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RETAIL

Consumer confidence takes major hit heading into 2018: report

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Despite record highs in late 2017, consumer confidence in what 2018 will bring is low. Image credit: Conference Board

By DANNY PARISI

Due to declines in December, measurements of future consumer confidence also took a hit with most consumers having a less optimistic view of business prospects in 2018, according to a new report from The Conference Board by Nielsen.

In research conducted for The Conference Board, the results showed that the Expectations Index, a measurement of overall consumer confidence in the future, decreased from 111 to 99 points. As 2018 kicks off, consumers are less likely to believe that the market will continue to perform in a healthy way far into the new year.

Lowered expectations

Consumer confidence is an ever-changing factor in the overall health of the retail world.

That confidence can be affected by any number of things, such as job prospects, inflation and new legislation.

The Conference Board commissioned research from Nielsen to gauge how consumers are feeling now. What they found was that consumers are not confident in their prospects for the upcoming year.

Overall declines were felt in multiple areas such as the number of people who described jobs being "plentiful," from 37 to 35 percent and people who thought business conditions would improve in the next six months, from 23 percent to 20 percent.

Consumers who expected business conditions to worsen in the next six months increased from 6.7 percent to 9.2 percent.

The amount of consumers who expected jobs to increase in the next year dropped from 21 percent to 18 percent.

Despite these depressed expectations, consumer confidence was at an all-time high in November, meaning the slight decreases in December still leave consumer confidence at quite a high figure.

Consumer confidence figures are an important metric, since a more confident consumer base will be more likely to spend money and increase revenue for brands.

Luxury confidence

The findings of The Conference Board's report are consistent with early predictions in 2017 of the luxury market.

In the face of a more difficult economic climate, strategy was the differentiating factor between winners and losers in the luxury sector, according to research from Bain in January of 2017.

The 15th edition of the Bain Luxury Study conducted for Altagamma found that for the third year, the personal luxury goods market was largely flat, declining from 251 billion in 2015 to 249 billion in 2016, or $262 billion. This slowed growth indicates a "new normal" in which consumer confidence is down and brands cannot rely on a favorable market to grow profits (see story).

The dust of the three successive shocks of the last decade the commodity price collapse and the financial crisis of Europe and the United States have settled and economic recovery is now synchronized globally.

During "The Economic Outlook" session at the Financial Times' Business of Luxury Summit May 15, the former president of the European Commission and former prime minister of Portugal spoke with the FT's Martin Wolf, CBE about how politics and economics have become inexplicably intertwined. The shocks of the last year, namely the Brexit vote, the election of President Donald Trump and the rise of populist, nationalist politics in France, did not hamper economic growth, with the Eurozone, United Kingdom and the U.S. all seeing decent recovery (see story).

This growth has started to plateau now, and consumers are once again feeling the effects of major shocks to the global economy over the last few years.

Luckily, luxury will likely be insulated from some of the worst of these effects as more affluent customers are still able to make purchases even when prospects for everyone else are looking more dire.