

Positive attitude can lift gloom

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Although the effects of the UK's economic downturn are still felt by the majority of the market, younger consumers have a much more positive take on what the next six months will bring

Last summer the UK was on a high. The Chancellor of the Exchequer, who had overseen a decade of increasing prosperity, became Prime Minister and for a while Gordon Brown could do no wrong. Then Northern Rock hit.

The financial world and UK economy have seen a downturn and heard the first talk of recession since the Nineties. Over the period we have gained a greater knowledge of the subprime mortgage market, the 10p income tax band and everyone keeps a much closer eye on oil prices. To understand where the future might take us, consumer confidence indices have been identified as one of the key tools for predicting what our economic situation will look like.

The Nationwide Consumer Confidence Index, compiled by global market researchers TNS on behalf of Nationwide Building Society, has been tracking consumer confidence since May 2004.

At the time of Tony Blair leaving office in Q2 2007, consumer confidence boomed. An 8 point quarter-on-quarter increase showed the nation in a confident state. Compared to the beginning of 2007, all elements of the Index had risen, except the future economic situation. In Q3 scores rose even further, moving to highest point since the start of 2006.

The Northern Rock problems started half way through the quarter, but the Bank of England was not approached until its end. The downturn in confidence took some time to seep in, London and the West Midlands – the traditionally least confident regions – were the first to react, showing negative movement in Q3 of six and eight point respectively. Scores in other regions followed suit in Q4. The South-west, East England and traditional stronghold of Northern Rock the North-east all recorded record falls for their regions, as confidence across the UK fell by nine points.

However signs are now emerging that consumers are seeing an end to the gloom. While the overall index continues to fall, there are opportunists out there who are willing to start investing again – and brands and businesses that jump on the bandwagon may see their fortunes rise earlier than expected.

For the first time since Q4 of 2005, this quarter has seen a rise in consumers saying this is either a good or very good time to make a major purchase such as a house or a car. This flies in the face of the current news agenda, which generally predicts doom and gloom for businesses with an obvious backlash predicted for big consumer brands. What is more surprising is that this trend isn't limited to the traditionally more affluent regions – only Scotland has reported a fall, while London and Wales have stayed flat. The overall UK score is still low at 16%, but this is higher than it has been at any point since Q2 2007, before Northern Rock collapsed. Perhaps there is something to look forward to for marketers and advertisers that defy the mood.

When the Index is broken by age, we also notice something interesting that may just relate to youthful naivety, but perhaps is more deep-rooted in the ability of people of different ages to recall a previous recession.

The confidence score for 18- to 29-year-olds stands at 80 – 16 points higher than the UK average, while 30- to 44-year-olds (those with a better memory of the Nineties economic downturn) stand at 73. The two older groups are at 48 and 55 respectively.

The main points of differentiation between the 18- to 29-year-olds and the rest concern the future economic situation and projected household income. This younger group really stands out in their views of what's to come, particularly around projected household income, where 31% think they will earn somewhat more or much more than they do today, compared to the UK average of 18%. While this figure is down on the normally consistent two-fifths recorded in previous quarters, it is still a very optimistic outlook.

The research concludes that while the effects of the economic downturn are still felt, there are some positive signs for businesses that are willing to take a gamble. Consumers are starting to take on board that falling house prices do not necessarily mean they should not enter the housing market.

There is clearly still some optimism. The younger consumers still have a much more positive take on what the next six months will bring. We will have to wait until the next quarter's results to see whether this youthful optimism is simply a

short-term youthful naivety that will slowly start seeping away, or whether older consumers, despite their memories of previous recessions, will start to see light at the end of the tunnel.