

UK Consumer Confidence Plummets to Lowest Since Early 2024

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British consumer confidence took a significant hit last month, marking the steepest decline since 2022, according to a recent Deloitte survey. The findings reveal growing unease among households, driven by fears over job security and the persistent burden of rising living costs.

Deloitte's consumer confidence index fell by 2.6 percentage points to –10.4% in the second quarter, its lowest level since the first quarter of 2024. This drop is the first notable decline since the third quarter of 2022, a period marked by double-digit inflation and market turmoil following the ill-fated budget proposals under former Prime Minister Liz Truss. A marginal 0.2-point dip last year was deemed statistically insignificant by Deloitte.

“Concerns of a slowing labour market have left consumers worried about job security and income growth prospects, while persistent inflation and a high cost of living have negatively impacted sentiment towards personal debt,” said Celine Fenech, Deloitte's consumer insight lead, in a recent interview.

Businesses have pointed to recent policy changes as a key factor in their reluctance to hire. The introduction of higher employment taxes and an increased minimum wage in April, combined with proposed legislation that would make dismissing new employees more difficult, has created a cautious approach to recruitment. Official data underscores these concerns, with the UK unemployment rate rising to 4.7% in the three months to May, its highest since 2021. Inflation also climbed to 3.6% in June, the highest since January 2024, further squeezing household budgets.

In contrast, Britain's longest-running consumer sentiment survey by GfK showed a different trend, with confidence drifting lower in the second half of last year but rebounding to its highest level since December in the latest reading. Deloitte's survey, conducted between 13 and 16 June with 3,200 respondents, measures sentiment through six key areas: job security, job opportunities, income, debt, children's welfare, and general health and wellbeing.

Despite the gloomy consumer outlook, a separate question on the state of the economy showed a 3.9 percentage point improvement, though it remains 18.4 points below last year's level. Deloitte's chief economist, Ian Stewart, noted some resilience in the business sector: “Activity in the UK has slowed in recent months, but an uptick in business confidence seen in the latest Deloitte CFO Survey testifies to continued resilience amid geopolitical uncertainties.”

The survey's findings highlight the challenges facing the UK economy as households grapple with rising costs and uncertainty. While businesses show signs of cautious optimism, the current government's policies, including higher taxes and labour market

reforms, are seen by many as exacerbating economic pressures. As consumer confidence wanes, the path to recovery remains fraught with obstacles.