Lloyds TSB Spending Power Report Finds Household Budgets Remain Squeezed at Christmas

/EINPresswire.com/ Consumer spending power weakens as income struggles to keep pace with inflation.

The Lloyds TSB Spending Power Report reveals that, after inflation, spending power growth fell to -0.1% in November, the equivalent of around £11 less a year to spend on non-essential items. Therefore, despite positive retail sales figures from the high street in the run up to Christmas, the squeeze on household budgets remains and is still to show any material signs of easing.

The latest data continues a period of relatively weak income growth in real terms with income struggling to keep pace with the rise inflation in November. For non-essential items, annual growth in inflation ticked up to 2.7% during the month, from 2.4% in October. However, much of this recent rise is due to the impact of higher tuition fees. Therefore, non-essential inflation will be lower for a significant proportion of the population.

Within essential spending, growth in automotive fuel spend increased for the third month in a row to 4.2%. This can be attributed to people buying a higher quantity of fuel than at the same time last year, as well as an increase in prices at the pump.

By contrast, annual spending growth on gas and electricity bills declined for the seventh consecutive month, falling to 4.4%. However, as rice rises have been passed on to consumers later in the year in 2012 compared with 2011, an increase in growth in spending on utility bills can be expected in future months, further adding to the squeeze on households.

Patrick Foley, chief economist at Lloyds TSB, says:
"For a few months now, spending power in real terms has been flat. This is clearly a significant improvement from the start of the year, and is reflected in the consumer sentiment figures. However, consumers remain a long way from getting back to normal."

Current situation
The country's current financial situation remains a concern for most people. While sentiment has remained stable for the past two months, the situation is much improved when compared with

the same time a year ago, at which point sentiment was at its lowest level since the index began in November 2010, with well over half of
people stating the situation was 'not at all good'. Since November 2011, there has now been an 11 percentage point reduction in this figure, from 55% to 44%.

There was a small decline in people's perceptions towards their own personal financial situation in November, with 52% stating that their situation is 'not at all good' or 'not good' versus 49% in October. This is possibly a result of the impending Christmas holidays, a time at which personal finances are brought into harper focus than is perhaps the case at other times in the year. Within this measure there is a noticeable contrast in optimism between the sexes, with 10% of males stating their personal financial situation as either 'excellent' or 'very good' compared with 5% of females.

The view on the inflation situation in the UK worsened slightly from October, however the picture remains positive when compared with a year ago. In November 2011, 87% of people stated that the situation was 'not at all good' or 'not very good.' This is down to 81% in November 2012.

Future situation
Attitudes towards future discretionary income have improved, with the balance of pinion (the difference between those saying they will have more minus those saying they will have less in six months time) rising from -9% in October to -7% in November. Regionally, London has the most positive outlook on the future with a third (33%) stating that they believe they will have either 'more' or 'much more' money to spend in six months time. This is a significant uplift compared with the national average of 19%.

The balance of opinion with regard to saving (the difference between those saying they will save more minus those saying they will save less) remained at 2% in November – the twelfth consecutive month this measure has been in positive territory.

Notes to Editors:
The Lloyds TSB Spending Power Report examines trends in consumers' spending power, defined as income left after essential spending. Each month it covers both changes in actual spending power and in consumers' perceptions, as well as recording how consumers are reacting. The Spending Power Report measures payments into Lloyds TSB current accounts and subtracts essential spending essential spending – rent, mortgage and required debt payments, utility bills, council tax, TV1 licences, food and fuel, which is identifiable from card spending, direct debits and standing orders. Additionally, over 2,000 consumers are asked about their current and future spending habits and how their commitments affect their spending power2.

The Index is derived from the current account data of all Lloyds TSB customers, the largest provider of current accounts in the UK. This provides a robust and representative sample of the entire UK market.

Lloyds TSB Bank Plc is a retail bank in the United Kingdom. It was established in 1995 by the merger of Lloyds Bank.

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