



SPENDING POWER REPORT

Spending power confidence drops in April during run up to the General Election

- Confidence drops back in April compared to March, but still remains at near record levels
- People are still spending less on gas and electricity (-6.7%) and fuel (-8.8%), compared to 12 months earlier
- Those planning to go on holiday this summer expect to spend £1,345 on average, but over a quarter (27%) are not planning on going away at all

CURRENT SITUATION

Down 5 points
(to 202)

FUTURE SITUATION

Down 2 points
(at 108)

OVERALL INDEX

Down 3 points
(to 155)

The latest Lloyds Bank Spending Power Report shows the overall confidence of people surveyed took a step backwards last month after seeing an upward trend throughout the rest of 2015 so far, resulting in the Overall Index dropping back three points to 155 [Chart 1].

People'sⁱ feelings towards both their current and future financial situations levelled off during April, with uncertainty in the run up to the General Election potentially restraining confidence towards personal finances (down 1 percentage point (pp)), household finances (down 1 pp) and the country's finances (down 5 pp).

Lloyds Banking Group economic data shows that April once again saw a fall in essential spending of -0.8% overallⁱⁱ, with growth continuing to be held down by lower spend on gas and electricity (-6.7%) and fuel (-8.8%), compared to 12 months earlier. However, the researchⁱⁱⁱ shows that more than one in ten people surveyed in April (13%) felt that they spent more on going out and treating themselves than they did a year ago; a 2 pp increase compared to March. This was particularly the case amongst those aged 55 and over (a 4 pp increase compared to March).

Patrick Foley, Chief Economist at Lloyds Bank, said: "Households retain a positive view of their financial situation, as a pickup in wage growth and muted inflationary pressures combine to strengthen real incomes. A more cautious assessment of future prospects continues to prevail, however. But against a backdrop of improving labour market conditions, and the lifting of some near term uncertainty following the election, a solid pace of growth seems likely to unfold this year."



April saw the Future Situation Index drop for the first time this year, taking it to 108, with the uncertainty in the run up to the General Election possibly dampening down the outlook. Anticipated future spending remains stable, with around two thirds (65%) stating they do not expect their spending habits to be different in six month's time.

However, with summer approaching, many people are already looking at the ways in which they can get the best deals on their holidays over the coming months. The consumer research^{iv} shows that the average amount people will spend on their summer holiday this year is £1,345. Families^v with children will, on average, spend around £400 more than those without (£1,610 vs. £1,212).

When compared to other age groups, 18 to 34 year olds are the most likely to be proactive in finding ways to fund their summer holidays. They are the most likely to shop around online to get the best deals, with over a third (36%) doing so, compared to 31% overall.

Also, 18 to 34 year olds are more likely to make cutbacks to spending, or save more throughout the year to fund their summer holidays, with almost a quarter doing this (22% vs. 16% of 35 to 54 year olds and 11% of those aged 55 and over), and the most likely to start saving early on in the year specifically for their holidays (24% vs. 18% of 35 to 54 year olds and 19% of those aged 55 and over).

Over a quarter (27%) of people surveyed said they were not planning on having a summer holiday in 2015. Over a third (36%) of those planning to take a holiday think that they will spend between £1 and £1000 on their summer holidays and at the other end of the scale, 5% of respondents think their holiday will cost more than £4,000.

Claire Garrod, Head of Personal Current Accounts at Lloyds Bank, said: “Spending power paused for breath in April with the political uncertainty in the UK seeming to impact financial confidence, which dropped back compared to March. However, despite this backwards step, confidence remains at a very high level and has been on an upward trend in 2015.

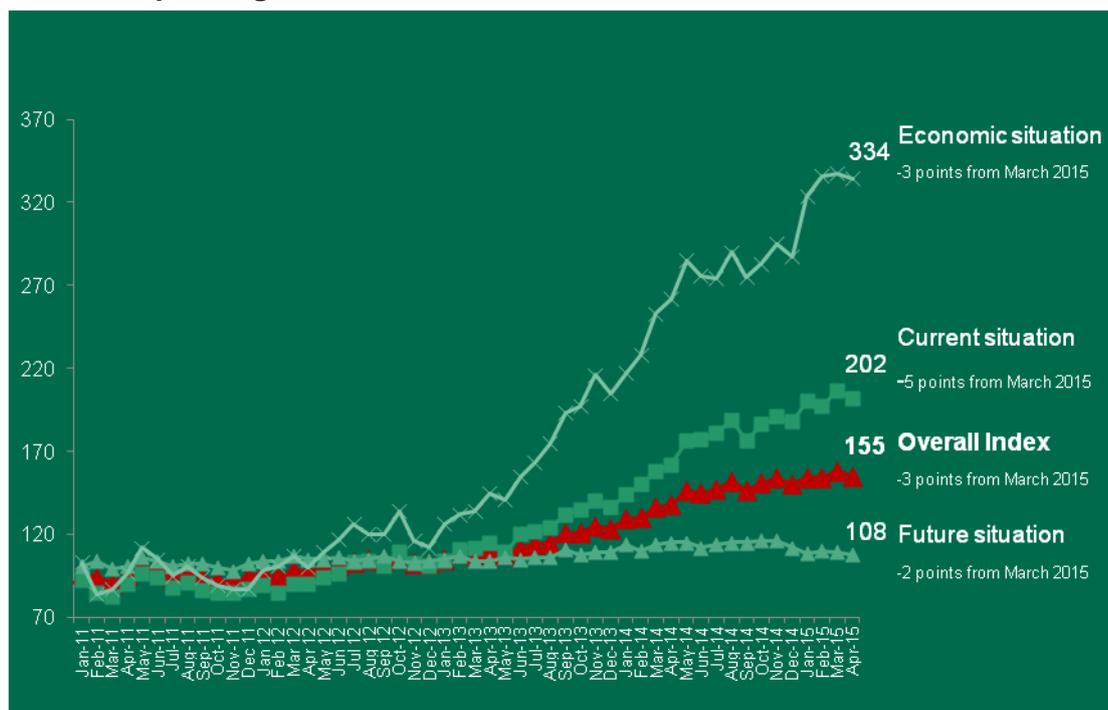
“Attention has now turned to summer spending and the best ways to finance summer holidays, with many people already shopping around online for the best deals and saving up to meet the costs, which are now £1,345 on average.”

ends

Notes to editors



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 16th and 27th April 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 - Apr 2015 research conducted by Ipsos MORI.

People surveyed aged between 18-34 – n = 624

People surveyed aged between 35-54 n=824

People surveyed aged 55+ n = 622 – in April-15, n= 818 in March-15

People surveyed who are going on holiday n = 1453

People surveyed who plan to go on a summer holiday who have children 0-18 living in the household n = 476

People surveyed who plan to go on a summer holiday who do not have children n = 977

Table 1 – April Hot Topic Questions

	Q2– How much do you think you will spend overall on your summer holidays in 2015?	Q1. Number of people surveyed Q1. As we approach summer time, have you done or do you expect to do any of the following to meet the costs of your summer holidays?	Q2. Number of people surveyed Q2. How much do you think you will spend overall on your summer holidays in 2015?
Total	£1345	2070	1453
East of England	£1238	189	137
London	£1330	275	193
South East	£1373	280	196
Wales	£1104	100*	58*
Yorkshire and The Humber	£1241	173	123
West Midlands	£1450	181	143
South West	£1060	172	127
North West	£1432	231	157
Scotland	£1276	177	117
East Midlands	£1313	149	111
North East	£1543	85*	51*
Northern Ireland	£1991	58*	40*

*Caution: small sample size (number of people surveyed per region).

ⁱ People refers to people surveyed as per Editor's notes

ⁱⁱ Previous month's data has been revised due to an upward revision in estimates of historical rent spend made by the Office for National Statistics, which accounts for circa 12% of essential spend

ⁱⁱⁱ Consumer research refers to the Ipsos MORI research referenced in the Editor's notes

^{iv} As above

^v Families refers to people surveyed who have one or more 0-18 year olds living at home