

UK business & economy

UK consumer confidence falls to lowest level since records began

Mood gloomier than at height of pandemic or in 2008 financial crisis as inflation hits household pockets



Confidence survey showed a particularly large drop in expectations regarding personal finances as rapidly rising prices squeeze what consumers can buy. © Chris Ratcliffe/Bloomberg

Valentina Romei in London 3 HOURS AGO

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UK consumer confidence has fallen to its lowest level since records began nearly 50 years ago as **surging inflation** hits households' finances and the wider economy.

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The data, published by research company GfK, came a day after official figures revealed that interest payments on **UK government debt** hit one of their highest ever levels last month as climbing inflation limited an expected fall in public sector borrowing.

The sharp rise in the consumer price index, which in May reached **a 30-year high of 9.1 per cent**, also led business sentiment to fall to the lowest level seen in two years, according to separate figures from the S&P Global/CIPS UK purchasing managers' survey, also released on Thursday.

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The UK consumer confidence index, an indicator of people's **perceptions** of their

The UK consumer confidence index, an indicator of people's perceptions of their personal financial situation and general economic conditions, decreased one point to -41 in June, the lowest since records began in 1974.

Joe Staton, client strategy director at GfK, said the fall reflected prices rising faster than wages and the prospect of strikes and spiralling inflation causing a summer of discontent.

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UK consumer confidence drops to a record low

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Sources: GfK, Refinitiv

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“The consumer mood is currently darker than in the early stages of the Covid pandemic, the result of the 2016 Brexit referendum, and even the shock of the 2008 global financial crisis, and now there’s talk of a looming recession,” he added.

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The index, based on interviews carried out in the first half of June, showed a particularly large drop in expectations regarding personal finances as rapidly rising prices squeeze what consumers can buy. A reading below 30 is historically associated with the economy entering a recession.

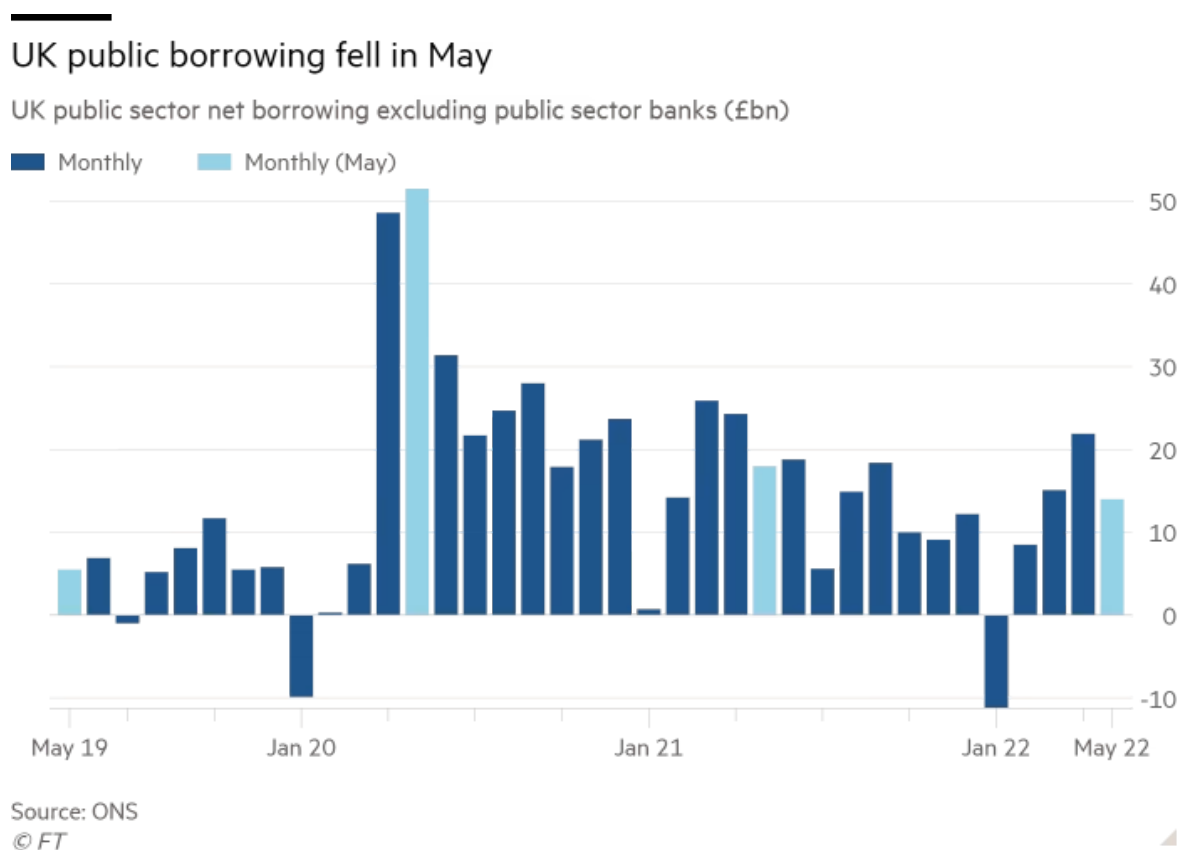
Soaring inflation also cast a shadow over the public finances and business sentiment.

Interest costs on government debt rose to £7.6bn in May, up 70 per cent from last year and higher than the £5.1bn forecast by the independent fiscal watchdog, following a 40-year high pace in retail price inflation to which many debt payments are linked.

The Office for National Statistics [said](#) the debt interest payments were the third-highest made by the government in any single month and the highest made in any May on record.

Inflation increases government borrowing costs because gilts linked to the retail price index make up 25 per cent of UK sovereign debt.

Public sector net borrowing nonetheless declined in May — but by less than expected — as inflation also aided government finances by bringing in higher tax revenues.



Borrowing in May was £14bn, down £4bn from the same month last year, according to ONS data. But May's borrowing was higher than the £12bn forecast by economists polled by Reuters and well above the £10.3bn expected by the Office for Budget Responsibility watchdog.

The strong labour market and reopening of the economy boosted government income too. In May, government receipts rose by £5.7bn, including a £3.4bn annual increase in tax receipts.

Samuel Tombs, economist at Pantheon Macroeconomics, noted that government receipts **undershot** the OBR forecasts, particularly for consumption tax revenues. This may ^{低于} suggest "that the economy is underperforming the OBR's expectations", he said.

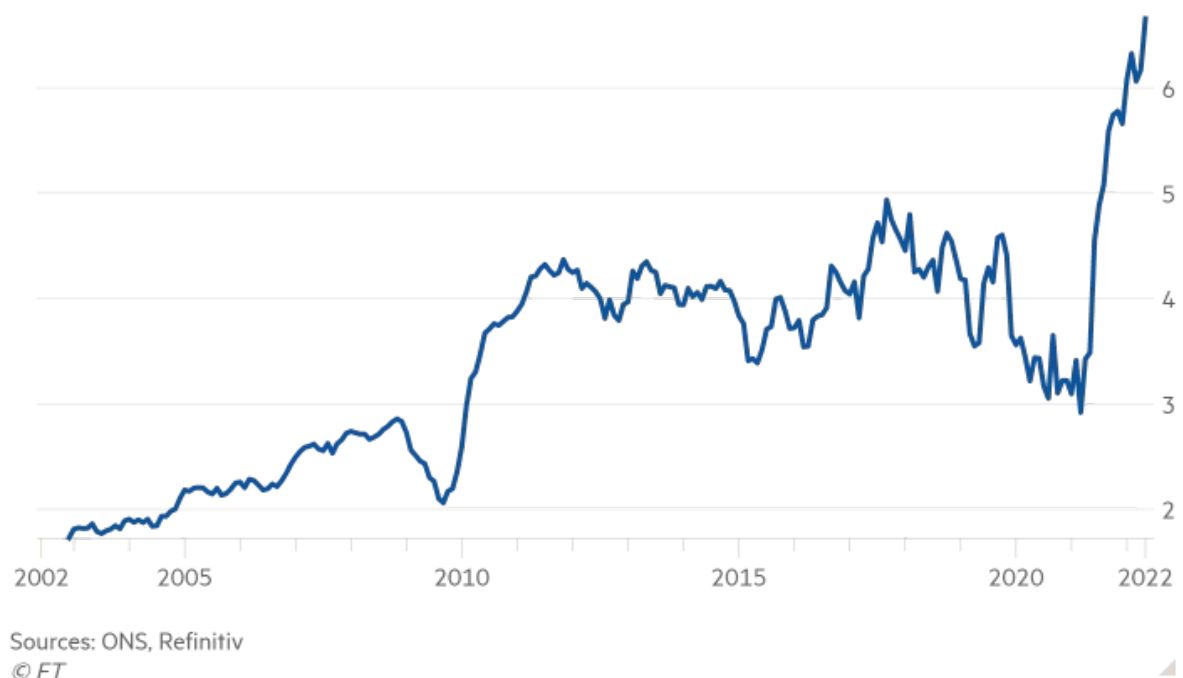
Borrowing for April was also revised up. This means that the public finances for the current fiscal year “have got off to a disappointing start”, said Martin Beck, chief economic adviser to the EY Item Club.

Chancellor Rishi Sunak said: “Rising inflation and increasing debt interest costs pose a challenge for the public finances, as they do for family budgets.”

The higher interest payments were also partially offset by the end of most Covid-19 government support schemes.

Central government debt interest payments have increased

£bn, rolling 6-month average



Michal Stelmach, senior economist at KPMG UK, said “the pace of deficit reduction is set to slow over the coming months” as a result of the government’s £15bn support package announced last month to help households with rising energy bills and because of weaker economic growth.

June’s purchasing managers’ indices added evidence of the UK economy heading to a new **downturn** as inflation weighed on consumer spending intentions and business expectations.

The interim composite PMI index, a barometer of the change in private sector activity relative to the previous month, was unchanged from the 15-month low seen in the previous month at 53.1.

UK business expectations for the year ahead have plunged

Purchasing managers' index, below 50= a majority of businesses reporting a contraction

— Services — Manufacturing — Composite



Sources: S&P Global / CIPS, Refinitiv
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However, the forward-looking index of business expectations registered the largest monthly decline since the start of the pandemic. The new order index also dropped to 50.8 in June from 53.8 in May, signalling the weakest rate of growth in more than a year

Chris Williamson, chief business economist at S&P Global Market Intelligence, said “business confidence has now ^{跌至}slumped to a level which has in the past typically signalled an **imminent recession**”.
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