Spending Power confidence reached new high in June

- Attitude towards current situation leapt by 22 points
- Confidence in the future dropped to its lowest level in over a year
- Essential spending declined at slowest rate since 2014

Spending Power confidence soared in the lead up to the EU Referendum, according to the latest data released by Lloyds Bank.

The monthly consumer poll, conducted in conjunction with Ipsos MORI, shows that the overall Spending Power Index reached 170 in June, up 11 points since May, to reach its highest level on record. There was a significant uplift in people’s attitude towards their current situation, which surged by 22 points to 232.

The proportion of people who said they had disposable income now stands at 82% (versus 81% in May). Meanwhile household financial situation, which measures the balance of those who feel comfortable minus those who feel short of money, is now at a record high of +27 (compared to +25 in May).

Research showed slightly improved opinions towards the UK’s financial situation (up 4 points) and people’s personal financial situation (up 2 points) since May. There was also an increase in sentiment towards Britain’s employment situation (up 15 points).

This all contrasted with a more muted view of the future situation, where confidence amongst those surveyed dropped by 1 point in June to stand at 108, its lowest level since May last year. The downturn reflects a significant decrease in the proportion of people who expect to have ‘more’ or ‘much more’ money in six months’ time (1), which has dropped from 24% to 19% since the turn of the year.

Patrick Foley, Chief Economist at Lloyds Bank said:
“In the run up to the referendum a more confident mood continued to build amongst households, however next month’s survey will indicate what impact the result has had on consumers’ view of the country’s financial situation and their own. Meanwhile, the previous boost to household budgets from reduced spending on essentials has continued to wane.”
Essential spending

Lloyds Banking Group’s own economic data shows that spending on essentials fell again in June, down 0.1% year-on-year. However it is now declining at its slowest rate since November 2014. This continues the trend seen in the first half of 2016, with the pace of decline gradually slowing from a figure of -1.6% at the end of 2015.

Spending on fuel continued to be down year-on-year at -3.2%, compared to -4.3% in May. This is now the slowest rate of decline in fuel spend since February 2014. Gas and electricity spend also fell, the figure of -4.5% marking its slowest rate of decline this year.

Food and drink expenditure bucked the trend as it nudged up slightly to +0.2%, its second consecutive month of marginal positive growth following a dip in April.

ENDS
Notes to editors

Chart 1 – Spending Power Indices

The three indices are calculated to provide a reflection of the public’s attitude to the general economic situation 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. Full technical details available at https://www.ipsos-mori.com/researchpublications/researcharchive.

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 2,072 adults who hold a bank account aged 18-75 across the United Kingdom. Interviews were conducted online between 17th – 24th June. Survey data were weighted to the known population proportions of this audience. People or people’s refers to people surveyed as per Editor’s notes.

Research conducted by TNS during January 2011 - December 2014 (Feb 2011 Base: 2001). Jan 2015 – May 2016 research conducted by Ipsos MORI.

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