

News in Review

1 March 2023

“Consumers have suddenly shown more optimism about the state of their personal finances and the general economic situation”



On Friday, the latest release of GfK's Consumer Confidence Index revealed a month-on-month improvement in consumer sentiment. In February 2023, total confidence was -38, seven points higher on a monthly basis. All five measures that make up the overall gauge increased in comparison to January's readings.

The index for the general economic situation of the country over the coming year performed especially well, rising by 11 points to -43, which puts it on a par with the score recorded in February 2022.

Joe Staton, Client Strategy Director at GfK commented, *“Despite widely reported headwinds of inflation continuing to outstrip wage rises, and the ongoing household challenge from the cost-of-living crisis, consumers have suddenly shown more optimism about the state of their personal finances and the general economic situation, especially for the coming year.”*

A “decisive breakthrough” in Brexit talks

On Monday, Prime Minister Rishi Sunak and European Commission President Ursula von der Leyen confirmed a breakthrough deal on post-Brexit trading arrangements for Northern Ireland, which could draw a line under months of negotiation and speculation.

The deal, referred to as the ‘Windsor Framework,’ was described by Mr Sunak as a *“decisive breakthrough,”* while Mrs Von der Leyen spoke of a *“stronger EU-UK*

relationship.” Crucially, the Democratic Unionist Party (DUP) acknowledged that *‘significant progress’* had been made, though it is not yet clear whether the party will support the deal in Parliament. On Tuesday, Mr Sunak visited Belfast to outline the deal to politicians and businesses, highlighting how he believes it will ease the flow of trade between Britain, Northern Ireland and Ireland.

Fruit and vegetable shortages

In the last week, UK shoppers have faced limits on fruit and vegetable sales from major supermarkets. On Friday, The Lea Valley Growers Association (LVGA), which represents producers across Britain, said that some fruit and vegetable shortages could last until May, as growers continue to delay planting due to high energy costs.

Lee Stiles, Secretary of the LVGA, said that supply issues are arising not only from Spain and Morocco, but also from the fact that the prices set by supermarkets for UK produce make it hard for growers to plant when energy costs are high. *“It’s a simple fact of economics between the growers and the supermarkets,”* he commented.

Tax record leads to surplus

Record self-assessed Income Tax receipts helped provide the government with a surplus of £5.4bn in January, official figures revealed last week. Government spending has played a part, with public borrowing in the financial year to date £30.6bn below the levels predicted by

the Office for Budget Responsibility. In addition, the falling cost of wholesale energy has reduced the government’s spending on support for household bills.

However, economists have warned that public finances remain weaker than they were at the same time last year. Even so, the data does appear to provide the Chancellor with a little more wiggle room as he sets out the tax and spending plans due to be delivered in the Spring Budget on 15 March.

Car sales steady...

UK car production was stable in the first month of 2023, according to figures released on Friday by the Society of Motor Manufacturers and Traders (SMMT). Output dipped by -0.3%, equivalent to just 215 fewer cars, mostly as a result of structural changes at one major plant.

...but sneaker sales nosedive

In contrast, the growth of global sneaker sales fell in 2022, according to a recent Business of Fashion report. The industry experienced massive growth during the pandemic, with sales of trainers in 2021 up £16.6bn year-on-year. In 2022, however, growth declined rapidly to £9.2bn.

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.