

# Consumers and the Economic Outlook - UK - May 2021

Report Price: £2195 | \$2995 | €2600

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## This report looks at the following areas:

- Key Findings
- Consumers' Response to the EU Referendum Result
- Current Financial Situation
- Changes in Financial Situation
- Financial Confidence
- Planned Financial and Spending Activity

The new wave of lockdown restrictions in late 2020 and early 2021 inevitably had a harmful impact on the economy. Consumer expenditure fell by 3.9% in the first quarter of 2021 compared to Q4 2020, mainly because of the hit to spending on non-essential retail, hospitality and transport. This contributed to a 1.5% quarterly fall in economic output, leaving GDP 8.7% below the last COVID-free quarter in Q4 2019.



"Despite the continuing upheaval caused by COVID-19, financial wellbeing and financial confidence both hit new index highs in April 2021, while planned financial activity for the next three months approached pre-pandemic levels in May, driven by increased interest in leisure and hospitality."

– Rich Shepherd, Associate Director - Financial Services

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### KEY FINDINGS

- **Real GDP remains 8.7% below pre-pandemic levels after 1.5% fall in Q1**
- **The roadmap out of lockdown brought clarity and confidence has soared**
- **Savings have boomed again but consumers are ready to spend**
- **Key economic indicators**

Figure 1: Key economic indicators, May 2021

### CONSUMERS' RESPONSE TO THE EU REFERENDUM RESULT

- **What you need to know**
- **A remarkable rise in positivity over Brexit**

Figure 2: Level of concern over the impact of the EU referendum, July 2016-May 2021

- **Four in 10 now predict a Brexit dividend for the economy**
- **Prices and unemployment still raise concerns**

Figure 3: Consumer views on the impact of the EU referendum, May 2021

### CURRENT FINANCIAL SITUATION

- **What you need to know**
- **Financial wellbeing continues to rise**

Figure 4: The financial wellbeing index, January 2015-May 2021

- **80% describe their finances as healthy or OK...**
- **... but unskilled workers are missing out**

Figure 5: "How would you generally describe your financial situation at the moment?", May 2021

Figure 6: Current financial situation, by socioeconomic group, May 2020 vs May 2021

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Figure 7: Changes in household finances, January 2015-May 2021

Figure 8: "How does your own financial situation compare to how it was a year or so ago?", May 2021

### What's included

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- **Almost half of higher earners feel that their finances have improved**

Figure 9: Changes in household finances, by household income, May 2021

### FINANCIAL CONFIDENCE

- **What you need to know**
- **Confidence reached an all-time high in April...**

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Figure 12: Financial confidence for the year ahead, by generation, May 2021

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- **What you need to know**
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- **Travel bookings rise with the reopening of the tourism sector**

Figure 14: "Which of the following have you done over the last 3 months? And which do you plan to do over the next 3 months?", May 2021

- **Lifting lockdown immediately benefited retailers; leisure and hospitality are next**

Figure 15: Actual and planned financial activity relating to leisure and hospitality, by age, May 2021

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