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## **UK CONSUMER CONFIDENCE REBOUNDS, UNDERPINNED BY STRONG FINANCES**

### Berenberg Macro View

**UK household confidence turned sharply higher in March, underpinned by rapid vaccine progress, solid balance sheets and improving expectations for the recovery.**

- Headline consumer confidence jumped 7 points to -16, the highest level since March 2020 – Chart 1
- Households' current financial situation reached a survey high of 31 while their view of the general economic situation for the next 12 months reached the best level since October 2016 (-17) – Chart 2
- Unemployment expectations declined from a still elevated level to 36 from 44 in March and a peak of 56 in July 2020 – Chart 3
- The appetite to make major purchases remained well below the pre-pandemic level – but nonetheless jumped 8 points in March -11 – Chart 4

**Despite the huge shock to household demand in 2020 as the pandemic and the restrictions to contain it hurt confidence and limited the opportunity to spend, underlying consumer fundamentals remain in good shape.**

- Aggressive fiscal support – especially the furlough scheme as well as easier access to unemployment benefits – have kept employment and incomes high
- Unlike the situation after the 2008/2009 financial crisis, most households are coming out of the Covid-19 downturn with healthier finances that can underpin a rapid recovery in spending
- In 2020, households accumulated £160bn in additional savings versus 2019

We expect further strong gains in consumer confidence in the coming months as the UK continues to ease restrictions. Once they are fully lifted – likely by mid-summer – headline consumer confidence could advance to a post-Lehman high, in line with the reported strong financial situation of households.



## MACRO NEWS

Consumer survey (% balance)	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Consumer confidence	-31	-33	-26	-28	-23	-16
Current financial situation	24	22	25	28	29	31
Financial situation next 12 months	0	-5	3	2	4	10
General economic situation next 12 months	-50	-50	-35	-44	-30	-17
Consumer prices next 12 months	87	88	89	92	87	90
Unemployment expectations next 12 months	56	53	52	52	44	36
Major purchases at present	-27	-28	-22	-24	-19	-11
Savings at present	14	11	17	18	19	21
Savings expectations next 12 months	20	18	22	25	26	31

Source: GfK

Chart 1





# MACRO NEWS

Chart 2



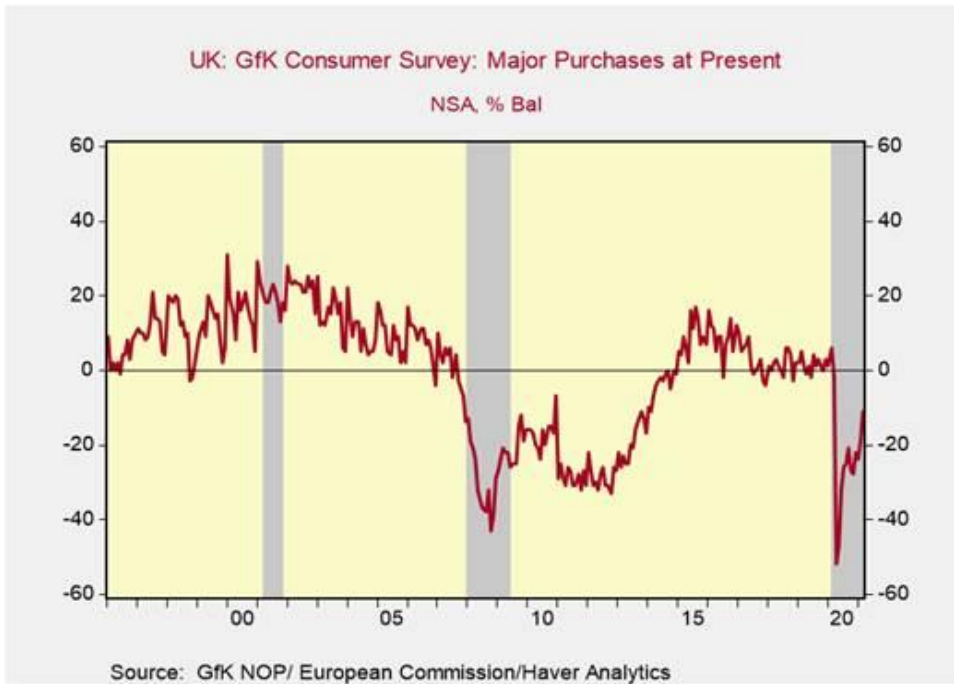
Chart 3





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Chart 4





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