

JGFR Winter 2019 Review - The Year of the Pig

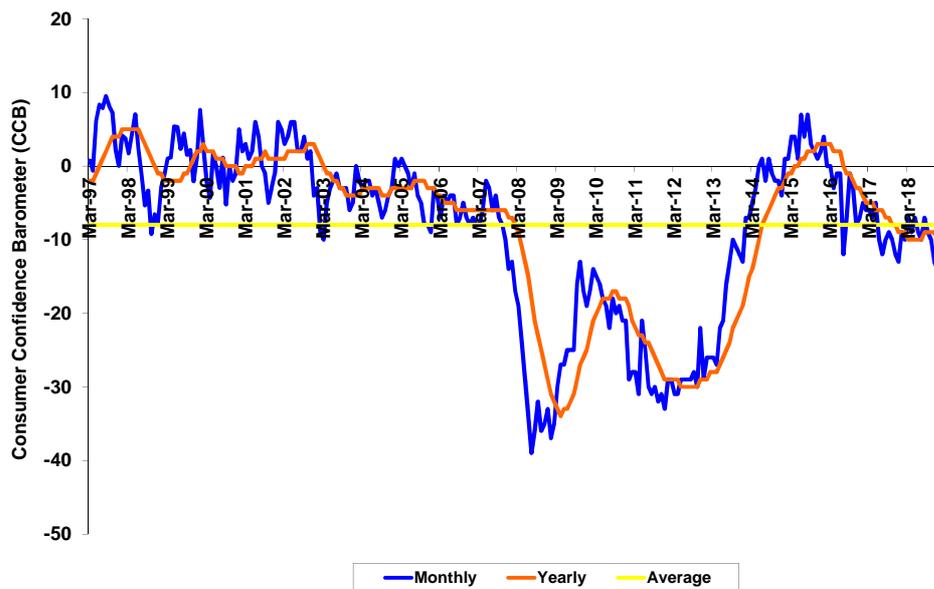
With so much coverage of the ongoing economic and political uncertainty, the public are being fed an increasing range of news and views that they are finding hard to digest.

Not understanding the machinations of Brexit and the politics attached with it are undermining confidence and trust. A large number of polls in the past month have highlighted the stresses that people are feeling as a result of the EU Referendum decision and the subsequent withdrawal negotiations.

Confidence is vital

Confidence is regarded by economists and commentators as a good indicator of the mood of the nation. The longest running measure of confidence among consumers is GfK's Consumer Confidence Barometer (CCB). January's measure (-14) is unchanged on December and is the lowest January measure since 2013. It is unusual in that there is no normal New Year bounce. January 2019 is one of only six years since 1989 when there has been no such event.

Consumer confidence 1997-2019

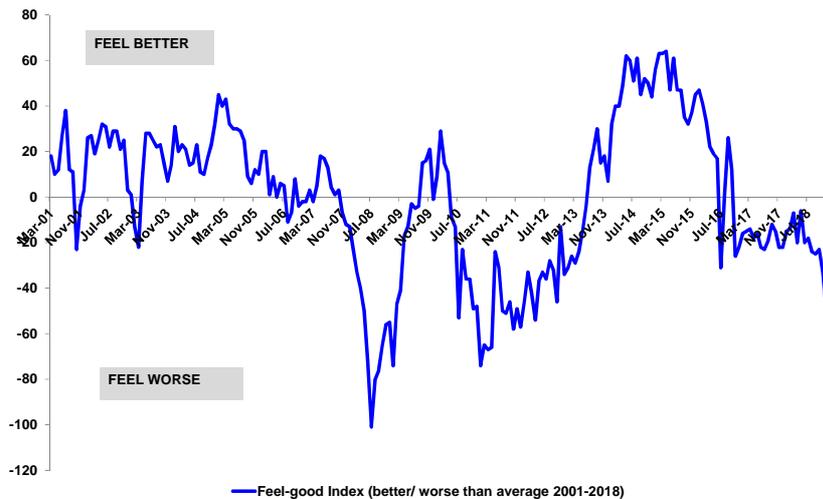


Source : GfK / European Commission / JGFR

Within the headline confidence measure worries over the economy weigh heavily; the combined current and future measures are at their lowest since April 2013. Rising employment has helped boost household finances since the EU Referendum and along with the ready availability of credit has helped spending confidence but this may be weakening.

The JGFR Feel-Good Index that combines future measures over the next 12 months of personal finances, inflation, unemployment and the economic situation starts 2019 at the worst level since January 2011 when the economy was recovering from the financial crash.

The Feel-Good factor

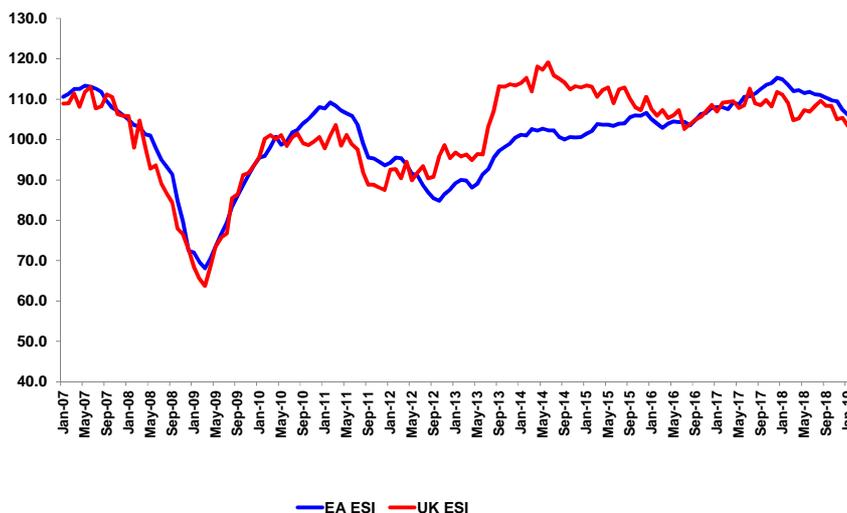


Source: GfK / European Commission / JGFR

Business confidence surveys also reflect a pessimistic mood at the start of 2019. The Q1 ICAEW Business confidence is at its lowest (-16.4) since the financial crash in Q2 2009. Deloitte's Q1 survey of CFOs found finance chiefs slashing hiring and spending plans as confidence falls. A recent Federation of Small Business survey among small firms also found confidence at the lowest level since the financial crash. The CBI's Financial Services Q4 survey found demand at a 5-year low on macro-economic uncertainty.

January's UK Economic Sentiment measure* published by the European Commission found the ESI at its lowest since July 2016.

UK and euro-area economic sentiment indices January 2007 – January 2019



*a combined weighted measure of industrial, construction, services, retail trade and consumer confidence
Source: European Commission / JGFR

The slowdown in economic activity across the European Union which comprises 44% of UK exports (2017) will have a negative impact on UK businesses which at a time of Brexit induced UK-EU uncertainty increases the threat of low / no growth / recession in the coming year

Brexit consequence: Workers at risk?

While the numbers of people in work has reached record levels (32.5 million) and pay growth is at its strongest for 10 years, most of the recent increase in employment has been self-employment while growing numbers of over 50s are returning to the workplace with many women having to work as they wait for their pension until 65 or beyond. Universal credit has also seen more people (especially women) receiving in work benefits

Growing high profile job losses in the retail and autos sectors and the continued Brexit uncertainty make the workplace a key focus of future Brexit developments.

Confidence among full and part time workers July 2016- January 2019



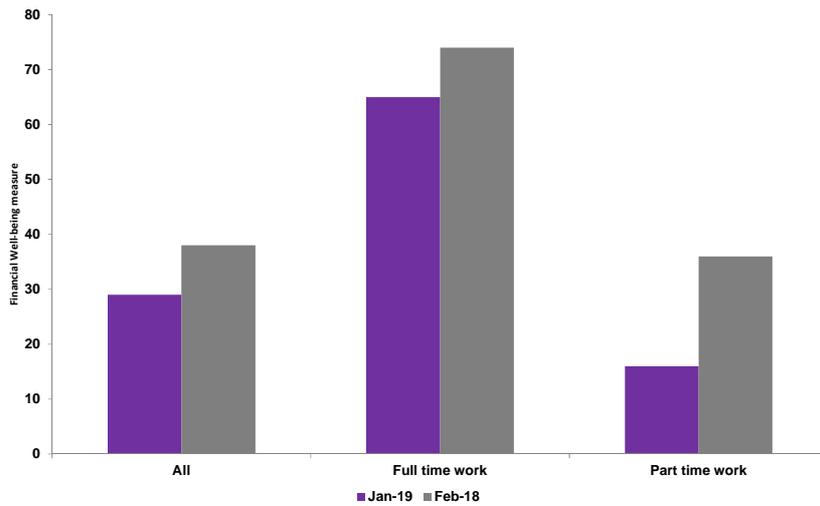
Source: GfK / European Commission / JGFR

Confidence among full time workers has always been among the highest by segment, while among part-time workers confidence has been around or below the average level of confidence. The gender gap in confidence has been a feature over recent years with men’s confidence on average 6-7 points higher than for women who are found more in part-time employment. Many such women may also be aged 50-64 where confidence (-25) is much lower than among other age cohorts, especially relative to the over 65s, enjoying for many in good health, the time of their lives (-10).

With growing awareness of a no deal Brexit workers are becoming more worried about the threat of job losses. Among full-time workers 42% expect unemployment to rise over the next 12 months, compared to 26% among part-time workers and 34% overall. This compares with 32% of full time workers and 24% of part time workers 12 months ago.

The feel-good factor among both part-time and full-time workers fell during 2018 while the JGFR Financial Wellbeing Index, a proxy for living standards, is for both sets of workers sharply lower, especially among part-time workers comparing January 2019 with 12 months previously.

Financial Wellbeing*, Full-time and Part-time workers January 2019, February 2018

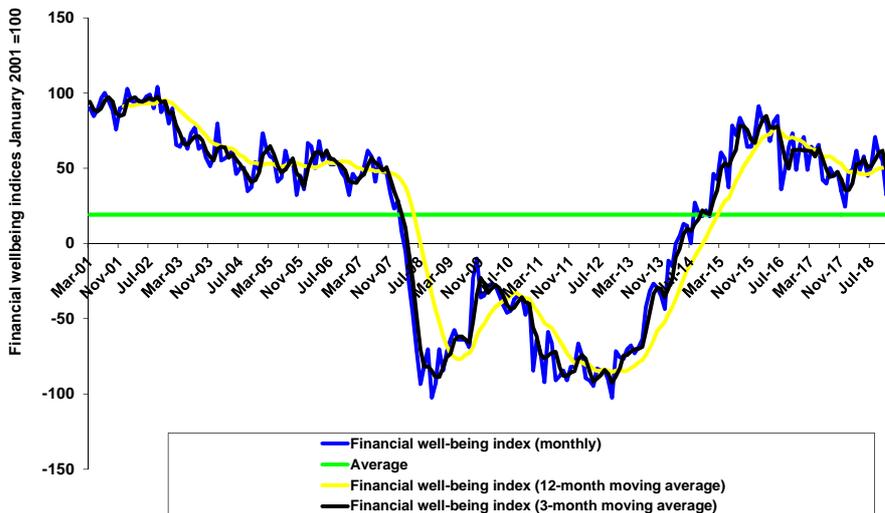


*Composite measure of current & future personal finances, spending confidence and net proportion of savings households

Source: GfK / European Commission / JGFR

Indeed more generally living standards are at the heart of the UK's future. The financial crash of 2008-9 caused a great chasm to appear in rising living standards. A concern is that the success of the country in the post-crash period of economic recovery, especially between 2014-16 pre Referendum, will be in vain with anything but a soft Brexit / no Brexit.

UK Financial Wellbeing Index* 2001-19



*composite measure of personal finances, spending confidence and net % of saving households

Source: GfK / European Commission / JGFR

Brexit solutions: Who is best to decide?

With so much evidence now highlighting the costs of Brexit to the country with little certainty about future benefits and the health of the nation at risk, a postponement of Britain's leaving would seem highly desirable.

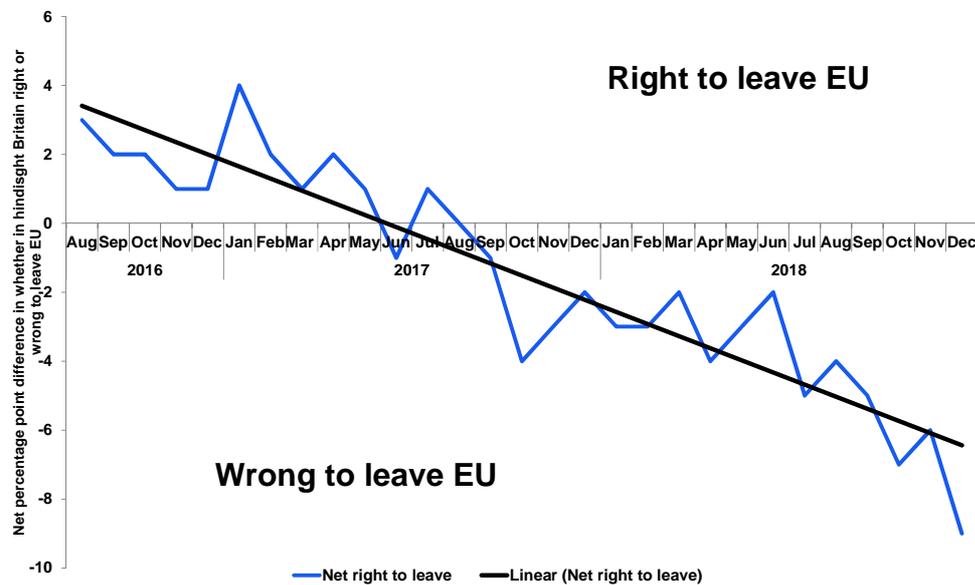
As time goes by so the question grows of when does a past decision reach a time limit on activating or proceeding with the original decision given changed circumstances, especially when close friends and neighbours point out the self-harm and humiliation that could follow.

Polling evidence is suggesting that in the face of new facts views can change and with Parliamentary paralysis, the issue of Brexit should be referred back for a new referendum.

While Parliament engages in arcane procedural motions in trying to shore up support among MPs of bitterly divided parties for a revised Withdrawal deal, the public now increasingly believe that remaining in the EU may be preferable.

The monthly YouGov/Times survey on whether Britons made the right or wrong choice to leave the EU shows a growing proportion of people who believe the choice made in 2016 was the wrong choice.

Leaving the EU: was the 2016 Referendum decision right or wrong?

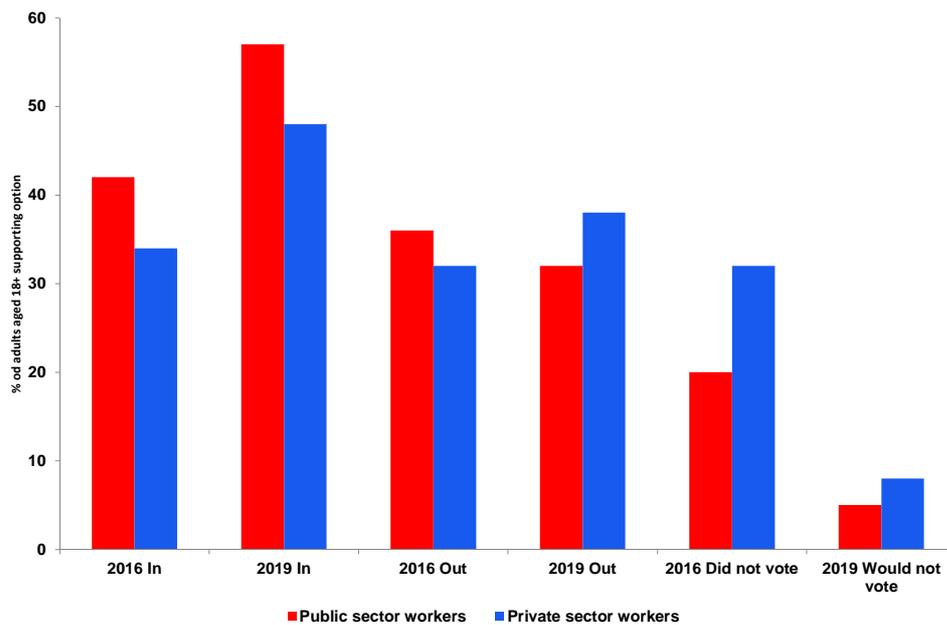


Source: YouGov /Times/ JGFR

By age, under 40s whose working lives will be most impacted by the Brexit decision, believe strongly that the decision was the wrong one while the older generations, especially the over 65s, the majority non-working, believe most strongly that the decision was the correct one.

A January 17/18 poll by ComRes for the Daily Mirror asked people how they voted in the 2016 Referendum and how they would vote if a referendum was held now. With jobs the key to future prosperity the views of people working should have the most resonance.

EU Referendum: voting reality and EU voting Intentions 2016, 2019*



*Online poll undertaken among 2,031 adults Jan 16/17 2019

Source: ComRes/Daily Mirror/ JGFR

Among working people far more people now would vote to stay in the EU. This is in part because a large minority (overall 29%, some 8-9 million) did not vote in the 2016 Referendum. Among public sector workers 57% would vote to remain in the EU (up from 42%) while among private sector workers 48% would vote to remain, up from 34%. Both among public (+25) and private sector workers (+10) there is a much greater net proportion of workers wanting to remain in the EU.

While the likelihood of a Peoples Vote has lost momentum following the recent vote to seek a re-negotiation of the withdrawal agreement the lack of public support for the manner in which the Government has conducted Brexit negotiations has eroded trust in the Government and the Parliamentary process,

Workers (especially public sector workers) are firmly against a no deal and believe that there should be an extension of article 50 until a clearer way forward is found. Among the population as a whole the latest You GoV poll (15-29 January) found that 44% of the public believed that the European Union should agree to postpone the date on which the UK leaves, against 33% who feel the opposite.

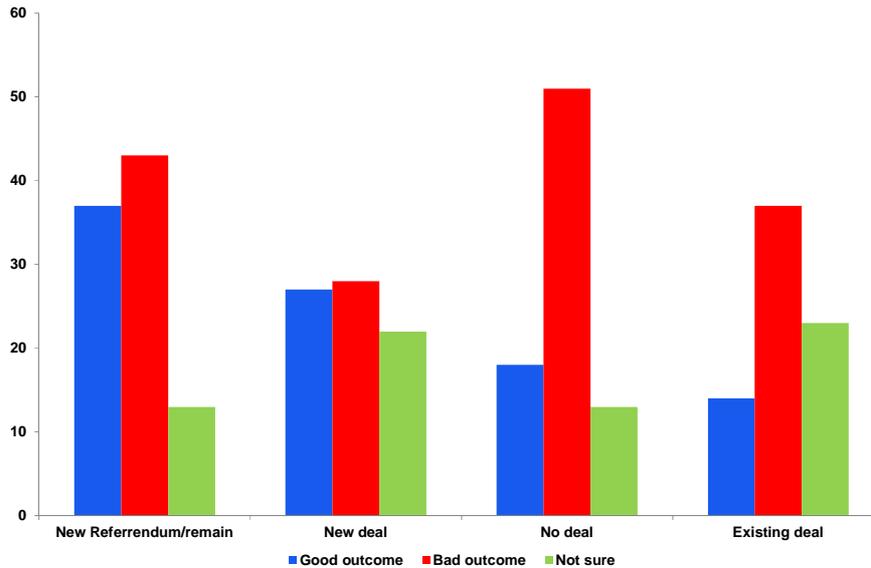
Indeed the feeling among fellow Europeans as to whether the EU should extend Article 50 is mixed with higher proportions of the French and German public believing the UK should not be offered an extension, reflecting the growing exasperation that many Europeans have with UK politicians.

Further YouGov polling for the Times (January 30/31) highlighted the conflicts between the economic welfare, political fairness and social cohesion that Brexit has induced. Four final Brexit outcomes were put to the public who were asked in relation to each, firstly whether the outcome was good, bad or an acceptable compromise (the economic welfare outcome); secondly whether the

outcome would respect the result of the referendum (the political fairness outcome) and thirdly whether the outcome would bring the country back together or make it even more divided (the social cohesion outcome)

The four final Brexit outcomes the public were asked to respond on were (1) leaving with no deal. (2) leaving with the negotiated deal, (3) leaving with an alternative deal that included remaining in the Single Market and Customs Union and (4) having a new referendum and remaining in the EU.

Brexit preferences by outcome (% adults)*



*1,650 GB adults interviewed online 30/31 January 2019

Source: YouGov /The Times / JGFR

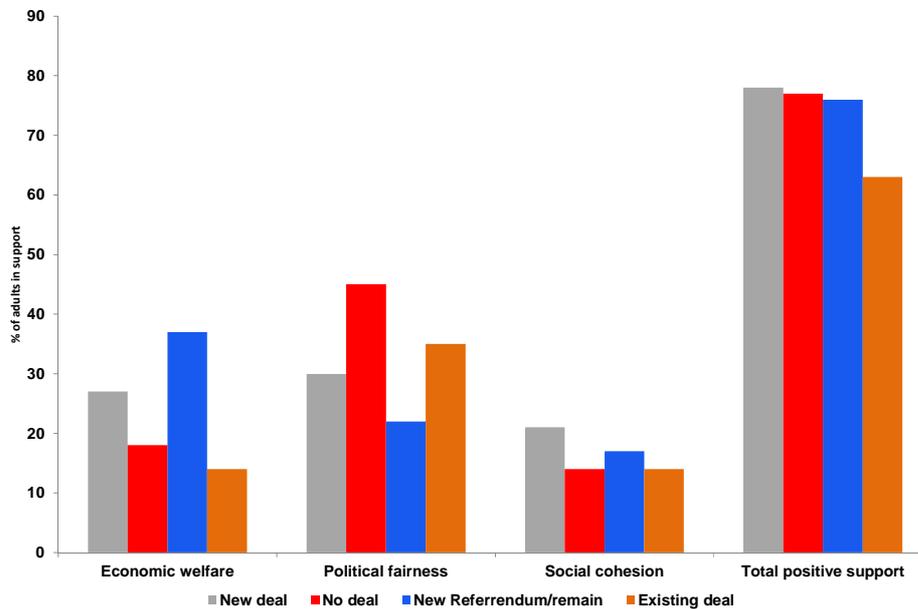
The highest proportion of respondents (37%) believed the best outcome is to have a new referendum and voting to remain in the EU after all. This outcome supports recent polling results showing a preference for no Brexit, especially among the working under 50s and will reflect the economic welfare arguments in support of staying in the EU. However more people (43%) believe it to be a bad outcome, which includes a minority of people who voted remain in 2016 and will reflect concerns over the political fairness of such an outcome. While there are more people voting against any of the specified final outcomes, the narrowest negative measure is in support of a new withdrawal deal that keeps the UK in the Single Market and Customs Union.

Besides economic welfare, political fairness and social cohesion are the two other key issues that Brexit is about. Across the four final outcomes, respect for the Referendum decision is greatest for the No deal option (45% respect, +14 balance of respect). This compares with 35% respect for the existing deal (+2 balance of respect) , 30% respect for an alternative deal (-9 balance of respect) and 22% for a new referendum / remain in the EU (-34 balance of respect)

Across all outcomes social cohesion is weaker with only around a fifth of the population believing the country can be brought back together again. The two worst outcomes for social cohesion are no deal (only 14% believe this outcome will bring the country back together again with a balance of -34 believing it will be more divided) and the existing deal (14% /-24). The ‘best’ outcome is an alternative deal but only with 21% support (and a balance of -11 more divided) while the new

referendum / remain in the EU option has 17% in support and the highest more divided net score (-35).

Brexit outcomes by economic welfare, political fairness and social cohesion



Source: YouGov/Times/JGFR

Combining all the positive responses by final outcome shows very little difference between the final outcome preferences with only the existing deal relatively less in favour. Whatever the final outcome, the 2016 EU Referendum has caused lasting damage to the social cohesion of the UK with all of the final outcomes proposed set to produce lasting divisions.

Political fairness is most reflected in the positive support given to a No deal final outcome and received least support in the New referendum/ remain in the EU option.

With both the government and the public seemingly moving towards a new deal compromise, much energy will be spent on what this new deal entails and how it will be received by the European Union. The current public's view is that such a deal should comprise staying in the single market and customs union which would avoid the backstop.

Such a new deal would not be as favourable economically as the current deal as a member of the EU. A Parliamentary confrontation seems likely as the public's compromise of a new deal (in part the policy of the Labour party) encompassing being part of the single market and customs union is unlikely to get government support.

The health of the nation is at risk

Time is running out in sorting out the withdrawal agreement. Even if a deal is agreed this is just the start of many more years of Brexit negotiations over trade. Can the public stomach such battles with both the EU and individual EU countries? Already the BMJ have warned about the impact of Brexit on the health of the nation <https://www.bmj.com/content/363/bmj.k4804>

A YouGov poll (January 17-18th) found that 43% of the public feel that Brexit and its consequences are having some impact on their mental health with only 10% happy about Brexit and 62% unhappy. For many people starting up businesses or building up their businesses and faced with such government intransigence the feeling will be why bother?

Welcome to the Year of the Pig

While the Chinese have different connotations about a pig with the forthcoming Chinese New Year designated as such, stubbornness (a characteristic of pigs that refuse to move -pig-headedness) is certainly a trait that the public have got tired of in politicians since the EU Referendum in June 2016.

With the 40-year anniversary of the 1979 'Winter of Discontent' to recall, the mood of the public and workers may change as the country faces a Brexit cliff-edge that only a postponement of Article 50 is likely to prevent.

Kung Hei Fat Choy!