Cut-Back Consumers Could Spur Double-Dip Recession

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A drastic cut-back in household spending could drive Britain back into recession with six in 10 consumers believing the economy will get worse before it gets any better, according to new research by GfK NOP (1).

It seems the governmentâ€™s commitment to trim the public purse is matched by the publicâ€™s desire to curb their own spending amid concerns about the recovery and rising interest rates (2).

Not only are consumers unprepared to spend on credit cards (3) but two-fifths will sacrifice the purchase of major household items like furniture and electrical goods such as TVs, and more than a third will cut-back on going out eating and drinking (4).

Yet two of the biggest credit-crunch trends of â€˜make-do and mendâ€™ and â€˜Come Dine with Me dinnersâ€™ look set to co over the coming year.

Four in 10 consumers are recycling old garments rather than buying the latest fashions, about a quarter are repairing their clothes (5) and 15 per cent said theyâ€™ll spend more on entertaining at home.

Ivan Browne, consumer products and retail expert at GfK NOP says: "It is ironic that a reduction in consumer spending â€“ driven by economic uncertainty â€“ could in fact bring about the thing people are most concerned about: a dip back into recession.

Retailers have to seize this opportunity to be innovative with their offers and also look for opportunities where the market is opening up â€“ such as tapping into the home entertaining trend.â€•

While debate rages about the impact of the VAT increase on the high street, Brits are polarised about forward-purchasing. Around 4 in 10 said theyâ€™ll bring forward major purchases to beat the hike to 20 per cent in January 2011, compared to 37 per cent who said it wonâ€™t change their behaviour.

Other key trends revealed by the study include:
* The depressed mood of the nation shows no sign of waning: 77 percent said the current economic situation has impacted their lifestyle increasing to 83 per cent when looking ahead to the next 6 to 12 months;
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* Women are more anxious about the economic climate: 31 per cent of women said the recession has had a significant impact on their behaviour compared to 20 per cent of men;
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* Public sector workers are fearful of what the future holds: 28 per cent of public sector workers said the current economic situation will significantly impact them in the next 6 â€“ 12 months compared to 21 per cent in the private sector;
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* The recession is impacting on major lifestyle decisions: 6 per cent of people surveyed said they are delaying getting married in light of the current economic conditions and an equal number are postponing having children.

About the survey
The survey was conducted online by GfK NOP between 24 and 28 June 2010 among 1,000 GB adults:

1. When asked about the current economic situation, 58 per cent believe things will get worse before they get better compared to a 24 per cent of respondents who think the economy is on the way to recovery

2. 46 per cent are concerned that interest rates will rise and will impact their lifestyle

3. Only 16 per cent will buy large items and put them on a credit card or finance

4. 46 per cent of consumers will spend less on new furniture; 45 per cent will spend less on large electrical items such as TVs; 42 per cent will spend less on going out drinking; 39 per cent will spend less on eating out; 39 per will spend less on home accessories

5. 44 per cent said they are wearing clothes theyâ€™ve not worn in ages, rather than buying new clothes and 22 per cent said they are mending or altering clothes instead of buying new clothes

6. 39 per cent are aware the VAT increase is coming in January and will bring forward major purchases to avoid the increase; 37 per cent said the VAT increase will make little difference to their purchasing behaviour.

The GfK Group
For further information, visit our website: www.gfk.com .

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