



# SPENDING POWER REPORT

December 2014 | Report 46

## Consumer confidence hesitated as 2014 came to a close

- Consumer confidence falls from a record high of 154 in November to 150 in December.
- All key indices fall, broadly consistent with past December months in 2013 and 2012.
- Essential spending continues to fall.

UK'S ECONOMIC  
SITUATION

Down 8pts to 287

FUTURE SITUATION

Down 4pts  
(to 112)

OVERALL INDEX

Down 4pts  
(to 150)EMPLOYMENT  
SITUATION

Down 1pt to -19

After recent gains in confidence the latest Lloyds Bank Spending Power Report shows that many of the key indicators fell slightly at the close of the year, with the overall index falling four points in December to 150. Consumer sentiment towards the current financial situation fell from November's all time high of 191 points to 188 points and the future financial situation fell from 116 points to 112 points. However it is important to note that many of these indicators remained far higher than they were earlier in 2014.

The drop in the overall index is consistent with previous year's data for December. There was also a 2 point drop between November 2013 to December 2013 and a 1 point drop between November 2012 and December 2012. In previous years the index has then recovered in January, indicating that December's fall in sentiment may be due to the impact of spending over the festive season.

Essential spend continues to fall by a further 0.7%, when compared to December 2013, which is consistent with the further easing of price pressures in the economy. The fall is largely driven by declining food and drink prices, which is one of the largest components of overall essential spend, and therefore has a much larger impact on consumers' back pockets. Automotive fuel, gas and electricity spending also continues to fall which also contributes to a lower overall essential spend.

**Patrick Foley, Chief Economist at Lloyds Bank, said:** "The falling cost of petrol and other essentials is placing less of a strain on household budgets, and as the boost to spending power becomes more apparent, a confident mood among consumers should continue to build. Alongside some signs that wage growth is beginning to pick up, this suggests the UK recovery is on track for another year of solid growth."



## Current situation

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FINANCIAL  
SITUATION

↓ -7pts

The **country's current financial situation** dropped 7 points, and continued with an overall negative sentiment of -37 points. Greater London had one of the biggest falls in sentiment towards the current financial situation, dropping 10 percentage points to finish the year at an even more negative sentiment of -12 points, although the region is still by far the most positive about the current financial situation overall with the South East the next closest, albeit trailing by 20 points at -32 percentage points and the West Midlands were third most positive (but still negative overall) on -37 percentage points. The least positive region was Northern Ireland on -49%.

Sentiment towards the **UK housing market** and **employment situation** remained stable in December. Confidence in the UK housing market started the year at an overall negative sentiment of -12 percentage points and, while it remained negative, sentiment improved by 1 point last month to -9 percentage points, overall.

Sentiment towards the current employment situation dropped by 1 point, and continued to be an overall negative score of -19 percentage points, this was driven by a 4 point drop in confidence in job security which fell to 56 percentage points. The most confident regions for job security in December were Yorkshire and Humberside (72 percentage points) and Northern Ireland and the North East both on 71 percentage points. Overall, for 2014, both the UK housing market and the employment indices had a positive trend of improvement in sentiment in 2014.

Sentiment towards **inflation** also continues to steadily improve moving from an overall negative position of -17 percentage points July 2014 to -7 percentage points in December, which is consistent with the decline in the official rate of inflation.

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**Greg Coughlan, Director of Personal Current Accounts at Lloyds Bank, said:** "The end of 2014 saw Christmas spending impacting the overall index with a slight fall in consumer confidence. However, as with previous years, we may see confidence bounce back to growth in January, with much of the report still showing an improved position."

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## Future situation

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Consumer sentiment around future **discretionary income** saw confidence reducing with the balance of opinion for those that thought they will have less money versus those with more at a neutral 0 percentage points, down by 6 percentage points from November.

Future sentiment for **saving** also took a slight dip in December falling from 12 percentage points, in November, to finish the year at 11 percentage points. There is a growing divide between men and women when it comes to sentiment of future saving. In October 2014 men and women shared a similar level of sentiment at 13 percentage points, with men growing in confidence to finish the year at 15 percentage points and women becoming less confident at 5 percentage points. Similarly men are more confident about paying off debt in



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the future at 11 percentage points and women falling from November's 11 percentage points to finish the year at 7 percentage points overall.

## Notes to editors

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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 power<sup>1</sup>. 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.

<sup>[1]</sup> Consumer research is compiled in conjunction with TNS Financial and Professional Services. A total of 2,266 UK consumers were questioned. Interviewing took place via an online survey between 9<sup>th</sup> -15<sup>th</sup> December 2014.

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