For seasoned investors, the term ‘Black Monday’ is a reminder of the global stock market crash that occurred on 19 October 1987. Meanwhile the Wall Street Crash (29th October 1929) was also known as ‘Black Tuesday’. This was when panic selling reached its peak and followed steep share price falls on the previous day, ‘Black Monday’, and on the 24th October 1929, ‘Black Thursday’. The third day of the week hasn’t escaped the prefix ‘Black’ either, with the 16th September 1992 dubbed ‘Black Wednesday’ in the UK. This was when currency market speculators forced the UK to remove sterling from the Exchange Rate Mechanism (ERM).

Where does Black Friday come from?

All of the above events have negative connotations. More recently, however, consumers have become increasing familiar with the terms ‘Black Friday’ and ‘Cyber Monday’. The former follows the Thanksgiving public holiday on the Thursday and fires the starting pistol for the Christmas shopping season. Meanwhile ‘Cyber Monday’ has become one of the busiest days of the year for online shopping.

There are a number of explanations behind the origins of the term ‘Black Friday’. Some suggest it stems from “Friday-after-Thanksgiving-itis” – a disease whose effects are second only to the bubonic plague or the ‘Black Death’ for staff absenteeism! More plausibly, perhaps, it is also said that Black Friday represents the point in the year at which retailers begin to make a profit, or start recording black ink as opposed to red ink. Either way, retailers will have been watching consumer sentiment and behaviour closely in the lead up to their big day this year.

How are consumers faring?

Throughout the recession and subsequent recovery, many households have had their finances battered by the twin challenges of inflation and low / no wage increases. Pay cuts have also been prevalent. Prior to the recession, the rule of thumb was that average earnings increased at a faster rate than inflation. As a result, households had more disposable income to spend on discretionary items such as retail and leisure.
However, all that changed with the recession. The relationship between consumer price inflation and earnings flipped, with the former, led primarily by food and energy price hikes, rising at a much faster rate than wage growth. UK households have endured a 5-year squeeze on disposable incomes with plenty of red ink being splashed over the household finances.

Conditions have changed for the better

Since last October, however, conditions have changed for the better. Falling food and fuel prices coupled with a return of above inflation wage increases has put the household finances of many consumers back into recovery mode. Petrol and diesel prices have recently returned to levels not seen in the last five years. Even those in the public sector facing a 1% cap on pay increases for the next four years are currently experiencing real term increases with inflation around 0%.

NI earnings on the rise

According to the recent Annual Survey of Hours and Earnings, Northern Ireland weekly earnings increased for the first time since 2009 – when adjusted for inflation. Northern Ireland had the largest increase in median full time earnings over the year of all the UK regions (+5.4%), and largest increase for all employees. There was an increase in Northern Ireland real full-time earnings of 5.5%, and those on the lowest incomes saw the biggest increases. The bottom 25% saw wage increases three times that of the top 25. This is significant as they spend a higher proportion of their incomes, and ties in with the fact that we have seen evidence of a bit if a retail resurgence. According to the latest Ulster Bank NI PMI, for instance, in October, retail employment in Northern Ireland increased at its fastest rate since 2001. We have also seen a number of positive retail announcements, such as the purchase of Donegall Arcade by sports retail tycoon, Mike Ashley. And it seems like a new coffee shop is opening on Northern Ireland's streets every other day.

Will improvement last?

So, an increasing number of households find that their finances are moving back into the black. Retailers won't be blue about that.
But, will this improvement in household finances last?
While households have seen their finances improve, the public finances remain awash with red ink. The UK faces a second Parliament of austerity as Chancellor George Osborne struggles to get the annual fiscal deficit back into the black and into a surplus by 2020. However, last week's Spending Review and Autumn Statement were not as bad as many people had feared with George Osborne taking his foot off the austerity accelerator.

Chancellor had a windfall

The fiscal anoraks and tax modelling gurus in the Office for Budget Responsibility revised their forecasts for tax receipts and debt interest payments. As a result, the Chancellor had a windfall to soften and delay the cuts in welfare and departmental spending.

Significantly, the planned cuts in tax credits to 4.5 million households (over 100,000 NI households) have been scrapped altogether. This means the threat of an average cut of £750 a year has been lifted. However, this is just a temporary reprieve as the roll-out of Universal Credit means the effect will be spread out over the next five years.

The scale of the planned public sector job losses has been scaled back dramatically too. Another 100,000 jobs are due to be lost over the next five years. This compares with 450,000 over the previous five-year period. Before last week's announcement, a similar figure had been expected. This should reduce job insecurity in the public sector and boost consumer confidence.

Households remain cautious

Despite last week's good news, many households will remain cautious about their finances in the year ahead.

So whilst retailers may have gone into the black on Friday, shoppers may well have resisted dipping into the red as dark clouds look set to gather on the household finance front for 2016.

This is an extended version of an article that appeared in the Belfast Telegraph on 1st December, 2015

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