



TRAJECTORY

OUVERTURE

22

14 00 UNE PEINTURE PARLÉE
15 00 BEAUBOURG-LA-REINE: LES KELLERS
19 00 BEAUBOURG-LA-REINE: JULIE NICOLE ET SIR ALICE
20 00 TEATRINO PALERMO: INAUGURATI...
20 30 GRANDE SALLE: ELMGREEN & DRA...

20

14 00 UNE PEINTURE PARLÉE
16 00 BEAUBOURG-LA-REINE: LAURENT FRIQUET
ET MARIE-PIERRE BRÉBANT

The Optimism Index (GB)

Report: January 2020 | Fieldwork: 10th-13th January

**UK Optimism
January 2020**

50

Down 1 Point on December 2019

Down 8 Points on January 2019

**Rolling Average
January 2020**

50

Down 0 Points on December 2019

Down 2 Points on January 2019

Scale 0-100. A score of 50 or more indicates higher levels of optimism

Net spending expectations -18%

Consumer spending expectations have dropped by 3%

Net household confidence -12%

Net confidence in household finances fell slightly this month

Net Trust -18%

Consumers have suffered a fall in overall net trust

Headlines

Comment

A new decade, a new dawn, a new life?

Maybe. As we enter a new year, a new decade and a new parliament consumers are firmly hedging their bets, with both monthly and longer term optimism sitting at a stubbornly neutral 50 in our Index. Consumers aren't languishing in the January Blues, but then they aren't exactly ringing any bells either.

There's a sense in the deeper data – as the 'settled' group remains the most dominant in consumer confidence, and autonomy edges just up while nostalgia edges just down – that consumers are waiting for the Brexit deadline before they start to form any strong opinions on 2020.

However, the most revealing indication might be the year on year comparison: this time last year – in the midst of unprecedented constitutional chaos (at the time) – consumer optimism reached a high of 58.

If 50 is the best they can do in this period of comparative serenity, perhaps there is more downside than upside in the year ahead.

Tom Johnson, Managing Director, Trajectory



The Optimism Index: Headlines

- This month's edition of **The Optimism Index** sees consumers sentiment decline by 1 point from 51 to 50.
- This position differs significantly from what we saw at the same time last year. Consumers saw January 2019 as an opportunity for a fresh start and experienced a sense of renewed optimism, with the index rising by 11 points to 58 - a score we haven't seen the like of since. The GB public are starting the new decade (and a new Parliament) in a very neutral mood.
- This neutrality will be tested in the weeks ahead as, following a period of political calm, the UK finally leaves the EU. For now, January 2020 represents another month in the slow decline of consumer sentiment in the UK – best illustrated by the comparison with this time last year.

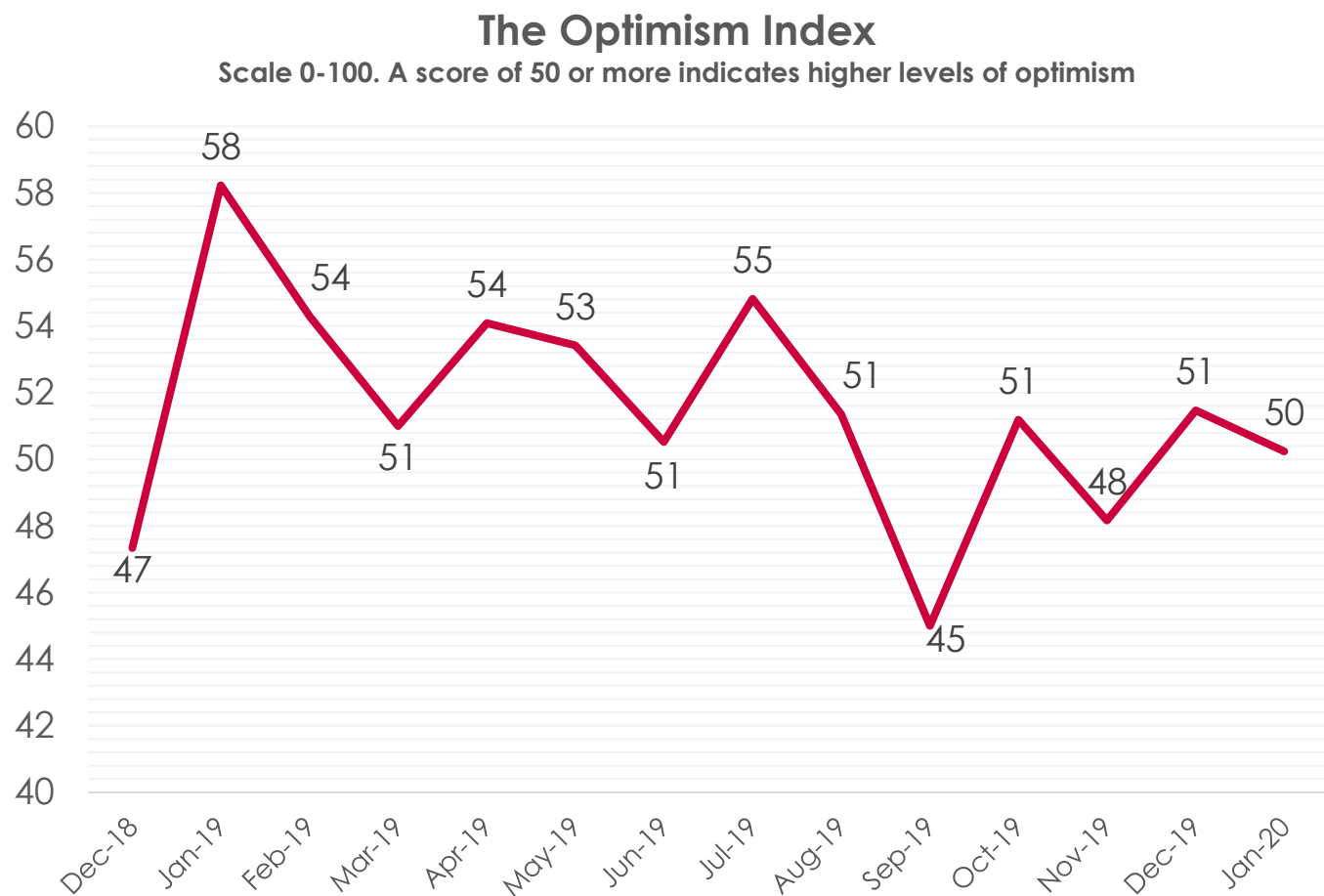


Chart labels are rounded to whole numbers, but *The Optimism Index* is rounded to one decimal place

The Optimism Index: Rolling Average

- The three month rolling average remains at the same level for only the second time over the last 12 months, with a score of 50. Compared to last year, this score represents a 2 point decrease in long-term optimism.
- Despite not increasing this month, a 3 month average score of 50 represents the second consecutive month in which long term optimism is at least 50 – an indication of the Index's stability in recent months and the removal of September 2019 from the long term average, which was the low point of the past 12 months.
- There is clearly still a downward trend in long term optimism amongst consumers, and the fact that the start of a new year was unable to provide a welcome boost away from this sustained pessimism provides an uncomfortable and concerning forecast for consumer attitudes for the rest of 2020.

The Optimism Index, 3 Month Rolling Average
Scale 0-100. A score of 50 or more indicates higher levels of optimism

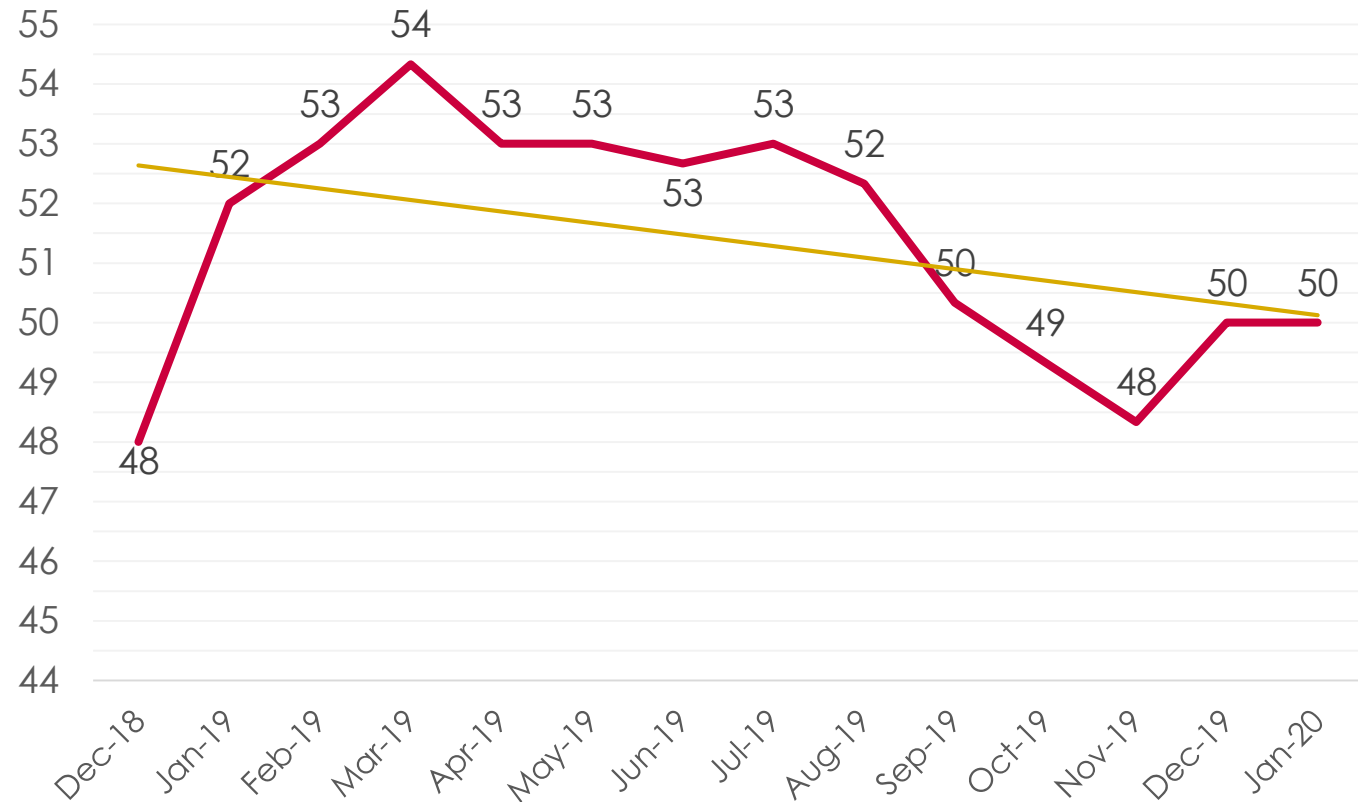


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Voting Intention

- Given that this month's fieldwork took place in the weeks following the landslide victory for the Conservatives in the general election, it is no surprise that optimism amongst Conservative voters rose 3 points from 59 to 62, increasing the rolling average from 58 to 59.
- It is clear that Labour voters would have been disheartened by their latest failed attempt at gaining power over the Commons, with both this month's score and the 3 month rolling average having fallen by 1 points this month. This continues the long term decline in optimism amongst Labour voters, with the average having consistently hovered around 50 in the Spring and Summer, and having fallen far lower since the start of Autumn.
- This differing trend in optimism amongst Labour and Conservative voters translates into conflicting expectations regarding everyday spending. Amongst Conservatives, we have seen a 3% increase in those who intend to increase everyday spending from 18% to 21%, whereas Labour voters have seen a 3% fall in those who will increase this type of spending, from 20% to 17%.

The Optimism Index by Voting Intention [3 Month Rolling Average]
Scale 0-100. A score of 50 or more indicates higher levels of optimism

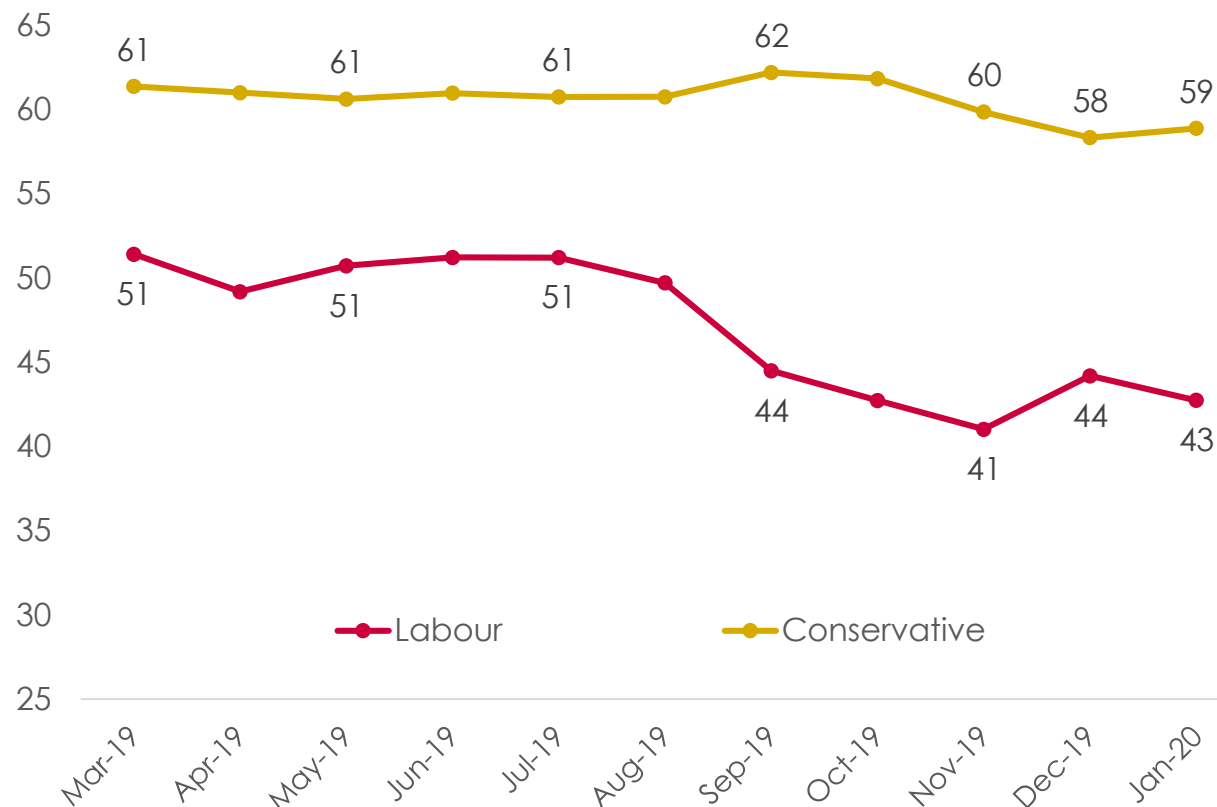
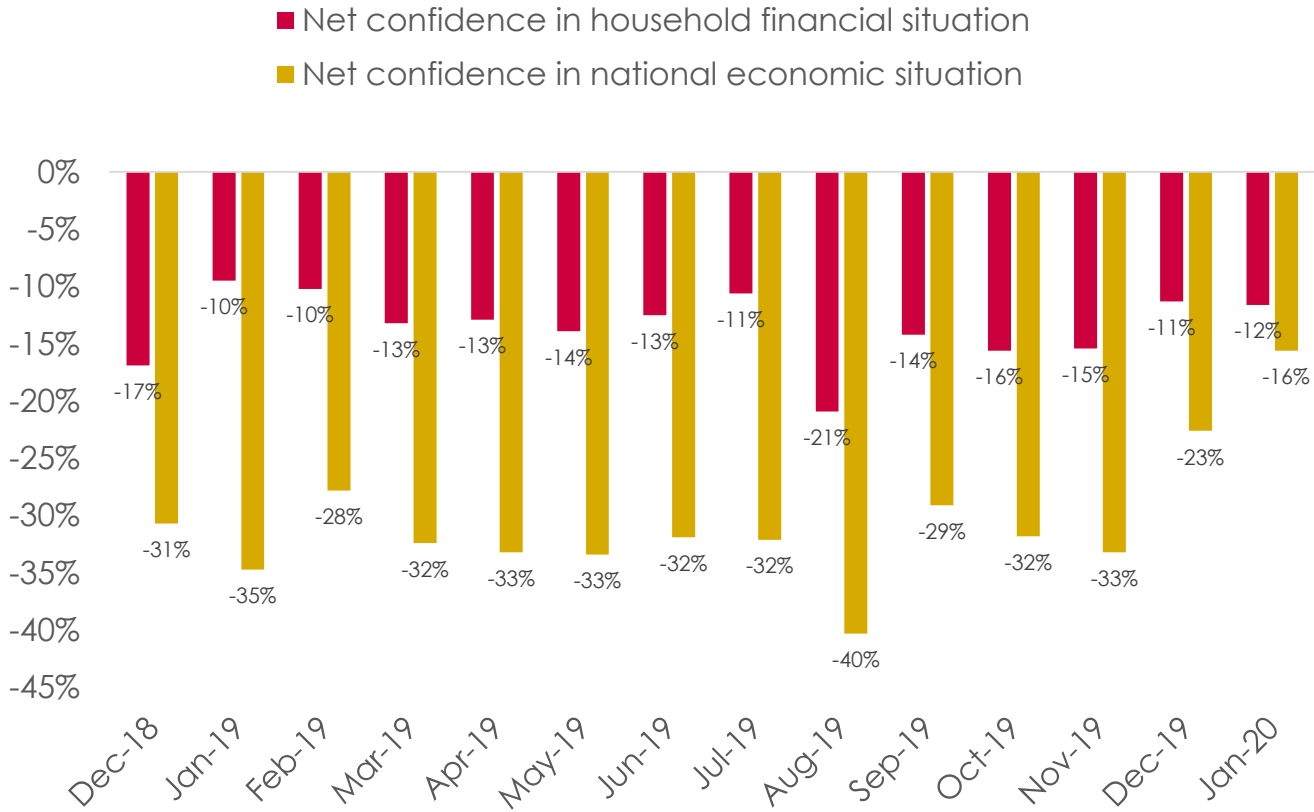


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Financial & Economic Drivers

- Consumer confidence measures give us reason to be hopeful: although overall optimism is low, consumers have not been this positive about the economy in the history of the Index. Of course, this 'positivity' is a score of -16%, so the recessionary mood continues.
- This degree of confidence in the economy has not translated into the same level of confidence in consumer's household finances, with net levels having fallen by 1% this month from -11% to -12%.
- The 'Consumer Confidence Bubble' – the difference between household and economic confidence – has now fallen to just 4%, having been as high as 20% during 2019, with this month representing the second consecutive month in which this has fallen significantly.

Financial & Economic Drivers;
(Net: % thinking will improve minus % thinking will get worse)



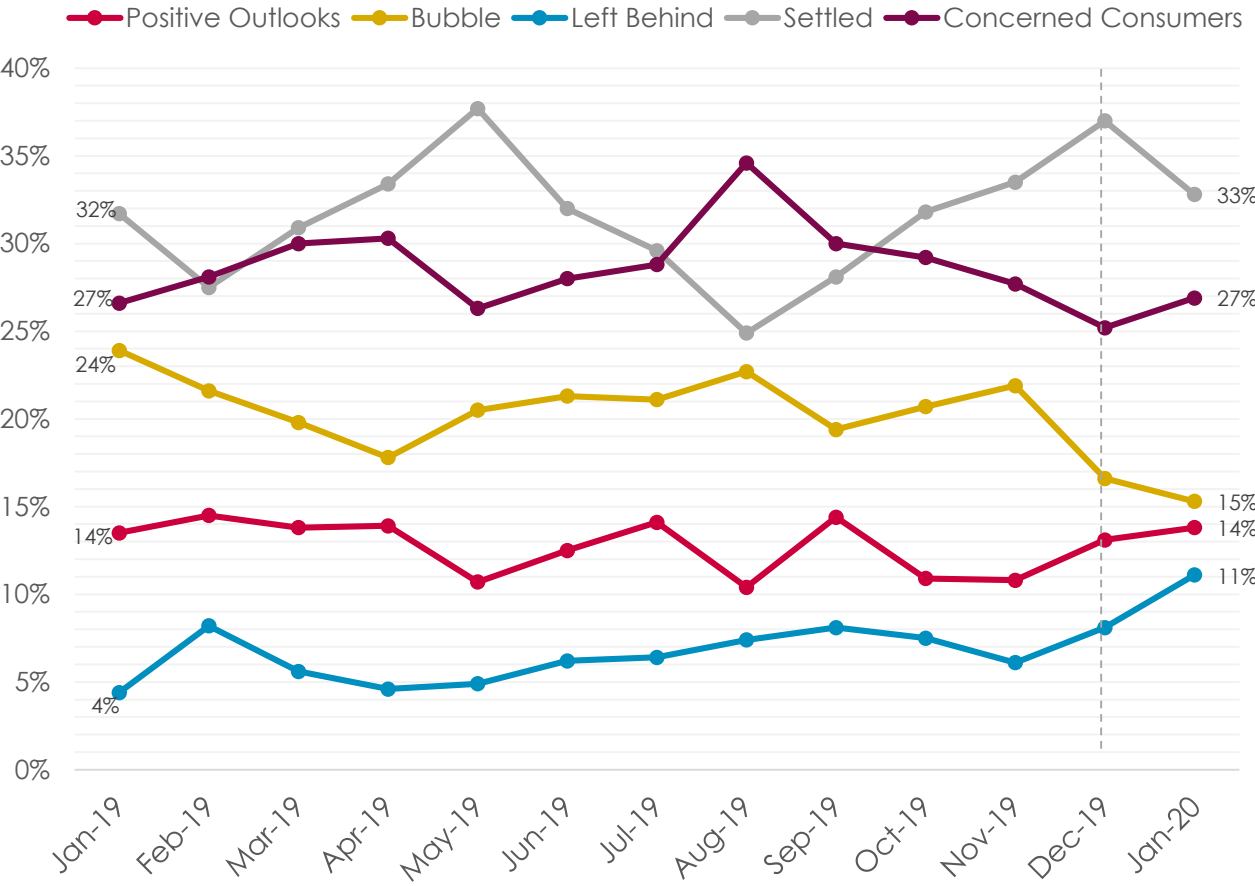
Confidence Segments

The persistent negativity around the economy has long masked a multitude of divergent attitudes when it comes to consumer confidence. This year, we will be tracking not just the headline indicators, but also five distinct segments:

- **Positive Outlooks:** those who think both their own finances and the economy will improve in the next year
- **The Bubble:** those who expect the economy to get worse, but their own finances to be unaffected
- **Settled:** those expecting no change to either their own finances or the economy
- **Left Behind:** those who think the economy will improve but don't expect to be better off themselves
- **Concerned Consumers:** those who think that both the economy and their own finances will decline

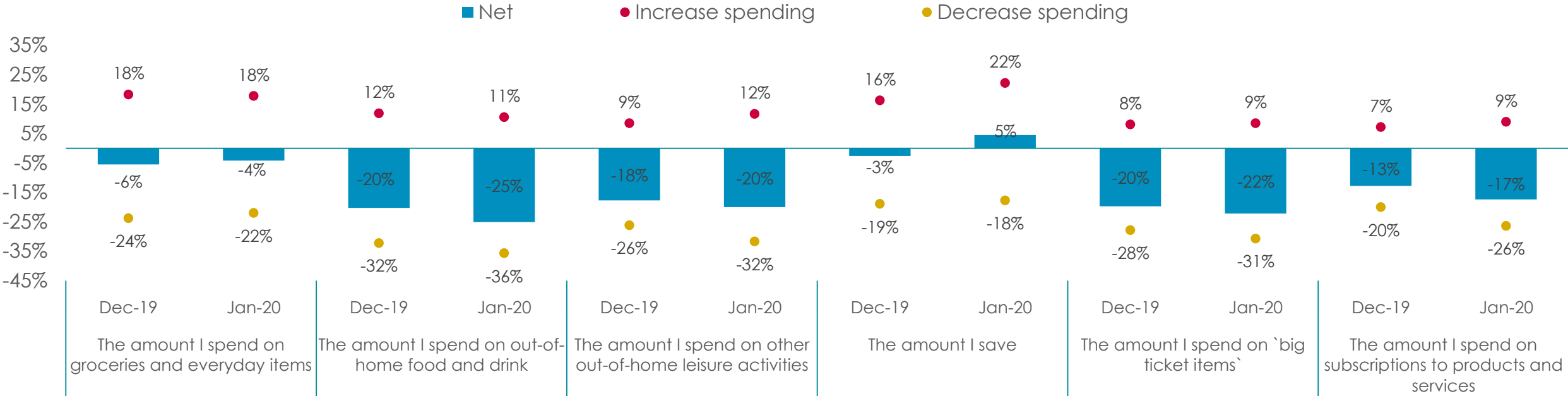
Month on month movement in these groups shows that the better economic confidence is on shaky ground: the biggest increases are with the Left Behinds (up 3% since December) and the Concerned Consumers (up 2%)

Do you think the economic situation in the UK/the financial situation in your household will improve, stay the same or get worse in the next 12 months?



Implications for Spending

Anticipated Change in Spend
 “Over the next few months, how will you change the following?”
 (Net, Total Increase and Total Decrease)



- The fall in optimism has corresponded with dampened spending expectations amongst consumers across almost every area, with out of home food and drink suffering the greatest hit, as net spending falls from -20% to -25%, perhaps owing to the growing popularity of ‘Dry January’
- This cautious approach from consumers is further enhanced by the 8% increase in net saving expectations – an indication that consumers are starting the year in a sensible mood; saving more and going out less.



Gender

- Optimism remained at the same level for both men and women this month, with men having stayed at 52 and women at 48. This represents the second consecutive month in which we see a gap of 4 points in optimism between the two groups, and the third case of a gap this size occurring in the last 4 months.
- When considering the voting intentions of men and women, it is no surprise to see why the 4 points gap in optimism has sustained for consecutive months. This month, 44% of men said they would vote Conservative if a general election was held tomorrow, compared to 34% of women, with women being far more likely to vote Labour than men (32% to 27%).
- This gap in optimism has translated to huge differences in household confidence, with male net confidence being far higher than for women, as well as having improved this month from -6% to -5%. Among women, however, net confidence is more than three times lower, falling from -16% to -18%.

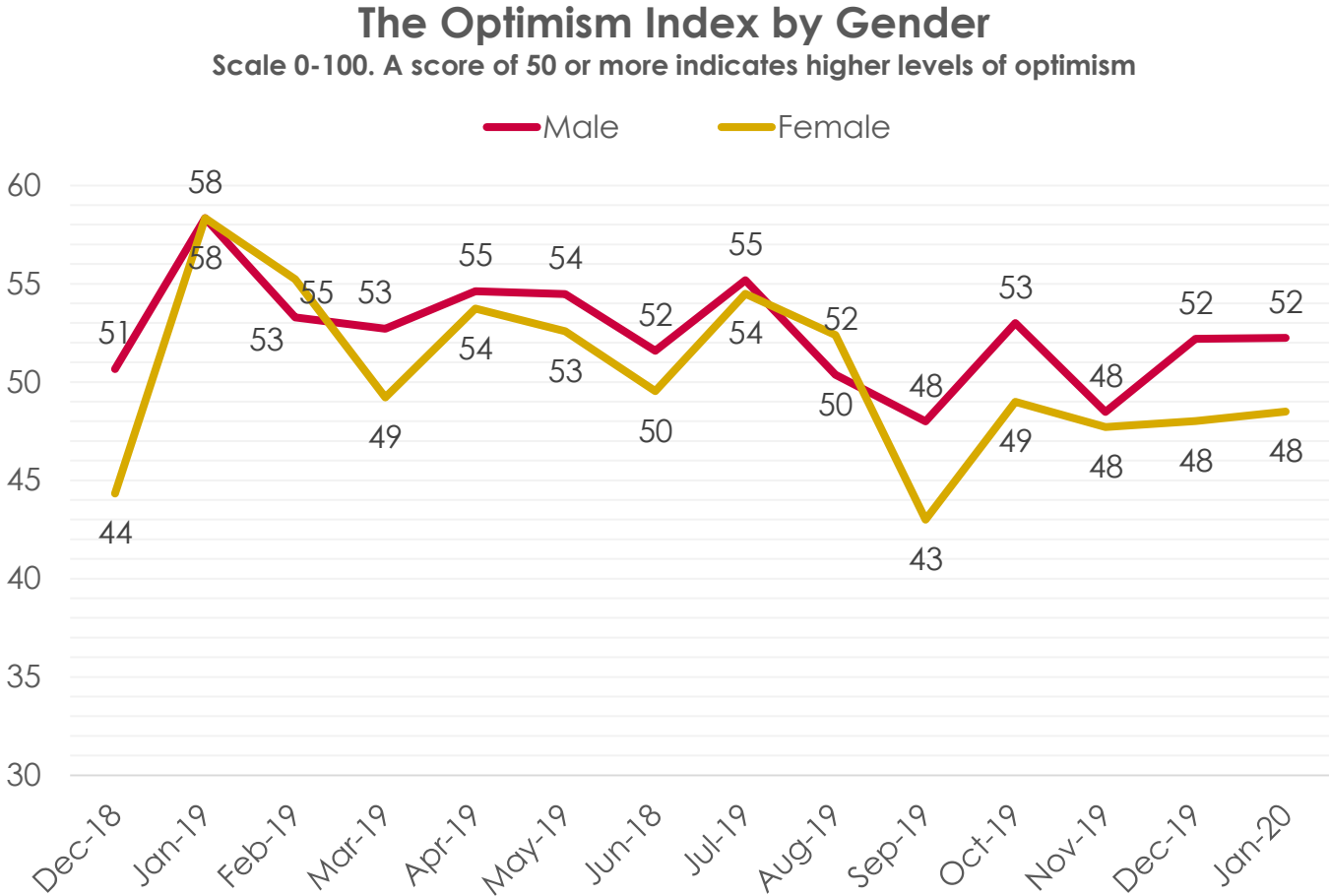


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- We have seen vastly different changes in optimism across generations this month, with Gen Z having suffered a 9 point fall from 50 to 41, contrasting to Baby Boomers who increased by 3 points this month from 48 to 51. Optimism amongst Gen Z was 2 point higher than Baby Boomers in December; just a month later it is now 10 points lower.
- Optimism also fell by 2 points among Gen Y, and it is clear to see why younger consumers would have grown more pessimistic than Baby Boomers when considering the way they voted in the Brexit referendum. 34% of Gen Y say they voted to leave in the EU, compared to 54% of Baby Boomers..
- This sharp increase in optimism amongst Baby Boomers has coincided with an equally substantial growth in confidence in the UK economy, in which net confidence grew by 22% from -31% to -9%, contrasting to Gen Y in which net confidence fell by more than 10% from -11% to -23%.

Generation

The Optimism Index by Generation

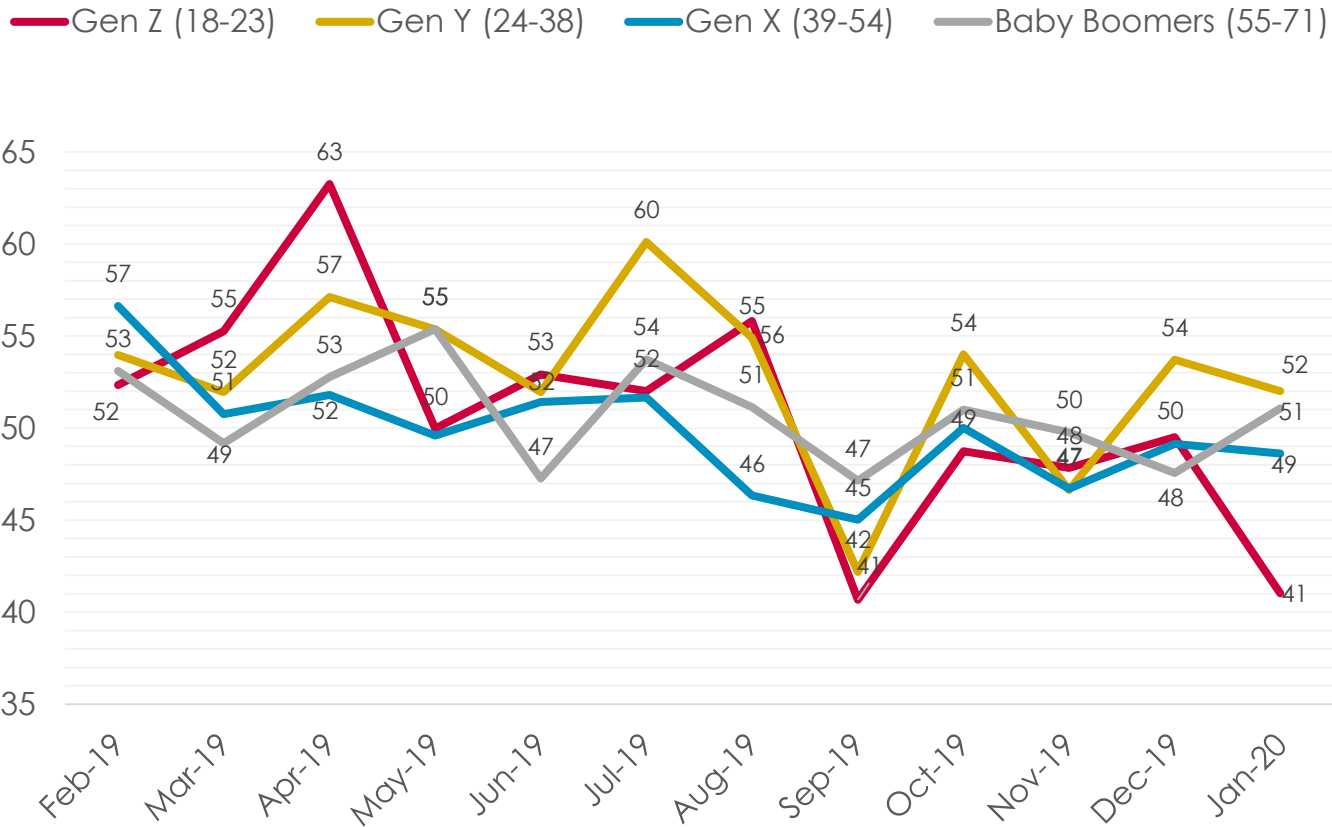


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- With last month having represented the first time in the last 12 months in which optimism was higher outside of London and the South East, this month sees a sharp return to the norm, with The Optimism Index reaching a six month high of 56 for those in London/SE, compared to a 2 point from for those outside of this region from 50 to 48.
- Those in London and the SE – despite more likely to be disappointed by the election result – are perhaps taking some succour from the positive projections for the economy for the year ahead: particularly what it might mean for house prices in the region, which stalled in 2019.
- Such a dramatic improvement in optimism in this region has stimulated a similarly sharp growth in confidence in the UK economy amongst consumers in this region, with net confidence having risen by 13% from -17% to -4%, whereas those in the rest of the UK suffered just a 5% increase from -25% to -20%.

Region

The Optimism Index by Region
Scale 0-100. A score of 50 or more indicates higher levels of optimism

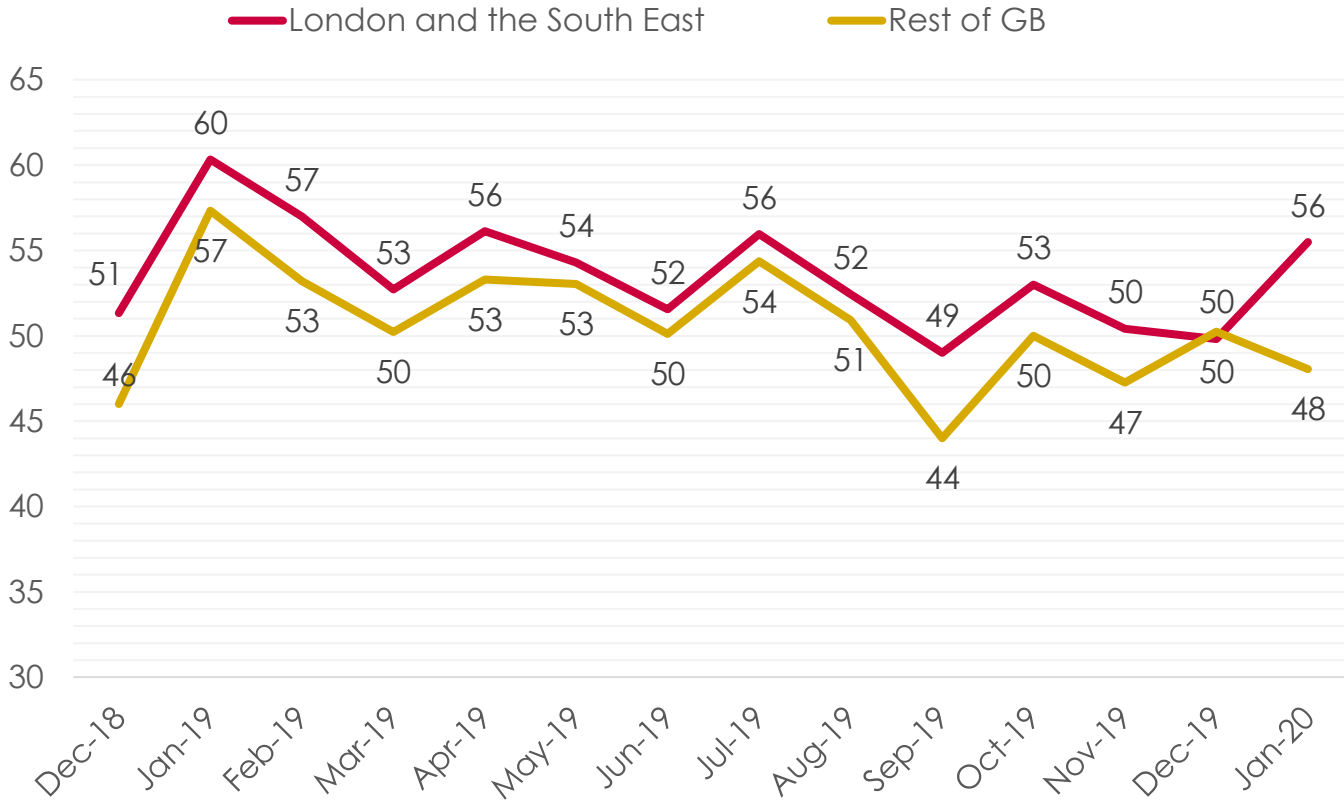


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Income

- Optimism rose amongst higher income households this month, with those earning more than £62k a year rising y 3 points to 58. Those earning middle incomes experienced a smaller rise in optimism, with those earning £41k-£62k rising by 1 point and those earning £21k-£41k rising by 2 points. Amongst those earning the lowest incomes, a fall of 2 points from 49 to 47 occurred.
- These changes in optimism across different levels of income represent almost paralleled changes in confidence in the UK economy, with above £62k earners having experienced a 22% increase in net confidence compared to those earning less than £21k in which net confidence fell by 5%.
- This has again translated into stark differences in spending expectations amongst these different groups, with the highest earners having experienced a 19% increase in net spending expectations related to out of home food and drink from -14% to 5%, contrasting to those earning the lowest income, in which net spending fell by 11% in this area from -20% to -31%.

The Optimism Index by Income (annual, pre tax household income)

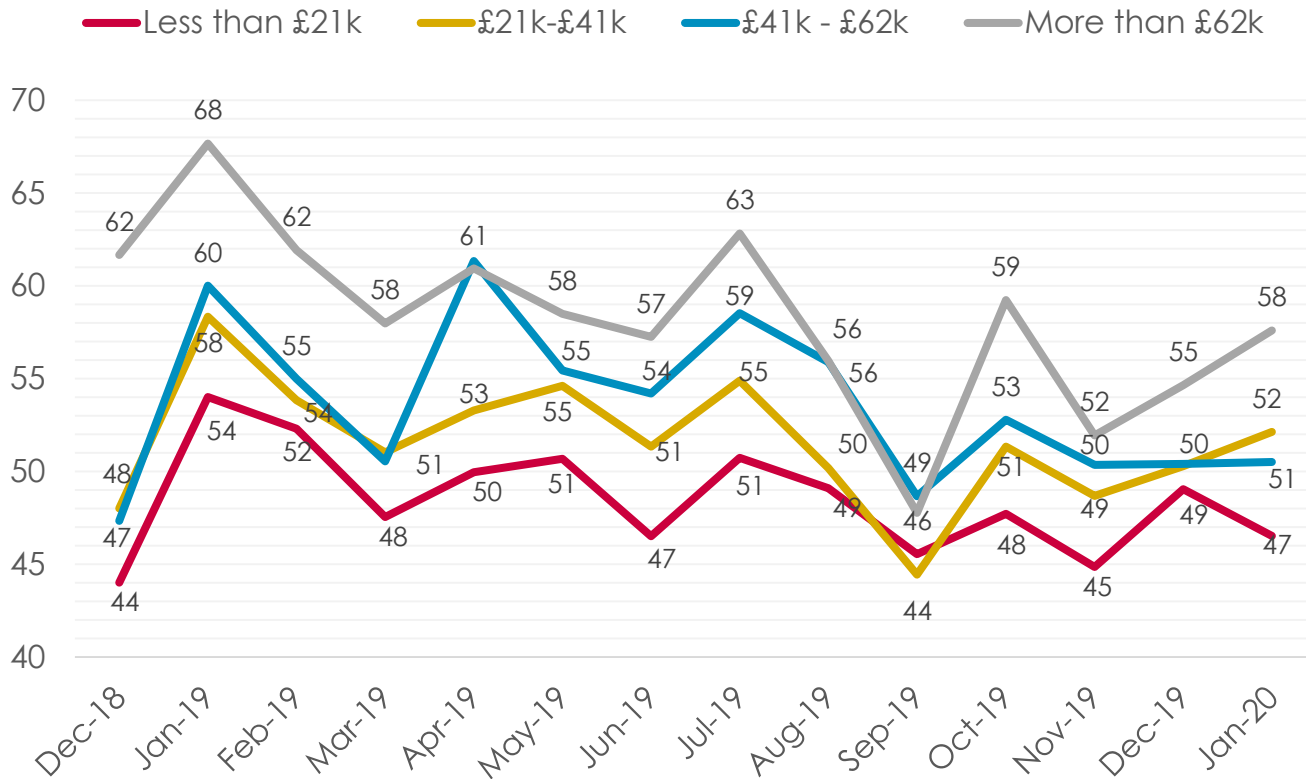


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TRAJECTORY

Each month Trajectory survey up to 2000 adults in the UK on a range of issues including consumer confidence, personal choice and control, social trust, opportunities in technology, optimism and their place in the world.

This data is analysed and produces The Optimism Index. The data presented here is a snapshot of the full data, which can be used for bespoke analyses on request – including time-series analysis (from 2011 onwards) and global comparisons.

Enquiries: signal@trajectorypartnership.com

Trajectory
22 Upper Ground, London, SE1 9PD
(0)20 8004 4861
www.trajectorypartnership.com
[@TrajectoryTweet](https://twitter.com/TrajectoryTweet)

