

Spending Power Report



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Consumer confidence hits new high

- The Lloyds Bank Spending Power Report measure of consumer confidence continues to rise, reaching a new high
- Improving sentiment about the current situation has been the key driver of firming consumer confidence this year
- Spending on essentials continues to fall, around 0.5% lower than a year ago, easing pressure on consumer wallets

The Lloyds Bank Spending Power Report for August finds that consumer confidence has continued to rise, with the index reaching 152 points, the highest ever seen in the survey.

August saw a 16 point improvement in the **UK's economic situation** from last month, in part reflecting improved sentiment about the outlook for inflation. Overall, the economic situation index was 115 points higher than this time last year.

Continued falls in per-customer spending on essentials, overall around 0.5% lower than a year ago, also suggest a more favourable outlook for consumers. Among categories of essential spending, the fall in spending on gas and electricity continues, around 4% lower than a year ago, while the pace of decline on automotive fuel spending has levelled at around 5% lower than this time last year.

Patrick Foley, Chief Economist at Lloyds Bank, said: "An ongoing UK economic recovery remains most visible in the positive employment outlook, which continues to provide the most tangible support to consumer sentiment. But against a backdrop of still-subdued wage growth, reduced pressure on household budgets from spending on essentials helps provide the room to undertake discretionary spending, further supporting the recovery."

Current situation

Consumer sentiment towards the country's **financial situation** continued to improve in August with the balance of opinion up six points from last month, although the net sentiment balance remains negative at -27%. Greater London continues to be the most positive region and has now reached a positive balance of 5% (from -3%), with the second most positive region being the South East at -21%. Scotland continues to be amongst the least positive regions (-41%), along with the North East (-44%).

Feelings towards the **housing market** remain broadly steady with a balance of -13%, a +10 point improvement from this time last year. The East Midlands is the most positive region for August (-1%), while a fall in sentiment in Wales has left it as the most negative region this month at -29%.

Attitude towards the current **employment situation** has seen a significant year on year improvement, up seven points to -18% from last month, and -62% from this time last year. Sentiment in Greater London has now reached a positive balance (6%) and it continues to be the most positive region, followed by the South East (-4%). Feelings in Wales have declined 32 points to -49% and are now the most negative, with the North East also remaining pessimistic at -40%. Mirroring the improvement in the employment situation, consumer sentiment around job security has continued to improve, with a balance of +58% in August, up two points from last month, and 12 points from this time last year.



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Consumers' sentiment about their own **personal financial situation** has improved six points for August to 18%. Greater London is the most positive region at 36%, followed by Yorkshire and Humberside at 31%. Northern Ireland is the least positive region at 4%.

Philip Robinson, Director of Personal Current Accounts at Lloyds Bank said: ““People are feeling more confident than ever about the state of the nation’s finances as well as their individual financial situation. Confidence in the UK’s economy has improved, helping people to make their own plans with more conviction. As the future situation looks even rosier, now is a good time to starting saving for Christmas and spread the cost over the next three months.”

Future situation

The balance of opinion on **future discretionary income** between those feeling they will have more versus less money in the next six months remains at 5%, which is an eight point increase compared to this time last year. Greater London region tends to be the most positive, at +22%. Those in Wales (-12%) and North East (-10%) are the most negative.

Sentiment towards **future saving** saw a four point increase taking the balance of opinion to 13% for August. Feelings in Greater London have improved by 13 points to 39%, while the South West saw a nine point decline to 1%.

Meanwhile, the balance of opinion on **future spending** was little changed this month at -1%. Opinion in Greater London is the most positive (13%), however this is down 5 points from July. Feelings across Northern Ireland have improved, with the balance at -2%, a 17 point increase on July.

-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 its 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 power¹. 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.

^[1] Consumer research is compiled in conjunction with TNS Financial and Professional Services. A total of 2,328 UK consumers were questioned. Interviewing took place via an online survey between 12 – 18 August 2014.

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