

# Consumers prioritise holidays and health over eating out as retail and leisure industries remain vulnerable

Consumers in Wales are prioritising holidays, health and home improvements over eating out and buying big ticket items, new research shows.

According to the latest consumer sentiment survey from professional services firm PwC, members of the public were more optimistic about their spending power for the year ahead entering spring.

The survey, conducted between 17-20 March 2023, found that retail and leisure spending remained vulnerable to spending cutbacks, as a third of consumers said they planned to spend less on eating out and ordering takeaways.

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Consumers expect to spend more on groceries in the next 12 months partly due to record food price inflation. However, 30% of consumers said they planned to buy less or shop at a discount supermarket in the next three months.

Though cutting back on some luxuries, research showed consumers were still prioritising spending on holidays, health and home improvements after non-discretionaries (groceries, pet and children care).

Despite inflation and the cost of living crisis, a third of consumers polled said their finances were 'healthy', with 90% of those surveyed saying that they do not consider themselves

to be struggling.

This improved financial health was reflected in consumers' spending intentions, with fewer people expecting to make spending cutbacks than six months ago.

Consumer spending sentiment has improved by seven points since the beginning of January 2023 and by 19 points since September 2022, when consumer mood was at a historic low following the mini-Budget. This is markedly better than the start of the first Covid lockdown (at -26) and the first consecutive period of improved sentiment since early 2021.

However, one in ten consumers said they were in trouble financially or could miss a bill payment, down 14% from last Autumn, with 35-44 year olds and 45-54 year olds under the most financial pressure.

Around 47% of over 65s had money left after bills and groceries to spend on luxury items or save every month.

Under 25s are the most positive age group as many young people still living at home were sheltered from the worst effects of the cost of living crisis. The demographic were also more likely to benefit from National Living Wage and salary increase.

This saw them prioritise eating out and going out than older age groups.

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Over 65s were also upbeat which was partly driven by higher lockdown savings, little or no mortgage repayments, the pensions triple lock and targeted government cost of living assistance. This demographic were more likely to prioritise eating out and going out than any other age group.

Lisa Hooker, leader of industry for consumer markets at PwC, said: “It is encouraging to see how consumers are responding to the changing economic environment. Whilst sentiment is still negative, it is beginning to recover. It is interesting to see how those, particularly in the under 25 and over 65 category, want to spend again on “luxuries” like going out and spring fashion. I would encourage retailers to lean into this as the brighter weather will spark less concern with energy prices, especially as the Energy Price Guarantee has been extended.

“Time and time again, consumer sentiment continues to show me how resilient this sector is – both business and consumers have been savvy during the last 12 months. That innovative thinking has laid the foundation for what we hope will build more sector success in 2023.”

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