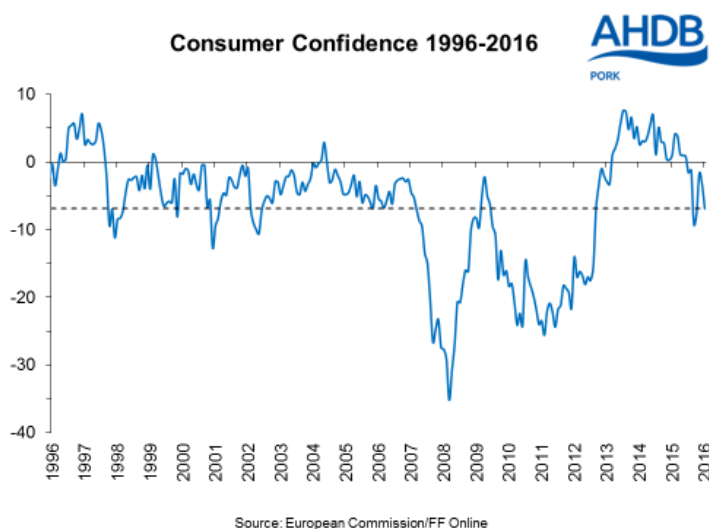


Consumer confidence remains positive

Consumer confidence is a measure of how people feel about present and future financial circumstances, both for themselves and for the wider economy. The index score is arrived at by asking a representative sample of the population questions around their own circumstances, and those of the wider economy.

When the index is high, consumers are expected to increase their spending on goods and services; when low, a decrease in spending is usually anticipated. Since 2012, consumer confidence and other economic performance indicators have been generally positive.

The financial health of the UK is heavily dependent on consumer spending; the Office for National Statistics (ONS) says that household expenditure makes up 60% of the UK economy. The industries that AHDB products contribute to are an important part of this. According to Kantar Worldpanel, grocery retail amounted to £105 billion in 2016, while the total spent on out-of-home food and drink was over £50 billion (NPD CREST).



There was a strong relationship between foodservice and consumer confidence from 2008 to 2012. People ate out of home less often, those who did ordered fewer side dishes and drinks. The response of the industry was to offer deals, offers and promotions to encourage consumers to come back.

Between 2012 and 2016 financial pressures eased, earnings began to grow faster than inflation and consumer confidence rose. Eating out, which for many had increasingly been viewed as a treat or luxury, began to recover. However, the level of promotions relied on by the foodservice industry since 2008 did not fall away.

One of the ways in which consumers dealt with the squeeze in their post-2008 disposable income was to become more 'savvy' when shopping for groceries. Many decided to 'trade down'. Hard Discounter retailers benefited from this and grew quickly. The rate of increase has slowed, but good growth continues.

In the 12 weeks ending 29 January 2017, Aldi became the UK's fifth largest supermarket. Its Every Day Low Price (EDLP) strategy caught on quickly with consumers, and has been extremely influential on the entire grocery market. In the time after the banking crisis, consumers used discount stores because they had to, now many use them because they prefer to.

The media was overwhelmed during the last 12 months with doom laden forecasts of what might happen if the population voted for Brexit. Despite this, almost all financial performance measures have been relatively positive. The consumer confidence index has been a little changeable but, when compared to historical levels, has remained high. In normal times, consumers are expected to trade-up and be more willing to treat themselves. However, some behaviour learnt when the index was low continues. Consumers are still seeking the best value, and use deals, offers and promotions whenever possible.

It is likely that the pressure to keep costs low and collaborate in promotions will continue to be placed on those in the food supply chain. The driver of this is not the supermarkets and out-of-home food outlets; it is the consumer.

It is important for the pork industry to understand these drivers for consumers when looking to entice them back into the category. This is especially true considering the recent declines in the overall retail spend on pork products. According to the latest data from Kantar Worldpanel, in the 52 weeks ended 29 January pork retail volumes had fallen 3%. This is despite the average price of pork products being 6% lower in the same period. This is no doubt a worrying situation for all involved in the pork industry. One reason for this decline is that pork has been suffering from the rise of more international cuisines, which tend to use other meats than pork. This was written about [here](#) in December.

Developments in consumer markets, both at home and abroad, are key drivers of demand for pig meat. A range of articles about trends can be found on the Consumer Insight section of AHDB's website. The site, which can be accessed by clicking [here](#), also provides links to key market data and copies of AHDB's Consumer Insight newsletter.