



# SPENDING POWER REPORT

## Spending Power remains high

- Spending Power confidence remains at record high level of 154 in February 2015
- February saw the third consecutive month of negative growth in essential spending costs, with falling fuel prices seeing the greatest reductions
- Sentiment towards country's financial situation maintains its four year high

### CURRENT SITUATION

**Down 3 points**  
(to 197)

### FUTURE SITUATION

**Up 1 point**  
(to 110)

### OVERALL INDEX

**No change**  
(at 154)

The latest Lloyds Bank Spending Power Report shows the overall Index remaining at its all time high of 154 points as people surveyed continue to feel positively about their current and future situation. [Chart 1]

The survey highlights a net positive sentiment across a range of factors including people's own financial situation (+21) and current levels of inflation (+30). Compared to the same time last year, these indicators have improved by 9 percentage points (pp) and 54pp respectively. Among people surveyed who are currently employed, net sentiment on their own job security is up by 9pp (+58) compared to February 2014 (+49).

February saw the third consecutive month of negative growth in essential spending (falling to -1.2% overall), which was largely driven by lower costs in gas and electricity (-7.3%) and spend on food remaining flat.

Fuel price growth also fell to -9.7%, which reflects recent reports that average prices at the pumps bottomed out in early February. There is, however an expectation that fuel prices will rise again, which is likely to impact future sentiment.

The rise in positive opinion towards inflation continues among people surveyed, although its pace has slowed this month (+8pp in February compared to +29pp in January) as people adjust to lower fuel and power prices in particular. In February, the annual rate of CPI inflation was zero per cent, according to the ONS.

Over three quarters of people surveyed continue to have at least some disposable income. For those who have money leftover once bills and essentials have been paid, the majority (53%) of this money is likely to be spent; over a quarter (29%) is likely to be saved and the remainder (18%) would be used to pay off debt.



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**Claire Garrod, Head of Personal Current Accounts at Lloyds Bank, said:** “While people are still conscious of the factors affecting their finances, households are now much more positive about their spending power. We have seen sentiment improve over the last 12 months with a proportion of non-essential spend now being used to pay down debt, compared to being saved or spent.”

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Undertaken before the recent Budget, February’s Spending Power Report also highlights the positive shift in attitudes towards the country’s financial situation. Four years ago only 8% of those surveyed considered this to be good or very good. In February this figure had increased almost five-fold to 39%.

Although there have been some regional fluctuations, the picture of improved sentiment towards the country’s financial situation is reflected across the UK with the East of England and London the most positive.

Relative to income, there has been an improvement in sentiment amongst those surveyed who feel the worst off (those who do not have enough money to meet monthly outgoings), particularly on job security (+18pp since January).

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**Patrick Foley, Chief Economist at Lloyds Bank, said:** “With the combination of a steadily improving jobs market and lower prices for essentials, feeding through to household budgets, a positive mood among consumers is being maintained. As a result, the UK’s economic prospects continue to look bright for 2015, even if political events are set to introduce a little more uncertainty.”

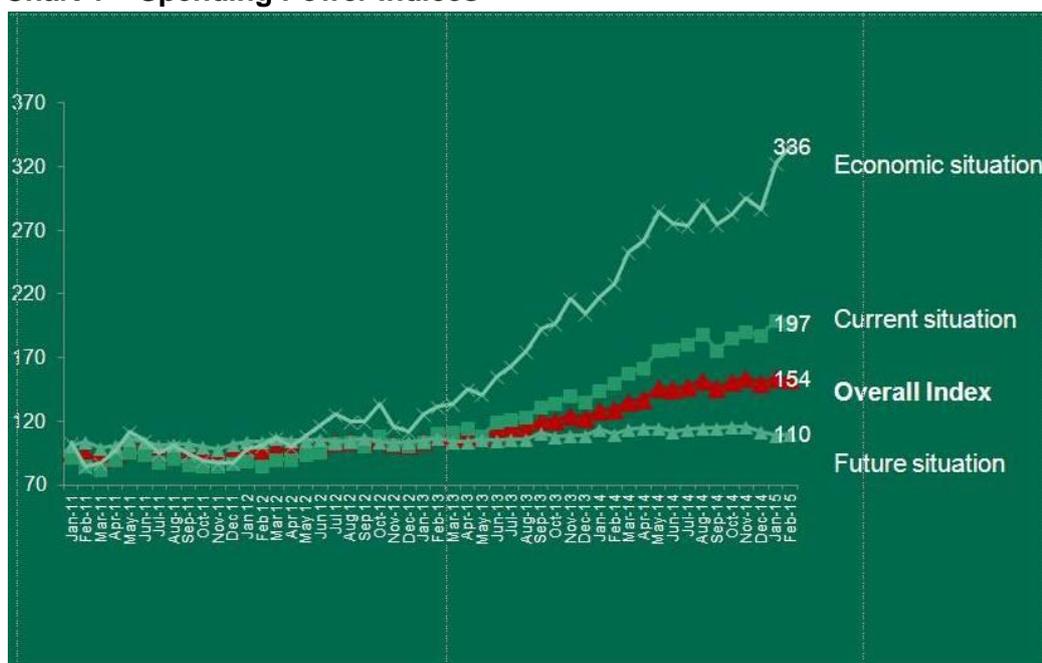
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Looking ahead, attitudes towards the future situation also remain stable and have stayed relatively unchanged in the last year. Overall, people surveyed do not anticipate any change in their future habits towards spending, saving or paying off debt. Almost four in five people (78%) believe that they will have the same amount of disposable income or more in the next six months.

**Ends**



### Chart 1 – Spending Power Indices



The four indices are calculated to provide a reflection of the public's attitude to the general economic situation (the Economic Situation Index are composed of sentiment on the country's financial situation, the UK housing market, Britain's employment situation and the current levels of inflation) and their perceived current and future individual circumstances (the Current and Future Situation Indices are composed of sentiment on personal and household financial situation, employment and job security and perceptions of levels of spending, saving and debt payment). The Overall Spending Power Index is a combination of the Current and Future Situation Indices.

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.

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 from current account data. 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.

Each month, over 2,000 adult bank account holders are asked about their current and future spending habits and how their commitments affect their spending power. Consumer research is compiled in conjunction with Ipsos MORI: Ipsos MORI interviewed a representative sample of 2,070 adults who hold a bank account aged 18-75 across the United Kingdom. Interviews were conducted online between 17<sup>th</sup> and 27<sup>th</sup> February 2015. Survey data were weighted to the known population proportions of this audience.

Research conducted by TNS during January 2011 - December 2014 (Feb 2011 Base: 2001). Jan 2015 - Feb 2015 research conducted by Ipsos MORI.

<sup>i</sup> From Lloyds Banking Group data

#### For further information

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