

» Consumer spending growth plunges to its lowest level in two years as consumers rein in self-treating as their economic confidence falls

Consumer spending growth slowed sharply to 1.6% in March 2016, the lowest level in two years. March's poor performance dragged down Q1 growth to 2.8%, its lowest figure in seven quarters.

Brits lacking in confidence

The last few months have seen a wave of unsettling news, from volatile oil prices to the collapse in the value of the pound, falling global stock markets and the potential impact of the EU referendum. These external factors have caught up with consumers and their confidence in both the global and UK economies and their own financial security has waned. Only one in three (34%) Brits feel upbeat about the UK economy, fewer than at any time since we began collecting this data in Q3 2014.

As nearly half (45%) of consumers say they are more worried about the cost of everyday items than they were this time last year, it's no surprise that non-essential spend growth slowed to 2.0% in March, its lowest rate since 2014. Only a quarter (26%) of consumers believe that their spending power will go up this year.

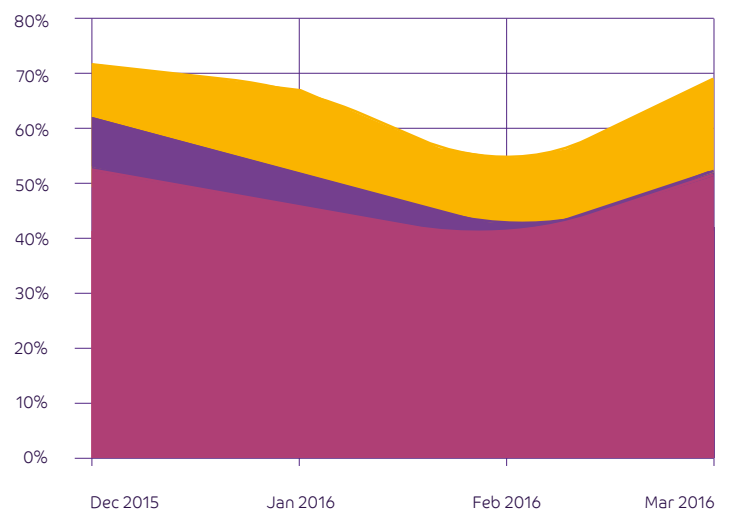
“

We've seen a lacklustre start to the year. Clearly this year is not going to be easy for the economy, given the renewed fiscal squeeze and the EU Referendum in particular. So it's hard to see growth this year doing much better than last year.

Ruth Miller
 UK economist
 Capital Economics

”

Household and personal confidence from Dec 2015 – Mar 2016



- Household finances
- Ability to spend more on non-essential items
- Job security

The biggest losers

The downward trend hit the travel and clothing categories hard. In Q1 travel spend growth was 3.2% whereas the previous quarter was up 7%. The overall quarterly figure was pulled down by March's travel spend, rising a mere 0.8%. This contrasted with February spend, up 5.1% as Brits paid for half-term holidays, romantic Valentine's getaways or planned Easter breaks.

Fashion didn't fare any better. Women's clothing was only up 1.7% in Q1 versus 4.4% in Q4 2015 but it performed particularly poorly in March, falling 1.2%. Overall clothing spend in March grew just 0.2%, the lowest figure since June 2014, as shoppers avoided the high street due to the damp and blustery weather.

A cracking Easter?

Easter provided a small sliver of light amidst the gloom, helping supermarket spend growth rise to its highest figure in 14 months, up 2.0% in March. This was a sharp recovery from February when the sector dipped into negative territory, falling 0.4%. March saw Brits fill up their shopping baskets a little more, with average supermarket transaction volume growth up 5.5%, from February's figure of 4.8%. Easter family gatherings, Mother's Day and the February half-term also helped pull the overall Q1 figure up to 0.5%, a marked improvement on Q4 2015's -0.6% and the highest figure for the sector since the first quarter of 2015.

The silver lining

There were some notable bright spots in Q1. Moviegoers had plenty to see with cinema spend up a shining 11.5% in Q1. The quarter saw the release of films such as *The Revenant*, *Zoolander 2* and *Deadpool*. Online cinema spend in Q1 was up a stellar 18.9%, from 15.3% in Q4 2015, as the trend of booking tickets online and pre-ordering for new films continued. The superhero blockbuster, *Batman v Superman: Dawn of Justice*, was released late in the month and helped spike online advanced ticket sales in March, with online cinema spend up double digits at 16.9%. Entertainment spend was another winner, up 12.7% in the quarter. Pints at the pub and dining out were also popular, with pub spend up 12.4% and restaurant spend up 12.9% in Q1.



A softer economic outlook for the UK, a rising labour market and the fact that many new jobs are relatively low-paid are all holding back wage growth. Nearly half of consumers (44%) are feeling frustrated that their wages aren't going up as much as they should be.

“

Consumers are not as confident as they were in August, but they're not wringing their hands.

Howard Archer
IHS Global Insight

”

Money matters

In 2015, consumers had a little extra cash in hand and enjoyed the benefits of boosted spending power due to a combination of wage growth and low inflation. This 'sweet spot' may have soured a little in 2016.

“

Earnings growth has fallen back since peaking around August last year...a number of companies are using extended low inflation as a reason to limit pay awards.

Howard Archer
IHS Global Insight

”



(32%) of these consumers saying they generally go to mainstream stores but visit discount stores for bargains. Britons today really do hunt for a good deal. Almost two thirds (64%) of shoppers say they frequently go out of their way to find a bargain.

“

The emerging trend for compartmentalisation in the weekly shop, with people more willing than ever to mix and match between discount stores and more established high street retailers, shows that shoppers continue to place a premium on value for money.

Paul Lockstone
Managing Director
Barclaycard

”

Jet-setting is still a key motivator for Brits despite the slackening in the travel categories in March. Many holiday goers would have paid for their trips in February, and those who took longer Easter breaks will pay for much of their holiday in the later part of the month, so we can expect April's travel spend growth to be strong. Of the 67% of consumers who say there are some things they will always be prepared to spend a little extra on, over 40% say they would never scrimp on their holiday. Furthermore, one in five (21%) expect travel to be their biggest spending increase in the next three months.

The unstoppable march of the discounters

The austerity mind-set that Brits have adopted since the recession has made them serial bargain hunters. This consumer mentality has contributed to the staggering rise in discount store spend over the last 12 months and this quarter the figure is up a very strong 9.6%. Led by brands such as Lidl and Aldi, these stores have become very popular with consumers. And with challenger brands such as EasyJet's easyFoodstore set to give consumers even more choice, Brits are taking advantage. Over half (51%) of consumers go to a combination of discount and mainstream shops for their weekly shop, with almost a third



It's evident that consumers are concerned about the bigger economic picture, their disposable income and what the future might hold. And where consumer confidence has weakened across the quarter, we can see a direct impact on spend growth. However, it's likely that Brits will continue to spend on travel and going out and there are some measures where confidence has recovered. Over half of consumers have given their employment status a vote of confidence with 51% feeling secure, up from 39% in February, and many Brits are comfortable balancing their books with 69% feeling confident in their household finances, up from 54% in the previous month. It remains to be seen whether caution will continue to be a brake in the second quarter or whether spend growth will return to the stronger levels we saw through much of 2015.

About this data

Barclaycard processes nearly half of all card transactions in the UK. Our spending data is based on transactions from our UK credit card business, UK payment acceptance business and spending on Barclays debit cards.

In this report, data for Q1 refers to the period from 27 December 2015 – 26 March 2016 inclusive and compares it to 27 September 2015 to 26 December 2015 inclusive. The March spend data relates to the period 21 February 2016 to 26 March 2016. It is compared with 22 February 2015 to 28 March 2015.

The consumer confidence survey was carried out between 18 and 22 March 2016 by Longitude Research on behalf of Barclaycard. There were 2,073 respondents, providing a representative sample of UK consumers by age, gender, region, income group, professional status and family situation. This follows on from consumer confidence surveys in Q3 and Q4 2014, as well as Q1, Q2, Q3 and Q4 2015.

For more information, please contact:

Tom Foxtton, Senior Public Relations Manager,
Barclaycard Press Office
tom.foxtton@barclaycard.co.uk / 020 711 67285

About Barclaycard

Barclaycard, part of Barclays Bank PLC, is a leading global payment business that helps consumers, retailers and businesses to make and take payments flexibly, and to access short-term credit and point-of-sale finance. In 2015 we processed over £293bn in transactions globally. Barclaycard is a pioneer of new forms of payment and is at the forefront of developing viable contactless and mobile payment schemes for today and cutting-edge forms of payment for the future. We also partner with a wide range of organisations across the globe to offer their customers or members payment options and credit.

home.barclaycard

 Follow us on Twitter @BarclaycardNews
or tweet your comments using #BCSpend

“

Some sectors did show encouraging signs – notably entertainment and leisure – as consumers continued to spend on experiences, often with their families and loved ones.

”

Paul Lockstone
Managing Director
Barclaycard