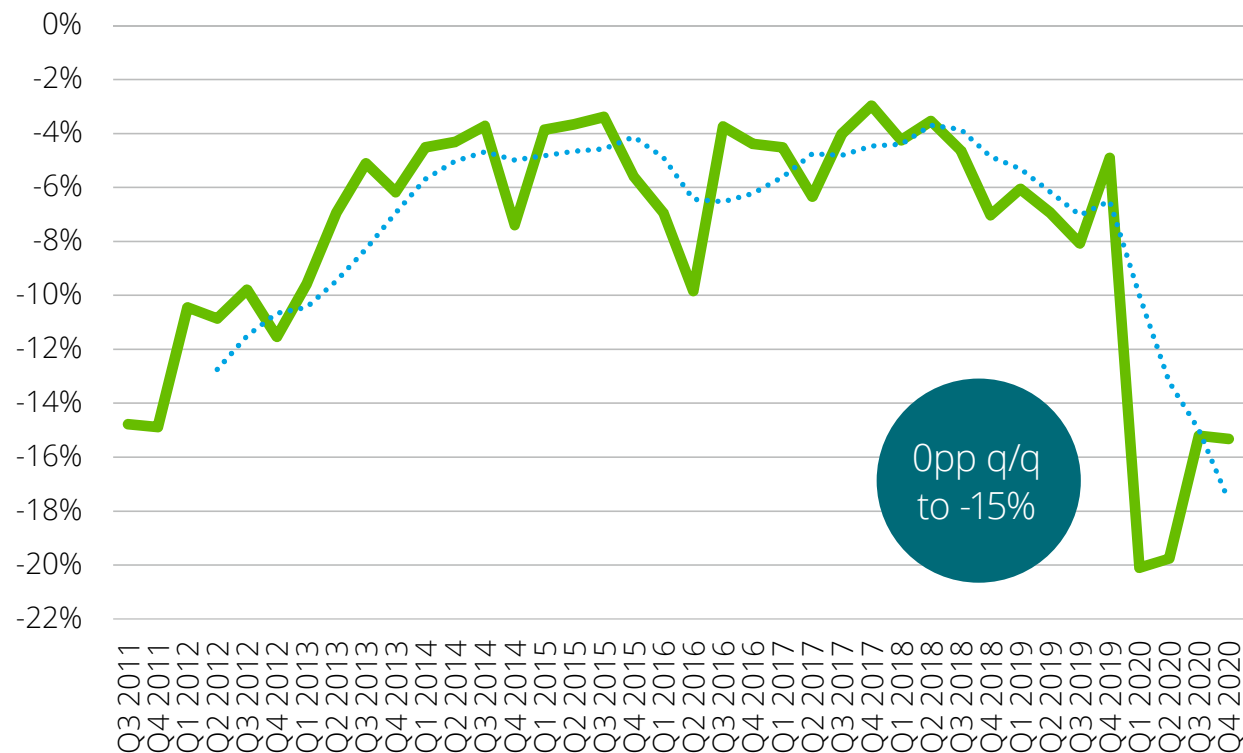
Confidence in levels of debt improved as consumers are forced to save and benefit from the extension of some of the major government and private sector income-support measures

Measures such as lenders offering payment holidays on loans, mortgages and credit cards, plus overdraft support combined with consumers taking advantage of spending less on their commute to repay their debts have helped push confidence about levels of debt to its highest level since the Tracker began [in Q3 2011], up four percentage points in Q4 2020 both on a quarterly and yearly basis.



Consumer confidence about job security

Net % of consumers who said that their confidence in their job security has improved in the past three months



..... Annual moving average

Source: The Deloitte Consumer Tracker

Sentiment about the job market remained stable

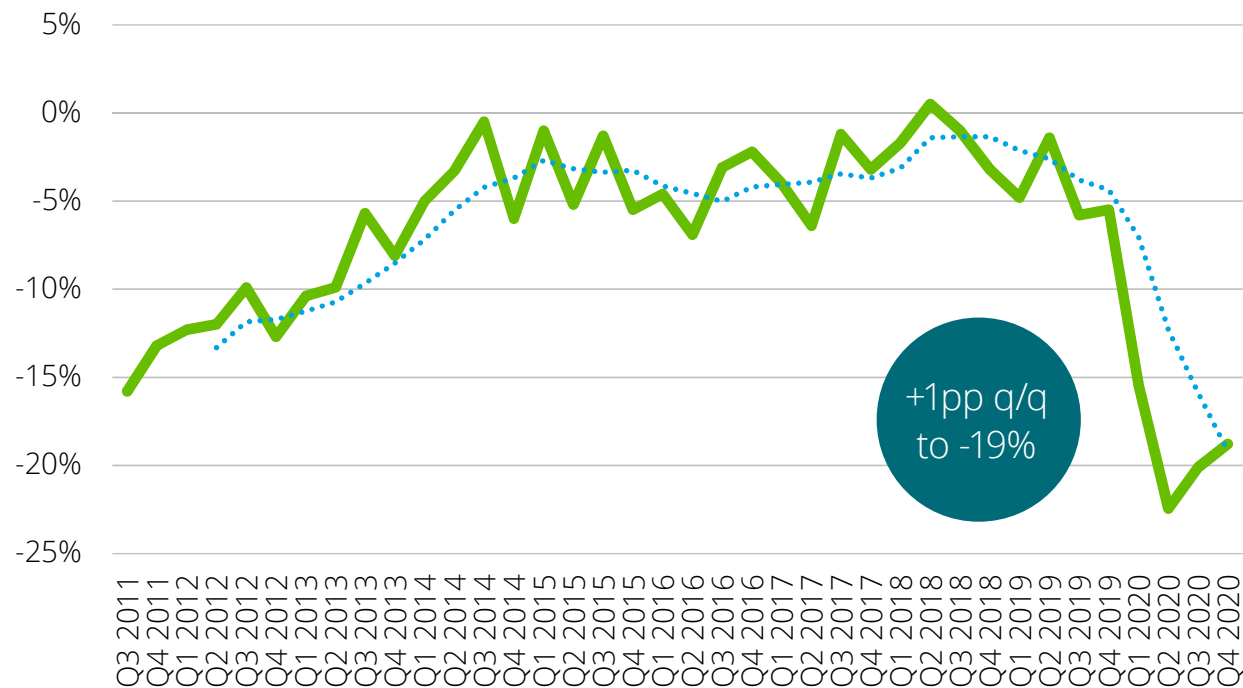
Confidence about job security stayed at -15%. The Job Retention Scheme and other forms of government support have successfully prevented sharp increases in unemployment during the first lockdown.

The subsequent extension of the furlough scheme to the end of April should provide a lifeline for many jobs with fewer job losses expected as a result over the next few months.



Consumer confidence about job opportunities

Net % of consumers who said that their confidence in their job opportunities and their career progression has improved in the past three months



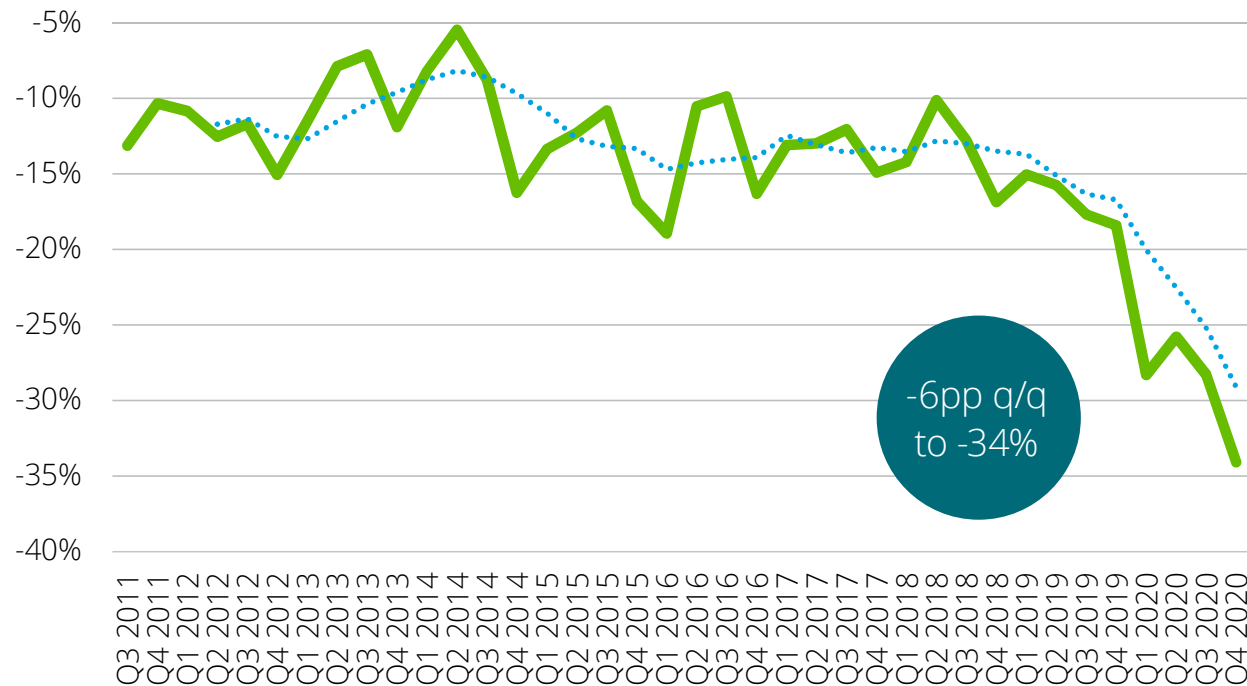
..... Annual moving average

Improved job prospects

A more stable than expected job market sees sentiment around job opportunities and career progression gained one percentage points to -19% in Q4 2020.

Consumer confidence about their general health and wellbeing

Net % of consumers who said that their confidence in their general health and wellbeing has improved in the past three months



Confidence in health and wellbeing deteriorates further

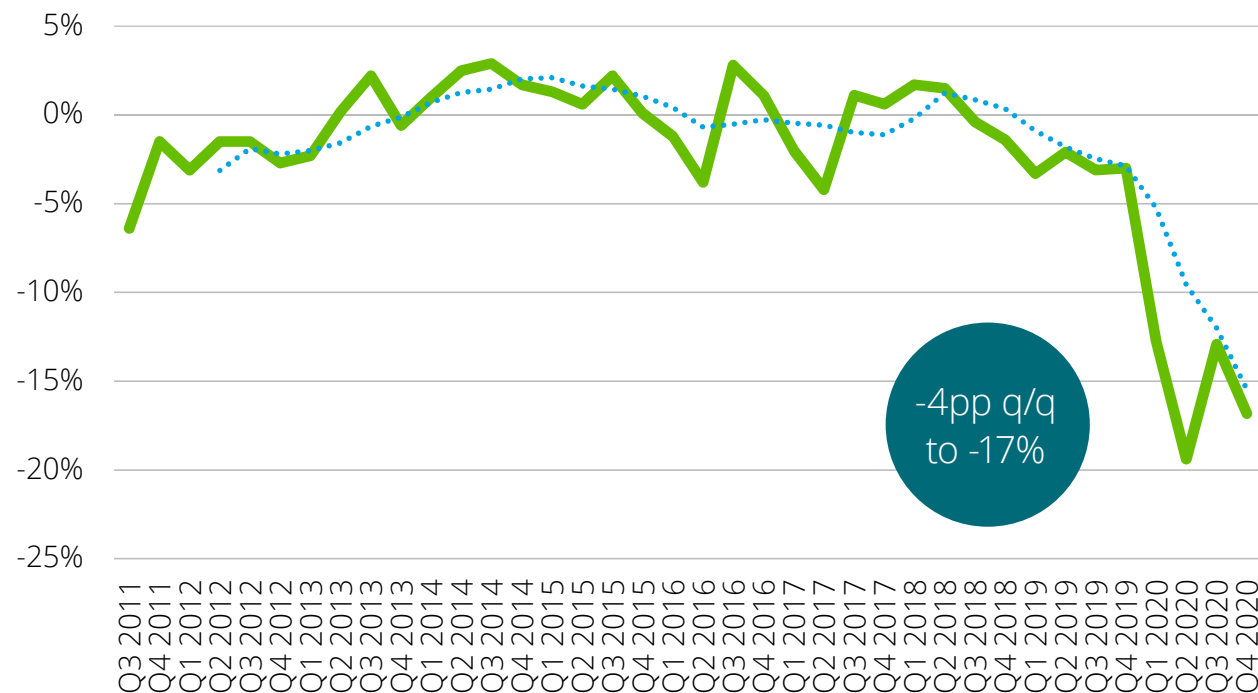
The emergence of a new more virulent strain of COVID-19 led to confidence around health and wellbeing dropping a significant six percentage points to the lowest level (-34%) ever recorded in this series.

..... Annual moving average

Source: The Deloitte Consumer Tracker

Consumer confidence about their children's education and welfare

Net % of consumers who said that their confidence in their children's education and welfare has improved in the past three months



..... Annual moving average

Source: The Deloitte Consumer Tracker

Uncertainty around the impact of the restrictions on children's education and welfare continues

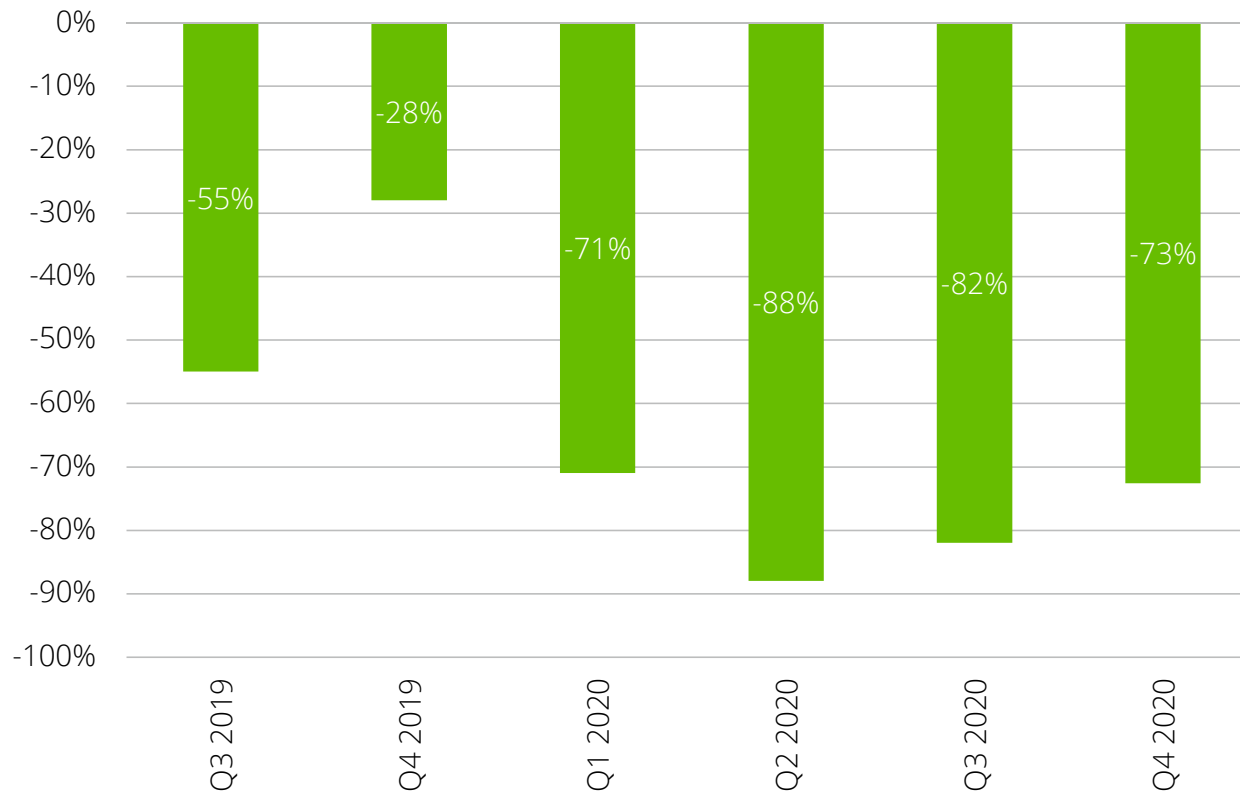
With guidance still unclear on whether schools would reopen when the survey took place in early January, confidence around children's education and welfare fell by four percentage points to -17% (from -13% in Q3 2020), another historical low.





Consumer confidence about the state of the UK economy

Net % of consumers who said that their confidence in the state of the UK economy has improved in the past three months



Tightened COVID-19 restrictions take their tolls on consumer sentiment about the state of the UK economy

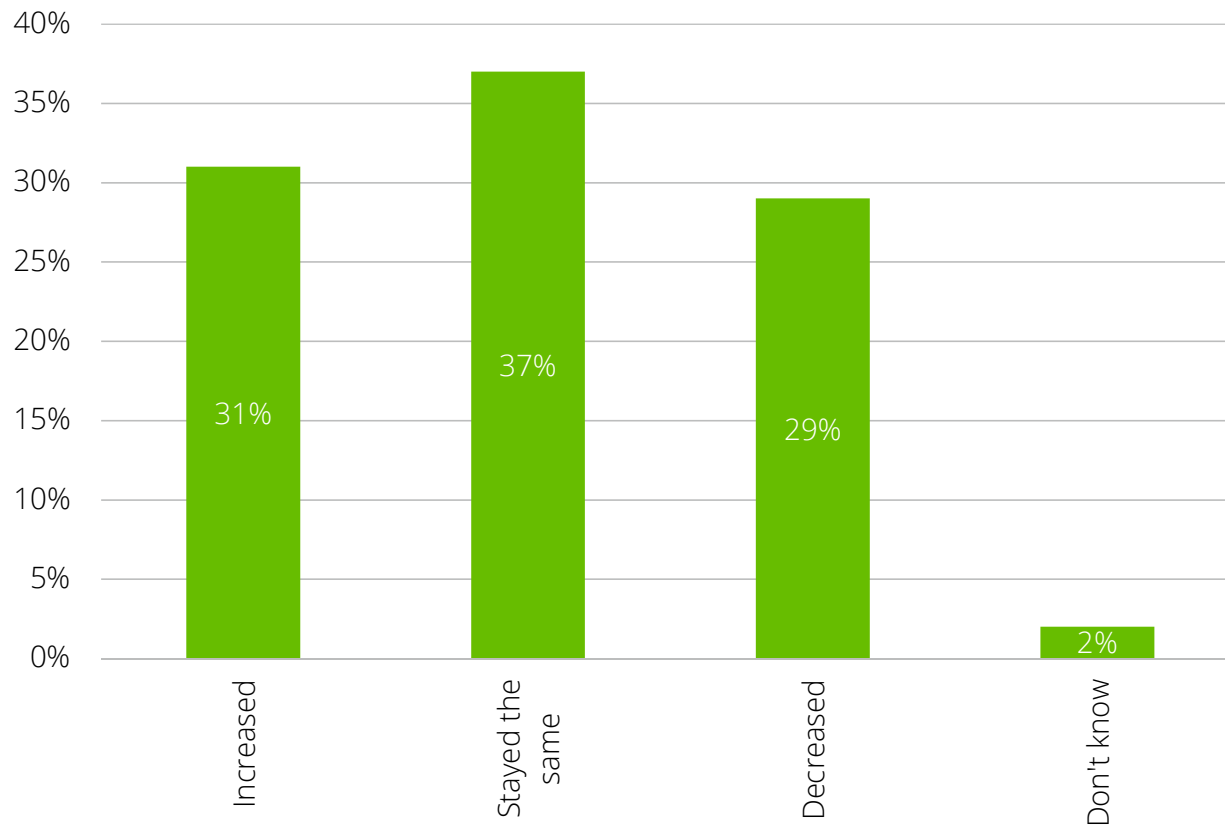
Sentiment around the state of the UK economy bounced back nine percentage points at -73% it remains extremely negative.

It seems that even a last-minute trade agreement with the EU could do little to reduce consumer concerns over the impact of tightened COVID-19 restrictions on the UK economy.



Levels of savings compared to pre COVID-19

% of consumers



Source: The Deloitte Consumer Tracker

Our data suggests that aggregate savings rates hide substantial inequality

Since February 2020, nearly a third of consumers (31%) said their savings have increased but nearly the same proportion (29%) reported their savings had decreased.

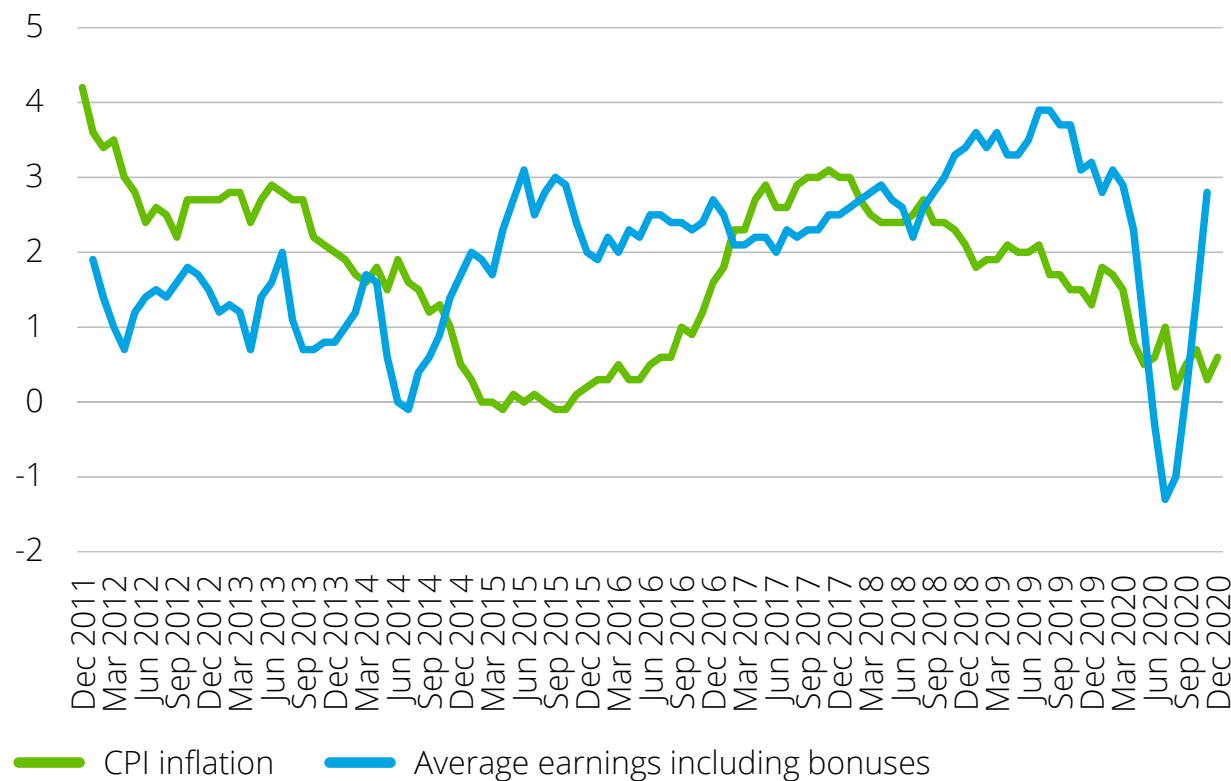
Those who have kept working in stable jobs have maintained their incomes while their spending declined and those in more vulnerable sectors have often had to rely on borrowing to buy essentials.



The wider economy

Low inflation continues as earnings grow

CPI inflation vs average earnings (incl. bonuses)
(year-on-year % growth)



Source: Refinitiv Datastream

Government support and a prolonged period of COVID-19 restrictions drive low inflation

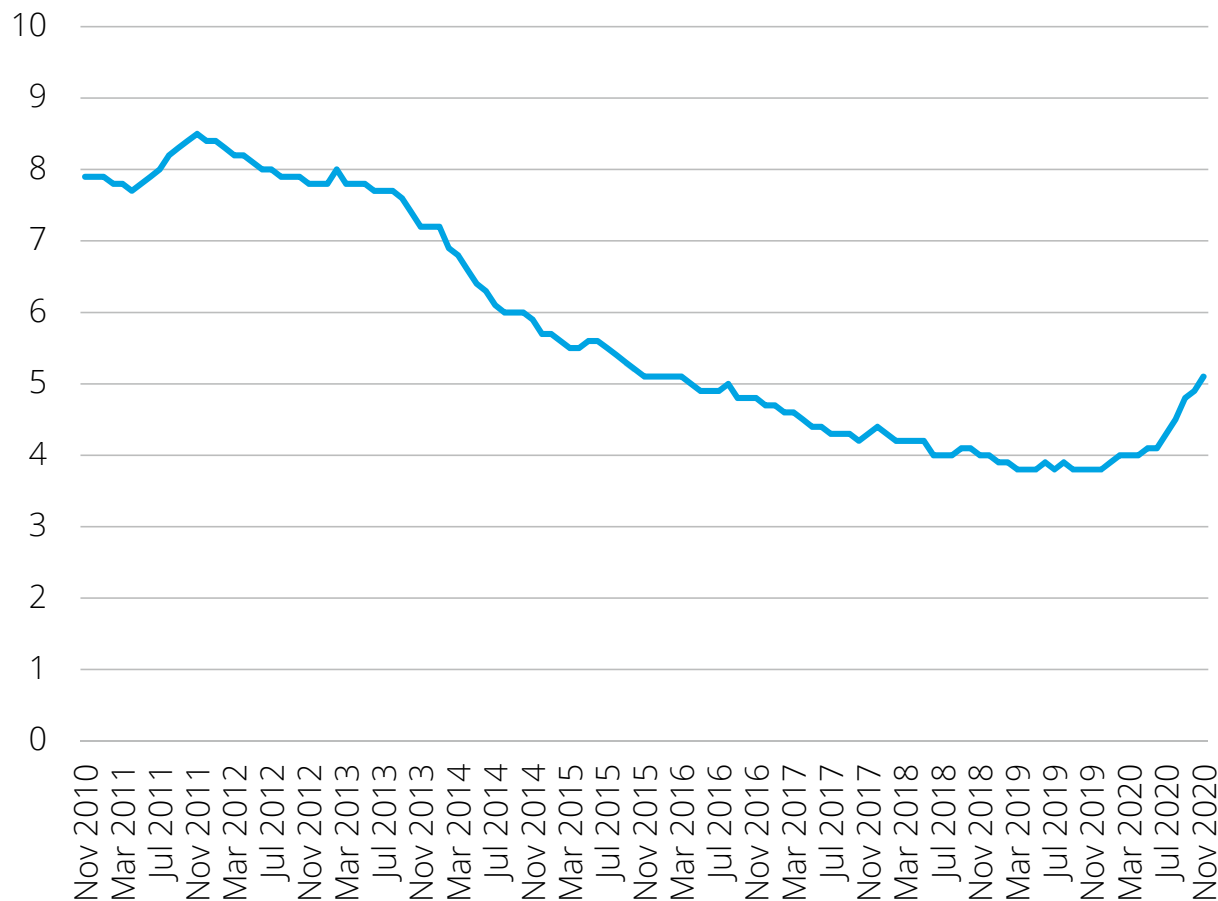
Since March the inflation rate has been falling significantly as a result of lockdown and government measures to stimulate the economy.

Meanwhile, according to the ONS the rate of average earnings growth, which showed a year-on-year rise of 3.6%, was driven by a fall in the number and proportion of low-paid jobs. However, after adjusting for this effect, it was likely to be under 2%.



Furlough scheme helps limit unemployment rise

UK unemployment rate (all aged 16 and over)



Source: Refinitiv Datastream

Government support prevents sharp increase in unemployment

Government support has not have successfully prevented sharp increases in unemployment since the first lockdown.

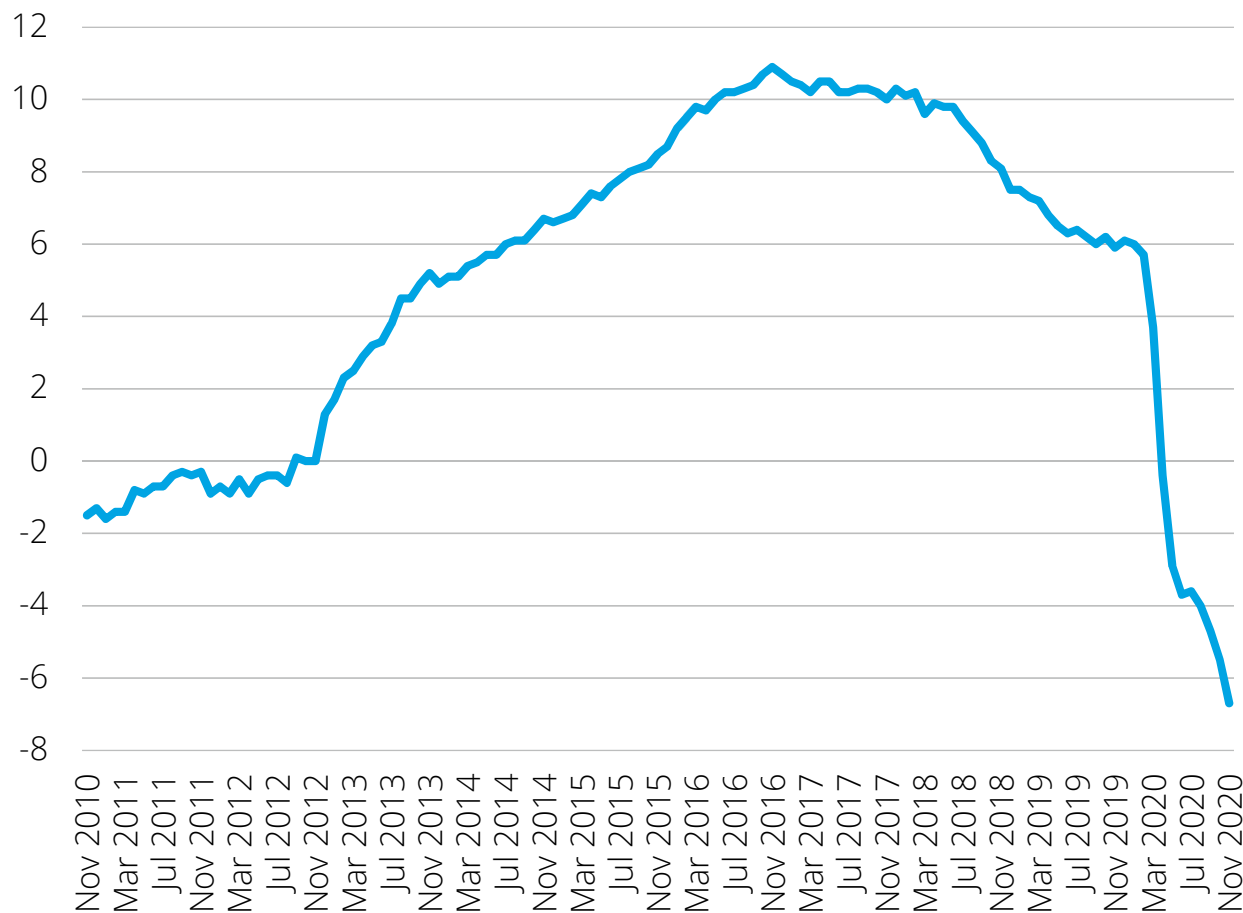
The UK unemployment rate rose to 5.1% in the three months to November from 4.9% in the previous three months.

However, the subsequent extension of the furlough scheme to the end of April should provide a lifeline for many jobs with fewer job losses expected as a result over the next few months.



Demand for consumer credit reaches a new low

Net lending to individuals (year-on-year % growth)



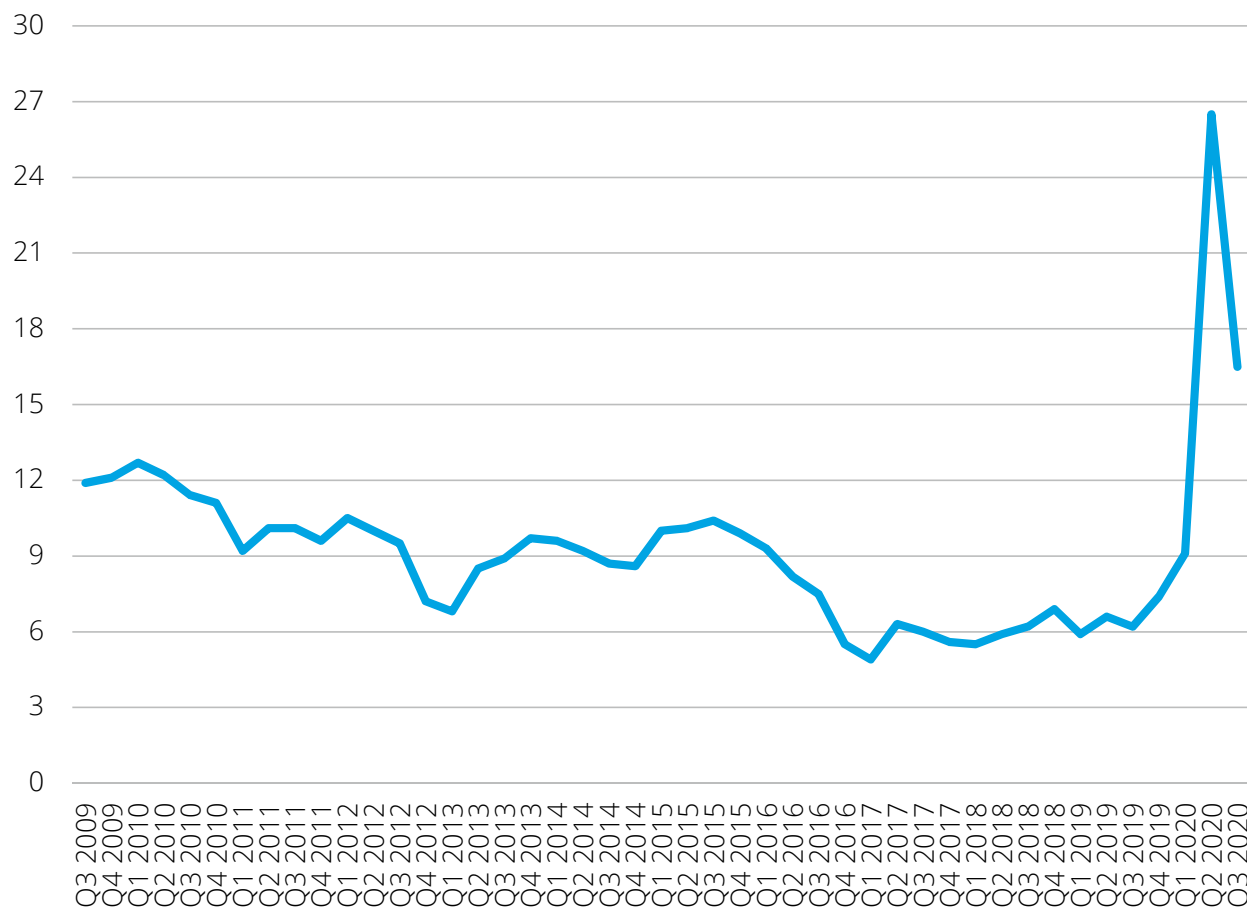
Household's consumer credit falls significantly as consumers repay their debt

Since the beginning of March, households have repaid £17.3 billion of consumer credit.

That has caused the annual growth rate to fall to -6.7% in November, a new series low since it began in 1994.

Savings ratio remains at a record high

UK households' savings ratio



A nation of forced savers

Consumers have become forced savers unable to spend on holidays and socialising, as well as 'fear savers' limiting their spending over concerns about the growing threat of recession and the impact on people's jobs.

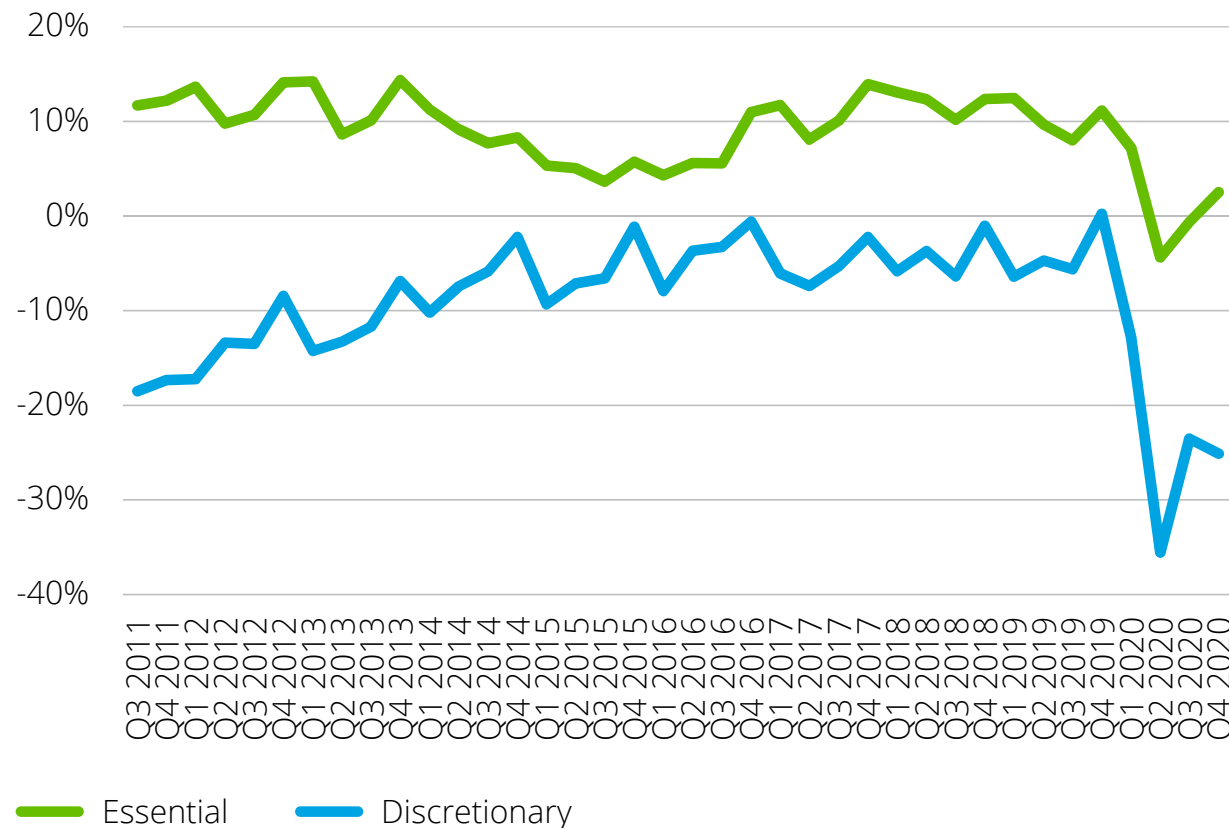
As a result, despite falling from 26.5% to 16.5% between Q2 and Q3 2020, the savings ratio remains at a record high.



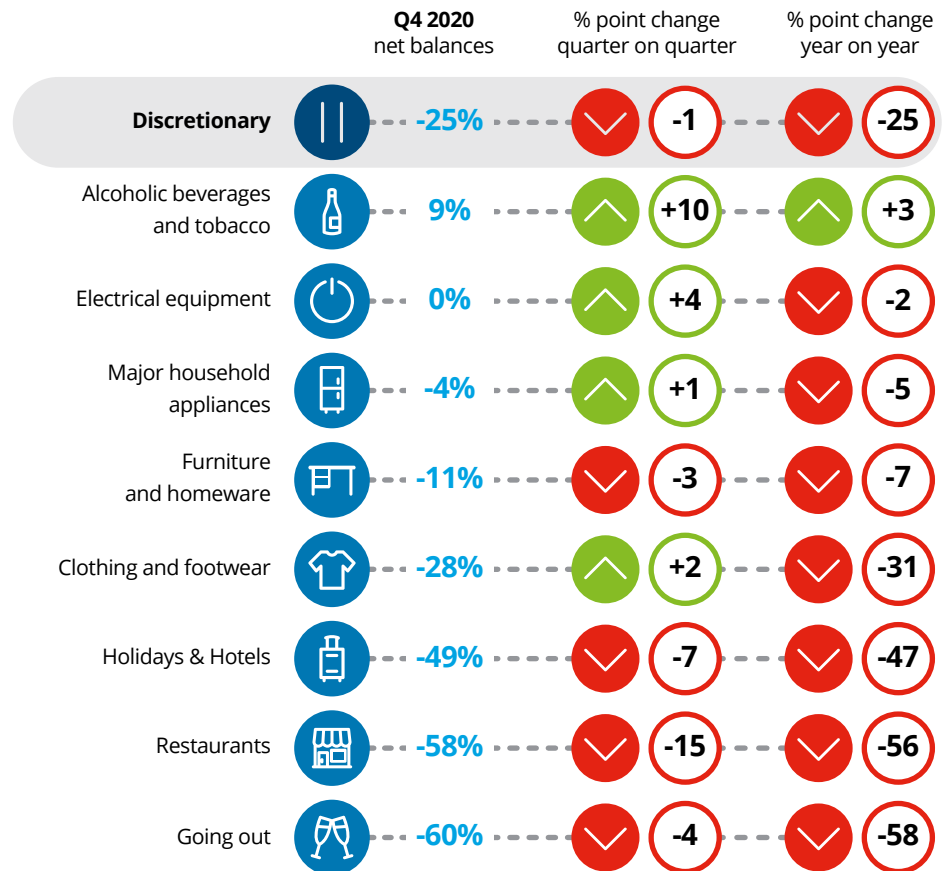
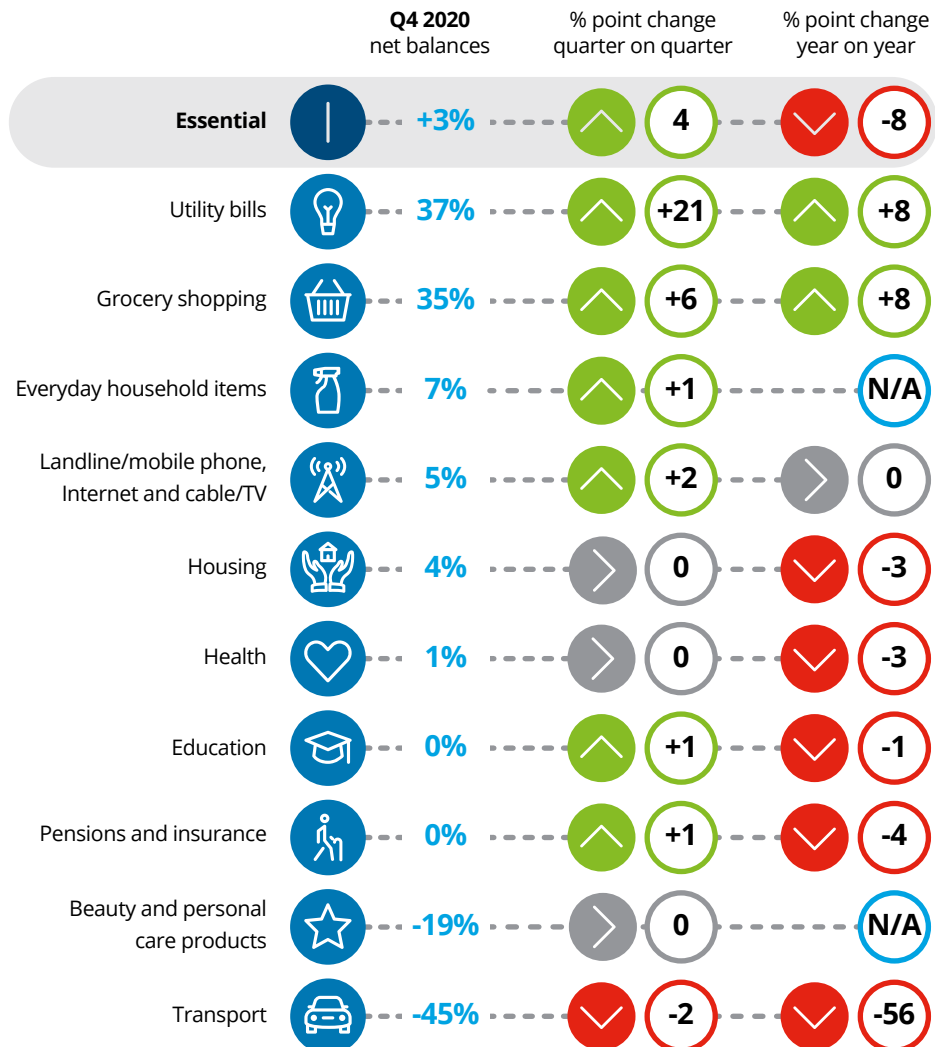
Consumer spending

Consumer spending in the last three months – essential vs discretionary spending

Net % of UK consumers spending more by category over the last three months



Consumer spending in the last three months by category



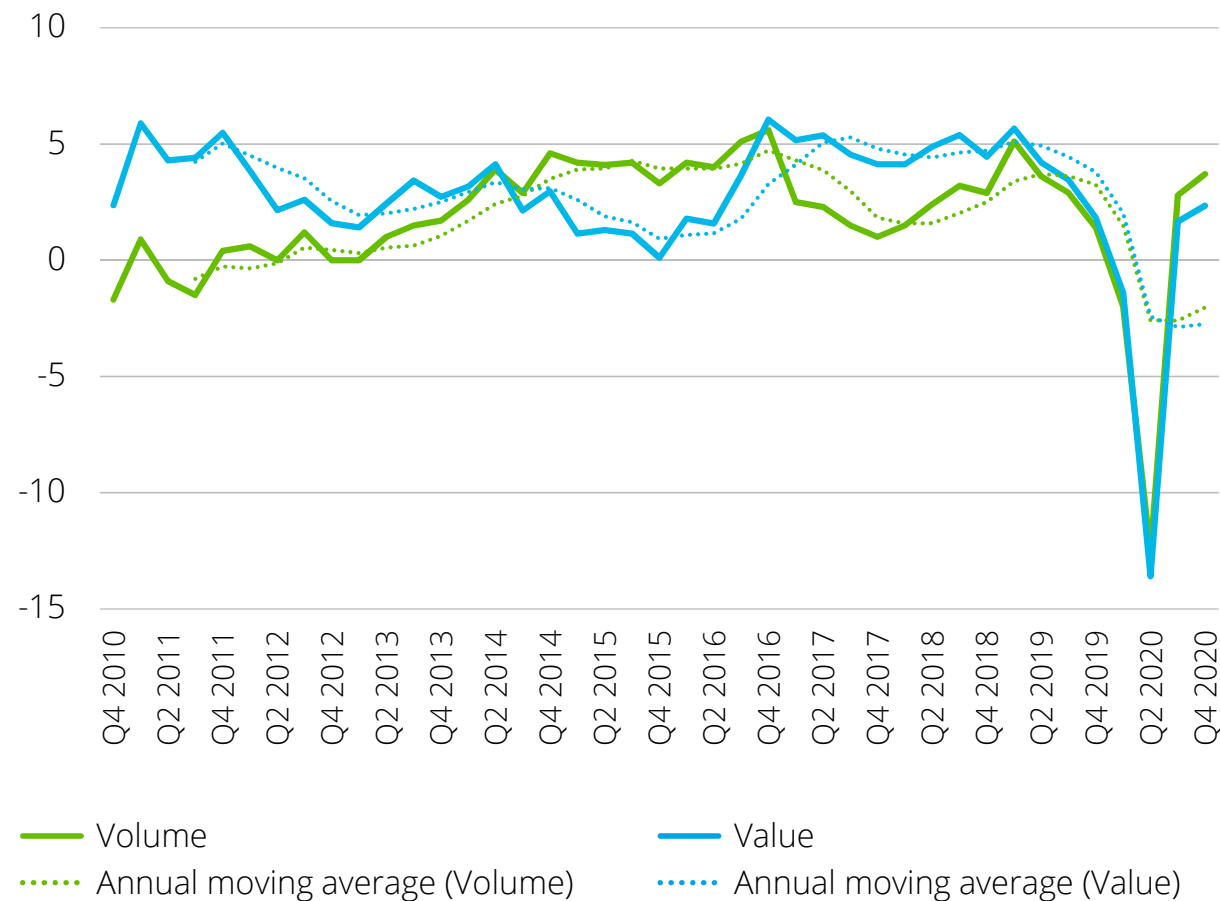
Source: The Deloitte Consumer Tracker

Retail



Retail sales (incl. fuel SA)

% change in volume and value year on year



Good retail performance in Q3 and Q4 not sufficient to overcome the losses made in the first half of 2020

Retail sales quarterly data revealed some resilience in the sector in Q4, with the second consecutive quarter of growth both by volume (+3.7%) and value (+2.4%) compared with the same period a year ago.

But these positive results were not enough to compensate for the losses in Q1 and Q2 as the annual data paints a bleaker picture for the retail sector with sales volume decreasing by 1.9% in 2020, the largest annual fall since records began in 1997.

Online sales

UK Internet sales as a % of total retail sales



Source: Refinitiv Datastream

Online the agile opportunist

In what could be considered one of the worst years on record for the retail sector overall, there were some strong performance among retail businesses as consumers embraced online shopping.

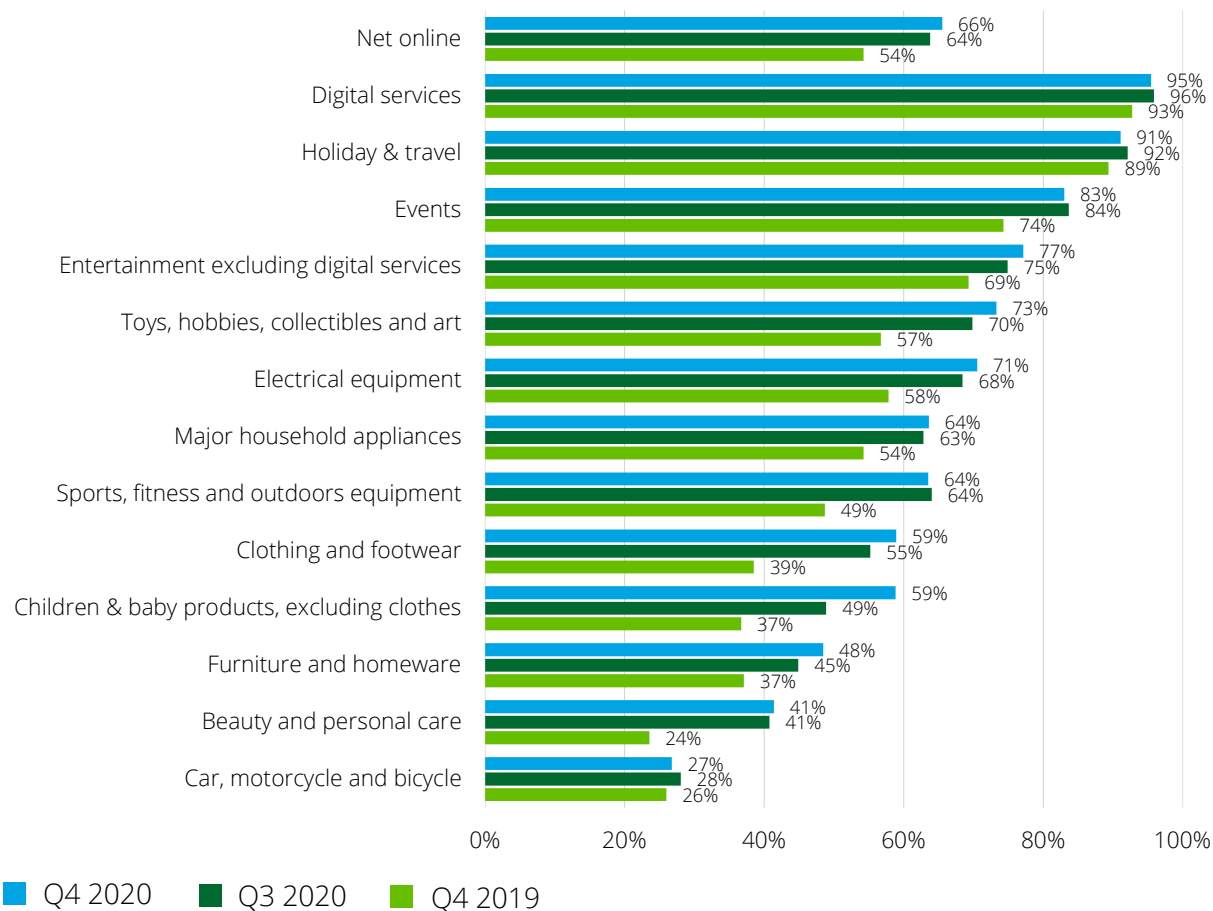
Online retailing overall rose by nearly 50% in 2020, the highest annual growth since 2008.

Online share of total retailing averaged 30% since April and peaked at 36.2% during the November lockdown as consumers started their Christmas shopping online early.



Purchases of product and service categories by channel

% consumers who last bought **online** in the category



■ Q4 2020 ■ Q3 2020 ■ Q4 2019

Source: The Deloitte Consumer Tracker

Most non-food categories continue to move online

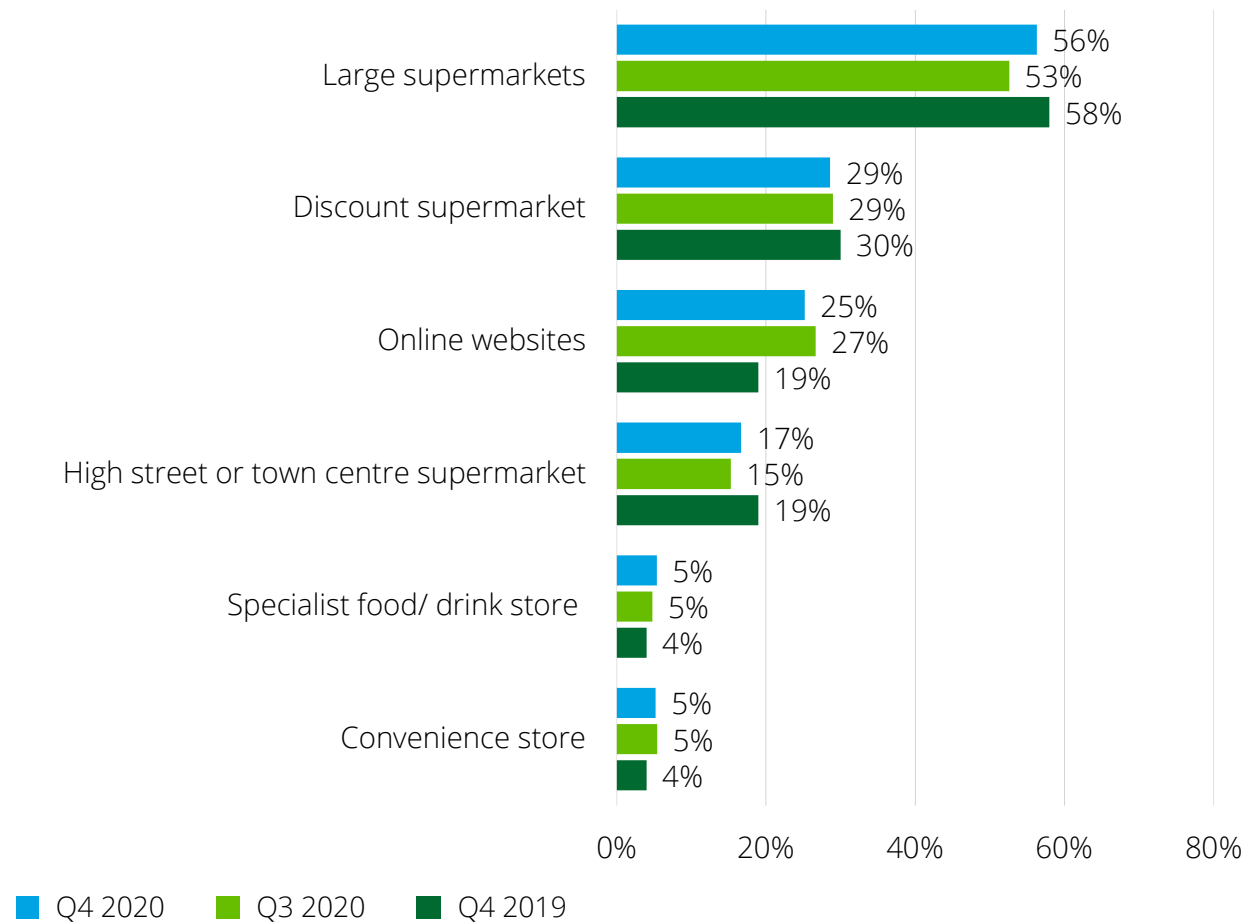
The shift to online continued in Q4 2020 with our data indicating online growth across most non-food categories. The data shows that on average 66% of consumers made their last purchase online across all categories, representing a 12 percentage point increase compared to Q4 2019.

The categories that saw the largest increase include clothing and footwear, children and baby products, electricals, and furniture and homeware. According to ONS data, the online channel represented 28.4% of non-food sales in Q4 2020 significantly higher than the 15% reported for the same period a year ago.



Grocery shopping by channel

Channel usage for main grocery shop



Source: The Deloitte Consumer Tracker

Grocery stores regain some market share from the online channel

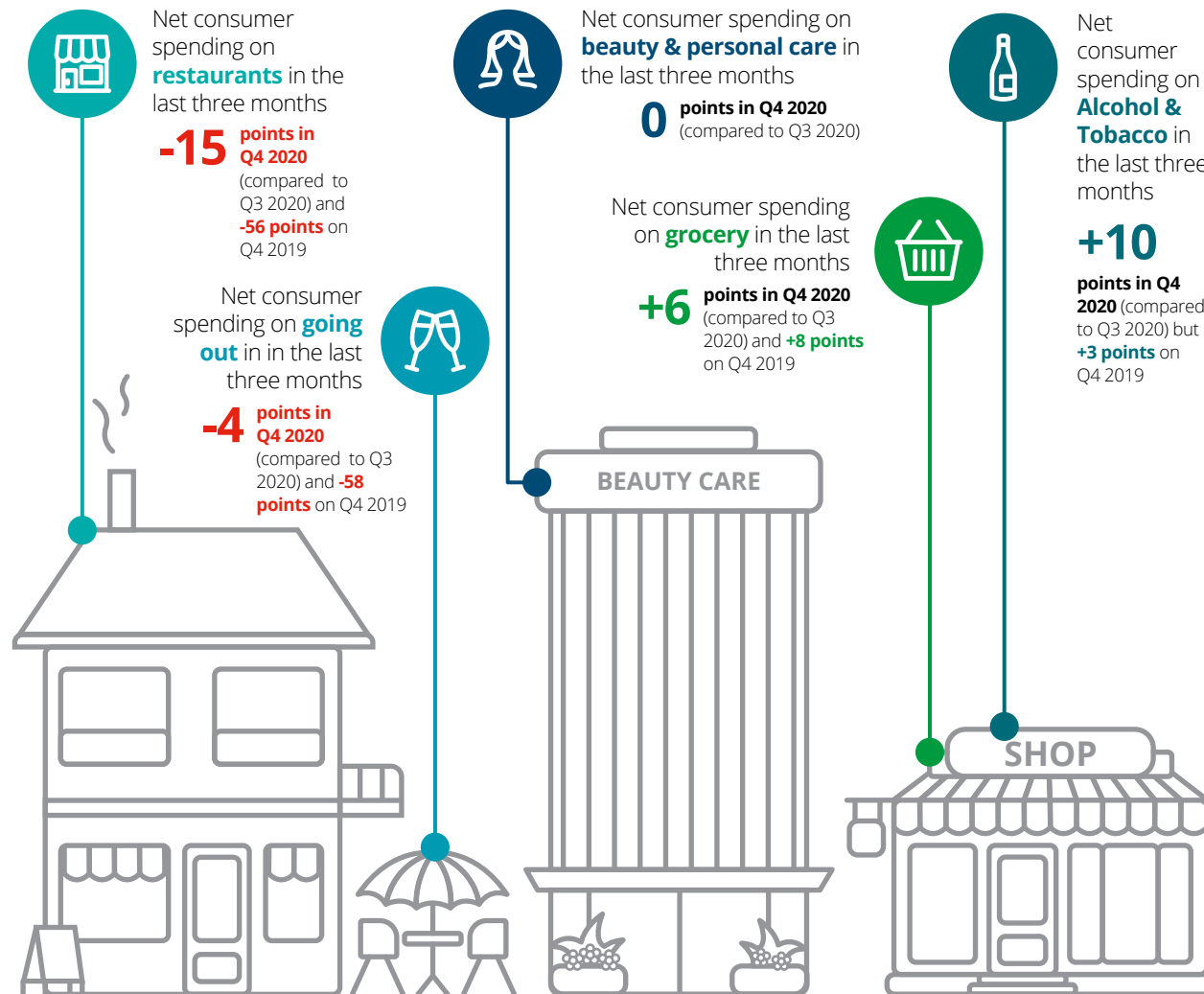
In a sign that consumers were starting to feel more comfortable returning to grocery stores, our research shows that the number of people using large supermarkets as their main channel for grocery shopping increased by three percentage points (to 56%) in Q4 while high street or town supermarkets gained two percentage points (to 17%) compared with the previous quarter.





Consumer Products

A more restricted festive season favours the grocery sector



Source: The Deloitte Consumer Tracker

Tier 4 rules prevented last minute Christmas shopping and cancelled all parties

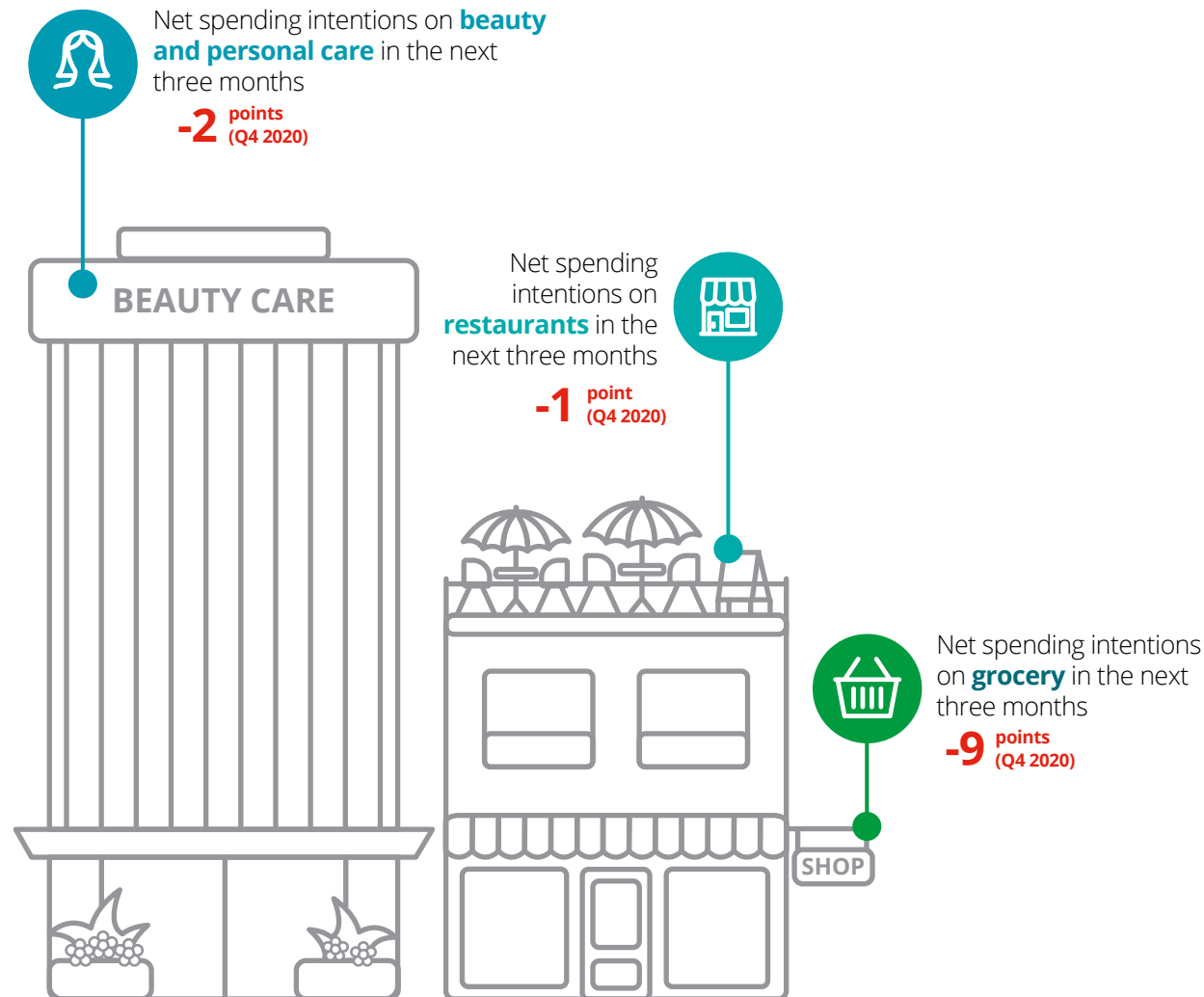
With the festive season curtailed days before it was due to start, consumers treated themselves with food and drinks at home.

In Q4 net spending on grocery grew by six percentage points compared to Q3 2020 and net spending on alcohol and tobacco gained a significant ten percentage points compared to Q3 2020.

However, net spending in the beauty and personal care product category remained flat in Q4 2020 and net consumer spending in the going out and restaurant categories was down by 58 and 56 percentage points, respectively, in Q4 2020 compared to Q3.



Every cloud has a silver lining



Source: The Deloitte Consumer Tracker

Spending intentions impacted by the usual post-Christmas dip and the impact of the second wave of COVID infections

Consumers net spending intentions for Q1 2021 in the grocery, and the beauty and personal care categories were down by nine and two percentage points, respectively.

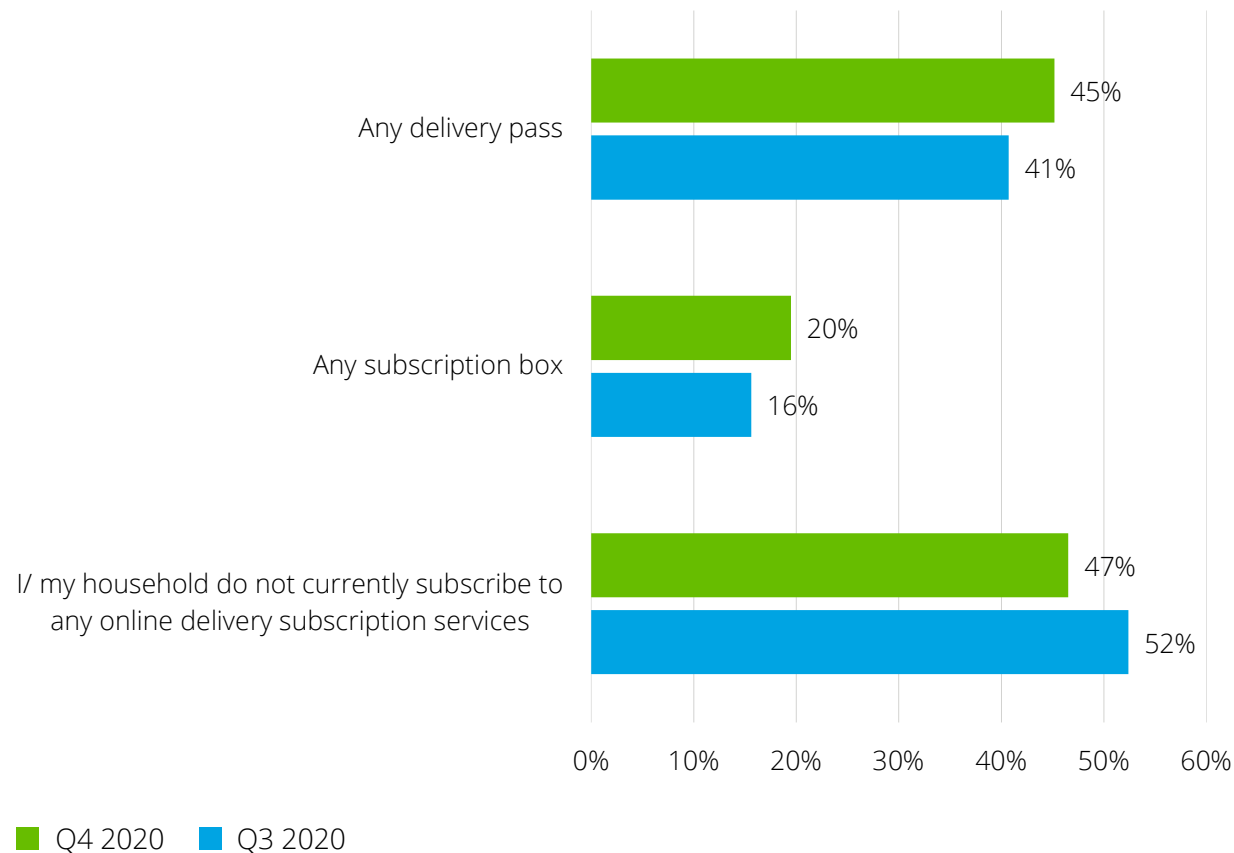
While the COVID-19 outbreak has created huge challenges for the consumer goods industry, it has also brought new opportunities.

A captive audience of consumers ready to experiment with new direct-to-consumer services presents a unique opportunity for businesses able to offer customers best-in-class service and value.



Ongoing subscription delivery services (1/2)

% of UK consumers subscribing to ongoing subscription delivery services



Source: The Deloitte Consumer Tracker

Further COVID-19 restrictions have been pushing people towards unlimited delivery schemes and subscription models

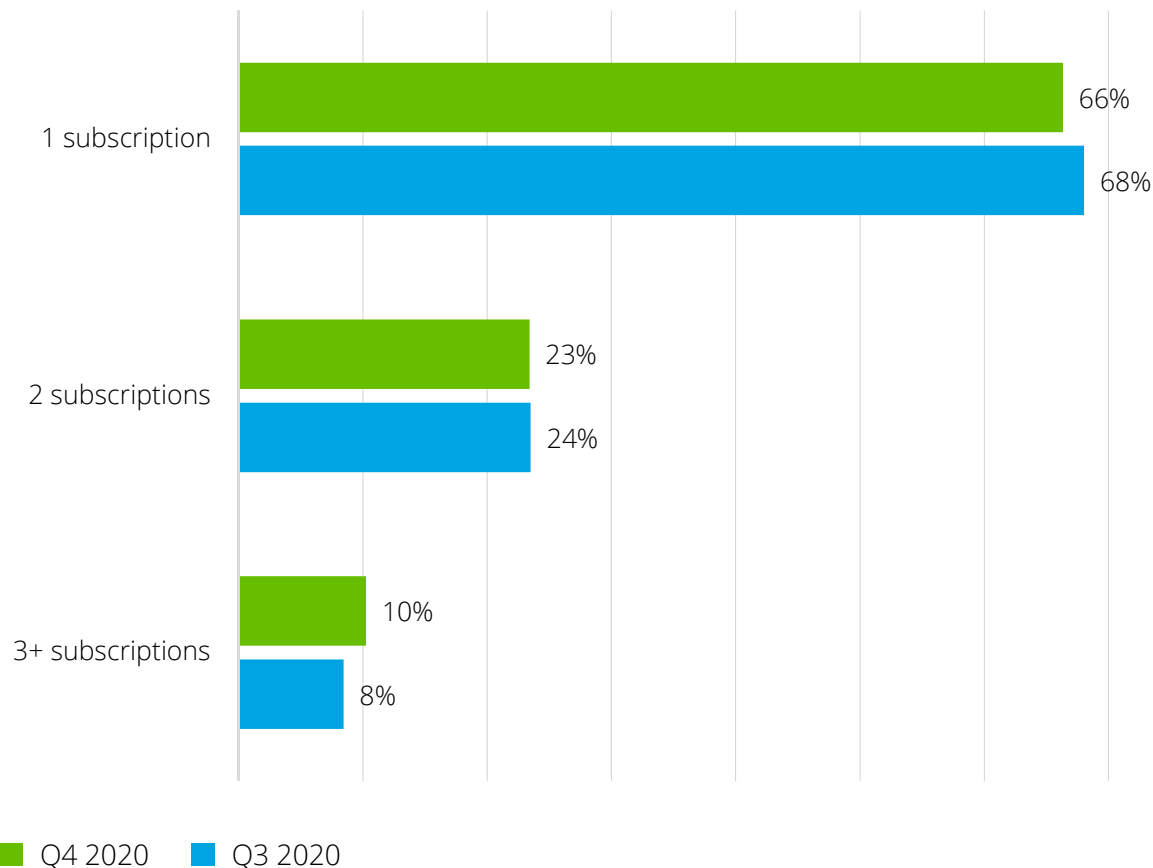
Seeking better value for their growing online shopping habits, nearly one in two consumers has signed up to at least one delivery pass service. Our data shows that in Q4 there was a four percentage point increase, from 41% to 45%, in the total percentage of consumers paying for delivery passes.

Similarly, the subscription box market gained four percentage points this quarter with 20% of consumers who claimed to pay for the service compared to 16% in the previous quarter.



Ongoing subscription delivery services (2/2)

Number of ongoing subscription delivery services consumers have in place



■ Q4 2020 ■ Q3 2020

Source: The Deloitte Consumer Tracker

While the battleground online used to be all about price, it is now more about availability, speed and flexibility

Our research also shows that while nearly seven in ten people who pay for subscription and/or delivery pass services currently subscribe to only one service, that number is down by two percentage points in Q4 compared to Q3.

However, the total number of subscriptions per household has gone up, with the number of people paying for three or more subscriptions reaching 10% in Q4, up from 8% in Q3.

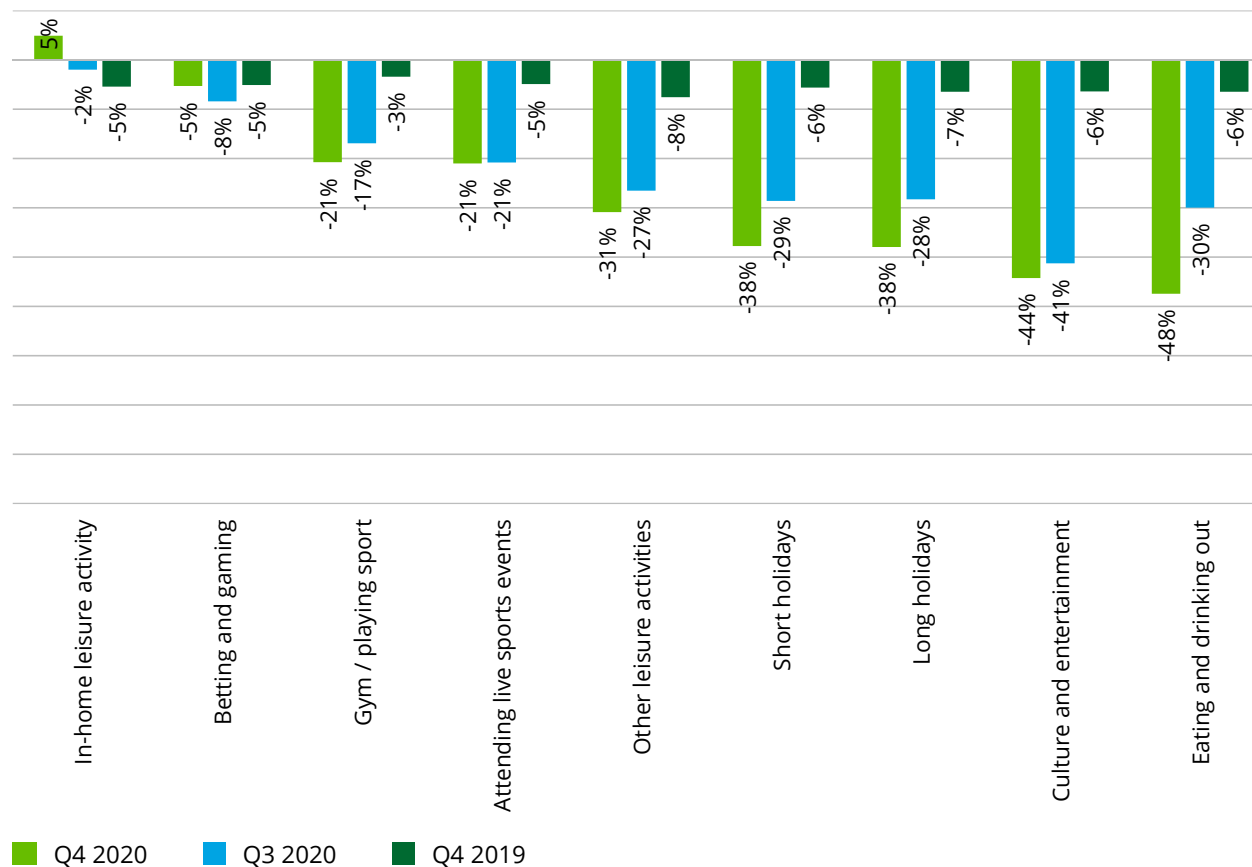




Leisure

UK consumer leisure spending in the last three months

Net % of UK consumers spending more by category over the last three months




































Concerns over the new variant halts the recovery of the sector

Tighter restrictions have negatively impacted consumer spending across most leisure categories.

In what should have been a busy period for the sector, most businesses had to endure tighter restrictions as a result of a new variant of the virus, forcing the vast majority to remain closed. Activities such as eating and drinking out and cultural events reduced considerably. In-home leisure and betting and gaming sector were the only sectors that saw an increase in consumer spending.

Leisure spending in the last three months by category

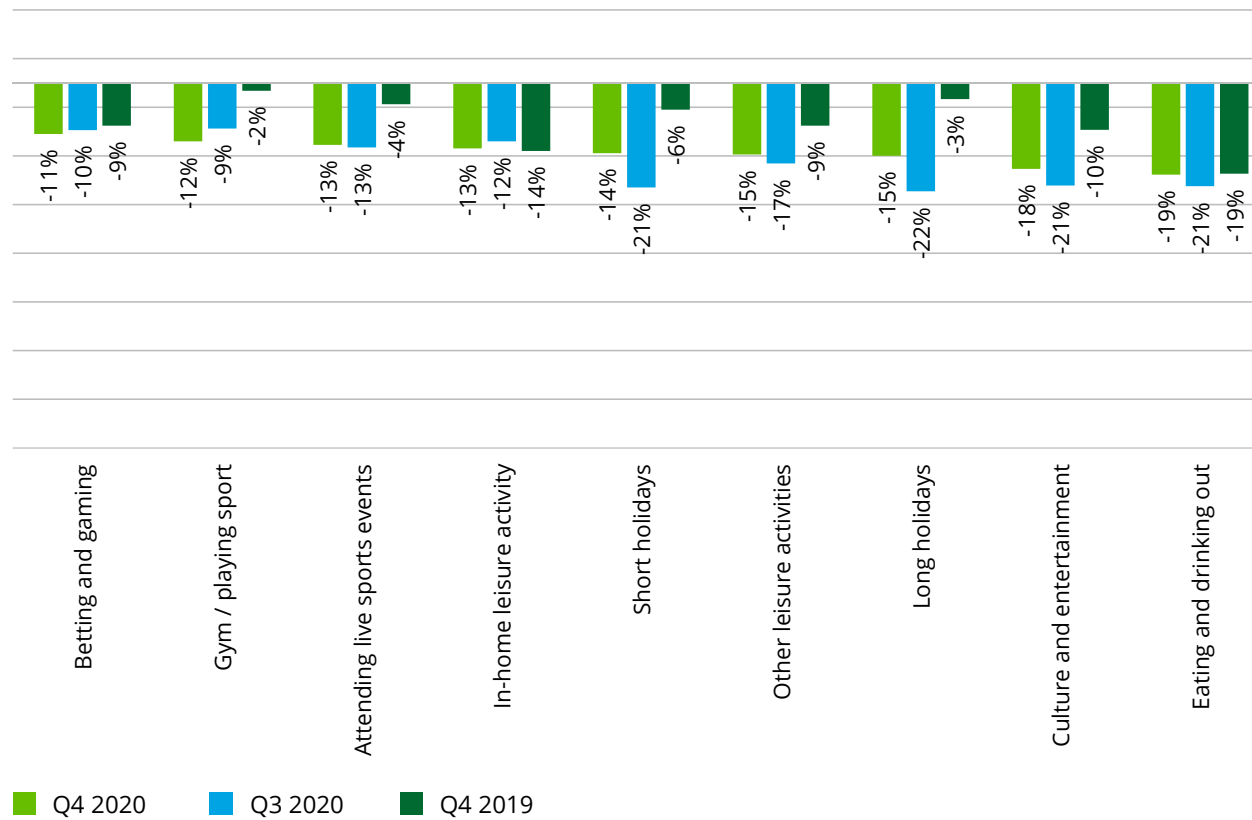


		Q4 2020 net balances	% point change quarter on quarter	% point change year on year
In-home leisure activity		+5%	 +7	 +10
Betting and gaming		-5%	 +3	 0
Going to the gym or playing sport		-21%	 -4	 -18
Attending live sports events		-21%	 0	 -16
Other leisure activities		-31%	 -4	 -23
Short holidays		-38%	 -9	 -32
Long holidays		-38%	 -10	 -31
Drinking in coffee houses and sandwich shops		-43%	 -10	 -32
Culture and entertainment		-44%	 -3	 -38
Drinking in pubs and bars		-46%	 -18	 -40
Eating out		-53%	 -24	 -51

Source: The Deloitte Consumer Tracker

UK consumer leisure spending in the next three months

Net % of UK consumers spending more by category over the next three months



Source: The Deloitte Consumer Tracker

Cautious optimism though concerns remain high

Consumers are cautiously optimistic about spending on leisure activities in the next three months, with most sectors seeing a slight uplift.

With further restrictions, additional quarantine requirements and travel bans announced after the survey taking place, spending intentions will likely drop further, as consumers are left with few options for travel or leisure activities.

Only the rapid roll out of the vaccine and the ease of restrictions will see the release of pent-up demand for leisure activities.



Leisure spending in the next three months by category



		Q4 2020 net balances		% point change quarter on quarter		% point change year on year
Betting and gaming		-11%		↓ -1		↓ -2
Going to the gym or playing sport		-12%		↓ -3		↓ -10
Attending live sports events		-13%		→ 0		↓ -9
In-home leisure activity		-13%		↓ -1		↑ +1
Short holidays		-14%		↑ +7		↓ -8
Other leisure activities		-15%		↑ +2		↓ -6
Long holidays		-15%		↑ +7		↓ -12
Culture and entertainment		-18%		↑ +3		↓ -8
Drinking in pubs and bars		-18%		↑ +3		→ 0
Eating out		-19%		↑ +3		→ 0
Drinking in coffee houses and sandwich shops		-19%		↑ +2		→ 0

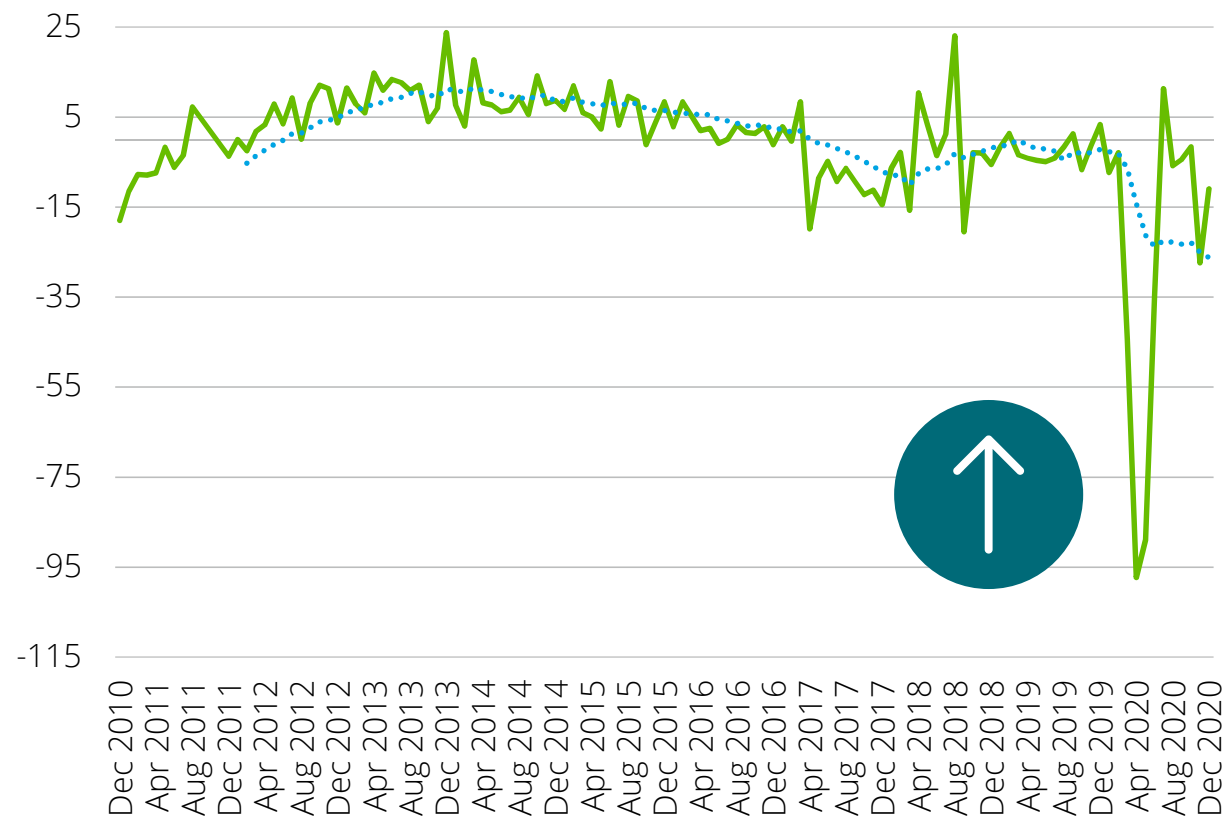
Source: The Deloitte Consumer Tracker



Automotive

UK car registrations (1/2)

UK car registrations % change year on year



..... Annual moving average

Source: The Society of Motor Manufacturers and Traders (SMMT)

With the UK government's response to COVID-19 continually changing, new car sales in Q4 tell a different story for each month

In October new sales fell by 2% year on year. However, demand from private buyers was flat compared to Q4 2019.

In contrast, new car sales fell by 27% year on year in November as many parts of the UK were subject to lockdown restrictions, and showrooms closed their doors to the public.

Despite some restrictions easing across parts of the country in December, sales still fell by 11% that month, with many consumers prioritising other major purchases.



UK car registrations (2/2)

UK car registrations – 2020

	2020	2019	% change	Market share 2020	Market share 2019
Diesel	261,772	581,774	-55.0%	16.0%	25.2%
Petrol	903,961	1,482,409	-39.0%	55.4%	64.1%
BEV	108,205	37,850	185.9%	6.6%	1.8%
PHEV	66,877	34,984	91.2%	4.1%	1.6%
HEV	110,117	98,237	12.1%	6.8%	4.3%
MHEV diesel	60,953	33,931	79.6%	3.7%	1.5%
MHEV petrol	119,179	41,955	184.1%	7.3%	1.8%
Total	1,631,064	2,311,140	-29.4%		

BEV – Battery Electric Vehicle; **PHEV** – Plug-in Hybrid Electric Vehicle; **HEV** – Hybrid Electric Vehicle;
MHEV – Mild Hybrid Electric Vehicle

Source: The Society of Motor Manufacturers and Traders (SMMT)

2020 saw 29% fewer new cars on the road compared to 2019. The fourth consecutive year of declining sales for the sector

The biggest losers in 2020 were the diesel and petrol sectors which registered declines in both overall sales volume and market share.

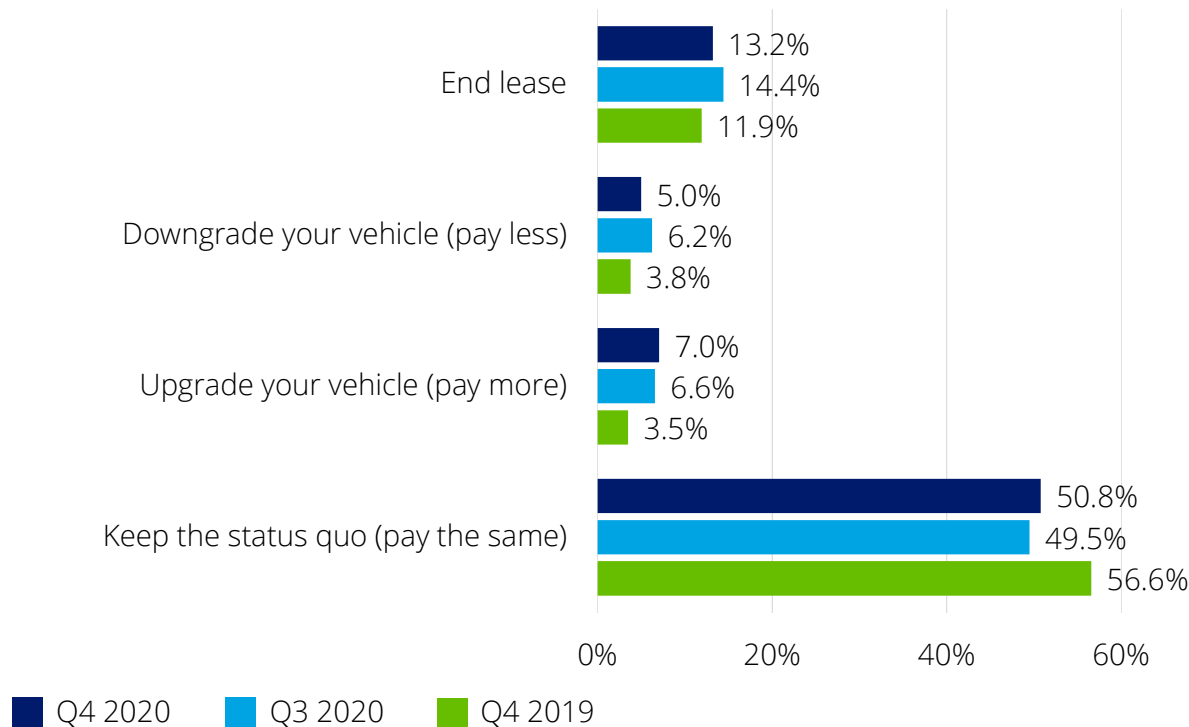
In contrast, EVs grew both sales volume and market share. The stage is set for further growth in the sector with the government and manufacturers showing a substantial commitment to EVs. The 2030 ban on polluting vehicles, coupled with financial and tax incentives, and a growing focus on the green agenda will make EVs more desirable than ever in 2021 and the sector will have diesel's 16% market share firmly in its sights.



Affordability of car repayments

Thinking about your current financial situation, if you were offered the chance to change the terms of your finance/lease plan of your car(s) with no penalty which of the following would apply to you?

% of consumers who own a car on finance



Source: The Deloitte Consumer Tracker

The affordability of car repayments is still a pressing issue for many consumers

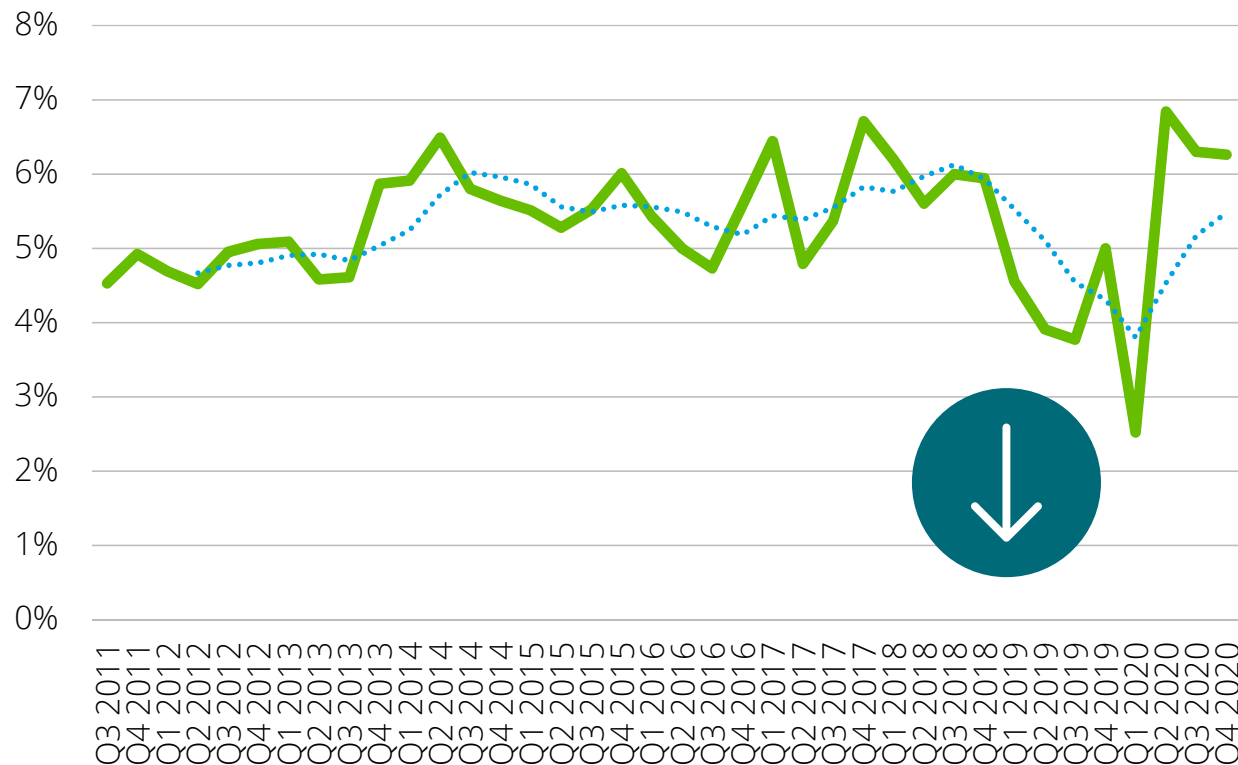
Concerns over the affordability of car payments eased in Q4, with the number of consumers wanting to end their lease (13%) or downgrade their vehicle (5%) falling compared to Q3. However, the percentage of consumers wanting to end their lease or pay less is higher than the same Q4 2019, highlighting the personal economic strain felt as a result of COVID-19.

Meanwhile, the ban on repossession of vehicles put in place during the first wave of COVID-19 was due to expire at the end of January, increasing the pressure on consumers already struggling to meet car payments.



Planned car purchases

% of UK consumers planning to purchase a car in the next three months

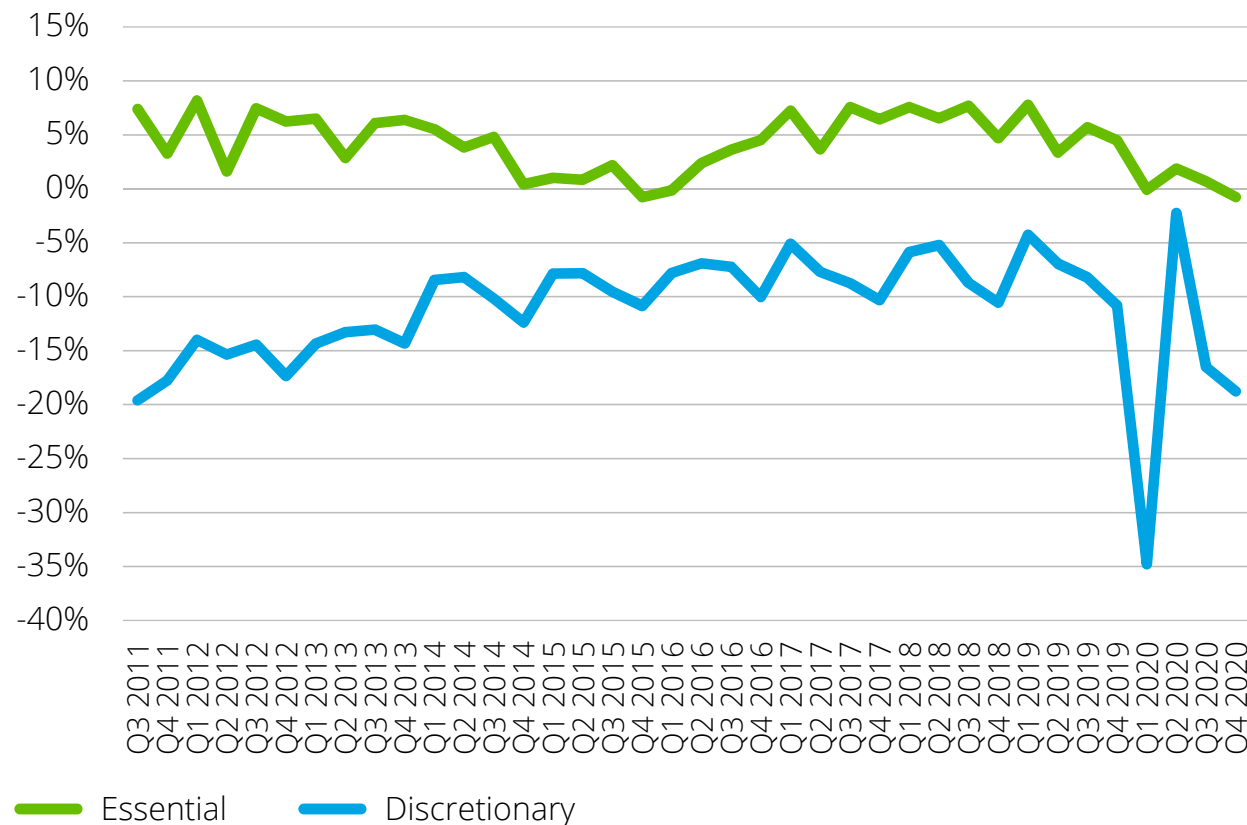




Outlook

Outlook for consumer spending – essential vs discretionary spending

Net % of UK consumers spending more by category over the next three months



Note: New categories were added to Essential spending in Q2 2020

Source: The Deloitte Consumer Tracker

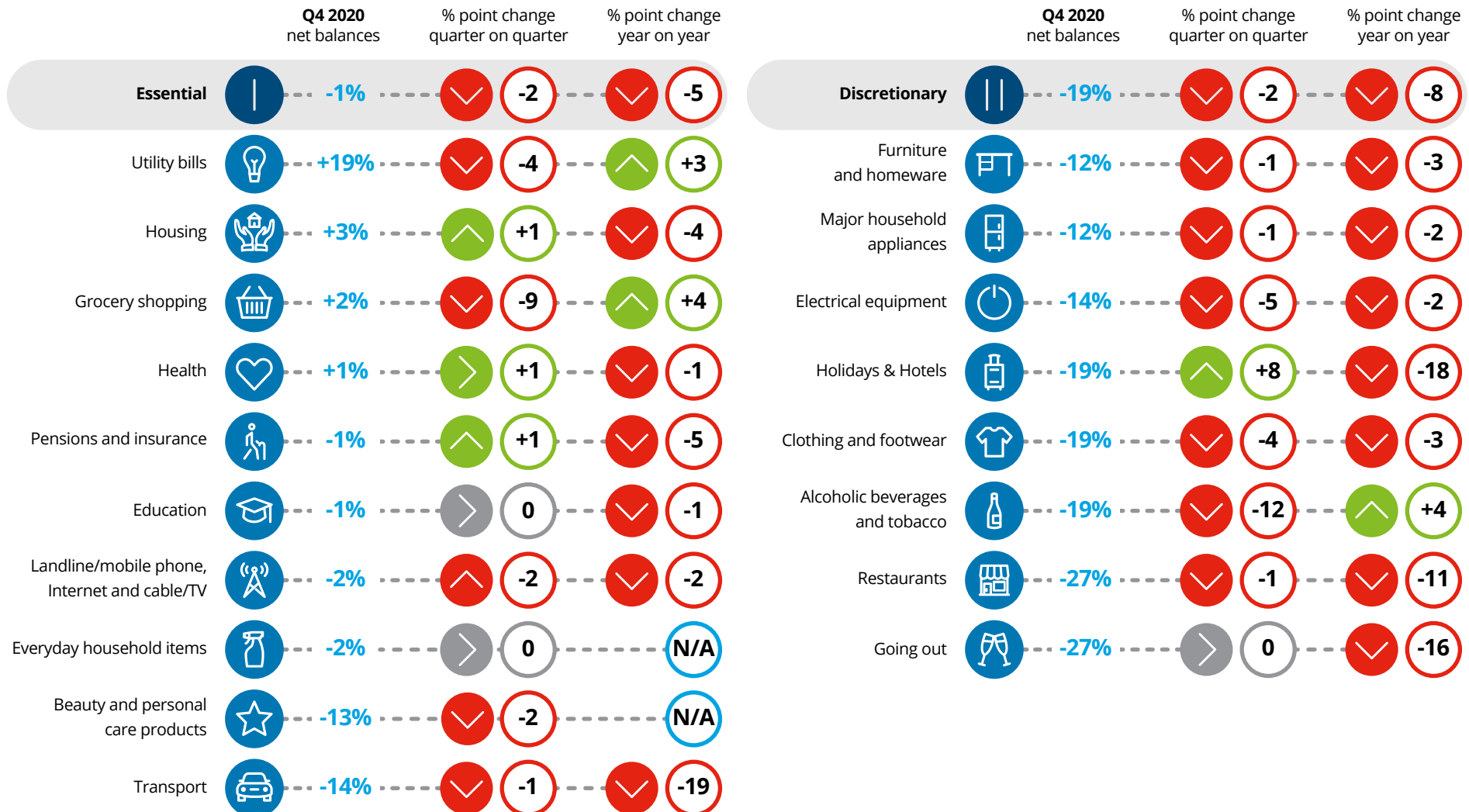
Consumers intend to spend less in both essential and discretionary categories

In a sign that consumers are anticipating difficult times ahead, they intend to spend less in both essential and discretionary categories.

Improving UK consumer confidence in Q1 2021 will require both the ramping of the vaccination programme, which is going well so far, and the easing of restrictions.



Consumer spending in the next three months by category



Source: The Deloitte Consumer Tracker

The last word

In a sign that consumers are anticipating difficult times ahead, they intend to spend less in both essential and discretionary categories in Q1 2021. However, high levels of savings coupled with the easing of lockdown restrictions and the vaccines being more widely rolled out should unleash pent-up demand for non-food categories and leisure or travel services.

Takeaway 1

The Deloitte consumer confidence index was down and continued to trend at record low levels

Confidence in Q4 2020 remained one of the lowest on record down one percentage point to -17% compared to Q3 2020 and eight percentage points below the same period a year ago.

The emergence of a new strain of COVID-19 led to a significant six percentage points drop in confidence around health and wellbeing its lowest level (-34%) ever recorded in this series.

Takeaway 2

Government support helped improved optimism surrounding debt and disposable income

Confidence about levels of debt is at its highest since the Tracker began. With many consumers working from home having become forced savers unable to spend on holidays and socialising, as well as 'fear savers' limiting their spending over concerns about the growing threat of recession and the impact on people's jobs.

However, our data suggests that aggregate savings rates hide inequality. While 31% of consumers said their savings have increased, nearly the same proportion (29%) reported their savings had decreased.

Takeaway 3

Sentiment about the job market remained stable

The Job Retention Scheme and other forms of government support have successfully prevented sharp increases in unemployment since the first lockdown.

As a result, confidence about job security stayed at -15% and sentiment around job opportunities and career progression gained one percentage points to -19%.

Takeaway 4

Discretionary spending hit by restrictions as spending on essentials continues to recover

Net spending on essential categories registered a four percentage point uptick on a quarterly basis and was back in positive territory at +3%.

Meanwhile the impact of the tighter restrictions over the month of November and then during Christmas, led to a one percentage point drop in discretionary net spending to -25% one of the lowest on record since the series began and 25 percentage points below where it was a year ago.



The Chief Economist's view



Ian Stewart

Chief Economist, Deloitte UK

High levels of savings combined with confidence in household disposable income point to favourable conditions for supporting growth in consumer activity when the recovery comes. The easing of lockdown restrictions, coupled with strong personal finances, should unleash pent-up demand to spend.

The deepest global downturn since the 1930s will leave a 'hangover' but, whilst other recessions have often resulted in the loss of skills and capacity, this time is different in many respects. Government initiatives, for instance, have significantly limited the damage to jobs and businesses. However, the outlook for growth in 2021 hinges on the continued battle between COVID-19 containment on the one side, and vaccination on the other."



The last, last word



Ian Geddes
Retail lead partner

The ongoing turmoil and disruption could be the 'make or break' for many businesses in the retail sector. In 2021 retailers will be focusing on how they can meet increasing costs, including deferred rent payments and new post-Brexit non-tariff trade barriers with the EU. Retailers will also be looking to consumer behaviours during the pandemic to predict which new trends are likely to emerge and where to focus efforts in the year ahead.

Some consumers will have permanently converted to the convenience of online shopping, and for retailers, this emphasises the importance of an online shopfront and an engaging virtual shopping experience. While the role of the physical store will remain important, the wider retail landscape will likely see reinvention. A new era of 'hyper-localisation' and 'fast fail' shops could herald a revived and more relevant local high street longer term.



Craig Turnbull
Consumer Products lead partner

While the COVID-19 outbreak has created challenges for the consumer goods industry, it has also brought new opportunities. The change in working patterns has provided the right market circumstances for businesses to revisit their direct-to-consumer (DTC) ambitions.

A captive audience of consumers ready to experiment with new DTC services presents a unique opportunity for companies to learn first-hand what works and what does not in ecommerce, and to gather valuable data about customers normally captured by retailers. Businesses that are able to offer customers best-in-class service and value could be rewarded with strong and long lasting customer relationships.



Simon Oaten
Hospitality and Leisure lead partner

The easing of restrictions and a resumption of growth in the sector all depend on the speed of the roll out and efficacy of the vaccines. Consumer savings rates hit record levels last year, and if the production, roll out and effectiveness of vaccines continue to go as planned, pent-up demand may help drive a sharp recovery for the hospitality, travel and leisure sectors. However, until then businesses will continue to fight for survival. The leisure consumer will sustain however the landscape and structure of the sector is likely to feel the effects of the last 12 months for the long term.



Mike Woodward
Automobile lead partner

2020 was a year to forget for the UK's automotive industry. Figures released in January saw 2020 record the lowest level of registrations since 1992 and the biggest percentage drop in sales since the second world war. However, with vaccines being rolled out and an EU-UK trade deal secured, there is hope that we are about to turn the corner.

One good news story to come out of 2020 was the continued growth of EVs. There is significant momentum behind the sector at the moment and continued growth looks assured. How fast the EV sector expands over the next year will depend on whether consumers are convinced about the quality of the UK's charging infrastructure. Norway's recent announcement that the EV sector had reached a landmark 54% market share illustrates just what is possible.

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A note on the methodology

Some of the figures in this research show the results in the form of a net balance. This is calculated by subtracting the proportion of respondents that reported feeling more negative from the proportion that reported feeling more positive. For instance, assume that 30% of respondents reported they are spending more, 50% reported no change and 20% reported they are spending less. The net balance is calculated as $30\% - 20\% = 10\%$. This means 10% of consumers reported that they spent more rather than less.



The Deloitte Consumer Tracker is based on a consumer survey carried out by independent market research agency, YouGov, on Deloitte's behalf.

This survey was conducted online with a nationally representative sample of more than 3,000 UK adults aged 18+ between 1 and 4 January.

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