LLOYDS BANK

Spending Power Report

Budget's focus on savers comes at the right time, says Lloyds Bank

- **The Lloyds Bank Spending Power Report measure of consumer sentiment reaches 130 points in February, the highest level since the survey began in November 2010.**
- **Essential spending growth eases, dipping below 1.5% for the first time.**
- **Amount of consumers choosing to spend their discretionary income rises by a quarter since last year.**

With the Government delivering a Budget that will overhaul tax-free individual savings accounts, the Lloyds Bank Spending Power Report for February has found that a third of consumers are saving more now than they were in May 2013, and that the Lloyds Bank SPR index of consumer confidence in the UK economy has reached a new high – rising a total of 21 points from this time last year to 130 points.

Most notably, confidence in the UK's economic situation has seen the greatest improvement, rising a further 11 points from last month, on top of the 12 point increase in January, and now nearly 100 points higher than in February 2013.

Based on Lloyds customer data essential spending growth has also continued to ease, dipping below 1.5%, with spending growth falling for food, gas & electricity and fuel bills, the latter supported by the decision announced in the 2014 Budget to halt the fuel duty rise planned for September.

Patrick Foley, Chief Economist at Lloyds Bank, said: "With the pace of spending growth on essentials now more in line with wage growth, pressure on consumer wallets continues to ease. Meanwhile, the UK economic backdrop continues to improve, supporting ongoing gains in consumer sentiment.

"Taken together, rising confidence and the prospect of further gains in employment and wages points to the greater capacity of consumers to undertake discretionary spending."

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Current situation

The UK consumer view of the country's **financial situation** continues to improve, with the net balance of respondents rising by 25 points from this time last year. Those feeling that the country's financial situation is 'not good at all' has fallen to 27% this month, the lowest bottom box score since the survey began and a drop of 16% from this time last year. With the Chancellor presenting stronger economic forecasts, this figure may drop further in the months to come.

Sentiment towards the **housing market** is also on the rise, with 45% of respondents saying that it is 'excellent', 'very good' and 'somewhat good', the most positive sentiment seen to date. This compares to just 25% this time last year and will most likely see more growth with the Help to Buy scheme extended to 2020 and support being given to build more than 200,000 new homes.

Feeling towards the country's **employment situation** is also on the up, with 25% of respondents viewing the employment situation as 'not good at all', a 14% decrease from this time last year and a significant decrease from 56% in February 2012.

However, the improvement in consumers' sentiment towards their own **personal finances** remains more muted, dipping one percentage point this month with 56% of respondents saying it is 'excellent', 'very good' or 'somewhat good' compared to 57% last month.

Philip Robinson, Director of Personal Current Accounts, said: "With consumer sentiment towards the country's employment situation continuing an upward trend, people's personal finances will hopefully also start to see an improvement in line with the country's financial situation. Looking towards the next six months, consumer pockets should not be feeling as stretched, helping them feel more in control of their own finances."

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Future situation

The balance of opinion about future discretionary income between those feeling positive and negative towards their household finances was unchanged from last month, with a net balance of 2%. This positive balance is reflected throughout the UK and is the first time since the survey began that there has been month-on-month positive opinion. The balance of respondents who feel they are likely to spend more in six months time also rose to -4% in February from -9% in January 2014, but yet to reach a positive since the start of the survey.

The balance of opinion between those who feel they will save more versus less in the next six months is at 8%, falling from 14% last month. A third more of consumers say that they are likely to save more than in May 2013, and for those who have money left over at the end of the month, 68% state they would save it, up from 56% in May 2013.

-Ends-

Notes to Editors:

The Lloyds Bank Spending Power Report is derived from independent consumer research and current account data of Lloyds Bank, Halifax and Bank of Scotland customers. This provides a robust and representative sample of the entire UK market and their essential spending behaviours.

Each month, over 2,000 consumers are asked about their current and future spending habits and how their commitments affect their spending power[1]. Essential spending components are made up of rent, mortgage and required debt payments, utility bills, council tax, TV licences, food and fuel, which are identifiable from card spending, direct debits and standing orders. There are strong calendar effects within essential spending components, some of which will be accounted for using year-on-year growth rates while we attempt to adjust for irregular calendar effects. As a longer history of data becomes available, the adjustment methodology may be altered in future to better correct some of these changes.

[i] Consumer research is compiled in conjunction with TNS Financial and Professional Services. A total of 2,338 UK consumers were questioned. Interviewing took place via an online survey between 7 - 13 February 2014.

For further information on Lloyds Bank Spending Power Report, please contact:

Bart Nash
bart.nash@lloydsbanking.com
020 7356 1975 / 07788 354 525